



# HIGHWAY TO HELL

## EUROPEAN MONEY FUELLING CONTROVERSIAL INFRASTRUCTURE PROJECTS

WRITTEN BY RE:COMMON

### ABSTRACT

The report “Highway to Hell” provides an in-depth analysis of two major infrastructure projects in the Veneto region in Italy and the corruption and state capture issues related to them. Both the Passante di Mestre and the Mose projects have become enmeshed in one of the biggest corruption scandals in Italian history, leading to the arrests of politicians, businessmen and public officials. We refer here to this scandal of systemic corruption as the “Veneto system”.

As NGOs, whose mission is to make public financial institutions more open, transparent, accountable and sustainable institutions, we have also focused in this report on the financing side of the Veneto system story. Indeed, for a decade European money has been fuelling the controversial mega-projects at the heart of the Veneto system.

Despite the emergence of red flags, the European Investment Bank (EIB) has provided both projects with several loans and continued to disburse tranches of these loans even once the corruption scandal burst and high profile investigations opened in Italy. In fact, the EIB and the European Commission are still intent on refinancing the debt accumulated by Passante di Mestre via the Project Bond Initiative. This blatantly contradicts the EIB’s commitment to a “zero tolerance to fraud and corruption policy”.



Mose, Venice. Photo ©Giorgio Bertossi - Flickr CC BY-NC 2.0

This report also tells the story of multiple failures and weaknesses in anti-corruption systems, from the reckless support of the EIB and the Italian public bank Cassa Depositi e Prestiti (CDP) to the inaction of the European Anti-Fraud Office (OLAF).

It documents multiple cases of conflicts of interests and entanglement between the public and the private spheres in what we refer to here as the “public-private combo”. Indeed, the Veneto system has demonstrated a systemic state capture feature in the way that relationships between all public institutions and private entities were structured in order to benefit the interests of a few.

In times, such as now, of acute economic and financial difficulty, governments are usually keen to boost their economy by promoting large scale infrastructure

investment. And too often the “urgency” to get these investments moving on the ground accelerates decision-making processes, projects’ selection and, ultimately, European financing. However such “rush” risks most often leading to poor choices based on inadequate economic assessments as well as the under-evaluation on the environmental and social impacts of projects. In the case of the Veneto system, this report finds that debt creation and public guarantees and mechanisms which allow debt to be created are also a crucial instrument for state capture.

This report calls on the European institutions to learn lessons from this case and to address more seriously the fraud and corruption issues linked to projects financed by the EIB, the self-styled “EU bank”.

# 1. THE VENETO SYSTEM: WHEN BYPASSING THE LAW BECOMES THE RULE

## AN EXTRAORDINARY BYPASS

In January 2014, NGOs Opzione Zero, Re:Common and the European network Counter Balance wrote an eight page memorandum in order to indicate to OLAF “anomalies” regarding the support of the EIB for companies responsible for the construction of the Mestre bypass<sup>1</sup>. This case – as with many of this kind – began several years ago with private and public entities signing partnerships arm in arm. In November 2003, the cost of the highway bypass around the city of Mestre, of just slightly more than 32 kilometres, was estimated at 750 million euros.

A portion – 113.4 million euros – would be paid from the Ministry of Productive Activities, and the rest (636.6 million euros) from ANAS, a public company, 100% owned by the Ministry of the Economy which, however, would only anticipate the expense.

All of the allocated sums, in fact, would be reimbursed to ANAS by the consortium in charge of the

1 Memorandum dated 22 January 2014, <http://www.recommon.org/opzione-zero-recommon-e-counter-balance-chiedo-no-allolaf-di-indagare-sul-caso-di-corruzione-del-by-pass-di-mestre/>

construction work<sup>2</sup>, composed after a public competitive bidding process and involving: 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 and Serenissima Costruzioni S.p.A. Featuring some of the top names among Italian builders, the companies committed to repaying the debt by “committing” the transit fees for a period of 25 years.

A 100% publicly-owned company called CAV was created (standing for *Concessioni Autostradali Venete* – Highway Concessions of Veneto) with equal participation from ANAS and the Veneto region.

The Italian government, which is a 50% shareholder in CAV through ANAS Spa (the public national road agency), gave its backing to the project from the very beginning. Already in April 2006, before the completion of construction, the government’s *Comitato per la Programmazione Economica* (Economic Planning Committee – CIPE) passed a decree to ensure stable expected income in the existing contracts with the companies in charge of managing the highways connected to Passante. ANAS committed to cover any eventual loss<sup>3</sup>.

In 2007, the first substantial change materialised: CIPE established that the builder and sole administrator of the bypass would be ANAS<sup>4</sup>.

2 <http://silos.cresme.it/admin/scheda.aspx?id=681>

3 Dossier Opzione Zero and Re:Common [http://ftp150.com/stoporme/passante\\_dossier/DOSSIER\\_PASSANTE\\_DI\\_MESTRE.pdf](http://ftp150.com/stoporme/passante_dossier/DOSSIER_PASSANTE_DI_MESTRE.pdf)

4 CIPE, deliberation number 3 of 26 January 2007

Furthermore, in March 2008, the government committee approved a decision for CAV to enter the existing contracts concerning the management of Passante and connected highways from November 30th 2009 – the date corresponding to the opening of Passante. The same decision also approved the increase of the investment cost from 750 million euros to 986.4 million euros<sup>5</sup>. CAV entered the original consortium finally at the beginning of December 2009. The consortium was to expire on November 30 of the same year, when the debt would also<sup>6</sup> become due.

Meanwhile, on 9 February 2009, a significant part of the bypass was inaugurated. The ribbon-cutting ceremony was held with great pomp and circumstance, in the presence of Italian Prime Minister Silvio Berlusconi, the Ministry of Transportation’s Altero Matteoli and governor of the Veneto region, Giancarlo Galan. However, costs increased during both the construction and the operational phase of the project, after the triumphal opening. Such costs were related, on the one hand, to the interest due to ANAS SpA and, on the other hand, to the decrease in expected vehicle traffic, which was clearly overestimated in the planning phase. The amount collected by CAV through the toll fees was not enough to cover the operational costs and to repay the massive debt generated during the construction, according to the timeline originally set by the building consortium. By 2010 investment costs had already amounted to 1.3 billion euros, an

5 Dossier Opzione Zero and Re:Common [http://ftp150.com/stoporme/passante\\_dossier/DOSSIER\\_PASSANTE\\_DI\\_MESTRE.pdf](http://ftp150.com/stoporme/passante_dossier/DOSSIER_PASSANTE_DI_MESTRE.pdf)

6 The financial plan is valid until 2032, see: <http://silos.cresme.it/admin/scheda.aspx?id=681>

increase of 80 percent. A decrease in vehicle traffic was consistently registered in 2010, 2011 and 2012, down by –7.6% from the original estimates.

In parallel, works on the ground were not entirely complete and additional construction work was called for. Moreover, the debt issue was still pending, also in connection to compensation payments for expropriated lands.

Another year and a half passed before the EIB came to the rescue. On 9 June, 2011, the EIB's Board of Directors approved a loan of 350 million euros for CAV. It is worth noting that on that date the financing only received provisional authorisation as the actual disbursement of funds would still take another year and a half<sup>7</sup> – 18 months during which the EIB's executives should have been able to read and digest a report of the Italian Court of Auditors dated March 2011<sup>8</sup> calling into question the seriousness and correctness of the management of the entire project's planning.

Alarm bells had rung for the judges of the Court of Auditors: high cost increases (from 750 million euros to 1.34 billion euros, i.e., +80%<sup>9</sup>); discrepancies between data provided by local administrations and governmental authorities; a total lack of transparency related to the sums regarding the compensation connected to the performance of the work; an evident anomaly in the company structure and arrangements after the deliberation of the CIPE, and; deep misgivings about the role (and nearly unlimited



Passante di Mestre, Photo © Lucaf1 CC BY-SA 3.0, Wikimedia Commons

powers) granted to the extraordinary commissioner<sup>10</sup>.

The “extraordinary nature” of circumstances is by now as much a symbol of Italy as is good food and artistic beauties, if not more. In 2003, the construction of the Mestre bypass was considered to be a true national emergency and, in order to address it, a so-called extraordinary commissioner was appointed and stayed in office until 2013. This went far beyond the frontal attack of the Court of Auditors, who considered it anomalous that engineer Silvano Vernizzi would be the person to occupy such a position of responsibility. Vernizzi, in fact, was already minister of infrastructure for the Veneto Region, director of the EIA Office and, among several other prominent positions at the local level, was general executive manager of Veneto Strade – the publicly-controlled regional road agency<sup>11</sup>. All

of this stood in obvious exception to the regulations on the award of public contracts, infrastructure creation and the appraising of social and environmental impacts. Vernizzi is currently being investigated by the Prosecutor of Venice for bid rigging regarding another project<sup>12</sup>.

In such cases, the extraordinary tends to become the rule, and ANAS ended up being simultaneously customer and project manager, as

<sup>12</sup> Vernizzi, along with six other people, was questioned by magistrate Stefano Ancilotto, who was trying to clarify 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 booth 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 house 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>

<sup>7</sup> Demand for access to information.

<sup>8</sup> Court of Auditors, deliberation number 4 of 30 January 2009

<sup>9</sup> CAV 2001 Budget, page 24

<sup>10</sup> Decree of the Prime Minister number 3273 of 19 March 2003

<sup>11</sup> Managing company for the road service



well as both the controlled subject and the controller. But such a situation did not alert or embarrass the EIB when deciding upon its loan to CAV for the highway. This is to say nothing of the risk, explicitly recognised by the Court of Auditors, of infiltration by organised crime into the sub-contracting procedures.

Hence, the EIB did not give much credence to the above-mentioned dubious relationships and power structures. In addition, it did not even seem to make an effort to read the press releases in February 2013 regarding the legal troubles of Mantovani S.p.A before duly transferring the 350 million euros already promised to CAV through the Italian public investment bank, Cassa Depositi e Prestiti.

Mantovani S.p.A is a joint-stock corporation of the Chiarotto family, owned by Serenissima Holding. Through the company FIP Industriale, it is one of the main sub-contracting companies of the Mestre bypass consortium.

These troubles led to the arrest in February 2013 of its staff: Piergiorgio Baita (general executive manager), Nicolò Bruson (general manager), adviser Williams Alfonso Colombelli and of the 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 Mantovani – we will hear more about it later – and Adria produced fictitious invoices through the shell company BMC Brookers of Williams Palombelli, registered in San Marino, and thus collecting big money (public, of course). Palombelli kept 15-20% of the proceeds; the rest went to the two companies Mantovani and Adria. Mantovani, according to the accusation, allegedly used the money to bribe public officials to guarantee rich contracts for the bypass as well as the Mose project (see below). BMC also allegedly had

“working relationships” with other companies involved in the bypass consortium, but this is still being investigated<sup>13</sup>.

The EIB loan was fundamental in allowing CAV to pay off its debts and to allow temporarily fresh resources to help with a difficult economic and financial situation. Without it, ANAS (meaning, ultimately, the Italian government) and the Veneto region may have been called to the rescue. Indeed, CAV’s attempt to cover the management costs by increasing the toll fees for vehicles couldn’t be stretched too far, especially considering the opposition to such a measure from the general public, not to mention the likely cross-party political backlash that could have hit the regional government. In the minds of ordinary people, such a measure would only add up to the already bad management and massive costs generated by the construction of Passante, as various fee increases were decided between 2009 and 2015, with Passante rated “the most expensive highway in Italy in 2013”<sup>14</sup>.

The question here is what due diligence was undertaken by both the EIB and the Italian public bank CDP in assessing the financial and economic sustainability of CAV, including the ongoing dubious management of Passante. Using the Italian public investment bank CDP as an intermediary de facto formally exempted the EIB from taking on responsibility for the financial situation of CAV. It also led to the due diligence being mostly

13 [http://www.ilgazzettino.it/PAY/NAZIONALE\\_PAY/tangenti\\_onorevoli\\_e\\_spioni/notizie/749261.shtml](http://www.ilgazzettino.it/PAY/NAZIONALE_PAY/tangenti_onorevoli_e_spioni/notizie/749261.shtml)

14 <http://nuovavenezia.gelocal.it/venezia/cronaca/2013/09/29/news/pedaggi-d-oro-il-passante-e-l-autostrada-piu-cara-d-italia-1.7830662>

undertaken by CDP, which added 73.5 million euro financing from its own budget to the EIB finance<sup>15</sup>. Civil society organisations have asked OLAF how they view the gap-ridden due diligence of the EIB. They particularly questioned the EIB's internal investigations, especially in relation to its policies and internal directives, before the CDP loan was awarded to CAV.

Throughout this murky story, it remains uncertain whether any European regulation has been violated, in particular with respect to money laundering. OLAF did respond to an NGO letter on this after a couple of months. In four paragraphs, it declared explicitly that the prerequisites for opening an investigation do not exist<sup>16</sup>.

Furthermore, OLAF added that: *“Analysis of the Italian Court of Auditors' report of March 2011 did not raise concerns regarding potential fraud in the project. No link could be established between the fiscal fraud allegations currently under investigation by the national judicial authorities and the project financed by the EIB. There was no element in the complaint concerning possible implication of an EIB counterpart in a fraudulent activity, nor suggesting complicity or negligence attributable to the EIB.”*<sup>17</sup>

This answer seems ironic, since the civil society organisations' memorandum indicates the connections between the bypass

15 CDP finance was given in the form of a rise in VAT due payment related to the payment of costs due from CAV to Anas SpA. Dossier Opzione Zero and Re:Common [http://ftp150.com/stoporme/passante\\_dossier/DOSSIER\\_PASSANTE\\_DI\\_MESTRE.pdf](http://ftp150.com/stoporme/passante_dossier/DOSSIER_PASSANTE_DI_MESTRE.pdf)

16 <http://www.recommon.org/?wpd-mact=process&did=MjkuaG90bGluaw>

17 Information on decision to dismiss a case, OLAF case OF 2014/0103/01, OLAF (Marco Pecoraro) answer to Antonio Tricarico, Re:Common, prot.#7460, 19.03.2014

case and what may be the cornerstone on which the entire Veneto System rests. Even this does not seem to be among the priorities of OLAF. Then, within a few months, the scandal became even more intense.

## MOSE DAMS FAIL TO BLOCK CORRUPTION

Still in Veneto, from the inland we head toward the sea to take a look at another emblematic infrastructure project put under the magnifying glass by the magistrates: the Mose.

To save Venice from high water, decades of arguments and plans – regularly and enthusiastically contested – resulted in the conception of a highly complex project: the Mose. It is composed of 78 mobile barriers, deployed to form four main barriers placed in the three port mouths (Lido, Malamocco and Chioggia): the points linking 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 prevent water from exceeding the danger levels<sup>18</sup>.

The Mose is now a joke spanning two centuries. Its formal birth certificate was “written up” in 1991 as a Memorandum of Understanding between the Magistrate for Venice Waters and the *Consorzio Venezia Nuova* (the New Venice Consortium) two of the main actors of this story. The signing took place only some months before the European regulations on contract awards took effect, allowing companies registered in other EU countries to run for open tenders. This was a

18 [https://www.mosevenezia.eu/?page\\_id=8](https://www.mosevenezia.eu/?page_id=8)

nice advantage, as Giorgio Barbieri and Francesco Giavazzi point out in their book *“Corruzione a norma di legge”* (“Legalized corruption” in English). They explain that in reality the signatories of the MoU are very conscious of the Copernican revolution underway at the European level. Thus, the signatories prefer “to anticipate the times.”

In the case of Mose, the rules were manipulated to ensure that the work was entrusted only to a sole concessionaire. This single entity was then erased by the aforementioned community laws.

“With Mose,” write Barbieri and Giavazzi, “everything becomes legitimate because the laws are written in a way that makes it legal to appropriate funds intended for the 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.”<sup>19</sup> It is no accident that the contract expressly establishes that work can be subcontracted without conducting any public bidding. In the light of these discoveries, it seems that Mose, rather than saving Venice from the waters of the sea, is fattening the pockets of a narrow circle of businesses closely connected to political powers, since the rules of the game are rigged that way.

The carrying out of the work was entrusted to *Consorzio Venezia Nuova* (the New Venice Consortium,) which, as indicated on its website, “in order to perform its own tasks as concessionaire of the State for the performance of

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

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 the 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)<sup>20</sup>.

The construction work began simultaneously on the three lagoon port mouths in 2003. As of now we have nearly reached the closing titles with the work having reached about 85 percent completion. The deadline for completion has been set for 2016, and the costs have – naturally – spiralled to 5.49 billion euros<sup>21</sup> (from an initial estimation of 2 billion euros back in 1988<sup>22</sup>). In order to complete the project, at least another 220 million euros will be needed, to which another billion and a half for ordinary maintenance will have to be added<sup>23</sup>.

To make a long story short, at a certain point the European Commission woke up to the systematic anomalies involved in the Mose. The Italian Court of Auditors criticised this delay in 1997 regarding the non-compliance with principles of fair competition in the case of the project<sup>24</sup>. However, in 2001, the Single Market commissioner Frits Bolkestein decided to speak up

20 [http://www.consortiovenezianuova.com/natura\\_struttura.htm](http://www.consortiovenezianuova.com/natura_struttura.htm)

21 [https://www.mosevenezia.eu/?page\\_id=14](https://www.mosevenezia.eu/?page_id=14)

22 Op.Cit. page 8

23 Op. cit. page 142

24 Court of Auditors, case number 137 of 1997

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 a tender for the allocation of contracts to supply electromagnetic work. This promise was not kept: ultimately these proceedings only concern sub-contracts amounting to 5% of total costs. The European regulation indicates a very different figure: 53%<sup>25</sup>. 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, had not been given due consideration. In this case, and ultimately, the complaint was rejected, which was an indispensable condition to trigger financing from the EIB. The bank, in fact, had already committed 1.5 billion euros for the Mose project – one of the greatest commitments for a single infrastructure project ever approved by a public institution. Three loans have been granted and disbursed up to now: on 29 April 2011, 480 million euros<sup>26</sup>; on 12 February 2013, 500 million euros<sup>27</sup>; and on 13 February 2014 another 200 million euros<sup>28</sup>.

In this case, it's worth considering the dates. It is well known that on 28 February 2013 the Financial Police

25 Op. cit. pages 115-117

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

27 <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>

28 [http://www.ansa.it/veneto/notizie/2014/02/14/MoseBei-200-mln-a-Cons.Venezia-Nuova\\_fbfcea93-9605-11e3-9836-00505695d1bc.html](http://www.ansa.it/veneto/notizie/2014/02/14/MoseBei-200-mln-a-Cons.Venezia-Nuova_fbfcea93-9605-11e3-9836-00505695d1bc.html)

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<sup>29</sup>. 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 Mantovani at higher prices<sup>30</sup>. The Mantovani family just happens to be 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<sup>31</sup>, who fell on a tender of 15 million euros 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 this work, the small companies would return a percentage to the staff of the Consortium under the table. *Do ut des*, is the Latin maxim: "one hand washes the other." And, in the meantime, the EIB continued to grant funds, in spite of the scandal bursting.

In 2014, the scandal had an even

29 <http://www.ilfattoquotidiano.it/2013/02/28/tangenti-arrestato-a-veneziana-d-della-societa-di-costruzioni-mantovani/515540/>

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

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



Image ©Magistrato alle Acque di Venezia - Consorzio Venezia Nuova (<http://www.salve.it/wiki/>) CC BY-SA 3.0, Wikimedia Commons

louder backfire, monopolising the front pages of newspapers and the opening titles of TV news in Italy. On 4 June 2014, a *Fiamme Gialle*<sup>32</sup> raid put behind bars 35 entrepreneurs, managers, administrators and politicians involved in a circle of kickbacks within the project's financing. The arrests included<sup>33</sup> Renato Chisso, regional City Infrastructure Auditor, 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 and high civil official of the Magistrate of Waters. *Dulcis in fundo* (to top it all off), the former national Vice Commander of the Fiscal Police<sup>34</sup> Emilio Spaziante, was accused of

32 The Italian Financial Police

33 <http://www.linkiesta.it/mose-finanza>

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

having paid compensation under the table to other suspects for "inside information on investigations in course and fiscal verifications operated by the Fiamme Gialle on the activities of the New Consortium of Venice, taking advantage of his acquaintances and power inside the corps and depositing 500,000 euros from the Consortium."

The circle is closed. The controlled and controllers became an expensive, super-exclusive club, generously financed via public coffers.

There followed a list of plea-bargains or admissions of guilt which certified a series of irregularities of criminal significance around the work of the Mose. The former top dog of the Fiscal police, Spaziante, and former CEO of Palladio Finanziaria, Roberto Meneguzzo, accepted respective penalties of four years in jail, with the seizure of 500,000 euros, and two and a half years of confinement. Galan came out with two years and ten months and 2.6 million euros in fines. The list is long and even more exhaustive, inasmuch as it concerns nearly all of the suspects<sup>35</sup>. The judicial proceedings were closed in record time. There was a complete collection of evidence on the suspects.

Then what happened? Some new extraordinary commissioners came into the field; they have limitless powers and manage every aspect related to completion of the

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

works. They are 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 stadium of the Juventus football club)<sup>36</sup>.

As Raffaele Cantone, President of the Italian anti-corruption agency, stated in an interview in *Espresso*<sup>37</sup>, 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 set aside and assigned to compensate damages." The new extraordinary 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, it penalizes the companies that stayed within the legal boundaries and kept their fingers out of the pie.

The new creation of a board of commissioners seemed the panacea to all evils, apparently dictated by an ongoing – and worse and worse – state of emergency. But the New Venice Consortium and its business cronies will still not end up on the scrap heap.

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

37 *Espresso*, edition 3 of 22 January 2015, page 61

## JUST ONE SINGLE CORRUPT SYSTEM, REWARDED WITH AN EU PROJECT BOND

The corruption investigations around Mose take us directly back to Passante.

In the formulation of the accusation by magistrates, the “crime of corruption” refers to “corruptive actions in relation to the activities of the companies part of the New Venice Consortium, for the assignment of *other infrastructure contracts* at regional level through the project financing scheme”<sup>38</sup>. These include “corruption of individuals operating at regional level to fasten the authorization process of project financing contracts presented by Adria Infrastrutture SpA and other companies part of the Mantovani group, for which is in charge the Veneto Region”<sup>39</sup>.

This refers to the alleged corruption of Giancarlo Galan, at the time Governor of the Veneto region and still member of the Italian Parliament, and Renato Chisso, former regional minister for transport, mobility and environment, and currently regional minister for infrastructure.

“Favours” identified by the magistrates include the request by Chisso to Mantovani to facilitate contracts to companies with whom Chisso had “outstanding obligations”. **The main infrastructure under construction in the region in those years where Mantovani was the**

**main subcontractor – through Adria Infrastrutture and other companies – is Passante di Mestre.**

It is a rather Kafkaesque situation that a new financial instrument proudly-launched at the European level – the Project Bond Initiative (PBI) – may end up refinancing the debt of these allegedly corrupt projects. Indeed, the European Commission and the EIB – which are both in the driving seat on the PBI – have announced they will grant their support to Passante di Mestre by helping CAV to emit bonds to refinance its debt. This might create a debt also generated by kickbacks and mismanagement.

A significant risk exists that the new funds might “monetize” corruption in Italy. Raffaele Cantone, head of the Italian anti-corruption authority, has warned of money-laundering risks connected to the use of project bonds. Judging by the “systemic dimension” of the public-private structure described by magistrates in the Mose and Passante investigations, selling 830 million euros of the existing CAV debt to institutional investors, with a BB+ rating thanks to the EIB’s intervention, would give fresh air to the public company and allow it to invest in new projects – for instance the “accessory” projects to Passante. These are projects that are related to Passante and which will be built through the same institutional framework used for the construction of Passante: the same framework which was used in the allegedly corrupt operations still under investigation.

Selling the project bonds only to institutional investors – ideally well informed both about how the market works and the risks related to investment operations – may not be enough to protect the general public

from the impact of this publicly backed operation. Indeed, it is not clear how Moody’s – the rating agency which delivered a positive rating to CAV bonds in March 2016 – has taken into account the potential risk that some of the operations which generated a 830 million euro debt might be related to operations tainted with corruption.

It is also not clear how Moody’s has taken into account the potential risk of money laundering, in particular if liabilities are monetised for CAV in the future pending the outcome of the investigation and eventual conviction in Venice.

On the public side, it is legitimate to question how the EIB justifies its support to this project in light of its commitment to a “zero tolerance to corruption policy” and after the European Parliament passed a Resolution on April 30th 2015 stating in article 34 that:

*“[The European Parliament] ... Regrets that the EIB financed the highway bypass ‘Passante di Mestre’, after the Italian authorities publicly announced the arrest of the CEO of its main subcontractor for fiscal fraud; in light of the still ongoing investigations by the Italian authorities into the corruption scandal related to the construction and management of the ‘Passante di Mestre’, calls on the EIB not to finance the ‘Passante di Mestre’ project through the PBI or any other financial instrument, and to ensure that it implements its zero tolerance to fraud policy when considering the use of project bonds”<sup>40</sup>.*

Unfortunately it seems that no one else in Brussels or Luxembourg, where the EIB is headquartered, listened to this call.

38 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. Page 384 and following.

39 *Ibid.*

40 <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P8-TA-2015-0183>



## 2. THE STATE CAPTURE IN THE VENETO SYSTEM

As described above, the case of the motorway bypass around Venice – “Passante di Mestre” - and the gigantic movable-dam project around this city – Mose – are intertwined when it comes to the decision-makers involved, the companies contracted, the involvement of significant public funding from the EIB and the scale of systemic corruption affecting both operations.

That’s why it is correct to talk about the “Veneto system” in terms of systemic corruption and violation of the law as a means for managing all large-scale interventions occurring in the territory of this Italian region. Viewed as such, it is interesting to analyse this case and understand the specific and recurrent instruments which were used for state capture by a range of actors, including major corporations, individual greedy politicians, officials from different institutions – including the police and supervisory bodies – and middlemen. Although investigations are still ongoing, the fact that many individuals have already pleaded guilty and that most of the investigative information has been revealed to the public and covered by the media, allows us to already draw preliminary conclusions. These could be useful for anyone concerned about corruption and the illegality risks affecting large-scale infrastructure projects in Italy and Europe at large – in particular when economic and financial hurdles are compelling governments to

focus on boosting their economies through the promotion of large scale infrastructure investment. Too often the “urgency” to get such investments off the ground accelerates decision-making processes and the selection of projects. Such rush risks all too often lead to the wrong choices being taken, based on inadequate economic assessments as well as the under-evaluation of environmental and social impacts of projects. Indeed, this may have serious implications for the Investment Plan for Europe currently being promoted at the European level as a key instrument and driver aimed at bringing Europe back to an era of economic growth.

### THE ORDINARY ABUSE OF EMERGENCY AND EXTRAORDINARY CIRCUMSTANCES

The existence of an alleged “emergency” (structural traffic problems or saving ancient Venice from drowning) has justified the need to respond to such extraordinary circumstances by derogating to the law and adopting extraordinary procedures. This kind of justification and abuse of extraordinary measures which circumvent the law is quite common during the implementation of large-scale infrastructure projects. Not to mention the militarisation of territories where these are built when strong opposition by local groups and ordinary citizens emerges – again by adopting extraordinary security measures limiting basic freedoms of movement and the expression of criticism.

The adoption of extraordinary measures has been a *sine qua non* condition to move ahead with the Passante di Mestre and Mose projects by embracing the specific goals of the Veneto system and the few benefiting from it.

In particular, the appointment of a Special Commissioner for traffic in the person of the existing regional minister for infrastructure – who was also representing the region as a shareholder in the company managing the new motorway bypass – was crucial for allowing by the law an inherent conflict of interest and overlap between the controller and those controlled. Although this was strongly criticised by the Court of Auditors in 2011, nothing changed and no political institution acted in line with the requested changes, because the political institution addressed was the one benefiting the most from the conflict of interest and the only one which could appoint a different commissioner. It should be noted that comprehensive legislation to prevent conflicts of interest is lacking in Italian law

Without such a controversial appointment it would not have been possible for the Veneto system to justify the need to build the motorway bypass based on dubious traffic data and projections – which then became the basis for assessing the economic and financial feasibility of the project. In fact, if ‘extraordinary conditions’ had not been invoked and implemented, the project might have been screened more carefully and by different institutions, possibly with competing interests. Furthermore, a different and more independent commissioner than the regional minister could have considered different solutions or a different project design and timing.

Concerning the Mose project, the violation of the spirit of the law was similarly evident, given that decision-makers intentionally hurried to appoint a single concessionaire for the project with the power to award all sub-contracts without any public tendering. This was done just before the new law transposing in Italy the European directive on public tendering and contract awards – prohibiting the procedure followed in the Mose case – came into force in 1991.

The decision on the single concessionaire was vital and needed at all cost to allow the Veneto system to easily select all companies supposed to benefit from project contracts, thus putting in place a structural corrupt mechanism based on bribes and the selection of contractors, with the full involvement of all supervisory bodies supposed to monitor the project's implementation – including the water magistrate in Venice. Once again the invocation of extraordinary circumstances made the evident anomalous procedures which led to massive cost overruns and illegal practices legally sound, as unveiled by the Venice magistrates.

## THE “PUBLIC-PRIVATE COMBO”

The Veneto system demonstrated a systemic state capture feature in the way that the relationship between all public institutions and private entities was structured, even formally. The establishment of the “Consorzio Venezia Nuova” was a key instrument for solidifying in the long-run a hierarchy and a mechanism aimed at deciding how to distribute benefits from the project.

Far beyond a contracted public-

private partnership, all those involved in building the system for their own interests opted for a conventional public vehicle becoming the single concessionaire of the Mose project. Similarly, the company managing the Passante project, CAV SpA, is a public company owned on equal terms by the national road agency, ANAS, and the Veneto region. As detailed by public prosecutors in Venice, and explained above, beyond Mose the same New Venice Consortium played a key role in facilitating contracts for all infrastructure in the region, including Passante.

Public vehicles, such as this consortium, have been managed purely for private interests and have become – de facto – the highest decision-making bodies able to direct the public-private relationship at all levels by defining the rules applicable to all actors involved, whether public or private. In short, an indissoluble and permanent combination of the public and private spheres was created with the aim of benefiting a few.

The strength and uncontested power of these blurring mechanisms derived from their capacity to literally involve any possible institution and private entity. For what concerns the former, representatives of the judicial system – such as a former deputy director of the national financial police and the water magistrate of Venice – were directly involved. As for private actors, many companies – both large and small – got involved in the Veneto system, and when awarded contracts they were committed to paying back some funds. Even when not awarded contracts, they were fully aware of and compliant with why this was happening.

## TAX AVOIDANCE AND ABUSE OF TAX HAVENS

The Veneto system also made an extensive use of non-cooperative jurisdictions, better known as “tax havens”, for creating and managing the financial profits to be distributed among a few beneficiaries.

For example, from what has come out publicly from the ongoing investigations, public prosecutors in Venice indicated that the Mantovani and Adria Infrastrutture companies produced false invoices through the BMC Brookers of Palombelli, registered in San Marino<sup>41</sup> for creating black funds to pay bribes.

In the case of Mose, over-billed invoices were issued by one of the partners of the Consortium New Venice, the San Martino cooperative based in Chioggia<sup>42</sup>. In 2009 the cooperative was monitored by the fiscal police who noticed exceptional increases of costs in the purchase of stones from a Croatian company. From those invoices and payment monitoring, the fiscal police realised that funds were being moved to Austria to create black funds that were then turned back to the cooperative.

Joint investigations by the magistrates of Venice, Milan and Cagliari led to a company based in Luxemburg – Abm Merchant S.a. – which went bankrupt in 2011 and was used as a funds collector for several mega infrastructure projects

<sup>41</sup> Until 2009 San Marino was on the OECD black list of nations that function as tax havens. Despite recent improvements, it is still weakly ranked in the Financial Secrecy Index of the NGO Tax Justice Network.

<sup>42</sup> [http://www.ilgazzettino.it/nordest/venezia/mose\\_fatture\\_gonfiate\\_acquisti\\_croazia\\_fondi\\_neri\\_scoperti\\_austria-199689.html](http://www.ilgazzettino.it/nordest/venezia/mose_fatture_gonfiate_acquisti_croazia_fondi_neri_scoperti_austria-199689.html)

in Italy, among them Mose and Expo 2015 in Milan, before moving to Belize and the British Virgin Islands<sup>43</sup>. The fiscal police found evidence of complex operations between Mantovani, linked to Piergiorgio Baita, and Adria Infrastrutture, linked to Claudia Minutillo, the former secretary of the Veneto regional governor Galan.

The abuse of tax havens is sadly no news in corrupt deals and frauds, as well as for money laundering purposes. However, what is peculiar in this case is that alleged criminals used secretive jurisdictions relatively close to Italy, such as San Marino and Austria, for what could be described as a first level of generation of black funds, and then other jurisdictions for what could have been a more blurry second layer of black funds. The black funds were then transferred both through the “classic” suitcase technique<sup>44</sup> (from San Marino to Venice) as well as through more sophisticated structures via other secretive and well-known tax havens.

## THE RESPONSIBILITIES OF EUROPEAN INSTITUTIONS

The Veneto system also largely benefited from the inaction – or inadequate action – of various European institutions which became involved for different reasons.

On two occasions the European Commission made heavy critiques of the way the Mose projects were being managed (DG internal market

43 [http://www.lettera43.it/economia/affari/expo-mose-gli-appalti-portano-nei-paradisi-fiscali\\_43675131832.htm](http://www.lettera43.it/economia/affari/expo-mose-gli-appalti-portano-nei-paradisi-fiscali_43675131832.htm)

44 [http://ricerca.gelocal.it/mattinopadova/archivio/mattinodipadova/2014/07/01/NZ\\_09\\_01.html](http://ricerca.gelocal.it/mattinopadova/archivio/mattinodipadova/2014/07/01/NZ_09_01.html)



European Investment Bank building, Luxembourg, photo ©Re:Common, 2008

in 2001 and DG Environment in 2005) in relation to the lack of public tendering procedures and problems with the project’s environmental impact assessment respectively. In both cases the problems raised were only marginally addressed by the project sponsors. However, the European Commission surprisingly and repeatedly backed off and declined to start an infringement procedure against Italy for the violation of European law or, as a minimum, for not respecting its own commitments vis a vis the Commission.

Similarly, the EIB agreed to finance and disburse funds for Passante di Mestre and Mose when investigations were already ongoing in Venice and in the public domain. Notably, civil society repeatedly alerted the institution in this regard<sup>45</sup>. The risk of corruption and mismanagement of EIB public funds was however not taken into account by bank officials which chose to

45 <http://www.counter-balance.org/letter-to-the-eib-regarding-the-financing-of-projects-in-italy-that-are-under-investigation-for-corruption/>

continue financing the controversial projects. Even when the related corruption scandals and arrests hit the press, the bank continued to deny any wrongdoing in its due diligence.<sup>46</sup>

Furthermore, in March 2014, OLAF, the EU anti-fraud office, decided in a relatively short time not to open any investigation about the allegations tainting Passante di Mestre by stating that evidence submitted by civil society organisations was *not enough* and, in any case, not attributable to the EIB and its counterparts in the deal.

This repeated inaction by European institutions, even when alerted in timely fashion about information already available in the public domain, raises a legitimate question about why these institutions seem to have taken clear political and thinly justifiable decisions while addressing these specific violations and complaints.

46 <http://www.counter-balance.org/wp-content/uploads/2016/04/Letter-to-Counter-balance-Opzione-Zero-Re-Common-MOSE-9.07.2014.pdf>

Of course it can be argued that there is a strong corporate influence on how these institutions operate and the national “corporate-state combo” is able to successfully lobby and intervene at the level of these European institutions – where, in any case, national governments are represented in different forms or indirectly have a say. Political blackmailing between governments and European institutions may also have taken place, even though it would probably be more accurate to say that the fear of political consequences in other fields of cooperation could have prevented effective control action by European officials.

Second, it is not naive to consider that the private-state combo of the Veneto system may have had some influence on Brussels or Luxemburg, within European Institutions. The level of support that Mose and Passante received so far – including by selecting Passante in the short list of the Project Bond Initiative – is extraordinary. A pending question – difficult to answer at this stage – is whether certain officials within European institutions may have personally benefited from this inaction.

Third, it is quite obvious that OLAF has limited power and in any case had little appetite to even exercise its limited control over what was happening in Veneto around the use of EIB funds. While it may be an administrative body rather than a public prosecutor, it is however clear that OLAF, even when directed by a former Italian magistrate, is not best placed to promptly cooperate with Italian magistrates on specific cases with the timely acquiring of relevant information regarding the use of European public funding.

It should be noted too that the European Parliament expressed – on different occasions – its criticism of the Passante project and concerns about corruption allegations, as well as concerns about the EIB’s dubious due diligence in its financing choices. More recently the European Parliament expressed its opposition to the refinancing of the debt accumulated by CAV, as a result of the Passante project, through an EU project bond partially guaranteed by the EIB<sup>47</sup> and the European Commission. On this, the Parliament’s position has so far simply been ignored by other European institutions. This raises concerns about the ability of the European Parliament, despite being well informed on the matter, to intervene against the corrupt Veneto system and prevent European funding being wasted.

## PLEADING GUILTY BY NOT PLEADING GUILTY

According to Italian law and jurisprudence<sup>48</sup> the settlement of a criminal case does not necessarily imply any admission of guilt. Thus, a settlement should not be regarded as a plea-bargain as it is in most other countries, for sure under Common Law. The settlement is based on an administrative fee and even possibly jail terms. However, the settlement – although comparable with a conviction sentence – cannot be used as the basis for civil cases either. Furthermore, according to a new anti-corruption law introduced in 2015<sup>49</sup>, the possibility

47 <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P8-TA-2015-0183>

48 Cass. sent. n. 27071/13 del 3.12.2013

49 [http://www.studiocataldi.it/news\\_giuridiche\\_asp/news\\_giuridica\\_18420.asp](http://www.studiocataldi.it/news_giuridiche_asp/news_giuridica_18420.asp)

to settle corruption charges and force a suspension of the penalty is subordinated to the restitution of proceeds of corruption.

This “fake” plea-bargain procedure in the Italian judicial system is a very serious limitation and, in particular, does not allow for state capture structures, once in place, to be properly dismantled in order to avoid the emergence of new crimes or violations of the spirit of the law.

This is what happened with the Veneto system. After the first wave of arrests and investigations, several company managers and a few politicians decided to settle with the investigating authorities. These decisions somehow weakened the investigations and, most importantly, safeguarded to a certain extent the existence of the Consorzio Venezia Nuova, which is still up and running. Even more so, the same companies and politicians are still visible and operating, in spite of everything that has happened. No black-list has been established and no exclusion – neither for the companies nor for the individuals involved. De facto, this leaves a high level of impunity which can only encourage other crimes and violations in the future.

## DEBT GENERATION AND PUBLIC COVER AS AN OPPORTUNITY TO SUSTAIN CORRUPT ACTIVITIES

Debt creation and public guarantees allowing debt to be created are also a crucial instrument for state capture. This emerges neatly in the case of Passante di Mestre, where the project has been refinanced twice with public funding. Indeed, the EIB at first lent 350 million euros via the Italian public investment bank



No Mose protest. photo <http://www.globalproject.info>

Cassa Depositi e Prestiti – thus a double layer of public guaranteeing was enshrined in the deal – for the cash strapped CAV, facing higher cost overruns and unable to pay private creditor banks. Then, more recently, the EIB facilitated the issuance of a 830 million euros bond that shifts the massive debt further accumulated by CAV from banks onto institutional investors, with the EIB all the same guaranteeing 20% of the deal<sup>50</sup>.

At the national level, the Italian government's decisions permitting debt generation by the Passante project were not isolated cases, but part of a systemic approach aimed at ensuring that the project could be completed and move ahead, *no matter the cost*. Such an approach had an inherent dimension of debt generation, beyond reasonable evaluations on the economic and financial viability of the project. The approach to debt management was also vitiated by political backing from the Italian government: there was an overall assumption

that the government would cover any increase of the project's costs. Looking back, the decisions of the CIPE government committee were biased and nothing more than rubber-stamping, where all ministries agreed about the ad hoc decisions to provide extra finance from the different chapters of the national budget.

Given the still ongoing investigation indicating that Passante, like Mose, was allegedly used to produce black funds through over-priced invoices for works that in some cases were never realised, it is legitimate to argue that providing fresh public finance to CAV – either by the Italian government or the EIB – means de facto allowing the allegedly criminal Veneto system to continue to operate.

What this case teaches us is that debt generation can be an instrument to force public institutions to stay at the table under the blackmail that project companies might go bankrupt and projects get derailed by leaving a high political price to pay for ruling

parties. And, even when private investors are involved, still some form of public guarantee exists to make projects and their debt generation possible. Thus, any new failure will involve some vital public involvement, and loss, in any case.

In short, public financial institutions played – and continue to play – a key role in allowing the functioning of the public-private set up in the Veneto System.

If the public picking up the bill at any cost becomes the rule, then it is no surprise that public officials, politicians, business people and even some law enforcement authorities pretend to have their cut from the system they respect, oil and strengthen every day as members of an untouchable caste. Unless some honest public prosecutor unveils the truth, and citizens understand the systemic impact of such structures, extracting wealth from the public to place it in the hands of a few people, who are well placed in the grey areas between the public and the private for their personal benefit, will occur. Such a 'public-private partnership' systemically allows turbo-capitalism to exploit territories through the construction of mega infrastructure projects.

These projects therefore definitely serve certain interests. The question is whose interest? And how far can public financial institutions and oversight bodies be part of this systemic and criminal plunder of public resources?

<sup>50</sup> <http://cbonds.com/emissions/is-sue/209895>

## THE CAV PROJECT BOND AND THE EUROPEAN PROJECT BOND INITIATIVE

According to the European Commission, the Europe 2020 Project Bond Initiative (PBI) aims to revive and expand capital markets to finance large European infrastructure projects in the fields of transport, energy and information technology. After a pilot phase during years 2013-2015 to test the project bond concept, it is being implemented by the European Investment Bank. The core idea is to finance projects with stable and predictable cash flow generation potential by enhancing the credit quality of project bonds issued by private companies, in order to attract institutional investors to the capital market.

The pilot phase of the PBI ended in December 2015. So far, nine projects have been supported under the Initiative. However 2 additional projects, including the Passante di Mestre, have been approved by the EIB Board of Directors with an option for using the project bonds mechanism<sup>1</sup>. This means concretely that only the finance contract of the project needs to be signed before the European financial support is activated.

In December 2015 the consultancy firm Ernst & Young pub-

1 [http://ec.europa.eu/economy\\_finance/financial\\_operations/investment/europe\\_2020/index\\_en.htm](http://ec.europa.eu/economy_finance/financial_operations/investment/europe_2020/index_en.htm)

lished an evaluation of the PBI Pilot Phase<sup>2</sup>. This evaluation – commissioned by the European Commission – was the basis for the Commission to propose the future roll-out of the PBI via a Staff Working Document published in March 2016<sup>3</sup>. In 2016, the Commission will make a legislative proposal for such roll-out to take place.

The 830 million euros project bond was issued by CAV – Consorzio Autovie Venete on April 6th 2016, with announced closing on April 12th 2016<sup>4</sup>. It consisted of two emissions of about 400 million euros, 20% guaranteed by the EIB through own budget, rated A3 by Moody's and managed by a pool of banks including Banca IMI, BNP Paribas, RBS, Societe Generale, UniCredit Group, who acted as bookrunners.

According to ANAS President Gianni Vittorio Armani's declarations, institutional investors queued up to get the bonds, "with requests 30% higher than the availability<sup>5</sup>. The money would only transit through CAV accounts, being transferred then at the closing of the

2 [http://ec.europa.eu/dgs/economy\\_finance/evaluation/pdf/eval\\_pbi\\_pilot\\_phase\\_en.pdf](http://ec.europa.eu/dgs/economy_finance/evaluation/pdf/eval_pbi_pilot_phase_en.pdf)

3 [http://ec.europa.eu/dgs/economy\\_finance/evaluation/pdf/com\\_staff\\_working\\_document.pdf](http://ec.europa.eu/dgs/economy_finance/evaluation/pdf/com_staff_working_document.pdf)

4 <http://cbonds.com/news/item/822805>

5 <http://online.stradeeautostrade.it/notizie/2016-04-08/chiuso-il-project-bond-cav-il-primo-in-italia-in-collaborazione-con-labei-52173>

operation to the accounts of ANAS (446 million euros) and Cassa depositi e prestiti (335 million euros), which in 2013 borrowed 350 million euros to CAV (intermediating a loan by the EIB) to cover the outstanding debt<sup>6</sup>. The operation allowed ANAS and CDP to get their debts repaid, and is bounding ANAS to repay bond holders (institutional investors) until 2030.

The ultimate guarantee of the operation is provided by ANAS and the Veneto Region. The question remains what will happen if a portion of the debt sold to institutional investors would be recognised as proceeds of corruption – especially since at this stage it is unclear if this risk has been fully taken into account in the A3 Moody's rating.

6 <http://online.stradeeautostrade.it/notizie/2016-04-08/chiuso-il-project-bond-cav-il-primo-in-italia-in-collaborazione-con-labei-52173/>

## ABOUT US

### Re:Common

is a public campaign membership based organisation challenging the financialisation of the natural commons in solidarity with affected communities both in the South and in the North and advocating for new and democratic public financial institutions at national and global level to promote the commons.

Re:Common works to produce structural change both in finance and the ways natural commons are dealt with, in solidarity with those directly affected by an harmful and unjust development model, both in the global South and in Italy and Europe.

In order to achieve its long-term goal Re:Common will have a stronger commitment to developing, promoting and practicing alternatives reclaiming both public finance and public interest natural commons policies.

Re:Common will primarily act within social movements in Italy, Europe and the world by supporting and enhancing them with its analyses, campaigns and concrete support in order to generate external pressure on governments and institutions for a transformative change.

[www.recommon.org](http://www.recommon.org)



RE:COMMON

### Counter Balance – Challenging public investment banks

is a European coalition of development and environmental non-governmental organisations (NGOs) with extensive experience working on development finance and the international financial institutions (IFIs) as well as campaigning to prevent negative impacts resulting from major infrastructure projects.

The coalition was formed in 2007 to specifically challenge the European Investment Bank (EIB) and push for its reform. While the EIB remains our main target, we have expanded the scope of our work to other public investment banks such as the European Bank for Reconstruction and Development (EBRD) and national Development Financial Institutions (DFIs) – all public financial institutions which operate similarly. We also deal with related EU policies and regulations impacting those institutions.

Counter Balance's mission is to make European public finance a key driver of the transition towards socially and environmentally sustainable and equitable societies.

We do this by holding EU public financial institutions to account, challenging harmful decisions, policies and projects, and promoting alternatives. As a coalition we work in close cooperation and solidarity with affected communities and citizens around the world and are willing to act as a support service for them.

Starting from the observation of a growing dominance of private finance driving inequality and straitjacketing our economies, politics and societies, we pay a lot of attention to how money is spent and who profits from it.

Therefore, we challenge the business model of public investment banks which is increasingly subordinated to the same market logic, even when tasked with promoting development. The tendency to appeal to and strengthen financial markets rather than to counterbalance them is also reflected in the financial mechanisms used to finance infrastructure and support the private sector.

At the same we promote and advocate for more transparency and stronger accountability mechanisms for these institutions. We support our findings and recommendations through case studies illustrating the impact of public financial flows.

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

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