

# FINLAND

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### **The 25<sup>th</sup> Anniversary of the Bank**

Twenty-five years ago, the EBRD was set up to promote the transition to market economies, to further private and entrepreneurial initiative in Central and Eastern Europe as well as in Central Asia, and to assist countries 'committed to and applying the principles of multi-party democracy and pluralism'. This unique mandate has proved its validity and has enabled the Bank to react swiftly and make a difference throughout its existence, whether it be the collapse of communism in Eastern Europe, financial crisis, the Arab Spring or the latest humanitarian tragedy in Syria.

The EBRD has successfully revised its policies over the years while reacting to changes in the operating environment. Through the Bank's unique mandate, EBRD's investments and policy dialogue have changed people's lives in the transition region. Commitment to sustainable energy and safeguarding the environment have been mainstreamed in the EBRD's activities. The Bank's Strategy for the Promotion of Gender Equality contributes to the creation of an enabling environment that can address the constraints which gender inequality places on transition.

Over the years, the EBRD has enlarged its geographical scope of operation. In 2012, the EBRD expanded its activities to the Southern and Eastern Mediterranean region (SEMED). Now we are pleased to welcome China to the Bank, as it became the EBRD's 67<sup>th</sup> shareholder this January. We also welcome Lebanon to join the EBRD both as a shareholder and as a new country of operation.

### **Modernisation of the Transition Concept and Revitalising Long-term Growth**

Over the period of its existence, the transition region has undergone a fundamental transformation and countries in the region have achieved remarkable reform goals. Today, the Bank's geographical focus is wider and the region faces a more diverse range of economic and political challenges. Looking forward, Finland considers it highly topical and timely to revisit and discuss the role of the Bank as well as the concept of transition.

The financial crisis globally reduced long-term growth rates. Low prices for oil and commodities, geopolitical tensions and regional conflict have amplified this slowdown in growth. It is clear that the EBRD can play a critical role in raising the region's long-term growth prospects.

Since its inception, the EBRD has focused strongly on private sector development as an important aspect of its transition mandate. We consider this to be one of the EBRD's comparative strengths among the peer institutions in the future as well. Finland emphasises the importance of further strengthening the Bank's competences in areas pivotal to boosting long-term growth, namely in

supporting the development of a competitive business environment and the deepening of local financial markets.

## **Strategic Orientations and Capital Capacity**

The Strategic and Capital Framework sets out the Bank's medium-term directions, priorities and capital capacity up to the year 2020. The Bank will place additional emphasis on building transition resilience, supporting market integration and addressing global and regional challenges. This framework is now being implemented through the Bank's first three-year Strategic Implementation Plan. Its overall objective is to increase the Bank's impact and to respond better to the needs of the countries of operation by increasing the Bank's portfolio by 15% and the Annual Bank Investment by 20% by 2018.

Finland welcomes the reinforced approach to strategic portfolio management, i.e. weighing transition against risks. The approach is increasingly important as the level of non-performing loans is high in some of the regions of operation. In relation to the Bank's growing volume and the management of financial and reputational risk, Finland stresses the need to strive not only to come closer to market practice, but also to adhere to best banking practices.

Finland takes note of the efficiency programme that has been launched within the Bank, and urges increased efforts in this area so that the capacity to generate the revenue needed to support activities is retained while also respecting budgetary limits.

Promoting environmental sustainability is vital. Finland supports the Bank's focus on transition to a Green Economy and considers the Bank well-equipped to mobilize much needed private finance for this purpose.

Strengthening policy capability is important. Finland also welcomes the progress made within, for instance, the areas of inclusion and gender equality as ways of enhancing transition.

Finland supports the measures taken to provide more diverse funding sources in support of growth, especially the strengthening of the Bank's equity financing. In the transition region, these measures can have positive effects on both productivity and employment and can generate additional investments.

Finland supports the guidelines of the New Framework for Net Income Allocation. This kind of long-term commitment enables sustainable growth of the Bank without risking its rating.

## **The Bank's Results**

Although the Bank's operational environment remained volatile and uncertain, the Bank delivered strong financial results in 2015 and maintained its triple-A rating. Investment increased to a record high level and the Bank's projects included a significant level of additional non-EBRD finance. The EBRD operations also continued to have high transition impact in the regions of operation. Finland commends the Bank's management and staff for these excellent results.

As the economic outlook for the Bank's region remains challenging, the financial sustainability of the Bank, in terms of both capital and profitability, needs to be upheld and the Bank's capital to be managed in line with AAA-rating principles.

## **The Refugee Crisis Response**

Our response to the protracted crisis in Syria requires a totally new type of thinking and breaking the traditional silos of modalities for humanitarian, development and large-scale infrastructure funding. This spirit was demonstrated in London at the Syria Conference that took place on 4<sup>th</sup> February. The humanitarian suffering in Syria is enormous, but it is clear that we are facing a much larger regional development crisis. Therefore, Finland welcomes the strong commitments of the International Financing Institutions, including the EBRD, which jointly pledged more than 40 billion USD in loans at the Syria Conference.

Another ongoing paradigm change is the shift to investing in the resilience of communities and countries hosting refugees or large numbers of internally displaced persons from very early on. It is essential to prevent local economies from collapsing and to support them so that they can continue providing food and basic services, as rebuilding communities and countries, not to mention building the entire capacity from scratch in the form of foreign assistance is far more expensive.

### **Donor Funds**

The EBRD priorities, emphasizing in particular the reinforcement of developing countries' economies so that they can generate more jobs, livelihoods and well-being, are very well in line with the UN 2030 Agenda for Sustainable Development. The Government of Finland's newly adopted development policy shares the very same goals including democratic and well-functioning societies, access to water and energy and the sustainable use of natural resources.

Finland, in its current role as chair of the Early Transition Countries Fund (ETC Fund), would like to emphasize the importance of directing funds to the ETC region, especially to the Central Asian countries. We welcome the substantial amount of grant support and investment grants targeted to the ETC region in 2015.

The SEMED Multi-Donor Account has reported its results against the Annual Results Framework for the first time this year, and we have seen impressive progress in many fields. We see that private sector growth is one of the key factors in making countries and societies more stable and just, but also more resilient to external shocks. On the basis of the good results already achieved, Finland has replenished the SEMED MDA with 1.5 million euros in order to ensure that the significant work can continue and additional results can be achieved in the coming years.

### **The Election of the President**

Finland welcomes the new, more transparent procedure of electing the President. The EBRD has performed well in delivering transition impact in a challenging economic environment, and Finland highly values President Chakrabarti's efforts to steer the EBRD over the past four years.