



বাংলাদেশ ব্যাংক প্রেস বিজ্ঞপ্তি

BANGLADESH BANK PRESS RELEASE

বার্তা সম্পাদক

ঢাকা।

তারিখ: ২০ জুন, ২০১২

সূত্র নং: ২০১২-২৯১

BB Governor highlights Green Banking at Rio+20 Summit

As part of the Rio+20 Summit, Bangladesh and Vietnam jointly organized a side event on 19 June 2012 in Rio de Janeiro, Brazil to discuss how to ensure green development in the backdrop of rapidly changing climate. Speakers noted similarities in green growth strategies undertaken by Bangladesh and Vietnam governments. Vietnam has a Perspective Plan for green growth while the Perspective Plan of Bangladesh government also addresses the issue of green growth. The session was co-chaired by Dr. Bui Cach Tuyen, Vice Minister, Ministry of Environment, Vietnam and Mr. Saber Hossain Chowdhury, MP, Member of the Parliamentary Standing Committee of Ministry of Environment and Forest (MoEF), Bangladesh. Dr. Abu Saleh Mustafa Kamal, Deputy Secretary, MoEF and Dr. Pham Hoong Mai, Director General of Department of Science, Environment and Technology made presentations from Bangladesh and Vietnam sides respectively.

Bangladesh Bank Governor Dr. Atiur Rahman stressed on how the financial sector of Bangladesh is contributing towards green economic development through initiating various green banking activities (please see the presentation annexed below). Dr. Rahman said Bangladesh has increased her human development index with lower level of per capita material consumption compared to many other developing economies implying greener economic growth. Other speakers included Dr. Qazi Kholiquzzaman Ahmad, Chairman, PKSF, Dr. Prof. Ainun Nishat, VC, BRAC University and Mr. Mesbah ul Alam, Secretary, MoEF. Dr. Kholiquzzaman Ahmad said there should be a high powered committee between Bangladesh and Vietnam to exchange existing knowledge on green growth so that both countries can sbenefit. Mr. Saber Chowdhury said Bangladesh was on high moral ground as it opted for low carbon development despite no obligations as such. He further said that there is a need for greening of services in addition to greening of production.

Thanks with best regards

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Green Banking and Sustainable Development: the Case of Bangladesh



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June 19, 2012
UN Conference on Sustainable Development (Rio+20 Summit)
Rio de Janeiro, Brazil

Introduction

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

Introduction(Cont'd)

- Over the past 40 years, nominal GDP in USD has increased more than eighteen-fold, while the population has increased a little over two-fold.
- Real GDP growth averaged at around 6.0% annually over the last 10 years.
- Trade openness has integrated Bangladesh with global economy; with trade/GDP ratio rising from around 20.0% during the 1970s and 1980s to 40.7% in FY 11.
- Poverty has come down to 31.5% of the population now, from around 57.0% in the 1990s.

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Despite these developments, Bangladesh falls into the group of most climate change vulnerable countries.

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Climate change is already affecting Bangladesh in terms of

- o Increased susceptibility to natural disasters.
- o Storm surges, floods, and prolonged droughts.
- o Water logging, rough seas and cyclones.
- o Sea level rise.
- o Increased air and sea surface temperatures.
- o Reduced dry season precipitation.
- o Loss of bio-diversity and deforestation.
- o Destruction of wetlands and inland fisheries.
- o Arsenic contamination in the ground water and inland salinity intrusion.

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Destruction by Cyclone Sidr

Part of Sundarban Mangrove Forests, the largest Mangrove Forests of the World, badly affected by Sidr.

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Impact of AILA (2009)

330 people killed; at least 8,208 people missing; more than 1 million people homeless; 20 million people at risk of post-disaster diseases; Damage totaled USD 552.6 million.

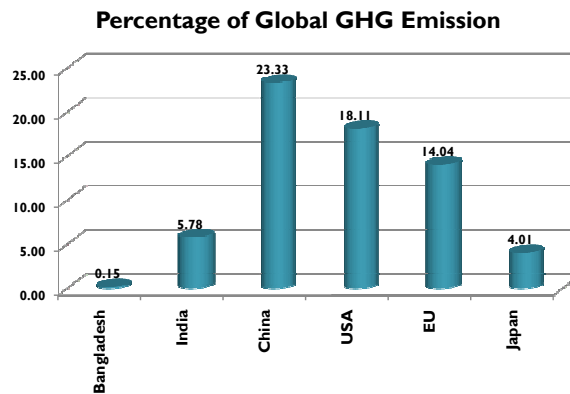
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According to IPCC, Bangladesh will be among the worst victims of climate change

- Sea level is apprehended to rise due to escalating atmospheric temperature.
- Frequency of cyclone-storms are projected to increase, forcing millions of people to migrate.
- Food and energy security will be threatened leading to rise in diseases and frequency of natural calamities.
- High density of population will make the problem worse.

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However, GHG emission in Bangladesh is quite modest in comparison with most other developing and developed countries



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Mitigation Initiatives in Bangladesh

- Bangladesh as a LDC are not obligated to mitigate or reduce GHG emission (in UNFCCC negotiation terms).
- However, Bangladesh government considered to maintain a low carbon development path.
- Bangladesh has made substantial contribution towards establishing 'Green Climate Fund' and extending 'Second Commitment Period of Kyoto Protocol'.
- 'Bangladesh Climate Change Strategy and Action Plan, 2009' has been drawn out to tackle challenges of climate change.

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Mitigation Initiatives in Bangladesh..(cont'd)

- o 'Climate Change Trust Act, 2010' has been enacted.
- o Taka 21.0 billion has been allocated for 'Bangladesh Climate Change Trust Fund (BCCTF)' over the last three years.
- o Tk. 4.0 billion has been proposed for the next fiscal year (FY 2012-13).
- o Effluent Treatment Plants (ETP) has been installed in 280 industries.
- o Zero percent (0%) tariff facility has been proposed in FY 2012-13 budget instead of existing 1% for imports of equipments for installation of ETP.

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How Bangladesh Bank (BB) is responding to climate change?

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BB's Green Banking initiatives

Bangladesh Bank is probably the only central bank which has issued an indicative guideline for Green Banking.

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BB issued guidelines for Environmental Risk Management and Green Banking in 2011

- The guidelines aim to:
 - ✓ ensure environment friendly business practices by banks and financial institutions of the country.
 - ✓ incorporate environmental risks into Core Risk Management (CRM).
 - ✓ promote sustainable financial and economic growth.

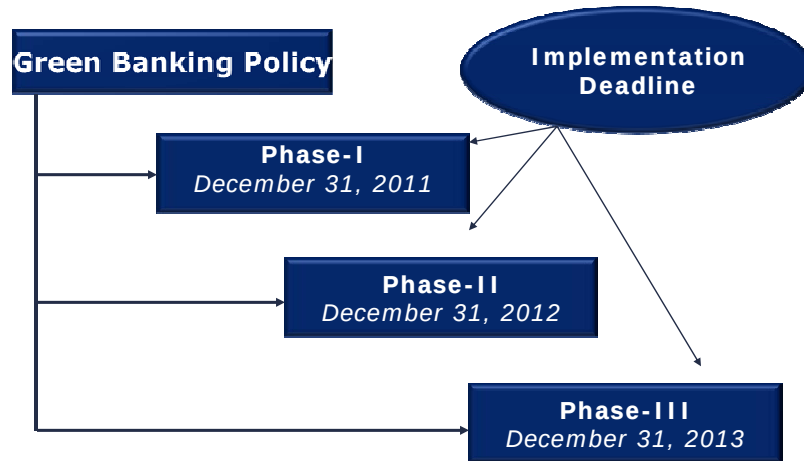
- Web link for Green Banking and ERM guideline:

www.bb.org.bd/mediaroom/circulars/brpd/jan302011brpd01e.pdf

www.bb.org.bd/mediaroom/circulars/brpd/feb272011brpd02e.pdf

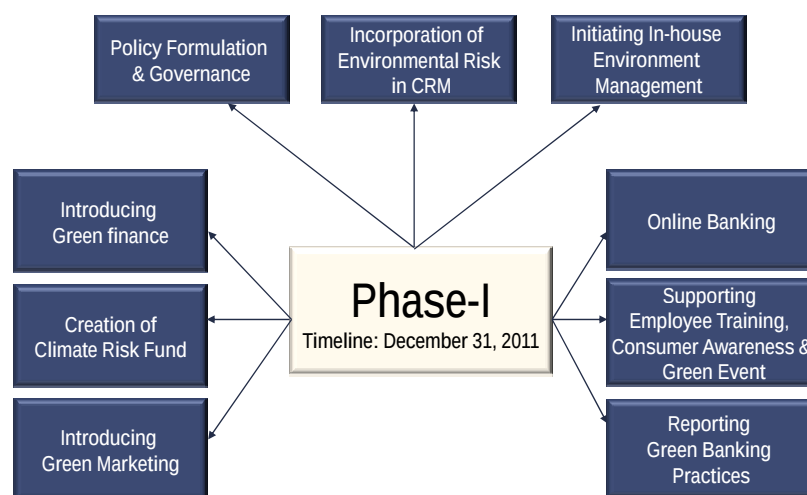
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BB formulated Green Banking Policy Guideline implemented in 3 phases



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Phases of policy adaption



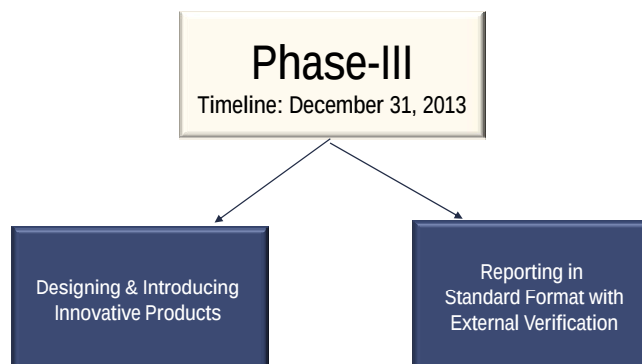
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Phases of policy adaption..(Cont'd)



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Phases of policy adaption..(Cont'd)



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How banks will benefit?

- o Improved CAMELS rating.
- o BB will declare the names of the top 10 banks regarding their overall performance in green banking activities.
- o BB will actively consider green banking activities of banks while according permission for opening new branch.
- o BB will accord permission for SME branch subject to installation of solar panel in place.
- o Separate treatment in existing guidelines of RBCA for Environmental Risks in computation of Adequate Capital by BB.

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BB's initiatives..(Cont'd)

- o BB advised banks to
 - ✓ facilitate clients to open L/Cs for installation of ETP in industrial units;
 - ✓ finance Solar Energy, Bio-gas and ETP projects;
 - ✓ comply with CSR guidelines for ingraining environmentally and socially responsible practices;
 - ✓ comply with the instructions stipulated in Green Banking Policy.

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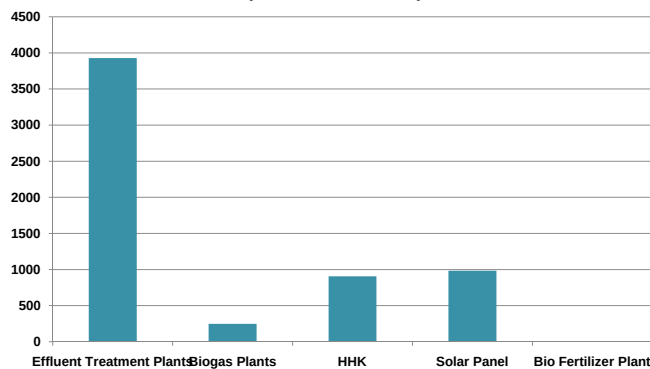
Bank have entered 2nd phase. According to their reports, as of May 2012

- o 40 banks have formed Green Banking Unit.
- o 29 banks have introduced Green Office Guide
- o Environmental Risk Rating has been done for 4,394 projects; 4315 rated projects have been finance.
- o Taka 271.0 billion has been disbursed for rated projects.
- o 171 branches have been powered by solar energy.
- o 2,567 branches have been facilitated with online coverage.

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As of May 2012:

**Green Financing by Banks
(Taka in million)**



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BB's in-house initiatives

- o BB installed 8 kilowatt solar power system on its rooftop in March 2010 : a move towards to encouraging green banking in Bangladesh.

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BB's in-house initiatives..(Cont'd)

- o Environmentally harmful incineration of non re-issuable damaged bank notes is being phased out, restoring instead of shredding.
- o Steps for measuring carbon footprint of BB's internal processes and operations are underway.

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BB's in-house initiatives..(Cont'd)

- Use of LED bulbs ensures efficient use of energy at BB Head Office.

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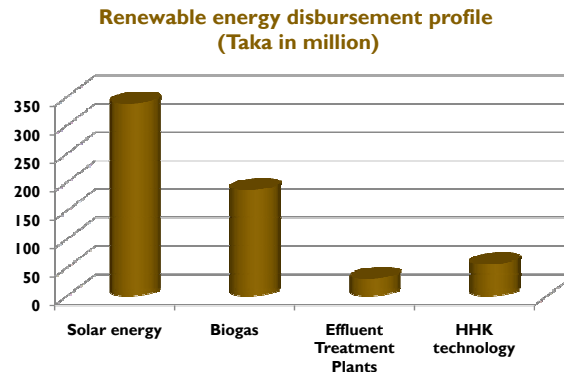
BB's refinance line for Renewable Energy

- BB has introduced Taka 2.0 billion refinance line for financing solar energy, bio-gas and effluent treatment plant (ETP), at only 5% interest rate.
- BB will provide maximum 100% refinancing facility under this scheme.
- Banks and non-bank financial institutions have already started to access BB's refinance line.

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BB's refinance line for renewable energy: Disbursement profile

- Around Taka 600 million has been disbursed under BB refinance line, of which:

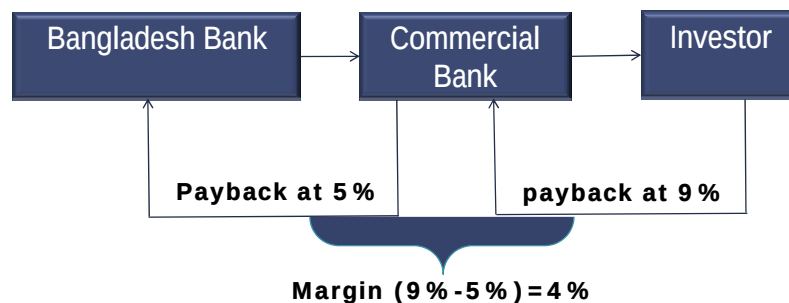


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BB's Re-financing Scheme (Contd..)

Under Direct Refinancing

Refinancing at bank rate (currently 5%)

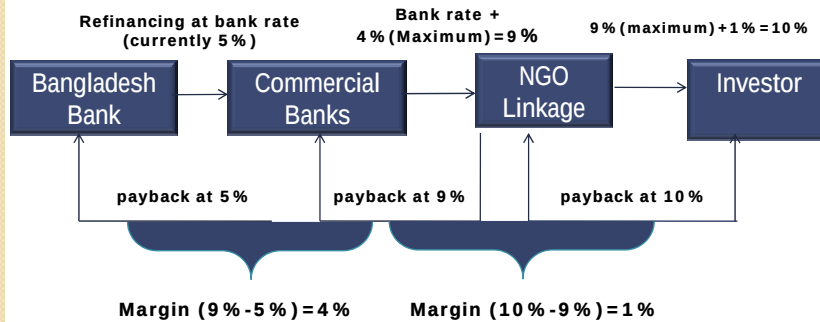


Bank's normal lending rate on RE projects= 13% -14 %
Concessional rate=9%

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BB's Re-financing Scheme (Contd..)

Credit wholesaling through NGO linkage



Bank's normal lending rate on RE projects = 13% - 14%
Concessional rate = 10%

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Bangladesh Bank has taken lead position in encouraging and implementing IT based technologies in overall banking sector.

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Banking Automation

- o Online and mobile banking
- o CIB Online
- o Bangladesh Automated Clearing House
- o Bangladesh Electronic Fund Transfer Network
- o Enterprise Resources Planning
- o E-recruitment, E-tendering
- o EXP Online Monitoring System
- o In-house online connectivity

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Introduction of fully automated interbank clearing and settlement

- o Fully automated clearing and settlement of interbank paper based and electronic fund transfers has been introduced.
- o This is hugely facilitating branch based, and mobile phone/smart card based banking.

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Mobile Financial Services

- o Fast expanding mobile telephony in Bangladesh has opened up windows of opportunity for creative partnerships of banks and mobile telephone companies in devising cost effective arrangements for delivery of financial services.
- o BB has been encouraging such bank-led partnerships which will bring win-win cases for all concerned; A number of such BB approved partnerships are already active.
- o To facilitate mobile banking, BB has issued guidelines for mobile financial services.

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CIB Online

- o Credit information on borrowers are being collected online replacing the earlier paper based processes.
- o From the information collected online, credit reports on borrowers are generated within seconds as opposed to days.

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Facilitating E-commerce

- National Payment Switch (NPS) is being implemented.
- NPS will enhance inter-connectivity of all cards and electronic payments medium.
- All the credit card transactions will be settled through NPS.
- As a result, electronic payment settlement through cards/ payment gateway will be possible enhancing e-commerce in the country.

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Addressing environment and climate change issues with CSR funds: Experience from Bangladesh

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Addressing environment and climate change issues with CSR funds: Experience from Bangladesh

- o Management and Resources Development Initiative (MRDI), with the funding of Bank Alfalah made provision of safe water for 355 families of a remote village in the mangrove forest Sundarbans by digging ponds.
- o This will improve health condition of people, particularly of women and children.

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Addressing climate change issues with CSR funds (Cont'd)

- o MRDI distributed eco friendly oven among families of the same village with funding support of Midas Financing Limited.
- o This aims to minimize carbon emission and save trees from being used as firewood for cooking.
- o Green World Communication is operating a beach cleaning program in Cox's Bazar along the world's longest beach with financial assistance of Banglalink, a mobile phone operating company.

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Addressing climate change issues with CSR funds (Cont'd)

- o Al-Arafah Islami Bank distributed solar energy panel among 1,100 families amounting 50 kilowatt of electricity in a remote village of northeastern district of Hobiganj.
- o Islami Bank and Jamuna Bank Foundation operated tree plantation and sapling distribution program in 11 districts of the country.
- o In the non-banking sector, Rahimafrooz, YKK, Chevron, Unilever, Grameenphone, Lafarge Surma and Coca Cola provided CSR funds for tree plantation, sapling distribution and beach cleaning.

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Addressing climate change issues with CSR funds (Cont'd)

- o HSBC provided climate awards to different companies in green business entrepreneurship, climate change mitigation and green operations categories.
- o In the non-banking sector, Rahimafrooz, YKK, Chevron, Unilever, Grameenphone, Lafarge Surma and Coca Cola provided CSR funds for tree plantation, sapling distribution and beach cleaning.

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Green Banking in Bangladesh: Few Case Studies...

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Case Study: Trust Bank

- o Experimentally installed Bio-gas plant to generate rural energy with 13 farm families in Manikganj.
- o Spot disbursement of TK. 21.0 million to 65 farm families/rural clients for Bio-gas & Fishery projects.

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Case Study: MTBL

- o MTB Centre - based on green energy conscious design.
- o Solar Panel on rooftop.
- o 'MTB Green Energy' to finance renewable energy projects.
- o 'MTB Krishi', a loan product to finance core sectors of agriculture.
- o 2 solar system powered branches

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MTBL (Cont'd)

- o 'Barguna Model' -a solar driven irrigation system; 7 other solar irrigation projects.
- o 2 commercial bio-gas plants for power generation.
- o Hi-Tech project of 35KW Solar Power Plant in Gazipur.
- o Solar system at 909 Union Parishad offices in off-grid areas.

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Case Study: IBBL

- Solar Panel on rooftop.
- Special attention to :
 - ✓ ensuring maximum recycling/processing of waste;
 - ✓ environment friendly projects
 - ✓ brick field (Zig-Zag)
 - ✓ CNG Re-fuelling projects

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IBBL..(Cont'd)

- ✓ Energy savings bulb projects
- ✓ organic fertilizer
- ✓ jute project instead of poly
- ✓ tree plantation.
- Preference to environmental infrastructure projects like renewable energy, clean water supply, waste water treatment, bio-gas and bio-fertilizer.

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Case Study: Bank Al-Falah

- o Installed first ever solar powered ATM booth in 2011.

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Challenges ahead

- o Formulation of sector specific environment policies.
- o Coordination among concerned authorities to build up a green economy.
- o Speeding up proper awareness and effective capacity building.
- o Application of quantitative approach for more justified ratings of banks.

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2050: Vision for banking in Bangladesh

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.

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Many thanks

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