

2017 Discharge to the EDF

WRITTEN QUESTIONS

TO EIB DIRECTOR-GENERAL

LUCA LAZZAROLI

Hearing of 8 November 2018

-
1. Could the EIB provide the number of EU enterprises benefitting from EIB loans in ACP Countries? Could the EIB provide disaggregated data about the loans to EU enterprises?

Since the coming into force of Cotonou in 2003, 75 European enterprises benefitted directly from EIB loans in ACP countries as borrowers/beneficiaries/promoters for a total amount of EUR 966 million. In addition to this, in 2017, one European enterprise benefitted from a EUR 50 million guarantee and another from a EUR 5 million equity investment.

Moreover, a large number of European companies benefitted, albeit indirectly, from contracts for construction/supplies/technical assistance of projects that received EIB financing in ACP countries (mainly public sector projects funded out of the Bank's own resources which benefit from a guarantee provided by EU Member States, so in addition to the EDF funded Investment Facility). The Bank does not generate procurement statistics by origin of the suppliers, hence it is not possible to provide detailed data in this respect. However, the information on the award of individual contracts (for all international procurement procedures) financed by the EIB is published in the EU OJ and publicly available. Indeed, due to the globalization of trade, such data would be of limited relevance: local subsidiaries of EU companies would appear as local companies, and actual ownership of companies (quoted or not in the stock markets) is not always available. In addition, subcontracting and outsourcing make it very difficult to trace the actual origin of project inputs (in some sectors up to 70% of the cost can be transferred to companies in other countries). Finally, processing of such data would be only possible for contracts in which procurement is monitored by the Bank, that is, for those (mainly public) projects outside the EU where public procurement is required, making the data incomplete.

2. With regard to the Investment Facility (IF), how many projects required a resettlement of the local communities in 2017?

Two large infrastructure projects financed under the Investment Facility – EUR 50 million loan to finance the drinking water supply and sanitation network in Bamako, EUR 22 million loan for the new Pont de Rosso bridge over the Senegal river – required a resettlement action plan (RAP) at the time of EIB's due diligence.

The RAPs must be developed in line with EIB's Environmental Standards, specifically Standard 6 on Involuntary Resettlement. This Standard covers not only physical displacement but also economic displacement. RAPs cover therefore also loss of livelihood. Standard 6 is consistent

with and supports international and EU human rights law. This includes the right to adequate housing of those affected by involuntary resettlement under EIB-supported projects and associated operations, together with the right to adequate food, clothing and to continuous improvement of living conditions. This applies to affected persons, groups and communities subjected to involuntary resettlement as well as host communities at relocation sites. All such persons are covered, whether or not they hold a legal title to their home or property under domestic law. To ensure these rights in practice, certain procedural safeguards must be in place, such as involvement of affected persons in decision-making processes and access to grievance mechanisms.

3. Could the EIB provide information about the initiatives, if any, carried out in 2017 to improve the communication with the ACP Group?

In 2017, the EIB organised an “Africa Day” in Berlin which explored the theme of digitalisation and attracted 400 high-level people from Europe and Africa alike. The Bank participated strongly at management and technical level in the annual European Development Days. We also held a series of events in Brussels to raise awareness on what we are doing together with our partners, including workshops and lunch dialogues in our Brussels office for EU and ACP stakeholders. These followed the themes of renewable energy, digitalisation and education. The Bank was present at the Africa CEO Forum and the Africa Energy Forum. Additionally, in July 2017 the EIB welcomed, as is customary, the ACP Committee of Ambassadors for a day of discussions and exchanges of views at its Headquarters in Luxembourg.

At institutional level, EIB initiated two meetings with the ACP Secretariat in 2017 in addition to appearing in front of the ACP Development Finance Committee and Committee of Ambassadors to present the latest results under the ACP Investment Facility.

We are continuing to use new channels to spread our messages and show the impact we can have as the EU Bank in our partner regions. We have made a concerted effort to use social media and to tell the stories of our projects in different ways, as well as emphasising the diversity of our operations. An example of this from 2017 is a film we made in Cameroon. This fits with the theme of digitalisation, as it covered the Africa Mobile Networks rural telecom expansion project. This storytelling approach is also more evident in our ACP publications.

4. Could the EIB provide specific data on the large infrastructure projects that received financing in 2017? Which entities carried out the ex-ante environmental impact assessment?

In 2017 two large infrastructure projects were financed by the Bank under the Investment Facility:

) **Bamako II operation:** EUR 50 million loan to finance development of the drinking water supply and sanitation network of the city of Bamako. It will provide the Malian capital and its surroundings with both an adequate drinking water supply and a high quality sustainable sanitation system, with the aim of meeting the people’s urgent drinking water access needs and improving their daily living conditions. Overall, 2.5 million people will eventually benefit from the new sanitation system, and 560 000 of them will gain access to drinking water.

) EUR 22m loan in support of the new **Pont de Rosso bridge** over the Senegal river. Located on a key regional artery, the Pont de Rosso bridge will complete one of the missing links of

the trans-African corridor and boost economic activity along the Tangier-Lagos and Algiers-Dakar corridors.

The EIB carries an ex-ante Environmental and Social due diligence on all the projects it finances based on information provided by promoters. The EIB's role is to finance sound operations that support EU policies and priorities and have been designed and structured in order to meet EIB Environmental and Social standards and requirements as well as EU and international best practice. Where an Environmental and Social Impact Assessment (ESIA) is required, we review the ESIA documents as well as the process to determine whether the ESIA is compliant with our requirements and our Environmental and Social Standards. Where we identify gaps, we request the promoter (public or private) to fill these gaps. In all cases, projects must comply with applicable national and relevant international environmental and social legislation and conventions as well as the EIB Environmental and Social standards.

In general terms when it is a private sector promoter, the ESIA is carried out by international consultants. The public sector typically uses local consultants with any additional assessments required by lenders carried out by international consultants.

5. With regard to the EU-AITF (EU-Africa Infrastructure Trust Fund) procurement procedures, what was the control mechanism in place in 2017? How many irregularities have been found?

When procurement is carried out under the projects financed by the EU-AITF, the procedures of the respective Lead International Financial Institution (IFI) (which are pillar assessed) are followed. The EU-AITF does not apply any particular control mechanism beyond the ones from the respective IFIs. However, in accordance with the rules applicable to the EU-AITF, any issue or regularity notified to the participating IFIs shall be reported to the Manager.

When procurement is carried out by the EIB as Manager of the EU-AITF, or as host of the EU-AITF Secretariat, EIB follows its own internal procurement rules and procedures. This may occasionally occur when ad-hoc evaluations, or services are requested or required.

No complaints were filed in 2017 for either procedure.

6. How has the EIB improved its approach to financial intermediaries in Third Countries and improved the transparency of its operations?

With the restructuring of EIB's customer-facing areas in 2014, responsibility for lending to financial intermediaries was concentrated in a small number of specialist teams, one for microfinance transactions outside the EU, one for lending via banks to the private sector in the Neighbouring Countries, and a similar team for Global Partner countries - Latin America, Asia, and Africa, Caribbean and Pacific countries (ACP). These teams cover the great majority of all transactions involving financial intermediaries in these areas.

The concentration into specialist teams has had the advantage of promoting consistency of approach for similar transactions, while taking due account of widely different markets. As a result, EIB has:

-) introduced an improved analysis of how intermediaries record the usage of EIB loans, comparing the *ex post* results with *ex ante* expectations;
-) applied tighter compliance requirements throughout the region, concerning intermediaries' management of reputation risk and their ownership structures;

-) made legal terms and conditions more consistent, and increased monitoring requirements, to allow EIB to scrutinise more easily how intermediaries perform over time; and
-) been able to introduce new approaches, including risk-sharing facilities and pricing for results with the aim of stimulating commercial banks' activities in key targeted sectors.

In addition, EIB has taken on board the findings of the 'Evaluation of EIB Intermediated Lending through the Investment Facility in ACP', and now regularly assesses potential transactions to confirm that they:

-) fit closely with financial sector reviews carried out for ACP countries;
-) do not undermine debt capital markets in the countries concerned; and
-) are integrated into the overarching priorities of the Investment Facility.

To improve transparency, EIB annually updates the EU Member States via their Investment Facility Committee on the lending to financial intermediaries and their usage of EIB funding to finance investment by private enterprise, particularly SMEs and micro-enterprises.

7. The EIB Environmental and Social Handbook contains clauses for Global Loans and Funds that require financial intermediaries to publish environmental data. Is the EIB monitoring the publication of the data? Could the EIB be able to provide the data?

Where the Bank's Environmental and Social Handbook refers to intermediated lending for projects below EUR 50 million of individual project cost, EIB normally delegates the verification of environmental and social documents to the financial intermediary and requires the intermediary or fund manager to publish them. This delegation is possible only upon the Bank's full review of the financial intermediary environmental and social procedures during the appraisal visit. A positive outcome of the appraisal allows the financial intermediary to be presented as a suitable counterpart at the time of the submission of the operation to our Board. Before EIB allocates any part of its funding to a financial intermediary's customer, the intermediary sends the information it collects on the investment to EIB. In general, if an investment requires detailed environmental or social scrutiny, EIB does not allocate its funding to the proposal, and asks the intermediary to focus EIB's funding elsewhere. This is to reflect the relatively poor level of publicly available information in many emerging markets.

8. With regard to impact assessments on human rights, could the EIB provide data related to projects financed in ACP Countries?

Under its sustainability framework the EIB has meaningfully integrated human rights in its social due diligence standards in 2013, committing to the promotion of robust and comprehensive human-rights-responsive due diligence processes. This, however, does not mean that we undertake dedicated human rights impact assessments: rather, we routinely undertake assessments of social impact, as a tool foreseen and prescribed under Standard 1 of our Environmental and Social Standards.

9. In the past, there have been concerns about issues such as tax avoidance and corruption. How does the EIB guarantee that loans are not used in projects that are subject to corruption or tax avoidance?

The EIB is conscious of the crucial importance of the recent and global developments in the area of taxation (including the OECD Base Erosion and Profit Shifting project and the European Union Anti-Tax Avoidance Package). The EIB has taken additional measures to enhance its procedures and practices aimed at avoiding EIB operations being misused not only for tax crimes, but also for non-criminal activities such as tax avoidance.

Those measures mean that the EIB has remained at the forefront of international financial institutions in supporting the implementation of international and EU standards for the promotion of tax good governance.

The EIB approved, at the beginning of 2017, an Interim approach to the EIB's NCJ Policy and tax sensitive jurisdictions ("Interim Approach") applying additional tax good governance measures and an extended tax due diligence approach for operations giving rise to potential tax concerns.

The Bank's NCJ Policy is currently under review in order to reflect the Interim Approach and recent regulatory developments, including in the area of tax good governance. EIB holds regular engagement events with stakeholders regarding the Interim Approach and revision of the EIB Group NCJ Policy. The last event took place in Brussels on 2 October 2018 when the Group Chief Compliance Officer together with colleagues explained the EIB's approach to tax good governance as well as the key changes and improvements envisaged by the revised EIB Group NCJ Policy. The stakeholders welcomed the EIB Group's extensive tax due diligence efforts and provided comments. Once approved, the NCJ Policy will be published on EIB's website.

The Bank has a robust Anti-Fraud Policy in place with a zero tolerance for fraud and corruption. The Bank shall therefore ensure that its loans are used for the purposes intended. Consequently, the Bank works to prevent and deter Prohibited Conduct (corruption, fraud, collusion, coercion, obstruction, money laundering and terrorist financing) from occurring and, where it does occur, addresses it in a timely and expeditious manner. Any Prohibited Conduct that occurs is to be reported promptly and investigated thoroughly and fairly; wrongdoers are to be sanctioned in accordance with applicable policies and procedures; and appropriate legal steps are to be taken to recover misapplied funds. The Bank has also developed an exclusion framework which aims at enhancing the Bank's ability to fight Prohibited Conduct by enforcing the prohibitions contained in the EIB's Anti-Fraud Policy.

10. Despite high concerns about corruption of beneficiaries of the EIB loan to the Trans-Anatolian Gas Pipeline, on 15 March 2018 the EIB provided a loan to the TANAP.¹ How is it measured whether projects meet minimum requirements that prevent corruption, human rights violations or have serious negative consequences for the environment? Does the EIB have supervisory mechanisms to measure this? What is the role of local stakeholders when it comes to projects that have an environmental impact?

The EIB notes that the loan to the Trans-Anatolian Gas Pipeline was provided under the External Lending Mandate and not under the ACP IF which is the object of this EDF discharge. EIB would urge the EP to respect the scope of this discharge for future questions, yet for ease of reference, the response is provided herewith:

¹ https://bankwatch.org/press_release/major-european-loan-to-controversial-azerbaijani-gas-pipeline-risks-fuelling-corruption-human-rights-abuse-and-climate-change

The international human rights commitments and EU legal framework (the EU Charter of Fundamental Rights), along with other international best practices such as the UN Guiding Principles on Business and Human Rights provide the main reference and foundation to EIB's rights-based approach to environmental and social due diligence. This is reflected in the Bank's E&S framework² and specifically through the requirement of its promoters to comply with the Bank's Environmental and Social Standards³. In addition, the EIB restricts its financing to projects that respect human rights and only finances projects located in countries for which it has been mandated by the European Parliament and the Council of the European Union. Moreover, projects, which result in limiting people's individual rights and freedoms, or in violations of human rights, are naturally excluded from EIB activities.

With regard to the TANAP project, the EIB has applied its thorough technical, economic, financial, environmental and social assessment to the project, and has requested its compliance and alignment with the principles and standards contained in EU and national laws as applicable, as well as with the above-mentioned EIB Environmental and Social Standards. The EIB's extensive due diligence, carried out over more than two years, identified that environmental and social aspects and impacts have been considered during Project planning and design, with due consideration of avoidance and mitigation through the application of the mitigation hierarchy and internationally recognised E&S standards. Details regarding the outcome of the Bank's environmental and social due diligence of the project, including on aspects such as stakeholder engagement and human rights, have been disclosed on the Bank's website.⁴

In line with the EIB's procedures and zero-tolerance policy against fraud and corruption, the project has also been subject to an enhanced due diligence to address issues such as the potential presence of politically exposed persons or companies in sensitive jurisdictions. The review of the tendering processes supports the fact that the overall procurement procedures for the project do not compromise the technical, economic and financial viability of the Project. Furthermore, in line with EIB's Energy Lending Criteria and EU Directives on Transparency and Accounting, the Bank requires disclosure of the relevant fiscal information from its counterparts who have accepted this request.

In the course of its due diligence of the Project, the EIB has been closely working with and regularly engaging with the EU institutions and bodies (European Commission, European External Action Service, etc.) directly responsible for the determination and assessment of political freedoms and rights at country and regional level, and for the corresponding EU action, so as to ensure that its investment decision and project due diligence approach take into consideration all available elements. In particular, the EIB has received confirmation that the EU has a policy of constructive dialogue and engagement with both Turkey and Azerbaijan, and maintains a continued policy dialogue with those countries on issues such as human rights and political freedoms.

Member States unanimously agreed in 2013 to include TANAP in the list of Projects of Common Interest (PCI) for the EU. PCI status was confirmed in November 2017.

Article 19 approval (procedure under which the EC must provide a non-objection on each and every EIB project) was granted by the EC to TANAP in April 2017.

² http://www.eib.org/attachments/strategies/eib_statement_esps_en.pdf

³ EIB E&S Standards are contained in Volume I of the Environmental and Social Handbook http://www.eib.org/attachments/strategies/environmental_and_social_practices_handbook_en.pdf

⁴ <http://www.eib.org/projects/pipelines/pipeline/20150676?f=search&media=search>

11. At the moment, there are still ongoing discussions concerning the Complaints Mechanism of the EIB. On 29 May 2017 a public consultation regarding the review of the CM policy started. NGOs and a Member of the European Parliament made use of the opportunity to contribute to this. Most recommendations were not taken over by the EIB. The Board of Directors discussed the proposals and decided not to approve them yet. Outstanding issues that have not been taken on board are:

- a) The Head of the CM is appointed by the EIB President. This may cause Conflicts of Interest. It was suggested to include the Board of Directors in the appointment procedure. However, this was not taken on board by the EIB. What is the EIB's view on this?

It was suggested that the CM could be strengthened by taking on board external expertise. This was not taken over by the EIB. What is the EIB's view on including external stakeholders in the process in order to help to legitimise the lending process and build trust in the independence and integrity of the individuals selected?

- b) The Inspector General is part of the internal hierarchy of the EIB and is still the one responsible for the ex-post and ongoing evaluation of operations and related policies and strategies, fraud investigation and the CM. The policy and procedures allow him to request the CM to review its final Conclusions Report. Article 7 of the current EIB CM Operating Procedures attributes the own-initiative authority to the Inspector General. The Inspector General can make such decision on his own initiative or on the basis of a reasoned proposal from the Head of EIB CM. What is the EIB's view on this? Does the EIB share the opinion that with giving this authority to the Inspector General, the EIB undermines its independence and credibility?

The EIB went through a very thorough process of analysing recommendations and submissions of the public. All recommendations were commented upon and the proposed new document incorporates, to the extent possible, the comments received. In substance, the wording of the policy was modified to reflect stakeholders' concerns and suggestions.

The EIB also actively engaged with the European Ombudsman, the second tier of the EIB Group Complaints Mechanism. The Ombudsman positively commented on the revised Policy, by remarking that significant changes of the Policy and Procedures made as part of the public consultation had addressed main concerns expressed by the European Ombudsman and civil society during the public consultation.

- a) The EIB-CM is part of the Bank and as such, the hiring process of its staff, including the Head of the Mechanism, is subject to the EIB Group's selection and appointment procedures. The legal basis of the Presidential authority for the appointment of the EIB staff is the EIB's Statute (Art. 11,7). The modification proposed by civil society would require Treaty Reform. Furthermore, The EIB-CM is part of the independent Inspectorate General (IG), headed by the Inspector General.

The EIB-CM regularly engages, as part of the complaints handled, or as a result of its outreach activities, with a wide range of external stakeholders (EU institutions and bodies, International Organisations, international and local CSOs as well as technical experts from the professional fora which are relevant for the work of the EIB-CM).

The EIB-CM Policy only regulates the administration of the EIB Group accountability mechanism. The involvement of external stakeholders in the EIB's Project Cycle cannot be assessed as part of the review of a non-operational policy of the EIB Group.

- b) Article 7 of the current EIB-CM Operating Procedures attributes the own-initiative authority to the Inspector General, an independent Director General of the EIB Group, along the same lines established by the revised Policy. The Inspector General can make such decision on his own initiative or on the basis of a reasoned proposal from the Head of EIB-CM.

Being a citizen-driven accountability mechanism, the independence and credibility of the EIB-CM depends on its reliability to respond to the concerns raised by external stakeholders in an effective manner and as independently as possible from the EIB Group operational services. Furthermore, the independence and credibility of the EIB Group Complaints Mechanism is ensured by the possibility to challenge EIB actions and decisions before the European Ombudsman, an external and fully independent EU body.

- 12. A January 2018 evaluation from the EIB⁵ focused on its operations via financial intermediaries in the Africa/Caribbean/Pacific (ACP) region, under its so-called Investment Facility. Its findings confirm the analysis of Counter Balance about the lack of control, monitoring and reporting on intermediated operations. Among the key critical findings are: *"In ACP, where there is no obligation to transfer the interest rate advantage, it is very difficult to trace EIB funding to specific final beneficiaries, let alone projects. Indeed, despite transparency requirements concerning the source of funding, most beneficiaries interviewed did not know they received funding from the EIB."* Moreover, the evaluation finds that *"allocation lists are mutually interchangeable; financial intermediaries were able to swiftly replace allocation requests with new ones when the EIB objected to a proposed allocation, or the proposed allocation would require additional scrutiny by EIB Services"*. This suggests that intermediaries have a portfolio of projects from which they draw a sample to submit as allocation requests to the EIB. Therefore, the evaluation questions the extent to which the *"allocation system is useful for reporting and guaranteeing against reputational risk in the ACP context"*.
- a) Given the critical conclusions of the "Evaluation of EIB Intermediated Lending through the Investment Facility in ACP" carried out by the EIB evaluation unit, how is the EIB following-up on the evaluation? Has the EIB put together a dedicated action plan to address the issues raised in the evaluation?

EIB's intermediated lending is subject to strong control, monitoring and reporting. EIB has created specialist teams to cover intermediated lending, and the monitoring of existing exposures, and intermediated lending in ACP countries has been subject to significant scrutiny. As an example, in 2015 the European Court of Auditors undertook a review of the Investment Facility including a section on intermediated lending via "credit lines". During 2017 EIB's Evaluation team undertook its review specifically on intermediated lending in ACP countries on the request of the EU Member States via the Investment Facility Committee and, as mentioned above, its report 'Evaluation of EIB intermediated lending through the Investment Facility in ACP' was published in January 2018 (the "Evaluation"). The European Commission is currently undertaking an 'end of term' review of the Investment Facility

⁵ <http://www.eib.org/en/infocentre/publications/all/evaluation-of-the-eib-intermediated-loans-in-ACP>

which builds on its mid term review, both of which have involved scrutiny of intermediated lending.

Furthermore, in a number of recent cases, commercial banks have chosen not to work with EIB in intermediated lending outside the EU, because **compared with other lenders, EIB requires a greater amount of information** on the intermediaries' activities and on their business customers

EIB has addressed issues raised in the Evaluation via an Action Plan agreed by the EIB Management Committee and the Investment Facility Committee and is fully in-line with the Management Response to the Evaluation which was approved by the EIB Board of Directors. Progress against this Action Plan is monitored quarterly.

The specific issue raised relates to how EIB collects information on the customers of financial intermediaries. As noted in the Evaluation, EIB goes further than other development financial institutions and multilaterals in obtaining detailed information, generally in advance of lending, on a financial intermediary's proposed allocation of EIB funding, covering the nature, size and sector of the intermediary's customer, and the specific investment which the business is proposing to finance via the intermediary's loan. The Evaluation recognised that this information gave a more tangible database than available in other lenders, but also questioned whether such allocation information could be considered robust when the fungibility of money made it difficult to trace funds flowing to an individual business or investment.

The implication of the Evaluation's finding is that an alternative approach could be considered, where EIB would monitor the development of a portfolio of loans in a specific area (e.g. in agriculture, in a particularly deprived geographical region, or for women entrepreneurs), rather than collect data on individual businesses allocated by EIB to its funding. This alternative 'portfolio approach' would be more in line with other international lenders, and could give richer information on how the financial intermediary was developing its business in the target area, and hence contributing to the objectives of the Investment Facility.

To take account of the Evaluation's recommendation on this point, EIB intends to continue with a pilot programme of 'portfolio approach' loans, and will analyse whether and how the approach improves information on development.

- b) What is the EIB's position on the future of the ACP Investment Facility under the next MFF? Could the EIB clarify if it foresees room for the Investment Facility under the Neighbourhood, Development and International Cooperation Instrument (NDICI) proposal and set-up?

The ACP Investment Facility (IF) is an extremely effective instrument to deliver innovative financing with high impact to the private sector in ACP countries. Following its establishment 17 years ago, the ACP-IF is today fully financially sustainable and can be continued at zero cost to the budget (whether EU budget or EDF). The Bank regrets that the draft NDICI regulation proposed by the EC explicitly proposes to discontinue the ACP-IF, and urges the EP to support the continuation of this highly innovative and efficient instrument. This could be either outside the NDICI regulation (in case EDF remains outside the budget) or by

amending the NDICI regulation to allow for the instrument, including a dedicated grant envelope.

13. The Whistleblowing Policy of the EIB is a key element for safeguarding the Bank's policy. However, reporting persons are required to report to the specific persons responsible for each field. For cases of alleged fraud, corruption, collusion or coercion, money laundering and financing terrorism, or any other unlawful activity that is detrimental to the financial interests of the Communities, the member of staff is required to inform the Inspector General forthwith; in the event of serious misconduct or a serious infringement of the Staff Code of Conduct or the Integrity Policy and Compliance Charter, members or staff are required to refer the matter forthwith to the Chief Compliance Officer; and cases of bullying, harassment and those concerning dignity at work are to be reported to the Director of Human Resources. In none of these cases the whistleblower can turn to a truly independent person. What is the EIB's view on this?

Any whistleblower that wishes to report any irregularity may directly approach the Inspectorate General Directorate (IG) and/or the Compliance Directorate (OCCO), both independent services reporting directly to the President. It is worth mentioning that staff members dealing with alleged breaches, in both services, are subject to an enhanced duty of confidentiality.

In addition, the Bank's Whistleblowing Policy establishes alternative reporting lines in case the above reporting mechanisms are not appropriate in view of the circumstances of the case (e.g. conflict of interests or risk of retaliation). In particular, allegations of fraud and corruption can be reported by whistleblowers directly to OLAF (European Anti-Fraud Office).

In cases of alleged harassment, whistleblowers can turn to a number of confidential counsellors, who are equally fully independent and do not report to any manager, service or body. These confidential counsellors are advised by an independent external harassment specialist. In addition, in case of a formal harassment complaint filed by a staff member, it is assessed by the Investigation Panel, a fully independent body composed of two external experts and one retiree of the Bank.

Furthermore, whistleblowers are not required to identify the nature of the alleged breach. Regardless of the entry point, information is transmitted to the competent service, having particular regard to the confidentiality of the identity of the whistleblower. In any event, whistleblowers can, at any time, approach OCCO for guidance.

Although OCCO and Personnel held several workshops on the topic in the course of 2017 and 2018, the lack of a unique reporting channel has never been raised.

Finally, the EIB Group is currently finalising a new Whistleblowing Policy (WBP), containing simplified reporting channels. The services involved in the revision of the WBP are exploring available options, including Smart phone Apps and online reporting tools.

14. Did the EIB address the two recommendations of the ECA from Special Report /14 from 2015 on the ACP Investment Facility? If yes how did the institution resolve the two issues?

The EIB has indeed taken the ECA recommendations very seriously.

Recommendation 1 concerned the systematic disclosure of the Investment Facility in on-lending agreements. The EIB has responded to this recommendation by giving full visibility to EU support in its financing contracts and requesting that the intermediaries inform the final beneficiary of the EIB support.

Recommendation 2 concerned the ability of end beneficiaries to benefit from technical assistance. In response, the EIB is providing technical assistance to final beneficiaries to enhance their capacity to build bankable projects and to maximise the chance of success of the financed projects. In this regard, two Technical Assistance programmes for EIB Financial Sector Operations in the Southern Africa Region and in East and Central Africa should be mentioned. These contracts aim at providing assistance to:

-)] design and deliver training programs focussing on Credit Risk Management as well as on Banking and Administrative Risk Management to Financial Institutions;
-)] provide targeted capacity building via consulting interventions for Financial Institutions; and,
-)] support actions for M/SMEs and microfinance borrowers.

15. What is the reason that in 2017 the EIB invested EUR 1.47 billion in 40 projects in the ACP region, which is almost double the 2016 total of EUR 765 million?

The level of signatures achieved as of end of December 2017 almost doubled compared to the previous year at the same period. This represents the coming to maturity of preparation efforts over previous years, and was also a response to strong demand from ACP countries and the wish of EU Member States to show a strong engagement and commitment to support inclusive and sustainable growth, economic resilience and poverty reduction in ACP countries. EIB's achievements in 2017 reflect the Bank's strong commitment to the objectives set by the Agenda 2030 for Sustainable Development and the Addis Ababa Action Agenda and are in line with the European New Consensus on Development.

16. How does the Impact Financing Envelope Work, and how are the higher level risk projects chosen?

The Impact Financing Envelope (IFE) is a revolving window under the Investment Facility, with a total authorized outstanding amount of up to EUR 800m. The IFE allows the Bank to assume a higher level of risk than under its own risk guidelines in order to achieve superior developmental impact. The selected IFE operations would not otherwise qualify for IF investment due to risk profiles with upfront expectation of losses that are difficult to mitigate. The level of risk is assessed as part of the due diligence process for each project.

The IFE provides a complementary toolkit to reach out to more fragile countries and underserved populations as well as sectors with expected high impact like agriculture and ICT/digitalisation, especially by helping private companies to expand their offer. It is able to target financial intermediaries in ACP countries where the IF has achieved limited outreach thus far due to either high sovereign (country) risk, currency volatility or lack of meaningful pricing benchmarks.

The IFE is deployed through four financing instruments:

-)] Social Impact Funds;
-)] Loans to Financial Intermediaries;
-)] Risk-sharing mechanisms; and
-)] Direct investment in projects or companies.

17. Has the EIB addressed the Parliament's comments in article 75 and 76 of 2016/2098(INI) on the annual report on the control of the financial activities of the EIB for 2015?
If yes, what steps have been made to ensure that the problems are not occurring again in the future?

[See answer to Question 18.](#)

18. Has the EIB addressed the Parliament's comments in article 90 of 2017/2190(INI) on the annual report on the control of the financial activities of the EIB for 2016 ?
If yes, what steps have been made to ensure that the problems is not occurring again in the future?

Questions 17 and 18 have been answered together as Article 90 of 2017/2190(INI)⁶ refers back to Articles 75 and 76 of 2016/2098(INI).

Article 75: At present, cooling-off periods apply to members of the EIB Management Committee and the Board of Directors: respectively a 12-months ban on lobbying and, subject to clearance of the Ethics and Compliance Committee (ECC) on conflicting activities after Management Committee membership; and a six-months ban on lobbying for former Board members. Furthermore, members of the Management Committee need the ECC's approval before committing to any activity not connected to the Bank's work, either during their period in office or during the cooling-off period.

The EIB acknowledges the importance of these issues and its governing bodies will begin to work on a revision of the Code of Conduct in the coming months. The Bank will continue the dialogue on these issues with the European Ombudsman.

Article 76: It should be noted that the EIB's Management Committee (MC) is a collegiate body which makes collective decisions by consensus, and if a vote is needed, by majority. Articles 1.5 and 1.8 of the Management Committee Code of Conduct⁷ explain how the risk of potential conflict of interest can be avoided. Further, the EIB is a project driven institution and its projects are assessed on an individual case-by-case basis by EIB in-house experts. Project assessment is carried out alongside objective technical, financial, economic indicators; hence the project's quality is the decisive factor in deciding whether or not to grant financing. The eventual decision to finance projects is taken by the EIB Board of Directors, the governing body which is composed of 28 EU Member States and the EC. Further to recommendations from the EIB Audit Committee and pursuant to a decision of the EIB Board of Directors in July 2018, the EIB's Management Committee will avoid combining oversight of both first and second line of defence activities amongst its Members, while preserving the principle of collegiality or collective responsibility

⁶ Para 90 of 2017/2190(INI): "Is deeply concerned that the Bank's management has so far provided no response whatsoever to the specific provisions of paragraphs 75 and 76 of Parliament's resolution of 27 April 2017 on the control of the financial activities of the EIB for 2015, and recalls the need to provide for more stringent rules on conflicts of interest and for clear, strict and transparent criteria to prevent any form of corruption; reiterates that the EIB must revise its Code of Conduct in order to make sure that its Vice-Presidents are not in charge of operations in their home Member States, since this poses a risk to the independence of the institution; is deeply concerned at the shortcomings identified in the EIB's existing mechanisms to prevent possible conflicts of interest within its governing bodies; calls on the EIB, in this regard, in order to better prevent conflicts of interest in its governing bodies and potential 'revolving door' issues, to take into consideration the Ombudsman's recommendations and to revise its Code of Conduct as soon as possible; calls on the EIB to join the interinstitutional agreement on the EU Transparency Register, as soon as the negotiations between the Commission, Parliament and the Council have been concluded;"

⁷ http://www.eib.org/attachments/thematic/code_conduct_MC_en.pdf

within the Management Committee. One member of the Management Committee will oversee risk management and will not oversee any other first line activities.

With respect to the Transparency Register, the EIB's Transparency Policy commits the Bank to a high level of pro-active dissemination of information. It should be noted that the EU Transparency Register strictly speaking only applies to the three main EU institutions (Parliament, Council, Commission) as it is meant to increase the transparency of the decision-making of these legislative (policy and law making) institutions by providing information about entities that seek to influence the decision-making process. The EIB, as a financial institution, is not a legislator and its contacts with clients (that seek finance) differ fundamentally from the contacts the main institutions have with entities ("lobbyists") that seek to influence the policy and legislative agenda.