

An Interview with Odile Renaud Basso

Director-General at the French Treasury

Nomination for the Presidency of the European Bank for Reconstruction and Development

Mikaela Gavas:

Welcome to CGD's conversations with the candidates for the presidency of the European Bank for Reconstruction and Development. This is the final conversation in the series with Odile Renaud Basso, Director General at the French Treasury, and nominee for the EBRD presidency. Madame Renaud Basso, welcome and thank you for agreeing to take part in this conversation.

Odile Renaud Basso:

Thank you very much for your invitation, and to give me the opportunity to express my views and present myself, thank you.

Mikaela Gavas:

Great, so let me start by asking you what you think the strengths and the weaknesses are of the EBRD, as we stand today in the midst of a pandemic and an unprecedented global health and economic crisis.

Odile Renaud Basso:

I think one of the key strengths of the EBRD is its very unique mandate, which is focusing very much on the private sector and the concept of transition, with a link with the political environment, and the concept of democracy. So I think the EBRD has developed its experience since the time it was created in the '90s, building on this mandate and its very unique strengths, which are in my view, the number of five or six.

Odile Renaud Basso:

The first one is the fact that it has a wide set of instruments, it can intervene in debt guarantees, equity, direct and indirect. It is very well established in the countries of operation with a large network and people in the ground to help identify projects, working in cooperation with the authorities, with the private sector, with the economic environment, and this is a huge asset. Based on these two assets, the EBRD has been able to develop, and this is quite unique in the universe of multilateral development banks, it has a capacity to finance small and big projects; so we're moving from investment below 10 million euros, 10 million dollars, up to large scale investment, with an average investment of 25 million euros, and tailor made projects with high value added. This is something which is quite unique I think in the environment of MDBs, with very high risk appetite.

Odile Renaud Basso:

The fourth asset is its involvement in the policy making. EBRD is not only a bank providing financing, resources, it's also intervening in the context of country strategy, providing policy advice so as to ensure the financing is providing the best positive outcome it can do in the global environment, accompanied with structural reforms which are very important for the success and the development of the private sector. In this policy advice, EBRD is working with the governments, but also with the private sector, the stakeholders, and this is a very important feature also.

Odile Renaud Basso:

The fifth asset is the quality of the staff, with diversity of experience, of origin; coming from the private sector, bank specialists, sector work specialists, development specialists, and I think this brings very strong value to the bank. The governance structure and the shareholder structure of the bank is also a very important asset. It's a large multilateral bank with all countries of operation being also shareholders, it has a strong European backbone, a close relationships with the European institutions, but also a global dimension. I think this is something which is very valuable for the bank, because countries of operation are very much involved in the government, are interested as shareholders of the bank also. So there is a sort of alignment of interests.

Odile Renaud Basso:

And last but not least, the bank has a very strong financial position; lots of reserves, triple A rating, and this gives it a strong balance sheet and ability to support, in the context of the crisis we are going through, to provide adequate support for the countries of operation. To conclude on the assets of the bank, I think that its experience in providing support and accompanying countries in their transition, moving from a post communist era to, for a number of countries, membership of the European Union, is a very good example of what the bank can provide and illustrates its capacity to accompany successfully countries in very important transition events; that gives it a very strong credibility. I think I will stop here for the strengths of the bank, which is quite a lot already.

Mikaela Gavas:

Thank you, and for the weaknesses?

Odile Renaud Basso:

For the weaknesses - I want to call them areas for improvement - I think that the bank can deepen its cooperation with the other multilateral institutions. We know that all MDBs work in a cooperative manner, but I think more can be done in order to ensure that each of the banks is used relying on its key features, where it has the most value added, and where it can provide the most value for money in terms of development. So I think that this is an area

where more can be done, a lot of progress has already been done, but I think we can go further in terms of cooperation, using MDBs in a more integrated manner.

Odile Renaud Basso:

The second area, and I think that the bank has done a lot compared with others, in particular in terms of evaluation, assessment of the impact of its operations, but I think here also we can go beyond and develop knowledge management and so forth. The last point, I would say that one of the key challenges for the bank is to manage to have a common view among shareholders about what are the key strategic priorities, and how to go about in the future developments.

Mikaela Gavas:

So then what is your vision for the future of the EBRD, and how would you use this period to start thinking about the shape of things to come?

Odile Renaud Basso:

I think the future of the EBRD should be focused on continuing to provide support for the countries of operation, pursue its mission of stabilization of the enlarged neighborhood, and fostering transition towards the best standards at the economical, political, social and environmental level, while responding to new strategic challenges. I think the key challenge in the future will be to continue in both paths, I mean the core sector of the activity and existing countries of operation, and pursuing, deepening, what has been engaged, while addressing the new challenges which are quite numerous - in terms of gender, migration, skill force, demographic issues, and of course last but not least, climate issue and energy transition.

Odile Renaud Basso:

I think this is what the bank needs to address in the coming years, and it has to do that in all its countries of operation, which are 38, with different stages of transition and different challenges, so the key responsibility of the bank is to find the right tools for the countries, depending on where it is in the transition phase. This has to be done in a context which is particularly challenging for the whole economy and the whole international institution, which is the COVID crisis, which has caused great shock, major economic shock at the global level, in all the countries across the world. This has created additional challenges, but I think the EBRD is very well placed to help going through this difficult period, while continuing to provide the support to foster the transition which is at the core of the EBRD mandate.

Odile Renaud Basso:

In a way the EBRD is at a turning point, because it has to think in some countries which are very close to have done the transition, and in which the issue of graduation is being discussed, and has to be dealt with in a pragmatic and efficient way; while on the other hand there is some debate about possible enlargement going beyond what has been decided in the last few years about the southern and Mediterranean region. All these issues have to be dealt with in an integrated manner, and showing that the resources that shareholders give to the

EBRD can fulfill its mandate, and are used in the best and more efficient manner, so as to be very effective to fulfill the development mandate of the bank.

Mikaela Gavas:

Thank you. We'll come to the thematic and geographic priorities in a bit, but let me ask you; if you are chosen to serve as president of the EBRD, what would be the top two or three things against which you would like your term to be judged?

Odile Renaud Basso:

I think that the first one would be the ability of the bank to continue to provide, and to increase its delivery in terms of support to the private sector; I think this is one of the very specific features of the bank, this is an area where the bank needs to continue to be at the top in all the countries it's intervening.

Odile Renaud Basso:

The second priority for me on which I would like to be judged, and I think that's a very important priority for the bank, is to accompany the countries in environmental and energy transition. I think the countries in which the EBRD operates are facing challenges in this respect, and it's very important for the bank, and it's one of its core responsibilities to accompany them in order to ensure they can grow economically and develop themselves, while ensuring that they are participating and contributing to the fulfillment of the climate objective and the Paris Agreement objective.

Odile Renaud Basso:

The third priority on which I would like to be judged is human resources, and the quality of the bank staff, and the diversity of the recruitment, and the ability of the bank to attract high potential human capital resources.

Mikaela Gavas:

Thank you. Moving on more specifically to the current crisis, how will the bank's activities have to differ from business as usual, due to the crisis? And do you foresee any short term and long term changes to the bank's operations and activities, stemming from the crisis?

Odile Renaud Basso:

In the very short term, it has already started a few months ago, the key priority for the bank in the first stage of the crisis is to provide some rapid support to its clients and the countries of operation. Everywhere in the world, all countries and all multilateral development institutions have focused on this very rapid liquidity support for enterprises, companies, so as to avoid that the lockdown, which is still taking place in number of countries, does not trigger a collapse of the economy, and massive bankruptcies. So I think this has been the first priority, and should remain because we are in a period of very high uncertainty, it should remain a priority in the coming months. There is a recovery support facility providing this sort of short term liquidity to existing clients, and this is very important as a

first reaction, immediate reaction. We should continue to work on this.

Odile Renaud Basso:

The second stage is to provide support to kick start the economy, so I think that moving from a liquidity phase to a solvency phase, and I can see that in France from what I'm doing here with public support to companies. In the second phase we will have to ensure that companies have sufficient own resources equity to finance their development, indeed the priority will not be only to avoid bankruptcy but also to support investment and the capacity to rebound and develop new markets, new activities and so forth, that should be the second focus of the EBRD.

Odile Renaud Basso:

In the longer term, I think the bank will have to... I mean, that's longer term objective, that should already have been reflected in the current activity, to continue to support the longer term challenges which I mentioned, like climate change, inclusiveness, and so forth. I think that in a way, the shock that we are facing which has a huge impact on the economies with a huge reduction of GDP, that is also an opportunity to develop new business models, new activities to address these long term challenges. There are also some longer term impacts of the crisis which will probably be related to a shift in global value chains, reorganization of global value chains, reorganization of production function across the world, because the crisis has revealed in a way that there may be some weaknesses related to over-dependency of a single point of production.

Odile Renaud Basso:

There will be, I'm sure, some willingness to re-organize some value chains, and this could be an opportunity for a number of countries on which the EBRD operates, with the possibility to attract investment and reallocation of investment. So I think that the way that we can see today the challenges that the EBRD will have to address now, already, and in the coming months, of course much will depend on how the pandemic will evolve, and what will be the economic impact; but what is clear is that the EBRD should be there, and remain there, to provide some countercyclical support to the countries in which it operates, and to be able to accompany its clients in all the countries.

Mikaela Gavas:

That's great, thank you. You mentioned climate; how would you make sure that the climate agenda remains front and center of the EBRD's investments in the COVID era?

Odile Renaud Basso:

The climate objectives are already very well anchored in EBRD's activity, and has been at the core of EBRD activity since quite a long time. EBRD has already done a lot for the green agenda, including by developing the green economy transition approach, which has been progressively updated and strengthened. This model has been very successful and the EBRD is now very much at the forefront of the MDBs in this area, with a 50% green economy transition ratio objective, and an ambition to work towards the Paris alignment through

systematic project screening. One of the challenges will be to implement these ambitious objectives in the coming years. So I think that the policy is there, the objective and the ambition and the support from shareholders on these objectives are there, but what will be crucial is to find the projects and to implement them in concrete terms in the coming years.

Odile Renaud Basso:

I think that there is more to be done to mainstream climate consideration, both in the bank's investments and internal activities. I think that developing also in the bank activity climate objective, and to assess the way activity is organized in regard with this objective we all share will be very important. Of course, in the context of the COVID crisis, there may be some temptation to reconsider some of the objectives, but I think in view of the involvement of the bank in these areas since the last few years, and in view of the importance of the challenges we are collectively facing, it will be very important to keep the direction and this objective at the core of the activities of the bank mandate and concrete activity. And I think that enhancing cooperation across multilateral development banks on these issues will also be very important in order to have a dynamic across multilateral development banks that will help all of them to achieve their objectives.

Mikaela Gavas:

You also mentioned gender; as you know, the EBRD has a gender strategy, but do you think it's being implemented well enough? Or do you think the EBRD should be doing more to pay attention to gender, both in its external investments, but also in its own internal policies and administration?

Odile Renaud Basso:

I think the EBRD, as you said, has already a gender strategy, and has been focusing on this objective in its activity, but also in its recruitment. I think this is an issue where progress... that needs some constant prioritization and constant support, in order to ensure that the objectives which can be set, the focus on this issue remains sustained. I know very well, as manager of a big financial institution in the public administration, that this is a challenge which is permanent, to be able to recruit, to promote, and to ensure equal opportunities, equal careers for all. This will need some constant support.

Odile Renaud Basso:

In the activity of the bank, one possible way to continue to promote and to enhance the effectiveness and the implementation of this objective, or reaching this objective, could be to ensure, as it's done with climate; to look at all projects, with a glance, looking at its impact on the gender balance. I know that it can appear like an additional criteria which can be cumbersome, but I think in the end, and we do that in France with the gender budgeting, in the end I think it's very effective in order to show that we always look at the impact of what we are doing with a view to reach this objective. Some projects may be very far away from the objective, some may be much closer and delivering much more on the objective, but looking at all projects with this criteria in mind could be very effective in the future.

Mikaela Gavas:

Do you think the EBRD should set measurable targets?

Odile Renaud Basso:

I think that should be considered. Of course that would be a decision by the board and the shareholders, but I think that should be considered. It's always a trade-off between the ambitions, the feasibility, and how to reach the path, but I think that should be discussed and considered.

Mikaela Gavas:

Great, thank you. Moving on now to the EBRD's countries of operation, what is your view of former president Chakrabarti's proposed expansion into sub-Saharan Africa? And what do you think is needed to enable the EBRD to be really effective in that region?

Odile Renaud Basso:

First of all, I think that the sub-Saharan region and sub-Saharan Africa development, is a very important issue for Europe, it's an issue of stability of the neighborhood of Europe, so I think in that respect it makes a lot of sense for the EBRD to look at what it can provide, and how it can contribute to the development of the sub-Saharan continent. This being said, I think that the EBRD has to stick also to the core features and the DNA of its mandate, which is to focus on the private sector, and with all the elements of the mandate I mentioned before, which is private sector, democracy and so forth.

Odile Renaud Basso:

I think that in this respect, it could be important to look at also what could be the value added of the EBRD; in my view the EBRD can, because of its expertise in the private sector development and developing an environment which would be favorable for... it would enhance private sector initiative, private sector financing and so forth, the EBRD can bring something in sub-Saharan countries, in which the degree of development would be strong enough in order for the EBRD to find projects, and to be able to be effective in its support and in its investment, in line with the key principles of its mandate.

Odile Renaud Basso:

So there is some room for looking into the extension of the mandate of EBRD in sub-Saharan countries, both because it's a challenge for Europe and for the world economy, and also because I think the EBRD can bring something in these countries. Also because it can, as I was saying, it's a bank which can develop very small projects, has an ability to intervene in very different kinds of projects, and that can be very effective in sub-Saharan countries. My approach would be to focus on some countries in which it would make sense, not to aim for a global enlargement of the mandate, to look some countries in which the private sector is already sufficiently developed, where there are a sufficient number of projects for the EBRD to be able to provide some value added.

Odile Renaud Basso:

One key condition for success in this area is first of all the support and sufficient consensus among shareholders, that such an approach, such a move would be fully supported by the shareholders. This is still being very widely discussed. The second condition is to start on a targeted approach, so as to ensure, to test and try in a way. The third condition would be to do that in close cooperation with other MDBs, so as to avoid crowding out other MDBs, and avoid competition among MDBs. So I think that we need to find a way, if the decision is taken to move in that direction, to cooperate effectively with our partners.

Mikaela Gavas:

You mentioned cooperation and collaboration with partners, now thinking a little about the wider European development and finance architecture; specifically the proposals that came out of the Wise Persons Group on the future of the European development finance architecture, and in particular the debate around the roles of the EBRD and the European Investment Bank, what are your views on the future institutional composition of European development finance? And how do you see the role of the EBRD evolving in relation to the EIB?

Odile Renaud Basso:

I think the report that you mentioned has been very useful in giving some clarity and some input to the discussion on the key challenges that Europe is facing, because Europe is the most important contributor worldwide in terms of development support, development finance, and doesn't have always, first of all the visibility, but also the strategic orientation to push some policies, and to develop a consistent approach between what member states are doing, what different European institutions are doing. So the report was very helpful in identifying the challenges and the features; the strengths and weaknesses of the different institutions, and of the governance of the overall framework.

Odile Renaud Basso:

In the report there were some short term recommendations, which I think can be implemented very easily, in terms of strategic guidance, coherence of the approach. This being said, there will be now a discussion on the follow up of the report. The report proposed some quite radical options which may be quite far reaching in terms of changes in governance, this could be of course a discussion, first, for European countries, and for shareholders of the EBRD and the EIB.

Odile Renaud Basso:

In my view, what is clear is that the two banks have very different features; EIB is purely European, EBRD is international, multilateral, with strong European participation and strong European backbone, as I was saying. The two institutions have very different mandates and ways of intervention in the countries they are intervening in; the EIB is focusing massively, in terms of amount and so forth, on Europe, financing for European projects, and has a large international intervention, but in the overall mandate of the EIB it's relatively... not marginal, but it's one 10th or something of the EIB intervention. So it's much

smaller than its European focus. It's a bank which is very well framed to develop large big tickets for financing, because it's a very large balance sheet, and very large amount of financing it provides every year. The EBRD has a very different focus, focused mainly on the private sector and attached with policy recommendation, policy strategies, which is not done by the EIB. So to sum up, each institution has very different features, and they can cooperate and complement each other in the countries where they intervene.

Odile Renaud Basso:

There is MOU, and there has been a lot of experience of cooperation. I think this can be deepened and developed further, so as to ensure that there is complementarity, and that the two institutions can lean on each other in order to be more effective in the delivery of its mandate. What I think is also very important in the European architecture is that it remains open, you know that EBRD is one of the operators of EU Funds, so it's used by the European institutions as a way to implement some of the policies. I think this has proved very effective and this should remain in the future program of international activity of the European Union.

Mikaela Gavas:

Great, thank you very much. Finally, can you tell us something about your own career and background, and how your experiences have shaped you to be an effective president of the EBRD?

Odile Renaud Basso:

I've worked a lot in the finance and development area in my career. I spent a lot of time in the finance ministry in France, starting my career first of all in Cour des Comptes, which gave me some financial rigor in a way, because I was controlling, I was a public auditor. Then I moved very quickly in the Finance Ministry in France dealing with development issues; I started with dealing with African countries, and a monetary agreement between France and West African countries. Then I was working for the Paris Club as secretary general of the Paris Club, so dealing with debt rescheduling, debt treatment for the poorest countries; I worked there in particular at the time of the initiative for the most indebted countries in the world, the HIPC Initiative. In this context I worked a lot with all the IFIs.

Odile Renaud Basso:

Then I spent some of my time in financial regulation, dealing with banking regulation, support to SMEs and so forth, and a lot of time also on European issues. Then I worked a lot... part of my career was spend in the European institutions, where I worked for the commission in DG Ecfm, then in the cabinet of the president of the European Council; Herman van Rompuy, so I have a lot of experience of European negotiation, how to try to bring people together, find consensus, and to find solutions to European issues and challenges. I was in particular in the cabinet of the president van Rompuy at the core of the euro area crisis between 2010 and 2012, at the time where we really had been fighting to find some solution to enhance the euro area and to keep it together.

Odile Renaud Basso:

Then I moved back to France in the cabinet of the prime minister office in Paris. Then I managed, I was the number two of Caisse des Depots, so deputy director general of a very big financial institution in France, which is providing financing to local authorities, public housing, a lot of investment also in the local areas, in relation with the local authorities, with the management of a very large balance sheet of more than 300 billion euros. So in this capacity, I learned a lot about how to manage a financial institution; how to monitor risks, how to manage a network in relation with local authorities, so as to find projects, ensure that these are the right projects, screening the investment and so forth. It was very interesting, and as I said, I learned a lot in these very concrete responsibilities of managing a financial institution.

Odile Renaud Basso:

Then I was back in the Finance Ministry at the head of the Treasury; it's been four years, and in this capacity I work on all the issues related to economic policy in France; be it financial regulation, international development, once again Paris Club, and I worked a lot on the DSSI Initiative; G20, G7, IMF and so forth, but also trade issues and European issues, I'm a member of the EFC, and economic policies, because we are providing some advice for the government on economic and structural policies.

Odile Renaud Basso:

So this is quite large, and I think these experiences give me three key assets for the EBRD presidency. The first one is strong expertise in development and financial issues, and economic policy conduct in different countries. The second one is strong experience in multilateral and international relations, negotiation, consensus building and so forth. The last one is management of a large organization, because in the Treasury I'm managing now more than 1,400 people; so management of a large organization, which I think is also important for the EBRD president.

Mikaela Gavas:

I'd like to give you the opportunity for a final word, is there anything you would like to add that we perhaps haven't covered?

Odile Renaud Basso:

No, I think the EBRD is at an important time of its history, having managed very successfully its first part of its mandate, and it's bringing the countries, of its historical countries of operation, bringing them very closely up the transition paths. It has now to reach the same success with the countries which in which it developed its interventions more recently, so SEMED countries. I think there are very important challenges to be as successful, and provide the same support with the same success in these countries, and I think now the possible extension to some new sub-Saharan countries may be new challenges for the EBRD.

Odile Renaud Basso:

I'm very much committed, if I'm elected, I will work, with all shareholders, to be successful in these challenges, and to ensure that the bank provides value for money for all its shareholders, and also is focused to ensure that its financing have a positive for the development, are very effective in supporting the development of the countries. I think I'm a person which is very open to dialogue, very open to collective action, and very committed to my job, and I think that's what the EBRD needs, and if I'm elected I would be very committed to ensure that we are successful in reaching these objectives. Thank you very much.

Mikaela Gavas:

Thank you, Madame Renaud Basso, again thank you very much for agreeing to set out your vision for the EBRD, it's been a pleasure.

Odile Renaud Basso:

Thank you very much.