

AUSTRIA

EBRD Annual Meeting 2016

Harald Waiglein

Head of the Austrian Delegation

The European Bank for Reconstruction and Development is celebrating the 25th anniversary of its founding. During this quarter century, the Bank's region of operations has undergone major positive social and economic changes, to which the Bank has made a very substantial contribution. Eleven transition countries have become members of the European Union and the transition process has made good progress in numerous countries of operation.

While considerable success has been achieved in the transition countries, there are still major challenges for the Bank to overcome. The transition process has lost momentum in many countries, and needs to be re-energised. The Bank is facing increasingly demanding challenges arising from a shift in the geographical areas and the issues it deals with and from its changing client base, and it must also tackle new global and regional challenges such as climate change and energy security. Another trend is the need to deliver an increasingly rapid response to new situations, which means the Bank must maintain sufficient resources and a high degree of flexibility. However, we are confident that the Bank has the capacity required to overcome these challenges and to continue to fulfil its role as a transition bank in the future.

In this regard, we are pleased to note that the Bank focused its efforts last year on increasing the impact of its operations. We would like to highlight in particular the initiative to revitalise the transition process and the stronger focus on the transition to a green economy.

In 2015 the Bank recorded an outstandingly good financial year in spite of the tough political and economic situation in the region of operations and beyond. Growth declined in the region, for the fourth time in succession, to a barely perceptible rate. This makes it all the more gratifying that the Bank was able to increase further its investments in support of the transition process to €4 billion, with a record number of 381 projects.

The Bank has invested in 35 countries which have achieved varying degrees of progress in terms of development and transition, and it has also widely diversified its portfolio. We are also pleased that

the Bank's activities achieved a high transition impact of 95 per cent, even at this high volume. This is a reflection of the high quality of the Bank's operations and its good performance.

It is also particularly pleasing that the Bank has managed within a short space of time to offset the absence of investment in Russia, which was its biggest client until now, with an increased engagement in Turkey, Kazakhstan and the SEMED region. We congratulate the Bank on this excellent achievement.

Bank investment in the southern and eastern Mediterranean region rose to a total of €1.5 billion in 2015, with almost half of this amount going to Egypt. As a result, the SEMED region has become the second largest region of operations. This confirms that, even though conditions are sometimes difficult, the Bank has done an excellent job and this region has now become a valuable part of the Bank's portfolio.

Turkey has replaced Russia as the Bank's biggest client. Following on from 2014, the Bank has recorded again in 2015 the largest volume of business in Turkey, amounting to more than €1.9 billion invested in 43 projects across a large number of sectors, so that Turkey now represents the Bank's single biggest commitment. There are currently no problems as the Bank's portfolio is widely diversified, but the Bank should exercise caution as instability in the region poses a risk that cannot be underestimated.

We welcome the EBRD's continued commitment in Ukraine, focusing on stabilising and restructuring the banking sector, on energy security and reform, and on improving the business climate. With a business volume of €1 billion, the EBRD has remained an important and reliable partner during these difficult times. We consider particularly important the programme launched with the aim of improving the business environment in Ukraine as part of the regional Investment Climate and Governance Initiative. That programme should support the sustainability of reforms and make the country more appealing to investors.

We support the objective set out in the Strategic Implementation Plan 2016-2018 to boost the impact of the Bank's activities through more and better investments, and through strengthened policy dialogue. The Bank's operations should have a sustainable, systematic impact in the country that deepens the transition process.

The Bank has introduced a series of strategic initiatives aimed at boosting the impact of its activities: promoting transition to a green economy; strengthening support for the early transition countries; creating good conditions for small businesses; and stimulating the development of local capital markets. We also welcome the adoption of the strategy for the promotion of gender equality, which sets a target of achieving gender equality in every area of the Bank by 2020.

We welcome the Bank's new approach supporting the transition to a green economy. It reflects both the needs of the transition countries and the increased focus on sustainability within the framework of the SDGs and COP21. We support the Bank's continued commitment to sustainable energy, including the promotion of energy efficiency and use of renewable energy sources, as well as an expansion of its activities relating to the efficient use of resources. The Sustainable Resources Initiative plays a key role in supporting the transition process and allows sustainable, environmentally friendly growth. It provides the foundation for a green transition. The EBRD has set a clear example with its target of increasing by 2020 the proportion of its annual green investments (currently approx. 25 per cent) to 40 per cent of the Bank's total investments. We call on the Bank to take the necessary action to incorporate quickly its green economy transition approach into every branch of its activity.

We are especially pleased that the Bank has become more actively involved in the poorer countries in recent years and would like to provide more funding and support in the future to improve the business environment in these countries. More than a quarter of the Bank's transactions in 2015 were carried out in the early transition countries, with the majority of the investments going to local SMEs.

The Small Business Initiative, which is designed to improve the environment for SMEs and thus ensure their success, is part of the Bank's transition mandate and business model. We therefore welcome this measure. It is one of the key initiatives for promoting a resilient economy and independent growth, and it also encourages diversification and the creation of democratic markets.

The development of local capital markets, and local currency financing, are important strategic priorities for the Bank. It is important to establish profitable local currency financing and to encourage the development of efficient, independent local capital markets to reduce vulnerability in the region of operations. Many banks in the region of operations are facing major challenges, making the role of local capital markets even more important today than ever.

In 2015, 24 deals for local currency markets were signed by the EBRD, with a quarter of all transactions being carried out in Kazakhstan. Small markets and poor liquidity in many markets are often obstacles to local currency transactions. We are therefore particularly pleased that the Bank carried out more than 80 local currency transactions in 2015, accounting for a quarter of all the transactions it conducted. We would call on the Bank to push further ahead with this positive trend.

The Bank achieved good results in 2015. It recorded a net realised profit of €802 million, marking a significant improvement on the previous year. This was mainly attributable to a considerable improvement in the valuation of equity investments and a one-off release of general provisions owing to a revision to the provisioning policy. However, geopolitical uncertainty in the region means that earnings will remain volatile. Although the Bank saw its reserves increase to €8.4 billion and the rating agencies confirmed its triple-A status, it should maintain a conservative, cautious approach.

The EBRD is in a strong capital position and enjoys strong backing from its shareholders. It has a triple-A rating with a stable outlook from all the major rating agencies. The Bank's finance policy has been tried and tested down the years and should also be maintained in the future.

Net income should be used primarily to build up reserves. We support the allocation to net income to the Shareholder Special Fund to finance technical assistance in poorer countries. However, we wish to state that we are supporting the use of net income only on an exceptional basis, since the Bank's financial position should not be put in jeopardy.

In January this year, China was accepted as the 67th member of the Bank. China's membership strengthens the Bank both financially and operationally, and the Bank also gains an important cooperation partner. We welcome this new member and look forward to fruitful cooperation.

The good progress which the Bank has made in Cyprus confirms yet again the key role played by the EBRD in countries experiencing economic and financial difficulties. We are pleased that this country is once again on the path to economic recovery and has access to the capital market.

We welcome the opening of a local office in Athens to offer better, more effective support to the Bank's operations. The Bank has very quickly launched its business operations in Greece and has already authorised seven projects, including four investments to recapitalise Greek banks. This is a positive development. Further projects are in the pipeline. The good coordination and cooperation so far between the Bank and other IFIs and the EU is particularly important and is to be commended.

We are pleased that, after three years as a candidate country, Egypt became a recipient country in 2015. It has received a total volume of investments amounting to €1.7 billion, making it one of the Bank's most important clients. It is a matter of particular satisfaction that 61 per cent of total EBRD investment in Egypt has been in the private sector. This is a clear endorsement of the Bank's strategy for this country and also demonstrates that the EBRD can deploy its unique experience in Egypt in a beneficial and effective manner.

I would like to make particular mention of some individuals at this juncture: I would like to thank Philippe Le Houerou for his achievements as Vice President of the Bank and extend my best wishes to him in his new position as Vice President of the IFC. I would also like to welcome Alain Pilloux as acting Vice President for Policy and Partnership, and to wish him every success in his new position.

Finally, I would like to thank the management, the Bank and all the Bank's staff for their excellent work.

My thanks go also to the City of London and the United Kingdom for their hospitality and their support for the excellent organisation of this meeting.