

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

Closing remarks by Mr Jean Lemierre, President of the EBRD

THE PRESIDENT: Thank you, Chairman. I can be brief because your statements speak for themselves. You have created a very strong sense of unity, providing guidance and support to the Bank's actions. I will therefore make a few remarks in response to some of the points you have made.

The first clear point is that you have asked for a stronger bank. This is needed because of transition needs and the clear need to fight against poverty, but even more because of challenges raised by the financial turbulence and questions like energy, global warming and food prices.

It is clear therefore that for many reasons you have asked for a strong bank that is able to deliver transition impact.

I am very grateful to Governors for having supported these views by allocating a large part of the profit for 2007 to the reserves of the Bank to enable the Bank to continue its work and to take risks in a very difficult environment. I am sure that this will continue to be done.

I should like to reassure the Governors for Russia and Belarus that it is clear that the level of investment foreseen in the strategic framework is high. We of course always want more, but the level is nevertheless high and is based on predictability and sustainability. It will allow the capital and reserves of the Bank to be used over time at a high level, because the Bank will have the capacity to deliver at a high level. This is a well-balanced decision, which will help the Bank not only to deliver today but also to prepare for 2010, 2011 and 2012. There will be future views, but for the time being it is very important to have predictability and sustainability for the Bank.

The second decision you have taken is the creation of the Shareholders' Fund. Clearly, that Fund is crucial to support the mission of the Bank and strengthens the Bank in its capacity to fight against poverty and to deliver in the early transition countries and on other challenges. Some of you have commented on the notion of investment grants, and I think you are right that there is a need to carefully monitor

this. I am very confident that the Chief Economist and the Credit Committee of the Bank, and the Board, will look at this case by case to set standards and ensure efficiency. The Bank should not be transformed into a different institution than a transition bank.

In regard to the Shareholders' Fund, I have welcomed and have been highly impressed by the fact that, even though part of the Bank's profits can now help to create a Shareholders' Fund, many of you have indicated clearly that you will continue to allocate TC funds, and some of you have even indicated that you will make a new allocation. We are not in a pledging conference, but this is a very good and welcome trend.

The third point in relation to building a stronger bank is cooperation. I should like to stress that strong cooperation with many institutions, and especially with the EIB, is very important. Delivery is a key question. It is a real partnership between the EIB, the Commission, the EBRD and the countries, which needs to be furthered.

I have already said to some Governors that the more we can join our actions, especially in the Western Balkans and especially in infrastructure, making things simple and clear and avoiding costs for countries, the better; and the best we could do is simply to put in place a joint investment facility. That would be a great initiative of all the institutions, and I am sure that the EU Commission would warmly support such an initiative. A stronger bank, and the decisions you have taken, go exactly in this direction. However, I would like to stress one point. A stronger bank means a bank that delivers with high standards: clear governance, transparency and quality. The Bank must never lower its standards.

With regard to volume, a few minutes ago I said that you, the Governors, have allocated capacity for the Bank to deliver at a very high level. You have allocated the capacity, but this capacity should be used only if there are projects of high quality and high standards. The EBRD is not a volume-driven institution; it is a transition-driven institution. But there is capacity, and that capacity should be fully used, not at any cost but only if projects are good, sound, and fit well with market entrepreneurship

and market-based solutions. That is a clear view and a very important point for the management and future direction of the Bank.

I would add a final point on a stronger bank and volume: it must be delivered within budget. You provided a very clear budget framework for the EBRD when you adopted the Capital Resources Review 3. I have no doubt that the Bank can deliver these volumes, if the projects are good, within those parameters. The Bank has always been a cost-effective institution, and should remain so.

The second point concerns Turkey. You made a very clear decision today to support the process launched by the Board of Directors. I am sure that this work will be done in a transparent and efficient way and on time. I sensed around the table the building of a strong view on Turkey's application, and this should be warmly welcomed.

The third key point I noted in your remarks concerns the future of the Bank. I am not so sure I am the best person to speak of the future of the Bank; that is a question for Thomas Mirow. In the light of these challenges, you have made a very good decision in appointing him President of the Bank and I am very happy that he is my successor. Good luck!

Nevertheless, I should like to make two remarks. First, the future must be based on a multilateral approach, which is the strength of the Bank. I would like to say to my European friends that this institution is a unique one because it is able to bring people together. Europe should unite, not antagonise. This is a great institution because people are around the table. I am very sad that that Australia may take a different view. We are all sad about that because we are losing something: your commitment to the region and your expertise at a time when challenges are very great. I discussed this with the Governor for Australia and I understand that Australia has many other challenges, and we certainly respect that. But the Bank is a multilateral institution, and we all gain much from our different views and concerns. However, in the end we team up to deal with clear challenges, which are entrepreneurship, democracy, efficiency and the market economy. This is key.

My second remark on the future of the Bank is that the Bank is good because it is focused. That is my strong, firm view. The Bank should never be distracted from delivering its core mandate. I have said this many times, and I will repeat it – and you know that I welcome Turkey’s application and that I think Turkey will not distract the Bank from delivering its core mandate – the core mandate of the Bank must be respected. That is why the Bank is strong and is respected. Dilution will not bring respect and progress, and my colleagues in management and staff share that view.

The future is for you, Thomas! I will conclude now. You have work to do on this question, and I am sure you will prepare this very well and efficiently.

Now I should like to thank the Directors of the Board. I congratulate them. Most of them have been re-elected, and this is good; it shows consistency and continuity and team spirit, which is crucial in the Board. I express my special gratitude to two colleagues in the Board who did not run for a new mandate – it does happen in life - that is Mark Sullivan and Mr Marcinkiewicz: they are and have been very good members of the Board. They are leaving the Bank, and I wish them all the best and hope there will be dialogue with them in future. I congratulate the new Directors representing Poland and the United States.

I have been greatly touched by the kind words you have addressed to me. I am very touched: this is very important to me. You know that I am highly dedicated to public service, and highly dedicated to this institution and to the mandate of this institution. Your words are very important to me; this is the best reward I could have received.

Having said this, I am not alone. The Bank has a remarkable team. I would like my colleagues and management and staff to share the wording you have used in regard to my eight years. It is normal to say this, but I am saying this because I really believe it: they are great people and they have done very well. Many are still in the Bank and some have left. They do a good job, work hard, and they challenge themselves. They appreciate your guidance and aim to deliver exactly what should be done.

Thank you, Governors, for all of this, for your comments and for your support during these years, and for your permanent guidance and wisdom.

My last words of thanks will be to Ukraine. I have already said this to Prime Minister Tymoshenko, and I will be meeting President Yushchenko after this meeting: Ukraine has been very gracious to us for the second time in the life of the Bank. Ukraine is a very important country for us. I am sure that many of you had never visited Ukraine before, but you have seen it now. What is happening here is simply great. It is difficult and there are challenges. That is transition. The working spirit between the EBRD, you and Ukraine is exceptional. I should like to thank particularly Igor Podoliev, Director for Ukraine on our Board. He does a great deal for cooperation, sometimes in difficult circumstances. Thank you, Ukraine, and you, Igor, and each of you. I hope that life will be such that we will keep in touch and continue the dialogue. Please be assured that I would appreciate being able to continue the dialogue with you.