

**OPENING STATEMENT BY  
THE PRESIDENT OF THE EUROPEAN  
BANK FOR RECONSTRUCTION AND  
DEVELOPMENT**

**Statement by Mr Suma Chakrabarti, President of the EBRD  
Opening Session of the Board of Governors  
EBRD Annual Meeting, London  
Wednesday 11 May 2016, 09.30**

**1. Introduction**

Secretary of State, Chairman, Governors, Ladies and Gentlemen.

Welcome to our 25<sup>th</sup> Annual Meeting and welcome to our London headquarters.

I would echo Chairman Padoan's thanks to the International Development Secretary and our many other friends in the UK government and the City of London for all their help in organising this event and the Business Forum.

Let me also bid special welcome to our Alternate Governor from China, our newest shareholder, and to the President of the Asian Infrastructure Investment Bank, our new partner in the multilateral development bank family.

We have been working closely with AIIB since its earliest days, sharing our experience. With its creation and that of the New Development Bank, the EBRD is no longer the newest kid on the MDB block!

President Jin, our Board approved last week the first project that AIIB and EBRD will cofinance – a road investment in Tajikistan. The first of many, I hope! And later today, we will formalise our cooperation with the signing of an MoU. We are very much looking forward to a fruitful partnership.

A warm welcome also to President Hoyer of the European Investment Bank and Governor Wenzel of the Council of Europe Development Bank, two institutions with which EBRD has developed strong relationships over many years.

## **2. Impact**

Ladies and gentlemen, all of EBRD's Annual Meetings are special in their own way. But this year's is exceptional as it coincides with the 25<sup>th</sup> anniversary of our founding.

Over the last quarter of a century the EBRD has invested more than €105 billion in over 4,500 projects, and delivered significant impact in a total of 37 countries.

In keeping with the Agreement Establishing the Bank, the EBRD has, indeed, fostered the transition towards open market-oriented economies. It has promoted private and entrepreneurial initiative.

And the Bank has done all this in countries committed to and applying the principles of multiparty democracy and market economics.

Overall, across our region, the EBRD has played a major role in enhancing the private sector, encouraging entrepreneurship, boosting market competition and integrating our recipient countries into global supply chains.

Through its involvement in strong and successful projects, the Bank has achieved these goals both in countries where we opened for business 25 years ago and in those where we began working much more recently.

We see this in the Advanced Transition Countries where we have invested just under €20 billion. In Poland, the site of our first ever project, we are still active, for example through investment in renewables to help the country reduce its dependence on coal. Transition gaps have, of course, narrowed in Central Europe and the Baltic states. But EBRD continues to be relevant where there are still important gaps that commercial banks are unwilling to plug.

Central Asia has also been a very important region for EBRD. Our cumulative investment there is now almost €10 billion. And our impact has been growing fast, especially since we signed the Enhanced Partnership Framework Agreement with the government of Kazakhstan two years ago. It has allowed us to expand investment dramatically, boost reform and channel some of the country's oil wealth into other sectors.

In Russia we have invested almost €25 billion. And the Russia Small Business Fund, which we set up, has mobilised €16 billion from various

sources for micro, small and medium-sized businesses. Following the guidance on new projects given by our shareholders nearly two years ago, we continue to work hard at maintaining the quality of our portfolio in Russia.

We only began investing in Turkey in 2009. But our cumulative investment there already amounts to more than €7 billion. Last year, we were proud to make a major contribution to Turkey's capital market reform programme by acquiring a 10 percent stake in its unified stock exchange, Borsa Istanbul.

EBRD's operations in the Southern and Eastern Mediterranean launched even more recently, in 2012. But we have already delivered investment in Egypt, Jordan, Morocco and Tunisia worth more than €3.5 billion. Our involvement in the Khalladi wind farm in Morocco is a powerful example of our work in renewables in the region, and this project has just been awarded the EMEA Best Project Finance Deal in Africa Award.

Such is the Bank's record over the last quarter of a century. A record of substantial impact. A record of investing in changing lives.

A record to which we added greatly over the last year, investing a historic high €9.4 billion in over 380 projects. With 95% of those projects assessed as having good or excellent transition impact potential.

Those results in 2015 are notable. All the more so because they were achieved in spite of the difficult economic circumstances in many of our countries of operation.

### **3. Early delivery of the Strategic and Capital Framework**

As a Bank which cares deeply about its mandate, we rightly want to deliver even more impact in the future. We must build on the expertise we have acquired over our first 25 years. We must become even more responsive to our countries' needs and our changing world.

Ladies and gentlemen, the Bank is already doing this on many fronts.

The Strategic and Capital Framework that Governors approved a year ago in Tbilisi provides a detailed and comprehensive plan for re-energising transition.

A plan with the three priorities of building transition resilience, supporting market integration and addressing common regional and global challenges.

We are well on the road to delivering on these priorities. Let me illustrate.

#### **(a) Resilience**

First of all, the task of building transition resilience. Good governance and inclusive markets create the resilience for reforms to succeed, whatever the political or economic stresses that our countries experience.

Here are four examples of our work so far on building resilience.

Our Investment Climate and Governance Initiative is supporting reform-minded governments and the Bank's corporate clients to increase transparency, good governance and healthy competition in tangible ways.

And this initiative and our push on policy reform is paying off. In our most recent review of reform momentum in our countries of operations we observed an encouraging shift.

In a departure from the dynamic of previous years, we saw that progress in crucial sectors significantly outweighed reform reversals.

Several countries had taken important steps towards reforming the power and energy and infrastructure sectors and towards strengthening frameworks for markets.

In the year of our 25<sup>th</sup> birthday, this was a very welcome present for us and our shareholders.

The EBRD and its work have helped prepare the ground for this rallying of reforms.

In Ukraine, we led the creation of an independent Business Ombudsman Institution. This provides a recourse mechanism for businesses with legitimate claims against state agencies that infringe on their rights.

In just over six months of operations last year, the Business Ombudsman resolved a very large number of cases. And it had a direct, measurable financial impact on Ukrainian firms of almost €100 million.

The second example of how we are helping build resilience is through our work on local currency and local capital markets and the focus on small and medium-sized enterprises.

Nearly a quarter of our debt operations in 2015 were in local currency, a far bigger proportion than for any other multilateral bank, and much more appropriate for the SMEs in our regions. This is helping take our Small Business Initiative forward. Lending to SMEs now accounts for almost half our banking projects and a fifth of our lending volume.

We have been issuing local currency bonds since 1994. Last year In Romania, we took part in the city of Bucharest's landmark lei municipal bonds refinancing of a maturing Eurobond.

We also invested in Poland's first zloty-denominated covered bond. And the Bank continues to support the efforts of several other EBRD countries to issue inaugural local currency covered bonds this year.

Indeed, we are doing ever more these days to develop local capital markets and the financial resilience of our region. Our SEE Link already connects the stock exchanges of five countries in South Eastern Europe in an integrated trading hub which will facilitate cross-border transactions. And that is just the start. Greece has announced its plan to join and other countries have indicated that they would like to follow suit.

My third example of building resilience is our focus on gender, which we now see squarely as part of transition to open market-oriented economies.

At the end of last year Directors approved our first Strategy for the Promotion of Gender Equality. We have moved quickly to implement the strategy and this year will see breakthroughs in non-traditional areas of employment for women, stemming from our work with energy and infrastructure clients.

Indeed, our Women in Business programme is active in 16 countries, strengthening financial inclusion and resilience, by giving women entrepreneurs the support they need to grow and develop their firms.

I hope shareholders will continue to support an extension of our work on gender to ask how EBRD could do more to support a wider inclusion agenda, to bring excluded youth, minorities and underserved regions into the economic market place.

And the fourth example of EBRD building resilience is our support to countries facing the huge challenge of absorbing large numbers of refugees.

We have mobilised to boost the resilience of refugee-hosting communities in Jordan and Turkey. We hosted a very successful conference on engaging with the private sector to help those communities, here at headquarters in February.

We are helping with the development of SMEs that will support local communities, and absorb these refugees in the local economy. And we are actively involved in projects to urgently upgrade municipal infrastructure put under acute strain by the arrival of refugees from Syria. The latest example, approved by our Board last week, is the Greater Amman Municipality Solid Waste Crisis Response Programme. International Development Secretary Justine Greening and I will be signing the agreement immediately after this Opening Session for the UK's grant support for this project.

## **(b) Integration**

The second theme in our Strategic and Capital Framework is economic integration. We believe integration promotes efficient markets and reform by boosting competition and broadening sources of financing, and also helps to improve governance.

Allow me to give you three examples of our work in this field.

We have launched our Infrastructure Project Preparation Facility to provide a mechanism for high quality advisory services for PPPs and other strategic infrastructure in our region.

And in the sphere of energy security we are working on structuring financing for the Southern Corridor, which includes substantial backing for both the Trans- Adriatic and Trans-Anatolian Pipelines. Both loans contain important conditions to improve market efficiency and competitiveness.

The third example is the gear shift we have made to better tap foreign direct investment from a wider set of sources. Achieving the ambitious goals that we are setting for ourselves will require a plugging of the large investment funding gap which exists in our countries of operation.

So innovative vehicles such as the EBRD's new Equity Participation Fund are needed to attract pension and sovereign wealth funds back in to emerging markets. We will soon be signing our first investors to this Fund and that will bring more equity investment to our countries. It is a major advance in the way that we mobilise other sources of long-term finance alongside the use of our own capital.

Added to this, we are stepping up our business development efforts for the benefit of our countries of operation. To that end, this spring we opened our first ever representative offices in Japan, in Tokyo, and in North America, in Washington, D.C. Accompanying this is a renewed effort to attract mid-cap companies from Western Europe to our region of operations.

### **(c) Regional and global challenges**

Our third theme in the Strategic and Capital Framework is helping tackle regional and global challenges - those to which each economy contributes

but whose impact is wider. These are problems for which markets worldwide have so far failed to provide sustainable solutions.

Let me illustrate what we are doing to address these challenges with just one telling example.

Since we last met, the Board of Directors has approved a Green Economy Transition Approach, which puts climate finance even more at the core of what we do. So we now aim to invest not 25%, but 40%, of total annual Bank investment in the green economy by 2020.

We are already making good progress on implementing the new approach.

Building on its large network of 117 partner banks across 25 countries, the Bank is supporting the streamlining and expansion of green financing activities with an ever growing number of SMEs and households.

Reflecting the core role of cities in the green economy, the Bank is also developing a Green Cities programme promoting policy and investments for urban sustainability.

And taking account of the rising importance of adaptation as the climate changes, the Bank is developing a pipeline of projects with a focus on water efficiency in countries such as Egypt and Kazakhstan.

#### **4. Recognition of EBRD's work**

I am glad to report that the EBRD's performance in 2015 and the early push on delivering the Strategic and Capital Framework won recognition earlier this year in the form of the 'Global Multilateral of the Year' prize awarded by Project Finance International, part of Thomson Reuters.

Our involvement in the Oyu Tolgoi development, a US \$1.2 billion syndicated loan, our largest ever, signed last December, was also honoured at the same awards.

I should also mention here our continued work to manage donor funds to make the site of the tragic nuclear accident at Chernobyl 30 years ago safe and secure.

I want to thank the donors who pledged more money for that cause in Kiev two weeks ago. I am also able to announce today, that our newest shareholder, China, has contributed a further €36 million for the Chernobyl Shelter Fund.

Indeed, let me thank all our donors for their very generous support for our operations as a whole over the last year. Its this support that makes it possible for us to really make a difference.

In the future, donor-funded activities are likely to become even more crucial for the Bank's ability to transfer skills, design solid projects and improve policies.

## **5. A financially sound and efficient Bank**

Ladies and gentlemen, the Bank is now responding to more varied challenges, and faster, than at any time in its history.

Our first Strategy Implementation Plan, which the Board of Directors approved in December, outlines how we will further boost our activity and impact, both through investments and policy delivery, to address those challenges.

It does so by increasing – within prudent limits – our capital utilisation. And by applying continued sound financial management to ensure financial sustainability.

Our financial results for last year – among them our net profit of €800 million - were encouraging. Particularly so given the difficult economic environment.

Our triple-A rating, reaffirmed last year by all three major rating agencies, is testament to the fundamental strength of our business.

Nevertheless, however impressive those indicators, we need to stay vigilant and do all we can to be in proper shape. This Bank needs to remain financially sound if it is to have the impact required.

A lot has been done in recent years to modernise the way the Bank is managed and operated. The One Bank modernisation programme delivered – more innovation, a stronger and more unified culture, and – most importantly – more impact.

We are now building on the foundations of that work to provide you, our shareholders, with a Bank which is even more efficient and effective. We are looking at all our main processes and asking how we can modernise these further to free up and reallocate resources to our priorities.

The success of this operational effectiveness and efficiency programme will be gauged in three ways.

Our countries of operations must at the end of the programme enjoy yet more value from us on the ground.

Our relationships with our clients must be further strengthened.

And our staff must feel the benefit from even higher value jobs.

I have dwelt here on the Bank's financial health and the efficiency of its operations and processes because they serve as guarantors of our ability to sustain business volume and enhance impact.

## **6. A Bank equipped to cope with our changing world**

You, our shareholders, know well that our world is changing fast. And our countries of operation will face a number of key challenges in the years ahead. We need to be realistic and face up to an unwelcome fact: the Bank will continue operating in a difficult context.

The geo-political tensions in our region are not going to be resolved quickly.

Added to this, economic growth is below potential. Average growth in emerging markets has halved since 2010 and the need to reverse that trend is now acute. Tomorrow we will be discussing in detail more ways of re-energising growth in our region. And I want to take this debate further at sub-region level in the coming months – with an EBRD-led event in Budapest later this year on growth and investment in the EU13 that are also EBRD countries of operation.

But the difficult context goes beyond growth and geo-politics. Climate and environmental change, demographics, inequality and threats to social cohesion, differing views on globalisation, the free market and democracy - all these factors are likely to influence the world around us, often in adverse ways.

And yet the principles on which we were founded – support for the transition to open and sustainable market economies, the emphasis on the private sector and the importance of policy work - remain as powerful today as they were 25 years ago.

Ladies and gentlemen, I am convinced that the Bank can build on its success of the last twenty five years. Its reputation rests on the most solid of foundations.

With the Strategic and Capital Framework and the Strategy Implementation Plan now in place, and the modernisation of the Bank well underway, I believe the EBRD has the tools, the skills and the experience to rise to the challenges confronting us.

We can, we will, have a decisive influence on change across our region in the years to come.

Thank you very much.