

# BSP starts planting seed for 'green banking' scheme

Asian Bank regulators will start a review of banking rules to eventually incorporate green banking principles and ensure that bank funds are channeled to environmentally sound projects.

Amid reports that Asian banks have been slow in examining their exposure to environmental risk, the Bangko Sentral ng Pilipinas (BSP) admitted that under the current regulatory regime, it could not do much to compel banks to commit to green banking initia-

tives in support of projects that comply with environmental standards.

Speaking before the Association of Development Financial Institutions in Asia and the Pacific (ADFIAP), BSP deputy governor Diwa Guinigundo, however, said that the initial step is for the BSP to take stock of its own rules to find out what could be done.

One such initiative, according to Guinigundo, is to gear the proposed Credit Information Bureau towards incorporating environmental compliance into its database of borrower profiles.

"Banks are not the frontliners in the enforcement of environmental laws and standards but having said that, we need to find out if there was scope for incorporating green banking initiatives," Guinigundo said.

With over P2 trillion in their loan portfolio, Philippine banks have the power to ensure that bank-funded economic activities are environmentally sound and this power should ultimately be wielded towards projects that comply with environmental requirements.

In the same forum, European Union Ambassador Alistair Macdonald said while banks are generally considered "non-polluting" institutions, they could take the proactive step of putting their funds on projects that do not cause damage to the environment.

"Banks make the powerful decisions on where to put funding, they have the power to directly fund projects that support environment and social initiatives and they have the power to avoid financing projects that have a negative impact on the environment," Macdonald said.

The EU has spent over one billion euros in support of environment projects in Asia, Macdonald said, and part of these funds are going to initiatives that teach banks and financial institutions the impact of environmental issues on business.

"At least 16 Asian banks have instituted or enhanced their corporate environmental policies, thanks to the project," Macdonald said.

However, Guinigundo admitted that the Philippine banking system might not be ready for drastic green measures but there are initial steps that could eventually propel the local initiative closer to global momentum.

According to Guinigundo, one major step that the BSP is advocating is the inclusion of environmental compliance with the borrower information and profile that would be gathered by the proposed Credit Information Bureau which was contained in a bill now pending in Congress.

"It won't mean that corporate borrowers would not be able to secure bank loans if they fail to comply with environmental requirements," Guinigundo said. "But it can be part of their borrower profile. We have to take baby steps before the banking system is ready for more."