



INSPECTORATE GENERAL
FRAUD INVESTIGATIONS DIVISION

ANNUAL REPORT 2012

Message from the President

As the European Union's long-term financing institution, the European Investment Bank (EIB) has the duty under its Statute to ensure that its funds are employed as rationally as possible in the interests of the Union. The EIB group composed of the EIB and the European Investment Fund (EIF) is therefore strongly committed to applying a "zero tolerance" policy towards fraud and corruption. Of course, this applies equally to internal cases of staff misconduct which must be addressed cogently in order to deter misconduct and ensure it does not tarnish the EIB Group's reputation for integrity and professionalism.

The EIB Group endorses the fight against fraud and corruption as a key priority in order to maximise its efforts to stimulate sustainable growth, innovation and employment across the EU, as well as to effectively support the Union's external policy goals outside the EU. For this purpose, the EIB Group works to develop its policy instruments and initiatives aiming to prevent and deter fraud and corruption and promoting the highest integrity standards in all of its activities.

The focus for much of this work lies with the Inspector General's Fraud Investigations Division. I am pleased to present their 2012 Annual Report which provides details of its core activities of investigations, prevention/deterrence, and cooperation with other investigative functions and law enforcement agencies.

During 2012, whilst the number of allegations reported to the Division remained stable, the proportion of reports by EIB Group staff members increased noticeably. I welcome the commitment from EIB Group staff to report allegations of prohibited conduct and note with satisfaction the efforts invested by the Fraud Investigations Division in staff training and internal awareness.

I am also delighted that the Division has sought to build new links for cooperation and the exchange of information, in particular by hosting the 13th annual Conference of International Investigators in Luxembourg. This event gathered more than 130 investigators from International Financial Institutions (IFIs), the European Anti-Fraud Office (OLAF), the United Nations and other agencies to discuss issues of common concern in the field of investigations.

I take this opportunity to thank all those, outside and inside the EIB Group, who report information of fraud and corruption to the Bank and for their help to the EIB Group in ensuring that its funds are used for the purposes intended.

Werner Hoyer
EIB President

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EXECUTIVE SUMMARY

The following summary describes the activities of the Fraud Investigations Division (IG/IN) during the calendar year January 1 – December 31, 2012:

(a) Investigative Activities

IG/IN received a total of 93 new allegations during 2012. This confirms an upward trend from previous years (95 in 2011, 82 in 2010 and 45 in 2009) and reflects higher reporting levels. Despite closing 74 cases (fractionally up on 73 cases closed in 2011), the difference added to the 87 cases carried over in 2011, left 106 cases open at the end of 2012. Depending on available resources, IG/IN plans to reduce the backlog during 2013.

In addition to cooperating with OLAF and IFIs on a number of issues, during 2012 IG/IN had discussions on cases of common interest with judicial and/or law enforcement agencies in the EU, in Africa and North America. IG/IN also undertook Proactive Integrity Reviews (PIRs) and Proactive Media Reviews (PMRs) in the EU and North Africa.

(b) Fraud Policy and Related Initiatives

There were many policy initiatives and loan-related issues impacting IG/IN's workload in 2012. Significant work was undertaken to:

- (i) revise and update the Anti-Fraud Policy and Investigation Procedures;
- (ii) to implement the Exclusion Procedure, a process to facilitate the exclusion of entities found to have engaged in fraud and corruption in EIB activities;
- (iii) support the Mutual Reliance Initiative between EIB, AFD and KfW;
- (iv) to assist colleagues in responding to questions and correspondence on the work of the Division from the European Parliament, NGOs and elsewhere.

(c) Coordination with OLAF, the IFIs and Others

IG/IN continued to cooperate with OLAF on a number of cases and, in addition, organised a two-day training to new members of the OLAF team on the work of EIB and EIF.

As in previous years, IG/IN continued to work closely with counterparts in other IFIs in line with the Anti-Corruption Task Force's Uniform Framework Agreement.¹ In 2012, this collaboration included joint investigations with colleagues from the World Bank, European Bank for Reconstruction and Development (EBRD), Agence Française de Développement (AFD) and KfW Banking Group (KfW), as well as continuing to lead the collaboration on a joint investigation and follow-up by four institutions (EIB, EBRD, the Nordic Development Bank and Council of Europe Development Bank). Discussions amongst IFI counterparts during the year led to further harmonisation of common policies, including Sanctions Guidelines and Harmonised Principles on the Treatment of Corporate Groups.

In September 2012, IG/IN hosted the 13th annual Conference of International Investigators (involving investigators from the UN, OLAF, Global Fund and the IFIs, as well as this year from some bi-lateral aid agencies).

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

(d) Raising Awareness of Integrity Issues

Staff from IG/IN continued to raise awareness of fraud and corruption-related issues in training sessions, conferences and other events and presentations both inside and outside the Bank.

In addition, the 2011 Annual Report of Investigations was published on the EIB website² and IG/IN continued to distribute its flyer.³

² The link to the document is: <http://www.eib.org/infocentre/publications/all/inspectorate-general---fraud-investigations-annual-report-2011.htm>

³ See: 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.⁴ EIF’s policy is adapted from the Bank’s policy and published on the EIF website.⁵

(i) Harmonised Definitions

In accordance with the Uniform Framework for Preventing and Combating Fraud and Corruption⁶ 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.

In addition, EIB’s Anti-Fraud Policy also includes provisions against money laundering and terrorist financing and included in EIB’s Exclusion Procedure (whose guiding principles were approved by the Board of Directors in 2011) is the concept of obstruction of investigation.

Moreover, the procedures used by IG/IN for investigating an allegation are also based on guidelines harmonised with the IFIs. A copy of the investigation procedures can be found on the EIB website⁷, as can information on reporting a suspicion of fraud or corruption to IG/IN.⁸ Both the Anti-Fraud Policy and the Investigation Procedures were subject to revision

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

⁵ At: http://www.eif.org/news_centre/publications/2009_anti_fraud_policy.htm?lang=en.

⁶ 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

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

⁸ At: <http://www.eib.org/news/how-to-report-fraud-or-corruption.htm>

during 2012 and the updated Policy and Procedures are planned to be published in Q2 of 2013 following approval by the Management Committee and the Board of Directors.

(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.

The EIB also works in cooperation with counterparts from the investigation, integrity and compliance departments in other International Financial Institutions (IFIs) (the World Bank, European Bank for Reconstruction and Development (EBRD), African Development Bank, Asian Development Bank and Inter-American Development Bank), other international bodies and bi-lateral agencies (eg. Agence Française de Développement, KfW Banking Group, FMO, DfID etc.), as well as national audit, law enforcement and judicial agencies.

Most of IG/IN's activity relates to external cases, in other words 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 on EIB-financed projects 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 Deputy Chief Executive, the Chairman of the Board of Directors and the Audit Board of EIF. In both institutions, the External Auditors are also informed of developments. IG/IN also contributes to the Bank's annual Corporate Responsibility Report.

(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 operations; 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 Procedures, 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 12) 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 2012

(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.

(i) Casework Statistics:

IG/IN received a total of 93 new allegations during 2012. This figure confirms an upward trend from previous years (95 in 2011, 82 in 2010⁹ and 45 in 2009), and, as with last year, appears to reflect higher levels of reporting of fraud and corruption issues within the Bank and outside it. This may be based in part on:

- a greater awareness of staff’s responsibility to report;
- the Arab Spring, resulting in citizens being more inclined to raise complaints related to corruption. Investigations into such allegations – also involving EIB financed projects - are still underway and the outcome is still unsure;
- good communications with national judicial and investigation agencies; and
- co-operation with counterparts at other IFIs.

The following table summarises the case activity during 2012:

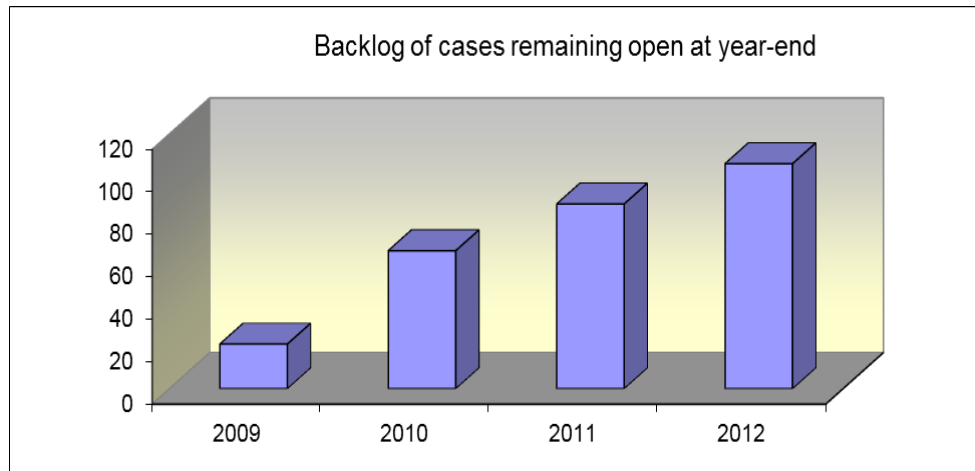
Statistics on case-load IG/IN 2009-2012¹⁰

EIB+ EIF	2009	2010	2011	2012
New cases opened during the year	45	82	95	93
Cases closed during the year	12	38	73	74
Backlog of cases remaining open at 31/12	21	65	87	106¹¹

⁹ 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).

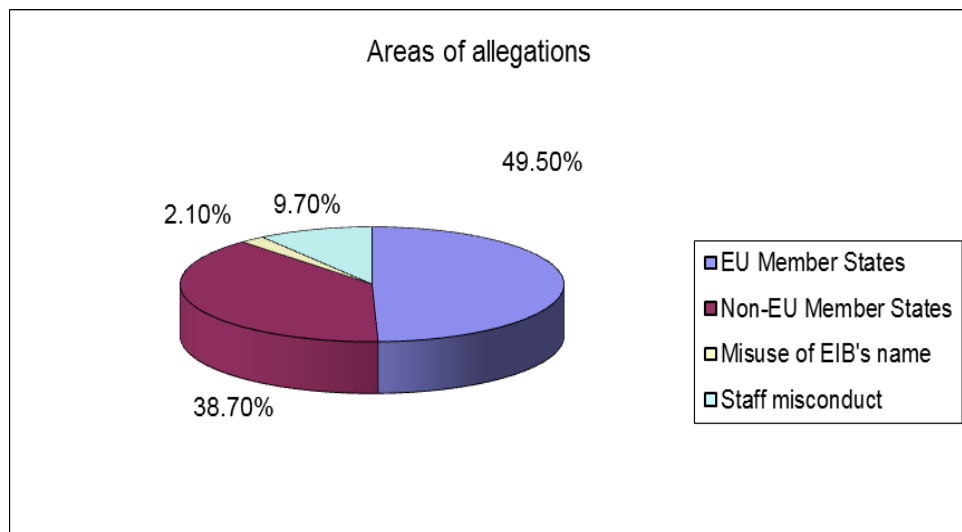
¹⁰ In the years prior to 2009, the number of new cases was rather stable: 38 in 2007 and 2008, 44 in 2006, 36 in 2005.

¹¹ Depending on available resources, IG/IN plans to reduce the backlog during 2013.



Of the 93 new allegations recorded in 2012:

- There were 91 new reports in total for EIB and 2 for EIF;
- 46 allegations (or 49.5%) emanate or are primarily connected with the 27 EU member states;
- 36 allegations (or 38.7%) emanate or are primarily connected with non-EU member states (for example, the Balkans and Eastern Europe, the Middle East, African Caribbean and Pacific States (ACP), Asia and Central America (ALA), see page 12);
- 2 allegations involved misuse of EIB’s name; and
- 9 allegations related to staff misconduct cases.



A different measure of IG/IN’s activity is to look at the total number of active (ie. worked-on) cases. During 2012 this figure was 174, comprising:

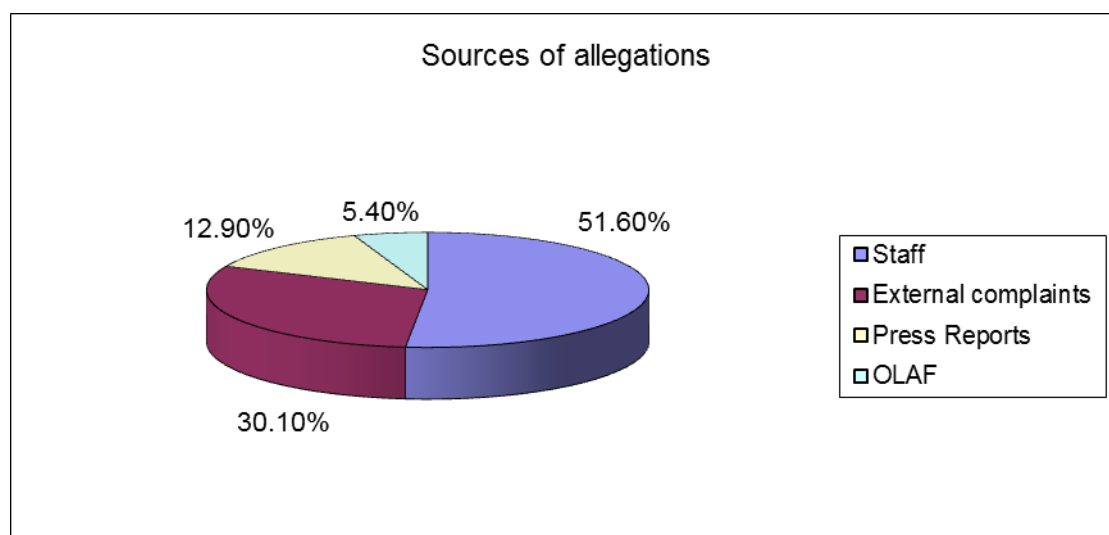
- 93 cases opened in 2012; plus
- 36 cases in follow-up/monitoring (where for example, the outcome of on-going criminal proceedings are connected to an EIB-financed project); plus
- 42 (non-2012) cases closed.

(ii) Sources of allegations

IG/IN receives allegations from a wide variety of sources and 2012 was no different. For the purposes of this report, IG/IN classifies the sources into four different types, namely: Internal EIB Group source, External, Press and OLAF.

Of the allegations reported to IG/IN in 2012:

- 48 (or 51.6%) were from an internal EIB Group source, compared to 30 (or 31.6%) for 2011;
- 28 (30.1%) were from an external source (including 1 anonymous report), compared to 33 (or 34.7%) including 2 anonymous reports for 2011
- 12 (12.9%) were based on press reports compared to 28 (or 29.5%) for 2011; and
- 5 (5.4%) were received from OLAF compared to 4 (or 4.2%) for 2011.



There are a couple of observations to make in relation to these figures:

- The first point to make is that reports received from an “internal” source were received from a wide range of different services within the Bank, not just from colleagues in operations – IG/IN believes this fact reflects positively on the fraud awareness training provided for staff;
- the second is that in 2012, IG/IN undertook a Proactive Media Review which did not identify as many issues (issues that that would not otherwise have been notified to IG/IN) as in 2011, and hence the number of allegations received from the Press in 2012 was much lower than in 2011;
- the number of reports received from “external” sources may reflect: (i) awareness raising efforts by IG/IN and others; and (ii) good 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, this last means of communication has not so far resulted in cases requiring a full investigation.

During 2012, IG/IN added a “How to Report Fraud and Corruption” link to the home page of EIB’s website¹² which it is hoped will make it easier in the future for external parties to report appropriate issues to IG/IN in a timely and efficient manner.

In one of the cases emanating from an internal source, the complainant was provided with protection under the Whistleblowing Policy.

(iii) Types of Allegations

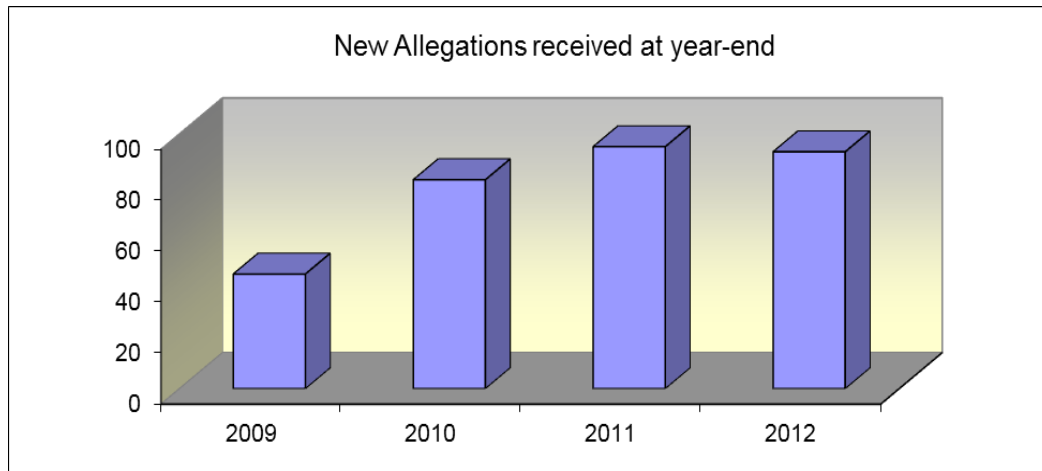
In 2012 IG/IN received allegations which can be broken down into the following categories (and compared to the statistics from 2011):

Type	Number of Allegations	
	2011	2012
Conflict of Interest	1	1
Money Laundering	1	1
Procurement Fraud	8	7
Other Criminal Offences	2	2
Fraud in Implementation Project	14	7
Misuse of Funds	17	35
Collusion involving a private counterpart	2	1
Corruption involving a private counterpart	3	10
Corruption involving a public counterpart	22	11
Scam using EIB’s name	8	3
Scam not related to EIB	1	1
Internal Misconduct	8	9
Various others	8	1
Total	95	93

(iv) Casework backlog

As has happened in previous years, the carry-over (or backlog) of cases in which an investigation was on-going at year-end rose - 45 in 2010, 87 in 2011 to 106 in 2012. This was despite the number of cases closed (74) in 2012 reaching a new high (the previous record was 73 in 2011). This is explained by the size, complexity and multi-jurisdictional nature of some of the cases, which can result in longer investigations as well as the rise in policy and other issues to be dealt with.

¹² At the following link: <http://www.eib.org/about/cr/anti-fraud/reporting/index.htm>



(v) Follow-up

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

Proven cases: In 2012, out of the 74 cases closed, 18 were proven (a percentage figure of 24.3%). This compares with a figure of 12 cases proven out of 73 closed cases in 2011 (or 16.4%). Although this may not sound like a high percentage, it should be recalled that proving one in four cases is a positive outcome given the administrative, fact-finding powers available.

Furthermore, perhaps it should be recalled that for the other 56 cases that were closed in 2012 and as in previous years, there are two types of closed cases, namely: (i) cases that were closed because EIB funds were not involved in the scope of the allegation; and (ii) cases investigated but (for a host of different reasons) where the allegation was not proven (or IG/IN may have even disproved it).

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. In addition, referrals can be made by IG/IN to: (i) administrative authorities inside or outside EU; and (ii) other parts of the Bank to pursue appropriate follow-up, for example disciplinary proceedings in a case of staff misconduct. Out of the 74 cases closed in 2012, there were 13 referrals.

Recovery: In addition, out of the 74 cases closed in 2012, there were 4 cases where it was appropriate for the Bank to recover the loan (or portion thereof tainted by fraud or corruption) or the amount over-claimed for expenses.

Proven Staff Cases: Furthermore, out of the cases closed in 2012, there were 2 cases of proven staff misconduct which, following investigation, were referred to the Personnel Department for disciplinary follow-up. For data protection and privacy reasons, no further details can be provided.

Contacts with National Authorities: In addition to the referrals of suspected criminal conduct to national prosecutors, judges and law enforcement/administrative agencies, EIB investigators also had many contacts with them on cases already under investigation. Such contact is 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 to the extent permitted by data protection restrictions.

By way of example, during 2012, discussions took place with national agencies in the EU, Africa, North America and Eastern Europe.

Case Briefings: The President and the Management Committee are regularly informed of developments, findings and recommendations in IG/IN investigations in accordance with the Anti-Fraud Policy and Procedures. Moreover, the Head of Division and the Inspector General brief the Audit Committee on a quarterly basis. These briefings focus on cases with high likely impact on the Bank's activities and on prevention and deterrence.

(vi) Missions

IG/IN staff members conducted a total of 65 missions (72 in 2011) for investigative and other purposes during 2012, including visits to countries in the EU, Eastern Europe, Africa and the Americas.

Of these missions:

- 30 were staffed by more than one IG/IN investigator (15 in 2011);
- 4 were undertaken jointly with colleagues from OLAF (2 in 2011);
- 12 were joint missions with investigators from other IFIs (7 in 2011); and
- 4 were undertaken in pursuit of the Proactive Integrity Review (also 4 in 2011).

(b) Proactive and Preventive Work

The proactive and preventive work undertaken by IG/IN in 2012 can be summarised as follows:

Number of Proactive initiatives initiated/undertaken	5
of which,	
- number of Proactive Integrity Reviews	4
- number of Proactive Media Reviews	1

(i) Proactive Integrity Review (PIR):

In order to improve the proactive and preventive aspects of its work, IG/IN has been conducting the PIRs since 2010. 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 2012, PIRs were initiated on projects located in the EU and in Africa. Since they were first implemented in 2010, IG/IN has undertaken PIRs on 17 different operations with 9 different promoters, comprising:

- 6 loans in EU member states;
- 10 loans in Africa/Caribbean/Pacific (ACP); and
- 1 loan in an EU candidate state.

The projects that are to be the subject of a review 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 2012, IG/IN undertook Proactive Media Reviews (PMR) covering 3 EU member states. The PMR, which has been carried out by IG/IN since 2010, is a useful tool to identify adverse media reports featuring EIB-financed projects and/or sectors which are major recipients of EIB funds but which have not otherwise been drawn to the attention of IG/IN. The PMR also provides input for the risk assessment process for the identification of EIB projects that should be subject to a PIR (see above).

(c) Policy Initiatives

A large number of policy initiatives and loan-related issues impacted IG/IN's workload in 2012 (117 in total, up from 96 in 2011 and double the number in 2010), including:

- revising and updating the EIB Anti-Fraud Policy and Investigation Procedures;
- implementing the Exclusion Procedures;
- responding to questions from the European Parliament, UK MPs and NGOs;
- revising the conditions under which EIB agrees to finance;
- providing input on Mutual Legal Assistance in Foreign Bribery cases to the OECD's Meeting of Experts; and
- requests for presentations on the work of IG/IN.

In particular, important topics worked on by IG/IN staff during 2012, included:

(i) Anti-Fraud Policy and Investigation Procedures

During 2012, IG/IN worked in consultation with other services in the Bank including the Legal Department, Compliance Office, Operations and Projects Departments to revise and update the EIB's Anti-Fraud Policy and Investigation Procedures. Although there are no changes to the existing principles, there are a number of changes to the text of the policy and procedures reflecting anti-fraud instruments or practices available to the Bank which have been developed (and approved by the management) since the original Anti-Fraud Policy was approved in 2008. In particular, references are now included to:

- (i) the Proactive Integrity Review process which IG/IN has used to conduct reviews with assistance from external consultants since 2010;
- (ii) the EIB Exclusion Procedures approved in 2011;
- (iii) EIB's Whistleblowing Policy approved by the Management Committee in 2009;
- (iv) the possibility for the Bank to conclude MoUs with law enforcement and other national agencies, in particular in order to access relevant information and for the Bank to register as a Partie Civile in judicial proceedings;
- (v) the updated Guide to Procurement (approved by the EIB Board in July 2011) including the extension of the Covenant of Integrity (a specific undertaking on Integrity required from tenderers) to all contracts financed by the Bank outside the EU; and
- (vi) data protection provisions requested by the European Data Protection Supervisor (EDPS).

Following initial review by the Management Committee in December 2012, the revised Policy and Procedures were approved by the Management Committee in January 2013.

(ii) Exclusion Procedures

Building on the work done in previous years, IG/IN continued to work with other Departments in the Bank 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. Full implementation of the Exclusion Procedures is envisaged for 2013, but will be subject to approval by the European Data Protection Supervisor.

The President appointed 5 members (comprising 3 internal and 2 external members) and 2 alternate members of the Exclusion Committee and the Committee met for the first time (under the Chairmanship of the Chief Compliance Officer) in December 2012.



Photo: Members of the EIB Exclusion Committee at their inaugural meeting at EIB in December 2012 (from left: José Luis Alfaro, Ros Wright, Gerhard Hütz (Chair), Peter Pedersen and Marc Dufresne)

(iii) Fraud Awareness Training

Following successful pilot sessions in March 2009, a one-day fraud awareness training course had been run many times for operational staff during the period 2009 – 2011. 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 professional and managerial staff, 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.

During 2012, following the expiration of the contract of the consultant running the fraud awareness training, IG/IN worked with other Departments in the Bank in three tender processes to procure the services of an external training consultants to assist in (i) the provision of fraud awareness training course for EIB staff; (ii) follow-up e-learning on fraud and corruption, for example in connection with project procurement; and (iii) awareness training to be run by the Office of the Chief Compliance Officer on anti-money laundering and combatting the financing of terrorism.

(iv) Data Protection

As with other EU institutions, IG/IN and the Bank's Data Protection Officer worked to cooperate with and get guidance on specific issues from the European Data Protection Supervisor to ensure that an appropriate data protection framework be maintained.

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 Union's financial interests. At the same time, the involvement of IG/IN provides each investigation with banking, investment and project expertise.

In 2012, the cooperation with OLAF manifested itself in regular meetings to discuss developments on cases under investigation and four joint missions. In addition, there were several visits by OLAF to the EIB Group offices to examine bank documents. In addition, IG/IN organised a two-day training seminar in June 2012 for new OLAF investigators to familiarise them with aspects of the Bank's work and loan processes.

(b) Coordination with National Agencies

As stated above (see page 11), IG/IN worked with a number of national judicial, law enforcement and audit agencies on issues of common interest during 2012.

(c) Other International Contacts

Working with the IFIs: As in previous years, IG/IN continued to work closely with counterparts in other International Financial Institutions in line with the IFI's Anti-Corruption Task Force's Uniform Framework Agreement. In 2012, this collaboration included joint investigations of cases with colleagues from the European Bank for Reconstruction and Development (EBRD) and the World Bank. In addition IG/IN continued to lead the collaboration on a joint investigation and follow-up by four regional institutions (EIB, EBRD, the Nordic Development Bank and Council of Europe Development Bank). IG/IN also worked with colleagues from bi-lateral agencies such as Agence Française de Développement (AFD) and KfW Banking Group (KfW) and met with the Caribbean Development Bank.

The IFI Heads of Investigation met three times during the year and the discussions led to further harmonisation of common policies, including Sanctions Guidelines and Harmonised Principles on the Treatment of Corporate Groups.



Photo: the annual Conference of International Investigators was hosted by IG/IN at EIB in September 2012

In September 2012, IG/IN hosted the annual Conference of International Investigators. This year's conference was one of the largest in terms of attendance, involving over 130 investigators from the UN, OLAF, the Global Fund and the IFIs, as well as this year from some bi-lateral aid agencies. The Conference was opened by EIB's Vice President Brooks and Inspector General Jan Willem van der Kaaij and the FH Brüner Memorial Lecture was given by Ros Wright CB QC (Hon Causa), former Chair of the Supervisory Committee of OLAF. The Deputy Head of IG/IN, Duncan Smith chaired the Conference and serves as a member of the Organising Secretariat of the Conference of International Investigators.



Photo: Attendees at the annual Conference of International Investigators in September 2012

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

During 2012, IG/IN staff participated in a number of events including:

- 13th Conference of International Investigators hosted by the EIB in Luxembourg;
- a meeting of the Investigation/Integrity units from the IFIs with counterparts from the Regional Development Banks (in parallel with the above event);
- the Independent Commission Against Corruption's 5th Symposium in Hong Kong;
- the International Corruption Hunters Alliance 2012, hosted by the World Bank in Washington DC;
- 15th International Anti-Corruption Conference 2012 in Brasilia;
- the Polish Central Anti-Corruption Bureau's Third International Anti-Corruption Conference in Warsaw;
- the Nordic Development Bank's Joint (with NDF and NEFCO) Integrity Seminar in Helsinki; and
- training with African partners organised by OLAF in Brussels.

Staff members from IG/IN 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 Procedures and more generally on the role and function of IG/IN.

IG/IN continued to distribute the flyer entitled "Combatting Fraud and Corruption in EIB's Operations".¹³

4. Resources/Staffing

During 2012, there were heavy demands on IG/IN staff as a result of higher case-load and IG/IN's involvement in many 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. One further junior investigator was provided to IG/IN in mid-2012 (on secondment from Human Resources).

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

2013 is likely to present a number of significant challenges, including managing the high caseload (including cases emerging from north Africa and the Middle East) and further work to finalise the Bank's Anti-Fraud Policy, Investigation Procedures, and Exclusion Process with the EDPS.

6. Acknowledgements

We would like to thank all EIB staff and external parties who reported to IG/IN suspicions of fraud and corruption affecting EIB-financed activities in 2012 and we would, of course,

¹³ See at the link: http://www.eib.org/infocentre/publications/all/combating_fraud_and_corruption.htm

encourage others to do the same 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 use their professional knowledge and experience to review the allegation in accordance with well-established procedures that are harmonised with the IFIs and which take into account the rights of all parties concerned.

We are also grateful to the President, the members of the Management Committee, Board of Directors, Audit Committee and last but not least all Bank staff for their support and encouragement for the work of IG/IN in holding those involved in fraud and corruption to account.

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>Procurement Fraud</p> <p>A number of irregularities were identified in procurement procedures in an infrastructure project financed by the MRI.</p>	<p>IG/IN investigated in close cooperation with OLAF and AfD and in close coordination with KfW. A joint team reviewed key procurement documents and interviewed involved parties which corroborated the irregularities.</p>	<p>Referrals were made to law enforcement agencies. Recommendations for remedial action on the project were made to try to prevent future problems.</p>
<p>Unusual Sub-Contractor</p> <p>An unusual sub-contractor was alleged to be involved in a road construction project.</p>	<p>IG/IN investigated with assistance from specialists and verified that the HQ of a sub-contractor hired to deliver road construction materials was actually a bar.</p>	<p>The matter was referred to the Borrower and Ministry of Finance as well as to OLAF, the EU delegation and other financiers of the road.</p>
<p>Staff Misconduct</p> <p>IG/IN received an allegation that a Staff member falsely claimed benefits.</p>	<p>IG/IN investigated and confirmed the allegations. The matter was referred to OLAF.</p>	<p>The case was referred to Personnel for the Staff member to face a Disciplinary Procedure. The case was also sent to the national judicial authorities.</p>
<p>Transnational Corruption</p> <p>IG/IN was informed of corruption involving high-level project officials and a multi-national contractor.</p>	<p>IG/IN contacted OLAF and another affected IFI and jointly investigated the case. An audit of the contractor identified evidence corroborating the allegation.</p>	<p>Referrals were made to a number of affected jurisdictions.</p>
<p>Bond Fraud</p> <p>The Bank received several enquiries about the fraudulent use of EIB bond details by 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 victims. Inquiries on ownership confirmed the suspicions and the complainants were informed.</p>	<p>IG/IN referred the issues identified to the Police for further investigation.</p>