

## **The EIB's Early Approach to the Environment. The History of the Bank's Environmental Strategy from the 1970s to the 1990s.<sup>1</sup>**

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## 1. Introduction.

Climate action and environmental sustainability are now at the centre of the European Union's (EU) strategy, whose overarching goal is to make the EU climate neutral by 2050. They are also the top priorities of the European Investment Bank (EIB), which was established by the 1957 Treaty establishing the European Economic Community to be the Member States-owned "lending arm" of the European Communities (EC).<sup>2</sup> The new energy lending policy approved by the EIB at the end of 2019 aimed to increase the share of its financing dedicated to climate action and environment sustainability to reach 50% by 2025, and to align all its financing activities with the principles and goals of the Paris agreement, adopted in 2015. In November 2020, the EIB adopted the Climate Bank Roadmap, which sets out the guidelines to implement its climate and environment commitment (planning to exceed 50% of its overall lending activity by 2025 and beyond), and support both the long term goals of the European Green Deal, and the United Nations Sustainable Development Goals.

Through these and other initiatives, the Bank positioned itself on the front lines of one of the crucial challenges of our times. This study aims to explore the early approach of the EIB to environmental protection, intended as a new policy field that started to take shape in Europe in the 1970s. The study ends in the mid-1990s, when the entry into force of the Treaty of Maastricht and other factors initiated a shift in the Bank's environmental strategy. Drawing on the growing academic literature on the early stages of the European environmental policy, and on an extensive use of primary sources, this research will trace the relevance of environmental issues in the Bank's activity, by adopting a predominantly qualitative approach, thus resorting to descriptive and hermeneutical analytical methods.

The paper consists of five paragraphs: after the introduction, the second section provides a background of the emergence of the environment in the EC policy preferences, which is the framework in which the EIB operated. Paragraphs 3 and 4 focus on the activity of the EIB, through the analysis of the papers held in the Bank's archives deposited at the Historical Archives of the European Union (HAEU) and at EIB's headquarters in Luxembourg, as well as interviews with current and former EIB staff. Paragraph 5 concludes the study by linking the historical analysis to current developments in the Bank's discourse and strategy.

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<sup>2</sup> The term European Communities is used for the period until 1992, when the Treaty of Maastricht officially created the European Union.

2. The emergence of environmental protection in the European Communities policy preferences: from the Paris Summit to the Maastricht Treaty (1972-1993)

Up until the 1950s, the term "environment" was employed mainly to indicate one's surroundings, conditions or influences, e.g. having a good/bad work environment. Seventy years later, the word is at the centre of public debate, and takes up so many different meanings that it is sometimes difficult to define. In the broadest sense, biologically speaking, it encompasses the complex of physical, chemical, and biotic factors that characterize our planet; but in a more narrow, social and cultural sense, it hints at the relations between humans and nature.<sup>3</sup> In particular, the term became popular when such relations took on catastrophic features. In 1962, American biologist and writer Rachel Carson published a best-selling book, *Silent Spring*, where she described the destructive effect of pesticides and other chemicals on human health and the natural world. The book built on a growing awareness of the problems caused by pollution especially in industrialized areas, and contributed decisively to the birth of an environmental movement, as well as to the creation of the United States Environmental Protection Agency in 1970. Through the 1960s, rising concerns about crossborder air pollution convinced different international organizations including the Council of Europe, the Organization for Economic Co-operation and Development (OECD) and UNESCO to place environmental protection on their agenda. Under the initiative of the Swedish government, the United Nations (UN) General Assembly accepted a resolution on 3 December 1968 that called for a world conference on the human environment, which was prepared by different UN commissions around the world involving experts and scientists. The 1972 United Nations Conference on the Human Environment in Stockholm marked a breakthrough in the history of environmental protection, making the environment a global issue.

Historians and academics of other disciplines are currently writing the history of how environmental protection gradually became a hot topic in the political and public debate.<sup>4</sup>

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<sup>3</sup> See Gordon J. MacDonald, *Environment: Evolution of a Concept*. "The Journal of Environment and Development", 12/2, 2003, pp. 151-176, and Jan-Henrik Meyer, *From Nature to Environment: International Organizations and Environmental Protection before Stockholm*, in Wolfram Kaiser and Jan-Henrik Meyer (eds.), *International Organizations and Environmental Protection: Conservation and Globalization in the Twentieth Century*. New York : Berghahn Books, 2017. pp. 31-73.

<sup>4</sup> See recently Wenkel, Christian *et al.* (eds.) *The Environment and the European Public Sphere. Perceptions, Actors, Policies*. Biggleswade: The White Horse Press, 2021, and Wöbse, Anna-Katharina, and Patrick Kupper (eds.), *Greening Europe. Environmental Protection in the Long Twentieth Century. A Handbook*. Oldenbourg: De Gruyter, 2021.

These studies have already produced a number of relevant methodological results, by highlighting how environmental history must be written with a global perspective, and especially as a global framework where a variety of actors interplay, both on the institutional and on the non-institutional side. Research has also shown how the EC/EU transitioned from being a latecomer to a frontrunner in environmental policy from the late 1960s to present. It might prove useful to provide a short overview of the origins of this trajectory, until the Maastricht Treaty established an advanced European environmental policy, with a view to contextualizing the role played by the EIB in this area.

a. *Institutions and actors at the origins of a European environmental policy.*

The 1957 Treaty establishing the European Economic Community (TEEC) did not include any chapter on the environment. In the absence of binding legislation, European institutions took on a proactive role in implementing environmental measures, especially the Commission, the Parliament and the Court of Justice. On one hand, the Court of Justice of the European Union (CJEU) repeatedly argued that the Commission was legally allowed to propose policy measures related to the environment, on the basis of the internal market article (then Art. 100 TEEC) or the so-called catch-all article about the implied powers of the EC (then Art. 235 TEEC). During the 1970s and the early 1980s, the CJEU ruled in favour of the Commission in the cases against Italy and Belgium, which would not implement Council environmental directives, by arguing that environmental policy fell within the sphere of competence of the Community.<sup>5</sup> On the other hand the European Parliament (EP), which until 1979 was not a directly elected assembly and had few formal powers, used the activism and the policy entrepreneurship of its representatives to place the environment on the Communities' agenda. In particular, already in the early 1970s members of the Committee on Public Health and Social Affairs presented reports on the health consequences of pesticide residues in fruit and vegetables, and on the alarming pollution of the river Rhine. By combining reports and questions, MEPs pressed the Communities to take action in the environmental field.<sup>6</sup>

The engine behind the implementation of the first steps of a European environmental policy, though, was the Commission. After the 1969 summit of the Heads of State and Government of the EC Member States (the forerunner of the European Council) in The Hague, which called

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<sup>5</sup> The relevant cases were 91 and 92/79 (Italy) and 68-73/81 (Belgium). Further analysis in Ida J. Koppen, *The Role of the European Court of Justice in the Development of the European Community Environmental Policy*. EUI Working Paper, Florence 1992.

<sup>6</sup> For an in-depth analysis see Meyer, Jan-Henrik, *Pushing for a Greener Europe. The European Parliament and Environmental Policy in the 1970s and 1980s*. "Journal of European Integration History" 53/1, 2021, pp. 57-77.

for a re-launch of European integration and the extension of Community policies to other areas than the economy, the Commission started to work on the definition of a common environmental policy. In February 1971, it set up an "environmental work group", chaired by Italian Commissioner for Industrial Policy Altiero Spinelli and composed by prominent EC representatives, including Commissioner for Agriculture and Vice-President Sicco Mansholt.<sup>7</sup> Spinelli and Mansholt had different ideas on the implementation of an environmental policy. Spinelli, a committed federalist and co-author of the Ventotene Manifesto while in exile under Fascism, claimed that economic development and environmental measures should go hand in hand, with a view to enhancing the well-being of European citizens and preparing the way for a stronger political union. Mansholt, the Dutch Social Democrat who had launched the Common Agricultural Policy, had a different view: he thought that unrestrained economic growth would ultimately clash with the finiteness of natural resources and cause irreparable harm to the planet and its inhabitants.

Mansholt's approach, which had changed drastically from his 'productivist' origins, was influenced by the theses advanced by the Club of Rome from the late 1960s on.<sup>8</sup> The Club of Rome was an international group of intellectuals from industry, academia and society founded in 1968, in the wake of the impact of another seminal book written by a biologist in the 1960s, *The Population Boom* by German Paul Ehrlich (1968), which stressed the problems related to population growth. They started to sponsor interdisciplinary research related to long-range issues at world level, e.g. those of population, resources, and pollution, with the goal of providing background for relevant policies. The most relevant output of this strategy was a research project commissioned by the Club of Rome to researchers of Boston MIT, who published the now classical book *The Limits to Growth* in 1972. This book, translated in dozens of languages, criticized the growth paradigm, which had become hegemonic worldwide in the post-war era.<sup>9</sup> Although the research was criticized, especially by the economic world but also

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<sup>7</sup> Laura Scichilone, *The Origins of the Common Environmental Policy. The Contributions of Spinelli and Mansholt in the ad hoc Group of the European Commission, 1969-1972*, in Morten Rasmussen and Ann-Christina L. Knudsen (eds.), *The Road to a United Europe. Interpretations of the Process of European Integration*. Brussels: Peter Lang 2009, pp. 335-347; Christian van de Velde, *Environmental and Consumer Protection*, in Éric Bussière et al. (eds.), *The European Commission, 1973-1986: history and memories of an institution*. Luxembourg: Publications Office of the European Union, 2014, pp. 385-392.

<sup>8</sup> On Mansholt's productivist ideas see the references in Liesbeth van de Grift, Dietmar Müller and Corinna R. Unger (eds.), *Living with the Land. Rural and Agricultural Actors in Twentieth-Century Europe – A Handbook*. De Gruyter, 2022, *passim*.

<sup>9</sup> For the debates generated by the book see Ugo Bardi, *Limits to Growth revisited*. New York: Springer, 2011. See also Matthias Schmelzer, *The Growth Paradigm: History, Hegemony and the Contested Making of Economic Growthmanship*. "Ecological Economics", 118, 2015, pp. 262-71. The MIT researchers built a mathematical model representing the relationships between the five basic parameters that, in their view, would ultimately determine growth at a global level: population, agricultural production, natural resources, industrial production,

in academic circles, it became a point of reference for the cultural and political debate in the 1970s. As well as being widely quoted by new ecological and social movements, it made an impact on some politicians and managers as well, like Mansholt and the President of the World Bank, former US Secretary of Defense Robert McNamara. Mansholt had a splendid opportunity to broadcast his view at the 1972 Stockholm conference, where he delivered a speech as President of the Commission, a position he had taken at the beginning of that year, after the resignation of former Italian Commission President Franco Maria Malfatti.<sup>10</sup>

Notwithstanding the ideological differences, both members of the environmental work group agreed that the Commission should have authority over environmental matters. Spinelli lobbied actively in this regard in the run-up to the meeting of the Heads of State and Government, which took in place in Paris in October 1972. The Paris Summit mandated the Commission to formulate a number of proposals on the environment, thus basically initiating a European environmental policy. As per the Summit mandate, the proposals took the form of an action plan, which then became the first Environmental Action Programme (EAP). The Plan was prepared by a group of experts led by French former Euratom official Michel Carpentier, who explicitly drew on academic debates and existing national and international policies, like those of the Council of Europe and, most importantly, the Organization for Economic Co-Operation and Development.<sup>11</sup>

The first EAP (1973-1976) laid down the principles, which would remain at the core of the European environmental policy at least until the signing of the Single European Act (SEA) in 1986. They were the reduction of environmental degradation (especially water and air pollution), the maintenance of ecological balance, a rational use of natural resources, and the harmonisation of activities and standards across the European Communities in order to create coherence between Community and Member State policies. At the time, environmental action was mostly synonymous with anti-pollution action. The first EAP clearly stated that the polluter was responsible for the damage it caused, and had to pay compensation for it. The

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and pollution. The simulations showed that with a “business as usual” set of assumptions, economic growth could not be maintained throughout the 21st century: the gradual depletion of non-renewable resources, coupled with increasing pollution and population growth, would result in the peaking and the subsequent decline of the world’s industrial and agricultural production.

<sup>10</sup> See Jan van der Harst, *Sicco Mansholt: courage and conviction*, in Michel Dumoulin (ed.), *The European Commission, 1958-72. History and Memories*. Luxembourg: Office for Official Publications of the European Communities, 2007, pp. 175-178.

<sup>11</sup> Jan-Henrik Meyer, *Making the Polluter Pay. How the European Communities Established Environmental Protection*, in ID. and Wolfram Kaiser (eds.), *International Organizations & Environmental Protection. Conservation and Globalization in the Twentieth Century*. New York: Berghahn, 2017, especially p. 190 ff.

"polluter pays principle", which would become one of the flagship measures of European environmental policy, had the merit to reconcile the new attention to the environment with the crucial goal of the European Communities, that is facilitating the economic growth of the Member States via the creation of a common market. Industries had to include the cost of pollution, or to seek efficient solutions to avoid it while maintaining competitiveness on the markets.<sup>12</sup>

In the following decade, European environmental policy developed with legislation principally focussing on water, air, noise, waste and nature protection measures. The expansion of environmental legislation was supported, as well as by the rulings of the CJUE and the initiative of EP members, by a growing awareness in civil society, also triggered by environmental catastrophes like the industrial accident in Seveso (1976), when several kilograms of dioxin were released into the atmosphere due to an accident in a chemical factory in Northern Italy, or the Amoco Cadiz oil spill (1978), when the oil tanker Amoco Cadiz ran aground off the coast of Brittany, causing an oil spill which resulted in the largest loss of marine life ever recorded at the time. The first green parties were established in the late 1970s/early 1980s, first in Scandinavia and Belgium (around a social progressive Catholic movement founded by Jesuit Luc Versteyleen), and then more successfully in Germany, where the leader Petra Kelly became known internationally for linking environmental issues to disarmament, peace and human rights.<sup>13</sup> Also outside of politics, a modern environmental movement started to get organized in networks and interest groups. The new organizations approached environmental issues in a more comprehensive way than their early twentieth century predecessors, more focussed on aesthetic values and the protection of natural monuments or specific parts of nature.<sup>14</sup> The European Environmental Bureau (EEB) was founded in 1974, grouping a number (25 in the beginning) of Non-Governmental Organizations (NGOs) as diverse as the well-established British Conservation Society and a local group from Belgium, the Gents Aktiekomitee Leefmilieu.<sup>15</sup> The Belgian activists took the lead and found the support of the Commission to finance the network, which would also become an important interlocutor for the EIB, as we will see in following paragraphs.

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<sup>12</sup> Meyer, *Making the polluter pay*, demonstrates that this principle had already been discussed by other international organizations, especially the OECD.

<sup>13</sup> Emily van Houte (ed.), *Green Parties in Europe*. Routledge, 2016.

<sup>14</sup> Jan-Henrik Meyer, *Greening Europe? Environmental Interest Groups and the Europeanization of a New Policy Field*. "Comparativ", 20(3), 2010, pp. 83-104.

<sup>15</sup> See Jan-Henrik Meyer, *Challenging the Atomic Community: The European Environmental Bureau and the Europeanization of Anti-Nuclear Protest*, in W. Kaiser and J.H. Meyer, *Societal Actors in European Integration: Polity-Building and Policy-Making 1958-1992*. London: Palgrave MacMillan, 2013, pp. 202-209.

b. *The constitutionalisation of environmental policy, from the Single European Act to the Treaty of Maastricht.*

Environmental groups were important actors in the first piece of European environmental legislation in the area of nature protection, the 1979 Birds directive, which protected migratory birds threatened by traditional hunting patterns in the Mediterranean, as well as by the excessive use of pesticides, and the spread of electricity lines.<sup>16</sup> Unlike most other international organizations, the European Communities had substantial decision-making powers, thus becoming rapidly an interesting target for NGO lobbying. These powers, though, were still lacking a clear legal basis. All environmental legislation was based on the fact that it affected "the establishment or functioning of the Common Market", and on principles stated in the Rome Treaties concerning "the protection of human or animal life or health [and] the preservation of plant life", or "the essential purpose of constantly improving the living and working conditions of [the] peoples" (quotations respectively from Art. 100, Art. 36 and Preamble TEEC). This would not prevent the EC to pass important laws such as the Bird Directives and the 1985 Directive on Environmental Impact Assessment, which would prove important for the EIB (we will go back to this in the following paragraphs). At the same time, this would put obvious limitations to the range of action of European institutions. Things changed in 1986, when the Single European Act (the first revision of the Treaties of Rome) created an explicit legal basis for European environmental policy by adding a "Title VII – Environment" to the TEEC.

Title VII of the SEA incorporated most of the provisions laid out in the Commission's first EAP and its successors. Community goals were defined as preserving, protecting and improving the quality of the environment, helping protect human health, and ensuring rational use of natural resources. Precaution, preventive action, rectification of the source (preference should be given to tackling environmental damage where it originates) and polluter pays became official principles of European environmental policy.<sup>17</sup> A significant news was included in Art. 2, where it stated that "environmental protection requirements shall be a component of the Community's other policies". This principle of environmental integration, which would become a pillar of EU environmental policy, starts from the observation that decisions in other

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<sup>16</sup> Meyer, *Greening Europe?* p. 92 ff. See also ID., *Saving Migrants: A Transnational Network Supporting Supranational Bird Protection Policy in the 1970s*, in: Wolfram Kaiser, Brigitte Leucht and Michael Gehler (eds.) *Transnational Networks in Regional Integration: Governing Europe 1945-83*. London: Palgrave Macmillan, 2010, pp. 176-198.

<sup>17</sup> Tom Delreux and Sander Happaerts, *Environmental policy and politics in the European Union*, London/New York: Palgrave Macmillan, 2016.



policy domains, such as transport, agriculture, industry or energy policy, have important consequences for the environment. This is why environmental protection requirements must be integrated into the definition and implementation of any Community policies and activities.<sup>18</sup>

The establishment of Treaty basis for environmental policy led to a predictable expansion of environmental legislation and decision-making powers for European institutions. Directorate-General (DG) XI (Environment, Consumer Protection and Natural Safety), which had been established in 1981, expanded drastically in administrative units and staff from 1987 onwards. Despite this expansion, there was strong continuity in the senior staff, many of whom had started their careers in the forerunner of DG XI, the Service for the Environment and Consumer Protection created in 1973 and headed by French official Michel Carpentier.<sup>19</sup> The Commission was able to exert its powers more effectively, now that it should no longer rely for its legal justification on Articles 100 and 235. As the environment became more central in EC strategy, a number of new instruments were created to strengthen and implement environmental policy: in 1990, the Commission made a commitment to establish a European Environmental Agency (EEA), which after some delay became operative in 1993, with its headquarters in Copenhagen. The job of the EEA is to collect, verify and then provide the Commission with the background information needed to develop new legislative and policy proposals. Moreover, more funds were made available to finance environmental projects, which would then be grouped in 1992 in LIFE (*L'Instrument Financier pour l'Environnement*), a sort of structural fund for the environment. Financing was directed to projects aimed at the promotion of sustainable development and quality of the environment through new monitoring techniques, clean technologies, land-use planning and management, as well as protection of habitats and nature. This was consistent with a general preference to incentivizing business to adopt environmental measures – especially pollution-avoiding procedures – by economic arguments, instead of with direct regulation.<sup>20</sup> In 1992, the Council also adopted an important piece of legislation, the so-called Habitats Directive, on the conservation of natural habitats and of wild fauna and flora, with the aim to promote the maintenance of biodiversity accounting for economic, social, cultural and regional requirements.

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<sup>18</sup> Nele Dhondt, *Integration of Environmental Protection into other EC policies*, Europa Law Publishing 2003.

<sup>19</sup> Jan Henrik Meyer, *Environmental policy*, in Vincent Dujardin *et al.* (eds.) *The European Commission 1986-2000. History and Memory of an Institution*. Luxembourg: Publications Office of the European Union, 2019, p. 378.

<sup>20</sup> Delreux and Happaerts, *Environmental policy and politics in the European Union*, p. 153.

The change of the late 1980s was not only quantitative, but also qualitative. In 1983 the United Nations had established a World Commission on Environment and Development (WCED) with the task, among others, to propose long-term environmental strategies for achieving sustainable development to the year 2000 and beyond. The WCED soon became known as the Brundtland Commission, as it was called after its chairwoman, former Norway Prime Minister Gro Harlem Brundtland.<sup>21</sup> The report presented by the Brundtland Commission in 1987, entitled *Our Common Future*, would contribute to shape the discourse on the environment in the following decades. The new concept of sustainable development, which had originated mainly from a heterogeneous international group of experts gathered around the UN Environment Programme, became widely discussed in international organizations and forums, until it was popularized worldwide by the 1992 UN Conference on Environment and Development in Rio de Janeiro (also called the Earth Summit), twenty years after Stockholm. Although the interpretations of its defining features and impact on policies still flourish, the concept of sustainable development had the effect of shifting the discourse on the environment from a focus on pollution and nature conservation, to a more complex dynamic including the interaction of poverty with environmental degradation, the possibility of making environmental protection and economic prosperity mutually reinforcing, and the idea of development as something more than or different from the growth of GDP.

These ideas found fertile ground in European institutions, especially the Commission, the Council and the European Parliament, which were already walking along a similar path.<sup>22</sup> In the same years of the preparation of the Earth Summit, they were working on a major revision of the Treaties, which led to the signing of the Treaty on European Union (TEU), or Treaty of Maastricht, in 1992. With the TEU, the environment became one of the core policy goals of the newly founded European Union. Article 2 stated that one of the objectives of European integration was "to promote throughout the Community a harmonious and balanced development of economic activities, [and] sustainable and non-inflationary growth respecting the environment". Also importantly, Articles 130r and 130s allowed qualified majority voting to become the rule on most environmental matters in the Council, while the introduction of co-

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<sup>21</sup> Iris Borowy, *Defining Sustainable Development for our common future. A History of the World Commission on Environment and Development (Brundtland Commission)*. Routledge, 2014. See also Laura Fasanaro, *Sviluppo sostenibile e storia internazionale: riflessioni storiografiche, problemi metodologici e visioni politiche*, in Mariele Merlati and Daniela Vignati (eds.), *Una storia, tante storie. Studi di storia internazionale*. Milano: FrancoAngeli, 2019, pp. 255-280.

<sup>22</sup> Elke Seefried, *Developing Europe: The Formation of Sustainability Concepts and Activities*, in Wöbse and Kupper (eds.), *Greening Europe: Environmental Protection in the Long Twentieth Century*, pp. 389-417.

decision procedure for a wide range of policy domains, including the environment, significantly empowered the role of the EP as co-legislator. In other terms, with the TEU environmental policy gained a new and more prominent standing, thus marking the beginning of a new phase in the EU's approach to the environment. The Treaty of Maastricht was the engine behind the great expansion of EU environmental policy since the 1990s.

The fifth EAP (1993-2000) was another turning point, as on the wake of the Earth Summit, it placed a new stress on sustainable development, which defined as "continued economic and social development without detriment to the environment and natural resources".<sup>23</sup> The principle of sustainable development became officially embedded in EU Treaties with the Treaty of Amsterdam (1997), which also elaborated on the principle of environmental integration. Approximately twenty years after the early steps of an environmental policy, the European Union was on its way to become one of the world leaders in the field.

### 3. The European Investment Bank and the environment: the origins (1972-1983).

At the time of writing, in 2022, the EIB has an Environment, Climate and Social Office (ECSO), under the Sustainability and Quality Management division of the Project Directorate (PJ). ECSO employs about 40 people and is in charge of developing policy, procedures and guidelines, providing training and disseminating information on environmental issues, as well as assisting other departments of the Bank and the project teams, when requested. The staff come from different careers and academic backgrounds, including law, environmental, climate and biodiversity studies, chemistry, geology, agriculture and others.<sup>24</sup> The Bank also counts on an Environmental Assessment Group (ENVAG), composed mostly by engineers and economists trained by environmental experts, which oversees the application of environmental policies and procedures of the Bank within each financed project. As of 2021, the EIB Group created a Climate and Environment Advisory Council, to provide independent advice and expertise on the activities that the EIB Group is carrying out to reach its climate action and environmental sustainability ambitions.

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<sup>23</sup> Official Journal, C138, 17.05.93. See also Marc Pallemarts, *Developing more sustainably?*, in Andrew Jordan and Camilla Adelle (eds.) *Environmental Policy in the EU. Actors, institutions and processes*. London: Routledge, pp. 139-150.

<sup>24</sup> Interviews with current EIB staff. I thank in particular Environmental specialist Zuzana Kaparova, and former head of the Environmental unit Adina Relicovschi, who introduced me to the current structure of the Office.

This configuration is rooted in structural changes, which date back to the mid-1990s and were implemented in the early 2000s. This and the following paragraph aim to look further back in the past, through the analysis of the EIB archives, with a view to reconstructing for the first time the origins of the Bank's environmental strategy, both from an ideational and an organizational viewpoint.

*a. The first steps of the Bank's approach to the environment: general strategy and internal procedures.*

The first document from the Bank's archives that deals with environmental issues dates 2 July 1971. It is a note from an engineer of the Economic and Research Department (Département des Etudes, ET after the French acronym) to the department's director, German Horst Otto Steffe: The German engineer, Ackermann, mentioned an article by German newspaper "Der Spiegel", which harshly criticized a project financed by the Bank in 1969 for the modernisation of potash mines in Alsace, because of its environmental impact on the river Rhine. Ackermann listed four other projects that could possibly be detrimental to the environment and the Bank's image, and shared "the impression that no particular importance had been attached to the issue of environmental protection in the Bank", thus asking for immediate action.<sup>25</sup> After the green light by Steffe, the engineer went on to write a more elaborated memorandum, which he sent in the same month of July 1971 to the Management Committee (MC), the Bank's executive body composed by the President and three Vice-Presidents. The question of the protection of the environment, the memorandum stated, was gaining traction in the news and in international organizations, especially the OECD but also the European Communities (which had just set up the environmental work group). The Bank needed to take a stand in this field for three main reasons: its role as a European institution, the necessity to present a positive public image, and the long-term economic benefits, in view of possible legislative interventions by the EC.

A few days later, the Department of Technical Advisers (Direction des Conseillers Techniques, CT again after the French acronym, as was common in European institutions in the 1970s) urged the Bank to help companies realize anti-pollution installation, and to encourage

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<sup>25</sup> EIB Archives, Box 3.0124, Note from K. Ackermann to H. O. Steffe, 2 July 1971, my translation (the original document is in German). Following references, unless otherwise stated, come from the same box. The four projects concerned the construction of an antibiotics factory for livestock feed (AVIM I and II), of a lead-based antiknock mixtures plant for fuels (S.I.A.C.), and of an enzyme plant for detergents (Kali-Chemie II). See the project dossiers in EIB Archives, respectively 1966-7014 – CM 076 A.V.I.M. (IT), 1968-7012 – CM 098 A.V.I.M. II (IT), 1967-7018 – CM 086 S.I.A.C. (IT), 1965-7011 – Kali Chemie AG I (DE), and 1968-7025 – Mines de potasses d'Alsace. In a subsequent memorandum, three other problematic projects were mentioned, concerning the construction of polluting industrial and chemical plants.

technological research especially in the new sector of water pollution, with a view to "re-establishing the thermic and biological balance set by nature, now more and more altered [by human activity]".<sup>26</sup> This view was endorsed by the EIB's Department for Loans in Member Countries (PM): In a joint note of 26 July 1971, ET and PM asked the Management Committee to consider financing projects directed to environmental protection, especially in the water purification sector. Although they had never been a specific target, the Bank had some records to show in that respect, since some projects in the water sector (development of drinking water resources, construction of aqueducts and dams) had already been funded in the 1960s.<sup>27</sup> The Research Department followed up on the same subject with a note in June 1972, mentioning the ongoing work of the European Commission on environmental protection.

The Bank's staff, as these records show, approached environmental issues early on, in line with the developments in the EC and in international organizations. Other multilateral financial institutions were also a source of inspiration: In the Fall of 1972 an Economic Research Advisor from the Bank's Research Department, Jacquot, was invited by James Lee, Environmental Adviser of the International Bank for Reconstruction and Development (IBRD), also known as the World Bank, to a seminar on Environmental Considerations in Economic Development Projects to be held at the IBRD's European office in Paris. There, Jacquot grew acquainted with the state of the art of the other banks' environmental activities. The most advanced was the World Bank, which under President Robert McNamara was a leading actor in the field.<sup>28</sup> They had an in-house Environmental Service, Jacquot noted, as well as a thorough checklist to evaluate environmental projects, as did other development banks like the German Kreditanstalt für Wiederaufbau (KfW). Moreover, the institutions represented at the seminar showed familiarity with international debates broadcasted by the Stockholm conference: They tackled the discourse on the environment in new terms, in relation not only to the protection of natural resources, but also to a more complex human environment, composed by social and cultural factors.

External institutional examples, and internal pressures from proactive members of the staff, led the EIB management to take the first concrete measures. The French EIB President Yves Le

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<sup>26</sup> Note by M. Goffi, Director of Technical Advisers Department (CT) to the Management Committee, 15 July 1971, my translation (the original document is in French).

<sup>27</sup> A major project concerning the construction of the Pertusillo dam in Southern Italy had been financed from 1966 on, while the reinforcement of Luxembourg's water supply was financed in 1968. See the dossiers in EIB Archives, respectively Project 1968-7034 – CM 112 Pertusillo II (IT) and Project 1968-7009 Esch-sur-Sure.

<sup>28</sup> Patrick Allan Sharma, *Robert McNamara's other war: the World Bank and international development*. Philadelphia: University of Pennsylvania Press, 2017.

Portz addressed the Management Committee in December 1972, elaborating on a text prepared by the Research Department. He urged the Bank to follow closely the developments in European institutions, and to conduct an in-depth examination of the issue. The Bank's departments ET, CT, PM and PA (Operations Outside the Community) worked together and prepared a joint note for the Management Committee in January 1973. The note summed up the reflections of the last year and a half, and endorsed a broader definition of environment, which accounted for social and cultural factors. Moreover, it suggested some practical changes in the Bank's activity: Environmental concerns should be accounted for in every stage of the project, from appraisal to implementation, until completion. Moreover, the Bank should provide additional funding for specific parts of the projects concerning environmental protection, and finance projects explicitly directed to the protection of the environment, e.g. building water purification plants, anti-pollution filters, gas desulphurization, and development of new technologies.<sup>29</sup>

On the basis of this note, the Management Committee decided "to consider as eligible for loans from the Bank, under the title of common interest to several Member States, certain projects aimed at safeguarding the environment".<sup>30</sup> The EIB executive body referenced one of the competences that the TEEC and the annexed Protocol attributed to the EIB, that is to finance projects of common interest to several Member States (as well as projects in less-developed regions, or for modernising/converting outdated activities). Consistently with the policies implemented by other European institutions, then, the Bank found a way to develop an environmental strategy, notwithstanding the lack of statutory basis.

In line with this strategy, the first projects directed to environmental protection were financed in 1973 and 1974. The first one concerned the installation of equipment for the control of exhaust fumes and dust emissions in a steel factory in North Rhineland-Westphalia, while the second one dealt with the construction of a water purification plant, which would help reducing the pollution of the Rhine, close to the cities of Ludwigshafen und Frankenthal, where German chemical company BASF operated.<sup>31</sup> While this latter project was clearly concerning multiple Member States, as Rhine pollution was increasingly addressed as a European problem by the media and European institutions, the EIB's involvement in the former was based on the interest of the European Coal and Steel Community (ECSC) for environmental protection in the iron

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<sup>29</sup> EIB archives, Box 3.0124, Note ET/1176 of 9 February 1973.

<sup>30</sup> Minutes of the Management Committee meeting, 27 and 28 February 1973, my translation (the original is in French). EIB Archives, PV-CD-24-SG-9-1973, 27 and 28 of February 1973

<sup>31</sup> EIB archives, Projects 1973-7028 Stahlwerke Sudwestfalen (DE) and 1974-7015 BASF Grossklaranlage (DE).

and steel sector.<sup>32</sup> Therefore, Community interest in environmental protection was considered as a justification for EIB financing.

In the following years, water purification and installation of anti-pollution equipment would remain the focus of the EIB's investments in the environmental field. An important project was financed in 1975 and 1976, aimed at reducing pollution in the Gulf of Naples through the construction of sewers and water purification plants in the broader Naples area.<sup>33</sup> Until the early 1980s, though, there was no significant increase in the Bank's commitment towards environmental protection. Already at the end of 1974, the Research Department noted how the EC had adopted a much more restrictive and hesitating policy than in previous years, which was mostly due to the effect of the energy crisis.<sup>34</sup> In times of economic downturn, environmental protection was not high in the scale of priorities.

There were also no changes in the Bank's internal procedures: The EIB did not have environmental experts, and did not create a specialized environmental unit, on the model of the World Bank. The assessment of a project's environmental impact was a task of the engineers of the CT Department (technical advisers), who would usually dedicate a section of the project appraisal to "Environmental and economic interest", or "Project implementation and environmental aspects", when relevant. The appraisal file was the basis for the Management Committee's decision on the eligibility of the project, although other considerations concerning profitability and political appeal would often play a bigger role.<sup>35</sup> In case of favourable response, the European Commission would give its opinion on eligibility criteria, before the Board of Governor's final approval. The Bank engineer who was responsible for the project would follow its implementation and eventually write a project completion report, to assess whether the beneficiary of the loan met the original deadlines and goals.

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<sup>32</sup> On the degradation of the Rhine as one effect of its centrality to Europe's industrial and urban life see Mark Cioc, *The Rhine as a World River*, in Edmund Burke III and Kenneth Pomeranz (eds.), *The environment and world history*. Berkeley: University of California Press, c2009. pp. 165-190.

<sup>33</sup> EIB Archives, File 1.0531 1975-7048 CM 161 DISIN.GOLFO DI NAPOLI (IT). The project encountered several problems, leading to delays and rising costs, and was only completed in the 1980s. Other projects were financed in Italy (anti-pollution installations in steel complexes in Bagnoli and Taranto, in 1976 and 1977) and France (construction of a Ballast water cleansing plant in Brest): see EIB Archives, Files 1.0661 1977-7016 and 1.0914 1979-7053.

<sup>34</sup> See EIB Archives, Box 3.0124, Note ET 74/546 of 20 September 1974.

<sup>35</sup> Interview with Mr. Jean-Jacques Schul, Head of the EIB's Technical Advisory Service (CT) from 1990 to 1995, 5 September 2022. Former Head of the CT Department Hellmuth Bergmann also underlined how a negotiation between technical and financial departments would sometimes take place, under the radar and in a diplomatic way (leaving no trace in the project dossiers). Email exchange with Mr. Bergmann, 7 September 2022.

This system had the upside of streamlining the issue of environmental protection into any project under examination, as the Bank's representatives and official documents would regularly underline in the following decades.<sup>36</sup> At the same time, in practice there was no standardized and systematic procedure to assess the environmental impact, which was left to the expertise of individual engineers, and would usually consist in checking the compliance with EEC legislation in the field.<sup>37</sup> A checklist for the project's environmental assessment was later formalized by the Chief Technical Adviser from 1976 to 1990, German agricultural expert Hellmuth Bergmann.<sup>38</sup> Bergmann was the first “environmental expert” of the Bank: trained in agricultural studies at Humboldt University in East Berlin, he was hired as technical adviser for the agribusiness sector in 1963. Agricultural projects entailed an environmental dimension, i.e. concerning drainage, erosion control, improvement of the soil, and afforestation. Already in the 1960s, irrigation projects financed by the Bank, like one in Greece by the river Pinios, included an advanced drainage system to protect the soil.<sup>39</sup>

Environmental concerns, then, entered the Bank's orbit also in a practical, technical way, before the increased attention to the issue since the 1970s pushed the institution to deal with them more structurally. Bergmann trained regularly to stay up to date with the latest developments in the field, and participated to meetings with other development banks in the area of environmental protection, which familiarized the Bank with the employment of more advanced procedures and policies. This and another unexpected external factor led the EIB, in the early 1980s, to review its environmental strategy.

*b. Pressures from outside and from within: a report of the European Environmental Bureau and its reception.*

As the Bank became a relevant actor in the dawning European environmental policy, it came under the radar of the European Environmental Bureau, the network of European environmental NGOs established in 1974. In June 1978, the EEB President Louis-Paul Suetens

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<sup>36</sup> Among many examples, see the speech by EIB President Ernst-Günther Bröder (EIB President from 1984 to 1993) at the Meeting of Heads of Multilateral Financial Institutions in Berlin on 25 September 1988, in EIB Archives, Box 1.1047, File 7.2.7(2), and the 1996 Environmental Policy Statement, in HAEU, BEI-7117.

<sup>37</sup> Interview with Mr. Constantin Christofidis, 14 July 2022. Christofidis started working in the Bank in 1983 as Project engineer and later became Head of the Industry & Service Department.

<sup>38</sup> The first instance of the environmental checklist is in a dossier titled “CT Vademecum”: it is a document with no date, but probably from the early 1980s. I thank Mr. Bergmann for having let me consult this dossier, which is in his personal archive.

<sup>39</sup> EIB Archives, File 10129 1967-7001 Irrigation Pinois (GR) (1967). Bergmann did a study trip in the US in 1960, where he learned how detrimental bad soil management could be. Even if the environment was not an issue, he argued, it became part of his background by training and practice. Interview with the author, 5 July 2022.



wrote a letter to a contact of his in the EIB's Legal Department, asking the Bank to introduce the Environmental Impact Statement procedure, which was being discussed at the European Commission, in their project's appraisal. Although legislation in this respect would only be introduced in 1985 with the Directive 85/337/EEC, the letter ignited an interesting process concerning the Bank's environmental strategy.<sup>40</sup> EIB representatives from ET and PM Departments replied to the EEB President underlining the advantages of the Bank's environmental procedures: "You will no doubt be pleased to know that the EIB already invariably conducts an appraisal of the environmental effects of any project it considers for a loan or guarantee, and takes the result into consideration before making any decision". Made aware of this reply by Suetens, the British Secretary of Energy A.W. Benn inquired with the EIB President Le Portz whether such appraisal had been carried out for a nuclear energy project that had been recently financed in Great Britain. Le Portz's answer downplayed the claim made by the EIB's staff, by stating that "the Bank always tries to satisfy itself that the environmental implications of any project which it is examining have been adequately assessed".<sup>41</sup> In practice, then, the President acknowledged that the environmental impact assessment would sometimes be limited to checking the compliance of the project with national legislation, or that relevant national authorities had approved the paperwork. Suetens was not very satisfied with this information, and asked for a meeting with EEB representatives "so that we could form a better understanding of the actual procedures adopted by the Bank".

The meeting took place in June 1979 at the Bank's headquarters in Luxembourg: the EEB delegation was composed by 7 members, including the President and the Vice-President, while the EIB participated with 8 representatives from CT, PM and ET Departments, including Bergmann. The meeting report to the Management Committee was positive: it was a normal information meeting, with no intention to put the Bank under trial, which left the visitors satisfied. Satisfaction did not last long, though, since the following move from the EEB was public and critical towards the Bank, with a Memorandum published in December 1981. The Memorandum aimed at informing the Bureau's members about the activities of the EIB, which did not have a high public profile at the time. The tone of the document was neither hostile nor completely unappreciative of the Bank's efforts in the environmental field, but some critical

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<sup>40</sup> See the letter of 12 June 1978 and subsequent follow-ups in EIB Archives, Box 4.0161.

<sup>41</sup> In fact, no specific assessment of the project's environmental impact had been done in the appraisal phase: the technical adviser argued that "compte tenu des normes particulièrement strictes imposées par les autorités britanniques compétentes, l'influence sur l'environnement devrait être faible". See the file in EIB Archives, File 10719, Construction of Heysham nuclear power station near Lancaster 1977-7085 - CEGB Heysham I A (UK).

issues were highlighted. Again, the EEB invited the Bank to properly apply the Environmental Impact Assessment procedure, which at the time was still being discussed by the Council, and generally to be more transparent in its approach to environmental issues. Moreover, it highlighted the need to make the loans to non-European countries subject to the same stringent environmental conditions applied to the EC, and mentioned a few projects financed by the Bank, which were in contradiction with the Communities environmental policy, including the construction of a paper mill and a saw-mill in Turkey (leading to the destruction of woodlands), the cultivation of peatland in Eire, and the drainage of wetlands, a natural habitat of birds and wildlife, in Southern Italy.<sup>42</sup>

The EIB replied to the memorandum via a letter of President Le Portz to EEB Secretary General Hubert David in February 1982. Le Portz responded to the EEB's criticism with some general comments on the Bank's attitude towards the environment – "the EIB stands for economic growth but within a framework of respect for the environment and improvement in the quality of life" – and specific references to the Bank's records in environmental investments. In addition, the EIB President underlined how the memorandum had come out of the blue and contained some mistakes, which could have been avoided by a preliminary draft. This was in part the Bank's fault, since it had not invested much in public relations and communication of its activities up to that point. The letter was in fact anticipated by an internal document drafted by the AG Department (General Administration), which suggested to come up with an official response to the EEB, together with a proposal of a meeting, which was later set for April 1982. Moreover, it was claimed that the Bank should present its own standpoint on environmental matters in the following edition of the Bank's publication, EIB-Information.<sup>43</sup> This was the first step towards a more proactive and self-aware attitude of the Bank in presenting its environmental activity. In fact, the external pressure from a societal actor like the EEB contributed to convince the Bank that it was time not only to invest on a dissemination campaign, but also and more importantly to properly assess and possibly review its internal procedures.<sup>44</sup>

Peer pressure played a role in this development as well, as the Bank continued to learn from the experiences of other multilateral financial institutions. In February 1980, a large network

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<sup>42</sup> See the EEB memorandum and follow-ups in EIB Archives, Box 1.1047, File 7.2.7(1).

<sup>43</sup> The May 1982 issue of the EIB bulletin had in fact a long section (pp. 1-7) dedicated to the Bank's approach to environmental protection. See HAEU, BEI-4030.

<sup>44</sup> Bergmann recalled the meeting of April 1982, to which he participated as the main speaker on the Bank's side, as a crucial step in the evolution of the EIB's attitude towards the environment. Interview with the author, 5 July 2022.

of international development banks and institutions including the European Commission, the United Nations Development Programme, the World Bank and the Asian Development Bank had signed the Declaration of Environmental Policies and Procedures relating to Economic Development. The Committee of International Development Institutions on the Environment (CIDIE) was subsequently established, to monitor the implementation of the Declaration. The signatories stated that environmental protection and economic and social development were not only compatible in the long run, but also interdependent and mutually reinforcing. They committed (although the Declaration was not legally binding) to institute common procedures for the systematic examination of all development activities, including policies, programmes and projects under consideration for financing, as well as providing technical assistance on environmental matters to developing countries. The EIB was not part of CIDIE from the start, but began to be included in the meetings in the early 1980s. The Bank participated as external observer to the Brussels CIDIE meeting of April 1982, where Bergmann had the opportunity to lay out the EIB's procedures concerning environmental protection.<sup>45</sup> As a result of the networking efforts of its most proactive officials, the Head of CIDIE John A. Haynes wrote to the Bank's Technical Adviser Jacques Faudon, to gauge the EIB interest in signing the Declaration. The ET department drew up a note for the Management Committee in this regard in July 1982, arguing that the signature would be good for the Bank's public image, as well as providing opportunities for a closer relationship with other organizations, which were already working in the field of environmental protection. The MC gave the green light, and the Board of Directors' authorization came in October 1982: the EIB became one of the signatories of the Declaration during an official ceremony held at the EIB headquarters in Luxembourg in April 1983.<sup>46</sup>

As it had happened one decade earlier, then, a mix of external and internal pressures, and institutional examples, led the EIB to take further measures to improve its environmental strategy. A Working Group on the environment was established in 1983, with the goal to draw

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<sup>45</sup> Bergmann mentioned a checklist to be followed during project appraisal, with the following questions: "What aspects of the environment will be altered by the project? Of these changes, which will improve and which degrade the environment? 2) What irreversible changes may be caused? (disappearance of animal or vegetable species; impairment on the particular characteristics of, for instance, a valley etc.); 3) Economically speaking, what measures may it be possible to adopt to lessen the deleterious environmental effects or to enhance any beneficial ones? 4) How are the relative environmental costs and benefits spread between the various specific interest groups affected? 5) What kind of general strategy should be applied in assessing environmental effects?" At the time, though, this checklist was not formalized in project appraisal files, therefore resembling more a general guideline. See the document in EIB Archives, Box 1.1047, File 7.2.7(1).

<sup>46</sup> See the documentation in EIB Archives, Box 1.1047, File 7.2.7(1).

up recommendations for the Board of Governors: This would result in the 1984 Directives, which were supposed to mark a new phase in the EIB approach to the environment.

4. Greening the EIB? The slow evolution of the Bank's environmental strategy (1984-1995).
  - a. *The 1984 Directives of the Board of Governors and their impact on the Bank's green financing.*

The Working Group (WG) on the Bank's activity met on 26-27 July 1983. It was composed by members of the EIB Board of Directors, including the Commission's Director General for Economic and Financial Affairs, the Italian Massimo Russo, and chaired by Dutch Minister of Finance Paul Arlman. The WG discussed a note prepared by the ET Department on 7 July, which outlined the Bank's attitude towards the environment. According to the note, the Bank was committed to the issue by financing projects contributing to the protection of the environment, and by assessing the environmental impact of all financed projects. Concretely, this meant checking the compliance of a project, in the phase of appraisal, with international, European and national legislation, and possibly raising awareness about environmental requirements with the promoters. A more pragmatic approach was adopted for operations outside the Communities. The note suggested two possible developments in the Bank's attitude, also with a view to following in the footsteps of other multilateral development banks within the CIDIE network. The first proposal concerned the possibility to extend the eligibility criteria under the title of common European interest to the installations contributing to reducing the emissions of polluting substances, while the second suggested a more cogent application of the norms already in place, as well as a better coordination procedure with the Commission. This would allow in some cases to anticipate Community legislation, while in the (long) process of being drafted: an obvious reference was to the Environmental Impact Assessment directive, which had long been discussed by European institutions but was still stuck in the legislative process.

This internal note highlighted the existence of a gap between the Bank's discourse and practice, which had already emerged in the exchange with the EEB, and a cautious approach to the problem. In fact, one of the most proactive members of the Management Committee on

environmental issues, EIB Vice-President Horst Otto Steffe, expressed his dissent in writing.<sup>47</sup> The attitude of the WG was even more cautious, though. The minutes of the July meeting underline some disagreements between members, with some in favour of a stronger approach (like the German Federal Minister for Economic Cooperation Horst Moltrecht), and others who even assessed the Community environmental policy as "un peu trop exhaustive", since pollution issues should be addressed at national level.<sup>48</sup> In the end, President Arlman endorsed the report, but not the two mild concrete measures that were proposed. This was a symptom of a lack of initiative on the part of the Bank's internal bodies, in the absence of a clear public profile of the institution.

Nonetheless, the recommendations made by the WG on the basis of the note of the ET Department resulted in the 1984 Decision by the Board of Governors, which updated the Bank's environmental strategy a decade after the first decision on the subject.<sup>49</sup> The Bank decided to extend its eligibility criteria to a wide array of projects helping substantially to protect the environment, including anti-pollution installations not only at existing plants, but also at new ones, regardless of their location. The Board of Governors partly recovered one of the proposals made by ET, allowing for additional finance to be granted, amounting up to 10% of the total cost for fully financing the installation of anti-pollution equipment offering greater protection than that required under existing standards. Moreover, the Bank committed to insist on the strict application of provisions in national and Community regulations "and, in the absence of binding regulations, [to] strive for increasing awareness among promoters of the problems posed by the environment and the ways of solving them, notably with the aim of getting investors to adopt the least polluting designs they can afford without compromising the economic return on the project, and to plan projects in such a way as to allow the subsequent incorporation of adequate waste treatment facilities". Finally, the EIB committed to refrain from financing projects which seriously transgressed internationally accepted standards, and to join forces with other international and regional financing organisations and institutions in environmental matters.

The 1984 Decision by the Board of Governors, then, did not operate a sea change in the Bank's environmental strategy, but represented an important public statement, which outlined the

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<sup>47</sup> Minutes of MC meeting of 12-13 July 1983, in EIB Archives, Extract of Management Committee meetings with references from 1972 to 1984, partially declassified. Also Dutch Vice-President Pais (EIB Vice-President from June 1982 to June 1988), in a subsequent meeting, asked for a more proactive attitude of the Bank. See *ibid.*

<sup>48</sup> This was the position of the expert appointed by the Board of Directors, Du Rusquec. See the documentation in EIB Archives, Box 1.1047, File 7.2.7(1).

<sup>49</sup> See the text in EIB-Information, July 1987, p. 6, in HAEU, BEI-4052.

policy followed by the institution. As a consequence, the EIB investments in the area of environmental protection started to grow steadily, doubling for four consecutive years in absolute numbers from 1984 to 1987 (from 155 million ECUs to 1,3 billion), and growing from 4% of all investments in 1984 to 25% in 1993, considering both own resources and New Community Instrument (NCI) resources.<sup>50</sup> The Bank financed a wide array of projects, expanding the areas of intervention from air pollution control and water-related projects (which still accounted for the main share of the loans) to erosion and flood control, reforestation, urban and industrial waste processing, enhancement of the urban environment, and protection of cultural heritage.<sup>51</sup> The 1984 Decision was also updated in 1988, to officially include the enhancement of the urban environment among the eligibility criteria for the Bank's investments.

Among the financed projects, since 1985 the Bank supported large water purification schemes in Central and Northern Italy, in particular in the valleys of the rivers Po, Arno and Tiber. Urban and industrial development, as well as intensive agriculture, had had the effect of heavily polluting the rivers, resulting in chronic deterioration of the quality of water. The projects financed by the Bank in conjunction with Italian institutions aimed at building sewage and treatment infrastructure, to reduce pollution and thereby enhance the citizens' quality of life.<sup>52</sup> Water supply and sewerage schemes also attracted support in various counties in Ireland as well as in the UK. Some projects, though, did not meet the expected results, or encountered unforeseen obstacles. This was the case of one important project concerning major river flow and flood control works on the Arno River, financed in 1985 and again in 1988.<sup>53</sup> The construction of the Bilancino dam was supposed to protect the urban environment of valuable sites such as Florence and Pisa from flood risks, and to reduce pollution in the Arno River. The project appraisal was approved by the Board of Directors in December 1984: Here, the Bank's technical adviser referenced specific studies on the environmental impact of the dam carried out by experts from the universities of Bologna and Firenze, which gave a positive review of the project. The dam's construction began as planned, but it became operational only in the late

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<sup>50</sup> Aggregate data from EIB Annual Reports, calculated by the author.

<sup>51</sup> For a detailed breakdown see the Annual Reports, and two important documents written by EIB officials: H. Bergmann, *La banque européenne d'investissement et la protection de l'environnement. Politique et projets finances* (1988), and H. Christie, *The Bank's involvement in environmental financing* (1990), in EIB Archives, Box 1.1168.

<sup>52</sup> See the 1985 Annual report in HAEU, BEI-30, p. 29, and the report *Wastewater Monitoring in the Po Basin* (1992), under the framework of the Technical Assistance Program for the Protection of the Mediterranean, in HAEU, BEI-7123.

<sup>53</sup> EIB Archives, Projects 1984-0220 Arno Bilancino FIO (IT) and 1986-0850 Disinquinamento Arno/FIO.

1990s: long delays and large cost increases were due to the protests of the local population, who did not support the plan in its implementation phase.<sup>54</sup>

In 1987 financing was provided for works intended to safeguard the Community's cultural heritage, such as the restoration of the archaeological sites of Pompeii, Herculaneum and Stabiae and the Doges' palace in Venice (already financed in 1983). These projects contributed at the same time to protect cultural landmarks and the urban environment, as well as boosting tourism, in line with the Community interest to the protection of the architectural patrimony and the strengthening of the cultural sector.<sup>55</sup> Another major field of intervention, in line with the Bank's historical record, was atmospheric pollution, which at the time troubled European citizens especially in the form of black smoke and acid rain: the EIB funded several installations at coal-fired plants to reduce polluting emissions, especially in Germany where the regulations were particularly strict, but also in Greece and Italy. In the same years, the Bank increased the volume of loans outside the Community, for projects aimed at ameliorating water supplies, especially in Africa. In conjunction with other sources of bilateral or multilateral financing, the EIB supported the construction or improvement of existing water supply facilities in Brazzaville and Pointe Noire in the Congo, Lilongwe in Malawi, Harare in Zimbabwe and Cotonou and Porto Novo in Benin, as well as offering financing for sewerage and waste water treatment installations, with the goal of reducing the pollution risk and the ensuing consequences for the population's health.<sup>56</sup>

The increase and broadening of green financing since the mid-1980s also translated in the widening of the targeted areas, both within and outside the Community. All Member States benefitted from projects dedicated to environmental protection, but one region in particular became the focus of the Bank's investments: the Mediterranean.<sup>57</sup> The need for environmental

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<sup>54</sup> See the reports (technical appraisal, mission control, project completion) and other relevant documents in EIB Archives, File 1.2117 1984-0220. The EIB technical adviser Peter Bond argued that local citizens thought of the project more as a touristic lake than a water resource.

<sup>55</sup> See the project appraisal for the project in Venice in EIB Archives, File 1.1786 1982-0970 Palazzo Ducale/San Paolo. In the EIA directive of 1985, cultural heritage was explicitly quoted among the factors to be accounted for, when assessing the environmental impact of a project. See the Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment, in OJ L 175, 5.7.1985, pp. 40–48. Since 1986, the Bank's Annual Reports started dedicating one section to "Environment-Cultural Heritage", instead of "Environmental Protection", to assess the sectoral destination of the financed projects.

<sup>56</sup> See the 1987 Annual Report in HAEU, BEI-30, respectively p. 69 (projects outside the Community) and 29 (atmospheric pollution). An important project was implemented a few years later in Namibia, where the construction of a tannery factory was adjusted to allow for effluents treatment. This was a case in which the EIB project team was able to affect the decisions taken by the promoter, to account for environmental considerations. I thank Gudrun Leithmann, who authored the project completion report, for pointing this out to me in an interview with the author. See the project dossier in EIB Archives, 1992-1128 Okapuka Tannery (Namibia).

<sup>57</sup> This was consistent with the traditional focus on Mediterranean countries, Italy in particular, which had characterized the EIB since the early stages of its activity. See now Donatella Strangio and Paolo Tedeschi,

protection of the Mediterranean region had first been addressed by the United Nations Environment Programme (UNEP), which in 1975 established the Mediterranean Action Plan, with the goal to coordinate activities aimed at the protection of the marine environment in the Mediterranean. One year later, the Mediterranean countries and the EC adopted the Convention for the Protection of the Mediterranean Sea Against Pollution. The European Communities established its own programme in the 1980s, by launching the Integrated Mediterranean Programme (IMP, 1986-1993), which aimed at favouring the economic and social development of the region after the Southern enlargement of the Communities. The IMP established specific cooperation between the EIB and the Commission, with the result of 40% of the financing granted within the framework of the IMPs taking the form of loans.<sup>58</sup> The Commission also established a dedicated action programme (MEDSPA), which was then subsumed within the LIFE initiative in 1992.<sup>59</sup>

As well as cooperating with European institutions and financing dedicated projects in the interested countries, the EIB developed its own strategy towards the Mediterranean region in collaboration with the World Bank. Indeed, in 1987 the World Bank gauged the EIB's interest in participating in a joint evaluation study for a Mediterranean Environmental Protection Program, with the goal of providing a scientific basis to mobilize the financial resources required to implement the broad range of actions needed to tackle the Mediterranean region's environmental challenges.<sup>60</sup> The project resulted in a comprehensive study titled *The Environmental Program for the Mediterranean. Preserving a Shared Heritage and Managing a Common Resource* (1990), where the two institutions underlined how pragmatic action-oriented approaches were needed to halt and reverse environmental degradation in the region.<sup>61</sup> Following up on this assessment, the European Commission and UNEP launched the Mediterranean Technical Assistance Program (METAP), with the objective of supporting the

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*Developing Mediterranean Europe. The EIB and the financing of Italy and Greece from the 1960s to the 1980s*, in Lucia Coppolaro and Helen Kavvadia (eds.), *Deciphering the European Investment Bank. History, Politics, and Economics*, Routledge, 2022, pp. 50-70, and Antonio Bonatesta, *The European Investment Bank and the 'Mezzogiorno' in the context of regional development (1958-1973)*, Working Paper, EUI HEC, 2019/01.

<sup>58</sup> Dumoulin, Michel *et al.* (ed.), *The Bank of the European Union. The EIB, 1958-2008*, Luxembourg: European Investment Bank, 2008, p. 247.

<sup>59</sup> The EIB was also involved in the MEDSPA programme since its inception, as witnessed by a memorandum of 30 June 1988: see Note to MC, 26 February 1987, in EIB Archives, Box 1.1047, File 7.2.7 (2).

<sup>60</sup> See the first note of ET to MC on 26 February 1987 in EIB Archives, Box 1.1047, File 7.2.7 (2). The Management Committee approved the proposal on 4 March 1987.

<sup>61</sup> I consulted a copy of the report in the EIB archives in Luxembourg. The first drafts of the report were not satisfactory for the EIB (several critical comments were made by Bergmann), because it did not set priorities for investments in environmental improvement: see EIB Archives, Box 6.1212. The EIB produced four newsletters, from 1990 to 1992, to update the public on the results of the programme: see HAEU, BEI-7113, 7114, 7115 and 7149.



development of environmental projects, strengthening the environmental management capacity and establishing sound environmental policies in the Mediterranean region. The World Bank and the EIB were associated to the programme, to provide assistance with project preparation.<sup>62</sup>

The cooperation with UNEP, the World Bank and other multilateral financial institutions also contributed to familiarize the Bank with the new vocabulary of environmental sustainability, which had been introduced in the public debate by the Brundlandt Report in 1987. The first mention of the Report and of the concept of sustainable development in the Bank's archival sources is in a note signed by Bergmann after its participation to the ninth meeting of the CIDIE network in Washington, in June 1988. Bergmann wrote that the Brundtland report was "the first to acknowledge that successful protection and improvement of the environment is possible only if combined with economic growth in developed and developing countries", and that economy and ecology should be viewed as two sides of the same coin and not as conflicting elements. An endorsement of this approach was later given by EIB President Bröder in a speech at the meeting of heads of multilateral financial institutions in Berlin, in September 1988.<sup>63</sup>

This considerable expansion of investments and initiatives in the field of environmental protection had the effect of raising the profile of the Bank, which came back under the radar of environmental NGOs, after the first exchanges with the EEB in the early 1980s. Once again, this external pressure would have been instrumental in accelerating the development of the EIB's environmental strategy.

*b. Criticism and calls for change: the 1992 WWF's audit and the role of environmental NGOs.*

In the late 1980s, one of the major environmental NGOs in terms of resources and influence, the World Wildlife Fund for Nature (WWF), began to be interested in the EIB strategies and activities. WWF was founded in 1961 to raise funds in order to protect endangered species and preserve the wilderness from the impact of human activity. Later the NGO expanded both its organizational structure – once large funds became available, especially since the 1970s – and its scope, to cover all areas of environmental protection. In 1989 the organization set up a specialised advocacy office in Brussels, on the initiative of British activist Tony Long, and

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<sup>62</sup> See the Activity reports for 1990 and 1991 and a *fiche d'information* on METAP in HAEU, BEI-7124, 7125 and 7126.

<sup>63</sup> See Bergmann's report and Bröder's speech in EIB Archives, Box 1.1047, File 7.2.7 (2). The Bank would also participate in the 1992 Rio Conference, which popularized worldwide the concept of sustainable development. See the notes on the Bank's preparation for the Earth Summit in EIB Archives, Box 1.1168.

soon made contact with the EIB in order to assess its environmental policy. A first draft of an "environmental audit" was already prepared in 1989 by a temporary employee of the NGO, and shared with the Bank: after the critical remarks of CT and AG departments, which highlighted several factual mistakes, the report was not made public.<sup>64</sup> In early 1992 the project was resumed, when a WWF officer visited the Bank and met with representatives from CT and AG to collect information. The draft report "The Greening of the European Investment Bank" was circulated after a few months, and extensively commented by EIB high-level officials, like the Head of CT Department Jean-Jacques Schul and the Head of the CT infrastructure service Peter Bond. When the report came out in late 1992, then, it was no surprise for the EIB; all the same, it created little shockwaves in the institution.

The WWF study aimed at assessing the EIB's environmental procedures, now that the Bank had become "the largest international financing institution of its kind".<sup>65</sup> The first part of the report presented an accurate portrait of the EIB's mission and operations, while the second addressed the critical issues in the institution's environmental strategy. Three main problems were identified: the Bank did not disclose enough information about the procedural framework of a project's environmental review; the consultation between the EIB and the Commission on the environmental aspects of project lending appeared to be superficial and incomplete; there was no general review of the impact and effectiveness of the Bank's environmental lending. Following up on this assessment, the WWF made nine recommendations to the EIB, starting from the request to review and update the 1984 Board of Governors' decisions, to include the development and implementation of procedures for systematic environmental assessment for all lending activities, and a commitment to the goal of sustainable development. Furthermore, according to the report, the Bank should evaluate the quality and impact of its environmental projects, in a broader effort to become more accountable to the public. Although the current features of the environmental appraisal had some merits, the Bank should also strengthen environmental education among its engineers, and consider hiring environmental specialists to provide expertise and training for its staff. Finally, the relations and exchange of information with the Commission should be improved, with a view to saving both time and resources, and contributing to the enforcement of the EU environmental policy.

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<sup>64</sup> This episode and subsequent follow-ups have been reconstructed, unless otherwise referenced, from EIB Archives, Boxes 1.1502 and 1.1047.

<sup>65</sup> The report can be consulted in EIB Archives, Box 31.CO19.

It was not the first time that the Bank had to deal with this kind of comments – some of them were already outlined in the EEB's memorandum one decade earlier –, but this time they came from a NGO with a wide and growing visibility. The report was presented to the public in Edinburgh on 10 December 1992, at the presence of the head of WWF's European office Tony Long, and two representatives of the EIB, Schul and Post, who defended the Bank's activities and received some positive comments from Long about the Bank's general commitment towards the environment.<sup>66</sup> At the same time, the report ignited a discussion within the EIB, which would eventually lead to concrete changes in the Bank's environmental strategy. In fact, while some would see no need for a reply to the WWF, since the EIB was not a policy-maker and should not be the target of lobbying, others made the case for a thorough reflection on, and proper response to the report's criticism, both to maintain good relations with NGOs and to act on the relevant observations.<sup>67</sup> In particular, on 15 July 1993 the CT Department submitted a long note to the Management Committee concerning the WWF report and the Bank's environmental policy.<sup>68</sup> Here, five actions were proposed: the first was the updating of the 1984 Decisions, to account for the developments in the European environmental policy after the Treaty of Maastricht, as well as the publication of a specific text on the environment and a re-elaboration of the environmental check-list. The second and the third proposal concerned strengthening project evaluation, and carrying out an assessment of the EIB's environmental projects. The last two recommendations dealt with communication activities: the EIB should broadcast better its environmental action in the yearly reports and other publications, and generally adopt a more transparent attitude, as underlined also by other international financial institutions within the CIDIE network. Finally, the Bank's staff defended the long-standing decision not to create a specialized environmental unit, based on the principle that "la responsabilité en la matière doit être exercée par les agents directement concernés" and the fact that it was economically more efficient. At the same time, they asked for a better coordination between departments, also with a view to dealing more proficiently with NGOs. We'll see how most of these suggestions would be implemented in the major organizational restructuring that

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<sup>66</sup> EIB Archives, Relevé quotidien (RQ) AG/Inf/92-331, 14 December 1992.

<sup>67</sup> The first position was outlined by Head of the Department for Operations outside the Community Michel Deleau in an internal note dated 12 January 1993: EIB Archives, Box 1.1502.

<sup>68</sup> EIB Archives, Box 1.1502, Note CT/93, "Rapport du WWF International "Greening the EIB" (décembre 1992) et politique de la BEI dans le domaine de l'environnement". The note had been elaborated after consultation with PM, PA, ET, JU and AG departments.

took place by the mid-1990s. Pressure from NGOs was not the only factor that accelerated this change, but certainly contributed to shape it, as the reactions to WWF report demonstrate.<sup>69</sup>

As the EIB raised its profile and investment portfolio in the 1990s, other networks became interested in the Bank's environmental strategy, calling first and foremost for a greater transparency in its internal procedures. At the beginning of the decade, relations between environmental NGOs and the EIB were regular but not formalized: the organizations would ask for statistics on certain operations (like financing of pesticides in developing countries, the request coming from Greenpeace), or denounce the ecological damage done by certain projects. In turn, they would help the Bank with their expertise on specific issues, or in the selection of consultants.<sup>70</sup> WWF was not the only one inquiring about the Bank's environmental procedures, as the international network of environmental organizations Friends of the Earth also got a detailed reply on the matter from the EIB in 1992. Schul and Karl Georg Schmidt, Head of the Information-Public Relations Division, defended the choice to entrust the project team with all aspects of the project's assessment, environmental included. They also mentioned the presence of a "methodologist" with special experience in environmental matters, who would assist the engineers when needed.<sup>71</sup>

Following up on the recommendations made by the CT department in 1993, relations with NGOs started to be institutionalized with regular yearly meetings since 1995. This was also part of the strategy envisioned by the new EIB President, Sir Brian Unwin (1993-1999), who wanted to raise the public profile of the Bank.<sup>72</sup> In the following years, one organization in particular would press the Bank to implement changes in its environmental strategy, i.e. the newly founded network of grassroots, environmental and human rights groups in Central and Eastern Europe, Bankwatch. In December 1999, Bankwatch published a policy paper in cooperation with the Heinrich Böll Foundation, titled "The European Investment Bank:

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<sup>69</sup> The importance of the NGOs' role as watchdogs has also been recalled by Peter Carter – who would become the EIB's environmental coordinator in 1995 – in two conversations with the author, in March and July 2022. See also Helen Kavvadia, "The European Investment Bank's 'Quantum Leap' to Become the World's First International Climate Bank". *Politics and Governance (Cogitatio)*, 9/2, 2021, p. 191.

<sup>70</sup> Note from B. Gerardin (Technical Advisor) to M. Curwen (Manager of Corporate Affairs), 16 December 1991, in EIB Archives, Box 1.1502. The new head of the CT Department, Jean-Jacques Schul, also insisted for the establishment of regular contacts with NGOs. He recalled that the "exchanges remained undoubtedly mutually enriching and should be an essential component of any environmental programme" (interview with the author, 5 September 2022).

<sup>71</sup> Letter from K. G. Schmidt (Head of Information and Communications) and J.-J. Schul to Tim Jenkins of Friends of the Earth, 2 July 1992, in EIB Archives, Box 1.1502. Although there is no mention of a name for the position of environmental methodologist, it is possible that this was one of the tasks assigned to the coordinator of the Technical Advisory Service, Jean-Jacques Schul. I thank Peter Carter for pointing this out, and Birgit Olsen for the double-check in the EIB archives.

<sup>72</sup> This has been underlined in particular by Peter Carter, in the conversations with the author.

Accountable only to the Market?" with the goal to raise public awareness about the EIB and further contribute to enhance its environmental and public accountability standards, notwithstanding the organizational changes implemented in the mid-1990s.<sup>73</sup> We will come back briefly to this report in the next section, after analysing the last factor which explains such changes, that is a new relationship between the EIB and the Commission in the evolving framework of the European environmental policy.

*c. Inputs from the Commission and the opening of a new chapter after the Treaty of Maastricht.*

Article 21 of the EIB Statutes, first annexed as Protocol to the Treaties of Rome, disciplined the role of the Commission (then of the European Economic Community) vis-à-vis the EIB. The Commission had the right to appoint one member of the Board of Directors, and could act as intermediary in the applications for loans or guarantees. Furthermore, it was entrusted with the task to give its opinion, within two months, on the eligibility of applications presented through the intermediary of a Member State, or by private enterprises. In case of unfavourable opinion, the Board of Directors could only grant the loan or guarantee by means of unanimous vote, the director appointed by the Commission abstaining on this occasion, and only with the previous approval by the Management Committee. Finally, the Commission had a less formal but crucial role as initiator of EC legislation, which would then constitute the framework and orient the political priorities of Bank's decisions.

Despite these provisions, the institutional relations between the EIB and the Commission had been less than tight until the mid-1970s. In 1976, for example, the EIB President Yves Le Portz wrote to the Commission's President François-Xavier Ortoli complaining about a memorandum, which criticized the preference given by the EIB to major borrowers and enterprises in the public sector, and gave "the impression that the Commission and its departments are seeking to exercise the role of 'guardian' of the Bank". This misunderstanding could have been avoided, according to Le Portz, with a better coordination between the two institutions.<sup>74</sup> Following up on this request, regular high-level meetings became to be organized, once or twice per year (the first one was in November 1975). Meetings at department

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<sup>73</sup> I consulted the paper in the EIB archives in Luxembourg: EIB Archives, External Communications, Press cuttings.

<sup>74</sup> Letter from Le Portz to Ortoli, 9 June 1976, in EIB Archives, Box CA-692-11. The fact that "in the past and perhaps still there were problems of contacts between the services of the two organizations" had also been underlined in an earlier meeting between the EIB and the Commission on 27 February 1976. See the minutes *ibid.*

or service level were also organized, although not on a regular basis.<sup>75</sup> In the mid-1980s EIB President Bröder reiterated the request for a better strategic coordination, in particular in view of the renovation of the Community's financial instruments, which would affect the work of the Bank.<sup>76</sup> The Delors Commission, which had started its first of two mandates in January 1985, was in fact very active in creating a new political initiative for the Commission, with a view to establishing a single market by 1992 and pushing to reform the institutional system in order to reach this goal.<sup>77</sup>

In this period of profound changes for the European Communities, which also underwent a significant process of enlargement, the EIB found its place in the EC institutional framework by becoming one of the main instruments to implement regional and cohesion policies, in coordination with the Structural Funds.<sup>78</sup> This was not at all granted by the mid-1980s, when a memorandum from the EIB addressed the "Problems between the Commission and the EIB", mentioning a lack of dialogue, and the fact that the Commission tended to resort to its own financing instruments rather than rely on the Bank.<sup>79</sup> A common line action was found in the late 1980s, when a series of regulations set out the conditions for cooperation between the Commission and the Bank: an agreement was reached in June 1989 concerning operational guidelines for the way in which loans issued by the EIB were combined with subsidies granted by the Structural Funds for infrastructure investments.<sup>80</sup> The cooperation was strengthened by the Treaty of Maastricht, which explicitly mentioned the EIB as one of the crucial instruments to implement one of the core goals of the newly founded European Union, i.e. to enhance economic and social cohesion. The Commission-appointed members of the Board of Directors (one regular and one alternate) were very active in this phase, particularly by drafting a paper about future perspectives for the EIB following the Treaty under discussion.<sup>81</sup>

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<sup>75</sup> The first contact with the newly created Service for the Environment and Consumer Protection was in 1973: see the ET note of 27 November 1973 in EIB Archives, Box 3.0124.

<sup>76</sup> Letter from EIB President Bröder to Commission's President Jacques Delors, 5 June 1986, in EIB Archives, Box 6.1320.

<sup>77</sup> On the Delors Commission see Eric Bussière, "Jacques Delors et l'Europe: vers la politicisation des enjeux économiques (1985-1995)?" *Studi storici*, 1/2021, pp. 159-187. Delors appointed one member of the Cabinet, the Spaniard Abel Matutes, to deal with the relations with the EIB, as well as with financial engineering.

<sup>78</sup> For a broader analysis, which can not be developed in this context, see Andrzej Jakubowski, *The European Investment Bank loans, regional economic growth, and cohesion in the European Union*, in Coppolaro and Kavvadia (eds.), *Deciphering the European Investment Bank*, pp. 165-188.

<sup>79</sup> Memorandum "Problems between the Commission and the EIB", 9 June 1986, in EIB Archives, Box 6.1320.

<sup>80</sup> Bussière *et al.*, *The Bank of the European Union*, p. 214.

<sup>81</sup> The paper, authored by Board of Directors' members Giovanni Ravasio and Thomas O'Dwyer, was titled "The EIB in a changing world", and was extensively discussed within the Bank: see the documents in EIB Archives, Boxes 6.1198 and 31.CO19. It is also interesting to mention, although this can not be addressed in the context of this study, that the Bank tried to influence the negotiations on the Treaty of Maastricht, for the sections that

This acceleration in the improvement of the relations between the EIB and the Commission also concerned environmental matters. Following up on the general regulations of June 1989, an agreement was reached in the same year on the working methods between the two institutions in the environmental field, and in particular with DG XI for Environment, Nuclear Safety and Civil Protection. The new procedures should facilitate a smoother flow of information and an increased dialogue, which was deemed necessary given the growing responsibilities of the Commission in the environmental field, and the increased number of loan applications with potential environmental implications presented to the Bank.<sup>82</sup> In particular, the framework had changed since the 1985 EIA directive had become operational, in July 1988. The Directive applied to the assessment of the environmental effects of public and private projects in a wide array of sectors – from extractive industries to agriculture, from energy to chemical industry, from food to textile and infrastructure – and had long been discussed by European institutions. This had an obvious relevance for the EIB project appraisal procedure, which in fact later became mostly focussed on checking the compliance with this piece of legislation.<sup>83</sup>

The inputs from the Commission witnessed the growing complexity of the framework in which the EIB operated in the early 1990s. Combined with external pressure from NGOs, and the need for an evolution in the Bank's management to adapt to a more prominent role within the EU institutional setting, they led to a change in the EIB's environmental strategy and internal structure, which from a historical perspective can be considered as the opening of a new chapter. From an organizational viewpoint, in 1995 the former ET and CT Departments were merged into a new "Projects Directorate" (PJ), "so as to maximise multidisciplinary skills" in "the analysis of projects and their technical, environmental and economic monitoring".<sup>84</sup> The internal 'battle' between economists and engineers to lead the new Directorate was won by the former, as British economist Herbert Christie, previously head of the ET Department, was appointed to the job. Contextually another British economist, Peter Carter, became the first environmental coordinator of the EIB, with a view to centralizing the management of

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concerned the Bank, by circulating its position via diplomatic channels like the Luxembourg presidency. Researchers interested in this aspect can find sources in EIB Archives, Box 6.1198.

<sup>82</sup> See the letter of 24 October 1990 from Jan Brinkhorst (DG for Environment, Nuclear Safety and Civil Protection), and Thomas O'Dwyer (DG for Coordination of Structural Policy, and Member of the Board of Directors of the EIB), and related follow-ups, in EIB Archives, Box 1.1168.

<sup>83</sup> For an overview of the rationale and effects of the EIA Directive see Augustin Garcia Ureta, *Environmental Impact Assessment in the EU: More than only a Procedure?*, in Marjan Peeters and Mariolina Eliantonio (eds.), *Research Handbook on EU environmental Law*, Northampton: Edward Elgar Publishing, 2020, pp. 164-178. The importance of the EIA Directive for the appraisal process has been confirmed in all the interviews with EIB staff.

<sup>84</sup> 1995 Annual Report, HAEU, BEI-38, p. 70.

environmental issues. Finally, on the initiative of the former ET coordinator Jean-Jacques Schul, an "Operations Evaluation Unit" (EV) was created, in order to analyse the impact (environmental included) of the financed projects and evaluate the Bank's contribution to the implementation of EU policies.

These changes were accompanied by another long-time request of NGOs and EIB staff, that is the updating of the 1984 Board of Governors Directives. In 1996 the Bank published an "Environmental Policy Statement", where it summarized and outlined its environmental commitment. The document confirmed the basic features of its strategy, consisting in weighing all financed projects in environmental terms and entrusting the environmental appraisal not to an environmental unit, but to the collective responsibility of all members of any project team. Changes from the 1980s included the creation of a specialized unit to carry out ex-post evaluation work (to monitor also the actual environmental effects of a project), and the appointment of an environmental coordinator to deal with policy dialogue and other non project-specific environmental topics, such as training, participation in regional programmes and external contacts.<sup>85</sup> One of the first and most challenging tasks of the coordinator was to update and integrate the template for a project's environmental assessment, now that economists and engineers worked together in the PJ Department, and therefore the more technical appraisal should be integrated with cost-return and cost-benefit analysis.<sup>86</sup>

This organizational and ideational evolution in the Bank's environmental strategy, which begun in the mid-1990s because of the effect of multiple factors, suggests to close here the historical analysis of the Bank's early approach to the environment. This should not lead to think that since 1995/1996 the Bank adopted a brand new strategy, nor that some of the former issues suddenly disappeared from the horizon. Historians know that continuities are a constant to be accounted for in any historical study, and that periodization is always a tricky and arbitrary operation. For instance, we can mention here three issues that continued to affect the EIB's environmental approach in the following years. First, the relations with the Commission did not immediately improve after the reforms from the late 1980s, and a better coordination was reached only since the early 2000s.<sup>87</sup> Second, according to the environmental coordinator Peter

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<sup>85</sup> Environmental Policy Statement, HAEU, BEI-7117, in part. pp. 4 and 9.

<sup>86</sup> Interview with Peter Carter, 5 July 2022. Carter, who attended a course in environmental management at Oxford University for one year after being appointed EIB environmental coordinator, underlined how in the 1990s the environmental assessment of a project did not concern only its impact on the natural environment and its economic costs, but also the social costs on the people affected by it.

<sup>87</sup> Bussière *et al.*, *The Bank of the European Union*, p. 216. For what concerns environmental procedures, representatives from the Commission complained already in 1992 that the new norms were not properly applied: see the report of the meeting in February 1992 in EIB Archives, Box 1.1168.



Carter, the new organizational structure did not allow for an efficient management of environmental matters within the Bank, and was further modified in the first years of the new millennium. Carter wrote a very outspoken memorandum in May 1998, asking for "a sea-change of philosophy and approach by the EIB" to adopt a real and believable green agenda. Some of the suggestions were implemented in 2001, when a new internal structure was set up, consisting of 1) an Environmental Steering Committee, an inter-directorate committee made up of senior management with the responsibility to advise on strategic environmental issues, 2) an Environmental Assessment Group within the Project Directorate, with the task to check the application of the Bank's environmental policies and procedures, and 3) an Environment Unit headed by the Environmental Coordinator, to support the environmental work of the Bank's directorates and deal with external relations.<sup>88</sup> Third, environmental NGOs and also external observers continued to criticize the EIB for its lack of public accountability, asking it to improve its environmental performance and properly follow up on its public statements.<sup>89</sup>

These important continuities notwithstanding, the publication of the Environmental Policy Statement in 1996 can be considered as an appropriate closing point for this study, since it highlights the centrality gained by the environment in the Bank's strategical priorities, and underlines an evolution at the level of the discourse, that allow us to draw a link with the current features of the EIB's environmental commitment.

##### 5. Conclusions: the origins of the EU Climate Bank, between narrative and its implementation.

Recent literature on the EIB highlighted how the Bank gained a new prominence in the EU institutional framework, especially since the economic and financial crisis that hit Europe in the late 2000s, by downplaying its role as an implementation agency and starting to act more as a policymaker: A case in point in this trajectory is the self-proclaimed transformation into

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<sup>88</sup> EIB Environmental Report 2001-2002, HAEU, BEI-7112, pp. 17-18. This structure is the foundation of the current configuration of the Bank's internal bodies dealing with environmental issues, sketched out at the beginning of section 3. I thank Piera Laloux, EIB's Environmental Information Disclosure Analyst, for having first shared the memorandum by Peter Carter with me.

<sup>89</sup> This was the case in particular with the long and articulated policy paper published by Bankwatch in 1999, and quoted in the previous section. Bankwatch focussed in particular on some problematic projects financed by the EIB in Central and Eastern Europe, which was becoming one of the main areas of EIB financing outside the EU, in view of the EU enlargement. The reports by Bankwatch are also quoted by Tamar Gutner, *Banking on the Environment. Multilateral Development Banks and Their Environmental Performance in Central and Eastern Europe*. Cambridge, Massachusetts: MIT Press, 2002, which underlines a poor performance of the EIB compared to other multilateral development banks. At the same time, Bankwatch's approach has been criticized by EIB staff in interviews with the author, because of the unreliable attitude and opaque structure of the organization.

the "EU Climate Bank", announced by the EIB in November 2019 and later articulated in the Climate Bank Roadmap of November 2020.<sup>90</sup> The alignment with the goals and strategy of the EU Green Deal positioned the EIB in the front lines of one of the major economic and political challenges of our times, as well as revealing its ambition to make a more proactive contribution to EU policy. Although this change in the discourse and public image of the Bank surprised many observers, it did not come completely out of the blue, as the 1996 Environmental Policy Statement witnesses. Here we already see a political commitment by the EIB towards an issue that was becoming a high priority for its stakeholders (the EU Member States) and the European Union. This Statement, in turn, was the outcome of a long and uneven path, which began in the early 1970s as the EIB first started to deal with the issue of environmental protection.

In tracing back the historical origins of the Bank's approach to the environment, we can outline four main factors which pushed the topic on the EIB's agenda, until it became a strategic and political priority. The first was the evolution of the EC environmental legislation, which set the stage for the EIB's involvement in the field. The first steps taken by the Commission in the beginning of the 1970s, following up on the initiative of other international organizations, as well as important pieces of legislation like the 1985 Environmental Impact Assessment directive, and finally the decisive push given by the Treaty of Maastricht in the early 1990s, activated a response by the Bank, which started to dedicate a growing share of funding to environmentally-related projects. The second factor was the external pressure of societal actors, calling for a greater commitment and a more transparent attitude of the Bank in dealing with environmental issues. The exchanges with the EEB and the WWF and the subsequent evolution of the EIB's approach attest to the influence exerted by non-governmental organizations, in the context of an increased attention of the media and the European society at large towards the environment. The third factor was the 'institutional example' given by other multilateral financial institutions, like the World Bank, as the contacts with them through international networks and bilateral cooperation familiarized the Bank with different internal procedures and green investment strategies, and also importantly with new concepts like that of environmental sustainability. Finally, the fourth factor was the proactive attitude of some of the Bank's

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<sup>90</sup> Kavvadia, *The European Investment Bank's 'Quantum Leap*, pp. 185-95. See also Daniel Mertens and Matthias Thiemann, *The Politicization of the European Investment Bank. Managing hybridity and resource dependence in European economic governance*, in Coppolaro and Kavvadia (eds.), *Deciphering the European Investment Bank*, pp. 140-164.

management and staff, who contributed to affect a change in the Bank's organizational structure and public discourse, as witnessed by several internal memoranda from the 1970s to the 1990s.

The combined effect of these different inputs laid the groundwork for the evolution of the EIB's environmental strategy "from a technocratic policy-taker into a policymaker", to quote former EIB official and author of several publications on the Bank, Helen Kavvadia.<sup>91</sup> Archival research and interviews with current and former EIB staff have allowed us to unearth these dynamics, which otherwise would remain hidden under the surface of public statements and quantitative data. It has also pointed out that below the level of public discourse, there was a gap between the rhetoric and its implementation. The Bank's claim to be a leader in terms of environmental procedures and pursuit of a green agenda, which emerges frequently already in the period under investigation, was not supported by hard evidence. This is demonstrated by the exchanges with environmental networks and NGOs, but also by internal documents and interviews, which highlighted how the process of 'greening the Bank' met with several obstacles and was judged as insufficient or incomplete by the most engaged members of the staff. This research question would prove crucial also for the investigation of the most recent developments, to understand if and how the current narrative is supported by data and followed up in practice.<sup>92</sup> As this historical study shows, quantitative data on green financing is not the only measure to assess the environmental commitment of the institution.

Finally, this study presents valuable insights both for the EIB and the academic community. By learning about the historical roots of its approach to the environment, the Bank's management and staff is better equipped to see the advantages and shortcomings of the current environmental strategy. In particular, it is worth noting how the main feature of the EIB's operational strategy – entrusting the environmental appraisal to the collective responsibility of a project team – still represents a significant trait of the Bank's institutional culture, notwithstanding the creation of a large division (ECISO) dealing with environmental issues. At the same time, this historical investigation offers a contribution to the academic debate by bringing together two very active fields of research, environmental history and the history of European integration, through the analysis of an often neglected EU institution like the EIB. In doing so, it confirms the opportunity to focus future research on the interplay between

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<sup>91</sup> Kavvadia, *The European Investment Bank's Quantum Leap*, p. 186.

<sup>92</sup> It is worth noting, from a scholarly point of view, that in the latest book on the EIB, edited by Kavvadia and Coppolaro, which constitutes a relevant and positive addition to the scarce body of literature on the Bank, there is no specific chapter dedicated to the Bank and the environment. See Coppolaro and Kavvadia (eds.), *Deciphering the European Investment Bank*.

institutional and non-institutional actors, and suggests at least two interesting follow-ups. The first concerns the extension of this analysis to a later and more recent stage, to assess continuities and discontinuities and verify the hypothesis of a politicisation of the Bank's environmental commitment.<sup>93</sup> The second follow-up would be about the expansion of such a study to evaluate historically the environmental strategy of European investment and commercial banks in the early stages of a European environmental policy. As these research findings demonstrate, it is high time for dedicated studies of the role of economic and financial actors in the history of environmental protection, a topic that has been neglected by literature so far. In a research effort that would need to assemble the skills of different academic disciplines – from economics to law, to political science – historians can bring to the table a nuanced analysis of the sources, which can lead to a balanced reconstruction of what happened in the past.

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<sup>93</sup> For the most recent period, after the 2000s, it is likely that we would face a lack of access to historical sources. This could be overcome by a special agreement that could grant access to selected sources for the purposes of the study (as it was in part the case for this research), or by relying exclusively on published sources and interviews.

## 6. List of Acronyms and Abbreviations

AG	Direction de l'Administration Générale. English: General Administration Directorate
CIDIE	Committee of International Development Institutions on the Environment
CT	Direction des Conseillers Techniques. English: Technical Advisory Service
DG	Directorate-General
DG XI	European Commission Directorate-General XI (Environment, Nuclear Safety and Civil Protection); now DG Environment
EAP	Environmental Action Programme
EC	European Communities
ECSC	European Coal and Steel Community
ECSO	Environment, Climate and Social Office
EEB	European Environmental Bureau
EIB	European Investment Bank
ENVAG	Environmental Assessment Group
EP	European Parliament
ECSC	European Coal and Steel Community
ET	Direction des études économiques et de l'information. English: Research Department
EU	European Union
EUI	European University Institute
EV	Operations Evaluation Unit
GDP	Gross Domestic Product
HAEU	Historical Archives of the European Union
IBRD	International Bank for Reconstruction and Development
IMP	Integrated Mediterranean Programme
KfW	Kreditanstalt für Wiederaufbau
LIFE	L'Instrument Financier pour l'Environnement; English: European Union's funding instrument for the environment and climate action
MC	Management Committee
MEDSPA	Mediterranean Special Programme of Action
MIT	Massachusetts Institute of Technology; University press
NCI	New Community Instrument
NGO	Non-Governmental Organisation
OECD	Organization for Economic Co-Operation and Development
PA	Direction des financements à l'extérieur de l'Union européenne. English: Directorate for Lending Operations outside the European Union

PJ	Projects Directorate
PM	Direction des financements dans l'Union européenne. English: Directorate for Lending Operations in the European Union
SEA	Single European Act
TEEC	Treaty establishing the European Economic Community
TEU	Treaty on European Union
UN	United Nations
<u>UNEP</u>	United Nations Environment Programme
WCED	World Commission on Environment and Development
WG	Working Group
WWF	World Wildlife Fund for Nature