

Quarterly Review Report

on

Green Banking Activities of Banks & Financial Institutions

and

Green Refinance Activities of Bangladesh Bank

January-March, 2020



Sustainable Finance Department
Bangladesh Bank
Head Office

Executive Summary

The world at large is experiencing the devastating effects of the global climate crisis including droughts, floods, tsunami, water scarcity, and rising sea level. These consequences of climate change threaten the sustainable living on this planet which calls for an urgent and collective response from both developed and developing nations especially countries like Bangladesh. On that standpoint, we need to take necessary steps for our sustainability in long run. Green interventions and frameworks are crucial for making future development more sustainable. Forming green frameworks are very much within the broader scope of sustainable development agenda of a country like Bangladesh. Banks and financial institutions (FIs) hold a unique position in an economic system that can affect production, business and other economic activities through their financing activities, and thus also influence environmental risk management in real economy, and sustainable growth. These institutions can accelerate the movement of a clean world to a large extent. For instance, these institutions can implement a 'go-green' policy for themselves and encourage client firms to adopt clean technology. In the long-term, this strategy is expected to be favorable for firms, to reduce the cost and induce the access to the new market. To advance their interest, all the financial institutions should follow the carbon footprint of their clients or projects to ensure overall sustainability.

In recent days, an increasing number of banks/NBFIs are going green by providing innovative products that cover financial services to support the activities that are not hazardous to environment, on the other hand help to conserve environment. Such activities are popularly known as 'Green Banking Activities'. This report entails the information on all the policy initiatives and operational approaches on green finance taken by Bangladesh Bank (BB), and also the Green banking activities of Banks & Financial Institutions from January 01 to March 31, 2020 timeline. It covers both green finance/investment by 59¹ scheduled banks and 33² FIs under refinance scheme and also finance/investment for green projects from their own sources.

	March, 2019	June, 2019	Sep, 2019	Dec, 2019	March, 2020
Green Finance by Banks (In million Tk)	28,754.37	23,676.38	19,104.82	33,421.96	28,372.12
Green Finance by FIs (In million Tk)	1,739.23	1,542.40	1,095.13	1,703.50	2,139.79

¹ According to BRPD Circular Letter No-04/2020 (Date: February 23, 2020), Bengal Commercial Bank Ltd. has been considered as a scheduled bank. But as a very new scheduled bank, it is not accounted for this quarter.

² After initiation of legal process of the liquidation of Peoples Leasing & Financial Services Limited, number of total Financial Institutions stands at 33.

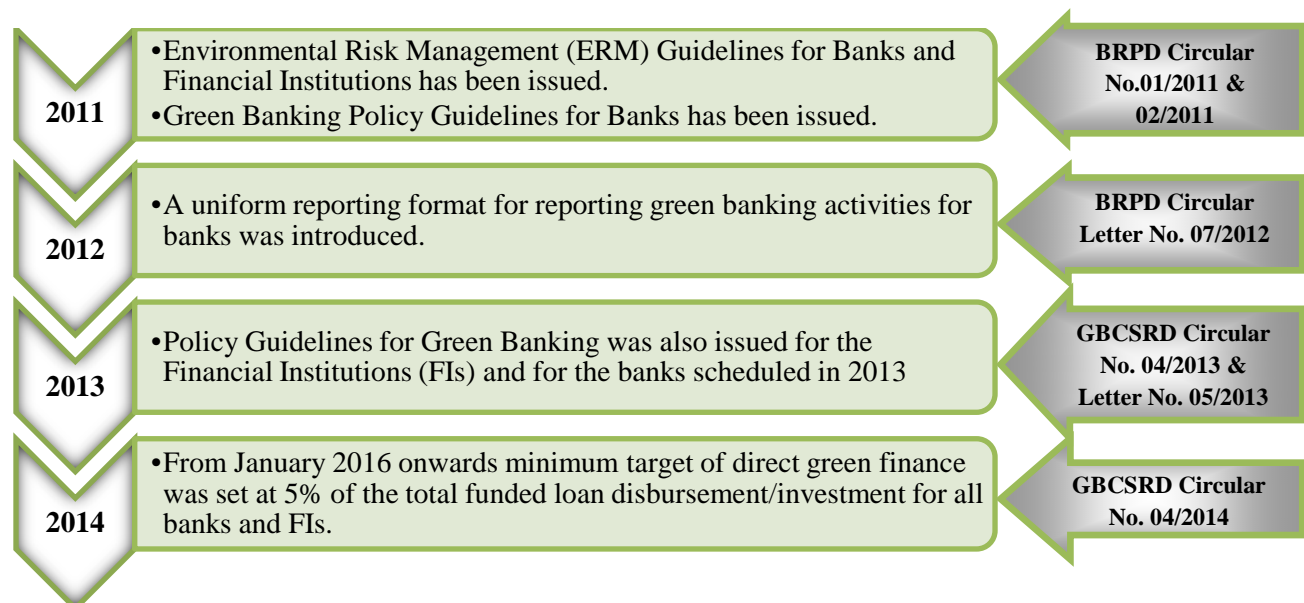
1. Introduction

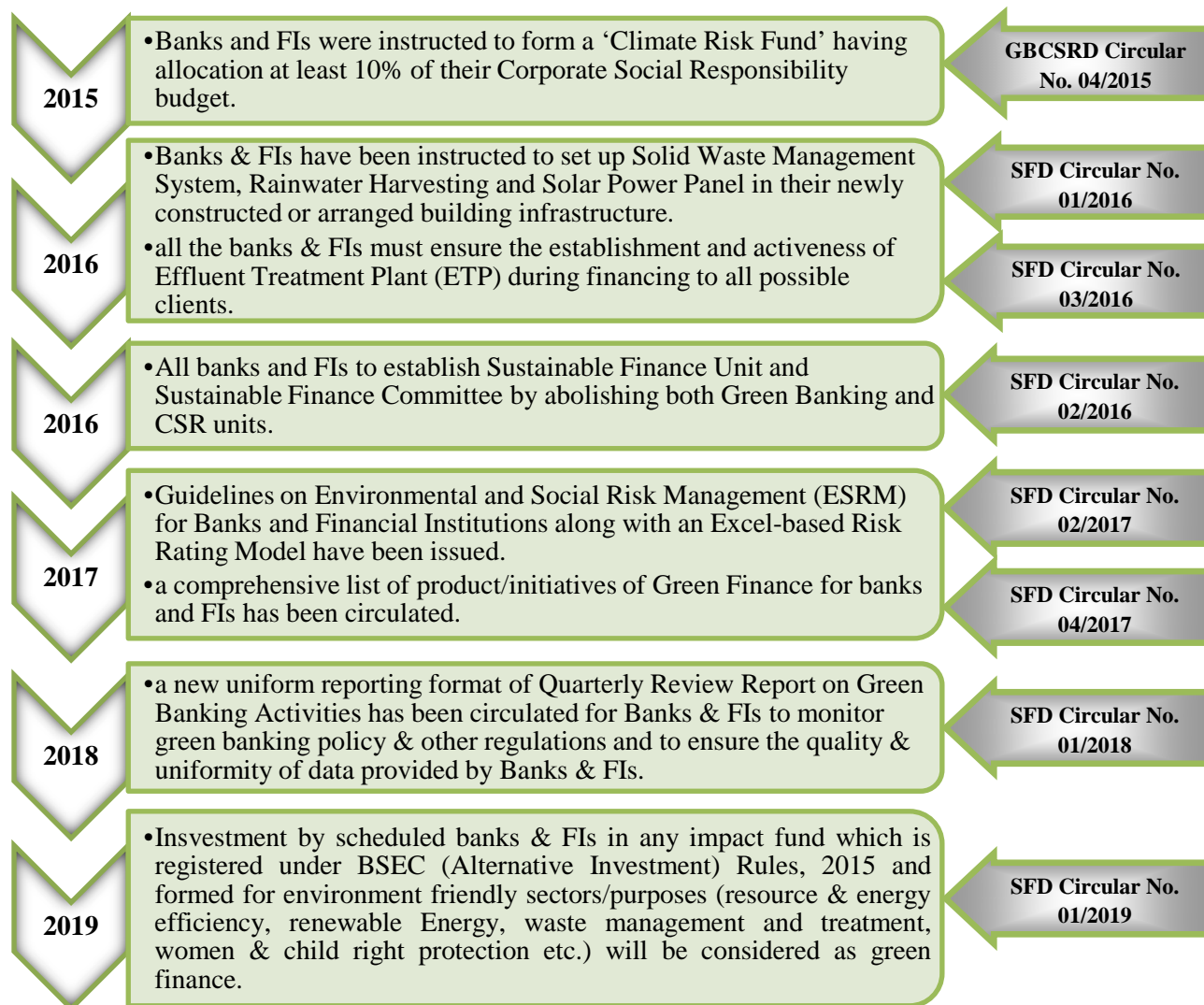
Green banking is a genre of banking practices which considers all the social and environmental/ecological factors with an aim to protect the environment and conserve natural resources. It is also called as ethical banking or sustainable banking. The banking sector is one of the major sources of financing industrial projects such as steel, paper, cement, chemicals, fertilizers, power, textiles, etc., which cause maximum carbon emission. Therefore, the banking sector can play an intermediary role between economic & social development and environmental protection, for promoting environmentally sustainable and socially responsible investment. Green banking refers to the banking business conducted in such areas and in such a manner that help the overall reduction of external carbon emission and internal carbon footprint.

‘Go-green’ approach in banking sector has basically two forms. Firstly, through adoption of environmental and social responsibility in bank’s day to day operations like wise use of paper, energy conservation etc. and secondly, by including sustainability in to banks’ products and strategies like green lending, etc. Bangladesh Bank (BB) has set examples for others by pioneering green banking initiatives by guiding proactively the banks and NBFIs since 2011. In such aspect, green banking initiatives of BB broadly categorized into the following aspects: policy initiatives, monitoring of green banking activities of banks and NBFIs, refinance support from BB in diverse green products/ sectors, and BB's own initiatives for environmental management.

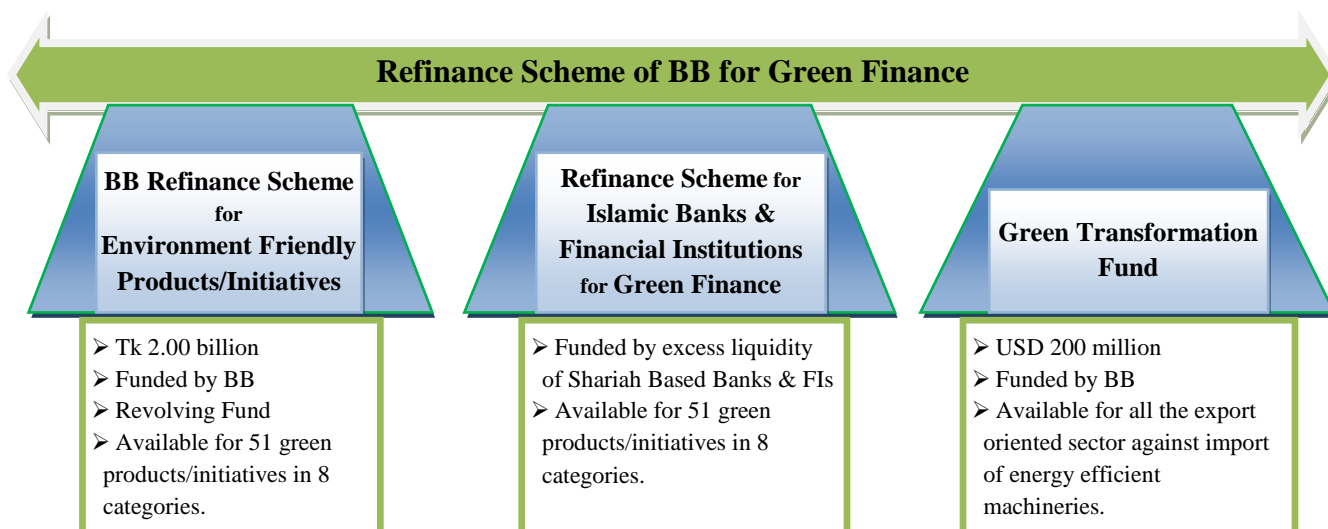
2. Policy Chronology and Support Funding Initiatives of BB

2.1 Policy Chronology:





2.2 Support Funding Initiatives of BB:



3. At a Glance Green Banking of January-March, 2020

3.1 Green Finance:

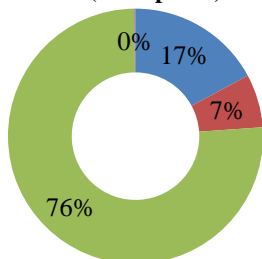
Issue	Banks	FIs
Green Finance (in million Taka)	28,372.12	2,139.79
Green finance as % of total funded loan disbursement	1.41%	5.04%

Green finance in number of Products of different sectors	Renewable Energy (18)	Energy Efficiency (7)	Alternative Energy (1)	Waste Management (11)	Recycling & Recyclable Product (7)	Green Brick Manufacturing (3)	Green Establishment (2)	Misc. (3)	Total (52)
Banks	6	5	1	6	6	1	2	2	29
FIs	8	2	0	1	1	1	1	1	15

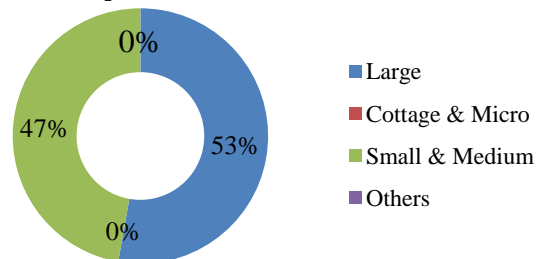
3.2 Number of Borrowers in Green Finance:

Number of Borrowers in Green Finance (Enterprises)	Large	Cottage & Micro	Small & Medium	Others	Total
Banks	119	47	528	1	695
FIs	19	0	17	0	36

Number of Borrowers in Green Finance (Enterprises) for Banks

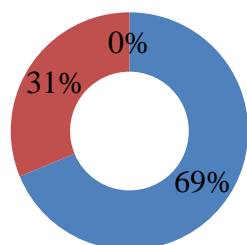


Number of Borrowers in Green Finance (Enterprises) for FIs

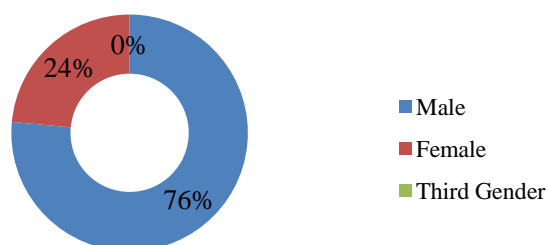


Number of Borrowers in Green Finance (Individuals)	Male	Female	Third Gender	Total
Banks	77	35	0	112
FIs	13	4	0	17

Number of Borrowers in Green Finance (Individuals) for Banks

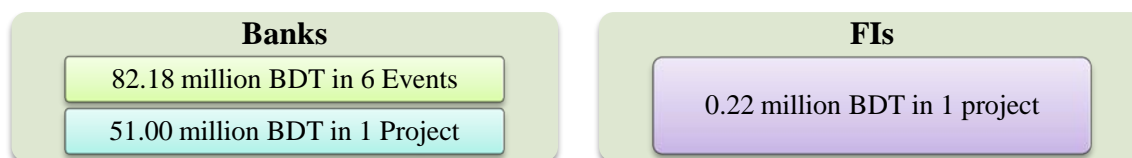


Number of Borrowers in Green Finance (Individuals) for FIs



3.3 Non-performing Loan:

Comparison of Non-performing Loan (Till March 31, 2020)		
Issue	Banks	FIs
Total Outstanding Loans/ Investment (In million TK)	10,961,971.52	666,297.65
Total Classified Loans/ Investment (In million TK)	936,305.03	70,994.38
Outstanding Loans/Investment under ESDD (In million TK)	2,423,180.91	139,836.66
Classified Loans/Investment under ESDD (In million TK)	71,686.74	13,008.52
Outstanding Loan/Investment under Green Finance (In million TK)	257,482.60	32,461.86
Classified Loan/Investment under Green Finance (In million TK)	7,331.74	3,048.41

3.4 Utilization of Climate Risk Fund by Banks & FIs:**3.5 Environmental & Social Risk Management:**

Issue	Banks	FIs
Number of environmental risk rated projects	17,833	1,160
Number of environmental risk rated projects financed	15,141	1,061
Amount disbursed against rated projects (in million Taka)	493,746.97	35,049.47

3.6 Environmental Conservation in Business Centres:

Issue	Banks	FIs
Number of solar powered branches	599	3
Number of Branches with Rainwater Harvesting	7	-
Number of Branches with Solid Waste Management System	247	7
Number of solar powered ATM Booths	60	-
Online branches (as % of total branches)	90.75%	N/A

3.7 Leading Banks & FIs in Green Finance³:

Name of the Institutions	Green finance as % of total funded loan disbursement
NRB Bank Limited	16.34%
IFIC bank Limited	8.74%
The HSBC Limited	7.55%
BRAC Bank Limited	4.46%
Mutual Trust Bank Limited	4.17%
Modhumoti Bank Limited	3.43%
Prime Finance & Investment Ltd.	100.00%
Saudi Bangladesh industrial & Agricultural Investment Company Ltd.	61.47%
Bangladesh Infrastructural Finance Fund Ltd.	50.55%
Infrastructure Development Co. Ltd.	37.27%

³ Banks & FIs have had an exposure in green finance $\geq 3\%$ of total funded loan disbursement.

4. Review on Support Funding Schemes of BB for Green Finance

At a glance Funding Schemes of BB for Green Finance in January-March, 2020		
Funding scheme of BB	Amount	Number of Project
Disbursement from BB Refinance Scheme for Environment Friendly Products/Initiatives (in million Taka)	198.08	6
Disbursement from Refinance Scheme for Islamic Banks & Financial Institutions for Investment in Green Products/Initiatives (In million Taka)	24.21	6
Disbursement from Green Transformation Fund (GTF) (In million Dollar)	17.48	2

4.1 BB Refinance Scheme for Environment Friendly Products/Initiatives:

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. Since inception, total amount of Tk. 4,687.08 million has been disbursed as refinance facility from the fund till March 31, 2020. The disbursement scenario of this scheme during January-March, 2020 quarter is furnished below:

Table-4.1: Sub-category/ Product wise Disbursement		
SL. No	Sub-category/ Product	Taka in million
1	Biogas	0.55
2	Effluent Treatment Plant (ETP)	46.29
3	Vermi compost	0.95
4	HHK	100.00
5	Ensuring Work Environment and Security of Workers Factories	50.00
6	Solar Home System	0.29
Total Disbursement		198.08

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

Bangladesh Bank has introduced refinance scheme funded by excess liquidity of shariah based financial institutions to facilitate the shariah based banks and non-bank financial institutions (NBFIs) in 2014⁴. In 2018 Bangladesh Bank has issued an integrated and comprehensive “master circular”⁵ by revising and incorporating all the existing circular and circular letters related to this refinance scheme. BB has enhanced the product range under this scheme to 51 and segregated these products into 08 categories. During January-March, 2020 quarter Bangladesh Bank has disbursed BDT 24.21 million for “Working Environment and Fire Safety of Factory” in textile sector.

⁴ GBCSRD circular no. 06 /2014

⁵ SFD Circular No.02/2018

4.3 Green Transformation Fund (GTF):

In January 2016, a 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 country⁶. 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, it has been opened for all manufacturer-exporters irrespective of sectors against import of capital machinery and accessories for implementing specified green/environment-friendly initiatives since September, 2019⁷. Under this scheme, 19 banks have signed participation agreement with BB. The disbursement from this Fund is 63.31 million USD in till March, 2020. In January-March, 2020 quarter disbursement from this fund is 17.48 million USD only in textile sector.

⁶ FE Circular No. 02/2016

⁷ FE Circular Letter No. 14/2019)

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

5.1 Policy Formulation and Governance:

All scheduled banks have formed their own Sustainable Finance Unit and Green Banking Policy (except Community Bank Bangladesh Limited). All the FIs have also formed their own Green Banking Policy.

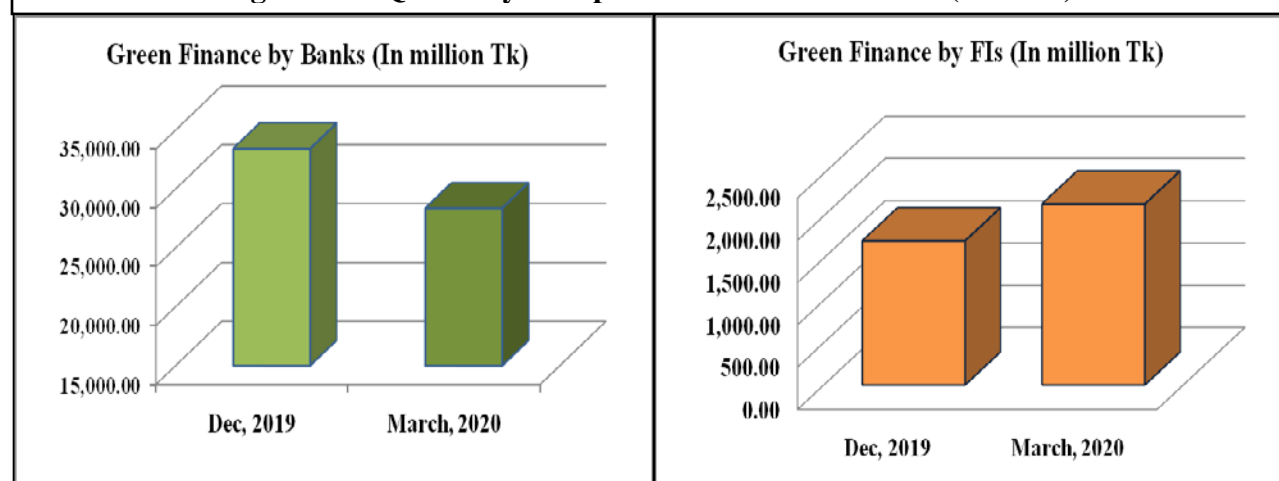
5.2 Overview of Green Finance:

The snapshot of sanction and disbursement of total finance along with green finance by banks and FIs during January-March, 2020 quarter is shown in Table-5.1. The quarterly of Green Finance shift from December 2019 to March 2020 evidences a decreasing trend in case of Banks and an increasing trend in case of FIs (Figure-5.1).

Table-5.1: Sanction & Disbursement of Green Finance (Funded)

Type of Bank/FI	<i>Total Finance in January-March, 2020 (in million Taka)</i>		<i>Green Finance in January-March, 2020 (in million Taka)</i>	
	<i>Sanctioned</i>	<i>Disbursed</i>	<i>Sanctioned</i>	<i>Disbursed</i>
SOCBs (06)	120,157.04	106,458.46	1,365.43	566.78
SDBs (03)	41,358.72	41,345.72	1.31	1.31
PCBs (41)	1,935,137.96	1,596,509.10	48,761.27	18,436.95
FCBs (09)	272,263.95	268,500.16	15,061.65	9,367.08
Banks' Total	2,368,917.67	2,012,813.44	65,189.66	28,372.12
FIs (33)	39,813.33	42,472.64	3,341.90	2,139.79

Figure-5.1: Quarterly Comparison of Green Finance (Funded)



5.3 Green Finance- Category wise:

38 Banks out of 59 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. 28,372.12 million by banks and 2,139.79 million by FIs in January-March, 2020 quarter. A brief picture of green finance by Banks and FIs is shown in Table-5.2 & 5.3 and Figure-5.2, 5.3 & 5.4:

Table-5.2: Green Finance (in million Taka)				
Type of Bank/FI	Sectors of Green Finance			
	Renewable Energy	Energy Efficiency	Alternative Energy	Waste Management
SOCBs (06)	0.99	0.00	0.00	0.00
SDBs (03)	0.92	0.00	0.00	0.00
PCBs (41)	1,230.78	1,917.80	0.43	2,377.60
FCBs (09)	49.07	104.87	0.00	218.31
Banks' Total	1,281.75	2,022.67	0.43	2,595.91
FIs (33)	430.37	1,490.44	0.00	10.00

Table-5.2: Green Finance (in million Taka)- Table Continued				
Type of Bank/FI	Sectors of Green Finance			
	Recycling & Recyclable Product	Green Brick Manufacturing	Green Establishment	Miscellaneous
SOCBs (06)	97.67	25.68	439.85	2.59
SDBs (03)	0.00	0.00	0.00	0.40
PCBs (41)	2,958.52	1,553.03	8,350.60	48.17
FCBs (09)	4.60	0.00	8,990.24	0.00
Banks' Total	3,060.79	1,578.71	17,780.70	51.16
FIs (33)	30.00	70.98	25.00	83.00

Table-5.3: Green Finance as % of Total Finance		
Type of Bank/FI	As % of Total Sanctioned	As % of Total Funded Loan Disbursement
SOCBs (06)	1.14%	0.53%
SDBs (03)	0.00%	0.00%
PCBs (41)	2.52%	1.15%
FCBs (09)	5.53%	3.49%
Banks' Total	2.75%	1.41%
FIs (33)	8.39%	5.04%

Figure-5.2: Green Finance as % of Total Funded Loan Disbursement

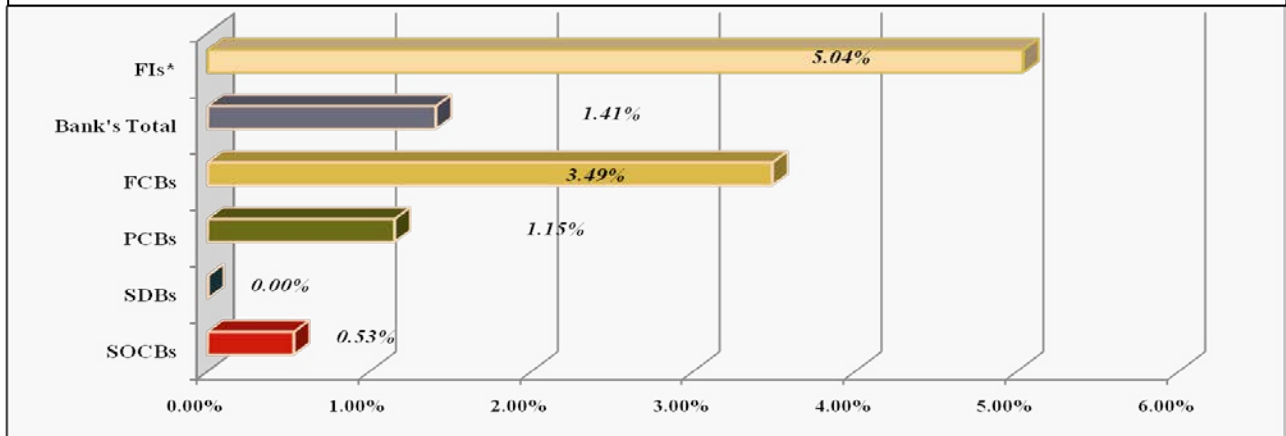


Figure-5.3: Green Finance by Banks in different sectors

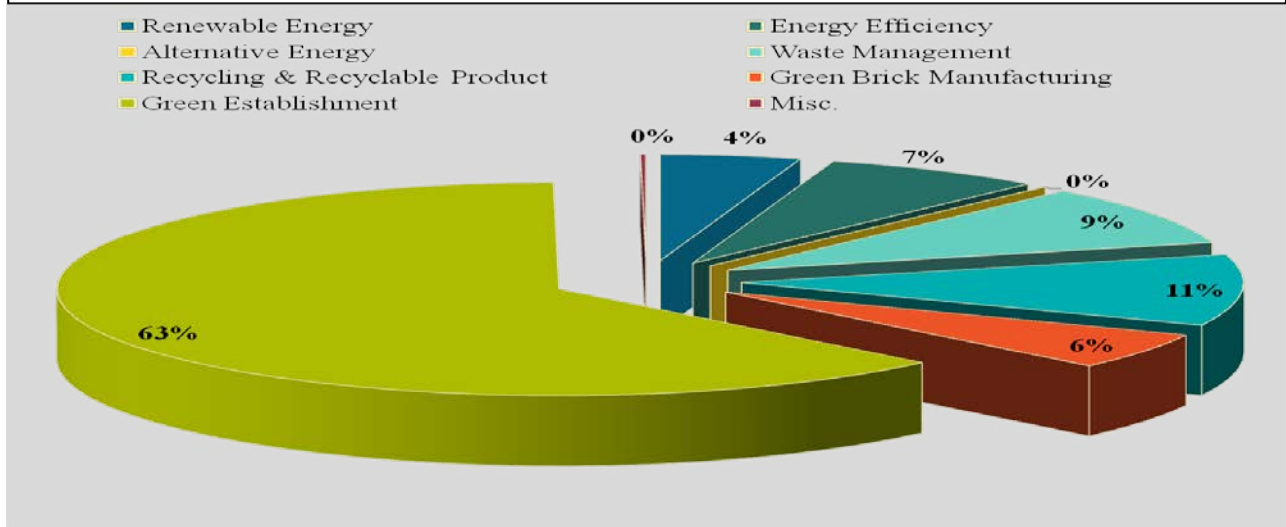
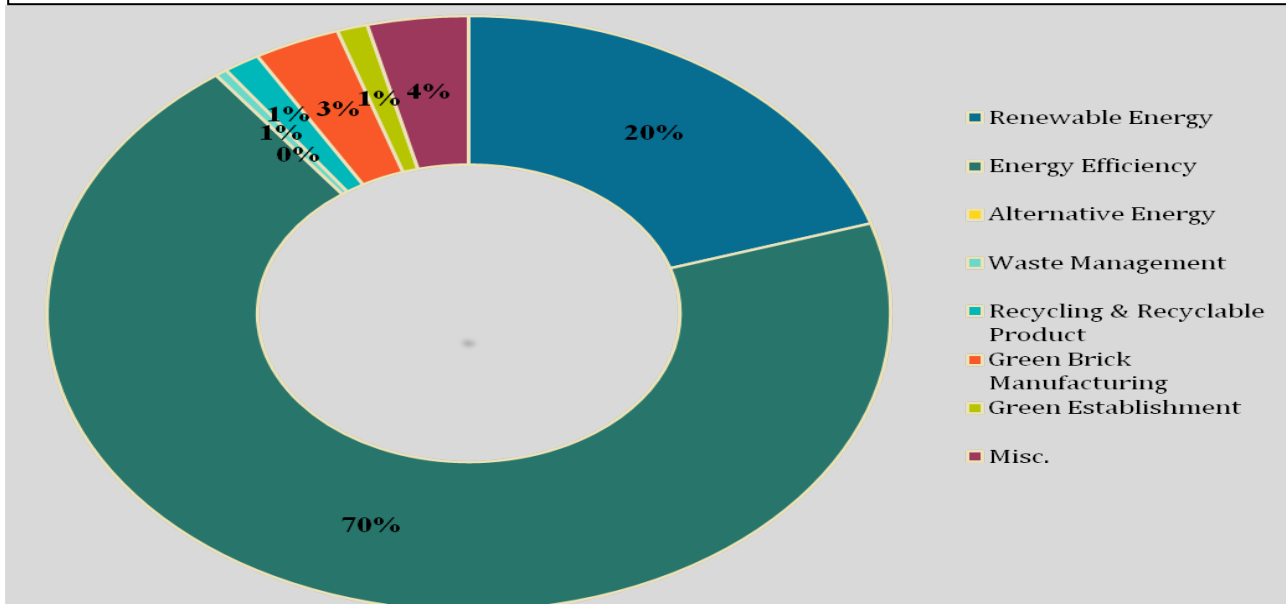


Figure-5.4: Green Finance by FIs in different sectors



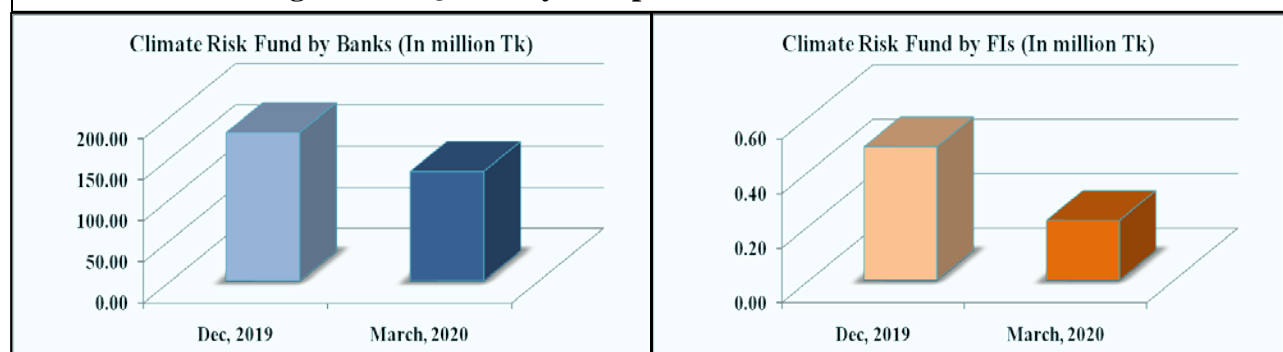
5.4 Climate Risk Fund:

133.18 million taka has been utilized as grant from climate risk fund by Banks. 0.22 million taka has also been utilized by FIs in this quarter.

Table-5.4: 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 (03)	0.00	0.00	0.00
PCBs (41)	82.18	50.50	0.00
FCBs (09)	0.00	0.50	0.00
Banks' Total	82.18	51.00	0.00
FIs (33)	0.00	0.22	0.00

Figure-5.5: Quarterly Comparison of Climate Risk Fund

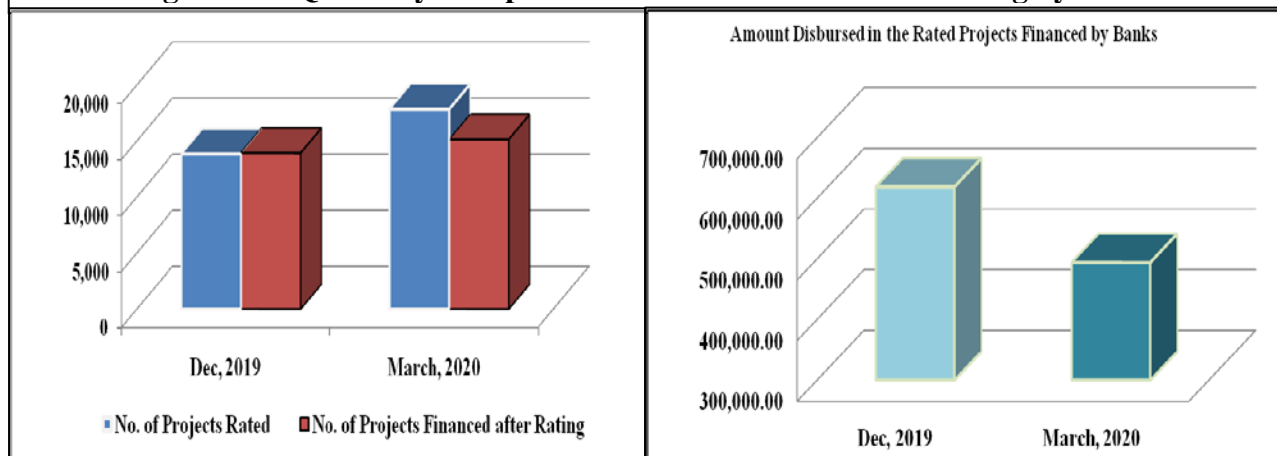
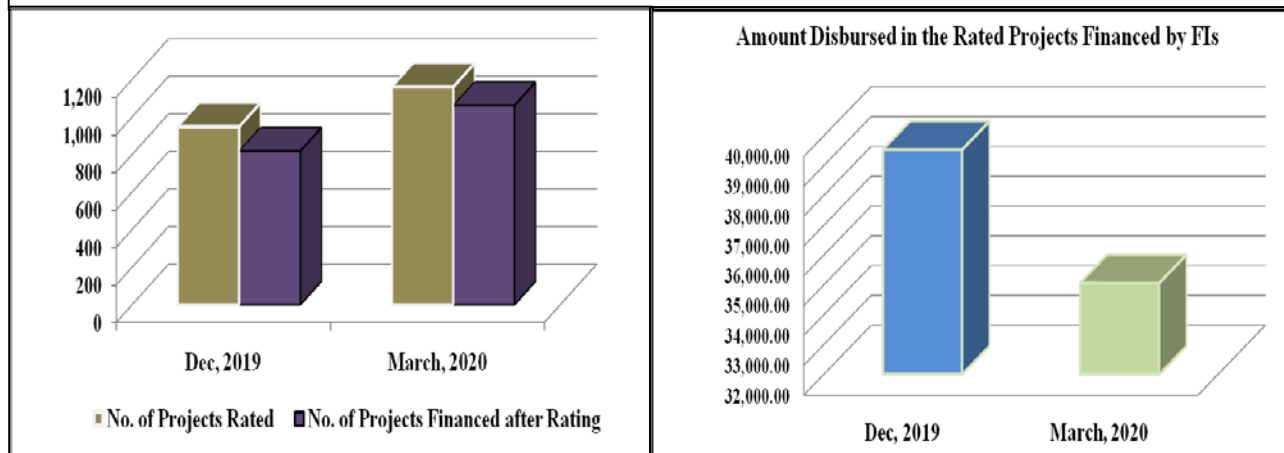


5.5 Compliance Overview of ESRM Framework:

42 banks out of 59 and 13 FIs out of 33 have conducted environmental risk rating in the reporting quarter. The quarterly shift of ESRR by banks and FIs is showing an increasing trend (Figure-5.6 & 5.7).

Table-5.5: 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)	2,562	2,737	7,150
SDBs (03)	0	0	0
PCBs (41)	15,080	12,296	470,866
FCBs (09)	191	108	15,731
Banks' Total	17,833	15,141	493,746.97
FIs (33)	1,160	1,061	35,049.47

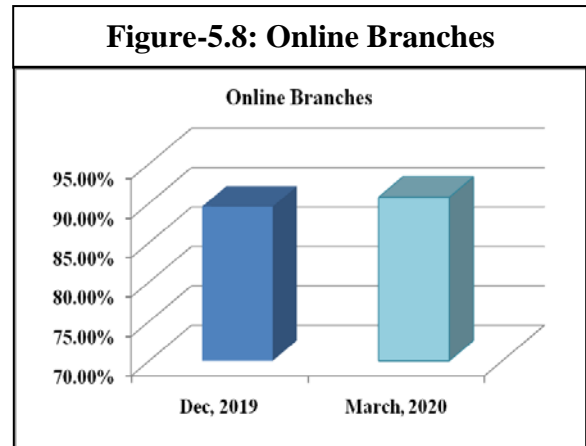
Figure-5.6: Quarterly Comparison of Environmental Risk Rating by Banks**Figure-5.7: Quarterly Comparison of Environmental Risk Rating by FIs****5.6 In-house Environment Management:****Table-5.6: Environmental Conservation in Business Centers**

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)	3,778	76	248	2	245	0
SDBs (03)	1,421	5	6	0	0	0
PCBs (41)	5,290	513	6,981	47	27,494	6
FCBs (09)	64	5	140	11	0	0
Banks' Total	10,553	599	7,375	60	27,739	6
FIs (33)	280	3	-	-	-	-

5.7 Online Banking:

58 Banks out of 59 have at least one online branch and 45 banks have introduced internet banking facility up to March, 2020. 90.75% automation towards green banking has been observed in the expansion of online branches (Figure-5.8).

Type of Bank/FI	No. of Total Branches	No. of Branches with online coverage	% of Online Branches
SOCBs (06)	3,778	3,707	98.12%
SDBs (03)	1421	517	36.38%
PCBs (41)	5290	5,289	99.98%
FCBs (09)	64	64	100.00%
Grand Total	10,553	9,577	90.75%



5.8 Training, Promotion and Disclosure:

26 Banks have arranged 79 training programs concerning green banking where total number of participants was 3,021. On the other hand, 3 FIs have arranged 3 training programs concerning green banking where total number of participants was 69. A snapshot on training in January-March, 2020 quarter is given below:

Type of Bank/FI	No. of Programs	No. of Employees	No. of Customers
SOCBs (06)	11	277	0
SDBs (03)	2	80	0
PCBs (41)	63	2567	10
FCBs (09)	3	87	0
Total	79	3,011	10
FIs (33)	3	68	1

6. Concluding Remarks:

The green banking activities of Banks and FIs in the quarter ended March 31, 2020 has experienced a bit downward trend in green finance for the financial sector. Green finance by banks has been decreased by 15.11% in this quarter than the previous one; in case of FIs it has been increased by 25.61%. Few institutions have surpassed the target of green finance compared to the total disbursement (5%). As a 4th generation bank, NRB Bank Ltd. (16.34%) has done a fantastic job; beside this, IFIC Bank Ltd. (8.74%) and The HSBC Ltd. (7.55%) have done very well. Among FIs, Prime Finance & Investment Ltd. (100.00%), Bangladesh Infrastructural Finance Fund Limited (50.55%), Saudi Bangladesh industrial & Agricultural Investment Company Ltd. (61.47%), Infrastructure Development Co. Ltd. (37.27%) have performed very well. As pre-covid-19 situation, overall picture is quite good for this quarter. BB is pursuing to boost up the whole scenario by taking appropriate policy initiatives. Refinance support from BB is also playing an important role to incentivize the green banking activities. As the outcome of these initiatives, it is expected that positive impact will be evidenced in the trend of green finance by banks and FIs in gradual manner. We also anticipate rigorous, effective and coherent efforts from banks and FIs in the field of green banking.

Preserve nature & reduce pollution



for the sustainability of human race.....