

GREEN BONDS MARKET PAKISTAN

MAY 19, 2025



Securities and Exchange Commission of Pakistan



Overview of Regulatory Regime

Guidelines for Issuance of Green Bonds:

- SECP issued Green Bonds/Sukuk Guidelines in 2021. The guidelines provide necessary framework for raising capital through bond/sukuk issuance to finance or refinance green projects.
- The Guidelines are aligned with ICMA's Green Bond Principles 2018 and UN SDGs.

Classification Criteria for Green Project:

Any project that can contribute towards Pakistan's environmental priorities in any of the following areas

Energy
Efficiency

Renewable
and
Sustainable
Energy

Environment
Friendly
Transportation

Sustainable
Water
Management

Aquatic
Biodiversity
Conservation

Climate
Change
Adaptation

Pollution
Control

Green
Buildings

Eco-efficient
Products



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Areas Covered - Green Bonds/Sukuk Guidelines

Area

Preparation of Green Bond Framework

Activity

Issuer must prepare a detailed Green Bond Framework covering:

- Issuer's environmental sustainability objectives.
- Mechanism to segregate, manage and track allocation of proceeds.
- Post issuance reporting commitments.
- Environmental risk management system.
- Mechanism for screening projects.

Project Evaluation and Selection Policy

Issuer must have a criterion for evaluating, selecting, and financing projects for inclusion in the green bond asset pool.

Appointment of External Review Provider

Issuer is recommended to appoint external reviewer having expertise in green finance. External reviewer can be engaged for:

- **Consultation:** Help Issuer in formulation of Green Bond Framework.
- **Certification:** Certify Green Bond Framework against green assessment standards.
- **Verification:** Evaluate environmentally sustainable features of assets/project.

Areas Covered - Green Bonds/Sukuk Guidelines

Areas

Credit Rating

Management of Proceeds

Disclosure and Reporting

Activity

Issuer must obtain rating of green bond from licensed rating agency.

Issuer is recommended to have an internal process of management of proceeds to track proceeds, verified by an auditor or third party.

1. Issuer must disclose on its website:
 - Green Bond Framework.
 - External Review Report (if any) on Green Bond Framework.
 - Report of auditor or third party (if any) on management of proceeds.
 - Post issuance reporting.
2. Issuer to continuously report in its half yearly and annual reports:
 - Break up of proceeds utilization & fund allocation, verified by external auditor.
 - Details of unutilized proceeds.
 - Performance indicators showing expected environmental and social impact.

Issuance Modes & Corporate Bond Market Size

Modes of Issuance

Green Bond/sukuk can be issued either through private placement or public offering mode.

Type of Mode	Regulatory Approval	Type of Investors	Offering Document	Compliance with Guidelines
Private Placement	No	Accredited Investors	Information Memorandum	Yes
Public Offering	Yes	General Public	Prospectus	Yes

Green Bond Market Size

- SECP is working closely with the key stakeholders to develop and promote Green Bond Market.
- To date, only one company, Parwaaz Financial Services Limited, has issued a Green Bond amounting to Rs. 1 billion (USD 3.5 million) through private placement.
- Few companies have initiated process for issuance of Green Bond/Sukuk.

Listed Corporate Bond Market Size

	Number of Instruments	Issue Size (USD million)
Privately Placed	24	203
Publicly Placed	9	1,798
Total	33	2,001

Sovereign Green Bond Issuance

Domestic Sovereign Green Bond Issuance

- i. Being issued under Sustainable Investment Framework (SIF) approved by the Federal Government (SIF covers issuance of green, social & sustainable sovereign bonds).
- ii. Inaugural auction of first green sovereign bond by GoP through Capital Market – May 16, 2025.
- iii. Issue Size - Rs. 30 billion.
- iv. Tenor- 3 year variable rate instrument.
- v. Purpose - Finance Hydro-power Projects and Construction of Dams.
- vi. GoP intends to issue series of green bonds through capital market to finance green projects.

International Sovereign Green Bond Issuance

- i. In 2021, Pakistan's Water and Power Development Authority (WAPDA) issued a green Eurobond in international market, also known as the Indus Bond, to raise USD 500 million. The 10-year bond was offered at a competitive interest rate of 7.5% at the time.
- ii. Purpose of the Indus Bond: Fund construction of Diamer-Basha and Mohmand dams.



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Potential Challenges & Opportunities

Potential Challenge

Lack of Awareness: Limited awareness among issuers & investors regarding Green Bonds and their benefits.

Capacity Issues: Insufficient local expertise to develop framework & project selection & evaluation policies.

High issuance Cost: Additional requirements such as framework development, external reviews & continuous reporting.



Possible Solution

Collaboration between regulator, private sector and government entities to create awareness & promote green financing options.

Capacity-building to train local consultants, issuers on framework preparation & evaluation methods.

Introduction of tax incentives, certification cost grants, reducing overall cost of debt issuance.

Urgent Need for Green Financing:

Pakistan is highly vulnerable to climate change & faces challenges of rapid urbanization, fossil fuel dependency, population growth, and high carbon emissions. Green Bond/Sukuk issuance can help overcome these challenges.



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THANK YOU