Pakistan’s FY2026-27 Climate Budget Reduction: Implications for Resilience, Climate Finance, and Intergenerational Equity

Executive Summary

Pakistan’s federal budget for FY2026-27 has set the climate ministry’s Public Sector Development Programme (PSDP) allocation at Rs2.48 billion, the smallest in at least five years and part of an 83% decline since FY2021-22, when the ministry received roughly Rs14.3 billion *(Dawn, 2026a)*. The cut lands as NDMA Chairman Inam Haider Malik has warned lawmakers that El Niño conditions are likely to intensify extreme weather across the region in 2026-27, and as Senate Standing Committee on Climate Change chairperson Senator Sherry Rehman has called the reduction “shocking,” questioning the rationale for a proposed new Climate Authority amid existing funding constraints *(Dawn, 2026b)*.

This brief examines the cuts through four lenses- administrative, local, international, and youth- and finds that Pakistan is increasing disaster-response spending while cutting prevention and adaptation, raising questions about the consistency between Pakistan's domestic climate investment and its international climate finance requests.

Introduction

Pakistan has long positioned itself as one of the world's most climate-vulnerable countries, contributing less than 1% of global greenhouse gas emissions while bearing recurring losses from floods, heatwaves, and glacial hazards. The federal budget for FY2026-27 has allocated Rs2.48 billion to the Ministry of Climate Change and Environmental Coordination, declining each year and a smaller single-year decline from the Rs2.7 billion allocated in FY2025-26 (Express Tribune, 2026a). This brief analyzes the implications of that reduction through four lenses: administrative, local, international, and youth.

Administrative: The Budget Facts

The Ministry of Climate Change and Environmental Coordination's Rs2.48 billion FY2026-27 allocation supports four ongoing projects spanning ecological restoration, green skills development, urban climate resilience, and institutional capacity-building (Dawn, 2026a):

- Rs 2.335 bn (94% of the allocation), Up-scaling of the Green Pakistan Programme (UGPP).
- Rs 51.6 million (2.1%), Green Skills for Sustainable Development.
- Rs50 million (2.0%), National Urban Strategy for urban flooding, drought, and disaster resilience, delivered with UNFCCC Adaptation Fund and UN-Habitat support.

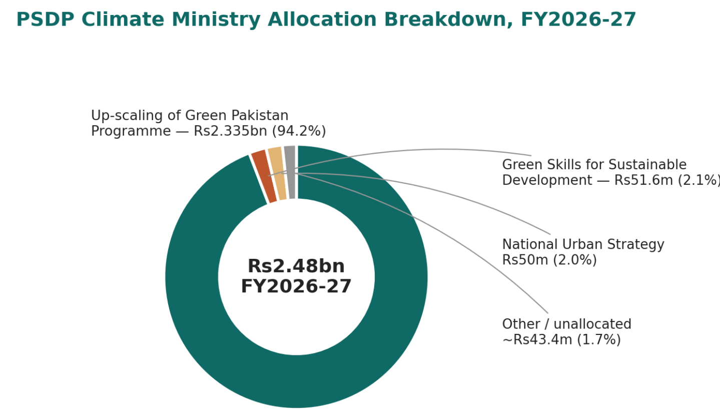

Figure 1: PSDP Climate Ministry Allocation Breakdown, FY2026-27 (Dawn, 2026a).

Five-year trend

The ministry's PSDP allocation has fallen in every fiscal year since FY2021-22, from approximately Rs14.3bn to Rs2.48bn, an 83% decline in five years (Dawn, 2026a; Express Tribune, 2026a). Alongside the rise in post-disaster spending discussed below, the trend is consistent with a broader budgetary pattern in which disaster-response allocations have increased while preventive adaptation investments have declined.

The disaster-vs-prevention pattern

Beyond the ministry's own line item, federal disaster-management allocations rose sharply in FY2026-27, continuing a pattern of increased post-disaster response spending *(Geo News, 2026)*. This sits alongside the cuts to the ministry's own development budget described above, reinforcing the same pattern: Pakistan is spending more to respond to disasters and less to prevent them or adapt in advance.

Climate revenue vs. climate spending

Pakistan has introduced new climate-linked revenue streams in recent budgets, including a Climate Support Levy and an Electric Vehicle Adoption Levy, and climate-linked revenue collection is estimated at approximately Rs. 2.026 trillion. Of that, only around Rs. 214bn is currently tagged as direct climate-related expenditure *(Geo News, 2026)*. That works out to roughly Rs. 10.6 spent on climate action for every Rs. 100 collected through climate-linked revenue, an implied ratio of approximately 8.4:1 in favor of general treasury allocation over climate spending.

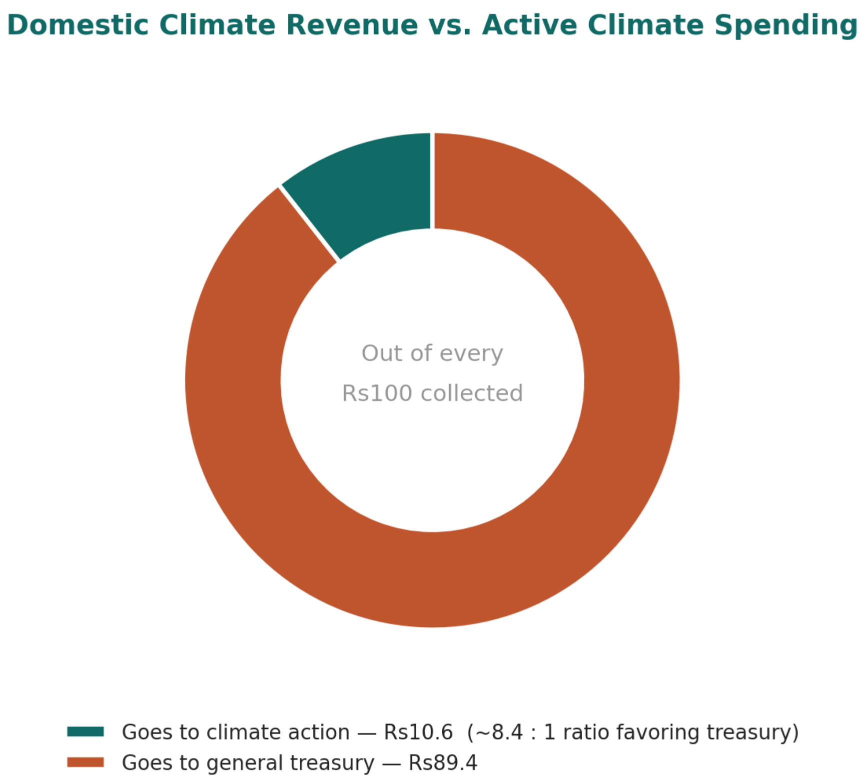

Figure 2: Domestic Climate Revenue vs. Active Climate Spending Ratio (Geo News, 2026).

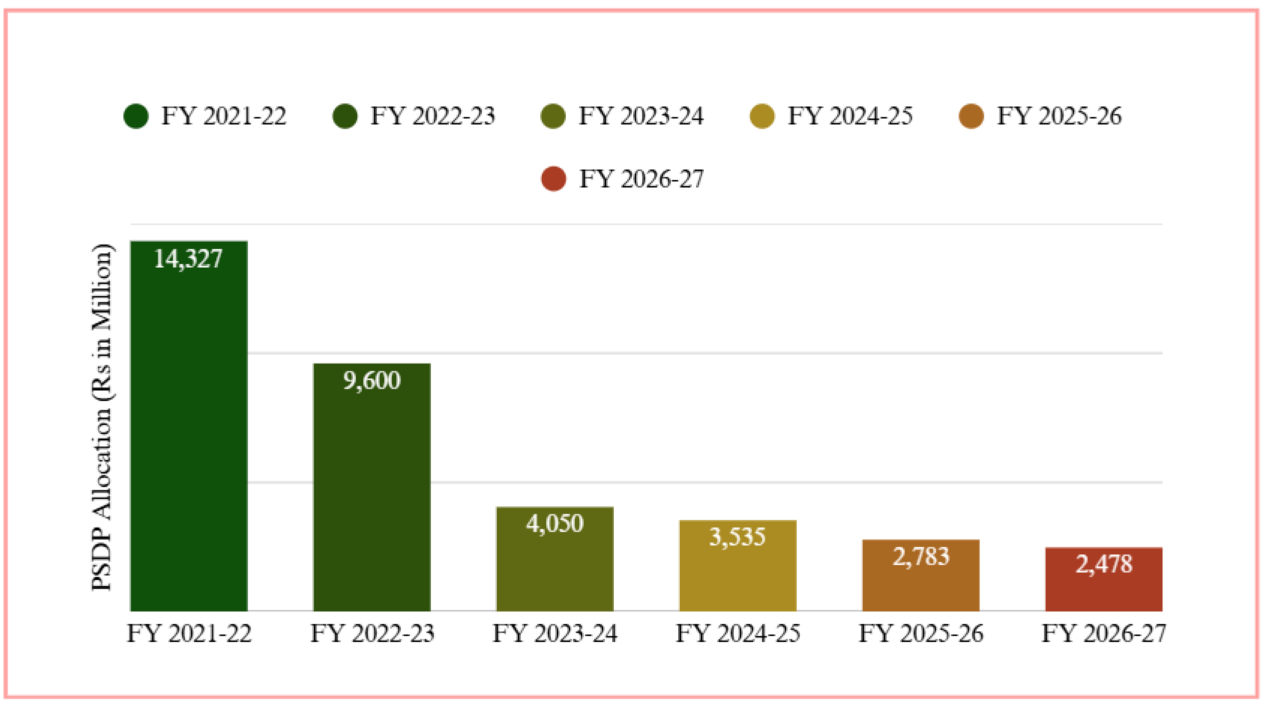

Figure 3: Five-Year PSDP Climate Budget Trend (FY2021-22 to FY2026-27)

Note: Figures represent PSDP allocation/revised allocation as cited, not actual expenditure.

Administrative coordination concerns

NDMA Chairman Inam Haider Malik has warned about intense climate conditions and extreme weather patterns, especially the heightened El Niño-related risks. The projected climate risks and current budget trajectory raise questions regarding institutional preparedness. The coordination gaps between the federal and provincial bodies also raise concerns that, without proper coordination and support, the addition of institutional layers would not solve the problem but would worsen it over time.

Senator Sherry Rehman, chairing the Senate Standing Committee on Climate Change, called the cuts “shocking” and questioned the rationale for a proposed new Climate Authority given existing funding constraints.

Strategies are not executed fully when there are fewer resources. The National Disaster Risk Reduction Strategy (2025-2030) commits to modernized early-warning systems and anticipatory action mechanisms, but the budget trends raise questions about whether implementation will keep pace with the strategy's stated ambitions. There is also a gap between generated revenue and expenditure. Dr Abid Suleri, a member of Pakistan’s National Economic Advisory Council, said the money collected under the climate levy should be spent to address climate change instead of making it a part of a wider budget pool. (Abbas, 2026) Dawn. Moreover, in the budget, Adaptation and Mitigation have not been given attention, but investment in disaster response continues to dominate. Given the country’s repeated experience of climate shocks, this strategy is questioned as well.

Local: Impacts on Already-Affected Communities

The 2022 floods displaced approximately 8 million people and directly affected 30 million; the 2025 monsoon season displaced a further 3.5 million, with 1.6 million still at flood risk in Sindh alone *(OCHA, 2025)*. As of early 2026, an estimated 7.5 million people faced acute food insecurity, including 1.25 million in emergency-level conditions. Buner and Shangla districts in Khyber Pakhtunkhwa have been named as high-risk for recurring flash floods and landslides, compounded by high poverty rates and limited prior adaptation investment. Vulnerable urban infrastructure, including specific bridge structures in Lahore, has been flagged ahead of the 2026 monsoon, underscoring that risk is not confined to rural or northern areas.

Pakistan’s Economic Survey 2025-26 names climate change as a macroeconomic risk and estimates Rs822bn in climate-related disaster losses during 2025 alone, affecting over four million people *(Government of*

Pakistan, Ministry of Finance, 2026). Set against this scale of loss, a Rs2.48bn development allocation, less than 0.3% of the single year's disaster losses, illustrates the gap between the scale of the problem and the scale of preventive investment.

International: Credibility and Access to Climate Finance

Pakistan has placed high importance on multilateral climate negotiations under the UNFCCC and the Paris Agreement *(MOFA Pakistan, n.d.)* and played a prominent role at COP27 in leading developing-country efforts to establish the Loss and Damage Fund *(The Diplomat, 2025)*. Pakistan's NDC 3.0 submission estimates that the country will need $565.7 billion in investment by 2035 to meet its climate commitments *(Dawn, 2026d)*, on top of the World Bank's earlier estimate that Pakistan needs $350 billion between 2023 and 2030 to address climate impacts *(World Bank / IGC, n.d.)*.

Domestic budget decisions and international credibility are connected. As reporting on Pakistan's post-COP27 climate finance experience has noted, recipient countries are increasingly expected to demonstrate that climate finance reaches the communities it is intended for and that funds are not lost to weak oversight *(Foreign Policy, 2025)*. Climate budget tagging, the practice of systematically identifying and tracking climate-related spending, has improved at the federal level but remains inconsistent at the provincial level, where much climate-sensitive spending actually occurs; this is a structural, not anecdotal, transparency gap *(IMF Public Financial Management Blog, 2025)*. When Pakistan

asks international partners for more climate finance while its own domestic climate-linked revenue is only weakly converted into tagged climate spending (see Lens 1, above), while domestic expenditure is only one factor influencing international climate finance decisions, stronger budget transparency and expenditure tracking can strengthen confidence among development partners.

Other climate-vulnerable nations are not following the same trajectory. Bangladesh proposed a Taka 2,144 crore (~Rs60bn / ~$175 million) allocation for its Ministry of Environment, Forest and Climate Change for FY2025-26 *(Dhaka Tribune, 2026)*, a level that, on a per-capita basis, exceeds Pakistan's own climate ministry allocation despite Pakistan's larger population and greater physical exposure to glacial and flood hazards. Highly climate-vulnerable nations that secure larger shares of international adaptation finance generally do so in part because of stronger domestic governance and tracking structures around their existing climate spending, the same structures Pakistan's own transparency gap calls into question.

Youth: Implications for Future Generations

With 68% of Pakistan's population under the age of thirty, today's underinvestment in climate resilience will shape the working lives of tens of millions of young Pakistanis. A

UNICEF survey found that 78% of young respondents said their education had been affected by climate change, with families unable to afford schooling, while 63% reported being worried about how climate change would affect their futures *(UNICEF, n.d.)*; floods, heatwaves, and agricultural loss are already interrupting educational pathways nationally.

The Green Skills for Sustainable Development programme receives just Rs51.6 million, 2.08% of the total FY2026-27 climate allocation (*Dawn, 2026a),* a relatively modest investment given Pakistan's young population and the scale of the opportunity: the World Bank estimates that Pakistan's renewable energy expansion could create up to 327,000 new jobs by 2030 *(Express Tribune, 2026b)*. Realizing that opportunity will require sustained investment in exactly the kind of green-skills programming the current budget underfunds.

At COP29, Pakistan committed to integrating children's rights and needs into its climate policy, including NDC 3.0, and officials emphasized the need for education systems to reflect a climate-altered world (*UNICEF Pakistan, n.d.)*. A shrinking climate-education and green-skills budget sits in direct tension with that commitment and risks leaving youth-serving platforms that depend on external funding, including youth climate networks and green-skills programmes, exposed to financial discontinuity at the exact moment Pakistan has pledged to scale them up.

ClimateWatch Analysis

Three patterns run through the FY2026-27 federal climate budget.

1. Prevention is losing out to response. Disaster-management allocations rose 132% while the climate ministry's own development budget fell to its lowest level in at least five years. Sustained climate resilience requires investment in adaptation planning, local capacity, and vulnerability reduction, not only in post-disaster response.
2. Climate-linked revenue collection is outpacing climate-tagged spending. Of an estimated Rs2.026 trillion in climate-linked revenue, only around Rs214bn is currently tagged as direct climate expenditure. This gap is also a transparency gap: provincial-level budget tagging remains incomplete, which limits the ability of citizens, donors, and ClimateWatch itself to verify how climate-linked revenue is actually spent.
3. Youth and green-skills investment is structurally underweighted. Given that 68% of the population is under 30 and Pakistan has made explicit international commitments on youth and climate (COP29), a 2.08% share of the climate budget for green-skills development is disproportionate to both the demographic reality and the country's own stated priorities.

ClimateWatch’s Position

ClimateWatch considers climate resilience to be a governance, development, and intergenerational equity challenge rather than solely an environmental one. We believe effective climate action requires:

- *Evidence-based policymaking grounded in local realities.*
- *Meaningful participation of youth and affected communities in climate decision-making.*
- *Transparent and accountable climate finance systems, including consistent provincial-level budget tagging.*
- *Long-term investment in resilience, adaptation, and climate capacity-building.*
- *Alignment between national climate commitments and public expenditure priorities.*

Recommendations

ClimateWatch recommends the following, in order of what we view as feasibility within the current fiscal cycle:

1. Protect adaptation and early-warning budgets from in-year diversion to disaster response, via a ring-fenced budget line reviewed jointly by the Ministry of Finance and the Ministry of Climate Change at each supplementary budget cycle.
2. Extend climate budget tagging to the provincial level on a fixed timeline (we recommend within two fiscal years), since the majority of climate-sensitive spending- irrigation, disaster relief, agriculture extension- sits with Provincial governments, not the federal climate ministry.
3. Publish a single, reconciled climate-finance disclosure each fiscal year, showing climate-linked revenue collected (e.g., Climate Support Levy, EV Adoption Levy) against climate-tagged expenditure by sector, so the Rs2.026tn-vs-Rs214bn gap identified in this brief can be tracked and closed over time rather than re-estimated by outside analysts each year.
4. Formalize coordination between the climate ministry, NDMA, PDMAs, and sectoral departments through a

standing inter-agency mechanism with public minutes, rather than ad hoc committee proceedings.
5. Set a medium-term (3-5-year) glide path to restore the climate ministry's development allocation toward pre-2021-22 levels in real terms, rather than relying on single-year increases that are vulnerable to reversal.
6. Raise the Green Skills for Sustainable Development allocation in proportion to Pakistan's under-30 population share and its COP29 youth commitments, with at least a portion of any new allocation channeled through existing youth-led climate organizations rather than new federal programming alone.
7. Introduce an annual independent review of climate-related public expenditure to assess alignment with Pakistan's Nationally Determined Contributions (NDCs), adaptation priorities, and climate resilience objectives.

Policy Trade-off Note

We recognize that concentrating limited resources in a small number of large projects, as the current budget does with the Green Pakistan Programme, can improve short-term administrative efficiency. The trade-off is a narrower scope for adaptation planning, local resilience-building, and climate monitoring elsewhere. Whether this trade-off is justified will depend on whether the concentrated spending demonstrably improves outcomes, which itself depends on the disclosure and tracking improvements recommended above.

Conclusion

The FY2026-27 climate budget reduction is disproportionate to the accelerating pace of climate impacts in Pakistan. It raises administrative coordination questions, weakens Pakistan's credibility in international climate finance negotiations precisely when the country is requesting hundreds of billions of dollars in external investment, and places a disproportionate share of long-term cost on a population that is, on average, under thirty years old.

The structural weakness underlying all three lenses is the same: Pakistan's climate finance system is centralized at the federal level in name, while much of the responsibility for climate-sensitive sectors sits with provincial governments that are not yet fully integrated into climate budget tagging or disclosure. The path forward is not only a larger budget topline but better tracking, tagging, and utilization of the resources and revenue that Pakistan already has. Pakistan's climate challenge is not solely one of resource availability but also of governance, expenditure prioritization, and institutional coordination. Strengthening these foundations will determine whether future climate finance, domestic or international, translates into measurable resilience outcomes.

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ABOUT CLIMATEWATCH

ClimateWatch is a youth-led climate think-tank operating as a programmatic office of the Northern Citizens' Community Board (NCCB), an ECOSOC-accredited organization. Based in Pakistan, **ClimateWatch** bridges stringent policy research with on-the-ground climate advocacy, producing evidence-based analysis that informs national and international climate governance.

Our Mission

ClimateWatch exists to ensure that Pakistan's most climate-vulnerable communities, from the cryosphere regions of Gilgit-Baltistan to the flood plains of Sindh, are represented in climate policy decisions at every level, from local government to international negotiations.

Our Work

International Climate Policy (ICP)

The ICP Division tracks and analyzes Pakistan's engagement with global climate frameworks, including the UNFCCC, the Paris Agreement, and associated finance mechanisms. ClimateWatch has represented civil society at COP26, COP27, COP28, and SB64 (Bonn, 2026).

Education for Sustainable Development (ESD)

ClimateWatch's Education for Sustainable Development Division operates under the framework of UNESCO's ESD 2030 agenda, translating global sustainability goals into locally leveled learning initiatives. The Division's flagship project, the **Glacier School,** brings climate and earth science education directly to mountain communities in Gilgit-Baltistan, providing young people with the knowledge and skills to understand and respond to the glacier dynamics and GLOF risks shaping their environment.

Research & Development (R&D)

The R&D Division produces primary research on Pakistan's climate vulnerability, fiscal policy, and adaptation gaps. This brief is a product of the ICP and R&D Divisions working jointly.

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