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STRENGTHENING CLIMATE ADAPTATION AND RESILIENCE

Aligning International Climate Finance to National Priorities in Pakistan: Localisation in Practice

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On behalf of the
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Foreword

As the Cluster Coordinator for Energy, Climate Change, and Just Transition at GIZ Pakistan, I am pleased to present this policy brief, **Aligning International Climate Finance to National Priorities in Pakistan: Localisation in Practice**. The German development cooperation is committed to supporting Pakistan in financing climate action and achieving its sustainable development goals.

The German development cooperation adopts a holistic approach to climate action, with GIZ Pakistan's Energy, Climate Change, and Just Transition Cluster playing a key role in building capacity for climate finance, piloting local initiatives, and providing technical support. With Pakistan requiring $348 billion to enhance climate resilience, GIZ has been instrumental in facilitating access to transformational financing.

Securing international climate finance hinges on the development of well-crafted project proposals that meet the standards of global funding mechanisms. For countries like Pakistan, this process can be challenging due to limited expertise, institutional weaknesses, and coordination gaps. These obstacles make it difficult for national institutions to directly access international funding, making it essential to overcome them to leverage available resources effectively.

Over the past two years, we have made substantial progress in strengthening the capacities of partner institutions and individuals to access international climate finance. Our 'learning by doing' approach has been particularly effective, helping to prioritise and design adaptation projects in critical areas such as water governance, climate-smart agriculture, sustainable forestry, and conservation.

Through our technical assistance, we have enhanced central-level capacities and improved coordination with the Climate Finance Unit to engage international financiers. At the sub-national level, we have worked closely with line departments and international partners, driving the development of climate adaptation projects. This collaborative process involved coordination between line ministries, the National Designated Authority, and internationally accredited entities for the Global Climate Fund (GCF). As a result, we have developed concept notes for five gender-sensitive climate adaptation projects, including four for the GCF and one for the Adaptation Fund.

This policy brief outlines how localised strategies and solutions have enabled Pakistan's Federal and Provincial Governments to develop a pipeline of bankable GCF projects. It serves as a guide to navigating this complex process. I encourage you to use, share, and most importantly, apply it to finance climate action in Pakistan. The future of Pakistan depends on it.

I commend the authors, editors, and contributors for their dedication in producing this invaluable resource. I trust that it will inspire climate action and help mobilise more financing to combat climate change in Pakistan.

Wolfgang Hesse
Cluster Coordinator
Energy, Climate Change, and Just Transition Cluster
GIZ Pakistan

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Acronyms

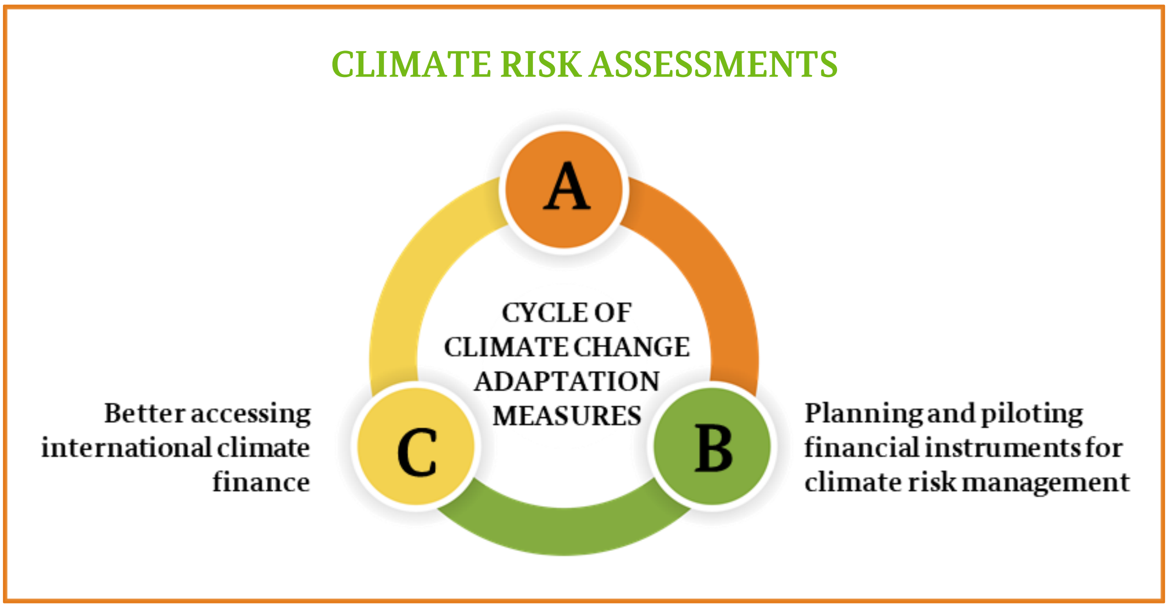
ADB	Asian Development Bank
AF	Adaptation Fund
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CDM	Clean Development Mechanism
CERF	Central Emergency Response Fund
CGIAR	Consultative Group for International Agricultural Research
CIF	Climate Investment Funds
COP	Conference of Parties
CSR	Corporate Social Responsibility
EU	European Union
EU ETS	European Union Emissions Trading Scheme
ESG	Environmental Social Governance
GIZ	Gesellschaft für Internationale Zusammenarbeit
GCF	Green Climate Fund
GEF	Global Environmental Facility
IBRD	International Bank for Reconstruction and Development
IFRC	International Federation of Red Cross and Red Crescent
INGO	International Non-Governmental Organisation
IUCN	International Union for Conservation of Nature
IWMI	International Water Management Institute
JI	Joint Implementation
KP	Khyber Pakhtunkhwa
MOCC&EC	Ministry of Climate Change and Environmental Coordination
NAP	National Adaptation Plan
NDA	National Designated Authority
NDC	Nationally Determined Contribution
NGO	Non-Governmental Organisation

NOL	No Objection Letter
OPM	Oxford Policy Management
PFM	Public Financial Management
REDD+	Reducing Emissions from Deforestation and Forest Degradation
SAR	Strengthening Climate Adaptation and Resilience
SCCF	Special Climate Change Fund
TA	Technical Assistance
USAID	United States Agency for International Development
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
WWF	World Wildlife Fund

Introduction

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Government, has been supporting the Government of Pakistan to enhance climate adaptation and resilience as well as climate risk management with a specific focus on vulnerable populations, especially women.

The *"Strengthening Climate Adaptation and Resilience (SAR)"* is GIZ's flagship project that is supporting the full planning cycle of climate change adaptation measures from preparation of climate risk assessments to the piloting of financing approaches and instruments. Launched in 2022, SAR's support to the Government of Pakistan is specifically focused on assisting with:



Oxford Policy Management (OPM) has been contracted by GIZ to provide technical assistance in commissioning gender-sensitive adaptation proposals to be submitted to international climate finance entities under SAR project. Similarly, OPM is also leading (from the platform of SAR) in enhancing the capacity of selected public and private proponents/leading/implementation entities in developing funding proposals as per the requirements of major international climate finance donors. The technical assistance in project pipeline development received immense support from Ministry of Climate Change, Environmental Coordination, Government of Pakistan, and was jointly executed in close coordination with the respective line departments in Khyber Pakhtunkhwa and Punjab. Efforts have been successful in getting four (4) GCF project proposals (GCF Concept Notes) developed and approved at the national level from the platform of GIZ's SAR project. The SAR project is the only initiative in Pakistan, supported by any international development entity, which succeeded in developing four GCF project proposals through collaboration with government departments/ministries. Similarly, SAR is the only donor-supported project in Pakistan that was able to not only collaborate with the government in developing GCF project proposals but also to help seek approval from the Pakistan GCF Board for submitting these projects to GCF International through respective accredited entities. For these reasons, GIZ's SAR project can be seen as monumental in assisting the Government (federal as well as provincial) to better access global climate financing windows through the development of bankable project proposals as GCF Concept Notes and getting their approval from the highest national level platform.

The issue of aligning international climate finance with national climate priorities is a challenge faced by many countries. This Policy Brief aims to inform work by international development organisations, government decision-makers, and climate finance practitioners. This Policy Brief captures experience from Pakistan on how localised strategies and solutions have helped Federal and Provincial Governments in Pakistan to generate a pipeline of bankable GCF Projects (Concept Notes). These learnings are based on eighteen-months extensive experience by the expert team from Oxford Policy Management which has been implemented under the GIZ SAR project in Pakistan at federal and provincial levels (Punjab and Khyber Pakhtunkhwa province).

I. Background

Climate finance or green financing is the term used for multiple financial resources, which are mobilised to implement initiatives related to climate action including mitigation, adaptation, sustainable development, and just transition. International climate finance architecture covers a wide range of dedicated as well as general-purpose climate funding windows and avenues. Most climate financing vehicles can be categorised into three groups: UNFCCC-based, non-UNFCCC-based, and private or market-driven funds. UNFCCC mechanism is rooted in the UN Framework Convention on Climate Change, which represents an international environmental treaty, for addressing the adverse impacts of climate change at the global level. UNFCCC came into existence as a follow-up to the Earth Summit held in Rio De Janeiro in 1992[1]; it has so far been ratified by nearly 190 countries across the globe. The Conference of Parties (COP) is the highest decision-making platform in the UNFCCC, and it happens each year. Under the rubric of UNFCCC, several financial mechanisms have been established to facilitate the access of governments and non-government entities to multiple climate financing sources.

In terms of the classification of global climate finance instruments, three to four distinct categories can be identified. Within these categories, UNFCCC represents the most relevant financing window, especially for national governments; important climate funds under the UNFCCC umbrella include the Green Climate Fund (GCF) (size, US$12.7 billion), Adaptation Fund (AF) (size, US$ 878 million) and Global Environmental Facility/Special Climate Change Fund (GEF/SCCF) (size, US$335 million). GCF represents the world's largest climate funding window, designed for helping developing countries raise and realise their Nationally Determined Contribution (NDC) ambitions towards low-emission and climate-resilient developmental pathways. Similarly, the Adaptation Fund aims to provide funding to initiatives, which would directly assist vulnerable communities within developing countries to adapt to adverse impacts of climate change. GEF/SCCF also assists communities with high vulnerabilities to fight the adverse impact of climate change, primarily through piloting and rolling out nature-based solutions. In addition to these UNFCCC-based funds, another climate finance realm exists in the shape of multiple, private-sector financing options. These include diverse funding instruments, including carbon offsetting and trading markets, green bonds and climate-related securities, equity and venture capital, insurance and climate risk transfer, loans, debt financing and debt swaps, public-private partnerships for climate

[1] United Nations, "United Nations Conference on Environment and Development, Rio de Janeiro, Brazil, 3-14 June 1992." *United Nations*, www.un.org/en/conferences/environment/rio1992. Accessed 15 Oct. 2024.

financing, etc. There is an increasing trend of opting for blended financing comprising both multi-lateral / bilateral finances along with private financing.

Table 1: Classification of Global Climate Finance Categories

CATEGORY	MECHANISMS	FINANCIAL INSTRUMENTS
UNFCCC Mechanisms	Official mechanisms under UNFCCC agreements like Kyoto Protocol and Paris Agreement	Clean Development Mechanism (CDM), Joint Implementation (JI), Adaptation Fund, Green Climate Fund (GCF), Technology Transfer Fund
Non-UNFCCC Mechanisms	Climate finance outside of UNFCCC processes	Voluntary Carbon Markets, REDD+ (Reducing Emissions from Deforestation and Forest Degradation), Climate Investment Funds (CIF)
Bilateral Finance	Direct government-to-government aid and partnerships	Bilateral climate funds, concessional loans, grants, risk guarantees (e.g., German International Climate Initiative, Norway's International Climate and Forest Initiative)
Private Sector-led Mechanisms	Private sector-driven climate finance conduits	Green Bonds, Climate Bonds, Private Equity, Venture Capital, Blended Finance, Climate Risk Insurance, Catastrophe Bonds (CAT Bonds), Impact Investments, Corporate Sustainability Bonds
Purely Private Sector Conduits	Market-based approaches, investments, and CSR initiatives	Private sector-led green financing, sustainability-linked loans, equity investments in renewable energy, ESG-focused funds, Corporate Offsetting

Table 2: Classification of Global Climate Finance Instruments	
Grants	- GCF, CIF, AF, and GEF grants for mitigation and adaptation - UN Central Emergency Response Fund (CERF) and International Federation of Red Cross and Red Crescent Societies (IFRC) and disaster response grants
Concessional Loans	- GCF, CIF, and GEF loans - IDA, UN CERF, and IFRC disaster response emergency funds - Bilateral
Guarantees	- GCF and CIF guarantees
Direct budget support and policy-based finance	- ADB policy-based lending - GCF Readiness Program
Equity	- GCF and CIF equity investments
Insurance mechanisms (parametric insurance, CAT bonds)	- African Risk Capacity, CCRIF, and similar - EU support to subsidise premiums for CCRIF
Risk-sharing mechanisms	- Umbrella stop-loss mechanisms, regional risk pools. - GCF equity and guarantee mechanisms
Pre-arranged finance / contingent credit	- IBRD Development Policy Loan with Catastrophe Deferred Drawdown Option
Performance based programs	- GCF results-based payments under REDD+ pilot program
Green Bonds	- Sovereign green bonds, corporate green bonds - World Bank, European Investment Bank, IFC, Climate Bonds Initiative, ADB
Debt-for-Nature swaps	- The Nature Conservancy, WWF, Conservation International, UNDP
Results based financing	- Results-based financing, outcome-based incentives, performance-based grant systems - World Bank, Global Fund, GAVI: the Vaccine Alliance, USAID, ADB
Carbon Trading Markets	- EU ETS, California Cap-and-Trade, Kyoto Protocol’s Clean Development Mechanism, World Bank (CIFs), UNFCCC (GCF), European Commission, USAID

II. Climate Finance and Pakistan

Pakistan is facing a wide range of climate change-triggered challenges requiring substantive climate finance investments across multiple sectors. Major climate-triggered or environmental problems facing Pakistan include degradation of dry land ecosystems, loss of soil fertility, flash floods, loss of biodiversity, reduction in land productivity, soil erosion, water logging, and salinity in addition to problems associated with population growth putting pressure on natural resources. Massive floods which occurred in 2022 are estimated to have cost over USD $30 billion besides affecting the lives and livelihoods of over 33 million people affected; some 7.6 million people were displaced[2]. In the context of these climate action challenges, several estimates have been made of the climate financing needs of Pakistan to meet these challenges through climate action. As per estimates by the World Bank[3] in the aftermath of the flooding disaster in 2022, Pakistan's overall needs for climate disaster response are as high as $86 billion; similarly, an amount of $55 billion would be needed for universal water and sanitation coverage while $85 billion will be required for supply of low-carbon electricity; similarly, an amount of $31 billion will be required to phase out coal-based power plants while $57 billion will be needed for transport de-carbonisation. Another estimate by the Global Climate Risk Index Annual Report 2020 indicates that Pakistan has lost 0.53 percent per unit GDP, suffered economic losses worth US$ 3792.52 million, and witnessed 152 extreme weather events between 1999 and 2018.[4]

In light of the above estimates of resourcing requirements to fight climate change and to steer climate action, Pakistan will need substantial domestic and international resources over the coming years and decades. However, the climate ambition of Pakistan in terms of mobilising green financing is beset with several challenges resulting in limited fiscal space. These include factors such as the ever-shrinking availability of finances through the Government's normal budgetary processes (Annual Development Program/Public Sector Development Program) for mitigation and adaptation-related interventions; non-prioritisation of non-development/day-to-day, operational expenditure for Climate Action within existing budgetary resources (in normal government budgetary allocation system, very few operational maintenance resources are provided once development projects have been completed; this causes major issues in continuing with expected delivery); lower prioritisation of green sector investments in Private Sector through private capital; ever-increasing costs of

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[2] World Bank, "Pakistan: Flood Damages and Economic Losses over USD 30 Billion and Reconstruction Needs over USD 16 Billion - New Assessment." World Bank Group, 28 Oct. 2022, www.worldbank.org/en/news/press-release/2022/10/28/pakistan-flood-damages-and-economic-losses-over-usd-30-billion-and-reconstruction-needs-over-usd-16-billion-new-assessme.

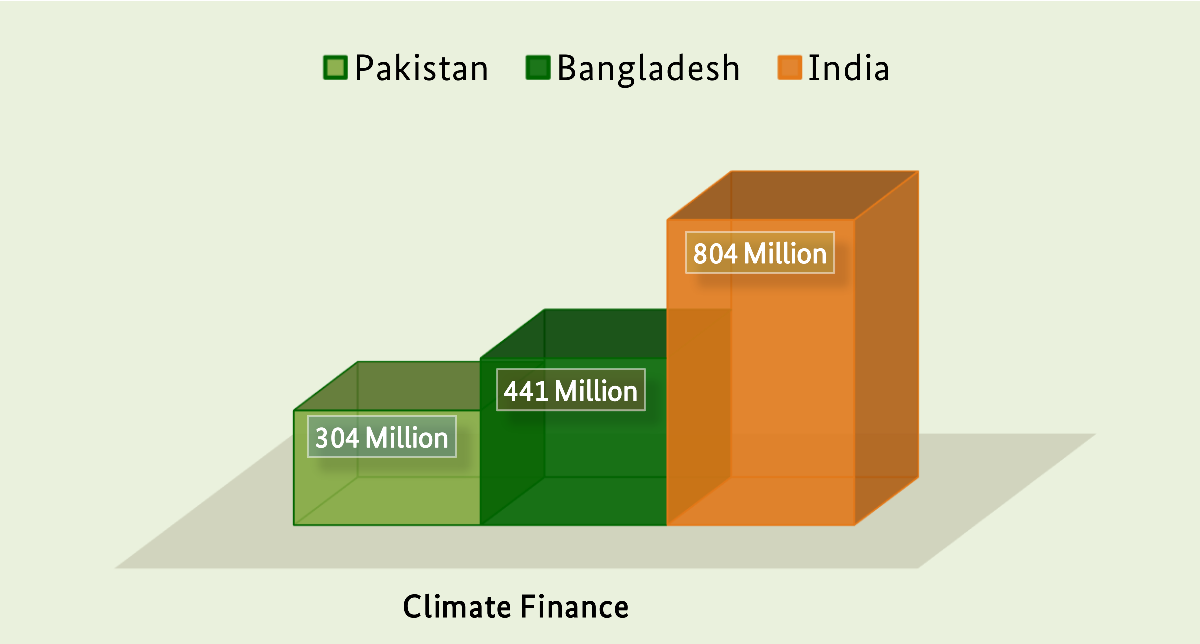
[3] World Bank. "Pakistan: Flood Damages and Economic Losses Over USD 30 Billion and Reconstruction Needs Over USD 16 Billion - New Assessment." Accessed October 10, 2024. https://www.worldbank.org/en/news/press-release/2022/10/28/pakistan-flood-damages-and-economic-losses-over-usd-30-billion-and-reconstruction-needs-over-usd-16-billion-new-assessme.

[4] Eckstein, David, Vera Künzel, Laura Schäfer, and Maik Winges. "GLOBAL CLIMATE RISK INDEX 2020," 2020.

fighting adverse impacts of climate change & exacerbating pattern of major climate-triggered vulnerabilities, etc. All these challenges and manifest resource constraints for climate action underscore the urgency for Pakistan to fully explore “Global Climate Finance” as a viable and highly desirable option to mobilise additional climate action resources.

Despite the urgency to explore all available climate-financing options and despite the existence of multiple climate-financing windows, Pakistan has lagged far behind its neighbouring nations in terms of accessing global climate finance. Taking the example of major climate financing windows only (GCF, GEF, Adaptation Fund, Climate Investment Funds), Pakistan is way behind India and Bangladesh in accessing these funding options. As of 2024, India has accessed $ 803.9 million from these four categories of climate financing; Bangladesh has also been able to receive $ 441.2 million while the share of Pakistan is limited to $ 304.2 million[5]. Nevertheless, projects related to Pakistan are regularly approved by GCF with “Climaventures: Harnessing the Domestic Private Sector Ecosystem for Climate Action in Pakistan” and “GCF-IFC Scaling Resilient Water Infrastructure (RWI) Facility” being the most recent additions. A number of challenges related to climate finance governance, unclarified institutional roles, technical capacity gaps to develop bankable climate action projects, lower political appetite for exploring green financing due to large gestation period, and delinking with usual development planning regime of government are some of the reasons for lower levels of access to global climate finances by Pakistan.

Figure 1 Climate Finance Uptake in South Asia



Source: GCF dashboard

[5] Green Climate Fund, “Portfolio Dashboard.” *Green Climate Fund*, 5 Aug. 2024, www.greenclimate.fund/projects/dashboard.

III. Lessons on Climate Finance Mobilisation/Project Pipeline Development in Pakistan:

a) Eliciting cooperation from GCF National Designated Authority (NDA):

Unlike typical development project formulation within Pakistan's PFM regime, building a climate finance proposal requires the support of the NDA right from the beginning to the completion of the process. In the case of Pakistan, the Ministry of Climate Change and Environmental Coordination (MOCC&EC) is the NDA for major climate financing windows such as GCF, GEF, and AF. The project team started the climate finance proposal development process through active engagement with MOCC&EC. It was not simple and easy to elicit the NDA's ownership for the specific purpose of project idea selection for GCF. MOCC&EC as NDA and GCF Board's secretariat keeps receiving a wide range of projects from different government and non-government entities for consideration against any of the global climate financing windows.

The technical team needed to elicit endorsement of thematic areas and get the NDA's input into the selection of project ideas for submission to GCF / GEF / AF. Since the technical team already had clearly defined focus areas (adaptation, water sector, gender, livelihood, and Punjab / KP province), the task before the team was to seek the endorsement of the NDA for exploring project ideas within the focus areas of the project and aligning it to government's NAP strategic priorities for climate action in Pakistan. The National Adaptation Plan (NAP) approved by the Government of Pakistan in 2023 provided just the right kind of strategic platform that linked the SAR project's priority sectors with those of the Government for climate action. As a result of these efforts to on-board the NDA and rigorous interaction to ensure the Government acknowledged the teams' climate finance project development efforts as contributing to its climate ambition, the NDA gave its endorsement in terms of project selection.

The technical team was communicated to explore project ideas from federal as well as provincial levels (Punjab and KP province), which would synchronise with overarching goals of the NAP and where government entities would take a lead role. Regular interaction with MOCC&EC both at the strategic leadership level (Secretary, Additional Secretary, Joint Secretary) as well as at the technical level (Climate Finance Unit) helped the team to achieve success in terms of ownership from the NDA for its GCF-focused project formulation from the very beginning.

b) Scanning the country's landscape for identification of suitable projects / project ideas:

After the endorsement of the NDA, the next task for the team was to undertake a comprehensive assessment of the partners' landscape (from government as well as non-government entities) with either already half-baked project ideas or ready-to-submit projects for GCF funding. This represented a complex phase, trying to balance multiple considerations. Firstly, many of the available project ideas reflected the interests and priorities of the project-developing entities more than those of the government related to climate action. Secondly, nearly all of the available projects had minimal or zero presence of any federal or provincial government departments as partners. Nearly always, project proponents were either International NGOs or already accredited entities which could run through complex climate finance project development process. Last but not least, not many project ideas fulfilled the agreed criteria between the team and NDA related to technical focus areas as well as geographical focus.

These challenges in selecting the country's landscape for suitable projects for TA support were changed to an opportunity. After meeting dozens of project proponents from donors and the INGO sector, the team's focus was shifted to government organisations and departments (at the federal and provincial levels) for identifying suitable project ideas. The advantages of this approach were two-fold; on the one hand, working with government entities would enable the technical team and GIZ to build the capacity of public sector functionaries in complex proposal development processes for global financing windows. Similarly, getting the government organisations to lead GCF project development would also facilitate supporting the government's climate action ambitions and targets. Following this approach necessitated a string of meetings at federal as well as provincial levels with technical as well as planning departments and organisations. As a result of this proactive and comprehensive stakeholder interaction process, the team was able to finalise four project ideas for TA support in terms of developing climate finance projects. These selected projects covered the federal level (1), Punjab province (1), and KP province (2); all these selected project ideas synced with NAP's focus areas of adaptation and resilience building, water resource management, gender mainstreaming, and livelihood improvement.

c) Eliciting confidence and ownership of counterpart government departments:

Once consensus had been built between the team and MOCC&EC on four (4) project ideas and respective provincial government departments, the next crucial step pertained to building confidence and working relationships with concerned government counterparts. With this project, this entailed dealing with and forging partnerships with three government entities, vis, MOCC&EC (for one federal GCF project on sustainable forest management), KP Climate Change, Forest and Wildlife department (for two KP GCF projects on integrated watershed management and living Indus) and Punjab Irrigation department (for adaptive water management project). As a first step, the team (through facilitation provided by MOCC&EC) interacted with the highest level administrative and technical leadership within these organisations for a briefing on the rationale of GIZ led TA support. All these departments were fully briefed on the advantages of mutually beneficial collaboration which could help develop bankable project proposals for GCF funding.

To achieve objectives, several steps were undertaken, starting with the notification of a dedicated team of experts from each of these departments to work on developing these GCF funding proposals. An effort was made to notify teams which included technical areas' experts as well as broader PFM and project formulation personnel. All these departments were also linked with a designated expert to work on behalf of the project with departmental teams. Formal mechanisms of responsibility apportionment related to various sections of GCF project proposals alongside timelines and progress milestones were also agreed. This was followed by rapid progress in developing GCF proposals/Concept Notes through regular input, meetings, and online interaction. This phase of collaborative work continued for several months resulting in the development of first drafts of technically robust, GCF Concept Notes through combined efforts of counterpart departments and the team's consultants.

d) Managing politics of Accredited Entities:

For any GCF, GEF or AF project formulation, partnership with a GCF-accredited entity is compulsory. It is only the GCF accredited entities which (after Pakistan GCF Board has cleared a GCF Concept Note of Project Proposal) are mandated to interact with global headquarter of GCF for development and final approval of a full funding proposal. Here the team faced challenges related to the absence of any government organisation or department as GCF accredited entity. In the case of Pakistan, all GCF-accredited entities are either international donor agencies or INGOs whose global offices are GCF accredited. Only two national-level entities (both non-government) have received GCF accreditation in Pakistan. Selecting a suitable GCF-accredited entity for these four project ideas turned into a major hurdle in developing bankable GCF project ideas.

Challenges related to eliciting support of a GCF-accredited entity for a "government-led" GCF project are multiple and complex. Firstly, all international development entities or INGOs which are GCF-accredited entities, have peculiar priorities for GCF funding, which do not always match the government's climate action ambition. Secondly, typical GCF-accredited entities tend to insist on leading the process of GCF proposal development for (palpably) later control over implementation, once the project has been approved by GCF. The majority of

GCF-accredited entities which were approached by the team or concerned proponent departments expressed a weaker appetite for partnering with GIZ-supported projects for the above-mentioned reasons. Another possible reason for the “lukewarm” response of GCF-accredited entities to collaborate on projects could be linked to their manifest desire to manage prospective GCF project preparatory grants. For one or more of the above reasons, the team did not get a very encouraging response from GCF-accredited entities to collaborate in GCF project formulation with a government organisation in lead.

To overcome this hurdle, the team adopted a two-pronged strategy involving mobilisation of counterpart departments and respective Planning and Development Departments as well as leveraging NDA’s support to deal with accredited entities. The group initiated a process of meetings and interaction with the leadership of partner departments (which were leading on four GCF project proposals) as well as the Pakistan offices of several GCF-accredited entities. The teams met more suitable GCF-accredited entities through formal and informal interaction to convince them about the advantages of supporting GIZ-led GCF projects. These organisations were explained the benefits of partnering with government counterparts for GCF project formulation including acknowledgement of the highest government levels. These GCF-accredited entities were also briefed about the willingness of the team to provide technically robust and timely input during project development. At the same time, they ensured direct meetings between relevant government departments (leading on four GCF project proposals) and selected GCF-accredited entities so that a direct collaboration request from the highest government level for collaborating on climate action is ensured.

As a result of above-mentioned process (spread over several weeks), the technical team worked with GIZ and relevant government counterparts to elicit two GCF accredited entities (IUCN and CGIAR/IWMI) to support four GIZ-led GCF Projects/Concept Notes). IUCN agreed to be accredited entity for the GCF Project from MOCC&EC as well as KP Climate Change, Forest and Wildlife Department while IWMI agreed to a similar role for the project from Punjab Irrigation Department. Furthermore, this achievement was made possible through constant lobbying and insistence of government (including proponent departments as well as P&Ds) to which both GCF AEs had to agree. Moreover, the team could sense hesitation on the part of all GCF-accredited entities while developing climate financing proposals as it could potentially impact their lead role in managing the projects in the implementation phase. However, technical-level briefings by SAR teams and political management by respective government departments ensured the willingness of both IUCN and IWMI/CGIAR to take forward all four GCF Concept Notes through to the next stages.

e) Overcoming technical capacity gaps & sustaining leadership interest:

Another important challenge that the team faced while supporting government counterparts on GCF project development pertained to technical capacity constraints in counterpart departments. Government entities in Pakistan (at federal and provincial levels) develop projects for government or donor funding on an official template, known as the PC-1 document. PC-1 contains all relevant technical, financial, and planning information related to any specific project that technical teams of proponent departments are required to fill. Once finalised, these PC1 documents are processed through a well-defined approval mechanism. However, the GCF templates for both Concept Notes and Full Funding Proposals are markedly different (and more rigorous) as compared to the standard PC-1 template of the government planning regime. For this reason, it is a big challenge for the PFM and project development teams of government departments to develop bankable GCF or GEF funding proposals without a substantive capacity boost. Typical GCF Concept Notes or full funding proposals require rigorous technical and financial information as well as robust amounts of empirical data to complete project templates.

A well-nuanced and sequential approach was employed to overcome capacity constraints within counterpart government departments for developing four GCF Concept Notes. To begin with, dedicated technical teams for GCF project development were notified in each of the departments comprising technical as well as PFM / Planning experts of the government. Secondly, the project arranged a string of interactive sessions with these departmental teams to familiarise them with the specific requirements of GCF project templates, using the existing project base. All relevant departments were also encouraged to approach lead research institutions within the public sector to provide background data and evidence-based feasibilities to strengthen and enrich the GCF project formulation process. Teams from these departments were also encouraged to participate in GIZ-supported capacity-building sessions so that government officials are made capable of filling GCF project templates and documentation. It was on account of this well-thought-out process and handholding, designed by GIZ teams that the capacity of relevant government counterparts was built to design four bankable GCF Concept Notes and submit these to the Pakistan GCF Board.

Sustaining departmental leadership interest throughout the tedious GCF project development process was yet another area, where the team had to put special focus. A typical government project on PC-1 format takes on average 4-5 months to be completed and submitted to the approval forums. However, stipulated timelines in the case of GCF projects are far lengthier and more time-consuming. A typical GCF Concept Note and Full Funding Proposal can take anything between 3 to 5 years to complete. This lengthy gestation period can become a major disincentive for administrative leadership within a department or government sector to invest technical energies in GCF project formulation. The technical team overcame this substantial hurdle through a process of constant engagement and transparent progress sharing as well as mobilisation of strategic TA input on a need's basis.

Political and administrative leadership were briefed and convinced on the longer-term benefits of accessing global green financing as "critical and catalytic input" towards the overall climate finance mobilisation ambition of the government. It was also clarified that despite a longer gestation period, pursuing GCF funding could be of strategic importance in attracting additional climate financing resources besides enabling the piloting of innovative climate action ideas (which would be largely ignored within the normal planning cycle). Dedicated experts were also made available for all crucial inputs in GCF project development phases so that the confidence of counterparts is boosted. Finally, departmental leadership was encouraged to show case success in forming GCF project proposals as evidence of political commitment from the highest level to pursue Pakistan's climate ambition. As a result of these efforts, the team was successful in ensuring support and buy-in of departmental leadership for all through the process of developing four GCF Concept Notes.

f) Steering GIZ-supported GCF Projects through the GCF Board for approval:

It took almost one year of TA support and professional handholding by the team to complete the four Concept Notes in line with the GCF template. The next task for the team was to support the process of moving these GCF Projects / Concept Notes through the Government's approval process. The government of Pakistan has notified a laid-down mechanism for processing GCF or GEF projects covering scrutiny, approval, and onward submission to global offices of GCF, etc. Unlike other development projects under the national planning cycle, where respective Planning and Development Departments have been made responsible for all these steps, GCF project processing and approval is assigned to MOCC&EC as Secretariat of Pakistan GCF Board. In accordance with these GCF-specific notifications, routing these GCF Concept Notes or Funding Proposals through normal PFM systems of Government is not mandatory. However, by way of abundant caution, the team engaged with relevant departments on the content and rationale of these GCF project proposals. Bringing on board departmental planning wings for these GCF proposals was also critical, as all four GCF Concept Notes included the government's source contribution as an integral component. Systematic following of the above processes and regular interaction with counterpart departments resulted in formal government communications endorsing these GCF projects supported through GIZ and their submission to GCF Board for approval.

As soon as these four Concept Notes reached GCF Board / MOCC&EC, the next step was for the team to support timely consideration of these projects. GCF Board's meetings are not held very frequently and whenever held, these have very heavy agendas and limited time. Ensuring any of the GCF Project Proposal submitted to the GCF Board is timely reviewed, scrutinised, and included in the GCF Board's meeting agenda is itself a difficult task. The team was fortunate as one of its members was working closely with MOCC&EC under another work stream (strengthening climate finance institutionalisation within MOCC&EC) and enjoyed good working relationships with the ministry's leadership. Additionally, regular meetings of the team as well as GIZ missions were also held with MOCC&EC teams with the result that GCF Concept Notes were scrutinised and processed favourably by GCF Secretariats' technical wings. The team also ensured constant liaison between heads of counterpart departments (which submitted GCF Concept Notes) and MOCC&EC's leadership for the fast-track process of GIZ-supported projects.

As a result, these four GCF Concept Notes submitted by Government departments and designated Accredited Entities (through GIZ support) were considered in two consecutive meetings of GCF Board. The technical team not only developed presentations for all four projects but also provided comprehensive input to address comments and observations raised by the GCF Board. In this way, Pakistan GCF Board approved all four Concept Notes submitted by the Federal/Punjab/KP Governments (IUCN and IWMI as Accredited Entities) besides endorsing the issuance of NOL (No Objection Letter) to GCF Headquarters. This was the first ever instance in the history of GCF in Pakistan (beginning 2016) that as many as four project proposals, developed through TA support of a single donor agency i.e. GIZ, were approved by the Pakistan GCF Board for submission to GCF as full funding proposals.

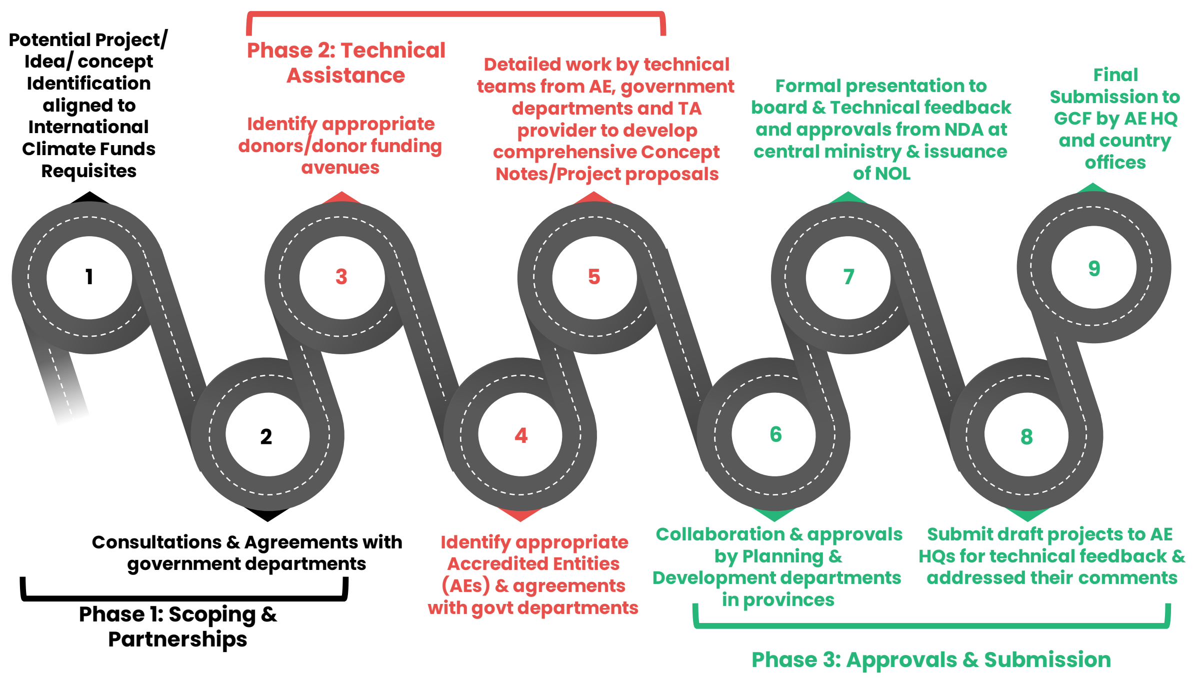
g) Follow up post-GCF Board Approval:

Four GCF Concept Notes were approved by the Pakistan GCF Board in May 2024 through the formal issuance of minutes of the Board's meeting. However, the teams have since then been engaging government counterparts to ensure a timely process of the next steps as these GCF Concept Notes will be submitted to GCF Global Headquarter through respective GCF Accredited Entities. The technical teams have realised several possible hurdles which may adversely impact this process. First and foremost, keeping relevant GCF Accredited Entities on board could be a bigger challenge requiring continuous engagement. In the case of GCF Accredited Entities in Pakistan (IUCN, IWMI, WWF, FAO, IFAD, Halvetas, etc.), it is their global offices (and not Pakistan offices) that are GCF Accredited Entities. This factor has implications for GCF Project Concept Notes (alike any others) as Pakistan offices of the GCF Accredited Entities (IUCN and IWMI) will now need to get these four approved GCF Concept Notes processed through their regional and global offices before these are submitted to GCF International office.

Nevertheless, the teams are already cognisant of this issue and have started the process of close interaction with client departments in Punjab and KP as well as with IUCN and IWMI (their Pakistan offices). An exercise of estimating timelines for the currency of the project and important milestones for further development of these approved GCF Project Concept Notes through Accredited Entities has already been completed. Both Accredited Entities (IUCN and IWMI), as well as P&D departments, Punjab Irrigation Department, KP Climate Change, Forest and Wildlife Department, have been engaged and briefed on the next steps. To the extent possible and in line with the remaining time of the project, the estimation of possible TA support to further support these four projects has been ensured and shared with the Government/GIZ. The technical team has limited influence when it comes to GCF submission by international offices of GCF Accredited Entities. This was communicated to both provincial governments and MOCC&EC and urged their prompt follow-up to ensure timely submission to GCF. The team is hopeful that both counterpart government departments, as well as respective GCF Accredited Entities (IUCN and IWMI) have been sufficiently sensitised and capacitated to take these approved GCF Concept Notes towards further approval stages.

The technical team is currently coordinating with the headquarters of the accredited entities on addressing comments around project design, inclusion, and safeguard elements. The TA team has not only actively worked on addressing the technical comments in close collaboration with local AEs but also kept CFU informed on the inputs and technical changes. However, for some concept notes, there are slight delays by the HQs of AEs in providing feedback. It can be noted that the final submission to GCF is subject to the approval and due diligence of the headquarters and the technical team will be notified upon the eventual submission to GCF.

Figure 2: Shows process flow mechanism on proposal development to access international climate finance



IV. Summary of Lessons Learned from GCF Project Development Experience under GIZ's SAR project

i. Accessing Global Green Finance Windows for any national or sub-national government in an unclear and contested institutional landscape of climate change governance can be highly challenging; any **efforts for generating a climate finance pipeline will have greater chances of success if parallel efforts for streamlining climate finance institutional landscape are also initiated / supported**.

ii. **While developing climate finance project proposals for UNFCCC funds, requesting and mobilising leadership through the National Designated Authority (MOCC&EC in the case of Pakistan) is extremely important**; both for removing hurdles during project formulation phases as well as in scrutiny and approval stages; additionally, NDAs are also in regular liaison with GCF, GEF and AF Headquarters and can apprise about any changing priorities or criteria for GCF project development which would benefit aspiring project developers.

iii. Project documentation and templates for Global Green Financing Windows (especially UNFCCC-related) are markedly different and substantially more rigorous or complex compared to standard planning formats within government; similarly, different GCF / GEF / AF financing cycles under UNFCCC run at different timeframes compared to normal planning cycles of the Government. Therefore, **it is important to support development planning ministries at national and provincial levels to continuously help prospective project developing entities clearly understand technical and procedural requirements and emerging priorities of GCF / GEF project cycles in the shape of GCF / GEF Calendar** – ideally through a partner TA project from international development partners.

iv. The gestation period of typical GCF / GEF or other Green Financing vehicles could span years – way longer than normal project development timelines from the government's own sources. For this reason, **Governments should adopt a "portfolio development approach" for better accessing UNFCCC-related climate financing**. Under this approach, project development work targeting multiple global green financing windows may be simultaneously initiated by different government entities across various sectors; this would help gradual maturing of different projects for approval and financing after regular intervals. This would also help preserve appetite of administrative and political leadership to keep investing for accessing global green financing resources through a range of projects across multiple mitigation and adaptation sectors as the fruition of pipeline projects would continue.

v. **It is important to simultaneously develop project documents for accessing various "Project Preparatory" or "Readiness" Grants under different UNFCCC funding windows alongside dedicated GCF/GEF Project/Concept Note formulation work.** Early availability of preparatory or readiness funding will not only maintain the interest of client organisations in continuing the tedious GCF/GEF project development process but will also provide ready resources for financing requisite feasible study or mobilising consultants.

vi. Politics and incentive systems for Accredited Entities for GCF/GEF within the country need to be fully understood especially for government-led project development for climate financing. Majority of GCF Accredited Entities have their own priority focus areas as well as investment criteria. The real challenge for any government entity developing a climate financing proposal lies in its ability to convince accredited entities of mutually beneficial collaboration in developing GCF/GEF project proposals to help climate agenda of both parties. Similarly, **Government may also consider seeking GCF Accreditation for any of its lead ministries or recommend project-specific GCF accreditation to prospective project developers so that it could develop GCF or GEF projects without depending on GCF Accredited Entities of a global nature.**

vii. Selection of prospective project ideas for development into GCF Concept Notes/Projects or GEF proposals need to be smartly made; **it is best to choose projects that represent thematic/focus areas of high importance for national/provincial governments, UNFCCC, or other climate finance instruments as well as of the donor agency/partner providing TA support;** similarly, it is also practicable to select project ideas which would entail both starting from a scratch as well as half-baked, semi-prepared project ideas. This approach would ensure maturing of some of the project documents relatively early while the momentum generated could be used for more rigorous work for remaining projects.

viii. An effort could be made to undertake GCF/GEF project development activities across various government departments/organisations in such a manner that the exercise helps ongoing capacity building of individuals/organisations in climate finance work stream. **It is therefore useful to request dedicated teams of sector experts within each of the project proponent organisations with clearly defined responsibilities for ensuring successful project development and its subsequent approval.** Presence of such designated teams of technical experts can fast-track filling of GCF project templates in a timely manner besides providing timely advice or response to queries from headquarters of different green financing windows.

ix. It's best to select project ideas for the development of GCF/GEF Project Proposals/Concept Notes that reflect Government's strategic priorities on climate action, and which can act as trailblazers for innovating new approaches to climate change adaption.

V. Conclusion

Implementation of the GIZ-supported climate finance project in Pakistan has been a success story with several replicable lessons. Through the combined efforts of the implementation team and GIZ counterparts, an efficient and result-oriented delivery system was put in place to achieve project results. For the first time in Pakistan, as many as four GCF Concept Notes were developed, and their approval was received from the Pakistan GCF Board. In addition, work on two Adaptation Fund Projects supported through this project is also nearing completion. In terms of the way forward, the project has already held a successful lesson learning workshop. The approved GCF Concept Notes developed through the project support are being processed by respective accredited entities and relevant government departments. It is expected that the approved GCF Concept Notes developed through GIZ-supported technical assistance will successfully reach the final stages of GCF approval in the near future.

Table 3: Portfolio of GCF Projects/Concept Notes developed under GIZ-supported SAR Project
(Approved by Pakistan GCF Board for Submission to GCF International along with NOL)

Title of GCF Project/ Concept Note	Total Cost (PKR)	Name of Proponent Department	Name of GCF Accredited Entity
Indus for people & biodiversity (a component of Living Indus Imitative)	PKR 1897 million	KP Climate Change, Forest, Wildlife & Environment Department	IUCN
Building KP Climate Resilience through Adaptive Livelihoods & Rehabilitation of Watershed, Forest Resources and Wildlife habitats	PKR 1000 million	KP Climate Change, Forest, Wildlife & Environment Department	IUCN
Improved Water Resource and Hill Torrent Management through Adaptation Practices in Punjab	PKR 1680 million	Punjab Irrigation Department	IWMI / CGIAR
Upscaling Sustainable Forest Management by MOCC&EC, IUCN and Provincial Governments	PKR 4610 million	Ministry of Climate Change & Environmental Coordination, Punjab/Sindh/KP/Balochistan and IUCN	IUCN

GCF – Pakistan Accredited Entities

Table 4: International Entities

Sr. #	International Access	Acronym	Size
1.	Acumen Fund, Inc.	Acumen	Micro
2.	World Food Programme	WFP	Micro
3.	United Nations Environment Programme	UNEP	Small
4.	United Nations Industrial Development Organisation	UNIDO	Small
5.	International Union for Conservation of Nature	IUCN	Medium
6.	United Nations Development Programme	UNDP	Medium
7.	Food and Agriculture Organisation	FAO	Medium
8.	Deutsche Gesellschaft Für Internationale Zusammenarbeit	GIZ	Medium
9.	International Fund for Agricultural Development	IFAD	Medium
10.	World Wildlife Fund	WWF	Medium
11.	Asian Development Bank	ADB	Large
12.	International Bank for Reconstruction and Development and International Development Association	World Bank	Large
13.	International Finance Corporation	IFC	Large
14.	French Development Agency	AFD	Large
15.	Japan International Cooperation Agency	JICA	Large
16.	Islamic Development Bank	ISDB	Large

Table 5: National Entities

Sr. #	National Entities	Acronym	Size
1.	National Rural Support Programme	NRSP	Small
2.	JS Bank	JS	Medium

Table 6: Adaptation Fund-Accredited Entities		
Sr. #	**International Access**	**Acronym**
1.	African Development Bank	AfDB
2.	Asian Development Bank	ADB
3.	European Bank for Reconstruction and Development	EBRD
4.	Food and Agriculture Organisation of the United Nations	FAO
5.	Inter-American Development Bank	IADB
6.	International Fund for Agricultural Development	IFAD
7.	UN Development Programme	UNDP
8.	UN Environment Programme	UNEP
9.	UN World Food Programme	WFP
10.	United Nations Educational, Scientific and Cultural Organisation	UNESCO
11.	United Nations Human Settlements Programme	UN-HABITAT
12.	United Nations Industrial Development Organisation	UNIDO
13.	World Bank (International Bank for Reconstruction and Development)	IBRD-WB
14.	World Health Organisation	WHO
15.	World Meteorological Organisation	WMO

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Government of Pakistan
Ministry of Climate Change
*****

Islamabad, the 31st July, 2019

NOTIFICATION

No.F. 1(1)/2018-COP-24/AD. The Competent Authority i.e. Secretary, Ministry of Climate Change is pleased to constitute the "Green Climate Fund (GCF) Board-Pakistan" in respect of Green Climate Fund (GCF) comprising of the following:

1. Secretary, Ministry of Climate Change (Chair)
2. GCF Focal Point-Pakistan, Ministry of Climate Change
3. Secretary, Ministry of Planning, Development and Reform (Or Representative)
4. Secretary, Ministry of Foreign Affairs (Or Representative)
5. Secretary, Economic Affairs Division (Or Representative)
6. Secretary, Ministry of Finance (Or Representative)
7. Secretary, Ministry of Energy (Or Representative)
8. Secretary, Ministry of National Food Security and Research (Or Representative)
9. Secretary, Ministry of Science and Technology (Or Representative)
10. Secretary, Ministry of Industries and Production (Or Representative)
11. Inspector General (Forests), Ministry of Climate Change.
12. Joint Secretary (IC), Ministry of Climate Change.
13. Joint Secretary (Development), Ministry of Climate Change.
14. Director General (Environment and Climate Change), Ministry of Climate Change.
15. Director General (EPA), Ministry of Climate Change
16. Secretary, Planning and Development, Gilgit-Baltistan
17. Secretary, Planning and Development, Azad Jammu and Kashmir
18. Secretary, Environment, Government of Punjab.
19. Secretary, Environment, Government of Sindh.
20. Secretary, Environment, Government of Khyber Pakhtunkhwa.
21. Secretary, Environment, Government of Baluchistan.
22. Director General, Pakistan Forest Institute (PFI), Peshawar
23. Executive Director, Global Change Impact Study Centre (GCISC)
24. Representative, State Bank of Pakistan

2. Previous GCF Board-Pakistan notified by Ministry of Climate Change on 10th June, 2015 has been replaced with this new GCF Board-Pakistan, the TORs of the GCF Board-Pakistan are as following:

a) To review and make decisions on submitted GCF project concepts for further submission to GCF Secretariat.
b) To review GCF accreditation requests
c) To review performance of GCF funded ongoing projects.
d) Any other business as desired by Chair.

Naeem ul Haq
Section Officer (Admn-II)

The Manager
Printing Corporation of Pakistan Press,
Karachi.

Distribution:
1. GCF Focal Point-Pakistan, Ministry of Climate Change

Table 7: Comparison of PC-1 and GCF Concept Note Template		
Aspect	PC-1 (Planning Commission Proforma I)	GCF Concept Note (Green Climate Fund)
Purpose	Detailed project proposal form for public sector development projects in Pakistan	Initial submission for climate-focused projects to request funding from the GCF
Length / Structure	Varies depending on the project; includes multiple sections for project details	Maximum 12 pages (excluding annexes), structured into sections for clarity
Project Scope	Focuses on national development priorities, technical feasibility, and socio-economic impact	Focuses on climate change mitigation, adaptation, and alignment with NDCs
Funding Structure	Outlines the source of funding from government and other public sources	Requires clear description of GCF funding request, co-financing options, and financial instruments
Financial Analysis	Includes detailed cost estimates, financial phasing, and economic analysis (e.g., FIRR, NPV, BCR)	Focuses on justification for GCF funding, concessionally, and cost-effectiveness analysis
Risk Analysis	Includes risk management plan covering technical, financial, and operational risks	Emphasises climate risks and the paradigm shift towards climate resilience
Environmental / Climate Aspects	Environmental impact analysis included as part of project feasibility	Central focus on climate vulnerabilities, GHG emissions reduction, and adaptation
Approval Process	Requires multiple levels of governmental approval (CDWP, ECNEC)	Concept Note reviewed by GCF Secretariat, NDA, and Accredited Entity
Stakeholder Involvement	Coordination with line ministries and relevant authorities	Emphasises engagement with NDA, accredited entities, and stakeholders at various levels
Monitoring and Evaluation	Detailed monitoring plan using PC-III and post-implementation evaluation (PC-IV and PC-V)	Sustainability and replicability emphasized, with post-implementation monitoring mechanisms

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