

Public Funds for Public Benefit: Making the European Investment Bank Support People and the Environment

The European Investment Bank (EIB) has become the world's biggest public lender. Every year it lends about EUR 40 billion, mainly for projects in EU member states, but increasingly also for major investments in the Mediterranean, the ACP (Africa, Caribbean, Pacific), Latin America and Asia.

The EIB considers itself the financial institution of the European Union, but in fact it acts as an independent bank accountable only to its shareholders, the governments of the 25 EU member states. As of today, the EIB must be considered the least transparent, least accountable and least democratically controlled institution in the family of agencies entrusted with implementing EU policies and among public financial institutions. As the 'house bank' of the EU, the EIB should respect and fully implement key EU goals such as promoting sustainable development, reducing the threat of climate change, protecting biodiversity, and creating employment. But the reality embodied in its lending portfolio paints a far different picture. Through its massive lending in energy and transport infrastructure, the EIB has become one of the world's major institutional contributors to climate change. Through its "big lending" philosophy, the EIB often finances the big multinationals, which need the least public support and contribute least to public benefits.

If the EIB is to become a positive European source for the public funding of public benefits worldwide, it must be reformed now, in parallel with the enlarged European Union. Civil society groups call on concerned citizens and European policy-makers to join efforts to make the EIB an institution that supports people and the environment. We envision an EIB that is fully accountable to the public and transparent in all of its operations. We envision an EIB lending only for environmentally and socially sustainable projects, based on clear policies, standards and rules, both inside and outside the EU, which can proudly state that it supports only projects that enjoy the demonstrable free and prior informed consent of all affected communities.

We will coordinate and step up our public awareness raising and advocacy efforts to ensure that the following key reform steps are accepted and implemented by the EIB. We will inform the annual EIB Governors' meetings on the pace of progress achieved.

1. Living up to the transparency standards of European institutions

At present, the EIB is the least transparent of all institutions established through the Treaty of the European Union, in spite of years of "dialogue" with civil society and the European Parliament about reforms. The EIB argues that its secretiveness is due to its function as a financial institution. However, a study by the Bank Information Center in Washington DC and Freedominfo in New York (April 2004) reveals that the EIB is by far the most non-transparent when compared to other public multilateral financing institutions, such as the World Bank and European Bank for Reconstruction and Development.

We demand that the EIB adopts a new approach to its public disclosure policy, which lives up to the spirit of Regulation 1049/2001 of the European Union and the Aarhus Convention on access to information relating to environmental issues, ensuring that communities affected by EIB projects, as well as other interested parties, are adequately and freely informed and consulted before the approval and throughout the life of projects. This includes:

- Publication of a monthly summary of EIB operations, providing name and location of all projects being considered for support, including the name of the applicant company, the size and type of planned support by the EIB, the environmental and social assessment category of the project, and the planned dates for Board decision on the application;
- Disclosure at least 120 days prior to decision making by the EIB Board of all environmental, social and human rights impact assessments, and other important project-related information;
- Disclosure at least 60 days before public consultation of all relevant project documents, both in English and in locally appropriate language(s) and made accessible to all stakeholders;
- Public release of notes from the meetings of the EIB's Board of Directors.

2. Development mandate on the base of sound safeguard policies for lending outside the EU

At present, the EIB has no policy mandate for its lending to developing countries. It rejects being called a 'multilateral development bank', though it operates in more than 100 developing countries and implements important EU development programs in the Mediterranean region and the ACP (Africa, Caribbean, Pacific). partner countries of the EU Even worse, the current practice gives the EIB essentially "carte blanche" for lending outside the EU, where it is not clear what environmental and social standards the EIB employs for projects, or "global loans" provided to intermediaries.

We demand that the EIB lives up to the global development commitments of the EU and the standards set by other multilateral development banks, including:

- EIB-supported projects in developing countries must show how they contribute to meeting the Millennium Development Goals of the UN and the Barcelona Commitments of the EU on policy harmonization, including poverty reduction and the provision of environmental and social safeguards;
- Categorical prohibitions must proscribe EIB support for all projects involving the significant conversion or degradation of critical natural habitats, including the habitats of all globally threatened species of plants and animals; supporting the illegal exploitation of natural resources; involving the production of substances that are banned or scheduled to be phased out of production; or involving construction of large dams that do not comply with the World Commission on Dam's (WCD) criteria;
- Categorical prohibitions must proscribe EIB support for all projects in areas where infringements of freedom of expression and other civil and political rights deny affected communities the possibility of raising concerns about the project or of participating in its planning and implementation;
- The EIB should fully adopt the recommendations put forward in the World Bank commissioned "Extractive Industry Review" of January 2004.

3. Environmentally sound sectoral policies for lending

At present, the EIB does not base its lending operations on sectoral policies, which should guide its investment decisions. Arguing that it is guided in general by the policies of European institutions, the EIB has so far refrained from developing a clear set of sectoral goals, though most European sectoral

policies, especially in the field of the environment, need specification in order to be valuable for the operations of the EIB.

We demand that the EIB develops its own sectoral policies for investment in Energy, Forestry, Transport, Water and Waste Management and other key areas of focus in EU environmental policies, based on existing European legislation and policies. The EIB should set up an Advisory Committee for Sustainable Investment and Lending composed of representatives of the bank, European institutions, member governments, non-governmental organizations and industry, charged with developing policy guidelines for EIB investments in energy, forestry, transport, water and other projects. The work of the Advisory Committee should be fully transparent and to the highest degree inclusive.

- Energy sector: EIB should phase out funding for new fossil fuel projects by 2008, replacing it with renewables and efficiency programs, and ensuring in the meantime that all possible energy saving components of any industrial or energy project are maximized;
- Forest sector: EIB should increase lending for restoration and conservation of forests on the basis of environmental and social criteria developed by all stakeholders. It should only finance projects that can contribute to the elimination of illegal or destructive logging and promote community based management or responsible forest management through credible certification. It should not finance carbon sinks projects given that they do not provide a permanent storage of carbon and divert limited financial resources away from investments in renewable energies.
- Transport sector: EIB should increase lending focused on urban mass transit, regular rail lines and bicycles, while phasing out support for motorways and airport expansion;
- Water sector: EIB should increase lending for water conservation measures and waste water treatment, and carry out an integrated water resources impact assessment for all industrial projects taking into consideration the water needs of natural ecosystems in the whole water catchment area;
- Waste Management sector: EIB should increase lending for sustainable waste management projects, prioritizing waste minimization at the source as well as recycling and reusing technologies.

4. Creation of a complaint mechanism for affected citizens

At present, only citizens of the European Union are granted the possibility to complain about the activities of the EIB through the European Ombudsman. Moreover, complaints are restricted to alleged failures of the EIB to respect its own rules.

We demand that the EIB adopts a full-fledged accountability and compliance mechanism, which provides equal access for citizens from outside the European Union. The mechanism should:

- Be fully independent in its fact-finding tasks and have the right to inquire in all aspects relating to EIB internal rules and EIB-supported projects;
- Ensure that activities supported by the EIB abide by all human rights, social and environmental policies and, more generally, that the project respects the rights and environment of the affected peoples;
- Provide affected communities with effective remedies;

- Have the right to apply to client companies a range of sanctions, including suspension of support and blacklisting, if any of the above mentioned norms are not respected.

5. Effective measures to combat corruption and money laundering

At present, the EIB is subject only to limited supervision of the correctness of its financial activities through the European Anti-Fraud Office (OLAF). The EIB so far has refrained from any statement that it would withdraw support for projects that involve corruption.

We demand that the EIB adopts a full-fledged anti-corruption policy including:

- Requiring EIB clients to demonstrate that they as well as their subsidiaries and financial agents comply with recommended international accounting practices and have put in place a corporate compliance programme that provides adequate systems of internal controls for uncovering bribery and corruption;
- Commitment of the EIB to support only contracts won through open and transparent tender processes;
- Investigation of all corruption allegations, automatically referring these allegations to the appropriate law enforcement agencies and suspending any loan disbursements pending investigation of the alleged corruption;
- Use of sanctions, such as disqualification from EIB support for ten years and forfeiture of fees paid, and publicly disclosing the results of such bribery investigations.

6. A socially and politically sustainable private sector lending strategy

At present, the EIB has no criteria for its lending to the private sector beyond basic financial standards. Moreover, the EIB has no efficient tools available to monitor the final beneficiaries of its lending to the private sector.

We demand that the EIB develops a private sector policy that takes into full account respect for human rights and a proactive corporate social responsibility agenda, including

- adopting a comprehensive set of binding environmental, social, human rights and economic development rules and standards to be applied to all of its activities and project partners, which is consistent with European legislation and existing international instruments;
- setting up a proper monitoring mechanism to ensure that companies receiving EIB support comply with their host and home country laws on the environment, human rights and public accountability, including the host countries' international human rights and environmental obligations irrespective of whether these obligations have been in practice incorporated into domestic law;
- requiring EIB client companies to conform to the OECD Guidelines for Multinational Enterprises and their compliance through regular public reporting;

- requiring EIB client companies to demonstrate that they have enforceable mechanisms in place to ensure the protection of relevant international human rights instruments and the ILO Core Labour standards.

The campaign “Public Funds for Public Benefits” is supported by:

A SEED Europe

Birdlife International

CEE Bankwatch Network

Friends of the Earth Europe

Friends of the Earth International

Transport & Environment

WWF European Policy Office

Amici della Terra, Italy

Atgaja, Lithuania

Asienhaus, Germany

Asociacion Civil Labor, Peru

Bank Information Center, USA

BothEnds, Netherlands

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CEIE, Bulgaria

CEPA, Slovakia

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Clean Air Action Group, Hungary

COECOCEIBA – Amigos de la Tierra Costa Rica

DECOIN, Ecuador

Eco-Unia Ecological Association, Poland

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Environmental Defense Fund, USA

Euronatura Centre for Environmental Law and Sustainable Development, Portugal

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Finnish ECA Reform Campaign, Finland
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GLOBAL 2000, Austria
Green Alternative, Georgia
Green Federation 'Gaja', Poland
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Milieudefensie, Netherlands
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