

EUROPEAN UNION

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The last 25 years have proven that there was strong justification for the establishment of a bank with a transition mandate such as that of the EBRD. They have also shown that the path of transition is not a straight line, and there continues to be a real need for this Bank in its countries of operations. While there have been many successes along the way, there is still a lot to be done.

Strong cooperation between the EU and the EBRD has been an important feature since the Bank's inception. This is continuing to strengthen, both in policy and financial terms, with the EU contributing half of the Bank's total donor funding in 2015. The continued challenging environment – and our shared interests in the EBRD region – will require further reinforcement of this cooperation going forward.

The use of Blending Instruments is an increasing priority for the deployment of EU funds, and the EBRD's mandate, geographical focus and expertise in financial instruments make it a key partner in the delivery of investments that support the EU's agenda on private sector development, inclusive growth and job creation. Enhanced policy dialogue with the Bank's countries of operations, and stepped-up policy co-ordination between the EU and EBRD in areas of mutual interest, will be critical to ensuring the Bank's investments have a wider positive impact.

Looking ahead, three objectives will be important for the bank to deliver successfully: first a refreshed approach to transition in countries of operation; second delivering profitability in the interests of shareholders, and third a reinforced positive client orientation.

Firstly, it is clear that transition is by no means finished, even in the Bank's most advanced countries of operations. In order for transition to be sustainable, its benefits need to be well distributed across the population and the EU is supportive of enhancing the Bank's transition concept to respond to the challenges that face the Bank and to help its countries of operations deliver

inclusive and sustainable growth. The Bank's Green Economy Transition approach is welcome in demonstrating the Bank's response to such long-term challenges and the Bank must now ensure its successful implementation. The Bank has a role to play in shorter term crisis-response too, by contributing to reform and investment in Greece and Cyprus, and through its response to the refugee crisis. Yet evolving to tackle such challenges should not be seen as a move away from the Bank's transition concept – the concept of transition is still very relevant – it rather needs to be enriched to ensure that it leads to sustainable and resilient growth.

In this context, another key element for the Bank's continued relevance and success in its countries of operations is the need to enhance the representation of countries of operations and ensure that they are appropriately represented in the Bank's Board and management, including at the most senior levels.

Secondly, profitability is vital for ensuring the Bank can deliver against its Strategic Capital Framework and Strategy Implementation Plans. It enables the Bank to achieve low borrowing costs supported by an AAA credit rating; it is essential that the Bank retains its top credit rating going forward. It ensures a stable capital base for lending. Through net income allocations to the EBRD Shareholder Special Fund it also enables resources to be provided for grants and technical assistance, particularly in Early Transition Countries, which are often in greatest need of the Bank's support.

Thirdly, a positive client orientation, in particular towards SMEs, is vital in ensuring the Bank can continue to deliver transition in its region. To underpin the delivery of the EBRD's objectives going forward, the Bank's Management and the Board of Directors are undertaking exercises on effectiveness and efficiency. Finding the best way to organise the Bank internally will be crucial, in order to effectively deliver on the priorities set out in the Strategic Implementation Plan, and in a budget-restrained manner, as well as to provide the best service to the Bank's clients.