

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

October-December, 2014



**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 to 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 October-December, 2014 and the activities of refinance schemes of BB for green products of the same quarter².

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. 8 newly scheduled banks have prepared their own Green Office Guide.

29 out of 31 FIs have formulated their own Green Banking Policy Guidelines approved by their respective Board of Directors and 29 FIs have formed Green Banking Unit (GBU) till the reporting quarter. 28 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 December 2014 quarter is shown in Table-1:

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

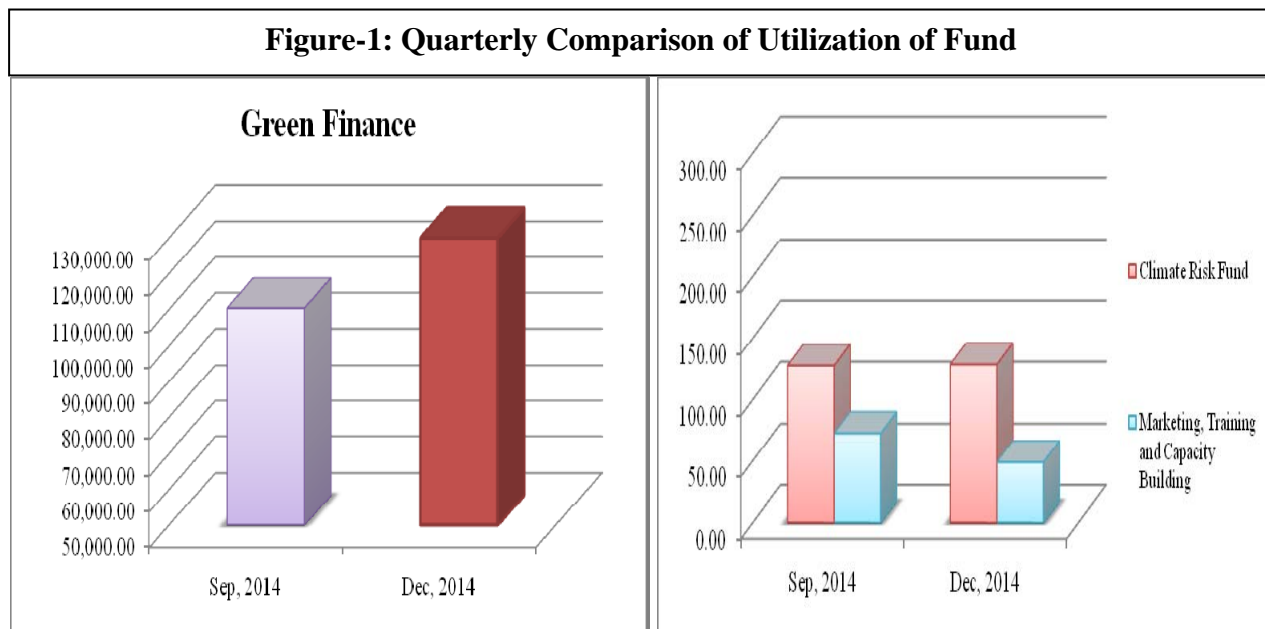
Banks/ FIs	Annual Allocation of Fund (in million Taka)				Utilization of Funds, September-December, 2014 (in million Taka)			
	Green Finance	Climate Risk Fund	Marketing, Training and Capacity Building	Total	Green Finance	Climate Risk Fund	Marketing Training and Capacity Building	Total
SCBs	18,001.17	643.80	426.00	19,070.97	1,668.89	10.00	2.84	1,681.73
SDBs	1,502.61	0.22	0.10	1,502.93	146.92	0.00	0.00	146.92
PCBs	526,068.38	1,343.16	965.77	528,377.31	96,605.94	96.12	40.89	96,742.95
FCBs	96,535.78	182.23	68.10	96,786.11	19,676.22	19.54	2.00	19,697.76
Newly Scheduled Banks	21,414.08	3.50	1.00	21,418.58	20,913.41	0.00	0.03	20,913.44
FIs	53,946.54	387.47	54.06	54,388.07	9,893.19	2.63	3.07	9,898.89
Total	717,468.56	2,560.39	1,515.03	721,543.97	148,904.57	128.29	48.82	149,081.68

² From this quarter, BASIC Bank Ltd has been considered as State-owned Commercial Bank (SCB) instead of State-owned Development Bank (SDB) in preparing quarterly Review report.

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

Types of Banks	Event	Project
SCBs	10.00	0.00
SDBs	0.00	0.00
PCBs	95.88	0.24
FCBs	0.62	18.92
Newly Scheduled Banks	0.00	0.00
FIs	0.64	1.99
Total	107.14	21.16

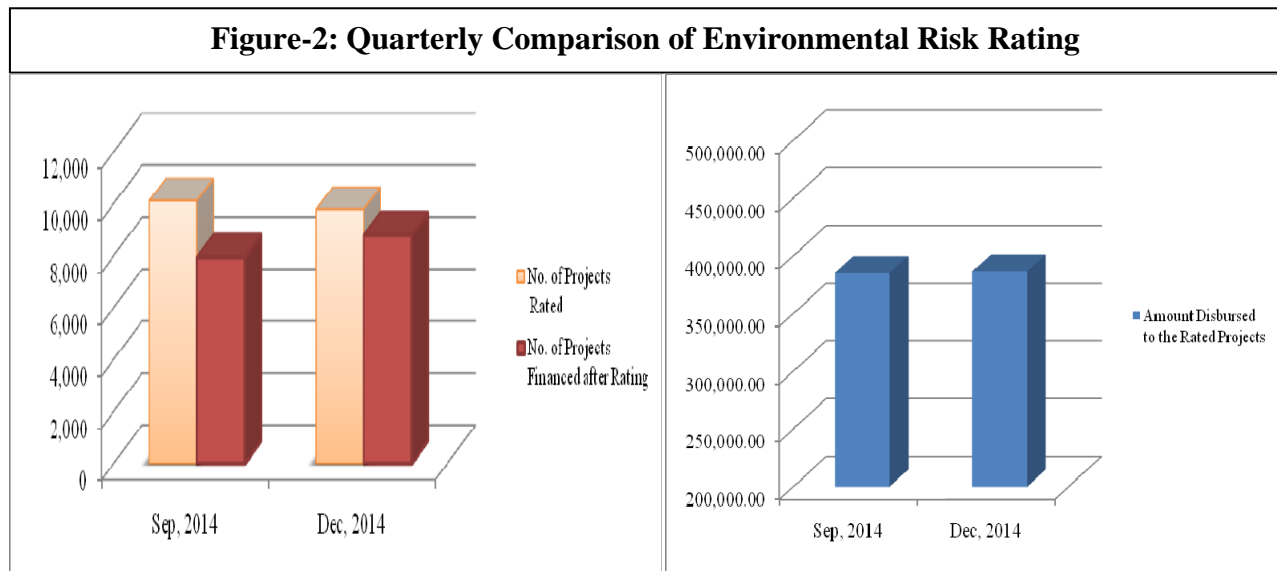
Figure-1: Quarterly Comparison of Utilization of Fund



2.3. Environmental Risk Rating (ERR):

56 banks out of 56 and 30 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 10,424. The quarterly shift of ERR by banks and FIs is showing a consistent trend (Figure-2).

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)
SCBs	504	465	456	10,573.70
SDBs	81	81	81	260.76
PCBs	8,369	7,977	7,358	326,442.31
FCBs	848	634	288	26,218.69
Newly Scheduled Banks	22	22	22	2,959.90
FIs	600	600	595	19,878.87
Total	10,424	9,779	8,800	386,334.23



2.4. In-house Environment Management:

Type of Bank/FI	No. of Branches	No. of branches powered by Solar Energy	No. of ATM/SME units powered by Solar Energy
SCBs	3,629	38	0
SDBs	1436	23	0
PCBs	3,665	323	221
FCBs	76	4	6
Newly Scheduled Banks	173	25	0
FIs	125	4	0
Total	9,104	417	227

2.5. Green Finance:

48 banks out of 56 and 16 FIs out of 31 have had exposure in green finance, either direct or indirect mode in the reporting quarter. On the other hand, 39 banks and 12 FIs have disbursed direct green finance in this period. Total amount invested as green finance has been Tk. 148,904.57 million in December 2014 quarter. Green Finance by banks and FIs is still concentrated in Indirect Green Finance. In December 2014 quarter, direct green finance by banks and FIs is 7.40% of total green finance and 0.61% of total funded loan disbursement. A brief picture of green finance by banks and FIs is shown in Table-5.1, Table-5.2, Table-6 and Table-7:

Type of Bank/FI	Category of Green Finance					
	Renewable Energy	Energy Efficiency	Solid Waste Management	Liquid Waste Management	Alternative Energy	Fire Burnt Brick
SCBs	17.3	57.02	0	0.08	0	604.52
SDBs	2.97	0	0	0	0	19.56
PCBs	882.85	428.73	173.80	459.38	0	1,720.90
FCBs	3.21	0	0	2.5	0	0
Newly Scheduled Banks	9.8	0	0	0	0	194.29
FIs	1,464.54	13.77	0	46.57	0	47.37
Total	2,380.67	499.52	173.80	508.53	0.00	2,586.64

Type of Bank/FI	Category of Green Finance					
	Non Fire Block Brick	Recycling & Recyclable Product	Green Industry	Safety and Security of Factory	Misc.	Others
SCBs	0	0	320	0	1.35	38.23
SDBs	0	5.2	0	0	3.3	15.89
PCBs	0	983.29	0	37.07	0.58	769.33
FCBs	0	1.7	1,208.23	1.5	0	0
Newly Scheduled Banks	20.5	0	0	0	0	0
FIs	0	0	0	7	0	1453.4
Total	20.5	990.19	1528.23	45.57	5.23	2276.85

Type of Bank/FI	Direct Green Finance	Indirect Green Finance	Total Green Finance
SCBs	1038.5	630.39	1668.89
SDBs	46.92	100	146.92
PCBs	5,455.93	91,150.01	96,605.94
FCBs	1,217.14	18,459.08	19,676.22
Newly Scheduled Banks	224.59	20688.82	20913.41
FIs	3,032.65	6,860.54	9,893.19
Total	11,015.73	137,888.84	148,904.57

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

Type of Bank/FI	As % of Total Green Finance	As % of Total Funded Loan Disbursement
SCBs	62.23%	1.23%
SDBs	31.94%	0.07%
PCBs	5.65%	0.41%
FCBs	6.19%	0.94%
Newly Scheduled Banks	1.07%	0.16%
FIs	30.65%	4.78%
Total	7.40%	0.61%

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

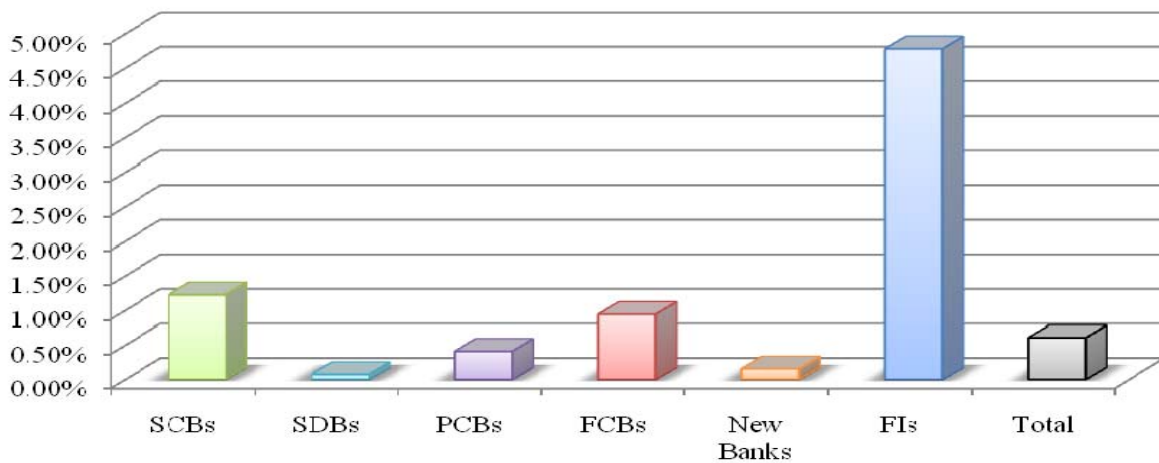
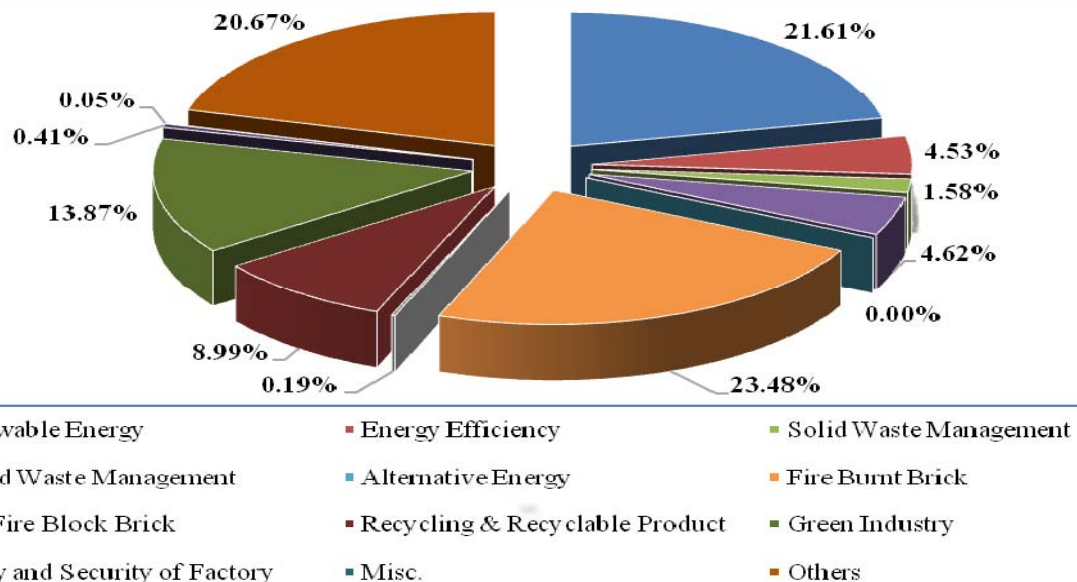


Figure-4: Direct Green Finance across All Categories



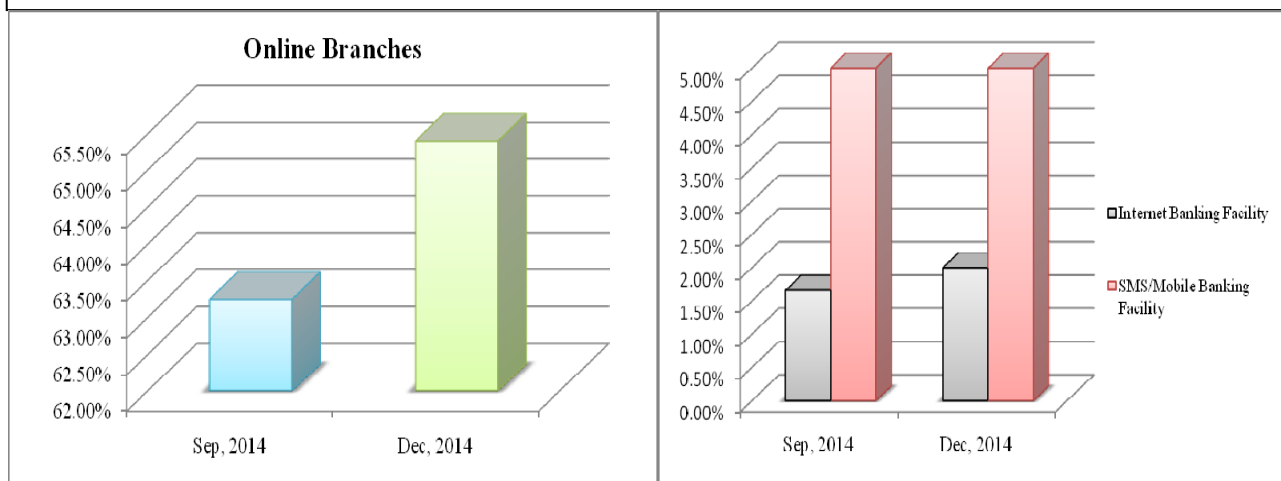
2.6. Online Banking:

55 banks out of 56 have at least one online branch and 36 banks have introduced internet banking facility up to December 2014. Significant progress has been observed in the expansion of online branches since the previous quarter. Moreover, SMS/mobile banking facility has been increased notably over the preceding quarter (Figure-4).

Type of Bank/FI	No. of Total Branches	No. of Branches with online coverage	Percentage of Online Branches
SCBs	3629	1887	52.00%
SDBs	1436	81	5.64%
PCBs	3,665	3,655	99.73%
FCBs	76	76	100.00%
Newly Scheduled Banks	173	173	100.00%
Total	8,979	5,872	65.40%

Type of Bank/FI	No. of Total Accounts	No. of A/Cs facilitated with Internet Banking	Percentage of A/Cs facilitated with Internet Banking	No. of A/Cs facilitated with Mobile/SMS Banking	Percentage of A/Cs facilitated with Mobile/SMS Banking
SCBs	32679181	27	0.00%	3231	0.01%
SDBs	5250894	0	0.00%	9324	0.18%
PCBs	35,760,118	1,296,300	3.62%	9,242,790	25.85%
FCBs	435493	188470	43.28%	234739	53.90%
Newly Scheduled Banks	154850	1035	0.67%	46586	30.08%
Total	74280536	1485832	2.00%	9536670	12.84%

Figure-5: Quarterly Comparison of Online Banking



2.7. Training, Promotion and Disclosure:

35 banks out of 56 have arranged 61 training programs concerning green banking where total number of participants was 2031. On the other hand, 7 FIs out of 31 have arranged 15 training programs concerning green banking where total number of participants was 77. A snapshot on training is given below:

Type of Bank/FI	No. of Programs	No. of Participants
SCBs	7	392
SDBs	2	68
PCBs	45	1381
FCBs	4	154
Newly Scheduled Banks	3	36
FIs	15	77
Total	76	2108

33 banks and 6 FIs have initiated Green Marketing while 10 banks and 2 FIs have arranged Green Events in this quarter.

Up to December 2014, 42 banks and 11 FIs have pursued disclosure on green banking in their annual report; 41 banks and 7 FIs have put green banking disclosure in their website. 24 banks and 6 FIs have disclosed their green banking activities in the media; 3 banks and 1 FI have prepared Independent Report on green banking activities.

2.8. Major Green Banking Activities at a Glance in December 2014:

Issue	Bank/FI	
	Bank	FI
Number of banks/FIs having Green banking unit	55	29
Number of banks/FIs having Green banking policy	53	29
Number of banks/FIs having Green office guide	55	28
Number of environmental risk rated projects	9,179	600
Number of environmental risk rated projects and financed	8,205	595
Amount disbursed against rated projects (in million Taka)	366,455.36	19,878.87
Number of solar powered branches	413	4
Number of solar powered ATM/SME units	227	N/A
Online branches (as % of total branches)	65.40%	N/A
Amount disbursed as green finance (in million Taka)	139,011.38	9,893.19
Direct green finance as % of total funded loan disbursement	0.46%	4.78%
Amount utilized from climate risk fund (in million Taka)	125.66	2.63
Amount utilized for green marketing, training and development (in million Taka)	45.76	0.29

3. Review on Green Refinance Activities of BB:

3.1. BB Refinance Scheme for Renewable Energy and Green Products:

Under this scheme, refinance is provided to Participatory Financial Institutions (PFIs) who come into agreement with BB. Upto December, 2014, total number of PFIs is 48 where 34 are banks and 14 are FIs. The disbursement scenario of this scheme during October-December, 2014 quarter is furnished below:

SL. No	Category	Taka in million
1	Bio gas	7.70
2	Solar Home System	11.81
3	Tunnel Kiln	39.50
	Total Disbursement	59.01

3.2. ADB Supported Financing Brick Kiln Efficiency Improvement project:

Under this project, refinance is provided to Participatory Financial Institutions (PFIs) who come into agreement with BB. Upto the reporting quarter, total number of PFIs is 52 where 35 are banks and 17 are FIs. Sub projects amounting to Tk. 85.39 Crore (\$10.99 million) are in the pipeline and the said amount will be released to PFIs subject to technical, environmental and safeguard standard reports from the ADB consultants.

4. Concluding Remarks:

The scenario of green banking activities of banks and FIs in the quarter ended on December 31, 2014 evidences better scenario than that of the quarter ended on September 30, 2014. This trend of investment and expenditure in various green banking activities of banks and FIs will expectedly be increased 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.