**Follow up to the European Parliament non-legislative resolution of 8 February 2018 on the annual report on the financial activities of the European Investment Bank**

**2017/2071 (INI)**

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**2. EP reference number:** A8-0013/2018 / P8\_TA-PROV(2018)0039

**3. Date of adoption of the resolution:** 8 February 2018

**4. Subject:** Annual report on the financial activities of the European Investment Bank

**5. Competent Parliamentary Committee:** Committee on Budgets (BUDG)

**6. Brief analysis/ assessment of the resolution and of requests made in it:**

The resolution is based on the European Investment Bank (EIB) Annual Report for 2016. It assesses positively the EIB's responsiveness to the crisis and welcomes its commitments to tackle the phenomenon of forced displacement and migration and support the implementation of the Paris Agreement on climate.

It also highlights challenges and puts forwards a number of recommendations with a view to strengthening the EIB's accountability and performance. In particular, the report highlights the following:

It welcomes the prolongation of the European Fund for Strategic Investments (EFSI), expecting that the revised fund will overcome identified problems of EFSI 1.0, namely additionality, geographic balance or the advisory hub activities.

On climate change, it urges the EIB to publish the concrete action plans deriving from its 2015 Climate Strategy and to align its portfolio to the "below 2 degrees target" through the phasing-out of fossil fuel projects and the prioritisation of energy efficiency ones.

While welcoming the EIB group's cooperation with the Commission in relation to the measures in the Anti-Tax-Avoidance Package, the report recalls that relying on the EU list of third country jurisdictions which fail to comply with tax good governance standards is a positive but not a sufficient step. It therefore asks for country-by-country reporting without exemptions and asks the EIB to better take into account the tax impact in countries where investments are done. It further considers information on beneficial ownership of the company, including trusts, foundations and tax havens, as best practices to be permanently followed.

The report states that the enhanced economic role of the EIB group, its increased investment capacity and the use of the EU budget to guarantee the EIB group’s operations must be accompanied by greater transparency and deepened accountability. It urges the EIB group to adopt soon the review of its whistleblowing policy and considers that the current revision of the EIB’s Complaints Mechanism is an opportunity to reinforce its legitimacy, accessibility, predictability, equitability and transparency.

Regarding financial instruments, the report calls on the EIB group to actively collaborate in a rationalisation process of the number and types of financial instruments under the next Multiannual Financial Framework together with the Commission. It warns, in this respect, that there is a risk of losing focus on EU public common goods that such market driven instruments bear, and expects the EIB group to reinforce its reporting to the Commission on the quality as opposed to the quantity of its financing. It also calls on the EIB group to further develop its risk culture in order to improve its effectiveness and the complementarity and synergies between its interventions and various EU policies, including in its external activities.

The report expects the EIB group to further work with National Promotional Banks and regrets that potential beneficiaries of EIB group financing are generally not sufficiently aware of the EIB products.

**7. Response to requests and overview of action taken, or intended to be taken, by the Commission:**

On the specific calls to the Commission mentioned in the resolution:

Geographic coverage and cohesion

**Paragraph 22** "[…] *calls on the Commission and the EIB to better coordinate their efforts with a view to further promoting the exchange of best practices and disseminating investment opportunities in all European regions, including those which are not covered by the Cohesion Fund, with a view to better achieving the objectives of economic, social and territorial cohesion*"

**andparagraph 23** "*Emphasises that the EIB, as a public financial institution which finances projects aimed at fulfilling EU policies and priorities, should contribute to economic, social and territorial cohesion, including in less developed regions, as provided for in the Treaty on the Functioning of the European Union; notices with concern, however, that, according to the geographical breakdown of lending by country in which projects are located, five Member States, the biggest EU economies, received 54.11 % of the total loans granted in 2016; calls on the EIB and the Commission to examine the reasons which led to this situation and to report back to Parliament by mid-2018* […]"**:**

One of the most important features of the European Fund for Strategic Investments (EFSI) is that there are no quotas – regional or sectorial – and that project support is demand driven. Despite this, the Commission agrees that geographical diversification is of the utmost importance and can be improved. Further, the Commission agrees that EIB's portfolio must be aligned with Paris Agreement objectives, ensuring the 40% climate target under EFSI.2.

Since the inception of EFSI and the data referred to in this resolution, geographical coverage has improved substantially. All 28 Member States have now benefitted from EFSI support (all Member States for the SMEs window and 27 Member States for the Infrastructure window).

The Steering Board has also defined indicative sectoral and geographical concentration limits for the end of the investment period, which have been respected. During 2017, combined signatures in the top three Member States remained within that limit; and at the end of 2017, France, Italy and Spain combined represented 45% of the total Infrastructure Window portfolio.

Only one out of three main beneficiaries is in the top three main economies of the EU (Germany, France and United Kingdom).

The size of Member States' national economy naturally influences the volume of EIB activities (for normal EIB activities as for operations that fall within EFSI) due to the average size of projects/ investments that are available. In relative terms, however (EIB financing per capita or per gross domestic product), the top ten are mostly new Member States and Southern Europe Member States: as of February 2018, the five countries benefitting most from the EFSI relative to their gross domestic product are Greece, Estonia, Bulgaria, Portugal and Spain.

**Paragraph 73:**

The European Investment Bank (EIB) had already been working in close partnership with National Promotional Banks (NPBs) to provide financing and technical support before the European Fund for Strategic Investments (EFSI) was set up. Given the higher risk taking capacity thanks to EFSI, the EIB has increased its cooperation with National Promotional Banks and Institutions (NPBs/ NPIs) through new and riskier product mixes, such as risk sharing structures. New forms of cooperation have been designed, with several forms of delegations, as well as different forms of cooperation in the context of Investment Platforms. Today, NPBs are involved in around one out of every five EFSI operations.

Cooperation with NPBs has been anchored more solidly in the EFSI 2.0 Regulation. The Commission and the EIB are currently negotiating the setting-up of a dedicated NPB window to develop an equity-type portfolio involving joint EIB-NPBs operations. The objective is to allow the EIB to take greater risk in operations involving NPBs (e.g. by taking a subordinated position) by providing it with an additional first-loss piece. This fulfils a strong political point (namely to increase the participation of NPBs in EFSI) raised by the European Parliament during the EFSI 2.0 negotiations.

In the context of shared management, the Commission will continue to cooperate with the EIB Group and the Member States authorities, to promote complementarity, consistency and coordination between the operations co-financed by the European Structural and Investment Funds (ESIF) and the projects financed by the EIB Group in order to deliver tangible results including through NPBs.

With a view to facilitate the implementation of the financial instruments, the Commission proposed changes in the Common Provisions Regulation (Omnibus Regulation) clarifying the possibilities for direct award and introducing an additional option for ESIF-EFSI combination.

Compliance

**Paragraph 26** "[…] *calls on the EIB, following a consultation with the Commission and stakeholders, to revise and update its Non-Compliant Jurisdictions (NCJ) policy in the light of the adoption of the aforementioned Union list of non-cooperative jurisdictions; calls on the Commission, for its part, to submit a report to Parliament and the Council every year on the implementation of that policy*"

**andparagraphs 27** **and 28:**

The use of EU Funds to support projects leading to tax evasion is already prohibited under the Financial Regulation. The Commission has proposed to extend further the scope of this prohibition to projects leading to tax avoidance. Rules have already been adopted by the legislator to this effect with the EFSI and the European Fund for Sustainable Development (EFSD) Regulations and the External Lending Mandate (ELM) Decision. A similar approach is expected to be included in the new Financial Regulation, still to be adopted following political agreement reached at trilogues and in the Common Provision Regulation (CPR) governing ESIF.

The Commission has adopted on 21 March 2018 a Communication on the new requirements against tax avoidance in EU legislation governing in particular financing and investment operations (C(2018) 1756 final). This Communication provides guidance for the implementation of the new rules and serves to facilitate alignment of the International Financial Institutions' internal policies with the new EU requirements. In that regard, the EIB is expected to improve its internal policies to reflect the new legal environment in a satisfactory manner.

In addition, Commission representatives in the Board of the EIB, European Bank for Reconstruction and Development and European Investment Fund have opposed projects for which Commission services concluded that there was a significant risk of tax avoidance. Details on these projects can unfortunately not be made public as they are covered by the confidentiality requirements applicable to Board members under the Statutes of said international financial institutions.

EIB mandates

**Paragraph 67:**

The Commission is reviewing the number and performance of mandates it has entrusted to implementing partners in the framework of the spending review and preparations for the next Multiannual Financial Framework.