House Committee on Finance Services
Hearing on "The Fight against Global Poverty and Inequality: The World Bank's Approach to the Core Labor Standards and Employment Creation"
Statement of Suellen Lazarus, Senior Adviser, ABN AMRO Bank
October 3, 2007

My name is Suellen Lazarus. I am Senior Adviser and Senior Relationship Banker for ABN AMRO Bank in Washington, DC representing the bank to the international financial institutions and other agencies. ABN AMRO is a Dutch bank with operations worldwide and a strong commitment to sustainable development. Prior to joining ABN AMRO, I worked for 23 years at the World Bank and the International Finance Corporation (IFC). My responsibilities included serving as the Adviser to the US Executive Director of the World Bank, working as a Principal Investment Officer for major IFC projects in Asia, serving as Special Assistant to the Executive Vice President of IFC, running the IFC Syndications Department as Director for six years, and working with the IFC Vice President for Operations on major policy issues.

In the fall of 2002, as the head of IFC Syndications Department, I was asked by IFC's Executive Vice President to structure a small meeting of banks to discuss environmental and social issues in project finance lending. The origin of this meeting was at the request of the head of risk management at ABN AMRO. The bank had experienced some financial losses due to inadequate environmental controls in several projects. They were also finding that environmental and social issues were making projects increasingly complicated, but the bank lacked a systematic way to approach these issues. However, their approach of turning down projects on environmental grounds was not working either. It neither improved the environment nor was it good for business. Projects that the bank would decline were readily picked up by other banks. There was a clear need to level the playing field. The bank admired IFC's procedures and its neutral convening power.

At their first meeting in London in October 2002, the banks soon concluded that they needed to work together to address environmental and social risks in the projects that they were financing. While they had traditionally expected appropriate environmental management from clients, the banks agreed that they lacked consistent standards, a set of procedures to apply, and generally did not proactively enforce and monitor environmental issues.

From this modest initiative, eight months later the Equator Principles were launched here in Washington. In June 2003, ten banks, all competitors, announced their adoption of a uniform set of environmental and social standards for projects. The Equator Principles are a voluntary set of guidelines developed and adopted by banks to identify, assess, and manage environmental and social risk in project finance lending. These standards also include the core labor standards. The framework for the Equator Principles is based on the environmental and social standards of IFC.

There are now 54 financial institutions worldwide that have committed to using the Equator Principles. In addition, many of the world's export credit agencies have now aligned their policies to comply with the Equator Principles. It is fair to say that at least 80-85% of the global project finance market now meets the Equator Principles.

More than a declaration of intent, the Equator Principles have teeth. The signatories commit to "not provide loans to projects where the borrower will not or is unable to comply with our … social and environmental policies and procedures."

Today, successful syndication of a project finance deal means that compliance with the Equator Principles is expected. Environmental and social standards, including labor standards, are not just seen as something that is nice to do. They are an essential component of risk management and good business. Clients appreciate that they will be using one standardized assessment process and internationally recognized environmental and social standards. Through this transparent and consistent approach, they have found that costs are reduced and difficult issues are addressed up front.

When IFC revised its environmental and social safeguard policies in April 2006, the Equator Principles were subsequently revised to incorporate these new standards. Through this process, expanded labor standards were incorporated in the Equator Principles. It is fair to say that consideration of the expanded labor policies was the most difficult issue for the banks in the revision process. Ultimately, at ABN AMRO we concluded that it was about risk management. Not addressing labor issues is a risk for the project and for the bank lending to the project. Companies that deal effectively with labor issues demonstrate good management and that is what we are looking for in our clients. To us, incorporating labor standards is conducting business responsibly and prudently.

The development and application of the Equator Principles has been a major step forward for the financial industry. The common standard promotes learning among the financial institutions. The principles have allowed us to have greater expertise in advising our clients on environmental and social issues and in improving the overall risk profiles of our projects. In other words, we believe that the Equator Principles are good for business.

Thank you.