



Anti-Fraud Activity Report

Contents

2 Foreword by the President

4 Executive Summary

6 Introduction

8 Investigations

What do we do?

How do we do it?

Who are we?

Our performance in 2015

New allegations in 2015

The outcomes of 2015

16 Proactive Integrity Reviews

18 Policy initiatives

Fraud awareness training

Conferences and events

European Data Protection Supervisor Inspection

IG 10th Anniversary Governance Conference

22 Looking ahead

Foreword by the President



The EIB, the EU bank, faced new challenges in 2015 and, as ever, evolved effectively to meet them. We delivered on ambitious commitments that turned the EUR 10 billion capital increase of 2012 into support for EUR 190 billion of investment. Our yearly lending volumes remained on the same high levels of previous years with signatures of some EUR 84.5 billion. Such sustained lending does not come without risks, but we are ready to manage and prevent them.

2015 was a year in which one scandal after another hit the headlines involving international sporting and corporate organisations. These cases showed how quickly an entity can become associated with or tarnished by fraud or corruption; it can take years to rebuild a reputation. In addition, a number of individuals, businessmen and politicians as well as corporations were affected by scandals, more prominently through the release of the so-called "Panama Papers".

The EIB continues to work closely with the European Commission, OLAF and relevant international and national bodies to mitigate any implications for the lending operations.

Indeed, it is the duty of us all to ensure that activity which puts the EIB's reputation or resources at risk is promptly reported, thoroughly investigated and that action is taken to address any problems identified.

The Inspectorate General's Fraud Investigations Division (IG/IN) leads the EIB Group's efforts in relation to investigating and preventing fraud and corruption in its loan portfolio. This report gives an overview of the work undertaken by the EIB bank to combat fraud and corruption in 2015.

In 2015, we also celebrated 10 years since the establishment of the Inspectorate General. IG/IN has succeeded in focusing attention on integrity



The efforts of the EIB to battle corruption do not take place in isolation - they should be seen in a broader context of anti-fraud and corruption efforts across the globe, and particularly within the EU. The direction is clear: more openness, greater transparency and better cooperation between international financing institutions, national law enforcement bodies and OLAF.

and governance issues in order to mitigate the risks associated with fraud and corruption. It has also helped the EU bank significantly in learning lessons and contributing to a more robust framework.

The efforts of the EIB to battle corruption do not take place in isolation - they should be seen in a broader context of anti-fraud and corruption efforts across the globe, and particularly within the EU. The direction is clear: more openness, greater transparency and better cooperation between international financing institutions, national law enforcement bodies and OLAF.

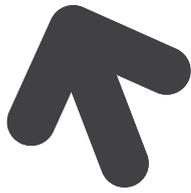
I commend this report to you, describing as it does, not only the significant investigative activities of IG/IN in 2015 but also the substantial policy-related contribution of the Division, aimed at reducing fraud and corruption risks to the EIB. Proactive integrity reviews, training and advising col-

leagues across the Bank is an ever-growing part of the work of IG/IN.

In particular, it is my great pleasure to acknowledge that IG/IN's efforts are essential in making sure that the EIB Group's funds are used for the purpose for which they are intended – to build a future for all of us which is competitive, innovative, sustainable, and in compliance with the EIB's zero tolerance of fraud and corruption.

Werner Hoyer





Executive Summary



This report covers not only investigative activities but also the substantial policy-related work of the division, aimed at reducing the risks to the Bank.

I am delighted once again to present the Annual Report of the EIB's Fraud Investigations Division (IG/IN). This report covers not only investigative activities but also the substantial policy-related work of the division, aimed at reducing the risks to the Bank. Indeed, advising our colleagues at the Bank is an ever-growing part of the work of IG/IN.

The challenges for the EIB in protecting its resources are substantial and the problem is not restricted to lending outside the EU. Transparency International's annual progress report on the status of enforcement of the OECD Anti-Bribery Convention suggests that of the EU Member States, only Germany and the UK actively enforce anti-corruption policies. At the other end of the scale, eleven EU countries are rated as having little or no enforcement. This demonstrates that the EIB cannot rely solely on EU national authorities to take action on fraud and corruption. TI's 2015 Corruption Perceptions Index reports stagnation in some parts of Europe (and Central Asia) in terms of enforcement and notes "marked deterioration" in some other countries.

The EIB's efforts within the EU are therefore under careful scrutiny, including by the European Parliament.

We also face challenges in lending to countries outside the EU. For example, IMF Managing Director Christine Lagarde remarked in February 2016

about its loan programme to Ukraine, which is also a large beneficiary of EIB lending: *"Without a substantial new effort to invigorate governance reforms and fight corruption, it is hard to see how the IMF-supported programme can continue and be successful."*²

To assist our colleagues at the Bank in navigating these difficult areas, IG/IN will advise and help whenever possible as we go through 2016. Some of our initiatives are described later in this report.

Finally, following the retirement of Mr Johan Vlogaert, Mr Bernard O'Donnell joined the Bank as Head of IG/IN in March 2015. This has been an opportunity to build on past successes but also to create a strategic plan for the coming years. This will include a review of resources and focus. I wish him well.

Jan Willem van der Kaaij
Inspector General



¹ "Europe and Central Asia: Why anti-corruption laws are not stopping the corrupt", Transparency International: <http://blog.transparency.org/2016/01/27/europe-and-central-asia-why-anti-corruption-laws-are-not-stopping-the-corrupt/>

² "IMF Head Warns Ukraine on Bailout Over Pace of Anti-Graft Efforts", WSJ: <http://www.wsj.com/articles/imf-calls-on-ukraine-to-step-up-efforts-to-improve-governance-fight-corruption-1455107490>



Introduction

The European Investment Bank's "Policy on Preventing and Detering Prohibited Conduct in European Investment Bank Activities"³ states that the EIB will not tolerate Prohibited Conduct (defined as corruption, fraud, collusion, coercion, obstruction, money laundering and terrorist financing) in its activities.

Similar provisions are included in the European Investment Fund's "Policy on Preventing and Detering Corruption, Fraud, Collusion, Coercion, Money Laundering, and the Financing of Terrorism in European Investment Fund Activities"⁴.

The EIB and EIF Anti-Fraud Policies further establish that the EIB and EIF will work to prevent and deter Prohibited Conduct from occurring, and

where it does, will address it in a timely and expeditious manner.

In 2015, the Fraud Investigations Division (IG/IN) was one of four Divisions making up the Inspectorate General (IG) of the EIB Group, along with Internal Audit, Operations Evaluation and the Complaints Mechanism.

Reports on IG/IN's findings on EIB-financed projects are made through the Inspector General to the President and to the Audit Committee. In the case of the EIF, the reports go to the Chief Executive, the Deputy Chief Executive, the Chairman of the Board of Directors and the Audit Board of the EIF. In both institutions, the external auditors are also informed of developments. In addition, IG/IN also contributes to the Bank's annual Sustainability Report.

Our role

To protect the EIB Group's finances and reputation. We do this through four core activities:

- **Investigations** of allegations of fraud, corruption, coercion and collusion in Bank-financed projects;
- **Proactive Integrity Reviews (PIRs)** to identify actual fraud or potential vulnerabilities;
- **Policy work**, such as advising on wording of Bank documentation, and giving advice to colleagues throughout the Bank on addressing fraud and corruption-related issues;
- **Information gathering**, to support the above three activities.

There is significant cross-fertilisation between these four pillars. Proactive work uncovers concerns which lead to investigations; investigation findings and recommendations lead to policy changes; and all three require information support.

³ A copy of the EIB Anti-Fraud Policy can be found on: <http://www.eib.org/infocentre/publications/all/anti-fraud-policy.htm>

⁴ A copy of the EIF's Anti-Fraud Policy can be found on: http://www.eif.org/news_centre/publications/anti_fraud_policy.htm

⁵ Control Risks' 2015 Corruption report: <https://www.controlrisks.com/webcasts/studio/2015-GENERAL/corruption-report/corruption-survey-2015.pdf>

⁶ By Richard Bistrong, CEO, Front-Line Anti-Bribery LLC, www.richardbistrong.com: <https://www.linkedin.com/pulse/article/20141122132021-310520166-q-a-with-richard-bistrong-the-fcpa-blogger-who-knows>

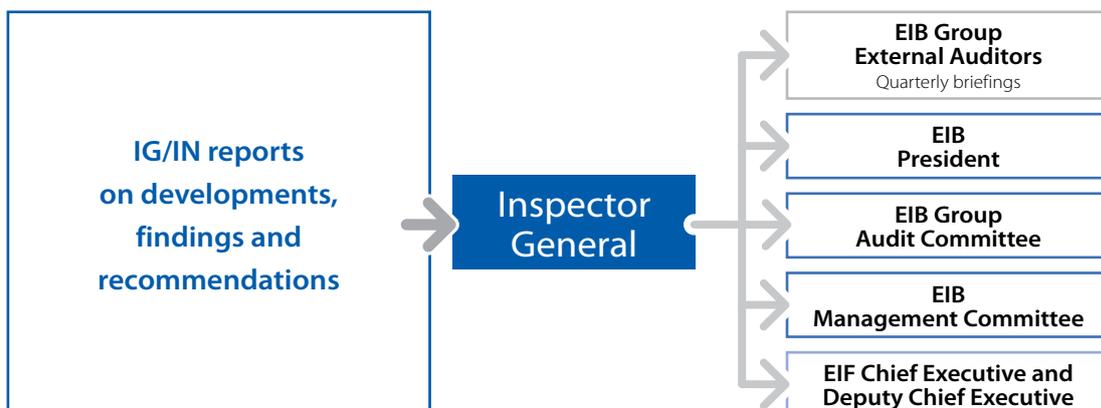
Pressure to bribe around the world

A 2015 survey by Control Risks⁵ suggested bribery and kickbacks paid to secure business contracts had seen almost a third of companies worldwide lose out on deals. Of the 824 companies interviewed by Control Risks, 30% said they had decided not to conduct business in specific countries because of the perceived risk of corruption. Some 41% said the risk of corruption was the main reason they had pulled out of a deal. Perceived corruption risk across the globe has deterred an increasing number of business investors.

All too often Control Risks comes across cases where companies send mixed messages: *“Your performance will be judged first, second and third by your ability to meet financial targets and, by the way, we think ethics is important as well. It is scarcely surprising that the employees who receive these messages are tempted to take unethical short cuts. Similarly, we often see an absence of senior managers’ involvement in solving compliance problems, which further contributes to confusion about the real challenges in the business, and reinforces a them-and-us culture.”* The advice given is for companies to integrate anti-corruption risk policies into their strategic planning, scrutinise business deals early on in the process, give their front-line contract negotiators more support to recognise corruption risks and take a “zero tolerance” stance when bribery or kickbacks are detected.

The view of a former bribe payer: *“I realise that for those responsible for anti-bribery compliance, the choice between corruption and compliance is as simple as “walk away.” But in reality, those choices become more difficult when front-line international business groups are being compensated with lucrative incentive plans, as is often the case. When those bonus plans are indexed to personal performance in corrupt regions, as opposed to group or divisional performance, the anti-bribery message can get distorted, diluted or in the worst case, discarded, as those on the front line now might think of compensation and compliance as a zero-sum game. It is a dangerous situation for all involved when someone starts to consider compliance as “bonus prevention” and starts pondering, “what does management really want, compliance or sales?”*⁶

IG/IN’s reporting structure

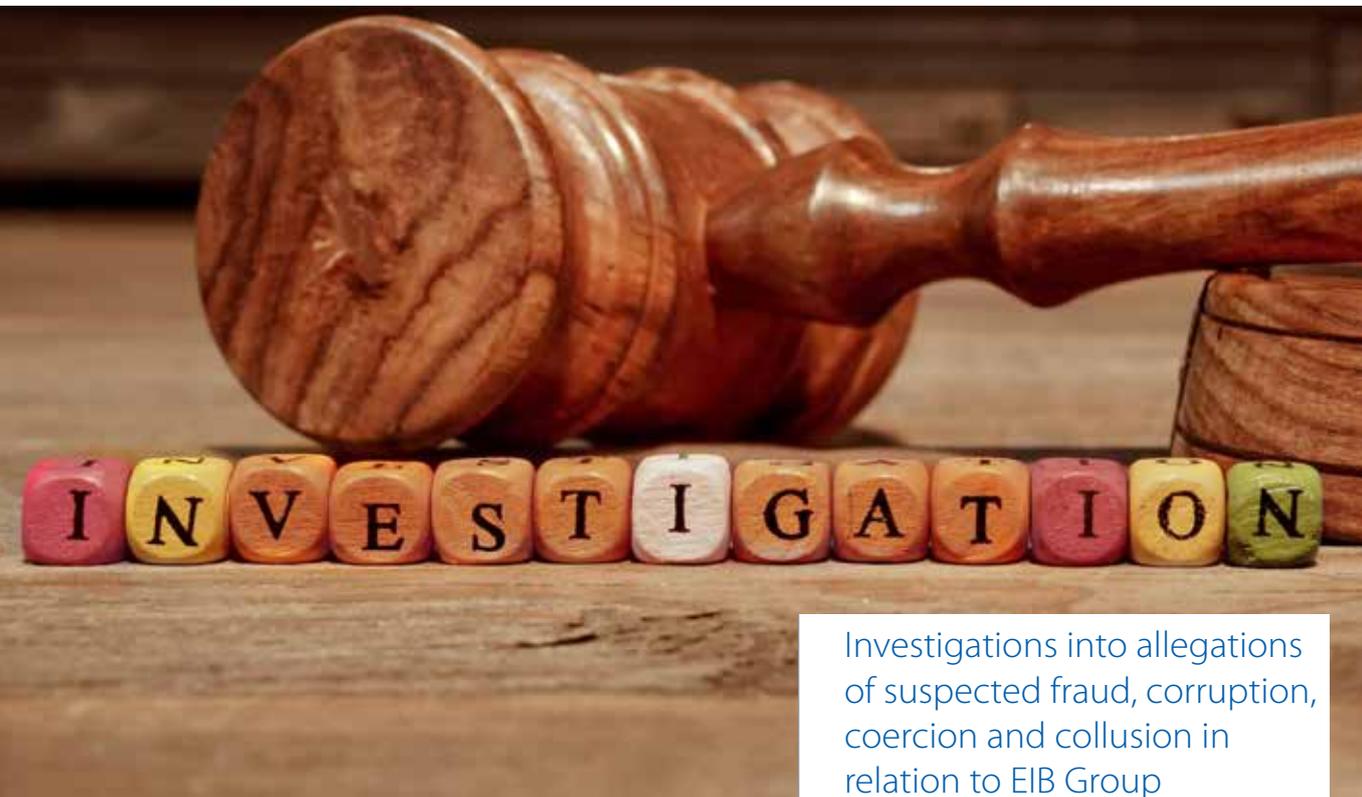


Reports on IG/IN’s findings on EIB-financed projects are made through the Inspector General to the President and to the Audit Committee. In the case of the EIF, the reports go to the Chief Executive, the Deputy Chief Executive, the Chairman of

the Board of Directors and the Audit Board of the EIF. In both institutions, the external auditors are also informed of developments. In addition, IG/IN also contributes to the Bank’s annual Sustainability Report.



Investigations



Investigations into allegations of suspected fraud, corruption, coercion and collusion in relation to EIB Group operations make up the bulk of our work. Allegations are received from a wide range of sources, both internal and external. Under the EIB's Anti-Fraud Policy we can also be called upon to look into claims of money laundering and terrorist financing.

What do we do?

Typical allegations received are:

- allegations of collusion among bidders in an EIB-financed procurement process;
- corruption in the award of a contract by a bidder, government officials and/or intermediaries;
- fraud perpetrated by sub-contractors in the implementation of a contract; and
- misconduct by fund managers and/or staff members of the EIB Group.⁷

The definitions of prohibited practices agreed with other International Financial Institutions (IFIs) and incorporated into the EIB Group's Anti-Fraud Policy are as follows:

- a **corrupt** practice: offering, giving, receiving or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.
- a **fraudulent** practice: any act or omission, including a misrepresentation that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.⁸

- a **coercive** practice: impairing or harming, or threatening to impair or harm, directly or indirectly, any part or the property of the party to influence the actions of a party.⁹
- a **collusive** practice: an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.
- an **obstructive** practice:
 - deliberately destroying, falsifying, altering or concealing evidence material to the investigation and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or
 - acts intended to materially impede the exercise of the EIB's contractual rights of audit or access to information or the rights that any banking, regulatory or examining authority or other equivalent body of the European Union or of its Member States may have in accordance with any law, regulation or treaty or pursuant to any agreement into which the EIB has entered in order to implement such law, regulation or treaty.¹⁰

⁷ Breaches of the Code of Conduct are normally handled by the Office of the Chief Compliance Officer. Cases of misconduct which are dealt with by IG/IN normally concern misconduct where there is some element of fraudulent behaviour.

⁸ This could include tax fraud.

⁹ These first four definitions were harmonised in the Uniform Framework for Preventing and Combating Fraud and Corruption created by the IFI Anti-Corruption Task Force and signed on 20 September 2006 during the IBRD/IMF annual meeting in Singapore. As well as harmonisation of definitions, the Framework agreed: common principles and guidelines for investigations; to strengthen the exchange of information; and to explore cross-recognition of debarment actions. This document can be found on the EIB's website at: www.eib.org/about/documents/ifi-anti-corruption-task-force-uniform-framework.htm

¹⁰ The concept of obstruction of investigation was introduced into the EIB's Exclusion Procedures.

How do we do it?

We could not do our job without external support. Our Investigation Procedures are based on guidelines harmonised with other IFIs.¹¹ We work closely with the European Anti-Fraud Office (OLAF), exchanging information and running joint missions and investigations where appropriate. In 2015, the cooperation with OLAF manifested itself in regular meetings to discuss developments on cases under investigation as well as negotiations on an administrative cooperation agreement.

Cooperation with our counterparts from the investigation, integrity and compliance departments at other international institutions, national audit, law enforcement and judicial agencies is also vital to our success.



¹¹ A copy of the Investigation Procedures can be found on the EIB's website: <http://www.eib.org/about/publications/anti-fraud-procedures.htm>

EIB investigators assisted throughout 2015 in investigations run by other law enforcement and judicial agencies. Such contact is beneficial to both parties. Where investigations by other parties relate to an EIB-financed project, IG/IN facilitates the exchange of information in accordance with the Anti-Fraud Policy.

By way of example, during 2015 discussions took place with a number of national law enforcement and judicial agencies in the EU, Africa, the US and Eastern Europe, including:

- UK Serious Fraud Office, UK Financial Conduct Authority and City of London Police;
- US Department of Justice;
- Romanian National Anti-Corruption Directorate (Direcția Națională Anticorupție);
- Polish prosecutors and Central Corruption Office;

- National Anti-Fraud and Anti-Corruption Office (OFNAC) in Senegal;
- Network of National Anti-Corruption Institutions in West Africa (NACIWA);
- African Forum of Inspectors General Offices (AFIGO);
- Spanish prosecutors;
- Attorney General and National Audit Authority of Cyprus.

On 10 November 2015, the Inspector General signed a Memorandum of Understanding (MoU) with the National Anti-Corruption Directorate of Romania (DNA), enabling the exchange of information and assistance.



From left to right: Mr Nistor Călin, Deputy Chief Prosecutor of the National Anti-Corruption Directorate of Romania, and Mr Jan Willem van der Kaaij, EIB Inspector General.

Background: Mr Marco Loretti, IG/IN Investigations Coordinator, Ms Anca Jurma, Chief Prosecutor in charge of International Cooperation, and Mr Bernard O'Donnell, Head of the EIB's Fraud Investigations Division.

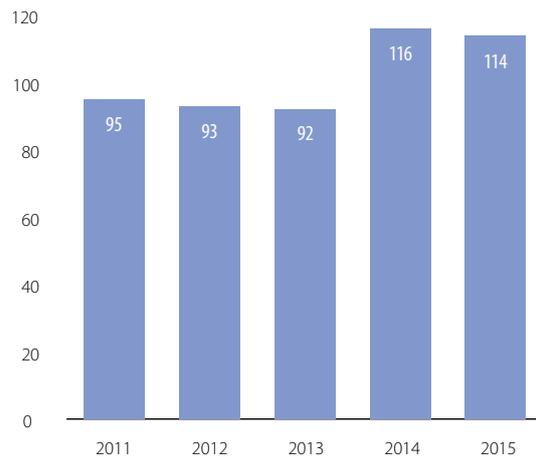
Who are we?

IG/IN is led by a Head of Division and a Deputy Head of Division and consists of ten professional staff (including the Head and the Deputy Head of IG/IN) and two administrative staff members. The professional staff consists of both investigators and staff combining investigations, forensic audit and information analysis activities.

Our performance in 2015

We worked on a total of 224 cases in 2015, of which 114 were new allegations. Incoming allegations were balanced by the number of cases closed (115) during 2015.

New allegations received 2011-2015



Attempted fraud

The EIB received an email from a known EIB counterpart in a non-EU Ministry of Finance for the first tranche of a disbursement of EUR 6 million to be made to a bank account of a trustee in Germany. However, the Contribution Agreement specifically stated that any disbursement was to be made to an account opened and held by the government.

The EIB refused to disburse to the bank account, at which point the sender proposed a different one, located in Hungary. Further emails were exchanged. Suspicions arose at the EIB that the person writing from the known email address was not someone working for the Ministry of Finance.

IG/IN established that the sender's IP address was in a different country and that the case involved a fraud, as a result of intercepted emails. IG/IN coordinated between the Ministry of Finance and the EIB Services involved on the necessary action to take.



Summary of case activity during 2015

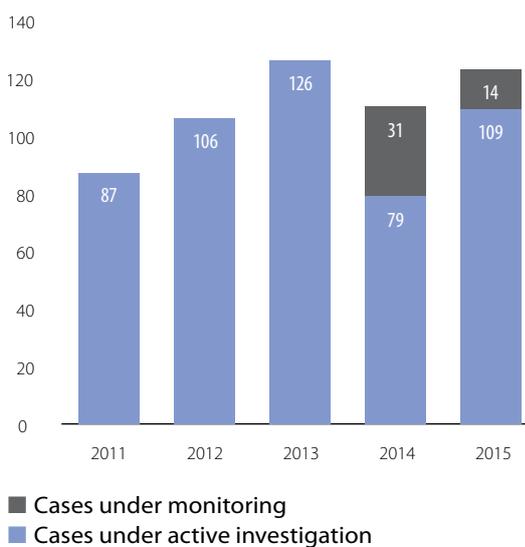
EIB + EIF	2012	2013	2014	2015
New cases received during the year	93	92	116	114
Cases closed during the year	74	72	132	115
Cases under investigation/under monitoring at year-end	106	126	110	123
Cases under active investigation at 31/12/15	-	-	79	109
Cases under monitoring at 31/12/15	-	-	31	14

123 cases remained open at year-end. Some cases are more complex than others, with an average turnaround period of 9 months and in some cases taking up to 24 months. Turnaround time is impacted by a number of variables, including: (i) in-

vestigator to case ratio; (ii) complexity of the cases; (iii) whether mission travel is required; and (iv) availability of subjects or witnesses. These same issues impact other similarly mandated offices.¹²



Backlog of cases open at year-end

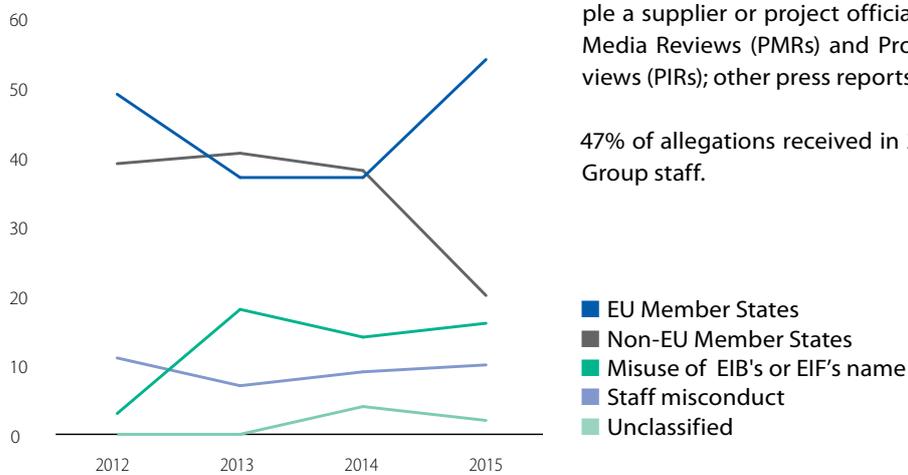


¹² World Bank Group, Integrity Vice Presidency, Annual Update 2015, p. 43-44:
<http://www.worldbank.org/en/about/unit/integrity-vice-presidency>.

New allegations in 2015

53% of new allegations related to operations in EU Member States, up from 36% in 2014.

Areas of allegations (share of total)

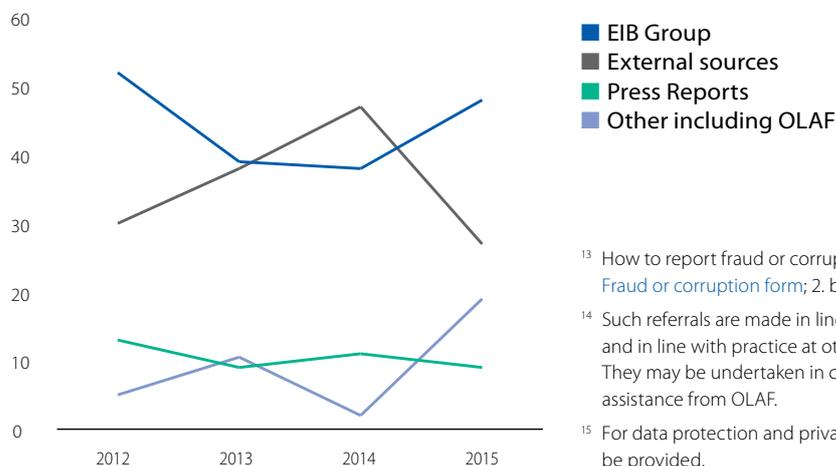


IG/IN receives allegations from five broad categories of sources: EIB Group staff; external (for example a supplier or project official); IG/IN's Proactive Media Reviews (PMRs) and Proactive Integrity Reviews (PIRs); other press reports; and OLAF.

47% of allegations received in 2016 were from EIB Group staff.

Allegations can be submitted via a dedicated "Investigations" email address, by a confidential fax to IG/IN or via a reporting link on the EIB website.¹³ As we move into 2016, IG/IN plans to increase the opportunities for reporting fraud and corruption.

Sources of allegations



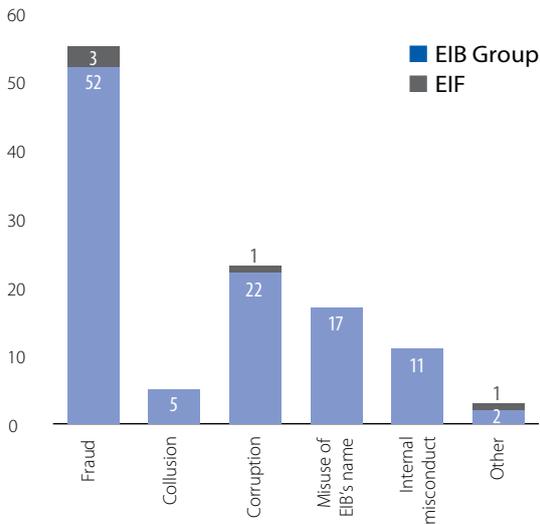
¹³ How to report fraud or corruption: 1. via the [Reporting on Fraud or corruption form](#); 2. by email to investigations@eib.org

¹⁴ Such referrals are made in line with the EIB's Anti-Fraud Policy and in line with practice at other international institutions. They may be undertaken in consultation with or with assistance from OLAF.

¹⁵ For data protection and privacy reasons, no further details can be provided.

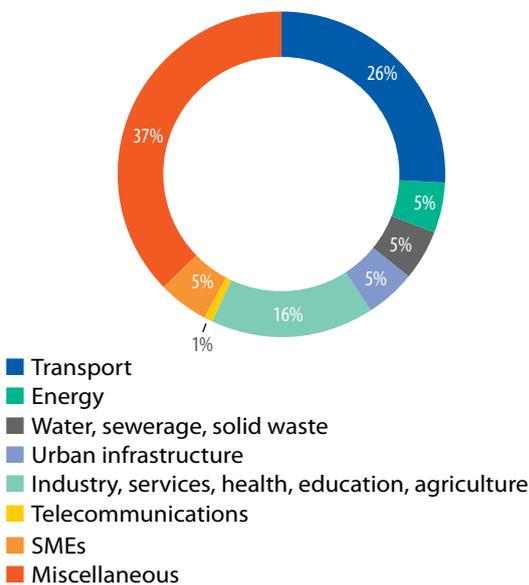
Fraud in relation to EIB operations is by far the most common type of allegation we receive.

Types of allegations in 2015



We have simplified our categorisation this year, so exact statistical comparison with previous years is difficult. However, the broad sectoral trends continued from 2014, with transport being the sector most frequently concerned by our investigations.

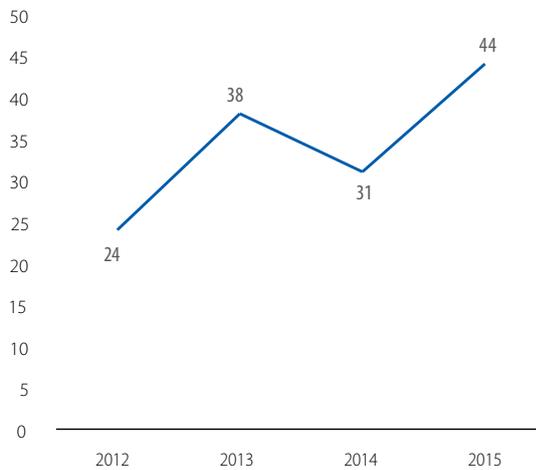
EIB external investigations by sector



The outcomes of 2015

We closed 115 cases in 2015 of which 50 (44%) were found to be substantiated.

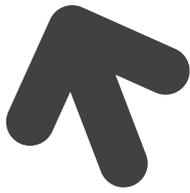
Substantiated cases in %



Among the 50 substantiated cases:

- 2 cases were judged appropriate for the EIB to recover all or part of the loan or over-claimed expenses.
- 28 cases were referred to other bodies (to national law enforcement and/or judicial authorities wherever suspected criminal conduct had occurred¹⁴ or to administrative authorities within or outside the EU).
- 2 cases were referred to other parts of the Bank for internal disciplinary measures.¹⁵

Where appropriate, cases are referred to national prosecutors; however, the level of cooperation in these matters varies greatly. This means that IG/IN cannot always obtain the evidence it needs. In 2015, in a bid to remedy the situation, IG/IN stepped up efforts to reach out proactively to improve its network of contacts in law enforcement, and will continue this initiative in 2016.



Proactive Integrity Reviews

In the fight against fraud and corruption, we don't simply wait for other people to signal their concerns. We use our in-house risk assessment methodology to help us identify operations which could present problems. These operations are then the focus of a Proactive Integrity Review.



PIRs are designed to complement the Bank's current operational monitoring. Projects which are subject to PIRs tend to be highly complex or implemented in a difficult environment. Both factors increase the risk of exposure to fraud and corruption. The process then looks for and identifies "red flags", possible indicators of fraud and/or corruption. This approach increases the preventive capability of the EIB Group and increases deterrence against abuse of EIB finance.

In 2015, a PIR was carried out on a project in Africa. Since the concept was first introduced and implemented in 2010, IG/IN has undertaken PIRs on 26 different operations with 15 different promoters.

In planning and undertaking a PIR, IG/IN endeavours to work closely with operational colleagues and national authorities. Based on the experience of the first years, IG/IN has now formalised internal guidance on how PIRs are carried out as well as for the follow-up of recommendations arising from a PIR.

PIR – SME finance

IG/IN conducted a PIR on a Global Loan (MBIL) to a state-owned development bank in Europe, which acted as Financial Intermediary ("FI") for SME loans. Issues identified in the PIR included the following:

- Several final beneficiaries were falsely presented as SMEs but were in fact members of larger industrial groups and thus not eligible for SME loans.
- An EIB allocation was used for the ineligible financing of EUR 4 million worth of fuel. The fuel was purchased from a party related to the final beneficiary, with the paperwork channelled through a consulting company in Panama (although the fuel was from a European refinery and delivered in Europe). EIB funds were also used for other ineligible expenses, including overdue taxes and refinancing other (existing) loans.
- Linkages to possible money laundering and persons allegedly involved (according to media reports) in organised crime.

The PIR found that the Financial Intermediary was aware that some final beneficiaries were not SMEs, but nevertheless qualified the allocations for SME lending and did not inform the EIB. The Financial Intermediary also failed to inform the EIB of the true nature of some of the projects and spending, even after receiving a letter from an informant stating that a final beneficiary had misused EIB funds and two final beneficiaries informed the Financial Intermediary that the funds were used for ineligible purposes.

The PIR also found that there had been inappropriate political interference in certain credit decisions of the Financial Intermediary, ignoring negative opinions provided by the Credit, Risk and Legal Departments and recommendations from management officials of the Financial Intermediary.

Based on the evidence obtained in the course of the PIR, the Financial Intermediary was required to repay the value of the EIB loan linked to breaches of the Finance Contract and for ineligible projects/beneficiaries. A remedial action plan is being implemented to address identified weaknesses in project appraisal and controls over allocation approvals under Global Loans (MBILs).



Policy initiatives



IG/IN is also responsible for certain non-casework fraud-related issues such as EIB and EIF Anti-Fraud Policies, Exclusion Procedures, fraud awareness training and data protection.

169 policy initiatives were undertaken by IG/IN in 2015, a very significant increase on the previous year (108). These included:

- Briefings to senior management and the Audit Committee on specific case-related issues, issues arising from the Exclusion Procedures and the role and function of IG/IN;
- Responding to requests from MEPs, NGOs and other outside entities;
- Presenting the work of IG/IN to the EIB's staff, external parties and at conferences/seminars/workshops;
- Regular meetings with the EIB Audit Committee and the EIF Audit Board;
- Development of integrity provisions for projects financed jointly by other IFIs;
- Checking and providing advice on the adequacy of integrity and audit clauses in EIB finance contracts;
- Preparation of briefings for senior management for upcoming events;

- Updating policies and procedures to incorporate lessons learned, wherever appropriate;
- Negotiating settlements and implementing Exclusion Procedures;
- Coordination with other national and international agencies including IFIs; and
- Completing the integrity sections of EIB reports to external agencies.

The EIB relies on its policies and the integrity clauses within its finance contracts to assess and investigate cases of alleged fraud and corruption. IG/IN is therefore involved in the clearance of finance contract derogation requests from borrowers.

Fraud awareness training

The one-day fraud awareness training course developed by IG/IN for operational staff has been running since 2009 and mandatory since 2010. By the end of 2015, a total of 1 431 current staff from all directorates had participated in the course. The second half of the year was especially busy due to the arrival of new recruits from the first phase of the Investment Plan for Europe. The follow-up e-learning module on fraud and corruption continues to be rolled out across the Bank.

We are now partnering with the Office of the Chief Compliance Officer and the Personnel Directorate to organise a half-day Ethics & Integrity training session for new hires during 2016.

CORRUPTION IT'S YOUR CALL...

+352 4379-87441

investigations@eib.org

Corruption is an **illegal tax** on hard-working people, which they **shouldn't have to pay**

It **destroys** our investment purposes, **kills** development and **undermines the rule of law**

You can either just accept it or you **can** do something about it

So do something

Report suspicions of fraud and corruption in good faith to IG/IN*

We will treat your report **confidentially**

You **don't** have to be sure

You **can** make a difference



* Published by IG/IN, the Fraud Investigations Division of the European Investment Bank



Conferences and events

As in previous years, IG/IN continued to work closely with counterparts in other IFIs, in line with the IFI Anti-Corruption Task Force's Uniform Framework Agreement. The IFI Heads of Investigation met in Switzerland in October 2015, on the sidelines of the Conference of International Investigators which was hosted by the Global Fund.

Johan Vlogaert (former head of IG/IN) met Martin Kreutner, the Dean of the International Anti-Corruption Academy in Laxenburg, Austria, in March 2015. The IACA is the beneficiary of funding from the Siemens Integrity Initiative as a result of Siemens' negotiated settlement with the EIB.

The new Head of IG/IN, Bernard O'Donnell, met with anti-corruption, law enforcement, and/or judiciary officials in London, Paris, Brussels, Tallinn, Nicosia, Bucharest and Washington.

The Inspector General and staff from IG/IN are regularly invited to attend and speak at conferences and anti-corruption events on fraud/corruption and related integrity topics. Participation at such events fits well with IG/IN's commitment to raising awareness of integrity issues in so far as they impact EIB activities and operations.

During 2015, IG/IN staff participated in a number of events and meetings including:

- 16th Conference of International Investigators hosted by the Global Fund in Montreux (including, as mentioned above, a meeting of the Investigation/Integrity units from IFIs with counterparts from the Regional Development Banks). IG/IN led training sessions on advanced open source search tools and analysis, as well as being part of the organising secretariat;

- International Corruption Hunters Alliance conference in Washington DC;
- International Anti-Corruption Conference in Malaysia;
- OLAF Pilot Group Meeting of staff from Anti-Corruption Commissions and Inspectorates-General from across Africa (IG/IN gave a joint presentation together with a Senegalese partner regarding a real case study); and
- University of Sorbonne, Paris: lecture to Masters students.

European Data Protection Supervisor Inspection

Officials from the European Data Protection Supervisor's office carried out an inspection at the EIB's premises on 8-10 December 2015 to check compliance with Regulation 45/2001 on:

- The handling of information of individuals involved (informant, suspected person, witnesses, etc.);
- Transfers of information (within and outside the EIB);
- Data quality in the use of computer forensics by the EIB;
- Security of information.

The EDPS held meetings with management, reviewed specific cases with IG/IN investigators, and accessed the relevant databases and paper files. At the time of issuing this Annual Report, IG/IN was still awaiting the final EDPS inspection report.

IG 10th Anniversary Governance Conference

In June, the Inspectorate General marked its 10th anniversary by hosting a special event on integrity-related issues.

Speakers included a number of distinguished experts in the field of anti-corruption and transparency.



“ An organisation must aim to be in a position to identify governance risks, find ways to measure them and manage them beneficially. As a keystone of good governance, public accountability can play a major role in enhancing performance of an organisation and also identify any areas for improvement.



Vice-President Jonathan Taylor addressing the meeting



Looking ahead

2015 was a busy year, and the number of new cases received has stretched IG/IN's available investigation resources. This has been compounded by the 50% increase in policy-related work and a significant increase in contract-related matters on which IG/IN has been required to provide assistance.

At the end of 2015, IG/IN initiated a process to review the level of resources required to undertake IG/IN's mandated work. IG/IN needs to be able to quickly deploy investigation teams to conduct "on the ground" investigations in order to establish the factual accuracy of allegations and to gather sufficient evidence to allow lending decisions to be taken by the Bank as soon as possible on the basis of reliable information. Current resources make it challenging to respond in all appropriate cases.

At the same time, IG/IN is seeking efficiency gains to the extent possible. At the end of 2015, a number of projects were implemented to increase the team's efficiency, relevance and value added to the Bank over the coming years. These projects include:

1. The implementation of a more systematic case intake and assessment process, to more quickly and efficiently assess matters referred for investigation.
2. Strategically developing cooperation and information sharing with national authorities (based on an analysis of historical case numbers by country) and the investigation offices of other international organisations. This is particularly important where cases reported to IG/IN may already be under investigation by national authorities.
3. Seeking to increase anti-fraud awareness through additional training.
4. Changes to the fraud reporting mechanism, to make it easier for genuine complainants to submit reports of suspected fraud.
5. More effective dissemination of relevant information from investigations. Clearly, there are confidentiality issues that limit reporting, especially in the early stages of investigations. However, IG/IN can add greater value to the organisation by analysing and disseminating "lessons learned" and risks demonstrated through cases reported and investigated.
6. Reviewing the number of Proactive Integrity Reviews (PIRs) conducted per year. PIRs can send a strong integrity and compliance message if counterparts understand that the EIB may check "the reality on the ground". The effectiveness of this message is, however, dependent upon the number of PIRs conducted

and the level of awareness of this type of integrity checking.

7. Developing an IG/IN Charter. IG/IN's mandate can be inferred from the Anti-Fraud Policy and Investigation Guidelines. However, there is presently no overarching document that sets out the purpose, authority, scope of work, independence, professional practices and reporting requirements of IG/IN. Such a document would be useful when engaging with counterpart offices and with national authorities.

In 2016, IG/IN will also work with the Directorates of the Bank on the implementation of an exclusions process for the EIB. Following extensive engagement with stakeholders throughout the drafting process and finalisation of EDPS's recommendations, a comprehensive set of policy and guidance documents was finalised for approval by the Bank's Management Committee in late 2015. However, recent changes to EU Financial Regulations require revision of these documents. Once approved, IG/IN will need to work with the Directorates of the Bank – in particular JU, PJ Procurement, and OCCO – on operationalising the exclusions process.

Finally, IG/IN anticipates further significant work in support of the Bank's efforts to maintain an adequate level of contractual protection against fraud and corruption. Finance contracts and other contractual documents contain standard language providing for access to books and records, along with requirements for reporting prohibited conduct. Borrowers do not always recognise the additional obligations that being a public institution imposes on the EIB compared to a standard commercial bank. These clauses are a vital tool without which the Bank's ability to adequately address issues of fraud would be severely hampered.



Fraud Investigations Division
Inspectorate General
☎ +352 4379-87441
☎ +352 4379-64000
✉ investigations@eib.org
www.eib.org/investigations

European Investment Fund
37B, avenue J.F. Kennedy
L-2968 Luxembourg
☎ +352 2485-1
☎ +352 2485-81200
✉ info@eif.org
www.eif.org

European Investment Bank
98-100, boulevard Konrad Adenauer
L-2950 Luxembourg
☎ +352 4379-1
☎ +352 437704
www.eib.org

🐦 twitter.com/EIB
📘 facebook.com/EuropeanInvestmentBank
📺 youtube.com/EIBtheEUBank

Anti-Fraud Activity Report 2015

