

Comments by the EUROPEAN INVESTMENT BANK (EIB) on the Safeguards Policy of the International Climate Initiative

Handed in: 11th February 2022

Dear Ms. Wolff, dear Mr. Kreuz, dear IKI Safeguards Team,

Thank you very much for consulting us on the IKI Safeguards Policy. We have thoroughly analysed it and would like to provide you herewith with our comments and questions:

1. Questions on scope of applicability / general questions:

- We understand that the IKI Safeguards Policy applies only to future projects after the policy becomes effective (article 14) and not to those for which BMU / BMUV funding has already been committed. Could you please clarify what “project” means in this context, considering that IKI funding is provided to the EIB by the BMU / BMUV on the basis of signed Contribution Agreements to trust funds (Gap Fund and IKI Fund, incl. three different earmarked contributions)? In line with the IKI definitions in the glossary, do we understand correctly that the term “project” applies at the level of the BMU / BMUV’s contractually committed contribution, in the form of a grant, to such a trust fund? So, the IKI Safeguards Policy would apply to any future new BMU / BMUV contractual commitment / grant contribution to a trust fund?
- The trust funds to which IKI funding is provided are open to multiple contributors in principle; the Gap Fund is already supported by a second contributor i.e. the Luxembourgish Ministry of the Environment. The contributors to these trust funds (i.e. BMU / BMUV and, in the case of Gap Fund, the Luxembourgish MoE) have in their Contribution Agreements accepted the EIB’s Partnership Platform for Funds rules, which include a reference to EIB’s standards and policies (incl. for environmental and social safeguards as explained in point 3 below), and rules related to the respective trust fund (“Fund Description”). To the extent that the funds provided to EIB trust funds support an EIB project, the EIB cannot deviate from these standards and policies specified in the Partnership Platform for Funds rules.
- It is not fully clear to us which requirements EIB would need to meet under the IKI Safeguards policy. According to our understanding, the EIB is not an IKI “implementing organisation” as per IKI definition (i.e. EIB is not directly implementing IKI funds with own staff). However, according to the IKI definition we understand the EIB would rather qualify as a “financial intermediary” (“a) *implementing organisations which establish a fund or other financial instrument through which it forwards funds to a particular project (e.g. KfW); b) banks, private equity funds, venture capital funds, micro-finance institutions or multilateral organisations which administer a multi-donor trust fund or other financial instrument in receipt of funds*”) and, as such, would fall under the scope of article 4.2 (“requirements for financial intermediaries”). Could you please confirm that this understanding is correct?
- With regards to the previous point, please note that the EIB’s Environmental and Social policy (the Policy, see point 3 below) specifies standards applicable to EIB’s financial intermediaries (for example, a layered fund or another financial institution, which are considered as a “financial intermediary” from the EIB’s perspective / according to the EIB definition and which may receive or be beneficiaries of IKI funding) as well as to EIB’s promoters. Therefore, in the application of article 4.2 of the IKI policy, it should be taken into account that the EIB requires its own financial intermediaries as well as promoters to comply also with a safeguards policy, namely the EIB’s Environmental and Social Sustainability Framework specified in point 3 below. For the avoidance of doubt, we consider

the EIB's Policy to be at least equivalent to the IFC Performance Standards (see further in 3 below).

2. Comments / questions on the IKI safeguards policy:

- We understand that the IKI safeguards are tailored to the International Finance Corporation (IFC) Performance Standards (PS). Consequently, they are not tailored to the above-mentioned EIB trust funds to which IKI funding is provided ("the IKI mandate"). Firstly, IFC PS are tailored to the private sector-profit sector, while the IKI mandate targets also the public sector. Secondly, the GCF's interim safeguards (i.e. the IFC PS) have certain gaps regarding human rights, gender, stakeholder engagement and climate. The IKI safeguards do not provide any guidance on how both BMU-ZUG or the implementing agency need to screen and assess potential adverse impacts on human rights, gender (from both an impact and protect point of view) and climate. Furthermore, no guidance is provided on what is 'consent' and when it is triggered in the case of Free Prior Informed Consent (FPIC) application. These gaps are also similar to the current GCF's interim E&S structure for instance.
- It is not clear why Performance Standard 1 (PS1) – Assessment of Environmental and Social risks – is not considered part of the IKI safeguards set. PS1 is the 'umbrella' standard, which, includes, but is not limited to, all requirements for stakeholder engagement and community participation timeframe.
- Considering that the GCF is currently going through a revision of its interim safeguards, how / to which extent will future changes in the GCF standards be applicable to the IKI safeguards?
- According to article 6.2.2 we understand that identified gaps are requested to be filled in a short timeframe. However, some studies would require a much longer timeframe (i.e. more than 12 months) especially in case of biodiversity studies. How can this be taken into account?
- On Indigenous People, the requirements are quite broad and are not always clear. They may benefit from a review as GCF Indigenous People policy is more stringent than IFC in this regard.
- Generally, the IKI safeguards policy document seems more like a 'procedures' manual in some places. It is not clear what the overarching objectives are and how the policy talks with the identified standards.
- In addition, please find some additional comments directly in the document attached.

3. Information on EIB's policy and standards:

- The EIB's Board just approved the EIB Group's new Environmental and Social Sustainability Framework (ESSF), consisting of the EIB Group Environmental and Social Policy (the "Policy", replacing the previous Environmental and Social Standards) and 11 Environmental and Social Standards (the "Standards"). The ESSF is published on the EIB website and will enter into force on 1 March 2022: [The EIB group Environmental and Social Policy](#)
- The ESSF describes the roles and responsibilities of both the EIB and its promoters or financial intermediaries with regard to assessing, managing and monitoring relevant negative impacts and risks, and maximising the positive impacts in the EIB projects. Notably, EIB carries out due diligence and monitoring as described in the Policy (or may delegate it, on a case-by-case basis and for specific projects, to another financing partner and may agree, on a case-by-case basis, to the use of all or part of the policies and procedures of the relevant institution, if these are considered materially consistent with EIB's Policy). Furthermore, EIB requires its promoters / financial intermediaries to comply with the Standards (and, where relevant, may provide technical assistance to assist the promoter in filling potential non-

compliance gaps). In both cases, a risk-based approach and a principle of proportionality applies.

- IKI funds provided through EIB trust funds contribute to a large extent to the preparation of projects (through provision of upstream technical assistance (TA) or advisory services (AS)), in many cases at such an early stage that neither the scope of the project is (fully) known yet, nor who will finance it (it may not necessarily be EIB, for example, in the case of Gap Fund). In such a case, where the IKI funding does not directly go into the financing of a project alongside the EIB's financing and the scope of the project is not yet established, the EIB applies a simplified risk assessment of the preparatory activity (TA or AS) carried out with the IKI funding. To the extent possible, for example, where elements of the future project are already known / a first project concept exists, elements of environmental and social risk assessment can be integrated in the TA or AS.

Thank you very much, again, for reaching out to us on the IKI safeguards and we stand ready for any further discussions on the topic.