

TWENTIETH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



HOUSE OF REPRESENTATIVES

*Introduced by Representative Rufus B. Rodriguez and
Representative Maximo B. Rodriguez, Jr.*

House Bill No. **4724**

EXPLANATORY NOTE

The Constitution states that it is the policy of the State to protect and advance the right of the people to a balanced and healthful ecology in accord with the rhythm and harmony of nature. In 1996, Executive Order No. 291 was issued to facilitate the attainment and maintenance of a rational and orderly balance between socio-economic growth and environmental protection. It mandated the establishment of in-house environmental units in all implementing government agencies to ensure compliance of projects with existing standards provided in environmental laws. It covers government financial institutions (GFIs) and was intended to ensure that loan or related funding applications of government and private institutions have complied with the Environmental Impact System.

The Asian Development Bank (ADB) has asserted in its study in corporate responsibility for environmental performance that though governments must continue to play a central role in maintaining environmental quality, it is also clear that this traditional focus does not attempt to work directly with the most active financier and player in the development equation- the private sector. While governments determine the rules under which businesses act, the firms themselves use natural resources, make products, and generate pollution. Thus, a sustainable future for the region is not possible without the active engagement of the private sector. In light of the rising corporate social responsibility, especially in the area of environmental protection, financial institutions are now adopting the concept of corporate environmental policy that is grounded on sustainable development. Further, the risk of default as a result of environmental upgrading or costs for works incurred by the borrower and other costs related to environmental risks are aspects that financial institutions consider.

Hence, this bill which seeks to instate an environmental unit in lending institutions that will ensure that any loan or related funding applications are in compliance with environment laws.

In view of the foregoing, early passage of this bill is earnestly sought.


RUFUS B. RODRIGUEZ


MAXIMO B. RODRIGUEZ, JR.

HOUSE OF REPRESENTATIVES

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AN ACT
ESTABLISHING ENVIRONMENTAL UNITS IN EVERY LENDING INSTITUTION TO
ASSESS THE ENVIRONMENTAL COMPONENT OF LOAN APPLICATIONS

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Declaration of Policy. - It is hereby declared the policy of the State to strike a balance between economic development and environmental protection. In this regard, lending institutions are encouraged to adopt a corporate environmental policy to support environmental protection and sustainable development and to mitigate credit risks arising from adverse impact of loans and other projects for financing in the environment. Pursuant to this policy, loan evaluation, approval and release shall take into consideration the borrower's compliance with applicable environmental laws.

SEC. 2. There shall be created an in-house environmental unit in every lending institution tasked to ensure that any loan or related funding applications of any natural or juridical entity have complied with the Environmental Impact Statement System under Presidential Decree No. 1586.

SEC. 3. Lending institutions shall ensure that projects subject of financing applications and collateral offered as security shall conform with environmental laws. Compliance of projects and collaterals with environmental laws shall be among the basis for approval of environmental units of loan accounts with environmental impact.

SEC. 4. Lending institutions shall encourage continuous compliance with environmental laws. Account officers (AOs) shall continue to monitor compliance of projects and collaterals until such time that the account is fully paid or the collaterals are released or substituted. The AOs shall look into reported complaints against client's projects/collateral.

Clients shall be required to submit copies of the periodic monitoring reports of the Department of Environment and Natural Resources of their projects/ collateral.

SEC. 5. The environmental unit of every lending institution shall prepare an environmental assessment report for all projects and loans with environmental impact. The report shall be integrated into the project proposal and/or loan application.

SEC. 6. The environmental unit shall be composed of three functional units, to wit:
a) Environmental Review and Assessment Unit tasked to ensure the environmental soundness of the project and the account's compliance with environmental laws, thereby avoiding environmental risks;
b) Environmental Policy, Planning and Systems Management Unit tasked to develop/enhance the lending institutions internal policy to effectively implement the above corporate environmental policy; and

c) Environmental Program Management Unit tasked to develop/ manage grant-assisted environmental programs and assist project management units in developing environment-related lending facilities that will provide services/ support to the bank and its clients.

SEC. 7. The non-compliance of borrowers with applicable environmental laws shall be considered a condition for default.

SEC. 8. *Separability Clause.* - If any provision or part hereof is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

SEC. 9. *Effectivity Clause.* -This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,