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Thematic Area: Financing Climate Action

The Financing Climate Action (FCA) taskforce addresses the critical need for financial support to adapt and mitigate climate change by enhancing institutional capacities and developing innovative tools. It aims to enable better access to international climate finance and provide financial protection to vulnerable communities, fostering resilience and sustainability.

Objective 1: Stengthening the capacities of state actors in accessing international finance for climate change adaptation and climate risk management

The Challenge

Urgent global action on climate change requires financial support for adaptation and mitigation efforts. According to World Bank estimates, USD 348 billion in climate finance is needed for Pakistan's transition to a resilient and low-carbon development pathway, equalling more than 10% of the country's GDP. Access to climate finance depends on countries presenting strong project proposals that meet the prerequisites of international funding facilities. Vulnerable nations like Pakistan need robust proposals to access funds, but face challenges such as limited expertise, institutional frameworks, stakeholder coordination, and awareness. Weak institutional capacity and governance frameworks make it harder for national institutions to directly access international climate finance. Overcoming these hurdles is crucial to effectively utilise climate finance.

Our Approach

GIZ focuses on capacity building for climate finance, piloting local measures, and providing technical assistance. With Pakistan needing $348 billion for climate resilience, GIZ aids in accessing transformational financing. It supports partner organisations in accessing international climate funds and assists government accreditation with the Green Climate Fund.

>100 officials trained

2 project proposals and 4 concepts notes developed

Interventions

GIZ is actively supporting the Pakistani government in strengthening climate finance architecture at the federal, and provincial levels (Punjab and Khyber Pakhtunkhwa). Our work focuses on enhancing governance, building departmental capacity to navigate the international climate finance landscape, and providing technical assistance to improve access to funds for adaptation, resilience, and risk management initiatives.

Capacity Development

GIZ strengthened the capacity of over 100 national and sub-national actors to access international climate finance through focused trainings. Participants explored Pakistan's climate finance architecture, UNFCCC funds, project development, and innovative tools like carbon markets. To scale efforts, 25 actors received advanced training on resource mobilisation, fund governance, and engaging diverse funding sources, ensuring projects meet international standards while addressing local needs and priorities.

Enhancing Governance

GIZ is assisting Planning and Development departments in Punjab and KPK to secure GCF accreditation, enabling sub-national actors to access international climate finance directly. Through a 'learning by doing' approach, GIZ has strengthened institutional and individual capacity for designing adaptation projects. Focus areas include water governance, climate-smart agriculture, forestry, and conservation, fostering skills to develop impactful, sustainable initiatives tailored to local contexts.

Technical Assistance

GIZ enhanced climate finance coordination at the central level by supporting the Climate Finance Unit in engaging with international financiers. At the sub-national level, collaboration with line departments and accredited entities advanced adaptation financing and project development. This process generated a total of six gender-sensitive proposals, including two project proposals for the Adaptation Fund and four concept notes for the Green Climate Fund, enhancing Pakistan's capacity to implement climate-resilient initiatives.

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Objective 2: Improving financial protection for vulnerable communities through innovative financial tools

The Challenge

In Pakistan, climate risk financing faces challenges including: low financial literacy among vulnerable groups; limited access for women farmers; and regulatory hurdles. Socioeconomic inequalities and capacity gaps in civil society and SMEs hinder implementation. Integrating solutions into financial systems and value chains demands extensive coordination, complicating efforts to make climate financing accessible and scalable.

Our Approach

GIZ also promotes financial protection for vulnerable communities through innovative tools and interest-free loans, benefiting 35,000 individuals, especially women farmers. Moreover, it develops climate risk finance solutions for SMEs in Punjab's agricultural value chains to ensure economic development despite climate challenges.

Interventions

GIZ aims to help vulnerable communities in Pakistan in managing climate-related loss and damage by supporting the development of financial instruments to enhance financial protection against climate risks. As part of this effort, GIZ is supporting several initiatives to strengthen financial protection at the community level through an Adaptation Challenge Fund (ACF). Three pilot projects aimed at empowering climate-vulnerable communities by providing them access to financial resources for adaptation. These initiatives collectively target impacts of climate change on agriculture, health, housing, and livelihoods in flood-prone areas.

ACF Winner

The **Punjab Rural Support Programme** (PRSP) is enhancing the resilience of 250 marginalised households in Muzaffargarh, Punjab, by offering interest-free loans and training in climate-resilient practices

ACF Winner

Karakoram Area Development Organisation (KADO), in collaboration with **Jazz Mosafir**, is working in Chitral, KPK to enhance climate resilience through index-based community climate insurance

ACF Winner

Rural Aid and **MS Worldwide**, focus on empowering small-scale farmers in Nowshera with a community-based drone project that integrates geospatial remote sensing, climate-smart agricultural training, and low-interest microfinance

GIZ, together with **Sarhad Rural Support Programme** (SRSP) established a community-based climate risk financing model that will benefit more than 4,000 community members directly

GIZ supports access to risk financing for SMEs in agriculture to enhance resilience in Punjab's agricultural value chains. Collaborating with the private sector, it promotes financial services and encourages industrial buyers to invest in climate resilience and professionalise supply chains. The initiative aligns with key adaptation strategies and global climate risk protection efforts, fostering socio-ecological transformation. It integrates climate risks into MSME activities, supports private sector growth, and emphasises innovative financial instruments, including mobile payments, digital financing, and storage solutions, targeting financial intermediaries and MSMEs, with a focus on women in leadership roles.

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