

Financing the Future: Private Capital for Pakistan's Social Sector

In collaboration with UNICEF

Pakistan's fiscal space for health, education, and other social sectors is narrowing at a rate that exceeds the growth in demand for essential services, disproportionately affecting children and other vulnerable populations who rely most heavily on public service provision. Public expenditure alone will be insufficient to close the resulting financing gap over the medium term, and a progressively larger share of social sector financing will need to be mobilised from private sources, including philanthropic, catalytic and commercial capital. Realising this potential requires private capital to be organised, recovered and redeployed on a sustained basis and directed towards where needs are greatest, rather than extended as one-off contributions. This premise underpins the Financing the Future (FtF) initiative.

The premise was first presented to policymakers at a [national policy dialogue](#) in August 2026, which convened government, development partners and financial institutions to assess the scale of the financing gap and the realistic contribution of private capital. The dialogue was followed by a sequence of structured consultations with heads of Corporate Social Responsibility (CSR), business federations, insurers, banks and microfinance institutions, designed to test the proposed model with the stakeholders who would ultimately be responsible for its implementation.

This concept note sets out the next session in the series, to be convened at the Sustainable Development Policy Institute (SDPI)'s Sustainable Development Conference (SDC) 2026. Previous sessions demonstrated substantive interest, while also identifying a consistent set of questions across stakeholder groups: how capital can be structured to be recoverable and risk-shared; what evidence a sector requires to establish its business case; and how private investment can be aligned with firms' commercial interests. As these questions have not been resolved through individual consultations, the session is designed to address them collectively with the private sector.

Financing the Future (FtF) is a joint initiative of SDPI and the United Nations Children's Fund (UNICEF) to institutionalise private capital as a sustained and equitable source of financing for Pakistan's social sectors, in particular for reaching children and vulnerable groups. It is not confined to a single instrument or funding request; rather, it operates across several mutually reinforcing workstreams.

The initiative seeks to consolidate the full spectrum of private capital, including philanthropic resources such as CSR and *Zakat*, climate finance and commercial capital, into a predictable and recurring source of social sector financing. This entails building partnerships among government, private enterprises, financial institutions and

implementing partners, and developing business models and financing instruments through which capital can be deployed on a recoverable, bankable and risk-shared basis.

Public-Private Partnership (PPP) is the core mechanism through which these actors are brought together under a common framework, rather than operating in parallel. Recognising that isolated projects offer limited demonstration value, FtF designs its models to be scalable from inception, enabling their replication and expansion.

FtF further promotes structured dialogue to address the barriers that currently fragment these conversations, and works to establish the regulatory, institutional and market conditions necessary for social sector finance to function as a market in its own right. This includes developing markets aligned with corporate supply chains, where a firm's commercial interests, such as a reliable supplier base, a skilled local workforce and stable distribution networks, converge with social outcomes. In such cases, investment in the supply chain simultaneously constitutes investment in the community, rather than a separately funded activity. More broadly, FtF aims to create markets for private capital by structuring health, education and other social sector needs as investable propositions that businesses, insurers, banks and microfinance institutions can enter on commercial or near-commercial terms. Priority areas include employer-linked skills and training pipelines, de-risked social sector lending as a distinct asset class, and insurance and risk products linked to social outcomes, as alternatives to grant-based CSR. Pilots are designed with scale and equity in view, so that models are validated, including for their reach to underserved populations, before they are expanded.

The FtF Café constitutes the initiative's stakeholder engagement track: a series of structured consultations with foundations, business federations, insurers, banks and government counterparts, each of which tests the model with relevant stakeholders and advances it further. Progression to the co-design phase requires that private sector stakeholders share a common understanding of the proposed model. Rather than presume such consensus, this session seeks to establish it explicitly, by identifying outstanding questions and treating participants' concerns as the starting point for deliberation. Convening the Café at the SDC will enable the private sector, microfinance and government stakeholders to engage jointly at a forum at which all are already present.

The session aims to clarify the scope and parameters of the FtF model; and identify the issues that remain unresolved, rather than presenting the model as more settled than it is and will advance a shared understanding among private sector, microfinance and government participants.

Three themes central to the scope of FtF have emerged consistently across the Café series. The session is structured around these themes:

Theme I: Recoverable and risk-shared capital structures

The first theme concerns how capital can be structured to be recoverable and risk-shared, rather than disbursed as grants. Deliberations have repeatedly focused on first-loss and credit-enhancement structures, under which a capped tranche of CSR capital absorbs initial risk and thereby enables bank or microfinance lending to follow, including to segments such as low-fee schools and women-led enterprises that would otherwise fall outside commercial risk appetite. This theme will help examine the design of such structures and the requirements for their establishment.

Theme II: Translating social-sector needs into financeable propositions

The second theme concerns how social sector needs can be translated into financing propositions that businesses, banks and insurers are able to underwrite. Outcome-based financing structures already applied elsewhere in Pakistan, together with education and nutrition programmes with clear and measurable results for children and vulnerable groups, have been consistently cited as reference points. This theme will help define the evidence a sector requires to substantiate its business case.

Theme III: Aligning private capital with commercial interest

The third theme concerns how private capital can be linked to firms' core commercial interests, and not solely to their CSR budgets. Markets aligned with corporate supply chains, and employer-linked skills and training pipelines in particular, have been identified as the clearest instances of convergence between commercial interest and social outcomes. This theme will help identify where such opportunities exist.

The approach proposed under FtF has established precedent. India and other jurisdictions, and increasingly Pakistan itself, have operationalised each of its three core components: the use of CSR and philanthropic capital as a risk-transfer instrument; a business case that renders private investment viable on its own terms; and financing structured around outcomes rather than activities.

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