

## **Campaign Case Study: Dutch banks commit to forest conservation**

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Friends of the Earth postcard: "Alarm for the rainforest"

Three of the Dutch top-four banks - ABN AMRO Bank, Rabobank and Fortis Bank - have decided to stop or substantially restrict the financing of the development of oil palm plantations for which purposely tropical rainforest is destroyed. This is the result of a joint campaign by Sawit Watch Indonesia, Milieudefensie (Friends of the Earth Netherlands) and Greenpeace Netherlands.

The 1997/98, 10 million hectares of forestland were burned in Indonesia. The haze that covered the continent for several months affected the health of some 70 million people in Southeast Asia. Rather than calling for greater fire fighting capacity in Indonesia, environmental NGOs sought a fundamental solution to combat the fires. The NGOs went after the financial backers of the oil palm plantation industry in Indonesia, the sector that was widely held accountable for causing the forest fires.

All major Dutch banks have financial ties with several of the main plantation company groups in Indonesia and these banks are frequently in a solid position to influence the environmental policies of their clients. In a series of meetings and actions that started last January, Greenpeace Netherlands and Friends of the Earth Netherlands demanded that the banks adopt sustainability criteria for investments in the oil palm sector.

Last October 31, ABN AMRO Bank, Rabobank and Fortis Bank declared that they subscribe to the investment criteria as put forward by the NGOs. Oil palm plantation companies submitting investment proposals to these banks should:

- Not be involved in burning forestland
- Not be clearing tropical rainforest
- Respect the rights and wishes of local communities
- Respect Indonesia's law and relevant international conventions.

The decision of the banks is a landmark break-through in NGO efforts to engage business in forest conservation and management. It is comparable to the decision of the major Do-It-Yourself chains such as B&Q (UK), Intergamma (Netherlands) and Home Depot (USA) to phase out the sales of non-certified lumber. The decision of the banks is also timely, as many experts believe that the drought of El Niño and subsequent forest fires will hit Indonesia again in 2002.

Sawit Watch, the Indonesian NGO-network that is campaigning against large-scale expansion of oil palm plantations, called upon all banks in the world, including Indonesian banks, to follow the steps taken by the Dutch banks. Sawit Watch's policy researcher Joko Waluyo stated: "The investment criteria not only guarantee the safety of bank credits, even more important is the conservation of Indonesia's forests."

The campaign is already beginning to spread to other European countries, where environmental and conservation groups approach investors and importers to justify their involvement in plantation companies. Indonesia's pulp and paper companies such as Asia Pulp & Paper (APP) and Riau Andalan Pulp and Paper (PT RAPP) are already high on the agendas of NGOs in Switzerland and the United Kingdom.

Of the Dutch banks that have committed to new investment policies, ABN AMRO Bank developed the most far-reaching policy. Its policy applies to all sectors that might affect forests, including logging, pulp and paper, mining and oil & gas development. Mr. Herman Mulder, head of ABN AMRO's Risk Management division believes that the new credit practise will be widely adopted quickly. "Companies that manage their environment poorly will suffer financially. Clients and shareholders walk away, employees will seek another boss" he was quoted as saying in de Volkskrant.

ABN AMRO will "no longer finance projects or operations, which will result in resource extraction from, or the clearing of, either primary or High Conservation Value forests". The bank will consider exceptions only "where extraction is part of a carefully planned, responsible national forest management program or where the company is FSC certified for operations in that forest." To avoid that plantation companies clear forests first and then apply for credits, ABN AMRO Bank will not invest in plantation projects in forestlands that have been cleared less than 5 years ago. Rabobank maintains a 3-year limit.

One of Rabobank's key criteria is that "no financial assistance is given for the development or operation of oil palm plantations if the related party is directly or indirectly (within the context of a larger group) involved in illegal logging and/or commercial logging of primary or High Conservation Value forests in the area designated for the plantation". Rabobank will "not work with clients who do not meet its investment criteria. If a client violates the criteria, the bank will discuss the situation and if improvements are not made, the relationship will be reviewed." ("Review" is banking jargon for "terminate when possible".)

The NGOs have not yet come to an agreement with ING Bank. This bank is not prepared to go beyond local government regulations. In the Belgian newspaper De Morgen an ING representative was quoted today as saying: "Illegal logging is not possible, but if forest clearing is government approved, we are still prepared to finance."