

Control of the financial activities of the European Investment Bank – Annual report 2018

During its July plenary session, the European Parliament is set to discuss the Committee on Budgetary Control's report on the control of the European Investment Bank's financial activities for 2018. Among other things, the report highlights the role of the Bank in financing the European Green Deal, the Just Transition Fund, and its future shift towards becoming 'the EU Climate Bank'. The report also stresses the need for more effectiveness and synergies when it comes to the European Fund for Strategic Investments, and highlights the need for more transparency and accountability of all the Bank's operations, stronger external scrutiny and reinforced mechanisms to fight fraud and corruption.

Background

The European Investment Bank (EIB) is the EU's public bank for [long-term financing](#), the world's [largest](#) multilateral borrower and lender, and a major contributor to climate projects. It provides loans and expert advice for public and private-sector projects mainly within the EU, but also globally, with the aim of boosting the economy, creating jobs and promoting cohesion. Besides investing in infrastructure, small and medium-sized enterprises (SMEs) and innovation, it contributes to achieving another main priority – climate action across the world. The EIB has pledged to dedicate 50 % of its financing to climate from 2025, expecting to unlock investment of more than [€1 trillion over the next decade](#). It aims to mainstream climate action and align to the [Paris Agreement](#) on climate change and the [Sustainable Development Goals](#) (SDGs). The EIB and the [European Investment Fund](#) (EIF), a public-private partnership specialised in improving SMEs' access to finance, make up the EIB Group. Under the [Investment Plan for Europe](#), the EIB Group and the Commission launched a guarantee programme – the [European Fund for Strategic Investments](#) (EFSI) to help overcome the investment gap in the EU. With a guarantee from the EU budget, EFSI allows the EIB to invest in riskier, innovative projects, and aims to unlock further investment of at least €500 billion by 2020. In April 2020, the Commission [unlocked €1 billion from EFSI](#) to serve as a special guarantee that the EIF would offer to the market to contain the impact of the coronavirus pandemic on SMEs and small mid-cap companies.

The EIB issues annually a [package of reports](#), taking stock of its lending and borrowing activities, which for 2018 include the Activity Report, the Financial Report, the Statistical Report, the Sustainability report, and the Annual Reports on the EIB outside the EU and on the EIB's operations inside the EU. In 2018, the EIB marked its 60th anniversary, acknowledging both remarkable achievements for the period, but also challenges within the EU and beyond, such as significant under-investment in the EU, especially in times of high demand due to the required green and digital transformation of the economy.

European Parliament position

Each year, Parliament adopts an own-initiative resolution on the financial activities of the EIB, taking into account the above-mentioned set of reports. On 29 May 2020, Parliament's Committee on Budgetary Control (CONT) adopted its [report](#) on control of the EIB's financial activities for 2018. It examines the 2018 funding activities, the EIB's investment policy and the sustainability of its business model. The report highlights the bank's role in financing the European Green Deal, the debate on its shift to become the 'EU Climate Bank', the future focus on just transition, and examines the functioning and effectiveness of EFSI, the bank's external operations, and the issue of governance, transparency and accountability.

The report notes that the EIB provided over €64.19 billion of financing in 2018, signing 854 projects, mainly addressing its four primary public policy goals: SMEs and mid-caps, the environment, innovation projects and infrastructure. Both climate change lending and financing for cohesion and conversion regions surpassed the respective targets of 25 % and 30 % of total signatures (reaching 28 % and 32 %, respectively). The 2018 geographical breakdown of signed contracts showed that five main EU beneficiaries

(Greece, Cyprus, Portugal, Croatia and Poland) received over 50% of the investments. The report calls for a balanced geographical distribution, which factors in the countries' and regions' level of development and cohesion aspects.

Outlining the **main priorities of the EIB's investment policy**, the report notes the bank's mission to invest in viable, sustainable projects with clear deliverables and added value, and highlights the political momentum to increase funding for climate and environmental sustainability, while ensuring thorough monitoring of projects to detect risks of corruption and fraud. In line with this, the report calls for ending the financing of projects that are not aligned to the EU's climate goals.

Special emphasis is placed on EIB's role in **financing the European Green Deal**. The report welcomes the issuance of climate-awareness and sustainability-awareness bonds and stresses the need for a binding EU Green Bond Standard to ensure transparency. The report recalls EIB's 2019 commitment to align all its financing activities with the Paris Agreement by 2020, and calls for those to be enshrined in concrete policies and aligned with economic and social cohesion targets. It welcomes EIB's new Energy Lending Policy and underscores the need to ensure that the use of energy sources such as natural gas and their subsequent financing is in line with achieving climate neutrality by 2050. It regrets that, regardless of this, several projects harmful to the goals of the Paris Agreement were still funded. The report also calls for decarbonising the EU transport sector by 2050, and safeguarding biodiversity as a key element of adaptation to climate change. It welcomes the future focus of the EIB on just transition, and expects it to contribute to the Just Transition Mechanism, especially under its future [Public Sector Loan Facility](#) and its operations under InvestEU. The new EIB carbon footprint evaluation methodology is also welcomed, and its systematic implementation encouraged. The EIB also adopted an exclusion policy, and the report calls for its rigorous use so that customers implicated in corruption or fraud can be excluded from EIB funding.

As regards **operations outside the EU**, they are mainly covered by guarantees from the [External Lending Mandate](#). In March 2018, the European Parliament and Council adopted a [decision](#) to increase the overall guarantee by an extra €5.3 billion, up to €32.3 billion of financing in the 2014-2020 period. The report acknowledges EIB's adaptation to global challenges and notes that the implementation of the SDGs should be in focus. However, it highlights reporting issues as problematic. It calls for further cooperation between EIB, the European Bank for Reconstruction and Development and other international financing institutions.

On the **functioning and effectiveness of EFSI** (which is supported by the EU budget, unlike other current EIB financing instruments), the report underscores that its main target is to provide additionality by identifying innovative future-oriented sectors and higher risk projects. It reiterates its call for an objective overview of EFSI's additionality, the economic, social and environmental impact and added value of the projects, as well as their consistency with EU policies.

Finally, the report underscores the importance of **ethics, integrity, transparency and accountability** of the EIB Group in all its operations. It urges the EIB to optimise its corporate governance and controls framework to address adequately compliance risks and to support the full deployment of the results-based budget principle within the EIB Group. Among other things, the report calls for assessment of risks and control systems associated with blended finance with the European Commission, addressing the persistent lack of diversity and gender balance at senior management level, and fully implementing recommendations made in the EIB Audit Committee's 2018 Annual Report.

The need for improved transparency and accountability with reinforced mechanisms to fight fraud and corruption is highlighted, especially in view of EIB's commitment to 'zero tolerance to fraud and corruption policy' and the upcoming review of its transparency policy in 2020. The report calls for stronger external scrutiny of EIB by the Court of Auditors, as well as improved cooperation with the European Anti-Fraud Office (OLAF) and the new European Public Prosecutor's Office (EPPO), including increased scrutiny by the European Parliament.

Own-initiative report: [2019/2127\(INI\)](#); Committee responsible: CONT; Rapporteur: Bas Eickhout (Greens/EFA, the Netherlands).

