Green Banking and Sustainable Development: the Case of Bangladesh

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Venue: Voluntary Women's Association (VWA)

Mr. Chairperson, special guests, the organizer, Institute of Livelihood Studies and other distinguished guests-a very good morning to you all. It is indeed a great pleasure for me to be able to attend the opening session of this important seminar on **'Green Banking: An Opportunity for Bangladesh to Accelerate Sustainability'**. The theme of this seminar is truly interesting and the issue itself is sure to draw attention amongst all the stakeholders.

Ladies and Gentlemen,

The development strategies of Bangladesh Government, as laid down in the Perspective Plan and the Sixth Five Year Plan, clearly spell out the commitment of pursuing sustainable growth. The country's vulnerability to floods, cyclones and to the threat of inundation of large coastal areas from global warming driven sea level rise makes sustainability a prime development concern.

Over the past 4 decades since liberation, national income of Bangladesh has increased more than eighteen-fold, while the population has increased a little over two-fold. Real GDP growth averaged at around 6.0 percent annually over the last 10 years. Trade openness has integrated Bangladesh with global economy with trade/GDP ratio rising from around 20.0 percent during the1970s and 1980s to more than 60 percent in FY12. Poverty has come down to around 30 percent of the population now, from around 57.0 percent in the 1990s.

As you all aware that Bangladesh falls into the group of most climate change vulnerable countries in the world despite her insignificant share of global greenhouse gas (GHG) emission in comparison with other developing and developed countries. However, Bangladesh has made notable contribution towards establishing 'Green Climate Fund' alongside documenting the Renewable Energy Policy in 2008 & Environmental preservation Act in 1997. Accordingly, the government of Bangladesh has decided to produce 5 percent of total power generation from renewable energy sources like solar energy, air & waste by 2015 & 10 percent by 2020 with the above Policy & Act. To protect our environment from industrial pollution a guideline is formulated under this act, which requires Effluent Treatment Plant mandatory for those Industries that emit liquid effluent. Around 60 percent people in Bangladesh are outside of the electricity facility while around 90 percent are outside of the natural gas network. Renewable energy, especially solar energy and biogas can provide a sustainable and environment friendly solution to reduce the demand-supply gap of energy in the country.

BB has issued guidelines for environmental risk management and green banking in 2011 and is probably the only central bank, which has issued such an indicative guideline for green banking. The guidelines aim to ensure environment friendly business practices by banks and financial institutions, to incorporate environmental risks into Core Risk Management (CRM) and to promote sustainable financial and economic growth. Bangladesh Bank has also issued a common format to all the commercial banks to report green banking activities including the extent of carbon footprint in a structured way. Banks and financial institutions enthusiastically responded to this 'Green Banking' drive. Now they regularly submit a quarterly report to Bangladesh Bank on their performance of green banking activities.

BB formulated green banking policy guideline implemented in 3 phases from 2011 to 2013. By following these guidelines, banks will benefit in terms of improved CAMELS rating. Besides, BB will declare the names of the top 10 banks regarding their overall performance in green banking activities and will actively consider green banking activities of banks while according permission for opening new branch. BB has decided to accord permission for SME branch subject to installation of solar panel in place. Banks will also receive separate treatment in existing guidelines for Environmental Risks in computation of Adequate Capital by BB. To promote green energy, BB advised banks to facilitate clients to open L/Cs for installation of ETP in industrial units, to finance Solar Energy, Biogas and ETP projects, to comply with CSR guidelines for ingraining environmentally and socially responsible practices with the instructions stipulated in Green Banking Policy.

Besides these, BB introduced a Refinance Scheme (revolving) for Solar Energy, Biogas, and Effluent Treatment Plant (ETP) of Taka 200 Crore in August 2009. From this revolving fund, refinance facilities are allowed for banks/FIs against lending in the Solar Energy, Biogas Treatment Plant sectors on terms and conditions set forth in a BB's ACSPD Circular. By now, 27 banks & 1 Financial Institution have signed the participation agreement with BB to avail the refinance facility for Solar Energy, Biogas & Effluent Treatment Plant. As per another ACD Circular, refinances were allowed at limited scale up to Taka 300 million from this fund to establish Hybrid Hoffman Kiln (HHK)/equivalent technology in brick manufacturing industry with a view to reduce carbon & suspended particulate matter in the atmosphere.

Notwithstanding the insignificant amount relative to the overall country's demand, the achievements of green banking in the renewable energy sector are worth mentioning.

As of December 2012:

- An amount of Tk. 103.72 million has been disbursed under the refinance program of Solar Home System (SHS) to establish 3763 units SHS. These solar home systems are situated at off-grid areas of the country benefiting at least 3763 families with the production capacity is 164100 KW/day.

- An amount of Tk. 23.9 million disbursed for 8 solar energy driven irrigation pumps. No. of beneficiary farmers are 618 and bringing 920 bighas of land under cultivation with uninterrupted water flow enhancing the productivity and cropping intensity. Besides, an amount of Tk. 248.80 million disbursed for establishing Solar PV Module Assembly Plant. In the sub sector of Integrated Cow Rearing and Biogas Plant, an amount of Tk. 262.13 million has refinanced in 820 numbers of Integrated Cow Rearing and Biogas plant.

- An amount of Tk. 90.36 million disbursed for establishing 8 ETP with effluent treatment capacity of 18000 cubic meter per day contributing significantly in limiting environmental pollutions, while an amount of Tk. 124.47 million disbursed for establishing Hybrid Hoffman Kiln (HHK) technology in 3 brick manufacturing industries which reduces carbon emission in the brick manufacturing plants.

Ladies and Gentlemen,

I would like to take this opportunity to share the green initiatives taken by BB. The central bank of Bangladesh is responding to climate change in a diverse of ways. With a move towards encouraging green banking in Bangladesh, BB installed a 8-kilowatt solar power system on its rooftop in March 2010, which has been providing necessary energy supply for the executive floor along with emergency security lights in the BB premises. This is now being extended to cover more areas. A recent initiative has been taken to convert the 30-storied building of the bank into a 'Green Building' with the modern facilities of rain water harvesting, waste water recycling and motion sensor energy efficient bulbs supported by window based solar panels. Besides, BB is arranging an international conference on 'Green Banking' jointly with IFC in March 2013 in line with the outcome document of Rio+20 called 'The Future We Want," and COP meetings of the UNFCCC, especially COP 18 including the 'Kyoto Protocol' in combating various vulnerabilities due to climate change.

Bangladesh Bank has been working for last four years to establish a completely IT based banking system in the country. Various IT based initiatives of BB have been helping to move towards the paperless green banking. In view of ensuring low-carbon green development without compromising the imperative of faster economic growth and social development, IT infrastructure of the financial sector has undergone vast improvements in recent years. It has been facilitating countrywide automated online connectivity of banks with the BB for supervisory reporting, National Payments Switch and fully automated interbank clearing and settlement platforms for paper based and electronic fund transfers, and a credit information bureau accessible online by users.

Despite all these achievements, the prospect of achieving sustainable development is not free of challenges. Future challenges include formulation of sector specific environment polices, coordination among concerned authorities to build up a green economy, speeding up proper awareness and effective capacity building, application of quantitative approach for more justified ratings of banks. We envision Bangladesh as a mature advanced economy in 2050, with levels of human development and technological advancement sufficient to place her among leading Asian nations in terms of financial prosperity as well as social and environmental responsibility.

To conclude, I would like to thank the organizer for initiating the discussion on such an important issue like green banking. I hope you all will have very productive deliberations and find this seminar very useful.

I thank you all for your patient attention.