

LATVIA

STATEMENT BY MR ATIS SLAKTERIS, MINISTER OF FINANCE AND EBRD GOVERNOR FOR THE REPUBLIC OF LATVIA

Dear Chairman, President, Ladies and Gentlemen,

I am deeply honoured to address the Seventeenth Annual Meeting of the European Bank for Reconstruction and Development. On behalf of the Republic of Latvia, I should like to express sincere gratitude to the Government of Ukraine for their warm hospitality.

Despite global financial turmoil that began in August 2007, last year the EBRD repeatedly demonstrated impressive performance. The Bank recorded a remarkable net profit. Annual business volume reached a significant increase if compared to previous year and the highest level of annual commitments ever. Bank's activities in equity-linked transactions also must be noted. Volume of share investments has increased considerably underlining important focus on private sector. We are pleased to note that the share of operations with a transition impact potential rating of good or excellent has continued to grow during 2007.

Operational environment is going to be difficult this year due to situation in the financial markets and potential implications for the real sector. Existing uncertainty poses serious challenges for many transition economies. Under current circumstances prudent financial management and accumulation of reserves are of key importance. Moreover, safeguard and contingency arrangements should be complemented by reasonable incentive mechanisms. I am pleased to see that these strategic considerations were taken into account by the management and the Board of Directors in recent discussions on profit allocation.

Latvia fully supports the resolution on 2007 net income allocation. In our view, the proposal captures properly economic realities in the region and EBRD's operational parameters for the remaining two and a half years of the Third Capital Resource Review period. With our decision today we will endorse some historical changes to the way Bank operates.

During discussions on the Third Capital Resource Review in 2006, Latvia concurred with gradual reduction of EBRD's operations in Central and Eastern Europe. We now see this trend materializing as the share of commitments to advanced countries of operation according to their stage of transition is decreasing steadily. For us this means implementation of geographical shift towards south and east, whilst engaging in fewer projects in new member states of the European Union. These developments are very welcome. They represent pragmatic evolution of the Bank. Latvia continues to believe that early transition countries should benefit the most from EBRD's assistance.

Latvian authorities welcome the request by Turkey to become a recipient country of the EBRD. The Bank can be additional in providing valuable assistance in tackling many challenges facing the Turkish economy and push further reform agenda. While we are looking forward to results of strategic review to be conducted in the context of Turkey's

application, we see the Turkish case as an opportunity for the Bank to diversify further its portfolio across regions and sectors.

This year is remarkable for EBRD's relationship with my country. The work on the last Strategy for Latvia, covering remaining period prior to formal graduation, is underway. With full respect to graduation, I nevertheless do expect the Bank to remain visible in Latvia. The last strategy should build on lessons learned and transition experience accumulated up-to-date. The Bank is extremely well placed to assist cross-border expansion of local corporates. Since competitiveness and export promotion are high on the government's agenda, I believe the Bank can still play a role with its private sector instruments. In the same vein, distressed global financial environment provides momentum for Bank's additionality in financial sector as well. I am confident that the Bank will continue to fully exercise new project opportunities in Latvia until the end of 2010.

In my concluding remarks, I should like to thank the management and the staff for another productive year. On behalf of the Latvian authorities, I wish to convey sincere appreciation to Mr Lemierre for eight consecutive years of his dedicated and successful tenure. With fresh transition experience in mind, I understand that multilateral organisations do make a difference. Strong leadership and personal commitment of Mr Lemierre have greatly contributed not only to strengthening EBRD as a reputable and efficient regional development bank, but also to delivering tangible transition to the countries of operation. As for the future, we wish the next President success in this challenging new assignment to lead the Bank's further successful development.

Thank you.