



***INSPECTORATE GENERAL  
FRAUD INVESTIGATIONS DIVISION***

***ANNUAL REPORT 2011***



## Message from the President

The European Investment Bank (EIB) and the European Investment Fund (EIF), (together they make up the EIB Group) maintain Anti-Fraud Policies pursuing a “zero tolerance” objective towards fraud and corruption. We take this very seriously and, as part of the approach, we aim to minimise the risk of fraud, corruption, collusion and coercion issues in all its projects, activities and investment operations and to ensure that appropriate and timely action is implemented to address such issues when they arise.

It is critical to the success of our mission that the staff at EIB and our counterparts (borrowers, bidders, contractors, recipients of investments and project officials) work to the highest standards of integrity. We must ensure as far as possible that funds lent or invested by EIB Group are not used fraudulently or corruptly causing trust in public services to be eroded and economic growth and job creation to be undermined.

I am pleased to introduce this report, which describes the work of the Inspector General’s Fraud Investigations Division during 2011 and the steps that are taken to address allegations of fraud and corruption. In particular, the report:

- describes the investigations into allegations of fraud and corruption in EIB Group operations and provides relevant statistics;
- outlines the liaison work with national agencies, OLAF and other international organizations; and
- explains the pro-active work undertaken to increase the prevention and deterrence aspects of the Division’s work and their efforts to raise awareness of fraud and corruption. It also notes how the Bank is continuing to strengthen its anti-fraud and corruption toolkit.

In all of this work, it is important for the Investigations Division to achieve an appropriate balance between independence in investigating the cases and working closely with colleagues – to be truly successful, I believe that all staff must be involved in our anti-fraud initiatives so that the lessons of the past are learned and implemented.

I take this opportunity to thank the Inspector General and the staff of Investigations Division for their important contribution to the EIB Group and I encourage staff and external parties to work together to combat fraud and corruption in the future.

Werner Hoyer  
EIB President

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## EXECUTIVE SUMMARY

The following activities occurred during the calendar year January 1 – December 31, 2011:

### **(a) Investigative Activities**

IG/IN received a total of 97 new allegations during 2011 – 95 new cases and two prima facie non cases. This continues an upward trend from previous years (82 in 2010 and 45 in 2009) and reflects higher reporting levels within the institution and outside it. IG/IN carried over 65 cases from 2010 and closed 73, to leave a backlog of 87 cases open at December 31, 2011.

In addition to cooperating with OLAF, IG/IN had discussions on cases of common interest during 2011 with national judicial and/or law enforcement agencies including in the EU (e.g., France, Hungary, Italy, Latvia, Slovenia, Spain, the UK) and outside (e.g., Cameroon, Mauritius, Switzerland, USA, Zambia). IG/IN also undertook Proactive Integrity Reviews (PIRs) and Proactive Media Reviews (PMRs) in the EU, Eastern Europe and North Africa.

### **(b) Fraud Policy and Related Initiatives**

There were many policy initiatives and loan-related issues impacting IG/IN's workload in 2011. IG/IN also installed a new internally-developed case management system. One key development was the approval received from the Management Committee and Board of Directors for the Exclusion Procedure, to exclude entities found to have engaged in fraud and corruption in EIB operations. In addition, IG/IN consulted the European Data Protection Supervisor and continued contact with the European Commission to explore access to the Commission's database of excluded entities. Implementation of the Procedure is the next step which IG/IN staff also worked on during 2011.

### **(c) Coordination with IFIs and Others**

IG/IN continues to work closely with the counterparts in other International Financial Institutions in line with the IFI's Anti-Corruption Uniform Framework Agreement.<sup>1</sup> In 2011, this collaboration included joint investigations of cases with colleagues from the World Bank and the European Bank for Reconstruction and Development (EBRD). In addition IG/IN continued to lead the collaboration on a joint investigation by four regional institutions (EIB, EBRD, the Nordic Development Bank and Council of Europe Development Bank).

IG/IN met regularly with IFI counterparts to seek further harmonisation common policies, including by hosting the first ever IFI Joint Heads of Investigation and Procurement meeting in Luxembourg in October. After that, work started in earnest towards IG/IN hosting the annual Conference of International Investigators (from the UN, OLAF, Global Fund and the IFIs) in September 2012.

### **(d) Raising Awareness of Integrity Issues**

Staff from IG/IN continued to seek to raise awareness of fraud issues in training sessions, conferences and other events both inside and outside the Bank. In particular, IG/IN continued to participate in one-day fraud awareness sessions for EIB staff, sessions which discussed IG/IN's work, reminded staff of their duty to report suspicions, and (through case studies) provided examples of "red flag" warnings. Furthermore, the 2010 Annual Report of Investigations was published<sup>2</sup> and IG/IN updated and reprinted its flyer.<sup>3</sup>

<sup>1</sup> See: <http://www.eib.org/about/documents/ifi-anti-corruption-task-force-uniform-framework.htm?lang=-en>

<sup>2</sup> The document can be found at: <http://www.eib.org/about/publications/inspectorate-general--fraud-investigations-annual-report-2010.htm>

<sup>3</sup> See: [http://www.eib.org/about/publications/combating\\_fraud\\_and\\_corruption.htm](http://www.eib.org/about/publications/combating_fraud_and_corruption.htm)

## **1. Introduction**

The Fraud Investigations Division is one of four Divisions (the others are Internal Audit, Evaluations and Complaints Mechanism) making up the Inspectorate General (IG) of the European Investment Bank (EIB) Group.

The Fraud Investigations Division (IG/IN) is, as the name implies, tasked with undertaking investigations into allegations of fraud and corruption in EIB and EIF operations and activities. IG/IN reports through the Inspector General directly to the President. The Bank and EIF have stated their policy of “Zero Tolerance” of fraud, corruption, collusion and coercion - the Bank’s Anti-Fraud Policy was adopted following approval in 2008 by EIB Board of Directors. The Policy can be found on the EIB’s website.<sup>4</sup> EIF’s policy is adapted from the Bank’s policy and published on the EIF website.<sup>5</sup>

### **(i) Harmonised Definitions**

In accordance with the Uniform Framework for Preventing and Combating Fraud and Corruption<sup>6</sup> agreed by the IFIs in 2006, harmonised definitions are used by all the IFIs including EIB. The following harmonised definitions have been incorporated into EIB’s Anti-Fraud Policy:

- a corrupt practice: the 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;
- 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; and
- a collusive practice: an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

EIB’s Anti-Fraud Policy also includes provisions against (i) anti-money laundering and terrorist financing; and (ii) following approval of EIB’s Exclusion Procedure in 2011, obstruction of investigation.

The procedures used by IG/IN when investigating an allegation have been also harmonised with the IFIs - a copy of the investigation procedures can be found on the EIB website<sup>7</sup>, as can information on reporting a suspicion of fraud or corruption to IG/IN.<sup>8</sup>

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<sup>4</sup> At the following link: <http://www.eib.org/about/publications/anti-fraud-policy.htm>.

<sup>5</sup> At: [http://www.eif.org/news\\_centre/publications/2009\\_anti\\_fraud\\_policy.htm?lang=-en](http://www.eif.org/news_centre/publications/2009_anti_fraud_policy.htm?lang=-en).

<sup>6</sup> IG participated in the IFI Anti Corruption Task Force during 2006. The resulting Uniform Framework agreement was signed on September 20, 2006 during the IBRD/IMF annual meeting in Singapore and agreed: the harmonisation of definitions; common principles and guidelines for investigations; the strengthening of the exchange of information; and to explore cross-recognition of debarment actions. This document can be found on EIB’s website at: [www.eib.org/about/documents/ifi-anti-corruption-task-force-uniform-framework.htm](http://www.eib.org/about/documents/ifi-anti-corruption-task-force-uniform-framework.htm)

<sup>7</sup> At: <http://www.eib.org/about/publications/anti-fraud-procedures.htm?lang=-en>

<sup>8</sup> At: <http://www.eib.org/about/cr/anti-fraud/reporting/index.htm?lang=en>

**(ii) Types of Allegations**

The Division receives and investigates allegations of suspected fraud, corruption, coercion and collusion from any source (inside or outside the EIB Group) - such reports could include for example:

- 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; and
- misconduct by fund managers and/or staff members of the EIB Group.

Investigations by IG/IN are carried out in cooperation with the European Anti-Fraud Office (OLAF), the EU administrative investigative body, whose remit is the fight against fraud, corruption and other illegal activities detrimental to the European Union financial interests. The cooperation between OLAF and IG/IN includes the exchange of information, regular contacts between the two offices, meetings and, in appropriate cases, joint missions and investigations. In the fight against fraud and corruption, the EIB also works in cooperation with counterparts from the investigation, integrity and compliance departments in other International Financial Institutions (IFIs) and other international bodies (e.g. the United Nations, the Global Fund), as well as national audit, law enforcement and judicial agencies.

Most of IG/IN's activity relates to external cases, that is cases of alleged fraud, corruption collusion or coercion involving projects where EIB has provided finance or other assistance.

In cases of internal fraud and corruption, that is, cases of fraud or corruption alleged to have been perpetrated by EIB staff members, IG/IN will also participate in the investigation in cooperation with OLAF.

**(iii) Reports of Findings**

Reports on IG/IN's findings are made through the Inspector General to the President and, at the same time, to the Audit Committee. In the case of the European Investment Fund (EIF), the reports go to the Chief Executive, the Chairman of the Board of Directors and the Audit Board. In both institutions, the External Auditors are also informed of developments.

**(iv) Related Work**

Furthermore, in addition to undertaking investigations, the Division is also responsible for:

- **Policy Initiatives:** This policy work may be linked to the investigations or the terms and conditions of new EIB loans; it may involve reviewing and updating the Bank's rules and procedures to ensure "lessons are learned"; and also providing the Bank with new tools, such as the Exclusion Procedure, to deter fraudulent or corrupt conduct in the future; and

- **Proactive and Preventive Work:** devising and implementing pro-active measures against fraud, such as IG/IN's Proactive Integrity Review (PIR – see page 10) and Proactive Media Review (PMR), as well as ensuring fraud awareness training is available for EIB staff.

## 2. Core Work of the Fraud Investigations Division in 2011

### (a) Investigations

Upon receipt of an allegation, IG/IN initiates a screening process, which identifies whether the allegation falls within its mandate and is credible, verifiable and material. At the conclusion of the screening, the Head of Division of IG/IN decides whether the allegation warrants further investigation. If not, the matter will either be closed, or, if appropriate, referred to another department within the EIB Group.

IG/IN received a total of 95 new allegations during 2011 (in addition there were 2 Prima Facie Non Cases also recorded). This figure confirms an upward trend from previous years (82 in 2010<sup>9</sup> and 45 in 2009); it appears to reflect higher reporting levels of fraud and corruption issues within the Bank and outside it, based in part on:

- a greater awareness of staff's responsibility to report;
- the 'Arab Spring' movement in North Africa and the Middle East, resulting in a number of corruption cases reported in the press;
- improved communications with national judicial and investigation agencies; and
- intensified cooperation with counterparts at other IFIs.

In addition to the new allegations, there were 65 cases carried over from 2010 in which an investigation was on-going from the previous year. This led to a total number of active cases during 2011 of 160 (plus 31 cases in monitoring, where for example, the outcome of on-going criminal proceedings are connected to an EIB-financed project). Although the number of cases closed rose to a new high of 73 during 2011, the carry-over (or backlog) figure for the end of 2011 also rose to 87. This is partly explained by the size, complexity and multiple jurisdictional nature of some of the cases, which inevitably results in lengthier investigations.

The following table summarises the case activity during 2011:

**Statistics on case-load IG/IN 2009-2011<sup>10</sup>**

<b>EIB+ EIF</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>New cases opened during the year</b>	<b>45</b>	<b>82</b>	<b>95</b>
<b>Cases closed during the year</b>	<b>12</b>	<b>38</b>	<b>73</b>
<b>Backlog of cases remaining open at 31/12</b>	<b>21</b>	<b>65</b>	<b>87</b>

Of the new allegations recorded in 2011:

- There were 91 new reports in total for EIB and 4 for EIF;

<sup>9</sup> This figure was much increased from previous years, in part because for 2010, IG/IN started to count all new reports (rather than only counting newly opened 'full investigations', as it had done over the last five years) in order to more accurately reflect the number of issues reported to and workload of IG/IN. As a result, the figure for "new allegations received" includes all reports of allegations from EIB staff and external sources, as well as information identified by IG/IN (for example, from the press).

<sup>10</sup> In the years prior to 2009, the number of new cases was rather stable: 38 in 2007 and 2008, 44 in 2006, 36 in 2005.

- 49 allegations (or 51.5%) emanate or are primarily connected with the 27 EU member states; and
- 46 allegations (or 48.5%) emanate or are primarily connected with non-EU member states (for example, the Balkans and Eastern Europe, the Middle East, Africa, Asia and Central America).

**Sources of allegations**

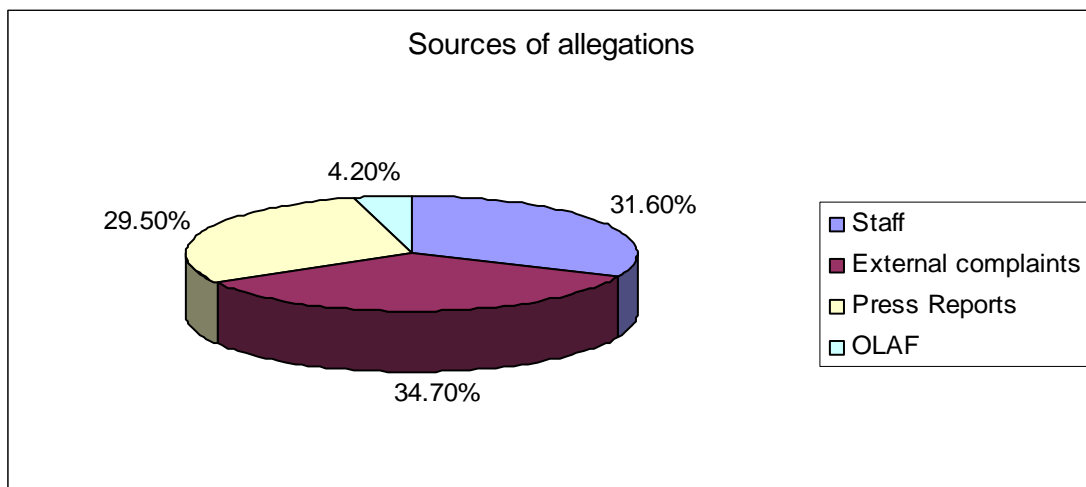
IG/IN generally receives allegations from a wide variety of sources. This pattern was repeated in 2011. For the purposes of this report, IG/IN classifies the sources into four different types, namely: Staff, External, Press and OLAF.

Of the reports provided to IG/IN in 2011:

- 30 (or 31.6%) were from an internal EIB Group source;
- 33 (or 34.7%) were from an external source, including 2 anonymous reports
- 28 (or 29.5%) were based on press reports; and
- 4 (or 4.2%) were received from OLAF.

There are three observations to make in relation to these figures: the first is that in 2011, IG/IN undertook a Proactive Media Review (see page 11) which identified a number of issues that would not otherwise have been notified to IG/IN, and hence the number of allegations received from the Press is higher than would otherwise have been the case. The second point to make is that cases received internally in the category of “Staff” were received from a wide range of different services with the Bank, not just from colleagues in operations – IG/IN believes this is positive and reflects the provision by IG/IN and the Bank’s Training Unit of fraud awareness training for staff. More broadly, the relatively high number of reports received from “External” sources may (i) reflect broader awareness raising efforts by IG/IN and others; and (ii) better information sharing with the other IFIs and national agencies.

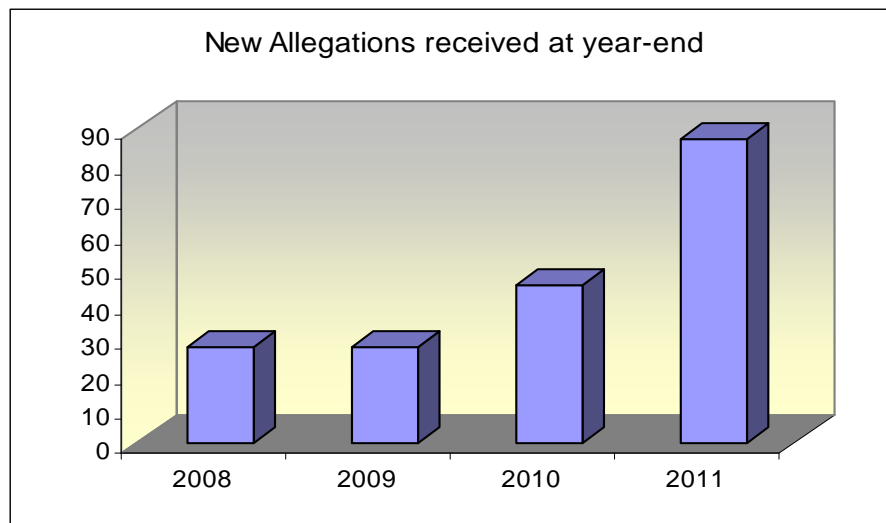
As with other IFIs, IG/IN maintains a dedicated ‘Investigations’ e-mail address and a confidential fax to receive allegations from outside the Bank; however, these means of communication do not very often result in cases requiring a full investigation.



**Casework backlog**

As has happened in previous years, partly due to the high workload (from both casework and policy issues) and to the increasing complexity of investigations, the number of files open at year-end rose - 27 in 2008 and 2009, 45 in 2010 rose to 87 in 2011.





### Follow-up

As part of the follow-up to investigative findings, IG/IN may include recommendations to the operational/project colleagues, including suggestions of remedial measures to be taken and amendments to be made to policies and procedures.

### Referrals

IG/IN makes referrals to national law enforcement and/or judicial authorities wherever suspected criminal conduct has occurred which was not already being investigated by national authorities. Such referrals are made in line with the EIB's Anti-Fraud Policy and are considered "best practice" at international institutions. They may be undertaken in consultation with or with assistance from OLAF.



Photo: The Anti-Corruption Commission's headquarters in Lusaka, Zambia

### Contacts with National Authorities

In addition to the referrals of suspected criminal conduct, IG/IN investigators had many contacts with national prosecutors, judges and law enforcement/administrative agencies on cases already under investigation. Such contact is normally beneficial to both parties, in particular to establish whether the subject matter of their investigation impacts on an EIB-financed project and, if so, to facilitate an exchange of information.

During 2011, discussions took place with national agencies in, for example, Cameroon, Estonia, France, Hungary, Italy, Latvia, Mauritius, Slovenia, Spain, Switzerland, UK, USA and Zambia.

### Case Briefings

The President and the Management Committee are kept informed of developments, findings and recommendations in IG/IN investigations on a regular basis in accordance with the Anti-Fraud Policy and IG/IN Procedures. Moreover, the Head of IG/IN and the Inspector General briefs the Audit Committee on a bi-monthly basis. These briefings tend to focus on cases with high potential impact on the Bank's activities and on prevention and deterrence.

### Missions

IG/IN staff members conducted a total of 72 missions for investigative and other purposes during 2011, including visits to countries in the EU, Eastern Europe, North and South America and Africa.

Of these missions:

- 15 were staffed by more than one IG/IN investigator
- 2 were undertaken jointly with colleagues from OLAF
- 7 were joint missions with investigators from other IFIs; and
- 4 were undertaken in pursuit of the Proactive Integrity Review.

### **(b) Proactive and Preventive Work**

The proactive and preventive work undertaken by IG/IN can be summarised as follows:

Number of Proactive initiatives undertaken	4
of which,	
- number of Proactive Integrity Reviews	3
- number of Proactive Media Reviews	1

#### **(i) Proactive Integrity Review (PIR):**

In order to improve proactive and preventive aspects of its work, IG/IN introduced a new instrument - the PIR - in 2009. PIRs are designed to add to the Bank's current operational monitoring by selecting projects on the basis of a risk assessment exercise for an in-depth review by IG/IN, in order to look for and identify so-called "red flags", possible indicators of fraud and/or corruption. This approach increases the preventive capability of the EIB Group and increases deterrence against fraud and corruption.

In 2011, new PIRs were carried out on 3 different projects located in 2 EU member states. Since they were first implemented in 2010, PIRs have been carried out on 13 different operations with 5 different promoters, comprising: 4 loans in EU member states, 8 loans in Africa/Caribbean/Pacific (ACP) and 1 loan in a EU candidate state.

The project(s) to be subjected to a PIR are selected independently by IG/IN on the basis of an extensive risk assessment process, with the aim to identify projects of a complex nature or that are implemented in a difficult environment and are therefore exposed to potentially higher risks of fraud and corruption.

In planning and undertaking a PIR, IG/IN works closely with operations colleagues and national authorities, in particular with the national/supreme audit organizations, which may be invited to participate in the exercise.

**(ii) Proactive Media Review:**

In 2011, IG/IN also undertook a Proactive Media Review (PMR) covering four countries in North Africa. IG/IN's first PMR was carried out in 2010 and is a useful tool to identify adverse media reports featuring EIB-financed projects and/or sectors which are major recipients of EIB funds. The PMR also provides input for the risk assessment process for the identification of EIB projects that should be subject to a PIR.

**(c) Policy Initiatives**

A large number of policy initiatives and loan-related issues impacted IG/IN's workload in 2011 (96 in total, double the number in 2010), including:

- responding to questions from the European Parliament and NGOs;
- proposing revisions to the EIB Master Finance Contract and loan-related negotiations;
- providing input on Mutual Legal Assistance in Foreign Bribery cases from the OECD's Meeting of Experts;
- requests for presentations on the work of IG/IN; and
- updating and publishing the IG/IN flyer<sup>11</sup>.

In particular, important topics worked on by IG/IN staff during 2011, included:

**Exclusion Procedure**

During 2011, IG/IN took the lead to design an exclusion system for EIB. As designed, the Exclusion Process will provide a fair and transparent process enabling EIB senior management to decide whether to sanction by exclusion from future projects (and if so for how long and/or with what conditions they could be readmitted) or other measures, the entities found to have engaged in fraud or corruption in EIB-financed projects. In coordination with other staff from the Legal Department, Operations and OCCO, the IG/IN team finalised the written procedure and, following discussions with the Management Committee, received Board approval in September 2011, as well as consulting the European Commission to explore the possibility of (a) applying an enhanced system of exclusion to the EIB and (b) gaining access to the Commission's database of excluded entities for EIB. Full implementation of the Exclusion Procedure is envisaged for 2012, subject to approval by the European Data Protection Supervisor.

**Fraud Awareness Training**

The Division again benefited from the use of an external training consultant to assist in the provision of fraud awareness training course for EIB staff. Following successful pilot sessions in March 2009, the one-day training course was run many times for operational staff during the period 2009 – 2011.

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<sup>11</sup> See: [http://www.eib.org/about/publications/combating\\_fraud\\_and\\_corruption.htm](http://www.eib.org/about/publications/combating_fraud_and_corruption.htm)

Attendance on the course enables staff to gain the necessary tools to identify “red flags” of fraud and corruption and to ensure that newcomers are ‘up-to-speed’ on EIB’s Anti-Fraud Policy, as well as reminding staff of their (and EIB counterparts’) responsibility to report allegations of fraud or corruption immediately to IG/IN. As a result of the Management Committee’s decision in late 2010 to make the training mandatory for all staff above level F, attendance increased in 2011. In addition, bespoke training sessions were designed for Bank units with different needs (such as Human Resources, Finance/Treasury and Facilities Management) and the Management Committee.



### **Case Management/Tracking System**

During 2011, a new internally-developed case management system was implemented by IG/IN, providing more information on case tracking and management statistics.

### **Data Protection**

As with other EU institutions, IG/IN and the Bank’s Data Protection Officer are endeavouring to cooperate with and get guidance on specific issues from the European Data Protection Supervisor to ensure that an appropriate data protection framework is put in place.

## **3. Cooperation**

### **(a) Contacts with OLAF**

As stated in the Anti-Fraud Policy, IG/IN works co-operatively with OLAF. This ensures that the EIB Group benefits from the full expertise and independence of OLAF as the organisation responsible for investigating fraud and corruption affecting the European Community’s financial interests. At the same time, the involvement of IG/IN provides each investigation with banking, investment and project expertise.

In 2011, the cooperation with OLAF manifested itself in regular meetings to discuss developments on cases under investigation and two joint missions. In addition, there were several visits by OLAF to the EIB Group offices to examine bank documents.

**(b) Coordination with National Agencies**

As stated above (see page 9), IG/IN worked with a number of national judicial, law enforcement and audit agencies on issues of common interest during 2011.

**(c) Other International Contacts**

**Working with the IFIs:** IG/IN continues to work closely with the counterparts in other International Financial Institutions in line with the IFI's Anti-Corruption Uniform Framework Agreement<sup>12</sup>. In 2011, this collaboration included cases which were the subject of joint investigations with colleagues from the World Bank and the European Bank for Reconstruction and Development (EBRD). In addition IG/IN continued to lead the collaboration on a joint investigation by four regional institutions (EIB, EBRD, the Nordic Development Bank and Council of Europe Development Bank).

In addition, IG/IN actively participated in joint regular meetings with IFI counterparts seeking further harmonisation of policies and procurement processes (to the extent possible). In particular, IG/IN was privileged to host the first ever Joint IFI Heads of Investigation and Procurement meeting in Luxembourg in October 2011.

**Conferences and Events:** The Inspector General and staff from IG/IN are regularly invited to speak at conferences and anti-corruption events on fraud risk and related integrity topics and participation at such events fits within IG/IN's commitment to raising awareness of integrity issues as they impact EIB activities and operations.

During 2011, IG/IN staff spoke at or attended a number of events including:

- 12<sup>th</sup> Conference of International Investigators hosted by the World Bank in Washington DC, USA;
- a meeting of the Investigation/Integrity/Compliance units from the IFIs with counterparts from the Regional Development Banks (in parallel with the above event);
- the OECD's Meeting of Experts on Mutual Legal Assistance in Foreign Bribery Cases in Paris;
- A visit by staff from the Inspection team at Halkbank visiting EIB under the EU-funded Leonardo da Vinci programme;
- The Belgian Institute of Forensic Auditors (IFA)'s National Anti-Fraud Congress;
- Presentation to a team from the Inspection Générale des Finances, Morocco;
- 7th Annual ACAMS European Anti-Money Laundering & Counter-Terrorism Financing Conference; and
- A course concerning "Staff Regulations and Case Law of the Civil Service tribunal of the EU" at ERA in Trier.

One IG/IN team member serves as a member of the Secretariat of the Conference of International Investigators, providing planning assistance and will act as Conference Chair when EIB hosts the 13<sup>th</sup> Conference of International Investigators in September 2012.

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<sup>12</sup> The document can be found at: <http://www.eib.org/about/documents/ifi-anti-corruption-task-force-uniform-framework.htm?lang=en>

IG/IN staff were also involved in a range of briefings to senior management and the Audit Committee on specific case-related issues, issues arising from the Anti-Fraud Policy and discussions on the Exclusion Procedure or more generally on the role and function of IG/IN.

#### **4. Resources/Staffing**

During 2011, there were heavy demands on IG/IN staff as a result of higher case-load and IG/IN's involvement in a large number of time-consuming policy issues. This presented significant challenges to the IG/IN team of 6 professional staff members - a Head of Division, four investigators and an internal (temporary) secondment of an EIB Compliance Officer, as well as one assistant.

The staff exchange between IG/IN and OLAF ended in mid-2011, with the IG/IN investigator returning with useful experience from OLAF in Brussels and the OLAF investigator leaving IG/IN.

As in previous years, the Division also utilised the services of consultants (experts in engineering, procurement, forensic accounting, etc.) to assist and advise IG/IN staff in appropriate cases.

#### **5. Looking Ahead**

It is anticipated that 2012 will present a host of challenges to the IG/IN team, including a rising caseload (including from the proactive PIRs and PMRs already undertaken). In addition to casework, there will be a great deal of work for IG/IN with other Bank services to implement the Exclusion Process. IG/IN staff will also lead other key policy initiatives, including the updating of the Bank's Anti-Fraud Policy and procedures.

#### **6. Acknowledgements**

We would like to say a big "Thank You!" to EIB staff and external parties who reported to IG/IN suspicions of fraud etc. affecting EIB-financed activities in 2011 and we would encourage others to follow suit in the future. It is important to remember that proof is not required before reporting an allegation – mere suspicion is sufficient to report an allegation. IG/IN will then review the allegation based on their professional knowledge and experience, in accordance with well-established procedures that are harmonised with the IFIs and which take into account the rights of all parties concerned.

Last but by no means least, we wish to acknowledge the role of the President, the members of the Management Committee, Board of Directors and Audit Committee in supporting and encouraging the work of IG/IN.

J.W. van der Kaaij  
Inspector General

J. Vlogaert  
Head of Division  
Fraud Investigations Division

## EXAMPLES OF CASES INVOLVING EIB-FINANCED ACTIVITIES

Allegation	Investigative Findings	Case Resolution
<p><b>Misuse of EIB Name</b></p> <p>Several Italian companies reported misuse of EIB's name and attempted fraud by an individual, who falsely claimed to be involved with EIB in a project in Senegal and who wanted to dispose of funds from EIB.</p>	<p>IG/IN collected evidence from the companies, including the identity of the individual. IG/IN then contacted the French police.</p>	<p>The individual was already known to the Police since 1994, having been the subject of a number of investigations for fraud and imprisoned on one occasion. With the assistance of the French police, IG/IN lodged a complaint with the French Prosecutor.</p>
<p><b>Fake Website</b></p> <p>The EIB's internet website was replicated, leading to questions from confused users.</p>	<p>IG/IN confirmed that the web-site was fake.</p>	<p>IG/IN contacted the web-hosting service and shut the website down and referred the matter to the local law enforcement agency.</p>
<p><b>Corruption</b></p> <p>Allegations that a company paid bribes to a government official in return for large contracts in hydro-electric projects were investigated by IG/IN.</p>	<p>IG/IN contacted another affected IFI and together investigated the case. Evidence obtained tended to confirm the payments through intermediaries to the benefit of the official.</p>	<p>Amongst other things, IG/IN contacted all relevant law enforcement agencies involved in this multi-jurisdictional case.</p>
<p><b>Bond Fraud</b></p> <p>Fraudulent use of EIB bond details: the Bank received several enquiries concerning the credibility of entities and individuals seeking to use EIB bonds as collateral.</p>	<p>Companies in different jurisdictions appeared to be colluding to try to defraud the victim. After inquiries on ownership confirmed suspicions, the complainant was duly informed.</p>	<p>IG/IN contacted the police to refer the issues identified.</p>