

Public Funds for Public Benefit

Basic facts about the European Investment Bank

“Public Funds for Public Benefit” is a campaign promoted by a network of European NGOs with the aim of making the EIB contribute to the EU development agenda to eradicate poverty, foster sustainable development and achieve the Millennium Development Goals (MDGs). This fact sheet is part of the campaign’s toolkit.

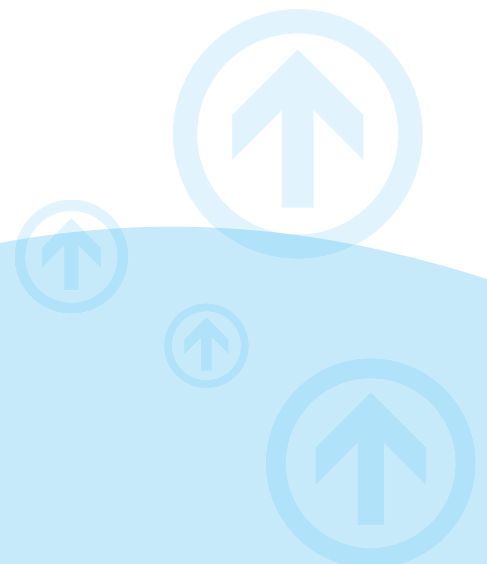
➔ What is the EIB?

The EIB was set up in 1958 under the Treaty of Rome, which established the European Union (EU). Originally set up to finance the physical infrastructure of the EU member states and to provide investments in less-developed areas of the EU, the EIB has now become one of the largest international financial institutions (IFIs) in the world.

With an annual portfolio of almost EUR 45,8 billion (for 2006), the EU’s house bank is responsible for almost double the amount of financial investments made by the World Bank. However the EIB is the only IFI without any binding standards or protocols to constrain its work.

As a body of the EU, the EIB states that its mission is to further the objectives of the EU by making long-term finance available for sound investment. In recent mandates, its objectives have been restated as the promotion of energy security and regional integration and the promotion of the private sector. The EIB is subject to European law and it is legally bound to act within the limits of the EC Treaty and its own statute which gives it a legal, financial and administrative personality.

The EIB’s legal status is, however, ambiguous and the independence it has secured for itself from other EU bodies makes it difficult to hold the bank to account.



THE EUROPEAN INVESTMENT BANK HAS BECOME ONE OF THE BIGGEST INTERNATIONAL LENDERS. IN 2006 ALONE, THE EIB LENT EUR 45.8 BILLION WORLDWIDE, COMPARED TO EUR 18.5 BILLION TOTAL LENDING BY THE WORLD BANK GROUP AND EUR 4.9 BILLION LENDING BY THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT.

➔ What the EIB does

The EIB provides loans to EU member countries and about 140 non-member countries, the so called Partner countries, as well as private companies. It lends primarily to EU countries as part of its mandate, while lending outside the EU is based on various Community agreements. Traditionally the EIB was responsible for infrastructure projects in the EU – transport, energy, industry – and now it is branching out into energy security and the promotion of the private sector.

The EIB has several financial mechanisms through which it provides support for projects, depending on the project category and/or the region of operation:

Individual loans are loans provided for concrete projects in both the public and private sector, including banking.

Global loans are credit lines provided to intermediaries (banks, leasing companies, or financial institutions), which in turn give loans to local authorities or SMEs for new capital investment projects worth up to EUR 25 million. The venture capital activities of the EIB are concentrated within the European Investment Fund.

Structured Finance Facility provides senior loans and guarantees to support projects with a high-risk profile, in particular large-scale infrastructure schemes, which the EIB is increasingly open to finance.

➔ Shareholders and structure

The 27 Member States of the EU are the shareholders of the EIB, and jointly provide the EIB's capital, their respective contributions reflecting their economic weight within the Union. In 2004, in the context of the EU enlargement with the 10 new Member States, the capital of the EIB increased to EUR 163.654 billion.

The Bank's decisions are taken by the following bodies:

The Board of Governors: composed of Ministers from the Member States (normally from the Ministries of Finance, Economic Affairs or Treasury).

The Board of Directors: consists of 28 Directors – one nominated by each EU member state and one by the European Commission – and 18 Alternates, all appointed by the Board of Governors.

The Management Committee: seated in Luxembourg, under the authority of the president. They are appointed by the bank's governors.

The Audit Committee: composed of three members and three observers. It is appointed by the governors for a term of office of three years.



UNLIKE OTHER INTERNATIONAL FINANCIAL INSTITUTIONS, THE EUROPEAN INVESTMENT BANK DOES NOT HAVE BINDING AND OPERATIONAL SAFEGUARD POLICIES OR PROCEDURES TO GUARANTEE A HIGH STANDARD OF PROTECTION FOR THE ENVIRONMENT AND COMMUNITIES AFFECTED BY ITS LENDING ACTIVITIES.

➔ The EIB outside the EU

The EIB is already a major financier of development projects around the world, with almost 13% (EUR 5.9 billion) of its overall lending portfolio lent outside of the EU last year. But in December 2006 the Bank received, agreed by the European Council, a new mandate for greater external EU lending.

The new mandate amounts to EUR 27.8 billion from 2007-2013, an increase of over EUR 7 billion. Additionally, under the renewed Cotonou Partnership Agreement 2008-2013 for the Africa, Caribbean and Pacific (ACP) countries, the EIB can now lend up to EUR 3.5 billion of EU money as well as EUR 3.7 billion of its own resources.



Within the framework of the new mandate the EIB is playing a key role in shaping development policies and this is causing major worries. Because the EIB lacks both binding operational policies and any form of accountability system, the prospects of serious environmental and social damage are disturbingly high. In its EU operations, these concerns are mitigated by the existence of EU law, but of course such law does not apply to the bank's operations outside the EU.

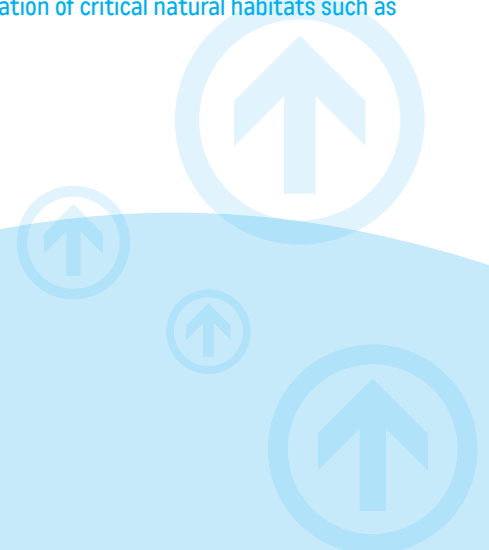
➔ Critical elements of the EIB statute and its operations

Despite recent improvements to the EIB information disclosure policy, obtaining relevant and timely information from the bank is still difficult.

In its lending the EIB does not act in full compliance with such key EU goals as promoting sustainable development, reducing the threat of climate change, protecting biodiversity and creating employment.

The EIB supports 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 is involved in supporting projects where there is significant conversion or degradation of critical natural habitats such as projects in the extractive industries, big dams or other major infrastructure projects.



➔ What can be done: reforming the EIB

✓ **The EIB should inform and listen to affected communities.**
The participation of the local community in the decision-making process, as well as greater protection and redress for local people affected by the projects outside the EU, should be guaranteed.

✓ **The EIB should adopt binding operational standards** and independent accountability mechanism and evaluation unit.

✓ **The EIB should only support contracts won through open and transparent tender processes.** That would also require EIB clients to demonstrate that they, as well as their subsidiaries and financial agents, comply with recommended international accounting practices

✓ **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 EU Member States should work for a clarification of the EIB's precise legal and institutional status within the EU framework**

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 the principles of sustainable development and existing European legislation and policies.



The campaign “Public Funds for Public Benefit” is promoted by:

CEE Bankwatch Network (Europe)
Both ENDS (Netherlands)
Bretton Woods Project (UK)
Campagna per la Riforma della Banca Mondiale (Italy)
Les Amis de la Terre (France)
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