

THESE BANKS WHICH FINANCE THEIR PROJECTS BASED ON THE ECUADOR PRINCIPLES

They are now about forty to assess the impact of the social and environmental risks in project finance.

Often accused of financing environment unfriendly projects the banks have reacted. Back in 2003, ten major world banks committed themselves to take into account the social and environmental issues involved in the projects that they finance. The idea is to grant credits only if the social and environmental impacts are assessed. They can concern biodiversity, ecological balance, the protection of certain species or the relocation of populations. At the time, banks such as Citigroup, ABN-Amro, Barclays or Crédit Lyonnais adopted these so-called Ecuador Principles because of their universal character.

Five years later, about forty banks have adopted these principles. In France, Calyon inherited from Crédit Lyonnais, and Dexia and Société Générale joined more recently. BNP Paribas and Natixis only have not followed suit. The stakes have moved to the economic and financial field. "Companies understand that the environmental and social issues involve actual financial but above all reputational risks" explains Eric Cochard, in charge of sustainable development at Calyon's. The borrower has to reconsider and put forward solutions. "The examination and management of these impacts may lead to re-examine or restructure a project" adds Eric Cochard. According to estimates, the cost of implementing these principles accounts for 2 to 3% of the project amount. In some cases, where the reorganization of the project is substantial and involves, for instance, relocating several tens of persons, the cost can be as much as 10%.

"The cost of impact studies is justified since they enable to avoid a future risk..." underlines Philippe Laget, in charge of sustainable development at Société Générale. Compliance with the Ecuador Principles is a way to reassure borrowers on their commitment. More than the assessment of risk, the banks are now using this commitment as a commercial argument.

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