

Exploring Country Platforms to Advance Pakistan's Energy Transition

October 2025

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The Sustainable Development Policy Institute is an independent, non-profit research institute on sustainable development.

First edition: October 2025

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Cover & Report Layout: Bilal Safdar (dotadverts.com)

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Acknowledgements

This policy paper has been developed by the Sustainable Development Policy Institute (SDPI) under the auspices of its Network for Clean Energy Transition (NCET). The paper has been authored by Nismah Rizwan (Research Associate, SDPI), with support from Dr. Khalid Waleed (Research Fellow, SDPI), Engr. Ubaid ur Rehman Zia (Head Energy Unit, SDPI), and Ms. Zainab Babar (Research Associate, SDPI).

The author acknowledges the unwavering support of SDPI's management team, particularly Dr. Abid Qaiyum Suleri (Executive Director, SDPI) and Dr. Sajid Amin Javed (Deputy Executive Director – Research, SDPI), and the MIS team at SDPI.

The author also acknowledges the valuable input provided by the following subject experts, whose perspectives have significantly informed the preparation of this paper:

- **Mr. Hamza Haroon**, Regional Director – South Asia, Climate Vulnerable Forum (CVF)
- **Dr. Crispian Olver**, Senior Fellow, World Resources Institute (WRI)
- **Mr. Alvin Jose**, Head – Energy Transition Planning and Energy Efficiency, Sustainable Energy for All (SEforALL)
- **Ms. Sobiah Becker**, Adviser, Pak-German Climate and Energy Partnership (PGCEP)
- **Mr. Faran Rana**, Associate Programme Officer – Renewable Energy Finance & Policy, International Renewable Energy Agency (IRENA)
- **Mr. Sohail Malik**, Technical Team Lead, Climate Resourcing Coordination Center (CRCC)
- **Mr. Mustafa Amjad**, Program Director, Renewables First
- **Mr. Archie Gilmour**, Senior Research Officer – Climate and Sustainability, ODI Global



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Abbreviations and Acronyms

| | |
|--------------|---|
| ADB | Asian Development Bank |
| AF | Adaptation Fund |
| AIIB | Asian Infrastructure Investment Bank |
| ARE | Alternative and Renewable Energy |
| ASEAN | Association of South East Asian Nations |
| BESS | Battery Energy Storage Systems |
| BRL | Brazilian Real |
| CCDR | Country Climate and Development Report |
| CDP | Climate and Development Platform |
| CIF | Climate Investment Fund |
| COP | Conference of Parties |
| CP | Country Platform |
| CPEC | China-Pakistan Economic Corridor |
| CPP | Climate Prosperity Plan |
| CSR | Corporate Social Responsibility |
| DFI | Development Financing Institution |
| EE | Energy Efficiency |
| ETI | Energy Transition Index |
| ETM | Energy Transition Mechanism |
| EU | European Union |
| EVs | Electric Vehicles |
| FDI | Foreign Direct Investment |
| FY | Fiscal Year |
| G20 | Group of 20 |
| G2G | Government-to-Government |
| GCF | Green Climate Fund |
| GDP | Gross Domestic Product |
| GEF | Global Environment Facility |
| GHG | Greenhouse Gas |
| GW | Gigawatt |
| IDA | International Development Assistance |
| IGCEP | Integrated Generation Capacity Expansion Plan |
| IIED | International Institute for Environment and Development |

| | |
|--------------------|---|
| IMF | International Monetary Fund |
| IPG | International Partners Group |
| IPPs | Independent Power Producers |
| JETPs | Just Energy Transition Partnerships |
| LDC | Least Developed Country |
| LNG | Liquefied Natural Gas |
| MDBs | Multilateral Development Banks |
| MEL | Monitoring, Evaluation, and Learning |
| MoCC&EC | Ministry of Climate Change & Environmental Coordination |
| MoE | Ministry of Energy |
| MoF | Ministry of Finance |
| MRV | Monitoring, Reporting, and Verification |
| MW | Megawatt |
| NAP | National Adaptation Plan |
| NCFS | National Climate Finance Strategy |
| NCQG | New Collective Quantified Goal |
| NDBs | National Development Banks |
| NDCs | Nationally Determined Contributions |
| NEP | National Electricity Policy |
| NEV | New Electric Vehicle |
| NWFE | Nexus of Water, Food, and Energy |
| OECD | Organization for Economic Cooperation and Development |
| PC | Planning Commission |
| PCCA | Pakistan Climate Change Act |
| PCCF | Pakistan Climate Change Fund |
| PFM | Public Financial Management |
| PKR | Pakistani Rupee |
| PPF | Project Preparation Facility |
| PV | Photovoltaic |
| RE | Renewable Energy |
| RSF | Resilience and Sustainability Facility |
| SBP | State Bank of Pakistan |
| SCCF | Special Climate Change Fund |
| UN | United Nations |
| UNFCCC | United Nations Framework Convention on Climate Change |
| USD | United States Dollar |
| WEF | World Economic Forum |

01

Introduction



1.1. Background

Pakistan's well-established, high vulnerability to climate change and insufficient capacity to tackle its ensuing impacts warrants urgent adaptation and mitigation actions. While disaster risk reduction and building resilience remain central to the adaptation agenda, a clean energy transition lies at the heart of the mitigation process.

Over the past decade, Pakistan has made significant progress in the deployment of renewable energy (RE) technologies – a key driver of the energy transition. In 2025, the country reached a 35% share of renewable energy in the national mix, although a major chunk of this may still be attributed to hydropower generation rather than solar or wind. Nonetheless, the country's energy mix remains laden with fossil fuels; nearly 25% of power sector generation relies on natural gas while 14% comes from coal. Furthermore, the high dependency on fossil fuels also necessitates their import to meet rising demand, exacerbating energy security concerns and exerting more pressure on the country's already crippling economy.

Advancing the energy transition at a pace compatible with Pakistan's needs and global commitments requires unprecedented levels of investment. The country's updated Nationally Determined Contributions (NDCs) submitted in 2021 indicated a value of USD 101 billion by 2030 to enable the energy sector to play its part in Pakistan's 50% emission reduction target. This value has now been increased to USD 189.6 billion by 2030 in the third iteration of the NDCs. A separate analysis reveals that approximately USD 8 billion would be required in public investment to transition away from coal-based electricity generation and toward solar energy by 2030, while billions more would be needed to support clean energy infrastructure, grid modernization, social safety nets, and institutional reforms to ensure the transition is inclusive and sustainable.

Mobilizing these monumental resources through domestic finance alone is a difficult task for a developing country – with a capricious economy – like Pakistan. Public resources are limited by fiscal stress and high external debt servicing, while private sector participation in climate investment is minimal and largely remains confined to Corporate Social Responsibility (CSR) commitments. On the other hand, international climate finance inflows, though important, are fragmented across projects and often misaligned with national priorities. Moreover, they commonly take the form of loans or have stringent conditions attached to them, meeting which is often beyond local institutional capacities.

In parallel, the global climate finance architecture is also undergoing change. Shrinking aid budgets and shifting priorities in donor countries are stalling delivery of finance committed under international agreements – mainly the New Collective Quantified Goal (NCQG) of mobilizing close to USD 1.3 trillion per year by 2035 under the Paris Agreement. The G2G grant-based system is eroding – especially following the US withdrawal from the Paris Agreement - pushing developing countries towards tapping a more diverse set of sources, such as philanthropic capital and large-scale private investments.

Furthermore, development partners – long criticized for their fragmented project-by-project approaches – are now actively beginning to prioritize long-term, programmatic initiatives. In recent years, international forums – such as the G20 – as well as several Multilateral Development Banks (MDBs) and Development Financing Institutions (DFIs) have been championing the idea of Country Platforms (CPs). These initiatives have already been piloted in countries like South Africa and Egypt, where governments, development partners, and private investors are collaborating within structured frameworks to coordinate large-scale financing for energy transition and resilience.

For Pakistan, engaging early with such an approach presents both an opportunity and a necessity. The financing gap is widening, and CPs hold the potential to bridge it in a systematic manner aligned with national priorities. At the same time, they can improve donor coordination and place Pakistan at the center of international partnerships for climate and energy transition, avoiding marginalization in future global allocations, making it worthwhile to explore the concept in more detail.

1.2. Methodology and Scope

This policy paper adopts a mixed-methods approach, integrating both qualitative and analytical desk research with targeted expert consultations. The methodological framework – illustrated in Figure 1 – combines comparative policy analysis, literature review, and stakeholder-informed validation to generate an evidence-based understanding of how country platforms can be adapted to Pakistan's climate finance and energy transition landscape.

The subsequent chapters include a systematic review of Pakistan's energy transition progress and existing policy and financing architecture, along with institutional arrangements for CPs. This involves mapping governance structures, assessing enabling policy instruments, and identifying opportunities and bottlenecks. In parallel, expert consultations with practitioners and policy specialists – particularly those engaged in CP design and implementation – have been conducted to capture international best practices and lessons that may be adapted to Pakistan's case.

The paper follows an exploratory and policy-oriented approach, aimed at conceptual clarification and contextual adaptation rather than prescriptive design. The key objective is to introduce and contextualize the CP model within Pakistan's energy, economic, and institutional landscape, assessing its potential role in mobilizing, coordinating, and aligning climate finance across domestic and international stakeholders. The scope of the analysis is intentionally broad yet focused on the strategic and institutional dimensions of a potential CP for Pakistan, such that it establishes an evidence-based foundation for subsequent feasibility assessments and multistakeholder design processes.

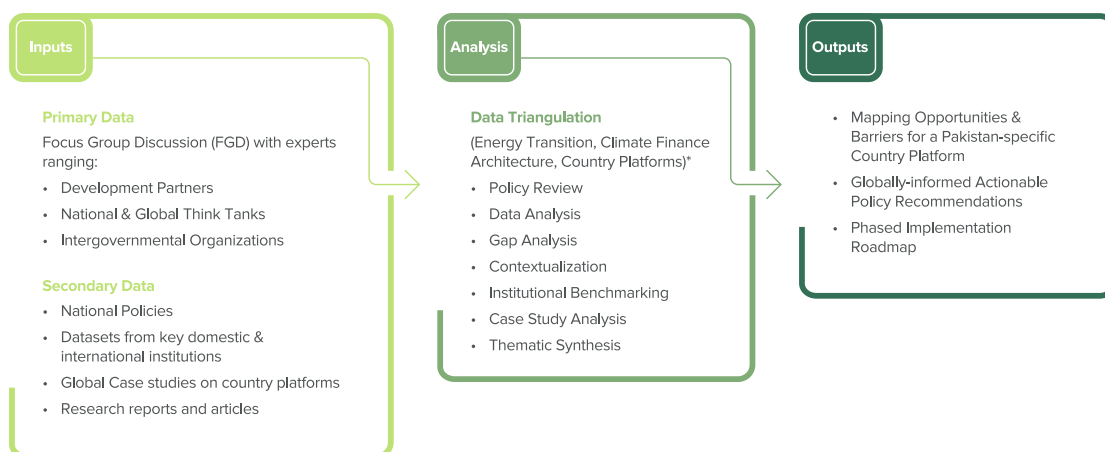


Figure 1: Methodological Framework

02

Pakistan's Energy Landscape and Transition Imperative



The energy transition in Pakistan has become a matter of necessity rather than choice; meeting the country's escalating energy needs while fulfilling its climate commitments requires a rapid transition towards renewable and sustainable sources. In practice, the energy transition must address three core priorities simultaneously:

1. Lowering greenhouse gas (GHG) emissions in line with climate commitments
2. Expanding access to affordable and reliable energy services for all citizens
3. Reducing import dependence and exposure to volatile global fuel markets

Ideally, these are achieved through measures such as industrial decarbonization, renewable energy deployment, and enhanced energy efficiency (EE), all of which are dependent on the smooth flow of finance, technological innovation, and an enabling policy landscape. Recognizing these imperatives, this chapter examines how Pakistan has framed its transition ambitions, where the energy system currently stands, and what gaps, opportunities, and challenges shape the country's path forward.

2.1. Pakistan's Energy Transition Targets

In recent years, Pakistan has articulated a set of ambitious goals and policy commitments to guide its energy transition. The Alternative and Renewable Energy (ARE) Policy of 2019 set a target of increasing the share of RE in the national mix to 20% by 2025 and then to 30% by 2030; this target is exclusive of large hydropower projects, and was meant to be achieved through a combination of biogas, biomass, waste, solar, wind, geothermal, hydrogen, and synthetic gas projects. The policy also advocated for the indigenization of energy resources and expansion of local manufacturing capacity as crucial components to drive the energy transition.

Furthermore, in the 2021 update of its NDCs, Pakistan pledged an overall reduction of 50% in projected emissions by 2030, conditional on international support, with a heavy emphasis on the energy transition. The NDCs called for an immediate moratorium on new coal power plants, halting generation from imported coal, achieving 30% Electric Vehicles (EVs) by 2030 in the volume of new vehicles sold, and increasing the share of RE to 60% (comprising an equal portion of hydropower and ARE technologies). The monetary cost of driving progress on these targets was estimated at USD 101 billion and was to be met largely through financial support from international bodies.

Moving forward, the recently launched third iteration of the NDCs has retained the 50% emission reduction target – now to be achieved by 2035 – but has raised the country's energy transition ambition

Energy Transition Targets & Costs

Renewable energy share goals:

20% by 2025 **30%** by 2030

60% by 2035 (including hydropower and ARE technologies)

Total investment required:

USD 189.6 bil. by 2035

Emission reduction goal:

50% reduction (conditional on international support)

Coal phaseout transition cost:

USD 8 bil.

for moving from coal to solar

by expanding the scope of activities to include energy efficiency measures in industries, buildings, and irrigation, scaling up clean cooking and heating solutions, and deploying battery energy storage systems (BESS) to enhance grid flexibility. Consequently, the cost of advancing the energy transition has also increased; low-carbon power transition measures now require approximately USD 163.7 billion, while additional actions bring the total cost close to USD 189.6 billion, also expected to be met largely through international financial support.

Since these targets require simultaneous action on various fronts, they are complemented by sectoral goals and policies, such as the Integrated Generation Capacity Expansion Plans (IGCEP) and the National Electricity Policy (NEP), which will be touched upon later.

2.2. Pakistan's Energy Mix

Pakistan's current energy mix reflects a system in flux – one that has diversified considerably over the past decade but still grapples with structural imbalances. As of FY2024-25, the country's total installed power generation capacity stands at around 46,600 MW, with thermal sources accounting for roughly 56%, followed by hydropower at 24%, renewables at 12%, and nuclear at nearly 8%. In terms of actual generation, however, low-carbon sources – hydropower, nuclear, and ARE – together now produce over half (53.7%) of Pakistan's electricity, signaling a clear preference for cleaner, indigenous resources.

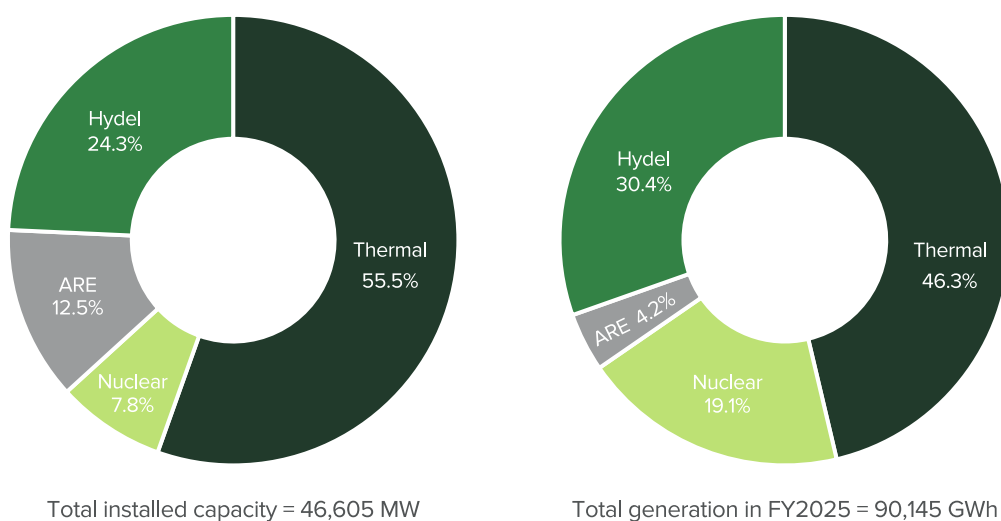


Figure 2: Pakistan's Energy Mix in FY2025

2.3. The Shape of Pakistan's Energy Transition

Over the past decade, Pakistan's energy sector has undergone a profound transformation shaped by technology shifts, policy reforms, and global market pressures. As depicted in Figure 3, a system once defined by imported oil and natural gas is gradually diversifying, drawing a balance between new coal, resurgent hydropower, nuclear and wind expansion, and, most recently, an unprecedented solar boom.

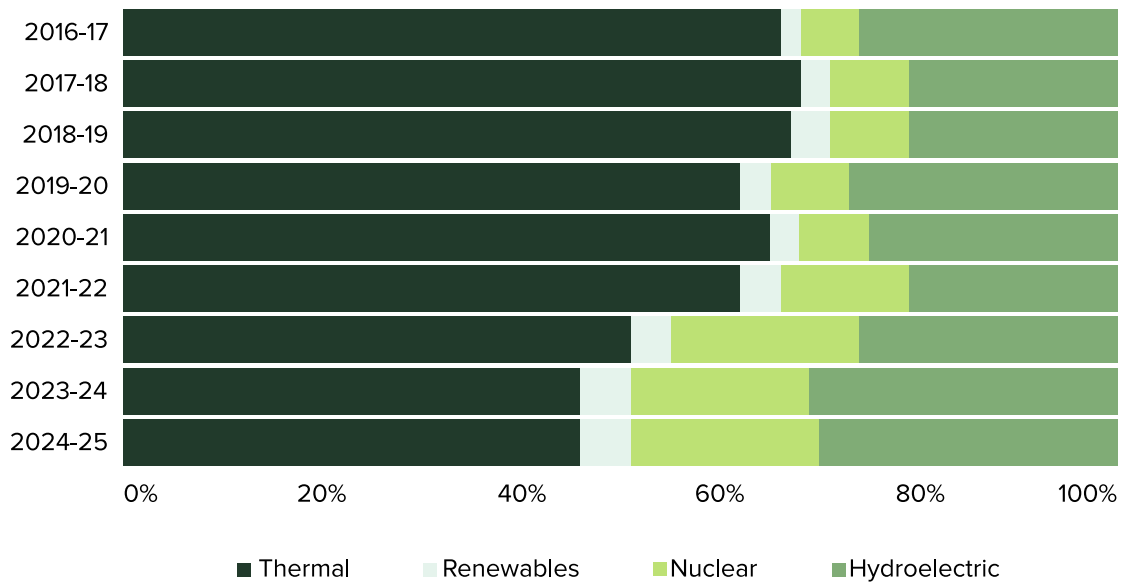


Figure 3: Evolution of Pakistan's Energy Mix (FY2016-17 to FY2024-25)

Until the mid-2010s, Pakistan's power sector relied heavily on gas and furnace oil, and was riddled with chronic shortages and mounting circular debt due to overbearing fuel imports. Hydropower, once a pillar of the energy system, lost momentum amid delayed projects and water variability issues, while renewables barely registered in the energy mix.

A major turning point arrived with the China-Pakistan Economic Corridor (CPEC); between 2015 and 2020, Chinese financing poured billions into power generation, building large coal power plants – primarily operating on coal imported from Indonesia and South Africa – as a quick fix for crippling shortages. Plants such as in Sahiwal, Port Qasim, and Hub added much-needed capacity but deepened fiscal and environmental vulnerabilities – locking in long-term capacity payments to Independent Power Producers (IPPs), escalating exposure to volatile import prices, and increasing the carbon intensity of the national energy mix.

Nonetheless, the same years also witnessed the emergence of Pakistan's renewable energy ambitions, with large-scale projects such as the wind farms in Jhimpir and the Quaid-e-Azam solar park in Bahawalpur. A global decrease in RE costs, international climate commitments (particularly NDCs), and growing opportunities in green finance reshaped the country's energy transition trajectory. The ARE (2019) and NEP (2021) introduced ambitious diversification targets, while IGCEP (2022-31) envisioned ARE growing to roughly one-third of total capacity within a decade.

Global decarbonization pressures and volatile international fuel markets reinforced this direction. When global LNG prices spiked in 2022 following geopolitical tensions – and international lenders tightened support for coal and LNG – Pakistan's inclination towards imported fossil fuels became painful and the case for indigenous ARE generation became stronger, while hydropower also reasserted its central role.

This shift in sentiment resulted in an increased uptake of RE projects, including at least 36 private wind farms, and, more recently, the solar revolution; between 2023 and mid-2025, Pakistan experienced a dramatic surge in both utility-scale and distributed solar capacity. Driven

by plummeting solar panel prices, easy access to Chinese imports and credit, and supportive net-metering policies, households and businesses installed thousands of megawatts of rooftop systems. In 2024, Pakistan imported 17 GW of solar PV, which accounted for nearly a quarter of monthly grid electricity by early 2025, transforming Pakistan into one of Asia's fastest-growing solar markets.

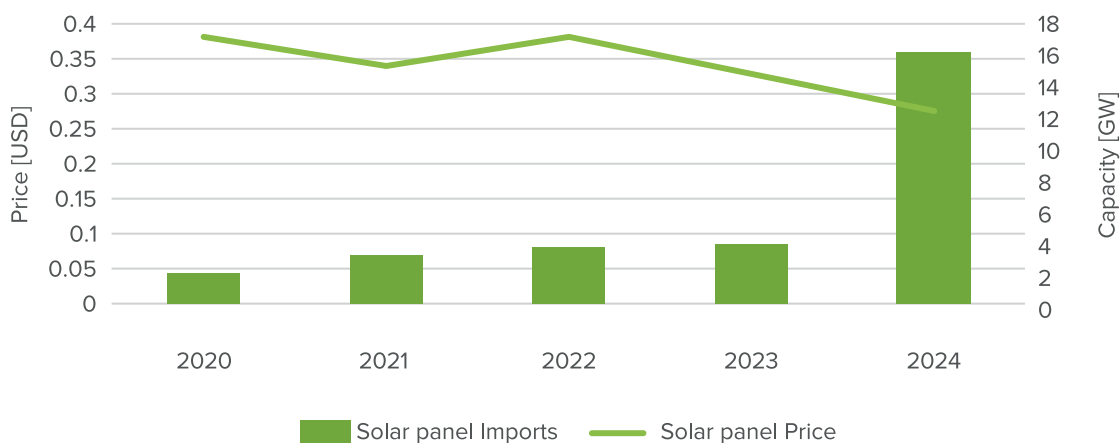


Figure 4: Variation in Solar Panel Imports in Pakistan with Global Price

Nonetheless, this rapid uptake has also created new challenges: distribution companies – already burdened by a circular debt of PKR 2.4 trillion – are continuously witnessing a decrease in daytime demand, straining revenues and amplifying circular debt pressures. Investment flows are shifting from centralized, state-backed plants to decentralized private capital through rooftop systems, hybrid mini-grids, and industrial renewables. Wealthier consumers have effectively exited the national grid, leaving fixed costs to be borne by lower-income consumers. In response, regulators have begun considering reductions in net-metering buyback rates – sparking public debate over equity, fiscal sustainability, and the social dimension of the energy transition. In addition to this, domestic manufacturing has not kept pace, leaving Pakistan dependent on imported PV panels and batteries, even as it seeks energy independence.

Meanwhile, the future of coal, which contributed 17% of installed capacity (11% imported coal; 6% local coal) in the national grid in 2024, has become increasingly contested, where Pakistan faces a dilemma: imported coal plants are costly and carbon-intensive, while local Thar coal offers a measure of energy security and cost stability. Phasing out coal prematurely risks stranded assets and supply insecurity, while retaining it locks in emissions and capacity payments. The government's current approach – gradually substituting imported coal with Thar-based generation while freezing new approvals – reflects an attempt at gradual transition rather than abrupt exit. However, this requires substantial finance and enabling policy measures; development partners are also exploring just transition finance mechanisms to support affected regions and utilities, though Pakistan is yet to formalize a comprehensive coal phaseout plan.

Pakistan's energy transition has also been shaped by finance and policy alignment. Over the years, IMF conditions and fiscal constraints have driven the government to renegotiate expensive IPP contracts and seek debt swaps to ease the circular debt burden. At the same time, multilateral lenders are increasingly linking financial assistance to RE goals and emission reduction. This blend of economic necessity and environmental policy is increasingly pushing the system towards a leaner, more diversified structure.

Currently, Pakistan's energy transition stands at an inflection point. The system has evolved from crisis-driven expansion to a more diversified, low-carbon foundation, albeit one still weighed down by structural inefficiencies and uneven affordability. Technologies that once competed for dominance now coexist; hydropower's seasonal strength complements solar power's daytime surge, while nuclear and thermal plants maintain reliability. Moving forward, the transition depends not only on adding more capacity but also on aligning finance, flexibility, and fairness, ensuring that the benefits of affordable, cleaner energy flow through a grid strong enough, and a financial system stable enough to sustain them.

2.4. Challenges hindering Pakistan's Energy Transition

According to the World Economic Forum's (WEF) Energy Transition Index (ETI), Pakistan ranks 101 out of a total of 118 analyzed countries, indicating the inadequate pace of the country's energy transition. This rank also reflects a low transition readiness, highlighting the insufficiency of policy aligned initiatives, finance, and institutional infrastructure required for an accelerated energy transition.

While Pakistan has set ambitious energy transition goals and witnessed rapid growth in some sectors, especially solar PV, in the past few years, several interlocking barriers continue to slow down, or in some cases block, progress; addressing these is crucial to improving Pakistan's energy transition performance.

Supply chain constraints and barriers to indigenization

One of the most pressing constraints at present is Pakistan's reliance on imported technology and components for RE systems, particularly solar panels, wind turbines, and energy storage solutions. The absence of a robust domestic manufacturing base not only raises project costs but also exposes the country to international price fluctuations (especially during the ongoing global tariff war), shipping bottlenecks, and foreign exchange risks. This dependence slows down the pace of RE adoption and undermines energy security.

Efforts to localize production and build indigenous supply chains have faced challenges ranging from limited technical capacity and lack of incentives to inconsistent industrial policies. Without targeted measures to foster local industries and technology transfer, the energy transition risks deepening external dependence rather than strengthening domestic capability.

Shortage of bankable projects

Despite ambitious RE targets, Pakistan suffers from a shortage of bankable projects that can attract domestic and international financing. The pipeline of projects often lacks clear feasibility studies, transparent procurement processes, and well-defined risk allocation. Weak project preparation capacity, coupled with permitting and regulatory delays, leads to missed investment opportunities, which is detrimental to the goals laid out in the country's NDCs since they are largely (33% of the emission reduction target) dependent on international financial support.

Moreover, projects often fail to clearly align with broader national commitments – such as NDC targets – or to integrate inclusivity and just transition considerations, making them less attractive to global financiers seeking credible, sustainable investments. This gap between ambition and implementation highlights the need for a coordinated framework to generate, vet, and support a flow of high-quality, finance-ready projects.

Policy uncertainty and inconsistency

Frequent shifts in government priorities and regulatory frameworks – such as sudden halts in RE auctions, changing tariff regimes, and contradictory signals between federal and provincial authorities – often generate uncertainty for investors and developers. Such inconsistencies undermine investor confidence and increase the perceived risk premium of entering Pakistan's energy market.

Additionally, policies are often tied to political cycles, limiting the development of enabling ecosystems which require stable, long-term vision and actions. Such policy volatility not only discourages investment but also prevents Pakistan from capitalizing global momentum towards clean energy financing.

Institutional fragmentation and capacity gaps

The governance of Pakistan's energy sector remains highly fragmented across multiple ministries, provincial departments, regulators, and state-owned enterprises. Overlapping mandates and poor coordination frequently lead to conflicting decisions and delays in project execution, especially in the power sector.

Capacity gaps are also evident, especially at the provincial level, where energy transition responsibilities are increasingly devolved but technical expertise and resources remain limited. The result is a governance environment that lacks coherence, slows down reform implementation, and prevents the energy transition from being pursued as a cross-sectoral development priority.

Financial constraints

Pakistan's precarious macroeconomic situation has perhaps been the biggest hurdle so far. The power sector is burdened by a circular debt close to PKR 2.4 trillion, severely constraining liquidity. Domestic banks face capital limitations and prefer to finance short-term, low-risk projects rather than long-term clean energy investments.

On the international front, Pakistan's reliance on loans and its high external debt burden reduce its capacity to access concessional finance or attract private investment at competitive rates. International investors remain cautious due to sovereign risk, currency volatility, and inconsistent regulatory frameworks. Private sector participation in RE development and financing remain limited, with most activity concentrated in donor-backed or government-guaranteed projects, which come with their own plethora of complexities.

Taken together, these challenges suggest that Pakistan's energy transition is not hindered by a lack of ambition but rather by gaps in governance, finance, and inclusivity. Without stronger institutions, credible project pipelines, policy coherence, and targeted efforts to reduce external dependence, the transition will remain piecemeal and vulnerable to shock. In this context, it is meaningful to explore innovative mechanisms that holistically address these issues, while allowing Pakistan to mobilize finance at scale to accelerate its energy transition and fulfil its global climate commitments.

03

Pakistan's Climate Finance Architecture and Country Platforms



3.1. Current Landscape and Energy Transition Imperative

Pakistan's climate finance landscape is shaped by fiscal reforms, development assistance, and emerging sustainable finance frameworks. Rather than being guided by a single overarching policy, the current regime is embedded within Pakistan's broader Public Financial Management (PFM) System, with the Ministry of Finance (MoF), Planning Commission (PC), and the Ministry of Climate Change and Environmental Coordination (MoCC&EC) at its center. This system relies on incremental amendments and administrative guidance rather than a cohesive legislative framework. Consequently, climate finance in Pakistan remains dispersed across various budgetary channels, ministries, and donor-supported initiatives, limiting coherence, efficiency, and accountability.

Despite its acute climate vulnerability, Pakistan's access to global climate finance remains alarmingly low. According to OECD data, Pakistan received roughly USD 491 million annually, up to 2017, in climate finance, whereas more recent estimates suggest annual inflows of USD 1.4 – 2 billion – close to USD 6 – 8 per capita. Although the flows have increased, they are still inadequate considering the USD 348 billion required in investment between 2023 and 2030 – according to World Bank's Country Climate and Development Report (CCDR) – to achieve climate resilience and meet the country's NDCs. Furthermore, most of these inflows are structured as International Development Assistance (IDA) to debt-financed projects, underscoring the country's limited access to concessional and grant-based mechanisms.

In Pakistan, the gaps in governance and institutional coordination further constrain climate finance mobilization. Weak monitoring systems and overlapping mandates deter potential funders, who seek structured and transparent mechanisms to ensure that climate finance is effectively utilized. The Pakistan Climate Change Act (PCCA), in 2017, called for the establishment of the Pakistan Climate Change Fund (PCCF), legally requiring that all climate-related grants and funds be centralized and channeled through it; however, owing to bureaucratic bottlenecks and fragmented oversight, the PCCF is yet to materialize. Moreover, foreign-funded projects dominate Pakistan's climate portfolio, often constrained by complex procedural requirements that delay or dilute climate outcomes.

Recognizing these weaknesses, Pakistan has begun to integrate sustainability within its fiscal architecture. The MoF has introduced Green Budget Tagging to improve climate-related expenditure tracking. In 2021, Pakistan issued its first Eurobond, worth USD 500 million, followed by the announcement of a Green Sukuk, worth PKR 20 billion, in 2025 aimed at financing RE and urban resilience projects. The Pakistan Green Taxonomy – aligned with EU and ASEAN models – provides classification criteria for climate-aligned investments, while the National Climate Finance Strategy (NCFS) aims to link financial flows directly with climate actions. Under the Federal Budget 2025-26, the government also introduced a carbon levy to curb the use of petroleum products to accelerate the energy transition along with a New Electric Vehicle (NEV) adoption levy and a Climate Support levy to strengthen domestic revenue streams for green investments.

Pakistan's engagement with global climate finance windows – such as the Green Climate Fund (GCF), Global Environment Facility (GEF), and Adaptation Fund (AF) – has mobilized around USD 500 million for adaptation, mitigation, and resilience projects. MDBs – including the World Bank and Asian Development Bank (ADB) – remain central actors, financing RE, transport decarbonization, and waste management projects. However, most MDB support continues to be extended as loans, often requiring co-financing by the government, which limits accessibility for a fiscally constrained country like Pakistan.

In the energy sector, climate finance plays a crucial transformative role. The latest iteration of the IGCEP – IGCEP 2024 – as well as the NDCs envision a 30% RE mix by 2035, yet current penetration remains close to 12%. Financing constraints, high cost of capital, and limited grid capacity impede progress. MDBs – led by ADB's Energy Transition Mechanism (ETM) and IFC-led blended finance platforms – have explored models for coal retirement and replacement with RE in the past, suggesting figures close to USD 30 billion required for coal phaseout. Furthermore, bilateral partners – such as Germany and China – have contributed extensively to clean energy infrastructure, while domestic initiatives are piloting blended finance for distributed solar projects.

Ultimately, Pakistan's climate finance system reflects both opportunity and fragility: an architecture in transition, seeking to reconcile donor dependence with growing domestic innovation. The path towards an effective energy transition – currently financed through a patchwork of domestic resources, donor assistance, MDBs, and private sector contributions – depends on building a cohesive financial governance framework to shift from reactive climate finance to a proactive, systemic investment strategy.

3.2. Limitations of Pakistan's Climate Finance Architecture

Pakistan's climate finance system, while progressively evolving, continues to face deep structural, institutional, and systemic limitations that undermine its ability to mobilize, channel, and utilize resources efficiently. These constraints exist both at the domestic governance level and within the broader international financial ecosystem on which Pakistan remains heavily reliant.

Fragmented Institutional Landscape and Weak Coordination

At the national level, the current financial architecture is characterized by fragmented institutional mandates and siloed budgetary flows. Climate-related spending is embedded within Pakistan's PFM system, which lacks a unified coordination mechanism linking climate investment planning, budgetary allocation, and performance tracking. The MoF, MoCC&EC, and PC each perform overlapping but unaligned roles – ranging from policy formulation to donor negotiation and implementation oversight. This dispersion leads to inefficiencies, duplication, and an absence of consolidated reporting mechanisms. As a result, there is no single, regulated dashboard capturing climate finance flows across the country, making it difficult to assess how much is being spent, where, and with what impact.

Limited Fiscal Space and Heavy Debt Dependence

The limited fiscal space and Pakistan's high external debt burden – with public debt exceeding 70% of GDP and rising interest costs – have further curtailed the government's ability to allocate resources towards climate priorities. Most climate-relevant investments are financed through IDA loans and other debt-based instruments; more than two-thirds of Pakistan's climate portfolio is debt-financed, while only a fraction is grant-based. This dynamics risks exacerbating fiscal vulnerabilities and crowding out other essential public investments. The lack of concessionality in available finance also means that projects that yield limited short-term returns – however important they may be – often remain underfunded.

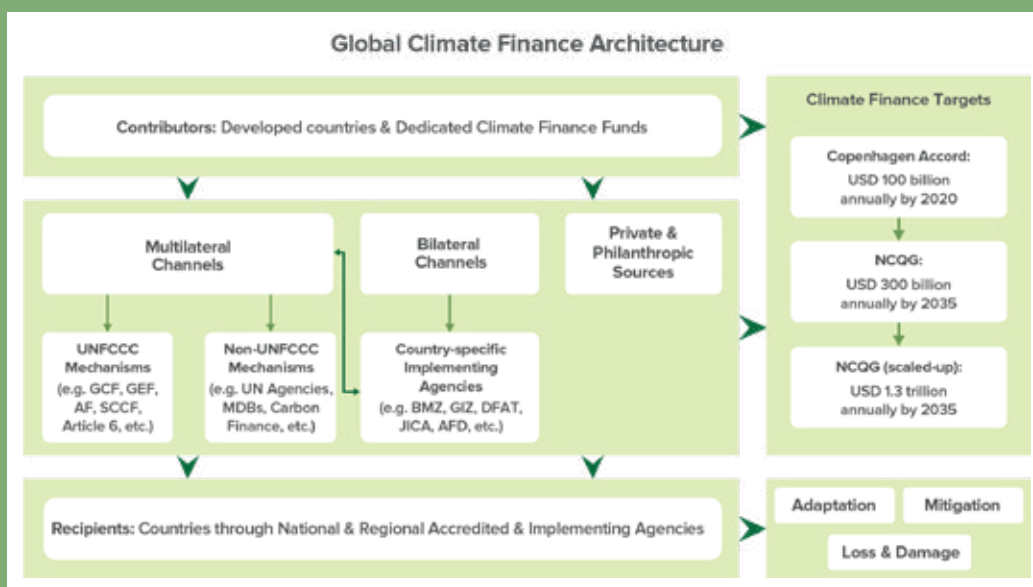
Complex Access to International Climate Finance

Accessing international climate finance remains a major challenge; Pakistan must navigate a complex web of more than 100 global climate funds and bilateral programs, each with distinct eligibility criteria, fiduciary standards, and due diligence requirements. The GCF and AF, for

instance require extensive proposal development, co-financing commitments, environmental and social safeguards, and due diligence protocols that overstretched national institutions struggle to fulfill. These procedural hurdles often delay disbursements and restrict access to urgently needed finance. Estimates suggest that, globally, less than 30% of approved climate projects are implemented within their intended timeframes – an inefficiency that mirrors Pakistan's experience, where project-level delays are the norm rather than the exception.

Box 1: The Global Climate Finance Architecture

The global climate finance architecture underpins international efforts to achieve low-emission, climate-resilient development. Yet, despite growing commitments, it remains a highly complex and fragmented system composed of multiple overlapping funds, institutions, and delivery channels.



Structure and Channels:

Climate finance generally flows from developed to developing countries, through a web of multilateral, bilateral, regional, and private channels, including:

- **UNFCCC mechanisms** such as the GCF, GEF, AF, and Special Climate Change Fund (SCCF).
- **MDBs and Climate Investment Funds (CIFs)**, which blend public and private capital.
- **Bilateral funds and regional facilities**, often with differing reporting and eligibility criteria.
- **Private, philanthropic, and blended finance sources**, which are increasingly important but unevenly distributed.

Evolution of Global Commitments:

Over the past decade, climate finance pledges have evolved significantly. Developed countries first committed to mobilizing USD 100 billion annually by 2020 under the Copenhagen Accord (2009) – a goal fully met only in 2022, and primarily through loans rather than grants. Building on these efforts, the Paris Agreement (2015) called for scaling

up finance from a wide variety of sources from developed countries to support developing country needs in line with the principle of “common but differentiated responsibilities”. At COP29 (2024), countries agreed to a new collective quantified goal (NCQG) of USD 300 billion per year by 2035, with ambitions to scale total financing – public and private – to USD 1.3 trillion annually by the same year. Yet, the NCQG still lacks clarity on the proportion of public versus private finance, concrete delivery benchmarks, or mechanisms to ensure concessionality and equity for developing countries.

In parallel, the establishment of the Loss and Damage Fund – first agreed at COP27 (2022) and operationalized at COP28 (2023) – marked an important step in recognizing the financial needs of countries already suffering from climate impacts. Yet, its initial capitalization remains modest relative to the scale of global losses, underscoring the persistent inadequacy and fragmentation of the climate finance system.

Fragmented and Siloed International Finance Architecture

The fragmentation of international climate finance itself compounds the problem. Climate funding flows into Pakistan from multiple, uncoordinated channels – bilateral donors, MDBs, UN agencies, private investors, and philanthropic foundations – each pursuing separate thematic priorities. This siloed structure mirrors a broader global challenge: climate finance is often disbursed through project-based, short-term aid models that are transaction-heavy, slow to deliver results, and lack scalability. Adaptation projects, in particular, are frequently constrained by the need to demonstrate “climate additionality”, even when development and resilience outcomes are deeply intertwined. This artificial separation of development and climate objectives not only reduces efficiency but also limits the potential for transformative, cross-sectoral interventions such as nature-based solutions or just energy transition programs.

Donor-driven Priorities and Weak Country Ownership

Pakistan's reliance on external assistance also exposes its geopolitical and donor-related vulnerabilities. Amid tightening global aid budgets and shifting geopolitical priorities, the predictability of climate finance inflows has declined. Donor conditionalities and policy preferences often shape national project pipelines, sidelining domestic priorities and reducing country ownership. The result is a climate finance landscape that is externally driven, piecemeal in execution, and difficult to align with national strategic frameworks.

Broader Systemic Inefficiencies in Climate Finance Delivery

Beyond governance and access challenges, the absence of a central coordination mechanism for multi-stakeholder engagement limits collaboration between government agencies, private sector actors, and development partners. Pakistan's private investment in climate-related sectors remains below 15% of total climate finance, reflecting weak risk-sharing instruments, limited credit enhancement facilities, and the lack of a domestic green financial market ecosystem. Without integrated planning, each sector – energy, water, agriculture, etc. – tends to pursue its own isolated financing strategy, further reinforcing the siloed nature of climate finance.

Given these systemic shortcomings, Pakistan's experience underscores a broader truth: the conventional international climate finance system is no longer fit for purpose. It remains fragmented, inefficient, and poorly aligned with the realities of vulnerable developing economies.

The challenge, now, is not only the inadequacy of funds but also the inefficiency of how they are delivered. Traditional project-based aid models are too narrow to support the long-term, multi-sectoral investments that climate resilience demands. In this context, it is crucial to explore other innovative mechanisms – such as country platforms – that could potentially reform the existing model and deliver desired financial and structural benefits.

3.3. The Emergence of Country Platforms

In an attempt to overcome the limitations highlighted above, the concept of country platforms has gained traction in recent years. Born out of the recognition that fragmented, project-level financing cannot deliver at scale, CPs have been promoted by the G20, OECD, and numerous climate and development finance institutions as a means of pooling stakeholders, aligning finance with policy priorities, and accelerating transitions. Moreover, in a joint statement in 2024, MDBs explicitly declared that, moving forward, they will be prioritizing CPs, emphasizing a shift from short-term projects to longer-term programmatic initiatives that are accompanied by meaningful reforms. As a result, CPs are also expected to be an integral component of the COP 30 agenda.

As of April 2025, more than 40 countries are exploring CPs to attract large-scale investments needed for sustainable development. Notable examples of CPs in action include Just Energy Transition Partnerships (JETPs) in South Africa, Indonesia, Vietnam, and Senegal; the Nexus for Water, Food, and Energy (NWFE) in Egypt; the Climate and Development Platform (CDP) in Bangladesh; and the Climate and Ecological Transformation Investment Platform in Brazil (BIP). These examples – implemented as early as 2021 – illustrate both the promise of CPs and the lessons on governance, inclusivity, and credibility that other countries must learn from if they wish to pursue their own platforms.

3.4. Country Platforms in Focus

Similarly to most concepts in climate finance, country platforms do not have an officially recognized definition yet, but rather operate through a working definition, with different entities emphasizing different aspects based on their particular needs and understanding. However, clubbing these together makes it possible to capture the essence of CPs as follows:

“Country Platforms are nationally owned, multistakeholder, voluntary coordination and financing mechanisms set up by developing countries to align international support with domestic policy priorities under a programmatic investment strategy.”

From a practical perspective, CPs act as intermediaries between donors and recipients to regulate and ease their engagement based on a common strategic goal. On one hand, they bring together national and international governments, development partners, the private sector, civil society, and other key stakeholders on a single platform – allowing the mobilization of diverse sources of capital – and on the other, CPs align them with a domestically established project pipeline based on national strategies and development priorities.

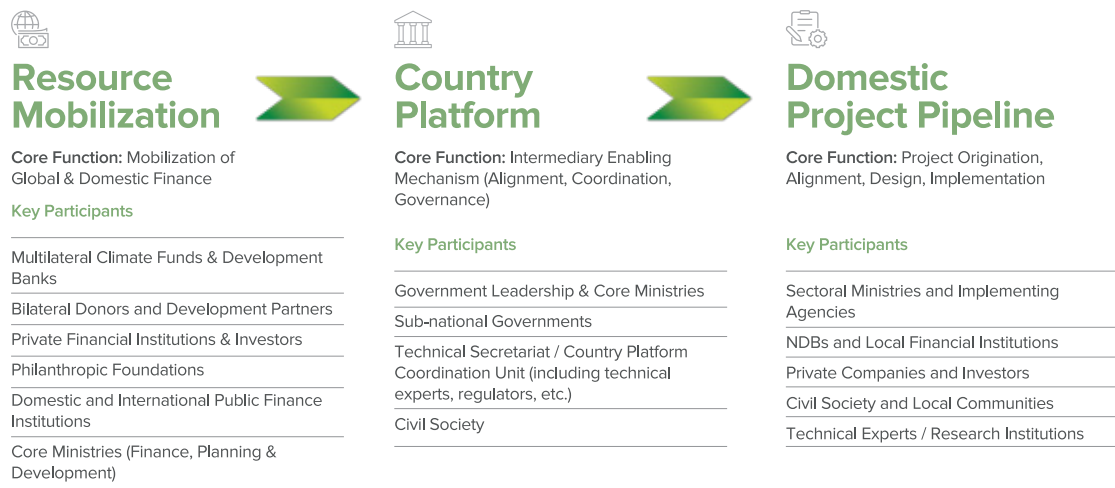


Figure 5: Country Platform Mechanism & Key Participants







3.4.1. The Value of Country Platforms

Unlike fragmented project-by-project approaches, CPs create an integrated model that links policy, investment, and capacity building activities to national strategies such as NDCs and National Adaptation Plans (NAPs). This structure strengthens country ownership and political buy-in, while also ensuring that climate and energy transition priorities are pursued in a coherent and systematic way. By consolidating efforts, CPs enhance transparency and accountability, reduce duplication of effort and hence donor fatigue, and provide a clearer link between financing and measurable outcomes, enabling governments to demonstrate progress to both domestic stakeholders and international partners.

Equally important, CPs help mobilize finance at scale in a way that conventional, fragmented initiatives cannot. By aggregating diverse funding sources – multilateral climate funds, concessional finance, private capital, and philanthropic support – into a coherent pipeline of investment, they reduce transaction costs, signal policy stability to markets, and unlock a catalytic effect that crowds in private investment. In doing so, they not only ease the administrative burden on developing countries but also address systemic challenges such as policy inconsistency, limited project bankability, and high perceived risks. Ultimately, CPs create enabling conditions for accelerated and inclusive action, simultaneously supporting climate prosperity, economic transformation, and social equity.

3.4.2. Core Design Elements of Country Platforms

When it comes to the design of a CP, there is no one-size-fits-all approach; each CP reflects country-specific circumstances and needs to be customized accordingly. However, to meaningfully extract the benefits highlighted earlier, it is crucial to incorporate six key elements in the CP's design. Together, these elements position CPs as credible, scalable, and transformational mechanisms capable of bridging the gap between ambition and implementation.

| | |
|---|--|
| <p>Country Ownership</p>  | <p>CPs must be country-led and firmly anchored in national priorities. They must be led at the highest level of government to ensure legitimacy and alignment with development strategies such as NDCs, NAPs, and long-term energy and climate plans. Country ownership also means embedding the CP within existing domestic institutions and policy processes – not as an externally imposed mechanism, but as an instrument that reflects local realities, governance structures, and socio-economic priorities.</p> |
| <p>Inclusivity</p>  | <p>Effective CPs bring together a broad coalition of stakeholders – across ministries, provinces, the private sector, development partners, and civil society – to co-create investment pipelines, ensure just transition outcomes, and embed equity in both design and implementation.</p> |
| <p>Integration</p>  | <p>CPs must connect policy and investment planning in a programmatic manner, combining quick wins with longer-term systemic reforms that build policy credibility and ensure sustainability.</p> |
| <p>Catalytic Finance</p>  | <p>CPs should operate as catalytic mechanisms, leveraging limited concessional finance to mobilize larger flows from private investors, development banks, and philanthropic actors, while signaling policy stability to reduce investment risk.</p> |
| <p>Flexibility</p>  | <p>CPs need to evolve with time and should be able to adapt well with changing national priorities, global market shifts, and the uptake of new innovative technologies.</p> |
| <p>Accountability</p>  | <p>Robust monitoring, reporting, and evaluation systems are indispensable for maintaining transparency and accountability, demonstrating progress and ensuring that finance is clearly linked to impact.</p> |

3.4.3. Types of Country Platforms

Country platforms have no official demarcation of typologies yet; they have evolved in different forms depending on national priorities, governance systems, and financing needs. While, broadly, their objectives remain similar, they tend to vary in scope and structure. According to some literature, they may be classified under four categories that are elaborated in Table 1, which also highlights some opportunities and challenges that may be relevant to Pakistan.

Table 1: Country Platform Typologies

| Type of CP | Description & Scope | Opportunities, Challenges, & Implications for Pakistan |
|---|---|--|
| Comprehensive Climate and Development Platforms | <p>They involve the development of multi-sectoral platforms that are broad in mandate, often simultaneously covering mitigation, adaptation, and socio-economic dimensions. They aim to align public investment, regulatory reforms, and external finance with long-term, holistic transition goals such as decarbonization, resilience, and inclusive growth.</p> <p>In terms of implementation, these CPs are usually anchored at a high political level – often the Prime Minister's office or a cross-ministerial council – and in a national strategy or development agenda, such as the NDCs.</p> <p>Their institutional architecture often includes a steering committee, a technical secretariat, and an MRV framework.</p> | <p>Opportunities:</p> <ul style="list-style-type: none"> • They offer an integrated mechanism to align energy transition, fiscal policy, and climate resilience under one umbrella, which Pakistan urgently needs given its fragmented climate and economic governance. • They can strengthen donor coordination, reduce duplication, and build investor confidence through a unified national investment framework. • They can provide a high-level platform to anchor further discussions around climate finance mobilization and cross-sectoral reforms. <hr/> <p>Challenges:</p> <ul style="list-style-type: none"> • They require strong political leadership and inter-ministerial coordination – areas where Pakistan currently faces institutional fragmentation and policy inconsistency. • They have high transaction costs and need deep institutional reform, making this model difficult to establish in the short term. • Without fiscal space and robust data systems, translating commitments into actionable pipelines may be difficult. <hr/> <p>Implications:</p> <p>These platforms may be envisioned as a long-term goal for Pakistan – viable once institutional capacity, fiscal governance, and donor confidence are strengthened. For now, premature adoption may risk overextension without adequate foundational capacity.</p> |

Thematic or Sectoral Platforms

They are narrower in focus, concentrating on specific sectors – such as power, transport, or industry – or themes – such as just transition, urban resilience, or circular economy.

They convene stakeholders – regulators, line ministries, private firms, investors, international partners, etc. – relevant to a specific theme/sector, to co-develop roadmaps, project pipelines, and financing frameworks.

They are particularly suited to countries seeking pilot transition mechanisms in high-emission or high-impact sectors before scaling up.

Opportunities:

- They are easier to operationalize in Pakistan's current setup, where ministries and agencies often work in silos. Starting with a sectoral platform focused on the energy transition can pilot governance and financing models for later expansion into other sectors as well.
- They can potentially align with Pakistan's ongoing programs around the energy transition and attract targeted concessional finance in the short term.
- They offer a clear focus for donors and investors, particularly those interested in energy transition and resilience projects, notably the private sector.

Challenges:

- Risks of fragmentation may still remain if sectoral efforts are not connected to a broader national strategy.
- They require a lead ministry or agency with sufficient convening power, which has often been a shortcoming in Pakistan's governance system.
- Without cross-sectoral policy alignment, sectoral efforts risk remaining limited in systemic impact.

Implications:

These platforms would be an ideal starting point for Pakistan. A sectoral platform for the energy transition – possibly anchored in the Ministry of Energy (MoE), MoF, or PC – could serve as a pilot towards a comprehensive CP for climate action and prosperity.

Climate Funds as Platforms

They are particularly suited to countries that have already developed and operationalized their domestic climate funds. These funds – already coordinating national and international resources for climate and sustainable development – can be pivoted to channel finance through country-led pipelines and unified investment plans rather than isolated project grants.

They generally manage both upstream and downstream processes, identifying investment priorities, aggregating donor contributions, ensuring fiduciary and environmental safeguards, and disbursing funds to executing entities.

Their governance structures typically include government representatives, financial partners, and independent experts, ensuring transparency and alignment with national objectives.

Opportunities:

- They may be built directly on the PCCF, once it is established and operationalized, and be tailored accordingly, bypassing the need to establish a standalone structure.
 - They offer a credible mechanism to aggregate donor and domestic resources while ensuring local ownership and fiduciary control as well as supporting project pipeline development aligned with national priorities.
 - They can strengthen PFM and provide a base for scaling to a full-fledged CP.
-

Challenges:

- No appropriate fund currently exists in Pakistan at a national level.
 - They need institutional reforms and safeguards to ensure independence, transparency, and accountability – issues that have historically limited donor confidence.
 - They require a clear governance arrangement to avoid duplication with existing financial institutions (e.g. MoF).
-

Implications:

These platforms have a high feasibility for immediate implementation. Strengthening and expanding an existing fund – the groundwork for which is already in place – could provide a strong foundation for initialization and later evolution into a broader CP within 2-3 years. However, their development in Pakistan is conditional to the operationalization of the PCCF or another similar fund.

Global and Regional Programme-anchored Platforms

While remaining anchored in national planning, they are supported by international and regional programs – often driven by MDBs, regional development institutions, or global climate funds (e.g. GCF) – that embed CP principles within their operational frameworks rather than creating standalone structures.

These programs also offer technical assistance, diagnostic support, and convening power to bring multiple partners under a common results framework.

They are especially useful for countries seeking to integrate regional transition frameworks or attract blended finance from multiple sources but lack the technical capacity to do so.

Opportunities:

- They offer a low-barrier entry point for Pakistan to pilot coordination principles without setting up new institutions.
 - They enable learning-by-doing through alignment with MDB-led frameworks.
 - They can help attract technical assistance, analytical support, and concessional resources to initiate the CP, while helping Pakistan build credibility and experience in country-led coordination.
-

Challenges:

- They risk being driven by donor agendas if national ownership and alignment with domestic priorities are not adequately ensured.
 - They have limited flexibility to address local constraints or integrate national planning systems if externally anchored.
 - They may remain confined to project-level coordination rather than systemic policy alignment unless complemented by a domestic mechanism.
-

Implications:

These platforms could prove useful as an interim or complementary approach, especially to build capacity and credibility with international partners. It should serve as a steppingstone – not a substitute – for a domestically anchored coordination platform.

Box 2: Examples of Country Platforms

Bangladesh Climate & Development Platform (BCDP)

Bangladesh's BCDP, launched in December 2023, is implemented via a collaborative structure involving the government, IMF's Resilience & Sustainability Facility (RSF), multilateral financiers (ADB, World Bank, AIIB), bilateral donors, and private sector partners. It includes a Project Preparation Facility (PPF) to generate bankable mitigation and adaptation projects, technical assistance for reforms (like integrating climate into public procurement, pricing, and regulatory frameworks), and concessional financing via green policy-loans and grants. The mechanism operates under aligned donor agreements that pool support for reforms and investments, ensuring that the selected project respond to both national priorities and investor criteria.

South Africa's Just Energy Transition Partnership (JETP)

South Africa's JETP focuses on transforming its energy sector, particularly coal phase-out, scaling renewable energy, green hydrogen, transport electrification, and justice for affected communities. Implementation is structured via a JET Programme Management Unit (JET-PMU) situated under the Presidency and National Treasury, working in defined portfolios (Electricity Infrastructure, Mpumalanga Just Transition, New Energy Vehicles, Green Hydrogen, Skills & Municipalities). The funding arrangement includes a mobilization of roughly USD 8.5 billion, pledged by the International Partners Group (IPG) – comprising the UK, USA (now withdrawn from the partnership), France, Germany, and EU; funding instruments include large public policy loans, concessional funding, and private sector leverage, coordinated through intergovernmental frameworks. Furthermore, it includes an Implementation Plan (2023-2027), with a grants register that ensures transparency and tracking of finance flows.

Brazil's National Fund on Climate Change (Fundo Clima/FNMC)

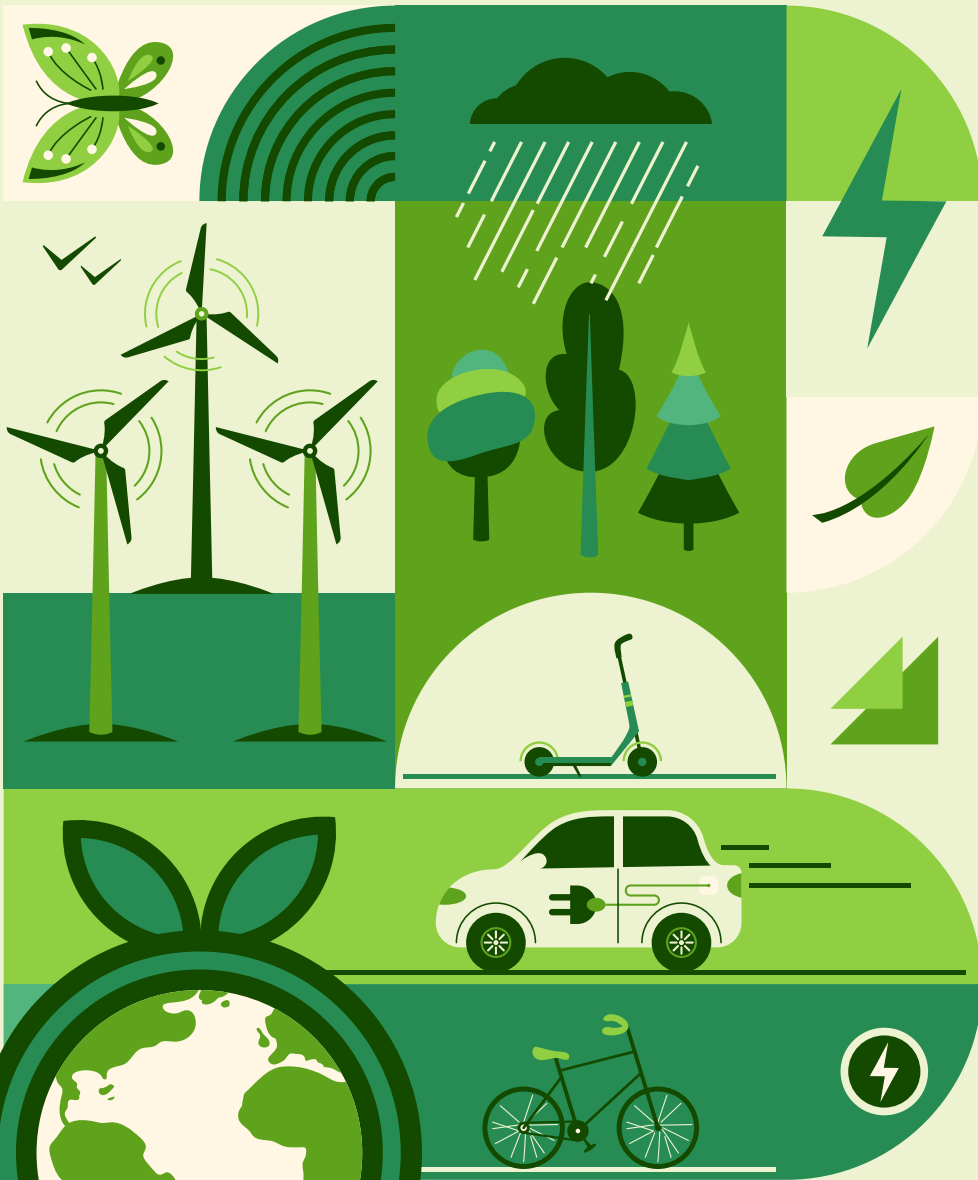
Established by law in 2009, Brazil's FNMC operates as a national fund under its Ministry of Environment to finance mitigation and adaptation projects across sectors including RE, sustainable cities, biodiversity conservation, and agriculture. The fund uses both non-reimbursable grants (managed via the Ministry directly) and reimbursable financing through Brazil's National Development Bank (BNDES), with differentiated rates depending on the type of activity (e.g. lower interest rates for forest restoration). In recent years, its budget allocations have surged – for example, an allocation of BRL 10 – 10.4 billion for climate change projects in one year – illustrating how a climate fund can act as a credible coordinating mechanism (for national policy coherence, fund pooling, and project prioritization).

Least Developed Countries Initiative for Effective Adaptation and Resilience (LIFE-AR)

LIFE-AR is an LDC-led global initiative established in 2019 to give Least Developed Countries (LDCs) more agency in setting adaptation agendas and mobilizing long-term resilience finance. It operates via a governance structure including a Board (chaired by the LDC Group), country representatives, development partners, and technical and financing working groups, with an interim secretariat hosted by IIED. National platforms within LIFE-AR are designed to align with existing domestic climate governance, often via task forces or steering committees. LIFE-AR demonstrates how global/regional initiatives can embody CP principles by supporting domestic ownership, long-term adaptation pathways, and coordination among external partners while emphasizing capacity building and equal partnerships.

04

The Case for a Country Platform in Pakistan



4.1. Why does Pakistan need a Country Platform?

Pakistan's current climate and energy finance landscape is fragmented, reactive, and misaligned with national transition goals. Climate-related investments remain dispersed across multiple donor-funded projects, short-term government initiatives, and limited private participation, resulting in duplication, inefficiency, and limited systemic impact. Despite ambitious RE targets, concessional finance remains difficult to access, while investment flows are often confined to small-scale or isolated projects.

The lack of a unified national coordination mechanism has hindered Pakistan's ability to mobilize and channel finance at scale. With fiscal constraints, rising external debt, and limited access to affordable capital, the public sector cannot meet transition needs alone. Meanwhile, the private sector faces policy uncertainty, limited risk mitigation tools, and a scarcity of tailored financial instruments such as green bonds or blended finance facilities. Domestic development finance institutions also lack the capacity to intermediate or de-risk investments effectively.

In this scenario, a country platform offers a structured response to such challenges. It can align policies, investments, and institutional capacities under a single, country-led framework, improving coordination across government levels and development partners. By linking finance to measurable impact and establishing clear investment pipelines, a platform could enhance transparency, credibility, and investor confidence. Ultimately, such a mechanism would allow Pakistan to move beyond fragmented project-based financing towards a coherent, programmatic approach that supports a just, inclusive, and accelerated energy transition.

4.2. Challenges in Developing a Country Platform in Pakistan

While the rationale for a CP is strong, its development in Pakistan is likely to face multiple institutional, financial, and political challenges; these are elaborated below.

Institutional Challenges

The most immediate barrier is institutional fragmentation and limited administrative capacity. Ministries and agencies often operate in silos with overlapping mandates, limited data sharing, and weak cross-sectoral coordination. Pakistan's planning and finance institutions – while technically capable – are overstretched, underfunded, and lack the dedicated secretariat capacity needed to design and sustain a sophisticated coordination mechanism like a CP.

Historically, government engagement with international financiers has been project-based, focused on short-term, rather than integrated, multi-sectoral outcomes. Transitioning from this model would require significant institutional reform, capacity building, and political buy-in at the highest levels.

Financial Challenges

Financial constraints further complicate the picture. Pakistan's macro-fiscal vulnerability – marked by heavy external debt servicing, limited foreign reserves, and constrained fiscal space – reduces its attractiveness to Foreign Direct Investment (FDI) and its ability to take on new concessional or non-concessional loans. MDB financing instruments are often rigid, slow to approve, and bound by complex safeguards that do not align with the flexible, multi-sector design of CPs.

At the same time, National Development Banks (NDBs), which could serve as key intermediaries for blended finance, remain undercapitalized and lack access to concessional resources. This

limits the country's ability to leverage domestic capital markets or crowd in private investment. Without reforms in PFM and innovative financial tools – such as debt-for-climate swaps, blended facilities, or local-currency financing – Pakistan's CP could struggle to mobilize the scale of finance needed for its energy transition.

Political & Diplomatic Challenges

A major challenge also lies in coordination among external partners and ensuring domestic ownership. Donor silos – across MDBs, bilateral agencies, and climate funds – create duplication, competing standards, and redundant reporting processes that overwhelm recipient institutions. The absence of a unified Monitoring, Evaluation, and Learning (MEL) system further hampers coherence and accountability. Moreover, political economy realities – such as changes in government, policy reversals, or institutional rivalries – pose risks to continuity and the credibility of reform processes.

Successful CPs require sustained political commitment, a clear long-term strategy, and strong leadership to anchor collaboration across ministries, development partners, and the private sector. In a context like Pakistan, where fiscal pressures and administrative turnover are frequent, such commitment must be institutionally embedded, not personally driven.

Although challenges exist, they are not insurmountable. Early action to strengthen secretariat capacity, streamline donor coordination, empower NDBs, and anchor the platform within a high-level governance framework – preferably the Prime Minister's office – can create a foundation for gradual evolution. Most importantly, the platform must be politically embedded yet flexible, allowing it to adapt to changing fiscal realities and development priorities. If designed strategically, a CP could transform Pakistan's fragmented financing landscape into a coherent, country-owned system capable of driving a just and sustained energy transition.

4.3 Key Recommendations

While Pakistan's energy transition goals are ambitious, realizing them will require a coherent well-coordinated mechanism capable of aligning fragmented institutions, mobilizing finance at scale, and sustaining implementation momentum. A country platform offers a pathway to achieve this, but significant effort would be required to ensure successful implementation and draw meaningful benefits. To this end, a set of concrete and context-specific recommendations are proposed, which can potentially guide a CP design that results in a transition that is not only technically sound and financially viable, but also socially inclusive and resilient over the long term.



Strengthen Institutional Coordination and Governance

- A CP for Pakistan's energy transition should be anchored in strong institutional coordination. Existing entities, such as the Ministry of Finance, the Planning Commission, and the Ministry of Climate Change and Economic Coordination, should jointly lead the initiative ensuring that it is embedded within the country's broader economic and development planning.
- A multi-tier governance model should be explored – comprising a high-level steering committee for strategic oversight, a dedicated technical secretariat for coordination and operations, and thematic working groups for key transition areas, e.g. RE, EE, industrial decarbonization, electric mobility, etc.
- Establishing clear mandates, communication channels, and decision-making hierarchies is essential to mitigate fragmentation, strengthen accountability, and ensure sustained ownership across ministries and provinces.

Establish a Unified Financing Architecture

- Pakistan's financial ecosystem for climate and energy projects is fragmented, with limited coordination between domestic and international financiers. A unified financing architecture – potentially through a national climate and energy transition fund – can consolidate donor resources, concessional loans, and private capital into a blended pool. In this context, operationalization of the PCCF would be crucial. Furthermore, the fund should have transparent criteria for project selection, fiduciary oversight, and reporting, while being linked to national priorities outlined in national plans, such as the NDCs.
- To maximize leverage, the platform should build partnerships with MDBs, bilateral donors, and private and philanthropic investors, while exploring innovative financing tools, such as green bonds, credit guarantees, and sustainability-linked loans.

Enhance Project Preparation and Investment Readiness

- One of Pakistan's major challenges lies in the lack of bankable projects. Any CP for the country's energy transition should address this gap by establishing a Project Preparation Facility (PPF) that provides early-stage technical and financial support for feasibility studies, project design, and structuring. The PPF should support capacity building within line ministries, provincial energy departments, and NDBs to identify and develop viable projects.
- When developing the pipeline, priority should be given to projects with transformational potential, such as distributed solar, grid modernization, and clean mobility – also embedding principles of justice and equity – ensuring alignment with both national priorities and investor expectations.

Build Technical Capacity and Institutional Readiness

- Effective coordination and implementation of a CP will depend on Pakistan's institutional and technical capacity. Dedicated training programs should be launched beforehand to strengthen the expertise of government officials in project finance, climate risk assessment, and carbon accounting. Development partners and international think tanks can support this through embedded technical advisors and South-South knowledge exchange.
- Digital data systems and monitoring tools should be deployed to enhance transparency and streamline reporting between ministries and financiers.

- Strengthening planning and analytical capacity is also necessary to allow Pakistan to better assess trade-offs, design adaptive policies, and track progress towards its energy transition goals.

Integrate Inclusivity and Just Transition Principles

- Equity, social protection, and justice must be embedded into Pakistan's CP design. The energy transition affects workers, small enterprises, and communities, inevitably and to varying degrees, therefore ensuring inclusivity is crucial to its long-term success.
- Representation from labour unions, women's organizations, academia, and provincial governments should be built into the CP's design, particularly its governance structure.
- Social impact assessments, gender-sensitive project design, and community participation mechanisms should be standardized across projects. This will help ensure that the energy transition does not exacerbate inequalities but rather creates green jobs, supports vulnerable groups, and contributes to national cohesion.

Streamline Donor Coordination and Policy Alignment

- To minimize duplication and administrative inefficiency, Pakistan's CP should align with existing donor coordination frameworks and embed shared standards for monitoring, fiduciary management, and safeguards. Donors and MDBs should be encouraged to co-finance projects under a single platform umbrella rather than through parallel mechanisms.
- The Ministry of Finance can play a central role in convening coordination dialogues to align financing commitments with national priorities. This harmonization will not only improve transparency but also reduce transaction costs for both government and development partners.

Enhance Policy Credibility through Meaningful Reforms

- For Pakistan's CP to inspire confidence among domestic and international financiers, enhancing policy credibility is crucial. This would require the government to pursue consistent, transparent, and well-sequenced reforms that demonstrate long-term commitment to the energy transition. Priority actions include strengthening the legal and regulatory environment governing energy and climate investment, institutionalizing cross-ministerial coordination on transition-related policies, and aligning fiscal incentives with climate and energy objectives.
- The government should also establish predictable and transparent mechanisms for tariff setting, subsidy rationalization, and carbon pricing to reduce policy volatility and investor uncertainty. By embedding these reforms in law, supported by clear monitoring and reporting frameworks, Pakistan can project reliability, attract large-scale private capital, and ensure that the CP becomes a trusted mechanism for financing transformational change.

Strengthen Monitoring, Evaluation, and Learning (MEL) Systems

- A data-driven approach is crucial for building credibility and attracting sustained investment. A CP should include a robust MEL system that tracks investment mobilization, emission reduction, and socioeconomic co-benefits.
- Real-time dashboards and open-access data portals can be developed to promote transparency and accountability.
- Periodic performance reviews should inform policy refinements and reallocation of resources toward high-impact areas. Establishing a dedicated analytical unit within the platform's secretariat can also help translate lessons learned into actionable reforms.

4.4 The Way Forward for Pakistan

Establishing a CP should be a gradual and adaptive process. For Pakistan, a phased strategy – comprising short-, medium-, and long-term actions – would be more logical, allowing institutional reforms, financing mechanisms, and technical systems to evolve cohesively and ensure each new development comes when the system is truly ready for it.

Phase 1: Foundational Setup and Institutional Alignment

In the initial phase – with a timeline of 1-2 years – Pakistan should focus on building consensus, institutional readiness, and conceptual clarity. Key activities that the country should engage in at this stage are as follows:

- **Secure government endorsement and define the mandate:** Within the first six months, the federal government should endorse the creation of the CP through a cabinet-level decision, designating a key ministry as the lead entity – operating with support from other relevant bodies. The decision should signal the establishment of a CP secretariat as well, ensuring institutional continuity and coordination across ministries. The purpose would be to provide legal and political legitimacy to the CP and signal Pakistan's commitment to coordinated, country-led energy transition financing.
- **Establish a governance structure and coordination mechanisms:** Over the following 3-6 months, a steering committee – chaired by the federal government and comprising representatives from provincial governments, regulatory bodies, and key development partners – should be constituted. Furthermore, supporting technical working groups on finance, energy planning, and social inclusion should be established within the secretariat to manage day-to-day operations. The steering committee would ensure high-level oversight, while the working groups would prepare the first framework for coordination and pipeline development.
- **Undergo a national stakeholder mapping and consultation process:** Within the first year, the CP secretariat should undertake a comprehensive mapping of stakeholders across federal, provincial, private, and civil society levels, followed by sub-national consultative workshops in major cities across Pakistan. The aim would be to identify shared priorities, local capacities, and policy bottlenecks, ensuring that the CP not only reflects Pakistan's federal structure but also integrates provincial perspectives into its energy transition agenda.
- **Undertake diagnostic and policy alignment studies:** Concurrently, an independent technical consortium – involving academia, think tanks, and consultants – should be commissioned to assess overlaps and gaps among existing frameworks – including the NDCs and other long-term strategies – and identify 2-3 catalytic entry points for the CP (e.g. grid modernization, distributed RE, industrial decarbonization, EE, etc.). The findings should inform an investment strategy for the energy transition, which will serve as the operational foundation of the CP.

Phase 2: Operationalization and Pipeline Development

This second phase – with a timeline of another 1-2 years – should see the official operationalization of the CP, leveraging the consensus and institutional readiness built in the previous phase. Key activities here should encompass the following:

- **Build institutional and technical capacity within the CP secretariat:** Early on in phase 2, the secretariat should recruit dedicated financial analysts, engineers, and MRV specialists, supported through donor-funded institutional strengthening grants from development partners. The team should develop in-house capacity to identify, structure, and monitor projects, ensuring that Pakistan can originate its own investment opportunities rather than rely solely on donor-driven proposals.
- **Develop a bankable project pipeline and investment framework:** Throughout this phase, the CP secretariat, in collaboration with provincial departments, regulatory bodies, and private sector representatives, should curate a pipeline of high-impact energy projects aligned with national priorities. The process should be guided by clear selection criteria – financial viability, emission reduction potential, and social inclusion. Feasibility and pre-feasibility studies should be prepared using blended technical assistance to ensure readiness for investment by MDBs and private investors.
- **Establish a diversified finance stack and investment coordination mechanism:** By the middle of this phase, Pakistan should be capable of operationalizing a financing framework integrating concessional tranches, guarantees, and private capital commitments. This may be structured through a joint platform with the NDB, i.e. the State Bank of Pakistan (SBP), and other domestic financing institutions to channel blended finance and manage risk-sharing mechanisms. The framework will serve as the financial backbone of the CP, reducing Pakistan's reliance on fragmented donor projects and improving predictability in investment flows.
- **Advance regulatory reforms to improve policy credibility:** Over the same period, key ministries and regulatory bodies, supported by the Planning Commission, should implement targeted policy measures, such as tariff rationalization, RE procurement frameworks, improved grid access protocols, and just transition integration principles. These reforms should be robust enough to directly address investor concerns around policy instability and inclusivity, and signal Pakistan's readiness to host large-scale energy transition investment under the CP.

Phase 3: Scaling, Impact Evaluation, and Long-term Sustainability

The final phase should look towards achieving a mature CP, that is capable of channeling finance adequately and achieving measurable impacts in terms of Pakistan's energy transition, also paving the way for a comprehensive CP targeting the country's climate and development ambitions holistically. Essential activities during this phase are as follows:

- **Deepen partnerships and expand investment channels:** Over the next few years, Pakistan should leverage the CP to consolidate partnerships with MDBs, philanthropic organizations, and institutional investors. Regional cooperation platforms may be utilized to attract new sources of concessional and private capital. A special focus should be placed on building co-financing arrangements that mobilize private debt and equity, reducing the burden on public finance.

- Operationalize robust MRV, transparency, and accountability systems:** Once the CP structure is in place and operational, the CP secretariat should implement an integrated MRV system for financial tracking, emissions monitoring, and social impact evaluation, ensuring that results are reported annually and made publicly available. This transparency will help sustain investor confidence, enhance international credibility, and maintain accountability in fund utilization.
- Empower subnational actors and ensure long-term sustainability:** Towards the end of this period, the CP should decentralize certain functions by creating provincial implementation units within energy departments to manage project rollout and local stakeholder engagement. A legal or executive framework should be enacted to safeguard the CP's continuity across political cycles, ensuring its independence from partisan influence and embedding it as a long-term institutional mechanism for Pakistan's energy transition.

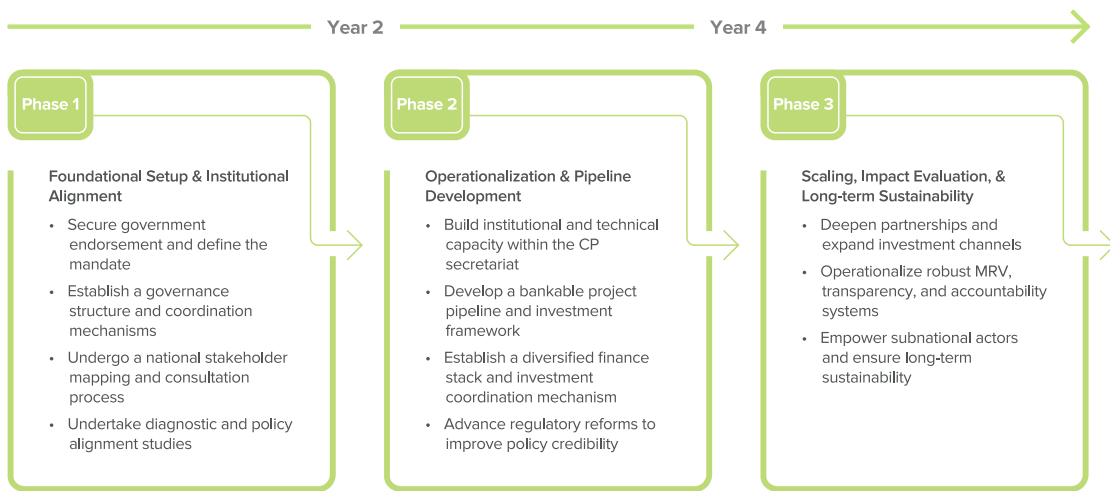


Figure 6: Summary of Phased Roadmap

In sum, this phased approach should be able to transform the CP from a conceptual framework into a nationally led, financially credible, and institutionally resilient mechanism. Through clear sequencing, defined responsibilities, and inclusive engagement, Pakistan can gradually build a platform capable of mobilizing and coordinating large-scale finance for its energy transition that can later be replicated or transformed into a broader comprehensive climate and development platform.

Conclusion

Pakistan's energy transition now requires a decisive move from planning to execution. The preceding analysis underscores that while the country's commitment to clean and resilient energy pathways is well established, implementation remains hindered by fragmented governance, insufficient coordination, and an underdeveloped financial ecosystem. The establishment of a country platform offers a pragmatic route to address these barriers – transforming how Pakistan mobilizes, aligns, and deploys climate finance.

In practical terms, Pakistan's CP for the energy transition should function as a governance and coordination mechanism rather than a new fund. Anchored in national institutions but designed to operate across political cycles, it must bring together key ministries (MoF, MoE, MoCC&EC), the Planning Commission, provincial governments, development partners, private and philanthropic investors, and civil society under one coherent structure. Its early priorities should include developing a credible project pipeline, mapping financing sources, and setting up transparent monitoring and reporting systems to build investor confidence. A cabinet-level steering committee supported by a technical secretariat could ensure strategic oversight, while dedicated working groups focus on policy reform, financing instruments, and just transition outcomes.

The platform's establishment must be phased and adaptive, evolving with Pakistan's institutional readiness and fiscal capacity. A phased approach allows for learning-by-doing – building technical foundations before scaling up financing and policy coordination. This gradual sequencing will be critical to ensure continuity across political transitions and prevent institutional overload. Equally vital will be strong political ownership, bipartisan support, and sustained engagement from development partners to maintain alignment with national priorities. Success will hinge on a credible governance framework, capacity to generate bankable projects, and integration of justice and equity principles to ensure the transition benefits all regions and communities.

Above all, enhancing policy credibility and institutional trust will determine the CP's effectiveness. Consistent reform signals, transparent fiscal management, and open stakeholder dialogue are essential to attract investment and secure long-term cooperation.

Ultimately, a well-governed, country-led platform can help Pakistan shift from fragmented, donor-dependent financing to a coherent, investment-ready system. If designed and implemented effectively, the CP could become the institutional backbone of Pakistan's just, inclusive, and financially sustainable energy transition, bridging the persistent gap between ambition and action.

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