

2019

FRAUD INVESTIGATIONS

 EUROPEAN
INVESTMENT
FUND

 European
Investment
Bank *The EIB bank*

2019

FRAUD INVESTIGATIONS

ACTIVITY REPORT

European Investment Bank Group Fraud Investigations Activity Report 2019

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FOREWORD BY THE PRESIDENT



Fraud and corruption can affect countries, regions and organisations, and the EIB Group is no exception. Fraud and corruption divert funds needed for climate and innovation. They can curtail much-needed resources for health and they can wipe out social benefits or undermine public trust in investments. With the COVID-19 crisis, this has never been more relevant. The EIB Group will continue to remain vigilant to these situations.

This is why the EIB Group works hard to ensure its projects and activities are free from fraud and corruption. The EIB Group pursues a zero tolerance policy. We adopt clear and comprehensive policies and procedures towards partners and clients, we monitor our operations and our staff are well trained. Each department in the EIB Group plays a specific role in preventing and fighting fraud and corruption.

The key internal partner of the EIB Group in this joint effort is the Inspectorate General's Fraud Investigations Division.

As President, it is with great pleasure that I present the EIB Group Fraud Investigations Report for 2019. This report presents the activities of the Fraud Investigations Division; it clearly demonstrates the value added of its activities within the EIB Group. The report provides statistics, examples of fraudsters' modus operandi and the findings and lessons learned from various investigations and Proactive Integrity Reviews. These findings and lessons learned are passed on to EIB Group services and governing bodies to support the EIB Group's decision-making processes.

The report also aims to raise awareness among staff, clients, partners, and the general public; we have to stay vigilant in the fight against fraud and corruption. Besides addressing an increasing number of incoming allegations in a very professional manner, our division has finalised the implementation of a sophisticated proprietary fraud detection tool, which plays an important role in identifying red flags.

To enhance its impact and effectiveness, our division needs to work with other partners. In terms of outreach and partnerships, 2019 was a very successful year with six new Memoranda of Understanding with partner law enforcement authorities and a series of internal awareness events with prominent speakers such as Ville Itälä, Director-General of the European Anti-Fraud Office, and Laura Codruța Kövesi, European Chief Prosecutor.

To conclude, I would like to thank EIB Group staff for remaining vigilant and for promptly reporting any allegations of prohibited conduct to the Fraud Investigations Division, thus contributing to the zero-tolerance policy of the EIB Group. Finally, I also sincerely thank all the staff of the Fraud Investigations Division, under the leadership of Jan Willem van der Kaaij, Inspector General, and Bernard O'Donnell, Head of the Fraud Investigations Division, for their continued hard work and commitment.

Werner Hoyer

ABOUT THE FRAUD INVESTIGATIONS DIVISION

ABOUT US

The Fraud Investigations Division (IG/IN) provides the EIB Group with the capacity to professionally and objectively investigate allegations of prohibited conduct involving EIB Group-financed activities and/or members of governing bodies or staff. It provides the EIB Group services with the relevant facts and recommendations to form the basis for appropriate follow-up actions.

The Fraud Investigations Division team is composed of experienced and highly skilled professionals with previous experience as law enforcement officers, public prosecutors, integrity officers and auditors.

The European Investment Bank Group (EIB Group) shows zero tolerance to all forms of prohibited conduct, including fraud and corruption, and is committed to continuous efforts in fighting prohibited conduct within its operations all over the world. A policy and institutional framework ensures a 360-degree approach to fighting fraud, corruption and other forms of prohibited conduct, including prevention, detection, investigation and remediation.

The Fraud Investigations Division is the sole office within the EIB Group mandated with conducting all investigations into alleged violations of Anti-Fraud Policies approved by the boards of the EIB and the European Investment Fund (EIF). Under the EIB Group Anti-Fraud Policies, prohibited conduct includes **fraud, corruption, collusion, coercion, obstruction, terrorist financing and money laundering**.

ACTIVITIES

PROACTIVE
INTEGRITY
REVIEW

CASE INTAKE
AND ANALYSIS

INVESTIGATIONS

POLICY AND
TRAINING

There is significant cross-fertilisation among these activities: proactive work uncovers red flags of fraud, which may lead to investigations; investigation findings and recommendations may lead to policy changes; lessons learned from proactive work and investigations are used to raise staff awareness on fraud and corruption risks and all require information support and analysis.

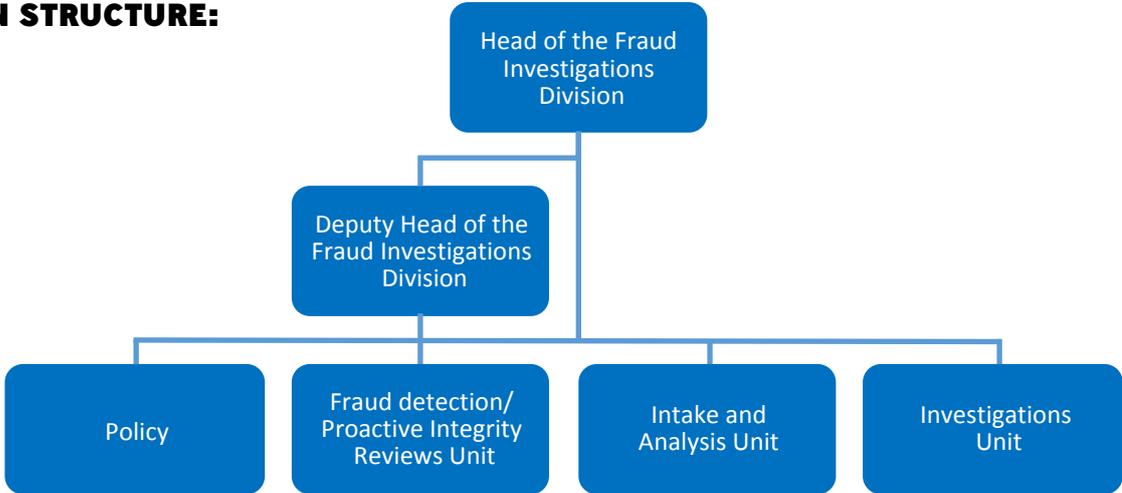


The Intake and Analysis Unit and the Investigations Unit were created in 2018 to improve the investigation workflow, increase case management efficiency, and better allocate IG/IN investigation resources – More details in “Investigating prohibited conduct”

The Fraud Detection/Proactive Integrity Reviews Unit was created in 2019. Rather than specific allegations, this unit relies on system-based, data-driven models to identify the risks of prohibited conduct and other vulnerabilities within EIB Group projects and transactions – More details in “Detection of prohibited conduct.”

The Policy area works closely with the other units to develop and keep the Group’s anti-fraud policy framework up to date, while ensuring its overall implementation. It also advises other EIB Group services on prohibited conduct - related issues and coordinates fraud and corruption awareness activities – More details in “Policy Initiatives.”

IG/IN STRUCTURE:



OUR ROLE

PROTECT

the financial interests of the EIB Group and of the EU

PREVENT,

detect and investigate prohibited conduct in EIB Group activities

SUPPORT

EIB Group decision making processes by passing on findings and lessons learnt to EIB Group services

LIAISE

with national prosecutors, investigation and anti-corruption authorities along with the national investigation offices

KEY POLICIES AND DOCUMENTS

➔ The **IG/IN Charter** sets out the scope of work, authority and core principles of IG/IN.

➔ The **EIB Anti-Fraud Policy** and **EIF Anti-Fraud Policy** provide details of the EIB Group's policies on preventing and deterring prohibited conduct.

BENEFITS OF OWN INDEPENDENT INVESTIGATIONS DIVISION



➔ The **EIB Group Investigation Procedures** sets out the methodology and procedures for conducting investigations under the mandate of IG/IN.

➔ The **EIB Exclusion Policy** sets out the procedures for the exclusion of entities and individuals found to have engaged in prohibited conduct.

2019 HIGHLIGHTS

83% increase

**in completed cases in 2019
(compared to 2018)**
(See page 15)

10 years

**of Proactive Integrity
Reviews at the EIB**
(See page 24)

Launch

**of anti-fraud e-learning
programmes**
(See page 35)

Increased internal outreach

(See page 34)

New guidelines

**on fraud detection endorsed by the
Conference of International
Investigators**
(See page 33)

Signature

**of six Memoranda of
Understanding with national
partners**
(See page 36)

Settlement

agreement reached
(See page 29)

2019 INVESTIGATIONS DATA AT A GLANCE

58 investigation missions

228 new allegations

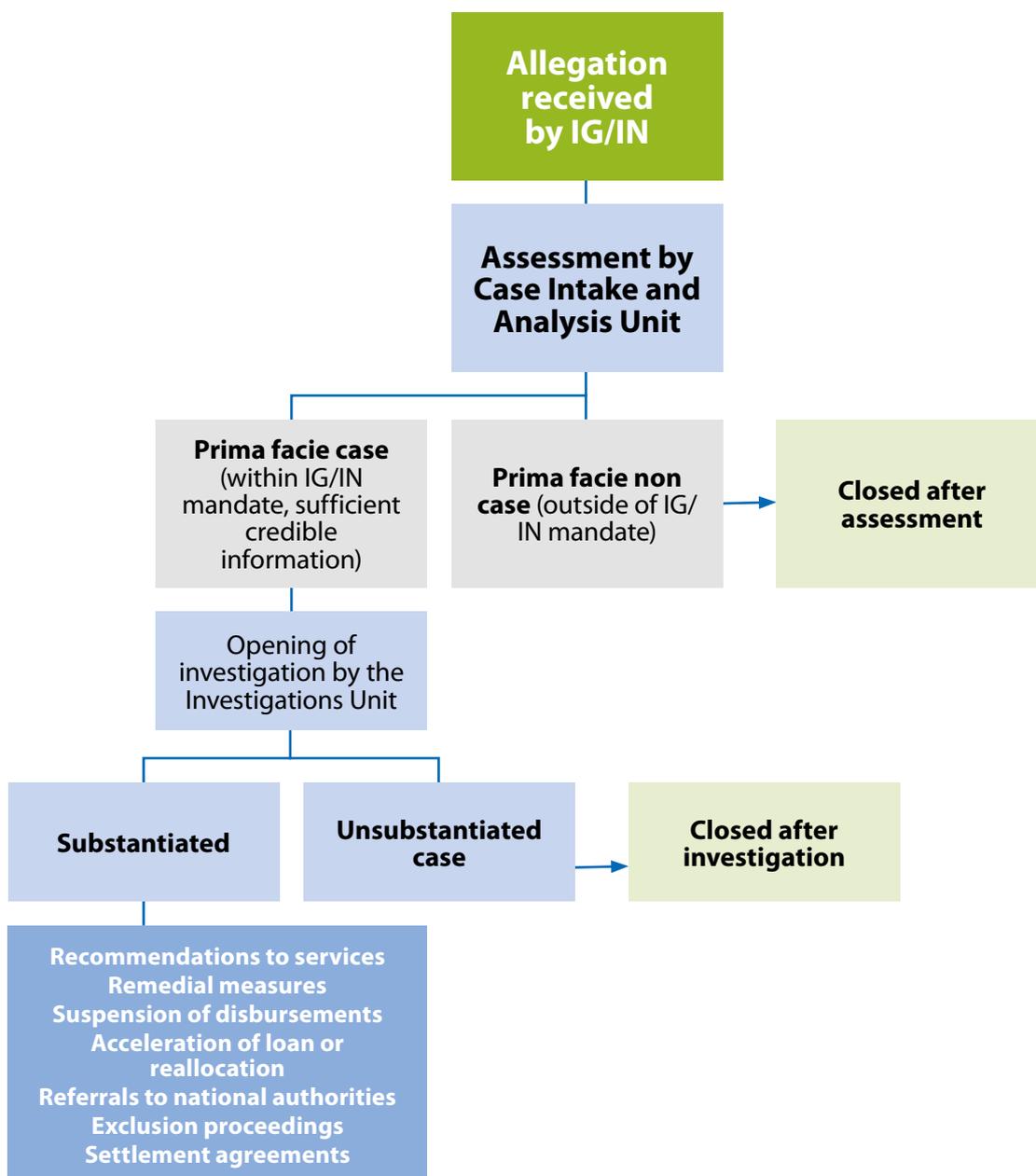
220 cases completed

69% of allegations reported by EIB staff members

INVESTIGATING PROHIBITED CONDUCT

INVESTIGATION LIFECYCLE: FROM ALLEGATIONS TO REFERRALS

From the initial allegation to the closing of an investigation, the Fraud Investigations Division follows the steps and procedures illustrated in the following chart.



CASE INTAKE AND ANALYSIS

The Fraud Investigations Division receives allegations of prohibited conduct from multiple internal and external sources. It can also initiate the opening of cases arising from press reports or proactive fraud detection findings.

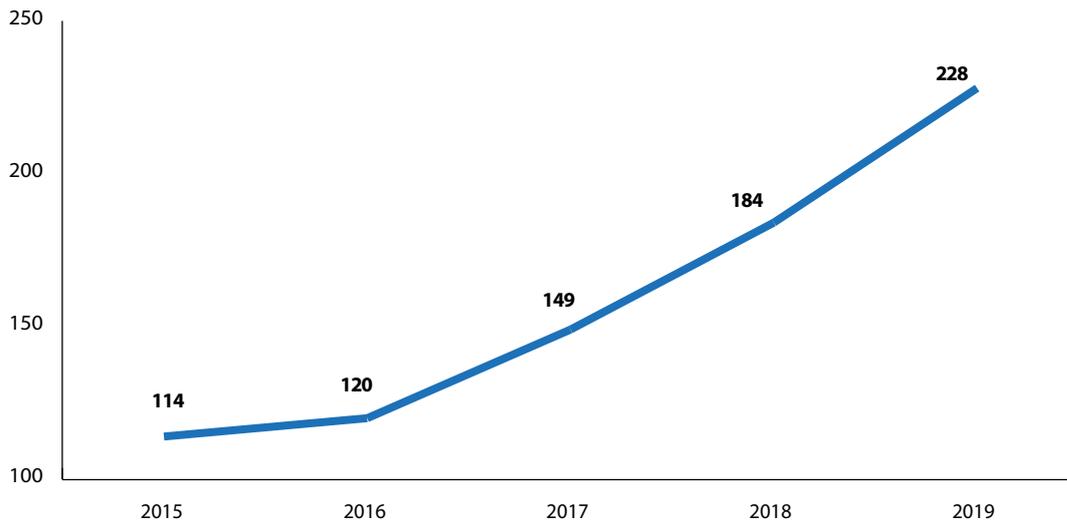
The Intake and Analysis Unit assesses and prioritises all incoming allegations of prohibited conduct to determine whether the reported issue is within the mandate of IG/IN and whether an investigation would be appropriate. During the initial case assessment, IG/IN aims to obtain as much relevant information concerning the allegation as possible, including connections to EIB Group-financed activities, a complete description of the alleged wrongdoing and related documents, records and any supporting documentation. Where the assessment determines that an allegation does not involve EIB financing or cannot be adequately investigated (due to a lack of specific details or the age of the matter reported), the case is closed at the assessment stage and does not proceed to investigation. Where a matter falls under the mandate of another office (for example an environmental complaint falling within the mandate of the EIB Complaints Mechanism or the investigation office of another multilateral development bank), IG/IN coordinates the necessary referral process. The division works closely with the European Anti-Fraud Office (OLAF) to refer all appropriate matters for OLAF's independent assessment. Suspicions of money laundering, financing of terrorism or predicated offences are also reported to the Luxembourg Financial Intelligence Unit, where appropriate.

INVESTIGATIONS

When the Intake and Analysis Unit determines that an allegation warrants the opening of an investigation, the case is passed on to the Investigations Unit of the division. The investigative activities are carried out by extremely skilled and well-prepared professionals who collect and review documents. They also interview witnesses and persons concerned, make site visits, and perform administrative investigations based on financing agreements. Investigations targeting cases of common interest are conducted in close cooperation with OLAF and other international financial institutions, including joint or parallel investigations. The Investigations Unit coordinates with national authorities whenever relevant. IG/IN also ensures that relevant findings and recommendations are continuously passed on to the EIB Group services to support the Bank's decision-making processes (for example, disbursements, non-objection to procurement procedures) and improve internal procedures. IG/IN's activities are carried out in accordance with the EIB Group Investigation Procedures and are undertaken in an objective, confidential, fair and impartial manner, in compliance with applicable legislation on data protection.

2019 INVESTIGATION DATA

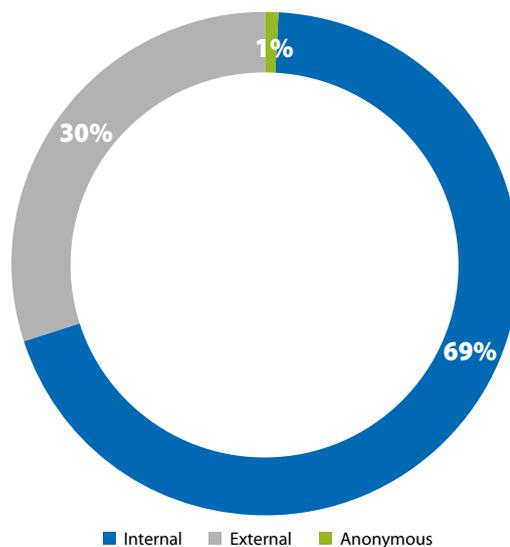
NEW ALLEGATIONS 2015 - 2019



In 2019, IG/IN registered **228** new allegations and worked on **472** cases (including cases carried over from 2018). This represents an increase of **24%** in the number of allegations referred to IG/IN compared to 2018.

IG/IN carried out a total of **58** investigative missions to countries inside and outside of the EU.

SOURCES OF ALLEGATIONS



69% of allegations came from EIB Group staff members, **30%** from external sources such as other European institutions or bodies, national authorities, international organisations, project-related parties, civil society and the media. The remaining **1%** came from anonymous sources. While the reports from external sources have remained stable over the last few years, the number of reports from EIB Group staff members increased from 54 in 2015 to **158** in 2019. This increased number can be explained by the enhanced awareness programme implemented by the Fraud Investigations Division on the risks posed by fraud and corruption.

EIB Group	2016	2017	2018	2019
New cases received during the year	120	149	184	228
Cases completed during the year	116	126	120	220
Of which at assessment stage	*	*	64	146 ¹
Of which at investigation stage	*	*	56	74
Cases still active at 31 December ²	113	136	200	208
Cases under monitoring at 31 December	40	59	44	58

* Data are available starting from 2018, when the Intake and Analysis Unit was created. The unit assesses incoming allegations and decides whether an investigation should be opened or not.

1 The rise in the number of cases completed at assessment stage in 2019 is explained by:

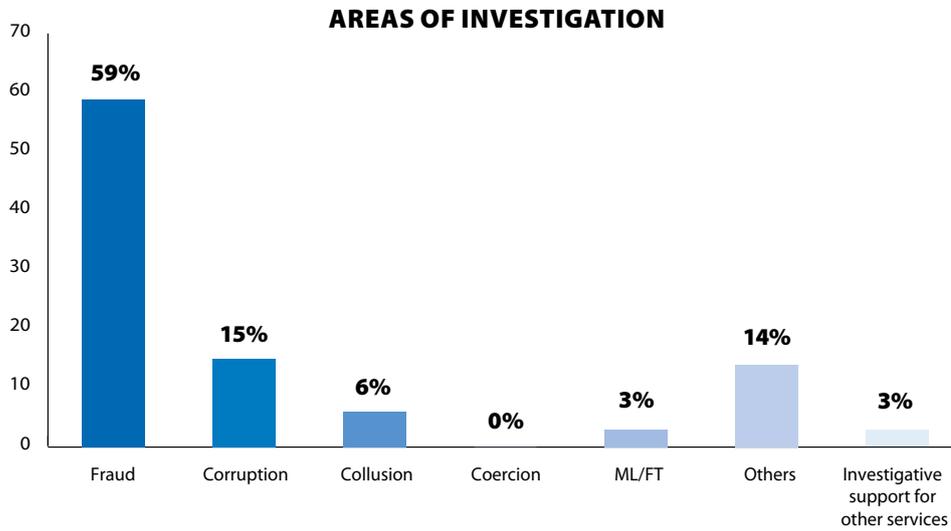
- an enhancement of the intake process;
- the on-boarding of new resources in the Intake Unit in the course of 2018; and
- the increased number of incoming allegations.

2 Active cases at 31 December consist of (i) cases carried over from the previous year; (ii) new cases opened during the year; minus (iii) the cases completed during the year.

As of December 2019, of the **228** cases registered in 2019, **34%** proceeded to investigation, **41%** were completed during the assessment and **25%** were still under assessment.

40 out of the 220 cases completed in 2019 (18%) were substantiated, leading to the issuance of recommendations to EIB Group services and/or referrals to competent authorities.

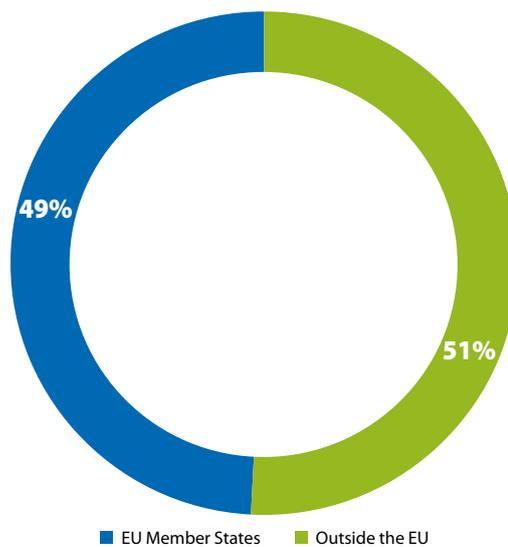
2019 FIGURES



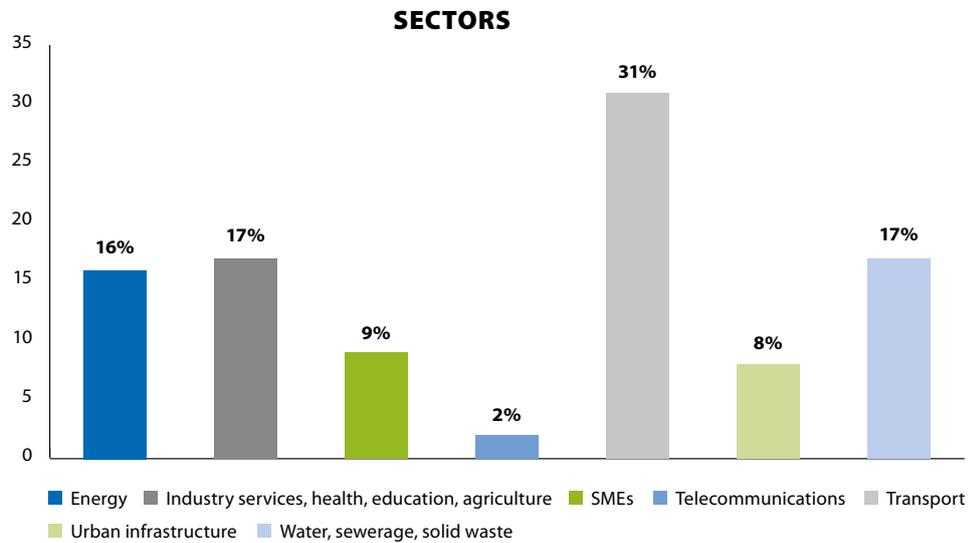
Fraud and **corruption** within EIB Group operations are the most common types of allegations received by the Fraud Investigations Division.

Allegations can be submitted via a dedicated email address (investigations@eib.org), or via the EIB Group website (<http://www.eib.org/infocentre/anti-fraud-form.htm>). The reporting form and associated information pages are available in 30 languages.

GEOGRAPHICAL SCOPE

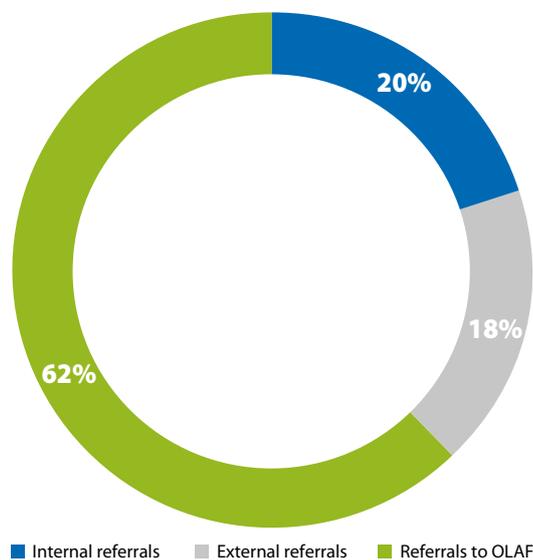


51% of incoming allegations related to EIB projects in 2019 involved activities outside the EU.



The sector most impacted by incoming allegations on EIB projects in 2019 was **Transport**. The result is consistent with the data collected over the last six years and the volume of EIB investments in this sector.

EIB GROUP REFERRALS - CASES COMPLETED IN 2019



Based on the outcome of its assessments and investigations, the Fraud Investigations Division refers relevant cases to OLAF, national authorities, the Luxembourg Financial Intelligence Unit (FIU), investigative bodies, and other EIB Group services. The above chart presents a referral breakdown for cases completed in 2019.

There are limits to what the EIB Group can achieve on its own and within its mandate. International cooperation and referrals are key to increasing the capacity of the EIB Group to deter prohibited conduct and advance investigations. Referrals of cases to relevant authorities serve to integrate capabilities and mandates between the EIB, OLAF, national authorities and the FIU. If, during an investigation, the EIB Group suspects that the laws of a country have been violated, the Group should also promptly inform the relevant national authorities and ask them to run their own assessment.

CASE STUDIES

While the EIB Group is committed to a presumption of disclosure and transparency, it also has a duty to respect both professional secrecy in compliance with laws and legislation and the confidentiality of its investigative process. IG/IN seeks the appropriate balance between transparency and confidentiality when disclosing information on cases it has investigated.

This section of the report provides the EIB Group's governing bodies, staff members and external stakeholders with case studies featuring different types of allegations handled by the EIB Group's investigators. The examples given below cover both internal and external investigations, several geographical areas and different kinds of prohibited conduct. The purpose of these case studies is not only to present how IG/IN operates, but also to raise awareness as to the possible areas of risk in EIB Group activities. They also illustrate how the EIB Group applies zero tolerance to fraud and corruption.

EXTERNAL CASES

External cases concern allegations of prohibited conduct involving parties outside the EIB Group. The examples below cover the three most common types of prohibited conduct encountered by the Fraud Investigations Division in 2019: fraud, corruption and collusion.

FRAUDULENT PROCUREMENT OF A THERMAL REHABILITATION PROJECT	
Region	Eastern Europe
Source	Internal
Red flag	Unusual contractor background, splitting of tenders

- Allegations of fraud were reported about a company that won three contracts for a total of €20 million. The project, co-financed by the EIB, was focused on the thermal rehabilitation of some buildings. The investigation established that the company was indeed a "ghost company", without any declared employees. The company had its headquarters in a family apartment building and was the subsidiary of an offshore company. Its administrator had no experience in the field. The seven tenders awarded to this company were all below the threshold for publication in the EU official journal and only involved one or two bidders.
- **Results: As a result of the investigation, no disbursements were made and the case was referred to the national authorities. The Bank is also collecting further elements in order to cancel its financing.**

FRAUDULENT BID AND OBSTRUCTION IN A PROJECT PROCUREMENT PROCESS

Region African, Caribbean and Pacific Countries

Source External

Red flag Complaint from a company

- A company complained that its credentials were fraudulently used by another company to win two EIB-financed contracts with an estimated value of €40 million. The investigation established that the fraudulent company initially participated, as a temporary joint venture with the complainant, in an open bidding process. When the first bidding process was declared unsuccessful and relaunched, the fraudulent company submitted another bid using the same credentials, even though the joint venture no longer existed. False documentation was also produced to mislead the Bank's investigators.
- **Results: Further to the results of the investigation, the EIB will not finance this contract and the case was referred to the competent national authorities.**

USE OF A FORGED DOCUMENT IN PROCUREMENT PROCESS

Region African, Caribbean and Pacific Countries

Source Internal

Red flag Misrepresentation

- Internal sources reported that a bidder allegedly submitted a forged bank letter of guarantee in the context of a project procurement process financed by the EIB. After analysing the tender documents, IG/IN liaised with the relevant bank and obtained confirmation that the bank never issued a letter of guarantee. Submission of a forged document qualifies as fraud under the EIB Anti-Fraud Policy.
- **Results: IG/IN supported EIB services' decision-making process by confirming that the bidder committed fraud. Ultimately, the bidder was disqualified from the procurement process.**

CORRUPT MANAGER

Region European Union

Source Internal

Red flag Conviction by national authority

- An EIB promoter informed the Bank that its former managing director had been convicted for corruption linked to construction and rehabilitation projects not financed by the EIB. IG/IN contacted the relevant public prosecutor office and obtained assurances that the former director acted alone without involving other employees. IG/IN also verified that the promoter had taken all the necessary measures in order to prevent possible future fraudulent actions of employees. In particular, a compliance function and a double-signature for all major decisions were put in place.
- **Results: In the absence of a direct impact on EIB projects, the Bank ensured that the necessary measures were put in place by the promoter to protect EIB funds from possible future occurrences of prohibited conduct. IG/IN referred the case to the competent national authorities.**

FRAUDULENT DECLARATION DURING PROCUREMENT PROCESS

Region	Mediterranean countries
Source	Internal
Red flag	Lack of self-declaration by bidder

- Bidders competing for EIB-financed contracts are required to self-declare past convictions and exclusion from procurement. A bidder under an EIB-financed procurement process omitted to declare its ineligibility for participation in tendering processes financed by a major multilateral development bank. IG/IN established that the bidder committed fraud by omitting to declare this exclusion from procurement.
- **Results: EIB services, upon a recommendation from IG/IN, required the promoter to remedy the situation in line with the tender requirements. The promoter then disqualified the bidder from the procurement process.**

MISUSE OF EIB AND EIF CREDENTIALS

Region	Worldwide
Source	Internal and External
Red flag	Unusual emails

- IG/IN handled 42 cases of misuse of EIB and/or EIF credentials in 2019, a trend which has increased over the last few years. Most cases involve people who fraudulently pretended to work for or represent the EIB. These people contacted their victims through social media or fake websites. Fraudsters often promised to disburse large sums of money in favour of the victims and used fake certificates, identity cards and business cards to mislead them.
- **Results: When an EIB or EIF credential is misused in a false website or deceptive email addresses, IG/IN contacts the website registrars or domain owners to request their deletion. Although those requests are mostly successful, IG/IN always advises the victim to file a complaint with the local police.**

TAX EVASION BY COMPANIES INVOLVED IN EIB PROJECTS

Region	European Union
Source	External
Red flag	Ongoing local investigation

- An external source informed IG/IN that a national railway company and a local company were under investigation by the national authorities as potentially involved in a case of fraud, corruption and money laundering. These two companies were involved in several ongoing EIB projects. IG/IN met with the national authorities, which provided results from a judicial and tax evasion investigation. Based on this information, it was possible to conclude that EIB financing was not involved in the national investigations.
- **Results: The collaboration between IG/IN and national authorities allowed the Bank to confirm that EIB funds were not involved in the tax evasion scheme. Furthermore, EIB signed a Memorandum of Understanding with the relevant authority in order to facilitate future cooperation and information exchange.**

CORRUPTION AND TENDER MANIPULATION

Region	European Union
Source	External
Red flag	Manipulation of tender by consultant

- IG/IN, in a successful joint operation with OLAF, investigated the role played by a consultant in relation to the supply of medical equipment to projects financed by the EIB and another international financial institution. The investigation identified evidence of corruption and tender manipulation by the consultant in two EIB-financed contracts.
- **Results: As a result of the national criminal proceedings, the illicit funds have been recovered and the consultant was sentenced to six years in prison for corruption.**

CEO FRAUD ATTEMPT

Region	European Union
Source	External
Red flag	Unusual email

- A “CEO Fraud” attempt via the email account of a Business Angel was reported to IG/IN. A hacker sent a fake capital call request to the custodian bank that served capital calls under the transaction. The EIF and the custodian bank immediately suspected a fraudulent attempt and did not proceed with the payment.
- **Results: The EIF and custodian bank's reaction prevented any financial damage. The email account was recovered and the fraud attempt was reported to the responsible national authority.**

FRAUDULENT INTERMEDIARIES

Region	European Union
Source	External
Red flag	Misuse of the EIB name

- IG/IN was contacted by a consultant who complained that he was not receiving any reply from the EIB regarding a financing request he had submitted. The investigation revealed that the consultant was misled by an individual who claimed to act as intermediary to obtain EIB loans. The investigations further identified a number of individuals and entities claiming to facilitate obtaining EIB finance loans in exchange for a fee.
- **IG/IN advised the victims that these persons were not authorised to act on behalf of, nor represent, the EIB and referred the case to the competent national authorities.**

INTERNAL CASES

Internal cases involve allegations of prohibited conduct by members of EIB Group staff and/or governing bodies, or assimilated persons (such as contractors working at the EIB premises). Examples of internal cases investigated in 2019 include:

THEFT ON EIB GROUP PREMISES

Source	Internal
Red flag	Thefts of personal items

- In 2019, an increasing number of thefts inside EIB buildings raised serious concerns among employees. These thefts were reported to IG/IN, who worked with the Security Office. Badging data were analysed and specific investigation activities to identify the alleged suspect(s) were carried out.
- **Results: IG/IN collected clear evidence and identified a suspect. The evidence was referred to the local police, leading to the arrest of a contractor.**

FRAUDULENT USE OF TIME MANAGEMENT SYSTEM

Source Internal

Red flag Unusual manual entries in the time management system

- It was reported to IG/IN that an EIB employee kept manually modifying time entries in the time management system to increase the amount of hours worked. IG/IN collected information and performed an analysis of the working hours. IG/IN found evidence of fraudulent use of the internal time management system (i.e. a misrepresentation to obtain a benefit).
- **Results: Based on the findings of fraudulent behaviour, the case was referred to the EIB's Personnel department for a disciplinary procedure.**

FORGED DOCUMENT AND UNAUTHORISED EXTERNAL ACTIVITIES

Source Internal

Red flag Unusual patterns in Bank documents

- IG/IN established that an EIB employee forged an official EIB communication to an external national authority and was involved in unauthorised external activities.
- **Results: Several recommendations were issued to the EIB's Personnel department, including starting a disciplinary proceeding regarding the employee concerned.**

DETECTION OF PROHIBITED CONDUCT

10 YEARS OF PROACTIVE INTEGRITY REVIEWS (PIRS) AT THE EIB

21 PIRs launched

40 Loans totalling €2.5 billion covered by PIRs

€25m of early prepayments triggered by findings from seven PIRs

63 Specific recommendations made to EIB services

3 Top executives from two borrowers charged with corruption as a result of national law enforcement action subsequent to PIRs

Extensive fraud and integrity risk intelligence gathered

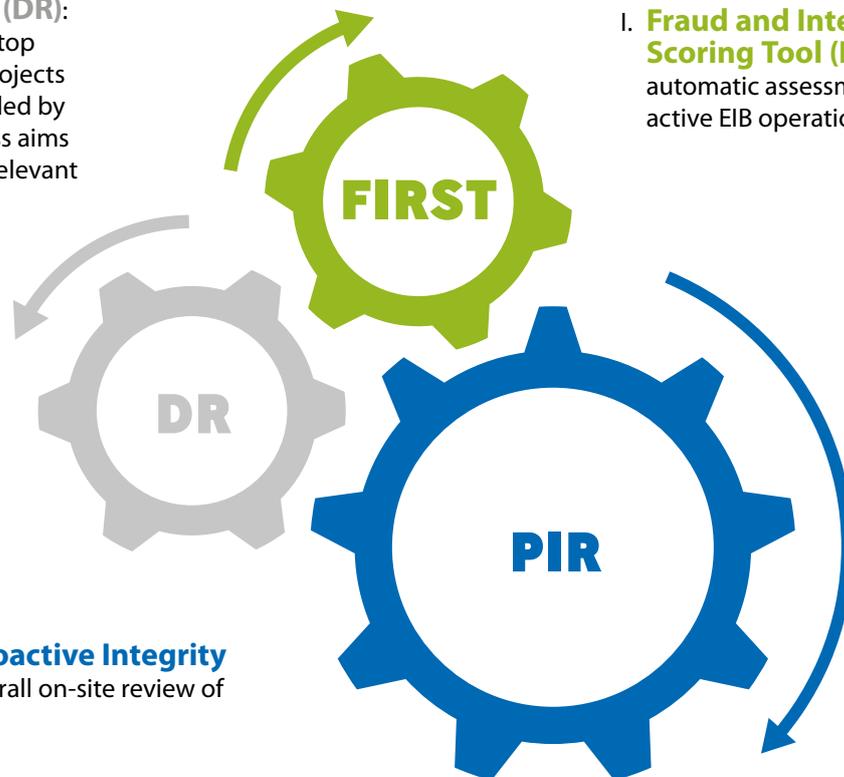
Successful advancement from ad-hoc to system-based and data-driven risk assessment of all ongoing EIB loans and projects

PIR METHODOLOGY: AN OVERVIEW

As required by the EIB Anti-Fraud Policy, IG/IN undertakes **Proactive Integrity Reviews (PIR)** to ensure that funds are used for their intended purpose and to assess vulnerability to prohibited conduct. Selecting the right project for review is crucial in the PIR methodology. To optimise its current resources and increase its **prohibited conduct (PC) detection capacity**, the following three key processes operate simultaneously:

II. **Desktop Review (DR)**: comprehensive desktop review of selected projects based on data provided by the FIRST. The process aims to choose the most relevant projects for a full PIR.

I. **Fraud and Integrity Risk Scoring Tool (FIRST)**: automatic assessment of all active EIB operations.



III. Execution of the **Proactive Integrity Review (PIR)**: overall on-site review of selected projects.



I FRAUD AND INTEGRITY RISK SCORING TOOL (FIRST)

The new **Fraud and Integrity Risk Scoring Tool (FIRST)** was launched in 2018. The tool enables the monitoring of all active EIB operations through a combination of internal and external databases and algorithms. **The first project for a Proactive Integrity Review was selected based on the results from FIRST in 2019.**

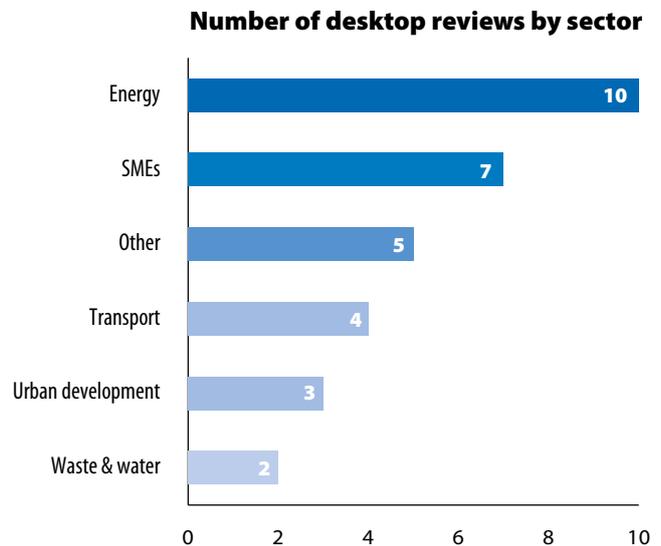
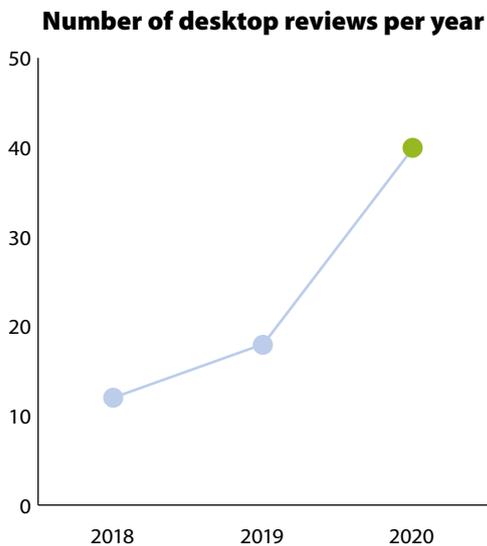
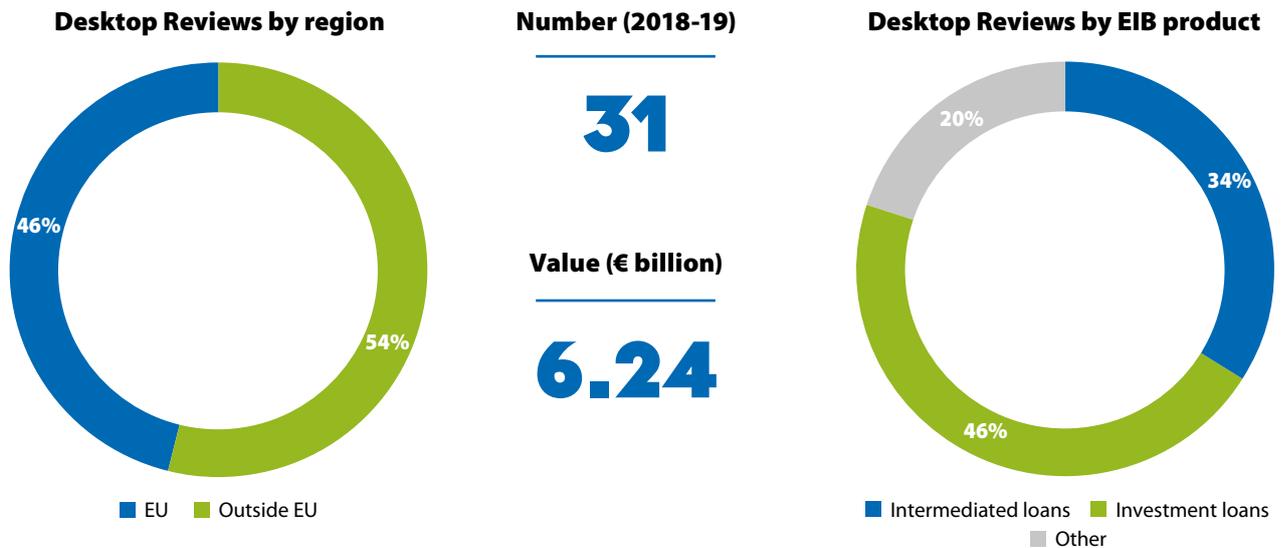
In 2019, IG/IN further improved the analytical capacity of the tool, including technical and conceptual enhancements. Thanks to the support of the IT department, FIRST is now linked to the EIB's data warehouse, providing real-time information on all active operations. Additional data were integrated to identify new risk factors and increase FIRST's analytical power.

The FRAUD AND INTEGRITY RISK SCORING TOOL (FIRST) at the European Investment Fund

At the end of 2019, the EIB and the EIF began to work on a joint feasibility study on the implementation of the PIR methodology at the EIF. The project is led by IG/IN's Fraud Detection Unit and the EIF's Compliance function. Internal workshops were organised with various key departments within the EIF. The first phase of the project is set to be completed by mid-2020.

II DESKTOP REVIEWS

Desktop reviews represent an essential part of the PIR methodology. Projects presenting a high-risk score, according to the data from FIRST, are reviewed in more detail to confirm their vulnerability to prohibited conduct. The most relevant projects are selected for a fully-fledged Proactive Integrity Review. The below charts present the desktop reviews' key numbers for the period 2018-2019.



III PROACTIVE INTEGRITY REVIEWS (PIRS)

IG/IN selects projects for an in-depth review, known as the Proactive Integrity Review, using its risk assessment tool, FIRST. The projects selected are not usually the subject of an allegation, but are often implemented in challenging conditions. Once selected for review, IG/IN analyses these projects to identify indicators of fraud and corruption through a detailed review of the project implementation.

In particular, the Proactive Integrity Reviews aim to check:

- (i) The procurement processes followed by promoters in the context of investment or framework loans, as well as the quality of the works and services procured; and
- (ii) Credit procedures followed by financial intermediaries (banks, public support lending agencies) in the context of multi-beneficiary intermediated loans, as well as the eligibility and actual use of on-lent funds by the final beneficiaries.

Findings and lessons learnt from Proactive Integrity Reviews lead to the issuance of recommendations to EIB Group services to remedy any identified irregularity and to improve internal procedures and processes. Should a Proactive Integrity Review identify red flags of prohibited conduct, the project is also referred for investigation to the Intake and Investigations Units.

The Proactive Integrity Reviews are carried out in line with the fraud detection guidelines endorsed by the Conference of International Investigators, please see page 33 for more information.

CASE STUDY – THERMAL REHABILITATION PROJECTS IN AN EU MEMBER STATE

In 2019, IG/IN completed a PIR in an EU Member State.

In particular, the PIR focused on: (i) procurement for work execution, design and site supervision; and (ii) assessment of the quality of work and services provided for the thermal rehabilitation. The PIR team reviewed the tender documentation and found irregularities concerning some contracts. The winning bidder was a company whose director had been previously convicted for defrauding public funds and other professional misconduct, and was thus ineligible to be awarded the new contract. The contracting authority had not been adequately informed as prescribed by national legislation. However, the PIR revealed that the contracting authority was negligent in the awarding process, and did not employ minimum due diligence efforts expected in such procurement processes.

Furthermore, the PIR uncovered: (i) the poor quality of the rehabilitation works, such as water infiltration on the building terraces, water infiltration and poor quality of work interventions on the outside walls of rehabilitated buildings; and (ii) insufficient internal controls performed by the contracting authority: documentation relating to work surveillance and monitoring were either missing or not adequately maintained, as well as improper financial and technical surveillance.

Based on these findings, the EIB concluded that the contract awarded in breach of national legislation was ineligible for financing and requested a prepayment of the EIB loan in the amount equivalent to the value of the contract. A remedial plan has been put in place to address the poor quality of works and to improve the capacity of the contracting authority.

DETERRENCE AND REHABILITATION

The EIB Exclusion Policy states that an individual or entity that is found to have engaged in prohibited conduct may be excluded from participation in EIB-financed projects or operations. The EIB can also enter into settlement agreement negotiations with such an individual or entity. Settlement agreements generally include a period of exclusion, an undertaking to cooperate in any future investigations, the implementation of a risk mitigation strategy and, in certain cases, the funding of international anti-corruption or other initiatives.

Please consult the [EIB exclusion web page](#) for:

- **a list of entities publicly excluded from EIB-financed projects and activities;**
- **a list of historical settlement agreements reached between the EIB and respective parties.**

Settlement agreement with Sediver

In 2019, the EIB and Sediver SAS, the French entity of the Sediver group, came to an agreement regarding Prohibited Conduct committed in 2010 in connection with one package relating to the refurbishment of a 400kV HVAC transmission line under the EIB-financed Regional and Domestic Power Markets Development Project (PMEDE) in the Democratic Republic of Congo. According to this agreement, Sediver SAS is conditionally non-excluded for a period of two years from the entry into force of the agreement (24 September 2019). This means that Sediver SAS remains eligible to participate in EIB financed projects as long as it complies with the terms of the settlement agreement. In turn, the EIB has concluded its investigation and Sediver SAS has undertaken to fully cooperate with the EIB in the exchange of best practices in relation to compliance standards and in the fight against fraud.

Since the beginning of the investigation, Sediver SAS cooperated with the EIB in clarifying matters related to the wrongdoing addressed. Besides, from 2015 onwards, Sediver has considerably reinforced its compliance management system, processes and resources to support its high ethical standards.

Follow-up to the agreement with Volkswagen AG

In February 2019, the EIB published a detailed summary of the investigation report by OLAF into the alleged misuse of an EIB loan by Volkswagen AG. This was done in accordance with the EIB Group Transparency Policy and considering the strong public interest in this highly exceptional case.

The summary includes all information relevant to the public interest and extracts of the OLAF report, providing the public with an informative and meaningful account of the OLAF investigation. The investigation concerned practices at the centre of controversy and legal action since 2015, when environmental authorities in the USA issued a notice of violation against Volkswagen AG for producing and selling diesel cars that featured sophisticated software to circumvent emissions standards for air pollutants.

Following the OLAF investigation, the EIB and Volkswagen AG finalised an agreement in December 2018. According to this agreement, the EIB concluded its investigation and Volkswagen AG in turn agreed voluntarily not to participate in any EIB project for an exclusion period of 18 months. Since October 2015, the consideration of loans by the EIB to Volkswagen AG had been under suspension. In addition, as part of the agreement, Volkswagen AG voluntarily committed to contribute €10 million to environmental and/or sustainability projects in Europe.

Last phase of financial contribution under the Siemens settlement

In 2013, Siemens and the European Investment Bank entered into a settlement agreement addressing alleged past violations of the EIB's Anti-Fraud Policy concerning projects financed by the EIB. As part of the agreement, the Siemens business unit voluntarily refrained from bidding on EIB-financed projects or entering into any relationship with the EIB for a period of 18 months, ending in 2014. Siemens also committed to provide funds amounting to €13.5 million to international organisations, inter-governmental organisations, non-governmental organisations, business associations, and/or academic institutions supporting projects or other initiatives promoting good governance and the fight against corruption.

In 2019, as part of the Siemens Integrity Initiative, Siemens named new projects to receive funding, including the expenditure of the last tranche of funds mentioned in the agreement with EIB. In line with the settlement agreement, the EIB reviewed and provided its no-objection to the projects proposed.

POLICY INITIATIVES

351 new EIB Group staff members trained in the classroom

96% EIB staff members trained through e-learning

185 anti-fraud policy files and consultations

Participation in 10 international awareness-raising initiatives

Over 17 awareness-raising events organised for EIB Group staff

Organisation of the 4th EIB Anti-Corruption Conference in December 2019

Six Memoranda of Understanding signed with national authorities

EIB Anti-Corruption Statement

Following the EIB's participation in the 2018 International Anti-Corruption Conference in Copenhagen, the EIB adopted and published a new Anti-Corruption Statement in 2019.

The conference brought together around 40 ministers, leaders of international organisations and private companies. The EIB was represented by its Inspector General, Jan Willem van der Kaaij. On this occasion, participants discussed strategies for international collaboration in the fight against corruption, re-acknowledging in a joint statement published by the high-level segment of the conference that corruption must be prevented, investigated and sanctioned, while highlighting the important role international cooperation plays in achieving these goals.



The harmonisation and exchange of best practices at an international level are important and effective responses to the global fight against fraud and corruption. **The EIB's adherence to the joint statement is in line with the Bank's participation in international awareness raising on such important issues. It further demonstrates that the EIB, in seeking to align its policies with international practices and standards, is cognisant of the principles embedded in the joint statement.**

The Bank's statement reaffirms that corruption undermines economic development, and besides being a critical issue in many countries, is a hurdle for nations willing to fulfil their economic potential. It reasserts the EIB's commitment to integrity and accountability, and its zero tolerance towards prohibited conduct. The EIB statement further focuses on the relevance of international cooperation in addressing common challenges posed by the proceeds of corruption and the Bank's cooperation with OLAF, national authorities and international organisations. It also highlights the proactive and innovative approach taken by the EIB to detect corruption. The EIB Anti-Corruption Statement is available on the EIB's website³.

³ <https://www.eib.org/en/about/documents/anti-corruption-statement-of-eib.htm>

International organisations endorse the EIB’s principles of integrity risk and fraud detection

The General Principles of Proactive Integrity Risk or Fraud Detection Activities, developed by the Bank’s Inspectorate General and based on the current methods used by the Fraud Detection Unit, were endorsed in November 2019 at the 20th Conference of International Investigators (CII) in Geneva.

“The Multilateral Development Banks have cooperated on this and other subjects and there has been increasing interest in the EIB model of proactive fraud detection,” noted Bernard O’Donnell, Head of the Fraud Investigations Division. “Getting these general principles approved by the CII is a significant accomplishment, which will help other international organisations in doing this type of proactive work.”



This major forum for investigation professionals worldwide shares values and principles of engagement and helps enhance the integrity, transparency and accountability of projects and activities led or financed by international organisations.

A major forum for investigation professionals worldwide

Over 50 international organisations participated in the conference. These included UN system agencies, multilateral development or investment banks and funds, regional development banks, as well as EU bodies and offices, such as the European Anti-Fraud Office.

Providing support and non-binding guidance to investigators

The General Principles of Proactive Integrity Risk or Fraud Detection were developed to supplement the existing Uniform Principles and Guidelines for Investigations and provide non-binding guidance. Although the CII does not confer, impose or imply any duties, obligations or rights on any organisations to adopt or use them – nor do they affect the rights and obligations of these organisations as per their rules, policies and procedures – the CII provides key support to investigators in international organisations by enhancing close cooperation and facilitating the exchange of information and best practices and providing hands-on training.



Internal awareness-raising initiatives

IG/IN organised several internal outreach events to raise staff awareness on prohibited conduct risks and to pass on lessons learned from investigations. Some of these events were open to all staff, while others were specifically organised and tailor-made for specific departments:

- **The 4th EIB Anti-Corruption Conference.**
- **Dialogue session with the Director-General of the European Anti-Fraud Office, Ville Itälä, opened by the EIB President, Werner Hoyer.**
- **Presentation of the 2018 Fraud Investigations Activity Report** open to all EIB Group staff.
- **Fraud Awareness sessions for EIF staff members.**
- **Presentations on the anti-fraud and exclusion policies** to Project Procurement Advisors and other operational teams.
- **Awareness sessions on the new EIB Whistleblowing Policy**, together with the Compliance Directorate, open to all staff members.
- **Presentations of tailor-made case studies** to the Transaction Management Restructuring Directorate and the Projects Directorate.
- **Presentations of the Proactive Fraud Detection Tool** to various Bank departments.
- **Presentation to the Heads of EIB External Offices** on their role in fighting fraud and corruption.
- **Workshop for EIB external offices managers** on prohibited conduct risks.

Fraud and Corruption Awareness Training

- **Launch of new anti-fraud e-learning programmes**
- **Update of EIB anti-fraud classroom training**
- **Development of tailor-made EIF anti-fraud classroom training**



The EIB Group fraud and corruption training programme aims to raise awareness of the multiple risks that fraud, corruption and other prohibited conduct pose to the EIB Group and the applicable policy framework. It helps colleagues recognise the red flags of fraud and corruption in the context of their duty to report any suspicion of prohibited conduct to the Fraud Investigations Division.

This training programme has been in place since 2009 as classroom training. The content of the classroom training session was updated in 2019, including the development of new case studies.

A new anti-fraud classroom training session was also specifically developed for EIF colleagues in line with the specific activities of the Fund. In 2019, 351 EIB Group staff members undertook this classroom training.

In July 2019, new anti-fraud e-learning courses mandatory for all EIB staff were included in the programme. As of 31 December 2019, 96% of EIB colleagues had completed this online training. Many colleagues provided positive feedback.

"I have certainly learnt something new. I found it is very well done, both with interesting information and very practical, real-life cases."

"Thank you for tailoring the modules: it made the training genuinely interesting."

"The format works very well and it provides a useful inspiration for future e-learning courses that we may be preparing in our team. I feel this was time well spent!"

The Fraud Investigations Division delivered training courses to new staff members who joined the Bank throughout the year: 288 colleagues attended the Control and Accountability Mechanisms training session, while 246 colleagues attended the training course on Ethics and Integrity.

International cooperation and information sharing with national authorities

IG/IN's cooperation and information sharing with national authorities continued in 2019 with the signing of six Memoranda of Understanding with the Bulgarian Public Prosecutor's Office, the Italian General Prosecutor's Office, the Spanish Public Prosecutor's Office, the Lithuanian Financial Crime Investigation Service, the Serbia Public Prosecutor and the Government Office of the Slovak Republic.



The EIB signed an MoU with the Prosecutor's Office of the Republic of Bulgaria in February 2019.



15 March 2019 marked the signature of an MoU with the Italian General Prosecution Office.



The EIB and the Spanish Public Prosecutor's Office signed an MoU on 4 July 2019.



In November 2019, the EIB signed an MoU with the Lithuania Financial Crime Investigation Service.



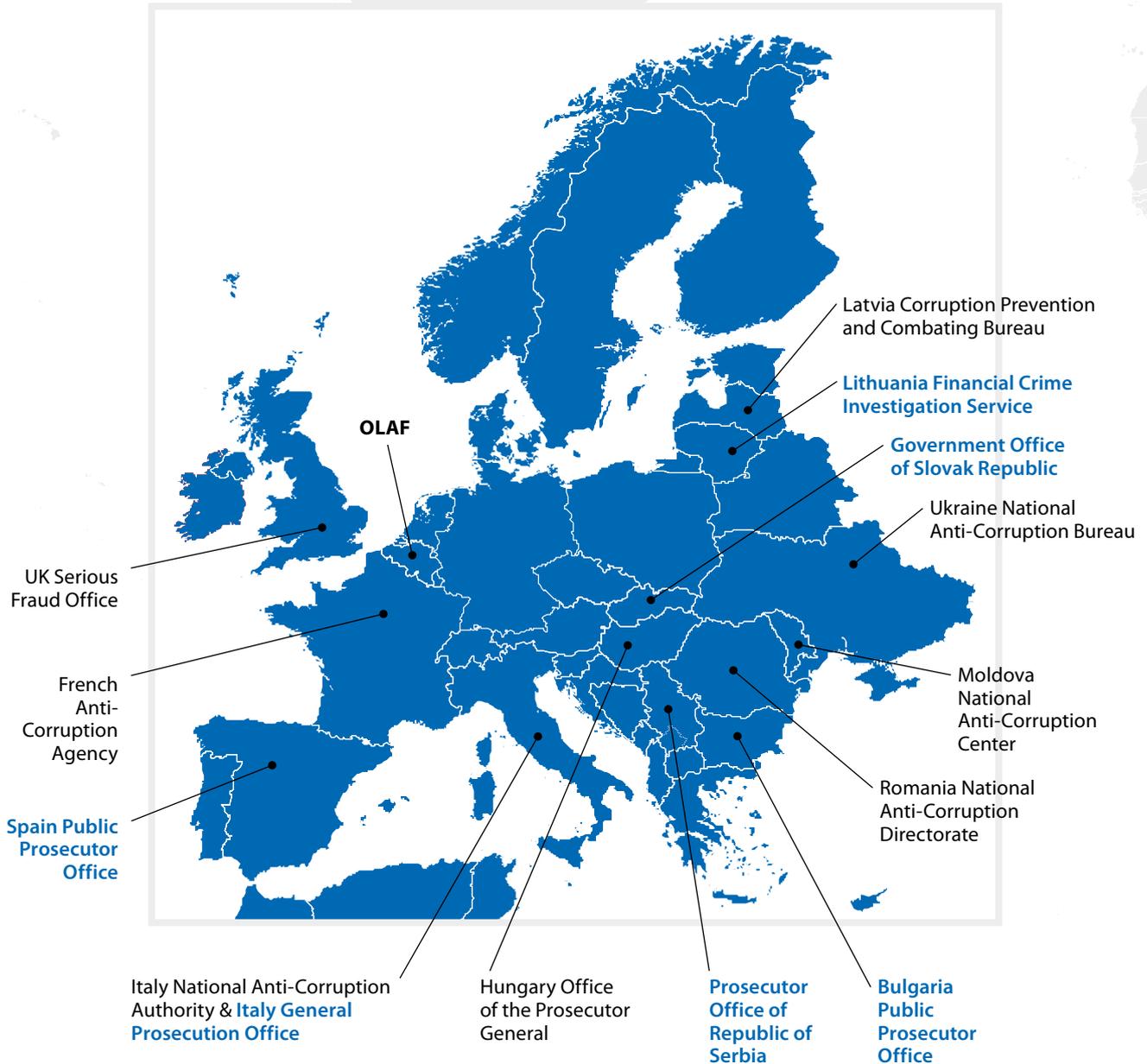
On 9 December 2019, the EIB signed an MoU with the Republic Public Prosecution Office of Serbia.



An MoU was signed with the Government Office of Slovak Republic on 9 December 2019.

The map indicates the cooperation agreements in place between the EIB and its partners in the fight against fraud and corruption worldwide.

New agreements signed in 2019 are highlighted in blue.







Implementation of the new Data Protection Regulation

On 11 December 2018, the new Regulation on the protection of natural persons with regard to the processing of personal data by the Union institutions and bodies entered into force. The Fraud Investigations Division initiated its implementation in 2018 and finalised this process in 2019. In the Official Journal of 6 March 2019, the Bank published the decision of the EIB Board of Directors on the internal rules concerning the processing of personal data by the Fraud Investigations Division in relation to the provision of information to data subjects and the restriction of certain of their rights.

International awareness-raising initiatives

In addition to raising awareness within the EIB Group, the Fraud Investigations Division was also involved in discussing fraud and corruption-related issues and possible solutions thereto in various international arenas during 2019, such as:

- **EIB Board Seminar with Civil Society**, Luxembourg, February 2019.
- **The Global Anti-Corruption and Integrity Forum**, Paris, March 2019.
- **Multilateral Development Banks' Heads of Integrity meetings**, Luxembourg, June 2019 and Geneva, November 2019.
- **The annual meeting of the Anti-Fraud Coordination Services (AFCOS) in enlargement countries**, Skopje, September 2019.
- **The Fraud Prevention and Detection Network**: an initiative that coordinates the implementation of the Commission Anti-Fraud Strategy amongst Commission Directorates-General, Brussels, September 2019.
- **Bi-annual Pilot Group meeting** with partner authorities from the African continent organised by OLAF and the Commission, Brussels, October 2019.
- **The C5 7th Conference on Anti-Corruption France**, Paris, October 2019.
- **The 20th Conference of International Investigators**, Geneva, November 2019.
- **Lecture to master's students at Sorbonne University**, Paris, November 2019.

4TH EIB ANTI-CORRUPTION CONFERENCE



The 4th EIB Anti-Corruption Conference took place on 9 December 2019 – International Anti-Corruption Day. The conference, which gathered around 150 representatives from the EIB Group, national anti-corruption and anti-fraud authorities, European and international organisations, civil society, the private sector and academics, aimed to raise awareness about fraud and corruption in Europe and worldwide.

9 December 2003 marked the adoption of the United Nations Convention Against Corruption (UNCAC).

Why is this day important for the EIB Group?

In his introductory remarks, the Inspector General, Jan Willem van der Kaaij, underlined that the EIB Group seeks to align its policies and procedures with the UNCAC, the legally binding universal anti-corruption instrument. Moreover, the European Investment Bank fully supports the EU's efforts to ensure the implementation of the 2030 Agenda for Sustainable Development, whose achievement also hinges on strengthening anti-corruption efforts worldwide.



“What matters in the international fight against fraud and corruption?”

The last edition of the conference focused on cooperation and being united against corruption and fraud. The morning session was dedicated to EIB Group staff to discuss success stories.

A key moment in the conference was the lecture given by the newly appointed European Chief Prosecutor, **Laura Codruța Kövesi**: *What matters in the international fight against fraud and corruption?* Ms Kövesi underlined the importance of raising awareness and the impact fraud and corruption can have on all of us, on our daily activities and lives, even when they are invisible to our eyes.

Some examples of cases Kövesi investigated as a prosecutor in Romania were illustrated by the European Chief Prosecutor to demonstrate that fraud and corruption not only result in the decline of public service quality and/or higher prices, but can also have a deadly impact on the lives of people.

The European Chief Prosecutor also spoke about the new European Public Prosecutor’s Office (EPPO). Her duty is to make it operational at the end of 2020. EPPO will be composed of 22 prosecutors at central level representing a participating Member State of the European Union.

Ms Kövesi ended her lecture with a clear, strong message regarding the future EPPO: *“Every institution is only as strong as the people who make it. The greatest challenge for the EPPO will be to find and keep the right people: professionals, courageous, independent, whose personal integrity is beyond doubt.”*

In his final remarks, Bernard O’Donnell, Head of the Fraud Investigations Division, emphasised the main factors in the international fight against fraud and corruption: strong investigative offices with a clear mandate and capabilities to enable them to perform effectively, public awareness, political will, leading by example, the power of technology and cooperation at national and international level.

“When someone steals your wallet, you feel it instantly, as you don’t have your money anymore. Or, when someone hits you, you feel the pain in that moment. But, when a mayor takes a bribe, do you feel that? Or, when a minister gives a contract to a company and takes a bribe for that, do you feel anything? It takes information, education, critical thinking, awareness and civic responsibility to understand that corruption affects us all and that it makes our lives worse.”

Laura Kövesi, European Chief Prosecutor

LOOKING AHEAD

Policy development

The EIB Group is committed to finalising the revision of the EIB and EIF Anti-Fraud Policies in 2020 and continuing the implementation of the Exclusion Policy.

Growing number of allegations

In line with the trend seen in recent years, IG/IN foresees that the number of incoming allegations will continue to increase in 2020.

Fighting fraud and corruption is a collective responsibility where each one of us has a role to play. Staff members, counterparts and other external partners are encouraged to report any suspicions of prohibited conduct potentially affecting EIB Group-financed projects and activities.

How to submit allegations:

- ➔ Via the dedicated email address investigations@eib.org;
- ➔ By a confidential letter to IG/IN;
- ➔ Via a reporting form on the EIB website:
<https://www.eib.org/en/infocentre/anti-fraud-form.htm>.

Strengthening cooperation with partners

An important pillar of IG/IN's work is the cooperation with national and international partners. In 2020, IG/IN will continue cooperating with the relevant national authorities and investigative offices of international financial institutions, among other things by exchanging information, providing assistance in the context of national judicial proceedings and signing Memoranda of Understanding.

Increasing outreach and awareness-raising

Increasing outreach and awareness inside and outside the EIB Group is an essential tool to detect and prevent fraud. After launching the new, successful fraud and corruption awareness e-learning packages in 2019 and achieving a 96% completion rate, IG/IN is committed to continuing to invest in internal fraud awareness events and workshops. Working closely with EIB Group services and sharing lessons learned will continue to be key to ensuring the coherent implementation of the EIB Group anti-fraud and anti-corruption framework.

Similarly, in 2020 IG/IN's efforts will also aim to engage with representatives of civil society organisations, counterparts and other external partners.

ACRONYMS AND INITIALISMS

EIB	European Investment Bank
EIB Group	The EIB and the EIF
EIF	European Investment Fund
EPPO	European Public Prosecutor's Office
FIRST	Fraud & Integrity Risk Scoring Tool
IG	Inspectorate General
IG/IN	Fraud Investigations Division of the Inspectorate General
MoU	Memorandum of Understanding
OLAF	European Anti-Fraud Office
PIR	Proactive Integrity Review
UNCAC	United Nations Convention Against Corruption
WB	World Bank



FRAUD INVESTIGATIONS

ACTIVITY REPORT 2019



The EIB Group consists of
the European Investment Bank and
the European Investment Fund.