Counter Balance Activity Report
2012-2013

June 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

New website: www.counter-balance.org

A Global Network

Counter Balance is a European NGO coalition with 8 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 and Central Asia - Mongolia and Kyrgyzstan.
PUBLIC ACTIONS

> Four public actions in 2012 and 2013

COUNTER BALANCE
Topics
Publications

> 8 Newsletters
> 5 publications and
> 9 energy factsheets

Key achievements

* The EIB no longer lending to coal.
* The EIB no longer lending to mining.
* Sustainable high level dialogue between the EIB and CSOs.

Counter Balance in the Media

> 25 press releases
> 40 blogs and op-eds
> Media coverage in EU Observer, the Guardian, European Voice, Euractiv and more.
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Counter Balance is a network in motion. Since our foundation in 2007 we have moved from a NGO campaign challenging the European Investment Bank (EIB), to an independent organisation working in the wider field of European public financial institutions. Our organisation has grown to 8 permanent members active in 12 countries. We have established broad networks both at EU level and with grassroots organisations in the South.

Our first activity report is a new step in the development of Counter Balance, with the aim of keeping our expanding group of partners and stakeholders informed and involved in the progress of our organisation.

In recent years we have covered a broad range of topics related to public finance and the EIB in particular. Last year we centred our efforts on energy and the EIB’s decision to stop funding coal was a major achievement. In fact, since our first interaction with the EIB we have seen the bank evolving in many ways. It has de facto stopped lending to the mining sector; the fossil fuel dominated energy portfolio of the bank has instead shifted towards a more renewable energy oriented one. Furthermore, the EIB has taken steps to become more transparent and open to dialogue with civil society; it now organises yearly meetings between civil society and the bank’s directors. Counter Balance has pushed for each of these changes.

Despite several improvements, more pressure is needed if we want a bank capable of having a positive development impact, putting human rights to the fore and truly accountable to EU citizens and those affected by its projects. Such a bank would be less dependent on financial markets and would not finance large infrastructure for
the sake of it. It would look for sustainable solutions to overcome today’s structural problems instead of further developing the very operations that caused the problems in the first place.

The relevance of our mission has been strengthened by the EIB’s capital increase which will allow it to lend at unprecedented levels this year. Strengthened governance and increased public scrutiny of its activities are more necessary now than ever before.

Yet it would be a mistake to focus solely on the EIB. The European Bank for Reconstruction and Development (EBRD) is another public bank operating in a similar way. It would be a missed opportunity if we didn’t use our experience to campaign for the same changes at this bank, whose operations are increasingly converging with those of the EIB.

In addition, we feel it is highly important that we share our experience and findings with partners working on national investment banks. Decisions made at the EU level largely determine the policies and priorities of these banks and can potentially have an even deeper impact than policy changes within public banks themselves. Therefore, it is crucial to closely monitor the development of EU policies.

Despite the challenges ahead, we also identify alternatives and solutions. Citizens can work together to produce their own energy. New forms of direct democracy are being explored and calls for transparency and accountability in public spending have never been louder. People are demonstrating the strong will to shape their own future and are demanding that public institutions act in everyone’s interests. Counter Balance sees its role as that of facilitator for these processes: holding debates on the role of public investment and supporting community-led initiatives.

We have won some battles but many more still need to be fought. Certain issues have been pushed down the agenda while new ones have emerged. We have teamed up with partners from different regions all over the world and we are currently broadening our membership. Together we keep pushing for genuine change in the culture of European public banks.

These are the challenges that Counter Balance faces and the opportunities we need to seize. We want them to be reflected in our work, every day.

Xavier Sol, Director of Counter Balance
Campaigns and Achievements
2012-2013
1. Phasing out public finance for fossil fuel projects – EIB out of coal

Having the energy policy reviews of both the EIB and the EBRD on the agenda in 2013 was a great opportunity to push those banks in a more sustainable direction. Counter Balance decided to campaign for the EIB to stop lending to coal and pave the way for a full phase out of fossil fuels. We also supported our member group, Bankwatch, in pursuing similar results from the EBRD.

One year of hard campaigning and advocacy work proved successful in the end. The EIB introduced a so-called Emissions Performance Standard in its new policy which requires it to refrain from financing the most carbon-intensive power generation, thus making it technically impossible to support the dirtiest of all its energy investments: coal.

However, beyond simply attacking fossil fuel investments, we engaged European citizens in debating alternatives. Community power emerged as a people-centred alternative which can offer solutions to challenges such as climate change, energy poverty, energy security and more. Discussing its potential and setting it high on the political agenda seemed a highly appropriate way to conclude two years of intense engagement with EU citizens by Counter Balance and its members.

EIB president Werner Hoyer with the “Coal down award” during the bank’s annual press conference in 2013.
We teamed up with 51 MEPs to pressure the EIB to green its energy portfolio. To inform EU citizens about the energy challenges ahead we produced a set of nine factsheets on EU energy policy and the role of public banks. Among the topics covered are energy security, renewables, coal, nuclear energy and shale gas, among others.

Our cartoon, "Europe’s energy dependence is not child’s play", depicts Europe as a spoiled child that doesn’t want to share its toys: a clear allegory for how the EU deals with neighbouring regions when it comes to energy.

The future is what you make of it. In an ultimate attempt to convince the EIB to stop funding coal, we managed to gain access to the EIB annual press conference and present President Hoyer with the "Coal down award". This action was organised in collaboration with the Yes Lab and was widely picked up by the media. Less than half a year later what had at first sounded unrealistic became reality.

To find out what EU citizens think our energy future will look like, check out the photos we received for the competition "Picture Europe’s energy future". Further insights into citizens' opinions were offered at our event, "Power to the people - the potential of community-driven energy projects", where decision makers and civil society proposed community power as an alternative to the current system of big energy corporations.
* The EIB no longer lends to coal power projects.

* EIB lending for energy efficiency and renewable energy has increased significantly and is at the top of the bank’s priorities.

* EU citizens united around the idea of community power projects as an alternative to the current energy model.
2. Phasing out EIB lending to the extractive industry

"Whether on energy or financial intermediaries or on mining or on hydropower financing, never forgetting what is at the heart of the problem makes them effective, it is their strength".

CSO representative about Counter Balance, Evaluation Report (2010-2012)

One of our most successful areas of work has been our campaign against the EIB’s role in mining. We have challenged different mining projects in which the EIB was involved, but it was through our campaign against the Zambian Mopani Copper Mine that we managed to stop EIB investment in the extractive industry.

The Counter Balance report, “Mopani copper mine, Zambia - How European development money has fed a mining scandal” revealed serious environmental and human rights violations related to the project. The tax audit that we consequently uncovered added serious allegations of tax evasion by Glencore, the mother company of the mine.

MEPs and the media took the case extremely seriously and challenged EIB involvement and the development orientation of this project. The EIB announced an internal investigation, put Glencore on its blacklist and has not financed any mining project since.
**Highlights**

* The EIB reacted by freezing future loans to Glencore.
* No direct loans have been granted to mining projects by the EIB since the Mopani case.

**Key achievements**

* Revealing the secret tax audit that proved tax evasion by Glencore, which alongside political pressure, forced the EIB to take action.
* An influential documentary film produced by French journalists: “Zambie: A qui profite le cuivre?”.
* An open letter signed by over 50 MEPs, calling for a moratorium on public financing for mining projects.
* A report, “The Mopani Copper Mine: How European development money has fed a mining scandal”, in English and French.
* The case was picked up by civil society organisations all over Europe and Africa who campaign for tax justice and transparency.
After repeated calls from Counter Balance to create high level and official dialogue between the EIB and civil society, the EIB agreed in 2011 to organise annual meetings between NGOs and the non-residential Board of Directors at the EIB headquarters in Luxembourg.

Counter Balance facilitates dialogue between the EIB and the civil society community, including representatives of impacted communities from the South. This involves preparatory meetings with both EIB staff and NGOs, coordinating submissions of input papers and disseminating information about the meeting. Both the bank and the civil society community have positively assessed this as a useful event, and Counter Balance’s work in this regard was pivotal.

2013 saw the second such meeting taking place. Counter Balance raised issues such as energy lending, transparency and the development impact of EIB activities during the debates. According to Anna Roggenbuck, EIB campaign coordinator at CEE Bankwatch Network, “The impression I got was that both NGOs and EIB appreciated the exchange and I’m glad the EIB committed to repeating and even intensifying similar meetings in the future.”
Regular dialogue between the EIB and civil society has been established through annual meetings.

* The EIB is on the priority list of many civil society organisations.
4. Putting development at the core of EIB lending

Even though the EIB is not a development bank, it has a clear development mandate for its operations outside the EU. The bank’s external lending mandate, which is negotiated between the European Parliament and the Council, has been an important policy process in defining its exact mandate and priorities.

Counter Balance continued to focus on this process by providing written submissions, organising meetings and holding debates with policy-makers and CSOs. The main objective being to strengthen the mandate of the EIB by promoting coherence between the EIB’s external action and EU development objectives and external action priorities. We focused in particular on three main issues:

- Press conference with MEP Bart Staes, Nigerian human rights lawyer Femi Falana and researcher Dotun Oloko about how EIB’s investments in financial intermediaries links the bank to the corrupt politician James Ibori.
"The European Investment Bank is not a development bank, it is an investment bank designed to support EU policies, including external action",

Werner Hoyer, EIB Director

a. EIB lending through financial intermediaries

To be able to reach smaller players such as SMEs, the EIB invests about 39% of its funds through financial intermediaries such as banks and investment funds. Unfortunately this type of lending results in a significant lack of transparency and limited control over how and where the money is spent.

Counter Balance deepened its previous engagement with this topic by building on its two reports - “Hit and run development” and “Missing in action” - and focusing on concrete cases such as EIB lending to Emerging Capital Partners private equity fund in Nigeria. Thanks to this awareness raising work, the EIB has on numerous occasions been challenged by MEPs and the media to provide more transparency and details of the impact of its lending.
b. The issue of blending grants and loans

The EIB is expected to play a crucial role in a relatively new trend which is being pushed at EU level, namely the blending of grants with loans from public institutions and private lenders to fund projects in partner countries. The existing mechanisms lack transparency and accountability and, as of yet, there is no reliable evidence that blending mechanisms meet development objectives. As the Commission is determined to increase the use of blending mechanisms to attract private sector resources, the question of ‘who is leveraging who’ is hotly debated between the public institutions and the private sector.

Along with other organisations, Counter Balance has launched a public debate about the effectiveness and desirability of these mechanisms at EU level, in particular, through a high level debate in the European Parliament.

c. Lending through offshore financial centres or tax havens

The EIB is one of the few international financial institutions to have adopted an official policy on tax havens. While we applaud this, this policy has, however, proven to be ineffective, as millions of euro channelled by the EIB still ends up in tax-evading companies yearly. Loans through financial intermediaries are particularly vulnerable to tax evasion practices as they are almost impossible to investigate.

Counter Balance has continuously put pressure on the EIB, and now on the EBRD, and called for the adoption of stringent policies on lending through non-transparent and uncooperative jurisdictions, especially when lending through financial intermediaries and private equity funds.
**HIGHLIGHTS**

A thorough discussion on blending, the new black hole of development finance, with all stakeholders (MEPs, the Commission, CSOs and local communities) in the European Parliament: The EU Development Agenda: "The external lending mandate of the European Investment Bank and the rise of blending mechanisms".

**KEY ACHIEVEMENTS**

> The European institutions gave a clear development mandate to the EIB when acting outside the EU, with stringent requirements on transparency and development impacts.

> In 2012 the EIB developed an impact assessment tool for its activities outside of the EU: the Result Measurement Framework (REM).

> The EIB has made a commitment to review its policy on tax havens in 2014.

Two reports highlighting what goes wrong in practice:
- EIB's loan to the Brazilian public bank BNDES
- "Is EIB money going to the poorest?", analysing EIB's investments into microfinance.
A Network in Motion
2012-2013
Counter Balance is a network in motion. Over the last two years we have:

- Expanded the regional scope of our activities
- Expanded the thematic scope of our work
- Expanded our membership
- Built partnerships and supported local communities

1. Expanding our geographical scope – Counter Balance in the Middle East and North Africa (MENA)

With the Arab spring and the EU’s response, we felt the urgent need to partner with local networks in the regions. EU strategy largely consisted of channeling more money into the region, mainly via the EIB and the EBRD, and Counter Balance was concerned that additional funds for the same projects would support the elite instead of backing the populations’ demands for democracy and social justice.

We established relations with local organisations in several countries in the region to assess their needs and demands and to develop a common strategy towards EU institutions. Meanwhile we undertook collaborative research, did joint media work, sent coordinated letters to the banks, organised workshops to share knowledge about the operations of public investment institutions and learned from partners on the ground.

2. Expanding the scope of our work

Founded as a coalition ‘challenging the European Investment Bank’, we have decided that it is time to look beyond this one institution. The EIB’s priorities, policies and operations are largely determined by the other EU institutions and Member States. If we want to change
the bank’s behavior we need to engage with relevant policy processes at a different level. The list of Projects of Common Interest developed by the European Commission and the Member States will be an important factor in deciding which infrastructure projects are prioritised and financed by the European Investment Bank and therefore we continue to follow this process as well.

Yet the EIB is not the only focus; we have recognised the importance of tracking developments at the other European investment bank, the Bank for Reconstruction and Development. There are many possible synergies that can be drawn between the two. Since 2011 it has also been active in the Mediterranean region; Counter Balance follows the projects it finances there and organises campaigns with local groups. Immediately after the EIB adapted its energy policy, the EBRD undertook a similar process; Counter Balance had an active influence on this process as well.

3. Expanding our Membership

The development of the coalition has also been reflected in an expanding membership. With ODG, Counter Balance has now a member in Spain, a country where we have not yet been active so far, and Platform is our second member from the UK. But more important than where these organisations come from is their long-term vision. With ODG we have been working mainly on Project Bonds and, more specifically, the Castor Case. Platform is more active
on energy related issues and we cooperated on the Trans Adriatic Pipeline and key energy infrastructure topics such as the Projects of Common Interest list.

4. Building partnerships and supporting local communities

Partnering with and supporting local organisations in their struggle is key to our work. When we work on case studies we always make sure that we strengthen the demands of local communities.

European public banks are involved in numerous fields, such as energy, climate change, human rights, etc. We are committed to attracting specialised organisations to investigate the work of the EIB. In this way we act as a coordination hub between the local and the European level, and between issues-based organisations and public banks.
Key Achievements

> Two new members.
> New network in the Mediterranean region.
> Shift from focus on the EIB alone to a broader focus on public finance and related policies.
> "No to biodiversity offset" declaration and the "Scrap the EU ETS" declaration and campaign both supported by 150 organisations.
> A public stunt and strategic event protesting against the first World Forum on Natural Capital in Luxembourg.
> New website, mission and logo reflecting the development of our organisation.

Over the last few years Counter Balance has built a stable network of partnerships in Brussels and London, among international CSOs communities, as well as on the national level in Europe, the MENA region, Africa and Latin America.

To mention just a few: Counter Balance has cooperated closely with networks like Eurodad and Concord on issues such as development finance and coherence with EU development goals; with Tax Justice Network, Action Aid and Christian Aid on the issue of tax havens; with Client Earth on issues related to transparency, access to information and accountability; with WWF, E3G and Climate Bonds regarding the EIB and EBRD’s energy policy reviews; with Friends of the Earth Europe on community power projects; and with Fern on offsetting biodiversity.

We have also been active in the creation of two global campaigns. The “No to biodiversity offsetting” campaign and the “Scrap the EU ETS” campaign are two success stories which bring together over 150 civil society organisations to oppose common issues affecting people in both the North and the South.

Counter Balance’s media work and networking and advocacy events have been indispensable in developing these global networks and crucial for bringing together progressive voices from all over the world on a common concern, the financialisation of nature.
History, Structure and Finances
2012-2013
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

“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”.


In 2014 Counter Balance is working on the expansion of its network by integrating new strategic partners.

**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.
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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