

22 February 2024

JOINT CIVIL SOCIETY LETTER

Urgent overhaul needed for the EIB to fulfil its public mandate

Dear President Calviño,

Congratulations for your appointment as the 8th President of the European Investment Bank, we, the undersigned civil society organisations (CSOs), reach out to you at this critical moment for the institution to share our vision for the Bank's much-needed changes in priorities and procedures.

Climate breakdown, economic uncertainties, the soaring cost of living and energy crises, and related threats to social and political stability, as well as the pursuit of geopolitically-motivated exploitative policies towards the Global South in the context of competitive raw material supply chains, are some of the key challenges that require addressing.

With this joint letter, we want to emphasise that the EIB possesses the global standing, as well as the institutional and financial clout, to have a direct and lasting positive impact for the people it is meant to serve. A progressive overhaul is necessary for the Bank to uphold its public mandate and commitment to just and sustainable development in the countries where it operates.

In particular, we urge you to lead the EIB towards the following recommendations:

- 1 Stop supporting fossil fuel companies engaged in dirty activities.** The EIB became the first Multilateral Development Bank to officially end finance to fossil fuel projects. However, the Bank still effectively hands out billions to companies complicit in burning fossil fuels. The EIB finances non-fossil projects of oil and gas giants like ENI, Total Energies or ENGIE, allowing these companies to continue fossil activities that are incompatible with achieving the Paris Agreement.¹ On top of fueling the climate breakdown, these large energy multinationals have made billions in record profits from pushing up energy prices in light of the Ukraine war, with the subsequent energy crisis hitting vulnerable households and small businesses. Instead, the Bank provides funding to these corporations through support of still unproven, costly solutions like carbon capture and storage, low-carbon hydrogen, or hydrogen-ready infrastructure. Since 2022 the EIB has also provided billions in loans to banks like BNP Paribas, Intesa Sanpaolo, Santander or UniCredit which are amongst the top 60 fossil fuel financiers globally.

¹ PATH framework criteria exceptions; see [here](#) (Counter Balance).

The President must make sure the EIB closes its loopholes in the PATH Framework as stressed by the European Parliament², align the PATH criteria with the Paris goal of limiting global warming to 1.5 degrees, and extend them to its intermediated finance comprising one third of its activities, and end financial support to low-carbon and unproven solutions. These changes should take place at the latest with the EIB's Climate Bank Roadmap Review planned for the next year.

2

Guide the EIB to fulfil its public mandate and support projects with high social benefits.

Far too large a portion of its funds goes to profiteering big companies that have already high returns, while no conditions are set regarding labour standards, reinvestment targets or dividend payouts. While the EIB finances important infrastructure projects including public transport and renewable energy, the Bank still embraces a faulty and inefficient public-private partnership model which results in the transfer of public funds to the private sector, with profits going to private companies while losses are borne by the public. Large-scale renewable energy projects developed by a handful of huge fossil fuel companies and for-profit renewable projects by real estate and profit-oriented financial entities should be replaced by decentralised publicly owned renewable energy projects to ensure people have access to affordable and renewable energy. This puts in question the additionality of the EIB's finance, including in European programs such as InvestEU or Recovery Funds. The EIB's unrestrained focus on de-risking of the private sector will not help deliver a just transformation as a majority of urgently required green and social investments are not commercially attractive.³

Only through increasing long-term, patient funding for projects that are more risky but have long-term economic viability and show qualitative social and environmental additionality will the EIB truly align with its public mandate. A comparison with other public banks shows that the EIB has ample room for taking on more risk and increasing such operations.⁴ With €2.5 billion in annual profits, the EIB President should direct the Bank to put more of its resources in projects with high social benefits but modest long-term financial returns, and help tackle the cost of living crisis. These include boosting the capacity of local governments and other public actors to develop affordable and ecological public services such as housing, renewable energy, transport, and social infrastructure.

3

Keep the EIB out of the defence sector. There is significant political pressure on the EIB to finance defence projects. However, finance from a multilateral development bank should not be channelled to arms, ammunition and military equipment as the military-industrial complex keeps amassing massive profits from global conflicts. Effectively, derisking the defence sector threatens to fuel conflicts with proliferation of arms production globally.

We call on the President to reject expanding the Bank's lending mandate to defence spending. Instead of increasing security dual-use expenditure to €8 billion⁵ and funding weapons, the EIB and its EIB Global development branch should direct their support toward building peace by making social and climate investments, and where relevant support publicly beneficial reconstruction projects.

² [Annual report \(2022\)](#) on the financial activities of the European Investment Bank, European Parliament.

³ [McKinsey](#) reports that 60 percent of investments needed by 2030 and almost half of investments needed to achieve net zero by 2050 in Europe are not commercially interesting.

⁴ Counter Balance, [Structural Reforms letter](#), Counter Balance, 2023

⁵ See [Strategic European Security Initiative](#)

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Put social and environmental objectives at the heart of the EIB Global. Instead of progressively becoming a true development bank, the EIB's growing focus on using public funds to mobilise private investments increasingly positions the EIB Global as a tool of the EU's economic diplomacy and geopolitical interests, reflected in the Global Gateway strategy. As a result, EIB's development finance is being steadily shifted towards supporting European companies' global market access, instead of people's prosperity. Moreover, the proven lack of success of private sector solutions to achieve development under the derisking agenda⁶ will not meet the Global South countries' development needs, but will waste scarce public resources and contribute to counter-productive and socially damaging global austerity measures. Operating through opaque financial intermediaries with unknown final beneficiaries and limited due diligence on their investments risks financialisation of public goods and services with questionable development results.

To remedy this path, the President must make sure the activities of EIB Global transparently show its development additionality and contribute towards long-term structural transformation into environmentally sustainable and equitable societies globally, rooted in democratically set national development agendas. To ensure this, the President should introduce new changes to EIB Global's operations – directly involving public stakeholders like civil society organisations or labour unions throughout the project cycle, increasing support for accessible and quality public services, public renewable energy projects, sustainable agriculture and agroecological projects, and supporting the local productive sector and small businesses instead of rich countries' businesses. In all this, EIB Global must demonstrate responsible lending principles, develop more stringent assessment standards to prevent indebtedness, and provide only highly concessional loans with adequate grant components as part of its climate finance.

5

Create rigorous due diligence and monitoring procedures, including an independent complaints mechanism. The Bank's current due diligence and monitoring of projects is insufficient. The EIB finances projects despite clear human rights and environmental risks, and even when violations occur the Bank often fails to act. The EIB relies excessively on due diligence information provided by project promoters, instead of conducting its own thorough assessment throughout the project cycle. Unlike other MDBs, the EIB doesn't publish the environmental and social appraisal of projects, including projects with high environmental impacts and risks like the expansion of the port of Genova, before their final approval. The current EIB Complaints Mechanism lacks operational independence and legitimacy. It doesn't adhere to best practices⁷ or the UN Guiding Principles on Business and Human Rights' effectiveness criteria for grievance mechanisms, leading to the recent withdrawal of the European Ombudsman from its Memorandum of Understanding with the EIB.

The President must make meaningful public participation a priority and reinforce its own role in stakeholder engagement in all the projects it finances, with specific attention to the Free Prior Informed Consent (FPIC) of Indigenous communities. The EIB must carry out independent and publicly available human rights and environmental due diligence to prevent human rights violations, including through ex ante and ex post human rights impact assessments. The Bank must also ensure access to remedy for impacted communities by

⁶ [The Wall Street Consensus](#), Daniela Gabor.

⁷ For example, the EIB's Complaint Mechanism does not require to publish its monitoring report in compliance review cases and mostly relies on the information from the EIB management and the project promoters instead of the affected communities. See [Good Policy Paper: Guiding Practice from the Policies of Independent Accountability Mechanisms](#).

making the Complaints Mechanism fully independent. When harm is identified through the Complaints Mechanism process, the EIB must commit to contributing to remedy for the harm. The Bank should also fulfil demands of the EU Ombudsman and publish information from its environmental and social due diligence prior to loan approval.

6

Transform the EIB into a democratically-led and accountable public bank. The EIB's current system of governance has a limited form of democratic accountability and control. Member States own the Bank, but there are no mechanisms in place which allow the European public – the ultimate owners of the EIB – to take part in decision-making, evaluate performance and co-create the strategy of the Bank. In recent years as much as 40 percent of the EIB's loans were not even announced prior to Board approval, while environmental and social information is only published after the Board approval or loan signature. The President should increase the Bank's democratic accountability by proposing to make the recommendations set out in European Parliament's evaluations of EIB activities binding on the Bank, and encourage engagement of member states' national parliaments. The President should encourage the Bank's reform to integrate labour unions and local governments into its governance structure based on examples of other public banks like the KfW. Pending this reform, advisory committees of such public actors should be formed and integrated into the Bank's strategic decision-making. For operations outside the EU, governments and local public stakeholders should equally have a place in the governance structure to help guide the EIB's operations in their countries.

As signatories of this letter we support you in the transformation of the EIB into an institution with public interest at the core of its operations, steering our economies towards a fair, equitable and sustainable path at this crucial time.

As a network of civil society organisations following the social and environmental impacts of the EIB's activities in Europe and globally, we would be delighted to discuss our concerns and proposals at a meeting with you.

We hope that the EIB will implement these changes to become a truly public bank, and we thank you for considering these crucial issues.

Yours sincerely,

Counter Balance
ActionAid International
CEE Bankwatch Network
Oil Change International
ReCommon
EURODAD
Global Citizen
Global Social Justice
Cairo Institute for Human Rights Studies
MenaFem Movement for Economic, Development and Ecological Justice
Urgewald
The Bretton Woods Project
Accountability Counsel
Observatori del Deute en la Globalització
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