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CLIMATE FINANCE

A STRATEGIC GUIDE FOR STAKEHOLDERS IN PAKISTAN

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Pathways to Climate Finance: A Strategic Guide for Stakeholders in Pakistan

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Preface

As climate change continues to pose significant challenges globally, the urgency for effective and sustained action grows. This guide, "Pathways to Climate Finance: A Strategic Guide for Stakeholders in Pakistan," is crafted to empower a diverse array of organizations and individuals—including non-governmental organizations, government agencies, private sector entities, and community groups—with the essential knowledge and tools to navigate the complex terrain of climate finance. Our aim is to enhance the capacity of these stakeholders to secure and effectively manage funds dedicated to climate mitigation and adaptation efforts, thus contributing to a resilient and sustainable future for Pakistan.

Pakistan faces acute climate-related vulnerabilities that affect water security, agriculture, health, and economic stability. In response, this guide provides a comprehensive overview of critical funding sources available both internationally and nationally, including the Green Climate Fund (GCF), the Global Environment Facility (GEF), bilateral and multilateral contributions, and private sector investments.

By equipping stakeholders with the necessary information to design and implement impactful climate projects, this guide serves as a cornerstone for mobilizing resources towards combating climate change in Pakistan. It is hoped that the insights provided will foster collaborative efforts and strategic financing, building a foundation for sustainable development and climate resilience across the nation.

We trust that this guide will serve as a valuable resource for all stakeholders engaged in climate action, enabling them to make significant strides towards addressing the pressing climate challenges facing Pakistan today.

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List of Acronyms

ADB	Asian Development Bank
DFID	Department for International Development (UK)
EAs	Enabling Activities
EOI	Expression of Interest
FAO	Food and Agriculture Organization
FP	Focal Point
FSP	Full-Sized Projects
GCF	Green Climate Fund
GEF	Global Environment Facility
IFAD	International Fund for Agricultural Development
LDCF	Least Developed Countries Fund
LDCs	Least Developed Countries
M&E	Monitoring and Evaluation
MIE	Multilateral Implementing Entity
MSP	Medium-Sized Projects
NBSAP	National Biodiversity Strategies and Action Plans
NDA	National Designated Authority
NDC	Nationally Determined Contributions
NGO	Non-Governmental Organization
NIE	National Implementing Entity
RIE	Regional Implementing Entity
SAP	Simplified Approval Process
SBP	State Bank of Pakistan
SCCF	Special Climate Change Fund
SGP	Small Grants Programme
SIDS	Small Island Developing States
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
USAID	United States Agency for International Development
WFP	World Food Programme
WWF	World Wildlife Fund

1. Introduction

1.1 Overview of Climate Finance

Climate finance is crucial in the global fight against climate change, providing necessary funding for mitigation and adaptation projects that aim to reduce greenhouse gas emissions and enhance resilience to climate-related impacts. It involves financial investments flowing from developed to developing countries to aid them in implementing the objectives of the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement.

In the context of climate finance, funding comes from various sources, including:

- **Public sources**: These include international bodies such as the Green Climate Fund (GCF), Global Environment Facility (GEF), and specific country-to-country funding through bilateral agreements.
- **Private sources**: Comprising investments made by businesses and individuals, often driven by opportunities for returns or corporate social responsibility initiatives.
- **Alternative sources**: Such as carbon credits and financial transfers related to carbon trading schemes that incentivize the reduction of emissions through economic mechanisms.

For developing countries like Pakistan, climate finance is a pivotal element in transitioning towards low-carbon, sustainable development pathways. It supports a wide range of activities, from renewable energy projects and energy efficiency improvements to forest conservation and the enhancement of agricultural resilience. Accessing these funds, however, requires a detailed understanding of the mechanisms and criteria involved, as well as strategic planning and capacity building within NGOs, government and other institutions involved in climate action.

1.2 Importance of Climate Finance for NGOs in Pakistan

Pakistan is highly vulnerable to the impacts of climate change, experiencing severe weather events, rising temperatures, and significant environmental degradation that affect millions of people. NGOs play a critical role in mitigating these impacts by implementing projects focused on adaptation and mitigation. Climate finance is essential for these organizations as it provides the necessary resources to initiate and scale projects that could not otherwise be funded. It enables NGOs to contribute effectively to national goals for sustainable development and climate resilience.

Moreover, climate finance can empower communities by creating job opportunities, advancing technological innovation, and promoting sustainable practices that ensure long-term environmental health and economic stability.

1.3 Understanding Climate Finance

Definitions and Key Concepts

Climate Finance refers to the financial resources allocated for climate change mitigation and adaptation projects. These resources are aimed at reducing emissions, enhancing sinks of greenhouse gases, and assisting communities and ecosystems to adapt to the changing climate conditions. Here are some key concepts associated with climate finance:

- **Mitigation**: Involves efforts to reduce or limit the emission of greenhouse gases. Mitigation can include using new technologies and renewable energies, making older equipment more energy efficient, or changing management practices or consumer behavior. It protects the climate by reducing emissions and enhancing sinks that remove greenhouse gases from the atmosphere. **Example:** A project might involve installing solar panels in rural communities to replace diesel generators. This reduces carbon emissions by shifting to a renewable energy source and promotes sustainable energy use.
- **Adaptation**: Involves making adjustments in ecological, social, or economic systems in response to actual or expected climatic stimuli and their effects or impacts. This process seeks to moderate harm or exploit beneficial opportunities associated with climate change. **Example:** An NGO might develop flood-resistant agricultural practices in flood-prone areas of Pakistan, such as introducing elevated crop beds and promoting crop varieties that are more resilient to water extremes.
- **Public and Private Finance**: Climate finance includes both public and private components. Public finance is sourced from taxpayers and international financial institutions and is often directed toward projects that provide broad public benefits, particularly in under-served markets. Private finance involves private investors or corporations funding projects that are often more commercially viable without public sector incentives. **Example of Public Finance:** A government-funded program could provide subsidies to farmers for the adoption of bioenergy crops that contribute to carbon sequestration. **Example of Private Finance:** A private company invests in a large-scale wind farm project, expecting to generate profits through the sale of generated electricity and possibly carbon credits.
- **Green Bonds**: These are types of fixed-income instruments that are specifically earmarked to raise money for climate and environmental projects. Green bonds attract capital from investors that seek to support sustainable initiatives. **Example:** [hypothetical example]A provincial government in Pakistan issues green bonds to raise funds for upgrading its public transportation system to electric buses, reducing urban air pollution and greenhouse gas emissions. [Actual example] In May 2021, WAPDA raised $500 million from the international market in the country's first-ever green bond issuance. The eligible categories for the use of proceeds include:
    - Renewable energy category: finance or refinance the development, expansion or refurbishment of assets that generate hydropower or wind energy.
    - Climate change adaptation category: finance or refinance technologies supporting flood control and prevention measures

Carbon Pricing: A method to encourage the reduction of greenhouse gas emissions through the incorporation of the social costs of emissions into the economic activities that produce them, typically by taxing carbon emissions or by requiring permits for them. Pakistan, while not having a fully implemented national carbon pricing mechanism, has been considering various strategies to incorporate environmental costs into its energy sector. **For example**, consider a hypothetical scenario where the government decides to impose a carbon tax on cement factories, which are significant contributors to carbon emissions due to the energy-intensive nature of cement production. The tax is set based on the amount of CO_2 emissions produced by these factories.

As a result of the carbon tax, cement factories might seek to reduce their tax burden by investing in cleaner technologies, such as more efficient kilns or alternative fuels that emit less CO_2. This shift not only helps reduce emissions but also can lead to innovations in production processes. Additionally, the revenue generated from this tax could be earmarked by the government to fund renewable energy projects or to improve energy efficiency in other industries, further promoting sustainable practices across the economy.

1.4 Climate Finance Sources

Climate finance is diverse and multifaceted, involving different types of financial instruments and funding sources that aim to support climate change mitigation and adaptation projects. Here's an overview of the main types of climate finance:

1. Public International Sources

- **Multilateral Climate Funds**: These funds are pooled from multiple governments and managed by international bodies. Notable examples include the Green Climate Fund (GCF) and the Global Environment Facility (GEF), which provide funding for projects in developing countries that aim to mitigate climate change effects or adapt to them.
- **Development Banks**: Institutions like the World Bank and the Asian Development Bank offer loans, grants, and technical assistance for climate-related projects in their member countries.

2. Bilateral and Multilateral Sources

- **Bilateral Funding**: involves financial support directly from one country's government to another, typically aimed at specific projects or sectors such as climate change adaptation or mitigation. Examples include aid provided by USAID or DFID. **Multilateral Funding** comes from institutions funded by multiple governments, which pool resources to support large-scale projects across various countries, such as those administered by the World Bank or the Asian Development Bank.

3. Private Sector Financing

- **Private Sector Financing** refers to investments made by businesses, private equity firms, and individual investors that seek not only financial returns but also environmental impact. This includes direct investments in sustainable projects, green bonds, carbon markets, and venture capital funding for startups innovating in technologies that address climate change. This form of financing is crucial for scaling up technology deployment and supporting innovative solutions to environmental challenge

1.5 Objectives of the Guide

This guide aims to:

- **Educate and Inform**: Provide comprehensive information on what climate finance is, where it comes from, and how it can be accessed.

- **Empower**: Equip NGOs with the knowledge and tools necessary to navigate the complex landscape of climate finance, enabling them to secure funding for projects that address critical environmental challenges.
- **Promote Sustainability**: Encourage projects that not only address immediate climate change impacts but also contribute to long-term sustainability goals.

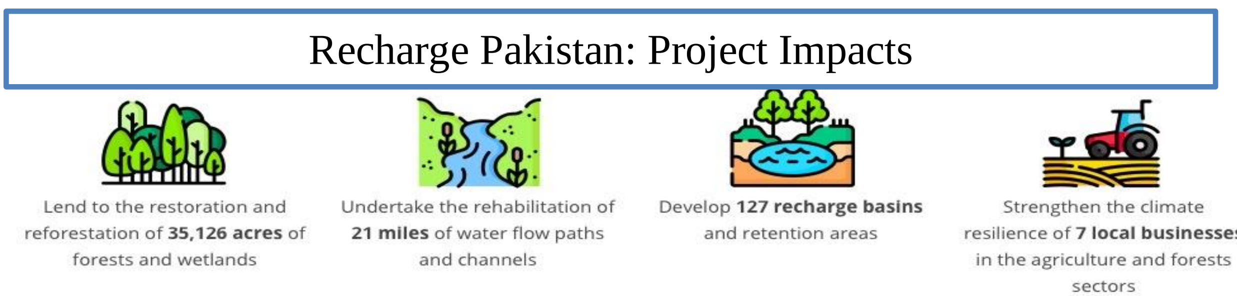
By the end of this guide, readers should have a clear pathway for accessing and managing climate finance, ensuring their projects make a significant and positive impact on environmental and community resilience in Pakistan.

2. Green Climate Fund (GCF)

The **Green Climate Fund (GCF)** is a global fund established to support the efforts of developing countries to respond to the challenge of climate change. It was set up in 2010 by the 194 countries that are parties to the United Nations Framework Convention on Climate Change (UNFCCC). GCF helps developing countries limit or reduce their greenhouse gas emissions and adapt to climate change. It aims to deliver equal amounts of funding to mitigation and adaptation while being guided by the principles of transparency and accountability.

2.1 GCF Activities in Pakistan

In Pakistan, the GCF has funded various projects, primarily focusing on enhancing the country's capacity to address climate change through both mitigation and adaptation strategies. These projects often involve significant infrastructure investments, development of renewable energy resources, and strengthening resilience against climate-related disasters. For example, GCF has provided funding for improving climate resilience in the water sector in arid regions of Pakistan, which aims to secure water supplies against climate change-induced droughts and improve water management systems.Source: Recharge Pakistan is a collaborative effort of Pakistan's Ministry of Climate Change (MoCC), the Federal Flood Commission (FFC) under the Ministry of Water Resources, local communities in DI Khan, the Ramak Watershed, and Manchar Lake, Chakar Lake, the Green Climate Fund (GCF), USAID, The Coca-Cola Foundation and WWF.



https://www.worldwildlife.org/projects/recharge-pakistan#:~:text=An%20initiative%20of%20Pakistan's%20Ministry,benefit%20more%20than%207%20million.

2.2 Operation and Partnerships

The GCF works in Pakistan through partnerships with accredited entities that can be national, regional, or international bodies. These entities are responsible for presenting project proposals to GCF, overseeing project management, and ensuring that the funds are used effectively and transparently. In Pakistan, the Ministry of Climate Change often plays a pivotal role in coordinating with GCF and facilitating the implementation of projects through local entities.

Accredited entities in Pakistan: The International accredited Implementing entities in Pakistan are UNDP, Asian Development Bank, the World Bank, KfW, IUCN, Acumen Fund, FAO, GIZ, IFAD, IFC, WFP, WWF, AFD and UNEP.

The following National Entities are the Direct Access Accredited Entities in Pakistan:

- National Rural Support Programme (NRSP)
- JS Bank (Ltd) Pakistan

2.3 Funding Window for NGOs

For NGOs, accessing GCF funds typically involves collaborating with an accredited entity, as GCF does not directly fund projects that are not channeled through these entities. However, NGOs can partner with accredited entities by providing on-ground support, technical expertise, and helping in stakeholder engagement activities.

As for the availability of funding, the GCF continuously opens calls for project proposals, which are often themed or focused on specific areas such as water management, renewable energy, or ecosystem resilience.

2.4 Themes and Result Areas under GCF

GCF has two thematic areas: Mitigation nad Adaptation. Both mitigation and adaptation have four result areas each. Following is a brief description of the result areas under **mitigation**.

Energy Generation and Access

The result area of **Energy Generation and Access** focuse s on supporting projects that aim to increase the use and supply of renewable energies and improve energy efficiency across various sectors. This initiative helps to reduce dependency on fossil fuels and decrease greenhouse gas emissions, aligning with global efforts to combat climate change. Projects under this result area include the development of solar, wind, hydroelectric, and geothermal energy projects, as well as the enhancement of energy infrastructure to ensure more reliable and sustainable energy access to underserved populations.

Transport

the result area of **Transport** focuses on promoting low-emission and climate-resilient transport systems. This initiative supports projects that reduce greenhouse gas emissions from the transport sector by investing in sustainable modes of transport such as mass transit systems, non-motorized transport (like cycling and walking paths), and electric vehicle infrastructure. The goal is to create more efficient, accessible, and sustainable transport networks that not only mitigate climate impacts but also enhance urban mobility and improve air quality in cities.

Buildings, Cities, Industries & Appliances

The result area for **Buildings, Cities, Industries & Appliances** focuses on promoting energy efficiency and reducing greenhouse gas emissions in urban environments and industrial processes. This includes projects aimed at enhancing building codes for better energy performance, retrofitting existing buildings with energy-efficient technologies, and upgrading industrial equipment and appliances to reduce energy consumption. The initiative also supports the development of sustainable city planning and infrastructure projects that integrate climate resilience and low-emission strategies across these sectors, fostering sustainable urban development and industrial modernization.

"If the Hour (the Day of Judgment) is about to be established and one of you was holding a palm shoot, let him take advantage of even one second before the Hour is established to plant it." Hadith, Sahih Bukhari

Forests and Land Use

Under the Green Climate Fund (GCF), the result area for **Forests and Land Use** focuses on projects aimed at reducing emissions from deforestation and forest degradation, promoting sustainable forest management, and enhancing carbon stocks in forest and non-forest lands. This initiative supports efforts to conserve and restore forests, improve land management practices, and implement policies that encourage sustainable land use. By targeting these areas, the GCF aims to maintain and enhance the ecological integrity of forest ecosystems, contributing significantly to carbon sequestration and supporting biodiversity conservation, which are vital for global climate mitigation strategies.

Result Areas under Adaptation Theme

There are four result areas under adoptation theme:

1. Food, Health, and Water Security

This focus area targets projects and strategies aimed at enhancing resilience and reducing vulnerability in food production systems, healthcare provision, and water management, particularly in response to the impacts of climate change. Here’s an explanation of each component within this result area:

i. Food Security

Projects under this category aim to secure and improve the availability and accessibility of food by promoting agricultural practices resilient to climate variability and extreme weather events. This might include developing drought-resistant crop varieties, implementing sustainable land management techniques, and using efficient irrigation systems that conserve water while maximizing agricultural output.

ii. Health Security

Climate change poses significant risks to public health, including increased incidences of diseases and health impacts due to heatwaves, flooding, and other extreme weather events. Projects focusing on health security might involve enhancing healthcare infrastructure to cope with these challenges, implementing disease surveillance systems to detect and respond to climate-induced health threats, and promoting public health initiatives that address climate-related health risks.

iii. Water Security

As climate change can lead to both water scarcity and flooding, ensuring water security involves projects that improve water resource management. This could include the construction of resilient water infrastructure, such as dams and reservoirs, to ensure consistent water supply during droughts and manage floods. It also involves promoting water conservation techniques and improving water use efficiency in agricultural, industrial, and domestic sectors.

> The Prophet (SAW) said,"Do not waste water even if you were at a running stream." reported by Abdullah ibn Amr ibn al-'As,

2. Livelihood

This result area aims to enhance the resilience of livelihoods across multiple sectors by minimizing impacts and facilitating rapid recovery from climate-related shocks. This focus encompasses agriculture, food security, ecosystems, forest and land use, water security, and the integration of climate information and early warning systems. GCF initiatives include diversifying livelihoods, improving food storage, enabling communal pooling, fostering responsive market systems, and establishing social safety nets.

3. Infrastructure and Built Environment

The GCF is actively enhancing the financial and functional value of climate-resilient infrastructure over traditional forms. This involves collaborative efforts with governments and partners to catalyze policy changes that foster investment in resilient infrastructure from both public and private sectors. GCF adheres to six core principles to promote the implementation of such infrastructure, which conserves natural resources, safeguards communities, and stimulates local economies:

i. **Infrastructure Systems Approach**: GCF adopts a comprehensive strategy that extends beyond simply making assets climate-proof. It involves a holistic review of investments to identify and mitigate interconnected risks that could affect community resilience.

ii. **Climate Risk Assessments**: Utilizing detailed climate data, GCF conducts evaluations to understand current and future resilience requirements, improving the planning and implementation of infrastructure projects.

iii. **Integrated Mitigation and Adaptation**: GCF's strategies encompass both emissions reduction and enhanced climate resilience, ensuring that infrastructure projects achieve dual benefits.

iv. **Nature-based Solutions**: Wherever feasible, GCF prioritizes the use of natural ecosystems and their services over conventional hard infrastructure, promoting sustainability and environmental harmony.

v. **Complex Hydrological and Geological Studies**: These studies are crucial for structuring project pipelines, reducing preparation costs for individual projects, and ensuring long-term sustainability and the avoidance of maladaptive solutions.

vi. **Local Capacity Building**: GCF focuses on strengthening local institutions, ensuring they are fully engaged and equipped to lead, develop, and finance climate-resilient projects.

4. Ecosystem and Ecosystem Services

The GCF is actively expanding its investments in ecosystems to bolster adaptation and reduce emissions through large-scale ecosystem protection, restoration, and management initiatives. GCF's strategic focus encompasses two main areas: terrestrial and freshwater ecosystem-based management, and coastal and marine zone ecosystem-based management.

Key activities and strategies under these thematic areas include:

i. **Transformational Planning and Programming**: GCF assists developing countries in integrating climate resilience and sustainable development into their strategies and policies, ensuring these frameworks are transparent and equitable.

ii. **Catalyzing Climate Innovation**: This involves developing and piloting innovative approaches to appropriately value ecosystem services. Such valuation is critical for integrating these services into decision-making processes and fostering their recognition in new economic markets.

iii. **Mobilizing Finance at Scale**: GCF uses various financial instruments to de-risk investments and enhance the financial capabilities of domestic institutions. This support helps countries unlock national and local capital for sustainable ecosystem use and facilitates access to commercial markets, including nature-based investment funds and green bonds.

iv. **Expanding and Replicating Knowledge**: By disseminating lessons learned, traditional and scientific knowledge, and best practices about ecosystem services, GCF aims to enhance understanding of their climate benefits and promote widespread adoption of effective strategies.

2.5 Programming Approaches

The GCF utilizes three distinct programming approaches: (i) a project approval process designed for larger-scale projects and programs; (ii) a simplified approval process tailored for smaller projects that fall below a specific funding limit; and (iii) grants from the Readiness Programme aimed at enhancing strategies, policies, and capacity building.

1. **Large Scale Projects**

The GCF employs a robust project approval process tailored for larger-scale projects and programs that seek substantial funding to tackle significant climate-related challenges. This process is designed to ensure that the projects are viable, sustainable, and capable of achieving meaningful environmental and social impacts. It begins with the submission of a concept note, which provides an overview of the project including its scope, objectives, expected outcomes, and alignment with GCF's strategic priorities. Upon review and acceptance of the concept note, the proponent is invited to develop a full funding proposal, which requires a more detailed plan including comprehensive project descriptions, budget estimations, and expected outcomes.

The full funding proposal undergoes a rigorous evaluation by GCF's Technical Advisory Panel and independent external experts to ensure the project meets high standards of quality and effectiveness. This evaluation assesses the project's potential for paradigm shift, country ownership, sustainable development potential, and needs of the recipient. Following this, the proposal is reviewed by the GCF Board for final approval. Once approved, the project moves into the implementation phase, monitored closely for adherence to planned activities and milestones. This structured approval process ensures that only projects with significant potential for impact and sustainability receive funding, aligning with GCF's mission to support ambitious and transformative climate action.

Direct Access Entities are national or regional organizations entities that have been accredited to directly access funding from the GCF. Unlike international entities, which operate on a global scale, Direct Access Entities are based in the countries they serve. This allows these entities to have a better understanding of local contexts and development needs, making them uniquely positioned to address specific climate-related challenges within their regions.
In Pakistan's context, NRSP and JS Bank are the direct access entities.

2. Simplified approval process

The Simplified Approval Process (SAP) is a streamlined application method for projects or programs anticipated to have substantial climate impact. SAP proposals should be mature enough for expansion and capable of driving significant shifts towards low-emission and climate-resilient development.

SAP looks for the project or program that needs a contribution from the GCF of up to USD 25 million. The environmental and social risks and impacts associated with the project should be minimal.

Accredited Entities, National Designated Authorities (NDAs), or Focal Points can submit concept notes through the SAP. GCF recommends that partners collaborate with NDAs and Accredited Entities when submitting concept notes.

Pakistan Distributed Solar Project

Accredited Entity: JS Bank Limited Pakistan

Pakistan's growing energy sector is heavily reliant on fossil fuels, which currently provide around 65 per cent of the country's energy mix. Significant investment in renewable energy is needed to curb emissions, meet the country's growing energy demand, and transition its sector to green and reliable energy sources. Pakistan has set targets for emissions reduction and has highlighted the importance of scaling renewable energy sources, including solar power in its national plans. However, significant investment barriers exist, making the switch to renewable energy products such as solar photovoltaic (PV) installations challenging.

The project will provide tailored financing solutions for distributed solar PV products to help bridge the financing gap for these investments in Pakistan. A guarantee facility provided by GCF will be deployed to finance 43 MW solar PV installations for households, agribusinesses and small and medium enterprises (SMEs). It will support lending through the existing renewable energy scheme launched by the State Bank of Pakistan (SBP) in which partner banks offer concessional loans to customers to acquire solar PV systems. With the GCF guarantee facility, JS Bank can broaden the scope of the scheme by reaching previously untapped market segments and users. The project will also provide technical assistance to strengthen capacity of solar PV vendors and other key stakeholders and raise market awareness of climate change risks and the benefits of renewable energy solutions.

Source: Green Climate Fund, https://www.greenclimate.fund/project/sap024#contacts

3. What is GCF Readiness Program

The Readiness and Preparatory Support Programme (Readiness Programme) offered by the GCF is designed to help developing countries enhance their institutional capabilities, governance mechanisms, and planning frameworks to foster a transformative long-term climate action agenda. The program provides grants and technical assistance primarily to National Designated Authorities (NDAs) and FPs within these countries.

The objective of the Readiness Programme is to bolster the capacity of national institutions to effectively engage with the GCF. This includes strengthening Direct Access Entities to better facilitate the implementation of GCF initiatives at the national level. Moreover, the Readiness funding supports countries in conducting adaptation planning and in developing strategic frameworks that align with GCF programming, aiming to create a structured and effective approach to climate action.

Accessibility to the Readiness Programme is open to all developing country Parties to the UNFCCC. GCF ensures that at least 50% of the readiness support is directed towards particularly vulnerable nations, such as Least Developed Countries (LDCs), Small Island Developing States (SIDS), and African States. This targeted support helps these countries develop robust systems and frameworks essential for sustainable climate resilience and mitigation efforts.

3. Global Environment Facility

The Global Environment Facility (GEF) serves as a major funder for projects aimed at addressing environmental issues such as biodiversity, climate change, international waters, land degradation, the ozone layer, and persistent organic pollutants. GEF grants support projects related to environmental conservation, which not only help countries meet international environmental obligations but also promote sustainable economic growth.

3.1 GEF Activities in Pakistan

In Pakistan, the GEF has been instrumental in funding various projects across its thematic areas. These projects often focus on biodiversity conservation, climate change adaptation and mitigation, and management of land and water resources. For instance, GEF has funded projects aimed at conserving endangered species and their habitats, improving energy efficiency, and enhancing water management to mitigate the impacts of climate change.

3.2 Avenues for Partnership

Partnerships under GEF typically involve government agencies, NGOs, community groups, and private sector companies. These stakeholders collaborate in the design and implementation of projects. For NGOs, partnering with local or national government agencies can be a strategic approach to access GEF funds, as these bodies act as the primary channels for GEF projects.

As a policy, the GEF will continue providing opportunities for civil society organizations to participate in national and regional activities organized as part of the Country Support Program, managed by its Secretariat. The civil society has the opportunity to participate in several key processes and activities of the GEF partnership, such as the GEF Assembly and the CSO Forum, the GEF Replenishment process, the workshops and meetings organized under the Country Support Program, and relevant task forces and working groups led by the Secretariat.

3.3 Funding Window for NGOs

While GEF itself does not directly fund NGOs without the involvement of an eligible government agency or an international organization, NGOs can engage in GEF-funded projects by partnering with national agencies or through projects managed by international bodies such as UNDP, UNEP, and the World Bank.

Following are the organizations that have implemented GEF projects in Pakistan:

UNDP, UNEP, Food and Agriculture Organization, United Nations Industrial Development Organization, International Union for Conservation of Nature.

3.4 Thematic and Result Areas

GEF projects are categorized into several focal areas, reflecting its broad environmental mandate:

- **Biodiversity**: Projects aimed at conserving biological diversity and sustainable use of its components.
- **Climate Change**: Initiatives that support mitigation and adaptation efforts to counter climate change.

- **Land Degradation**: Efforts to combat desertification and land degradation to improve ecological health and community livelihoods.
- **Ocean Health**: Projects that focus on transboundary water systems and aim to reduce pollution, manage fishing practices, and conserve water resources.
- **Chemicals and Waste**: Programs designed to reduce or eliminate persistent organic pollutants, mercury, and other hazardous chemicals.

Each of these focal areas includes multiple thematic and result-oriented projects that address specific environmental challenges. The GEF also supports multi-focal area projects that tackle more than one environmental issue simultaneously.

3.5 Eligibility criteria

The eligibility criteria for funding from the GEF generally revolve around the alignment of project proposals with GEF's focal areas and operational guidelines. Here's a brief overview of key eligibility criteria:

1. Country Eligibility

Projects must be proposed by countries that are eligible to receive GEF funding. Typically, these include developing countries and countries with economies in transition that are parties to the international environmental conventions for which GEF serves as a financial mechanism.

2. GEF Focal Areas

Proposals must address one or more of GEF's focal areas: biodiversity, climate change, chemicals and waste, international waters, land degradation, and ozone depletion. Projects should clearly contribute to achieving global environmental benefits in these areas.

3. Consistency with National Priorities

Projects must be consistent with national environmental strategies and action plans. They should support the country's priorities as outlined in their respective strategies under the conventions such as the National Biodiversity Strategies and Action Plans (NBSAPs), Nationally Determined Contributions (NDCs) under the Paris Agreement, etc.

4. Endorsement by National Designated Authority (NDA) or Focal Point

Each project proposal must be endorsed by the country's GEF Focal Point or National Designated Authority. This endorsement is crucial as it confirms the project's alignment with national priorities and GEF criteria.

5. Involvement of GEF Agency

Projects must be implemented through an accredited GEF Agency. These agencies include international organizations like the United Nations Development Programme (UNDP), the World Bank, the United Nations Environment Programme (UNEP), and other regional and national agencies that have been accredited to manage GEF projects. The agencies assist in the development, implementation, and management of projects and ensure compliance with GEF policies. These include Asian Development Bank. African Development Bank, European Bank for Reconstruction and Development, Food and Agriculture Organization (of the United Nations), Inter-Americal Development Bank, International Fund for Agriculture Development, United Nations Development Programme, United Nations Environment Programme, United

Nations Industrial Development Organization, The World Bank Group, Conversation International, Development Bank of Latin America, Development Bank of Southern Africa, Foreign Economic Cooperation Office- Ministry of Environmental Protection China, Brazilian Biodiversity Fund, International Union for Conversation of Nature, West African Development Bank, World Wildlife Fund.

6. Co-financing

GEF projects typically require co-financing, which means that the recipient country or other donor sources need to provide additional funding alongside GEF's contribution. This co-financing can be either cash or in-kind contributions and is expected to be proportional to the size and type of the project.

7. Environmental and Social Safeguards

Proposals must comply with environmental and social safeguards to ensure that projects do not adversely affect people or the environment. GEF requires a thorough assessment of potential environmental and social risks and impacts as part of the project development process.

8. Technical Soundness and Sustainability

Project proposals must demonstrate technical soundness and the potential for sustainability after the completion of GEF funding. This includes showing how the project outcomes will be sustained through local capacity building, institutional strengthening, and other means.

3.6 Types of Projects

The GEF supports a range of project sizes, each designed to meet specific environmental goals while accommodating the diverse needs and capacities of beneficiary countries. The project sizes primarily differ in terms of scope, funding amounts, and procedural requirements. Here's an overview of the different sizes of projects implemented under the GEF:

1. Full-Sized Projects (FSPs)

Full-Sized Projects are the largest type of projects supported by GEF, typically requiring funding above USD 2 million. These projects often have a broad scope with significant national or regional impacts and involve extensive stakeholder engagement and complex logistical arrangements. FSPs go through a detailed project preparation process, including a comprehensive project document that must be endorsed by the GEF Council. This process ensures thorough planning, stakeholder consultation, and alignment with both GEF objectives and national environmental strategies.

2. Medium-Sized Projects (MSPs)

Medium-Sized Projects require less funding than full-sized projects, typically between USD 50,000 and USD 2 million. MSPs are designed to be more streamlined and flexible than FSPs, allowing for quicker development and implementation. These projects still cover significant activities but are structured to be simpler in terms of management and oversight requirements. The approval process for MSPs is expedited compared to FSPs, making them attractive for projects that need to be implemented more rapidly.

3. Small Grants Programme (SGP)

The Small Grants Programme is designed for smaller, community-based projects and is often managed with the help of UNDP. UNDP-SGP provides support for projects with grants of up to

USD 50,000. These projects focus on empowering local communities to address global environmental challenges while achieving sustainable livelihoods. SGP projects are crucial for testing innovative ideas, supporting local conservation and sustainability initiatives, and can act as pilot activities that might be scaled up through larger funding mechanisms.

4. Enabling Activities (EAs)

Enabling Activities are a specific type of GEF funding meant to support countries in meeting certain international environmental obligations, such as preparing national reports or communications in line with treaty requirements (e.g., biodiversity strategies, climate change communications). These are typically smaller in financial scale but are crucial for building national capacities and enabling larger project frameworks.

5. Programmatic Approaches

GEF also supports programmatic approaches where multiple projects are grouped under a broader program framework. This allows for integrated solutions across sectors and regions, addressing overarching environmental issues through coordinated efforts. Programmatic approaches can encompass a mix of project sizes and types, depending on the specific objectives and the environmental issues being addressed.

Special Climate Change Fund (SCCF)

Managed by the Global Environment Facility, the SCCF supports projects relating to adaptation, technology transfer, and capacity building. It has a broader mandate than the GEF, covering sectors not included under the GEF's focal areas.

Least Developed Countries Fund (LDCF)

Also managed by the GEF, the LDCF addresses the special needs of the Least Developed Countries (LDCs) under the Climate Change Convention. It supports the preparation and implementation of National Adaptation Programmes of Action (NAPAs), which identify priority activities that respond to urgent and immediate adaptation needs.

4. Adaptation Fund

Established under the Kyoto Protocol, the Adaptation Fund is designed to finance projects and programs that help vulnerable communities in developing countries adapt to the adverse effects of climate change. It is particularly noteworthy for its direct access funding mechanism, which allows national organizations to access funds directly, bypassing the need for intermediaries.

The Adaptation Fund finances climate adaptation projects in the following sectors:

- Agriculture
- Coastal Zone Management
- Disaster Risk Reduction
- Disaster risk reduction and early warning systems
- Ecosystem based Adaptation
- Food Security
- Forests
- Multisector Projects
- Rural Development
- Urban Development
- Water Management

4.1 Accreditation

The accreditation process under the Adaptation Fund is designed to allow entities to directly access funding for climate adaptation projects, ensuring that these entities are capable of managing the funds effectively. Interested entities begin by submitting an expression of interest to the Adaptation Fund Board, followed by a comprehensive application detailing their financial management, project management capabilities, environmental and social safeguards, and transparency measures. This application is then rigorously reviewed by the Accreditation Panel, which assesses the entity's ability to handle project funds responsibly and implement projects effectively.

Upon the panel's recommendation, the Adaptation Fund Board makes the final decision on accreditation. If successful, the entity is accredited as a National, Regional, or Multilateral Implementing Entity, enabling it to directly access and manage funds. This accreditation is subject to renewal every five years, ensuring ongoing compliance with the Fund's stringent standards. This process underscores the Fund's commitment to enhancing country ownership and aligning projects closely with national climate adaptation priorities.

The Adaptation Fund has accredited a diverse array of implementing entities which includes 32 National Implementing Entities (NIEs), 9 Regional Implementing Entities (RIEs), and 15 Multilateral Implementing Entities (MIEs). Currently, there is no NIE from Pakistan. However, pakistan have applied for AF in the past through a RIE, ICIMOD, who have headquarters in Nepal.

4.2 Readiness Grant

Readiness Grant under the Adaptation Fund is specifically designed to enhance the capabilities of countries to access and utilize the fund effectively. This program supports activities that enhance the abilities of NIEs to manage climate finance. The readiness support includes grants for preparing or improving national adaptation plans, formulating specific project proposals, and undertaking other preparatory activities necessary for successful fund mobilization. By providing these supports, the Adaptation Fund ensures that recipient countries are better equipped to plan, access, and implement critical adaptation projects efficiently and effectively, thus advancing their climate resilience agendas.

4.3 The Proposal Submission Process

The AF offers a structured proposal submission process for project funding, which can be executed in either a one-step or two-step approach, depending on the specific circumstances of the project. For smaller projects requiring less than $1 million, a more streamlined approach may be appropriate, potentially allowing for quicker approval processes. For larger projects that seek over $1 million, the two-step process is typically recommended. This involves first submitting a concept note for initial review and approval, followed by a detailed project proposal once the concept is endorsed.

In both cases, the proposals are rigorously reviewed according to specific criteria set by the Adaptation Fund to ensure alignment with its strategic goals and operational policies. The fund emphasizes the importance of projects being well-aligned with national priorities and capable of effectively addressing the impacts of climate change. The process is designed to ensure that funding is directed towards projects that can provide significant environmental and community benefits.

4.4 Project Funding

The Adaptation Fund (AF) provides funding for climate adaptation projects through two main categories based on project size: small-sized projects and regular-sized projects.

Small-sized Projects are those requiring less than $1 million in funding. These projects are designed to be more streamlined and flexible, allowing quicker implementation and less complex administrative requirements. Small-sized projects are ideal for focused, localized initiatives that can be rapidly deployed to address specific adaptation needs. They are particularly suitable for community-level interventions or pilot projects that test innovative approaches to climate resilience.

Regular-sized Projects, on the other hand, are those that require more than $1 million in funding. These projects are typically more comprehensive and can have a broader national or regional impact. Regular-sized projects often involve more complex interventions, including infrastructure development, large-scale ecosystem rehabilitation, or comprehensive community engagement across multiple locations. These projects go through a more rigorous proposal and approval process, reflecting their scale and the depth of impact they aim to achieve.

4.5 Innovation Funding

The Adaptation Fund offers several innovative funding mechanisms designed to foster creative and effective solutions to climate change adaptation challenges. These include the NIE Small Grants for Innovation, the Adaptation Fund Climate Innovation Accelerator (AFCIA), and Large Innovation Projects. Each of these programs targets different aspects of innovation in climate adaptation effort

1. NIE Small Grants for Innovation

This program provides small grants to National Implementing Entities (NIEs) that are already accredited by the Adaptation Fund. The grants are designed to encourage NIEs to develop and test innovative approaches to climate adaptation. These small grants support pilot projects that, if successful, could be scaled up or replicated to enhance broader adaptation strategies. The focus is on leveraging local knowledge and technologies to find unique solutions tailored to specific community needs. The funding ceiling under this arrangement is $250,000.

2. The Adaptation Fund Climate Innovation Accelerator

The AFCIA, managed in collaboration with UNDP and UNEP, aims to support a wide range of stakeholders, including governments, NGOs, community groups, and entrepreneurs, in scaling up innovative climate adaptation practices and technologies. The accelerator provides technical assistance, capacity building, and seed funding to help implement novel ideas that can significantly increase resilience to climate change. This program is particularly focused on facilitating the transition from conceptual designs to tangible, impactful projects on the ground. The maximum size of this competitive grant is $250,000.

3. Large Innovative Projects

Large Innovation Projects are designed for more extensive and potentially transformative projects that require substantial funding and are expected to have a significant impact on climate adaptation. These projects typically involve complex innovations that integrate new technologies, approaches, or practices in unique ways to address adaptation challenges. The scale and scope of these projects mean they are expected to serve as flagship models for adaptation, demonstrating what can be achieved with ambitious, innovative thinking in climate-resilient development.

This funding opportunity makes available grants of up to $ 5 million to NIEs, RIEs and MIEs.

4.6 Enhanced Direct Access

Enhanced Direct Access (EDA) under the Adaptation Fund represents a significant evolution in how climate finance is managed and implemented at the national and sub-national levels. The EDA modality allows countries greater control over climate funds, enabling them to manage their own adaptation projects with higher levels of financial and managerial autonomy.

EDA projects are characterized by the devolution of decision-making authority to national or sub-national levels. This ensures that the entities closest to the impacts of climate change are directly involved in managing the funds and implementing projects, which can lead to more tailored and effective adaptation strategies.

By allowing local entities to oversee and execute projects, EDA initiatives help build administrative and technical capacities within these organizations. This not only aids in immediate project implementation but also strengthens long-term resilience planning and management skills.

The EDA framework provides significant funding opportunities, with up to $5 million available per project, which can be utilized for a variety of adaptation activities. NIEs applying for Enhanced Direct Access grants must have an accreditation status of “Accredited” with the AF.

5. Climate Investment Funds

The CIFs comprise two main funds: the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF).

Clean Technology Fund

The CTF provides funding to projects aimed at scaling up the deployment of clean technology solutions that can significantly lower greenhouse gas emissions. Funding requests under the CTF focus on areas such as renewable energy projects, energy efficiency enhancements, and sustainable transport initiatives. The CTF operates with a project-based approach, where funding proposals must demonstrate potential for a high impact in terms of emissions reduction, as well as feasibility and readiness for implementation.

Strategic Climate Fund (SCF)

The SCF is an umbrella fund that includes three targeted programs:

1. **Pilot Program for Climate Resilience (PPCR)** - Offers funding to help countries integrate climate resilience into their development planning.
2. **Forest Investment Program (FIP)** - Supports efforts to reduce deforestation and forest degradation.
3. **Program for Scaling Up Renewable Energy in Low Income Countries (SREP) -** Focuses on expanding renewable energy in the world's poorest countries.

5.1 Process of Funding Requests

Both funds require a detailed project proposal as part of the funding request. The proposal process typically involves several stages, including concept note submission, detailed project preparation, and approval by the respective CIF governing body. Collaboration with multilateral development banks (MDBs) is crucial, as they act as implementing agencies that help prepare, support, and oversee projects.

The World Bank Group, including the International Finance Corporation, the African Development Bank, the Asian Development Bank, the European Development Bank, and the Inter-American Development Bank, are the implementing partners of CIF's investments.

Developing a project funded through a multilateral development bank typically follows a structured and phased approach to ensure that projects are both feasible and align with strategic objectives. Here's a general framework based on your specified points:

1. Call for Expression of Interest

The initial phase involves a call for expressions of interest (EOI). This call invites potential project implementers or beneficiaries to indicate their interest in developing a project aligned with specific funding criteria and goals. This call outlines the key areas of focus, eligibility criteria, and the impacts that the funding body aims to achieve.

2. Submission of Expression of Interest

Interested parties submit their EOIs detailing their project concept, organizational capacity, and how their proposal aligns with the funding objectives.

3. Evaluation and Selection

The submitted EOIs are then evaluated against a set of criteria defined by the funding body. This may include the project's relevance to the strategic goals, feasibility, capacity of the implementing organization, and potential impact. The most promising EOIs are selected to move forward to the more detailed planning phase.

4. Investment Plan

Selected candidates are asked to develop a comprehensive investment plan. This plan elaborates on the project details, including comprehensive budgeting, timelines, detailed project activities, expected outcomes, risk assessment, and mitigation strategies. This phase often involves consultations with stakeholders to refine the project's approach.

5. Endorsement

The investment plan is then submitted for endorsement. This endorsement is typically provided by a CIF's governing body. The endorsement confirms that the project plan meets all required strategic, environmental, and social criteria and is approved for funding.

6. Implementation, Monitoring, and Evaluation

Once endorsed, the project moves into the implementation phase. Throughout this phase, there are continuous monitoring and evaluation (M&E) activities to ensure that the project is progressing as planned, achieving its milestones, adhering to budgets, and making adjustments as necessary based on ongoing feedback and situational analysis.

7. Closeout and Learning

After project completion, a closeout phase ensures that all financial and project reporting is finalized. This phase often includes a thorough evaluation of the project's impacts, lessons learned, and potential for scaling or replication. Insights gained from the project are documented and shared with broader stakeholders to inform future projects and improve methodologies and practices.

6. Bilateral and Multilateral Funding

6.1 Bilateral Funding

Bilateral funding involves direct financial support from one country to another, typically from developed to developing countries. This support can be targeted towards specific climate change projects or broader environmental initiatives. Countries like Japan, Germany, and the United States, among others, are significant bilateral donors. They often channel funds through their development agencies, such as the Japan International Cooperation Agency (JICA), the German Corporation for International Cooperation GmbH (GIZ), and the United States Agency for International Development (USAID), providing targeted aid for climate mitigation and adaptation projects.

1. GIZ

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) actively supports climate-related initiatives in Pakistan through several projects aimed at enhancing the country's adaptation to climate change and bolstering resilience against its impacts. These initiatives are part of broader cooperation between Germany and Pakistan to address environmental challenges and promote sustainable development strategies in line with Pakistan's national priorities and international commitments such as the Paris Agreement.

One of the key initiatives is the Pakistan-German Climate and Energy Initiative, commissioned by the Federal German Ministry for Economic Development and Employment (BMZ). This project is led by Pakistan's Ministry of Climate Change and includes comprehensive measures such as the Ten Billion Tree Tsunami Programme, Clean Green Pakistan Initiative, and Alternative and Renewable Energy Policy. The initiative aims to facilitate a just energy transition, focusing on both mitigation and adaptation strategies. It provides a platform for political dialogue, knowledge exchange, and technical cooperation to enhance Pakistan's capacity to achieve its climate objectives.

Additionally, GIZ has launched the "Strengthening Climate Adaptation and Resilience (SAR)" project which supports the Pakistani government in enhancing climate risk management and adaptation capabilities. This project emphasizes the protection of vulnerable groups and improves access to international finance for climate adaptation measures. It also contributes to local and national adaptation efforts by providing expertise and facilitating the development and implementation of climate resilience strategies across various sectors.

These programs underscore a significant investment in climate resilience, aiming to transform societal and technological capacities within Pakistan to better manage and respond to the evolving climate crisis. For more details, you can visit the GIZ's official pages on these initiatives: Pakistan-German Climate and Energy Initiative and Supporting Pakistan's adaptation to climate change.

2. Japan International Cooperation Agency (JICA)

The Japan International Cooperation Agency (JICA) is actively involved in various climate change projects in Pakistan, focusing on enhancing the country's capacity to adapt to and mitigate the impacts of climate change. JICA's initiatives are part of a comprehensive approach that includes infrastructure development, environmental conservation, and institutional strengthening.

One of the prominent projects is the "Installation of Weather Surveillance Radar in Multan City". This project is crucial for improving Pakistan's weather forecasting abilities, which is vital for early warning systems and effective response to climate-related disasters like floods and droughts. Another significant effort by JICA is aimed at reinforcing the technical and institutional capabilities of Pakistani engineers and planners to construct resilient educational facilities that can withstand climate-induced disasters, ensuring safer learning environments under the "Build Back Better" principles.

Additionally, JICA supports Pakistan through capacity building initiatives that involve training and equipping local stakeholders to better understand and manage climate risks. These initiatives are closely aligned with Pakistan's National Determined Contributions (NDCs) and the broader goal of integrating climate resilience into the country's developmental agenda.

3. The United States Agency for International Development

The United States Agency for International Development (USAID) is actively involved in funding various climate change initiatives in Pakistan, focusing on enhancing the country's resilience and adaptation capabilities to climate impacts. Some key projects include:

i. **Recharge Pakistan Project**: This is a significant initiative aimed at leveraging natural systems and investing in green infrastructure to enhance Pakistan's resilience to climate change. The project has a substantial budget of $72.8 million, with contributions from USAID and other partners like the Green Climate Fund and The Coca-Cola Foundation. The initiative focuses on reducing flood and drought risks, improving water and forest governance, and supporting climate-resilient businesses in the agriculture, forestry, and water sectors.

ii. **Pakistan Climate Financing Activity**: USAID has launched this up to $10 million initiative to boost Pakistan's capacity for climate resilience and adaptation through targeted technical assistance. The program seeks to mobilize public and private, domestic and international finance for climate mitigation, resilience, and adaptation efforts.

6.2 Multilateral Funding

Multilateral funding is dispensed through international organizations that pool resources from multiple countries. Key multilateral financial institutions involved in climate finance include the World Bank, Asian Development Bank (ADB), and the African Development Bank (AfDB). These institutions finance large-scale climate-related projects that can involve multiple countries within a region. Projects funded through these channels often aim to promote sustainable development, enhance energy efficiency, support renewable energy projects, and build resilience to climate change.

Both bilateral and multilateral funding mechanisms are designed to fulfill commitments under international agreements such as the UNFCCC, and they are instrumental in helping developing countries achieve their climate and environmental goals. The funding provided supports a variety of projects, from infrastructure development and technology transfer to capacity building and policy-making for climate action.

6.3 Small Funding Avenues

1. International Development Agencies

- **United Nations Development Programme (UNDP)**: Offers grants for climate action through various thematic funding windows.
- **Embassies and Consulates**: Many countries offer small grants through their diplomatic missions for local projects, like the Embassy of Japan’s Grant Assistance for Grassroots Projects, which often includes environmental initiatives.

2. Bilateral Donor Agencies

- **Swedish International Development Cooperation Agency (SIDA)**: Funds projects that address the effects of climate change, focusing on innovation and partnerships.
- **Australian Aid**: Offers funding for innovative projects that tackle climate change impacts in the Indo-Pacific region.
- **Government Programs**: Look for specific programs like the Canada Fund for Local Initiatives (CFLI), which supports small-scale, high-impact projects in various countries, including those addressing climate change.
- **International Aid Agencies**: Agencies like USAID, DFID (now FCDO), and others sometimes offer small grants directly or through their country-specific programs.

3. Philanthropic Foundations

- **The Rockefeller Foundation**: Supports initiatives aimed at building resilience and sustainable development.
- **The MacArthur Foundation**: Provides grants for projects that address climate solutions focusing on big bet initiatives.

4. Corporate Social Responsibility (CSR) Initiatives

- **Google.org**: Funds projects that use technology to address environmental challenges, including climate change.
- **Microsoft’s AI for Earth**: Grants access to AI tools and cloud computing resources for projects that improve climate resilience.
- **Corporate Foundations:** Many corporations have foundations that fund environmental and sustainability projects, such as the Coca-Cola Foundation or the Shell Foundation.

5. International Non-Governmental Organizations (NGOs)

- **Climate Action Network**: Occasionally offers small grants for advocacy and community mobilizing projects related to climate change.
- **Oxfam**: Provides funding for climate resilience projects as part of its mission to tackle the injustice of poverty.
- **World Wildlife Fund**: Organizations such as the World Wildlife Fund, Conservation International, and others often have small grant programs.

- Other: Other INGs like Care Pakistan, and Concern Worldwide, Mercy Corps, and Muslim Hands often have open small climate change windows for local partners.

6. Specialized Environmental Funds

- **The Climate Reality Project**: Offers micro-grants for grassroots climate change initiatives.
- **The Waterloo Foundation**: Provides funding for projects dealing with tropical rainforests and the effects of climate change on marine life.

7. Crowdfunding Platforms

- **Kickstarter**: A tool for raising funds from the public for innovative projects including green technologies and environmental initiatives.
- **Indiegogo**: Similar to Kickstarter, it's used for funding initiatives that might not be eligible for traditional grant programs.

8. Public-Private Partnerships

- **Climate Bonds Initiative**: Partners with governments and the private sector to fund large-scale climate projects through green bonds.
- **Partnerships for Green Growth (P4G)**: Provides funding and facilitation support for public-private partnerships that aim to achieve sustainable and inclusive growth.

9. Research and Academic Grants

- **National Geographic Society**: Offers funding for projects that include a strong element of scientific research, conservation, and education on climate change.
- **The Research Councils UK (RCUK)**: Provides grants for academic research projects that include a focus on climate science and solutions.

7. Private Sector Financing in Climate Change Initiatives

Private sector financing plays a crucial role in addressing climate change by leveraging capital for investments in sustainable development, renewable energy, and resilience projects. This type of financing involves contributions from corporations, private equity funds, venture capital, and other private financial institutions. Here's how private sector financing impacts the field of climate change and the mechanisms through which it operates:

7.1 Direct Investment

Direct investments by the private sector in renewable energy projects, such as solar and wind farms, or in technologies that reduce emissions, are pivotal. These investments often seek not only environmental returns but also financial profitability. They can come in the form of equity investments in new technologies or project financing for the development of infrastructure crucial to mitigating the effects of climate change.

7.2 Green Bonds and Loans

Private companies and financial institutions issue green bonds and loans specifically earmarked for funding projects that have positive environmental impacts, such as energy efficiency improvements or pollution reduction. These financial instruments attract investors who are interested in sustainable projects that also provide competitive returns, thereby increasing the flow of capital towards green initiatives.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PM hails launch of green bond to finance two dams

Syed Irfan Raza | Published June 1, 2021

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ISLAMABAD: Prime Minister Imran Khan on Monday formally launched the country's first green Eurobond (Indus bond) floated by the Water and Power Development Authority (Wapda) to meet financial needs relating to the construction of Diamer-Bhasha and Mohmand dams.

Addressing the launching ceremony of the bond, the prime minister, however, agreed that like the previous governments, a lack of implementation of projects was also being observed in his own government.

7.3 Carbon Markets

Private companies participate in carbon trading as a way to offset their own carbon emissions. This market-based approach allows companies that reduce their emissions to sell carbon credits to other companies whose emissions exceed regulatory limits. This not only incentivizes reductions in greenhouse gases but also mobilizes private funds towards climate-positive projects.

Pakistan is currently working on its Carbon Market policy.

7.4 Venture Capital for Climate Tech Startups

Venture capital firms increasingly invest in startups focused on innovative solutions to climate change. These investments support early-stage companies developing new technologies and business models that could potentially revolutionize industries towards lower carbon footprints and enhanced sustainability.

The Climate Finance Accelerator Pakistan Roadshow

Many companies appeared in the Climate Finance Accelerator (CFA) event held in March 2024 in Pakistan. Here is a brief introduction of venture capital firms and their focus.

1. **Pact Capital**

- **Introduction**: Pact Capital is deeply invested in afforestation projects aimed at generating carbon credits through large-scale tree planting.
- **Opportunity**: The firm has planted four million trees across 2000 hectares and is looking to expand up to 5000 hectares. They are actively seeking an additional $3 million to scale their operations, presenting an opportunity for investors interested in sustainable and impactful environmental projects.

1. **Sky Agri**

- **Introduction**: Sky Agri focuses on enhancing food security in Pakistan through precision agriculture and the use of drones for monitoring and spraying applications.
- **Opportunity**: The company is preparing for a major scale-up that includes equipping with 85 more drones to reach every corner of Pakistan. This expansion is geared towards significantly boosting productivity and sustainability in agriculture, appealing to investors passionate about innovative agricultural technologies.

1. **Davaam Life**

- **Introduction**: Co-founded by Omer Ghaznavi, Davaam Life specializes in waste management solutions, particularly focusing on recycling municipal waste and reducing landfill usage.
- **Opportunity**: Davaam is expanding its network of refill stations across Karachi, with plans to go national. They are seeking to raise $1.8 million to kickstart a refill revolution, providing a unique opportunity for investors interested in sustainable urban infrastructure.

1. **Charge Vehicles**

- **Introduction**: A Lahore-based connected e-mobility company that is working towards building high-quality electric vehicles suitable for export.

- **Opportunity**: After extensive development to ensure premium product quality, Charge Vehicles is at a stage where they are ready to meet both domestic and international demand, offering investment opportunities in the burgeoning electric vehicle market.

1. **BridgeLinx Technologies**

- **Introduction**: Positioned as the trade marketplace of Pakistan, BridgeLinx connects shippers with commercial trucks, enhancing logistics and transportation efficiency.
- **Opportunity**: Having already raised $3 million, BridgeLinx is preparing for another financing round of $2 million to further develop its technology and expand its market reach, targeting investors looking for tech-driven logistics solutions.

Source: Information extracted from Nisma Riaz, The Climate Finance Accelerator Pakistan Roadshow appeared in e-edition of Profit , March 17, 2024 and can be accesssed at https://profit.pakistantoday.com.pk/2024/03/17/these-green-startups-want-to-help-the-environment-and-make-money-in-the-process-but-what-do-their-potential-investors-have-to-say/

7.5 Public-Private Partnerships (PPPs)

Public-private partnerships involve collaboration between government entities and private companies to fund and manage projects that could be too large or complex for any single entity to handle alone. PPPs are often used in large-scale infrastructure projects, including those focused on energy, water management, and urban development, that contribute to climate resilience and adaptation.

one notable example of a public-private partnership (PPP) in the realm of climate change in Pakistan involves the Karachi Water and Sewerage Services Improvement Project (KWSSIP). This project, supported by the World Bank and the Asian Infrastructure Investment Bank (AIIB), aims to improve access to safe water services in Karachi and enhance the Karachi Water and Sewerage Board's (KWSB) financial and operational performance. Apart from the above-mentioned development partners, various private contractors and engineering firms contracted for infrastructure development and operational improvements.

7.6 Impact Investing

Impact investors seek to contribute to environmental and social goals alongside generating financial returns. Investments are often directed towards projects that provide tangible societal benefits, such as community-based renewable energy projects, sustainable agriculture, and affordable green housing.

Impact investing in climate change initiatives in Pakistan is still developing, but there are several notable examples where investments are being made with the intent to generate both financial return and measurable environmental impact. One significant example is the Engro Corporation’s Renewable Energy.

Engro Corporation's Renewable Energy Projects

Overview: Engro Corporation, one of Pakistan's largest conglomerates, has increasingly focused on sustainability and renewable energy as part of its corporate strategy. The company, through its subsidiaries, has been actively investing in various projects aimed at boosting the share of renewable energy in Pakistan's energy mix.

Key Projects and Impact:

1. **Engro Energy's Solar and Wind Projects:**
    - **Engro Energy**, a subsidiary of Engro Corp, has invested in solar and wind power projects in different regions of Pakistan. These projects not only aim to supply cleaner energy but also help reduce the dependence on fossil fuels, which are a significant source of pollution and greenhouse gas emissions in Pakistan.
2. **Thar Coal Power Project:**
    - While primarily a coal project, it includes significant investment in developing infrastructure and technologies to mitigate environmental impacts. Engro has implemented multiple initiatives to ensure that the project meets higher environmental standards, including efforts to manage water usage and reduce emissions. The project is seen as a stepping stone that helps address energy shortages while setting the stage for more sustainable energy practices.
3. **Corporate Social Responsibility and Community Development:**
    - Engro's investments often come with a strong focus on community development, including training programs, health initiatives, and environmental conservation projects around their operational areas. This holistic approach ensures that the investments also contribute to social capital, enhancing the resilience of local communities to climate impacts.

Impact:

- The renewable projects notably contribute to reducing carbon emissions by increasing the share of clean energy in the national grid.
- Engro's initiatives have also fostered local economic development by creating jobs and improving infrastructure, which indirectly supports communities in adapting to climate-related challenges.

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This guidebook, "Pathways to Climate Finance: A Strategic Guide for Stakeholders in Pakistan," serves as a comprehensive resource for stakeholders across government, non-profit, and private sectors seeking to navigate the complex landscape of climate finance. It details the mechanisms for accessing international public sources, bilateral and multilateral funds, and private sector investments.

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