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CLIMATE JUSTICE IN CRISIS

The Global South and the Fallout of USAID's Shutdown

Policy Brief

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Introduction

The Intergovernmental Panel on Climate Change [IPCC] in 2023 defined climate justice as dozens of developing countries bearing most environmental risks even though they produce minimal greenhouse gas (GHG) emissions. Pakistan ranks 18th among 191 countries and faces major climate-originating problems, including floods and heatwaves and glacial melting. Being a developing country with limited economic resources, Pakistan depends entirely on international climate funding to implement its adaptation and climate mitigation measures. The United States Agency for International Development serves as a fundamental financial resource for environmental sustainability programs in Pakistan to promote renewable energy development together with water security and disaster preparedness strategies. The immediate suspension of USAID climate programs cut off essential financial streams, which threatened both ongoing climate change projects and new future initiatives. This irregularity in funding programs has eliminated vital initiatives, thus causing economic instability and policy confusion, which prevent Pakistan from fulfilling its climate-related obligations to international agreements. The research examines both the effects generated by this funding removal together with alternative methods Pakistan should use to develop independent climate finance systems.

The climate-related economic consequences of Pakistan extend beyond its borders since they directly stem from shared environmental issues. The vital Indus River Basin requires close cooperation between Pakistan and its neighboring nations because it supplies both water and feeds agricultural lands. Deforestation and water extraction upstream of Pakistan results in substantial reductions of downstream water resources, which causes agricultural losses and worsens food availability issues. The pollution generated by transboundary sources results in Himalayan glacier melting, which produces additional flood risks on Pakistan. Pakistan faces climate vulnerabilities that require joint solutions because these challenges unite across different regions. Efforts to tackle both climate issues across national borders comply with multiple objectives of United Nations Sustainable Development Goal 13 (Climate Action), since coordinated climate change mitigation strategies are vital because environmental difficulties break through national borders. of services includes digital marketing, social media management, content creation, SEO, and more. At Liceria Company, we are committed to delivering exceptional results and helping your brand reach its full potential.

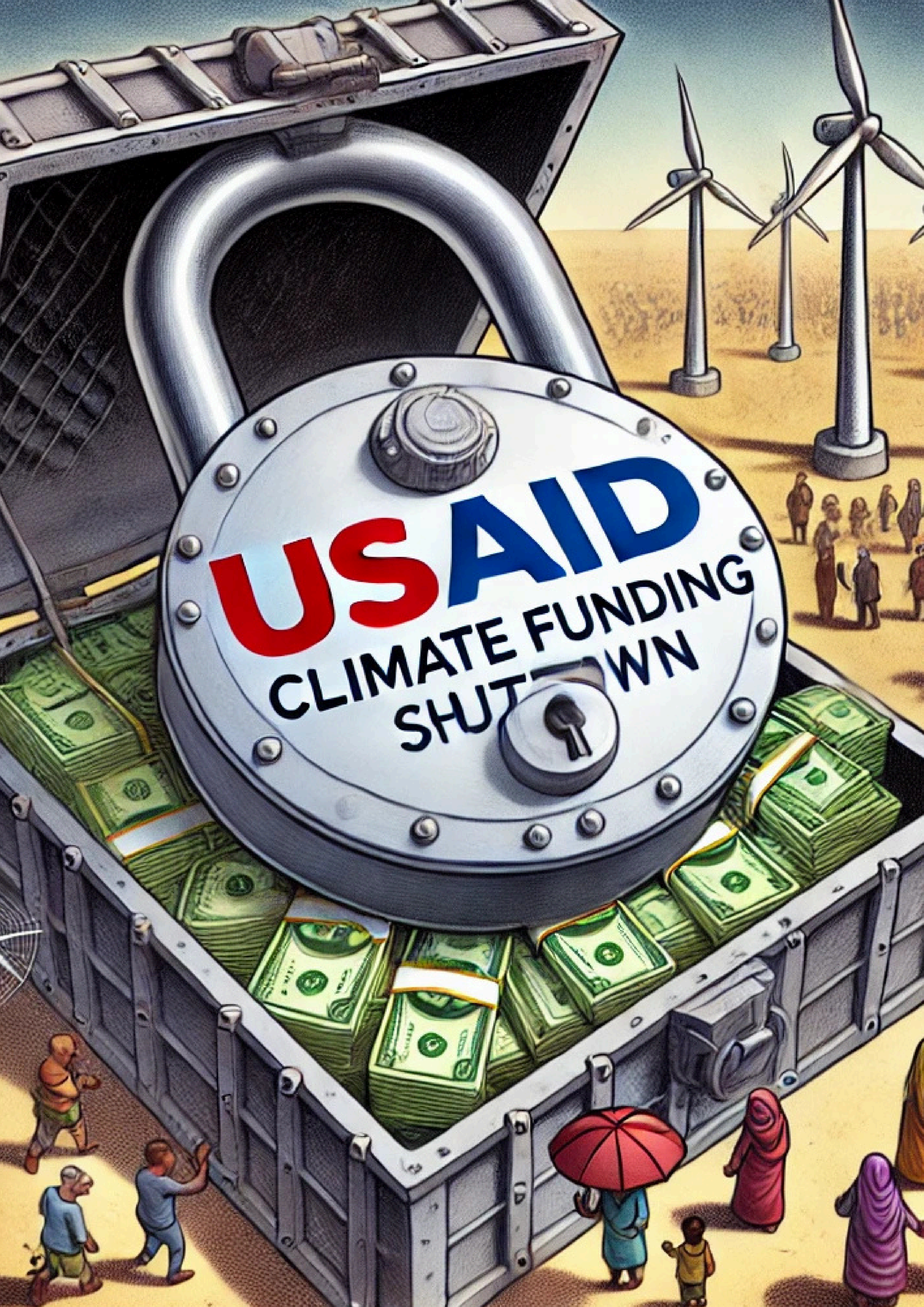
Problem Statement

USAID's termination of climate funding creates simultaneous problems and possibilities for the Global South nations. The withdrawal of USAID’s climate funding undermines Pakistan’s ability to maintain renewable energy conversions and climate resilience programs yet creates opportunities through policy framework enhancement and regional partnership development for sustainability in climate action.

The fallout of US Climate Finance Program Termination: Navigating the consequences

USAID continues to serve as the main funding source for renewable energy programs and initiatives in South Asian agriculture, disaster resilience, and clean technology sectors. USAID devoted $1.3 billion during 2016-2022 to climate adaptation, resilience, and clean energy projects throughout the region (USAID, 2022). US Agency for International Development programs totaling $200 million in clean energy projects have been put on hold in Pakistan, causing suspension of operations involved in hydropower generation alongside solar electrification work and sustainable land management initiatives (Government of Pakistan, 2023). The funding cuts have made the climate adaptation gap worse because Pakistan currently requires between $7-14 billion each year to meet its adaptation needs (Asian Development Bank [ADB], 2023). International financial assistance deficiency places serious barriers in front of Pakistan implementing its Paris Agreement NDCs. The situation creates worrying doubts about how climate change policies might be undone while pushing the country toward more carbon-intensive options for energy generation.

Global climate finance development directly stems from United States involvement through international treaties and domestic policy changes and programs. Knowledge of this historical development helps Pakistan and other countries comprehend their current difficulties in obtaining climate-related funding. The U.S. Agency for International Development, through its USAID program, operates climate finance while supporting global projects dedicated to lessening GHG emissions and building climate resilience in underdeveloped nations. The efforts work toward implementing UNFCCC protocols together with additional worldwide climate commitments. The Kyoto Protocol’s Clean Development Mechanism (CDM) enabled industrialized nations to fund emission reductions in developing countries in exchange for saleable CER credits. Joint Implementation (JI) allowed them to earn ERUs by investing in emission reduction projects in other industrialized nations. Both mechanisms provided cost-effective ways to meet climate targets while promoting sustainable development.


USAID
CLIMATE FUNDING

Impacts of Fallout of USAID's Shutdown on the Global South – Insights from the Webinar

Energy Sector

Since USAID stopped its funding program a disruption in renewable energy projects together with managed dam and energy work has affected Pakistan. Industry experts reported that national power production through coal-fired power plants increased by 26% throughout 2023 when renewable energy investment from abroad experienced stagnation (International Energy Agency [IEA], 2023). According to Pakistan Alternative Energy Development Board (2023) the solar energy infrastructure of Pakistan depends on foreign supply chains to the extent that 80% of its solar system components are imported. The professionals stressed that technology transfer would serve the country better than fund transfers by establishing solar panel production plants and battery recycling facilities and EV charging stations to decrease import requirements while enhancing energy safety systems.

Economic & Financial Challenges

Economic analysts have raised concerns about Pakistan's heavy reliance on a single donor agency, such as USAID, highlighting the inherent risks of such a funding dependency. The abrupt suspension of grants and concessional loans has left critical infrastructure projects in a state of uncertainty, exacerbating fiscal pressures. Notably, while the global green bond market surpassed $620 billion in 2022, Pakistan's participation has been minimal, securing only about $1 billion. This disparity underscores the pressing need for Pakistan to integrate more effectively into global climate finance mechanisms.

Challenges in Accessing International Climate Funds

Multiple academics and consultants confirm that Pakistan experiences minimal success when applying to international climate finance bodies for the Green Climate Fund (GCF) and the UN Loss and Damage Fund. The main roadblock stems from insufficiently planned programs combined with weak economic stability models. The GCF has granted approval to only a small number of Pakistan's submitted proposals indicating that the country needs better training in proposal preparation.

Innovative Financial Mechanisms for Climate Action

Multiple innovative financial strategies exist to address these issues according to expert recommendations. This financial instrument helps Pakistan lower its debt through a commitment to climate-related investments.

Pakistan can achieve dual goals of environmental enhancements through environmental initiatives by reaching agreements with creditors that shift current debt repayment towards environmental programs. Pakistan can generate revenue from its environmental projects by participating in the voluntary carbon markets. Proper management of carbon emissions credits through market structures represents a new financial source that could annually bring significant income to fund climate programs.

1. The expansion of green bonds allows Pakistan to draw investors from across the world who wish to fund environmental initiatives. This funding mechanism contributes both to funding source diversity and supports current global sustainable financial trends.
2. Organizations that use public-private partnerships (PPPs) should take advantage of private sector funding for renewable energy installations as well as infrastructure projects to lower dependence on public money while improving project delivery.

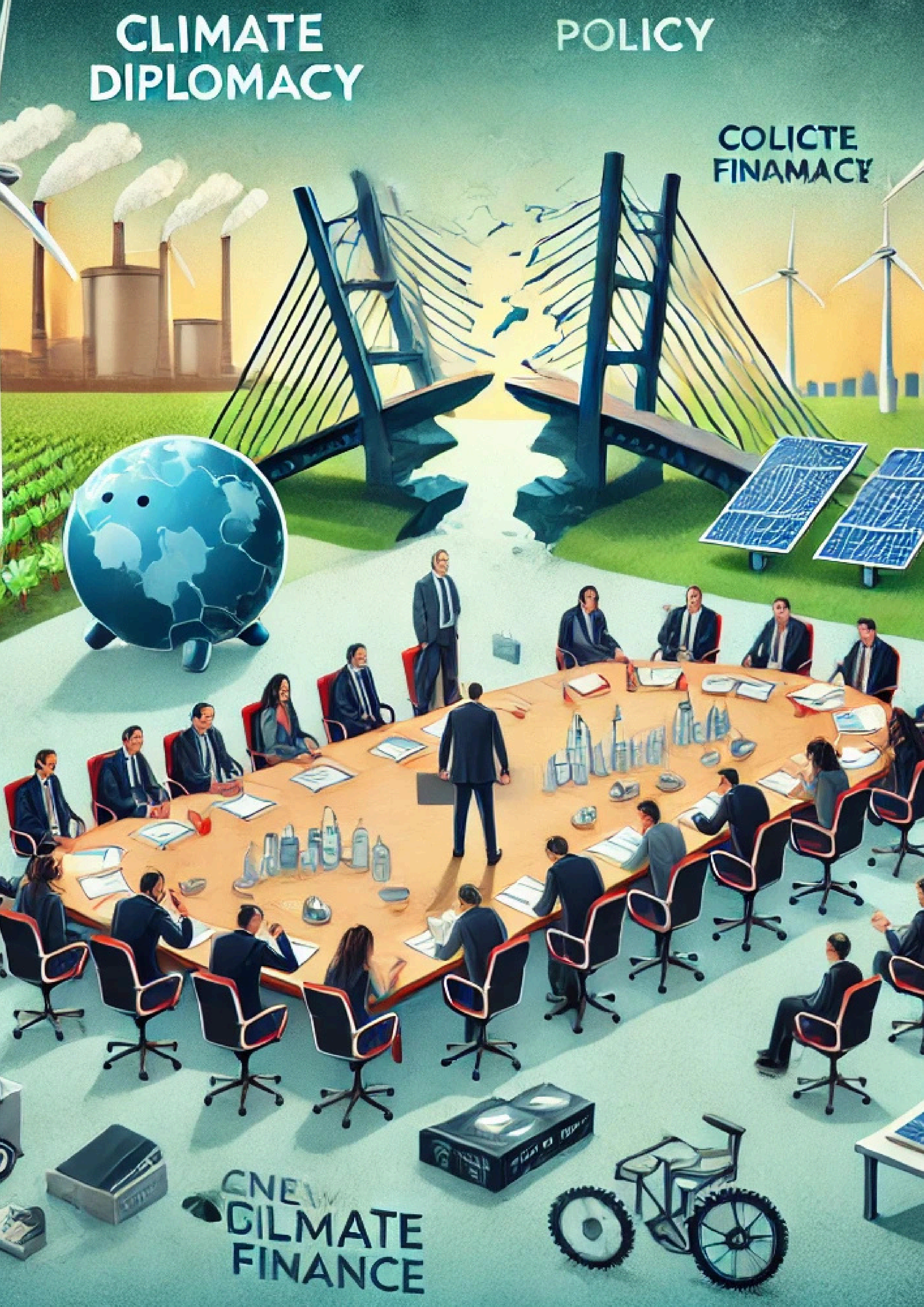
Recent Developments and Opportunities

The World Bank entered into a 10-year funding agreement with Pakistan through which it will provide $20 billion. This national plan works to enhance sustainable development by tackling climate change consequences and prioritizes structural policy modifications to activate private sector expansion. The government of Pakistan has officially sought $1 billion in funds from the Resilience and Sustainability Trust (RST) of the International Monetary Fund to enhance climate resilience capabilities. Through this initiative Pakistan demonstrates its forward-thinking approach to seek diverse climate funding and decrease dependence on a single funding source.

Governance, Climate Diplomacy & Policy Gaps

From a governance perspective, policymakers acknowledged that Pakistan’s climate finance proposals often fail to align with donor requirements, resulting in missed funding opportunities. Experts called for the establishment of an interdisciplinary climate finance team comprising environmentalists, economists, and policymakers to improve project documentation and accreditation standards.

Additionally, the shutdown of USAID’s programs has weakened Pakistan’s stance in global climate diplomacy, as reduced funding limits participation in international negotiations and climate action leadership. To address these challenges, MOCC experts recommended stronger regional cooperation with South Asian and Middle Eastern countries to create alternative funding mechanisms and technology-sharing platforms.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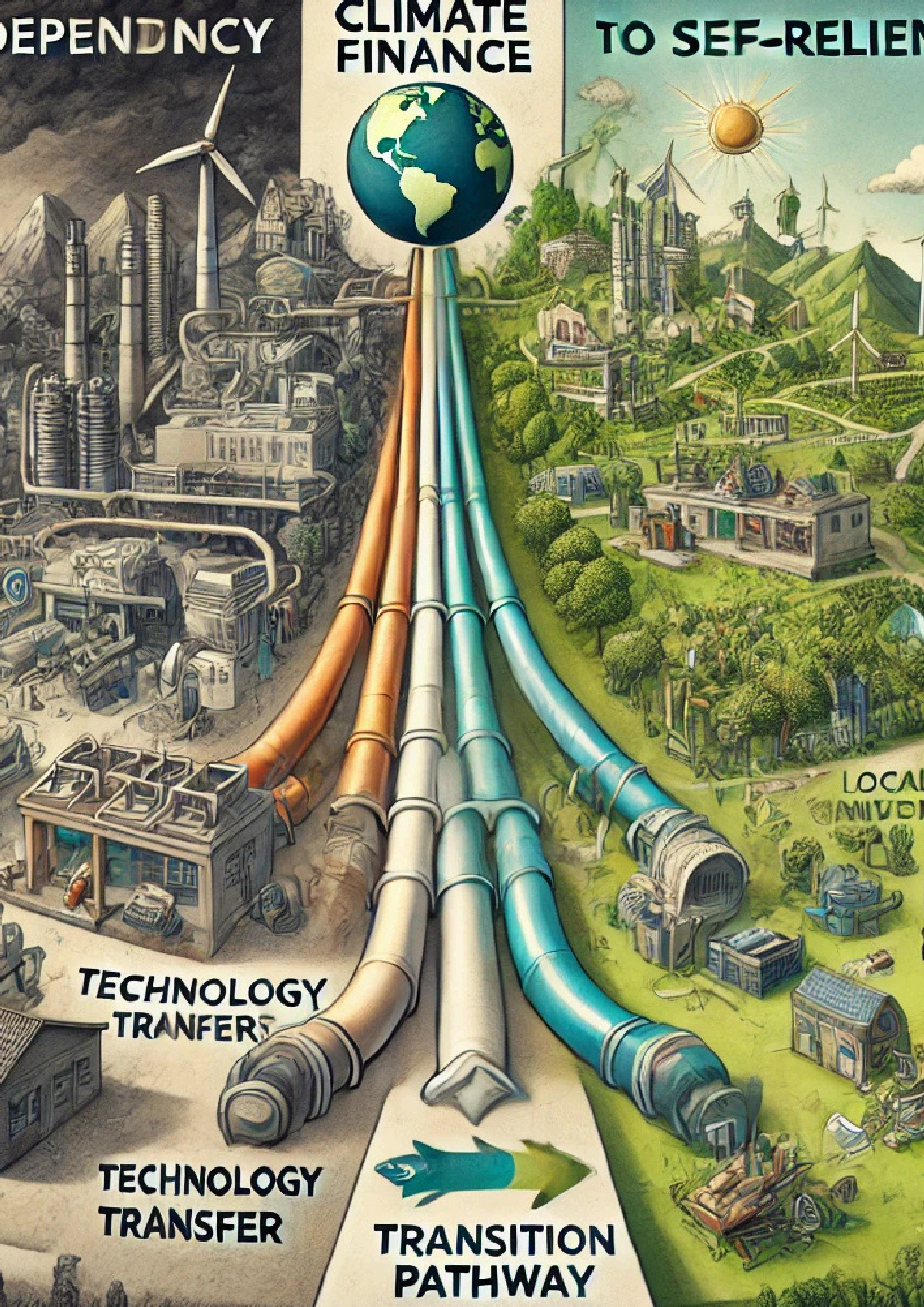
Reframing Climate Finance – From Dependency to Self-Reliance

Pakistan is struggling to create new climate finance strategies that will make its environmental programs stronger and lessen its dependence on conventional funding channels. The country aims to establish regional climate banks through bilateral deals with emerging economies, which include China, Turkey, and the UAE, for providing reliable funding to sustainable projects. Pakistan works to improve its public-private partnership structure to draw clean energy investments from corporations, which helps expand environmental sustainability initiatives. The government is working on introducing incentives for green investments by creating business tax credits and developing ways to commercialize carbon reduction achievements on international markets. The strategy presents an opportunity to create new income streams that would activate the issuance of green bonds aimed at supporting large-scale renewable energy initiatives.

Pakistan recognizes the need for effective funding applications; thus, it dedicates resources to develop climate finance proposal abilities among government officials and industry professionals. The organization of a climate finance unit inside the Ministry of Climate Change seeks to enhance international funding application processing and obtain better acceptance rates. The World Bank recently established a ten-year partnership with Pakistan based on a $20 billion financial commitment for tackling development obstacles, which include climate change effects. Through this plan, the government implements both policy reforms and institutional changes that aim to spark private sector development while creating more fiscal capacity for essential sector investments such as energy and water infrastructure together with agriculture. Pakistan demonstrates its dedication to diverse climate finance management through its comprehensive collection of strategies which support sustainable development targets.


DEPENDNCY
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TRANSITION
PATHWAY

Recommendations & Policy Proposals

- Develop independent national climate funds to reduce reliance on external donors.
- Incentivize local renewable energy manufacturing to cut costs and strengthen energy security.
- Reform climate finance access policies to reduce bureaucratic delays in funding allocation.
- Shift focus from direct financial aid to technology transfer partnerships.
- Expand corporate involvement in carbon markets and sustainability-driven investments.
- Strengthen climate research and innovation through university-industry collaborations.

Conclusion and Way Forward

The USAID funding withdrawal highlights the fragility of single-source climate finance dependencies. For Pakistan and the Global South, this crisis presents an opportunity to reimagine climate funding through regional partnerships, financial innovation, and policy reforms. This paper serves as a blueprint for policymakers, researchers, and climate advocates. The recommendations will be compiled into a working policy document to drive further discussions on alternative financing strategies. The Global South does not need charity; it needs financial autonomy, climate equity, and a seat at the decision-making table.

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