



The Extractive Industries Review (EIR)

The Position of the European Investment Bank

The European Investment Bank (EIB) is a policy driven public bank that aims to further the objectives of the European Union (EU).

EIB activities are guided by a concern for value added, with particular emphasis on promoting sustainable development throughout its global operations.

Although the focus of the lending activity of the Bank is in Europe, as a distinct EU and banking institution, the EIB has specific EU mandates also in developing countries that are the geographical focus of the Extractive Industries Review (EIR).

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Background

1. The European Investment Bank (EIB) is a policy driven public bank that aims to further the objectives of the European Union (EU). EIB activities are guided by a concern for value added, with particular emphasis on promoting sustainable development throughout its global operations. In 2003, the Bank signed loans for EUR 42 billion, of which over 90% were for projects located in the EU and its near neighbours. Although the focus of the lending activity of the Bank is in Europe, as a distinct EU and banking institution, the EIB has specific EU mandates also in developing countries that are the geographical focus of the Extractive Industries Review (EIR). In such countries, the EIB aims to promote strong governance, poverty reduction, the mitigation of environmental and social risks and the protection of affected people.
2. The Extractive Industries Review (EIR) was commissioned by the World Bank to address the issues raised by large and complex extractive industry projects in those developing countries with weak governance, which could involve misuse of revenues, the ineffective application of environmental and social safeguard measures and inadequate attention to the needs and rights of affected, including indigenous, people. The EIR is not concerned with developed countries, such as the Member States of the EU.
3. The Board of the World Bank Group (WBG) discussed the draft response of its management in early August 2004, agreeing broadly with the recommendations of the EIR. The central message was that while investment in extractive industries can contribute to sustainable development, the WBG should enhance its efforts in several areas and a number of reforms were proposed. The WBG Board, however, rejected the recommendation that the WBG should withdraw from investment in oil and coal in developing countries; the recommendation of the EIR included phasing out loans in the coal sector immediately and in the oil sector by 2008. There were no recommendations to phase out gas projects¹.

¹ Links to the different websites regarding EIR are:

The final EIR report: <http://www.eireview.org/html/EIRFinalReport.html>

The World Bank's response to the EIR final report:

[http://ifcln1.ifc.org/ifcext/eir.nsf/AttachmentsByTitle/FinalResponse/\\$FILE/EIRFinalResponse.pdf](http://ifcln1.ifc.org/ifcext/eir.nsf/AttachmentsByTitle/FinalResponse/$FILE/EIRFinalResponse.pdf)

The World Bank press release regarding the Board Response to the EIR:

<http://ifcln1.ifc.org/ifcext/eir.nsf/content/pressrelease2>

The EIB's Position

4. The EIB has carefully examined the EIR in the light of its lending objectives both within the EU and outside.
5. Within the EU and its near neighbours, the involvement of the EIB in the extractive industries is focused on financing crude oil and natural gas production in the North Sea and the Adriatic, pipeline transportation from these offshore areas to the mainland, Trans-European Networks (TENs) Energy Priority projects, such as cross-border gas pipelines, and limited support of electricity generation based on domestic coal. These projects are implemented in the context of support for EU energy policy, ensuring the security and diversity of energy supply. The Bank requires that all such projects comply with high EU environmental and social standards and support EU environmental objectives, in particular in the field of climate change.
6. Regarding EIB lending outside the EU, many of the recommendations of the EIR are consistent with the policy objectives of the Bank's external lending mandates. The EIB requires all its projects outside the EU to comply with its environmental and social policies².
7. The EIB believes that extractive industry projects can assist development provided that the necessary conditions for good governance and transparency are fully respected, along with the mitigation of any negative environmental and social impacts and the enhancement of positive opportunities for local populations. The Bank has implemented many of the measures proposed in the EIR. Moreover, the EIB has adopted reinforced guidelines and targets on issues related to renewable energy, transparency and governance, and environmental and social safeguards that are being implemented through the Bank's lending activity.
8. The EIB will, therefore, continue to lend selectively for sustainable projects in extractive industries in developing countries, in both the energy and mining sectors, including small-scale mining projects. At the same time, the Bank will reinforce its efforts to ensure that all projects it finances make their maximum contribution to poverty reduction through sustainable development.
9. Regarding investments in the energy sector, the EIB recognizes that priority must be given to the provision of reliable and affordable energy from diverse and secure sources, with gas expected to play a major role in the foreseeable future. In accordance with EU policies - in particular climate change mitigation, poverty reduction and sustainable development - the EIB is committed to increasing its support for the

² The EIB has recently published a new Environmental Statement : http://www.eib.org/Attachments/strategies/environmental_statement_en.pdf and a paper that describes its approach to social assessment in developing countries: <http://www.eib.org/publications/publication.asp?publ=164>

development of renewable energy and for energy efficiency. In the field of renewable energy, the Bank aims to double the share of renewable energy projects from 7% to 15% over the period 2002-2007; additionally, renewable energy lending should reach up to 50% of the Bank's total financing for new electricity generation capacity in the EU by 2008-2010. The Board of Directors of the Bank approved the latter target in May 2004, shortly before the Bonn Conference on Renewable Energy.

10. Concerning extractive industry projects outside the EU, the promoters will be required to apply standards comparable to those for such projects in the EU. The EIB ensures this, where necessary, through the appropriate screening and appraisal of projects, the promotion of good governance, a high level of transparency, the application of environmental and social safeguard measures, the respect of human rights and core labor standards, legal covenants and the monitoring of its projects during implementation and operation. The Bank appraises and monitors all its projects, often in collaboration with other project financiers.
11. The EIB acknowledges that careful selection is required in the identification, appraisal and approval of projects in extractive industries in developing countries. Enhanced monitoring during project implementation and possibly through operations is also necessary to ensure the goal of poverty reduction in the context of sustainable development is fulfilled. The Bank will work closely with other international organizations and financial institutions that apply best practices in this field, in the context of "harmonization", reflecting their respective capacities and capabilities.
12. The wide range of views on the role of and the best way of developing extractive industries in developing countries, covering such topics as governance sequencing and the role in general of international financial institutions, will continue to be the subject of debate and review in which the EIB intends to play an appropriate role. For this purpose, the EIR provides a valuable framework for future thinking and activity in this field.