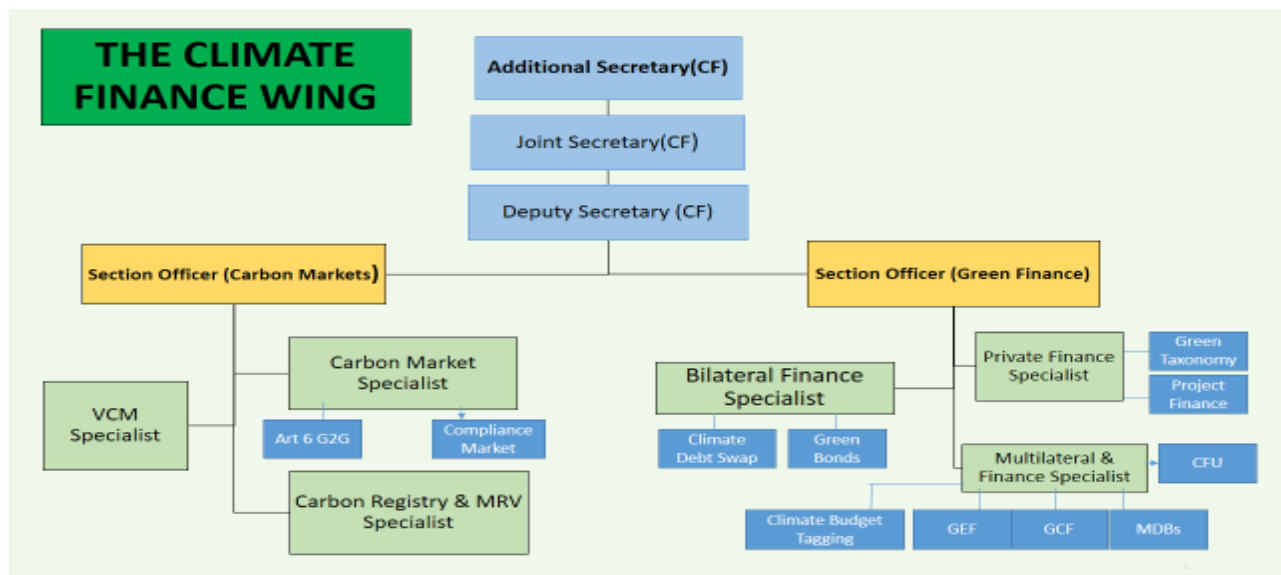


**Ministry of Climate Change & Environmental Coordination,
Government of Pakistan**

Subject: Brief on Climate Finance Wing, Ministry of Climate Change & Environmental Coordination (MoCC&EC)

The Climate Finance Wing in the Ministry of Climate Change & Environmental Coordination (MoCC&EC), was established in November, 2023 to coordinating, mobilizing, and managing climate finance in order to support the country’s climate change mitigation and adaptation efforts and also ensure that Pakistan meets its climate-related commitments under national and international frameworks, including the Paris Agreement and its Nationally Determined Contributions (NDCs). Its role is crucial in shaping Pakistan's climate agenda, ensuring the country can access necessary funds, and effectively implementing climate change mitigation and adaptation projects. Its major functions involves policy/strategy development related to climate finance and carbon markets and their alignment with international climate agreements, resource mobilization, project preparation, and coordination with national and international stakeholders like Ministry of Finance, Ministry of Planning, Development & Special Initiatives, State Bank of Pakistan, Economic Affairs Division, Green Climate Fund (GCF), Global Environment Facility (GEF), Adaptation Fund, International Monetary Fund, Asian Development Bank, GIZ, SPAR6C and World Bank. The Wing is divided into two Sections i.e. Carbon Markets Section and Green Finance Section having technical support staff. Organogram and brief description of the activities of Climate Finance Wing are given as under:



National Climate Finance Strategy (NCFS)

Pakistan's vulnerability to climate change necessitates a robust financial strategy to support adaptation and mitigation efforts. The National Climate Finance Strategy (NCFS) provides a comprehensive framework for mobilizing and deploying climate finance, aligning with national priorities and international commitments. The strategy recognizes the escalating costs of climate change and the even higher price of inaction, emphasizing the need for a coordinated approach to create fiscal space for climate-resilient and low-carbon development. The Strategy aims to Identifying key climate investment sectors including renewable energy, agriculture, water management, disaster resilience, and sustainable urban development, solid waste management etc. and start implementation, and leverage key climate finance sources including public, private, local and global climate finance. It also sets annual climate finance targets which needs to be implemented vigorously.

Pakistan Policy Guidelines for Trading in Carbon Markets

Pakistan's first ever Policy Guidelines for Trading in Carbon Markets has been launched after due approval from the Federal Cabinet on 27th December, 2024. The policy will revolutionize the very spirit of trading carbon with transparency and integrity and in the long run will meet the goals of mitigation.

Moving Ahead:

- Establishment of Carbon Market Working Group
- Rules and Regulations for both Voluntary and Compliance Carbon Markets
- Carbon Market Registry customization and roll-out
- Development of Carbon Market Investment projects
- Capacity building, awareness and outreach strategy

Green Climate Fund (GCF)

The GCF, established under UNFCCC, is the world's largest climate fund. With the current funding of \$304.2 Million USD in ten different approved projects, Pakistan will be able to achieve its NDC ambitions towards low-emissions. Since GCF operates through accredited entities, Pakistan is currently seeking to expand the number of its accredited entities with

the GCF Secretariat from two to ten which will lead to a high volume of GCF funding per year.

Global Environment Facility (GEF)

Through the availability of GEF funds, Pakistan is striving to meet the objectives of international environmental agreements. Pakistan has mobilized \$ 41.1 Million USD from this facility till date.

Adaptation Fund (AF)

The Adaptation Fund, established in 2001, was initially financed with the share of proceeds of two percent of certified emission reductions (CERs) issued from activities under the clean development mechanism (CDM) of the Kyoto Protocol. The Fund has financed \$16 Million USD to Pakistan's adaptation projects against adverse effects of climate change.

Global Shield Against Climate Risks

Pakistan has submitted the Request for Support document to the Global Shield Secretariat for financial support against climate risks. To develop country support package, the in-country process was carried out by UNDP and the Stocktake and Gap Analysis report was launched by MoCC&EC in collaboration with UNDP on October 24, 2024 in Islamabad. Furthermore, proposals were requested from different government and private entities to gauge the interventions required for Pakistan's country support package. The following areas of interventions will be covered:

- i. Sovereign Finance
- ii. Livelihood Protection
- iii. Agricultural Finance
- iv. Public Assets
- v. Risk Analytics

Climate Budget Tagging

A framework that tracks and reports government expenditures related to climate change adaptation and mitigation. It aims to integrate climate change considerations into fiscal policy and public finance management, ensuring that sufficient financial resources are allocated toward addressing climate-related challenges. With continued development, it can

play an important role in helping Pakistan adapt to and mitigate the impacts of climate change while promoting sustainable development.

Green Taxonomy

MoCC&EC is co-partnering with the State Bank of Pakistan for framing the National Green Taxonomy of Pakistan for sectoral adaptation and mitigation goals, to achieve environmentally sustainable economic activity. The framework will guide investments in sustainable activities and support in developing environmentally friendly regulations.

Pakistan Country Framework for Green Growth Initiatives (GGGI)

Pakistan Country Framework for Green Growth Initiatives (GGGI) is a strategic approach aimed at fostering sustainable development in Pakistan by integrating environmental sustainability with economic growth and addressing the country's growing environmental challenges. The framework aligns with Pakistan's commitment to climate change mitigation and adaptation. This initiative encourages the adoption of green technologies, sustainable practices, and climate-resilient development across multiple sectors.

Debt for Climate Swap

Being a debt stressed country, Pakistan has the potential to enter into an agreement with a lending country for social uplift through sustainable and green projects by investing the debt amount in climate action. This mechanism will allow Pakistan to swap its debt for a commitment to invest in its socio-ecological transformation, benefitting Pakistan and the global community.

NCQG and Pakistan

Pakistan has played a proactive role in negotiations on the New Collective Quantified Goal (NCQG), which is a goal to triple climate finance for developing countries. The NCQG is a goal to triple climate finance for developing countries from \$100 billion annually to \$300 billion annually by 2035. The goal was adopted at the UN Climate Change Conference COP29 in Baku, Azerbaijan on November 24, 2024. The NCQG aims to balance adaptation and mitigation, while taking into account the needs of developing countries.

Article 6 of Paris Agreement and Pakistan

- 6.2 Bilateral Cooperation: Countries can trade Internationally Transferred Mitigation Outcomes (ITMOs).
- Promotes cross-border carbon credit transactions to meet Nationally Determined Contributions (NDCs).
- 6.4 Establishes a global carbon market mechanism for public and private sectors. Overseen by a UN-supervised framework, similar to the Clean Development Mechanism (CDM).
- 6.8 Focuses on non-market approaches like technology transfer and capacity building.

Outcomes of Bilateral Negotiations during COP29

Pakistan will capitalize carbon trading markets in collaboration of international financial entities and countries. Countries like Sweden, Norway, Denmark, South Korea and Singapore have shown keen interest to invest in the carbon markets of Pakistan. MoCC&EC is constantly engaged with the countries and financial entities to bring climate finance in the country in order to meet the climate goals as committed internationally.

Coordination with Development Partners

Climate Finance Wing plays a critical role in coordinating with international development partners to mobilize financial resources for climate-related projects. The wing is actively engaged with various Development Partners including ADB, WB, GIZ, FCDO, KOICA, JICA, AIIB, UNDP and UNIDO etc. to secure climate finance for both mitigation and adaptation initiatives. Through coordination efforts, the Wing ensures that Pakistan receives the necessary funding to address the impacts of climate change and pursue a sustainable, low-carbon development pathway as well as fill the financial gaps.