

30.11.2006 EIB operational standards framework

Ladies and Gentlemen,

Thank you very much for your invitation.

Let me apologize for being absent during the first two sessions of your conference.

The European Parliament was holding its plenary session today and the voting only just finished.

Therefore, unfortunately, I had to miss the interesting panel discussions you enjoyed this morning.

But now please allow me to contribute my perspective as a member of the Development Committee of the European Parliament on the issue of a standards framework for operations of the European Investment Bank.

Until recently the EIB did not consider itself a “development bank” as such.

This has changed.

Analogue to the increasing emphasis of the European Union on development co-operation, the bank is now about to play a much bigger role in managing the financing of the EU’s new development ambitions in Africa, but also in Asia and Latin America.

The European Parliament has welcomed this in principle.

Mobilizing additional resources in particular for Africa is something very much needed.

Offering Euro-based financing as an alternative to the rules of the Dollar-based global financial system provides developing economies with a

welcome choice.

That means: if it is well done and in accordance with wider regional and national development strategies.

The bank has indeed made considerable progress over the past years. It has formulated a number of new or modified operational protocols and published documents like its Corporate Responsibility Report and its Strategy Map.

With these documents along with its new public disclosure policy including web access to its Environmental Impact Assessment the European Investment Bank's operations are becoming more transparent.

President Maystadt often calls the EIB a "political bank" guided by the policies of the EU.

However, understanding what the EU policies are and making sure that an institution respects them, can be a challenging task.

As politicians, for instance, we need an entire European Parliament to work on that.

Does a project manager of the EIB lean towards listening to the Council of Ministers of Finance?

Or would it be Trade Commissioner Mendelson?

Or would the reports of the Development Committee of the European Parliament deliver a valid interpretation of the EU policy any given project is due to comply with?

The European Parliament has contributed together with the Council and the Commission to formulating the European Consensus on Development, a document providing the variety of actors in the field,

among them the EIB, with a first common political framework for development.

This framework most of all aims at policy coherence with a very strong emphasis on the one global set of targets: the United Nations Millennium Development Goals.

Especially when entering the sphere of development banking the EIB will find itself more and more confronted with political stakeholders and watchdogs.

The World Bank and other IFIs have experienced this before.

They found two important answers to the criticism:

Firstly, they worked out a set of international standards governing their operations;

Secondly they invested heavily in recruitment and staffed their offices with personnel trained in environmental, social and other non-bankers business.

It seems like the EIB pursues a different approach.

The bank defines its own operational standards and it wants to remain a lean enterprise with low human resources related costs.

Let me emphasize at this point that I welcome the signing of several memoranda of understanding between the EIB, the European Commission and major financial players in recent years.

It is a step into the right direction and I can only encourage the bank to work with its international partners towards defining a set of common international standards.

Should there be a conflict between the Euro and the Dollar world, and with emerging investors from China, India and Russia, the operational

standards of development financing may not become instrumental in that battle.

And I must admit that I cannot really understand why the EIB is so reluctant to benefit from experience, brainwork and negotiations manifested in the operational standards of other IFIs.

These should still be improved, especially with regard to an early stage participation and access to a complaints mechanism for the directly and indirectly effected population.

I am fully aware that the existing IFI standards do not prevent the financing of controversial projects.

Last week, for instance, I visited the three-gorges-dam in China as an example for a very controversial project.

But with regard to accountability, compliance with high level standards is a protective measure for EIB decision makers themselves as well as for the population effected.

Let me invite you, to look at the issue once from a different angle: does the existing operational framework of the EIB, including its external lending mandate, prevent it from financing useful projects?

The government of Uganda, for instance, identified a clear need for railway transportation for manufactured goods from the land-locked country to a nearby port.

Could the EIB help?

Under its FEMIP mandate, the EIB was able to help financing a new

sewage system for Beirut.

Could it do the same for Dar-es-Salaam?

The countries along the rivers Nile or Niger need a common water management instead of each donor's favorite small project.

Could the EIB finance an African Water Academy serving this purpose?

For the micro-lending program in Bangladesh, Muhammad Yunus and his Grameen Bank was awarded the Nobel Peace Prize.

With the EIB constantly looking for partners for the intermediate business, would it be able to massively improve Grameen Bank's financial basis?

If the EIB would take the Millennium Development Goals much more serious, at least as serious as DG Development or the European Parliament, it would apply them already during project identification.

If people have reason to trust the aims of the EIB, and if they can have more trust in the bank's participatory project identification, the battle for protective standards might be less fierce.

This trust has not yet been created.

Currently I have the impression, that the Bank is still lending for the interests of European business rather than development purposes.

You are lending for delivering African resources to Europe, not to build up a processing industry for African resources in African countries.

And your current standards appearantly do not prevent you from hiring experts who can count the number of jobs created by a paper mill in

Brazil, but forget to count the number of jobs destroyed further down the now polluted river?