



## **Institutional Arrangements for Climate Change in Pakistan**

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## Foreword

The report of the Planning Commission's Task Force on climate change (February 2010) and the National Climate Change Policy document commissioned by the (former) Federal Ministry of Environment of Pakistan in April 2011 represent significant milestones in the context of efforts to assess the various serious adverse impacts of climate change in Pakistan and propose appropriate responses to address them.

Cognizant of the widespread consensus, based on the extensive work done by the Intergovernmental Panel on Climate Change (IPCC) and other relevant quarters, on the indispensable role of institutional mechanisms in implementing climate change policies, strategies and plans of action, SDPI has produced this paper proposing institutional arrangements at the federal and provincial levels for addressing the climate change related challenges facing Pakistan. The paper offers concrete recommendations on how Pakistan, a large and densely populated country that is particularly vulnerable to the negative effects of the climate change, might formulate and implement actions, including in the areas of mitigation and adaptation, through an institutional arrangements which is holistic as well as representative of relevant stakeholders and avert, arrest and reverse the adverse impacts of climate change in Pakistan.

The publication of this document is especially timely as it coincides with efforts being made to adjust the governance structure according to the landmark 18<sup>th</sup> Amendment. I hope the recommendations contained in this paper will receive due attention by individuals and institutions involved in these efforts.

Ambassador (R)  
Shafqat Kakakhel  
EX- UN Assistant Secretary /  
Deputy Executive Director UNEP

# **Institutional Arrangements for Climate Change in Pakistan**

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## **Executive Summary**

As a country particularly vulnerable to the adverse impacts of climate change, Pakistan cannot afford to ignore the threat it poses to its economy and socio-political stability. To date, despite overwhelming evidence of this threat, Pakistan's response has been poor. Put simply, the issue of climate change is not captured in the country's overall economic planning. Integrating climate change concerns in our national economic strategies necessitates both a national climate change policy and institutional arrangements, for implementing it.

While building upon and learning from the existing situation, this paper aims at suggesting a possible approach at evolving an institutional arrangement, which is holistic, as well as representative of relevant stakeholders and concerns and able to avert, arrest and reverse the adverse impacts of climate change on Pakistan.

The institutional arrangement proposed in this paper also addresses three important functions i.e. policymaking, implementation and financing. It proposes to allocate these three functions to distinct entities in the system to ensure check and balance; avoid any conflict of interest; and to ensure that none of the proposed entities is either over burdened or is over-powerful to the detriment of the objective of addressing the risks and threats that climate change poses to Pakistan.

Specifically, it proposes that the Prime Minister's Committee on Climate Change (PMCCC), which has remained moribund, be revitalized. The proposed PMCCC should now be institutionalized as an apex body through a legislative mandate to integrate the effects of climate change and responses to them in the overall national planning and economic policymaking. Underneath PMCCC, there is a need to create a robust institutional set up both at the federal and provincial levels. The federal level structure, comprising a National Authority on Climate Change (NACC), should report directly to the PMCCC. A trimmed down but similar structure comprising Provincial Authorities on Climate Change or PACC should also be established to report to the PMCCC through NACC. The paper also proposes that the NACC should be established through a legislative mandate to deal with normative aspects of mitigation, adaptation, and Reduced Emission from Deforestation and Degradation (REDD+) cross cutting issues such as finance and technology as well as intergovernmental negotiations under the aegis of the UN and UNFCCC.

Given that the carbon market will continue to play a significant role in generating resources and facilitating transfer of technology, this paper proposes to establish a National Mitigation and Clean Development Council, with balanced representation from both the public and the private sector, to enable Pakistan to fully benefit from carbon trading.

Finally, it is proposed that Pakistan establish a Green Climate Change Fund with seed money of approximately US \$ 20 Million. This independent climate fund should be administered through a Board of 25 members comprising key stakeholders, serviced by a secretariat and a Trustee. The establishment of this fund and its autonomous structure would ensure necessary

policy cohesion in management and leveraging of available and prospective funding, both national and international, to mainstream mitigation and adaptation programmes and projects into national development strategies and plans at the country level.

## **Introduction**

The Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC FAR 2007) has concluded that delayed action or inaction could lead to irreversible consequences where developing countries like Pakistan will be affected most.

1. The IPCC (FAR, 2007) had also predicted a rapid melting of some Himalaya-Karakoram-Hindu Kush (HKH) glaciers which feed the rivers in Pakistan, India, Nepal and China and simultaneously a recession in others resulting in the creation of glacial outburst lakes. These changes will result in a net reduction in the flow of water feeding major rivers in South Asia and parts of China. Other dire predictions included disruption and unpredictability of monsoon rains (too little or too much; too early or too late) which replenish rivers, lakes and wetlands as well as underground aquifers.
2. In 2010, Pakistan experienced catastrophes testifying to the warnings, in the form of the Atabad outburst Lake in January 2011 which swept away villages and roads and cut the Hunza region in the North off from the rest of the country, and six months later, the unprecedented floods in the Indus River System which killed nearly 2000 persons, destroyed hundreds of thousands of villages, roads and other infrastructure, affecting 20 million people in all the provinces of the country. The financial damage of the flood is estimated at US\$9.5 billion.

## **Environment, Climate Change and Pakistan**

3. Pakistan has actively contributed to the efforts of the international community, including participation in intergovernmental negotiations, world summits, and the annual summits of the Commission on Sustainable Development for promoting actions to address global environmental threats. Pakistan has signed and ratified all 14 major multilateral environmental agreements (MEAs) including the UNFCCC, the Bio Diversity Commission (CBD) and the Biosafety Protocol (CP), the Desertification Convention (UNCCD), the Chemicals and Hazardous Waste Conventions, the Convention related to Endangered Species (CITES) etc.
4. Pakistan has also enacted legislation and established institutional mechanisms aimed at translating its commitments under the MEAs as well as for protecting and developing its environment and natural resources. The environmental laws include the comprehensive Pakistan Environmental Protection Act (PEPA) enacted in 1997. PEPA provided the legal basis for the establishment of an epic high level policy forum- the Pakistan Environmental Protection Council, the strengthening of the Federal Ministry of Environment, the establishment of the National Environmental Protection Agency (NEPA) at the Federal level. It also provided for the establishment and/or strengthening of Ministries of Environment, Sustainable Development Boards, environmental laboratories and environmental tribunals at the Provincial levels.
5. Pakistan has also formulated several national policy frameworks such as the National Environment Policy (2005), National Forest Policy (Draft), National Energy

- Conservation Policy (2006), National Renewable Energy Policy (2006) and Policy for Development of Renewable Energy for Power Generation (2006) etc.
6. As follow up to its commitments under the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol, Pakistan undertook climate related studies notably (a) the ALGAS; (b) UNEP country study on Adaptation; (c) first National Communications on Climate Change. More recently, the Ministry of Environment and the UNFCCC prepared a National Economic and Environmental Development Study (NEEDS). In terms of efforts to evolve a Policy framework on climate change, the Task Force on Climate Change (TFCC) under the aegis of the Planning Commission of Pakistan in October 2008 is a significant step forward.
  7. Pakistan has failed to appreciate that the enormous multilateral challenges of climate change will indeed accentuate and exacerbate the magnitude and intensity of all the sectoral environmental threats faced by Pakistan. This is evident from the failure to evolve a National Framework on climate change integrated with its developed priorities as outlined in Vision 2030 and Medium Term Development Framework (2005-2010).

### **Pakistan's vulnerabilities to climate change - context of the Institutional Arrangements**

8. Pakistan's vulnerabilities to the adverse impacts of climate change are numerous. Given the context of weak economic performance, difficult security environment, absence of robust scientific data and reliable climate related statistics, it is difficult to scale the challenge that climate change will pose to Pakistan. Notwithstanding these limitations, the national and international assessments regarding the impact of climate change indicate the following:
  - a. Over all temperature increase in Pakistan, as a whole, would be higher than the global average temperature increase;
  - b. Water resources already severely constrained by population growth and inefficient use would face additional stress due to variability in water flows in the Indus River System (IRS) resulting from reduced glacial melt in Himalayan ranges. Furthermore, climate change will enhance variability in monsoon and winter rains leading to more frequent and intense floods or droughts in the country;
  - c. Saline water intrusion, due to ongoing sea level rise in Pakistan, would damage the coastal zones and marine ecosystems in particular Indus delta with enhanced possibility of increased storm events. The current sea level rise in Pakistan is reported to be about 1.1 millimeter per year;
  - d. Increased heat, water scarcity and increased intensity and duration as well as frequency of droughts would seriously threaten our agriculture and food security;
  - e. Health care would face an additional challenge from outbreak of heat related and insect-transmitted diseases, from malnutrition as well as growing food and water insecurity.
9. Above all, as a developing country, Pakistan will not only be adversely affected because it is less able to adapt to the expected changes unlike many other developing and most developed countries but climate change would pose an additional challenge in tackling poverty, improving health care, and accessing cheap sources of energy such as coal.

## Climate Change Mechanisms and Initiatives in Pakistan

10. Since the adoption of the United Nations Framework Convention on Climate Change (UNFCCC), several attempts have been made to develop a national climate change framework and related institutional set up. Notable developments included the Cabinet Committee on Climate Change. This Committee was created in 1995 to act as policy coordination forum for dealing with climate change. This was later converted into the Prime Ministers Committee on Climate Change in 2004 as a high level Inter-Ministerial platform to forge linkages and coherence between climatic change challenges and the risks that climate change poses to national development and planning.

### **Prime Minister's Committee on Climate Change**

Established in 2005, the Prime Minister's Committee on Climate Change operates as the highest political body directing climate change discourse in Pakistan.

It is chaired by the Prime Minister of Pakistan and includes the Ministers of Water and Power, Food and Agriculture, Science and Technology, Environment, Deputy Chairman of the Planning Commission and Special Advisor to the Prime Minister.

The body is required to meet annually to note important climate change related developments taking place in the global arena and within the country. It is meant to highlight areas of crucial importance and gives direction to policy formulation on climate change in the country. While this body did meet at least four times during the tenure of the previous government led by the then Prime Minister Shaukat Aziz, it has gone into dormancy since 2008. It has neither been disbanded nor has it met regularly.

11. Pakistan also established, an autonomous Global Change Impact Studies Centre (GCISC) to conduct modeling-based research on climate change, especially its impacts on agriculture and water resources. It is the only research centre devoted entirely to climate change-related research. The other initiatives included (a) the Planning Commissions Task Force on Climate Change; and (b) the Minister for Environment's Core Group on Climate Change. Although these Ad Hoc mechanisms did provide basic policy direction they suffered from several bottlenecks.
  - a. The PM Committee on Climate Change suffered from a lack of sustainability and inclusivity/representation. The Committee has met only once during the present Government and its focus has been more on ceremony, less on substance. Its limited composition ensured that the issue of climate change was treated as an environment-related scientific concern as opposed to a development challenge.
  - b. The Planning Commission Task Force, whose composition accommodated all relevant stakeholders, suffered from lack of political, logistical and financial support. Despite the constraints, the Task Force managed to produce a basic report identifying the likely impacts of climate change on Pakistan;
  - c. The (existing) Core Group on Climate Change established by the Ministry of Environment sought to overcome both logistical and concerns of representation but it is also hampered by lack of adequate resources and participation by public sector stakeholders. Despite these impediments, the Core Group has managed to evolve consensus in approaching the climate change negotiations and in recent months, has even attempted to focus on larger policy questions. However, the

efficacy of the Core Group remains limited. In the wake of the 18<sup>th</sup> Constitutional amendment, which has devolved environmental issues to the provincial level, the future of the Core Group has become uncertain.

### Planning Commission Task Force

The Planning Commission Task Force in Climate Change was established as an initiative by the then Deputy Chairman Planning Commission in October 2008. It was tasked to do the following:

1. To contribute to the formulation of a climate change policy that would assist the Government in pursuing the paramount goal of sustained economic growth by appropriately addressing the challenges posed by the threat of climate change.
2. To identify and recommend appropriate policy measures for ensuring water security of the country through planning and coordinating in-depth studies of the impacts of climate change and the melting of Himalayan glaciers on the Indus River inflows.
3. To formulate appropriate policy guidelines to ensure food security and energy security of the country in the wake of overall warming, the changing temporal and seasonal water picture in Indus River System, and the rise of sea level caused by global warming.
4. To recommend policy measures for promoting large scale Adaptation and Mitigation efforts, including various CDM activities, in various sectors to counter the overall challenge of climate change.
5. To assess the existing institutional capacities in various organizations and recommend measures for their strengthening, as deemed appropriate.
6. To recommend measures for enhancing understanding and awareness of climate change issues among all relevant stakeholders, including the general public.
7. To recommend the establishment of an appropriate over-arching review-and-policymaking body responsible for advising the Govt. of Pakistan for addressing the threat of climate change in all its manifestations on a continuing basis, to carry forward the work done by the Task Force.

The Planning Commission Task Force has completed its work and issued its final report on the state of climate change in Pakistan in February 2010.

12. The outcome of these ad hoc arrangements has been less than optimal with participation by only a few stakeholders – in most cases the government sector alone. The most glaring shortcoming of these mechanisms has been the absence of a predictable/allocated source of funding; and/or legislative authority to formulate and implement decisions. In some cases, there has been little or no secretarial support, especially technical, which is crucial to discussion and formulation of policy approaches.
13. On the positive side the print and electronic media's coverage and discussions by the civil society have enhanced the public's awareness of the linkage between climate change and socio-economic development and poverty eradication. Local and foreign NGO's have also vitally contributed to studies and dialogues on climate change. These raise the hope that our economic planners are likely to realize, sooner rather than later, that the national socio-economic fall-out of climate change will have to be addressed in a holistic and integrated manner.

### Ministry of Environment's Core Group on Climate Change

The Ministry for Environment took the initiative to establish a "Core Group" on Climate Change aimed at forging Pakistan's approach and policy towards the negotiations underway at the UNFCCC following the adoption of the Bali Plan of Action (2007). The Minister for Environment chairs the CG.

The Core Group meets regularly. During its existence and has debated approach undertaken at the negotiations and considered options for responding to new proposals. It has a broad but rather flexible composition ranging from civil society, think tanks and various Ministries.

Despite regular invitation and sharing of information by the Ministry for Environment, a number of important Ministries have not exhibited interest in contributing let alone benefiting from the Core Group deliberations.

14. Given the scale of climate related threats faced by Pakistan and the minimal ability to respond, it is evident that present arrangements and institutions fall short of meeting the challenge. We need to change the way we operate by entirely reconfiguring the institutional arrangement for addressing climate change issues.

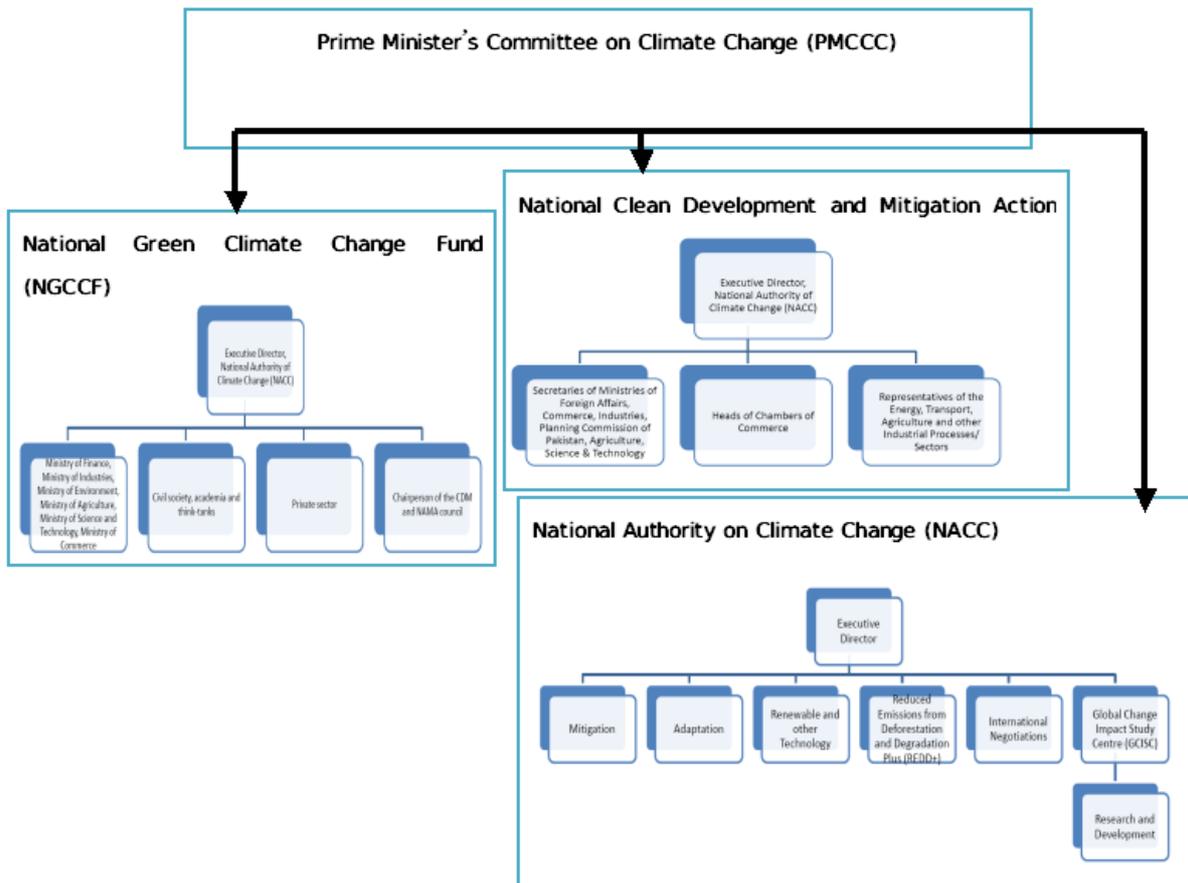
### Reviving the Prime Minister's Committee on Climate Change (PMCCC)

15. The primary actor in the new institutional arrangement should be the Prime Minister's Committee on Climate Change which would need to be revitalized in terms of its composition, technical and secretariat support, and dedicated resources.
16. The composition<sup>1</sup> of this Committee reflects the need for ensuring representation of key economic and social sectors which are likely to be severely impacted by climate change. It will also ensure the ability of the Committee to evolve political consensus based on impeccable scientific and technical assessments of the impacts of climate change on Pakistan.

### Proposed Compositional Changes in the Prime Minister's Committee on Climate Change

Features	Current Status	Recommendation
Composition	<ol style="list-style-type: none"> <li>1. Ministry of Water and Power</li> <li>2. Ministry Food and Agriculture</li> <li>3. Ministry Science and Technology</li> <li>4. Ministry of Environment</li> <li>5. Deputy Chairman of the Planning Commission</li> <li>6. Special Advisor to the Prime Minister</li> </ol>	Addition of the following Ministries: <ol style="list-style-type: none"> <li>1. Ministry of Foreign Affairs</li> <li>2. Ministry of Industries, Production &amp; Special Initiatives</li> <li>3. Ministry of Finance and Revenue</li> <li>4. Ministry of Health</li> <li>5. Ministry of Population Welfare</li> <li>6. National Disaster Management Authority (NDMA)</li> <li>7. Provincial Chief Ministers</li> </ol>
Secretariat	Global Change Impact Study Center	National Authority on Climate Change
Meeting	Annually	Biannually

<sup>1</sup> Currently, the PM's Committee comprises the Ministries of Water and Power, Food and Agriculture, Science and Technology, Environment, Deputy Chairman Planning Commission and Special Advisor to the Prime Minister on Science and Technology, Dr. Ishafaq Ahmed.



17. Since the Prime Minister's Committee on Climate Change (PMCCC) forms the apex in the proposed institutional mechanism, it should be revived and resuscitated through a legislative mandate and by the National Assembly. In the authors view, there is a need to review its model and mandate in the following manner:
- Enhance its membership and representation by involving key public sector stakeholders. This would require enhancing the composition of the Committee, which should include the Ministry of Population Welfare, Ministry of Finance, and Ministry of Industries, Production & Special Initiatives, Foreign Affairs as well as the four provincial Chief Ministers;
  - Earmark a predictable source of funding to enable the PMCC to ensure implementation of its decisions and policy approach. To this end, we should establish an independent financial architecture – National Climate Change Fund (NCCF). The rationale and structure of the National Green Climate Fund is discussed later in the paper.
  - PMCC should be serviced by a secretariat comprising scientists, technocrats and civil servants seconded from relevant federal groups. This task should be given to the National Authority on Climate Change, whose detailed structure and functions are listed later in this paper;
  - PMCC should meet at least biannually to follow up on its previous decisions and review important climate change related developments taking place in the global arena and within the country.
18. Broadly, PMCC will direct the country's response to climate change including the identification of priority areas, initiation of large scale projects, articulation of the

country's position and overseeing the work undertaken by other bodies in the institutional structure. Its broad parliamentary mandate could include the following:

- i. Approving guidance to approaches and policy to be pursued in the International negotiations and policy making under the UNFCCC and its Kyoto Protocol and approving guidelines submitted to it in this respect;
- ii. Receiving recommendations from the National Authority on Climate Change, other Ministries and reviewing and approving measures for ensuring integration of climate change concerns and risks in the overall national economic planning and infrastructure developments;
- iii. Reporting to the National Assembly on bi-annual basis.

### National Authority on Climate Change (NACC) – Organizational Structure

19. The National Authority on Climate Change would function as the nerve center in formulating and overseeing Pakistan's response to climate change. Working directly under the Prime Minister's Committee on Climate Change, the National Authority on Climate Change<sup>2</sup> would operate at the federal level with dedicated cells in all provinces. The NACC would also act as secretariat of the PMCCC.

20. Led by an Executive Director (with the status of a Minister of State?) to be appointed by the Prime Minister in consultation with members of the PMCC, the organizational setup of the National Authority on Climate Change would include the following:

- a. Mitigation Unit
- b. Adaptation Unit
- c. Energy Unit<sup>3</sup>
- d. Reduced Emissions from Deforestation and Degradation Plus (REDD+) Unit<sup>4</sup>
- e. International Negotiations
- f. Research and Development Unit

21. The Department Heads for each of the five units of the cells would be professionals as opposed to civil servants. They will be responsible for the activities being undertaken within their unit and their respective provincial counterparts. Each Department Head will report directly to the Executive Director who in turn would be reporting to the PM's Committee on Climate Change.

#### Mitigation Unit – proposed role

Create a long-term strategy for Nationally Appropriate Mitigation Action (NAMAs) actions in the country.

Act as the platform in identifying areas for reducing the intensity of emissions in the industrial, agriculture and other areas, as necessary, from the business as usual scenario;

Coordinate with technology unit in exploring and identifying technologies for Adaptation and mitigation;

Endorse NAMAs proposed by any national public or private entity for submission in the Registry.

<sup>2</sup> National Authority on Climate Change can be established as part of the legislative Act by the Parliament on the establishment of the PMCCC.

<sup>3</sup> This role could be given to Alternative Energy Development Board (AEDB) of Pakistan. This would necessitate merging AEDB in the new institutional design and placing it directly under the control of the NACC

<sup>4</sup> This role could be given to a strengthened Forest branch of the Ministry of Environment and Forests.

**Adaptation Unit – proposed functions**

Evolved and approved, the Adaptation Unit will create a National Plan of Action on Adaptation;

Author or Commission reports and research as well as monitor core areas of vulnerabilities i.e. water, food and energy;

Prepare and submit national legislation for approval by the Prime Ministers Committee on Climate Change and its subsequent deliberation and adoption by the Parliament.

Endorse all adaptation projects and programmes and will act as Designated Authority for projects/programme of adaptation to finance through the National or International Funding.

22. The International Negotiations Unit will be led by an experienced diplomat seconded from the Ministry of Foreign Affairs working under the Executive Director of the Cell. The Global Change Impact Study Center (GCISC) will lead the Research and Development Unit.

**Functions/Role**

23. The National Authority on Climate Change would be the focal point for UNFCCC, its Kyoto Protocol and the future instruments and bodies. The Authority would have separate units overseeing Adaptation, Mitigation,

Technology, and REDD+. Its functions would include the following:

- a. To recommend the adoption of PMCCC policy measures for meeting the challenges and averting threats posed by climate change.
- b. To assist the government through the PMCCC to promote sustainable economic growth through short, medium and long-term strategies aimed at ensuring inter alia water, food and energy security, in harmony with the work of the Planning Commission and sectoral Ministries and bodies.
- c. To identify specific needs for international cooperation and support in responding to climate change and its impact in Pakistan.
- d. To propose legislation and other policy measures for evolving a National Climate Investment Framework; National Carbon

**Technology unit – Proposed role**

Assess the state of technology Research and Development (R&D) and highlight areas that need further development through local efforts and/or international assistance.

Promoting investment in the development of technology at local level and through international technology transfer mechanisms.

Guiding and overseeing the technological development in adapting and mitigating climate change in the

**Proposed role of the REDD+ Unit**

Assessing the carbon stock in Pakistan's forests and measuring the financial value for the carbon market

Identifying specific REDD+ project opportunities through a focused scoping instrument, such as the REDD Opportunities Scoping Exercise (ROSE) tool and promoting Measurement, reporting and verification methodology

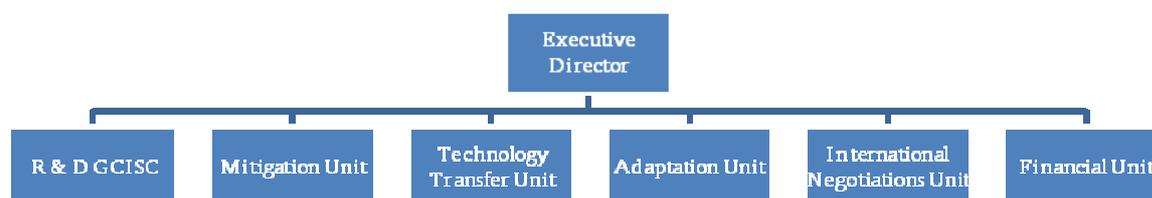
Addressing technical carbon accounting issues and GIS mapping of forests

Assessing the proportion of emissions resulting from degradation as opposed to deforestation activity

Analysing the policy, legal and technical requirements for REDD+, including the national baseline and institutional roles and responsibilities

- Market; National Plans of Actions on Adaptation and Long Term Mitigation Strategy;
- e. To submit through the PMCCC for adoption by the Parliament, strategies and tools for dealing with the regulatory framework of the international commitments such as UNFCCC and its existing and future Protocols;
  - f. To monitor key vulnerabilities especially in water, energy and food in close collaboration with relevant Ministries;
  - g. To act as a platform for discussions and consultations with the academia, NGOs and private sector in identifying and addressing mitigation and adaptation;
  - h. To function as the technical arm together with Ministry of Foreign Affairs and others in leading international negotiations under the framework of UNFCCC and other bodies dealing with climate change issues.

### National Authority on Climate Change - Organizational Structure



### Provincial Climate Change Cells

24. Provincial Climate Change Cells will be modeled along the lines of their federal counterpart; the Provincial Cells will work in congruence with the guidelines laid at the national level. All provincial cells would be directly responsible to the National Authority. These cells would undertake the task of implementing and designing projects and activities related to adaptation and mitigation in the respective provinces. Furthermore, the provincial cells will ensure that climate change specific to them, such as rising sea level and its consequences which are particularly crucial for Sindh, are adequately addressed.

### National Clean Development and Mitigation Actions Council

#### *Existing set up and Background*

25. The CDM cell of the Federal Ministry of Environment was setup in August 2005. It became operational in February 2006, following the Prime Ministers approval of the National Operation Strategy for a Clean Development Mechanism (CDM). The CDM secretariat is headed by the Director General of the Ministry of Environment who also acts as Pakistan's National Focal Person for its Designated National Authority located in the Ministry of Environment. The CDM cell is responsible for undertaking all CDM related activities in the country including the provision of technical and policy support, implementation of CDM strategy, enhancing the capacity for CDM project development, raising awareness, review of CDM projects for grant approval by the DNA and advising the Government in technical matters related to CDM in Pakistan.
26. Pakistan occupies a meager share in CDM projects in relation to other developing countries and contributes a mere 0.4% in the annual generation of CER [certified

- emission reduction] credits.<sup>5</sup> Pakistan has 11 registered projects out of the over 3000 projects registered as of early 2011.
27. The existing structure of the CDM Cell has lagged behind in utilizing the CDM potential. This needs to be significantly enhanced to realise the full potential of the carbon market in Pakistan on the basis of a professional evaluation of its performance during the past five years.
  28. The existing construct lacks capacity both human and financial in order to attract investment from both the public and the private sector. Also, the CDM Cell's role in encouraging the private sector and other key stakeholders in the system such as the Ministry of Commerce, Planning Commission, and Ministry for Industries, Ministry for Information Technology, the Chamber of Commerce etc needs particular attention. Pakistan needs to fully benefit from the UNFCCC and friendly Governments.
  29. The decision adopted at Cancun (16<sup>th</sup> Conference of Parties to the UNFCCC) has set in motion the need to generate and register Nationally Appropriate Mitigation Actions (NAMAs). It is in Pakistan's interest to quickly upgrade its potential to exploit the carbon market and evolve an institutionalized mechanism which can respond to the international obligations emerging from the Cancun Agreement as well as the projected growth in our emission trajectory.
  30. For this purpose, we should establish National Clean Development and Mitigation Actions Council, which will review and approve CDM project proposals and NAMA projects and report progress to the Prime Minister Committee on Climate Change. The National Climate Change Cell will undertake the actual implementation and the task of the Board remains to evaluate and approve CDM and NAMAs projects to both PMCC and the NACCC. The NACCC should have a balanced representation of the private and public sectors with Executive Director of NACC being an Ex-officio member. The Council – co-chaired by a public and private sector representative - should ideally comprise 13 (Ten) member from the following constituencies:
    - i. Secretary Ministry of Foreign Affairs
    - ii. Secretary Ministry of Industries
    - iii. Secretary Ministry of Commerce
    - iv. Secretary, Planning Commission of Pakistan
    - v. Secretary Ministry of Agriculture
    - vi. Secretary Ministry of Science and Technology
    - vii. Heads of all Chambers of Commerce and Industry
    - viii. Representative of the Energy, Transport, Agriculture, Forests and other Industrial Processes/Sectors
    - ix. Executive Director, National Climate Change Cell

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<sup>5</sup> With China contributing 59%, India 12%, Brazil 6% and Mexico 3%

## National Climate Change Fund

Pakistan's financing needs for mitigation and adaptation actions are estimated to range between US \$ 14-31 billion a year<sup>6</sup>. During the past two years, projects amounting to approx. US\$ 14.5 billion were launched in the country of which US\$ 1.5 billion were made available from national budget. This was matched by foreign assistance amounting to US\$ 3 billion. Notwithstanding the increased budgetary allocation and foreign assistance, the gap between the resources and needs is huge and likely to stay the same.

The international community has thus far agreed to mobilize US \$ 100 billion annually with effect from 2020, in addition to promising US\$10 billion annually for three years (2010-12) for quick start financing. Simply put, the need for financing by the developing countries will exceed the supply. This situation is unlikely to change in near or long term future. Also if countries like Pakistan want to mitigate the adverse impacts of climate change, they will have to rely on domestic resources to a considerable extent.

Many developing countries have already recognized this and have developed national funding mechanisms devoted to climate change. Some countries<sup>7</sup> are either establishing or putting into operation, dedicated national funding entities. The common features amongst these national funding entities are:

- a. Desire to upgrade national action on climate change;
- b. Secure and manage funding to support this action both from international and national sources;
- c. Ensure that these activities are fully mainstreamed into their development strategies and plans;
- d. Accord certainty to local and foreign investors in the carbon market; provide incentives to the local and international financial entities for their operations in the country;
- e. Guarantee insurance to foreign investors as well as donors that climate change actions will be cohesive and in line with both national and international priorities; and
- f. Ramp up and mobilize local financial resources through levies, regulatory incentives as well as by

### Terms of reference of the National Climate Change Fund (NCCF)

#### Oversight

Ensure that financing is delivered to projects in line with climate change-related national strategies.

Ensure that climate change activities to be financed are duly mainstreamed into these national development strategies.

Establish, and to manage, performance criteria for financing and delivery or results if and when needed.

Coordinate financial resources and approval of funding requests.

Establish systems for review, monitoring, and where applicable, accreditation and verification of performance.

#### Financial Support

Receive and manage funds from global funding mechanisms (including additional ones that may be established).

Mobilise and leveraging additional resources.

Ensure responsible and fiduciary sound management of funds.

Manage the programme cycle of funds disbursed.

#### Standard Setting

Develop nationally relevant eligibility and performance criteria.

Develop economic, social, and environmental safeguards to ensure that activities funded are in line with national priorities.

Establish methods for performance assessment and evaluation in general, and more specifically for funding, where the measure of performance does not have obvious ready-made standards and metrics (policies and measures).

#### Accountability

Develop the ability to report on performance, either for internal performance assessment purposes or for performance reporting if and when needed.

Ability to maintain registers if and when needed.

Monitor and evaluate.

Reach out to civil society and stakeholders in general.

<sup>6</sup> NEEDS Study supported by UNFCCC Secretariat and authored by Malik Amin Aslam, former Minister of State, Ministry of Environment, Shakeel Ahmad, Dr. Vaqar, Dr. Pervaiz Amir, Zuhair Munawar

<sup>7</sup> India, China, Brazil, Indonesia, Bangladesh, Mexico, Chile, Ecuador, Jamaica, Egypt, Niger, Tanzania, Tonga, Senegal, Turkey, Philippines, Thailand, Tunisia, Morocco, Maldives, Guyana, Costa Rica, Cambodia

- promoting climate risk management tools such as crop/flood insurance etc.
34. Even though some of these emerging local funding entities differ on the specific objectives, their sources, and their governance, all of them address their climate change related priorities. Some have focused objectives, such as Bangladesh on climate resilience, Amazon Fund of Brazil on sustainable forest management, and China on clean energy investments. In addition, most are also mobilizing funding of their own from other national sources such as the case in Brazil from oil revenues, India from coal, China from CDM proceeds, and Ecuador from pledges against its decision to forego oil exploration in a vast area of Ecuador.
  35. Pakistan's situation clearly indicates the need for creating a National Green Climate Change Fund, which would operate as a national body responsible for overseeing, coordinating and directing all governmental and non-governmental financial resources for climate change related projects in the country. It will function as the country's representative body in the international financial regime for climate change.
  36. The Climate Change Fund will be directly responsible to the Prime Minister's Committee on Climate Change and will work closely with the National Authority on Climate Change Cell and the CDM and NAMA Council. It will operate solely as a financial arm of the Climate Change Institutional Mechanism, directing and allocating funds for projects undertaken by the Climate Change Cells and CDM cell whilst not undertaking projects on its own.

### **Proposed Composition**

37. The National Green Climate Change Fund (NGCCF) should have representation from both the private and public sectors. It will ensure donors participation in its decision making process. The NGCCF will be governed by a Board, serviced by a Secretariat and will have a Trustee to ensure fiduciary management of its funds. The members of the Board will include representative from the following:
  - a. Ministry of Finance;
  - b. Ministry of Industries;
  - c. Ministry of Environment;
  - d. Ministry of Agriculture;
  - e. Ministry for Science and Technology;
  - f. Ministry of Commerce;
  - g. Three representatives from the civil society, academia and think tanks;
  - h. Three representative from the private sector;
  - i. Chairperson of the CDM and NAMA Council;
  - j. Executive Director of the National Authority on Climate Change;

### **Concluding Remarks**

Climate change is not a temporary phenomenon or an issue likely to disappear in a few years. The 2010 torrential rains and unpredictable monsoon season is a sign of the environment and climate that countries like Pakistan will face. What is at stake for Pakistan is its future economic resilience and its food, water, and energy and health security. There is no doubt that some sectoral actions are taking place. These include projects on enhancing the agricultural yield, pilot projects for establishing wind farms, rain water harvesting, and procurement of advance technology for industry to reduce pollution. However, what is

missing in our efforts is an integrated response and that response cannot come about without reforming the institutional arrangement. The sooner we undertake this effort, the better prepared will we be to meet the challenges of climate change.

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