Banks may soon use ‘green’ law compliance in approving loans

Corporate borrowers may soon have to prove that their activities are environment-friendly as a precondition for loan approvals if a new European Commission-funded project becomes the norm.

The 18-month 346,446-euro grant project, which was launched by the Planters Development Bank and the European Commission yesterday, aims to support the Association of Development Financing Institutions in Asia and the Pacific’s “Greening of DFIs [Development Financial Institutions]” project.

And this will be made possible through the development and implementation of environmental governance standards for participating financial institutions.

Former Ambassador Jesus P. Tambunting, chairman and chief executive of Plantersbank, told a press conference that the grant will encourage member-development banks “to make permanent their policies and practices in prioritizing environment concerns when evaluating loan proposals of their borrower clients.” Mr. Tambunting, who is also concurrent chairman of the regional bank association, that his bank already requires borrowers to comply with environment laws in designing their project proposals, an initiative previously adopted by the Development Bank of the Philippines and the Land Bank of the Philippines. But he said he wants the industry to follow suit.

Mr. Tambunting also suggested imposing lower interest rates on projects meeting ‘green’ standards.

Meanwhile, Mr. Tambunting said he expects Plantersbank to post a net income of P300 million this year, P100 million lower than last year’s P400 million.

“We will be happy with P300 million,” he said, adding that last year’s bottom line was partly due to a non-recurring income.

“We sold some treasury,” Mr. Tambunting said. He refused to divulge exactly what the bank sold.

— Karen L. Lema and Ma. Elisa P. Osorio