

**Counter**

**Balance**

Challenging  
Public  
Investment  
Banks

# COUNTER BALANCE ACTIVITY REPORT

## 2014

# COUNTER BALANCE AT A GLANCE

Our mission: Making European public finance a driver for the transition towards socially and environmentally sustainable and equitable societies

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

## A GLOBAL NETWORK



Counter Balance is a European NGO coalition with 9 members in 12 European Countries. We are also a global network with partnerships and missions in Panama, Argentina, Brazil, Chile, Colombia, Morocco, Egypt, Tunisia, Nigeria, Zambia, South Africa, Cameroon, Ethiopia, Togo, Uganda, Mongolia, Kyrgyzstan, Ukraine and Azerbaijan.



transparency  
 EBRD  
 EIB  
 environment  
 human rights  
 energy  
 accountability  
 climate finance  
 commons  
 large infrastructure  
 public finance  
 offering  
 democratisation  
 sustainable development  
 financialisation  
 community power  
 PPPs  
 mixing

COUNTER BALANCE TOPICS

# PUBLICATIONS

- > 4 publications, 1 factsheet
- > 5 new sletters
- > 3 videos



## KEY ACHIEVEMENTS

- \* EIB about to launch for the first time a Climate Policy to decarbonise its investments
- \* Debate on the future of Project Bonds on European Parliament's agenda
- \* Biodiversity offsetting largely rejected in EC consultation.
- \* European Ombudsman pushes EIB to finally disclose its investigation on Glencore

# COUNTER BALANCE IN THE MEDIA



- > 25 blogs and op-eds:
- > 22 press releases
- > 24 articles in EU Observer, the Guardian, Euractiv, Energy Post and more.



# LETTER FROM THE DIRECTOR OF COUNTER BALANCE

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*Being the only coalition fully dedicated to scrutinising public banks at European level, Counter Balance holds a unique position in the Brussels NGO landscape. The European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) together lent and invested over EUR 100 billion in 2014. But the scrutiny of these institutions is not at all in proportion to their financial impact.*



*Moreover, with its pivotal role in Juncker's investment plan for Europe – the top priority of the new president of the European Commission – the role and the impact of the EIB in particular will exponentially increase over the coming years. By 2018 the bank is expected to leverage an additional €315 billion of investments in the EU.*

*Consequently public scrutiny is more important than ever if we want those €315 billion to be spent in the best interest*

*of EU citizens. Based on our experience in monitoring the EIB we identified three main threats which need to be tackled urgently: a democratic deficit associated to a lack of transparency and accountability, the use of questionable and risky financial instruments and the large amount of unsustainable projects on the priority list.*

*Thanks to our expertise on the EIB we could immediately react to this investment plan and cooperate with various allies including other NGOs from the beginning of the process. We engaged with decision makers and members of European Parliament to raise awareness about those risks and have conveyed our key messages in EU media to open a broader public debate on the merits of this Juncker plan.*

*The investment plan is still in full preparation and will not be in force before the end of 2015. Therefore this year will be crucial to shape it further. We will continue our efforts to ensure that those additional funds are spent transparently and responsibly on sustainable projects which in a decade's time will still prove to be meaningful.*

*At the same time we are not losing track of the activities of the EIB and EBRD outside of Europe. 2015 is the European Year of Development but the operations of EU's public banks are still*

*not fully aligned with the EU development objectives and lack a clear pro-poor approach. In this context, the fight against tax dodging will feature high on Counter Balance's agenda to ensure that the EIB plays a leading role in this regard. We will also continue monitoring projects on the ground together with local groups and communities in order to ensure that sustainable projects which positively affect the lives of the most vulnerable are being prioritised.*

*A public investment bank can be a powerful tool to push for positive change but if a strong policy framework and ambitious targets are lacking it is reduced to a lever of and sponsor for private investments which can go in any direction. In 2015 we will be launching a series of events to collectively re-define basic principles for public banks to truly become engines of an ecological and social transition to a more sustainable economic system. We remain fully dedicated to make the public interest central in the lending of our European investment banks.*

*Sincerely,*

*Xavier Sol, Counter Balance Director*




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# CAMPAIGNS AND ACHIEVEMENTS

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# 1. HOLDING THE EIB TO ACCOUNT AND ENHANCING ITS TRANSPARENCY

Transparency and accountability are preconditions for good governance and thus indispensable guarantees that EIB money is well spent. In its transparency policy adopted in 2011, the EIB also acknowledges that “openness on how it makes decisions... strengthens its credibility and its accountability to citizens. Transparency also contributes to increasing the efficiency and sustainability of the Bank’s operations, reducing the risks of corruption...”.

Worryingly, however, there is a gap between intentions and practice. The EIB was ranked second to last of all multilateral organisation when it comes to transparency in the 2014 [Aid Transparency Index](#). Only that other European bank, the EBRD, fared worse.

When it comes to accountability the situation is no better. In May 2014 Counter Balance launched the report ‘Holding the EIB to account, a never ending story’ which showed how the EIB’s Complaints Mechanism is marginalised and

cannot work independently within the current structure of the bank.

This was further illustrated by the fact that the EIB, despite numerous civil society requests and the advice of its own Complaint Mechanism, refused to publish an internal investigation of 2011 into alleged tax dodging by Glencore, one of its former beneficiaries.

Counter Balance worked on different fronts trying to improve the situation. Our report assessing the lack of accountability of the EIB served as evidence for the seriousness of the situation and calling other players to action. MEPs echoed our concerns through a resolution on the EIB, and we cooperated with the European Ombudsman to put pressure on the EIB to release its investigation – which finally happened at the end of 2014 following the Ombudsman’s request.

This was a moral victory since the EIB tried to include exceptions on making exactly these kinds of investigations public in its new transparency policy which is to be adopted in 2015. Counter Balance and its partners engaged extensively in the public consultation process leading to this revision in order to denounce the bank's move towards more secrecy and propose improvements instead.

Counter Balance's work on those processes stems from a broader effort to make the bank a truly accountable and transparent institution that is under public scrutiny by the European Parliament and has an independent complaint mechanism accessible to those affected by its operations.



photo by Jeremy Keith [CC BY 2.0]

## HIGHLIGHTS

- \* The "Holding the EIB to account, a never ending story" report;
- \* European Parliament calling on the EIB to scale-up its transparency;
- \* Strong civil society engagement in the revision of the EIB transparency policy;
- \* Wide media coverage of the EIB's moves towards secrecy and its refusal to make its report on the Mopani copper mine public.

## SUCCESS

- \* Ombudsman pushes EIB to finally disclose its investigation on Mopani



## 2. CHALLENGING LARGE SCALE INFRASTRUCTURE FINANCING

### Fossil fuel infrastructure

After our successful campaign to get the EIB out of coal in 2013, our next goal is to move European public investment banks to phase out all fossil fuel related lending. Research showing the amount of current standing investments in carbon project by the EIB and EBRD is alarming. Additionally, the European Union's planned gas infrastructure projects run against the EU's long-term climate goals but also redundant according to the European Commission's own demand forecast.

The EU's list of priority energy projects is biased towards gas. To counter that bias and prove only a full switch towards renewable energy and energy efficiency can bring us affordable energy, real energy security, we launched a "No More Gas" campaign which brings together all relevant sources from Counter Balance and our partners outlining the problems linked to gas investments, the challenges ahead and questioning the current "rush to gas".



### HIGHLIGHTS

- \* "No More Gas" campaign challenging EU massive investments in gas related infrastructure
- \* "The price of gas", video animation explaining the real price of gas in terms of environmental impact, human rights and energy security

### SUCCESS

- \*The EIB committed to create in 2015 a Climate Policy to mainstream climate considerations in all its activities

## Project Bonds

When the EU Project Bonds were launched in 2012 as a new financial mechanism to attract investments for large scale infrastructure projects, Counter Balance was the only organisation that critically assessed this instrument and warned for the risks involved for tax payers.

The first project that was financed through project bonds – the Castor gas storage facility in Spain – already proved our point. The project had to be halted and the Spanish government was forced to take over the related €1.4 billion of debt and ultimately passed it on to Spanish citizens who will foot the bill through increased gas bills. What was supposed to be a mechanism for economic recovery significantly raised the debt of an already heavily burdened country.

While causing outrage in Spain, the case would have passed quietly if we had not raised it at EU level in cooperation with local groups and our Spanish partner ODG via numerous media articles and by tabling the issue in the European Parliament.

The focus on project bonds is all the more relevant as it

will serve as a blueprint for other financial instruments which will be used to leverage the €315 billion envisaged in the Juncker investment plan. If we want to avoid new catastrophes which privatise profits and socialise risks these need to be excluded from the recovery plan.



# 3. HALTING THE FINANCIALISATION OF NATURE IN EUROPE

## HIGHLIGHTS

- \* "Where now with the Project Bonds Initiative", a paper assessing the pilot phase of the financial instrument.
- \* Toxic Tour in Spain, a tour passing by several controversial projects.
- \* Roundtable in the European Parliament: "The European project bonds - what impact for European public finance and what vision for the future?"

## SUCCESS

- \* Tabling EU Project Bonds on the agenda of the European Parliament

A key challenge for us was to mobilise against the EU 'No net loss initiative', a plan by the European Commission to introduce biodiversity offsetting legislation in Europe.

In coordination with other organisations such as FERN, Carbon Trade Watch and World Development Movement we launched a campaign including a [satirical promotion video](#) and a letter to the European Commission on the [issue](#) which raised more than 9000 signatures against the initiative. We also managed to convince many organisations to take part in the public consultation process about the initiative.

The consultation process made clear there are few proponents of mandatory biodiversity offsetting schemes. The European Commission decided to bury its plans in this regard and is now only considering voluntary schemes,



turning our campaign in a huge success.

However at the same time the EIB is developing and exploiting financing tools to be active in the field of carbon markets and biodiversity offsets. In two papers we challenged the EIB's Natural Capital Finance Facility (NCFF) and the Althelia Fund which further push the financialisation of nature outside of a democratically approved legislative framework.

## HIGHLIGHTS

- \* Campaign video: "Biodiversity offsetting: Making dreams come true"
- \* More than 9000 people signing an open letter to the European Commission, challenging biodiversity offsetting legislation
- \* Two reports challenging the EIB's financing instruments

## SUCCESS

- \* European Commission abandoned biodiversity offsetting legislation at EU level

# ORGANISATIONAL DEVELOPMENT: A GROWING AND DYNAMIC COALITION



photo by Zoltan Sermesic



## COOPERATION

Counter Balance strongly believes in cooperation and collective efforts which as a coalition are central to our everyday work. As a small organisation challenging giant institutions our successes depend on how effectively we manage to work together with other NGOs, policy makers, grassroots organisations and affected communities.

The core of our coalition is the nine member organisations – Corner House from the UK joined us in 2014 – and the Brussels based secretariat. Together we form a solid base of like-minded organisations fighting for fundamental change in the culture of public financial institutions.

Beyond that we work together with many partner organisations specialised in certain issues such as transparency, tax matters, human rights, development finance, etc. We make use of their expertise and support to tackle public banks on specific matters. We worked closely with FERN and Carbon Trade Watch for example to tackle issues related to the financialisation of nature. The No More Gas webpage is another example of how Counter Balance operates as a hub to collect relevant input from partner organisations to bring our case forward at European level.

We get advice from our Southern advisory board who guides us in our work outside of the EU and many local

organisations who keep us connected to local struggles and the impacts of EU projects on local communities.

In a nutshell, cooperation is our strength. We can cover a wide range of issues and accurately investigate cases in different continents. As such it allows us to increase our capacity by many times.

## GEOGRAPHICAL FOCUS

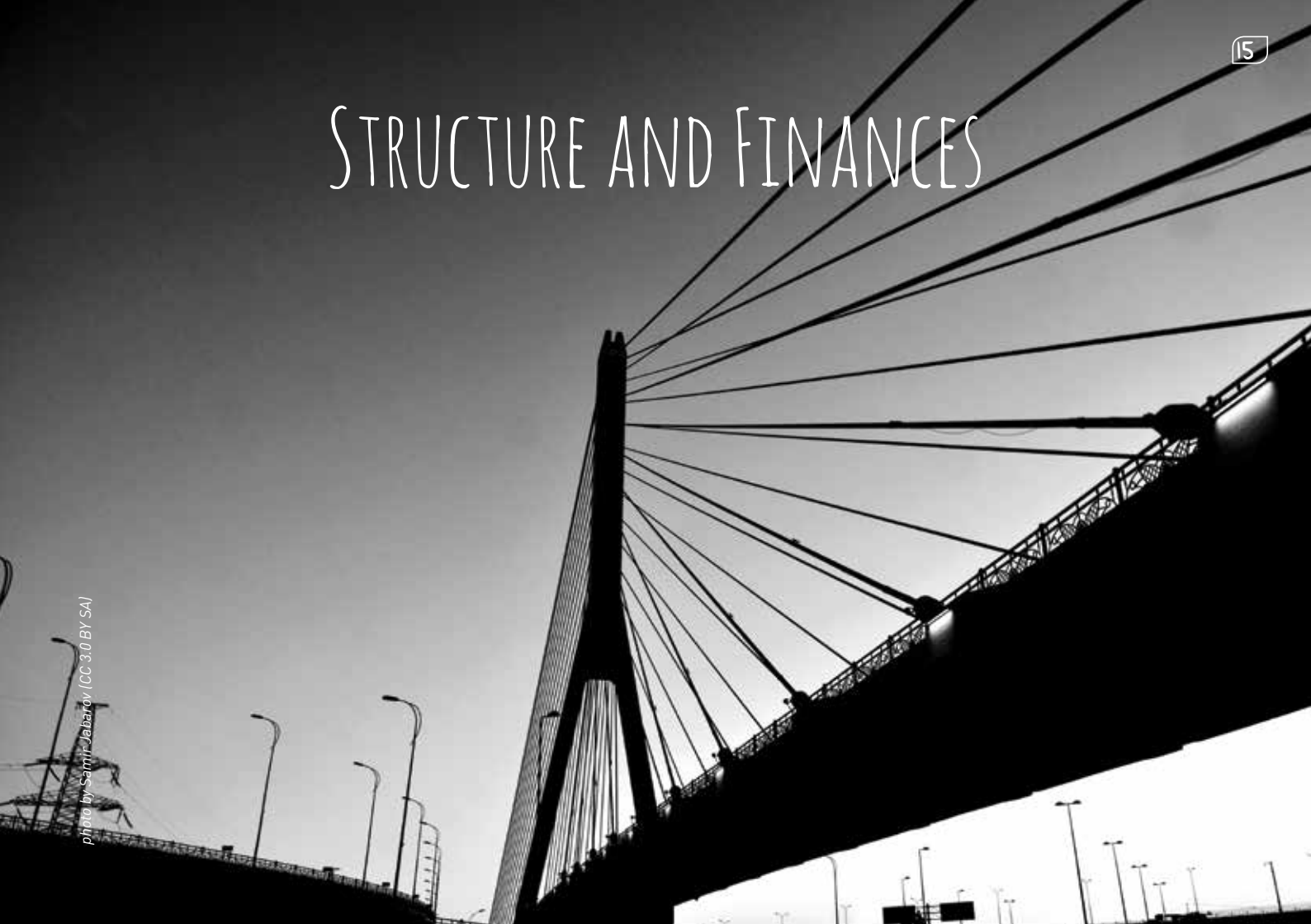
In its first years Counter Balance focused mostly on development issues such as mining projects, large dams and the role of the private sector in the Global South. However, the EIB's emerging role in Europe's recovery programmes and the financing of some controversial projects led us to focus more on the bank's activities within Europe.

We do not intend to make a clear distinction between so called development finance and EU financing. In 2015, the European Year of Development, the Global South will be higher on the agenda again. Numerous sensitive issues such as tax dodging, fossil fuel investments and large infrastructure projects affect people both in the North and in the South.

Our mission is clear we want European public finance a key driver of the transition towards socially and environmentally sustainable and equitable societies no matter where it is operating.

# STRUCTURE AND FINANCES

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# COUNTER BALANCE MEMBERS AND STRUCTURE

Counter Balance includes members from the following countries:

\* **Central and Eastern Europe:**  
[CEE Bankwatch Network](#)

\* **France:** [Les Amis de la Terre](#)

\* **Germany:** [urgewald](#)

\* **Italy:** [Re:Common](#)

\* **Netherlands:** [Both ENDS](#)

\* **Spain:** [ODG](#)

\* **UK:** [Bretton Woods Project](#),  
[Platform London](#) and [The Corner House](#)



"The Counter Balance network is characterised by a noteworthy level of commitment of participating individuals to the network, an openness to trying out different forms of organisational/network management and also an openness to tackling new issues".

Counter Balance Evaluation Report (2010-2012)

## Organisational chart

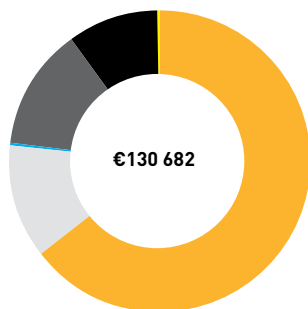
Counter Balance is an independent European non-profit, membership-based organisation. It is legally represented by its Management Group and by the Head of Secretariat upon delegation by the former.

Its governing bodies are:

- General Assembly
- Management Group
- Southern Advisory Group - an external advisory body to Counter Balance consisting of a maximum of twelve people (from partners in the Global South).

Both the Management Group and the Southern Advisory Group are elected by the General Assembly of Counter Balance.

# COUNTER BALANCE'S FINANCES



2014 (EUR)

EC - DG Environment	84 448
EC - Europe Aid	16 007
European Climate Foundation	166
Contributions of members and partners	17 000
Polden Puckham Charitable Foundation (GBP)	12 761
Various reimbursements	300

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In line with its demands for increasing transparency for European Public Banks, Counter Balance fully supports efforts undertaken at EU level to enhance the openness of organisations engaging in European affairs, including NGOs.

**Counter Balance would like to thank all its donors for their support.**

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## Stay in touch via:

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