

Green Financing and Climate Action through Private Sector

High-Level Pre-COP29 Policy Dialogue

Pakistan, one of the world's most climate-vulnerable nations, is ramping up efforts to secure private sector investment for green financing as it faces the brunt of worsening climate impacts such as floods, heatwaves, forest fires threatening food security, public health, and economic stability. The devastating floods of 2022, which displaced 7.9 million and inflicted USD 14.9 billion in damages, serve as a grim reminder of the exacerbating risks Pakistan faces from climate change.

In line with the country's commitments to the Paris Agreement, Pakistan aims to generate 60% of its energy from renewable sources by 2030. Yet, achieving this ambitious goal requires a significant boost in climate financing, technology transfer, and capacity building areas where international support remains critical. While the private sector is viewed as essential to mobilising the funds and technologies needed for emissions reductions and sustainability, a substantial financing gap persists, particularly in sectors like agriculture and land use.

To date, the majority of private climate funding in Pakistan has been directed toward renewable energy, with less than 1% allocated to agriculture and land use sectors, which are vital for food security. Although national policies recognise the role of the private sector in climate action, real engagement has been minimal, hampered by government inconsistency, lack of clear incentives, and higher perceived risks. Pakistan needs to address these hurdles through innovative financial mechanisms, Public-Private Partnerships (PPPs), and policies that de-risk climate investments.

At COP28, Pakistan made significant progress in green financing with several high-profile initiatives. The USD 77.8 million 'Recharge Pakistan Project', supported by the Green Climate Fund, USAID, and the Coca-Cola Foundation, focuses on using nature-based solutions to bolster the resilience of the Indus Basin, which sustains millions of livelihoods. Additionally, the government launched the 'Living Indus Initiative', aimed at restoring the Indus River ecosystem, and operationalising the Loss and Damage Fund to aid countries hardest hit by climate disasters.

As Pakistan heads into COP29, the stakes for attracting private sector investment in green financing are higher than ever. To bridge the estimated USD 152 billion financing gap for climate adaptation and USD 196 billion for decarbonisation by 2030, the country must develop policies that incentivise private investment, create financial instruments that mitigate risks, and strengthen partnerships between public and private sectors. Only through a concerted effort to engage the private sector can Pakistan hope to meet its climate goals and build resilience against the escalating threats of climate change.

Under this backdrop of opportunities and challenges the key objectives for this *High-Level Policy Dialogue* include the following:

- Actively involve the private sector in climate action by highlighting the economic and environmental benefits of sustainable practices and investments.
- Identify and adapt successful international strategies and models for climate action suited to Pakistan's unique context.
- Investigate and implement novel financial mechanisms to mobilise and direct capital towards climate resilience and mitigation projects in Pakistan.

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