

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

**January - March, 2016**



**Sustainable Finance Department  
Bangladesh Bank  
Head Office**

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## 1. Introduction:

Environment Risk Management Guidelines were issued vide BRPD Circular No.01/2011 and 02/2011 respectively to assess environmental risk and Policy Guidelines for Green Banking activities of Banks and Financial Institutions (FIs). In 2012, Bangladesh Bank introduced a uniform reporting format for reporting green banking activities in a structured manner for banks. 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)<sup>1</sup> 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 is set 5% of the total loan disbursement/investment from January 2016 onwards for all banks and FIs (GBCSRD Circular No. 04/2014).

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 solar energy, Bio-gas and Effluent Treatment Plant (ETP) in 2009. BB enhanced the product line to 50 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 & Work Environment of Factories and Miscellaneous) since 2009 till date.

An on lending 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 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 50 products identified under BB Refinance scheme according to GBCSRD Circular No. 06/2014. Under this scheme, 4 banks and 1 FI have signed participation agreement with BB till March 31,2016.

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, 2016 and the activities of refinance schemes of BB for green products of the same quarter<sup>2</sup>.

<sup>1</sup> Financial Institutions licensed under Financial Institutions Act, 1993.

<sup>2</sup> Now in Bangladesh there are 6 SCBs, 2 SDBs, 39 PCBs (Private Commercial Banks) and 9 FCBs (Foreign Commercial Banks).

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

### 2.1. Policy Formulation and Governance:

All 56 banks 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.

All FIs have formed Green Banking Unit (GBU) till the reporting quarter as well as have prepared own Green Office Guide for conducting their in-house green activities. 31 out of 32 FIs have formulated their own Green Banking Policy Guidelines approved by their respective Board of Directors.

### 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 2016 quarter is shown in Table-1

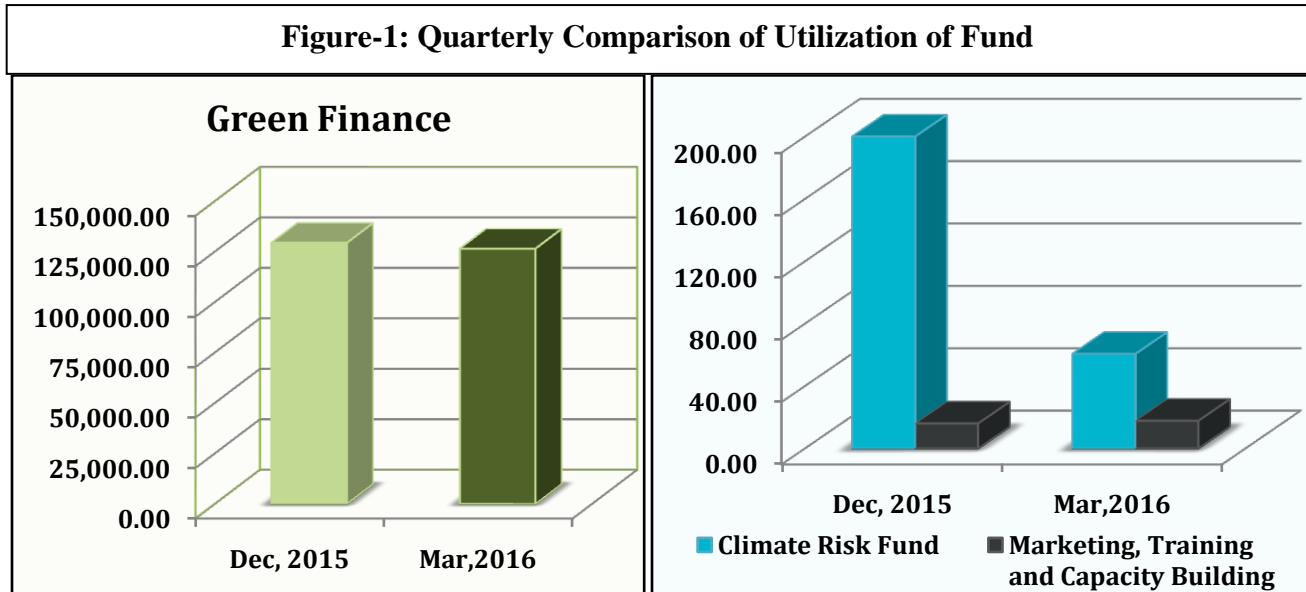
**Table-1: Allocation and Utilization of Fund for Green Banking Activities**

Type of Bank/FI	Annual Allocation of Fund, 2016 (in million Taka)				Utilization of Funds, January-March, 2016 (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
<b>SOCBs (06)</b>	11,534.75	142.00	397.75	12,074.50	654.92	0.00	4.86	659.78
<b>SDBs (02)</b>	210.00	0.20	0.10	210.30	8.95	0.00	0.00	8.95
<b>PCBs (39)</b>	260,153.98	387.29	286.45	260,827.71	103,781.20	45.57	11.86	103,838.63
<b>FCBs (09)</b>	67,102.30	122.05	65.10	67,289.45	19,126.02	15.00	0.00	19,141.02
<b>Total</b>	<b>339,001.03</b>	<b>651.54</b>	<b>749.40</b>	<b>340,401.96</b>	<b>123,571.09</b>	<b>60.57</b>	<b>16.72</b>	<b>123,648.38</b>
<b>FIs (31)</b>	18,231.05	37.43	7.35	18,275.83	2,874.17	0.45	0.97	2,875.59
<b>Grand Total</b>	<b>357,232.08</b>	<b>688.97</b>	<b>756.75</b>	<b>358,677.79</b>	<b>126,445.26</b>	<b>61.02</b>	<b>17.69</b>	<b>126,523.97</b>

**Table-2: Utilization of Climate Risk Fund (in million taka)**

Type of Bank/FI	Event	Project
<b>SOCBs (06)</b>	0.00	0.00
<b>SDBs (02)</b>	0.00	0.00
<b>PCBs (39)</b>	44.49	1.08
<b>FCBs (09)</b>	0.00	15.00
<b>Total</b>	<b>44.49</b>	<b>16.08</b>
<b>FIs (32)</b>	0.45	0.00
<b>Grand Total</b>	<b>44.94</b>	<b>16.08</b>

The quarterly shift from December 2015 to March 2016 evidences a downward trend in respect of utilization of fund as shown in Figure-1.

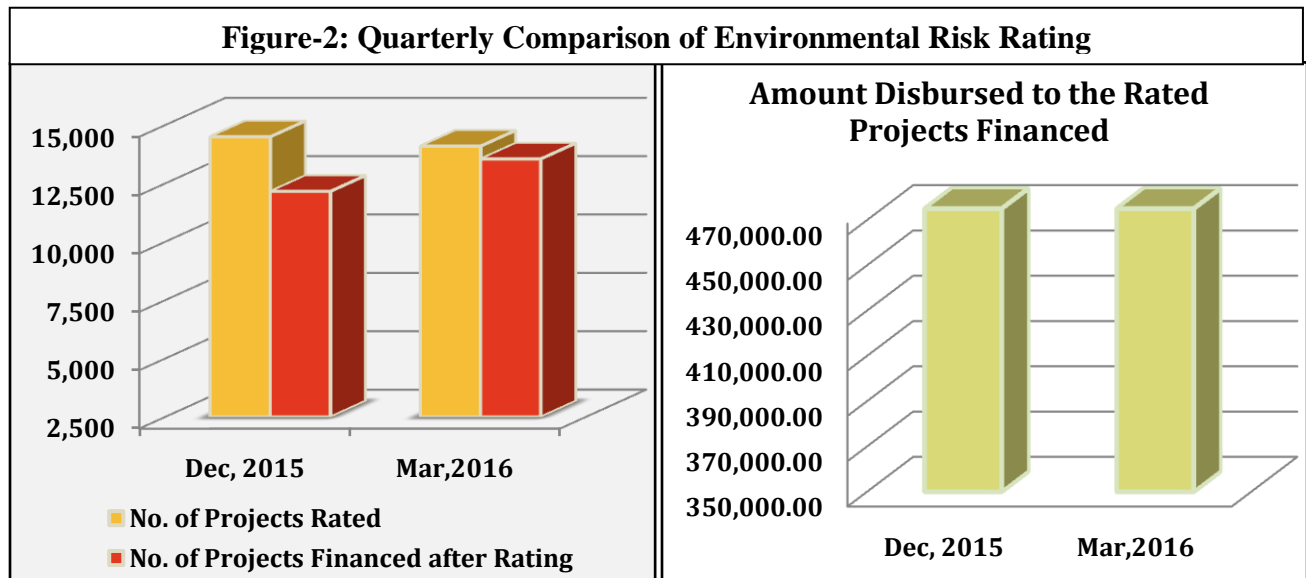


### 2.3. Environmental Risk Rating (ERR):

**Table-3: Environmental Risk Rating**

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 (06)	536	466	458	9,550
SDBs (02)	11	0	11	1,003
PCBs (39)	14,790	12,055	12,025	545,303
FCBs (09)	695	793	436	32,197
<b>Total</b>	<b>16,032</b>	<b>13,314</b>	<b>12,930</b>	<b>588,052.52</b>
FIs (32)	767	784	620	30,147.51
<b>Grand Total</b>	<b>16,799</b>	<b>14,098</b>	<b>13,550</b>	<b>618,200.03</b>

45 Banks out of 56 and 26 FIs out of 32 have conducted environmental risk rating in the reporting quarter. According to that, in this quarter number of Projects applicable for Environmental Due Diligence (EDD) rating is 16,799; number of projects rated is 14,098; number of rated project financed is 13,550 and amount disbursed in rated projects is 618,200.03 million taka. 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
<b>SOCBs (06)</b>	3710	31	0
<b>SDBs (02)</b>	1408	0	0
<b>PCBs (39)</b>	4301	430	245
<b>FCBs (09)</b>	75	3	3
<b>Total</b>	<b>9494</b>	<b>464</b>	<b>248</b>
<b>FIs (32)</b>	200	3	2
<b>Grand Total</b>	<b>9694</b>	<b>467</b>	<b>250</b>

#### 2.5. Green Finance:

46 Banks out of 56 and 11 FIs out of 32 have had exposure in green finance, either direct (40 Banks, 8 FIs) or indirect (30 Banks, 5 FIs) mode in the reporting quarter. Total amount invested as green finance has been Tk. 126,445.26 million in January-March 2016 quarter. Though green financing is very steady, but still in this case Banks and FIs are concentrated in Indirect Green Finance. In this quarter, direct green finance by Banks and FIs is 5.72% of total green finance and 0.52% 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 (06)	8.07	0.00	0.00	0.00	160.00	26.93
SDBs (02)	0.15	0.00	0.00	0.00	0.00	8.80
PCBs (39)	446.78	584.85	9.96	611.29	50.12	879.78
FCBs (09)	0.00	0.00	0.00	2.93	0.00	0.00
<b>Total</b>	<b>455.00</b>	<b>584.85</b>	<b>9.96</b>	<b>614.22</b>	<b>210.12</b>	<b>915.51</b>
FIs (32)	517.03	3.00	0.00	57.50	0.00	0.00
<b>Grand Total</b>	<b>972.03</b>	<b>587.85</b>	<b>9.96</b>	<b>671.72</b>	<b>210.12</b>	<b>915.51</b>

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

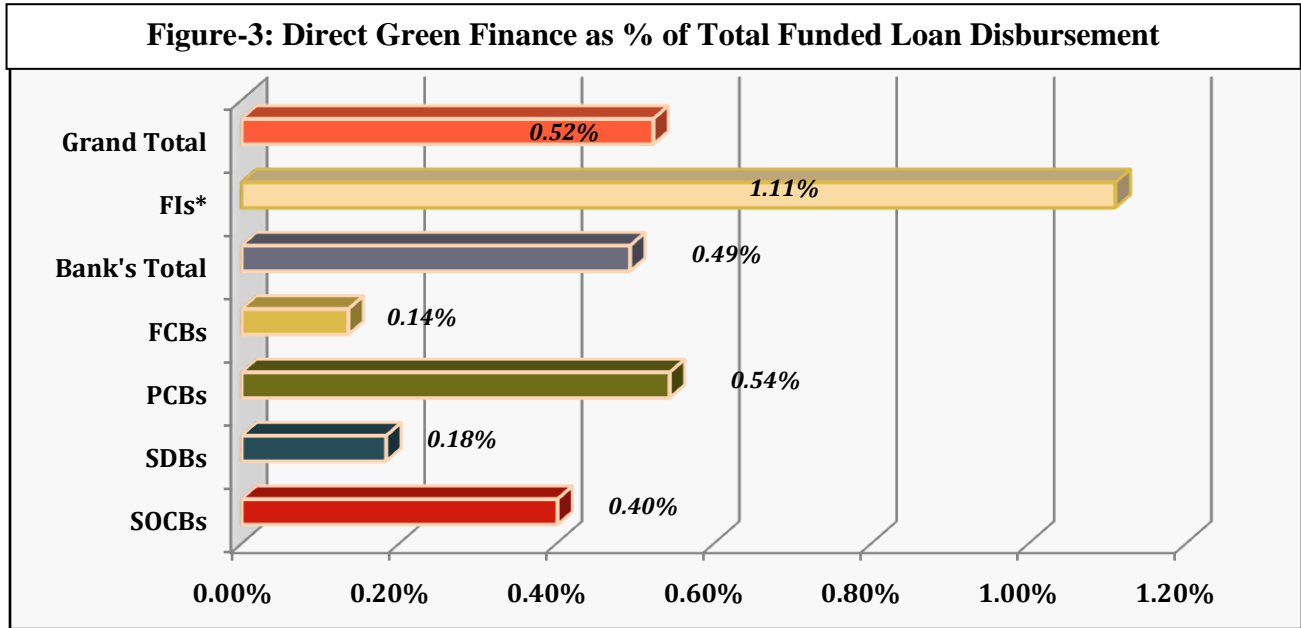
Type of Bank/FI	Category of Green Finance					
	Non Fire Block Brick	Recycling & Recyclable Product	Green Industry	Safety and Security of Factory	Misc.	Others
SOCBs (06)	0.00	11.62	0.00	0.00	0.00	87.06
SDBs (02)	0.00	0.00	0.00	0.00	0.00	0.00
PCBs (39)	46.90	1,658.29	826.01	698.08	57.55	148.20
FCBs (09)	0.00	0.00	6.80	7.10	0.00	0.51
<b>Total</b>	<b>46.90</b>	<b>1,669.91</b>	<b>832.81</b>	<b>705.18</b>	<b>57.55</b>	<b>235.77</b>
FIs (32)	0.00	80.47	61.00	4.00	0.00	12.88
<b>Grand Total</b>	<b>46.90</b>	<b>1,750.38</b>	<b>893.81</b>	<b>709.18</b>	<b>57.55</b>	<b>248.65</b>

Table-6: Green Finance (in million Taka)

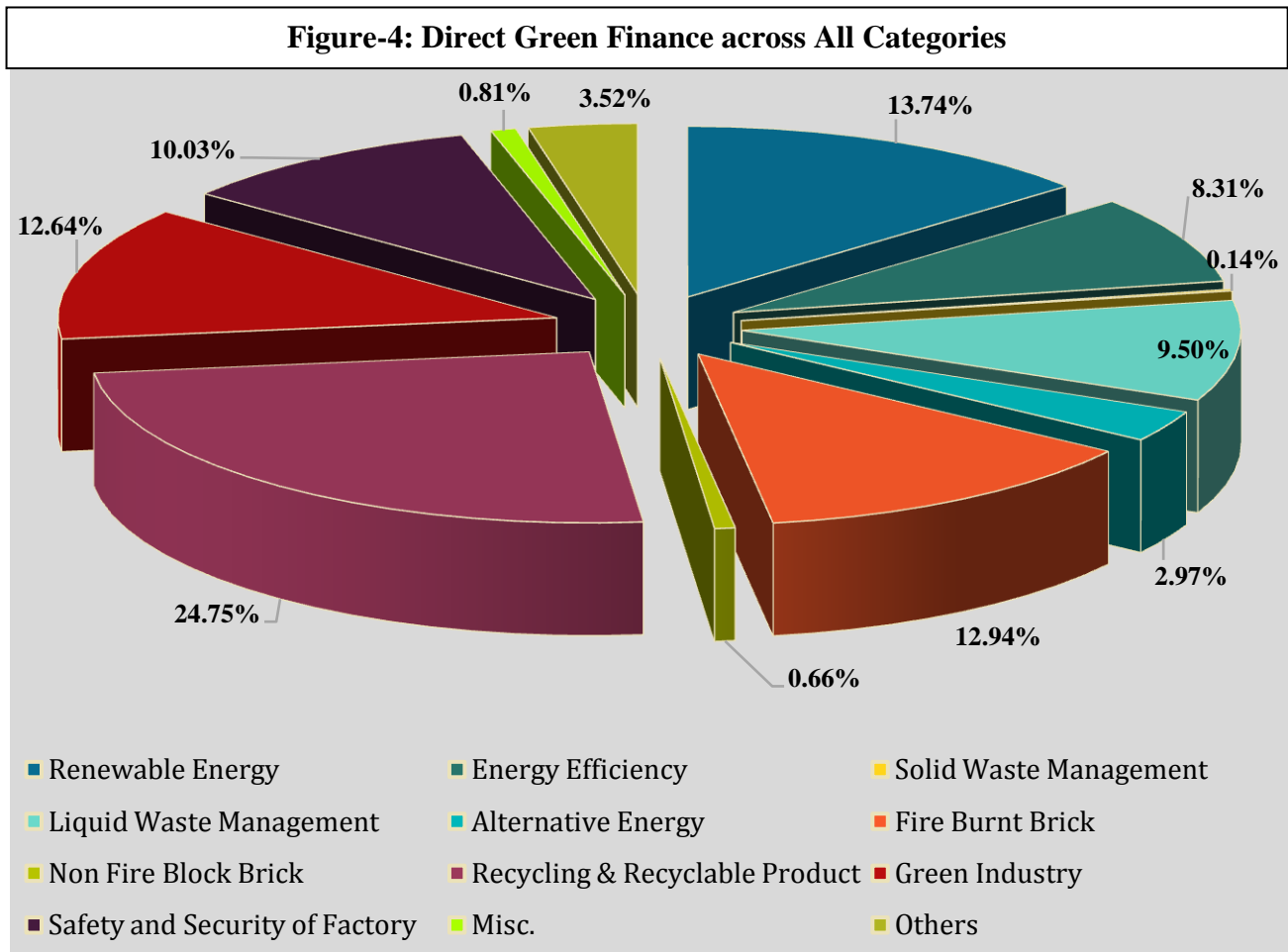
Type of Bank/FI	Direct Green Finance	Indirect Green Finance	Total Green Finance
SOCBs (06)	293.68	361.24	654.92
SDBs (02)	8.95	0.00	8.95
PCBs (39)	6,017.81	97,763.39	103,781.20
FCBs (09)	179.34	18,946.68	19,126.02
<b>Total</b>	<b>6,499.78</b>	<b>117,071.31</b>	<b>123,571.09</b>
FIs (32)	735.88	2,138.29	2,874.17
<b>Grand Total</b>	<b>7,235.66</b>	<b>119,209.60</b>	<b>126,445.26</b>

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 (06)	44.84%	0.40%
SDBs (02)	100.00%	0.18%
PCBs (39)	5.80%	0.54%
FCBs (09)	0.94%	0.14%
<b>Total</b>	<b>5.26%</b>	<b>0.49%</b>
FIs (32)	25.60%	1.11%
<b>Grand Total</b>	<b>5.72%</b>	<b>0.52%</b>



\*If we consider FIs except Infrastructure Development Company Ltd (IDCOL), then direct green finance of FIs became 0.30% of total loan disbursement.



## 2.6. Online Banking:

55 Banks out of 56 have at least one online branch and 41 banks have introduced internet banking facility up to March 2016. Significant progress has been observed in the expansion of online branches in the previous quarters. Moreover, SMS/mobile banking facility has been observed a little varied than the previous quarter (Figure-5).

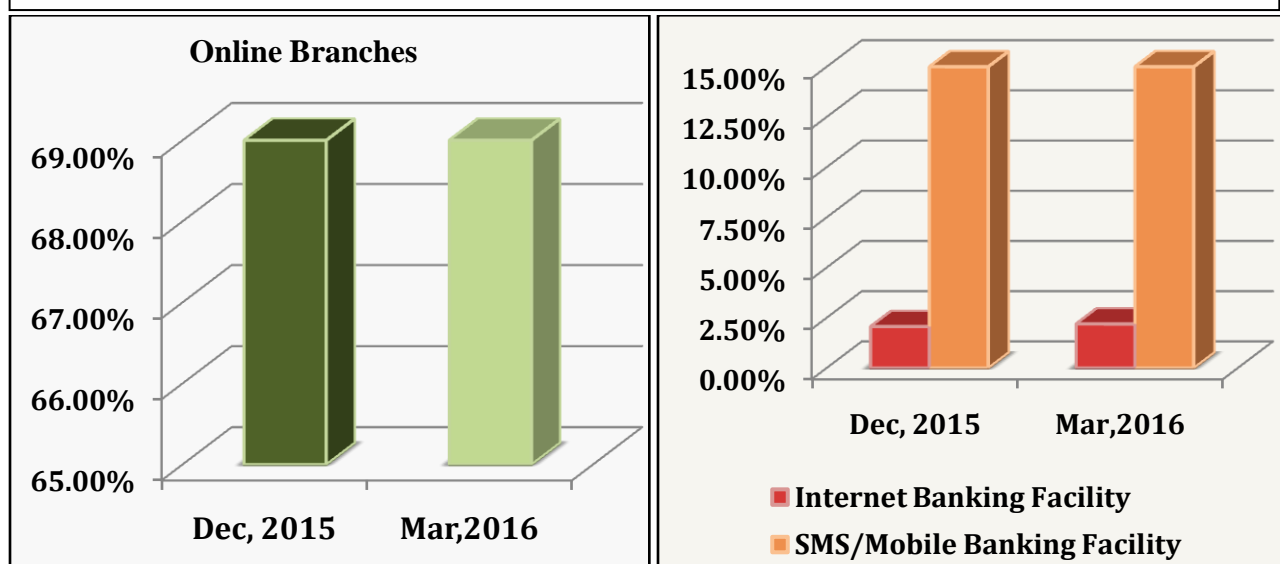
**Table-8: Online Banking (on March 31, 2016)**

Type of Bank	No. of ATM		No. of Total Branches	No. of Branches with online coverage	% of Online Branches
	Own	Shared			
<b>SOCBs (06)</b>	163	9,411	3,710	2,429	65.47%
<b>SDBs (02)</b>	0	0	1,408	97	6.89%
<b>PCBs (39)</b>	7,625	63,167	4,301	4,300	97.72%
<b>FCBs (09)</b>	121	4,207	75	75	100.00%
<b>Grand Total</b>	<b>7,954</b>	<b>76,829</b>	<b>9,494</b>	<b>6,901</b>	<b>72.69%</b>

**Table-9: Internet and Mobile/SMS Banking (on March 31, 2016)**

Type of Bank	No. of Total Accounts	% of Accounts facilitated with		% of Accounts facilitated with	
		Internet Banking	Internet Banking	Mobile/SMS Banking	Mobile/SMS Banking
<b>SOCBs (06)</b>	36,917,640	61	0.00%	202,280	0.55%
<b>SDBs (02)</b>	28,305	0	0.00%	10,785	38.10%
<b>PCBs (39)</b>	39,286,644	1,532,424	3.90%	12,969,091	33.01%
<b>FCBs (09)</b>	390,136	145,382	37.26%	168,512	43.19%
<b>Grand Total</b>	<b>76,622,725</b>	<b>1,677,867</b>	<b>2.19%</b>	<b>13,350,668</b>	<b>17.42%</b>

**Figure-5: Quarterly Comparison of Online Banking**





## 2.7. Training, Promotion and Disclosure:

32 Banks out of 56 have arranged 218 training programs concerning green banking where total number of participants was 6,161. On the other hand, 7 FIs out of 32 have arranged 21 training programs concerning green banking where total number of participants was 312. A snapshot on training in January-March, 2016 quarter is given below:

Type of Bank/FI	No. of Programs	No. of Participants
<b>SOCBs (06)</b>	14	339
<b>SDBs (02)</b>	2	90
<b>PCBs (39)</b>	198	5,614
<b>FCBs (09)</b>	4	118
<b>Total</b>	<b>218</b>	<b>6,161</b>
<b>FIs (32)</b>	21	312
<b>Grand Total</b>	<b>239</b>	<b>6473</b>

33 Banks and 6 FIs have initiated Green Marketing while 7 Banks and 2 FI have arranged Green Events in this quarter.

Up to March 2016, 45 Banks and 15 FIs have pursued disclosure on green banking in their annual report; 41 Banks and 12 FIs have put green banking disclosure in their website. 18 Banks and 4 FIs have disclosed their green banking activities in the media; 9 Banks and 2 FIs have prepared Independent Report on green banking activities.

## 2.8. Major Green Banking Activities at a Glance in January-March, 2016:

Issue	Bank	FI
Number of banks/FIs having Green banking unit	56	31
Number of banks/FIs having Green banking policy	56	30
Number of banks/FIs having Green office guide	56	31
Number of environmental risk rated projects	13,314	784
Number of environmental risk rated projects and financed	12,930	620
Amount disbursed against rated projects (in million Taka)	588,052.52	30,147.51
Number of solar powered branches	464	3
Number of solar powered ATM/SME units	248	2
Online branches (as % of total branches)	72.69%	N/A
Amount disbursed as green finance (in million Taka)	123,571.09	2,874.17
Direct green finance as % of total funded loan disbursement	0.49%	1.11%
Amount utilized from climate risk fund (in million Taka)	60.57	0.45
Amount utilized for green marketing, training and development (in million Taka)	16.72	0.97

### 3. Review on Green Refinance Activities of BB:

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

Promotion of renewable energy & environmental friendly financial activity of Bangladesh is the main objective of this fund. Refinance facilities are extended to the participating Banks and Financial Institutions (PFIs) in this purpose. 41 banks and 16 Financial Institutions so far have signed participation agreement with Bangladesh Bank. The disbursement scenario of this scheme during January-March, 2016 quarter is furnished below:

SL. No	Sub-category/ Product	Taka in million
1	Biogas	25.97
2	ETP	20.00
3	Green Industry	200.00
4	HHK	150.00
5	Organic Manure from Slurry	0.20
6	Paper Waste Recycling	20.00
7	Safe Working Environment for Textile & Garments Industry Workers	7.00
8	SHS	58.65
9	Solar Mini-grid	10.00
10	Vermicompost	0.24
	<b>Total Disbursement</b>	<b>492.06</b>

#### 3.2. ADB Supported Financing Brick Kiln Efficiency Improvement project:

“Financing Brick Kiln Efficiency Improvement Project” has been established in Bangladesh Bank under financing of Asian Development Bank (ADB) for reducing greenhouse gas emissions and fine particulate pollution from brick fields of the country and building environment friendly brick field through efficiency development of brick kiln with appropriate use of energy. Relending facilities are extended to the Participatory Banks and Financial Institutions (PFIs) in this purpose. 35 banks and 18 financial institutions so far have signed participation agreement with Bangladesh Bank. Upto March, 2016, Bangladesh Bank has released total USD 16.21 million (BDT 125.95 crore) to 5 PFIs against their financing for eight sub projects. Liquidation application has been completed through ADB for the said amount. ADB has extended the project by 15(fifteen) months with a new closing date of March 31, 2017.

### 4. Concluding Remarks:

The green banking activities of Banks and FIs in the quarter ended on March 31, 2016 evidences steady scenario comparing the previous quarter. This trend of investment and expenditure in various green banking activities of banks and FIs will expectedly be heightened in the upcoming years. 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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