**Prescription for green banking adoption in Pakistan**

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Escalation of Commitment is a concept in which an individual or an organization remain committed to certain behaviors or policies even in the presence of strong evidence suggesting the presence of various shortcomings or negative consequences associated with their continuation. Unfortunately, this can be frequently observed in various public sector strategic decision making in Pakistan. Instead of taking a cyclical approach towards planning, one which involves a ‘review & revise’ phase, various public sector policies in Pakistan are trapped in a spiral of commitment bias. It does not necessarily mean that the strategies are inherently wrong rather certain problems may exist in the planning or execution phase which can be corrected with timely intervention. A need exists for the formation of SMART strategies, i.e. Specific, Measurable, Accessible, Realistic, and Time-frame bounded. Policy making needs to be evaluated and revised or re-planned after specified time intervals based upon the implementation outcomes.

These strategic planning principles hold true for implementation of environmental sustainability policies as well. Pakistan’s banking industry can play a pivotal role in this journey through the ideology of Green Banking. It is the elixir required for the development and growth of green industrialization and urbanization in Pakistan. The State Bank of Pakistan (SBP) launched the Green Banking Guidelines in 2017 as a set of voluntary initiatives for the banks and DFIs. In the Green Banking guidelines, the SBP has directed the banks to setup Green Banking Office which will be operated by existing bank staff being assigned the additional duties of Green Banking adoption except the Green Banking Officer. This is one of the main issues in the guideline that should be revisited and revised due to the advancement in Green Banking implementation in Pakistan. At this stage, SBP should move towards the formation of a full-fledged Green Banking Department/Division with dedicated staff having expertise and knowledge in the respective area. For the implementation of Green Banking in true spirits, the respective divisions should be equipped with personnel having green capabilities and relevant expertise. The absence of effective and efficient Green Banking Divisions can be one of the basic pitfalls existing in this adoption journey. Currently, majority of the Green Banking offices are functioning on the sidelines as part of other departments. It is time that the SBP issues a revised Green Banking policy specifying and strengthening the scope of the Green Banking Division shaping it as one of the primary division of a bank.

Pakistan’s green transformation journey needs to be based on holistic collaboration across all economic sectors for the development of integrated, affordable and sustainable environmental solutions

Unfortunately, Green Banking adoption faces a number of other adoption challenges including the lack of awareness among the concerned stakeholders, lack of Green Banking trainers, experts or specialized Green Banking consultants that can guide the banking industry, absence of local industry best practices, shortage of third party green vendors or contractors, insufficient regulatory reforms, and low level of green capability among bank staff. The SBP has to play an instrumental role in this regard and emerge as a Green Banking model for the Pakistan banking industry. Green Banking adoption can be undertaken by following the lessons learned during the successful adoption of the Islamic Banking model in Pakistan. The SBP should setup a Green Banking advisory portal or dedicated department for guidance of banks. Banks should also be guided for the development of digital / Smart bank branches augmenting the digitalization of Pakistan’s banking industry. Green Banking facilitation / awareness counters may be set up in bank branches for creating customer awareness. Currently, the Pakistan banking industry is confused about the implementation of various Green Banking initiatives and issuance of additional Green Banking policies including Green Financing regulations or Green Product development policy from the SBP may help the industry move forward.

Pakistan banking industry is moving forward in the Green Banking adoption journey but requires additional policies and frameworks from SBP especially in the area of Green Financing & Green Bonds. Currently, majority of the banks in Pakistan have large environmentally friendly financing portfolios but do not have the regulatory guidelines for reporting it under the Green Banking umbrella. They do not have knowledge of how to append their existing environmentally friendly financing portfolios into green financing. The SBP may provide banks with annual Green Financing targets and should guide the banks about the reporting of green financing so as to improve the collective KPIs of the banking industry such as financing of zig-zag technology, blue financing, alternate energy generation, organic farming, eco-friendly fashion industry, Eco-tourism industry, Waste & treatment plants or green construction projects. The SBP should develop a system for reporting of bank’s financing portfolio according to the United Nations-Sustainable Development Goals (UN-SDGs) 2030. This can greatly benefit Pakistan’s environmental KPI compliance status and accurately report the Green Finance & Bonds potential in Pakistan.

Pakistan’s green transformation journey needs to be based on holistic collaboration across all economic sectors for the development of integrated, affordable and sustainable environmental solutions. Policy making should be centered on the principles of Green & Circular Economy centered on Public-Private Partnership (PPP). If the government connects its various developmental projects like the Naya Pakistan Housing Scheme, CPEC projects or E-vehicle with Green Banking it can simultaneously increase economic and environmental sustainability. The usage of the country’s pension funds on green bonds or investment in green projects can also revitalize the country’s green growth plan. Green Banking can help Pakistan in the attainment of UN-SDGs 2030 and greatly improve the global environmental KPI reporting and green brand image. In order to move forward in the journey of economic and environmental sustainability, Pakistan needs to focus on the potential pitfalls in the current policies and systems that may be hindering the realization of Prime Minister, Mr. Imran Khan’s ‘Green & Clean Pakistan’ vision.

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