

## PROTOTYPE - FACT SHEET

**NAME:** ASIF IQBAL  
**WORKING GROUP:** 3 – BANKING REGULATION  
**ORGANIZATION:** BANGLADESH BANK

### TITLE:

**Developing a Sustainable Finance Policy for Banks and Financial Institutions in Bangladesh**

#### Mission statement

To develop a comprehensive sustainable finance policy for banks and Financial Institutions (FIs) to catalyze investment in green and sustainable sectors as well as to facilitate SDG achievement in order to ensure green growth and sustainable development.

#### Briefly describe your prototype idea

Background: Bangladesh Bank as the central bank and core regulatory body of financial sector initiated promoting green finance in 2009 by creating a 2 billion BDT Refinancing Scheme for Renewable Energy and Green Products by covering 5 products. In 2011, Bangladesh Bank issued Policy Guidelines for Green Banking to banks which was replicated to FIs in 2013. These policy guidelines consisted the first regulatory instruction for Green Finance. In 2014, Bangladesh Bank set mandatory annual target for green finance to banks and FIs. Apart from that, Bangladesh Bank created three different support finance lines for green finance in 2012, 2014 and 2016. In the meanwhile, the product lines for the refinance scheme created in 2009 have been enhanced to 50 till 2016 which are also eligible for green finance by banks and FIs from own sources of fund.

Policy Gap: There has not been any clear or specific definition or guidelines of green finance for banks and FIs from the central bank. Moreover, the target set in 2014 is the percentage of annual disbursement. But, there is need to set a definition of disbursement as there are different types of loans like term loan, demand loan and continuous loan. On the

other hand, Bangladesh Bank has started to consider for engaging banks and FIs to facilitate SDG (Sustainable Development Goals) implementation in Bangladesh.

Prototype Idea: To develop a comprehensive sustainable finance policy for banks and Financial Institutions (FIs) to catalyze investment in green and sustainable sectors as well as to facilitate SDG achievement in order to ensure green growth and sustainable development. This policy would have a clear definition of sustainable finance, regulatory target structure of sustainable finance, interest rate structure of sustainable finance and other relevant issue. This policy would also be core driving document for Bangladesh Bank to transform its green finance policy stance to sustainable finance. The policy would also have the space to create linkage between Banks & FIs and SDG implementation. This would be dynamic policy which would be under regular review.

### Target group

#### Primary

Direct Target Group: Banks and FIs.

#### Secondary

Indirect Target Group: Yet, the ultimate beneficiaries will be the sustainable business sector.

#### Potential partner(s) for implementation

Banks and financial institutions, relevant government agencies like Department of Environment and SREDA, multilateral development partners working in green finance and sustainable finance.

### Key challenges and opportunities

#### Challenges:

- Devise a uniform and implementable definition and target structure of sustainable finance
- Identify the factors of interest rate structure for sustainable finance
- Capacity building of banks to manage sustainable finance portfolio with low default rate

Opportunities:

- Sustainable and green business sectors are emerging and expanding
- Zeal of banks for sustainable finance is increasing

Next steps

- Rigorous review of existing policies
- Consult the international best practices, policies and guidance papers
- Formulate the draft policy for sustainable finance
- Place the draft for public consultation through website
- Incorporate the relevant comments and views collected from public consultation
- Finalize the policy
- Issue the policy
- Design the capacity building program