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Q6: COP29 Summit ended in Baku. Critically evaluate its failures and commitments.

The 29th United Nations Climate Change Conference (COP29), held in Baku, Azerbaijan, from November 11 to 22, 2024, represented a pivotal moment in the global fight against climate change. The conference tackled critical issues of climate finance, adaptation, mitigation, and operationalizing mechanisms under the Paris Agreement. While COP29 achieved modest progress, it also highlighted deep divisions between developed and developing nations.

FAILURES OF COP29 SUMMIT:

a) Low turn-out by key stakeholders shows their lack of concern towards the issue of climate change:

At the summit of COP29 recently held in Bakn saw low turnout of the key stakeholders. Leaders from Germany, France, the US, China, India and Brazil did not bother to show up, nor was the Prime Minister of Papua New Guinea, one of the most climate

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vulnerable island nations, describing the summit as a "waste of time".

b) The host's priorities raise questions about the sincerity of the COP process:

The host's priorities also raise questions about the sincerity of the COP process. Azerbaijan is hooked on fossil fuels, with oil comprising 99 percent of its exports. Videos leaked last month show the chief executive of the country's COP29 team seeking to strike more fossil fuel deals on the summit's sidelines. (Climate summit, Huma Yusuf, November 2024).

c) The mood of world leaders controlling the fate of climate-affected compatriots is despondant:

The fate of our climate-affected compatriots lies in the hands of world leaders who gathered in Baku for COP 29. Unfortunately, their mood is despondant. Donalt Trump's re-election as US President has given this COP the air of a non-starter. ~~Trump's~~ Trump's climate denial threatens to rationalise inaction by countless others. Trump also pulled

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US out of Paris agreement which is a huge setback to first ever successful climate agreement.

d) Failure to address fossil fuel production:

At this year's COP, the agreement reached by all nation's of a "transition away" from fossil fuels at last year's COP was sidelined when Saudi Arabia refused to accept any text "targeting specific sectors, including fossil fuels." COP 29 ultimately failed to reach an agreement on how to follow up on fossil fuels, pushing the decision to next year's COP30 in Brazil.

e) COP 29 Laid bare the lack of ambition for aggressive climate action:

Nations left Baku potentially more at odds than when they arrived. As the conference drew to a close, Canada's Environment and Climate Change Minister Steven Guilbeault deemed the "lack of ambition" from Baku leadership "deplorable". This slack progress has left on the verge of a most unpredicted yet devastating situation.

f) The Summit fell short of mandating financial participation of emerging economies:

Tensions flared over the role of emerging economies like China and Gulf Cooperation Council countries. While the agreement encouraged voluntary contributions from these nations, it fell short of mandating their financial participation. The exclusion of enforceable commitment for these high ~~ds~~ resources economies further fuelled scepticism among developing nations. (COP 29: A critical milestone, Neelum Nigar, December 2024).

g) COP 29 failed to reach financial commitment of $1.3 trillion as proposed by G77:

COP 29 has been marred by criticism over inadequate financial commitments. Developing nation led by the G77 and China, had called for $1.3 trillion annually to meet their adaptation and miligation needs. Instead, the eventual agreement's reliance on loans and private investment raised concerns about deepening debt burdens for already vulnerable economies.

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COMMITMENTS UNDER COP29:

Under COP29, following commitment have been agreed upon:

a) Agreement to mobilize $300 bn annually by 2035 to assist developing nations:

A major highlight of COP29 was the agreement to mobilize $300bn annually by 2035 to assist developing nations in addressing the impacts of climate change and transitioning to low-carbon economies. This commitment marked a significant increase from the unfulfilled $100 billion annual goals set in 2009.

b) International financial institutions commited for a financial assistance to the climate vulnerable nations:

International financial institutions played a critical role at COP 29, with multilateral development banks commiting $120 billion annually for low and middle income countries. The Asian Development Bank announced a $7.2 billion adaptation program, while Acumen pledged significant investments in agricultural adaptation.

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c) Finalization of the framework for international carbon credit trading: Another key achievement of COP29 was the finalization of the framework for international carbon credit trading under Article 6.4 of the Paris Agreement. The UN-backed mechanism is expected to incentivize emission reductions by providing a structured platform for carbon credit trading, potentially unlocking billions of dollars in investments for renewable energy projects.

d) Commitment to increase global energy storage:
Countries with large energy markets backed the COP Presidency's ambitious energy storage pledge targeting a six-fold increase to global capacity by 2030. These countries include the United States, Brazil, Saudi Arabia, the United Arab Emirates, and the United Kingdom.

e) Talks strengthened a commitment to improved grid security and green energy:
The talks at summit also strengthened a commitment to improved

grid security and green energy transmission pathways, and the COP presidency announced a hydrogen declaration that commits to scaling up renewable, zero-emissions, and low carbon hydron and decarbonizing existing unabated production. (Was COP 29 in Azerbaijan a failure?, Alice C. Hill, November 2024).

f) Countries agreed a decision on gender and climate change:
The COP 29 participant countries agreed a decision on gender and climate change, extending the enhanced 'Lima Work programme on Gender and climate change' for another 10 years. They also agreed to develop a new gender action plan for adoption at COP 30, which will set the direction for concrete implementation.

g) Transparent climate reporting made big strides forward in Baku:
Transparent climate reporting made a big strides forward in Baku ~~bia~~ building a stronger evidence base to strengthen climate policies over time, and helping to identify finan-

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cing needs and opportunities.

CONCLUDING REMARKS

The conference ended in over-time on Nov 24 with only modest climate finance goals, failed to deliver on an expected announcement of a new commitment to cut greenhouse gas emissions, and displayed unusually high tensions among nations. The result was deep concern among climate policy activists for the future of climate diplomacy.

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Q3. State Owned enterprises have been a huge and persistent burden on the budgetary economy of Pakistan. Why and how these enterprises should be privatized?

State Owned Enterprises (SOEs) in Pakistan have been plauged by inefficiencies and poor policy-making, resulting in loss-making entities that contribute to government debt. According to the Aggregate Annual Report on Federal SOEs for FY2023, loss making SOEs reported an aggregate loss of Rs 905bn. There is a dire need to privatize the SOEs to put the economy on the trajectory to growth. A comprehensive and inclusive strategy needs to be adopted in order to get the loss making SOEs get privatised to convert this menace into an asset.

WHY STATE OWNED ENTERPRISES SHOULD BE PRIVATISED:

The state owned enterprises should be privatized for several reasons such as:

a) The SOEs incurr massive annual loses for Pakistan:

The massive annual losses of Rs 500 billion incurred by the SOEs which form a part of growing public expenditure have become a major drag on the national budget. Therefore, there is crucial to get these loss-making SOEs privatized.

b) The financial burden of the loss-making SOEs has become a systematic risk for the financial sector:

In addition to causing a rapid and uncontrollable loss in the government budget, the financial loss of the resource guzzlers SOEs has also become a source of systematic risk for the financial sector. So, it is the need of time to get rid of this menace.

c) The profitability of Pakistan's federal SOEs is the lowest in South Asia:

The World Bank has pointed out in a report that "the profitability of Pakistan's federal SOEs is the lowest in the South Asian Region", as their aggregate profit at 0.8 percent of GDP in 2014 turned into losses worth 0.4 pc of GDP in 2022

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and growing. Therefore, there is a need to privatise the federal SOEs.

d) privatization of loss-making public entities included in the goals of ongoing IMF bailout package:

Privatization of loss-making public entities and improvements in the governance of others are the major conditions of the ongoing medium-term bailout package worth $7bn. According to the IMF conditions, it wants early privatization of PIA, Pakistan Steel Mills, RLNG power plants, and electricity distribution companies.

e) SOE should be privatised in order to improve their efficiency:

The privatization of banks, the telecom industry, and electronic media is often underlined as huge success stories that must encourage policymakers to disinvest the remaining SOEs to save taxpayer's money, improve efficiency and create more market competition. It will also encourage greater participation in the economy.

f) In past, Pakistan has saved

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recurring losses of billions through privatised SOEs:
Pakistan started privatisation of SOEs in the late 1980s under the IMF's Structural Adjustment Programme (SAP). The privatisation transactions have returned a gross value of Rs 650 billion to the government during the last three decades. In addition, it has saved recurring losses of billions of rupees per annum. So learning from the past, the still loss-making SOEs ought to be privatised.

g) The privatization of SOEs will encourage private sector investment:
The investment in private sector, which has the potential to contribute to sustainable economic growth, can be encouraged via privatization of State Owned Enterpreses. It will boost up the confidence of the investors to invest in a well-owned and well-functioning privatised SOEs which the successive governments have not been able to achieve. ~~through~~

HOW THE ENTERPRISES SHOULD BE PRIVATISED

A comprehensive and inclusive

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strategic plan needs to be formulated and implemented for the privatization of SOEs that includes:

i) The government should spell-out a clear cut policy as to why it wants to privatize SOEs:
People like former investment minister Haroon Sharif think the government must decide as to why it wants to privatize SOEs, "Before heading into privatization, the government and SIFC should clearly state and communicate the reasons for their decision to choose this path. They must spell-out a clear cut policy. Otherwise, these transations might end up in litigation", he said.

ii) The authorities must involve and consult all the relevent stakeholders:
The government should consult widely and involve professionals to make the process a success. The ultimate aim of the privatization should be to stop the bleeding of public money.

iii) A financial model for each entity to be privatised must be prepared:
The State Bank of Pakistan advised revamping the privatization commi-

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ssion by staffing it "with able professionals who can prepare a financial model for each entity to be privatised" and ensuring that privatization promotes efficiency and competition in the economy.

~~iv)~~ ~~P~~

iv) Regulators should be made independent and stronger:

As per Zafar Masud, the CEO of Bank of Punjab, while the privatization is an absolute must, but its pursuit in haste can do more damage than good. To make the privatization process meet target, the regulators should be made independent and stronger, with the appointment of top professionals on merit and on market terms to protect people.

v) Transaction structure and selection criteria of successful private parties shall be made carefully:

The transaction structure and selection criteria of successful private parties shall be such that it would promote competition and have a broader view of long term economic prosperity

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rather than myopic bottom-line approach. Investors with a private equity mindset, backgrounds, for example, shall be discouraged and prohibited.

vi) Lessons must be learnt from successful experiences of other nations as a detailed guide:
To fully capitalize on the advantages of privatization, we can draw on the successful experiences of other nations as a detailed guide for making well-informed decision. For instance, Sri Lanka, the United Kingdom, Latin America, France and Germany have turned their loss making SOEs into profitable entities.

vii) The 3Cs framework ought to be followed for successful privatization:
The 3Cs framework - Competition, Cooperation, and consolidation - summarizes the reason behind the successful privatization. The intra-firm planning by streamlining procedures and strategic approaches, broader changes like alliances and merger, and consolidation ~~of~~ of market power and global power can help make the privatization

process successful.

CONCLUDING REMARKS

To sum up, the privatization of loss-making SOEs in Pakistan is the need of the hour. These SOEs over time have proved to incurr losses, produce least profits, proved least efficient to list a few. By developing a clear-cut strategy that upholds the principle of efficiency and 3Cs framework, these 'loss-making SOEs can be turned into assets.