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Keynote Introductory Speech at

ELTI General Assembly 2023

“How to attract private investment”

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11:20 – 11:40 am

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Dear ELTI President Dario Scanapiecco,

Dear Chairman of the Czech National Development Bank, Tomas Tedezki,

Distinguished guests and speakers,

Colleagues and friends,

Let me start by thanking Tomáš and Dario for the kind invitation!

And to thank the NRD team for the great organization of this General Assembly and for your hospitality in this wonderful city of Prague.

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Ladies and gentlemen,

It is a pleasure to be here today,

And an honor to speak at this General Assembly

In a year when the European Long-Term Investors Association celebrates its 10th anniversary,

The European Investment Bank is a proud founding member of ELTI.

President Hoyer was then the first President of the association.

Today, EIB remains a highly committed partner and “permanent observer” of ELTI.

And you, national promotional banks and institutions, are key, natural partners of the EU bank.

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Ladies and gentlemen,

We live in very challenging times!

The times they are changing and not for better.

The demands on our institutions are ever increasing.

Europe has experienced many decades of peace and prosperity

Many decades of cooperation and ever deeper integration.

But now we find ourselves in a world of crises.

The climate crisis, the pandemic crisis, the Russian invasion of Ukraine… and now terror returned to the Middle East.

Europe needs to stay strong and united in the face of these challenges.

Defending the democracy!

Defending human rights against barbarism!

Defending freedom against totalitarianism!

Defending the rule of law against force and unlawful violence.

But it is not only unpredictable external factors that put us under stress,

Our complacency over the last few decades is coming back to haunt us.

We knew that aging populations would lead to a scarcity of skilled workers.

We knew that a shrinking workforce would reduce our economic growth and well-being.

We knew that we are highly dependent on the extraction of fossil fuels and raw materials.

We knew that Europe falls behind in key technologies and venture capital.

And we didn't act accordingly.

We didn't act for too long.

As Franz Kafka wrote once: "paths are made by walking".

Now we face a range of competing investment needs.

From education to decarbonization.

From energy autonomy to semiconductor production.

There is a widespread feeling that Europe is falling behind.

That our children may struggle to reach the same level of wellbeing we enjoyed for most of our lifetime.

Many citizens feel overwhelmed and frustrated.

This is fertile ground for spreading out disinformation and populism.

Budgets are now strained by debt accumulation and the normalization of interest rates.

And governments are looking for new resources to tackle all these challenges.

The recent G20 summit in India called for a reform of the MDBs that “could potentially yield additional lending headroom of approximately 200 billion dollars over the next decade”.

Public investors like us are in the spotlight.

We are called to deliver as never before.

And we must deliver!

On occasions, public banks are sometimes referred to as cheap substitute for private banking.

Let me be very clear. This is not our role.

The role of public banks to complete financial markets and to finance completion of other markets, namely public goods markets. To crowd in private sector. Not to compete or crowd out private sector.

To finance those areas of the economy and with those counterparts that private banks do not reach by itself, but that are still bankable.

Good public policy banks do not to finance non-bankable projects and failed companies.

But good public policy banks share the risks that private sector cannot take by itself to crowd in sizable amounts of private money.

Public policy banks address market failures.

Address market imperfections due to asymmetrical information and externalities that drive suboptimal risk taking, supporting public policy objectives in a sound regulatory environment.

To ensure an efficient resource allocation that maximizes sustainable output, balanced economic growth and social cohesion.

Our statutory framework is based exactly on these fundamental principles.

We act as a catalyser that uses public funds to crowd in private funding and mobilize huge amounts of additional financing that would not be there otherwise.

For each euro we invest we bring on average 5 euros of additional investment.

We are a huge investment powerhouses.

Paths are made by walking, keep it in mind.

And we can do even more together.

We support high quality investments, that spearheads Europe's economy and jobs in a competitive and sustainable economy.

We are best-placed to mobilize private capital to finance the transformation that the world and Europe needs.

Without private capital, we will fail.

Without private monies, we will not achieve our goals and will overburden government budgets even more.

Just compare the 200 billion dollars of additional lending headroom for all MDBs over the next decade.

With the existing estimates of the global infrastructure financing gap point to 15 trillion dollars by 2040.

Even a half of this gap is simply something huge.

Modernizing infrastructure and making it sustainable is a massive challenge for Europe too.

We need to to mobilize private capital.

We need larger multipliers for our investment.

And we know how to do it.

All of us here.

Every day we show how to crowd-in private capital.

To fund ambitious policy goals.

Public policy banks play a crucial role in mobilizing private sector financing.

Acting as facilitators, intermediaries, and supporters of financial activities and projects.

Our commitment to a project is a public good by itself. By bringing long term funds, but also rigorous due diligence.

By assessing and mitigating financial, economic, environmental and social risks.

By providing a credible quality stamp, that brings private investor that benefit from a good project without the need of incurring in costly due diligence and risk assessment.

With our commitment, private investors get reassurance that international best practice will be followed.

In design, procurement, social and environmental sustainability and implementation phases.

That is a great global public good we provide.

Public policy banks also provide credit enhancement in the form of guarantees and insurance to private sector projects, reducing the credit risk for private investors and lenders.

This is risk sharing at work.

Sharing the risk to make projects attractive and feasible, crowding in private sector.

We have seen this for example when the European Investment Bank first financed offshore wind farms, supporting private investors the confidence to follow.

Public policy banks are better positioned to offer long-term financing than commercial banks.

We are patient bankers, with patient shareholders.

Patience is a key productive factor for infrastructure and sustainable development projects.

For innovation projects with long payback periods and high risk, like new vaccines and drugs, quantum computing or developing the green hydrogen ecosystem.

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Ladies and gentlemen,

A good example of crowding in for an existential policy goal is the EIB Group's Climate Bank Roadmap.

In 2019, we committed to support one trillion Euros of investment in climate action and environmental sustainability in this decade.

Many people laughed with disbelief at me, and at Dario for sure, on the trillion.

We are well on track to achieve this bold objective!

We already mobilized 222 billion euros of green investment by the end of 2022.

And the same can be said for economic and social cohesion investment.

EIB lent more than 120 billion euros to projects in priority cohesion regions between 2015 and 2021.

Our lending has a significant macroeconomic influence on these regions, with up to a 2% impact on GDP.

By 2025, we will devote more than 45% of our annual lending in the EU to cohesion regions.

Of which, more than a half to less-developed regions.

It is more than 40 billion euros a year to EU cohesion regions.

You are all familiar with the European Fund for Strategic Investments, the Juncker Plan, and with InvestEU.

An independent evaluation of the impact of the Juncker Plan, has shown that the 100 billion euros of financing are mobilizing close to 525 billion euros of investment.

5% above the original target of 500 billion euros.

Almost 75% of this massive investment of 525 billion euros came from private sources.

To address the investment gap in Europe.

Private investors were crowded in by lower interest rates and long tenors. Definitely yes.

But also by flexible credit conditions, by tailored financing solutions, by rigorous due diligence and risk assessment.

By the stability of the credit and reputational benefits.

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The European Investment Fund, our subsidiary for SMEs and venture capital is also supporting private investment.

The EIF is a major implementing partner for InvestEU.

The EIF will leverage 11 billion euros of InvestEU Fund resources and will crowd in additional private investments through guarantee and equity risk sharing instruments.

With very powerful multipliers.

The ambition is to mobilize almost 150 billion euros in investment.

This is mobilizing 13 euros of investment for each euro of the InvestEU guarantee.

Devoted to the most innovative small and medium-sized companies and mid-caps.

To achieve this, the EIF will use its proven risk-sharing instruments, which have, over the years, delivered up to 13 times leveraging on direct investment.

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Impact investment is a key area of the EIF operation.

As a pioneering move, the EIF launched the Social Impact Accelerator, with a final closing of 243 million euros in 2015.

This was the first pan-European public-private partnership to address the growing need for equity finance to support social enterprises.

One of the partners at the time was the Bulgarian Development Bank.

The Social Impact Accelerator was the first of many EIF investments to prove that social goals are compatible with financial success.

At the EIB Group, we are very proud of our excellent cooperation with NPBI partners all across Europe.

Let me just mention the example of the long-lasting collaboration with our host, the National Development Bank.

We started with guarantee programs to support small businesses in the country.

During the last 5 years, we have supported the NRB in its transformation into the “national development” bank.

Providing advisory assignments

Building the local advisory hub, the ELENA program

Engaging in financial instruments capacity building.

You can count on us for continued support.

We are very really proud of the recent joint program supporting small and mid-sized public infrastructure projects in Czech municipalities.

This enables us to distribute a new, blended instrument for three coal regions in the Czech Republic under the Just Transition Mechanism.

I am particularly glad to hear that Czech Republic is a leader among the Member States implementing this key initiative.

If the transition is not just, it will not happen. It will fail.

And it can't fail.

And Czech Republic is making it happen.

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Ladies and gentlemen,

Europe has a lot to do, but the challenges don't end here.

I spoke about the geopolitical changes we face and the global task to decarbonize our lives.

EIB is increasing its activities beyond the EU.

EIB Global will mobilize at least one third of the 300 billion euros in investment that Global Gateway sets out to generate by the end of the current EU financing period.

Europe's problems will remain unsolved so long as our neighbors are torn apart by bloody wars

Or are forced to flee drought, hunger and poverty in fragile countries.

We need to invest in the green transition also outside the EU.

Because 90% of the world's emissions come from outside EU. Not from Africa or Latin America or the Caribbean.

But these regions are precisely the ones that suffer more impact from climate change.

We need to bring private investors on board outside EU too.

Governments struggle with always limited budgets, as it should be.

A budget restriction is part of good decisions and governance in a sustainable world with scarce resources.

So MDBs must increase their lending volume, leveraging public capital in the most efficient manner.

The economic benefits of globalization have created enormous amounts of wealth and well being. But not for all.

It was just globalization. It was not a JUST globalization.

Global wealth, measured in personal holdings of assets from real estate to stocks and shares, is projected to rise a further 38% by 2027 to 629 trillion dollars.

The world has the means to finance the necessary investment to address global investment needs.

Experienced investors, who pursue public policy goals, as we do, must come together with private investors.

Must ensure this money is spent wisely, in the interest of mankind.

“Paths are made by walking.”

That’s the motto.

We have the knowledge and the means to walking.

To walk the talk and open the path.

The path to put public money at work and crowd in private money to create the path for a united Europe

An Europe of peace, democracy and sustainable and inclusive growth, leaving no one behind.

Let’s walk this path.

Thank you very much for your time and attention.