



**Sustainable Finance Department
Bangladesh Bank
Head Office**

Quarterly Review Report on Sustainable Finance of Banks & Financial Institutions



January-March, 2021

Executive Summary

The concern for environmental sustainability and inclusive growth has given mass recognition to the concept of corporate social responsibility and inclusive finance. In an emerging economy like Bangladesh, environmental management needs to be the key focus area of the business fraternity especially the banking industry being the major intermediary. Addressing environmental and social risks associated with financing activities by banks/FIs is a “must do” step in overall Credit Rating for credit approval. Stricter monitoring thereafter disbursement must go on. Accordingly, Bangladesh Bank has also integrated issues of socially responsible initiatives along with core activities of banks/FIs driving towards sustainable finance strategies.

Green and sustainable interventions and frameworks are crucial for making future development more sustainable. Forming sustainable 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.

For the first time Bangladesh Bank (BB) has defined ‘Sustainable Finance’ for Banks & FIs. This report entails the information on all the policy initiatives and operational approaches on Sustainable finance taken by BB, and the Sustainable Finance activities of Banks & FIs from January 01 to March 31, 2021 timeline. It also covers green finance/investment by 61 scheduled banks and 34 FIs under refinance scheme.



1. Introduction

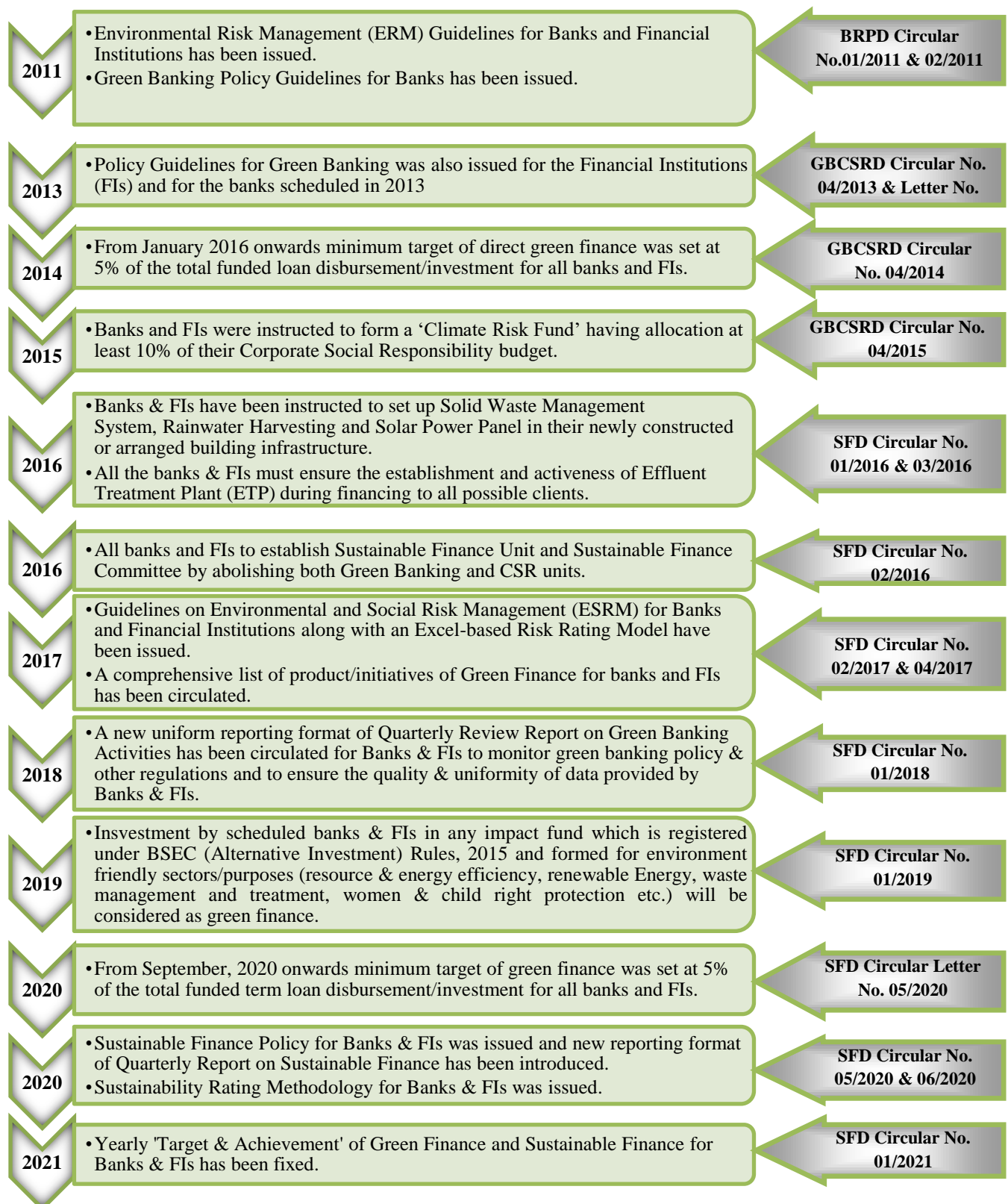
Sustainability has become one of the mainstream considerations in the financial sector. Bangladesh by its geography is a highly vulnerable country of climate change. Recognizing that the financial sector can play a catalytic role in speeding up adoption of environmentally friendlier output practices in the real economy; Bangladesh Bank (BB) has become role model by pioneering green banking initiatives by guiding proactively the banks and NBFIs since 2011. In this context, Sustainable Finance initiatives of BB broadly categorized into the following aspects: policy initiatives, monitoring of Sustainable Finance activities of banks and NBFIs, refinance support from BB in diverse green products/sectors, and BB's own initiatives for environmental management. Introduction of Sustainable Finance Policy has given an ample opportunity for the banks and FIs to contribute to inclusive Sustainable Green Growth where Green Finance Sustainable Agriculture, Sustainable CMSME, Socially Responsible Financing, other financing and CSR activities linked to sustainability is structurally addressed. Sustainable Finance refers to the business conducted in such areas and in such a manner that help the overall reduction of external carbon emission and internal carbon footprint.

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.

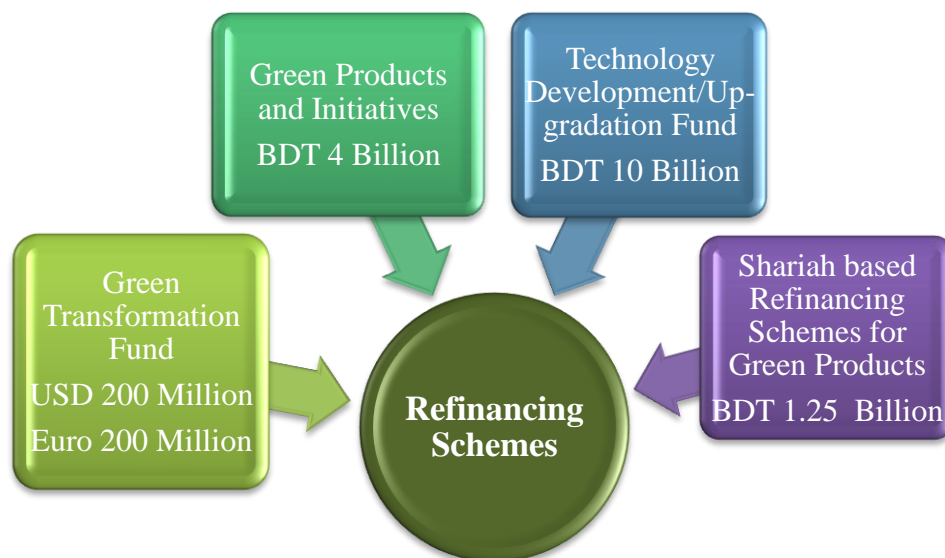
Quarterly Review Report on Sustainable Finance has been introduced for the first time not only for the green banking activities but also covering all the components of sustainable finance under Sustainable Finance Taxonomy. This report reflects a review of banks and FIs' efforts concerning People, Planet and Profit.

2. Policy Chronology and Refinancing Initiatives of BB

2.1 Policy Chronology:



2.2 Refinancing Initiatives of BB:



3. At a Glance Sustainable Finance of January-March, 2021

3.1 Sustainable Finance:

A. Highlights:

Issue	Banks	FIs	Total
Sustainable Finance (in million BDT)	181,506.16	3,764.16	185,270.32
Sustainable Finance as % of Total Loan Disbursement	7.98%	7.54%	7.97%
Green Finance (in million BDT)	18,881.04	985.33	19,866.37
Green Finance as % of Total Term Loan Disbursement	3.59%	3.16%	3.57%
Sustainable Linked Finance (in million BDT)	162,624.62	2,778.84	165,403.46

B. Sector-wise Sustainable Finance:

Issue	Sustainable Finance (in million BDT) by Banks & FIs (January-March, 2021)						Green Finance	Sustainable Finance
	Sustainable Linked Finance (SLF)							
	Sustainable Agriculture	Sustainable CMSME	Socially Responsible Financing (SRF)	Working Capital & Demand Loan of Green Products/Projects/Initiatives	Priority Green/Eco-Friendly Products for Trading Sector			
	1					2	1+2	
Banks	82,248.92	22,368.68	29,900.55	23,825.89	4,281.52	18,881.04	181,506.16	
FIs	586.99	510.05	1,381.70	92.30	207.80	985.33	3,764.16	

3.2 Borrowers in Sustainable Finance:

A. Sector-wise:

Borrowers in Sustainable Finance by Banks & FIs (January-March, 2021)							
Issue	Sustainable Linked Finance (SLF)					Green Finance	Sustainable Finance
	Sustainable Agriculture	Sustainable CMSME	Socially Responsible Financing (SRF)	Working Capital & Demand Loan of Green Products/Projects/Initiatives	Priority Green/Eco-Friendly Products for Trading Sector		
	1					2	1+2
Banks	370,319	2,955	38,975	866	100	1,044	414,259
FIs	531	168	13	6	98	308	1,124

B. Gender-wise:

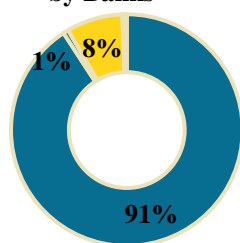
Number of Borrowers in Sustainable Finance	Male	Female	Third Gender	Total
Banks	321,351	92,908	0	414,259
FIs	801	323	0	1,124

C. Rural-Urban wise:

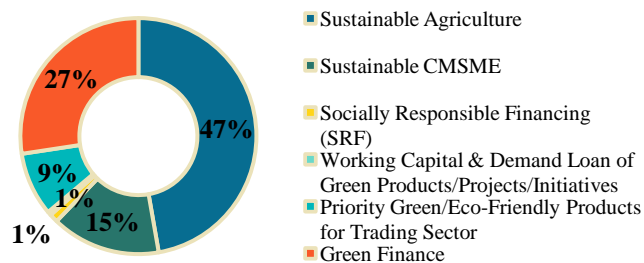
Number of Borrowers in Sustainable Finance	Rural	Urban	Total
Banks	282,321	131,938	414,259
FIs	433	691	1,124

D. Graphical Representation of Borrowers in Sustainable Finance

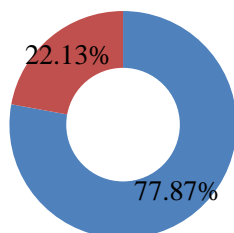
Borrowers in Sustainable Finance by Banks



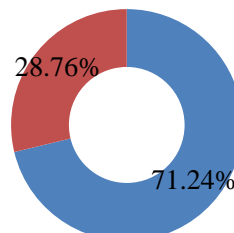
Borrowers in Sustainable Finance by FIs



Number of Borrowers in Sustainable Finance for Banks

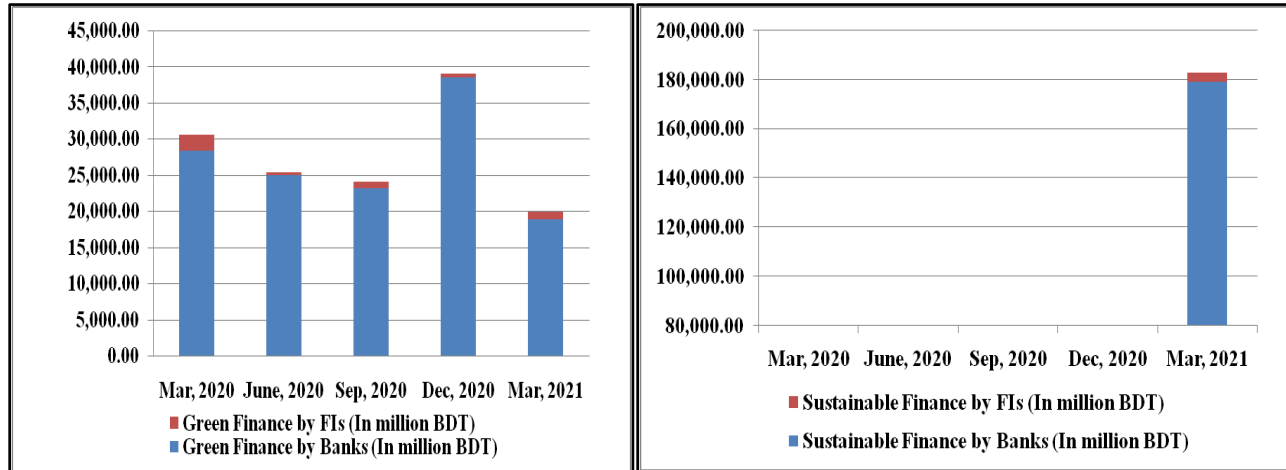


Number of Borrowers in Sustainable Finance for FIs



■ Male
■ Female
■ Third Gender

E. Quarterly Trend of Green Finance & Sustainable Finance*



*Due to change in the definition and base for target attainment of Green Finance there is a shuttle change in Green Finance disbursement. The data of Sustainable Finance is available for only for this quarter since the introduction of Sustainable Finance for the first time in Sustainable Finance Policy.

3.3 Utilization of Climate Risk Fund:



There is no contribution from FIs in Climate Risk Fund in this quarter.

3.4 Environmental & Social Risk Management:

Issue	Banks	FIs
Number of environmental risk rated projects	24,293	2,271
Number of environmental risk rated projects financed	18,242	2,024
Amount disbursed against rated projects (in million BDT)	575,125.83	49,069.32

3.5 Environmental Conservation in Business Centres:

Issue	Banks	FIs
Number of Solar Powered Branches	148	0
Number of Branches with Rainwater Harvesting	1	0
Number of Branches with Solid Waste Management System	642	4
Number of Solar powered ATM Booths	266	-
Number of Solar Powered Agent Outlets	20	-
Online branches (as % of total branches)	98.54%	N/A

3.6 Leading Banks & FIs in Sustainable Finance & Green Finance¹:

A. Sustainable Finance

Name of the Banks	Target Attainment	Name of the NBFIs	Target Attainment
Bangladeh Krishi Bank	67.29%	Infrastructure Development Company Ltd (IDCOL)	100.00%
National Bank Ltd	59.28%	Prime Finance & Investment Ltd	100.00%
Bank Alfalah	28.66%	Industrial and Infrastructure Development Finance Company Ltd (IIDFC)	64.28%
Brac Bank Ltd	27.45%	Agrani SME Financing Company Ltd	37.27%
		Hajj Finance Company Ltd	37.22%
		IDLC Finance Ltd	20.69%

B. Green Finance

Name of the Banks	Target Attainment	Name of the NBFIs	Target Attainment
National Bank Ltd	26.13%	Infrastructure Development Company Ltd (IDCOL)	100.00%
NRB Bank Ltd	24.50%	Prime Finance & Investment Ltd	50.00%
Premier Bank Ltd	21.88%	Bangladesh Infrastructure Finance Fund Ltd (BIFFL)	11.84%
Basic Bank Ltd	18.73%	Agrani SME Financing Company Ltd	7.09%
Islami Bank Bangladesh Ltd	15.62%		
Standard Chartered Bank Ltd	8.86%		
Rupali Bank Ltd	8.58%		
IFIC Bank Ltd	8.34%		
Brac Bank Ltd	8.17%		
Commercial Bank of Ceylon	7.75%		
Modhumoti Bank Ltd	7.62%		
Rajshahi Krishi Unnayan Bank	6.14%		

¹ Target attainment in Sustainable Finance (SF): Disbursement in SF \geq 20% of total loan disbursement.
Target attainment in Green Finance (GF): Disbursement in GF \geq 5% of total term loan disbursement.

4. Review on Sustainable Finance Activities of Banks and Financial Institutions (FIs)

4.1 Policy Formulation and Governance:

All scheduled banks and FIs (except Bengal Commercial Bank Ltd. and Strategic Finance & Investment Ltd.) have formed their own Sustainable Finance Unit and Green Banking Policy. Bangladesh Bank has introduced Sustainable Finance Policy in December, 2020. Through this policy BB has defined Sustainable Finance for Banks & FIs. All the Banks and FIs have to form their own Sustainable Finance Policy within this year.

4.2 Overview of Sustainable Finance:

52 Banks out of 61 and 11 FIs out of 34 have had exposure in green finance in the reporting quarter. The snapshot of Sustainable Finance by banks and FIs during January-March, 2021 quarter is shown in Table-4.1, 4.2 and 4.3.

Table-4.1: Sustainable Finance in January-March, 2021

(In million BDT)

Type of Bank/FI	Total Finance disbursed	Total Term Loan disbursed	Green Finance		Sustainable Finance	
			Disbursed	Outstanding	Disbursed	Outstanding
SOCBs (06)	203,653.70	98,498.49	2,253.05	22,777.45	13,688.81	147,544.16
SDBs (03)	51,520.07	9,031.97	14.30	218.10	18,375.60	177,154.30
PCBs (43)	1,779,806.81	387,609.51	15,295.19	233,397.86	127,993.68	614,736.66
FCBs (09)	238,911.20	30,886.32	1,318.50	5,642.84	21,448.07	60,428.24
Total	2,273,891.78	526,026.30	18,881.04	262,036.26	181,506.16	999,863.36
FIs (34)	49,891.87	31,154.31	985.33	28,966.07	3,764.16	43,578.78

Table-4.2: Recovery and Rescheduling of Sustainable Finance in January-March, 2021

(In million BDT)

Type of Bank/FI	Green Finance till 31 March, 2021		Sustainable Finance till March 31, 2021	
	Recovery during the Quarter	Rescheduled during the Quarter	Recovery during the Quarter	Rescheduled during the Quarter
SOCBs (06)	201.52	32.58	6,021.60	67.50
SDBs (03)	0.52	0.00	9,612.60	0.00
PCBs (43)	56,799.81	34.17	100,677.42	578.30
FCBs (09)	713.46	0.00	17,865.95	0.00
Total	57,715.31	66.75	134,177.56	645.80
FIs (34)	325.39	127.07	3,953,216.26	213.25

Table-4.3: Sustainable Finance in Million BDT (January-March, 2021)

(In million BDT)

Type of Bank/FI	Sustainable Linked Finance (SLF)					Green Finance	Sustainable Finance
	Sustainable Agriculture	Sustainable CMSME	Socially Responsible Financing (SRF)	Working Capital & Demand Loan of Green Products/Projects /Initiatives	Priority Green/Eco-Friendly Products for Trading Sector		
SOCBs (06)	5,561.52	2,056.68	3,630.00	187.23	0.32	2,253.05	13,688.81
SDBs (03)	17,027.40	1,333.90	0.00	0.00	0.00	14.30	18,375.60
PCBs (43)	53,195.52	18,965.31	20,981.39	16,323.25	3,233.03	15,295.19	127,993.68
FCBs (09)	6,464.47	12.96	5,289.16	7,314.80	1,048.18	1,318.50	21,448.07
Total	82,248.92	22,368.85	29,900.55	23,825.29	4,281.52	18,881.04	181,506.16
FIs (34)	586.99	510.05	1,381.70	92.30	207.80	985.33	3,764.16

Figure-4.1: Sustainable Finance by Banks in different sectors

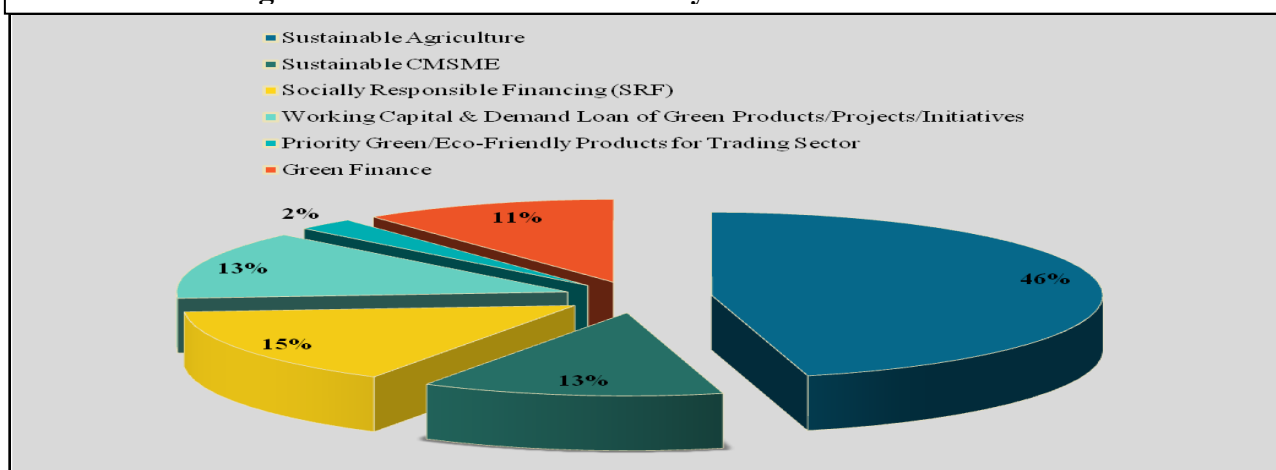
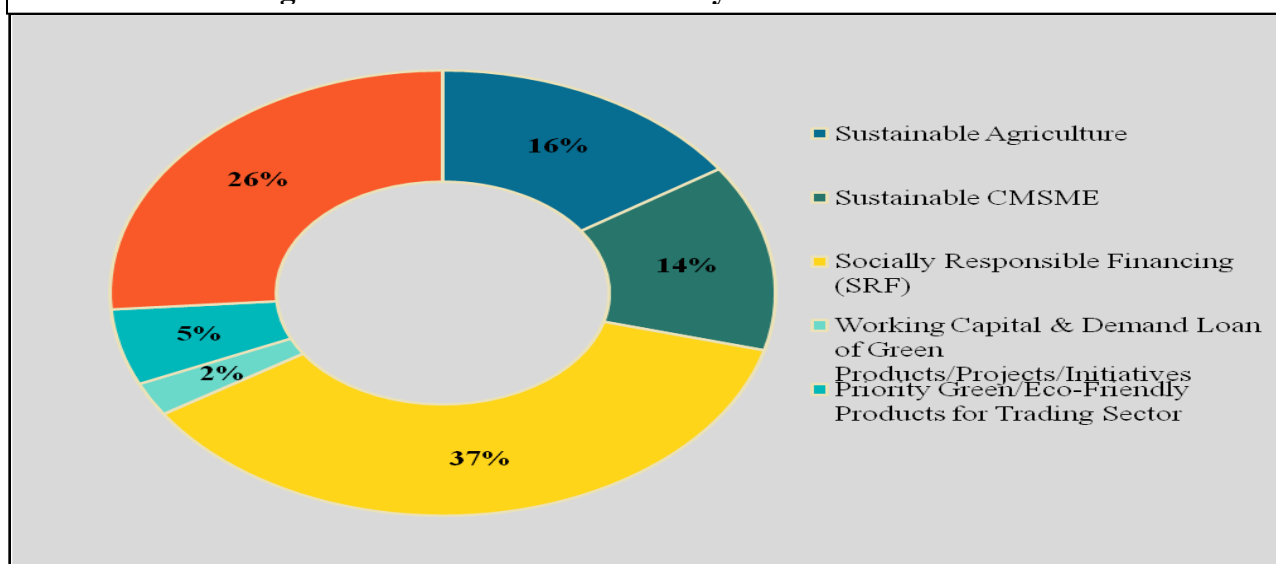


Figure-4.2: Sustainable Finance by FIs in different sectors



4.3 Green Finance- Category wise:

38 Banks out of 61 and 5 FIs out of 34 have had exposure in green finance in the reporting quarter. Total amount invested as green finance has been BDT 18,880.49 million by banks and 985.33 million by FIs in January-March, 2021 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-4.4: Green Finance (in million BDT)

Type of Bank/FI	Sectors of Green Finance				
	Renewable Energy	Energy Efficiency	Alternative Energy	Liquid Waste Management	Solid Waste Management
SOCBs (06)	1,825.50	10.54	0.00	72.57	119.13
SDBs (03)	2.65	0.00	0.00	0.00	0.00
PCBs (43)	97.92	2,388.91	0.00	882.52	140.00
FCBs (09)	0.00	730.57	0.00	554.37	0.00
Banks' Total	1,926.07	3,130.02	0.00	1,509.46	259.13
FIs (34)	82.81	186.02	0.00	0.00	0.00

Table-4.4: Green Finance (in million BDT)- Table Continued

Type of Bank/FI	Sectors of Green Finance					
	Recycling & Manufacturing of Recyclable Goods	Environment Friendly Brick Production	Green/ Environment Friendly Establishments	Green Agriculture	Green CMSME	Green SRF
SOCBs (06)	17.54	35.54	141.94	0.01	30.29	0.00
SDBs (03)	0.00	11.00	0.00	0.65	0.00	0.00
PCBs (43)	1,717.63	534.80	9,032.09	41.62	414.60	44.75
FCBs (09)	3.40	0.00	30.00	0.00	0.15	0.00
Banks' Total	1,738.57	581.34	9,204.03	42.28	445.04	44.75
FIs (34)	0.00	207.10	0.00	69.40	371.80	68.20

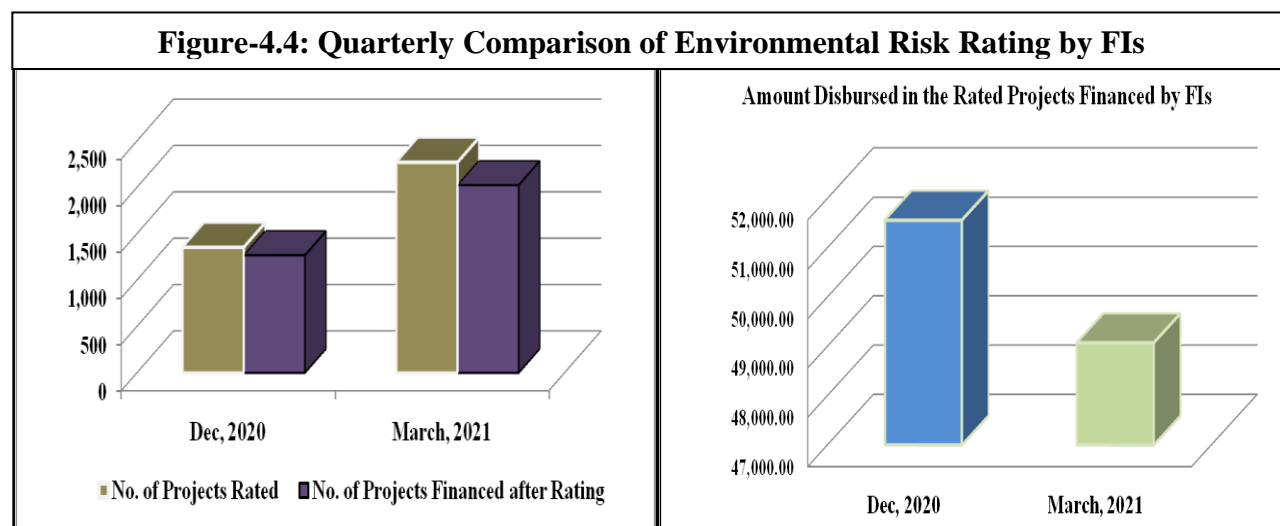
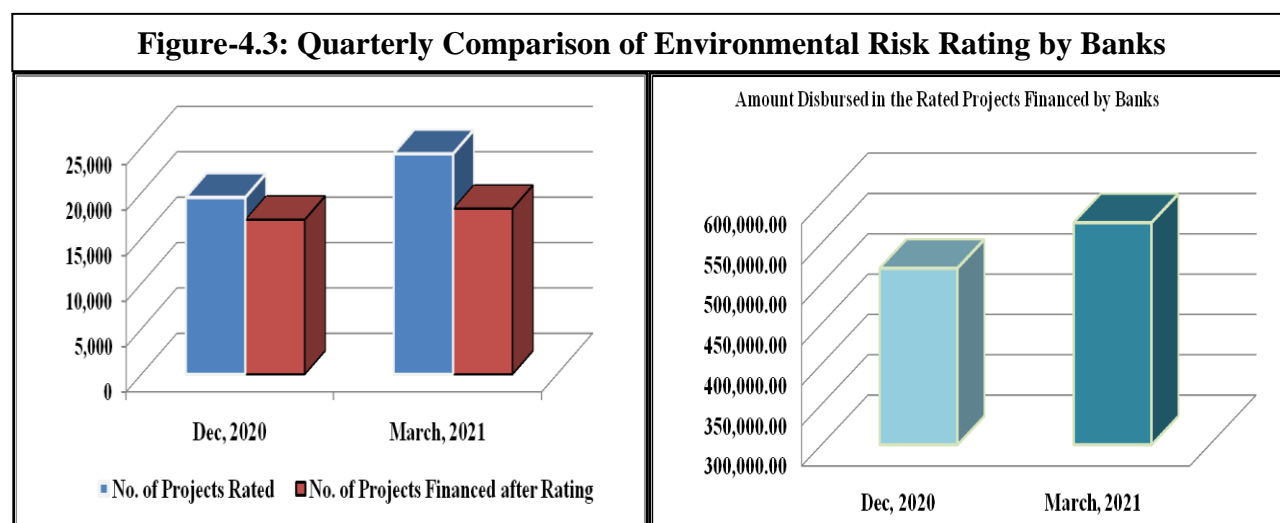
Table-4.5: Target Attainment by Banks and FIs

Type of Bank/FI	Green Finance as % of Total Term Loan Disbursement	Sustainable Finance as % of Total Loan Disbursement
SOCBs (06)	2.29%	6.72%
SDBs (03)	0.16%	35.67%
PCBs (43)	3.95%	7.19%
FCBs (09)	4.27%	8.98%
Banks' Total	3.59%	7.98%
FIs (34)	3.16%	7.54%

4.4 Compliance Overview of ESRM Framework:

42 banks out of 61 and 11 FIs out of 34 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-4.6: Environmental & Social Risk Rating			
Type of Bank/FI	No. of Projects Rated	No. of Rated Projects Financed	Amount disbursed in Rated projects (in million BDT)
SOCBs (06)	764	736	5,167.62
SDBs (03)	0	0	0.00
PCBs (43)	22,985	17,138	538,275.48
FCBs (09)	544	368	31,682.72
Banks' Total	24,293	18,242	575,125.83
FIs (34)	2,271	2,024	49,069.32



4.5 In-house Environment Management:

Type of Bank/FI	No. of Branches	No. of branches powered by Solar Energy	Number of Branches with Rainwater Harvesting System	Number of Branches with Solid Waste Management System	No. of ATM Booths	No. of ATM Booths powered by Solar Energy	Number of Agent Outlets	Number of Solar Powered Agent Outlets
SOCBs (06)	3,804	0	0	81	343	2	396	0
SDBs (03)	1,500	0	0	0	7	0	0	0
PCBs (43)	5,281	148	1	556	8,595	263	36,641	20
FCBs (09)	72	0	0	5	137	1	0	0
Banks' Total	10,657	148	1	642	9,082	266	37,037	20
FIs (34)	279	0	0	4	-	-	-	-

4.6 Green Investment

There is no investment in Green Bond, Green Sukuk or Impact Fund by Banks & FIs in this Quarter.

4.7 Training, Promotion and Disclosure:

26 Banks and 3 FIs have arranged training programs concerning Sustainable Financing, but there was no involvement of customer/beneficiaries. A snapshot on training in January-March, 2021 quarter is given below:

Type of Bank/FI	No. of Programs	No. of Employees	No. of Customers
SOCBs (06)	3	145	0
SDBs (03)	1	30	0
PCBs (43)	78	4398	0
FCBs (09)	20	167	0
Total	102	4,740	0
FIs (34)	21	294	0

5. Review on Refinancing Schemes of BB for Green Finance

Table-5.1: At a glance Funding Schemes of BB for Green Finance in January-March, 2021

Funding scheme of BB	Amount	Number of Project
Disbursement from Refinance Scheme for Environment Friendly Products/Initiatives (in million BDT)	295.65	7
Disbursement from Refinance Scheme for Islamic Banks & Financial Institutions for Investment in Green Products/Initiatives (In million BDT)	8.48	4
Disbursement from Green Transformation Fund (GTF) (In million USD)	14.92	5
Disbursement from Green Transformation Fund (GTF) (In million Euro)	3.93	3
Disbursement from Technology Development/Up-gradation Fund (TDF) (In million BDT)	-	-

5.1 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 BDT 2 billion (200 crore) from its own fund for solar energy, Bio-gas and Effluent Treatment Plant (ETP) in 2009. The size of the fund has been increased from BDT 2 billion to BDT 4 billion in view of the growing demand for financing of environment friendly products/initiatives². The product line has been enhanced to 55 under 09 categories. Since inception, total amount of Tk. 5,396.54 million has been disbursed as refinance facility from the fund till March 31, 2021. The disbursement scenario of this scheme during January-March, 2021 quarter is furnished below:

Table-5.2: Sub-category/ Product wise Disbursement

SL. No	Sub-category/ Product	BDT in million
	Energy Eff. Technology	243.14
	Biological ETP	50.00
	Biogas	0.69
	Vermicompost	1.13
	Solar Home System	0.69
	Total Disbursement	295.65

5.2 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 FIs in 2014³. In 2018 Bangladesh Bank has issued an integrated and comprehensive “master circular”⁴ by revising and incorporating all the

² SFD Circular 02/2020

³ GBCSRD circular no. 06 /2014

⁴ SFD Circular No.02/2018

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, 2021 quarter Bangladesh Bank has disbursed BDT 8.48 million for “Working Environment and Fire Safety of Factory” and collected BDT 0.03 million profit against this product.

5.3 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 country⁵. 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, 2019⁶. Recently, 200 million Euros has been added to the fund⁷. This Euro component of GTF can be used to import not only green machineries but also industrial raw materials (only Buyer’s Credit) used in all manufacturing enterprises including both export oriented and deem exporters. Under the GTF in USD and GTF in Euro schemes, consecutively 27 banks and 20 banks have signed participation agreement with BB. The disbursement from this Fund is 105.60 million USD & 3.93 million Euro till March, 2021. In January-March, 2021 quarter disbursement from this fund is 14.92 million USD & 3.93 Euro only in textile sector.

5.4 Technology Development/Up-gradation Fund

Refinance Fund for Technology Development/Up-gradation of Tk.1000.00 (One Thousand) Crore offers refinance facility for the modernization and technological development/up-gradation of export oriented industries in Bangladesh⁸. So far 32 industrial sectors mentioned in Export Policy 2018-2021 under 11 initiatives/categories are included in the fund. The fund has been circulated for banks and FIs through the SFD Circular No-02 dated 17 January 2021. So far 9 banks and 5 FIs became Participating Financial Institution or PFI till March 2021.

⁵ FE Circular No. 02/2016

⁶ FE Circular Letter No. 14/2019

⁷ FE Circular No. 20/2020

⁸ SFD Circular No 02/2021

6. Concluding Remarks:

International cooperation is the key to succeed and International coordination as well as national level coordination is essential for Shaping a Secure and Sustainable Finance Future for All. Recognizing this reality, Bangladesh Bank has gone to a paradigm shift by introducing Sustainable Finance Policy for Banks & FIs. First quarter after introducing the policy has been affected by the Covid-19 scenario. Amid this pandemic situation, few institutions have surpassed the target of green finance compared to the total term loan disbursement (5%). Rupali Bank Limited, BRAC Bank Limited, IFIC bank Limited, National Bank Limited, NRB Bank Limited, Premier Bank Limited, Islami Bank Bangladesh Limited and Standard Chartered Bank Limited have done very well (above 8% of total term loan disbursement and 200 million BDT disbursement). Among FIs, Agrani SME Financing Company Limited, Bangladesh Infrastructural Finance Fund Limited and Infrastructure Development Company Ltd (IDCOL) have done a decent job. In case of Sustainable Finance, very few institutions have been able to stand up against their target (20% of the total loan disbursement). Among the banks, Bangladesh Krishi Bank, Brac Bank Limited, National Bank Limited and Bank Alfalah Limited have performed well; and among the FIs, performance of Agrani SME Financing Company Limited, IDLC Finance Ltd, Industrial and Infrastructure Development Finance Company Ltd (IIDFC) and IDCOL were significant. 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 sustainable finance by banks and FIs in gradual manner. Sustainable Finance Department, BB also anticipates robust, effective and coherent efforts from banks and FIs in the field of green banking.

Preserve nature & reduce pollution



for the sustainability of human race.....