



International Secretariat
Alt Moabit 96
10559 Berlin, Germany
Tel: 49-30-3438 20-0
Fax: 49-30-3470 3912
Email: ti@transparency.org
<http://www.transparency.org>

Contribution of Transparency International to the consultation opened by the EIB on Environmental and Social Principles and Standards.

Transparency International (TI) is the global civil society organisation leading the fight against corruption. Through more than 90 chapters worldwide (i.e. in almost every EU member state and accession candidate and potential candidate country) and an international secretariat in Berlin, Germany, TI raises awareness of the damaging effects of corruption and works with partners in government, business and civil society to develop and implement effective measures to tackle it. One of Transparency International's main areas of expertise and experience is how to advance development by fighting corruption.

The EIB has only recently demonstrated its interest in civil society consultations. More outreach is clearly necessary to inform people why they need to engage and to build trust that their contributions will not be in vain but actually have an impact on the final functioning and actions of the EIB.

The EIB has already taken the step of sharing Civil Society Organisation's (CSO) inputs on its website and showing where these have changed original proposals. We consider that civil society interest in contributing to EIB consultations would increase, if the EIB would show increased openness at top management and country level to incorporating contributions from civil society into its policies and guidelines.

Apart from EIB led consultations, civil society is expressing its concerns through petitions, publications and media. For the EIB to demonstrate its seriousness in listening to public views on environmental and social issues, the publications of such NGOs relating to the EIB need to be responded to through a public dialogue on the particular issues raised. It should be clearly outlined in the public dialogue what steps the EIB intends to take to respond to the raised issues.

TI concurs with the concerns raised by CSOs that indicate the lack of sufficient compliance with and implementation on various existing EU environmental and social standards and EIB specific principles and standards.

All countries suffer from varying degrees of corruption and governments increasingly seek citizen engagement in fighting corruption in the public

sphere. EIB lends to a number of countries that suffer from endemic corruption, the lack of respect for human rights, poverty and a resultant lack of authentic public participation in EIB hearings.

At this point the EIB Statement of Environmental and Social Principles and Standards as well as the EIB Handbook do not make any reference to the risk of corruption in the implementation of the environmental and social standards.

TI is concerned about the current formulation of Articles 40 and 41. EIB commits to not funding projects that are morally and ethically controversial. In countries where public concerns on corruption cannot be expressed without repercussions, ethical considerations come into play. In such environments EIB investments that involve the relocation of citizens and the destruction of their natural resource livelihood base constitute a financial and an ethical risk.

Regarding the role of promoters, co-financers and others, the EIB should work with them to help identify and manage environmental and social opportunities and risks. It should make public the assessments of institutional capacity that it conducts. More importantly it should also assess whether the governance environment in which the promoter operates allows public participation – including the voicing of dissent – in the assessment of environmental and social risks.

As participating organisation to the Paris Declaration the EIB is called upon to discuss its intentions to finance public and private investments in the countries in donor coordination forums. The Paris Declaration underlines the strengthening of country ownership and the need for greater parliamentary oversight and citizen participation.

The research of a number of organizations, but also TI's working papers on natural resources, poverty and aid all indicate that corruption is a significant factor in diverting public and private investments in development. EIB's mandate to contribute to sustainable development requires it to review the manner in which corruption affects its ability to guarantee compliance with environmental and social principles and standards.

Corruption creates unequal opportunities for participation in public decision-making. Including a participatory and also an independent corruption risk-mapping in decisions on implementing environmental and social standards should be a minimum requirement of due diligence. The process of engaging stakeholders, and particularly those that are an integral part of the EIB mandate and provide the rationale for EIB funding, needs to take these factors into account.

The EIB aims to identify, quantify and value environmental and social externalities where their influence on the viability of the project is expected

to be significant. Ascribing monetary values to environmental and social costs remains a debated terrain. It is all the more important that where environmental and social costs appear in the financing of infrastructure, power or extraction projects among others, these are publicly debated and a public assessment of various investment options is undertaken. In countries where public debates have limited authenticity, an independent assessment that includes the perspectives of civil society in the EU should be undertaken.

Corruption enables individuals to supersede environmental and social frameworks and endanger the environment and equitable development of their societies. Different forms of corruption may be used to prevent appropriate regulations from being introduced and implemented. High-level political corruption can stop policies from ever being developed. Lower-level petty corruption can derail even the best designed policies.

Choosing policy options on the basis of only expert opinions allows scope for influence and creates mistrust in the process, particularly of affected populations. Criteria used for comparing options may not include the perceptions of marginalized communities, affected populations and the general public. It is recommended to establish a process of determining criteria that reflect the public's and civil society perception of social and environmental values of resettlement, loss of natural and cultural resources and allow a public application of such criteria.

This is particularly important given that the populations that are resettled are often unable to access or understand the language in which the reports on the EIA are prepared.

As a last point, TI recommends a review of the 'living' EIB "Environmental and Social Practices Handbook" on the internal processes and practices of the Bank, should be undertaken with interested civil society partners to ensure that these are strengthened.

We would also like to refer to our previous submissions to TI in 2005 on its public disclosure and information policy, its public information policy as well as in 2007 on "Policy on Preventing and Deterring Corruption, Fraud, Collusion, Coercion, Money Laundering and the Financing of Terrorism in European Investment Bank Activities" as well as to our working paper on Corruption and Renewable Natural Resources http://www.transparency.org/publications/publications/wp1_2007_corruption_renewable_resources