



### INDUS BOND: PAKISTAN'S FIRST GREEN EUROBOND

By  
**Mian Ahmad Naeem Salik**  
Research Fellow

Centre for Strategic Perspectives (CSP), ISSI

Edited by  
**Najam Rafique**

June 21, 2021

*(Views expressed in the brief are those of the author, and do not represent those of ISSI)*



**In a significant development on May 28, 2021, Pakistan's Water and Power Development Authority (WAPDA) launched its first green Eurobond (GEB), called Indus Bond, for 10 years to raise \$500 million at a competitive price of about 7.5% interest rate.<sup>1</sup>**

The bond, denominated in Euros, will be the government's first to fund environmental goals. On May 31, 2021, Prime Minister Imran Khan formally launched the Indus Bond to meet financial needs relating to the construction of Diamer-Basha and Mohmand dams.<sup>2</sup> Issuance of green bonds globally is seen surging to \$375 billion in 2021 by Moody's Investors Service, after record sales in 2020. While Europe has led the way, countries from Singapore to Brazil plan to sell their first to tap buoyant investor demand.<sup>3</sup>

On May 24, 2021, WAPDA listed the Indus Bond on the London Stock Exchange (LSE) to raise \$500 million to finance mega hydropower projects. WAPDA is the country's first public sector entity that has launched the GEB to meet its financial needs. Out of nearly \$2.2 bn that it needs over five years (\$1.1 bn in first two years), it is initially raising \$500m through the Indus Bond.<sup>4</sup> In March 2020, WAPDA had succeeded in securing international credit

<sup>1</sup> <https://www.brecorder.com/news/40095710>

<sup>2</sup> <https://www.dawn.com/news/1626766/pm-hails-launch-of-green-bond-to-finance-two-dams>

<sup>3</sup> <https://www.bloomberg.com/news/articles/2021-02-18/pakistan-plans-first-green-bond-to-fund-hydropower-projects>

<sup>4</sup> <https://www.dawn.com/news/1625497/wapdas-indus-bond-listed-on-london-stock-exchange>

rating of 'B-' with a stable outlook, a prerequisite for issuance of such bonds from Fitch and Standard & Poor's (S&P).<sup>5</sup> The rating agencies gave their ratings keeping in view WAPDA's autonomous status, business model, financial profile, and its importance in realising the government's goal of minimising dependence on imported fuel for energy generation. The outcome of the credit ratings and issuance of bonds would bolster WAPDA's credibility with a direct bearing on the pricing when Pakistan raises foreign financing from other avenues like Syndicate loans and Export Credit Agencies.<sup>6</sup>

Pakistan's climate change concerns include increased variability of monsoons, the likely impact of receding Himalayan glaciers on the Indus River system, decreased capacity of water reservoirs, reduced hydropower during drought years, and extreme events including floods and droughts. Other potential climate change induced impacts include severe water stress; food insecurity due to decreasing agricultural and livestock production; more prevalent pests and weeds; degradation of ecosystems; biodiversity loss; and northward shifting of some biomes. Also, higher temperatures may affect the composition, distribution, and productivity of mangroves, while lower precipitation could contribute to salt stress.<sup>7</sup> A joint study titled "Climate Risk Country Profile" for Pakistan released by the Asian Development Bank (ADB) and World Bank (WB) on May 19, 2021, put Pakistan among the top risk-prone countries in terms of increase in average temperatures and resultant economic and social losses amounting up to \$3.8 billion in annual economic loss due to climate change.<sup>8</sup>

Prime Minister Khan expressed satisfaction over the interest of leading international investors in Pakistan's green Eurobond, saying it reflected their confidence in the government and WAPDA. The incumbent government is investing in renewable energy to ramp up its economic stimulus in the wake of the pandemic. It has also planned to ban new coal power plants and is looking to plant 10 billion trees which is its flagship initiative to mitigate impact of climate change.<sup>9</sup> In this regard, the fast pace of construction of dams is vital to produce clean energy for a green environment. According to Special Assistant to the

---

<sup>5</sup> <https://www.fitchratings.com/research/international-public-finance/fitch-assigns-pakistan-water-power-development-authority-first-time-b-outlook-stable-20-03-2020>

<sup>6</sup> <https://tribune.com.pk/story/2302893/green-bond>

<sup>7</sup> <https://www.adaptation-undp.org/explore/pakistan>

<sup>8</sup> <https://www.adb.org/publications/climate-risk-country-profile-pakistan>

<sup>9</sup> [www.mocc.gov.pk/ProjectDetail/M2QzOWJmMjUtZTU3MC00NmFkLWE4YmMtZDFhMmRlOGU2NGRh](http://www.mocc.gov.pk/ProjectDetail/M2QzOWJmMjUtZTU3MC00NmFkLWE4YmMtZDFhMmRlOGU2NGRh)

Prime Minister on Climate Change, Malik Amin Aslam, the successful launch of first-ever green bond was testament to Pakistan's economic stability and green credibility at the global level. He has underscored that the financing would be used in renewable energy projects, green transport particularly electric vehicles, green buildings or infrastructure development and waste to energy initiatives.<sup>10</sup>

The generation and storage of sustainable energy are critical for socio-economic development. Currently, Pakistan produces 60% of its power from fossil resources that significantly impact the environment. It has set a target to increase the contribution of renewable energy to 30% by 2030, if it adds hydropower's share of 26% to renewable, it is close to achieving that target.<sup>11</sup> Pakistan is already facing a severe water shortage issue, and it is expected that if no emergency measures are taken, then the country will run dry in the coming years. Pakistan is lacking an efficient water management mechanism and drastic changes are required in policy making regarding the issue to secure water for future generations.<sup>12</sup> The issuance of Indus Bonds comes at a time when investors remain hungry for green debt, with Pakistan's plans for greater push in the renewable and hydroelectric power generation making for a nice combination in the international debt markets. The use of such bonds to raise funds for building dams or other infrastructure is certainly innovative, but with all the foreign currency debt, there remains a risk of dangerous volatility for both investors and WAPDA. Interdisciplinary approaches are therefore required to address complex problems such as energy generation, dissipation, and storage.

---

<sup>10</sup> <https://nation.com.pk/14-Jun-2021/green-bonds-testament-to-pakistan-s-economic-stability-green-credibility-at-global-level-amin>

<sup>11</sup> <https://tribune.com.pk/story/2304858/delivering-a-sustainable-energy-transition>

<sup>12</sup> <https://moderndiplomacy.eu/2021/06/07/water-crisis-pakistan-running-dry/>