

Italian Malaffare
European money

Or how the European Union funds Italian infrastructures linked with corruption

RE:COMMON

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ITALIAN MALAFFARE, EUROPEAN MONEY
Or how the European Union funds Italian infrastructures linked with corruption

RE:COMMON

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The Bel Paese of bribery

This is actually not news to anyone. Even the Coliseum stones can see that corruption has penetrated nearly every level in Italy, threatening our basic rules of civil living.

From the EXPO affair, which earned the world's outrage, to a small "favour" on a platter of tasty hundred Euro notes, a cliché which barely merits notes in local news, not a single day goes by without the press dealing with investigations and criminal proceedings concerning bribery, kickbacks and wicked public procurement practices.

"Investigations prove that corruption has reached unacceptable levels, being increasingly intertwined with mafia-like organised crime. The effects on the Economy and citizens' lives are devastating," declared Andrea Orlando, Minister for Justice, during the annual Justice Administration report presented before the Parliament in early 2015. It is clear that the country's pampering of mafia, camorra and ndrangheta[1] worsens the problem. Only two decades after the first Mani Pulite[2] round, the second episode of an unpopular series is already on air.

Transparency International's last report, released on last December[3], ranks Italy as 69th in the List of Shame. We are the worst in Europe, along with Greece. Seemingly, the flow of bribery from the Alps to Sicily achieves the stellar figure of 60 billion Euros, at least according the estimates by the Court of Accounts[4]. Some call these estimates exaggerated, yet it is hard to refute them, given the continuous flow of news just mentioned. If these assumptions prove to be true, bribes would represent some 4% of the country's GDP, slightly less than a couple of Stability Law budgets[5], as per the amounts stated in the last "act" by Renzi's Administration. Just for comparison, as the European Commission finds through its studies, all the EU member states seem to burn some 120 billion Euros per year in bribery[6]. Given the different parameters used in calculations by European and Italian experts, it could seem risky to say that half of the Old Continent's corruption is happening in Italy, at least in numerical terms. Nevertheless, should this prove true, would we really be shocked?

1 Most renowned Italian Organised Crime structures

2 http://en.wikipedia.org/wiki/Mani_pulite

3 http://www.transparency.org/cpi2014

4 http://www.corteconti.it/export/sites/portalecdc/_documenti/documenti_procura/giudizio_di_parifica/giudizio_parificazione_2008_memoria_scritta_pasqualucci.pdf

5 http://www.altalex.com/index.php?idnot=69160

6 http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/index_en.htm

"We must never doubt the will to prevent and fight against criminal infiltration and corruption in political and administrative on life"[7] Giorgio Napolitano boomed just one month before leaving the Quirinale[8]. Corruption has reached unacceptable levels; it swallows resources that could be used for the citizens," declared the newly appointed President of the Italian Republic Sergio Mattarella during his Inaugural Address. Defeating this plague requires a strong commitment! This is one among the many emergencies taking over here. Maybe Premier Renzi's new ideas, summarized in a 4-minute video[9], will prove effective if people like Raffaele Cantone, president of the National Anti-Corruption Authority, gain real support in carrying out their tough duty. Considering the past failures, it is legitimate to raise some doubts. In Cantone's words, "it would be useful to provide for mechanisms to prevent [those guilty of corruption] from participating in public life, mainly in Politics. We are not conceiving some kind of denial of civil life, but once someone has committed an offence in office, he or she should not be allowed in the same position. This is even more important in an offence as serious as corruption[10]." We shall see.

Meanwhile, attempts are being made to quantify other impacts of corruption. Just a few days before the Anti-Corruption Day of 9th of December, the Organisation for Economic Cooperation and Development (OECD), comprising 34 among the wealthiest and most developed countries on Earth, released a report[11] analysing 400 cases of unlawful practices in the 41 states that signed the Anti-Bribery Convention. We learned that 10% of the cost and 40% of income related to public works is lost in corruption, at least according to the sample of interviewees.

"It would be useful to provide for mechanisms to prevent [those guilty of corruption] from participating in public life, mainly in Politics. We are not conceiving some kind of denial of civil life, but once someone has committed an offence in office, he or she should not be allowed in the same position […]"

- Raffaele Cantone

Yes, we are talking about major infrastructure. Recently, in Italy, a large share of national media became aware that these are even useless, as the Brebemi case pointed out. In fact, some [highway] lanes are so deserted they become football fields[12]. Then, there is the "collateral damage" these involve and that should be evaluated when

7 http://www.rainews.it/dl/rainews/articoli/Napolitano-Colpire-la-corruzione-e-reagire-all-antipolitica-e64c-da36-6182-4107-bfef-17263931600c.html#sthash.nTbYDTkf.dpuf

8 The President of the Italian Republic's official residence.

9 http://www.internazionale.it/opinione/christian-raimo/2014/12/09/il-tutorial-di-matteo-renzi-per-sconfiggere-la-corruzione-in-quattro-minuti

10 http://tg24.sky.it/tg24/politica/2015/01/18/raffaele_cantone_intervista_maria_latella_corruzione_elezioni_quirinale.html

11 http://www.oecd.org/corruption/oecd-foreign-bribery-report-9789264226616-en.htm

12 http://www.lastampa.it/2014/10/11/multimedia/italia/brebemi-deserta-improvvisano-partita-di-calcio-toXNyQRV54yl3OJNuXX4HL/pagina.html



Construction site of the TAV in Val di Susa, 2014.
Photo by Massimo Lupo/Re: Common

analysing their "social usefulness." Our feeling, supported by facts, is that a major infrastructure work IS useful, mainly to an exclusive club of persons, both individuals and legal entities. There are those who consider public funding as a cornucopia of resources for their own use. Never mind if this means breaching the Law. If possible, this phenomenon is now even more rooted in our country's business and political life. Mani Pulite 2 appears a greater plague than Mani Pulite 1, with Sistema Veneto, EXPO, Mafia Capitale, and so on and so forth, to the "delight" of Italian media hacks.

What does Europe say about this? Former Commissioner for Internal Affairs Cecilia Malmström defines the whole phenomenon as "breath-taking"[13], and the leaders of EU Institutions must note that here in Italy it takes more breath than anywhere else. Yet, Europe keeps adding zeros to checks to fund our giant infrastructure works, despite being well aware that part of this money has already reached wicked hands. This is all subordinate to the mantra of major works, which must not be denied. In particular, when it comes to EU funding, we must mention an institution that never refuses its help to our enterprises, whether public or private. It is the European Investment Bank, aka EIB[14]. In 2014, the

13 http://www.bbc.com/news/world-europe-26014387

14 The European Investment Bank is a property of 28 EU countries. It obtains loans on capital markets and grants low interest rate loans to fund projects for the improvement of infrastructures, energy supply or environmental sustainability both within the EU and in the neighbouring areas, or in developing countries. Further information at: http://europa.eu/about-eu/institutions-bodies/eib/index_en.htm

EIB was very generous with our country, as we scored a new record: 10.9 billion Euros paid directly, some 0.5 more through the European Investment Fund. This was an amazing 4% more than in 2013. "The year 2014 was exceptional, with record results. We played our part with an important and innovative contribution," commented EIB Vice-President, Italian Dario Scannapieco, during a press conference held in Milan on mid-January. Italy was confirmed in its top ranking as historical beneficiary of EIB funds, since the foundation of the bank in 1958, for a total amount of 180 billion Euros." For 2015, Scannapieco stated it clearly: "much depends on the projects submitted to us; we set no limits on grantable financing; the important thing is for there to be projects."[15].

Of course, many projects are submitted, as we well know. However, having an ample annual budget of 65-70 billion Euros does not involve indiscriminately pouring money on various proposals without close evaluation. This is especially true in Italy, where, as we have seen, one should consider the "corruption factor." Leafing through the EIB check stubs, we realised that major infrastructure works such as the Mose or the Mestre Bypass projects received loans even after scandals exploded and echoed at the national level.

There is more: lending money to companies in the deep red, like Iren, reveals at least a questionable assessment of the company's finances and assets, not to mention the revision of the European Development Bank's entire due diligence procedure. Yet, one would expect that when it comes to allocating some hundred millions, we could not just encourage "enthusiasm." The Italian government has always openly recognised the primary need to complete major infrastructure works. Major works must be carried out because we need them, in the Government's reasoning. Even this point could be questioned, but Europe should send a stronger message: suspend any loan and promptly require better guarantees any time shady affairs are revealed.

Sometimes, we at Re:Common, together with local committees, have tried to report to those concerned what was happening in Italy. Even OLAF, the European Anti-Fraud Office[16] decided to ignore our cry of alarm for the reasons we will list herein. Why? Are the interests in the execution of infrastructures too strong? Are the instruments available to European inspectors unsuitable? Maybe the time has come for the European Commission to stop reading reports and showing concern about the size of this phenomenon and to take some real and meaningful steps forward.

It is clear to everyone that the public-private relationship, with corruption deeply rooted in power blocks on both sides, is leading to disaster.

15 http://www.agi.it/economia/notizie/bei_in_2014_record_finanziamenti_in_italia_11_4_mld_4-201501191541-eco-rt10128

16 OLAF investigates cases of fraud and damage to the EU balance sheets and on cases of corruption and and gross negligence of the professional obligations within the European institutions; it also creates anti-fraud policies for the European Commission. For further details, please see: http://ec.europa.eu/anti_fraud/index_it.htm



Chap. 1 The Veneto System

Inauguration of the Mestre by-pass, ribbon cutting by Berlusconi along with Matteoli, Galan, Zaia and Brunetta. Bonisiolo (TV), 2009. Photo by AGF.

In January of 2014, Option Zero, Re:Common and European network, CounterBalance took paper and pen and wrote an eight-page memorandum to indicate to OLAF "anomalies" regarding the support of the European investment bank to companies responsible for the construction of the Mestre by-pass[17].

The core of the issue is connected to the times of financing granted by the EIB. However, on careful reading of the tender documents the organizations of civil society, we have uncovered something else.

As we will see also in other similar cases, it begins with private and public entities signing partnerships arm in arm. In November of 2003, the cost of the highway by-pass around the city of Mestre, of just slightly more than 32 kilometres, was estimated at 750 million Euros.

A portion of 113.4 million will be paid from the ministry of the Productive Activities, and the rest (636.6) from Anas, a public company 100% held by the Ministry of the Economy, which, however, will only anticipate the expense. All of the allocated sums, in fact, will be reimbursed to Anas by the

17 Memorandum dated 22 January 2014, http://www.recommon.org/opzione-zero-recommon-e-counter-balance-chiedono-allolaf-di-indagare-sul-caso-di-corruzione-del-passante-di-mestre/

construction consortium in charge of the work[18], composed after a public competitive bidding process: Impregilo S.p.a., Grandi Lavori - Fincosit S.p.a., F.I.P. Industriale S.P.A., Cooperativa Muratori & Cementisti – C.M.C. Di Ravenna Soc. Coop. A R.L., Consorzio Cooperative Costruzioni, Consorzio Veneto Cooperativo, Serenissima Costruzioni S.p.A. Some of the top names among Italian builders, they are committed to repay the debt by "committing" the transit fees for a period of 25 years. In 2007, the first substantial change materialized: the *Comitato per la Programmazione Economica (*Economic Planning Committee - CIPE) established that the builder and sole administrator of the by-pass would be ANAS[19]. Goodbye to the public private partnership!

Thus, a few months later, a company called CAV was born (standing for *Concessioni Autostradali Venete* -Highway Concessions of Veneto) with equal participation by Anas and Veneto region. This company entered the original consortium once and for all beginning on December of 2009. It was to expire on November 30 of the same year, when the debt would also[20]. become due. Meanwhile, on 9 February 2009, a good part of the by-pass was inaugurated. The ribbon-cutting ceremony was held with great pomp and circumstance, in the presence of Prime Minister Silvio Berlusconi, the Ministry of Transportation Altero Matteoli and governor of the Veneto, Giancarlo Galan.

Work was not entirely complete; supplemental work needed to be finished, and furthermore, the matter of the debt was still open, also with regard to payments of compensation for expropriated lands. Another year and a half passed, and EIB came to the rescue. On 9 June, 2011, the Board of Directors of the institution approved a loan of 350 million Euros for the CAV. Note that on that date the financing only received provisional authorization; the actual expenditure would take another year and a half[21]. Eighteen months in which Bank executives were able to read and amend a report of the Court of Auditors dated March 2011[22] calling into question the seriousness and correctness of the management of the entire plan. The timing, however, as repeatedly noted in this publication, is not precisely the forte of the Bank's upper management.

Alarm bells rang for the judges of the Court of Auditors: high cost increases, from 750 million passing to 1.34 billion; i.e., +80%[23]; discrepancies between the data from the local administrations and those of the governmental authorities; a total lack of transparency on the amounts regarding the compensations connected to the performance of the work; an evident anomaly of the social structure after the deliberation of the CIPE and strong perplexity on the role (and nearly unlimited powers) granted to the extraordinary commissioner[24]. Già, la "straordinarietà" delle circostanzeThe "extraordinary nature" of the circumstances, by now is as much a symbol of our country as good food and artistic beauties, if not more. In 2003, the construction of the Mestre By-pass was seen as a true national emergency and, in order to address it, a commissioner was named and would stay in office until 2013.

18 http://silos.cresme.it/admin/scheda.aspx?id=681

19 CIPE, deliberation number 3 of 26 January 2007

20 the financial plan is valid until 2032, see http://silos.cresme.it/admin/scheda.aspx?id=681

21 Demand for access to actions.

22 Court of Auditors, deliberation number 4 of 30 January 2009

23 CAV 2001 Budget, page 24

24 Decree of the Prime Minister number 3273 of 19 March 2003



Demonstration against overbuilding in Veneto territory. Photo from OpzioneZero channel on Flickr.

This was far beyond the frontal attack on the Court of Auditors, considering it anomalous that engineer Silvano Vernizzi would be the person to occupy such a position of responsibility. Vernizzi, in fact, was already secretary of infrastructures for the Veneto Region, director of the Ufficio VIA[25] and, among several other prominent positions at the local level, was general executive manager of Veneto Strade[26], all in obvious exception to the regulations that regulate the award of the public contracts, the infrastructure creation and appraisals of social and environmental impact. Vernizzi is currently being investigated by the Prosecutor of Venice for bid rigging regarding another project[27].

The extraordinary that becomes the rule, and what rule does not seem to interest EIB, or create embarrassment that Anas is simultaneously the customer for the work and project manager, as well as controlled and controller. This is without forgetting the risk, always recognized by the Court of Auditors, of infiltrations of organized crime in subcontracting procedures.

The EU Development bank does not give much credit to this relationship but, before transferring the 350 million already promised, it did not even seem to make an effort to read the press releases in February 2013 on the legal troubles of Mantovani S.p.A. This is a joint-stock corporation of the Chiarotto family, owned by Serenissima Holding; through the Industrial FIP, it is among the main subcontracting companies of the

25 The EIA Office

26 Managing company for the road service

27 Vernizzi, along with six other people, was questioned by magistrate Stefano Ancilotto, who was trying to see clearly how the Adria Infrastructure Company was entrusted the project financing of the so-called Freeway of the Sea, the toll artery from the Meolo toll both to the lagoon shoreline. These procedures are underway, but in 2009 an important phase was reached, the declaration of "public interest "of the work. The Prosecutor is working on an assumption of bid rigging. The Adria Infrastructure is the company headed by the former secretary of Giancarlo Galan, Claudia Minutillo, one of the accusers of the former president of the Veneto, who ended up under home arrest after a plea bargain in the Mose scandal. Thus, the lagoon magistrate intends to shed light on the way the declaration of public interest was implemented. http://www.veneziatoday.it/cronaca/indagato-vernizzi-veneto-strade-turbativa-asta.html

By-pass consortium of Mestre. Those troubles led to the arrest of Piergiorgio Baita (general executive manager), Nicolò Bruson (general manager), adviser Williams Alfonso Colombelli and CEO of Adria Infrastructures Claudia Minutillo. They were accused of criminal conspiracy to issue false invoices. Colombelli and Minutillo confessed, uncovering a few skeletons in the closet, to put it mildly. The Prosecution indicated that the Mantovani – we will hear more about them later - and Adria produced fictitious invoices through the BMC Brookers of Palombelli, registered in San Marino, collecting big bucks (public, of course). Palombelli kept 15-20% of the amounts; the rest went to the two companies. The Mantovani, according to the accusation, allegedly used the money to bribe public officials to guarantee rich contracts for the By-pass and Mose (as described below). The BMC also allegedly had "working relationships" with other companies involved in the By-pass consortium, but this it is still being investigated[28].

We asked OLAF what they think about the gap-ridden due diligence of EIB, questioning whether EIB had performed internal investigations, also with regard to its policies and internal directives, before the Cassa Depositi e Prestiti loan then endorsed to the CAV. In all this, one wonders whether any European regulation has been violated, in particular with respect to money laundering. The European anti-corruption unit answered us after a couple of months. In four paragraphs, it declares explicitly that the prerequisites for opening an investigation do not exist[29]. This seems ironic, since our memorandum indicates the connections between the case of the By-pass and what may be the cornerstone on which the entire

*The extraordinary that becomes the rule, and what rule does not seem to interest **EIB** - European Investment Bank - or create embarrassment that **ANAS** is simultaneously the customer for the work and project manager, as well as controlled and controller*

Veneto System rests. Even this does not seem to be among the priorities of OLAF. Then, within a few months, the scandal increased. Here we go again…

The Mose fails to block corruption

Still in Veneto, from the inland we head toward the sea in order to talk about another major infrastructural project put under the magnifying glass by the magistrates: the Mose.

To save Venice from high water, decades of arguments and plans, often and gladly contested, have produced a project even more complex and difficult to execute: 78 mobile barriers, deployed to form 4 barriers placed in the 3 port mouths (Lido, Malamocco and Chioggia); these are the points communicating the Venice lagoon with the Adriatic Sea. The barriers are planned to remain lowered in normal tide conditions, only emerging in high water above 110 cm, in order to block the port mouths and pre-

28 http://www.ilgazzettino.it/PAY/NAZIONALE_PAY/tangenti_onorevoli_e_spioni/notizie/749261.shtml

29 http://www.recommon.org/?wpdmact=process&did=MjkuaG90bGluaw==

vent the water from exceeding the danger levels[30].

The Mose is now a joke spanning two centuries. Its formal birth certificate was "written up" in 1991, some months before the European regulations on contract awards took effect. This was a nice advantage, as Giorgio Barbieri and Francesco Giavazzi point out in their book "Corruzione a norma di legge" (Legalized Corruption, in English). In it, they explain that in reality the signatories of the Memorandum of Understanding are very conscious of the Copernican revolution underway at the European level. Thus, the signers prefer "to anticipate the times."In the case of Mose, the rules were manipulated to ensure that the work was entrusted to a sole concessionaire only. This single entity was then erased by the afore-mentioned community laws. "With Mose, everything becomes legitimate because the laws are written in a way that makes it legal to appropriate funds intended for performance of major projects. They are also written to maximize income in the interest of the politicians and the companies, which will then divide them."[31]. It is no accident that the contract expressly establishes that work can be subcontracted without conducting any public bidding. In the light of these dispositions, it seems that Mose, rather than saving Venice from the waters of the sea, is fattening the pocket of a narrow circle of businesses closely connected with the political powers, since the rules of the game are rigged that way.

The work performance was entrusted to *Consorzio Venezia Nuova* (the New Venice Consortium,) which, as may be read on its website, "in order to perform its own



Venice, 12/10/2013, MOSE Construction site. Photo AGF.

tasks as concessionaire of the State for the performance of studies, experimental activities, design and work, is equipped with a structure able to plan, organize, manage and control the various safeguarding interventions in the various implementation phases, acting at the same time, operatively, as a liaison with the awarding Administration on one hand (Magistrate for Venice Waters) and with directors of the activities on the other (design and execution of experimental studies and activities, and companies performing work)"[32]. Performance of the work began simultaneously on the three lagoon port mouths in 2003. By now, we have nearly arrived at the closing titles, as the progress has reached about 85 percent. The deadline for completion has been set for 2016, and expenses have reached 5.49 billion Euros[33]. In order to finish it, at least another 220 million Euros will be needed, to which is added another billion and a half for ordinary maintenance[34].

To make a long story short, the European Commission at a certain point noticed the systematic anomalies of the Mose. The Court of Auditors criticized this delay in

30 https://www.mosevenezia.eu/?page_id=8

31 *Corruzione a norma di legge* - Giorgio Barbieri and Francesco Giavazzi – Ed. Rizzoli. Page 49

32 http://www.consorziovenezianuova.com/natura_struttura.htm

33 https://www.mosevenezia.eu/?page_id=14

34 Op. Cit. pag. 142



Venice, 12/10/2013, MOSE Construction site. Photo AGF.

1997 regarding the non-compliance with principles of fair competition in the case of the plan[35]. However, in 2001, the Single Market commissioner Frits Bolkestein decided to speak up about the anomaly already noted by the Court of Auditors. Criminal proceedings were avoided the following year, when the New Venice Consortium agreed to launch an RFP for allocation of contracts to supply electromagnetic work. This promise was not kept; in the end, these proceedings concern only sub-contracts amounting to 5% of the total cost. The European regulation indicates a very different figure: 53%[36]. Not exactly a negligible difference.

The second EU warning came in 2005 regarding the environmental impact studies (EIS) performed in 1998; this negative judgment, declared the Commissioner of the Environment Stavros Dimas, has not been given due consideration. In this case, the filing took place, an indispensable condition to trigger financing by the European Investment Bank. The EIB, in fact, had 1.5 billion Euros ready for Mose. We are in the presence of one of the greatest appropriations for a single infrastructure ever approved by an institution. Three loans have been granted and distributed up to now: 29 April 2011, 480 million[37], 12 February 2013, 500[38] (then in reality, there would be two

35 Court of Auditors, case number 137 of 1997

36 Op. Cit. pages. 115-117

37 http://www.eib.org/infocentre/press/releases/all/2011/2011-057-italia-dalla-bei-480-milioni-di-euro-per-la-salvaguardia-di-venezia.htm

38 http://www.eib.org/infocentre/press/releases/all/2013/2013-020-italia-bei-seconda-tranche-di-500-milioni-per-il-mose-di-venezia.htm?lang=-en

allocations, of 438 and 75 million[39]) and 13 February 2014 another 200 million[40].

In this case, take a look at the dates. It is well known that on 28 February 2013, the Financial Police of Venice arrested Piergiorgio Baita and other administrators of our old friend Mantovani S.P.A. for the presumed fiscal fraud already mentioned, perpetrated by creating false invoices[41]. Subsequently, in May 2013, the Financial police acquired documentation regarding invoicing for large stones (used to protect the port mouths) acquired in Croatia through a Canadian company, which then resold them to the Mantovani at higher prices[42]. The Mantovani family, *ça va sans dire,* is one of the major associates of the New Venice Consortium. The legal saga does not stop here; in mid-July, another 14 arrests took place. Among them was the man that Paolo Biondani from L' Espresso called "the most powerful man of the Veneto": hydraulic engineer Giovanni Mazzacurati, founding father of the New Venice Consortium,[43]", who fell on an RFP of 15 million for dredging the channels. Phone interceptions indicate that in order to favour a team of small local companies, Mazzacurati asked the "big" ones not to bid. In exchange for those work, the small companies would return to the staff of the Consortium a percentage under the table.



Venice, Demonstration against the MOSE and Large Ships. Photo from OpzioneZero channel on Flickr.

Do ut des, is the Latin maxim, "one hand washes the other." And EIB continued to grant funds, in spite of everything.

In 2014, the scandal had an even louder backfire, monopolizing the front pages of newspapers and opening titles of the TV News. On 4 June 2014, a Fiamme Gialle[44] raid put behind bars 35 entrepreneurs, managers, administrators and politicians involved in a circle of kickbacks within the project financee. The arrests included[45] Renato Chisso, regional City Infrastructure Auditor from 2000 (PdL), the mayor of Venice Giorgio Orsoni, accused of illicit financing for his electoral campaign of 2010, magistrates of the Court of Auditors and administrative tribunals, high civil official of the Magistrate of Waters and, *dulcis in fundo* (to top it all off), the former national Vice Commander of the Fiscal Police[46] Emilio Spaziante, accused of having paid compensation under the table to other suspects for "inside information on investigations in course and some fiscal verifications operated by the *Fiamme Gialle* on the activities of the New Consortium of Venice, taking

39 http://www.eib.org/attachments/general/events/briefing2014_statistics_en.pdf

40 http://www.ansa.it/veneto/notizie/2014/02/14/MoseBei-200-mln-a-Cons.Venezia-Nuova_fbfcea93-9605-11e3-9836-00505695d1bc.html

41 http://www.ilfattoquotidiano.it/2013/02/28/tangenti-arrestato-a-venezia-d-della-societa-di-costruzioni-mantovani/515540/

42 http://corrieredelveneto.corriere.it/veneto/notizie/cronaca/2013/13-maggio-2013/baita-pietre-mose-spunta-filone-canadese-2121108410313.shtml

43 http://espresso.repubblica.it/attualita/2013/11/14/news/c-e-una-cupola-sul-mose-1.141137

44 The Italian Financial Police.

45 http://www.linkiesta.it/mose-finanza

46 In Italian "Guardia di Finanza", tax fraud and fiscal evasion police.

advantage of his acquaintances and power inside the corps and depositing 500 thousand Euros from the Consortium." The circle is closed. The controlled and controllers became an expensive super-exclusive club, generally financed by the public coffers.

There followed a list of plea-bargains or admissions of guilt that certified a series of irregularities of criminal significance around the work of the Mose. The former high mucky-muck of the Fiscal police, Spaziano, and former CEO of Palladio Finanziaria, Roberto Meneguzzo, accepted respective penalties of 4 years of jail with seizure of 500 thousand Euros and 2 1/2 years of confinement. Galan came out with two years and ten months and 2.6 million in fines. The list is long and even more exhaustive, inasmuch as it concerns nearly all of the suspects[47]. The judicial proceedings were closed in record time. There was a complete collection of evidence on the suspects. Then, what happened? The commissioners came into the field; they have limitless powers and manage every aspect related to completion of the works. They were Luigi Magistro (55 years old, "junior pensioner" of the Financial Police and former director of the Agency on Customs and Monopolies), and Francesco Ossola (engineer, professor of the Polytechnic of Turin and designer of the Juventus Stadium)[48].

As Raffaele Cantone stated in an interview in Espresso[49] in which he also spoke about the future of Mose, "we intend to prevent the entity awarded the contract from taking a profit… this is why the profits of the contract are sets aside and assigned to compensate damages." The commissioner is paid by the company and not by the State. Certainly, the fact remains that work continues to go to "old acquaintances," as Cantone himself admits. "There is a limit inherent in the law that we cannot change: the consortium can only entrust the work to the companies that are part of it." If the proceeds are set aside for compensations, this penalizes the companies that stayed within the legal boundaries and kept their fingers out of the pie. The creation of a board of commissioners seemed the panacea of all evils, apparently dictated by a state of emergency. Added to the obstruction of Mose was the reforming spirit of Renzi's Administration. The New Venice Consortium and its business cronies still will not end up on the scrap heap.

47 http://corrieredelveneto.corriere.it/veneto/notizie/cronaca/2014/16-ottobre-2014/udienza-mose-primi-patteggiamenti-230356714911.shtml

48 http://corrieredelveneto.corriere.it/veneto/notizie/cronaca/2014/2-dicembre-2014/mose-ecco-commissari-consorzio-230655000950.shtml

49 Espresso, edition 3 of 22 January 2015, page 61



Incinerator in Parma, Photo by Roberto Brancolini, Agenzia Fotogramma

Chap. 2

Misadventure of Iren, between debts and corruption

The strange case of the Livorno regassifier

Iren S.p.A.[50] was born in 2009 from the merger of Iride and Enia. It is one of the public multi-utility companies present on the Italian territory, in particular in the north central, and on the stock market.

Its shareholders include the Municipalities of Parma, Turin, Genoa and Reggio Emilia. Like the other three big Italians in the field, Hera, A2A and Acea, it is a sort of congregation of municipal companies engaged in waste management and the production and distribution of water and electrical services. It is no accident that among others, the Iren holds a much more ample quota of the Livorno regassifier along with managing the incinerator in Parma. These projects prompted a good part of the financing requests to the European Investment Bank.

50 http://www.gruppoiren.it/chi_siamo.asp

From 2006 (that is, before the merger) to 2012, the institution centred in Luxembourg granted to Iren nearly a billion Euros; to be precise, 860 million.

This was a consistent exposure to what, in banking jargon, we would call distressed credit. The stock market was affected by the operations performed by Iren in May of 2012. Within a few weeks, the security toppled, dropping to -24%. It was later learned[51] that fiscal year 2011 closed with a crushing net loss of approximately 108 million Euros, with verified devaluations of 233 million.

Despite this financial quagmire, Iren continued to distribute profits to the shareholders. To do so, it pulled *dividend lending* from the financial community's bursting bag of tricks. This capitalized it "enough" to entrust itself to quotation on the stock market, while for the dividends, it relied on its institutional "friends." Like EIB, which evidently had fewer qualms than private credit institutions, which were not as willing to lend money to Iren. At that point, the multi-utility debt exposure was sky-high: 2,525 billion dollars. Despite all of the management's good intentions, in the last two years, it has only been reduced by 30 million[52].

One of the projects on which Iren decided to focus in order to produce profits was the Livorno regassifier. This ambitious plan was the first experiment in conversion of a liquefied gas tanker to a regasification and storage terminal. The boat was berthed 22 kilometres off the Pisa Marina, not far away from the Cetacean sanctuary. The two "strong" associates of the consortium with top quotas of 46.79% were the German EOn

Despite this financial quagmire, Iren continued to distribute profits to the shareholders. To do so, it pulled dividend lending [...] This capitalized it "enough" to entrust itself to quotation on the stock market, while for the dividends, it relied on its institutional "friends." Like EIB...

and, precisely, Iren (for some months still Iride), this latter turning quickly to milk the EIB for useful financing for the rather complex enterprise. The costs of the conversion work, entirely entrusted to Saipem, went through the roof; the entire amount for project execution reached 900 million Euros (nearly double the budget)[53].

The EIB immediately[54] discussed whether or not to take advantage of the financial scheme set up by the business. The public (Iren) and private (EOn) partnership relied on the instrument of *project finance*, often used abroad, that would be tested in Italy with the Livorno regassifier. The necessary resources for the plan would have to come as loans from credit institutions that give directed participation in risk capital by promoting entities. All this favoured an *ad*

51 4 April 2012, http://www.piazzaffari.info/energia/iren-11-dopo-bilancio-2011.html

52 http://www.reggioreport.it/2014/06/iren-dimezza-gli-utili-dividendo-di-523-cent/

53 http://www.corriere.it/inchieste/reportime/ambiente/spesi-900-milioni-ma-rigassificatore-non-serve/7d86e572-dad4-11e3-87dc-12e8f7025c68.shtml

54 European Investment Bank, 16 June 2009, Document 09/323, Structured Finance Facility, OffshoreLNG Toscana. Proposal from the management committee to the Board of Directors. Document obtained with request for access to the information to the European Investment Bank of 21/12/2012.



The gas carrier "Golar Frost", eventually converted to a regasification plant. Photo by Lens Envy, Flickr. License CC BY-NC-ND 2.0

hoc project company created with its own economic, capital and financial autonomy. The financial and political coverage of the EIB would also "stimulate" the banks, which, however, except for the 2008 Unicredit loan to purchase the ship, kept their distance from the regassifier. Things did not go as hoped and project finance was shipwrecked[55]. However, the game was not over yet; two years from the first discussion by the Board of directors in late 2011, the EIB approved a loan of 240 million. The participation of Sace[56], a credit agency for Italian export, was decisive; it guaranteed 80% of the amount. Sace reports to the ministry of the Economy, being controlled 100% by Cassa Depositi e Prestiti - this latter approximately 80% controlled by the Ministry of the Economy. Despite the fishy smell from the private entity, the public one supports it.

The 240 million were allocated in three instalments. The last one was in June of 2012, just days after the stock market tumble. To this predictable flop would be added a huge legal uproar, the Green Money 1 and 2 and Public Money inquiries of the Prosecutor of Parma.

As if the Parmalat storm had not been enough, in June 2011 Parma was again shaken by a series of excellent arrests. Among the eleven to end up in handcuffs was one of Iren's top executives, Mauro Bertoli, whose task, according to investigators, was to assign contracts, puffing up the invoices or billing for non-existent work[57]. Bertoli went down for two years for embezzlement and abuse of office in June of the 2014[58].

55 Request for access to the information to the European Investment Bank of 21/03/2013.

56 http://www.sace.it/chi-siamo

57 http://www.gazzettadiparma.it/primapagina/dettaglio/1/93601/Green_Money_2_Iren_%C3%A8_pronta_a_costituirsi_parte_civile.html

58 http://parma.repubblica.it/cronaca/2014/06/24/news/peculato_e_abuso_d_ufficio_bertoli_patteggia_due_anni-89894239/

*The public (Iren) and private (EOn) partnership relied on the instrument of **project finance,** often used abroad, that would be tested in Italy with the Livorno regassifier. The necessary resources for the plan would have to come as loans from credit institutions that give directed participation in risk capital by promoting entities.*

Similar accusations in January of 2013 led to the arrest of Luigi Giuseppe Villani, vice president of Iren and Iren Market. Villani (immediately discharged from office) and other civil employees, included the former mayor of Parma Pietro Vignali, who, as it emerged from the Prosecutor of Parma's investigations, had appropriated funds from the Municipality of Parma, using them for electoral expenses and in order to carry out hiring controlled by the Group in the public structures. Various national media have reconstructed the centre of the "Parma system," in which Iren was used as "an electoral automatic teller, a piggy bank fed with public funds from which the electoral campaign of the Vignali city council member[59]." suckled illicitly." Those indicted in this second wave seemed determined to settle, waited for proceedings to open in 2015[60].

While Parma Fiscal police and magistrates were kept busy, Livorno kept quiet. Or rather, the regassifier did not work. It was a useless project, conceived when our Country's gas consumption was predicted to exceed 100 billion cubic meters. In the last decade, instead, it has decreased by 20%, for a total of 70 billion of cubic meters recorded in 2013[61]. The price of 900 million Euros for a ship uselessly anchored in the Tyrrhenian Sea frankly seems too high.

In view of this huge *cahier de doleances* raising so many doubts on the EIB's actions, there was not only the usual court inquiry, but above all the investigation of the due diligence process for issuance of the loan. Is it possible that none of the Bank experts guessed that Iren was traveling in rough waters? Had no one made the slightest effort to estimate the company's debt exposure, which clearly would increase with a new loan? Had no one understood that the Livorno regassifier was a plan to discard immediately, and the already completed purchase of the gasified oil tanker did not justify the use of public funds to complete the work?

Funds up in smoke

However, the questions to the EIB on the nature of its business relations with the Iren do not end here. We return to Parma, where one of the main sources of recent controversy, without a doubt, is the incinerator. Heated political arguments took place repeatedly about whether or not to use the system. At the centre was one of the

59 http://www.ilfattoquotidiano.it/2013/01/21/debiti-indagini-ripubblicizzazione-dellacqua-linverno-nero-della-multiutility-iren/475840/

60 http://www.gazzettadiparma.it/news/parma/237051/Public-Money--udienza-lampo-e.html

61 http://www.qualenergia.it/articoli/20140918-consumi-gas-calo-del-20-percento-in-10-anni-crollo-per-il-termoelettrico



Demonstration against Parma incinerator.
Photo by Sandro Capatti, Parma, 15/05/2013.
Agenzia Fotogramma

first M5S[62] mayors of Italy, Federico Pizzarotti, founder of the Movimento Cinque Stelle. There were also legal disputes that they would question the role of the EIB in the whole mess. Doubtless, the incinerator benefitted from a loan of 100 million Euro from the multilateral European institution. The loan was requested from the municipal ENIA and approved by EIB on 30 July 2009 (when ENIA was already incorporated in IREN, officially born in May 2009). The financing was transferred to ENIA on 4 November 2009, in three instalments[63].

Also in this case not everything seemed to go as it should; the Fiscal police and Prosecutor of Parma became involved in the investigation.

The investigation on the EIB funds was opened based on a report to the European Commission and public contract vigilance authority (now replaced by the anti-corruption authority led by Raffaele Cantone) by Parma lawyers Pietro De Angelis and Arrigo Allegri, filed 11 October 2010. The indictment document cited the illegitimacy of the administrative actions leading to the approval of the project, in particular the lack of competitive bidding in the allocation to Enia-Iren of the entire environmental Hub integrated in construction to Ugozzolo[64].

62 M5S: http://en.wikipedia.org/wiki/Five_Star_Movement

63 Request for access to the EIB actions submitted by Re:Common on 24/10/2014.

64 http://parma.repubblica.it/cronaca/2010/10/17/news/contro_l_inceneritore_ricorso_all_unione_europea-8144952/

As pointed out in the daily paper La Repubblica, the report also indicated a remarkable discrepancy between the system costs included in the project budget and those reported in the financing request to the EIB; that is, 180 according to the project budget, and 265 million declared in the financing request to the EIB.[65]

The European Commission reported the opening of criminal proceedings in February 2011. According to the Parma Daily, "*the Commission*" - writes Klaus Wiedner, Unit Head of the European Commission – "*has already requested information on the point from the Italian Republic, within criminal proceedings according to art. 258 TFEU, opened prior to your claim. In such proceedings, many direct contracts in favour of the company Iren Spa, formerly Enia Spa, were contested, including those specifically indicated in your claim* (i.e., the incinerator)."[66]. The same article refers to two reports to the Prosecutor of the Republic of Parma from the same lawyers, assuming serious personal responsibility for abuse of office and false ideology by the manager of Iren[67].

In July of 2014, the violation of the European Community regulation was also indicated to the Anticorruption Authority presided over by Raffaele Cantone[68]. This time would the European Commission dig deeper, as happened in the *affaire* Mose?



Mordor really exists
Photo Michele Massetani. Flickr. CC BY-NC-SA

65 *Ibidem*

66 http://www.parmadaily.it/Notizia/41455/la_commissione_europea_ha_aperto_un_procedimento_di_infrazione_contro_linceneritore_di_parma_.aspx#.VD08w63ujsY

67 *Ibidem*

68 http://parma.repubblica.it/cronaca/2014/07/25/news/inceneritore_esposto_di_allegri_all_autorit_contro_la_corruzione-92376765/

Chap. 3

Salerno-Reggio Calabria, the neverending Story

This is the mother of all public works. The first work goes back to 1964, when the computers occupied an entire room and TVs were still in black and white, when there were any.

The 440 most troubled kilometres of freeway in history, made and unravelled cyclically, like a gigantic and infinite version of Penelope's weaving. The first work ended in 1972, but did not comply with regulations dictated by the EU, as the customers also noticed. The European Union raised a row and finally, ten years after the inauguration, Italy was convinced that it must proceed with the appropriate adaptations. The new work began in 1997. It would be concluded in 2003 but, after a series of dismissals, now completion is set for 2018. This delay is one for the Guinness book of records, even for major Italian infrastructural work.

For the Salerno-Reggio Calabria highway, the contributions to the EU brand not only reached the EIB - 530 billion Lira in 1998[69] – but also through the Structural funds. In total, nearly 400 million Euros related to EU budgetary periods 1994-99 and 2000-06. This is part of the 7,498 billion Euros already spent, but still not enough. Another 2.9 would be needed, of which 1.1 would have to arrive thanks to what the *mainstream* narrative of the Old Continent paints as the panacea of all evils: the Juncker plan. In detail, this would be 600 million by 2017, the rest subsequently.

Examining this "cursus honorum," it appears more than obvious that Salerno-Reggio Calabria has ceaselessly attracted the debatable "attentions" of Calabrian organized crime. Not by chance, at least seven court inquiries, some of which will be mentioned below, have tried to disentangle the intricate skein of illicit interests "on the highway of dishonour."

The "Tamburo" inquiry by the District Anti-Mafia Administration of Catanzaro from 2002 to 2013, concluded with various seizures of companies engaged in the contracts in the highway section between

69 http://www.eib.org/infocentre/press/releases/all/1998/1998-131-ecu-4-500-mio-for-loans-in-1998.htm



A3 Salerno - Reggio Calabria, 02/04/2009. Modernization and adaptation works.
The photo shows the third section construction works near Reggio Calabria. Photo by AGF.

Castrovillari and Rogliano and the final sentencing of five suspects[70].

Meanwhile, in 2007, through operation "Arca"[71], the DDA of Reggio Calabria shed light on the infiltrations of the 'Ndrangheta in the work of modernization of the A3. As emerged from the most important local newspapers, many 'Ndrangheta families "share" the freeway according to the area of influence, imposing the concession of subcontracts to its own companies and reserving a 3% tax on the contract value[72]. To conclude this express excursus of 'Ndrangheta's misdeeds connected to the Salerno-Reggio Calabria, we must cite the operation "Cosa mia."[73]

In June 2010, 52 people were accused of racketeering, mafia association and infiltration in the contracts connected to the modernization of the V macro-lottery of the A3. The usual kickback of 3% to the contracting companies was seasoned with "the obligatory" concrete resupply from companies in the mafia environment. The 'ndrine[74] were those of Gallico-Morgante-Sgrò-Sciglitano and Bruzzise-Parrello[75].

In 2010, Salerno-Reggio Calabria again ended up in London's daily Financial Times. The daily together with the Bureau of in-

70 http://www.gazzettadelsud.it/news//36646/-Mazzette--sull-A3-.html

71 http://www.nuovacosenza.com/cs/07/luglio/coscheA3.html

72 http://www.repubblica.it/2007/07/sezioni/cronaca/ndrangheta-a3/ndrangheta-a3/ndrangheta-a3.html?ref=search

73 http://www.repubblica.it/cronaca/2010/06/08/news/ndrangheta-arresti-4666548/index.html?ref=search

74 'ndrangheta families

75 http://www.nuovacosenza.com/cs/10/giugno/08/maxiblitz.html. http://www.corriere.it/cronache/10_giugno_08/ndrangheta-arresti-appalti-salerno-reggio_d2d54a68-72d3-11df-80b7-00144f02aabe.shtml

vestigative journalism published the result of an inquiry on the use of European structural funds on the order of hundreds of billions of Euros assigned to regions needing infrastructure and at the height of the communitarian standards. It came out that a total of 250 companies, beneficiaries of the subsidies, were tied to the 'Ndrangheta, and in particular that nearly 400 million Euros in structural funds made available by the EU for the Salerno-Reggio Calabria ended up in the hands of the 'Ndrangheta gangs.

This story is also known to OLAF, which in 2007 had already started an inquiry. In the end, the results of the journalistic investigations were entirely confirmed. In 2011, the anti-corruption organism of the Old Continent introduced its report in which the reimbursement of 381.9 million Euros was requested from our government; i.e., funds allocated to the Calabria region between 1994 and 2006 for a highway that was never finished. Italy was forced to pay, loading onto the shoulders of the contributors nearly 400 million to pad the pockets of the 'Ndrangheta.

This time at least the European Union understands having lavished money on debatable plans and determined to no longer fund the new A3 project, asking our government to direct the funds toward other plans[76].

Since 2009, the issue of mafia infiltrations was discussed in the antiMafia commission: "Only in the fifth macro lot (Gioia Tauro-Scilla, to be clear), there were 54 interdiction prefectural information notes and 129 more or less serious criminal episodes were recorded (…) we are considering a single portion: to be precise, this was the fifth, of a length of approximately 30 kilometres. (…) The general contractor was Impregilo-Condotte, as concerns the fifth and sixth macro lot"[77].

And again, in 2011, "With respect to the problems connected to construction of the highway section "Salerno Reggio Calabria, I must specify that Anas, like the contractors, the general contractors, the trustees and all the companies engaged in the work were subjected to a series of intimidating actions and attempts at criminal infiltration. It is enough to see the data: from 2005 to September 2010, 215 criminal actions took place, including attacks, fraudulent intimidation, threats, fires, and thefts. The damaging of worksite machinery constitutes a particularly serious action. These were, in fact, sophisticated means of high technology, the spare parts of which are not easy to find, and the damage to which blocked the work for weeks."[78]

"The Minister supplied interesting data regarding the V and VI macro lots of the Salerno-Reggio Calabria: 109 interdiction information notes with as many companies, 62 of which were under contract. It would be interesting to examine this data in depth to understand how 62 companies would be accepted without any prior investigation to avoid their being contracted and working in the construction yards of the Salerno-Reggio Calabria[79].

76 http://www.ilgiornale.it/news/interni/fondi-lue-bacchetta-litalia-non-li-usi-mai-pi-eventi-943081.html

77 Hearing of the President of Anas S.P.A., Pietro Ciucci, 20 May 2009, senate public works commission, pag. 15

78 Altero Matteoli, minister of Infrastructures and transports XI Legislature, antiMafia Commission hearing on 20 July 2011

79 Lumia hearing in antiMafia Commission (20 July 2011)

Cap. 4

Errare humanum est, perseverare diabolicum

The basis of every type of due diligence should be to have the good sense to learn from the errors of the past.

The facts of judicial report should have been considered with more attention and accuracy, suspending or returning *sine die* the provision of a loan or attempting to understand how some very unorthodox social structures were put into place, ignoring, if not the regulation, at least international standards and practices.

Also in these months Europe did more than test its real intention to seriously rethink its support to work stained, if not soaked, in corruption. However, its attitude leaves one perplexed.

We return for a moment to Sistema Veneto. In October of 2013, Mauro Scaramuzza, general executive manager of the Industrial FIP was arrested, among others. The FIP is one of the companies forming part of the Mestre By-pass consortium construction and among those that worked on the Mose. The accusations against Scaramuzza and other suspects were grave: association in order to commit a mafia-type crime, fictitious registration of assets, bid rigging, disruption, irregular sub-contracting, and external concurrence with mafia association. In particular, according to the magistrates, Scaramuzza, now at liberty but still under investigation, allegedly worked consciously to facilitate participation of companies controlled by the La Rocca mafia clan in several construction projects.

On 18 January of 2015, Sole 24 Ore confirmed that by the end of February in Italy the first project bond issue would take place; "project bonds intended to convey long-term loans from institutional investors on infrastructures, and benefitted by a favourable tax system."

"As emerged in the past months, the first project bond issuer in Italy will be the Cav." said Andrea Tinagli, in charge of the Infrastructure & Local Authorities division of the European Investment Bank (EIB). The total financing amount, explained Tinagli,



Construction site of the TAV in Val di Susa, 2014.
Photo by Massimo Lupo/Re: Common

will be 800 million Euros. "The EIB," Tinagli explained to Radiocor, "will offer its own guarantee for 160 million (20% as anticipated). The operation, to which it is worked for a long time but that it has endured various delays, will be the first project bond in Italy." The issuance, as we know, aimed to refinance the Cav debt (approximately a billion) to Anas, that anticipated the figure to construct the By-pass, and to the EIB through the CDP[80].

Last but not least is the whole mess with the TAV. With 2007-2013 structural funds, 671 million were allocated for the TAV Turin-Lyon, in particular for the initial phase of feasibility studies and for the Chiomonte tunnel. In 2013, Brussels cut the first allocated financing[81], by 40%, from 671.8 million to 395.3 million Euros. This financing, however, is not in equal parts for Italy and France, but nearly two thirds are foreseen for the Italian part. The EU contribution is bound to the delivery of the work by 31 December 2015 (practically impossible by now), with the consequential risk of additional loss of European contributions equal to approximately 33 million Euros. If all goes well in fact, 50% of the work will be completed. For the remaining half, the cost is 66 million, 50% of which had to be financed by the EU[82]. The 'go ahead' to the

80 Cassa Depositi e Prestiti - http://www.ediliziaeterritorio.ilsole24ore.com/art/infrastrutture24/2015-01-19/project-bond-debutto-italia-161141.php?uuid=Ab0ILOyK

81 http://www.libreidee.org/2014/05/torino-lione-in-via-destinzione-bruxelles-taglia-i-fondi/

82 http://www.lettera43.it/fatti/tav-lavori-in-ritardo-stop-ai-finanziamenti-ue_43675144168.htm



Val di Susa, 2014.
Photo by Massimo Lupo/Re: Common

work of digging of the mega tunnel between the Maurienne and Susa valleys is expected for early 2016. In September of 2014, the proceedings for the European contribution opened: the EU would need to meet the maximum share of financing, 40%.

The EIB could not be missing in this picture, with the issuance of a *Eurobond* of up to 8 billion Euros in order to finance the work[83]. The EIB would guarantee the *bond*, also underwriting a part and allowing issuance at the *rating* the institution itself enjoys. In reality, it could approach 10 billion[84].

France, through its representative for Turin-Lyon, Louis Besson, stated not favouring a classic EIB[85]. It is more and more probable for the *project bond* to be issued in Castor style[86], as pointed out the Italian counterpart of Besson, Mario Virano[87].

The Castor is the bankrupt gas storage in Spain that "benefitted" from this new EIB instrument. It is bankrupt because its performance involved a series of earthquakes, requiring the Iberian authorities to put the work in mothballs. In the end, the Spanish contributors will foot the (very steep) bill.

While, returning to TAV, the investigations for mafia infiltrations were wasted.

In 2011, Operazione Minotauro, led by the Prosecutor of Turin, demonstrated the branching of the Ndrangheta into Piemonte. The investigators also focused on the Italcoge, of the Valsusina Lazzaro family, that subcontracted the work of fencing TAV yard. For the investigators, boss Bruno Iar-

83 http://ricerca.repubblica.it/repubblica/archivio/repubblica/2014/03/07/eurobond-da-miliardi-per-la-torino-lione.html

84 http://www.huffingtonpost.it/2014/11/11/tav-torino-lione-i-dubbi-di-fs-su-costi-e-ricavi_n_6139502.html

85 http://www.ilsole24ore.com/art/notizie/2014-04-29/la-francia-rassicura-fondi-tav-063731.shtml?uuid=AB5xXTEB

86 http://www.recommon.org/castor-spagna-flop-project-bond-europei/

87 http://torino.repubblica.it/dettaglio-news/-/4489663

ia, condemned in first degree as head of the local 'ndrina of Cuorgné, was assumed by the Italcoge thanks to the contacts of uncle Giovanni Iaria, a former socialist politician condemned in abbreviated proceedings for mafia association[88].

To testify to the interests of the Ndrangheta in Piemonte, in 2012 a journalistic inquiry[89] indicated that the new mayor of Chivasso, Gianni De Mori, was elected the previous year by organized crime votes. The Turin GIP; i.e., the judge conducting the preliminary investigation, wrote, "'Ndrangheta determined the outcome of the community elections of Chivasso in 2011"[90].

In 2014, the San Michele Operation led to 20 arrests for mafia infiltrations at the worksites of TAV[91]. The Toro SRL company, project manager for asphalt inside the work yard of the exploratory tunnel of Chiomonte, was considered by the prosecuting attorneys of Turin that directly coordinate investigations connected to the 'Ndrangheta and, in particular, to the 'ndrina of the Greco di San Mauro Marchesato, in the province of Crotone.

The Corriere della Sera points out that Giovanni Toro, in an intercepted telephone call on 20 October 2011, said that he and the labourers had to hide from the journalists' television cameras. "But quickly check, you can… on RAI 3 of Turin, they have already filmed the machinery there in Chiomonte. There at Maddalena of the Tav… we're doing the asphalt"[92].

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As Giovanni Tizian writes in L'Espresso[93], Toro could not work in that yard because he did not have the necessary authorizations. To the investigators, this was the confirmation that 'Ndrangheta was involved in the major work.

Giovanni Toro entered into the transaction at high speed thanks to Ferdinando Lazzaro who, through Italcoge, received by contract in public bidding from the contracting authority Ltf-Lyon Turin the work of preparation of the TAV yard. On 28 July 2011, Italcoge failed. Lazzaro, through a figurehead relative, established a new company, Italcostruzioni, to which the public bid process awarded the contract to continue the activities in the yard of Chiomonte. A little

88 http://www.ilfattoquotidiano.it/2014/11/13/tav-arrestato-imprenditore-denuncio-intimidazioni-turbativa-dasta/1209767/

89 http://www1.adnkronos.com/IGN/Regioni/Piemonte/Gip-di-Torino-ndrangheta-ha-determinato-esito-comunali-2011-a-Chivasso_313820712959.html

90 http://www.ilmessaggero.it/PRIMOPIANO/CRONACA/ndrangheta_fino_in_piemonte_22_arresti_laquo_sindaco_pd_eletto_con_sostegno_cosca_raquo/notizie/227068.shtml

91 http://www.ilfattoquotidiano.it/2014/07/01/ndrangheta-20-arresti-cosca-puntava-a-infiltrarsi-anche-negli-appalti-tav/1045445/

92 http://www.corriere.it/cronache/14_novembre_13/tav-quegli-appalti-pilotati-ndrangheta-0d197856-6b3c-11e4-8c60-d3608edf065a.shtml

93 http://espresso.repubblica.it/inchieste/2014/07/01/news/in-val-di-susa-una-ndragheta-ad-alta-velocita-1.171673



Ravenna, No Tav demonstration against Cooperativa Muratori & Cementisti.
Photo by John Shin. Flickr. CC BY-NC-SA 2.0

detail is that Italcostruzioni was also the only company to have introduced an offer to the bankruptcy liquidator of Italcoge[94].

The new company administered by Lazzaro has entrusted to Toro Srl the work of asphalting the Chiomonte yard. And the game began.

Lazzaro therefore, according to the Prosecutor of Turin, took Toro into the most contested worksite in Italy. Toro, in fact, agitated because he did not know where his trucks would pass, and without the necessary authorizations, heard from Lazzaro that he thought that for the permissions: "I can do it through the Prefecture; I'll say that we must asphalt, it's urgent, that we have to move on."

According to the Prosecutor of Turin, Toro took advantage of "the personal relationship of friendship" with Lazzaro for the contract to be awarded: "We'll take it all" as confirmed in an intercepted telephone call between Toro and Lazzaro[95].

The investigators, however, have not found any trace of contract between Toro, Italcostruzioni or Ltf. For the investigators, this means that the company has worked under the eyes of the soldiers garrisoned on site without even a piece of paper to certify its presence.

Among more than 900 pages of precautionary proceedings, there is also a comment by Toro on the quality of asphalt placement, performed, as he said "with guesswork."

On 13 November 2014, the ROS of Turin arrested Lazzaro for bid rigging. In motivating the precautionary measures, the Turin GIP remembered that Lazzaro already had a precedent of bid-rigging and corruption. Nevertheless, at the moment of entrusting the work to Italcoge and Italcostruzioni, all this was forgotten.

94 http://www.ilfattoquotidiano.it/2014/11/13/tav-arrestato-imprenditore-denuncio-intimidazioni-turbativa-dasta/1209767/

95 *Ibidem*

European schizofrenia

In November of 2014, the European Commission published its prescription to exit from the endless tunnel of the crisis, the so-called Juncker plan

On the table would be 315 billion Euros for new public-private investments. Not very original or visionary, Europe intended to throw bundles of money into major works to jump-start the economy. It seems appropriate that Brussels listened to the words of many builders and international investors, summarized by Pietro Salini, owner of the largest Italian construction holding, active in more than 60 countries all over the world: "it is undeniable that the XXI could be the century of a New Deal based on infrastructure[96]."

Corruption in Italy is more and more of a problem. The dimension and intensity of the scandals that emerged in last the 12 months cause surprise and dismay. Nevertheless, ours is the Country of "Mani Pulite[97]".



Jean-Claude Juncker, President of the European Commission. EPP Summit, Brussels; May 27, 2014. Flickr photo. CC BY-NC 2.0

The Veneto and Mafia Capitale system show us that by now the phenomenon is systemic, endemic at all levels, congenital in logic of the contracts, above all for major infrastructural work.

It now appears nearly paradoxical that the strategy of escape from the economic crisis of Palazzo Chigi and Brussels begins with new major work, increasingly larger and more expensive. Corruption has no more

96 http://www.corriere.it/economia/14_novembre_12/piu-infrastrutture-crescere-noi-assumeremo-2500-persone-fedb604a-6a48-11e4-bebe-52d388825827.shtml

97 "Clean Hands"



Banner against Orte-Mestre Motorway, 2014.
Photo by Massimo Lupo/Re:Common.

legs to stand on. With a recently nominated super-commissioner and some retouches to the anti-corruption laws, the government thinks it cannot be intimidated. The major work will be done, because it must be done. Full stop.

There would be much to write about how in various cases in Italy, and also abroad, these major projects have not worked. We could point out many projects revealed to be "useless" and devastating for the territories that accommodate them, not meeting their needs, but rather those of private actors who aim to satisfy their own interests with the political and economic cover of the public institutions. Or still, we could describe how the infrastructure are structured in order to facilitate often-untraceable flows of money and encourage the market expansion by funds and investors operating in those same markets.

If today Italy is what it is - and it is hopeless to assume that it will change soon – why more and more funds continue to arrive from Brussels and the seats of the European Investment Bank in Luxembourg for work at the highest risk, without expecting a real return?

But the inquiry documented by Re:Common with this publication in reality raises a question still more upstream, simpler and less partisan, above all dictated by good sense. If today Italy is what it is - and it is hopeless to assume that it will change soon – why more and more funds continue to arrive from Brussels and the seats of the European Investment Bank in Luxembourg for work at the highest risk, without expecting a real return?

Yet, the European Commission has repeatedly verified that corruption and organized crime are hidden in the business of major projects. If it is a matter of austerity, the European assembly is inflexible, but in the fight against corruption, their tongues are tied. Indeed, it seems that on the topic, a singular form of schizophrenia affects the European institutions. First, they cry out that "Italy is the European Country with the most corruption, but this stops now!" then they promise "to be ready to invest at all costs in the major work in Italy, to guarantee growth." So, everything changes so that nothing changes, as pointed out by Tomasi di Lampedusa in the *Gattopardo*.

If European funds must be invested in infrastructures and it is well known that the Italian administrative authorities are incapable of managing them, what rigorous due diligence must be implemented in the European institutions to avoid continuing to feed a corrupt system? And, then, which penal and administrative responsibilities would also fall on the "first ones in the class" from Brussels, insisting on lending to corrupt Italy, after many words of alarm on the tricolour emergency?

It is much too simple for Brussels and Luxembourg stay entrenched behind the ineptitude of the Italian political managerial class when disasters arise and millions of euros are wasted. It is clear that the political and inner procedures of the European Investment Bank, like those of the European Commission, are not adequate to intervene financially in a reality at high risk of corruption. Please, at least do not tell us for the hundredth time that the approach of the European institutions to corruption is "zero tolerance." The facts are clear to us all.



Werner Hoyer, EIB President, during a public debate with Juncker. Photo © European Union 2014 - European Parliament (Attribution-NonCommercial-NoDerivs Creative Commons license).

Repeating the error of lending to corrupt projects, companies and institutions under investigation, and in the presence of a deeply rooted infiltration and collusion with organized crime, indicates to us that the responsibilities of the illegality and impunity in which we live may also be found in Brussels and Luxembourg. This is too comfortable for those who propagate pro-European rhetoric, asking for a mea culpa and taking care of their own housekeeping before allowing themselves to criticize Brussels.

Today, important projects in which organized crime is particularly active, such as Salerno-Reggio Calabria and TAV Turin-Lyon, as argued, were included among those



European Investment Bank Headquarter. Luxembourg, 2008. Photo by Re:Common.

able to receive financing under the Juncker plan. Still more Kafkian is the eventuality that the new instruments provided at European level, such as the project bond, may end up refinancing the debt of corrupt projects. This creates a debt also for kickbacks and bad management. The clear risk exists that the new funds could favour further "monetizing" of corruption in Italy. Magistrate Raffaele Cantone, head of the anti-corruption authority, has warned of money-laundering risks connected to uses of the project bond. Should we really and trustfully adopt this new discovery of financial engineering?

Perhaps we must have the courage to admit that in this context with fewer funds and fewer major projects we would be better off and have less corruption. In addition, the moral imperative to create large projects at all costs risks becoming immoral, in Rome as in Brussels.

Today, important projects in which organized crime is particularly active, such as Salerno-Reggio Calabria and TAV Turin-Lyon, as argued, were included among those able to receive financing under the Juncker plan.



“Italian Malaffare, European money”

Or how the European Union funds Italian infrastructures linked with corruption

Italy is the country of bribes, everybody knows that. Even the European Union. Nevertheless, it is not allowed to contradict the mega projects mantra. In particular, there is an institution that never refrains from helping our companies in constructing mega projects. It is the European Investment Bank (EIB). In 2014, the generosity of the EIB towards our country has set a new record: 10.9 billion Euros. Even though there are many projects marked by the evil of corruption, from Mose to the Salerno-Reggio Calabria motorway, through the Livorno regasification plant and the incinerator in Parma, the EIB has continued to provide money even when the bubble had already burst. Why?