

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

October - December, 2016



Sustainable Finance Department
Bangladesh Bank
Head Office

1. Introduction:

Environmental Risk Management Guidelines for Banks and Financial Institutions (FIs) issued vide BRPD Circular No.01/2011 to assess environmental risk in their Credit and Policy Guidelines for Green Banking for Banks issued vide BRPD Circular 02/2011. 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)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 is set at 5% of the total loan disbursement/investment from January 2016 onwards for all banks and FIs (GBCSRD Circular No. 04/2014). To establish a stable financial sector through sustainable banking by collaborating Green Banking and CSR programs, a circular has been issued to form a structured 'Sustainable Finance Unit' for Banks & FIs by detailing out the unit's structure and Terms of Reference (SFD Circular No. 02/2016). And 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).

Banks and FIs were instructed to form a 'Climate Risk Fund' according to the above mentioned policy guidelines for green banking. To ensure the movement towards sustainability against the climate change, Banks and FIs shall allocate 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).

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

¹ Financial Institutions licensed under Financial Institutions Act, 1993.

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 December 31, 2016.

Bangladesh Bank (BB) intends to provide long term financing for private sector firms, mainly midsize 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).

The latest step of Bangladesh bank in fostering sustainable finance is to create Green Transformation Fund. In February 2016, BB has announced its intention to create a new longer term refinancing window naming Green Transformation Fund (GTF) of 200 million USD. The fund will be used 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 has been decided to provision for a Participation Agreement to be signed between Bangladesh Bank and intended AD branches. Under this scheme, 6 banks have signed participation agreement with BB till December 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 October - December, 2016 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:

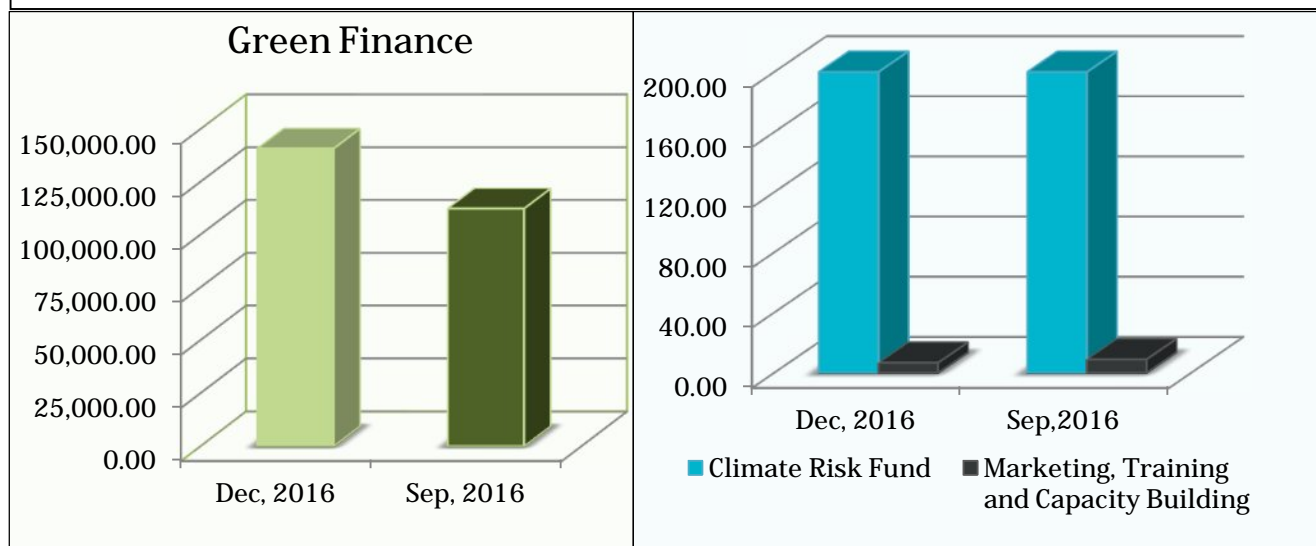
All Scheduled banks except Shimanto Bank Ltd. (Scheduled from July 21, 2016 through BRPD Circular Letter 10/2016) and 32 out of 33 FIs have formed their own Green Banking Policy Guidelines. They have also prepared own Green Office Guide for conducting in-house green activities.

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 2016 quarter is shown in Table-1. The quarterly shift from September 2016 to December 2016 evidences an upward trend in case of Green Finance (Figure-1). 45 Banks out of 56 and 22 FIs out of 33 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 21,194; number of projects rated is 18,488; number of rated project financed is 15,714 and amount disbursed in rated projects is 605,397.71 million taka. The quarterly shift of ERR by banks and FIs is showing a consistent trend (Figure-2).

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

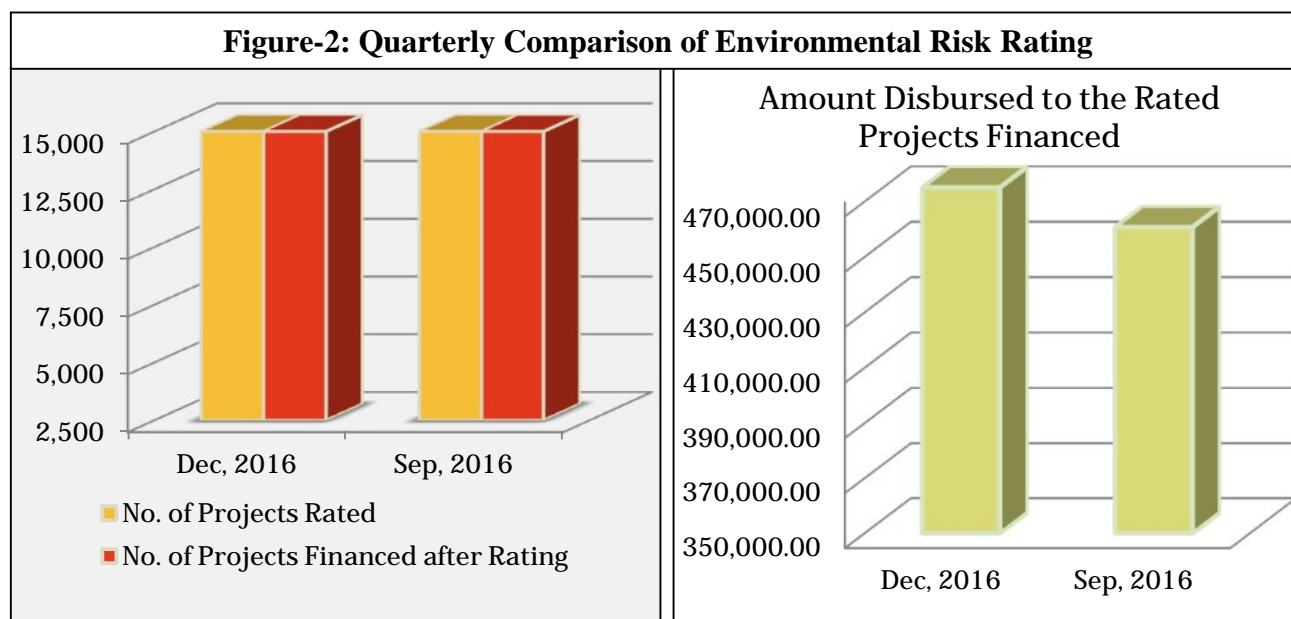
Type of Bank/FI	Annual Allocation of Fund, 2016 (in million Taka)				Utilization of Funds, October - December, 2016 (in million Taka)			
	Green Finance	Climate Risk Fund	Marketing, Training and Capacity Building	Total	Green Finance	Climate Risk Fund	Marketing, Training and Capacity Building	Total
SOCBs (06)	14,745.25	150.50	397.75	15,293.50	1,163.66	2.50	0.09	1,166.25
SDBs (02)	60.00	0.20	0.10	60.30	1.39	0.00	0.00	1.39
PCBs (39)	318,278.63	456.32	289.40	319,024.35	112,564.45	281.74	6.31	112,852.50
FCBs (09)	100,048.93	157.65	65.40	100,271.98	23,523.72	30.66	0.00	23,554.38
Total	433,132.81	764.67	752.65	434,650.13	137,253.22	314.90	6.40	137,574.52
FIs (33)	25,687.48	50.99	26.34	25,764.81	3,576.70	0.51	0.21	3,577.41
Grand Total	458,820.29	815.66	778.99	460,414.94	140,829.92	315.41	6.61	141,151.93

Figure-1: Quarterly Comparison of Utilization of Fund**Table-2: Utilization of Climate Risk Fund (in million taka)**

Type of Bank/FI	Event	Project
SOCBs (06)	2.50	0.00
SDBs (02)	0.00	0.00
PCBs (39)	281.74	0.00
FCBs (09)	0.00	30.66
Total	284.24	30.66
FIs (33)	0.35	0.16
Grand Total	284.59	30.82

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)	559	551	552	11,178
SDBs (02)	0	0	6	1
PCBs (39)	19,193	16,483	14,001	527,447
FCBs (09)	855	877	502	39,756
Total	20,607	17,911	15,061	578,382.43
FIs (33)	587	577	653	27,015.28
Grand Total	21,194	18,488	15,714	605,397.71



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 (06)	3726	42	1
SDBs (02)	1410	0	0
PCBs (39)	4552	477	246
FCBs (09)	72	3	5
Total	9760	522	252
FIs (33)	207	3	2
Grand Total	9967	525	254

2.5. Green Finance:

44 Banks out of 56 and 14 FIs out of 33 have had exposure in green finance, either direct (39 Banks, 11 FIs) or indirect (29 Banks, 7 FIs) mode in the reporting quarter. Total amount invested as green finance has been Tk. 140,829.92 million in October - December 2016 quarter. Though green financing is on upward mode, Banks and FIs are concentrated in Indirect Green Finance. In this quarter, direct green finance by Banks and FIs is 8.49% of total green finance and 0.69% 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)	9.48	0.00	0.00	28.51	0.00	182.72
SDBs (02)	0.72	0.50	0.00	0.00	0.00	0.00
PCBs (39)	559.43	963.33	0.00	1,162.10	9.59	1,522.54
FCBs (09)	143.51	0.00	0.00	15.25	0.00	0.00
Total	713.14	963.83	0.00	1,205.86	9.59	1,705.26
FIs (33)	729.67	104.00	0.00	90.12	0.00	215.57
Grand Total	1,442.81	1,067.83	0.00	1,295.98	9.59	1,920.83

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

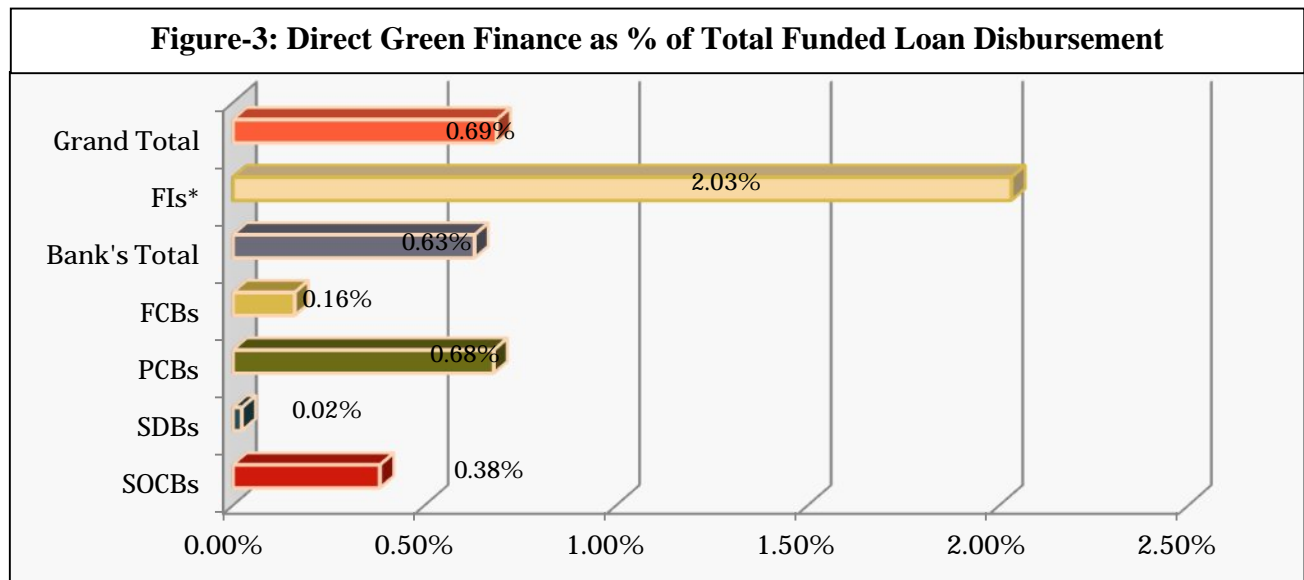
Type of Bank/FI	Category of Green Finance					
	Non Fire Block Brick	Recycling & Recyclable Product	Green Industry	Safety and Security of Factory	Misc.	Others
SOCBs (06)	0.00	58.92	21.52	0.00	1.09	0.00
SDBs (02)	0.00	0.00	0.00	0.00	0.17	0.00
PCBs (39)	164.92	4,018.93	1,173.80	443.10	0.56	0.00
FCBs (09)	0.00	0.00	13.76	0.00	0.00	0.00
Total	164.92	4,077.85	1,209.08	443.10	1.82	0.00
FIs (33)	0.00	30.00	272.33	20.00	0.00	0.00
Grand Total	164.92	4,107.85	1,481.41	463.10	1.82	0.00

Table-6: Green Finance (in million Taka)

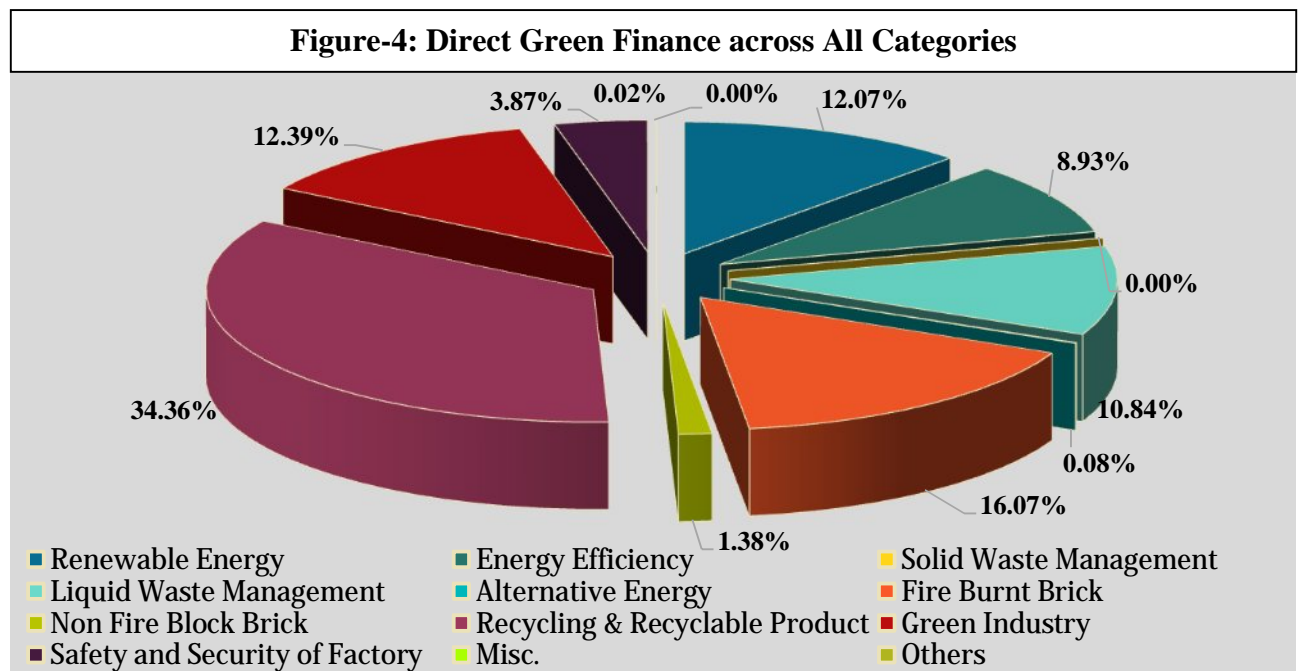
Type of Bank/FI	Direct Green Finance	Indirect Green Finance	Total Green Finance
SOCBs (06)	302.24	861.42	1,163.66
SDBs (02)	1.39	0.00	1.39
PCBs (39)	10,018.30	102,546.15	112,564.45
FCBs (09)	172.52	23,351.20	23,523.72
Total	10,494.45	126,758.77	137,253.22
FIs (33)	1,461.69	2,115.01	3,576.70
Grand Total	11,956.14	128,873.78	140,829.92

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)	25.97%	0.38%
SDBs (02)	100.00%	0.02%
PCBs (39)	8.90%	0.68%
FCBs (09)	0.73%	0.16%
Total	7.65%	0.63%
FIs (33)	40.87%	2.03%
Grand Total	8.49%	0.69%



*If we consider FIs except Infrastructure Development Company Ltd (IDCOL), then direct green finance of FIs became 1.15% 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 December 2016. No 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).

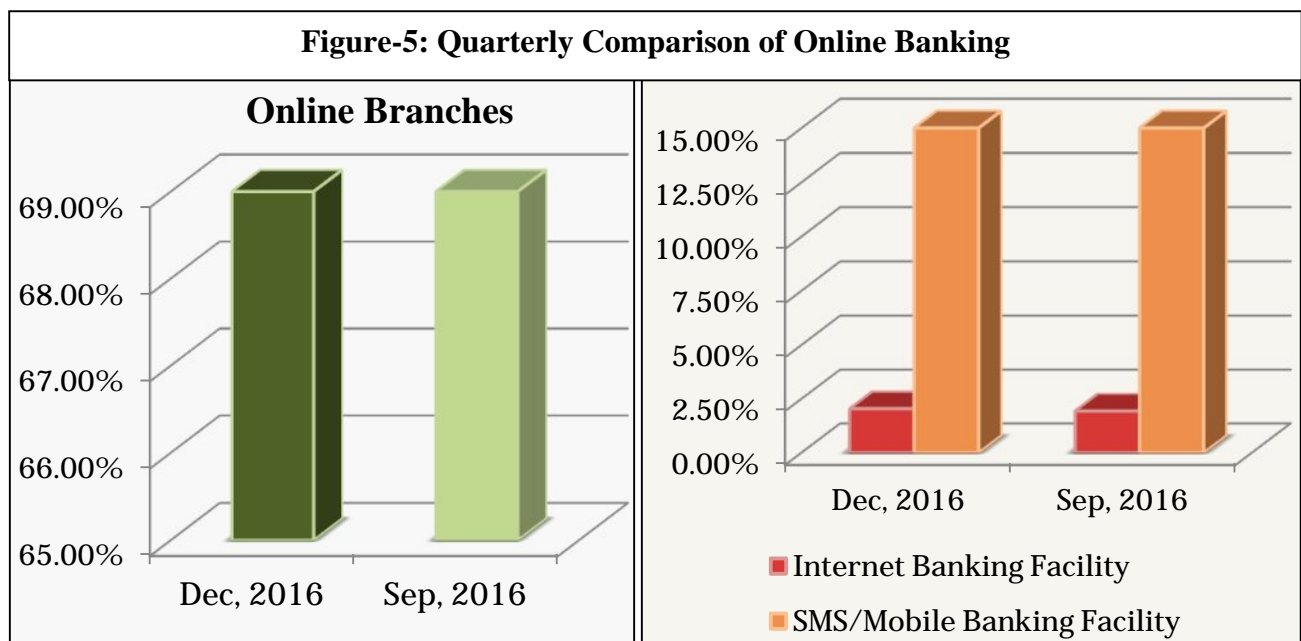
Table-8: Online Banking (on December 31, 2016)

Type of Bank	No. of ATM		No. of Total Branches	No. of Branches with online coverage	% of Online Branches
	Own	Shared			
SOCBs (06)	178	13,173	3,726	2,279	61.16%
SDBs (02)	0	1	1,410	152	10.78%
PCBs (39)	8,517	70,215	4,552	4,551	99.98%
FCBs (09)	175	4,207	72	72	100.00%
Grand Total	8,870	87,596	9,760	7,054	72.27%

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

Type of Bank	No. of Total Accounts	No. of Accounts facilitated with		% of Accounts facilitated with	
		Internet Banking	Mobile/SMS Banking	Internet Banking	Mobile/SMS Banking
SOCBs (06)	39,290,768	61	187,585	0.00%	0.48%
SDBs (02)	12,953,235	0	17,388	0.00%	0.13%
PCBs (39)	42,329,577	1,758,488	16,095,103	4.15%	38.02%
FCBs (09)	453,755	173,629	251,682	38.26%	55.47%
Grand Total	95,027,335	1,932,178	16,551,758	2.03%	17.42%

Figure-5: Quarterly Comparison of Online Banking



2.7. Training, Promotion and Disclosure:

24 Banks out of 56 have arranged 367 training programs concerning green banking where total number of participants was 7,061. On the other hand, 6 FIs out of 33 have arranged 15 training programs concerning green banking where total number of participants was 670. A snapshot on training in October-December, 2016 quarter is given below:

Type of Bank/FI	No. of Programs	No. of Participants
SOCBs (06)	10	264
SDBs (02)	2	150
PCBs (39)	352	6,483
FCBs (09)	3	164
Total	367	7,061
FIs (33)	15	670
Grand Total	382	7731

6 Banks and 3 FIs have arranged Green Events in October-December, 2016 quarter. Upto December, 2016, 45 Banks and 15 FIs have pursued disclosure on green banking in their annual report; 42 Banks and 15 FIs have put green banking disclosure in their website. 14 Banks and 4 FIs have disclosed their green banking activities in the media; 11 Banks and 2 FIs have prepared Independent Report on green banking activities.

2.8. Major Green Banking Activities at a Glance in October-December, 2016:

Issue	Bank	FI
Number of banks/FIs having Green banking unit	56	32
Number of banks/FIs having Green banking policy	56	32
Number of banks/FIs having Green office guide	56.00	32
Number of environmental risk rated projects	17,911	577
Number of environmental risk rated projects and financed	15,061	653
Amount disbursed against rated projects (in million Taka)	578,382.43	27,015.28
Number of solar powered branches	522	3
Number of solar powered ATM/SME units	252	2
Online branches (as % of total branches)	72.27%	N/A
Amount disbursed as green finance (in million Taka)	137,253.22	3,576.70
Direct green finance as % of total funded loan disbursement	0.63%	2.03%
Amount utilized for climate risk fund (in million Taka)	314.90	0.51
Amount utilized for green marketing, training and development (in million Taka)	6.40	0.21

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. 39 banks and 19 Financial Institutions so far have signed participation agreement with Bangladesh Bank. The disbursement scenario of this scheme during October - December, 2016 quarter is furnished below:

SL. No	Sub-category/ Product	Taka in million
1	Biogas	40.14
2	Central Effluent Treatment Plant (CETP)	150.00
3	HHK/Zigzag Brick Kiln	10.00
4	Organic Manure from Slurry	0.10
5	Solar Home System (SHS)	23.54
6	Vermicompost	0.30
	Total Disbursement	224.08

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 19 financial institutions so far have signed participation agreement with Bangladesh Bank. Upto December, 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 i.e. March 31, 2017.

4. Concluding Remarks:

The green banking activities of Banks and FIs in the quarter ended December 31, 2016 evidences decreasing scenario in total green finance for both Banks and FIs. Total green finance has been increased by 25.39% in this quarter compared to the previous one. The increasing rate of Direct Green finance has almost doubled this quarter than the previous one. This trend of investment and expenditure in green finance by banks and FIs need to be heightened in the upcoming years & BB is trying to play a significant role by monitoring the whole scenario and take appropriate actions. 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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