

## BIO-FINANCING BANK FINANCING FOR THE BIO-ENVIRONMENT

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Financing is imperative for every project. Bio-financing is the financing of projects by taking into consideration the environmental issues, in addition to the financial ones. This may seem romantic, but in the long run, only projects that do not harm the environment are going to be financially viable.

Economy and Ecology have the same prefix: *Eco*. It comes from the Greek word for home. Therefore, economy deals with the laws – *nomoi* in Greek – of our home and ecology deals with the logic and the *logos* that should govern it. And our home, today, is our Earth.

In today's era, principles have not changed, only magnitudes have changed. Politics and ideas of today have a life – *bios* in ancient Greek – of almost three millennia. And if we take good care of our bio-environment, then they will live forever. There is no economy and no ecology without life – *bios* – and there is no life without economy and ecology. This is why bio-financing is essential for the bio-environment.

Geopolitics should start from biopolitics; a policy in everything that we are doing ensures a healthy life – *bios*. According to United Nations statistics released in September 1998, regarding consumer priorities world-wide, the amount spent on narcotics was 66 times greater than the amount spent on basic education. For business entertainment, in Japan only, 3 times greater than the amount spent on women's healthcare world-wide. For cigarettes in Europe, 4 times greater than the amount spent on basic health care and nutrition world-wide. In addition, the total wealth of the three richest persons on earth surpasses the sum of the GNP of 48 countries. Therefore, we can unfortunately conclude that our global society of today is neither as civilised as we imagine, nor as healthy as we think.

The bio-environment has been deteriorating and sustainable development is endangered. Our only hope is that our bio-awareness has increased. Bio-awareness can save the bio-environment and can provide sustainable development. Financing is undertaken by banks and international organisations. If we compare the projects financed that have substantially burdened the environment to those projects that are environmentally friendly, the conclusion is desperate.

For many decades we have financed our "bio-destruction." International organisations have been more responsive with respect to the bio-environment than have commercial banks. Realising the dangers of financing the development of today, versus sustainable development, all international organisations require environmental compliances and assurances for every project that they finance.

The World Bank Group has increased its environmental programme substantially. All its projects are subject to stringent environmental standards. The International Finance Corporation (IFC) requires Environmental Assessment, while the EBRD integrates its environmental policy priorities into all stages of its appraisal process. Its procedures include screening and investigations such as environmental assessments and audits undertaken by the sponsor of the project.

Bio-awareness surfaced among the most inspired and visionary of the commercial bankers. A group of 93 banks formed and signed, on January 1 1997, a Declaration on the Environment and the Sustainable Development. It begins as follows: "We, the undersigned, believe that human welfare, environmental protection and sustainable development depend on the commitment of governments, businesses and individuals. We recognise that the pursuit of economic growth and a healthy environment are inextricably linked. We further recognise that ecological protection and sustainable development are collective responsibilities and must rank among the highest priorities of all business activities, including banking. We will endeavour to ensure that our policies and business actions promote sustainable development: meeting the needs of the present without compromising those of the future. ..."

I am very proud that my bank, the Commercial Bank of Greece, joined, at my suggestion, this visionary group of "bio-banks." I would like to stress paragraph 2.3 of this Declaration which states: "We recognise that environmental risks should be part of the normal checklist of risk assessment and management." If only this is really adhered to by banks, our environment is going to be saved.

Banks like all other enterprises, should first carefully review their own recycling, energy allotment and other environmental issues, as well as educate their personnel. Then, banks should review their profit/benefit definition versus the risks undertaken in both their loans and investments. The minimisation of exposure to financial, as well as environmental risks is desirable. The environmental risks should be identified, evaluated, controlled and monitored.

In the short run, a company that invests without environmental protection measures has a financial comparative advantage. In the longer term, however, the financial burden to the project, the owners and the bank that finances the project is going to be very important. As society and laws become stricter, the cost to repair the initial indifference to environmental issues is going to be huge.

There are four categories of investment projects according to their environmental risk:

- *Low risk*: Projects whose environmental impacts are expected to be negligible. Those should be environmentally free to be financed and are desirable.
- *Intermediate risk*: Projects with environmental impacts that can be readily identified and avoided, i.e., light industries. No need for extensive environmental assessments and audits.
- *High risk*: Projects with highly significant, negative and/or long-term environmental impacts, such as chemicals, oil, ores, cement etc. Environmental assessments and audits are required. Those are financed by the borrower.
- *Exclusion list*: Projects that are regulated or prohibited by international agreements, or by national law. Examples include radioactive products, prohibited pesticides, asbestos etc. This category is especially important for the economies in transition because usually their legislation is more lenient.

The employment of environmental specialists and environmental consultants on a continuous or periodic basis is very important for the above.

Today we have to move from development to sustainable development. Likewise, we have to move from the free market to the "Free Bio-market." Freedom of one person stops where the freedom of another is being affected. A free bio-market should stop where the bio-environment is being affected.

Financing helps development which sometimes burdens our environment irreversibly. Bio-financing, however, helps only sustainable development, which is always beneficial and desirable biopolitics for our bio-environment.

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