



ABN•AMRO

Emerging Economies

The Equator Principles and their impact on Project Financing in Emerging Markets

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Summary of Presentation

- **What are the Equator Principles about?**
- **How do they work?**
- **What are the key drivers for Banks to adopt these principles?**
- **What are the implications for Project Finance business in the Emerging Markets?**
- **What are the implementation issues?**

What are the Equator Principles about ?

- **Project Finance plays an important role in Financing Development**
- **Environmental & social policy issues are often encountered**
- **Opportunity to promote socially and economically responsible stewardship and development**
- **EP's allow us to work with our customers in their management of these issues**

How Do They Work?

- **Create a common baseline and framework based on IFC and World Bank safeguard policies and guidelines**
- **Banks will categorise a project in terms of High, Medium or Low Risk (A,B or C)**
- **An Environmental Assessment (EA) will be prepared based on the categorisation**
- **An Environmental Management Plan (EMP) will have to be produced for higher risk projects**
- **The Borrower will covenant compliance with the Environmental Management Plan**

What are the Key Drivers for Banks to adopt these Principles

- **More consistent risk management leading to safer loans**
- **Using a common framework and terminology will create transparency**
- **Increased productivity through reduced transaction time**
- **Creating more certainty in closing Project Financings**
- **Gaining reputation advantage**

What are the Implications for Project Finance Business in the Emerging Markets?

- **Project Financing plays a key role in financing development in the Emerging Markets**
- **17 Banks have now adopted EP representing a major share of that market.**
- **EP will be applied to all projects over US\$50m**
- **EP will create an industry market standard**
- **Will foster better risk management and engagement with stakeholders**
- **Some Projects may not be financed by Project Finance Market**

What are the Implementation issues?

- **Adopting Banks will use the framework to develop individual, internal practices and procedures**
- **Need to embed this approach into both business line and internal risk management processes and policies**
- **Consistency of categorisation process is critical**
- **Creating standards in risk assessment, management, documentation and reporting**
- **Client and other stakeholder reaction**