

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

July-September, 2018



**Sustainable Finance Department
Bangladesh Bank
Head Office**

1. Introduction:

Bangladesh Bank (BB) issued Environmental Risk Management (ERM) Guidelines for Banks and Financial Institutions (FIs) vide BRPD Circular No.01/2011. Later in the same year it issued Green Banking Policy Guideline for Banks vide BRPD Circular 02/2011. In 2012, a uniform reporting format for reporting green banking activities in a structured manner for banks was introduced, whereas in the subsequent year in 2013, Policy Guidelines for Green Banking was also issued (GBCSRD Circular No. 04/2013 and GBCSRD Circular Letter No. 05/2013) for the Financial Institutions (FIs)¹ and for the banks scheduled in 2013. Through these guidelines all banks and FIs were brought under the structured reporting system. Besides, to expedite the ongoing initiatives of banks and FIs at faster pace, from January 2016 onwards minimum target of direct green finance was set at 5% of the total funded loan disbursement/investment for all banks and FIs (GBCSRD Circular No. 04/2014). Bangladesh Bank vide SFD Circular No. 02, dated December 01, 2016 instructed all banks and FIs to establish Sustainable Finance Unit and Sustainable Finance Committee by abolishing both Green Banking and CSR units. Guidelines on Credit Risk Management (CRM) for Banks was issued vide BRPD Circular No. 04/2016 which has incorporated the evaluation of Environmental and Social Risks in the process of Credit Risk Management. On the contrary, Guidelines on Environmental and Social Risk Management (ESRM) for Banks and Financial Institutions in Bangladesh along with an Excel-based Risk Rating Model have been issued vide SFD Circular No. 02/2017 which has become enforceable from January 01, 2018 replacing the Guidelines on ERM to all extent. Recently, a comprehensive list of product/initiatives of Green Finance for banks and FIs has been circulated in September 2017 (SFD Circular No. 04/2017). To monitor green banking policy & other regulations and to ensure the quality & uniformity of data provided by Banks & FIs, a new uniform reporting format of Quarterly Review Report on Green Banking Activities has been circulated for Banks & FIs in January 2018 (SFD Circular No. 01/2018).

To ensure the movement towards sustainability against the climate change, Banks and FIs were instructed to form a ‘Climate Risk Fund’ having allocation at least 10% of their Corporate Social Responsibility budget for Climate Risk Fund. This funding can be done in both ways- by providing grants or financing at reduced rate of interest (GBCSRD Circular No. 04/2015). Meanwhile, Banks & FIs have been instructed to set up Solid Waste Management System, Rainwater Harvesting and Solar Power Panel in their newly constructed or arranged building infrastructure (SFD Circular No. 01/2016). Besides, by the direction of Honorable Prime Minister, and Bangladesh Bank's instruction in conformity with that, all the banks & FIs must ensure the establishment and activeness of Effluent Treatment Plant (ETP) during financing to all possible clients (SFD Circular No 03/2016).

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. The product line has been enhanced to 51 under 08 categories vide SFD Master Circular No. 03/2017.

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

¹ Financial Institutions licensed under Financial Institutions Act, 1993.

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.

Bangladesh Bank has introduced refinance scheme funded by access liquidity of shariah based financial institutions to facilitate the shariah based banks and non-bank financial institutions (NBFIs) in the country vide GBCSRD circular no.06 dated October 12, 2014. This refinance scheme aims to encourage the shariah based investors to be involved more in the renewable energy and environment friendly efforts, and strengthen the involvement of shariah based financing in this sector.

Bangladesh Bank (BB) intends to provide long term financing for private sector firms, mainly mid size manufacturing firms under the Financial Sector Support Project (FSSP) financed by the International Development Association (IDA). An Environmental and Social Management Framework (ESMF) has been developed to ensure the sustainability of financing of this facility (FE Circular No. 18/2015).

In January 2016, a new 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 country (FE Circular No. 02/2016). To further fortify the financing arrangement under GTF, it was decided to provision for a Participation Agreement to be signed between Bangladesh Bank and intended banks. To widen the scope of this fund, in October, 2017 through FE Circular no 36/2017, export oriented Jute sector was included in GTF.

This report covers both green finance/investment by the participating scheduled banks and FIs under refinance scheme and also finance/investment for green projects from their own sources.

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

2.1. Policy Formulation and Governance:

All scheduled banks (except Probashi Kallyan Bank) have formed their own Sustainable Finance Unit and Green Banking Policy Guidelines. All the FIs except Lankan Alliance Finance Ltd (Scheduled from June 20, 2017 through DFIM Circular no 03/2017) have also formed their own Green Banking Policy Guidelines.

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

The snapshot of sanction and disbursement of total finance along with green finance by banks and FIs during July-September, 2018 quarter is shown in Table-1. The quarterly shift from June 2018 to September 2018 evidences slightly decreasing trend in case of Green Finance and the utilization of Climate risk fund (Figure-1). 10.52 and 0.15 million taka has been utilized as grant and concessional loan respectively from this fund. 41 banks out of 57 and 17 FIs out of 34 have conducted environmental risk rating in the reporting quarter. In this quarter number of projects rated is 12,263;

number of rated project financed is 12,688 and amount disbursed in rated projects is 596,994.14 million taka. The quarterly shift of ESRR by banks and FIs is showing a decreasing trend (Figure-2).

Table-1: Sanction & Disbursement of Funded Loan

Type of Bank/FI	Total Finance in July-September, 2018 (in million Taka)		Green Finance in July-September, 2018 (in million Taka)	
	Sanctioned	Disbursed	Sanctioned	Disbursed
SOCBs (06)	167,017.14	157,242.66	143.21	143.21
SDBs (02)	19,306.08	19,301.14	0.82	0.82
PCBs (40)	1,609,024.83	1,430,809.52	32,905.16	25,042.94
FCBs (09)	254,674.26	288,777.87	1,731.90	44.94
Total	2,050,022.31	1,896,131.19	34,781.09	25,231.91
FIs (34)	200,285.06	117,386.40	1,399.56	588.01
Grand Total	2,250,307.37	2,013,517.59	36,180.65	25,819.91

Figure-1: Quarterly Comparison of Utilization of Fund

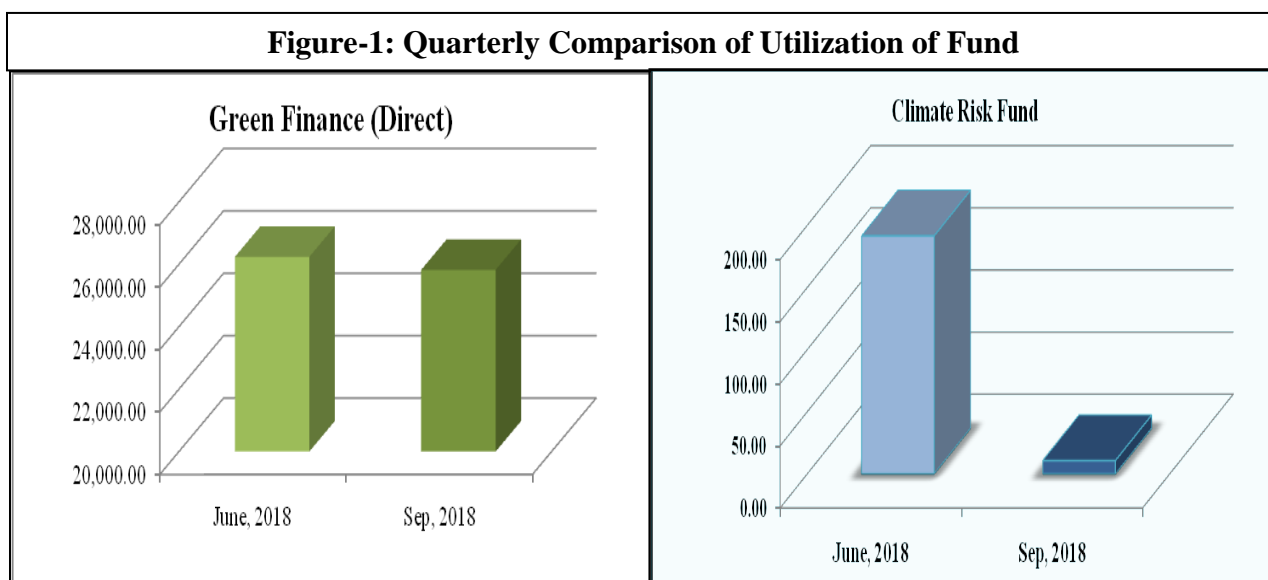


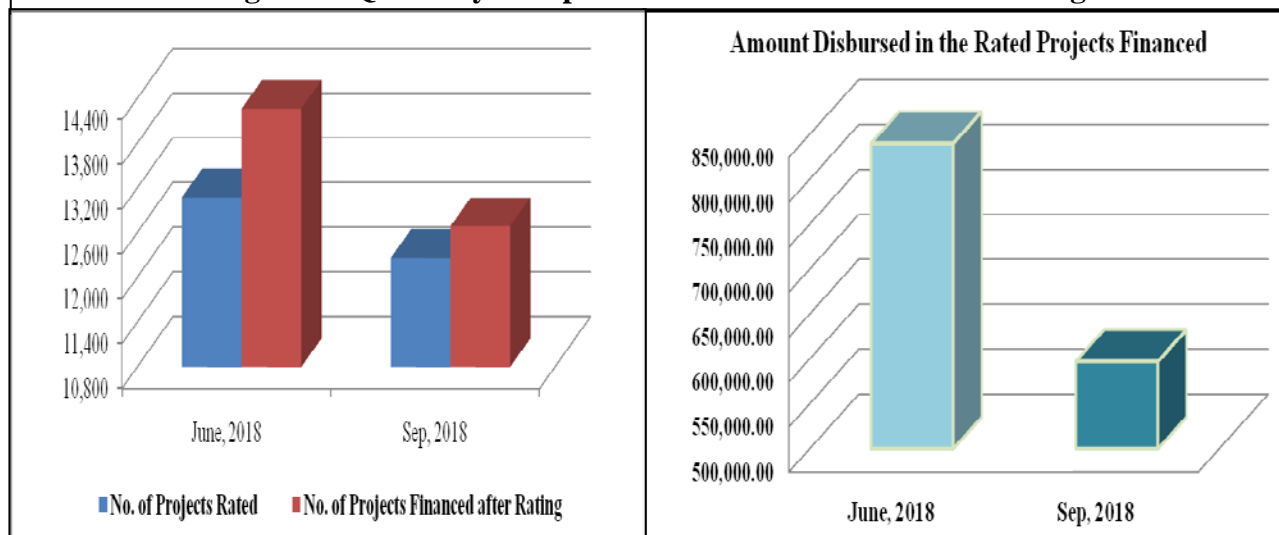
Table-2: Utilization of Climate Risk Fund (in million taka)

Type of Bank/FI	Grant		Concessional Loan
	Event	Project	
SOCBs (06)	0.00	0.00	0.00
SDBs (02)	0.00	0.00	0.00
PCBs (40)	6.52	0.00	0.15
FCBs (09)	0.00	4.00	0.00
Total	6.52	4.00	0.15
FIs (34)	0.00	0.00	0.00
Grand Total	6.52	4.00	0.15

2.3. Environmental Risk Rating (ERR):

Table-3: 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)	402	482	6,278.43
SDBs (02)	0	0	0.00
PCBs (40)	10,811	11,237	547,950.76
FCBs (09)	470	337	27,288.31
Total	11,683	12,056	581,517.50
FIs (34)	580	632	15,476.64
Grand Total	12,263	12,688	596,994.14

Figure-2: Quarterly Comparison of Environmental Risk Rating



2.4. In-house Environment Management:

Table-4: Environmental Conservation in Business Centres						
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 Agent Outlets	Number of Solar Powered Agent Outlets
SOCBs (06)	3,699	74	210	2	200	0
SDBs (02)	1,413	5	6	0	0	0
PCBs (40)	4,931	477	6,380	85	14,478	89
FCBs (09)	66	6	146	4	0	0
Total	10,109	562	6,742	91	14,678	89
FIs (34)	272	3	-	-	-	-
Grand Total	10,381	565	6,742	91	14,678	89

2.5. Green Finance:

34 Banks out of 57 and 7 FIs out of 33 have had exposure in green finance in the reporting quarter. Total amount invested as green finance has been Tk. 25,819.91million in July-September, 2018 quarter. Total sanction of green finance by Banks and FIs is 1.61% of sanction of total finance and total disbursement of green finance is 1.25% of total funded loan disbursement. A brief picture of green finance by Banks and FIs is shown in Table-5, Table-6, Figure-3 and Figure-4:

Table-5: Green Finance (in million Taka)

Type of Bank/FI	Category of Green Finance			
	Renewable Energy	Energy Efficiency	Alternative Energy	Waste Management
SOCBs (06)	9.01	0.00	0.00	0.00
SDBs (02)	0.72	0.00	0.00	0.00
PCBs (40)	480.76	604.13	0.57	11,304.75
FCBs (09)	38.34	4.00	0.00	2.60
Total	528.83	608.13	0.57	11,307.35
FIs (34)	145.53	40.00	0.00	160.00
Grand Total	674.35	648.13	0.57	11,467.35

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

Type of Bank/FI	Category of Green Finance			
	Recycling & Recyclable Product	Green Brick Manufacturing	Green Establishment	Miscellaneous
SOCBs (06)	0.00	133.81	0.00	0.39
SDBs (02)	0.00	0.00	0.00	0.10
PCBs (40)	2,972.43	3,478.84	3,492.62	2,708.84
FCBs (09)	0.00	0.00	0.00	0.00
Total	2,972.43	3,612.65	3,492.62	2,709.33
FIs (34)	0.00	115.73	125.75	1.00
Grand Total	2,972.43	3,728.38	3,618.37	2,710.33

Table-6: Green Finance as % of Total Finance

Type of Bank/FI	As % of Total Sanctioned	As % of Total Funded Loan Disbursement
SOCBs (06)	0.09%	0.09%
SDBs (02)	0.00%	0.00%
PCBs (40)	2.05%	1.75%
FCBs (09)	0.68%	0.02%
Total	1.70%	1.33%
FIs (34)	0.70%	0.50%
Grand Total	1.61%	1.28%

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

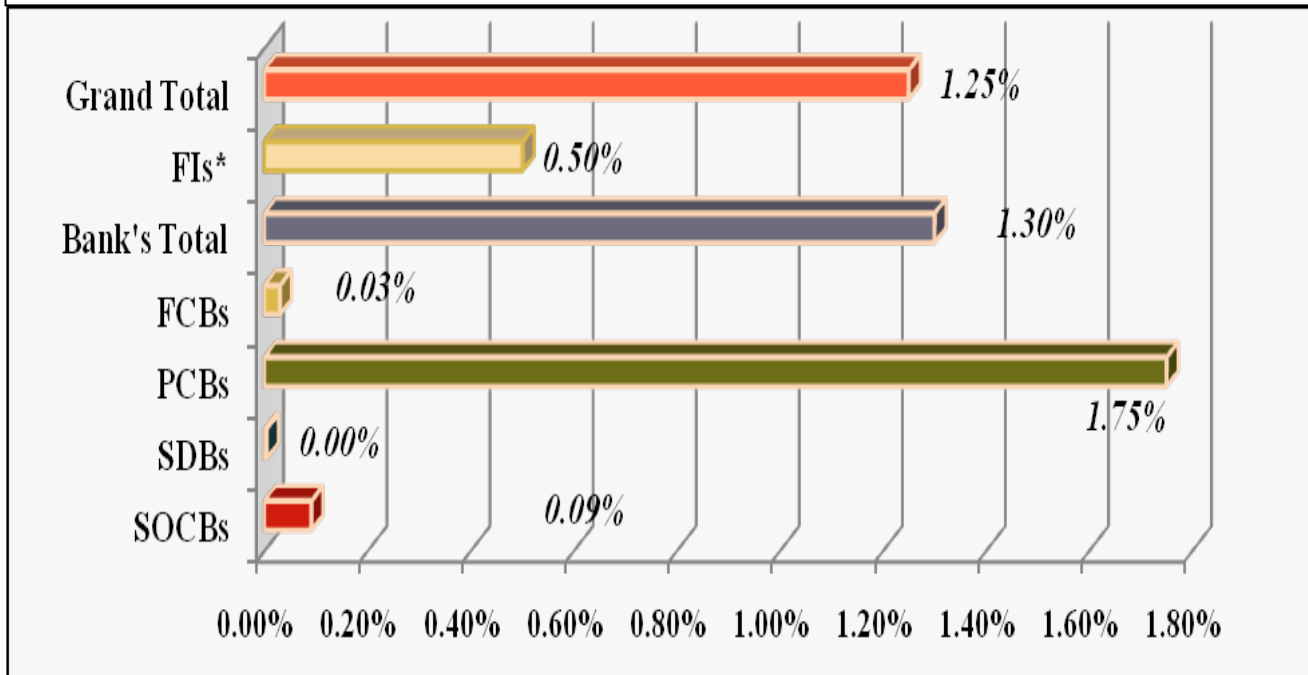
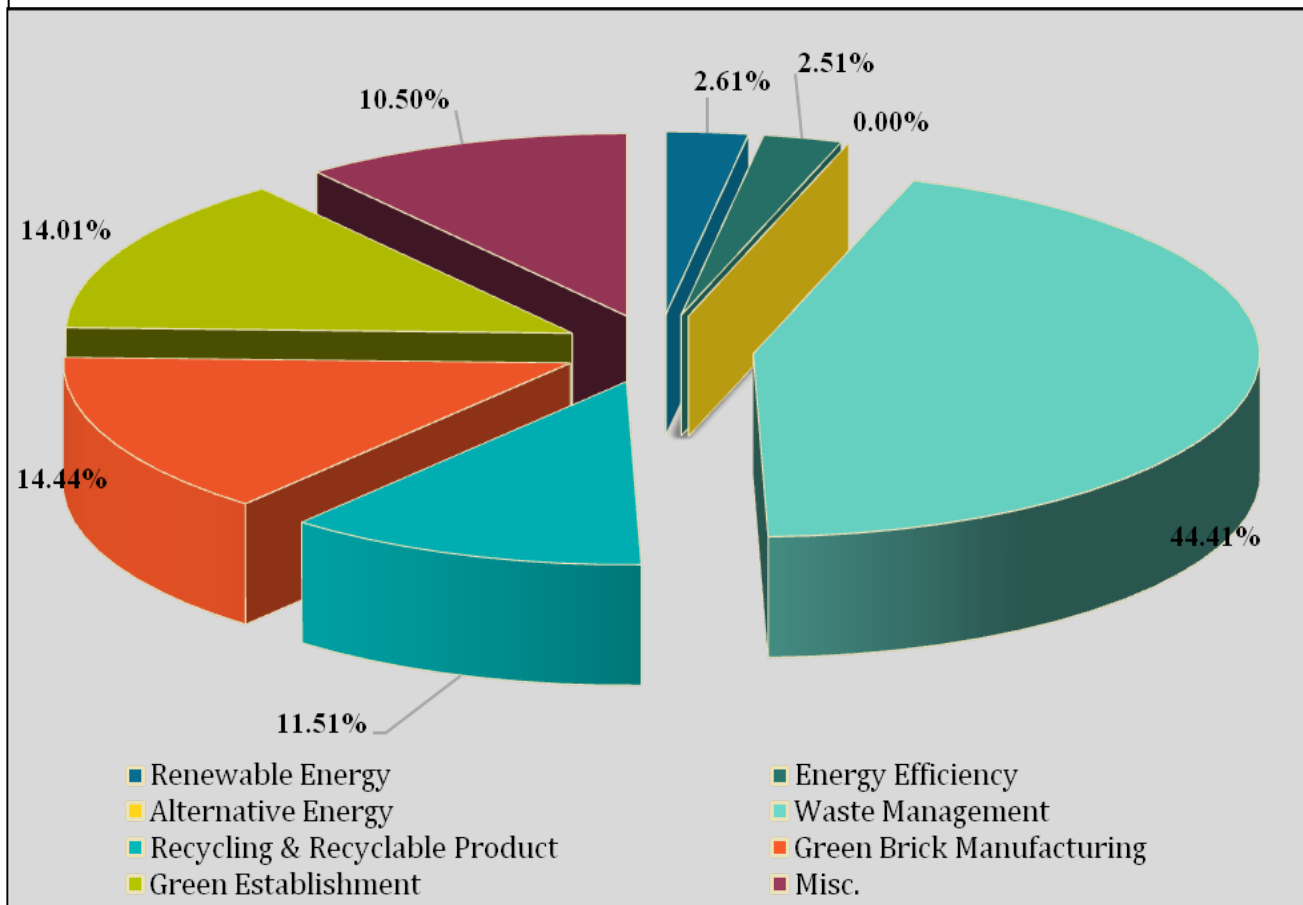


Figure-4: Green Finance across All Categories



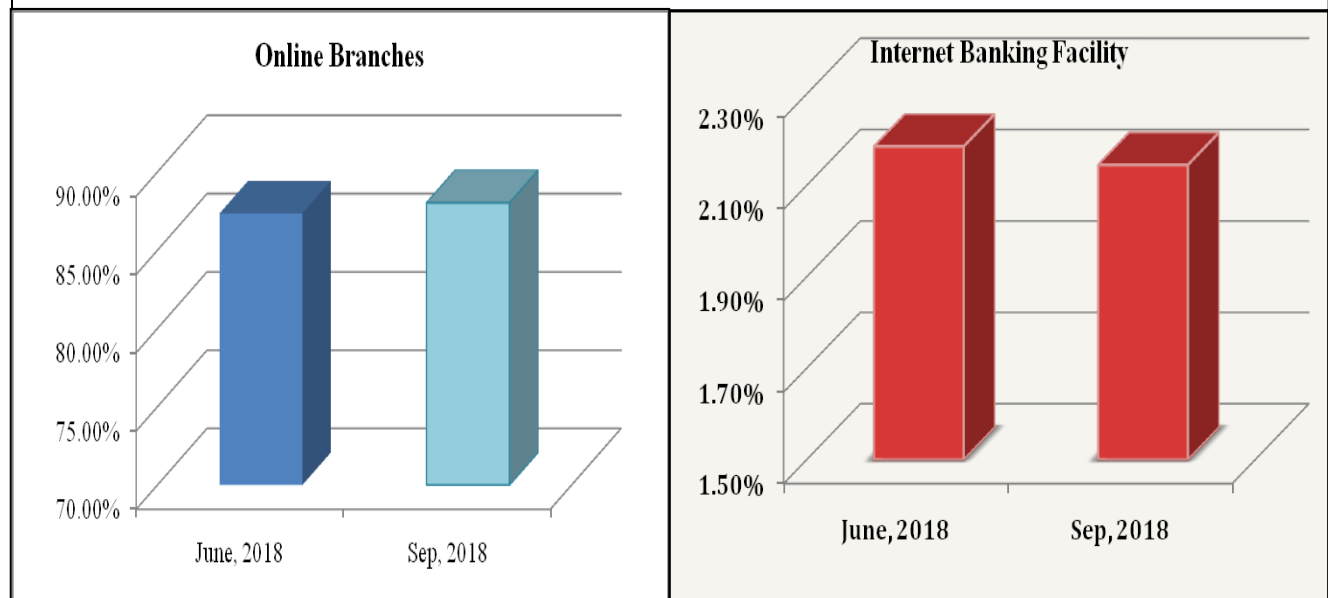
2.6. Online Banking:

56 Banks out of 57 have at least one online branch and 46 banks have introduced internet banking facility up to September, 2018. Improved situation (87.35% to 88.03%) has been observed in the expansion of online branches (Figure-5). Internet banking facility has also been observed a steady condition (2.19% to 2.14%) compared to that of previous quarter (Figure-5).

Table-7: Automation towards Green Banking (at September 30, 2018)

Type of Bank/FI	No. of Total Branches	No. of Branches with online coverage	% of Online Branches	No. of Total Accounts	No. of Accounts facilitated with Internet Banking	% of Accounts using Internet Banking
SOCBs (06)	3,699	3,672	99.27%	39,569,825	0	0.00%
SDBs (02)	1,413	356	25.19%	11,962,512	0	0.00%
PCBs (40)	4,931	4,805	97.44%	47,584,096	1,963,551	4.13%
FCBs (09)	66	66	100.00%	395,789	170,948	43.19%
Grand Total	10,109	8,899	88.03%	99,512,222	2,134,499	2.14%

Figure-5: Quarterly Comparison of Online Banking



2.7. Training, Promotion and Disclosure:

32 Banks out of 57 have arranged 108 training programs concerning green banking where total number of participants was 3,631. On the other hand, 6 FIs out of 34 have arranged 8 training programs concerning green banking where total number of participants was 164. A snapshot on training in July-September, 2018 quarter is given below:

Type of Bank/FI	No. of Programs	No. of Employees	No. of Customers
SOCBs (06)	10	206	0
SDBs (02)	24	189	50
PCBs (40)	64	2818	134
FCBs (09)	4	234	0
Total	108	3,447	184
FIs (34)	8	148	16
Grand Total	116	3595	200

2.8. Major Green Banking Activities at a Glance in July-September, 2018:

Issue	Bank	FI
Number of banks/FIs having Sustainable Finance unit	57	33
Number of banks/FIs having Green banking policy	56	33
Number of banks/FIs having Green office guide	56	33
Number of environmental risk rated projects	11,683	580
Number of environmental risk rated projects and financed	12,056	632
Amount disbursed against rated projects (in million Taka)	581,517.50	15,476.64
Number of solar powered branches	562	3
Number of solar powered ATM Booths	91	-
Online branches (as % of total branches)	88.03%	N/A
Amount disbursed as green finance (in million Taka)	25,231.91	588.01
Direct green finance as % of total funded loan disbursement	1.33%	0.50%
Amount utilized for climate risk fund (in million Taka)	10.67	0.00

3. Review on Green Refinance Activities of BB:

3.1. BB Refinance Scheme for Environment Friendly Products/Initiatives:

In order to promote the environment friendly financial products/initiatives in Bangladesh, Tk. 3,813.92 million has been disbursed till September, 2018 under this revolving refinance scheme. A total of 37 banks and 21 Financial Institutions so far have signed participation agreement with Bangladesh Bank in this purpose after the issuance of the master circular (SFD Circular No. 03/2017). The disbursement scenario of this scheme during July-September, 2018 quarter is furnished below:

SL. No	Sub-category/ Product	Taka in million
1	Biogas	1.70
2	Modern Tech Brick (Zigzag, /HHK)	5.00
3	Safe Work Environment	9.97
	Total Disbursement	16.67

3.2. ADB Supported Financing Brick Kiln Efficiency Improvement project:

“Financing Brick Kiln Efficiency Improvement Project” has been established in Bangladesh Bank funded by 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. 36 banks and 21 financial institutions have signed participation agreement with Bangladesh Bank so far. Under this relending facility, total USD 22.75 million (BTD 177.39 crore) relending facility has been disbursed to 11 subprojects through 12 Participating Financial Institutions (PFIs) upto September, 2018. The validity of the project is December 2018.

3.3. Refinance Scheme for Islamic Banks & Financial Institutions for Investment in Green Products/Initiatives:

Recently Bangladesh Bank has issued an integrated and comprehensive “master circular” vide SFD Circular No.02/2018, dated April 05, 2018 by revising and incorporating all the existing circular and circular letters related to the refinance scheme for Islamic banks and non-bank financial institutions (NBFIs) under renewable energy and eco-friendly sectors. According to this circular existing scheme will be named as "Refinance Scheme for Islamic Banks & Financial Institutions for Investment in Green Products/Initiatives". BB has enhanced the product range under this scheme from 50 to 51 and segregated these products into 8 categories. During July-September, 2018 quarter Bangladesh Bank has disbursed BDT 36.28 million for “Working Environment and Fire Safety of Factory” and collected BDT 0.314 million profit against this product.

3.4. Green Transformation Fund (GTF):

Under this scheme, 18 banks have signed participation agreement with BB. The disbursement from this Fund (GTF) is USD 130,477 in 2 projects till September, 2018.

4. Concluding Remarks:

The green banking activities of Banks and FIs in the quarter ended September 30, 2018 evidences slightly downward trend in total green finance for both Banks and FIs. Green finance has been decreased by 1.59% in this quarter than the previous one and the number of financial institutions involved in green finance is not increasing. BB is trying to play a significant role by monitoring the whole scenario and by taking appropriate policy initiatives. We can expect the outcome of these initiatives should be positive and anticipate more rigorous and effective performance of banks and FIs in mainstreaming green banking in future.

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