

GERMANY

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Address by

Dr. Thomas Mirow

Alternate Governor

for the Federal Republic of Germany

Mr. Chairman,
Mr. President,
Governors,
Ladies and Gentlemen,

At this year's Annual Meeting, we are guests in an impressive European city. We will be able to experience Ukrainian hospitality for the second time and to see for ourselves the upturn in the region since the first Annual Meeting held in Kiev 10 years ago. My first words of thanks are therefore addressed to our hosts.

Ladies and Gentlemen, the European Bank for Reconstruction and Development is a very successful international financial institution. It has had a reliably good track record in recent years, and all indicators show that it continued its success story in 2007, in what has become a more difficult environment.

The good profits are attributable to prudent investment decisions made by the Bank in previous years, frequently in uncertain investment conditions. The Bank's willingness to take risks at the time proved to be correct. And the sound financials also indicate that the Bank has the necessary capacities and know-how to take the right decisions at the point of intersection between private-sector risk and a public commission. At the same time, the continually good evaluation results confirm that, as a rule, the projects promoted achieve a discernible transformation effect.

That is why we consider the renewed marked increase in the volume of business to be evidence of the Bank's continuing attractiveness. With new approvals amounting to 5.6 billion euros, the Bank has already achieved a volume of financing today that had only been anticipated by the year 2010 under the mid-term strategy adopted two years ago.

Thanks to the Bank's solid capitalisation and growing reserves, the unexpectedly fast-growing volume of business does not pose a problem in financial terms. In view of the rapid expansion of business, however, particularly critical attention must be paid to ensuring that the policy mandate is not overstretched. Above all, the transformation impact and additionality must be kept clearly in view in all activities. I attach great importance to these aspects.

Last year represents a milestone in the history of the European Bank for Reconstruction and Development, as the Czech Republic became the first country of operations to graduate. This is good news for the Bank and, of course, also for the Czech Republic. I should like to congratulate the Czech Republic and the management of the Bank on this success and this decision, and at the same time to express my hopes that other countries will be able to follow the Czech example by the year 2010.

This year will be the first in which we assign part of the Bank's income to a purpose other than strengthening its reserves. The extent of the overall profit and the high level of reserves allow us to do so without endangering the Bank's financial capacity. The solution found combines a further significant increase in reserves with the creation of the Shareholder Special Fund and a substantial contribution by the Bank towards

funding the safe elimination of the nuclear legacy left by the Chernobyl power station. I consider this to be a sound compromise.

The Bank's proactive policy of funding efficient energy use helps to promote climate protection. The potential for savings in the region is enormous. With its pragmatic and performance-related approach, the Bank is of benefit not only to the countries of operations, but also to the global climate. Germany supports the Bank in this regard. We shall be making available at least 7 million euros for the Bank's energy initiative by the end of this year.

The medium-term strategy adopted in 2006 as part of the third review of capital resources already reflects the Bank's adaptation to new fundamentals. Yet the challenges it faces continue to change all the time:

- The economic environment, particularly developments in the financial markets, has deteriorated. This entails risks for any financial institution. As the recent quarterly figures have shown, the Bank is not immune to this trend either.
- The further shift in the geographical focus of the Bank's operations will lead to an increase in business risks.
- The sharp surge in commodity prices will give a number of countries of operations additional scope for action.
- Private-sector business concepts will need to hold out against demands for increased State intervention.

The Bank's management and shareholders need to face these fresh challenges; in future, too, the Bank will have to be flexible with regard to necessary adjustments.

Another issue is that Turkey would like to become one of the Bank's countries of operations. Germany and its European partners vigorously support this request. Like Turkey, we are delighted that this wish can be expected to become reality very soon.

This would make Turkey – measured by the size of its population and economic power – the second-largest country of operations. The Bank should focus its activities on selected areas in great need of transformation. Among its most important objectives will certainly be the need to reinforce small and medium-sized enterprises and to improve energy efficiency and municipal utility services. This also raises questions regarding the division of responsibilities and the appropriate level of cooperation with other international financial institutions. The agreements reached recently, for instance with the European Commission and the European Investment Bank on the western CIS states and, now, the Western Balkan region, are showing the way forward.

The Bank's activities in Turkey must not detract from the performance of its tasks in the current countries of operations. This applies in particular to the least advanced among them. Fortunately, the Bank's financial resources will enable us to accomplish both objectives. Nevertheless, we will have to reflect how the additional activities in Turkey can be integrated into the Bank's existing business.

What will be important in this regard is to arrive at a common assessment, as broadly based as possible, of how the Bank is going to adapt to these new challenges. This calls for concerted action by all of us.

The Bank has special qualities. It rightly enjoys respect and recognition as a focused, well-managed and particularly successful financial institution. However, it will only be able fully to exploit its strengths if its member countries are in agreement and are perceived to be in agreement.

The Bank's success cannot be described without emphasising the role of its highly professional and motivated management and staff, who are committed to continually accomplishing the Bank's objectives. This is what gives the Bank its particular strength.

Governors, Ladies and Gentlemen, I particularly wish today to highlight the achievements of Jean Lemierre, whose service to this Bank in recent years has been outstanding. He and his team have succeeded in keeping it on course for success during a time of changing tasks. During his term in office, the Bank's reorientation in favour of its less advanced customers in the South and East, which all of us have been striving for, has made decisive progress. He has succeeded in crowning his presidency with the first graduation of a country of operations, the Czech Republic.

Jean: That is why I would like to thank you now for your dedication and commitment to the Bank. When you leave the Bank in July this year, you will be accompanied by my very best wishes for the future and, I am sure, by those of all fellow campaigners within and outside the Bank as well.

Ladies and Gentlemen, thank you for your attention.