

POLICY BRIEF

Climate Funding in Crisis

Assessing the Impact of US Aid Withdrawal
on Climate Action in Pakistan



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Abbreviations & Acronyms

AL	Accountability Lab
ADB	Asian Development Bank
AF	Adaptation Fund
BCA	Border Carbon Adjustment
CBAM	Carbon Border Adjustment Mechanism
CBDR-RC	Common But Differentiated Responsibilities and Respective Capabilities
CSA	Climate Smart Agriculture
ER4	Early Recovery, Risk Mitigation, and Resilience
GCF	Green Climate Fund
GEF	Global Environment Facility
JICA	Japan International Cooperation Agency
MDB	Multilateral Development Bank
NGO	Non-Governmental Organisation
OSF	Open Society Foundation
PCE	Paris Climate Agreement
PCFF	Pakistan Climate Finance Facility
PPP	Public-Private Partnership
RCN	Pakistan Climate Resilience Research Coordination Network
SMEDA	Small and Medium Enterprises Development Authority
TAF	The Asia Foundation
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
USAID	United States Agency for International Development
WWF	World Wildlife Fund

About Accountability Lab Pakistan

Accountability Lab (AL) is an Islamabad-based think tank registered in Pakistan under the Societies Act 1860 as a non-profit organization and certified by the Pakistan Center for Philanthropy (PCP). Accountability Lab works to make governance work for people by supporting active citizens, responsible leaders, and accountable institutions. We are reimagining how to build accountability to support a world where resources are used wisely, decisions benefit everyone fairly, and people lead secure lives.

Lab is different to many other organizations in the accountability, the rule of law and anti-corruption space in that we see accountability as a value, not a theme, and work across issues such as governance, human rights, education, and health by focusing on positive narratives around these issues; building “unlikely networks” to bring diverse voices into these efforts; and “insider outsider” coalitions across government, civil society, media and the private sector.

The Lab is building a movement of active citizens and responsible leaders across the country. We support change makers in developing ideas for integrity and feedback in their communities. By enabling people to use information and knowledge to hold those in power accountable, we help unleash positive social and economic change. The Lab has strong networks and partnerships with academic institutions and private partners in Pakistan and worldwide, ranging from universities in every province (as mentioned below) to the World Economic Forum to large multinational technology companies such as Google.

Executive Summary

The recent suspension of U.S. foreign assistance, particularly climate finance, poses significant challenges for Pakistan's climate resilience and sustainable development efforts. The Trump administration's executive order halting all international development aid has resulted in the immediate cessation of crucial climate initiatives, including renewable energy projects, disaster risk reduction programmes, and climate-smart agriculture interventions. With USAID-supported projects such as the **Recharge Pakistan Project**, **Pakistan Climate Resilience Research Coordination Network (RCN)**, and **Climate Financing Activity** either frozen or terminated, Pakistan faces a substantial funding gap in its climate adaptation and mitigation strategies.

The funding withdrawal has both short-term and long-term consequences for Pakistan. In the short term, the sudden halt in financial assistance has disrupted project implementation, leading to job losses, reduced access to climate-resilient infrastructure, and an increased burden on Pakistan's already struggling economy. In the long term, the absence of U.S. climate finance threatens Pakistan's ability to fulfil its commitments under the **Paris Climate Agreement**, thereby increasing its vulnerability to extreme weather events, water scarcity, and food insecurity. Moreover, the move has broader implications for global climate action, as it weakens multilateral commitments and may encourage other developed nations to scale back their financial contributions to international climate finance mechanisms.

In response to the crisis, Pakistan must urgently explore alternative funding avenues, including **multilateral climate finance facilities** such as the **Green Climate Fund (GCF)** and the **Adaptation Fund**, **bilateral engagements** with climate-conscious nations like Germany and Japan, and **domestic financing mechanisms** such as **green bonds**, **carbon pricing**, and **public-private partnerships**. By diversifying its climate finance portfolio, Pakistan can reduce its reliance on volatile foreign aid and strengthen its resilience against climate-induced threats.

This policy brief underscores the importance of strategic planning and policy interventions to mitigate the adverse effects of U.S. aid withdrawal. While the immediate outlook remains challenging, proactive engagement with international financial institutions, donor agencies, and private investors can help Pakistan bridge the climate finance gap and safeguard its long-term sustainability goals.

Introduction

The 2024 presidential election in the United States (US) brought significant changes in the country's foreign policy, particularly concerning international development and climate initiatives. During the first day of his second term, President Trump signed 26 executive orders soon after a flamboyant inaugural speech, altering the course of several key domestic and foreign policy initiatives. One of the executive orders directed the US withdrawal from the Paris Climate Agreement under the United Nations' Framework Convention on Climate Change (UNFCCC).¹ The subsequent formal notification to the United Nations reinforced this decision, justifying it on the grounds that the agreement conflicted with US national interests and directed taxpayer funds toward countries deemed unworthy of financial assistance. The US far-right supporters rallying around Elon Musk insist that taxpayer funds should only serve direct national interests, dismissing global climate aid as an unnecessary burden.²

In a continuation of this policy, President Trump also imposed a 90-day pause on all US development aid through another executive

directive. This halt aims to review the alignment of foreign assistance with American interests but symbolises a broader move away from global commitments. The hiatus impacts climate projects and broader development schemes covering health, education, and governance sectors.³ The rationale is that US resources should be redirected towards domestic challenges, echoing sentiments from conservative factions and influential voices critical of international aid's efficiency.

This development marked the second instance of a Trump administration opting out of the international climate accord, following a similar move during the first term. However, the 2025 exit is more extensive, encompassing a cessation of all funding associated with the Paris Agreement and terminating the US International Climate Finance Plan. This shift has caused alarm within the global development community, particularly affecting developing nations, especially those vulnerable to climate change, as they are forced to revise their strategies without crucial US financial support.

The withdrawal from climate funding by the US signals a significant departure from decades of bipartisan foreign policy positioning the nation

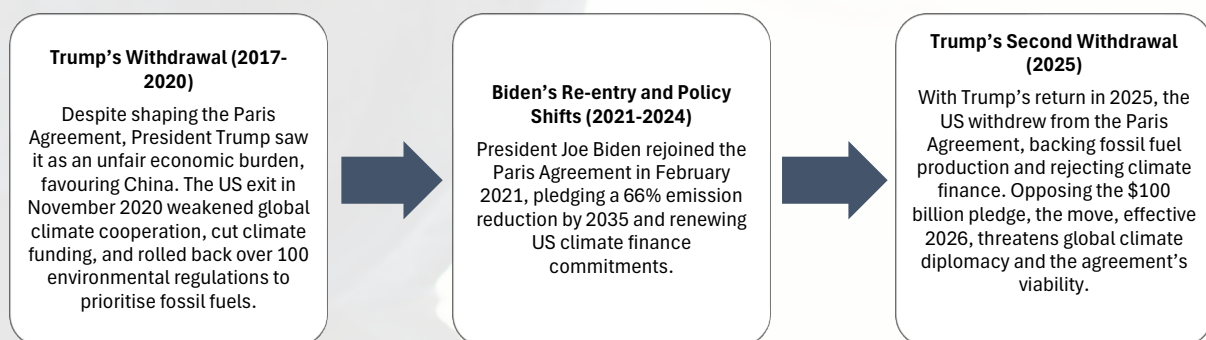


Figure 1: US and the Paris Agreement: A Cycle of Commitment and Withdrawal

¹ The White House. (2025, January 21). Putting America first in international environmental agreements.

<https://www.whitehouse.gov/presidential-actions/2025/01/putting-america-first-in-international-environmental-agreements/>

² Quraishi, O. (2025, February 8). Impact on Pakistan of Musk's war on USAID. The Friday Times.

<https://thefridaytimes.com/08-Feb-2025/impact-on-pakistan-of-musk-s-war-on-usaid>

³ News Desk. (2025, January 28). US aid to Pakistan suspended key development projects on pause. The Express Tribune.

<https://tribune.com.pk/story/2524989/us-aid-to-pakistan-suspended-key-development-projects-on-paus>

as a primary donor in global development aid. In 2023, the US channelled around \$68 billion towards foreign aid, with a substantial segment supporting climate initiatives under previous administrations.⁴ The discontinuation of this funding jeopardises ongoing projects focused on climate resilience, green energy, and sustainable infrastructure in at-risk areas. This shift raises concerns for countries like Pakistan which rely on US climate aid to combat climate-induced challenges.

This policy brief explores the implications of the US withdrawal from climate finance on Pakistan. By discussing the impact of the 90-day aid pause on existing climate projects and anticipating the lasting repercussions of a permanent aid halt, this brief will propose potential policy actions from Pakistan and the international arena.

Historical Context of US Assistance to Pakistan

The US financial assistance to Pakistan has undergone fluctuations over the past several decades, shaped by shifting geopolitical interests and policy priorities. Since the late 1940s, the United States has allocated over \$30 billion in direct financial assistance to Pakistan, with a substantial portion directed towards military support.⁵ According to the data collected by The Guardian, the peak of US Financial assistance was observed in the 1950s and 1960s, reaching its highest point in 1962 at an amount exceeding \$2.3 billion.⁶ However, this assistance declined significantly following

Pakistan's advancements in nuclear capabilities and regional conflicts, such as the Indo-Pakistani wars of the mid-20th century, resulting in a sharp reduction in military funding.

The alliance between the US and Pakistan was strengthened during the Soviet-Afghan War in the 1980s when the United States spent around \$32.5 billion into Pakistan's military and civilian sectors to aid the Afghan mujahideen against Soviet forces.⁷ This period marked a peak in US support, including substantial economic and military aid. Yet, the aftermath of the Soviet Union's disintegration in the 1990s triggered a strategic realignment, and concerns over Pakistan's nuclear aspirations became a focal point for the US. Through the 1985 Pressler Amendment, military aid was suspended in 1990, halting \$564 million earmarked for the 1991 fiscal year.⁸

Following the events of 9/11, a new wave of aid flowed into Pakistan as it became a pivotal partner in the U.S.-led War on Terror. A huge sum of financial resources was directed towards military and economic programmes cantered on combating terrorism. Beyond military aid, US assistance has been important for Pakistan's development endeavours, specifically in areas like climate change mitigation, renewable energy initiatives, and resilience building in the face of climate change events. Collaborative efforts between the US and Pakistan have led to various sustainable development projects, including the enhancement of clean energy infrastructure, enhancement of climate resilience capabilities, and advocacy for sustainable agricultural practices. USAID has

⁴ Farivar, M. (2025, February 12). How pause in US foreign aid is impacting South, Central Asia. Voice of America. <https://www.voanews.com/a/how-pause-in-us-foreign-aid-is-impacting-south-central-asia/7971248.html>

⁵ Abbas, F. (2025, February 13). What the US aid suspension means for Pakistan. The Diplomat. <https://thediplomat.com/2025/02/what-the-us-aid-suspension-means-for-pakistan/>

⁶ Sixty years of US aid to Pakistan: Get the data. (2011, July 14). The Guardian. [https://www.theguardian.com/global-](https://www.theguardian.com/global-development/poverty-matters/2011/jul/11/us-aid-to-pakistan)

[development/poverty-matters/2011/jul/11/us-aid-to-pakistan](https://www.theguardian.com/global-development/poverty-matters/2011/jul/11/us-aid-to-pakistan)

⁷ Abbas, F. (2025b, February 13). What the US aid suspension means for Pakistan. The Diplomat. <https://thediplomat.com/2025/02/what-the-us-aid-suspension-means-for-pakistan/>

⁸ Sixty years of US aid to Pakistan: Get the data. (2011b, July 14). The Guardian. [https://www.theguardian.com/global-](https://www.theguardian.com/global-development/poverty-matters/2011/jul/11/us-aid-to-pakistan)

championed projects in renewable energy like hydropower, wind, and solar energy installations, alongside policy adjustments aiming to curb carbon emissions.

The recent decision by the US to suspend development aid under the 90-day executive order poses a significant shift from previous commitments. This suspension poses a threat to the continuity of climate-centric projects, potentially undermining advancements in Pakistan's renewable energy domain and resilience-building undertakings. However, this is not the first time that any US administration has halted financial assistance to Pakistan. In 1990s, President George H.W. Bush suspended US aid to Pakistan due to Pakistan's nuclear programme.⁹ The Obama administration also ceased \$800 million in military aid in 2011 due to frustrations on the resurgence of the Taliban in Afghanistan.¹⁰ Most recently, the first Trump administration slashed \$2 billion in security assistance in 2018 over alleged Pakistani support for militant factions.¹¹

Overview of the Executive Order

President Trump's executive order, "Reevaluating and Realigning United States Foreign Aid," was issued on January 20, 2025, instituting a 90-day suspension of all US international development assistance programmes¹². According to the US government, the order aimed to evaluate the success of aid programmes and make sure they served American interests. The government defended this sudden suspension by claiming that certain aid programmes could undermine US values and global stability. The review process was

established to assess each project to ascertain if it should be sustained, altered or discontinued.

The executive order reflected the Trump administration's long-standing mistrust of foreign aid and coincided with a larger political upheaval in the United States. The Republican party during its political campaign, stressed the "America First" strategy that prioritises domestic issues over global obligations. The instruction corresponded with the overarching conservative viewpoint that US taxpayer funds should be allocated carefully and exclusively to activities that provide evident advantages to national security and economic fortitude.

A critical element of this reconsideration was the halting of funding for climate-related initiatives. The Trump administration had previously exited the Paris Climate Agreement, and this executive order further reinforced its opposition to international climate financing. The directive resulted in an immediate suspension of foreign aid initiatives focused on climate change mitigation and adaptation and ultimately impacting global projects, especially in developing countries dependent on US assistance for sustainable development. The executive order's goals go beyond a short-term freeze and involve a long-term restructuring of US foreign assistance. The government aimed to cut spending on initiatives considered ineffective or misaligned with its aims. The temporary suspension hindered current projects, while it also generated apprehensions regarding the future of US involvement in global development and climate action.

⁹ The Pakistan Aid Dilemma. (2011). Center for American Progress. <https://www.americanprogress.org/article/the-pakistan-aid-dilemma/>

¹⁰ Wires, N. S. A. (2011, July 10). US suspends \$800 million in aid to Pakistan. NPR. <https://www.npr.org/2011/07/10/137746664/u-s-to-suspend-800-million-in-aid-to-pakistan>

¹¹ Pti. (2018, January 5). US suspends \$2 billion military aid to Pakistan over terror inaction. The Economic Times.

<https://economictimes.indiatimes.com/news/defence/us-suspends-2-billion-military-aid-to-pakistan-over-terror-inaction/articleshow/62386728.cms?from=mdr>

¹² The White House. (2025b, January 21). Reevaluating and realigning United States foreign aid. <https://www.whitehouse.gov/presidential-actions/2025/01/reevaluating-and-realigning-united-states-foreign-aid/>

Mixed responses were observed after this decision, both nationally and internationally. In the United States, advocates of the decision argued that it was necessary to guarantee accountability in foreign aid expenditures.

Current US Secretary of State Marco Rubio has stated that every dollar expended, every programme financed, and every policy enacted must be justified by the response to three fundamental questions *"Does it make America safer? Does it make America stronger? Does it make America more prosperous?"*¹³. Contrary to this belief, some argue that the suspension compromised established diplomatic connections and diminished America's leadership in global development initiatives.¹⁴

USAID Reform

The recent presidential order on foreign assistance has caused substantial disruption within the United States Agency for International Development (USAID) and resulted in far-reaching consequences for the organisation's future. According to an official memo issued on February 4, USAID is preparing to put almost all of its employees worldwide on leave.¹⁵ This extreme action complies with the executive order's requirements and points to a larger strategy to restructure or possibly dismantle the agency completely. According to reports, talks are in progress to combine USAID and the State Department, which would be consistent with the administration's larger goal of consolidating decision-making over foreign aid within the diplomatic system.

The administration's appointees have promptly implemented extensive changes, including the closure of USAID headquarters and country offices. Concerns about the long-term sustainability of US development aid and its capacity to effectively deal with international humanitarian emergencies have been raised by these measures.

The State Department has granted extensive exemptions for "lifesaving" humanitarian efforts, including emergency food distribution in Afghanistan but many other critical aid operations continue to be banned. Numerous development projects are in limbo as a result of USAID's prolonged shutdown, which has disrupted global efforts to address infrastructure development, healthcare, education, and poverty alleviation. The decision is being criticised for being highly unnecessary as USAID makes up less than 1% of the total US federal budget and is important for promoting American interests overseas by enhancing stability and economic development in at-risk areas.¹⁶

President Trump has openly criticised USAID for wastefulness. On February 6, he wrote on "Truth Social" platform without any evidence that *"Looks like billions of dollars have been stolen at USAID."*¹⁷ Furthermore, legal challenges have emerged in reaction to the administration's activities. A federal judge has provisionally halted the anticipated layoffs of USAID personnel.¹⁸ The overarching legal dispute regarding the agency's future is still unresolved. USAID personnel have expressed their intention to contest the administration's decision in court,

¹³ Faguy, A. (2025, January 21). Marco Rubio: America's new top diplomat, in his own words.

<https://www.bbc.com/news/articles/cvg5kzk42xdo>

¹⁴ Bateman, T. (2025, January 30). How a US freeze has upended global aid.

<https://www.bbc.com/news/articles/c3604r84zjyo>

¹⁵ Demirjian, K. (2025, February). Trump Appointees to Put Almost All U.S.A.I.D. Workers on Leave. The New York Times. <https://www.nytimes.com/2025/02/04/us/usa-id-musk-trump-rubio-cuts.html?smid=url-share>

¹⁶ Zakaria, R. (2025, February 8). Rest in peace, USAID. DAWN.COM. <https://www.dawn.com/news/1890580>

¹⁷ Afzal, M. (2025, February). Shutting Down USAID Badly Affects Pakistan's Development Sector. World Echo News. <https://weneenglish.pk/shutting-down-usaid-badly-affects-pakistans-development-sector/>

¹⁸ Quraishi, O. (2025b, February 8). Impact on Pakistan of Musk's war on USAID. The Friday Times. <https://thefridaytimes.com/08-Feb-2025/impact-on-pakistan-of-musk-s-war-on-usaid>

claiming that the disbandment of the agency without congressional approval clearly surpasses administrative authority.

The future of USAID is currently ambiguous. Although the administration presents its initiatives as a necessary realignment of foreign aid to better serve American interests, opponents argue that these actions could impair America's capacity to respond to international crises, sabotage enduring alliances and reduce the state's soft power globally.

Currently, there are 39 USAID-supported projects in Pakistan that have come to a halt. They have a total financial value of around US\$845 million and this includes critical healthcare initiatives and projects focused on Pakistan's major concern; Climate change.¹⁹ The suspension has also impacted numerous energy-related initiatives, including the Power Sector Improvement Activity, Pakistan Private Sector Energy Activity, Energy Sector Advisory Services Project, Clean Energy Loan Portfolio Guarantee Programme, and Pakistan Climate Financing Activity. Besides these, four initiatives associated with economic growth have been also affected. The Social Protection Activity was initially scheduled to conclude in 2025. The remaining impacted programmes are the Investment Promotion Activity, Pakistan Private Investment Initiative, and Economic Recovery and Development Activity.²⁰

¹⁹ Uncertainty as US-funded higher education projects suspended. (n.d.). University World News. <https://www.universityworldnews.com/post.php?story=2025021410570232>

²⁰ Explainers, F. (2025, January 30). How Trump's foreign aid freeze could hurt bankrupt Pakistan. Firstpost. <https://www.firstpost.com/explainers/donald-trump-foreign-aid-freeze-pakistan-economic-crisis-impact-13857733.html>

U.S.-Funded Climate Change Initiatives in Pakistan

The United States has always played a crucial role in strengthening Pakistan's climate resilience through diverse development assistance initiatives. U.S.-funded climate initiatives have included various interventions, such as renewable energy projects, climate-resilient agriculture techniques, water management systems, and disaster risk mitigation activities. These programmes attempted to enhance Pakistan's capacity to address climate-induced difficulties, including intense heatwaves, droughts, floods, and water scarcity. One of the impacted projects secured \$16 million for early recovery, risk mitigation, and resilience (ER4) initiatives aimed at enhancing the resilience of vulnerable people to disasters caused by natural calamities.²¹

Climate Financing Activity

The Pakistan Climate Financing Activity was launched by the United States Agency for International Development (USAID) as part of its broader initiatives to improve sustainability and climate resilience in the country. With a four-year budget of up to \$10 million, this programme was aimed to strengthen Pakistan's capacity to adapt to climate change and facilitate the country's shift to a low-carbon economy.²² The programme aimed to mobilise financial resources for climate initiatives by assisting both public and private stakeholders in securing international climate funding. The effort aimed to establish a supportive climate for investments in energy efficiency, climate

²¹ Iqbal, A. (2025, January 29). Trump freeze on foreign aid felt around the world. DAWN.COM. <https://www.dawn.com/news/1888342>

²² Ali, S. (2024, April 18). USAID launches \$10m climate financing initiative in Pakistan. The Nation. <https://www.nation.com.pk/18-Apr-2024/usaaid-launches-dollar-10m-climate-financing-initiative-in-pakistan>

adaptation, and renewable energy by strengthening institutional capabilities and policy frameworks.

The primary objective of the Climate Financing Activity was to assist the Pakistani government in synchronising its climate action strategies with global financing frameworks like the Green Climate Fund (GCF) and various international donors. Technical support was offered to relevant authorities to draft climate project applications that satisfied the stringent requirements of these financing bodies. The project also highlighted engagement with the commercial sector by promoting sustainable business models and new financing methods to stimulate green investments. By the time of its suspension due to the executive order, the Climate Financing Activity had made significant progress in establishing financial infrastructure for climate initiatives.

Pakistan Climate Resilience Research Coordination Network (RCN)

Pakistan Climate Resilience Research Coordination Network (RCN) was established with the aim to address the growing climate challenges in Pakistan by promoting research partnerships between academic institutions, policymakers, and industry experts.²³ This project was launched as part of USAID's Higher Education System Strengthening Activity (HESSA). The RCN's main goal was to equip researchers with the necessary tools and expertise to be able to formulate creative solutions for climate adaptation and mitigation.

The RCN significantly contributed to the formation of collaborative research teams

among universities, promoting information exchange and incorporating climate science into the curriculum of higher education level. The project's emphasis on workforce development and capacity-building helped close the gaps between scholarly research and real-world policy implementation. Additionally, the network aimed to forge international collaborations, connecting Pakistan's climate resilience policies with global best practices. Disaster preparedness, sustainable agriculture, urban climate adaptation, and water resource management were among the main focus areas.

The executive order's suspension of USAID's support jeopardised the RCN's viability despite its possible long-term benefits. Pakistan's ability to respond to climate-related concerns could be restricted without ongoing financing and technical assistance in climate research coordination and capacity-building.

Recharge Pakistan Project

Recharge Pakistan is a \$77.8 million ambitious project with the potential to bring a transformative change in Pakistan. The project is funded by multiple public and private partners and USAID played a major role.²⁴ USAID allocated \$5 million to strengthen this international initiative to advance Pakistan's environmental sustainability objectives. The Green Climate Fund also awarded a significant grant of \$66 million to enhance the effort.²⁵ Other contributors include The Coca-Cola Foundation, which committed \$5 million, and the World Wildlife Fund (WWF), which allocated \$1.8 million.²⁶ These contributions totalled \$77.8 million, representing the greatest financial commitment to an ecosystem-based climate resilience initiative in Pakistan. Through

²³ RCN - USAID's Higher Education System Strengthening Activity. <https://hessa.utah.edu/rcn/>

²⁴ US Backs Recharge Pakistan Project to Enhance Pakistan's Resilience to Climate Change. (2023, July). The US Embassy. <https://pk.usembassy.gov/u-s-backs->

[recharge-pakistan-project-to-enhance-pakistans-resilience-to-climate-change/](#)

²⁵ Ibid.

²⁶ Ibid.

ecosystem-based strategies, this programme aimed to increase Pakistan's climate resilience mainly flood mitigation, sustainable water resource management, and the restoration of damaged wetlands and watersheds.

The project was structured to integrate climate adaptation strategies into Pakistan's water sector and ultimately reduce vulnerability to climate-induced disasters while promoting sustainable environmental practices. USAID support and funding were crucial to the project and now with this sudden halt, concerns arise regarding its potential impact on Pakistan's water security and disaster preparedness.

Climate Smart Agriculture (CSA) Programme

The Climate Smart Agriculture (CSA) was launched by United States Ambassador Mr. Donald Blome as a five-year project with a budget of \$24 million.²⁷ The Programme was established to provide the resources and expertise to Pakistani farmers to confront the increasing challenges presented by climate change. Key agricultural risks, such as inconsistent rainfall, excessive heat, drought, and unpredictable weather patterns, were to be addressed by this effort. One of its primary objectives was to increase farmers' access to climate-resilient seeds that could resist harsh weather while boosting yields overall. The programme sought to enhance water-efficient irrigation methods, soil conservation strategies and sophisticated weather forecasting instruments to facilitate climate adaptation.

In November last year, US Ambassador Donald Blome formally launched the initiative and

emphasised its importance for supporting Pakistan's agricultural economy.²⁸ The programme was expected to introduce innovative technologies, enhance farmer education, and create a more sustainable food production system. However, the CSA programme has been placed on indefinite hold in response to the recent executive order that stopped US foreign assistance. This sudden interruption jeopardises advancements in climate-adaptive agriculture and endangers the livelihoods of several farmers poised to gain from its initiatives.

CSA programme now being stopped, raises concerns on food security, economic stability, and rural development in Pakistan, as climate change increasingly threatens the agricultural sector. The programme's suspension highlights the wider consequences of ceasing foreign aid, especially in areas particularly susceptible to environmental pressures.

Water Purification Project

The city of Jacobabad in the Sindh province has long suffered from severe water scarcity that was made worse by harsh weather. The area faces some of the highest temperatures on record in the world, with heatwaves regularly reaching temperatures beyond 50 degrees Celsius. In 2012, USAID pledged \$66 million to enhance municipal services, including the extension and refurbishment of a critical water purification facility to address these issues. Approximately 350,000 residents benefit from the purification plant, which supplies about 1.5 million gallons (5.7 million liters) of clean drinking water every day from a canal 22 kilometres (14 miles) away.²⁹

²⁷ Afzal, M. (2025, February). Shutting Down USAID Badly Affects Pakistan's Development Sector. World Echo News. <https://wenewsenglish.pk/shutting-down-usaid-badly-affects-pakistans-development-sector/>

²⁸ Ahmed, A. (2024, November 12). US launches \$24 million 'Climate Smart Agriculture' project in Pakistan. DAWN.COM. <https://www.dawn.com/news/1871762>

²⁹ Afp. (2025, February 21). Trump aid cut imperils water scheme in Pakistan's hottest city. The Economic Times. <https://economictimes.indiatimes.com/news/international>

The funding of this project, now being halted, has impeded operations, raising concerns of a possible failure in water supply infrastructure. In the absence of continuous financial assistance, numerous families in Jacobabad face the imminent loss of access to potable water and consequently intensifying health hazards including dehydration, heatstroke, and waterborne illnesses. The suspension of this initiative jeopardises public health systems and heightens the community's vulnerability to climate-related emergencies, given the city's existing precarious socio-economic circumstances. Maintaining the sustainability of vital infrastructure projects, such as the Jacobabad water purification plant is crucial for mitigating the detrimental impacts of climate change on at-risk communities.

Impact Analysis of Funding Withdrawal for Pakistan

The recent suspension of US foreign aid to Pakistan as a result of President Donald Trump's executive order has led to widespread disruptions in key development projects funded by the United States Agency for International Development (USAID). Although the administration has presented this action as a part of a more comprehensive review of foreign aid priorities, it will have far-reaching immediate consequences, particularly considering Pakistan's current economic crisis. The funding suspension impacts various sectors, including energy, healthcare, education, agriculture and disaster resilience. Trump's decision has led to a sudden termination of operational projects valued at around \$169 million.³⁰ This decision has immediate effects on economic stability, social welfare, and environmental sustainability. Programmes like the Climate

Smart Agriculture (CSA) Programme and the Recharge Pakistan Project, which aim to increase climate resilience, have been severely impacted. Simultaneously, development projects targeting health and education, especially those benefiting vulnerable groups like Afghan refugees, are confronting an uncertain future.

Short-term Consequences

The suspension of USAID financial assistance has resulted in serious disruptions across numerous sectors, with far-reaching consequences on socioeconomic and climate change spheres. One of the most noticeable outcomes has been the suspension of large-scale initiatives that were serving millions of people. The stoppage of financial support generated an ambiguous environment for Pakistan's development sector, resulting in both communities and institutions grappling to compensate for the absence of US aid. The suspension or termination of ongoing programmes has resulted in the cessation of critical initiatives like the Climate Smart Agriculture (CSA) Programme. The sudden withdrawal of funds has adversely impacted the livelihoods of numerous farmers and hindered initiatives aimed at alleviating the consequences of climate change on Pakistan's agricultural economy.

The environmental repercussions of the funding halt are equally significant. Numerous climate adaptation and resilience-building efforts, intended to alleviate the impacts of extreme weather patterns, have either been suspended. The abrupt cessation of funding jeopardises Pakistan's capacity to execute long-term environmental strategies, heightening its

[l/world-news/trump-aid-cut-imperils-water-scheme-in-pakistans-hottest-city/articleshow/118435507.cms?from=mdr](https://www.thenews.com.pk/print/1279654-usaid-closure-in-pakistan-end-of-an-era-or-dawn-of-self-reliance)

³⁰Syed, A. (2025, February 5). USAID closure in Pakistan – end of an era or dawn of self-reliance? The News

International.
<https://www.thenews.com.pk/print/1279654-usaid-closure-in-pakistan-end-of-an-era-or-dawn-of-self-reliance>

susceptibility to climate-related calamities. The funding block has posed immediate economic issues for local communities and stakeholders dependent on USAID-supported employment opportunities. The development sector in Pakistan employs thousands of individuals, many of whom are currently under risk of job loss.³¹ Civil society organisations and non-governmental institutions reliant on US financing are confronting an existential dilemma with limited available alternatives to get financial support. The possible dissolution of these organisations may trigger a domino effect on social service provision, especially in rural and underprivileged regions where USAID-funded initiatives offered critical healthcare, education, and infrastructure assistance.

Besides these, the humanitarian consequences of this order are also significant. According to UN estimates, the closure of more than 60 U.S.-funded medical facilities in Pakistan will directly impact about 1.7 million people, including 1.2 million Afghan refugees.³² The closures have led to diminished access to vital medical services, especially for women and children dependent on these clinics for maternity and child healthcare. The problem is further aggravated by Pakistan's prevailing economic difficulties, wherein constrained resources hinder the government's ability to compensate for the international aid.

Long-Term Implications

The prolonged suspension of US funding for climate initiatives in Pakistan poses critical strategic challenges for the country, particularly in the context of achieving long-term climate

resilience. If funding is not recovered or is unavailable for a lengthy time, Pakistan will struggle to make progress in mitigating climate-related disasters, integrating adaptation techniques, and developing climate-resistant infrastructure.³³ The withdrawal generates a funding vacuum that jeopardises Pakistan's efforts to shift towards a low-carbon economy and fulfil its climate obligations under international agreements, such as the Paris Agreement.

A significant strategic concern is the weakening of Pakistan's institutional capacity to combat climate change. Over the years, USAID-supported initiatives contributed to technical proficiency, evidence-based policymaking and interdisciplinary collaboration on climate resilience. The lack of such support may result in disorganised climate governance which will ultimately hinder Pakistan's ability to formulate and execute cohesive, long-term initiatives to address environmental issues. Moreover, due to restricted domestic resources, Pakistan's capacity to initiate new climate projects or expand current ones would be severely limited. This can result in serious adaption gaps with critical areas left unaddressed.

The funding withdrawal has also resulted in an additional load on Pakistan's already overburdened economy. Long-term investments are needed for climate-resilient infrastructure, such as flood barriers, climate-smart agriculture, and sustainable water management systems. In the absence of external support, Pakistan may need to reallocate resources from other developmental priorities to support climate action, thereby

³¹ Syed, A. (2025b, February 5). USAID closure in Pakistan — end of an era or dawn of self-reliance? The News International.

<https://www.thenews.com.pk/print/1279654-usaid-closure-in-pakistan-end-of-an-era-or-dawn-of-self-reliance>

³² 'Millions at risk' as Pakistan feels the pinch of USAID pause. (2025). <https://www.aa.com.tr/en/americas/>

millions-at-risk-as-pakistan-feels-the-pinch-of-usaid-pause/3478536

³³ TOI News Desk. (2025, January 30). Donald Trump's foreign aid suspension hits Pakistan: How it will impact key sectors. The Times of India.

<https://timesofindia.indiatimes.com/world/us/donald-trumps-foreign-aid-suspension-hits-pakistan-how-it-will-impact-key-sectors/articleshow/117733040.cms>

putting pressure on public finances and diminishing fiscal capacity for social welfare initiatives. This may exacerbate existing disparities, since vulnerable groups disproportionately impacted by climate change would encounter increased risks with diminished safety nets.

Furthermore, the financing deficit may compel Pakistan to pursue alternate avenues for financial and technical support, altering its strategic partnerships. The decision can impact Pak-US ties.³⁴ The lack of US assistance may expedite Pakistan's involvement with global climate financing organisations, including the Green Climate Fund and bilateral contributors such as China and Gulf nations. Nevertheless, these possibilities entail distinct geopolitical and economic implications that may alter the trajectory of Pakistan's foreign policy and developmental objectives. Some experts believe that the blockage of USAID may compel developing countries like Pakistan to reevaluate their reliance on foreign aid. It can either exacerbate economic problems or promote self-

is at risk of falling behind in technical innovation, catastrophe readiness, and policy-oriented climate strategies. Over time, this may intensify environmental degradation, heighten economic vulnerabilities, and diminish Pakistan's capacity to recuperate from climate-induced shocks, ultimately jeopardising national stability.

Repercussions for Global Climate Commitments

The United States' recent withdrawal from the Paris Agreement, coupled with the rise of right-wing populism in Europe, poses significant threats to global climate finance and collective environmental action.

The U.S., historically a major greenhouse gas emitter, has remained reluctant in playing the lead role in international climate agreements, including the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol. Though the US became a part of the Paris Climate Accord however, as

Year	Adaptation (Billion USD)	Mitigation (Billion USD)	Cross-Cutting (Billion USD)	Total (Billion USD)
2016	12	26.8	6.2	45
2017	12.8	27.3	6.9	47
2018	15	29.6	7.4	52
2019	15.9	30.9	7.8	54.6
2020	20.1	33	8.2	61.3
2021	17.3	39.1	11.2	67.6
2022	32.4	69.5	13.6	115.9

Table I: Global North's Climate Financing Under Paris Agreement

reliance.³⁵

The funding embargo has wider repercussions than just project closures; it jeopardises Pakistan's long-term climate security. In the absence of sustained foreign support, Pakistan

discussed already, it has now withdrawn twice from the agreement. The absence of the US from these initiatives and relative success of the climate action has proven the established wisdom wrong that without the involvement of

³⁴ Masood, T. (2025, January 29). Will Pakistan-US ties hit another low after Trump's suspension of aid? Will Pakistan-US Ties Hit Another Low After Trump's Suspension of Aid? <https://www.trtworld.com/asia/will-pakistan-us-ties-hit-another-low-after-trumps-suspension-of-aid-18259161>

³⁵ 'Millions at risk' as Pakistan feels the pinch of USAID pause. (2025). <https://www.aa.com.tr/en/americas/-millions-at-risk-as-pakistan-feels-the-pinch-of-usaid-pause/3478536>

the super powers, no global initiative can succeed. However, this time, the US withdrawal is likely to damage international climate actions more adversely. These accords established financial mechanisms like the Green Climate Fund (GCF) to assist vulnerable nations in mitigating and adapting to climate change. However, the U.S. withdrawal undermines these commitments, jeopardising support for developing countries and eroding the integrity of international climate governance. This retreat sets a concerning precedent, potentially prompting other developed nations to renege on their obligations, thereby weakening collective efforts to combat climate change.

The legal and political ramifications of such withdrawals are profound. While the Paris Agreement permits countries to exit their obligations, these actions erode multilateral climate diplomacy and diminish trust in global governance frameworks. Moreover, withdrawal contradicts the principle of common but differentiated responsibilities (CBDR-RC), a cornerstone of international climate negotiations.

The U.S. retreat from climate commitments carries significant repercussions:

- Diminished Global Leadership:** The U.S. has historically positioned itself as a key player in global governance. Withdrawal signals an abdication of responsibility, potentially diminishing its influence in international climate negotiations.
- Encouragement for Other Nations to Withdraw:** If the U.S. and other major economies backtrack on their commitments, it may encourage other developed nations to follow suit, reducing overall climate finance flows.
- Increased Global Climate Risks:** Climate change is a transnational challenge. Failure to fund adaptation efforts in the Global South exacerbates instability, displacement, and economic fragility, ultimately affecting global security.
- Economic and Trade Consequences:** Non-compliance with climate finance commitments could lead to the implementation of carbon tariffs, such as the European Union's Carbon Border Adjustment Mechanism (CBAM), which penalises high-emission imports from countries failing to meet climate obligations.

The rise of right-wing populist parties in Europe further complicates the climate action landscape. In Germany, the recent election saw significant gains for the Alternative for Germany (AfD), a party known for its radical anti-green policies. Although not part of the governing coalition, their increased parliamentary presence poses challenges to advancing robust climate policies. The incoming chancellor, Friedrich Merz of the Christian Democrats (CDU/CSU), plans to continue much of Germany's green agenda but faces pressure from both the AfD and within his party to balance economic and environmental priorities.

The European Parliament has also experienced a surge in far-right representation, with populist parties attacking environmental, climate, and clean energy policies. This shift threatens to slow down or even reverse the EU's ambitious climate targets, as these parties often oppose regulations perceived to infringe upon national sovereignty or economic interests.

Domestically, President Trump's decision to expand oil drilling and offer to sell U.S. oil to countries like India further undermines global climate action. Such policies increase

greenhouse gas emissions and signal a departure from commitments to transition towards renewable energy sources. This approach hampers international efforts to reduce fossil fuel dependence and combat climate change effectively.

In light of these developments, sustained climate finance contributions remain imperative. The Global North's continued investment in climate resilience initiatives not only fulfils moral and legal obligations but also serves strategic interests by fostering stability, reducing migration pressures, and securing global supply chains. Furthermore, maintaining financial commitments strengthens diplomatic ties with climate-vulnerable states, ensuring continued cooperation in other areas of international relations.

As Pakistan and other Global South countries face escalating climate risks, securing alternative finance mechanisms becomes critical in the face of uncertain commitments from traditional donors. Exploring options such as green bonds, public-private partnerships, and climate-specific taxes can enhance resilience to climate change and reduce reliance on unpredictable international funding streams.

The escalating climate crisis necessitates urgent and equitable financial interventions, particularly from the Global North, which bears historical responsibility for greenhouse gas emissions. Recent withdrawals from climate finance commitments by major economies threaten the efficacy of international agreements and exacerbate vulnerabilities in developing nations. The establishment of the Loss and Damage Fund at COP28 represents a pivotal step towards climate justice; however, challenges such as inadequate funding and operational ambiguities hinder its potential impact. For countries like Pakistan, exploring

alternative climate finance mechanisms is essential to build resilience against the multifaceted threats posed by climate change.

Policy Options: Alternative Avenues for Pakistan

Pakistan's reliance on traditional climate finance mechanisms, primarily driven by multilateral and bilateral donors, has faced increasing uncertainty due to the inconsistent financial commitments of developed nations. Given the ongoing withdrawal of Global North states from their obligations, Pakistan must explore diversified and sustainable climate finance alternatives to strengthen its resilience against climate-induced disasters and to fund mitigation and adaptation initiatives. Several options are available, ranging from leveraging existing international mechanisms to mobilising domestic resources and private-sector investments.

Accessing Multilateral Climate Finance Facilities

Pakistan remains eligible for a range of climate finance facilities under the United Nations Framework Convention on Climate Change (UNFCCC), multilateral development banks (MDBs), and other international mechanisms. These include:

- **The Adaptation Fund (AF):** Established under the Kyoto Protocol, this fund provides direct access to climate-vulnerable nations for adaptation projects. Pakistan has previously secured USD 6.1 million from this facility, but further engagement through accredited national entities can enhance its funding opportunities.
- **The Green Climate Fund (GCF):** With a total fund size exceeding USD 10 billion, the GCF is a major global financing mechanism

under the Paris Agreement. Pakistan has secured USD 6.81 million in targeted sectors, but bureaucratic hurdles and lengthy accreditation processes hinder full access.

- **The Global Environment Facility (GEF):** A critical funding source for both adaptation and mitigation projects, the GEF has provided project-based funding in Pakistan, particularly in areas of water resource management, energy transition, and disaster risk reduction.
- **Asia-Pacific Climate Finance Fund (ACliFF):** Supported by the Asian Development Bank (ADB), this fund offers financial risk management solutions to enhance resilience against climate shocks. Pakistan has received USD 3.45 million from ACliFF in targeted areas.

While these funds remain viable options, challenges such as stringent eligibility criteria, complex approval processes, and political constraints must be addressed to optimise access.

Mobilising Domestic Climate Finance

Pakistan's climate financing strategy must also focus on mobilising domestic resources to reduce dependency on international funding. Several instruments can be leveraged:

- **Green Bonds:** Issuing sovereign and corporate green bonds can attract investments for climate-resilient infrastructure and renewable energy projects. Countries like India and Indonesia have successfully used green bonds to finance large-scale climate initiatives.
- **Carbon Pricing Mechanisms:** Implementing a carbon tax or an emissions

trading system (ETS) can generate revenue for climate mitigation projects. Pakistan can explore border carbon adjustments (BCAs) similar to the European Union's Carbon Border Adjustment Mechanism (CBAM) to align its industries with global climate standards.

- **Public-Private Partnerships (PPPs):** Engaging the private sector through PPPs can help finance large-scale projects in energy transition, sustainable transport, and disaster resilience. The Pakistan Climate Finance Facility (PCFF) could serve as a model to channel private capital towards green projects.
- **Climate-Specific Taxation:** Revenue-generating mechanisms such as levies on plastic production, fossil fuel usage, and high-emission industries can contribute to climate funds while promoting sustainable practices.

Strengthening Bilateral Climate Finance Engagement

While multilateral sources remain essential, bilateral partnerships with climate-conscious countries can provide direct financial support. Germany, through GIZ and KfW, has consistently supported Pakistan's climate adaptation efforts, while Japan, through JICA, has financed low-carbon energy projects. Strengthening such collaborations can provide additional financial inflows.

Additionally, initiatives such as "Debt-for-Climate Swaps"—where Pakistan restructures external debt in exchange for climate investments—can offer dual benefits of debt relief and increased climate funding. Countries like Indonesia and the Philippines have implemented similar mechanisms.

Enhancing Access to Private Climate Investment

Encouraging climate-friendly investments from institutional investors, impact funds, and venture capitalists can support Pakistan's green transition. Blended finance models, where public and private funds are combined, can attract investors while mitigating financial risks. Sectors such as renewable energy, climate-smart agriculture, and urban resilience projects present key investment opportunities.

Engaging with NGOs

Non-Governmental Organisations (NGOs) play a crucial role in mobilising climate finance and implementing community-based adaptation and mitigation projects in Pakistan. Many international and local NGOs serve as intermediaries, bridging gaps between donors and vulnerable communities while ensuring efficient resource utilisation. International organisations such as WWF-Pakistan, IUCN, and Oxfam have been instrumental in securing grants from global climate funds and executing projects that enhance climate resilience at the grassroots level.

Local NGOs, including LEAD Pakistan and the Rural Support Programmes Network (RSPN), have successfully mobilised climate finance through partnerships with GIZ, UNDP, and the Green Climate Fund (GCF), focusing on sustainable agriculture, water resource management, and disaster risk reduction. Additionally, NGOs play a vital advocacy role, pressuring governments and international donors to uphold financial commitments and ensuring transparency in climate finance flows.

Enhancing NGO involvement in climate finance requires increased access to international funding mechanisms, capacity-building initiatives, and stronger regulatory frameworks

to ensure financial accountability. By integrating NGOs into national climate finance strategies, Pakistan can strengthen its community-based resilience efforts and bridge the gap between policy frameworks and on-the-ground implementation.

Conclusion

The withdrawal of U.S. climate finance is a significant setback for Pakistan's climate action efforts, with direct consequences for ongoing projects and long-term sustainability goals. The abrupt cessation of funding has already led to disruptions in crucial initiatives aimed at strengthening Pakistan's resilience to climate change. Moreover, the suspension highlights the broader vulnerabilities of developing nations that rely on external financing for climate mitigation and adaptation.

Given the evolving global climate finance landscape, Pakistan must take decisive action to secure alternative funding sources. Strengthening engagement with multilateral financial institutions, enhancing bilateral partnerships, and mobilising domestic climate finance are critical steps toward reducing dependency on unpredictable foreign aid. Additionally, fostering private sector involvement and public-private partnerships can help attract investment in renewable energy, disaster resilience, and climate-smart agriculture.

The broader implications of this funding withdrawal extend beyond Pakistan, as they threaten international climate governance structures and set a precedent for other developed nations to scale back their commitments. To mitigate these risks, Pakistan must advocate for stronger accountability mechanisms within multilateral climate finance frameworks while enhancing its own

institutional capacity to manage climate-related financial resources effectively.

While the immediate challenges are formidable, a proactive and diversified approach to climate finance can enable Pakistan to build resilience and sustain progress toward its climate and development objectives. Policymakers must act swiftly to explore alternative financing mechanisms, ensuring that climate adaptation and mitigation efforts remain on track despite the evolving geopolitical landscape.

Annex: List of Alternative Options

Multilateral Finance Facilities

1. Adaptation Fund (AF)
2. Special Climate Change Fund (SCCF)
3. Green Climate Fund (GCF)
4. UN REDD Programme
5. Climate Investment Funds (CIF)
 - Clean Technology Fund (CTF)
 - Pilot Program for Climate Resilience (PPCR)
 - Scaling Up Renewable Energy Program (SREP)
 - Forest Investment Program (FIP)
6. Global Environment Facility (GEF) Small Grants Program (SGP)
7. Asian Development Fund (ADF)
8. Asia-Pacific Climate Finance Fund (AClIFF)
9. Climate Change Fund (CCF)
10. Urban Climate Change Resilience Trust Fund (UCCRTF)
11. Urban Environmental Infrastructure Fund (UEIF)

Bilateral Finance Facilities

12. Federal Ministry for Economic Cooperation and Development (BMZ, Germany)
13. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ, Germany)
14. Kreditanstalt für Wiederaufbau (KfW, Germany)
15. International Climate Initiative (IKI, Germany)
16. Japan International Cooperation Agency (JICA)
17. Danish International Development Agency (Danida, Denmark)
18. Norwegian Agency for Development Cooperation (Norad, Norway)
19. Foreign, Commonwealth & Development Office (FCDO, UK)

Non-Governmental and Philanthropic Climate Finance

20. Bloomberg Philanthropies
21. Climate Works Foundation (CWF)
22. Ford Foundation
23. Hewlett Foundation
24. KR Foundation
25. MacArthur Foundation
26. Minor Foundation
27. Oak Foundation
28. Packard Foundation
29. Rockefeller Foundation
30. Bread for the World (Brot für die Welt, Germany)
31. Global Climate Resilience Partnership (GCR)



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