Annual report on the control of the financial activities of the EIB

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The Committee on Budgetary Control adopted the own-initiative report by Georgi PIRINSKI (S&D, BG) on the Annual Report 2017 on the control of the financial activities of the EIB.

Members noted that the EIB is at the heart of economic recovery efforts at Union level, and its **role in leveraging public money is essential** for the capacity of the Union to adapt to new economic and environmental trends and geopolitical uncertainties.

The role of the EIB for ensuring a value-adding strategic public investment: the report considered that the EIB has a relevant financial role, which can bring considerable results in **reduction of inequalities** in the Union, and it called on the EIB to continue bridging recurrent investment gaps and ongoing structural market failures through designing holistic and mid-long term spending. Members felt that the EIB's lending conditions should facilitate the development of the **EU's peripheral regions** by promoting growth and employment. The Bank was asked to greatly strengthen the arrangements for providing **technical assistance** and financial expertise to local and regional authorities before project approval.

In the framework of **Brexit,** the report stressed that detailed arrangements for all the UK's obligations towards the EIB must be drawn up in order to ensure that the EIB's ability to achieve its objectives is not affected.

Driving investment in key strategic areas: the committee was concerned that **half of the Member States received 80% of the total EIB investment inside the EU** while the other 14 Member States received only 10% of this investment. Furthermore, three Member States individually received 16%, 15% and 11% respectively. Members asked the Bank to include in its reporting **breakdown information** about its investment in low income and high income regions according to its own Investment Survey (EIBIS) and with regard to the potential effect for overcoming investment gaps and barriers in less favourable regions in the EU.

They called on the EIB to aim to become a **climate action leader** and to increase investment in the renewable energy and energy efficiency sector. The report noted that the EIB has committed 25 % of its total financing to projects relating to climate change, rising to 35 % by 2020, a trend that should be should be assessed positively. It welcomed the EIB's commitment to align its operations with the 2015 Paris Agreement by 2020. It encouraged the EIB to:

- strengthen its presence and activities in the **Western Balkan** countries, as they are strategically important for the EU;

- bridge SME's lack of access to credit by enhancing existing programmes, such as the European Progress Microfinance Facility, and by increasing the funding allocated to them.

Performance of the EIB's financial operations: Members reiterated their call for the EIB to produce a **more comprehensive, detailed and harmonised** annual activity report. The report should include detailed and trustworthy **breakdowns of the investments approved**, signed and disbursed for the given year and the financing sources engaged (own resources, EFSI, EU centrally managed programmes, etc.), as well as such information regarding beneficiaries (Member States, public or private sector, intermediaries or direct recipients), sectors supported, and the results of the ex post evaluations.

EFSI development: Members noted that the EIB Group (EIB and EIF) has seen a marked change in the nature, volume, risk profile and complexity of its business over recent years under the European Fund for Strategic Investment ('EFSI'), with; (i) a trend towards an increasing number of smaller operations backed by the EU guarantee under EFSI, (ii) a significant increase of mandates under management on behalf of the Commission and in the provision of advisory services. As at the end of 2017, the EIB group had signed 606 operations under EFSI for a total financing of EUR 37.4 billion to mobilise investments of EUR 207.3 billion in all 28 Member States.

Human Rights: the EIB was asked to establish a Human Rights Strategy and to set up an **effective mechanism** whereby human rights defenders could safely alert the bank about deteriorating environment or risks of conflict and reprisal.

Enhancing transparency and accountability in EIB corporate governance: Members stated that **unorthodox combinations of responsibilities in the** Management Committee**,** such as the responsibility for the oversight of both first and second line of defence activities, should cease. They also recalled the need to provide for a proper revision of the **EIB Complaints Mechanism**. The EIB **whistle-blower protection policy**, currently being revised, should include both internal and external whistle-blowers and establish clear and well-defined procedures, time frames and guidelines.

European parliament scrutiny: Members wanted to see the European Court of Auditors mandated to audit all EIB operations including those where the EIB uses non-EU budget funds for its operations. The committee also suggested that it should organise an annual workshop/hearing on activities and control of the EIB operations.

Follow-up of Parliament's recommendations: the EIB was asked to report on the state of play of the previous recommendations issued by Parliament in its annual resolutions, especially as regards:

- the impact of its lending activities and results achieved;

- prevention of **conflict of interests** especially of the members of the EFSI Investment Committee and the EIB Board of Directors and provision of more stringent rules on conflicts of interest in the relevant Code of Conducts and especially of that of the Management Board and the Board of Directors;

- transparency and disclosure of information on contracting and subcontracting system concerning intermediaries and final recipients in relation to prevention of tax avoidance, fraud and corruption.