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- Député ei



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1. CEE Bankwatch network - non-governmental environmental organisation with member groups in 12 CEE countries and cooperating with groups from the Balkans, as well as Caucasus and Central Asia. Set up in 1995 to monitor international financial institutions (IFIs) and the environmental and social impacts of their financing in the region. Special attention given to fostering democratic processes such as transparency and access to information, public participation in decision making. Our role is to a large extent to enable civil society to get information from financial institutions and be able to participate in the decisions that often impact their lives.

2. From the very beginning of our work we looked at the European Investment Bank and its activities in the CEE region, although our focus on the EIB became more marked about 6 years ago as the EIB became the main financial player in the region. As we also follow other multilateral financial institutions such as the World Bank, International Finance Corporation and the European Bank for Reconstruction and Development, we have a good overview of differences in structures, procedures and approaches of the different institutions. Unfortunately, for a long time the EIB remained in last position in terms of access to information, institutional transparency and environmental standards and expertise. I want to underline here that we have seen positive movements in the institution over the last years, however the EIB will still need to drastically improve the implementation of the recently announced changes. I will return to some of these details later.

3. What is very clear from the last few years is that the EIB is taking on more tasks and more responsibilities. EU Summits come with new goals and new tasks for its house bank. In its goals and following the EU agenda, the EIB should, among other things, promote regional development, support SMEs, support employment and social cohesion, help the Community to become the strongest knowledge based economy in the world, as per the Lisbon agenda, support economic growth, research and innovation, as well as European Networks (Initiative for Growth). At the same time there is also the Göteborg agenda which contains such priorities as combating climate change, ensuring sustainable transport, addressing threats to public health and managing natural resources. The EIB's role as the EU house bank is to support Community goals, especially those which are less attractive to the private sector. Backed by the member states and its subscribed capital, the EIB is able to gather and concentrate more resources.

The EIB's ever-expanding mandate brings with it enormous responsibilities. In equal measure there is an urgent need for genuine changes in the bank's governance, transparency, environmental and social standards and expertise if the EIB is to fulfill the goals.

4. The problems we see in the above-mentioned areas are among others:

- ▶ not enough capacity to fulfill different roles and responsibilities mandated to the EIB,
 - ▶ lack of capacity to thoroughly assess projects and their different impacts (environmental, social and development aspects);
 - ▶ no clear mechanisms to assess activities against established goals;
 - ▶ access to information still very much biased towards corporate client agenda;
 - ▶ limited role of other EU institutions (for ex. Commission or the European Parliament);
 - ▶ no clear mechanisms on how lessons learned from the evaluation processes initiated in the Bank in 1995 by the Evaluation Unit are incorporated into the assessment of new projects.
- ▶ Some examples to illustrate above mentioned thesis:

EIB and fulfilling its goals - the Bank's contribution to regional development is one of its main goals - evaluation report: the report concludes that in general the EIB contributes to regional development, however when looked at in detail the report states: [in project selection] "... within the EIB, there is no systematic planning for regional development and, when it has been present, it appears to be incidental rather than intentional. Project selection (and appraisal) lacks clarity about regional development mechanisms and the means of measurement. On the basis of EIB project documentation, there does not seem to be a consensus on how the Bank supports regional development" (sic!). "The assumption emerging from most EIB project documentation, that any project located in an area defined as economically backward will increase the income of the region providing its economic rate of return is sufficient, is flawed. The 'more is beautiful' principle does not necessarily lead to economic development when applied to investment in less developed regions."

In order to contribute to Lisbon and Gothenburg agendas the EIB needs to have a set of qualitative indicators on how to achieve particular goals, which would be applied in the process of assessing projects for financing as well as assessing the implementation and outputs of the projects approved.

EIB and transparency - we do see developments in this area and welcome the EIB's announcement of greater transparency. However, the proof of the pudding is in the eating - that means implementation and here there is still a lot to be done. The EIB's rules on access to information are broad enough to allow wide interpretation on a case by case basis. The EIB permits private clients the right to block information (case of Polish flood prevention loan). We do not deny that there can be a need for commercial confidentiality but it should be clearly defined what can be withheld as commercially sensitive; information other than that needs to be released in a timely manner. For ex. if we look at projects in the pipeline which the EIB is considering for financing, it has only been in the last couple of years that the bank announces them on its web site; however, there is still a lack of clear rules on the amount of information given or project timelines (projects can be announced even after approval from the Board of Directors). The big problem we see is also that the EIB withholds information if the project promoter asks for confidentiality. This is not the case in other financial institutions dealing with private sector projects (International Finance Corporation, EBRD). So it is clearly possible to have more transparency also in private sector financed projects.

The EIB's tendency to go in for broad and non binding interpretations of rules and standards was clearly illustrated in the bank's last Environmental Statement released in summer 2004 which talked, among other things, about applying the Equator Principles for non-EU operations. The statement reads: "The Bank subscribes to these principles when operating outside the EU". However, a couple of weeks later the EIB withdrew from the statement saying that it did not subscribe to the Equator Principles and that the word 'subscribe' in the statement is based on the Oxford Dictionary definition of 'subscribe' meaning support. We see that the EIB still has a tendency to avoid clear wording and rules to which it may be held accountable.

The forthcoming revision of the EIB's information policy ought to be a very good opportunity to overcome these problems and come up with a clear and binding set of rules on access to information and documents. As we did three years ago, we would like to propose a transparent and participative process of preparing such a policy based on our experience with other financial institutions. The European Parliament could play an important role in promoting and overseeing such an open process.

EIB and Environmental aspects - broad definition of environment which includes also urban environment. This leads to misleading conclusions and figures. From the data on environmental lending in 2003 in the EU, provided by the EIB in the environmental report, I simply excluded loans provided for urban renewal. The figure constituted 38% of the lending. It would also be very important to see how other loans actually score in terms of contributing to environmental protection and enhancing innovative environmental projects. For ex. incineration in waste management sector can hardly be treated as environmentally friendly and this is what the EIB is increasingly financing.

5. An innovative, environmentally friendly approach is especially crucial in the new member states. We definitely need financial support from the European Community to catch up with the rest of the European Union. However, exactly because of the enormous needs we can not afford to waste money. As environmental NGOs, we believe that the new member states still have a lot to offer in terms of unspoiled nature and biodiversity and therefore a special attention has to be given not to endanger it. But we could also avoid those mistakes made by some older member states and invest in more environmentally friendly technologies and solutions rather than end of pipe ones. In the case of the waste sector for ex. incineration and landfilling should be the least favorite option and preference should be given to programs promoting waste minimization at the source, recycling and reuse in the first place. This environmentally pro-active and innovative approach is desperately lacking from the EIB's lending practices.

6. *to what degree can the community hold the Bank responsible for the implementation of mandated programs, and how can implementation be measured?* Apart from programs employing the Community's own resources, the degree of the Bank's accountability to the European institutions is limited. This is true also for the mandated programs. A recent study of ours shows how limited and often informal is the contact between the EIB and the European Commission. It is rather through the personal union of the EIB Governors with the ECOFIN Council that the Bank's statutory task of advancing the objectives of the EU is honoured. However, this is a shaky base if we consider that the Finance Ministers - wearing the hat of EIB Governors - are quite tempted to serve their national interests: much more than when they wear the hats as members of the ECOFIN Council. Therefore, there is a need for clear mechanisms on measuring goals against their implementation and there is a role for the Commission and the Parliament in such an initiative. The Parliament could be instrumental in demanding the EIB to be clearly defined as an EU institution, subject to EU legislation and the full jurisdiction of EU bodies such as the European Court of Auditors or Anti-Fraud Office (Olaf). Much more attention is also needed in measuring EIB lending against the mandated goals and verifying the level of the bank's contribution to the Lisbon and Gothenburg agendas. This could also be a task for the European Parliament to oversee.

To sum up, I would like to re-iterate that as NGOs we do see changes happening in the institution. However we believe there is still a long way to go for the bank to continue with these changes and even more in the field of their implementation. I would also like to underline that we are very open for constructive dialogue and would be very glad to be in regular contact with President Maystadt to discuss not only the EIB's problems but also achievable solutions to these problems. As a recent report prepared for the Commission on the Partnership Principle in the structural funds shows, allowing NGOs and broader public to be partners brings more benefit than costs.

An evaluation report for the Commission [1] on the partnership principle concluded that partnership was a key to the success of the EU funds for the following reasons:

- " **Broader participation gives more legitimacy to the EU cohesion policy;**
- " **Correctly implemented partnership leads to better coordination of the EU funds;**
- " **The involvement of partners in the monitoring of EU funds improves the transparency of their use;**
- " **The inclusion of partners also leads to better absorption of funds through improved selection of projects and dissemination of information to potential project promoters.**

[1] John Kelleher, Sarah Batterbury & Elliot Stern. "[The Thematic Evaluation of the Partnership Principle. Final Synthesis Report.](#)" The Tavistock Institute, February 1999.