

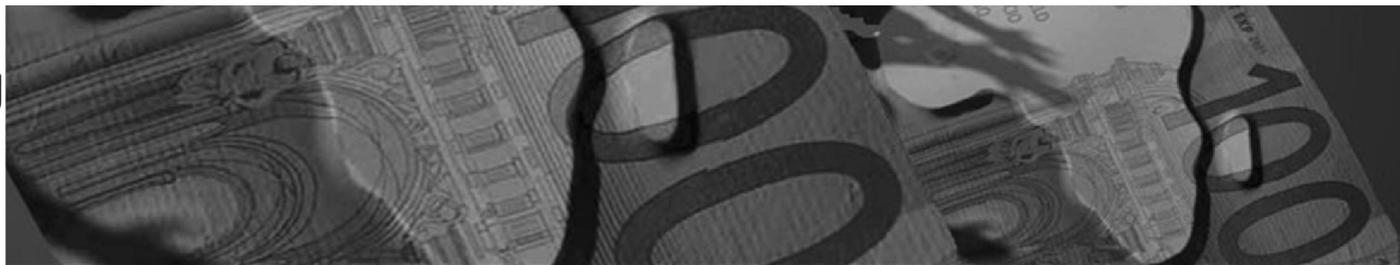
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# The European Investment Bank

## Lessons learnt and challenges on transparency and accountability

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# Presentation of Counter Balance

- Coalition of 9 European NGOs created in 2007, with a Brussels-based secretariat.
- Counter Balance's mission is to make **European public finance** a key driver of the transition towards socially and environmentally **sustainable** and **equitable** societies.
- Created to **monitor** the activities of the **EIB** and push for its **reform**.



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# Why the EIB needs to be reformed

- Growing macroeconomic role in the European Union and outside of Europe following the financial crisis, via capital increases.
- The EIB is increasingly in charge of managing numerous financial instruments on behalf of the EU. The EIB is for instance the cornerstone of the Investment Plan for Europe as main implementer of the European Fund for Sustainable Investments (EFSI).
- Archaic governance structure: non-resident Board providing little oversight to the Management Committee.
- The EIB remains little known to European citizens and decision-makers at national level.

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# Internal resistances to transparency and controversial practices

- A tentative to water down the EIB Transparency Policy failed back in 2015. But the current process of the revision of the Complaints Mechanism raises serious questions, as well as several complaints being blocked by the EIB.
- Part of the EIB still considers transparency and internal controls as obstacles to their efficiency and banking function.
- **A variable geometry approach to fraud and corruption**
  - The **EIB anti-fraud policy** (Policy on preventing and deterring prohibited conduct in European Investment Bank activities) and associated “Zero Tolerance to Fraud and Corruption Policy ” are not fully implemented.
  - The EIB should not finance projects under **corruption investigations** at national or European level, and stop further disbursements for such projects.

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# The case of Passante di Mestre (1)

- Passante di Mestre is a motorway bypass around the city of Mestre, close to Venice. In April 2013 the EIB disbursed **a loan of EUR 350 million** to refinance the debt the project has been accumulating since its start in 2003.
- In March 2011 the project was subject to a critical report by the Italian Court of Auditors. The concerns raised in the report included a lack of public supervision and control leading to an unjustified increase in costs, as well as the risk of infiltration of organised crime via subcontracting companies carrying out the construction.
- The project and several subcontracting companies are **under investigation** by the Italian authorities for alleged fiscal fraud and the possible infiltration of the Mafia. This is linked to one of the biggest corruption scandals in Italy's history.

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# The case of Passante di Mestre (2)

- In January 2014, we filed a complaint to OLAF to open an **investigation** into the EIB loan, but this was rejected by OLAF.
- The European Parliament adopted in April 2015 the following via a resolution:



**Regrets that the EIB financed ‘Passante di Mestre’**, after the Italian authorities publicly announced the arrest of the CEO of its main subcontractor for fiscal fraud; in light of the still ongoing investigations by the Italian authorities into the corruption scandal related to the construction and management of the ‘Passante di Mestre’, **calls on the EIB not to finance the ‘Passante di Mestre’ project** through the PBI or any other financial instrument, and to ensure that it implements its zero tolerance to fraud policy when considering the use of project bonds

- In 2016, the EC and the EIB still used the **EU Project Bonds Initiative** to refinance the project. Bonds were emitted for the project thanks to EU support, even if the investigations are still ongoing.

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## Taxation: a field where the EIB could lead by example

- In the past, the EIB has provided support to clients based in Tax havens and linked to tax evasion and tax avoidance practices.
- The European Commission had to block projects worth more than EUR 1 bn in 2016 and 2017 for fiscal reasons.
- Under the pressure of the European Commission and civil society, the EIB adopted a new Interim Approach to its tax havens policy, focusing on tax avoidance.
- In 2018, the EIB will revise its Tax Havens Policy: key opportunity to become a leader in the field of responsible taxation.

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## Raising the bar on external scrutiny and accountability

- Stepping up the scrutiny of **the European Court of Auditors**.
- Can the **European Commission** go further?
- What role for **OLAF**?
- What about the new **European Public Prosecutor Office**?
- The complexity of **financial instruments** used increases the need for enhanced due diligence (Public Private Partnerships, Project bonds, etc).

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## Recommendations

- Revising and **strengthening key policies** like the Anti-fraud policy.
- Guaranteeing strong checks and balances within the EIB: towards a more independent and efficient **Complaints Mechanism Office**.
- A more structured scrutiny and **engagement of the European Parliament** is highly necessary. **EFSI** as an opportunity to set a precedent
- Reinforced due diligence at the EIB, prioritizing **quality of lending** rather than quantity.
- EIB to **stop** financing or further disbursement of **loans for projects under investigations** at national or European level.

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## Further readings

- Counter Balance: *Towards a reinforced accountability architecture for the EIB*, July 2015 <http://www.counter-balance.org/new-report-towards-a-reinforced-accountability-architecture-for-the-european-investment-bank/>
- Counter Balance: *The Dark Side of EIB Funds*, September 2016 <http://www.counter-balance.org/new-report-reveals-the-dark-side-of-eib-funds-how-the-eus-bank-supports-non-transparent-investment-funds-based-in-tax-havens/>
- Counter Balance: *Highway to Hell: European money fueling controversial infrastructure projects*, April 2016 <http://www.counter-balance.org/highway-to-hell-european-money-fuelling-controversial-infrastructure-projects/>
- Counter Balance: *Activity Report 2016* <http://www.counter-balance.org/wp-content/uploads/2017/05/CB10years.pdf>

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# Thank you for your attention

Contact details:

Xavier Sol

Director Counter Balance

[Xavier.sol@counter-balance.org](mailto:Xavier.sol@counter-balance.org)

[www.counter-balance.org](http://www.counter-balance.org)



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