

HUNGARY

EBRD ANNUAL MEETING OF GOVERNORS
18 – 19 MAY 2008, KIEV

Statement by
Mr. Álmos Kovács, State Secretary, Ministry of Finance, Hungary

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

The last 12 month period was an extraordinary year in the life of EBRD and also in the relations between Hungary and the Bank which performed at record level in 2007. The extensive discussion in the Board about the use of Net Income followed from this unprecedented year. We believe all this is evidence of great professionalism and demonstrates the capacity as well as the commitment of EBRD to support the development of the market economy and the private sector in the countries of operation. It is important that EBRD remains a firm supporter of reforms which governments often find hard to implement, even in relatively advanced transition countries.

In the last year, the relations between the Bank and our country have been maintained at the highest level. A Board Consultation Visit in Hungary also provided opportunity for EBRD directors to discuss the remaining transition challenges with government representatives and the business community. We believe this high level dialogue helped to shape the new strategy of EBRD for Hungary, which we consider to be the last active strategy for our country before graduation. The main pillars of this strategy are: helping to further develop infrastructure in a market-friendly way; assistance in facing the challenges of energy supply and efficiency; and support for Hungarian companies investing abroad. We would also welcome if the Bank implemented projects beyond these sectors in the private sector, within the framework allowed by CRR 3.

In the last year, EBRD has successfully continued the shift of the operations towards the South and the East. We particularly appreciate that the Bank has made great efforts to regenerate the economies of the Western Balkans. Last year Hungary became a donor in the Western Balkan Fund, and we are satisfied with the progress the Fund has made. In this context, in order to draw attention to the economic development and political stability of South-East Europe, we believe it was an excellent proposal to hold the 2010 Annual Meeting of the Bank in Zagreb.

We believe that the 2010 Annual Meeting will also highlight the successful EU accession of Croatia, which Hungary has always supported. We are glad also because

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the request from Turkey to become a country of operation in EBRD is being received positively by an overwhelming majority of the shareholders. Graduation creates room in the Bank, and this room can be occupied by Turkey in a perfectly legitimate way. We hope a decision by the Governors will only be a matter of a few months.

Mr. President,

We support the proposal to allocate most of the Net Income to the Strategic Reserve. We also agree with the establishment of a Shareholder Special Fund which should be generously endowed in order to enhance the Bank's impact in the less advanced transition countries, and we support the contribution from the Net Income to the Chernobyl Fund.

The Hungarian government believes that it is right to avoid any additional distribution from the Net Income of EBRD in a year of deep financial turbulence in the world capital markets, and when the overwhelming majority of the countries of operations believe that a return of capital to shareholders from EBRD is premature.

In the recent months these major decisions of the EBRD coincided with the selection of the new President and, on behalf of the Hungarian Government, I wish to congratulate Mr Mirow for becoming the candidate for EBRD presidency. As far as the selection procedure is concerned, Hungary supports any kind of initiatives to elaborate a more transparent way for future presidential elections.

On this occasion, we would also like to thank President Lemierre for his eight-years of very committed work. Under his leadership EBRD performed beyond expectations and became a model for other regional banks. In President Lemierre we had the privilege of working with a personality whose heart is *in the job*, and who is prepared to assist the transition countries in many different ways.

Finally, I would like to thank the government of the Ukraine and the city of Kiev for organizing the Annual Meeting of EBRD for the second time. I hope the government and Kiev can use this opportunity to strengthen the foundations of long-term economic development and stability.

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Thank you for your attention