



The Social Assessment of Projects outside the European Union ¹: the Approach of the European Investment Bank

Summary

- ◆ The European Investment Bank (EIB) takes social issues into account in its project related work. As their relevance is increasingly recognised, it has become necessary to clarify the existing practices and address them more formally alongside the economic and environmental assessment work of the Bank and to develop a more pro-active approach to social assessment. This work is currently focused on countries located outside the European Union (EU).
- ◆ Existing guidelines that are applied by the EIB in social assessment work outside the EU are based on established good international practices, with particular reference to the guidelines developed by other international financial institutions, as well as the requirements of relevant EU principles, practices and standards.

¹ The EIB undertakes social assessment in all its regions of operation except the EU; in the Acceding, Accession and Candidate Countries, social assessment is carried out, as circumstances require.

Social Assessment and Sustainable Development

According to the consolidated version of the Treaty establishing the European Community, the task of the European Union is to promote sustainable development (Articles 2 and 6). In 2001 - 2002, the European Council endorsed a number of documents in this respect, including a strategy for sustainable development outside the EU, which is currently under review. Sustainable development incorporates social as well as economic and environmental considerations, all of which are inextricably linked.

The social component of sustainable development is concerned with the general well being of people, including their rights, health, knowledge and skills. Just as environmental policy aims to protect and improve the natural and built environment, the rights and responsibilities of human beings should be protected and promoted.

A body of national, EU and international law, as well as international good practices and codes of behaviour, provide the context in which social concerns are addressed. In developing countries and emerging economies, where the legal and administrative environment may be weak, concern for the rights of locally affected communities has led international financial institutions (IFIs) to develop "safeguard" policies in, for instance, the fields of involuntary resettlement and indigenous people that are linked to potential threats to the well being of possibly disadvantaged groups in society.

Poverty alleviation is a key driver of EU policy in developing countries and emerging economies. There are often close relationships between economic and social concerns and the quality and sustainability of investments, the growth of a competitive market and job creation.

Social concerns may also be intertwined with the protection and improvement of the natural environment. In some cases, the relationship is direct, e.g. the effects of clean air and water on public health and amenity values. In others, it is indirect, e.g. improved resource management, including stakeholder participation in investment decisions, and the opportunities this affords for the pursuit of more sustainable livelihoods.

The Role of the EIB

As a European Community institution, the EIB finances a variety of investment activities that support sustainable development. The Bank carries out assessments of its projects to ensure that they are economically, environmentally and socially sustainable. Outside the EU, for instance, the Bank is providing investment finance through the EU Water Initiative launched at the World Summit on Sustainable Development (2002).

In recognition of the three inter-related pillars of sustainable development (social, economic and environmental), the EIB's Projects Directorate (PJ) already carries out an economic analysis as well as an environmental assessment of all projects considered for Bank financing.

- ◆ The **economic analysis** includes an assessment of any significant impacts on income distribution, including the likely impact on poverty alleviation. This attempts to quantify and value environmental externalities, where significant.
- ◆ The **environmental analysis** already incorporates a number of social concerns, such as occupational health and safety, as related to economic and environmental considerations.
- ◆ More recently, a broad **social assessment** has been introduced selectively according to the practices described in this note.

To varying degrees, the EIB is required by its external mandates to take social concerns into account in its project financing. For instance, the ACP-EU Partnership (the Cotonou Agreement) signed in 2000 states in Title 1, "Support shall be given to the rights of the individual ... the promotion of social development ...", and this is likely to increase in importance as the EU Africa Infrastructure Partnership evolves.

In this context, an adaptable Development Impact Assessment Framework (DIAF) has been launched to promote an integrated approach to assessment in the ACP region.

Ingredients of Social Assessment

There are a number of social concerns that arise with varying degrees of regularity in EIB operations in developing countries and emerging economies that are taken into account, both to fulfill the sustainable development objectives of the EU outside Europe, but also to protect the interests of the Bank. The approach of the Bank to social assessment in these countries is to integrate the analysis of selective social concerns into the economic cost-benefit and environmental assessment frameworks that already exist.

There are a number of existing good practice policies, procedures and standards for mitigating social concerns, including those that have been developed by IFIs to handle social assessment in developing countries. The general approach focuses on the identification of potentially adverse social impacts and associated mitigation and compensation measures.

Parallel to this, a more pro-active approach is evolving, to ensure that projects also have a beneficial developmental impact on surrounding populations that goes beyond mitigating their direct adverse human impacts. This includes greater attention being paid to issues of transparency and accountability, and to the development of a variety of voluntary principles, practices and standards for ensuring sustainability, such as regular social responsibility reporting.

EIB staff is provided with guidance on particular social concerns that is grounded in international good practices as well as relevant EU and international legislation, practices and standards. As experience in these fields is gained and practice evolves, this guidance is subject to periodic review. Current attention focuses on the potential impacts of investment projects on population movements and resettlement, and on vulnerable groups of various kinds. Attention is given to establishing acceptable labour standards, ensuring the health and safety of the workforce and of the surrounding communities. Emphasis is also placed on securing acceptable levels of consultation and participation with affected shareholders and stakeholders.

The general approach of the EIB has now evolved from mitigation of adverse impacts to wider considerations of the social opportunities that its projects might bring to the local communities and wider societies in which they are embedded. This includes such things as income generation and improved access to social and economic services for the poor.

Human rights and their associated responsibilities are an integral element of the concerns for both the mitigation of adverse impacts as well as the promotion of positive outcomes. The EIB encourages adherence to the various international conventions, and other laws governing the protection and promotion of human rights in the countries in which it operates, and will not disburse funds in a country that has been declared "off-limits" for EU financing.

Where occupational health and safety are significant issues in developing countries and emerging economies, the EIB may refer to EU law as a benchmark against which to judge the acceptability of national requirements. Dealing with communicable diseases (notably, HIV/AIDS, malaria and tuberculosis) is of particular concern, given changing disease patterns and the potential impacts on project performance.

The practices and standards advocated by various international and UN conventions, the inclusion policies of the EU and the safeguard policies of the major IFIs underpin the EIB's approach to the position of vulnerable groups (particularly women but also including minorities, indigenous peoples and excluded groups).

The EIB assesses core labour issues (related to abolition of forced labour, elimination of harmful child labour, freedom of association and the right to organise and bargain collectively and equality of opportunity and treatment) with reference to the Conventions of the International Labour Office (ILO) and the safeguard policies of the other major IFIs.

Physical cultural heritage issues are already assessed by the EIB within its existing environmental assessment framework; they may form part of a formal Environmental Impact Assessment (EIA), according to Directive 85/337/EEC, as amended by Directives 97/11 and 2003/35 (*on the assessment of the effects of certain public and private projects on the environment*). The Bank also refers to the requirements laid down in the Council of Europe Framework Convention on the Value of Cultural Heritage for Society, as well as major IFI guidelines.

Working in Partnership

Outside Europe, the EIB often co-finances large complex projects with either other IFIs and/or a major international European corporation. In such cases, the task of social assessment can be shared with these institutions to the extent that such partners are committed to the application of international good practices on social issues.