

Bangladesh among top three Asian nations promoting green financing

MAHMUDUL HASAN

Green financing is rapidly gaining traction in the Bangladesh market thanks to the country's specific focus on issuing green loans, according to an International Finance Corporation (IFC) report.

The report by IFC-facilitated Sustainable Banking Network (SBN) shows that Bangladesh, Mongolia, and Nepal have identified green financial services as a crucial aspect for ensuring sustainable development in financial sectors.

"At a time when low-income countries across Asia and the Pacific are being battered by the Covid-19 pandemic, its all the more vital for economies to embrace sustainable financial development in order to build resilience in the sector for future calamities," said Nena Stoilkovic, IFC vice president for Asia and the Pacific.

Poorer countries face immediate and significant impacts from climate change, pollution, loss of biodiversity and social inequality. Therefore, these issues require an urgent response when they arise.

"In the wake of recent challenges faced in Asia, promoting green finance such as green bonds and loans has been particularly focused upon in Bangladesh and Mongolia," read the report styled, "Necessary Ambition: How Low-Income Countries Are Adopting Sustainable Finance to Address Poverty, Climate Change, and Other Urgent Challenges."

Other than these two countries, Nepal is also developing sustainable national finance roadmaps in an effort to reduce market risk and incentivize green finance flows, the IFC said in a statement citing the report.

Over the past few years, Bangladesh Bank has encouraged both banks and non-banking financial institutions (NBFI) to implement

a 'go-green' policy while encouraging client firms to adopt clean technology that reduces costs and ensures overall sustainability.

Green financing in Bangladesh ballooned to about Tk 33,421 million by December 2019, up from Tk 21,090 million year-on-year.

The level of understanding banks and NBFIs have on sustainable financing increased recently, Khondkar Morshed Millat, general manager of the sustainable finance department of Bangladesh Bank, told The Daily Star yesterday.

"This is why their contributions towards products that support green financing has increased," he said.

According to a central bank report published last December, 59 scheduled banks and 33 NBFIs are currently involved in green financing or investment activities.

An increasing number of banks and NBFIs are going green by providing innovative products and services that cover the finances required to support economic activities that are not hazardous to the environment but instead conserve it, the central bank report read.

The IFC report indicates that the aforementioned Asian nations are resolute in their commitment to promote sustainable finance and development planning for the future.

Established in 2012, the SBN is a voluntary community of financial sector regulatory agencies and banking associations from emerging markets that are committed to advancing sustainable finance.

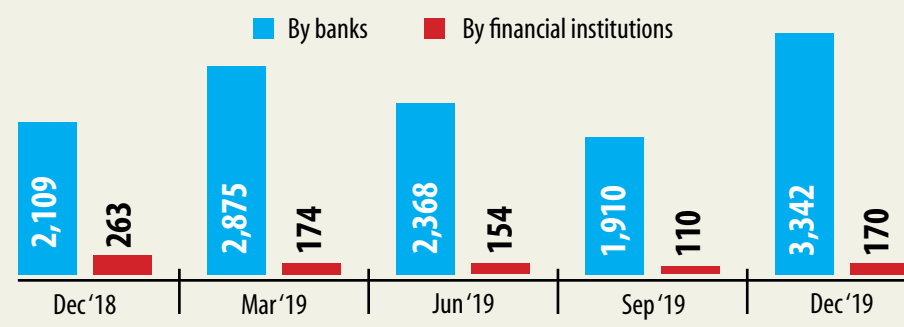
SBN, the first global network of its kind, focusses on ensuring sustainable finance at the market level. The association represents 39 countries and \$43 trillion, or 86 per cent, of the total banking assets in emerging markets.

Compared to five years ago, Bangladesh has undergone positive changes in the way banks



GREEN FINANCING IN BANGLADESH

Tk in crore, SOURCE: BB



manage environmental and social risks, said Naidalaa Badrakh, CEO and a board member of the Mongolian Sustainable Finance Bankers Association and co-chair of the SBN IDA Task Force.

Other than green finance, the report showed that Bangladesh, Mongolia and Nepal are exploring new ways to expand sustainable finance to other areas, such as financing for small and medium sized enterprises and agriculture.

In the context of a circular economy, efficient resource management is key.

"Therefore, sustainable finance plays a large part in poverty reduction," said Asif Iqbal, joint director of the Sustainable Finance Department of Bangladesh Bank.

Dev Kumar Dhakal, executive director of the Nepal Rastra Bank, said the country should develop and implement sustainable finance related policies for a better and safer financial system.

"These policies should not be detrimental to development activities but should instead guide the initiatives taken," added the executive director of Rastra Bank, Nepal's central bank.

Last year, the IFC's issuance of green bonds in Asia-Pacific crossed the \$1 billion mark as the corporation helped address environmental and social challenges in some of the world's most vulnerable and poorest countries.

Last month, Mongolia's Financial Regulatory Commission and the IFC signed an MoU to further develop the green finance market in Mongolia.

According to an IFC estimate, Bangladesh's climate-smart investment potential will be about \$172 billion between 2018 and 2030, the World Bank Group member company said in a statement last October.

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Country's first perpetual bonds get BSEC nod

STAR BUSINESS REPORT

Both City Bank and Jamuna Bank got the greenlight from the Bangladesh Securities and Exchange Commission (BSEC) to begin issuing perpetual bonds of Tk 400 crore each to strengthen their additional tier-1 capital base.

A perpetual bond is a fixed income security with no maturity date and is often considered as a type of equity rather than debt. These types of bonds are not redeemable but instead provide a never-ending stream of interest payments.

Having been granted approval during a meeting at the BSEC office yesterday, these are the first perpetual bonds in Bangladesh's history.

During the commission meeting, the BSEC also decided to fine the directors of Intech Limited, MI Cement, Al Faruque Bags, BMSL Investment, IIDFC Capital and Artisan Chartered Accountants for breaching securities rules and regulations.

The perpetual bonds will be unsecured and feature a floating rate while the coupon rate is 11-14 per cent.

City Bank Capital is the arranger of the bonds in Bangladesh.

DECISIONS AT BSEC MEETING

- Two perpetual bonds approved
- Walton's IPO gets nod
- RACE Special Opportunities Unit fund was approved
- Penalty slapped on Intech Ltd directors for not giving price sensitive info
- Al Faruque Bags, Artisan Chartered Accountants, BMSL Investments and IIDFC Capital fined
- Directors of MI Cement fined

Previously, the market was dominated by tier-2 bonds. City Bank Capital was the company to initiate the process to bring this Basel-3 compliant new financial instrument to the market.

The fund will be raised from listed banks, insurance companies, regional

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BSEC wants integrated platform for listed firms

STAR BUSINESS REPORT

The stock market regulator directed the stock exchanges to launch an integrated online data-gathering, information submission and dissemination platform in order to streamline the activities of listed firms.

The commission issued an order in this regard on Monday and ordered exchanges to implement it immediately.

"We are working on it thoroughly so that people can get full benefits of digitisation easily," said Kazi Sanaul Hoq, managing director of Dhaka Stock Exchange.

"We will complete our works within the time the regulator has set for us."

Bangladesh Securities and Exchange Commission (BSEC) has asked the stock exchanges to notify all listed companies and issuers of securities and mutual funds about the provisions of this order within 15 working days.

BSEC also asked the stock exchanges to submit a report to the commission about the commencement of the digital submission and dissemination platform.

According to the directive, listed companies would be allowed to submit any kind of information, including applications, shareholding reports, declarations, corporate actions, financial disclosures, publication and dissemination of price sensitive information and material information, through the platform.

Both the stock exchanges must keep records of all submissions and information in both soft and hard copies in such a way that subsequent use or verification can be undertaken by the commission, according to the order.

The stock exchanges must prepare and submit a summary of the shareholding position to the commission on a monthly basis along with their findings and any non-compliance, if any, individually within the following month.

Omera becomes first local LPG cylinder maker to export its products

STAR BUSINESS REPORT

In a first for Bangladesh, Omera Cylinder Ltd, a local manufacturer of liquefied petroleum gas (LPG) containers, has recently begun exporting its products to international markets.

Omera made the foray into global markets after it shipped the first consignment of LPG cylinders to a few companies in Africa earlier this week, said Shamsul Haque Ahmed, chief executive officer of Omera LPG.

"This is not only a moment of pride for Omera, but also the entire country and its LPG industry. We are delighted that through Omera's technological expertise, our country has expanded its influence in the international arena," said Azam J Chowdhury, director of Omera Cylinders, in a press release.

Omera also hopes one day, the company will not only meet domestic demand for LPG cylinders, but also that of potential buyers from across the world.

"This achievement is a recognition of our strong commitment to quality," Chowdhury added.

After beginning its journey back in 2015, Omera Cylinders has catered to the needs of many local LPG operators by offering them a wide range of products that meet

international standards, the press release said.

By using modern European machinery and technology, securing skilled human resources and maintaining the highest

health and environmental safety, Omera grew quickly.

Besides, entering the global market is another major achievement for the company, the statement said.

Shipments to African countries are now ongoing and Omera hopes to reach Latin American countries by next year.

Omera Cylinders plans to export all of his surplus production while also expanding its manufacturing capacity in the coming days, Ahmed said.

Cylinders face a 10-tier quality test before it is declared fit for service.

"We have adopted all European equipment and machinery to manufacture world-class cylinders for exports," he added.

According to the CEO, the domestic demand for gas cylinders is around 60 lakh pieces while the industry's manufacturing capacity is around 80 lakh to 90 lakh pieces.

For the past few years, the demand for gas cylinders has increased by an average of 10 to 15 per cent, Ahmed said.

Md Jakaria Jalal, general manager of Bashundhara LP Gas, said that there are at least 14 gas cylinder manufacturers currently operating in Bangladesh. They include Bashundhara Gas, Navana LPG, Energypac, Jamuna Gas, BM Gas and Petromax LPG.



Senior officials of Omera Cylinders pose with LPG cylinders to be exported to the global market, at the company's factory in Habiganj yesterday.

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Govt stimulus not reaching SMEs: analysts

STAR BUSINESS REPORT

Low-income cottage, micro, small and medium enterprises are shutting down or on the verge of collapse while a good number of their employees have been made redundant being unable to avail the government assistance to deal with the impacts of Covid-19.

The pandemic has led to the shrinking of their markets leading to the loss of sales and working capital while most lack strong bank connections due to their small size, missing out on the Tk 20,000 crore stimulus package the government announced for them.

It is very difficult for these small-capacity units to regain capital and employees once they are lost, said Monzur Hossain, senior research fellow at the Bangladesh Institute of Development Studies (BIDS).

Some 80 per cent of employment in the country are generated by more than 13 lakh of these small enterprises, meaning they are practically the driving force of the economy, he said.

Loss of these units will cause the recession to linger, he added.

Nearly 35 per cent of the small

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enterprises conduct business through the banking system and 49 per cent borrow money either from nongovernment organisations or local microfinance institutions.

So the government stimulus should be disbursed by engaging the local microfinance institutions so that even the smallest and the remotest units can avail the benefits during this time of pandemic, Hossain said.

Hossain was addressing a virtual dialogue on SMEs organised

by a newly formed Resurgent Bangladesh, a platform to aid policy formation for businesses and industries.

It has been formed by the Metropolitan Chamber of Commerce and Industry (MCCI), Dhaka Chamber of Commerce and Industry (DCCI), Chittagong Stock Exchange (CSE), Business Initiative Leading Development (BUILD) and Policy Exchange.

Masrur Reaz, chairman of Policy Exchange, moderated the dialogue. Six more dialogues would be organised on the SMEs.

Small enterprises are in a severe crisis, facing shutdowns, problems accessing finance, export order cancellations, massive downturns in sales and unemployment, said Ferdous Ara Begum, CEO of BUILD, giving a keynote presentation on "Covid-19 economic crisis and SMEs of Bangladesh".

The recovery rate of loans from these enterprises is around 99 per cent and there is no scope for nonperforming loans if the disbursement occurs through microfinance institutions, said Safiqul Islam, managing director of SME Foundation.

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