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**Public finance is not
the problem, it's
part of the solution!**

In this unprecedented crisis that our economies have gone through and from which we continue to suffer the consequences, one must think without blinders. We all see the new legitimacy of public intervention. We, NPBIs, have spared no efforts to contribute to the deployment of various and massive emergency measures. This is not enough! Our role is also to prepare the future by restoring today's economies and preparing tomorrow.

Figures speak by themselves, in France alone, in 2020, CDC via its subsidiary Bpifrance has supported 630,000 companies for an amount of loans guaranteed by the French State of €130 billion. Among many other initiatives, we also set up regional funds with local authorities (more than €300 million) for small businesses and social economy. At European level, figures make dizzy (€ 750 billion of immediate measures in 2020 in 5 Member states). European NPBIs gathered in ELTI^[1], were mobilized on all fronts (loans, equity, guarantee) to support their domestic economies and mitigate the severe effects of the pandemic.

Responding to the emergency by providing cash and short-term debt is only part of our job. Financing the recovery by providing long-term financing is another part. Following a sharp increase in indebtedness, strengthening companies' equity is another challenge. For that one, we, NPBIs, must take risks and leverage on other financial resources. This is why the success of European Program like InvestEU is so important with the direct access to European guarantee granted to NPBIs.

In a context of strong uncertainties and low interest rates (which pay poorly for risk taking and long-term commitment), it is quite difficult to find long, patient capital in capacity to bear risk. However, there is a paradox on which we could count on. Because of the current crisis betting on long term is probably less risky than on short term! Having said that, we shall not shoot ourselves in the foot. All the actors should work for establishing a positive and incentive regulatory framework. Financial robustness and stability shall not be regarded as incompatible with risk taking in the long term. Of course, this is lacework, especially for prudential and accounting concerns, but it is worth to do it rather than having a holistic vision which could have so much collateral damages.

In this context, because of our positive track-record, our knowledge of local needs and the constant support we received from public authorities,

we, NPBIs, have a major role. We accompany our partners for taking risks and committing to long horizons, we help them into taking account of externalities in their investment decisions. Based on that, we can be considered as "enablers".

But for them to give their full potential, the NPBIs must benefit from support not only from their national governments (within the framework of domestic recovery plans) but also from European institutions as "implementing partners" of the EU financial instruments. In this respect, InvestEU as a cornerstone of the EU recovery plan illustrates this new decentralized approach of investment policies.

Besides, the regulatory environment applicable to long-term investment should not be discouraging so that long-term financial players can accomplish their role as a « catalyst »: from this point of view, vigilance is required, for example, on the possible reinforcement of capital requirements on banking investment in equity with the Basel IV transposition.

As said above, recovery is only one part of the job. The most substantial part of it is to ensure resilient growth, sustainable development and digital transition and therefore adapt our economies. For this, we ought to build a diverse ecosystem of financial institutions with NPBIs playing a key part and appropriate incentives in terms of long-term sustainable finance. Taxonomy, reporting, incentive measures and many other elements shall be defined towards this goal.

Finance of all sorts, unite! Together we shall do more!

[1] European Long Term Investors Association