

## Call to EIB Directors for the seminar with civil society on 4th February 2019 – Adopt a state-of-the-art policy on Financial Intermediaries

Dear EIB Directors,

**The signatories of this call are requesting you to require from the Bank's Management to create a state-of-the-art Standard for Financial Intermediaries that will enhance the environmental, social and transparency performance of these operations while maintaining economic benefits.** The scale of intermediated operations in the EIB's portfolio (from 2016 to 2018: EUR 23 billion or 32% of its entire lending in the EU; and EUR 23 billion or 36% of its entire lending in third countries) highlights the need for a sound and ambitious Standard.

By outsourcing part of its lending, the EIB also outsources its due diligence and monitoring. It is assumed that since the final beneficiaries receive relatively small investments, there is limited scope for social and environmental impacts to take place. However, the cases of small hydropower in biodiversity rich areas of the Western Balkans<sup>1</sup> and a recent internal EIB evaluation on intermediary investments in Africa<sup>2</sup> tell a different story.

**Transparency:** At the moment the EIB does not proactively share any information on the final beneficiaries of the Financial Intermediaries. The EIB Environmental and Social Handbook (2013) contains clauses for Global Loans and Funds that require financial intermediaries to publish environmental data, however this is not happening in practice<sup>3</sup>, due to ambiguous transparency clauses inserted in contracts.<sup>4</sup> We ask the EIB to actively disclose the following information on financial intermediaries: **at minimum the name of the final beneficiary, the amount, the type of project and related environmental information.** Moreover, we ask to clarify contract clauses with intermediaries to better require the **consent for sharing environmental information about final projects** that needs to be embedded in the contracts with final beneficiaries.

**Due diligence:** As shown by the example of the small hydropower or the EIB's evaluation on ACP countries, the current approach of outsourcing due diligence is lacking sufficient safeguards to ensure the best possible environmental and social outcomes. We suggest the Bank to follow the approach already taken in the Draft of the EIB Environmental, Climate and Social Guideline on Hydropower Development **and establish a list of high risk projects that should be a subject of an enhanced due diligence.** In such cases the Financial Intermediary would include EIB experts in the due diligence or would leave the due diligence entirely to the EIB. Additionally, fossil fuels or big dams should not be financed through intermediated lending at all.

We look forward to discussing this further in Luxembourg on 4th February 2019.

Yours sincerely,

The signatories:

*CEE Bankwatch Network*

*Counter Balance*

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<sup>1</sup> The cases of the [Kamena reka, Bistrica 97-99 and Ilovac](#) small hydropower plants in Macedonia and Croatia respectively show that in practice, leaving due diligence to intermediaries and national procedures has led to insufficient assessments

<sup>2</sup> [A January 2018](#) evaluation from the EIB focuses on its operations via financial intermediaries in the ACP region, under its so-called Investment Facility. Its findings demonstrate a lack of control, monitoring and reporting on intermediated operations.

<sup>3</sup> See Bankwatch, [Outsourcing Accountability](#), 2017

<sup>4</sup> In a letter of 14 December 2017, the EIB confirmed that "the finance contracts do not contain requirements or undertakings specifically related to the public disclosure of environmental information, as this is covered by the general requirement to comply with environmental law, and ultimately remains under the responsibility of the counterparts and the national competent authorities."