

The European Investment Bank is not ready for a capital increase, NGOs say

Brussels – As EU Ministers of Finance are currently gathering at the Annual General Meeting of the European Investment Bank (EIB) to discuss a possible capital increase, civil society organisations that monitor the EIB say the bank is not ready for such a move.

“First and foremost, the quality of EIB lending has to improve, and only then can it substantively contribute to the fight against the current recession sweeping across Europe's member states,” stated Desislava Stoyanova, co-ordinator of Counter Balance, a coalition of European NGOs that campaigns to improve EIB lending.

Caught in the narrow debate between growth and austerity, the EIB is being put forward by some policy makers as one of the few alternatives to budget cuts and fiscal orthodoxy. Meanwhile the real question of whether the bank is actually able to lead the EU out of the current crisis and into a sustainable – economic, social and environmental – future remains unanswered.

Due to a lack of transparency and performance indicators it remains uncertain whether increased EIB loans can effectively contribute to a sustainable way out of the European debt crisis. When it comes to supporting SMEs, employment and climate action – three top priorities of the bank – tangible results are unclear or remain below par.

A direct link between EIB loans and job creation, for instance, is not clear. A recent report from MEPs on the EIB's lending to SMEs has raised urgent concerns over the transparency of these loans that accounted for 18 percent of EIB lending in 2011. The European Parliament report points out that while the European Commission is obliged to publish a list of the beneficiaries of EU Funds, currently nothing is known publicly about where - and for what - these EIB SME loans are going.

Berber Verpoest of Counter Balance explained: "If EIB president Hoyer is seriously proposing to extend the bank's byzantine SME lending via a new capital increase, Europe stands to walk further off the cliff into the unknown. Hoyer and the EIB have to take responsibility for these kinds of loans. First of all, they need to be targeted at sustainable, job creating and ideally green sectors within the overall SME sector. And ultimately we need to see the evidence that they are delivering for the real needs of the very much 'in need' European economy."

While it is positive that EIB loans for sustainable energy projects are rising, its loans for polluting fossil fuel projects are equally on the rise. Increasing the capital of the EIB without appropriate conditions attached to prevent new climate-damaging investment runs the risk of reinforcing this trend.

“The challenge for the bank is not to increase the number of projects it invests in, or the size of its portfolio, but rather to invest in better projects and programmes working as a financial catalyst for achieving the EU's objectives. By avoiding this discussion EU policy makers not only put a heavier burden on the EIB, they also take away a crucial incentive to make it

perform better,” said Anna Roggenbuck, EIB co-ordinator of CEE Bankwatch Network, one of the members of Counter Balance coalition.

One such sectoral policy for which the EIB has already announced a review, to take place later this year, is its energy lending policy. If ambitious enough and in line with common EU policies such as the European Commission’s 2050 energy roadmap, this could be a first essential step in better equipping the EIB to deliver more qualitative results.

“We welcome the EIB's review of its energy lending as it is urgently needed,” said Roggenbuck. “In 2010 the EIB still lent as much as EUR 5 billion to fossil fuel projects. This figure contains not only loans for gas but also support for coal, the dirtiest of the fossil fuels. The EIB needs to find a way to rapidly phase out financing of the economy based on fossil fuels.”

Counter Balance and CEE Bankwatch Network have presented a list of recommendations to be included in the policy review in order to make it effective. The recommendations include a plan for the EIB to phase out support for all fossil fuel projects starting with coal, a ban on the financing of large scale dams and clearly prioritising energy efficiency projects.