The European Investment Bank: Surrounded by secrecy

Financial deliberations generally take place between dubious actors in obscure corners of the political arena. This is definitely the case with the European Investment Bank, which has only recently been put in the public spotlight. It is now time to uncover the dirty secrets of the European Union's house bank.

Established in 1958 to support integration within Europe, the EIB has never been subject to public scrutiny. This is quite unbelievable if you look at the figures. The EIB currently has an annual budget that is bigger than the World Bank's: around 4 billion Euro. It has a history of financing large scale infrastructure within the European Union, including many controversial airports and the package of destructive highways known as the Trans European Networks. Its gigantic lending portfolio gives it great influence over the development of recipient nations. Many of its loans go to risky infrastructure projects as well as oil, gas and mining operations and large hydro dams. Contrary to other financial institutions, the EIB never bothered to adopt safeguards to ensure that its projects would protect people and the environment.

While the World Bank and other banks are acknowledging the need for the establishment of social and environmental standards, the EIB remains silent. Although the EIB is required to follow European Union legislation in its activities, there is little evidence that it does.

The EIB's legal status and its obligations with respect to the EU have never been properly clarified. There is confusion over how exactly it can be held responsible to EU laws, and made accountable for failures to abide by relevant environmental and social laws, policies and regulations. The Gothenburg European Council (2001) and the European Parliament (2002) have both underlined the need for the EIB to integrate the general priorities of the Union in its activities.

The reality in practice is that the EIB's project appraisal is done on economic, financial and technical terms rather than by placing sustainable development at the core. While the EIB says it supports the EU climate change policy, it still engages in the financing of large-scale fossil fuel projects. It has begun making controversial loans for the sequestration of greenhouse gases through so called 'sustainable forest development', and participates in the implementation of disputed mechanisms of the Kyoto Protocol. “The EIB believes that flexible market-based mechanisms are the key to cost-effective and timely climate change mitigation efforts,” said EIB Vice President Peter Sedgwick in December 2004.

The European Investment Bank is now increasingly looking towards investing in the global South. Yet, its mandate for doing so is very unclear.

The majority of EIB lending outside the EU is directed towards African, Caribbean and Pacific (ACP) countries. On 2 June 2003, the EIB started the Cotonou Agreement Investment Facility for ACP countries, which channels money to the private sector. From 2003 to 2008, about 2.2 billion Euros will be disbursed to the ACP region by this investment facility, as well as 1.7 billion Euros from the EIB's own resources. But there is no evidence that the EIB gives any substantive consideration to the key Cotonou objective of eradicating poverty in ACP countries. At the same time, the EIB does not have its own development strategy.

The EIB is more explicit about its reasons for financing in Latin America. A December 2004 memorandum with the Inter American Development Bank states that “Lending activity in Latin America has a clear operational focus mainly in support of European Foreign Direct Investment”. The EIB is clear about its ambitions and states that the “political reach” of the Inter American Development Bank makes the cooperation very attractive. The EIB currently has committed to invest 2,480 million Euro to the Asia and Latin America region. The banks look forward to working together to implement IIRSA, South America’s megalomanic scheme for infrastructure integration. IIRSA’s projects are likely to put some of the region’s most delicate cultures and ecosystems at great risk. There is no assurance that any of these projects will be appropriate or sustainable. Worse still, the EIB/IDB memorandum goes on to say that project preparation will generally be delegated to the sponsors. This means that both financial institutions absolve themselves of any environmental and social responsibility.

Just a few of EIB projects that have caused grave impacts on the world’s communities and forests in the past decade include Shell’s Brazil-Bolivia Gas Pipeline (55 million in 1998), Exxon’s Chad-Cameroon Pipeline (134 million to in 2001), Veracel’s Brazilian Eucalyptus Plantation and Pulp Mill (98 million in 2003) and the Nam Theun II Dam in Laos (40 million in 2004.

The main problems identified in European Investment Bank activities include:

- Confusing status as both an EU institution and an independent entity;
- Unclear mandate for operations in the global south;
- Continued secrecy around its operations;
- Lack of clear environmental and social guidelines;
- Lack of consultation with affected communities;
- Small number of and inadequately directed staff;
- No proactive environmental protection lending;
- No implementation of environmental objectives.

As the European Investment Bank starts to move around the world, so will we. Civil society recently launched a web site where all projects financed by the EIB in the past ten years can be traced. With the ‘no’ to the European constitution, there is now renewed space for civil protest in the European political area. And we can use it by exposing the secrets of the European finance activities around the world. Organise, mobilise, protest and propose in the name of our forests, our dignity and our lives. Visit www.eibprojects.org and inform yourself.

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