Landbank improves water quality in Metro Manila river systems

The Land Bank of the Philippines (Landbank) has been at the forefront of protecting the river systems in Metro Manila, Philippines. It financed the “Talayan Sewage Treatment Plant” (STP), a sewage treatment facility that showcases an innovative use of advanced wastewater treatment technology by processing 15,600 cubic meters (or almost 16 million liters) of waste water per day within the 1,840 square meter plant site.

The STP, which collects and treats wastewater from more than 21,000 households covering fifteen (15) barangays (villages) in Quezon City, Metro Manila, helps revive fresh water quality at the San Juan Basin – a major tributary that leads to the Pasig River before its ultimate discharge at the Manila Bay. By convention, approximately 80 percent of consumed water turns into wastewater which flows straight into Manila Bay river systems if left untreated. Through funds from the World Bank, Landbank took a bold move by embracing an advocacy supportive of accelerating wastewater investments in order to help safeguard the health and safety of communities and the environment. The STP investment is crucial in restoring Manila Bay’s recreational water quality standards by bringing down the biochemical oxygen demand yearly pollution level, increasing dissolve oxygen to at least 2.0 mg/l in support of aquatic life forms and in helping control the indiscriminate disposal of septage in vacant lots or municipal drainage lines.

Through the STP project, 15 barangays of Quezon City and its surrounding communities have greatly benefited in terms of improved water salinity and prevention of further degradation of water quality especially in the rivers and tributaries of Pasig River and Manila Bay which would translate to better health and sanitation of the residents. With the implementation of this innovative project, the Philippines is making a concrete step in promoting the country’s goal towards a progressive, healthy and environmentally-sound Philippines.

The STP project of Landbank was winner of the 2016 ADFIAP Outstanding Development Project Awards under the Environmental Category.

BIM protects the environment from industrial contamination

Bank of Industry and Mine (BIM) recognizes the importance of funding projects that protect the environment, thus it has financed the construction of the Rah Pooyah Company, the largest center managing industrial waste in the Middle East with the aim to initiate the production line of refractory ash followed by waste elimination.

Rah Pooyah Company’s production capacity reaches up to 10,800 tons per year and was constructed and developed on a ground with area of 50,000 sq. m. in Koopayeh City in the Iranian province of Esfahan. The project was realized with a total investment of 350 million Rials, with BIM putting in 105 million Rials and 10.1 million Euros as facilities. Machinery and equipment were purchased from France and the project led to the employment of more than 150 people from the region. The project is capable of eliminating industrial waste of 75,600 tons per year and it is also capable of producing 20,000 megawatt electricity per year.

The Rah Pooyah Saleh Plant project won the 2016 ADFIAP Outstanding Development Project Awards under the environmental category.
Update of Green Bond Principles

The Green Bond Principles (GBP) are voluntary guidelines under the International Capital Market Association (ICMA) that give guidance for the issuance of green bonds. They recommend transparency with regard to the components Use of Proceeds, Process for Project Evaluation and Selection as well as Management of Proceeds. They are intended to facilitate access to green bonds for market participants and suggest best practice at issuance.

The GBP have been further developed involving members of the GBP, working groups and green bond stakeholders as well as under consideration of general market development. The GBP 2016 refine the existing principles and have been complemented by templates for the disclosure of information.


Sustainable banking and sustainable development

According to the report of the World Commission on Environment and Development, sustainable development is the way of using the resources that not only meet the human needs of present and future generation but also preserve the environment. The field of sustainable development comprises of three constituents – environmental sustainability, economic sustainability and socio-economic sustainability. Sustainable banking as per the United Nations Environment Programme Finance Initiative is defined as “the process by which the banks consider the impact of their various operational activities and their products and services for meeting the needs of the current as well as the future generations”.

The banking sector is under huge pressure from its different shareholders to carry out its business in ethical ways. Many initiatives have been taken to promote sustainable banking across the globe and one very important such initiative is establishment of United Nations Environment Programme Finance Initiatives (UNEP-FI) in 1990. Few countries have imposed heavy penalties to banks for violating socio-economic principles e.g. the US Comprehensive Environmental Response Compensation and Liability Act (CERCLA) lead to loss to the banks in the United States. The penalty was imposed to many banks in the United States for pollution of the environment by the clients whom the banks had financed. Those banks were made to pay huge remediation cost.

The UNEP-FI states that sustainable banks consider the effects of its services and operations in meeting the needs of current as well as future generation. Direct impacts of banks are related to its products and services. Sustainability in banking sector has basically two forms. Firstly, through adoption of environmental and social responsibility in bank’s day to day operations like wise use of paper, energy conservation etc. and secondly, by including sustainability in to banks’ products and strategies like green lending, etc.


The environmental risks for banks

Banks are exposed to many risks that may lead the banks face loss in terms of reputation and profit. Banks may not get their money back which they have used to finance their clients and so can face credit risk and reputational risks. So, the risk to the banks from banks’ commercial lending activity is high. Thus, besides the liability from the banks’ own operations, greater risks are from bank’s commercial lending and can be categorized into following types.

Risk of loan default by debtors. If the loan debtors violate the environmental legislations, then they have to pay extra cost as a cost of for cleanup. This extra burden of payment many times leads bank clients become financially weak and this makes them defaulter of repaying the loan to the bank.

Risk of reduced value of collateral. If the property which the bank has accepted as collateral, gets polluted, then its value deteriorates due to the cost which is paid as cleanup cost. This risk increases the risk of the repayment of the expected amount.

Risk of changing market with environmental concerns. Due to increase in the environmental concern among the customers and release of strict environmental regulations, the survival of the organization without environmental concern is becoming very tough in the present times. Thus, the change in the attitudes towards the environment can make the debtors tough to survive by affecting the banks capability to repay the loan amount to the bank.

Risk of bank’s liability. As banks may have direct business with the collateralized properties, banks become liable for the cleanup of contamination caused by the property.

Risk of reputation damaged. If the banks do not perform their environmental and social responsibilities then this lowers the credibility of the bank among the public and thus causing loss of reputation of the bank.
