

EIB Group Complaints Mechanism

ineffective in addressing complaints submitted in relation to the Budapest Airport expansion project

In 2018, the European Investment Bank (EIB) Group approved a EUR 200 million loan for the expansion of Budapest's Liszt Ferenc International Airport. The project aimed to increase passenger traffic by 50 per cent within eight years.

Complaints

In March 2020, the National Society of Conservationists (Friends of the Earth Hungary) and the Association for Civilized Air Transport submitted a complaint to the EIB Group Complaints Mechanism (EIB-CM), highlighting several critical issues:

- No environmental impact assessment for the project was carried out. As a result, the following impacts were not evaluated: climate impacts, air and noise pollution from air traffic and associated land transport, and social impacts on people affected by the project.
- Public consultations were not held at any stage, and crucial information on the social and environmental impacts of the project were not shared with communities likely to be negatively affected by the expansion.
- The EIB's project summary document contained inadequate and outdated information.

EIB-CM conclusions

In October 2021, the EIB-CM published its Conclusions Report, finding that the project failed to comply with EU environmental legislation and the EIB Environmental and Social Standards. The EIB-CM issued the following recommendations:

- The promoter should provide at least a screening determination for the project components enabling the expansion, including an adequate assessment of the project's cumulative impacts.

For more information

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- The promoter should improve stakeholder engagement by mapping the locations of affected stakeholders, adequately engaging with them, establishing a project grievance mechanism, and including efficient and long-term measures to mitigate the negative social aspects of the project, such as noise;
- The EIB Environmental and Social Data Sheet should be updated to reflect the EIB-CM's findings and conclusions.
- The EIB should make adequate technical (environmental and/or social) and linguistic expertise available to the EIB's appraisal and monitoring teams to help them better understand and critically assess project documentation.

Outcomes

- To date, the EIB-CM's recommendations have not been implemented, despite the bank being required to do so within 24 months of the Conclusions Report. The promoter has yet to conduct the recommended environmental screening determination to assess environmental cumulative impacts, even as it continues to significantly expand capacity through investments in passenger and freight traffic.
- Furthermore, the project grievance mechanism recommended by the EIB-CM has yet to be established, and no contact has been made with stakeholders affected by the project. In a letter sent to the complainants, the EIB advised that the promoter is ultimately responsible for deciding whether and how it wishes to undertake such an engagement.
- Unfortunately, failure to implement the recommendations has led to negative environmental and social impacts, including violations of the fundamental rights of citizens impacted by the airport's operations. Finally, the EIB-CM has remained inactive in informing complainants about the implementation of its recommendations and the steps taken to ensure their enforcement.

Recommendations for the next review of the EIB Group Complaints Mechanism Policy

To improve the EIB-CM's effectiveness in addressing complaints submitted by project-impacted stakeholders, we recommend the following measures:

1. Strengthen the independence of the Head of the EIB-CM.
2. Require the EIB-CM to report to the EIB Board of Directors on each case or selected cases, such as those concerning environmental and social impacts or transparency, ensuring the Board holds the EIB Group accountable for implementing all recommendations and corrective actions.

3. Leverage the advisory function of the EIB-CM when reporting to the Board of Directors, ensuring the Board approves the recommendations of the mechanism and holds the EIB Group accountable for their implementation.
4. Mandate that project promoters and borrowers are contractually obliged to respect the findings and recommendations of the EIB-CM and implement corrective actions to ensure project compliance with environmental and social standards.
5. Specify the EIB-CM's role in levelling imbalances in the mediation and dispute-resolution processes by assisting complainants in understanding the EIB Group's standards and their rights as rights holders.
6. Oblige the EIB Management Committee to prepare a corrective action plan with a timeframe for addressing EIB-CM findings and recommendations, ensuring project compliance with EIB policies, standards, and applicable laws, remedying harm or potential harm, and consulting with complainants on proposed corrective actions before approval.
7. Allow the EIB-CM to conduct problem-solving procedures after compliance investigations, and vice versa, or simultaneously.
8. Empower the EIB-CM to monitor the implementation of recommendations and corrective actions, providing regular reports to complainants and the EIB Board of Directors during monitoring.
9. Prepare closure monitoring reports for all cases to assess the effectiveness of the corrective actions implemented and/or agreements reached during dispute resolution.