

A Civil Society's perspective on the role of the European Investment Bank (EIB) in the EU response to the COVID-19 outbreak and the post-crisis recovery

Counter Balance is a coalition of 9 NGOs whose mission is to make European public finance a key driver of the transition towards socially and environmentally sustainable and equitable societies. Over the last decade, we have been monitoring the operations of the EIB, including on topics like operations via tax havens or support to fossil fuels, and campaigning for the bank to undergo deep reforms. We are taking this opportunity to highlight some of the challenges and recommendations we identify in relation to the EIB's role in the EU economic recovery package.

Our main assessment is that **the EIB stands at a crossroads: either it continues its transformation into the „EU Climate Bank“ and becomes a more sustainable, democratic and transparent institution, or it sticks to business as usual and will miss a historic opportunity to set a precedent among financial institutions.**

The EIB will play a flagship role under the EU recovery package in response to the health crisis and its economic consequences.

It is important to highlight that commercial banks are already receiving a lot of liquidity to tackle this crisis, including through the European Central Bank. This means that the EIB has to focus on its specific job: supporting EU policies and priorities through investments demonstrating additionality. The EIB is not only a bank. It is a public bank, the financial arm of the EU, with a public, long-term mission. EIB investments are mostly long-term loans, not grants. Hence, the role that the EIB will play in the economic recovery has to be envisaged from that long term perspective.

Hence it will be crucial to ensure that its operations do not exacerbate social inequalities and the climate and environmental emergency. The additional funding should protect the most vulnerable people and small businesses rather than those responsible for the fragility of our societies.

Firstly, the objective to adopt the EIB's Climate Roadmap by the end of 2020 should be maintained. Indeed, the EIB should adopt an ambitious strategy to become the **“EU Climate Bank”** and set its long-term role in steering our economies on a more sustainable and fair path. The Climate Roadmap should ensure that its new counter-cyclical operations do not fuel projects and companies that run against the objectives of the Paris Agreement. Any investments with long lasting unsustainable lock-in effects must be prevented. Strong environmental and social standards, and the do-no-harm principle, should underpin all EIB operations, under its recovery package or not.

Secondly, it will be crucial for the EIB to **condition its financing** so that companies supported by the new measures, including under the guarantee fund, are able to withstand future crises. The EIB should take the necessary measures to prevent any company receiving EIB support from paying dividends to its shareholders, giving out bonuses to its CEO or from carrying out share buybacks. It must help compel companies to protect their employees, safeguard employments and offer decent working conditions. Then, it should require large and medium-sized companies to have a credible plan for decarbonising their activities, aligned with the objectives of the Paris Agreement.

Overall, past mistakes that contributed to the vulnerability of our societies facing the crisis - such as financing the privatisations of essential public services - should not be repeated. The EIB has a responsibility in this regard since it channelled public funds to support Public Private Partnerships in the health sector, for examples in Italy or Ireland.

This is a pivotal moment for EU public finance. The EIB, as the financial arm of the EU, must set its long-term trajectory: on the one hand, **contributing to the European Green Deal** and Just

Transition to address challenges facing communities and regions already left behind or struggling with a green transition, and on the other hand **becoming a more transparent and democratic institution** to fulfil its public mission in the interest of EU citizens and territories.

In this regard, the European Parliament has an important role to play to ensure that a transparency and accountability offensive takes place at the EIB. Recent revelations of the Luxembourg Times confirm some of our critical conclusions: at the time being, there are serious problems about the **control of EIB funds**, from weak due diligence around its clients' selection to the problematic handling of cases of fraud and corruption.

We call on the Parliament to ensure that EIB recovery plans avoid business as usual and secure greater investment in a carbon-neutral economy, offering social protection to the communities affected by decarbonisation. Monitoring the implementation of these recovery plans and making it transparent for citizens will also be an important task for the Parliament. If done right, public finance – and the EIB - hold a genuine potential for steering the ecological transition, tackling social inequalities, and improving the long-term resilience of our societies.