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Thailand's commercial banks' role in financing dams in Laos and the case for sustainable banking

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Key messages

- Thailand's commercial banks are increasingly lending regionally
- Thailand's largest banks are financing major dams in Laos. Each project inadequately addresses social and environmental impacts
- Despite a growing commitment to Corporate Governance and CSR, Thailand's commercial banks are yet to implement thorough reform
- "Sustainable Banking":
 - Banks can play a role in achieving socially and environmentally sustainable and just societies
 - "Sustainable Banking" reduces risks and brings new investment opportunities for the banks




Why examine Thailand's commercial banks?

- Private sector financing of hydropower in the Mekong Region is growing
 - Stock Markets
 - Bond Issues
 - Commercial Bank Lending
- Thailand's energy and construction companies are seeking regional investment opportunities, supported by Government policy and Thailand Export-Import Bank
- Thailand's banks are ready financiers of these companies
- Access to financing is a key factor in determining whether a project will go ahead




Which Thai commercial banks fund dams in Laos?

	Nam Thuen 2	Nam Ngum 2	Theun Hinboun Expansion Project
Bank of Ayudhya	X		X
Bangkok Bank	X		
Kasikorn Bank	X		X
Krung Thai Bank	X	X	
Siam City Bank	X	X	X
Siam Commercial Bank	X		
Thai Military Bank	X	X	
Thanachart Bank			X



Which Thai commercial banks fund dams in Laos?

- Nam Thuen 2 and THXP are financed with international bank (that are also EP banks).
- Nam Ngum 2 is financed only by Thailand's Banks
- These 8 banks are amongst the 9 largest in Thailand

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Problem dam projects

- Nam Thuen 2*
 - Sustainable livelihoods on Nakai plateau unproven
 - Downstream livelihoods program is behind schedule and inadequately funded

Nam Thuen 2's reservoir started filling in May 2008

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Problem dam projects

- Nam Ngum 2*
 - Displacing approx. 6,100 mainly ethnic minorities from 17 villages;
 - Questionable land availability and livelihood proposals
 - EIA and RAP not disclosed.

Villagers who will be relocated to Fuang District for Nam Ngum 2

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Problem dam projects

- Theun Hinboun Expansion Project*
 - Impacts from existing project not addressed
 - will exacerbate flooding and erosion in Hai and Hinboun basins.
 - Resettle 4,360 people; questionable land availability and land proposals.

River bank erosion at Ban Kongphat on the Hinboun River (2009)

- Equator Principle banks are financing THEP and NT2, indicating weakness in the EPs themselves

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Power Surge

NEW REPORT BY INTERNATIONAL RIVERS



- Outlines challenges hydropower development poses to rural livelihoods and ecosystems
- Details specific impacts caused by dams
- Suggests development alternatives
- Identifies how to minimize impacts of hydropower and share benefits

<http://www.internationalrivers.org/node/3343>



All Thai Banks are listed on the Stock Exchange of Thailand

- Foreign investment limits were raised after 1997 Asian Financial Crisis
- Involvement is by direct investment and nominee investment
- Highly active international banks include:
 - Chase
 - HSBC
 - State Street Bank and Trust Company
 - Goldman Sach




Some Thai banks have strategic foreign investors

- Bank of Ayudhya + GE Money (33%)
- Krung Thai Bank + Financial Institution Development Fund (FIDF) (55%)
- Siam City Bank + FIDF (48%)
- Thai Military Bank + ING (26%)
- Thanachart Bank + Bank of Nova Scotia (50%)




Thai banks have not signed up to international standards

- Equator Principles
- UNEP-Financial Initiative
- UN Principles for Responsible Investment
- UN Global Compact
- Extractive Industries Transparency Initiative
- Carbon Disclosure Project

Neither do Thailand's banks have in-house sector (agriculture, dams, forestry, weapons...) or issues (biodiversity, climate change, human rights...)



www.equator-principles.com/index.shtml



Many international investors have committed to international standards

- Equator Principles
 - HSBC
 - ING
 - Bank of Nova Scotia
- ING is a strategic investor in Thai Military Bank which has lent to Nam Ngum 2
- HSBC has endorsed the WCD, yet manages nominee accounts in Krung Thai Bank and Siam City Bank that are financing Nam Ngum 2

Yet...



Thailand's Banks and Corporate Governance

- All Thai banks have a Corporate Governance policy, as guided by the Stock Exchange of Thailand
 - Society and environment is identified as an external stakeholder to be considered
 - Requires compliance with countries laws
 - Some banks, such as Bank of Ayudhya, state that they will not fund projects with adverse environmental impacts



Corporate Governance: Siam Commercial Bank

Social responsibility

To conduct the bank's business with *responsibility towards the society* and with *sensitivity when dealing with issues which are related to public interest*, and to regularly support and participate in activities that are beneficial to communities and the society.

Environment

To *abide by environmental laws* and regulations, implement effective safety and *environmental management measures to prevent negative impacts on local communities*, and promote employees' awareness of and concern for the environment.



Corporate and Social Responsibility (CSR)

- Only Kasikorn Bank has a publicly available CSR policy
- Most other banks blend CSR with Corporate Governance or "Business Ethics"
- Largely based around aspirational statements:
 - SCB Vision: "For our community: Adhere to good corporate governance and *actively engage in "community-orientated development"*
 - TMB Philosophy "... *TMB is focused on maximizing the benefits it brings to its stakeholders, customers, and the community at large*"
- All banks interpret CSR as funding activities and encouraging their staff to join in:
 - Education, Youth, Environment, Community Service, Arts, Thai values, Religion



Corporate and Social Responsibility (CSR)



Competition in the commercial banking is growing – CSR and media is a key factor

Siam Commercial Bank recognizes reputational risk as a key business concern



Moving towards sustainable banking

- Global economic crisis has raised public expectations for commercial banks to work in the interest of a sustainable society
- In China, in 2008,
 - China Industrial Bank adopted the Equator Principles
 - Ministry of Environment now has a Green Credit and Green Securities Policy
 - 1st Sustainable Banking Awards held
- To strengthen Thailand's banks need to develop in house policies (building on International Standards), and integrate social and environmental risk into decision making processes at an operational level.



Thank you for your attention



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