

Quarterly Review Report
on
Green Banking Activities of Banks &
Financial Institutions
and
Green Refinance Activities of Bangladesh Bank

January-March, 2015



Green Banking and CSR Department
Bangladesh Bank
Head Office

1. Introduction:

Environment Risk Management Guidelines for banks and FIs for assessing environmental risk and Policy Guidelines for Green Banking for banks for green banking activities were issued vide BRPD Circular No.01/2011 and 02/2011 respectively. In 2012, banks were provided with a uniform reporting format for reporting green banking activities in a structured manner. In 2013, Policy Guidelines for Green Banking was also issued (GBCSRD Circular No. 04/2013 and GBCSRD Circular Letter No. 05/2013) to the Financial Institutions (FIs)¹ and the banks scheduled in 2013 where they were brought under the structured reporting system as well. To expedite the ongoing initiatives of banks and FIs at faster pace for sustaining the environment compatible to climate change risk, minimum target of direct green finance as certain % of total funded loan to be disbursed/invested in each year effective from January 2015 onwards (GBCSRD Circular No. 04/2014) in the following manner:

- 1.1. a) This target will be 5% of the total disbursement/investment of funded loan in 2015 for banks scheduled before 2013.
- b) This target will be 3% of total disbursement/investment of funded loan in 2015 for banks scheduled in 2013.
- c) This target will be 4% of total disbursement/investment of funded loan in 2015 for FIs.
- 1.2. This target will be 5% of the total loan disbursement/investment from January 2016 onwards for all banks and FIs.

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 six green products in 2009. BB enhanced the product line from 6 to 47 under 11 categories (Renewable Energy, Energy Efficiency, Solid Waste Management, Liquid Waste Management, Alternative Energy, Fire Burnt Brick, Non Fire Block Brick, Recycling & Recyclable Product, Green Industry, Ensuring Safety and Work Environment of Factories and Miscellaneous) from 2009 till date.

A refinance scheme namely “Financing Brick Kiln Efficiency Improvement Project”, was established in BB supported by ADB with a view to reducing greenhouse gas emissions and refine particulate pollution from brick fields throughout the country and building environment friendly brick fields through development of efficiency of brick kiln with usage of appropriate technology and energy in 2012. In this scheme, total amount of loan from ADB is 50.00 million USD/converted to equivalent BDT for local use. It has two parts: Part-A: 30.00 million USD for conversion of Fixed Chimney Kiln (FCK) to Improved Zigzag Kiln and Part-B: 20.00 million USD for establishment of new Vertical Shaft Brick Kiln (VSBK), Hybrid Hoffman Kiln (HHK) and Tunnel Kiln.

In September 2014, BB has introduced a refinance scheme funded by liquidity of Shariah based banks and FIs in excess of their requirement which will be explicitly utilized for direct green finance of the said banks and FIs. These banks and FIs can utilize this fund for financing in the 47 products identified (so far identified by BB) under BB Refinance scheme discussed above.

¹ Financial Institutions licensed under Financial Institutions Act, 1993.

This review report has highlighted the activities of refinance schemes of BB. Thus, this review report is the consolidated reflection of the quarterly reports of all scheduled banks and FIs of January-March, 2015 and the activities of refinance schemes of BB for green products of the same quarter.

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

2.1. Policy Formulation and Governance:

All 47 banks (scheduled before 2013) have their own Green Banking Policy Guidelines approved by their respective Board of Directors/Competent authority as well as have Green Banking Unit (GBU) for pursuing Green Banking activities. They also have their own Green Office Guide for conducting in-house green activities.

Out of 9 newly scheduled banks, 6 have formulated their own Green Banking Policy Guidelines and 8 have formed Green Banking Unit (GBU) till the reporting quarter. 7 newly scheduled banks have prepared their own Green Office Guide.

27 out of 31 FIs have formulated their own Green Banking Policy Guidelines approved by their respective Board of Directors and 30 FIs have formed Green Banking Unit (GBU) till the reporting quarter. 26 FIs have prepared own Green Office Guide for conducting their in-house green activities.

2.2. Allocation and Utilization of Fund for Green Banking Activities:

The snapshot of allocation and utilization by banks and FIs in Green Finance, Climate Risk Fund as well as Marketing, Training and Capacity Building in March 2015 quarter is shown in Table-1:

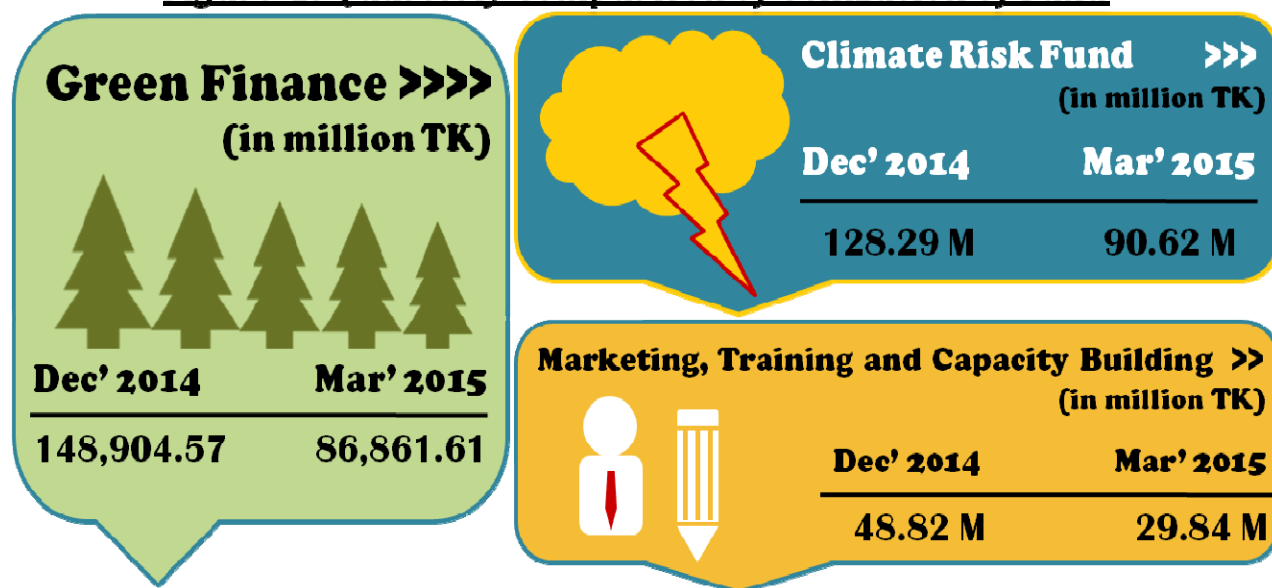
Table-1: Allocation and Utilization of Fund for Green Banking Activities

Type of Bank/FI	Annual Allocation of Fund, 2015 (in million Taka)				Utilization of Funds, January-March, 2015 (in million Taka)			
	Green Finance	Climate Risk Fund	Marketing, Training and Capacity Building	Total	Green Finance	Climate Risk Fund	Marketing, Training and Capacity Building	Total
SOCBs (05)	10,589.85	207.50	410.00	11,207.35	761.03	0.00	3.10	764.13
SDBs (03)	810.00	0.20	0.10	810.30	1.55	0.00	0.00	1.55
PCBs (30)	178,066.60	352.70	1,919.41	180,338.71	70,870.64	70.95	26.13	70,967.73
FCBs (09)	51,145.20	178.57	65.10	51,388.87	11,041.27	19.00	0.00	11,060.27
New Banks (09)	120.00	0.00	0.00	120.00	314.76	0.00	0.00	314.76
Total	240,731.65	738.97	2,394.61	243,865.23	82,989.25	89.95	29.24	83,108.45
FIs (31)	6,466.05	36.79	2.28	6,505.11	3,872.36	0.67	0.61	3,873.63
Grand Total	247,197.70	775.76	2,396.89	250,370.34	86,861.61	90.62	29.84	86,982.08

Type of Bank/FI	Event	Project
SOCBs (05)	0.00	0.00
SDBs (03)	0.00	0.00
PCBs (30)	70.95	0.00
FCBs (09)	0.00	19.00
New Banks (09)	0.00	0.00
Total	70.95	19.00
FIs (31)	0.60	0.07
Grand Total	71.55	19.07

The quarterly shift from December 2014 to March 2015 evidences a slight fall in respect of utilization of fund as shown in Figure-1.

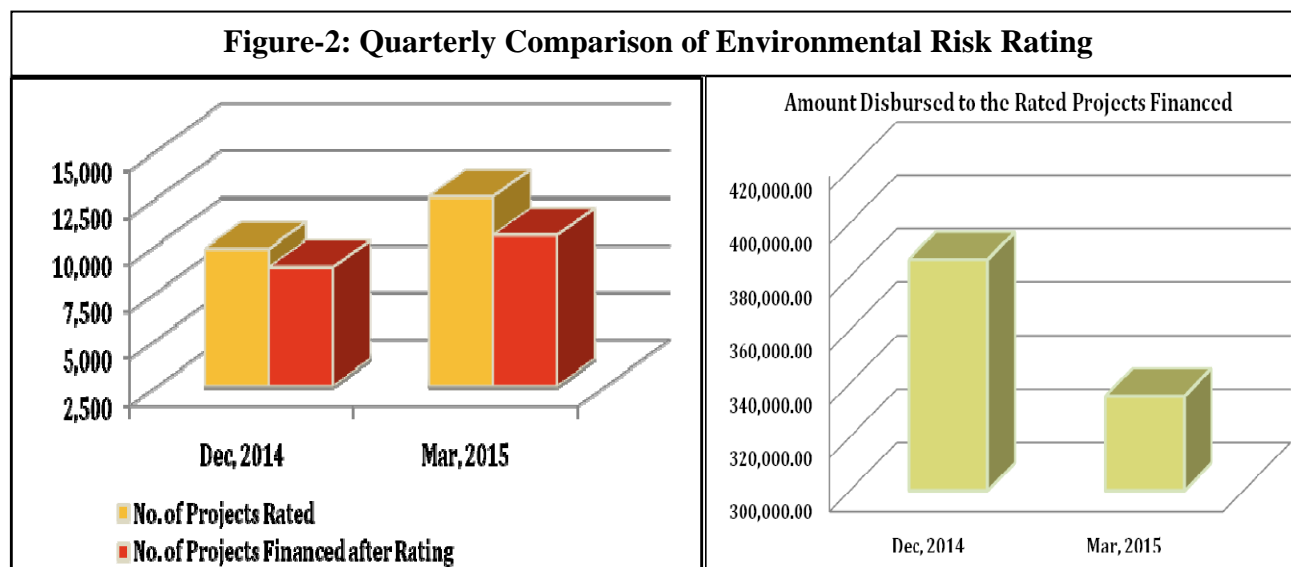
Figure-1: Quarterly Comparison of Utilization of Fund



2.3. Environmental Risk Rating (ERR):

Type of Bank/FI	No. of Projects Applicable for EDD	No. of Projects Rated	No. of Rated Projects Financed	Amount disbursed in Rated projects (in million taka)
SOCBs (05)	756	531	521	9,704.23
SDBs (03)	33	33	33	1,599.70
PCBs (30)	12,468	10,488	8,906	277,593.49
FCBs (09)	1,022	792	376	20,147.60
New Banks (09)	62	62	63	7,414.49
Total	14,341	11,906	9,899	316,459.51
FIs (31)	515	643	604	18,856.94
Grand Total	14,856	12,549	10,503	335,316.45

49 Banks out of 56 and 27 FIs out of 31 have conducted environmental risk rating in the reporting quarter. According to that, number of Projects applicable for Environmental Due Diligence (EDD) rating in this quarter is 14,856. The quarterly shift of ERR by banks and FIs is showing a consistent trend (Figure-2).



2.4. In-house Environment Management:

Table-4: Solar Powered Branches and ATM/SME Units

Type of Bank/FI	No. of Branches	No. of branches powered by Solar Energy	No. of ATM/SME units powered by Solar Energy
SOCBs (05)	3641	39	0
SDBs (03)	1438	23	0
PCBs (30)	3816	323	236
FCBs (09)	75	4	6
New Banks (09)	179	34	0
Total	9149	423	242
FIs (31)	142	4	0
Grand Total	9291	427	242

2.5. Green Finance:

46 Banks out of 56 and 11 FIs out of 31 have had exposure in green finance, either direct (40 Banks, 7 FIs) or indirect (30 Banks, 8 FIs) mode in the reporting quarter. On the other hand, 40 Banks and 7 FIs have disbursed direct green finance in this period. Total amount invested as green finance has been Tk. 86,861.60 million in March 2015 quarter. Green Finance by Banks and FIs is still concentrated in Indirect Green Finance. In March 2015 quarter, direct green finance by Banks and FIs is 9.91% of total green finance and 0.63% of total funded loan disbursement. A brief picture of green finance by Banks and FIs is shown in Table-5, Table-6 and Table-7:

Table-5: Direct Green Finance (in million Taka)

Type of Bank/FI	Category of Green Finance					
	Renewable Energy	Energy Efficiency	Solid Waste Management	Liquid Waste Management	Alternative Energy	Fire Burnt Brick
SOCBs (05)	40.32	0.00	0.00	0.00	17.25	140.74
SDBs (03)	0.05	0.00	0.00	0.00	0.00	0.00
PCBs (30)	176.90	227.19	221.47	194.23	0.00	689.62
FCBs (09)	505.00	0.00	0.00	50.00	0.00	0.00
New Banks (09)	27.22	0.00	0.00	0.00	0.00	206.00
Total	749.49	227.19	221.47	244.23	17.25	1,036.36
FIs (31)	1,895.28	0.40	0.00	65.00	0.00	11.60
Grand Total	2,644.77	227.59	221.47	309.23	17.25	1,047.96

Table-5: Direct Green Finance (in million Taka)- Table Continued

Type of Bank/FI	Category of Green Finance					
	Non Fire Block Brick	Recycling & Recyclable Product	Green Industry	Safety and Security of Factory	Misc.	Others
SOCBs (05)	0.00	0.00	0.00	0.00	2.00	454.33
SDBs (03)	0.00	0.00	0.00	0.00	1.50	0.00
PCBs (30)	0.00	532.76	242.64	38.50	0.09	2,643.98
FCBs (09)	0.00	25.10	126.90	0.00	0.00	0.00
New Banks (09)	0.00	0.00	0.00	0.00	0.00	5.04
Total	0.00	557.86	369.54	38.50	3.59	3,103.35
FIs (31)	0.00	5.00	50.00	8.70	0.00	1.86
Grand Total	0.00	562.86	419.54	47.20	3.59	3,105.21

Table-6: Green Finance (in million Taka)

Type of Bank/FI	Direct Green Finance	Indirect Green Finance	Total Green Finance
SOCBs (05)	654.64	106.39	761.03
SDBs (03)	1.55	0.00	1.55
PCBs (30)	4,967.38	65,903.26	70,870.64
FCBs (09)	707.00	10,334.27	11,041.27
New Banks (09)	238.26	76.50	314.76
Total	6,568.83	76,420.42	82,989.25
FIs (31)	2,037.84	1,834.51	3,872.35
Grand Total	8,606.67	78,254.93	86,861.60

Table-7: Direct Green Finance as % of Total Finance

Type of Bank/FI	As % of Total Green Finance	As % of Total Funded Loan Disbursement
SOCBs (05)	86.02%	0.77%
SDBs (03)	100.00%	0.01%
PCBs (30)	7.01%	0.49%
FCBs (09)	6.40%	0.89%
New Banks (09)	75.70%	0.18%
Total	7.92%	0.50%
FIs (31)	52.63%	4.44%
Grand Total	9.91%	0.63%

Figure-3: Direct Green Finance as % of Total Funded Loan Disbursement

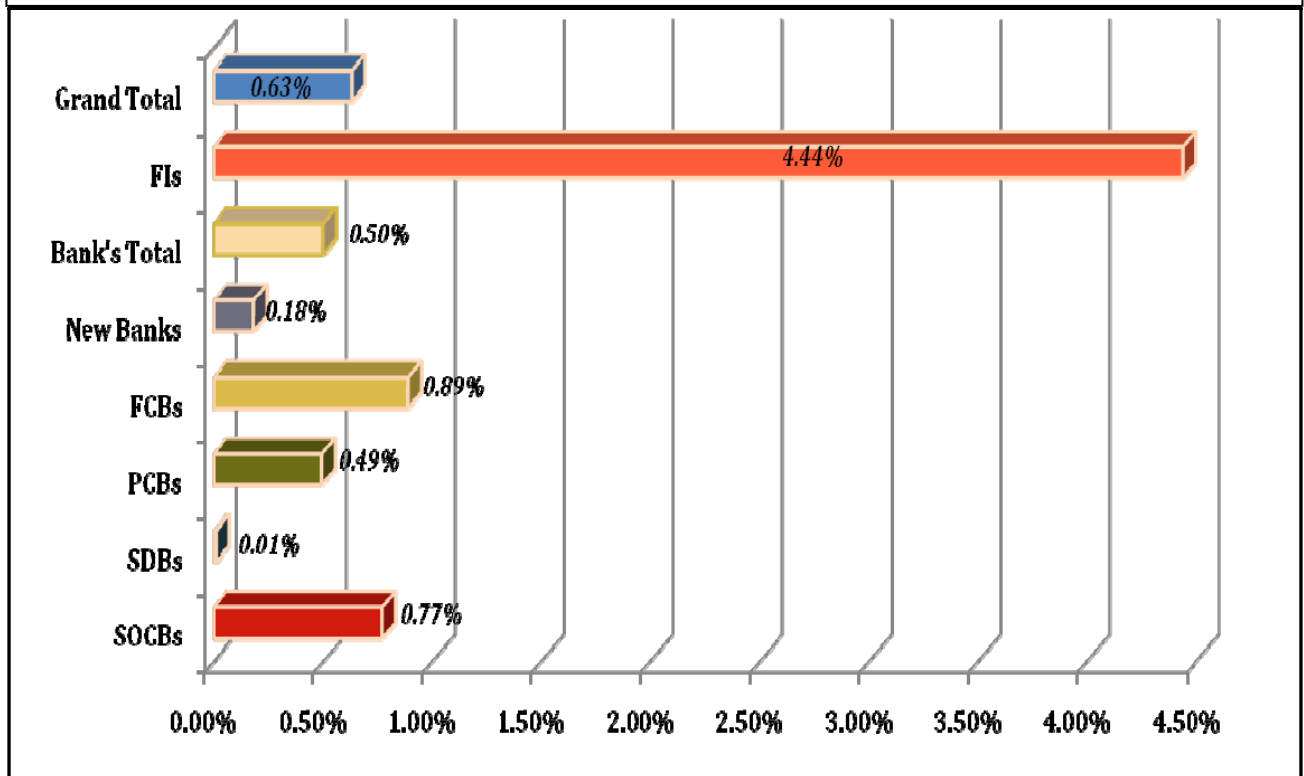
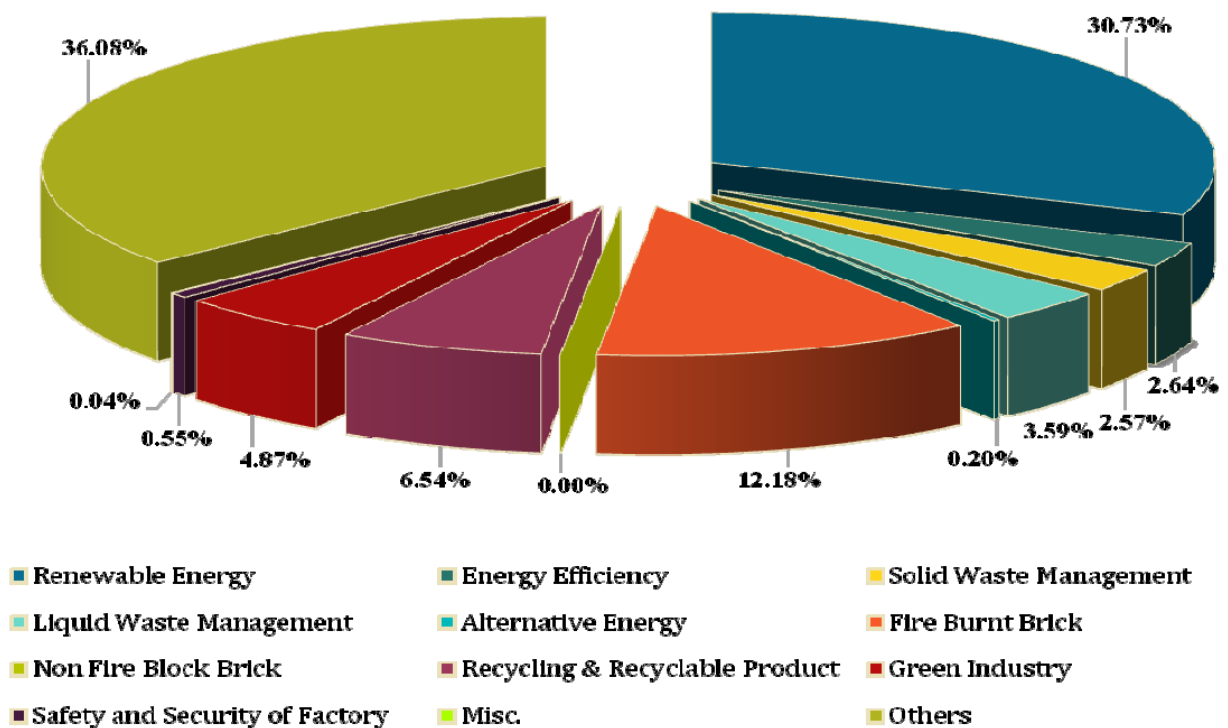


Figure-4: Direct Green Finance across All Categories



2.6. Online Banking:

55 Banks out of 56 have at least one online branch and 37 banks have introduced internet banking facility up to March 2015. Significant progress has been observed in the expansion of online branches since the previous quarter. Moreover, SMS/mobile banking facility has been observed a little varied than the previous quarter (Figure-5).

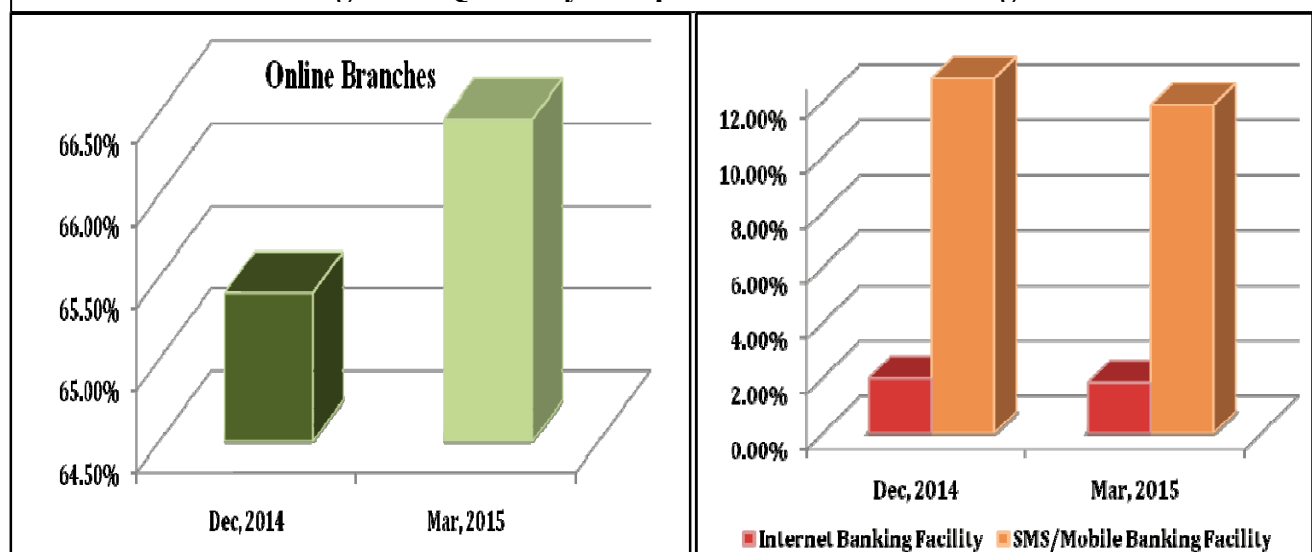
Table-8: Online Banking (at March 31, 2015)

Type of Bank/FI	No. of ATM		No. of Total Branches	No. of Branches with online coverage	% of Online Branches
	Own	Shared			
SOCBs (05)	118	8,292	3,641	1,929	52.98%
SDBs (03)	0	3	1,438	87	6.05%
PCBs (30)	5,985	55,730	3,816	3,810	99.84%
FCBs (09)	159	4,207	75	75	100.00%
Newly Scheduled Banks (09)	67	7,189	179	179	100.00%
Grand Total	6,329	75,421	9,149	6,080	66.46%

Table-9: Internet and Mobile/SMS Banking (at March 31, 2015)

Type of Bank/FI	No. of Total Accounts	% of Accounts facilitated with	
		Internet Banking	Mobile/SMS Banking
SOCBs (05)	33,548,931	27	0.00%
SDBs (03)	14,800,478	0	0.00%
PCBs (30)	35,180,148	1,356,581	3.86%
FCBs (09)	463,407	193,137	41.68%
Newly Scheduled Banks (09)	209,369	2,626	1.25%
Grand Total	84,202,333	1,552,371	1.84%

Figure-5: Quarterly Comparison of Online Banking



2.7. Training, Promotion and Disclosure:

31 Banks out of 56 have arranged 129 training programs concerning green banking where total number of participants was 4630. On the other hand, 9 FIs out of 31 have arranged 25 training programs concerning green banking where total number of participants was 337. A snapshot on training is given below:

Type of Bank/FI	No. of Programs	No. of Participants
SOCBs (05)	14	577
SDBs (03)	11	406
PCBs (30)	96	3,253
FCBs (09)	5	331
Newly Scheduled Banks (09)	3	63
Total	129	4,630
FIs (31)	25	337
Grand Total	154	4967

33 Banks and 6 FIs have initiated Green Marketing while 6 Banks and 1 FI have arranged Green Events in this quarter.

Up to March 2015, 45 Banks and 11 FIs have pursued disclosure on green banking in their annual report; 41 Banks and 9 FIs have put green banking disclosure in their website. 18 Banks and 4 FIs have disclosed their green banking activities in the media; 5 Banks and 2 FIs have prepared Independent Report on green banking activities.

2.8. Major Green Banking Activities at a Glance in March 2015:

Issue	Bank	FI
Number of banks/FIs having Green banking unit	55	30
Number of banks/FIs having Green banking policy	53	27
Number of banks/FIs having Green office guide	54	26
Number of environmental risk rated projects	11,906	643
Number of environmental risk rated projects and financed	9,899	604
Amount disbursed against rated projects (in million Taka)	316,459.51	18,856.94
Number of solar powered branches	423	4
Number of solar powered ATM/SME units	242	N/A
Online branches (as % of total branches)	66.46%	N/A
Amount disbursed as green finance (in million Taka)	82,989.25	3,872.35
Direct green finance as % of total funded loan disbursement	0.50%	4.44%
Amount utilized from climate risk fund (in million Taka)	89.95	0.67
Amount utilized for green marketing, training and development (in million Taka)	29.24	0.61

3. Review on Green Refinance Activities of BB:

3.1. BB Refinance Scheme for Renewable Energy & Environment Friendly Financeable Sectors:

Objective of the fund to promote renewable energy and environment friendly financial activity of our country. Refinance facilities are extended to the participating Banks and Financial Institutions (PFIs) in this purpose. 34 banks and 14 Financial Institutions so far have signed participation agreement with Bangladesh Bank. The disbursement scenario of this scheme during January-March, 2015 quarter is furnished below:

SL. No	Sub-category/ Product	Taka in million
1	Bio gas	15.60
2	Solar Home System	15.32
3	Solar Assembly Plant (SAP)	148.13
4	Vermicompost	0.55
	Total Disbursement	179.60

3.2. ADB Supported Financing Brick Kiln Efficiency Improvement project:

Objective of the Project is to improve the efficiency of the brick kiln through efficient use of energy including reducing 'Green House Gas (GHG)' and 'Suspended Particulate Matter (SPM)'. Refinance facilities are extended to the Participatory Banks and Financial Institutions (PFIs) in this purpose. 35 banks and 17 financial institutions so far have signed participation agreement with Bangladesh Bank.

Upto December, 2014, USD 4.62 million has been disbursed under this project. USD 7.75 million has been approved but not yet released by BB. During the reporting quarter January-March, 2015 there is no disbursement under this project. Sub projects amounting to BDT 50.88 crore (USD 6.56 million) are in the pipeline (refinance claimed) at BB's end and BDT 65.85 crore (USD 8.49 million) are in the pipeline at PFI's end.

4. Concluding Remarks:

The scenario of green banking activities of banks and FIs in the quarter ended on March 31, 2015 evidences promising scenario considering the beginning quarter of the year. This trend of investment and expenditure in various green banking activities of banks and FIs will expectedly be heightened in the 2015. Thus, BB anticipates the more rigorous and effective performance of banks and FIs in mainstreaming green banking activities especially in direct green finance.

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