

GREENING THE PHILIPPINE BANKING SYSTEM

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“Green Banking” has begun occupying a central position in the environmental debate. International banks in OECD countries maintain a high level of environmental responsibility; Asian financial institutions are beginning to follow suit, raising environmental practices to international standards.

Government banks and multilateral financial institutions, which start off with a developmental outlook, are even readier to adopt green banking practices. In the Philippines, the Development Bank of the Philippines (DBP), the Land Bank of the Philippines (LandBank) and the Far East Bank and Trust Co (FEBTC) are staunch environmental activists.

While private and development banks are paying more attention to environmental issues, these initiatives remain largely voluntary and uncoordinated. There may thus be a role for regulatory agencies – central banks. This paper will examine the existing initiatives of DBP, Land Bank and FEBTC and identify an emerging role for the Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines).

Development Bank of the Philippines

Following a 1992 World Bank structural adjustment program, DBP made an active commitment to environmental development. With the assistance of international developmental agencies, DBP has beefed up its environmental staff, helped industry sectors and subsectors develop environmental management plans, and channeled financing for industrial environmental investments. In 1999, DBP came up with a detailed, multi-volume “Manual on Environmental Due Diligence in Project Evaluation” to help their account officers and those of participating financial institutions recognize environmental risks and liabilities and establish good environmental practices to minimize and manage them. They have adopted an Environmental Policy statement, and presently require (a) an integration of environmental provisions to the Bank’s general terms and conditions for loan agreement, and (b) environmental compliance certificates (ECCs) for environmentally sensitive projects.

LandBank and FEBTC

LandBank has established an environmental unit and accredited environmental consultants that can be tapped by participating financial institutions and sub-borrowers. An environmental credit policy was developed for both retail and wholesale credit operations.

FEBTC on the other hand has introduced environmental due diligence in its credit and investment practices.

Bangko Sentral ng Pilipinas

While these initiatives have made some headway into the Philippines' environmental problems, the environmental ethic has not spread significantly through the banking sector. Changing bankers' attitudes and finding a direct link between environmental friendliness and the economic bottom line may require more than environmental advocacy. The Monetary Board (the policy-making body) of the BSP may need to more actively encourage private banks to address environmental issues.