

**Quarterly Review Report
on
Green Banking Activities of Banks &
Financial Institutions
and
Green Refinance Activities of Bangladesh Bank**

January-March, 2018



**Sustainable Finance Department
Bangladesh Bank
Head Office**

1. Introduction:

Bangladesh Bank (BB) issued Environmental Risk Management (ERM) Guidelines for Banks and Financial Institutions (FIs) vide BRPD Circular No.01/2011. Later in the same year it issued Green Banking Policy Guideline for Banks vide BRPD Circular 02/2011. In 2012, a uniform reporting format for reporting green banking activities in a structured manner for banks was introduced, whereas in the subsequent year in 2013, Policy Guidelines for Green Banking was also issued (GBCSRD Circular No. 04/2013 and GBCSRD Circular Letter No. 05/2013) for the Financial Institutions (FIs)¹ and for the banks scheduled in 2013. Through these guidelines all banks and FIs were brought under the structured reporting system. Besides, to expedite the ongoing initiatives of banks and FIs at faster pace, from January 2016 onwards minimum target of direct green finance was set at 5% of the total funded loan disbursement/investment for all banks and FIs (GBCSRD Circular No. 04/2014). Bangladesh Bank vide SFD Circular No. 02, dated December 01, 2016 instructed all banks and FIs to establish Sustainable Finance Unit and Sustainable Finance Committee by abolishing both Green Banking and CSR units. Guidelines on Credit Risk Management (CRM) for Banks was issued vide BRPD Circular No. 04/2016 which has incorporated the evaluation of Environmental and Social Risks in the process of Credit Risk Management. On the contrary, Guidelines on Environmental and Social Risk Management (ESRM) for Banks and Financial Institutions in Bangladesh along with an Excel-based Risk Rating Model have been issued vide SFD Circular No. 02/2017 which has become enforceable from January 01, 2018 replacing the Guidelines on ERM to all extent. Recently, a comprehensive list of product/initiatives of Green Finance for banks and FIs has been circulated in September 2017 (SFD Circular No. 04/2017). To monitor green banking policy & other regulations and to ensure the quality & uniformity of data provided by Banks & FIs, a new uniform reporting format of Quarterly Review Report on Green Banking Activities has been circulated for Banks & FIs in January 2018 (SFD Circular No. 01/2018).

To ensure the movement towards sustainability against the climate change, Banks and FIs were instructed to form a 'Climate Risk Fund' having allocation at least 10% of their Corporate Social Responsibility budget for Climate Risk Fund. This funding can be done in both ways- by providing grants or financing at reduced rate of interest (GBCSRD Circular No. 04/2015). Meanwhile, Banks & FIs have been instructed to set up Solid Waste Management System, Rainwater Harvesting and Solar Power Panel in their newly constructed or arranged building infrastructure (SFD Circular No. 01/2016). Besides, by the direction of Honorable Prime Minister, and Bangladesh Bank's instruction in conformity with that, all the banks & FIs must ensure the establishment and activeness of Effluent Treatment Plant (ETP) during financing to all possible clients (SFD Circular No 03/2016).

To broaden the financing avenue for green products like solar energy, bio-gas plant and effluent treatment plant, etc., BB established a revolving refinance scheme amounting to Taka 2 billion (200 crore) from its own fund for solar energy, Bio-gas and Effluent Treatment Plant (ETP) in 2009. The product line has been enhanced to 51 under 08 categories vide SFD Master Circular No. 03/2017.

An on-lending scheme namely "Financing Brick Kiln Efficiency Improvement Project", was established in BB supported by ADB with a view to reducing greenhouse gas emissions and refine particulate pollution from brick fields throughout the country and building environment friendly

¹ Financial Institutions licensed under Financial Institutions Act, 1993.

brick fields through development of efficiency of brick kiln with usage of appropriate technology and energy in 2012. In this scheme, total amount of loan from ADB is 50.00 million USD/converted to equivalent BDT for local use. It has two parts: Part-A: 30.00 million USD for conversion of Fixed Chimney Kiln (FCK) to Improved Zigzag Kiln and Part-B: 20.00 million USD for establishment of new Vertical Shaft Brick Kiln (VSBK), Hybrid Hoffman Kiln (HHK) and Tunnel Kiln.

Bangladesh Bank has introduced refinance scheme funded by access liquidity of shariah based financial institutions to facilitate the shariah based banks and non-bank financial institutions (NBFIs) in the country vide GBCSRD circular no.06 dated October 12, 2014. This refinance scheme aims to encourage the shariah based investors to be involved more in the renewable energy and environment friendly efforts, and strengthen the involvement of shariah based financing in this sector.

Bangladesh Bank (BB) intends to provide long term financing for private sector firms, mainly mid size manufacturing firms under the Financial Sector Support Project (FSSP) financed by the International Development Association (IDA). An Environmental and Social Management Framework (ESMF) has been developed to ensure the sustainability of financing of this facility (FE Circular No. 18/2015).

In January 2016, a new longer-term refinancing window named Green Transformation Fund (GTF) of 200 million USD was launched to ensure sustainable growth in export oriented textile and leather sectors conducive to transformation of green economy in the country (FE Circular No. 02/2016). To further fortify the financing arrangement under GTF, it was decided to provision for a Participation Agreement to be signed between Bangladesh Bank and intended banks. To widen the scope of this fund, in October, 2017 through FE Circular no 36/2017, export oriented Jute sector was included in GTF. Under this scheme, 18 banks have signed participation agreement with BB.

This report covers both green finance/investment by the participating scheduled banks and FIs under refinance scheme and also finance/investment for green projects from their own sources.

2. Review on Green Banking Activities of Banks and Financial Institutions (FIs)

2.1. Policy Formulation and Governance:

All scheduled banks except Shimanto Bank Ltd. (Scheduled from July 21, 2016 through BRPD Circular Letter 10/2016) have formed their own Green Banking Policy Guidelines and Green Office Guide. All the FIs except Lankan Alliance Finance Ltd (Scheduled from June 20, 2017 through DFIM Circular no 03/2017) have also formed their own Green Banking Policy Guidelines.

2.2. Allocation and Utilization of Fund for Green Banking Activities:

The snapshot of sanction and disbursement of total finance along with green finance by banks and FIs during January-March, 2018 quarter is shown in Table-1. The quarterly shift from December 2017 to March 2018 evidences increasing trend in case of Green Finance (Figure-1). Utilization of Climate risk fund is also increasing significantly during this quarter. 757.09 and 0.05 million taka has been utilized as grant and concessional loan respectively from this fund. 41 banks out of 57 and 17 FIs out of 34 have conducted environmental risk rating in the reporting quarter. In this quarter number of projects rated is 25,497; number of rated project financed is 19,622 and amount disbursed

in rated projects is 915,649.04 million taka. The quarterly shift of ESRR by banks and FIs is showing an increasing trend. (Figure-2).

Table-1: Sanction & Disbursement of Funded Loan

Type of Bank/FI	Total Finance in January-March 2018 (in million Taka)		Green Finance in January-March, 2018 (in million Taka)	
	Sanctioned	Disbursed	Sanctioned	Disbursed
SOCBs (06)	86,881.80	79,668.88	384.11	409.06
SDBs (02)	26,724.10	26,512.40	5.30	5.30
PCBs (40)	2,682,756.83	2,354,799.46	30,645.31	22,149.26
FCBs (09)	254,549.20	280,078.60	1,270.00	37.57
Total	3,050,911.93	2,741,059.34	32,304.72	22,601.19
FIs (34)	123,486.15	137,787.67	584.45	1,491.21
Grand Total	3,174,398.08	2,878,847.01	32,889.17	24,092.40

Figure-1: Quarterly Comparison of Utilization of Fund

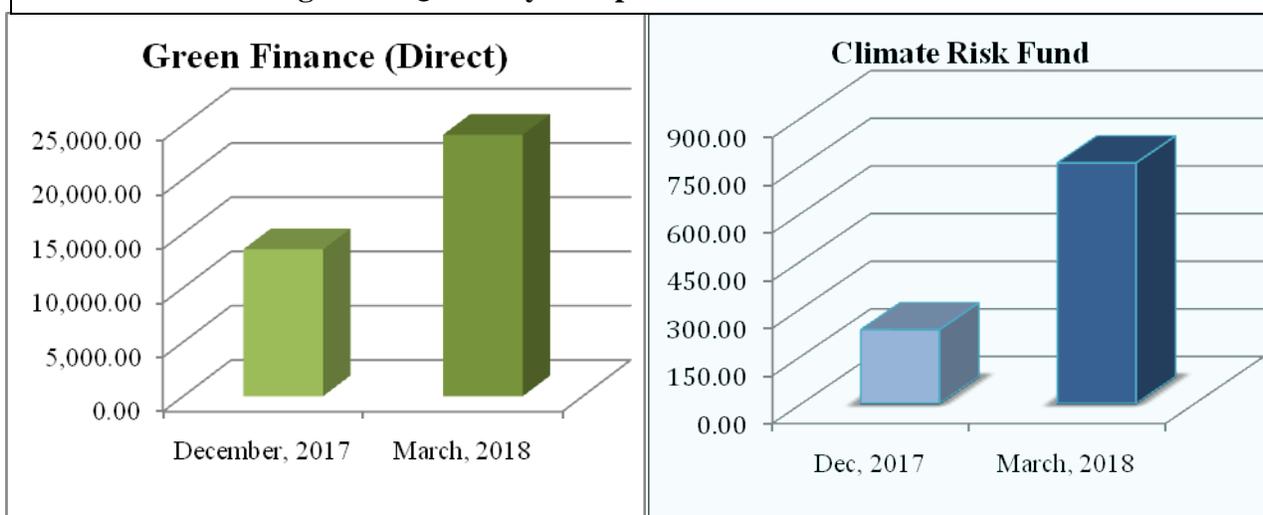


Table-2: Utilization of Climate Risk Fund (in million taka)

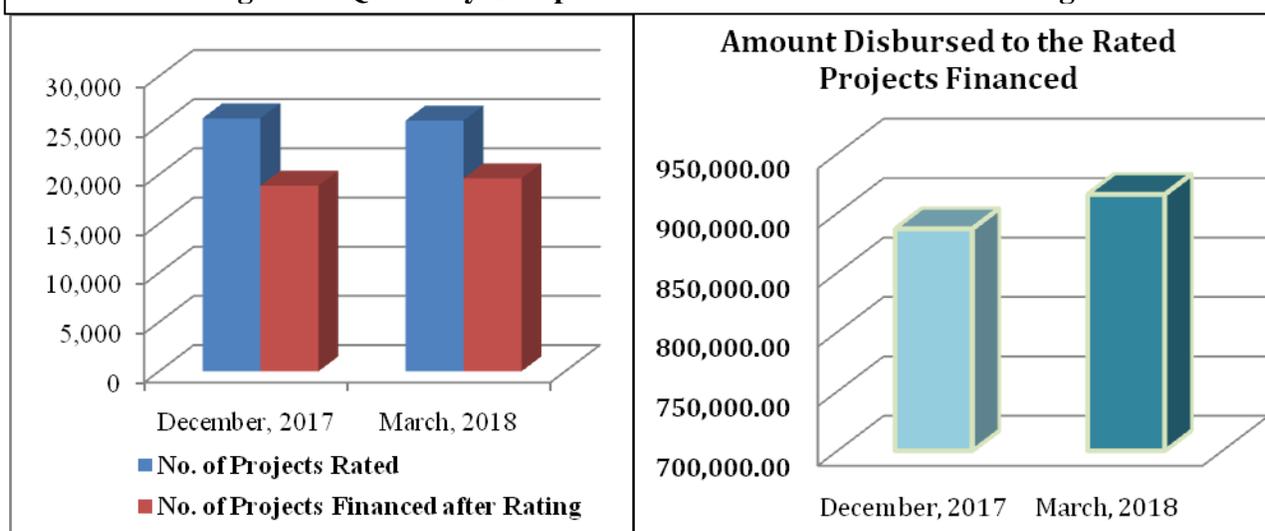
Type of Bank/FI	Grant		Concessional Loan
	Event	Project	
SOCBs (06)	0.00	0.00	0.00
SDBs (02)	0.00	0.00	0.00
PCBs (40)	756.28	0.00	0.05
FCBs (09)	0.00	0.00	0.00
Total	756.28	0.00	0.05
FIs (34)	0.81	0.00	0.00
Grand Total	757.09	0.00	0.05

2.3. Environmental Risk Rating (ERR):

Table-3: Environmental & Social Risk Rating

Type of Bank/FI	No. of Projects Rated	No. of Rated Projects Financed	Amount disbursed in Rated projects (in million taka)
SOCBs (06)	3,496	3,492	19,163
SDBs (02)	0	0	0
PCBs (40)	20,853	15,154	841,239
FCBs (09)	612	481	40,335
Total	24,961	19,127	900,736.69
FIs (34)	536	495	14,912.34
Grand Total	25,497	19,622	915,649.04

Figure-2: Quarterly Comparison of Environmental Risk Rating



2.4. In-house Environment Management:

Table-4: Environmental Conservation in Business Centres

Type of Bank/FI	No. of Branches	No. of branches powered by Solar Energy	No. of ATM Booths	No. of ATM Booths powered by Solar Energy	Number of Agent Outlets	Number of Solar Powered Agent Outlets
SOCBs (06)	3696	68	184	2	199	0
SDBs (02)	1412	5	6	0	0	0
PCBs (40)	4882	459	6119	99	13798	2
FCBs (09)	68	5	130	4	0	0
Total	10058	537	6439	103	13997	2
FIs (34)	264	3	-	-	-	-
Grand Total	10322	540	6439	103	13997	2

2.5. Green Finance:

31 Banks out of 57 and 8 FIs out of 33 have had exposure in green finance in the reporting quarter. Total amount invested as green finance has been Tk. 24,092.40 million in January-March 2018 quarter. Green financing is on upward mode in this quarter, total sanction of green finance by Banks and FIs is 1.04% of sanction of total finance and total disbursement of green finance is 0.84% of total funded loan disbursement. A brief picture of green finance by Banks and FIs is shown in Table-5, Table-6, Figure-3 and Figure-4:

Table-5: Green Finance (in million Taka)

Type of Bank/FI	Category of Green Finance			
	Renewable Energy	Energy Efficiency	Alternative Energy	Waste Management
SOCBs (06)	2.30	0.00	0.00	129.83
SDBs (02)	1.85	0.00	0.00	0.00
PCBs (40)	321.96	306.71	2.00	14,019.20
FCBs (09)	37.57	0.00	0.00	0.00
Total	363.68	306.71	2.00	14,149.03
FIs (34)	94.36	950.33	0.00	48.70
Grand Total	458.04	1,257.04	2.00	14,197.73

Table-5: Green Finance (in million Taka)- Table Continued

Type of Bank/FI	Category of Green Finance			
	Recycling & Recyclable Product	Green Brick Manufacturing	Green Establishment	Miscellaneous
SOCBs (06)	80.91	195.59	0.00	0.43
SDBs (02)	0.00	3.00	0.00	0.45
PCBs (40)	416.34	3,598.06	2,898.55	586.44
FCBs (09)	0.00	0.00	0.00	0.00
Total	497.25	3,796.65	2,898.55	587.32
FIs (34)	102.00	103.87	191.94	0.00
Grand Total	599.25	3,900.52	3,090.50	587.32

Table-6: Green Finance as % of Total Finance

Type of Bank/FI	As % of Total Sanctioned	As % of Total Funded Loan Disbursement
SOCBs (06)	0.44%	0.51%
SDBs (02)	0.02%	0.02%
PCBs (40)	1.14%	0.94%
FCBs (09)	0.50%	0.01%
Total	1.06%	0.82%
FIs (34)	0.47%	1.08%
Grand Total	1.04%	0.84%

Figure-3: Green Finance as % of Total Funded Loan Disbursement

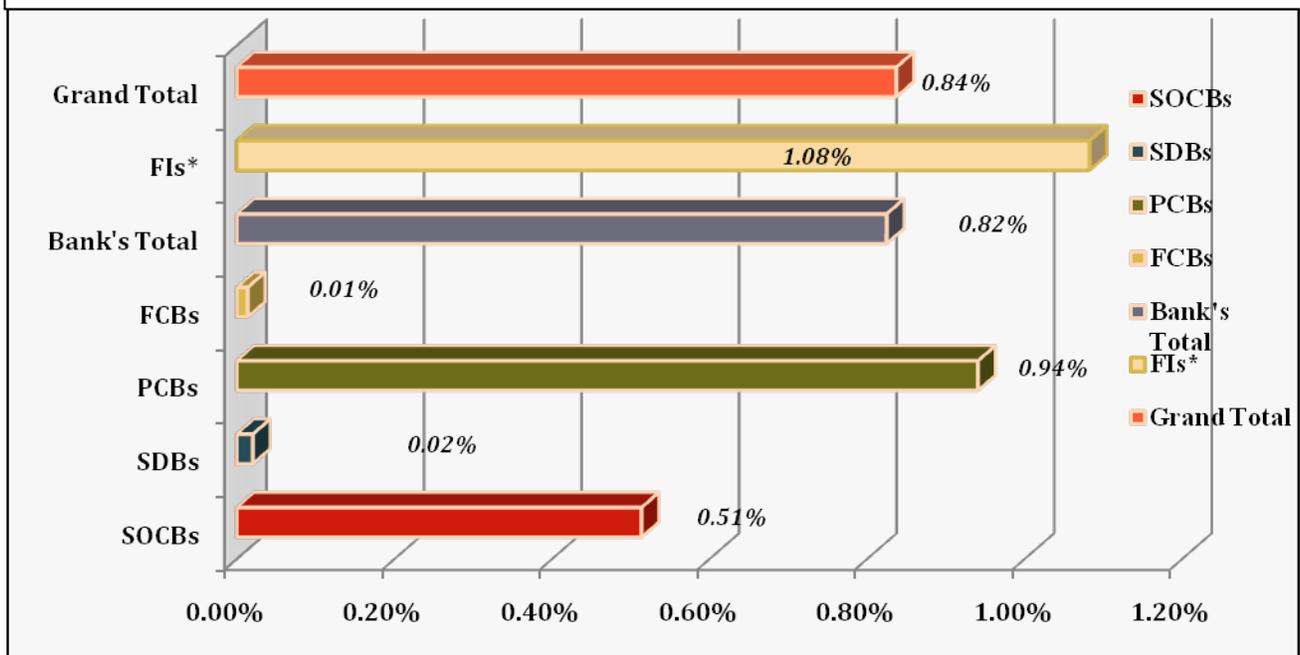
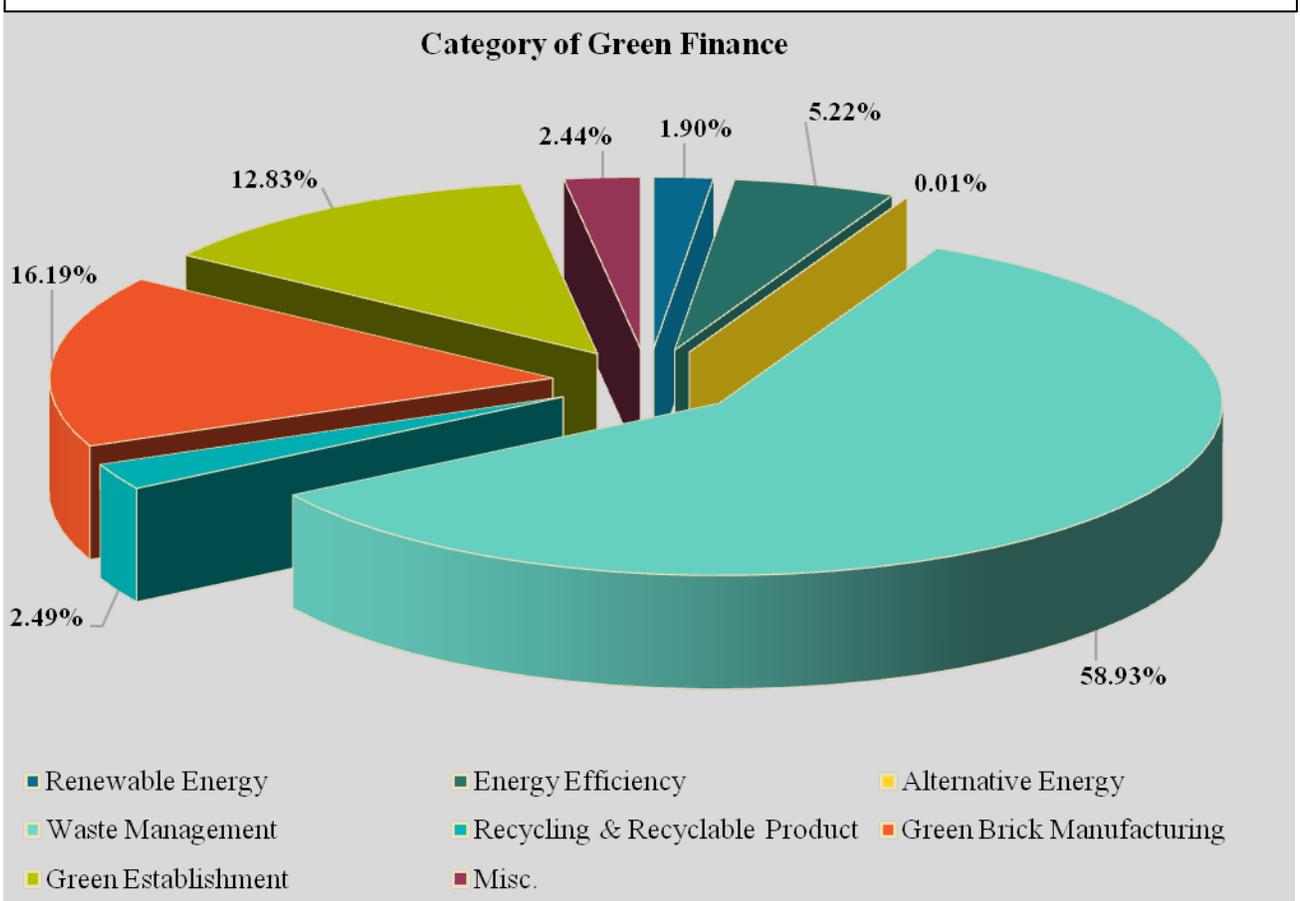


Figure-4: Green Finance across All Categories



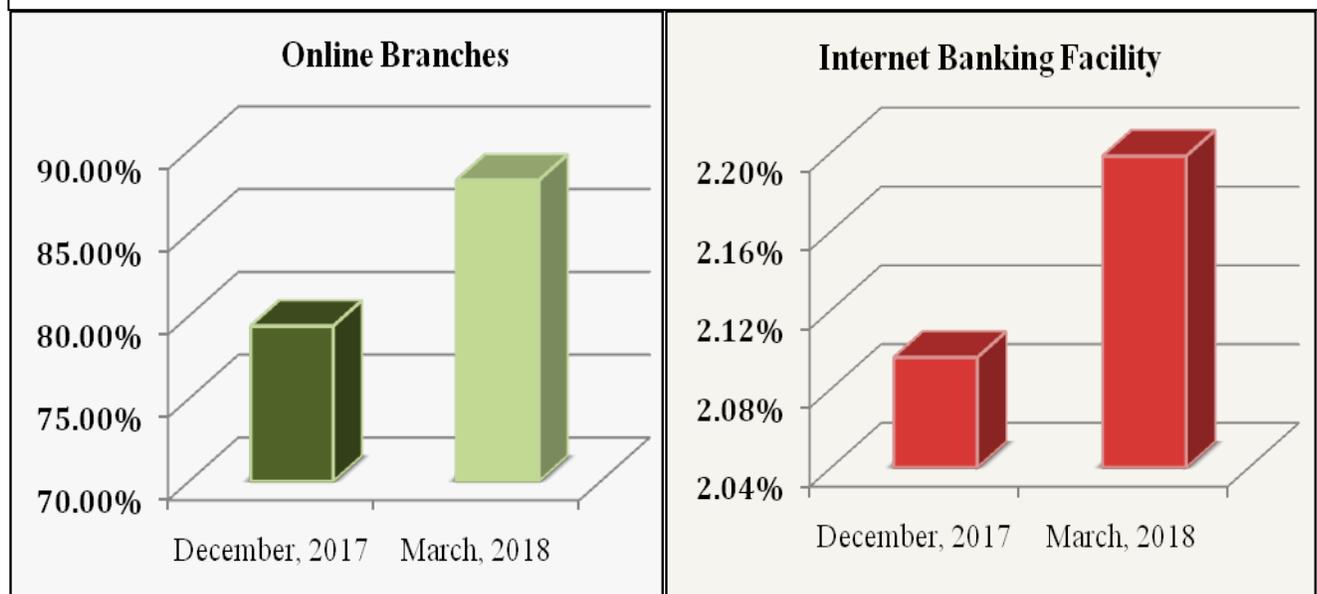
2.6. Online Banking:

56 Banks out of 57 have at least one online branch and 46 banks have introduced internet banking facility up to March, 2018. Sharp progress (79.38% to 87.35%) has been observed in the expansion of online branches in the previous quarters. Internet banking facility has also been observed an increasing trend (2.10% to 2.20%) than the previous quarter (Figure-5).

Table-7: Automation towards Green Banking (at March 31, 2018)

Type of Bank/FI	No. of Total Branches	No. of Branches with online coverage	% of Online Branches	No. of Total Accounts	No. of Accounts facilitated with Internet Banking	% of Accounts using Internet Banking
SOCBs (06)	3696	3,670	99.30%	38,023,253	0	0.00%
SDBs (02)	1412	335	23.73%	11,950,126	0	0.00%
PCBs (40)	4882	4,713	96.54%	46,804,981	1,963,551	4.20%
FCBs (09)	68	68	100.00%	327,231	170,948	52.24%
Grand Total	10,058	8,786	87.35%	97,105,591	2,134,499	2.20%

Figure-5: Quarterly Comparison of Online Banking



2.7. Training, Promotion and Disclosure:

32 Banks out of 57 have arranged 120 training programs concerning green banking where total number of participants was 4,146. On the other hand, 6 FIs out of 34 have arranged 6 training programs concerning green banking where total number of participants was 115. A snapshot on training in January-March, 2018 quarter is given below:

Type of Bank/FI	No. of Programs	No. of Employees	No. of Customers
SOCBs (06)	19	461	0
SDBs (02)	6	256	0
PCBs (40)	91	3294	2
FCBs (09)	4	135	0
Total	120	4,146	2
FIs (34)	6	115	1
Grand Total	126	4261	3

2.8. Major Green Banking Activities at a Glance in January-March, 2018:

Issue	Bank	FI
Number of banks/FIs having Sustainable Finance unit	57	34
Number of banks/FIs having Green banking policy	56	33
Number of banks/FIs having Green office guide	56	33
Number of environmental risk rated projects	24,961	536
Number of environmental risk rated projects and financed	19,127	495
Amount disbursed against rated projects (in million Taka)	900,736.69	14,912.34
Number of solar powered branches	537	3
Number of solar powered ATM Booths	103	-
Online branches (as % of total branches)	87.35%	N/A
Amount disbursed as green finance (in million Taka)	22,601.19	1,491.21
Direct green finance as % of total funded loan disbursement	0.82%	1.08%
Amount utilized for climate risk fund (in million Taka)	756.33	0.81

3. Review on Green Refinance Activities of BB:

3.1. BB Refinance Scheme for Environment Friendly Products/Initiatives:

In order to promote the environment friendly financial products/initiatives in Bangladesh, Tk. 3,655.181 million has been disbursed till March, 2018 under this revolving refinance scheme. A total of 35 banks and 20 Financial Institutions so far have signed participation agreement with Bangladesh Bank in this purpose after the issuance of the master circular (SFD Circular No. 03/2017). The disbursement scenario of this scheme during January-March, 2018 quarter is furnished below:

SL. No	Sub-category/ Product	Taka in million
1	Biogas	3.05
2	Effluent Treatment Plant	20.00
3	Green Industry	200.00
4	Safe Work Environment	18.50
	Total Disbursement	241.55

3.2. ADB Supported Financing Brick Kiln Efficiency Improvement project:

“Financing Brick Kiln Efficiency Improvement Project” has been established in Bangladesh Bank funded by Asian Development Bank (ADB) for reducing greenhouse gas emissions and fine particulate pollution from brick fields of the country and building environment friendly brick field

through efficiency development of brick kiln with appropriate use of energy. Relending facilities are extended to the Participatory Banks and Financial Institutions (PFIs) in this purpose. 36 banks and 21 financial institutions have signed participation agreement with Bangladesh Bank so far. Under this relending facility, total USD 17.86 million (BTD 138.76 crore) relending facility has been disbursed to 9 subprojects through 6 Participating Financial Institutions (PFIs) upto March 2018. The validity of the project is December 2018. BDT 12.81 crore has been disbursed in January-March quarter to 1 subproject through 1 PFIs.

3.3. Refinance Scheme for Islamic Banks & Financial Institutions for Investment in Green Products/Initiatives:

Bangladesh Bank has disbursed BDT 48.29 million for “Working Environment and Fire Safety of Factory” under shariah based refinancing scheme during January-March, 2018 quarter. During the same period Bangladesh Bank has collected BDT 0.53 million profit under this scheme which is credited to the current account of the invested banks that is maintaining with Bangladesh Bank.

4. Concluding Remarks:

The green banking activities of Banks and FIs in the quarter ended March 31, 2018 evidences upward trend in total green finance for both Banks and FIs. Green finance has been increased by 78.10% in this quarter than the previous one though the number of financial institutions involved in green finance is not increasing. BB is trying to play a significant role by monitoring the whole scenario and by taking appropriate policy initiatives. We can expect the outcome of these initiatives should be positive and anticipate more rigorous and effective performance of banks and FIs in mainstreaming green banking in future.

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