

**Sustainable Finance Department
Bangladesh Bank
Head Office
Dhaka.**

SFD Circular No. 04

Date: July 28, 2020
শ্রাবণ ১৩, ১৪২৭

Managing Director/Chief Executive Officer
All Scheduled Banks in Bangladesh.

Dear Sir,

**Guidance Note for on-lending/refinancing under
Green Transformation Fund (GTF)**

1. Please refer to [FE Circular No. 02 dated: January 14, 2016](#) and FE Circular No. 20 dated: April 15, 2020.
2. According to section 8 of the abovementioned FE Circular No. 02, a "Guidance Note" for endorsing 'green transformation' of machines and accessories under GTF (enclosed) is being issued vide this circular which is to be used by all Participatory Financial Institutions (PFIs) for availing on-lending/refinancing facility from this fund.
3. The current GTF includes 200 million US Dollar and 200 million Euro. This guidance note will be applicable for on-lending/refinancing for both components of the funds. Mentionable that in case of Euro component of GTF, refinancing for importing (only buyer's credit) industrial raw materials in all manufacturing enterprises including both export oriented and deem exporters for the tenure permissible as per paragraph 33 (a), chapter 7 of the Guidelines for Foreign Exchange Transactions-2018, Vol-1 and its subsequent circulars will be available.
4. Please acknowledge receipt.

Yours Sincerely,

[Enclosure: As stated above \(2 pages\).](#)



(Khondkar Morshed Millat)
General Manager
Phone: 9530320
e-mail: morshed.millat@bb.org.bd
gm.sfd@bb.org.bd

Guidance Note for Endorsement of 'Green Transformation' of Machineries and Accessories under Green Transformation Fund-USD and Euro

1. Introduction: According to the para 8 of FE Circular No. 02/2016, for endorsing the activities specified in paragraph 1 of that circular as 'green transformation', applicant banks will use the guidance note to be issued by SFD (Sustainable Finance Department) for availing finance from Green Transformation Fund-USD and Euro. Following that, this guidance note is in place.

2. Types of Initiatives for Green Transformation: The para 1 of FE Circular No. 02/2016 enlists the eligible green/environment-friendly initiatives for financing in foreign exchange against the import of capital machineries and accessories. In that context, the minimum criteria and area under that initiatives are illustrated below:

a. Water use efficiency in wet processing: Machineries and Accessories (M&A) that reduce the current level [20% by 2022, 30% by 2023, 40% by 2024 and 50% by 2025, as per draft Integrated Water Security Plan (IWSP) national framework] of water consumption in the industrial production process will be eligible for financing under GTF. In case of replacing M&A for wet processing in any running manufacturing plant, the water consumption ratio (100:1 for Textile Wet processing industries as per The State of Apparel Sector Special Report 2015) for the new M&A must be less than that of existing (300:1 for Textile Wet processing industries as per Bangladesh Responsible Sourcing Initiative, World Bank) M&A. For installation of M&A for wet processing in a new manufacturing plant, the water consumption ratio must be less than the existing industry average (250 liter to 300 liter for Textile Wet processing industries as per Bangladesh Responsible Sourcing Initiative, World Bank).

b. Water conservation and management: For Water conservation and management in a manufacturing plant, M&A used in any of the following facilities will be eligible for financing under GTF:

1. Rainwater harvesting
2. Treated waste water recycling
3. Used water recycling
4. Reuse of tap water
5. Water flow tracking or metering system
6. Treated or used water reusing.

For a. & b., proper compliance of relevant acts, rules, regulations, guidelines and directives of Ministry of Water Resources; Ministry of Environment, Forest and Climate Change and their corresponding agencies/directorate/institutions as well as other national standards and/or guidelines/directives needs to be ensured.

c. Waste management: For Waste management in a manufacturing plant, M&A used in any of the following facilities will be eligible for financing under GTF:

1. Liquid Waste Management
2. Solid Waste Management

3. Sludge management.

For c., proper compliance of relevant acts, rules, regulations, guidelines and directives of Ministry of Environment, Forest and Climate Change and its corresponding agencies/directorate/institutions as well as other national standards and/or guidelines/directives needs to be ensured.

d. Resource efficiency and recycling: In a manufacturing plant, M&A to be used in any kind of resource recycling or reuse in the production process having Energy Auditor's Certificate' by Certified Energy Auditor accredited either by SREDA or Association of Energy Engineers (AEE) will be eligible for financing under GTF.

e. Renewable energy: M&A used for generating renewable energy standardized or defined by Sustainable and Renewable Energy Development Authority (SREDA) in a manufacturing plant will be eligible for financing under GTF

f. Energy efficiency: M&A used in the production process in a manufacturing plant which has 'Energy Star Labeling' by Bangladesh Standardization and Testing Institute (BSTI) under Bangladesh Standards (BDS) or 'Energy Star Labeling/Certification' by National/International Laboratories accepted by SREDA or 'Energy Auditor's Certificate' by Certified Energy Auditor accredited either by SREDA or Association of Energy Engineers (AEE).

g. Heat and temperature management: M&A used and having Energy Auditor's Certificate' by Certified Energy Auditor accredited either by SREDA or Association of Energy Engineers (AEE) for absorbing excessive heat generated from production process and/or managing temperature at the healthy level for the workers will be eligible for financing under GTF.

h. Air ventilation and circulation efficiency: M&A used and having Energy Auditor's Certificate' by Certified Energy Auditor accredited either by SREDA or Association of Energy Engineers (AEE) for improving the air ventilation, circulation and emission of the manufacturing plant at the healthy level for the workers will be eligible for financing under GTF.

i. Work environment improvement initiatives: For work environment improvement initiatives, M&A used in any of the following facilities will be eligible for financing under GTF:

1. Fire prevention and management (valid 'Fire License' issued by Bangladesh Fire Service and Civil Defense)
2. Health and safety management (Certified or fulfilling criteria set by Directorate of General Health Services)
3. Required approvals and certificates from Department of Inspection for Factories and Establishments.

Necessary amendments of this guidance note will be made once the relevant national framework is in place.

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