

# Issue paper

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## NPK - Is the EBRD's policy on offshore financial centres meaningful?

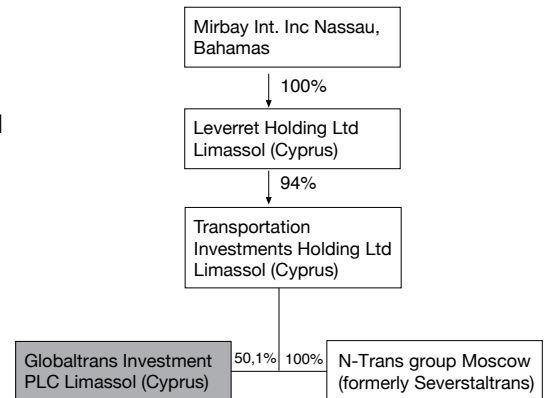
On 14 September 2010 the EBRD approved a senior loan of up to RUB 650 million (around EUR 16 million) for the New Forwarding Company (Novaya perevozhnaya kompaniya - NPK), the main operating subsidiary of Globaltrans Investment Plc, the top private railway transportation company in Russia, for the expansion of its rolling stock.

So who owns GlobalTrans Investment?

According to GlobalTrans' website Transportation Investments Holding Limited owns 50.1 percent.

Envesta Investments Ltd, owned by the management of GlobalTrans, owns 14.45 percent.

0.14 percent are controlled by GlobalTrans Directors in the form of Global Depository Receipts, and 35.31 percent of shares are free-float.



And who's behind Transportation Investments Holding Limited?

According to GlobalTrans' website, billionaires Nikita Mishin, Konstantin Nikolaev and Andrey Filatov jointly control the company<sup>1</sup>. So the first question is: why is the EBRD supporting companies run by billionaires?

However on further inspection, the picture becomes more opaque.

Transportation Investments Holding Ltd is 94 percent owned by another Cyprus-based company, Leverret Holding Ltd<sup>2</sup>. Leverret Holding Ltd is 100 percent owned by Mirbay International Inc, Nassau<sup>3</sup>. When deciding whether to order the company registration documents for Mirbay International, Bankwatch was advised that owner data does not always appear in registration documents for Bahamas-based companies and that the documents cost around GBP 350. The trail therefore stops there. Why is the EBRD supporting companies whose ownership trail stops in the Bahamas?

## What does this case mean for the EBRD's policy on offshore jurisdictions and transparency more generally?

The EBRD's policy on offshore jurisdictions takes as its reference point the internationally agreed tax standard endorsed by the UN Committee of Experts on International Cooperation in Tax Matters in 2008. It is the work of the Global Forum in Implementing the Internationally Agreed Tax Standard to ascertain which jurisdictions have or have not implemented this standard. The Global Forum's April 2009 progress report on jurisdictions surveyed by the OECD Global Forum in Im-

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plementing the Internationally Agreed Tax Standard found that the Bahamas had agreed to the internationally agreed tax standard but had not yet substantially implemented it. By this year's May 2 Progress Report, the Bahamas, along with almost every other known tax haven, was found to have substantially implemented the tax standard. It is therefore not known what the Bahama's status was at the time the project was approved.

However, one of the chief criticisms levelled at the Internationally Agreed Tax Standard is that it is easy to escape from being classified as a tax haven by simply making a series of bi-lateral tax information exchange deals with other countries. In addition to the fact that these bi-lateral deals cover relatively few countries, the Tax Justice Network argues that they are often meaningless in reality and do not mean that information will really be exchanged, as there are plenty of loopholes for not doing so<sup>4</sup>. Thus many countries have escaped from being classified as tax havens simply by making meaningless bi-lateral agreements, leaving the Global Forum's list almost empty.

Therefore, while there is no evidence that the EBRD acted in violation of its tax havens policy in approving the NPK project, the case raises questions about whether the policy's reference to the Global Forum is an adequate starting point for deciding what is and is not a tax haven.

**The EBRD must account of the weaknesses in using the Global Forum as a reference point when next reviewing its policy on offshore jurisdictions.**

Bringing the issue back to a common sense level, however, whether the Bahamas is on a global list of tax havens or not, the structure of NPK is opaque and as far as Bankwatch is aware it is impossible for a member of the public to establish its real ownership. It is unacceptable for the EBRD to use public money to finance companies whose main owners cannot be established through official documents.

**At the very least the EBRD needs to establish minimum standards for beneficiary companies to disclose their main owners.**

**At the same time, the EBRD needs to tighten its project scrutiny to avoid financing projects by companies owned by the richest people in a given country.**

Whether those in question have gained their wealth legally and ethically and whether they have engaged in tax evasion in order to do so is an open question which is beyond the scope of this paper, yet it is sure that there are more deserving targets of international development finance.

## Notes

1. <http://www.globaltrans.com/investors/shareholder-information/ownership/>
2. Company Registry Cyprus, 2011. Company Information on Transportation Investment Holding Ltd Cyprus, 14 March.
3. Company Registry Cyprus, 2011. Company Information on Leverret Holding Limited Cyprus, 23 March.
4. Tax Justice Briefing – Tax Information Exchange Arrangements – prepared May 2009 [http://www.taxjustice.net/cms/upload/pdf/Tax\\_Information\\_Exchange\\_Arrangements.pdf](http://www.taxjustice.net/cms/upload/pdf/Tax_Information_Exchange_Arrangements.pdf)