



THE EQUATOR PRINCIPLES

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Almost a year ago on June 2003, ten major commercial banks along with the International Finance Corporations (IFC) signed up to the Equator Principles designed to promote responsible environmental and social practices in the project finance sector.

The Equator Principles is a framework for financial institutions to manage environmental and social issues in project financing. Even though borrowers are already required to prepare Environmental Assessment reports under the local laws in many countries including Malaysia, this Equator Principles may impose additional burdens in some areas.

Obligations such as public consultations and compliance throughout the life of the project may also go further than those required under local laws. All these issues are likely to arise in relation to water resources projects in the future.

It is reported that the institutions that have adopted the guidelines will apply them to new projects for which they provide project financing and which have a total capital cost of US\$50 million or more. The guidelines cover projects in all industry sectors worldwide and will have an effect on the financing of water resources projects such as hydropower, irrigation and water supply. ■

For IFC Guidelines and Policies Referenced in Equator Principles please refer to the URL <http://www.ifc.org/enviro>.