

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

October-December, 2017



**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 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 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

¹ Financial Institutions licensed under Financial Institutions Act, 1993.

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. Four (04) Islamic banks and one (01) non-bank shariah based financial institution have signed participation agreement with Bangladesh Bank in this regard.

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. Under this scheme, 18 banks have signed participation agreement with BB.

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 Shimanto Bank Ltd. (Scheduled from July 21, 2016 through BRPD Circular Letter 10/2016) have formed their own Green Banking Policy Guidelines and Green Office Guide. 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 allocation and utilization by banks and FIs in Green Finance, Climate Risk Fund as well as Marketing, Training and Capacity Building in December 2017 quarter is shown in Table-1. The quarterly shift from October 2017 to December 2017 evidences upward in case of Green Finance (Figure-1). 44 banks out of 57 and 23 FIs out of 34 have conducted environmental risk rating in the reporting quarter. In this quarter number of Projects applicable for Environmental Due Diligence (EDD) rating is 27,919; number of projects rated is 25,722; number of rated project financed is 18,875 and amount disbursed in rated projects is 886,697.02 million taka. The quarterly shift of ERR

by banks and FIs is showing an increasing trend but amount disbursed to the Rated Projects Financed is showing decreasing trend (Figure-2).

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

Type of Bank/FI	Annual Allocation of Fund, 2017 (in million Taka)				Utilization of Funds, October-December, 2017 (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)	14,996.00	112.55	615.00	15,723.55	1,377.99	0.00	0.41	1,378.40
SDBs (02)	218.75	1.25	0.03	220.03	12.60	0.00	0.00	12.60
PCBs (40)	87,056.25	91.83	70.67	87,218.75	138,150.44	229.39	9.52	138,389.35
FCBs (09)	12,085.74	2.20	0.10	12,088.04	31,257.62	1.90	0.50	31,260.02
Total	114,356.74	207.83	685.80	115,250.37	170,798.65	231.29	10.43	171,040.37
FIs (34)	12,596.88	48.69	49.55	12,695.12	3,003.12	0.87	6.17	3,010.16
Grand Total	126,953.62	256.52	735.35	127,945.49	173,801.77	232.16	16.60	174,050.53

Figure-1: Quarterly Comparison of Utilization of Fund

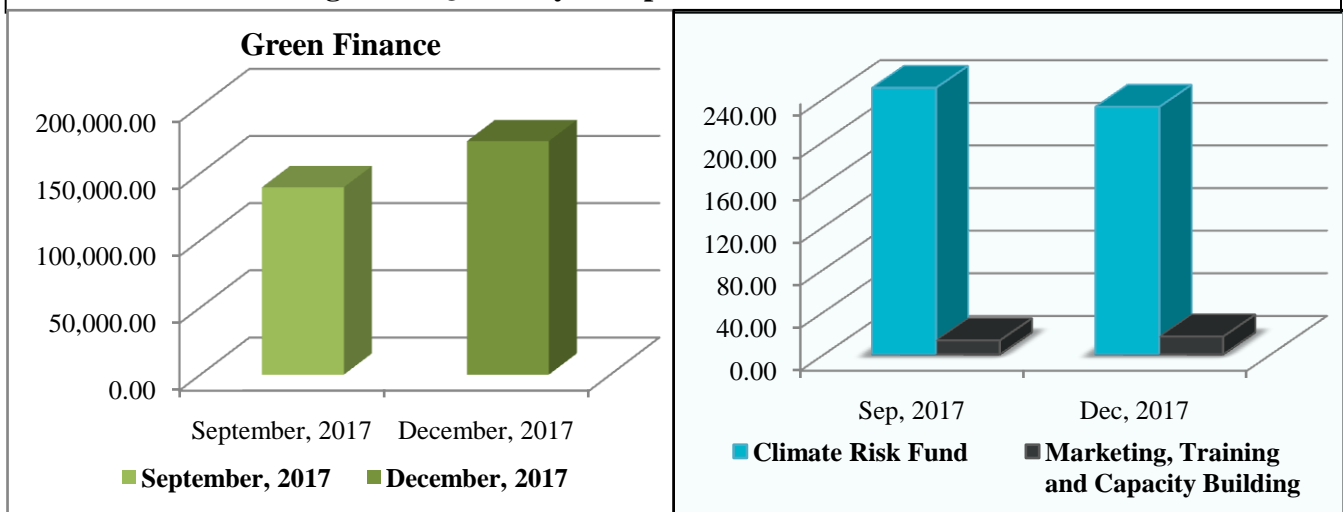
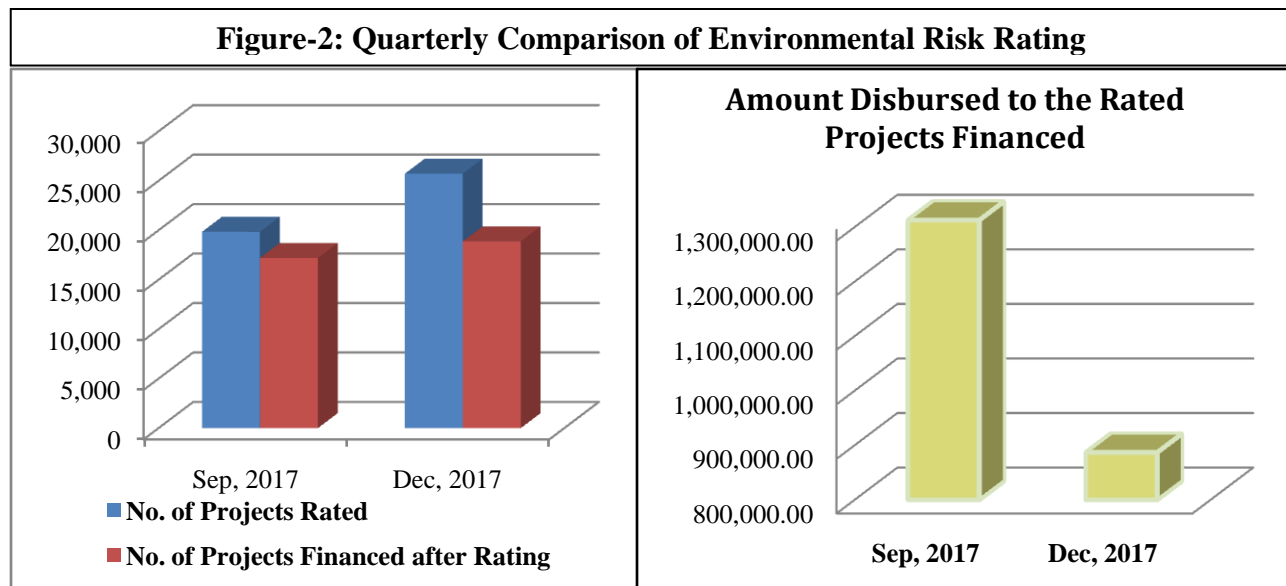


Table-2: Utilization of Climate Risk Fund (in million taka)

Type of Bank/FI	Event	Project
SOCBs (06)	0.00	0.00
SDBs (02)	0.00	0.00
PCBs (40)	221.16	8.23
FCBs (09)	0.00	1.90
Total	221.16	10.13
FIs (34)	0.21	0.66
Grand Total	221.37	10.79

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)	268	222	222	6,614
SDBs (02)	0	0	0	13
PCBs (40)	26,138	24,146	17,303	804,509
FCBs (09)	864	667	548	46,594
Total	27,270	25,035	18,073	857,728.96
FIs (34)	649	687	802	28,968.06
Grand Total	27,919	25,722	18,875	886,697.02



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)	3732	36	2
SDBs (02)	1410	0	0
PCBs (40)	4831	495	212
FCBs (09)	66	2	3
Total	10039	533	217
FIs (34)	221	2	0
Grand Total	10260	535	217

2.5. Green Finance:

44 Banks out of 57 and 13 FIs out of 34 have had exposure in green finance, either direct (31 Banks, 8 FIs) or indirect (29 Banks, 13 FIs) mode in the reporting quarter. Total amount invested as green finance has been Tk. 173,801.77 million in October-December 2017 quarter. 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 7.78% of total green finance and 0.38% 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)	6.31	0.00	0.00	1.25	0.00	205.28
SDBs (02)	3.70	0.00	0.00	0.00	0.00	8.00
PCBs (40)	316.60	404.31	0.00	6,617.54	4.90	2,166.77
FCBs (09)	11.96	0.00	0.00	0.00	0.00	0.00
Total	338.57	404.31	0.00	6,618.79	4.90	2,380.05
FIs (34)	16.31	30.00	0.00	0.00	0.00	4.60
Grand Total	354.88	434.31	0.00	6,618.79	4.90	2,384.65

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	80.04	0.00	0.00	1.85	0.00
SDBs (02)	0.00	0.00	0.00	0.00	0.90	0.00
PCBs (40)	4.46	788.26	1,862.49	246.75	1.98	477.54
FCBs (09)	0.00	0.00	0.00	0.00	0.00	0.00
Total	4.46	868.30	1,862.49	246.75	4.73	477.54
FIs (34)	0.00	0.00	235.16	0.00	0.00	0.00
Grand Total	4.46	868.30	2,097.65	246.75	4.73	477.54

Table-6: Green Finance (in million Taka)

Type of Bank/FI	Direct Green Finance	Indirect Green Finance	Total Green Finance
SOCBs (06)	294.73	1,083.26	1,377.99
SDBs (02)	12.60	0.00	12.60
PCBs (40)	12,922.29	125,228.15	138,150.44
FCBs (09)	11.96	31,245.66	31,257.62
Total	13,241.58	157,557.07	170,798.65
FIs (34)	286.07	2,717.05	3,003.12
Grand Total	13,527.65	160,274.12	173,801.77

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)	21.39%	0.38%
SDBs (02)	100.00%	0.17%
PCBs (40)	9.35%	0.40%
FCBs (09)	0.04%	0.01%
Total	7.75%	0.38%
FIs (34)	9.53%	0.36%
Grand Total	7.78%	0.38%

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

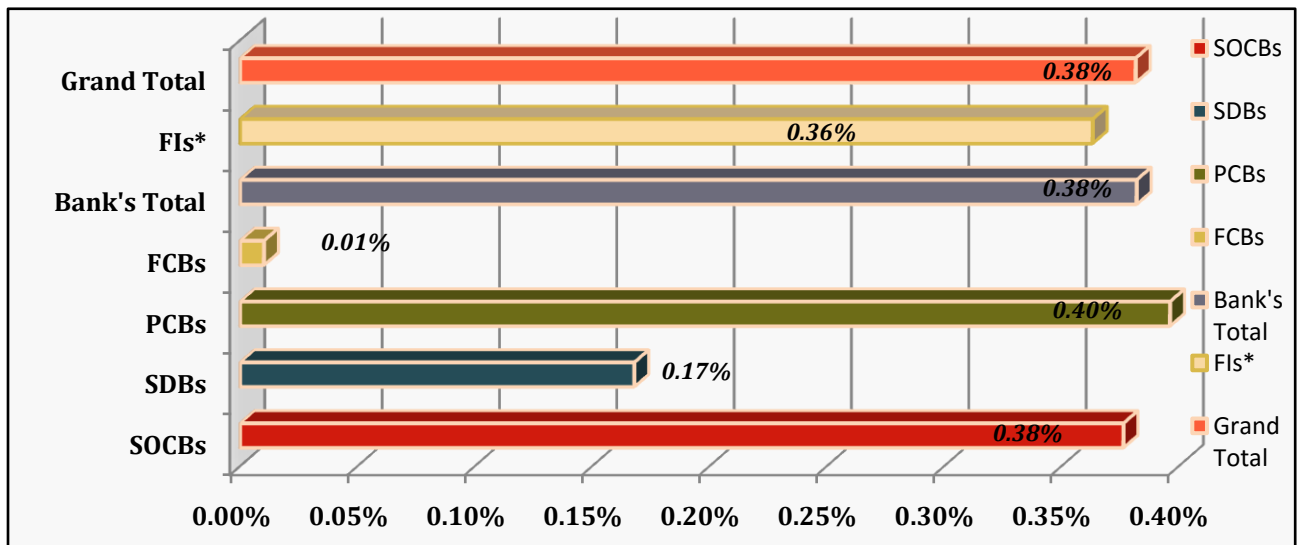
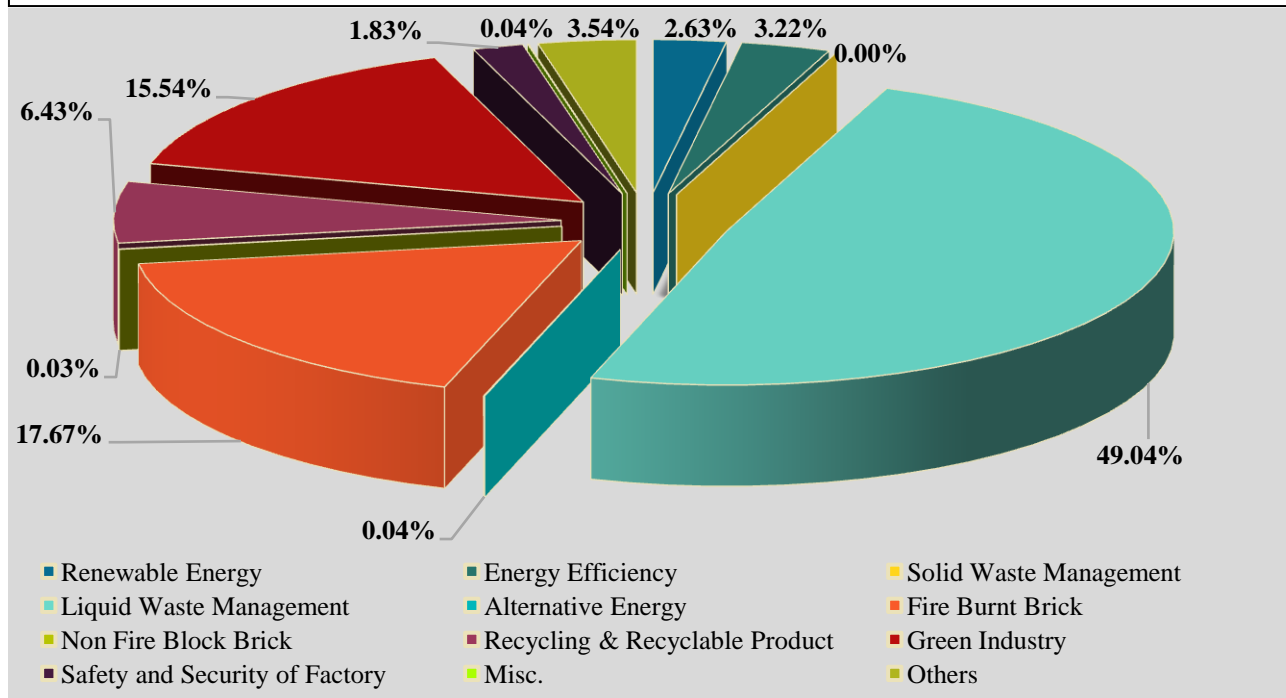


Figure-4: Direct Green Finance across All Categories



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 December, 2017. Slight progress (78.47% to 79.38%) has been observed in the expansion of online branches in the previous quarters. SMS/mobile banking and internet banking facility has also been observed an increasing trend (18.76% to 19.92%) than the previous quarter (Figure-5).

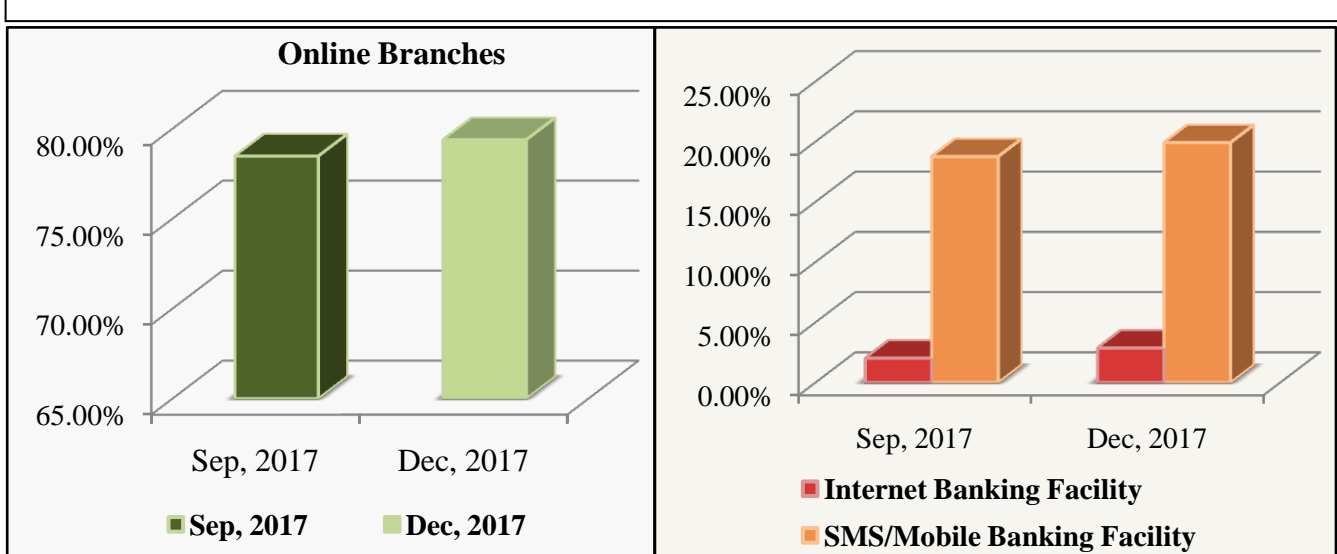
Table-8: Online Banking (on December 31, 2017)

Type of Bank	No. of ATM		No. of Total Branches	No. of Branches with online coverage	% of Online Branches
	Own	Shared			
SOCBs (06)	204	14,753	3,732	3,004	80.49%
SDBs (02)	0	0	1,410	70	4.96%
PCBs (40)	9763	84873	4826	4825	99.98%
FCBs (09)	168	4,207	66	66	100.00%
Grand Total	10,135	103,833	10,034	7,965	79.38%

Table-9: Internet and Mobile/SMS Banking (on December 31, 2017)

Type of Bank	No. of Total Accounts	% of Accounts facilitated with		No. of Accounts facilitated with Mobile/SMS Banking	% of Accounts facilitated with Mobile/SMS Banking
		Internet Banking	Internet Banking		
SOCBs (06)	40,254,155	61	0.00%	536,519	1.33%
SDBs (02)	14,102,311	0	0.00%	1,863	0.01%
PCBs (40)	45,251,153	2,680,555	5.92%	19,123,606	42.26%
FCBs (09)	404,510	184,573	45.63%	256,495	63.41%
Grand Total	100,012,129	2,865,189	2.86%	19,918,483	19.92%

Figure-5: Quarterly Comparison of Online Banking



2.7. Training, Promotion and Disclosure:

28 Banks out of 57 have arranged 356 training programs concerning green banking where total number of participants was 6,424. On the other hand, 4 FIs out of 34 have arranged 10 training programs concerning green banking where total number of participants was 42. A snapshot on training in October -December, 2017 quarter is given below:

Type of Bank/FI	No. of Programs	No. of Participants
SOCBs (06)	11	270
SDBs (02)	7	206
PCBs (40)	336	5842
FCBs (09)	2	106
Total	356	6,424
FIs (34)	10	42
Grand Total	366	6466

12 Banks and 2 FIs have arranged Green Events in October-December, 2017 quarter. Upto December, 2017, 45 Banks and 15 FIs have pursued disclosure on green banking in their annual report; 43 Banks and 13 FIs have put green banking disclosure in their website. 18 Banks and 5 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 October-December, 2017:

Issue	Bank	FI
Number of banks/FIs having Sustainable Finance unit	56	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	25,035	687
Number of environmental risk rated projects and financed	18,073	802
Amount disbursed against rated projects (in million Taka)	857,728.96	28,968.06
Number of solar powered branches	533	2
Number of solar powered ATM/SME units	217	0
Online branches (as % of total branches)	79.38%	N/A
Amount disbursed as green finance (in million Taka)	170,798.65	3,003.12
Direct green finance as % of total funded loan disbursement	0.38%	0.36%
Amount utilized for climate risk fund (in million Taka)	231.29	0.87
Amount utilized for green marketing, training and development (in million Taka)	10.43	6.17

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. 3,413.63 million has been disbursed till December' 2017 under this revolving refinance scheme. A total of 35 banks and 20 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 October-December, 2017 quarter is furnished below:

Table-11: Product/Initiative wise Disbursement		
SL. No	Sub-category/ Product	Taka in million
1	Biogas	6.25
2	Effluent Treatment Plant	40.00
3	Safe Work Environment	35.60
	Total Disbursement	81.85

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. 35 banks and 21 financial institutions so far have signed participation agreement with Bangladesh Bank. Up to December, 2017, Bangladesh Bank has released total USD 16.21 million (BDT 125.95 crore) to 5 PFIs against their financing for 8 sub projects.

3.3. Refinance Scheme for Islamic Shariah Based Banks and FIs for Environment Friendly Products/Initiatives:

Under this scheme, Participatory Banks and Financial Institutions (PFIs) can utilize this fund for financing in the 51 products identified under BB Refinance scheme according to SFD Circular No. 03/2017. Bangladesh Bank has disbursed BDT 52.00 million for “Working Environment and Fire safety of Factory” under shariah based refinancing scheme during October-December, 2017 quarter. During the same period Bangladesh Bank has collected BDT 0.50 million profit under this scheme which is credited to the current account of the invested banks that is maintaining with Bangladesh Bank.

4. Concluding Remarks:

The green banking activities of Banks and FIs in the quarter ended December 30, 2017 evidences upward trend in total green finance for both Banks and FIs. Total green finance has been increased by 24.61% in this quarter compared to the previous one. On the other hand, direct green finance has been increased by 65.03% in this quarter than the previous one. BB is trying to play a significant role by monitoring the whole scenario and by taking appropriate actions. Green banking activities by banks and FIs have been significantly increased in the quarter ended December 31, 2017.

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