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*Committee on Development*

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**2010/0101(COD)**

6.10.2010

# DRAFT OPINION

of the Committee on Development

for the Committee on Budgets

on the proposal for a decision of the European Parliament and of the Council  
granting an EU guarantee to the European Investment Bank against losses  
under loans and guarantees for projects outside the European Union  
(COM(2010)0174 – C7-0110/2010 – 2010/0101(COD))

Rapporteur: Thijs Berman

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## SHORT JUSTIFICATION

Article 208 of the Lisbon treaty states that the EU must "take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries." This is a commitment from the EU to avoid policy choices that undermine its salutary work in the field of development cooperation and, indeed, to pursue actions, across the policy spectrum, that will benefit developing countries. This applies to all EU institutions, including the EIB.

The vast majority of eligible countries under the EIB's external mandate are developing countries.

Consequently, it is fundamental that the underlying objectives of the EIB's external mandate should explicitly target poverty reduction. In addition, the EIB must align its external activities with the European consensus on development.

Achieving this aim will require a significant mentality shift within the bank's structures and a sizeable shakeup in the way it operates. If such a change of tack is to be successful, the EIB will need some limited additional human resources and expertise in the field of development.

In the interests of greater coherence in its actions, the EIB should aim, as a long-term goal, to harmonise the framework for operations in all developing countries, i.e. it should seek broad common thematic objectives both under its external mandate and in African, Caribbean and Pacific states.

### **Focus on the needy and disadvantaged**

The economic downturn has squeezed the entire planet. But it has hit poor countries hardest and, within them, the poorest and most disadvantaged groups are paying the highest price.

Therefore the EIB should consider allocating a greater proportion of its external lending to countries from Asia (home to more than two-thirds of the world's poor) and Latin America, ensuring that EIB projects effectively reduce poverty.

Moreover, the EIB should make special efforts to ensure disadvantaged groups, such as ethnic minorities, women and smallholder farmers, enjoy equal access to credit, particularly as loans to these communities can often have a significant multiplier effect.

It would be appropriate for the EIB to finance a greater share of its loans in 'lower-risk' countries without recourse to the EU guarantee, enabling it to use its guarantee to cover more loans in developing countries, where risks could be higher.

### **Access to credit and microfinance**

Some three billion poor people — half the world's population — lack access to basic financial services, such as credit, savings and insurance. As numerous innovative schemes (such as mobile-phone banking in Africa, for example) have shown recently, making it easier to access credit and microfinance, even on a very small scale, gives large numbers of people the chance to support themselves and their families and to create growth and jobs. With a relatively small

investment, microfinance can help unlock developing nations' enormous potential, offering a route out of poverty and a chance to break the vicious cycle of aid and dependency.

Therefore, the EIB should dedicate a larger part of its efforts in developing countries to promoting access to credit, to savings and to insurance for the poor, through rural development banks, cooperative banks and other microfinance institutions. It should aim to help fill the large gaps left by traditional financial institutions.

### **Climate change**

It is welcome that the EUR two-billion additional mandate is allocated to combat climate change. However, these loans must be backed up with new grants, in line with the EU's commitments at the 2009 UN Climate Change Conference in Copenhagen.

### **Coordination and cooperation**

One of the stumbling blocks that has hampered the effectiveness of EU cooperation with developing countries over the years has been a proliferation of actors and agencies, each with their own slightly different agendas, requirements and practices. Tight coordination and an efficient division of labour is therefore required between the EIB and other international financial institutions and multilateral development banks.

For maximum impact, EIB external activities must also dovetail with the Commission's development aid policies and the new external action service. This will mean enhanced cooperation mechanisms at EU level. Furthermore, the EIB should look at opportunities to leverage its loans through blending with EU grants.

### **Transparency**

Illicit capital flight costs developing countries billions of dollars every year in lost potential revenue. The EIB should look to build upon its current code of good practice and strongly encourage all recipients of its loans to practise the highest levels of transparency, notably through full disclosure of profits and taxes paid and country-by-country reporting.

### **Parliamentary oversight**

An enhanced external mission for the EIB must go hand in hand with enhanced parliamentary oversight, in order to uphold the democratic legitimacy of EIB operations. The EIB should therefore step up its reporting back to the European Parliament on all aspects under its external mandate, from operating guidelines and overall policy to practical implementation, including assessment of development-related aspects of projects and their respect for social, environmental and human-rights criteria.

## **AMENDMENTS**

The Committee on Development calls on the Committee on Budgets, as the committee responsible, to incorporate the following amendments in its report:

## Amendment 1

### Proposal for a decision Recital 12

#### *Text proposed by the Commission*

(12) **Moreover**, EIB financing operations should contribute to the general principles guiding the EU's external action, as referred to in Article 21 of the Treaty on the European Union, of promoting and consolidating democracy and the rule of law, human rights and fundamental freedoms, and to the implementation of international environmental agreements to which the EU is a party. In relation to developing countries<sup>9</sup> in particular, EIB financing operations should **foster**: sustainable economic, social and environmental development of these countries, particularly in the most disadvantaged amongst them; their smooth and gradual integration into the world economy; **the campaign against poverty**; as well as compliance with objectives approved by the EU in the context of the United Nations and other competent international organisations. The EIB should **gradually build up appropriate means to** adequately meet these requirements.

#### *Amendment*

(12) **More generally**, EIB financing operations should contribute to the general principles guiding the EU's external action, as referred to in Article 21 of the Treaty on the European Union, of promoting and consolidating democracy and the rule of law, human rights and fundamental freedoms, and to the implementation of international environmental agreements to which the EU is a party. In relation to developing countries<sup>9</sup> in particular, **an underlying objective for** EIB financing operations should **be the reduction of poverty through: fostering** sustainable economic, social and environmental development of these countries, particularly in the most disadvantaged amongst them; their smooth and gradual integration into the world economy; as well as compliance with objectives approved by the EU in the context of the United Nations and other competent international organisations. The EIB should **guarantee equal access to financial services, in particular for disadvantaged groups such as minorities, farmers and women. In order to** adequately meet these requirements **the Council shall guarantee an increase in EIB resources and staff.**

Or. en

#### *Justification*

*Under the Lisbon Treaty, development cooperation has been recognized as one of the elements of the EU's external action. The reduction of poverty has been recognized as the principle aim for development cooperation policy. The EU is thus required to take account of the objective of poverty reduction and eradication in all actions likely to affect developing countries. The external mandate of the EIB should reflect the EU policy objectives in third countries. It is logical that EIB investments in developing countries should aim at the reduction of poverty by fostering sustainable economic, social and environmental*

*development and by guaranteeing access to financial services for those who can not access financial services under normal market circumstances. The EIB needs more resources and staff in order to meet the requirements as set out under the Treaty of Lisbon. The internal capacity of the EIB needs to be strengthened and thus additional resources are needed.*

## Amendment 2

### Proposal for a decision Recital 13

#### *Text proposed by the Commission*

(13) Under this decision, the EIB should increase its development orientation in close coordination with the Commission and following the principles of the European Consensus on Development. This should be implemented through a number of concrete measures, in particular by reinforcing its capacity to appraise social and development aspects of projects, including human rights and conflict related risks, and by promoting local consultation. Moreover, it should increase its focus on sectors ***where it has sound expertise from financing operations within the EU and*** which will further the development of the country in question, such as environmental infrastructure including water and sanitation, sustainable transportation and climate change mitigation, particularly in renewable energy. The EIB should also progressively strengthen its activity in support of health and education as well as of climate change adaptation, where appropriate working in cooperation with other International Finance Institutions (IFIs) and European bilateral finance institutions (EBFIs). This will require access to concessional resources and a progressive increase in human resources devoted to EIB external activities. EIB activity should also be complementary to EU objectives and priorities relating to institution building and sector reforms. Finally, the EIB should define performance indicators which are linked to development

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Or. en

### *Justification*

*In order to guarantee equal access to financial services in developing countries, micro-entities have to be included as possible recipients of EIB investments. According to the Commission Recommendation 96/280/EC, micro-entities are a separate category of businesses, next to small- and medium-sized enterprises. Enterprises qualifying as micro entities employ less than 10 employees.*

## **Amendment 3**

### **Proposal for a decision**

#### **Recital 13 a (new)**

*Text proposed by the Commission*

*Amendment*

***(13a) The EIB should update its policy on offshore financial centres and go beyond the existing level playing field of OECD lists and take account of all jurisdictions that might allow tax avoidance or evasion in developing countries. The EIB should ensure that its supported projects are not based in secrecy jurisdictions, as defined by the Financial Secrecy Index. In order to ensure appropriate implementation, all beneficiaries should sign a legally binding agreement that prevents them from using secrecy jurisdictions whilst benefiting from EIB support. In cases where support is granted to financial intermediaries, the EIB should also ensure that all supported banks and other financial intermediaries have stringent safeguards in place against the use of offshore financial centres. This should include the disclosure of beneficial ownership of financial assets.***

Or. en

### *Justification*

*The existing OECD list of non-cooperative jurisdictions relies on weak criteria, such as the signature of 12 tax information exchange agreements. This is very insufficient and many*

*experts call for more stringent criteria to be adopted in order to identify secrecy jurisdictions. An alternative criteria and methodology have been developed by the Tax Justice Network in their Financial secrecy Index. The European Parliament has already called for more stringent criteria than that of the OECD to be applied by the EIB when using tax havens for investing in developing countries.*

#### **Amendment 4**

##### **Proposal for a decision**

##### **Recital 29**

###### *Text proposed by the Commission*

(29) In its financing operations outside the EU that fall within the scope of this decision, the EIB should endeavour to further enhance coordination and cooperation with IFIs and EBFIs *where relevant*, including, where appropriate, cooperation on sector conditionality and mutual reliance on procedures, use of joint co-financing and participation in global initiatives, such as those promoting aid coordination and effectiveness. The above efforts are to be based on reciprocity between EIB and other institutions and require an equivalent effort by the EIB and other financial institutions to be implemented effectively. In particular, the modalities for the implementation of EIB financing in the Eastern Neighbourhood and Partnership countries, Central Asia and Turkey are set out in tripartite Memoranda of Understanding between the Commission, the EIB and the European Bank for Reconstruction and Development.

###### *Amendment*

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Or. en



## Amendment 5

### Proposal for a decision

#### Recital 30

##### *Text proposed by the Commission*

(30) The reporting and transmission of information by the EIB to the Commission should be strengthened in order to allow the Commission to enhance its annual report to the European Parliament and the Council on the EIB financing operations carried out under this decision. The report should in particular assess the compliance of EIB financing operations with this decision, taking into account the operational guidelines, and include sections on added value in line with EU policies and sections on cooperation with the Commission, other IFIs and bilateral donors, including co-financing. Where necessary, the report should include references to significant changes in circumstances that would justify further amendments to the mandate before the end of the period.

##### *Amendment*

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Or. en

## Amendment 6

### Proposal for a decision

#### Article 3 – paragraph 1 – point a

##### *Text proposed by the Commission*

(a) ***Climate change mitigation and adaptation, as defined in Article 2(4).***

(b) Development of social and economic infrastructure, including transport, energy, environmental infrastructure and information and communication

##### *Amendment*

(a) ***Local private sector development, in particular support to small- and medium-sized enterprises.***

(b) Development of social and economic infrastructure, including transport, energy, environmental infrastructure and information and communication

technology (ICT).

**(c) Local private sector development, in particular support to small- and medium-sized enterprises.**

technology (ICT).

**(c) Climate change mitigation and adaptation, as defined in Article 2(4).**

Or. en

## **Amendment 7**

### **Proposal for a decision**

#### **Article 3 – paragraph 2 a (new)**

*Text proposed by the Commission*

*Amendment*

**2a. Reduction of poverty through sustainable economic and social development shall be an underlying objective for EIB financing operations in developing countries<sup>1</sup>.**

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<sup>1</sup> *As defined in the OECD list of ODA recipients (which include Least Developed Countries, Low Income countries as well as Middle Income Countries)*

Or. en

#### *Justification*

*Under the Lisbon Treaty, development cooperation has been recognized as one of the elements of the EU's external action. The reduction of poverty has been recognized as the principle aim for development cooperation policy. The EU is thus required to take account of the objective of poverty reduction and eradication in all actions likely to affect developing countries. The external mandate of the EIB should reflect the EU policy objectives in third countries. It is not more than logical that EIB investments in developing countries should aim at the reduction of poverty by fostering sustainable economic, social and environmental development and by guaranteeing access to financial services for those who can not access financial services under normal market circumstances.*

## Amendment 8

### Proposal for a decision Article 5 – paragraph 1

#### *Text proposed by the Commission*

1. The Commission shall develop, together with the EIB, regional operational guidelines for EIB financing under this decision. In drawing up these guidelines the Commission and the EIB **will** consult with the European External Action Service (EEAS) on policy issues, **as appropriate**. The operational guidelines aim to ensure that EIB financing supports EU policies, and shall take as a starting point the wider EU regional policy framework set by the Commission and the EEAS, as appropriate. Notably, the operational guidelines will ensure that EIB financing is complementary to corresponding EU assistance policies, programmes and instruments in the different regions, taking into account European Parliament resolutions **and** Council decisions and conclusions. The Commission **will inform** the European Parliament and the Council **of** the guidelines established. Within the framework set out by the operational guidelines, the EIB shall define corresponding financing strategies and ensure their implementation.

#### *Amendment*

1. The Commission shall develop, together with the EIB, regional operational guidelines for EIB financing under this decision. In drawing up these guidelines the Commission and the EIB **shall** consult with the European External Action Service (EEAS) on policy issues. The operational guidelines aim to ensure that EIB financing supports EU policies, and shall take as a starting point the wider EU regional policy framework set by the Commission and the EEAS, as appropriate. Notably, the operational guidelines will ensure that EIB financing is complementary to corresponding EU assistance policies, programmes and instruments in the different regions, taking into account European Parliament resolutions, Council decisions and conclusions **and the European Consensus on Development**. The Commission **shall report to** the European Parliament and the Council **on** the guidelines established. Within the framework set out by the operational guidelines, the EIB shall define corresponding financing strategies and ensure their implementation.

Or. en

## Amendment 9

### Proposal for a decision Article 6 – paragraph 1

#### *Text proposed by the Commission*

1. The EIB shall carry out thorough due diligence on development-related aspects

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of projects covered by the EU guarantee. The EIB's own rules and procedures shall include the necessary provisions on assessment of environmental and social impact of projects and of aspects related to human rights, to ensure that only projects that are economically, financially, environmentally and socially sustainable are supported under this Decision.

of projects covered by the EU guarantee. The EIB's own rules and procedures shall include the necessary provisions on assessment of environmental and social impact of projects and of aspects related to human rights, to ensure that only projects that are economically, financially, environmentally and socially sustainable are supported under this Decision. ***The Commission shall report annually to the Parliament on the outcome of the due diligence.***

Or. en

### *Justification*

*Due diligence forms the core of EIB project appraisal. In order for the European Parliament to scrutinise more effectively the transparency of EIB investments, the Commission should provide it with full and clear information on the outcome of the due diligence process.*

## **Amendment 10**

### **Proposal for a decision Article 6 – paragraph 2**

#### *Text proposed by the Commission*

2. In addition to the ex-ante assessment of development-related aspects, the EIB ***should*** strengthen its monitoring during project implementation, inter alia, on the development impact of the project.

#### *Amendment*

2. In addition to the ex-ante assessment of development-related aspects, the EIB ***shall*** strengthen its monitoring during project implementation ***and completion***, inter alia, on the development impact of the project.

Or. en

## **Amendment 11**

### **Proposal for a decision Article 6 – paragraph 2 a (new)**

#### *Text proposed by the Commission*

#### *Amendment*

***2a. The EIB shall update its policy on offshore financial centres and go beyond***

***the existing level playing field of OECD lists and take account of all jurisdictions that might allow tax avoidance or evasion in developing countries.***

Or. en

*Justification*

*The existing OECD list of non-cooperative jurisdictions relies on weak criteria, such as the signature of 12 tax information exchange agreements. This is very insufficient and many experts call for more stringent criteria to be adopted in order to identify secrecy jurisdictions. An alternative criteria and methodology have been developed by the Tax Justice Network in their Financial secrecy Index. The European Parliament has already called for more stringent criteria than that of the OECD to be applied by the EIB when using tax havens for investing in developing countries.*

**Amendment 12**

**Proposal for a decision**

**Article 10 a (new)**

*Text proposed by the Commission*

*Amendment*

***Article 10a***

***Secrecy jurisdictions***

***The EIB shall ensure that all supported banks and other financial intermediaries operate stringent safeguards against the use of secrecy jurisdictions.***

Or. en

*Justification*

*The existing OECD list of non-cooperative jurisdictions relies on weak criteria, such as the signature of 12 tax information exchange agreements. This is very insufficient and many experts call for more stringent criteria to be adopted in order to identify secrecy jurisdictions. An alternative criteria and methodology have been developed by the Tax Justice Network in their Financial secrecy Index. The European Parliament has already called for more stringent criteria than that of the OECD to be applied by the EIB when using tax havens for investing in developing countries.*