Early Warning System

WB-P510667

Pakistan Finance for Lowering Emissions in the Water and Waste Sectors

Quick Facts

Countries	Pakistan
Specific Location	Punjab, Karachi, Sindh
Financial Institutions	World Bank (WB)
Status	Proposed
Bank Risk Rating	A
Voting Date	2026-10-30
Borrower	Government of Pakistan - Ministry of Economic Affairs; and others
Sectors	Climate and Environment, Water and Sanitation
Investment Type(s)	Grant
Investment Amount (USD)	$ 50.00 million
Project Cost (USD)	$ 50.00 million

Project Description

According to the Bank's website, the project mobilizes US$ 40 million in climate and carbon finance through results-based payments for verified emission reductions (ERs) generated from investments in wastewater treatment, clean water supply, and municipal solid waste management in Pakistan. These ERs are produced under two ongoing World Bank-supported operations:
(i) wastewater and clean water supply interventions in Punjab, and
(ii) solid waste management interventions in Karachi, Sindh.

The project establishes the systems, processes, and financing arrangements required to measure, verify, and monetize these ERs in line with international carbon market requirements, including under Article 6 of the Paris Agreement. Payments are made ex post against independently verified ERs.

The project consists of two components, corresponding to the Punjab and Sindh implementation streams. Within each component, ERs may be monetized through two complementary modalities: (i) results-based climate finance for ERs retained domestically under Emission Reduction Payment Agreements (ERPAs), and (ii) carbon finance for ERs transferred internationally as Internationally Transferred Mitigation Outcomes (ITMOs) under Mitigation Outcome Purchase Agreements (MOPAs).

Early Warning System Project Analysis

The Environmental Risk Rating is assessed as Substantial at the Concept stage. This is attributed to the novelty of the Article 6 mechanism, uncertainties around MRV implementation, limited institutional capacity, and the fact that the ESMS's of parent projects might not be followed due to possible project end (in event of no project extension) before the proposed Carbon Finance IPF (this project) ends.

The social risk is also rated Substantial, reflecting broader institutional and systemic risks rather than direct social impacts of individual project level activities. The project itself does not finance infrastructure or goods, and downstream risks remain the responsibility of the parent IPF projects. However, potential risks include insufficient institutional capacity at the federal level (particularly MoCC), challenges in stakeholder identification and engagement, labor-related issues at MoCC, and maintaining consistency in E&S implementation across the ER generating activities. Post project closure management of the carbon credits is also unclear at this stage. This added with the novelty of the Article 6 mechanism, justifies Substantial risk rating at the concept stage.

Investment Description

- World Bank (WB)

Total Project Cost: US$ 50.00 million

Transformative Carbon Asset Facility Tranche A (grant): US$ 50.00 million

Contact Information

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ACCESS TO INFORMATION

To submit an information request for project information, you will have to create an account to access the Access to Information request form. You can learn more about this process at: https://www.worldbank.org/en/access-to-information/request-submission

ACCOUNTABILITY MECHANISM OF THE WORLD BANK

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Bank Documents

- Concept Environmental and Social Review Summary (ESRS) - Pakistan Finance for Lowering Emissions in
- Concept Project Information Document (PID)