

AUSTRALIA

Statement of Australia
EBRD Annual Meeting 2016 – London
Phil Baressi (Temporary Alternate Governor)

I would like to thank the Government of Great Britain for their hospitality in hosting the meeting.

I would also like to extend my congratulations to the EBRD, on the opening of the Annual Meeting of the Board of Governors in their 25th anniversary year. I look forward to working with you over the next two years as Australia's new Director to the EBRD.

This year, the EBRD's Annual Meeting again comes at a time of ongoing and considerable global challenges. After slowing through 2015, world economic growth is expected to pick up modestly over the next few years. However, near-term growth remains sluggish and uneven, while risks to the global outlook are elevated.

Advanced economies are recovering, although progress has been patchy. The United States has recorded a strong labour market performance but real GDP growth has slowed in recent quarters, the Euro area is continuing to grow modestly, while Japan is experiencing limited growth. Monetary policy remains accommodative in advanced economies, reflecting low inflation and a weaker growth outlook.

The picture for emerging market economies is diverse and in many cases challenging. Some large emerging market economies, which have driven world growth for more than a decade, have slowed. In contrast, India was the fastest growing major economy in 2015 and is expected to remain so over coming years.

Australia's economy continues to perform well in a difficult global environment, as it transitions from mining investment-led growth to broader-based drivers of economic activity. This transition is being supported by low interest rates and a lower exchange rate.

As we look ahead, there are a number of significant global transitions underway which are affecting the international economy. Australia, and more than 100 other countries who also include China among their major trading partners, are particularly interested in the structural shift underway in China from investment-led growth to a greater reliance on consumption and services. China's growth is moderating as it undertakes this transition.

In addition, while key commodity prices have recovered somewhat since last year, they remain well below levels in 2011, when Australia's terms of trade peaked. Increases in supply and lower growth in demand, particularly from China, will continue to place downward pressure on prices. Global growth is expected to be supported by continued low energy prices, but the consumer and business response to lower petrol prices has so far been more muted than in the past.

There are also considerable risks to the outlook stemming from geopolitical tensions, particularly in two of the Bank's key regions of operation, the Central European and Southern and Eastern Mediterranean regions. These tensions have contributed to and exacerbated the current crisis in the forced displacement of peoples.

In this time of economic volatility and transition, as well as geopolitical risks, the potential demands on public resources are vast and will continue to grow. Yet with many advanced and emerging economies facing considerable public fiscal constraints, the extent to which Governments can provide sustainable solutions will be limited. For this reason, reforms to enable the private sector to drive economic growth will be crucial.

The key challenge is for countries to put forward credible actions that will lift growth and create jobs. Multilateral development banks (MDBs) can support countries to implement these actions through their project investments. Of all the MDB's, the EBRD has been a global leader in engaging with the private sector, through attracting private sector funds, investing in private sector projects, engaging in policy dialogue and providing technical advice that fosters innovation and builds sustainable and open-market economies.

In recent years, there has been a welcome increase in the number of infrastructure financing initiatives in an effort to channel additional private sector investment into infrastructure projects. This includes new MDB's such as the Asian Infrastructure Investment Bank and the New Development Bank, as well as a number of new project facilitation institutions such as the G20's Global Infrastructure Hub, the World Bank's Global Infrastructure Facility, and the Asian Development Bank's Asia Pacific Project Preparation Facility.

Australia considers that if these institutions are well-managed and work together, they can each value add and play a complementary role across the spectrum of project funding, preparation, facilitation and implementation. We support the EBRD's efforts to work with these new MDB's through co-financing arrangements and ask the EBRD to increase their engagement with the new project facilitation institutions.

The transitions underway in the global economy also present huge opportunities for countries at the forefront of technological changes. Advances in technology create opportunities for new and existing businesses to create new products, processes and business models. Here too MDB's can assist by supporting their member countries to remain technologically competitive. In this regard, the EBRD's efforts to drive innovation and technological dynamism, through its Knowledge Economy Initiative, should be commended.

Australia welcomes the EBRD's continued sound financial management and careful selection of its investments, despite the magnitude of potential demands on the EBRD's resources. It is essential for the Bank to continue to allocate its resources efficiently, as although the Bank has an adequate capital base, resources remain relatively scarce.

Just as the EBRD practices prudence in its own financial management, so should the financial systems of individual countries. Strong prudential management and banking institutions are a basic building block on which economies rely, and the strength of Australia's financial system was a key contributing factor that helped the Australian economy weather the storm. Australia considers that financial systems should be subject and responsive to market forces, including competition. Government-owned banks tend to provide similar services and products to those provided by the private sector, but are not in a position to provide better or cheaper services to customers than a private institution in a competitive environment. The private sector is best placed to make decisions affecting the efficient allocation of resources.

Going forward, the Bank's Strategic and Capital Framework (SCF) for 2016 to 2020 provides the direction and flexibility for the Bank to continue to support countries within its regions to better engage the private sector in dealing with these transitions. The SCF's focus on: fostering economic resilience, improving country integration into regional and global economies, and addressing global and regional challenges such as climate change and energy security paves a path for the EBRD to assist member country's economies to become well-functioning market economies.

Australia also welcomes the EBRD's recently agreed Strategy Implementation Plan for 2016 to 2018, and its two areas of immediate focus, notably the Bank's efforts to promote environmental sustainability and the transition to a Green Economy, and to deliver on the Bank's commitment to strengthen policy capability, particularly in the area of promoting gender equality.

Overall, Australia commends the EBRD's strong commitment to investing in new projects across a numbers of regions, while generating a modest profit, with minimal financial contributions from its member economies. On behalf of the Australian Government, I wish to express Australia's appreciation to the President, Mr Suma Chakrabarti, who has made a significant contribution to the EBRD and has provided strong leadership during a time of significant global challenges.

Thank you.