

CLIMATE INJUSTICE: THE IMF UNDERMINING JUST TRANSITION IN PAKISTAN

DEBT AND CLIMATE CRISES IN PAKISTAN

Pakistan's arrangement with the IMF began in 2019 to address the balance of payment crisis and would disburse \$6 billion in various reviews. The rise in international interest rates, the spike in food and fossil fuel import costs and the climate crisis have all worsened the debt crisis.

Pakistan is increasingly vulnerable to climate-related loss and damage. Floods in August and September of 2022 affected 33 million people and destroyed the homes of at least two hundred thousand people.

The country desperately needs access to a new tranche of the loan, but the IMF continues to push for tougher policy conditionalities attached to it. These have had negative impacts on the country's fiscal space and agency to lead a just transition.



IMF UNDERMINING PAKISTAN'S JUST TRANSITION

The agreement ignores Pakistan's climate policy.

Even though the seventh and eighth reviews of the agreement were approved by the Board during the deadly 2022 floods, they don't mention Pakistan's NDC, and the debt sustainability analysis (DSA) attached to the program excludes climate finance needs, including those related to loss and damage.

Energy subsidy reduction and hike in energy prices.

The Pakistani government must cut its spending by \$9 billion, mainly through the reduction of fuel and power subsidies. Energy subsidy reduction means women spend more time collecting firewood and more income on household essentials, further enlarging gender gaps in a country where 70% of female labor is in the informal sector.

Tax reform. The IMF has supported an increase in regressive consumption taxes, including sales tax for electric vehicles.



ENSURING A CLIMATE JUSTICE APPROACH

The IMF should cross-cuttingly incorporate climate finance needs in its activities. This is not the case in Pakistan today.

DSAs should consider climate finance needs, allowing investments in indigenous adaptation solutions in climate-vulnerable countries.

Public funding, including subsidies, for local renewables should increase.

Major beneficiaries of solar and wind energy have been poorer subsistence farming communities without grid access. Investments in renewables could alleviate the balance of payment problems associated with fossil fuel imports.

Fossil fuel subsidies should only be phased out within a medium transition plan that guarantees protection of vulnerable populations and economic health of the country.

This is not the case in Pakistan today.

Countries with climate-related loss and damage should receive debt cancellation.

Countries that are responsible for the climate crisis should ensure a new IMF issuance of debt- and conditionality-free SDRs.



"PAKISTAN'S CIVIL SOCIETY AND COMMUNITIES URGE THAT THE IMF REVIEW ITS RECKLESS POLICY TOWARD PAKISTAN'S 33 MILLION SUFFERERS OF CLIMATE-INDUCED FLOOD DISASTER IN 2022. THE IMF SHOULD ALIGN ITS PROCESS WITH THE PARIS AGREEMENT AND BUILD THE RESILIENCE OF POOR PEOPLE INSTEAD OF DRAGGING THEM BELOW THE POVERTY LINE."



-FIZA QURESHI, INDUS CONSORTIUM, PAKISTAN