Islamic Republic of Pakistan

SUSTAINABLE FINANCING FRAMEWORK

May 2025

Contents

1. Introduction

1.1 Introduction

The Islamic Republic of Pakistan ("Pakistan") is a federal republic located in south-central Asia between India, China, Afghanistan and the Arabian Sea. With a population estimated to be over 240.5 million as per the Pakistan Bureau of Statistics as of 2023, it is ranked as the world's 5th most populous country.

Pakistan's economy falls within three main sectors – agriculture, industry and services. Despite the challenges faced due to the COVID-19 pandemic and monetary and fiscal tightening before the outbreak, Pakistan's real GDP growth rebounded from -0.4% in FY2020 to 5.4% in FY2021. Execution of timely and appropriate policy measures taken by Pakistan, including re-opening of the economy and acceleration in the vaccination process to curtail any macroeconomic imbalances, resulted in a V-shaped economic recovery.

Pakistan has achieved considerable progress in economic and social development, prioritizing economic stabilization, infrastructure improvements, and addressing social issues. From 2000 to 2023, the country's Sustainable Development Goals (SDGs) Index rose by 5.6%, reaching a score of 57. This advancement underscores Pakistan's commitment to initiatives highlighted in its Voluntary National Review[1], including energy security, environmental sustainability, equitable development, and climate resilience.

In 2018, Pakistan contributed to about 1% of the world's total Green House Gas ("GHG") emissions, ranking at the bottom of the 20 largest GHG emitters worldwide[2]. The energy sector accounts for 51% of the country's GHG emissions, followed by the agricultural and livestock sectors, which contribute to 39%[3]. While Pakistan is a relatively small GHG emitter in per capita terms, it is the seventh most affected country by the consequences of climate change. This is manifested through recurrent, severe natural disasters – most prominently the cataclysmic Hindu Kush earthquake in 2005 and the devastating floods in 2010, 2011, 2018, 2020, and 2024, as well as prolonged droughts and intense sporadic heat waves. Concurrently, the country is experiencing high deforestation rates, loss of biodiversity, land degradation, soil erosion and desertification. Aside from environmental issues, the country's social indicators also remain subdued primarily due to high levels of population growth. In 2015-16, 24% of Pakistan's population lived below the poverty line, amounting to around 50 million people[4] – this had risen to 39½% by 2020 as per a report on Multidimensional poverty in Pakistan published in 2024 by the Pakistan Institute of Development Economics (PIDE).

The SDGs" are integral to Pakistan's national policy agenda, reflecting the government's commitment to reducing deprivation and fostering inclusivity. Vision 2025 serves as a strategic blueprint for inclusive and sustainable development, emphasizing poverty reduction, the elimination of inequalities, advancements in education and healthcare, and environmental sustainability[5]. In line with Vision 2025, Pakistan's Nationally Determined Contribution ("NDC") targets a 50% reduction in greenhouse gas emissions by 2030, with 15% unconditional and 35% conditional targets. Complementing these mitigation efforts, Pakistan introduced its National Adaptation Plan in 2023, outlining actions to enhance climate resilience across key sectors[6].

The country, through various initiatives most notably the Upscaling Green Pakistan Programme[7] and the Benazir Income Support Programme (BISP)[8], has made steady progress in terms of reducing its carbon footprint, poverty alleviation, increasing access to education and healthcare, gender equality and women's empowerment. Sufficient financing for green, social and sustainable development remains a challenge amidst difficult fiscal conditions and is imperative for the achievement of the country's sustainability goals.

[1] https://hlpf.un.org/sites/default/files/vnrs/2022/VNR%202022%20Pakistan%20Report.pdf
[2] World Resources Institute's Climate Analysis Indicators Tool
[3] Voluntary National Review – Pakistan 2022
[4] National Poverty Report 2015-16, Planning Commission
[5] https://www.pc.gov.pk/uploads/vision2025/Pakistan-Vision-2025.pdf
[6] Pakistan NAP(unfccc.int)
[7] https://tbttp.gov.pk/
[8] https://bisp.gov.pk/

Notwithstanding economic and financial challenges, Pakistan is committed to achieving sustainable development through innovative, targeted and impact-focused implementation strategies in the social, economic and environmental spheres. The Government is committed to maintaining its current momentum through consistency in plans, policies and institutional strengthening.

1.2 Pakistan's Approach to Sustainability Strategy and Policies

After committing to the 2030 Agenda for Sustainable Development in 2015, Pakistan became the first country in the world to adopt the SDGs as its own national development goals through a National Assembly Resolution in February 2016. At the same time, United Nations Development Programme (UNDP) partnered with the Government of Pakistan ("GoP") and established an SDG Unit dedicated solely to the 17 goals. The key development priorities were identified during consultations which included peace and security, governance, inclusive economic growth, the rule of law, social development, gender equality and women's empowerment, sustainable low-cost energy, disaster response and preparedness, and the much-needed broader role of the developed world. These priorities were incorporated in Pakistan's long-term perspective development document. In 2014, the National Assembly aligned its long-term Strategic Plan 2014-2018 with the post-2015 agenda. In 2017, National and Provincial Parliamentary Taskforces were created to focus on the SDGs during parliamentary work.

Pakistan's long-term development agenda, provincial development strategies and five-year plans are all aligned with the SDGs. All tiers of government are actively participating in the SDGs' implementation. In 2017, the first Local Government Summit on the SDGs identified education, employment, energy, water, and peace and governance as major issues to address. The Public Sector Development Programme ("PSDP") has increased spending on energy, law and order, and security at the federal level. In tandem, education, health, and water and sanitation receive higher share of provincial budgets.

Pakistan plans to achieve SDG targets by taking significant steps towards fostering human development, improving public service delivery, removing regional disparities in infrastructure development, and reviving the economy so that enough jobs are available for the educated and skilled labour. On the climate front, Pakistan's target is to further minimize its carbon footprint and take steps to safeguard the environment, such as large-scale tree planting campaigns and extending the country's forest cover.

1.3 Pakistan's Climate Strategy

Pakistan intends to set a conditional target of a cumulative 50% reduction of its projected emissions by 2030. To reach this ambitious target, Pakistan aims to shift towards a national energy generation mix relying on up to 60% on renewable energy sources, with 30% of all new vehicles to be electric vehicles (EV) by 2030, and a complete ban on imported coal. Moreover, Pakistan seeks to expand Nature-based Solutions ("NbS") by implementation of Ten Billion Trees Tsunami Programme ("TBTTP"), Recharge Pakistan, and Protected Areas Initiative ("PAI"). Pakistan's total GHG emissions, including land-use change and forestry data was 521.92 MT CO_2e in 2023 as per CEIC. The Billion Trees Afforestation Project (BTAP) and TBTTP will sequester CO2 around 500 Mt CO_2e by 2040, when implemented fully. Pakistan needs to strengthen its scientific and technical capacities to reach the set transition targets. Pakistan's experience through NbS in addressing the global challenges serves as a solution provider.

Pakistan has surpassed mitigation contributions and has taken climate change beyond Nationally Determined Contributions (NDCs) and took initiatives which contributed to the reduction of 8.7% emissions between 2016-2018.

Pakistan aims to leverage market-based solutions via carbon markets and emissions trading as well as climate levies to advance its climate commitments under the Paris Agreement. These solutions may also serve as new potential revenue streams to enhance Pakistan's debt sustainability. In 2024 the Government of Pakistan through the Ministry of Climate Change & Environmental Coordination, published Policy Guidelines for Trading in Carbon Markets[9], which sets the stage for the establishment of carbon markets and provide a roadmap for their operational functioning.

[9] https://mocc.gov.pk/SiteImage/Policy/Pakistan%20Policy%20Guidelines%20for%20Trading%20in%20Carbon%20Market.pdf

1.4 Pakistan's Social Initiatives and Programmes

Uncontrolled population growth is a root cause inextricably linked to the poverty and inequality as well as consequences of multi-faceted development problems in Pakistan. In 2015-16, 24.3 per cent of Pakistan's population lived below the national poverty line. This amounts to around 50 million people, comparable to the population of a country like Colombia, or the combined populations of Australia and Cameroon. Subsequently, this had risen to 39½% by 2020 as per a PIDE report in 2024. According to Pakistan's multidimensional poverty index in 2014-15, 38.8 per cent of the population was multidimensionally poor[10], with considerable regional variations and had risen to 48.3% by 2024.

Progress on curbing poverty is attributable to Pakistan's multi-sectoral poverty reduction strategy. This encompasses targeted interventions, such as the Benazir Income Support Programme (BISP), alongside private philanthropy and improved access to microfinance for rural communities. Key initiatives include Pakistan Bait-ul Mal, the Zakat and Ushr programmes, the Employees' Old-Age Benefits Institution, the Worker's Welfare Funds and provincial Employees' Social Security Institutions.

Launched in March 2019, Ehsaas is the national flagship social protection programme for Pakistan under the Poverty Alleviation and Social Safety Division. The programme focuses on reducing inequality; introducing safety nets for disadvantaged segments of the population; jobs and livelihoods; and human capital development. The programme also aims to improve the nutritional status and reduce stunting in poverty-stricken communities.

It is an umbrella initiative with over 288 policies and programmes. The programme is centered around seven timebound goals:

- Safety net for at least 10 million families
- Livelihood opportunities for 3.8 million individuals
- Financial access to healthcare for 10 million families
- Scholarships and education incentives for 5 million students (50% girls)
- Financial and digital inclusion for 7 million individuals (90% women)
- Enabling environment for poverty reduction
- Equality promoting multi-sectoral partnerships and innovations

Under the Ehsaas Emergency Cash Programme, launched in response to the COVID-19 crisis, the Government of Pakistan disbursed over PKR 179 billion to over 14.5 million families at the risk of extreme poverty.

2. Sustainable Financing Framework

2.1 Rationale for Establishing a Sustainable Finance Framework

The Government of Pakistan recognizes the role it has to play in the transition to a net-zero carbon economy, reflected in its NDC which outlines a commitment to reduce projected emissions by 50% by 2030, 35% of which is conditional reduction reliant on international climate finance, technology transfer and capacity-building support. This Sustainable Financing Framework (the "Framework") is an important step in aligning the national financing strategy with such sustainability commitments. The Framework will also offer a further opportunity to communicate with market participants on our commitments to creating shared value for Pakistan's business sector, society and the environment.

The Government may consider blended finance solutions, such as Debt-for-Nature swaps, to finance its environmental and/or social agenda. This Framework may serve as a reference for these transactions, however specific details for each transaction will be made available in respective transaction-specific documentation.

[10] Multi-dimensional Poverty in Pakistan 2016, Planning Commission

2.2 Alignment with Market Principles

The Framework is aligned with the Green Bond Principles[11] ("GBP") published in June 2021 (with June 2022 Appendix 1), Social Bond Principles[12] ("SoBP") published in June 2023, and the Sustainability Bond Guidelines[13] ("SBG") published in June 2021 as administered by the International Capital Market Association ("ICMA"). The Framework has also been developed in accordance with the Green Loan Principles[14] ("GLP") and Social Loan Principles[15] ("SLP") published in March 2025, administered by the Loan Market Association ("LMA"), the Asia Pacific LMA ("APLMA") and the Loan Syndications and Trading Association ("LSTA").

The Framework therefore adopts the four core components of the ICMA GBP, SoBP and SBG, as well as the GLP and SLP, which include:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

The Framework also follows the key recommendation of the ICMA and LMA, APLMA, LSTA Principles with regards to External Reviews.

The Framework also takes into consideration the guidelines for Blue Bonds outlined in the Blue Finance Guidelines[16] ("BFG") published by the International Finance Corporation ("IFC") and the Practitioner's Guide for Bonds to Finance the Sustainable Blue Economy[17] ("SBEG") published by ICMA, the IFC, the UN Environment Programme Finance Initiative ("UNEP-FI"), the UN Global Compact and the Asian Development Bank ("ADB").

2.3 Reference to International and Local Taxonomies

While the EU Taxonomy does not apply to Pakistan, the Government of Pakistan recognizes its importance and the Framework considers the Substantial Contribution Criteria of the EU Taxonomy to the extent possible[18].

This Framework may be updated from time to time to ensure continued alignment with voluntary market practices, emerging standards and classification systems. The Government of Pakistan is currently developing a classification of environmentally sustainable economic activities (the "Pakistan Green Taxonomy"), which it will take into consideration as relevant for future updates of the Framework.

2.4 Use of Proceeds

Under this Framework, the Government of Pakistan can issue the following types of instruments:

1. Green Financing Instruments – the proceeds of which are exclusively allocated to Eligible Green Expenditures as described in the use of proceeds table below;

[11] ICMA Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1). The possible types of Green Bonds to be issued against the framework are as defined in Appendix 1
[12] ICMA Social Bond Principles (SoBP) » ICMA (icmagroup.org) The possible types of Social Bonds to be issued against the framework are as defined in Appendix 1
[13] ICMA Sustainability-Bond-Guidelines-June-2021-140621.pdf (icmagroup.org)
[14] LMA, LSTA, APLMA Green Loan Principles (GLP) 2025
[15] LMA, LSTA, APLMA Social Loan Principles (SLP) - LSTA
[16] IFC Blue Finance Guidelines (2022)
[17] ICMA Practitioner's Guide for Bonds to Finance the Sustainable Blue Economy (2023)
[18] EU Taxonomy Delegated Act on Climate Change Mitigation and Adaptation published in April 2021 and adopted in June 2021

2. Blue Financing Instruments – the proceeds of which are exclusively allocated to Eligible Blue Expenditures as described and highlighted in blue in the use of proceeds table below. For the avoidance of doubt, in accordance with the SBEG and BFG, Eligible Blue Expenditures are considered a subset of Eligible Green Expenditures;

3. Social Financing Instruments – the proceeds of which are exclusively allocated to Eligible Social Expenditures as described in the use of proceeds table below; and

4. Sustainability Financing Instruments – the proceeds of which are allocated to both Eligible Green/Blue and Social Expenditures as described in the use of proceeds table below. For the avoidance of doubt, this includes "SDG" financing instruments.

For avoidance of doubt, Green/Blue, Social and Sustainability Financing Instruments (together "Sustainable Financing Instruments") cover bonds, sukuks, loans and other types of financing instruments such as concessional financing (e.g. grants).

An amount equivalent to the net proceeds from the issuance of Sustainable Financing Instruments will be used to finance or refinance, in part or in full, government expenditures providing distinct environmental and/or social benefits and which comply with the eligibility criteria outlined below in this Framework ("Eligible Expenditures").

Eligible Expenditures are limited to government expenditures that occurred no earlier than three budget years prior to the issuance, the budget year of issuance, and the three budget years following the issuance. The Government intends to allocate at least 50% of total net proceeds to financing new Eligible Expenditures (incurred in the budget year of issuance and three years post issuance).

Eligible Expenditures may include investment expenditures, operating expenditures, fiscal expenditures, subsidies and tax exemptions, as well as intangible assets (research and innovation), as all such expenditure can be deployed to meet the Government of Pakistan's sustainable goals and policies.

Eligible Expenditures will exclude any government disbursements to a local agency or local authority that participates in capital markets to raise financing, such as the issuance of Sustainable Finance Instruments. For the avoidance of doubt, expenditures already financed via external dedicated funding sources will not be eligible under this Framework in order to avoid any double counting. Where projects are partially funded by the Government of Pakistan, the proportion funded by the Government of Pakistan can be considered as eligible, so long as underlying eligibility criteria are met.

a) Eligible Green Expenditures

Eligible Green Category	Eligibility Criteria	Contribution to UN SDGs[19]
Renewable Energy *Environmental Objective: Climate Change Mitigation*	Financing related to the construction, development, acquisition, maintenance, and operation of renewable energy, including: • Wind power – Onshore and offshore • Solar power – Photovoltaics (PV) and Concentrated Solar Power (CSP). For CSP, at least 85% or more of the electricity generated will be derived from solar energy resources • Hydropower[20] – plants with small-scale with generation capacity <25MW; or plants with >25MW which adhere to at least one of the following criteria: – Run-of-river plant and does not have an artificial reservoir; – For hydropower facilities in operation before 2020: a power density ≥5W/m^2; or lifecycle GHG emissions of <100gCO2e/kWh, verified by an independent third party – For hydropower facilities in operation in 2020 or after: power density above 10W/m^2 or lifecycle GHG emissions below 50gCo2e/kWh • Bioenergy – – From non-waste materials if limited to biomass, biogas or biofuels produced from 100% certified eligible feedstock[21] – From waste materials if: • Created from biomass or second-generation biofuels (in particular forestry or agricultural residues from certified eligible feedstock[22] or animal manure); or • Created from municipal solid waste, where waste has been separated, removing reusable/recyclable items before conversion; or • Green hydrogen[23] • Marine and offshore renewable energy and renewable energy projects that support other Sustainable Blue Economy (SBE) sectors while preserving the marine environment • Transmission and distribution infrastructure that increases the share of renewables in the national electricity grid, including: – Infrastructure dedicated to connecting renewables to the power grid that will support or integrate at least 90% renewable electricity. • If less than 90% of the electricity transmitted on the infrastructure is from renewables, however the percentage of renewables is expected to increase, a pro-rata approach will be used to	

[19] UN SDG mapping conducted in accordance with the ICMA 'Green, Social and Sustainability Bonds: A High-level Mapping to the Sustainable Development Goals' (June 2023).
[20] For all newly constructed projects, a full environmental and social impact analysis is required, and there should be no significant risk/negative impact identified, and no significant controversy surrounding assets.
[21] Known credible certification schemes for crops to be used for biofuel production include the Roundtable on Sustainable Biomaterials (RSB), International Sustainability and Carbon Certification (ISCC) Plus, Bonsucro (for sugarcane), and Round Table on Responsible Soy (RTRS) (for soy). Other certification schemes may be considered so long as such schemes are evaluated to be equivalent, internationally-recognized certification schemes.
[22] Same certification as noted above.
[23] Hydrogen produced from renewable energy sources with direct life cycle emissions of less than 100gCO2e/kWh

	determine the green allocation to grid development – Technologies and solutions that support more efficient transmission and/or grid integration of renewable energy, including smart grid technologies and software solutions for distributed generation • Renewable energy storage infrastructure Examples include: • On-site (manufacturing and distribution centers) renewable energy projects such as solar rooftop panels • Power Purchase Agreements ("PPAs"), Virtual Power Purchase Agreements ("VPPAs"), and any other investments that provides for the procurement of renewable energy through a long-term contract (at least ten years) aligned with the GHG Protocol	
Energy Efficiency *Environmental Objective: Climate Change Mitigation*	Financing related to investments in energy and resource efficiency, including: • Improvement of energy efficiency (20-30%) in various sectors, such as refurbishments of buildings to include energy-saving retrofit of heating systems, refrigeration systems, lighting equipment etc. • Smart grids, including smart grid integration with renewable energy	
Pollution Prevention and Control *Environmental Objective: Pollution Prevention and Control; Transition to a Circular Economy*	Financing related to investments in technology and associated services to create a sustainable environment through the reduction of environmental pollution, including: • Removing or significantly mitigating environmental pollutants in water, air and soil using biological, physical and chemical methods for soil remediation and also emissions control • Waste prevention, waste reduction, and waste recycling, including: – Material Recovery Facilities (MRFs) – Sustainable solid waste management within 50 km of the coast or a river that drains into the ocean – Sustainable management of non-point source pollution within 200 km of the coast or within 50 km of rivers (and their tributaries) that flow into the ocean	
Environmentally Sustainable Management of Living Natural Resources and Land Use *Environmental Objective: Protection and Restoration of Biodiversity and Ecosystems*	Financing related to the acquisition, maintenance and sustainable management of natural resources such as land, water, air, minerals, forests, wild flora and fauna, including: • Certified forests (FSC, PEFC or equivalent) • Environmentally sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes. A comprehensive management plan and third-party verification will be adopted for all financed forestry activities to align with EU Taxonomy SCC requirements where feasible • Sustainable agriculture practices, climate smart farming (such as climate resilient seeds varieties, technology adoption, better production technology of crops, climate suitability of crops and zero tillage) and practices that help to alleviate the environmental impact of animal husbandry (includes practices such as intensive silvopastoral systems, organic and green manures, manure and effluent utilisation, improved breeds, use of sustainable livestock production certifications or labels)	

Terrestrial and Aquatic Biodiversity Conservation *Environmental Objective: Protection and Restoration of Biodiversity and Ecosystems*	Financing related to the conservation of terrestrial and aquatic biodiversity and ecosystems, including: • Projects related to sustainable aquaculture (certified by the Aquaculture Stewardship Council or equivalent) and fisheries (certified by the Marine Stewardship Council or equivalent) • Implementation of traceability systems to ensure sustainability of operations, facilities and supply chain in the fishing industry • Projects to regulate harvesting and end overfishing, illegal or destructive fishing practices • Expansion and maintenance of terrestrial/aquatic protected areas, especially sites important for terrestrial/aquatic biodiversity and for the protection of endangered terrestrial/aquatic species • Protection of endangered terrestrial/aquatic species and terrestrial/aquatic species at risk • Conservation and restoration of the health of coastal and marine ecosystems (projects carried out in the marine environment or within 100 km of the coast)	
Clean Transportation *Environmental Objective: Climate Change Mitigation*	Financing related to the development, construction, acquisition, operation, maintenance and upgrades of zero-carbon and low-carbon transport assets: • Zero-carbon transport: investments in passenger and freight vehicles with zero tailpipe emissions, such as electric cars, hydrogen cars, trains etc. • Low-carbon transport – Investments in low-carbon passenger vehicles with tailpipe emissions intensity of max. 50g CO2/km until 2025 (from 2026 onwards, only vehicles with emission intensity of 0g CO2/km are eligible) – Investments in infrastructure to support the use of zero-carbon and low-carbon vehicles Otherwise: • Investments in transport infrastructure for public transport (expansion of train/metro and bus networks, projects related to capacity improvement, station modernization) • Projects that increase the environmental performance and sustainability of maritime transport and port functions and infrastructure (not dedicated to transport or storage of fossil fuels)	
Sustainable Water and Wastewater Management *Environmental Objective: Sustainable Use and Protection of Water and Marine Resources*	Financing related to the development, construction, acquisition, installation, operation and upgrades of sustainable water management projects, including: • Investments in technologies to reduce overall water demand in stressed areas • Sustainable infrastructure for clean water; wastewater treatment • Other water related projects (e.g. freshwater infrastructure, wastewater infrastructure) including desalination projects (only if powered by renewable energy)	
Climate Change Adaptation *Environmental Objective: Climate Change Adaptation*	Financing related to making infrastructure more resilient to the impacts of climate change (including flood prevention, flood defence or stormwater management), as well as information support systems such as climate monitoring and early warning systems Transport:	

	• Physical resilience of transportation infrastructure to extreme weather events (e.g. improving road drainage) • Restoration of transportation infrastructure after extreme events considering the climate vulnerability • Updating building standards, maintenance practices, and other elements Construction: • Design and construction of bioclimate buildings and urban scale interventions that adapt to the effects of climate change (e.g. floods, extreme temperatures, droughts, among others) • Reinforcement and stability of buildings to withstand hurricanes and severe storms • Increase green spaces to reduce heat accumulation, rainwater harvesting and surface runoff Financing related to projects within 50 km of the coast or in the marine environment that support ecological and community resilience and adaptation to climate change, including using nature-based solution, including: • Ecosystem improvement projects in water catchment areas (mainly in the Indus river basin) • Stormwater management • Nature based systems for prevention and protection against drought or flooding • Wetland restoration • Sustainable Urban Drainage System • Coastal protection reinforcement through construction solutions, relocation of coastal settlements, port infrastructure and routes compromised by coastal erosion or sea level rise; complemented by nature based solutions (mangrove reforestation) • Construction of wave barriers, dikes or floodgates that demonstrate resilience using physical risk assessments • Building of sea walls in low lying islands to stop coastal erosion	
Green Buildings *Environmental Objective: Climate Change Mitigation; Climate Change Adaptation*	Financing related to the construction and acquisition of energy-efficient buildings which either: • Obtained a minimum certification for e.g. “BREEAM Excellent” or “LEED Gold” or similar recognized standard (such as Excellence in Design for Greater Efficiencies (EDGE), HQE International) • Have a primary energy demand at least 10% lower than the one resulting from the local Nearly Zero-Energy Buildings (NZEB) (for buildings built after December 31, 2020) - in the absence of a NZEB standard, a 10% reduction will be determined by using existing performance benchmarks established by local authorities or other relevant institutions • Investments and expenditures relating to the renovation of buildings leading to a reduction of primary energy demand of at least 30%	

b) Eligible Social Expenditures

Eligible Social Category	Eligibility Criteria	Target Population	Contribution to UN SDGs[24]
Affordable Basic Infrastructure	Financing related to projects that provide and/or promote: • Clean drinking water • Sewerage • Sanitation • Transportation • Energy • Internet connectivity • Road infrastructure • Adaptation infrastructure and investments to reduce and/or manage risks related to environmental disasters and extreme weather events	Underserved, vulnerable groups, low income individuals	
Access to Essential Services	Financing related to projects that provide and/or promote: • Healthcare • Education • Vocational training • Financial services This includes financing related to projects that provide and/or promote access to these services in the context of health emergencies (such as pandemics), environmental disasters and extreme weather events	Vulnerable groups, under-educated, underserved, female entrepreneurs	
Affordable Housing	Financing related to the construction, rehabilitation, and/or the preservation of quality affordable housing for low and moderate income populations	Low income individuals, vulnerable groups	
Employment Generation	Financing related to programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of small and medium enterprises (SME) financing and microfinance (Example: Microloans for startups, SMEs, and vocational training programs leading to job creation, focus and business growth)	Unemployed, low-income, underserved	

[24] UN SDG mapping conducted in accordance with the ICMA 'Green, Social and Sustainability Bonds: A High-level Mapping to the Sustainable Development Goals' (June 2023).

Food Security and Sustainable Food Systems	Financing related to projects that provide, promote physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices (such as climate resilient seeds varieties, technology adoption, better production technology of crops, climate suitability of crops and zero tillage; reduction of food loss and waste; and improved productivity of small-scale producers – whom are defined as those owning less than 12.5 acres (5 hectares) of land) Financing related to affordable access to nutrition-specific health services and nutrition-sensitive services	Vulnerable groups, underserved, low income individuals, small hold farmers[25]	
Socioeconomic Advancement and Empowerment	Financing related to locally-led initiatives with positive and equitable social, environmental and business impacts (example: Microcredit for financial literacy, women's economic participation, and community development projects to reduce inequality and enhance financial resilience of vulnerable groups)	Underserved, under-educated	 

Further Details on Target Population Definitions

The Government of Pakistan (GoP) determines the low income individuals as ones who are unable to afford essential necessities, by the Cost of Basic Needs (CBN) methodology. This approach calculates the poverty line based on minimum income required to meet basic needs, using data from the Household Income and Expenditure Survey (HIES). The latest report on poverty based on HIES 2018-19 is available here: https://www.pc.gov.pk/uploads/report/NPI-Report.pdf (prepared by the Ministry of Planning Development & Special Initiatives).

However, underserved and vulnerable are generally broader terminologies of deprivation. The vulnerable populations face heightened risks due to economic, social, or environmental factors, whereas the underserved groups lack adequate access to essential services, infrastructure, or opportunities due to systemic disparities. The Multidimensional Poverty Index (MPI) is a comprehensive tool to address these broader dimensions. By evaluating health, education, and living standards, the MPI identifies overlapping deprivations that underserved and vulnerable groups face. For instance, a household might lack access to clean drinking water (underserved) while also facing poor nutrition and low educational attainment (vulnerable). Through its detailed framework, the MPI highlights these intersecting challenges, enabling targeted interventions to uplift marginalized communities holistically. The latest MPI in Pakistan is being calculated using data from the Pakistan Social and Living Standards Measurement (PSLM) survey. The latest MPI report is available here: https://file.pide.org.pk/pdfpideresearch/rr-multidimensional-poverty-in-pakistan.pdf.

Pakistan's national MPI constitutes three dimensions; health, education, and standard of living and 15 indicators, each with an equal weighting of 1/3. If the household deprivation score exceeds a given threshold, then a household is considered to be 'deprived', or 'poor'. The final 'MPI score' (or 'Adjusted

[25] Small hold farmers defined as owning less than 5 acres of land, medium scale farmers defined as owning 5-25 acres of land, and large scale farmers as owning more than 25 acres of land.

Headcount Ratio') is determined by the proportion of households deemed 'poor', multiplied by the average deprivation score of 'poor' households.

These metrics will be used to adopt a targeted approach to financing eligible projects.

Table: 1 (Pakistan's National MPI Cut-offs and Weights)

Pakistan's National MPI – Indicators, Deprivation Cut-offs and Weights

	Indicator	Weights
Education	Years of schooling	1/6 = 16.67%
	Child school attendance	1/8 = 12.5%
	Educational quality	1/24 = 4.17%
Health	Access to health facilities/clinics/Basic Health Units (BHU)	1/6 = 16.67%
	Immunisation	1/18 = 5.56%
	Ante-natal care	1/18 = 5.56%
	Assisted delivery	1/18 = 5.56%
Standard of Living	Water	1/21 = 4.76%
	Sanitation	1/21 = 4.76%
	Walls	1/42 = 2.38%
	Overcrowding	1/42 = 2.38%
	Electricity	1/21 = 4.76%
	Cooking fuel	1/21 = 4.76%
	Assets	1/21 = 4.76%
	Land and livestock (only for rural areas)	1/21 = 4.76%

Source: Pakistan Bureau of Statistics

c) Exclusions

For the avoidance of doubt, the following activities are excluded from the financing by the Government of Pakistan's Sustainable Financing Instruments:

- Upstream, midstream and downstream oil and gas activities
- Thermal coal mining or coal-fired electricity generation capacity
- Nuclear energy
- Gambling
- Tobacco
- Alcohol
- Weapons
- Child and forced labour
- Adult entertainment
- Palm oil

2.5 Process for Project Evaluation and Selection

The Government of Pakistan has established a Sovereign Sustainable Finance Committee ("CFSS"), which will be chaired by Secretary MOF and other members include representatives from Debt Office (MOF), Budget Wing (MOF), Ministry of Planning Development & Special Initiatives (MOPDSI), Ministry of Climate Change and Environmental Coordination (MoCC&EC), Economic Affairs Division (EAD), and State Bank of Pakistan. The CFSS has the following responsibilities:

I. Develop the framework for the issuance of Sustainable Sovereign Public Debt Instruments;
II. Identify expenditures and budget programs that adhere to the eligibility criteria and exclusionary criteria established in the Framework;
III. Identify processes implemented to determine and manage environmental and/or social risks associated with projects, expenditures, programs, assets, and/or investments;
IV. Monitor the implementation of the Framework; and
V. Prepare allocation/impact reports, and other documents resulting from the issuance of Sustainable Financing Instruments outlined in this Framework.

The first phase of project identification will be performed by the relevant agencies in consultation with MoF and MOPDSI and in the second phase, the projects will be presented to the CFSS.

The Committee will meet on a semi-annual basis, and more often when as required for specific issuances.

Identification and Mitigation of Environmental and Social Risks

The Government of Pakistan has put in place a strong evaluation and selection process, that leverages its existing sustainability and risk management framework, to ensure the mitigation of potential environmental and social risks associated with the Eligible Expenditures. This is in addition to ensuring that Eligible Expenditures meet applicable national and international environmental and social standards and regulations.

2.6 Management of Proceeds

The net proceeds from Sustainable Financing Instruments will form part of the overall funding of the Government of Pakistan. The Government of Pakistan's MoF will manage the allocation of an amount equivalent to the net proceeds of its Sustainable Financing Instruments using a bond-by-bond approach. To manage this process, the Government of Pakistan will establish a virtual Sustainable Financing Register which will be reviewed annually by the MoF.

If any allocated Eligible Expenditures are removed from the Sustainable Financing Register, the Government of Pakistan will strive to substitute those projects with replacement Eligible Expenditures. Replacement of the Eligible Expenditures will be done as soon as possible, within a reasonable period of time of 24 months and before the maturity of the Sustainable Financing Instrument. New Eligible Expenditures (including replacements) can only be allocated after approval of the CFSS.

Pending full allocation of an amount equal to the net proceeds of outstanding Sustainable Financing Instruments, the unallocated proceeds will be held in accordance temporary investments such as cash, cash equivalents and / or other liquid marketable investments in line with the Government of Pakistan's treasury management policies.

2.7 Reporting

With respect to its Sustainable Financing Instrument(s), the Government of Pakistan commits to publish on its website an allocation and impact report(s) providing investors and the public with transparent disclosure on the allocation of net proceeds to Eligible Green or Social Expenditures, as well as on the results and positive environmental or social impact(s) of those expenditures.

The Report will be published on an annual basis, starting one year after the issuance of a Sustainable Financing Instrument and until full allocation of an amount equivalent to the net proceeds and in the event of any material changes until the relevant maturity date:

a) Allocation Reporting

The Government of Pakistan, via its MoF, will provide information on the allocation of an amount equivalent to the net proceeds of its Sustainable Financing Instruments on its website. The information will contain at least the following details:

- Net proceeds of outstanding Sustainable Financing Instruments;
- Amount equivalent to the net proceeds allocated to Eligible Expenditures as defined in the Use of Proceeds section of this Framework;

- Subject to confidentiality considerations and where feasible, a list of the Eligible Expenditures financed through the Government of Pakistan's Sustainable Financing Instruments, including a description of the projects;
- Share of allocation of net proceeds to refinancing existing Eligible Expenditures vs financing new and future Eligible Expenditures;
- A breakdown of the type of Eligible Expenditures;
- The remaining balance of unallocated proceeds, if any.

b) Impact Reporting

The Government of Pakistan intends to align, on a best effort basis, with the reporting recommendations as outlined in ICMA's "Handbook – Harmonized Framework for Impact Reporting (June 2024)[26].

The Government of Pakistan will provide impact reporting at the Eligible Expenditure Category level, supplemented by project level case studies where applicable. The report will include environmental and/or social impact indicators outlining the positive impact of Eligible Expenditure where the information is provided in existing publicly available reports, and may include:

- Specific result and environmental or social impact indicators, where feasible and available, related to the Eligible Expenditures to which proceeds from Sustainable Financing Instruments have been allocated;
- The underlying assumptions and methodology used

Climate-related impact reporting information may also be made available on Pakistan's Climate Portal, maintained by the MoCC&EC.

At least one indicator for each Eligible Expenditure Category will be reported. The result and environmental or social impact statement may be measured on an aggregated basis rather than directly corresponding impacts from funded projects during a specific year.

The report may include the following estimated Impact Reporting Metrics:

Eligible Green Category	Potential Impact Indicators
Renewable Energy	• Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent/a • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) • Additional capacity of renewable energy plant(s) constructed or rehabilitated in MW • Additional capacity of renewable energy plant(s) to be served by transmission systems (MW)
Energy Efficiency	• Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings) • Annual GHG emissions reduced/avoided in tonnes of CO2e
Pollution Prevention and Control	• Amount of waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/ or in absolute amount in tonnes p.a. • Annual energy generation from non-recyclable waste in energy/emission-efficient waste to energy facilities in MWh/GWh (electricity) and GJ/TJ (other energy) • Energy recovered from waste (minus any support fuel) in MWh/GWh/KJ of net energy generated p.a.[27]

[26] ICMA, Handbook – Harmonized Framework for Impact Reporting (June 2024)
[27] Where supporting fuel is added in order to facilitate the combustion of waste, the energy from this fuel should be subtracted from the total energy generated.

	• GHG emissions from waste management before and after the project in tCO2–e p.a. • Reduction of air pollutants: particulate matter (PM), sulphur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs) • Absolute or % reduction in local pollutants to air, land and water
Environmentally Sustainable Management of Living Natural Resources and Land Use	• Reduction in net GHG emissions, GHG intensity (e.g. tCO2e/unit of output) or energy intensity (e.g. GJ/unit of output) • Water savings from improved irrigation, stormwater and rainwater capture, groundwater recharge and/or the reuse of highly treated wastewater (e.g. m^3/year) • Farmland under soil conservation/regenerative agricultural practices (ha and % of acreage farmed) • Increase in area under certified organic or sustainable agriculture (ha and % of acreage farmed) • Increase in agricultural land set aside for biodiversity conservation (e.g. rewilding, conversion of land along field edges to woodland) (ha and % of acreage farmed) • Pasture area under improved management such as Management Intensive Rotational Grazing (MIG) systems and silvopastoral grazing practices (ha / % of rangeland) (jMDB) • Improved feeding practices reducing enteric CH4 emissions (% of herd covered) • Increase in area under sustainable forest management (ha)/Area converted from conventional logging to reduced-impact logging practices (% of managed forestland)/Adoption of harvesting methods that minimize impacts on soil (% of managed forestland)
Terrestrial and Aquatic Biodiversity Conservation	• Increase in % of certified sustainable fisheries • Increase in tonnes of sustainable seafood production • Increase in % of certified sustainable aquaculture • Reduction in marine and freshwater pollution / Waste discharged per ton of fish, nitrogen discharged from the farm (per ton of production) and total discharge of wastes from farms • Maintenance/safeguarding/increase of protected area/OECM/habitat in km^2 and in % for increase • Absolute number of predefined target organisms and species per km^2 (bigger fauna) or m^2 (smaller fauna and flora) before and after the project • Absolute number of protected and/or priority species that are deemed sensitive in protected/conserved area before and after the project • Changes in the CO2, nutrient and/or pH levels for coastal vegetation, and coral reefs in %[28] • Maintenance/safeguarding/increase of natural landscape area (including forest) in km^2 and in % for increase • Maintenance/safeguarding/increase of natural landscape area in urban areas in km^2 and in % for increase • Increase of area under certified land management[29] in km^2 or m^2 and in % (in buffer zones of protected areas)[30] • Absolute number of indigenous species, flora or fauna (trees, shrubs and grasses, etc.) restored through the project • Annual GHG emissions reduced in tCO2-e p.a.

[28] Issuers are encouraged to provide additional information for coastal and marine areas, for example on maintenance and restoration of coastal vegetation like mangroves; the increase of health of coral reefs by reducing disease (degree of bleaching, age and size of living corals), as well as by reducing the sedimentation rate, nutrients in water and direct human damage.

[29] Certified land management is an externally audited set of processes and activities that seek to improve environmental and animal welfare outcomes together with improvements in the productivity and risk management of landholdings.

[30] This should not be reported as a sole indicator, but in conjunction with information on the corresponding protected area.

Clean Transportation	• Passenger-kilometres (i.e. the transport of one passenger over one kilometre) and/or passengers; or tonnekilometres (i.e. the transport of one tonne over one kilometre) and/or tonnes • Annual GHG emissions reduced/avoided in tCO2–e p.a. • Reduction of air pollutants: particulate matter (PM), sulphur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs)
Sustainable Water and Wastewater Management	• Annual absolute (gross) water use before and after the project in m3/a, reduction in water use in % • Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m^3/a and p.e./a and as % • Annual absolute (gross) amount of raw/untreated sewage sludge that is treated and disposed of (in tonnes of dry solids p.a. and in %) • Number of people with access to clean drinking water (or annual volume of clean drinking water in m^3/a supplied for human consumption) through infrastructure supporting sustainable and efficient water use (where average consumption per person is consistent with internationally recognized standards for sustainable water use) • Number of people with access to improved sanitation facilities under the project
Climate Change Adaptation	• Increase in grid resilience, energy generation, transmission/distribution and storage in MWh • Reduction in repair costs due to storms (to all kinds of infrastructure and assets) • Reduction in flood damage costs • Number of people and/or enterprises (e.g. companies or farms) benefitting from measures to mitigate the consequences of floods and droughts • Reduced/avoided water loss (in reservoirs/waterways/natural habitats etc.) in m^3 • Reduction in land-loss from inundation and/or coastal erosion in km^2 • Reduction in repair costs and/or operating days lost due to landslides • Reduction in changes in the nutrient and/or pH level for agricultural soils • Increase in agricultural land using more drought resistant crops in hectares • Area cultivated by precision agriculture in km^2 • Increased number of people/businesses/acres with secure water supply • Decrease in climate-related risk insurance premia • Reduced number of people evacuated/injured/displaced/economically unproductive due to climate-related hazards • Number of kms of road, rail or other infrastructure adapted
Green Buildings	• Certification Standards ○ Type of scheme, certification level • kWh/m^2 of GBA p.a.; and % of energy use reduced/avoided vs local baseline/building code; and, if relevant % of renewable energy (RE) generated on site (specifying the relevant RE form) • m^3/m^2 of GBA p.a.; and Annual absolute (gross) water use before and after the project in m^3/a (for retrofitted buildings) and/or % of water reduced/avoided vs local baseline/baseline certification level/IGCC/International Plumbing Code

	• Amount p.a. of waste minimised, reused or recycled in % of total waste and/or in absolute (gross) amount in tonnes p.a.

Eligible Social Category	Potential Impact Indicators
Affordable Basic Infrastructure	• Number of water infrastructure projects built/upgraded • Number of people provided with adequate and equitable sanitation • Kilometres of feeder roads rehabilitated/constructed • Number of people with access to affordable transport systems • Number of new household power connections • Number of new household internet connections • Number of people provided access to clean and affordable energy
Access to Essential Services	• Number of patients benefitting from healthcare or medical treatment • Number of hospitals and other healthcare facilities built/upgraded • Number of health-related R&D programs funded • Students reached (breakdown by gender) • Number of people provided with skill development and/or vocational training ideally for in demand subjects (breakdown by gender) • Number of people provided with access to financial services • Number of low-income people provided with access to affordable microcredit/microfinance
Affordable Housing	• Number of dwellings • Number of individuals/families benefiting from subsidised housing • Disabled people with access to well-equipped dwellings • Participation (rate) of tenants in community activities • Share of under-served tenants (such as women, minorities, etc.)
Employment Generation	• Number of loans to SMEs and/or microenterprises • Number of people trained in new vocational skills • Number of people benefiting from improved employment • Number of people with upskilled employment resulting from training
Food Security and Sustainable Food Systems	• Number of people provided with access to affordable, safe, nutritious, and sufficient food • Farmers provided with training (climate smart training/organic etc.) • Farmers provided with access to agricultural inputs (financial inputs, equipment, etc.) • Number of people benefiting from agricultural projects and using improved farming technology
Socioeconomic Advancement and Empowerment	• Number of low-income, rural or minority women provided with access to micro-savings and micro-insurance products • Number of loans made to SMEs with majority women in senior management or ownership positions • Number of women provided with access to equal pay employment opportunities • Number of vulnerable people benefitting from measures to mitigate the consequences of climate change such as natural disasters • Number of loans granted to low-income households for installations of improvement technologies • Number of beneficiaries receiving technology products (such as laptops and tablets) to enable remote learning

2.8 External Reviews

The Government of Pakistan's Sustainable Financing Framework is supported by the following external reviews:

a) Second Party Opinion ("SPO")

The Government of Pakistan has appointed Sustainable Fitch to provide a Second Party Opinion on the Sustainable Financing Framework, to confirm alignment with the GBP, SoBP, SBG as administered by the ICMA, as well as the GLP and SLP administered by the LMA, APLMA, LSTA.

The independent Second Party Opinion is available on Sustainable Fitch's website.

b) Post-Issuance External Verification on Reporting

The Government of Pakistan will request on an annual basis, starting one year after the issuance of a Sustainable Financing Instrument and until full allocation, a limited assurance report on the allocation of Sustainable Financing Instrument net proceeds to Eligible Expenditures, provided by an external review provider.