

A Fireside Chat with EIB Group President Nadia Calviño

Wednesday, April 17, 2024

MASOOD AHMED:

Well, greetings and welcome to this session at the Center for Global Development. This is a very busy week for many of you who are in Washington for the spring meetings of the IMF and the World Bank. And I know that for this session, there are many people in the room, but there are many more also online who are watching this. So, I want to use this first of all to welcome our guest for this session, Nadia Calvino, the president of the European Investment Bank, and has been in this role since the beginning of this year. So, I think it is the first time that Nadia, you visit the Center for Global Development in this new role. Let me thank you for taking the time to be with us and welcome you. And I also want to welcome my colleague Mikaela Gavas, managing director for Europe at CGD and a senior fellow and who has been driving a lot of our work on European development finance. So, I wanted to use this opportunity to hear a little bit more from you, President Calvino, about how you see the strategy and the vision of the European Investment Bank—and we have a lot of specific issues that we are going to get into as we go into that.

But before doing that, let me also remind all the people that are watching that if you do have questions, please do send them in and we will take some time at the end of our own conversation to bring in questions from those in the room and those online. For those of you who are online, you can either use the YouTube link to put in a comment, or you can send us an email at events@cgdev.org, or you can send us a question on Twitter social media. Please also use the hashtag #CGDtalks to be able if you want to live-tweet this.

So, with all of that out of the way, let's get to the substance of it. I wanted to start by asking you Nadia, now you are—the EIB is—the largest of all the multilateral development banks. But of course, its work is very much focused inside the European Community, but also outside the EU. And you've had a big role to play in terms of moving the MDB system to think about climate and becoming a green bank.

More recently Ukraine has come along and become a big issue, of course, for Europe, for the EU. And again, the EIB has been very active in driving that. So you shared your vision for the group in February this year. And I thought maybe just to start with, perhaps you could just summarize for us, what's your main focus in the near term, and where do you think the EIB is going to face some headwinds as you begin to implement that focus?

NADIA CALVINO:

Well, thank you very much for having me. It is indeed the first time, and it is one of my first public appearances, if I may since I became the president of the EIB Group. And it's a great pleasure to be with you and kicking off this very intense week here in Washington, where so many interesting people are going to be around and so many things are going to happen, that's for sure. And I took this position 1st of January. I was until end of December, vice president of the government of Spain. Previously I had worked in the European Commission. So to a certain extent, as I was telling you before, I'm coming back home. I have always been a very active player in the international arena, being chair of the IMFC and I have been following very closely the role, the very important role that the network of multilateral development institutions has to play in the world. It has been instrumental since the end of World War two and the global order that was built thereafter. And it needs to continue to be part of the glue that keeps us together and keeps the world moving in a positive direction that brings prosperity and welfare and peace around the world.

And it is in this vein that I have been also engaging with all the shareholders, the key stakeholders of the bank, to try to identify our priorities. And number one priority for the EIB Group is consolidating our brand as the climate Bank, no doubt about it. Climate change, fighting climate change and climate action. The green transition is the challenge of our generation, is the challenge of our time, and it is very closely interconnected with security. It is very closely interconnected with peace. Also, as you have studied, you know, throughout the world, and population moves and tensions and conflicts are also caused by climate change. So, it should be our number one priority. Then goes digitalization and technological development and innovation in particular within the EU. Then unfortunately, security and defense stepping up our support to Europe's security and defense industry. I say unfortunately because I think we would all very much appreciate this would not be amongst the eight top priorities, but there it is. Supporting the agriculture sector and bio-economy; social investment; education, health; also sustainable housing and focusing our actions outside the EU—which as you rightly point out, is around 10% of our investments—but nevertheless, it's €8 billion per year in our strategic alliances, very impactful strategic alliances and then top priorities, starting with Ukraine enlargement, neighborhood, but also the rest of the world. And I'm sure we will have a chance to go a bit deeper into that part of our business.

MASOOD AHMED:

Great, Mikaela?

MIKAELA GAVAS:

Thank you. Nadia, if I may, I'd like to pick up on two of the priorities that you've just set out, in particular Ukraine. And also your planned investments in defense. So if we start

with Ukraine, so the bank has invested over €2 billion in Ukraine since the start of the war, and that's almost a quarter of all EIB financing outside of the EU. So can you just give us an idea about how you're managing your growing share of resources in your portfolio for Ukraine, and also what the implications are for investments in other regions?

NADIA CALVINO:

Well, that's an excellent question. And I would say four points to react. First of all, we are able to have a very balanced portfolio and a triple A+ rating and a very strong standing in financial markets. Only this week we have issued €5 billion in five-year bonds with a huge oversubscription and only ten basis points difference vis a vis the US Treasury. So very strong financial condition. But that strongly relies on the fact that we are also receiving mandates and having guarantees from the EU budget. So that allows us to take risks that nobody else would. And that explains why we are able to be active in Ukraine, particularly going forward, since we got from the European leaders the approval of the Ukraine facility, which is going to give a large share of the guarantees going to be allocated to the European Investment Bank, and so we will be able to continue to take these risks and I hope soon start to mobilize private investments because we will be talking about the reconstruction of the country after the war.

So that's the first element to bear in mind, which is important. Then secondly, we are the largest financial support to the Ukraine and the largest investor in the Ukraine right now. And we want to continue to be so and to develop this further. Actually, in the course of this week, I will be meeting Prime Minister Shmyhal, also Minister Marchenko. And we're in very close contact. And our teams are working very closely to see how best to reallocate those guarantees and those investments. What can be more useful right now? We're talking about rebuilding of hospitals, rebuilding of houses, energy infrastructures, transport infrastructures, etc. but also working together in the post-war Ukraine rebuilding. And I think the partnership is proving to be extremely valuable. Third point is—and you are very right to say this shouldn't be at the expense of our actions in the rest of the world, indeed, in so far as we continue to have those mandates and guarantees—we can continue to have a quite broad portfolio, very different profile inside the EU and outside the EU. But we are in the last, only in the weeks since we started this year. And the director general of our global activities directorate is here with me, Markus. And almost every week we are approving operations from Malawi to Armenia to Brazil. So, we're very present in the rest of the world and want to continue to be so. And then my final point I wanted to mention is this point about strategic alliances, because many times we think about projects on the ground in a country, but sometimes our actions have more impact when they are of a broader, more horizontal nature. For example, we have a strategic alliance with the Gates Foundation to fight polio around the world. We will also be having meetings with Melinda Gates and signing agreements, you know, moving our cooperation further or with a vaccine alliance. And the EIB is

being instrumental in financing projects so that African countries can actually have vaccine production facilities there. We are the ones that are providing the short-term financing to make this possible.

So sometimes, you know, it's not only about being present in a country but rather having strategic alliances that have a large impact throughout the world.

MIKAELA GAVAS:

That's great.

MASOOD AHMED:

OK, can I, did you want to follow up or?

MIKAELA GAVAS:

Go ahead.

NADIA CALVINO:

There was a question on defense, but I'm sure we can come.

MIKAELA GAVAS:

Yeah, we'll come back to that.

MASOOD AHMED:

I wanted to come back to something you just said. But before that, I also wanted to remind people, you know, you said that this is like coming back home for you. One of the roles that you've had recently is to be the chair of the IMF's ministerial committee, IMFC. And so, in that context, of course, you've also been very active in the meetings of these two institutions every six months. I wanted to come back to the issue about the climate Bank because you remember you said that in a way that the EIB has been the EU's climate bank as a way of thinking about itself. And you've just done a sort of mid-term review of your climate roadmap. And one of the issues that review recognizes is quite difficult. The choices facing governments, both in the EU and outside the EU as they move towards investing in decarbonizing their energy systems. At the same time, they worry about the climate change impacts of their activities, their transition to a circular economy. They're thinking about energy security.

And there's a bit of a pushback. I want to get your take on this. There's a bit of a pushback from European industries to say, look, we have to match the pace of reform. We need to reconcile the EU's Green Deal with our economic competitiveness. So, you're in the middle of all this. How are you approaching this issue both within and outside in terms of trying to convince the governments with whom you work to step up on climate action? Do you see some of this having an impact on your own agenda?

NADIA CALVINO:

Three thoughts and this is a very good question. I think it is a critical question for all of us who believe in multilateralism and tackling together our shared global challenges,

such as climate change. The first thought is that in general, industry after maybe reluctance, do see the need to move ahead with the green transition. They do see as an element, as a necessary move. And I think that increasingly we are aware that this green transition is not just a matter of thinking about the welfare of future generations, which some may superficially think it is about. It is also about today's security, strategic autonomy. It is about today's competitiveness, productivity of our economies. It is really about the present. And so it is urgent that we tackle it. Moreover, when all studies show that a disorderly transition would be much more costly than an orderly, well-planned, and well-programmed transition, which is what's happening in Europe. So I think that the EU has been leading this process and should continue to do so to our own benefit, if I may speak, you know, in this selfish sort of way.

Secondly, these require huge investments that have to do with the energy transition, also adaptation, and mitigation. When we are thinking about industry, we may think it's more the technological transition and decarbonization of fuels, for example, but think about agriculture. We're also talking about adaptation. We're talking about the mitigation of the impact of climate change. And so, we have to accompany those sectors so that indeed they see this as a profitable, a win-win kind of process. And as soon as possible, technologies are scaled up so as to make them cheaper and affordable. The green transition has to be affordable for the whole population and all sectors. And that's my second thought. And my third thought is it is one of the most inspiring reasons to be at the helm of the European Investment Bank. And I tell my colleagues and some of the director general of our projects department is here, Laura Piovesan. The European Investment Bank is not only very strong in financial terms but also technical terms.

We join bankers and engineers and this is actually a wonderful combination, you know, because what it allows is for us to be outstanding in terms of technological analysis. We have been financing all the major innovative processes and now all large innovative investments that take place in Europe, having to do with the green transition from solar panel production to circular battery production, green hydrogen, decarbonization of heavy industry, green method, I mean all those investments have the brand of the EIB and that is a source of pride. But I am persuaded and I'm telling colleagues in the bank and in the fund, I am persuaded that the EIB will be financing the major breakthrough technology that will really make a difference in climate change. We financed the vaccine research that allowed Europe to produce the vaccine against Covid in this, you know, in this record time. And I am convinced that we will also be financing the major breakthrough technologies and the scaling up of existing technologies to make the difference, also make the green transition a European success.

MASOOD AHMED:

And what about outside the EU in terms of the climate work that you're doing? Are you

finding receptivity for it? Are you finding there's a bit of pushback, people saying, yes, we are happy to do this, but we need concessional funding to do it? How is that working?

NADIA CALVINO:

I think there's, I hear a certain dichotomy not to say it's schizophrenia, in that when you go to international discussions, more political discussions, there may be more, a different tone or a more difficult debate taking place, a more difficult exchange. But when it comes to project financing, I tell you, we are financing. We have just financed, main train and city transport infrastructures in India. We are financing large green investments in many African countries, Latin American countries. And frankly, I don't see any reluctance. I think everybody knows very well, this is not a matter of if, but rather a matter of when, and it's better to do it rather sooner than later.

MASOOD AHMED:

And now, just to close out on that, I think your roadmap that you have on climate runs out next year in 2025. But I'm assuming you have ambitions that go beyond 2025. So, are you thinking about what comes after?

NADIA CALVINO:

Absolutely, and we have started to work on that. Indeed, as you said at the beginning, we have just gone through the Mid-term review, which reached a very reassuring conclusion, which is that our system, our framework, is fit for purpose. It continues to be fit for purpose for the remainder of the couple of years that are remaining. And so that's very reassuring. But I think that, you know, things are changing very fast. So indeed we have already started to think about the next period and how to make it even more impactful going forward. For sure, climate change is not going: the green transition is not going to be over next year. And we still need 2030 and 2050, but we're quite well on track, you know, despite what we hear sometimes and the sense of frustration sometimes we may get that the challenge is so large and the volumes that are necessary are so huge. But what I see is an extremely fast progress when it comes to technological breakthrough developments, a very fast progress of industries embracing this transition as an element for their future productivity and competitiveness.

And so I am quite positive that we will be able to achieve those results. And in any case, as you said at the beginning, this is, you know, making things better is a good way to spend your days in your life.

MASOOD AHMED:

Great.

MIKAELA GAVAS:

So Nadia, let's talk about defense. Just for background for our viewers as well. So since 2022, the EIB has been financing a range of dual-use goods that have both military and civilian applications, such as drones, for example, but not weapons or military

infrastructure. Now, last week, you presented an action plan to the shareholders to enable the EIB to use its lending power to step up defense production. And effectively expanding its investment scope beyond the dual use definition to finance military purpose goods, as well as SME innovative startups in security and defense. So the big question on everyone's mind is really whether this is going to entail a shift in the priorities of the bank, perhaps away from climate. And you yourself mentioned, you know, the number one priority of the EIB being, you know, the EU Climate Bank. But could this also be illustrative of the broader shift that is occurring within the EU ahead of the June elections, again, much more focused and towards defense and security and away from climate?

NADIA CALVINO:

Well, I think it is obvious that in the current circumstances, we need to step up Europe's security and defense industry. I think there is unanimous agreement, you know, that this needs to be so, and we need to mobilize all available instruments to ensure that we are ready for today's situation and tomorrow's challenges. Now, the EIB, as you rightly say, we have been financing security and defense industry for over eight years and we have actually created a dedicated instrument allocated, endowed with €6 billion, which was upgraded to €8 billion when the war broke last year, a couple of years. And also it was last year that actually that we upgraded it, we increased it and in January we launched a new facility called the Defense Equity Facility to invest in start-ups in this area. Now we have been active, but obviously, we need to look and see whether there our policy needed to be adapted. And that's what we are proposing to do. And this is what we discussed on Friday with finance ministers, who showed a very strong support.

So now, pending all the internal processes, we will launch this five-point action plan. The first point is precisely the revision of the scope of dual-use definition. To be able to finance real dual-use technologies, by effectively removing the constraint that more than 50% of future revenues would come from civilian use. And this is going to facilitate the financing of military mobility infrastructures. Also, R&D, de-mining and decontamination, digital defense, digital security and cybersecurity instruments, but also jammers. So, it opens up the scope of dual-use investments that we will be making going forward. Secondly, opening up our programs for SMEs to those that are active in these sectors. Thirdly, and this should not be neglected, creating a single window, one-stop-shop and a task force to speed up the investment of the remaining €6 billion, which is a very large amount that has been earmarked for upgrading and supporting Europe's security and defense industry. And then the other two points have to do with deepening our partnerships with other European and international players, for example, the European Defense Agency, so that we can provide bridge financing and short-term financing and avoid any delays in the implementation of their projects.

So this action plan was welcomed by finance ministers and what we see. This was obviously one of the key considerations when we were calibrating very carefully these measures. Finance markets are responding as expected, you know, they're following our expectations. We have had issue of first issuance this week, €5 billion in five-year bonds. I mentioned it a moment ago. There was a very strong oversubscription, €21 billion in demand. And the interest rate finally was ten basis points over the US treasuries. So that shows, or that confirms, that finance markets, financial markets are following our responding to our expectations when we calibrated our measures so carefully.

MIKAELA GAVAS:

Can I just pick up on this point about speed? I mean, you mentioned that, you know, the EIB has been investing in defense for, you know, eight years, but of the 8 billion, only 2 billion has essentially been invested so far. I mean, the same for the the EU for Ukraine fund. So 16 member states essentially pledged their support for this fund. And this was to accelerate investments in infrastructure in Ukraine, but only, I think one operation of the €267 million has actually been launched. Why are these things taking so long?

NADIA CALVINO:

Very different circumstances in the two areas. When it comes to security and defense, I think it is a matter also of the pipeline of projects and the industry and European industry and defense projects—a sort of maturity, if I may put it this way. And I am quite persuaded that in the current circumstances (and our preliminary conversations lead us to believe that) there is a pipeline of projects that will be indeed, requesting or needing or, you know, having access to this additional financing. But it wasn't a matter of procedure so much. Nevertheless, I think that the fact that we will work together with Member States and with different players to identify and support this pipeline of projects is surely going to accelerate it all. When it comes to Ukraine, we have been working very closely with the Ukrainian authorities, and I am very encouraged by the fact that President Shmygal himself is going to be sort of driving and the setting up of the priorities. And we do have a number of projects which are mature and which will be coming into fruition and being implemented on the ground, you know, soon and things are progressing.

We have to realize that a country that is in a situation of war maybe finds it even difficult to find people that can do the work. You know, when we're talking about housing renovation or the focus of the authorities may not be so much. But I am quite encouraged, the Ukrainian government, we had a high-level delegation coming to Luxembourg a couple of months ago, must have been there. And we established clear priorities and how we're going to repurpose some of the funds that had not been invested so far so that we really can get those projects off the ground. And so things are going as planned. I would say, great. Thank you.

MASOOD AHMED:

Do you want to follow up on?

MIKAELA GAVAS:

No, no. Go ahead.

MASOOD AHMED:

So, I wanted to, actually, if I might, move away a little bit from the EIB and think a little bit more broadly about EIB as part of a system of multilateral development banks. And just before this meeting, we had a meeting which brought together the heads of all of the multilateral development banks. And what became very clear to me from that meeting is that there is a recognition that while each multilateral development bank is a strong player which can contribute, it's by working together as a system that they can have more than the sum of the parts, if you like. They can have a bigger impact. And that requires ways in which you can strengthen collaboration, use common systems, etc. And EIB, in some ways, when it comes to the multilateral development, banks that work on development in developing countries, has been sometimes in and sometimes out historically because, of course, the bulk of the work has been within the EU of the EIB. But now I see it very much as being part of the system.

And I wanted to get a little bit your sense on both how you see the EIB as helping to advance this cooperation across the MDBs, but also perhaps from where you sit. I mean, you were a minister of finance overseeing the MDBs in your previous role. Now, you're heading one. What do you see as some of the issues that we need to address to be able to get the group of MDBs working more effectively together?

NADIA CALVINO:

Well, that's a very, very good point, a very important point. And I will repeat a point I made in the previous meeting, which I am persuaded, I'm convinced of (in view of my experience at national level, international level, also IMFC) which is—the investment needs and financial support to developing countries and most vulnerable countries is growing larger by the day. So, we need to make the most of all the capital that is in the balance sheets of the different multilateral development banks. And so, getting us to work more closely together and as efficiently as possible is more urgent than ever. And I am in a very good position that this is what I also said when I was a shareholder. So, I am a coherent person. During my time as a governor of many of these banks, I always defended reinforcing these banks and reinforcing the network and trying to exploit the cross synergies and the specificities that we have. That's my first thought. Then secondly, the European Investment Bank, being the financial arm of the EU, but also a proud member of the Multilateral Development Bank family, has a very strong financial position, has a very strong expertise when it comes, as I said a moment ago, to project design and to identify which are the best ways to do things.

And that, I think, puts us in a very good position to be at the heart of the family and trying to support and exploit those synergies and mutual recognition, unleashing, uncapping the financial capacity of all these institutions, talking to each other in a collegial manner is of the essence. And I have to say with Elan, we have a very good, quite strongly, tightly bound group that I think can make a difference in terms of moving ahead in reinforcing our global safety net to the benefit of the humankind at the end of the day as we are the financial underlying net that sustains the global order, if I may put it this way. And I was very encouraged by our meeting. I thought it was a quite constructive debate where everybody is aware of the need to rely on each other. Together we're stronger. That's very clear.

MASOOD AHMED:

Now, I mean, obviously, that was a different meeting, but I do see that there is now more and more recognition that actually cooperation and having common approaches across the MDBs is not just a way of doing things better, but actually, it's going to become necessary if we want to achieve the level of ambition that has been set for the system as a whole. So, it's moving from being an optional extra to being part of the operating system that we'll have to have to move forward. I want to make sure we bring the audience in. But before we do that, Mikaela anything else you want to raise?

MIKAELA GAVAS:

I just have one last question, Nadia. And this is really about the EU's global gateway, the infrastructure and connectivity plan. Now, I think it was Joseph Borrell, high representative of the EU for foreign affairs and security policy. He argued recently—I'm going to quote him now—he said, "We are not only in a global battle of narratives with other powers, but also in a battle of offers." Given this, could you tell us a little bit about what you think is distinctive about the EIB's offer to African countries in terms of infrastructure and what makes it more compelling than, for example, China's offer?

NADIA CALVINO:

Well, I would take it differently. I would say no. I would say take it differently. And it is in the history of the EU and the way the EU was built and the fact that let's be honest, I mean, the EU is a beacon of protection for minorities, civil rights. It has been a reference in terms of peace and security and together with obviously other countries. And that, I think, is at the heart of the need to keep a very strong north-south dialogue and to keep a role of the EU that contributes to peace prosperity throughout the world. I think this is really in the genes of the European Union. And I think that is the—and we have kept for historical reasons, obviously, but very close connections to many countries around the world, which we need to preserve. And preserving those relationships also means investing in their future and helping them progress and also supporting the green transition, which to the benefit of all of us. We need a global action in that regard. So, that is very much our approach.

And I think it is very good that we have the global gateway strategy because it allows us to focus on impact. And we really need to move. And this is something that my colleagues will resonate with them because this is probably my motto since I arrived. We really need to move from project takers to policy drivers and we need to really focus from volume to impact. Of course, we need to preserve our very large volumes. We did 95 billion euros in 88 last year. 95 billion euros are programmed for this year in investment. That is a huge amount. We have to preserve those volumes. But we need to maximize the impact because, as you rightly said, Masood, it's not a matter of would be nice to have. It is indispensable that we maximize the use of our capital, also our leverage, and our financing and financial markets to have maximum impact. And from this point of view, having a strategy is a great step forward, I would say, to see where our priorities lie and how to ensure that we drive those countries and we drive and support projects that are having a positive impact on the ground.

MASOOD AHMED:

OK. Shall we bring in questions? I'm sure there are people sitting here who have questions. I have some people who are online who've already sent in questions, but let's take a couple from the floor first. I think there's a lady over there who had her hand up quickly. And start with you.

LIZZIE LOVINGER:

Thank you so much, President Calvino, for your comments so far and, particularly, about all that you've shared with respect to EIB's investments in Ukraine and in Ukraine's future and especially with regards to security. And I wanted to ask you, as a component of that...

MASOOD AHMED:

Can you identify yourself as well? Would be great.

LIZZIE LOVINGER:

Oh, I'm so sorry. Yes. I'm Lizzie Lovinger. I'm with Treatment Action Group. We're a research and policy think tank, and we focus on HIV, hepatitis C and tuberculosis. And I guess it will be no surprise now that as a component of security, I want to ask you about health security because that's a really important component from our perspective. And seeing as how Ukraine was before the war and continues to be one of the countries with the highest burden of drug-resistant tuberculosis, and the war has only worsened that and only destabilized efforts to combat DR-TB. I was wondering how EIB sees some of those investments in Ukraine's future and critically important ones for stabilizing Ukraine's future as addressing some of these wartime effects on DR-TB, and also in investing in research and development for health countermeasures like TB vaccines and other technologies that can prevent and stop drug resistance.

MASOOD AHMED:

Great. Let's see if there's another question that maybe you take a couple. There, you. Sitting over there. Thank you.

BERTRAND BADRE:

Hello. I'm Bertrand Badré. I was Managing Director of the World Bank a long time ago, and I'm now leading an investment fund in emerging markets and sustainability—Latin America, Africa, and India. So, ten years ago, we—I say 'we' because the World Bank and EIB signed the report I led on “billions to trillions”. And that was quite striking. And now the trillions is a kind of de facto unit of measure on any discussion. The big issue we are facing today, and we discussed that many times, including yesterday with Masood, is how do we move now from the trillions to the millions? Because one of the issues we are facing is that a number of projects are not the big projects that people have in mind. They are way smaller. And this is not really what these institutions are fit for. And it's very cumbersome. My own experience is terrible. It takes time. It's costly. You have to reinvent the wheel every time. So, I think it's also good to discuss, as a system, how you can simplify the life of all the actors, not make their life more painful, which I've been discovering since I started my company six years ago.

So, sorry to be very direct, but I think there is a macro conversation and we need also to have a micro conversation which might make a true difference in everything we've been discussing.

MASOOD AHMED:

Great. Thank you. Let's take those two questions. I think they both give you a lot of... There's a couple online that I want to come to.

NADIA CALVINO:

Absolutely. And they're both excellent questions and extremely to the point. The first one I am very grateful for because so many people maybe at times are not fully aware of how important some infrastructures and health infrastructures are for prosperity, for progress and growth. And from this point of view, we are working very directly to see how to reinforce the health system in Ukraine, as we do also with all our clients if I may put it this way, all countries around the world, on top of our strategic alliances to develop research, which is not just linked to one country, but rather throughout the world. And I think again, it's a source of... I'm quite convinced we will be part of those solutions that will be found because we are so much investing in the development of the bio-economy, life sciences, and all sorts of health infrastructures which are really productivity-enhancing infrastructures and security-enhancing infrastructures as we have seen due to the pandemic. So, then I relate very much because I was there in the presentation from billions to trillions.

I remember that the IFC was going to play such a—is going to play and is playing—such an important role. And as I told Masood before, I think this is more challenging maybe than it was ten years ago and even two years ago because we need to mobilize the private sector, but it is not the same to mobilize the private sector with negative interest rates than to with quite high-interest rates that we're seeing these days and less liquidity. And investors appetite has changed and their appetite to risk is changing obviously and there are conflicting priorities. So, I think it is more challenging to reach those volumes, which makes it even more urgent that we cooperate and make the most of what we have. But also because, as you rightly say, we need to find a way to channel those funds to reach small projects and SMEs. And, obviously, our experience is very much based in using the financial sector. Actually, a very significant part of our funding, maybe 40% of our financing, goes to SMEs in Europe, and it is through the financial sector.

But the financial sector is quite developed in the case of Europe, and it may not be so in other countries around the world. And that is why I think development of capacity and technical assistance is so important also to build the infrastructures that are necessary and not just focus on one individual project, but rather what is the strategic and structural impact of our actions. And our advisory services are very highly valued because of our ability to see how to establish those channels that may allow us to have more impact in a challenging endeavour. I agree with you.

MASOOD AHMED:

And I would just, maybe to add to that, say that I think one of the issues that we've maybe got to find a better way of joining up with is the link between the multilateral development banks and then the national development banks. Because there is a whole network of public development banks in the countries, and most countries now have. And historically, I think this is my experience, was that often the multilateral development banks were a little uneasy about the national ones because the national ones had a history of having portfolio issues and the like. But there's been a lot of change in that and they become the part of the transmission chain through which you can then do some of that. But many of these, the role of the multilateral banks could be building the capital markets, the systems that allow the domestic financial system to work more effectively, as you say. Two questions that have come in online that I wanted to raise with you. Both of them relate to different aspects of operations for the EIB.

One of them is from Stephanie Amoako, who's a Policy Director at Accountability Counsel. And what Stephanie says is that, "Even with the best due diligence, you can have unintended environmental and human rights impacts from interventions that could harm local communities or undermine the sustainability of projects." And what Stephanie would like your views on ...how does the EIB ensure that any harm... Well, first of all, to minimize the risk of harm, but then also... Which I'm adding myself, sorry.

NADIA CALVINO:

Yeah, of course.

MASOOD AHMED:

And then her question is more...and any harm that is caused is fully remediated. So, that's one question. The second one. Maybe I'll do both at the same time and you can deal with them. Is from Vince Chadwick at Devex. And this is about transparency. And Vince says that the EIB has been criticized for a lack of transparency, historically. 40%, according to the EIB's own report on implementation of transparency policy, 40% of the projects are not being released until after the loan has been signed and the EU Ombudsman has criticized this practice. And Vince would like to get your sense on why should that be the case? Do you ever intend to try and make the EIB more transparent and if so, how so? Those are sort of two dimensions.

NADIA CALVINO:

No. Very good points and very important points because the EIB has the highest environmental, social, and governance standards. And we really want to be sort of very highly rated on that, too. And that's why we take these issues extremely seriously. And I have been able to see it firsthand since January. The number of times we have discussed compliance issues or complaints and how to deal with complaints coming after the project is implemented because of this unwanted side effects that may have occurred, or maybe we are operating in countries that do not have the same standards as we ourselves are setting for our project implementation. And likewise, when it comes to being transparent and improving the way we do reports and being as... It's not only a matter of the volume of information, but the way it is placed so that people can actually have access to it. So, this is a top priority for us and we take this very seriously. The complaints mechanism is currently under review. This has been planned before I arrived.

But my impression is that we are indeed taking this very seriously. And I think we should continue to do so and ensure that all these mechanisms are functioning as well as possible. Most complaints are coming from operations outside the EU, which is not surprising. And this does not mean that we should not try to address each one of them. And that is what we do. So, that I can sort of... And since I didn't set it up, I have no conflict of interest in saying this. I am impressed by how seriously we take these issues as it should be. And then when it comes to the second question, well, I mean, the EIB is a European institution. It is a policy-driven institution, but it is also a bank, a financial institution and a fund. And everybody must be aware that you need to preserve also clients' financial standing. If we would be making public every negotiation that is going on and then the negotiation fails, that could have a very harming impact on the client. So, it is normally because of the desire and the circumstances of the client that we need to make sure that we strike the right balance between being very transparent, but

also making sure we do not have an unintended negative side effect also when we're dealing with the different large companies or small companies or another country as it may be the case.

MASOOD AHMED:

Right. But you would say that... Do you do not agree that we should set as an objective? That the objective should be to be as transparent as possible, and every time one is not transparent, there has to be a good reason for it, rather than by default not being transparent. Because at least, the way I interpreted the question was that if the EU Ombudsman feels there's a problem maybe not being as transparent as one could, and moving in that direction would obviously be something that's worth doing.

NADIA CALVINO:

Absolutely. But we always need to balance the risks and decide on balance. Is it better to disclose that we are negotiating with this country? Many times you do make it public. Let me give you a heads-up. So, I was looking forward to signing with Mia Mottley a debt for climate swap and we're working very... We will not sign it this week, which I regret very much, but we will be signing it shortly and I will be talking to her. I am perfectly comfortable in disclosing this because it would not have any negative impact. Everybody knows and actually, it is a signaling effect. We are negotiating this and I am confident we will succeed in this with the Inter-American Development Bank. And so, fine. But there may be other negotiations which are more delicate because of the counterparty, because of the financial situation of the counterparty, because of the specific element of that project that may require more discretion for something to actually come to fruition. So, each decision has to be taken in full understanding of the benefits and costs.

And that is the right approach, I would say, for an institution that, as I said, is not only a policy-driven institution and a public institution. It is also a financial institution. And our decisions have financial implications.

MASOOD AHMED:

Great. I don't see any other. Well, I do see, actually, we have five minutes, so maybe I'll take two very quick questions if there are. Just questions. Yeah. First, please. Thank you. Somebody is bringing a mic for you.

NURIA MOLINA:

I'm Nuria Molina from the Gates Foundation, and we are delighted to hear that you are using institutions such as us more to set up strategic partnerships, and so you can go beyond what you could do in terms of impact, in terms of taking risks, beyond what you would do on your own. We definitely think that it is the role of philanthropic institutions such as ours to take risks where other public institutions cannot. In terms of the risk-taking, as you know very well, investing within Europe has a risk profile and it requires a

number of elements that are slightly different to what is required to invest outside the EU. The types of risks are higher. The boots on the ground that you need are also of a different nature. I'd love to hear your thoughts on, as the EIB becomes a greater actor on development finance and outside the EU, how are you planning to perhaps work more with others? It's not about necessarily opening up offices in every African country. How are you planning to work more with others to increase this risk profile and to have a greater impact?

MASOOD AHMED:

Thank you very much. And one right at the back. Then we'll come for quick reactions to you before we close.

SPEAKER:

Thank you. So, my name is Xinyu and I'm from IFC. So, just very quick, based on my observation, MDBs, including IFC, nowadays are pushing for volume, which basically the implication is we kind of prioritize on those bigger ticket projects. Why kind of deprioritize those smaller ticket one and while the latter has needs of financing more and has more potential to create more impact? So, I'm just curious about EIB's take on more smaller size deals versus like a few larger ticket deals. So, what's your take? Thanks.

MASOOD AHMED:

Thank you so much.

NADIA CALVINO:

So, let me give you two concrete examples. And we're very, very happy with the cooperation we have with the Gates Foundation. And I think that really has an impact in the world. Also with the Vaccine Alliance. And I think one area where the EIB has value added is innovative financing. We can make projects possible, which would not be possible otherwise. For example, I was telling you about vaccines. Well, what we're providing to the vaccine alliance is project finance. So, the alliance will, in the coming years, receive subsidies and contributions from the members, but they didn't have the cash to actually invest in the capital needs of the vaccine production facilities in Africa. Well, what we did is we provide the project finance, we provide the short-term finance on the basis of future contributions. We made those projects possible. Three facilities are being built in Africa that would not have been possible without the EIB. Likewise, we're now making projects possible through cross-guarantees.

You may have two players: a buyer, a seller, that require cross guarantees and the financial institutions have a large exposure to those players and they may say, we're not able to guarantee and cover those projects. Well, we provide the cross guarantees. So, this innovative financing is an area where we certainly can have value-added being a policy institution and a financial institution and a well-run bank. And this brings me to

the second question, which I am very grateful for, because we talk a lot about policy. But at the end of the day, we have to have a P&L that shows that we're profitable as we have been since inception, 2 billion euros, more than 2 billion euros last year. This is what provides for the potential to have strong reserves, strong capital position and continue to do these investments. And that absolutely requires us to have a balanced portfolio. Like in everything in life, striking the right balance is key. So, we could have operations inside the EU, which may not be so risky, large volume, not so risky, but very profitable operations inside or outside the EU, then taking much higher risk with individual R&D operations or investments in Ukraine - thanks to a smart use of our capital and guarantees and mandates.

And this, I think, is one of the strengths of the EIB, the fact that we have a very diversified and very balanced portfolio that allows us to every year be profitable, have extremely low non-performing assets in our balance sheet, which allow us to then take risks that nobody else would.

MASOOD AHMED:

Right. Absolutely. Mikaela, anything you want to add before we come to the end?

MIKAELA GAVAS:

No. Thank you very much.

MASOOD AHMED:

If not, I think what I'd like to do is just take this opportunity to thank Nadia Calvino for both her comments and her responses, very thoughtful responses to all the questions that have been raised, and to thank all of you for your participation. So, please join me in thanking her.

NADIA CALVINO:

Thank you. (AUDIENCE APPLAUSE) (JAZZ MUSIC PLAYS)