

Quarterly Review Report

on

Green Banking Activities of Banks & Financial Institutions

and

Green Refinance Activities of Bangladesh Bank



April-June, 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 April 01 to June 30, 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.

	June, 2019	Sep, 2019	Dec, 2019	March, 2020	June, 2020
Green Finance by Banks (In million Tk)	23,676.38	19,104.82	33,421.96	28,372.12	25,021.29
Green Finance by FIs (In million Tk)	1,542.40	1,095.13	1,703.50	2,139.79	356.79

¹ According to BRPD Circular Letter No-04/2020 (Date: February 23, 2020), Bengal Commercial Bank Ltd. has been considered as a scheduled bank. As this institution has not started their operation till now, 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.

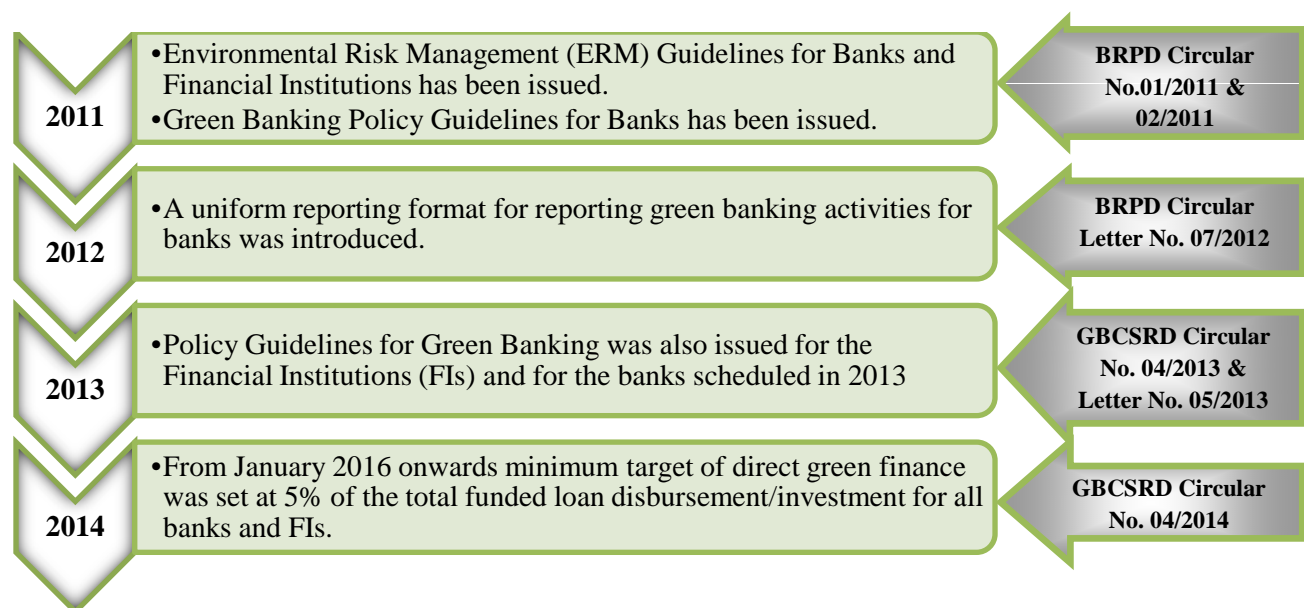
1. Introduction

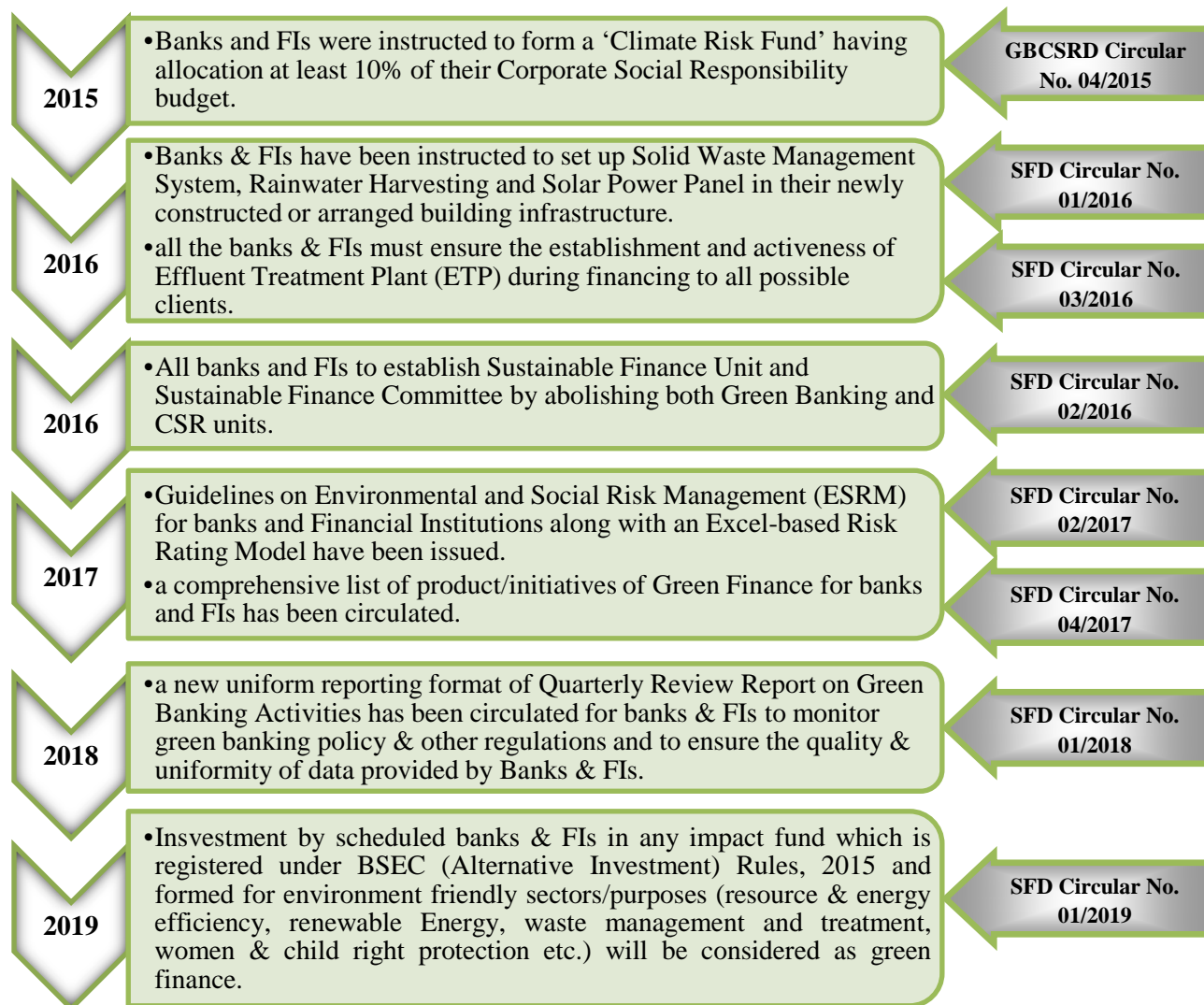
Green banking is a genre of banking practices which considers all the social and environmental/ecological factors with an aim to protect the environment and conserve natural resources. It is also called as ethical banking or sustainable banking. The banking sector is one of the major sources of financing 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.

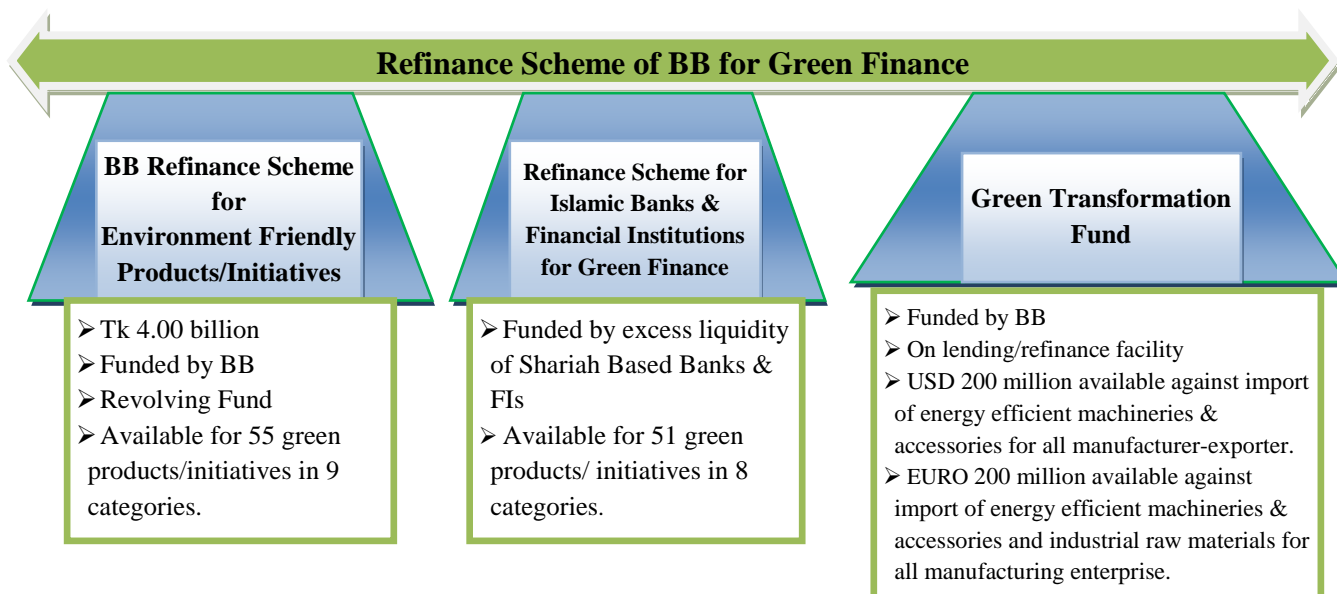
2. Policy Chronology and Support Funding Initiatives of BB

2.1 Policy Chronology:





2.2 Support Funding Initiatives of BB:



3. At a Glance Green Banking of April-June, 2020

3.1 Green Finance:

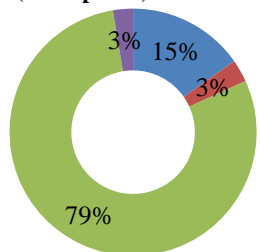
Issue	Banks	FIs
Green Finance (in million Taka)	25,021.29	356.79
Green finance as % of total funded loan disbursement	1.59%	2.37%

Green finance in number of Products of different sectors	Renewable Energy (20)	Energy Efficiency (6)	Alternative Energy (1)	Waste Management (13)	Recycling & Recyclable Product (6)	Green Brick Manufacturing (3)	Green Establishment (3)	Misc. (4)	Total (56)
Banks	5	5	1	4	5	1	2	2	25
FIs	2	2	0	0	0	0	1	0	5

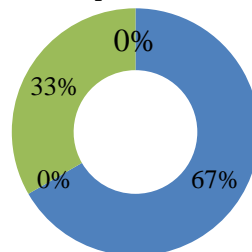
3.2 Number of Borrowers in Green Finance:

Number of Borrowers in Green Finance (Enterprises)	Large	Cottage & Micro	Small & Medium	Others	Total
Banks	99	19	513	17	648
FIs	4	0	2	0	6

Number of Borrowers in Green Finance (Enterprises) for Banks



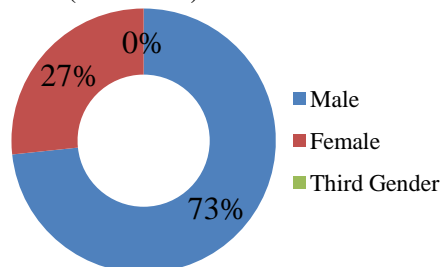
Number of Borrowers in Green Finance (Enterprises) for FIs



■ Large
■ Cottage & Micro
■ Small & Medium
■ Others

Number of Borrowers in Green Finance (Individuals)	Male	Female	Third Gender	Total
Banks	33	12	0	45
FIs	0	0	0	0

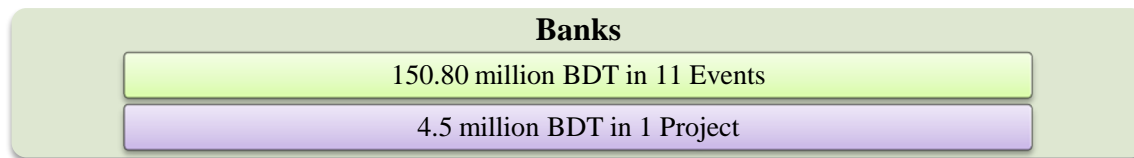
Number of Borrowers in Green Finance (Individuals) for Banks



■ Male
■ Female
■ Third Gender

3.3 Non-performing Loan:

Comparison of Non-performing Loan (Till June 30, 2020)		
Issue	Banks	FIs
Total Outstanding Loans/ Investment (In million TK)	11,263,187.62	670,103.72
Total Classified Loans/ Investment (In million TK)	966,734.27	82,068.50
Outstanding Loans/Investment under ESDD (In million TK)	2,362,663.24	136,434.45
Classified Loans/Investment under ESDD (In million TK)	68,086.53	13,556.27
Outstanding Loan/Investment under Green Finance (In million TK)	274,827.32	32,742.50
Classified Loan/Investment under Green Finance (In million TK)	6,561.03	3,038.64

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	15,111	330
Number of environmental risk rated projects financed	10,879	337
Amount disbursed against rated projects (in million Taka)	380,872.23	31,514.92

3.6 Environmental Conservation in Business Centres:

Issue	Banks	FIs
Number of solar powered branches	607	3
Number of Branches with Rainwater Harvesting	7.00	-
Number of Branches with Solid Waste Management System	248.00	7.00
Number of solar powered ATM Booths	58	-
Online branches (as % of total branches)	91.13%	N/A

3.7 Leading Banks & FIs in Green Finance³:

Name of the Banks	Name of the FIs
Mutual Trust Bank Limited (8.72%)	Bangladesh Infrastructure Finance Fund Ltd (77.93%)
IFIC bank Limited (7.93%)	Hajj Finance Company Limited (71.40%)
The HSBC Limited (6.70%)	United Finance Limited (13.02%)
BRAC Bank Limited (4.34%)	
EXIM Bank Limited (3.75%)	

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

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 200 crore from its own in 2009. The size of the fund has been increased from BDT 200 crore to BDT 400 crore in view of the growing demand for financing of environment friendly products/initiatives. The product line has been enhanced to 55 under 09 categories⁴.

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 2014. 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 scheme.

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 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. In April, 2020, along with the existing USD 200 million, Euro 200 million was introduced⁸. This GTF in Euro will be admissible to all manufacturing industrial enterprises for importing of environment friendly & energy efficient (including solar energy and renewable energy under power sector) /green capital machinery and accessories (including Buyer’s Credit); and also can be used to import (only Buyer’s Credit) industrial raw materials used in all manufacturing enterprises including both export oriented and deem exporters.

There has been no disbursement from any of the funding schemes during April-June, 2020 due to lock down situation due to Covid-19.

⁴ SFD Circular No.02/2020

⁵ SFD Circular No.02/2018

⁶ FE Circular No. 02/2016

⁷ FE Circular Letter No. 14/2019

⁸ FE Circular No. 20/2020

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. All the FIs have also formed their own Green Banking Policy.

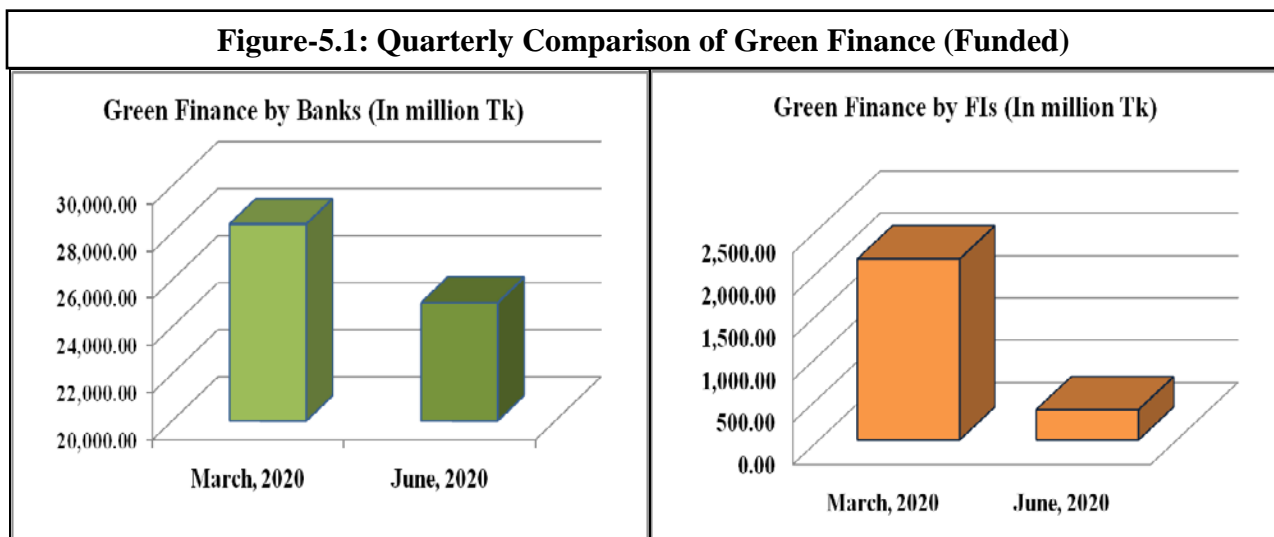
5.2 Overview of Green Finance:

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

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

Type of Bank/FI	Total Finance in April-June, 2020 (in million Taka)		Green Finance in April-June, 2020 (in million Taka)	
	Sanctioned	Disbursed	Sanctioned	Disbursed
SOCBs (06)	123,872.54	113,040.36	242.75	843.40
SDBs (03)	55,304.80	47,271.10	1.54	1.54
PCBs (41)	1,637,742.43	1,207,591.27	45,752.64	17,225.95
FCBs (09)	281,419.99	205,042.06	7,362.07	6,950.40
Banks' Total	2,098,339.76	1,572,944.79	53,359.00	25,021.29
FIs (33)	14,562.39	15,084.81	248.17	356.79

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



5.3 Green Finance- Category wise:

32 banks out of 59 and 4 FIs out of 33 have had exposure in green finance in the reporting quarter. Total amount invested as green finance has been Tk. 27,409.71 million by banks and 356.79 million by FIs in April-June, 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)	0.88	0.00	0.00	460.50
SDBs (03)	1.49	0.00	0.00	0.00
PCBs (41)	53.72	2,778.17	0.43	1,866.21
FCBs (09)	135.28	45.58	0.00	0.00
Banks' Total	191.37	2,823.74	0.43	2,326.71
FIs (33)	81.79	75.00	0.00	0.00

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)	45.30	196.63	140.00	0.09
SDBs (03)	0.00	0.00	0.00	0.05
PCBs (41)	1,449.30	2,265.26	8,270.83	542.03
FCBs (09)	0.00	0.00	6,769.55	0.00
Banks' Total	1,494.60	2,461.89	15,180.38	542.17
FIs (33)	0.00	0.00	200.00	0.00

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)	0.20%	0.75%
SDBs (03)	0.00%	0.00%
PCBs (41)	2.79%	1.43%
FCBs (09)	2.62%	3.39%
Banks' Total	2.54%	1.59%
FIs (33)	1.70%	2.37%

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

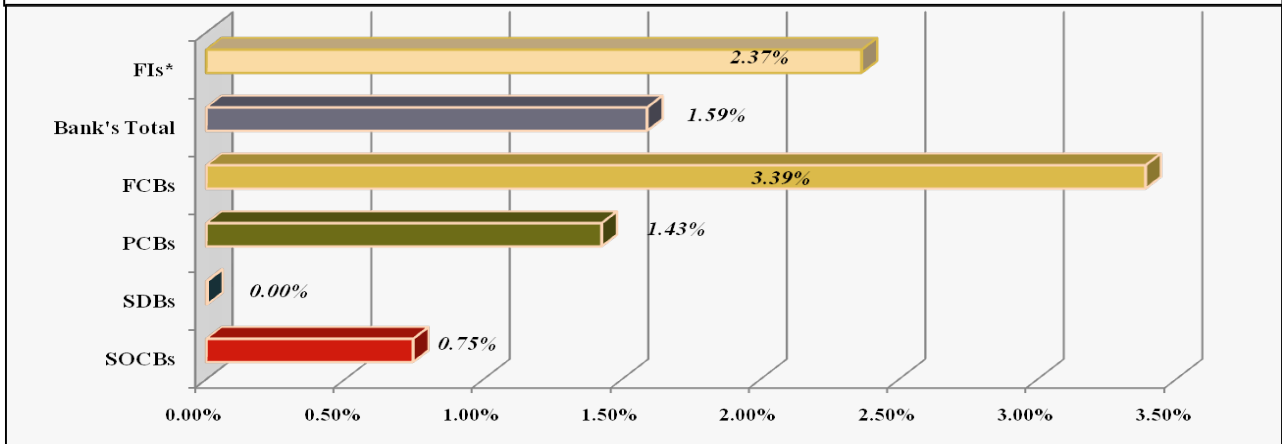


Figure-5.3: Green Finance by Banks in different sectors

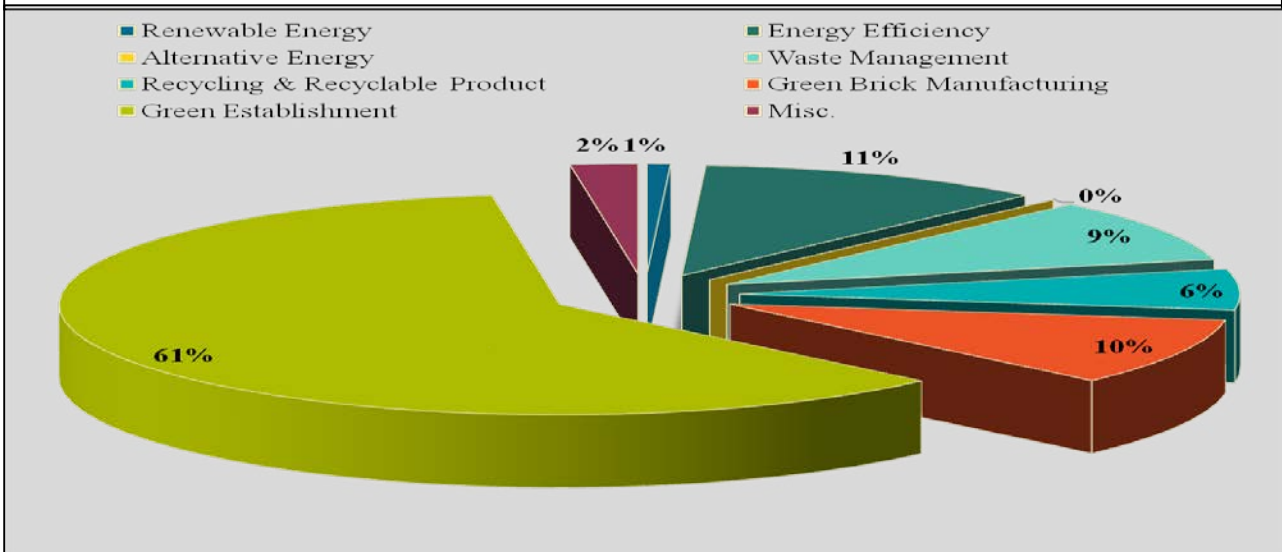
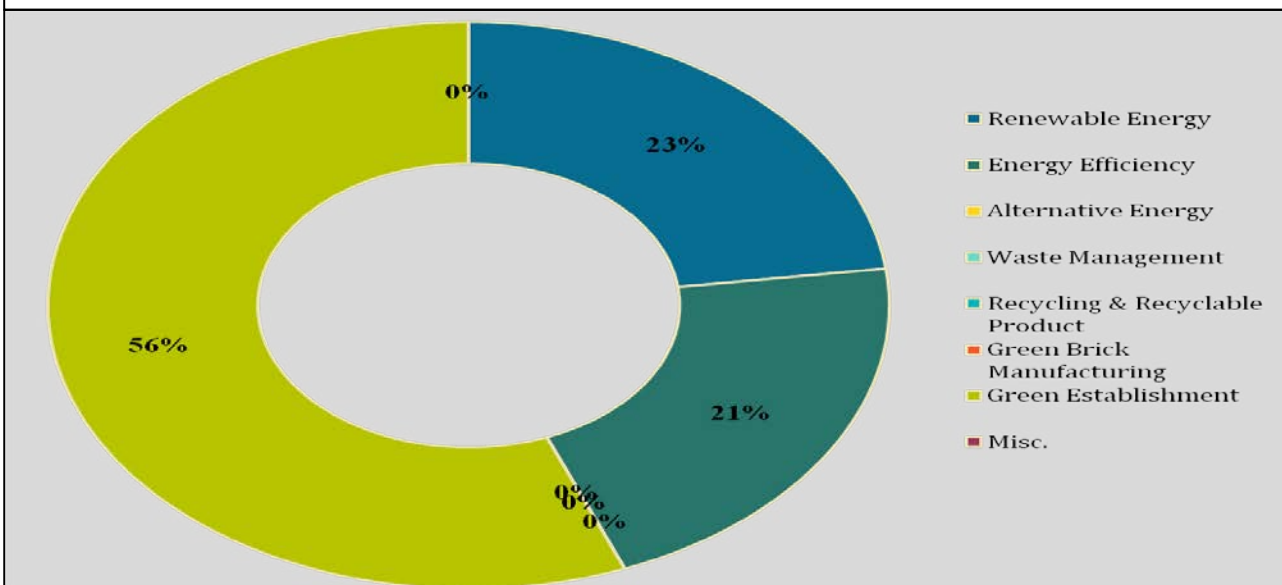


Figure-5.4: Green Finance by FIs in different sectors



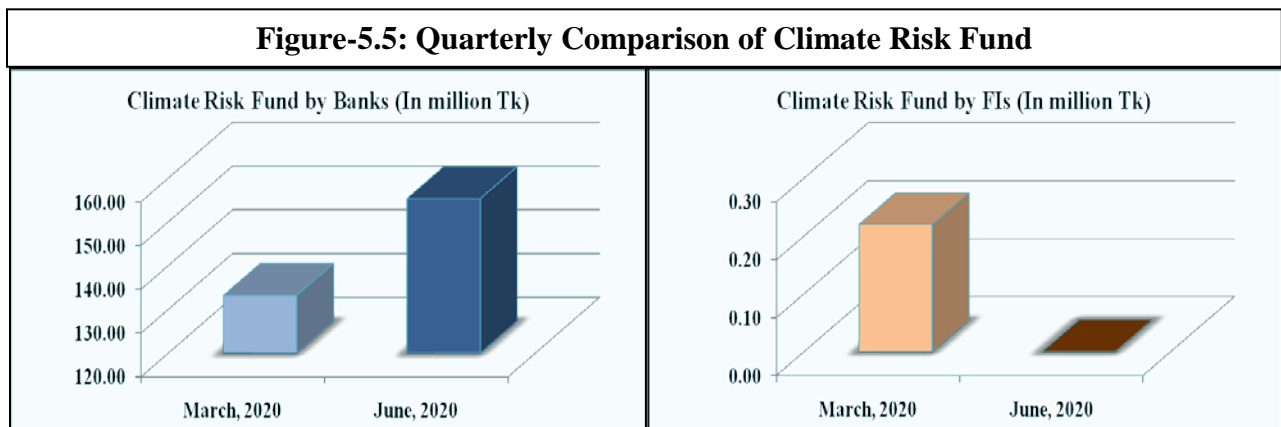
5.4 Climate Risk Fund:

155.30 million taka has been utilized as grant from climate risk fund by banks 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)	3.26	4.00	0.00
FCBs (09)	147.54	0.50	0.00
Banks' Total	150.80	4.50	0.00
FIs (33)	0.00	0.00	0.00

Figure-5.5: Quarterly Comparison of Climate Risk Fund



5.5 Compliance Overview of ESRM Framework:

42 banks out of 59 and 12 FIs out of 33 have conducted environmental risk rating in the reporting quarter. The quarterly shift of ESRR by banks and FIs is showing a decreasing 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)	1,874	1,996	12,869
SDBs (03)	0	0	0
PCBs (41)	12,950	8,740	344,013
FCBs (09)	287	143	23,990
Banks' Total	15,111	10,879	380,872.23
FIs (33)	330	337	31,514.92

Figure-5.6: Quarterly Comparison of Environmental Risk Rating by Banks

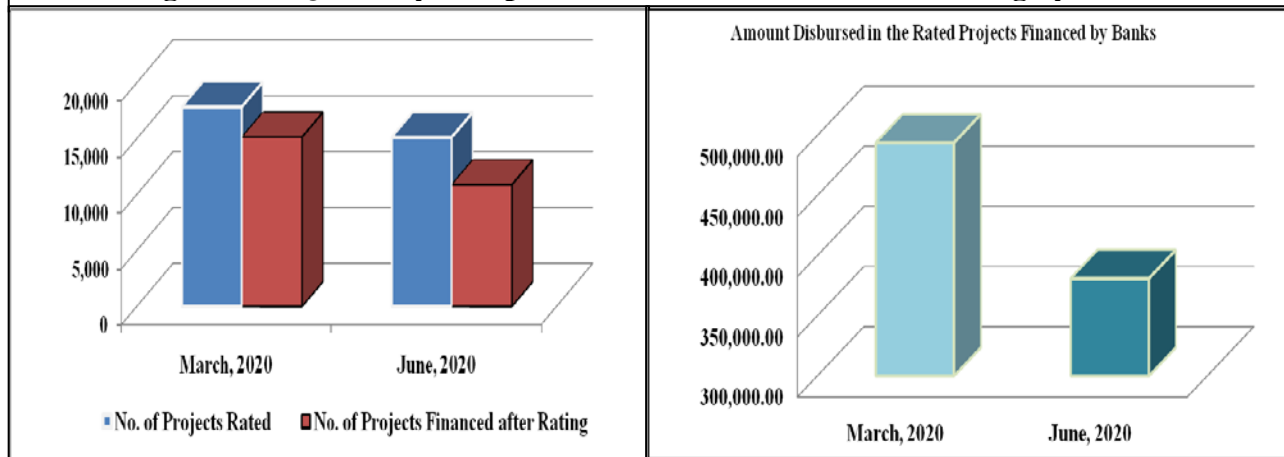
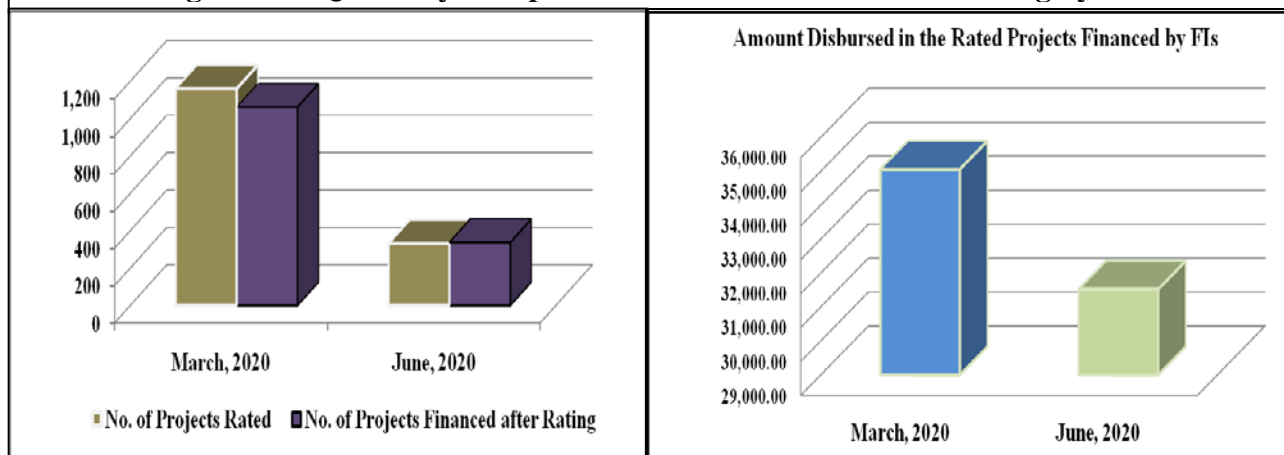


Figure-5.7: Quarterly Comparison of Environmental Risk Rating by FIs



5.6 In-house Environment Management:

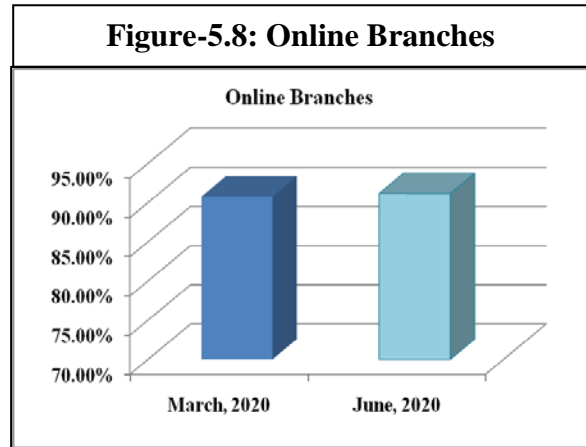
Table-5.6: Environmental Conservation in Business Centers

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 Branches with Rainwater Harvesting	Number of Branches with Solid Waste Management System
SOCBs (06)	3,779	76	249	2	-	-
SDBs (03)	1,421	5	6	0	-	-
PCBs (41)	5,293	521	7,080	46	3	241
FCBs (09)	64	5	140	10	4	7
Banks' Total	10,557	607	7,475	58	7	248
FIs (33)	281	3	-	-	-	7

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 June, 2020. 91.13% 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)	3,779	3,708	98.12%
SDBs (03)	1,421	557	39.20%
PCBs (41)	5,293	5,292	99.98%
FCBs (09)	64	64	100.00%
Grand Total	10,557	9,621	91.13%



6. Concluding Remarks

The green banking activities of banks and FIs in the quarter ended June 30, 2020 has experienced a bit downward trend in green finance for the financial sector. Green finance by banks has been decreased by 11.81% in this quarter than the previous one; in case of FIs it has been decreased by 83.33%. Few institutions have surpassed the target of green finance compared to the total disbursement (5%). Mutual Trust Bank Ltd. (8.72%) has done a fantastic job; beside this, IFIC Bank Ltd. (7.93%) and The HSBC Ltd. (6.70%) have done very well. Among FIs, Bangladesh Infrastructural Finance Fund Limited (77.93%), Hajj Finance Company Limited (71.40%) and United Finance Ltd. (13.02%) have performed very well. Banks and FIs could not keep their usual pace in contributing to their green finance promotion activities. 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.....