

8th July 2014

To:

European Investment Bank
Werner Hoyer, EIB President

Dear President Hoyer,

We are writing to express our grave concern about the handling of the financing of Passante di Mestre and MOSE projects in Italy by the EIB in the context of corruption allegations against a large set of companies and public officials involved in both projects. It is utterly disturbing that the EIB is at the forefront of facilitating the project bond refinancing the sponsor of Passante di Mestre despite the seriousness of allegations and ongoing investigations at the highest level in Italy. This unfortunate situation puts at stake the credibility and reputation of the President and the entire Bank.

In previous years, the EIB publicly repeated its attachment to the fight against fraud and corruption, especially through the revision of its anti-fraud policy in November 2013, the so-called “Policy on preventing and deterring prohibited conduct in European Investment Bank activities”¹. Then, the EIB website states that “the EIB Group has a **zero-tolerance policy** on fraud or corruption whether occurring in connection with projects, loans or equity financed by EIB Group or perpetrated by its own staff”².

In addition, in February 2014, the European Commission published an “EU anti-corruption report” demonstrating the persistence of corruption issues in various EU countries and especially Italy³.

In this context, we fail to see how these statements are compatible with the Bank’s conduct so far in relation to its financing of several dodgy deals in the Veneto region since 2003. Indeed, the financing of Passante di Mestre and MOSE by the EIB and the facilitation in refinancing the debt already generated by Passante di Mestre appear to stand in total contradiction with the strong principles enacted by the bank.

In a “memorandum to the European Anti-Fraud Office (OLAF)” sent on 22nd January 2014 to OLAF, the signatories of this letter alerted the European authorities about alleged corruption in EIB-backed Italian companies involved in the construction of the motorway bypass Passante di Mestre. The EIB corporate compliance department was soon informed about the same concerns.

This memo focused on the case of the public company CAV, a company that has been set up in 2008 for the management and maintenance of the Mestre highway bypass, and to take up the debt generated by ANAS S.p.A for the construction of this complex infrastructure and complementary works known as “Passante di Mestre”. The EIB invested in CAV regardless the ongoing investigation by Italian magistrates for alleged corruption on several companies part of the consortium “Passante di Mestre S.C. p. A.” that led to the arrest of four people in February 2013 and more during the following months, hitting the news with the arrest of numerous politicians including the mayor of Venice.

The reconstruction of facts provided in this memo raised significant and well-grounded concerns that the EIB loan to CAV through Cassa Depositi e Prestiti (CDP) of 350 million euro, approved on June 9th 2011 and disbursed in April 2013, might have been used to

1 <http://www.eib.org/infocentre/publications/all/anti-fraud-policy.htm>

2 <http://www.bei.org/about/accountability/anti-fraud/index.htm>

3 http://ec.europa.eu/dgs/home-affairs/e-library/documents/policies/organized-crime-and-human-trafficking/corruption/docs/acr_2014_en.pdf

refinance a debt generated by contracts paid to companies which have been under investigation by the Italian magistrates for alleged criminal conspiracy aimed at fiscal fraud.

Furthermore, the EIB ignored the detailed report about the Passante di Mestre by the Italian Court of Auditors (“Corte dei Conti”) published in March 2011 and raising serious concerns about several questionable aspects of the construction and management of the project, including lack of public supervision and control leading to unjustified increase of costs, risk of infiltration of organised crime organizations in the subcontracting of construction works.

In addition, the memorandum pointed out to related alleged corruption tainting EIB-backed companies operating in Veneto region and linked with the CAV project. Indeed, at least two of the main projects financed by the EIB in Veneto, MOSE and Passante di Mestre, are part of a major investigation by Italian magistrates Stefano Ancilotto and Paola Tonini and the judge for preliminary investigation (Gip) Alberto Scaramuzza. In February 2013, such investigation led to the arrest of Piergiorgio Baita, CEO of the company Mantovani S.p.A. (one of the main subcontractors of the consortium Passante di Mestre), Claudia Minutillo, CEO of the company Adria Infrastrutture, Nicolò Buson, General Director of Mantovani S.p.A. and their consultant William Alfonso Colombelli⁴. The accusation is of criminal conspiracy aimed at fiscal fraud. Investigations continued and in July 2013 led to the arrest of Giovanni Mazzacurati, former president of the “Consorzio Venezia Nuova”, in charge of the safeguard of the city of Venice and the building of the MOSE. Mantovani S.p.A. is also part of that consortium and the main executor of construction works. In his testimony to the magistrates, Mazzacurati admitted the mechanism for creation of black funds through increasing costs invoiced - in cases even through the emission of false invoices - with the purpose of covering “other costs” including bribing public officials⁵.

The information about the investigation and initial arrests has been in the public domain since February 2013, before the disbursement of the EIB loan of 350 million euro to CAV through Cassa Depositi e Prestiti in April 2013.

In December 2013, Piergiorgio Baita (CEO of Mantovani) pleaded guilty and the Mantovani SpA paid a EUR 6 million fine to the Italian fiscal authority admitting fiscal evasion through the emission of false invoices⁶.

In May 2014, the investigation led to the arrest of over 30 people including: the mayor of Venice, Giorgio Orsoni, the former governor of the Veneto region, Giancarlo Galan, the former minister Altiero Matteoli and the general Spaziante from the Italian fiscal police (Guardia di Finanza)⁷.

In light of those recent developments - well reported by Italian and international media - and of the still ongoing investigations, the news that the EIB is actively operating to facilitate the refinancing of the debt generated by the construction of Passante di Mestre – a debt which is likely made also of proceeds of corruption – through the Project Bond Initiative is outrageous and poses profound questions on what due diligence is the EIB carrying out when selecting the projects being candidates under the Project Bonds Initiative.

4 <http://nuovavenezia.gelocal.it/cronaca/2013/02/28/news/frode-fiscale-arrestato-piergiorgio-baita-presidente-della-mantovani-1.6613542>

5 Tribunale di Venezia, Sezione dei Giudici per le indagini preliminari. Procedimenti Penali N. 12236/13 R.G.N.R --- 9476/13 RG GIP e N. 12646/13 R.G.N.R ---9595/13 RG GIP . Ordinanza Misure Cautelari GIP DOTT Alberto Scaramuzza.

6 Il Gazzettino, Inchiesta Mose, Avviso di garanzia all'ex ministro Altero Matteoli, 4 dicembre 2013

7 His arrest have been followed by the arrest of **Fabio Massimo Mendella** and the notice from court to the second highest, general **Vito Bardi** (that took the position which before was of the other arrested general, Spaziante)

In this context, we would like to know from you:

- How did the EIB implement its “zero tolerance policy towards fraud and corruption” in the cases highlighted above?
- How does the bank explain the lack of monitoring and supervision of its loans for those projects?
- Did the EIB launch an own investigation, and has there been a joint or crossed evaluation with CDP before the disbursement of the 350 million loan to CAV in April 2013? Has OLAF been reported about it?
- Is the EIB considering to immediately cease any further refinancing of the Passante di Mestre project, including through mechanisms such as the Project Bond Credit Enhancement (PBCE) or Project Bonds Initiative (PBI)?

EIB’s alleged failure to prevent corruption and money laundering affecting these investments may suggest major problems with the Bank's due diligence process and anti-fraud and money-laundering procedures. Those procedures should have prevented or delayed the disbursement of the loan in April 2013.

Against this background, we strongly request the EIB to address with urgency the questions raised in this letter and to live up to its commitments in fighting against corruption by showing its ability to withdraw from projects where alleged corruption has been detected. Therefore, the signatories of this letter ask the EIB to stop any refinancing of the above-mentioned projects through the Project Bonds Initiative.

It is crucial for the EU Bank to ensure a high quality in its lending and to act in full coherence with the stated EU objectives to address corruption issues at EU level as a matter of urgency. We call on the EU to support our demand for more democratic control over the use of public finance instead of backing the interests of local baronies.

Yours Sincerely,

List of signatories

Counter Balance
Opzione Zero
Re: Common

**CC: European Court of Auditors
Italian Court of Auditors
Procura di Venezia, Magistrate Stefano Ancilotto
EIB legal office
CDP legal office**