

# **IRELAND**

**Statement on behalf of the Governor for Ireland, the Minister for Finance,  
Mr Michael Noonan T.D.**

**European Bank for Reconstruction and Development (EBRD) Annual Meeting**

**London, 11 - 12 May 2016**

**Introduction**

This statement is submitted on behalf of the Irish Governor, the Minister for Finance, Mr Michael Noonan T.D.

The Minister would like to pay tribute and to convey thanks to the organisers of the Annual Meeting and the dedicated staff of the EBRD secretariat in London for the very well organised meeting on their ongoing work for the Bank's shareholders and clients.

This twenty-fifth Annual Meeting of the Board of Governors marks a significant milestone in many respects for the Bank. The Bank can rightly be proud of what it has achieved in relation to its original mandate of promoting the economic and systemic transformation of Central and Eastern Europe with the resulting implementation of democracy and the establishment of market economics. The past twelve months, and indeed the recent past, has been challenging for the Bank, both within its counties of operation but also in the face of the difficult economic circumstances that the international economy has had to contend with more generally. The Bank has continued to perform professionally and with impact throughout this period.

As we look to the future for the EBRD, it has already shown it is prepared to address new challenges and priorities while retaining a focus on its particular expertise and geographical basis. The Bank's Strategy Implementation Plan 2016-2018 with its goals to increase efforts to promote environmental sustainability and the transition to a Green Economy, especially in supporting decarbonisation, alongside efforts to strengthen its policy capability is an important indication of the Bank's forward looking perspective in this regard.

**EBRD Membership and Operations**

Ireland is pleased to welcome the Bank's new members, China and Lebanon. Ireland was a strong supporter of both China's and Lebanon's membership applications. Membership extension to China is an important milestone for the Bank and for China. This global perspective confirms the Bank's importance within the community of multilateral development banks and the international financial systems more generally and highlights the potential for closer cooperation between Europe and Asia. Ireland shares these ambitions and its prospective application for membership of the Asian Infrastructure Investment Bank is an important initiative for Ireland in helping to strengthen this cooperation and build new ties within Asia.

Lebanon's membership of the EBRD is also an important signal of the Bank's ongoing commitment to this region and, in the context of ongoing tensions, reflects the need for a strong European-wide response to address the multiple challenges which this region faces.

Against this backdrop of expanding membership, Ireland also commends the enhanced activity of the Bank in Ukraine with new lending as well as renewed commitments of close to €1 billion. Ireland strongly supports the ongoing commitment of the Bank to Chernobyl, in this year marking the thirtieth anniversary of the disaster. The milestone reached in 2015 where the two halves of the Chernobyl New Safe Confinement steel structure were joined together was particularly significant and gratifying. However, more work remains to be done. Ireland also notes the evolving position in relation to engagement with Belarus and Ireland would wish to see a continued strong focus by the EBRD in ensuring that that appropriate conditionality is maintained in relation to EBRD operations in that country to ensure respect for the Bank's founding principles.

It will no doubt remain challenging to manage the Bank's traditional business while continuing to be flexible in adapting to meet new challenges as the geographic scope of its operations continues to evolve. This will require the Bank to also maintain its commitment to sound banking principles whilst also focusing on the Bank's core competencies and expertise developed over its first twenty-five years.

There is still much to be done in areas where the Bank has recently expanded and emphasis should be placed on the Bank focusing on its founding principles, including the commitment to the fundamental principles of multiparty democracy, the rule of law, respect for human rights and market economics.

Ireland also took note of the financial results of the Bank in 2015 and congratulates the Bank on its return to profitability. While this is indeed progress, it should be noted that the annual growth rate in the EBRD's region of operations slowed for the fourth successive year. This weak economic context should continue to inform a cautious approach by the Bank's to its planning in the coming year.

### **Ireland and the EBRD**

Ireland continues to be an important source of foreign direct investment in the EBRD's countries of operations. The value of joint Ireland-EBRD investment stood at €2.66 billion as of 31 December 2015. EBRD finance accounted for €1.92 billion, and Irish investment accounted for €0.74 billion.

Ireland-EBRD investment has been especially strong in Poland at €0.55 billion; followed by Hungary at €0.930 billion and Romania at €0.23 billion. Broken down by industry, joint Ireland-EBRD investment has been €1.16 billion in industry, commerce and agribusiness; €0.60 billion in energy; €0.47 billion in infrastructure; and €0.41 billion financial institutions.

Irish banks are also involved in the Trade Facilitation Programme (TFP), through which the EBRD guarantees the payment of trade finance instruments (such as letters of credit or payment guarantees) issued by banks in EBRD countries of operation to foreign confirming banks. This has been a particularly successful programme involving 18,300 transactions for a total of more than €12.8 billion since 1999. Since inception, the TFP has supported 31 export and import transactions for Irish companies for a total €64.4 million, for transactions which were initiated by banks in the EBRD countries of operation and confirmed by banks in both Ireland and abroad.

Ireland is one of the founding members of both the Early Transition Countries (ETC) Fund and the European Western Balkans Joint Fund (EWBJF). Key areas of Irish support are financial institutions, power and energy, and the EBRD Small Business Support (SBS) programme. The ETCs continued to have a significant share of trade finance business, accounting for 48 per cent of the number of TFP transactions (and 22 per cent of the volume).

Since 1998, Ireland has provided a total of €658,000 in funding for 15 advisory projects in six countries (Azerbaijan, Croatia, FYR Macedonia, Russia, Serbia and Turkmenistan), helping small and medium-sized enterprises access business advice through local consultants and international industry experts. The projects have been in a range of industry sectors, including various types of manufacturing, logistics, retail and IT.

### **Irish Economy**

Ireland is pleased to report that its own recovery has gained momentum over the past twelve months. Last year, Ireland was the strongest growing economy in the EU, with GDP expanding by 7.8 per cent. The expansion in economic activity, initially led by the exporting sectors, has broadened with growth now increasingly driven by domestic factors with consumer spending increasing by 3.5 per cent in 2015 and investment up by 28 per cent (the latter was boosted by investment in intellectual property assets). Strong export growth of 13.8 per cent year-on-year was recorded in 2015 on the back of competitiveness improvements, currency impacts and healthy FDI inflows in recent years. Employment grew by 2.6 per cent last year and unemployment has fallen by over six percentage points since the high of early 2012.

This recovery in domestic demand has impacted positively on the public finances. For example, the final Exchequer tax-take of €45.6 billion in 2015, was 7.8 per cent or €3.3 billion above profile, which equates to an annual increase of 10.5 per cent. These increases were broadly based, with virtually all tax-heads recording solid growth. When combined with expenditure developments, which were broadly in line with expectations, this resulted in an underlying general government deficit for 2015 of 1.3 per cent of GDP. This now means that Ireland should exit the Excessive Deficit Procedure, as expected, later this summer. The improvement in the economy and public finances is a direct result of the policies implemented in recent years to restore competitiveness and bring stability to the public finances

The Department of Finance is now projecting GDP growth of 4.9 per cent in 2016 and 3.9 per cent in 2017. Over the medium term, the economy has the capacity to grow by around 3-3¼ per cent per annum with positive contributions from both exports and domestic demand. The outlook for employment remains strong, with growth of 2.6 per cent projected for this year. Over the medium term, annual average employment growth of just under 2 per cent is forecast. This will see unemployment fall to 8.0 per cent by the end of this year and 6.0 per cent by the end of the forecast horizon.

A fiscal deficit of 1.1 per cent is forecast for this year, well within the EDP ceiling of 3 per cent, while debt is set to continue to fall. Over the medium term, a fiscal surplus is forecast in the Stability Programme Update to be recorded from 2019 onwards.

### **Conclusion**

The Annual Meeting of the EBRD is a reminder of what can be achieved when countries work together. Ireland is proud to have contributed to the work of the EBRD and we will continue to strongly support the Bank in its important work over the coming year.