SWITZERLAND

Statement by State Secretary Marie-Gabrielle Ineichen-Fleisch
Temporary Alternate Governor for Switzerland
on behalf of the Swiss Confederation

I would like to thank the UK authorities for hosting the 25th Annual Meeting of the EBRD here in London. This year's meeting is obviously a very special event with a quarter of a century having passed since the Bank was established to help countries on the way towards a market economy and a pluralistic democracy. As such, this gathering presents an opportunity to take stock of what the Bank has achieved.

Since it opened for business in 1991, the Bank has invested over €100 billion in 4,500 projects. Established hastily to help build a new, post-Cold War era in Central and Eastern Europe, the Bank has consistently proven its ability to respond to momentous events swiftly and decisively, whether it be the end of the Soviet Union, the financial crisis of 2008, the 'Arab Spring,' or the shift towards a greener Bank in the context of COP21.

Forward looking: Consolidation rather than expansion

The EBRD had a successful year in 2015, with a continued high score for transition impact associated with its projects, a return to profit, and an increase in business volume. Its capital base remains solid, with capacity to support further growth, and it has maintained its triple-A rating.

The last twelve months have been a further period of expansion for the EBRD. New members joined the Bank; others were granted country of operation status. We supported these changes; however, going forward, the Bank should focus on consolidation rather than expansion.

Strong challenges continue in 'first generation countries'

The Bank was successful in swiftly establishing a significant presence in the newer countries of operations, in particular Turkey and some Southern and Eastern Mediterranean countries. This proves, on the one hand, that the institution can adapt quickly to new goals and circumstances, which is a sign of strength. On the other hand, the Bank should in our view now focus on those 'first generation countries' which continue to face significant transition challenges. There is scope for EBRD to further deepen its engagement, particularly in Central Asia and the Balkans.

Challenging circumstances request an intensified approach from the Bank

Notwithstanding its successful track record in delivering individual operations across its region, the economic situation in many of its member countries today presents serious challenges for the Bank. Weak growth in major economies which form the key export markets for EBRD's recipient countries is subduing growth across the Bank's region. In addition, many of the Bank's countries of operations face their own domestic challenges, be it high levels of non-performing loans, or the lack of deep structural reforms required to achieve better governance and a better investment climate, both prerequisites for sustainable growth.

The Bank has rightly stepped up its considerations on how it could better use its financial and human resources to cope with these challenges and build on its achievements in delivering successful projects to achieve sector or even country wide progress. How should the tools and working methods of the Bank be reshaped to achieve a stronger long-lasting impact?

Many strategic changes undertaken in recent months are pointing in the right direction. For example, we much applaud of the Bank's efforts to deepen its engagement under the Local Currency and Capital Markets Initiative; policy dialogue and pragmatic step-by-step support from EBRD staff, working closely with committed national authorities, is helping countries of operation achieve the complex regulatory change needed to stimulate the move from an over-reliance on foreign currencies to the use of domestic currency. We also would like to highlight the very tangible efforts undertaken by the Bank under the Small Business Initiative, and the decision to further strengthen the Bank's efforts in promoting transition towards greener economies of its region in the wake of the international climate accord reached in Paris.

Equity tool to be re-sharpened

The Bank is an institution aiming at transition. In order to fulfil this mandate the Bank needs sufficient revenues. Revenues from debt operations are steady: despite the low interest rate environment, the Bank could maintain its interest margins. More of a challenge however in the last few years has been the income from the equity operations undertaken by the Bank. We see equity as a highly important part of the Bank's business. Equity investments have a higher potential for delivering reform than debt, and income from equity operations has historically been the biggest source of capital growth for the Bank, without having to revert to shareholders to ask for additional capital. We fully support the Bank's efforts to revitalise its equity business, to reach out to markets outside the capitals and big cities in countries of operations, to increasingly invest in family businesses that have good management, innovative products and the desire to expand into new markets, and, through setting a successful example, to attract new investors to our region that currently hesitate to invest as they see the risk – return profile as being suboptimal. Attracting equity investments is indeed crucial for a region that is characterized as having little leeway for further accumulating corporate debt.

A renewed transition concept

In the forthcoming months, the Bank will decide on how best to adapt its approach to implementing its transition mandate. For Switzerland, the principles of Article 1 of the Agreement Establishing the Bank remain valid, both in terms of the economic aspect of transition towards a market economy and of the requirement for commitment to democratization. In this exercise the Bank should reflect on how the second element might be better linked to operational activities, by linking the Bank's depth of engagement with reform progress. It is also essential that the Bank retains its focus on the private sector. While we see room for intensifying policy dialogue, the Bank should take a focused and pragmatic approach, anchored firmly in its project activities, and not deviate from its mandate by seeking to engage in dialogue with no clear link to its operational activities. In addition, we would invite the Bank to make further progress on measuring what it is doing, be it on a country, sector, or thematic level.

A few words of thanks

Finally, I would like to thank EBRD management, the Board of Directors and the staff of the Bank for all their dedication and hard work during the last twelve months. All of them have continued to contribute towards ensuring that this institution remains committed to helping its region move towards a low carbon environment, more inclusive economies, and better business conditions.