

A Sustainable Banking Network (SBN)
Flagship Report
Addendum to SBN Global Progress Report

October 2019

Country Progress Report

Philippines



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Status for Policy Preparation – Philippines



SBN Member:

- [Central Bank of the Philippines \(BSP\)](#) (member since 2013)
- Department of Environmental and Natural Resources of the Philippines (DENR) (member since 2013)

SBN Working Group: none

Country readiness review:

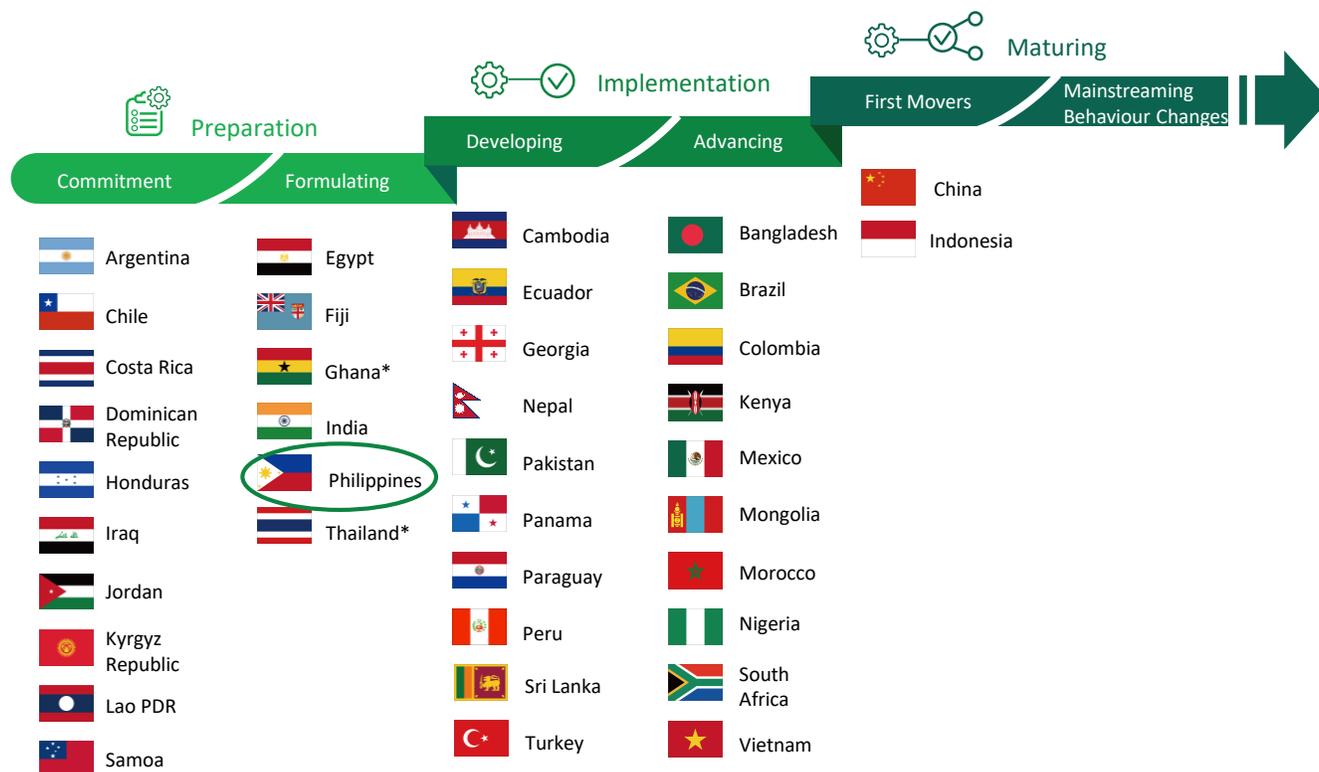
Introducing a formal, national sustainable finance framework (e.g. roadmap, policy, regulatory guidelines, or voluntary industry principles) has been shown to be a foundation for effective country strategies to promote the shift to sustainable finance. Based on SBN members’ experiences, a number of steps are commonly required in preparation for doing so. These include raising awareness within the sector, initiating dialogue among public and private sector stakeholders, and researching national priorities, requirements, and current practices with regard to sustainable finance.

Philippines is currently in the preparation phase and intends to launch a framework in the coming years. Philippines’s readiness has therefore been reviewed against 3 main dimensions:

- Is awareness raising being undertaken in the country, with leadership by either the financial sector regulator and/or the banking association? (e.g. trainings, knowledge sharing events, conferences and meetings, research, publications)
- Has a sector-wide dialogue been initiated towards the establishment of a national sustainable finance framework, involving relevant stakeholders? (e.g. government and other public bodies, private and public financial institutions, regulators, civil society organizations)
- Has a timeline for the development of a policy been defined? (i.e. a clear schedule and milestones to launch the framework?)

Figure 1: SBN Progression Matrix with Assessment Results¹

Assessment based on progress up to and as of June 2019²



Note:

1. Please refer to the SBN Global Progress Report for an explanation of the Progression Matrix.
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.

Status for Policy Preparation – Philippines



Timeline for the development of a policy / principles:

The Central Bank of the Philippines (BSP) became an SBN member in 2013. In the same year, it hosted a roundtable on “Sustainable Finance for Inclusive and Sustainable Growth in the Philippines”. This included representatives from the Department of Environment and Natural Resources, National Economic and Development Authority, Department of Energy, Ministry of Agriculture, the Bankers Association of the Philippines, the Rural Bankers Association of the Philippines, and nine commercial banks.

Joint IFC and BSP research, completed by the end of 2015, aimed to identify levels of awareness and experience among financial institutions (FIs) on environmental and social risk management (ESRM) topics. The research highlighted the need for capacity building around ESRM methodologies and good practices. It also highlighted the important role banking regulators can play in providing guidance and support to FIs adopting ESRM, although a compliance-based approach was not judged as the most effective long-term strategy.

In response to growing market awareness and appetite for green and sustainable financing, the BSP is currently drafting a policy framework for green/sustainable finance. This is targeted for completion by the end 2019.

Dialogue towards the establishment of a policy or voluntary principles:

To deepen understanding of how regulation can promote sustainable finance, representatives from the BSP and Philippine banking industry associations undertook a study visit to Mongolia in 2017. Several forums and capacity building activities have been organized since, building on the findings of joint research and the lessons learned during the visit.

In terms of green finance, the BSP has an ongoing partnership with the British Embassy Manila, under the UK Prosperity Fund for green finance. Under this partnership, a Green Finance Technical Report is being prepared to provide clarity on green finance taxonomies, instruments, and evaluation/monitoring mechanisms.

In August 2018, the Securities Exchange Commission adopted the ASEAN Green Bond Principles, and, so far, three local private banks have participated in green bond issuance.

Awareness raising practices:

With an initial focus on capacity building in the banking industry rather than issuing regulations, the BSP conducted a high-level “Forum on the evolving landscape of sustainability in banks” in February 2019. This event aimed to deepen awareness and equip the senior management of top Philippine banks on ESG and sustainable finance practices. The Forum’s ultimate goal was to encourage wider adoption of ESG and environmental and social risk management (ESRM) in the banking sector, facilitating a sustainable flow of capital into green investments.

Further capacity building on ESRM has been organized under the terms of a Memorandum of Understanding between the BSP and IFC. This training was designed to help risk officers incorporate ESRM and ESG best practices into their business operations, protect their portfolios from E&S risks, and take advantage of opportunities in green and sustainable finance. The training was conducted in partnership with like-minded institutions such as IFC, BAIPHIL, Asian Institute of Management (AIM), and the Global Reporting Initiative (GRI).

Local financial system:

The banking system is supervised by BSP. The Philippines’ banking system is composed of universal and commercial banks, thrift banks, rural, and cooperative banks. The five largest banks control approximately 60% of total banking assets.

Recent progress and achievements:

- ❑ The government launched the National Framework for Climate Change Adaptation 2011-2018; the Disaster Risk Reduction Management Act, and the Renewable Energy Law, approved in 2009. The Philippines ratified the Paris Agreement in 2017. Two banks (Development Bank and Land Bank) and the National Reinsurance Corporation of the Philippines are members of UNEP FI.
- ❑ There is not yet a sustainable banking framework in the Philippines, but a range of initiatives linked to ESRM and green finance show that efforts are being made to raise awareness, build capacity, and encourage stakeholder engagement. A few banks have begun to implement ESRM, and a policy framework on sustainable finance is currently being drafted.

Access the SBN Global Progress Report and Country Reports at:
www.ifc.org/SBN2019Report

