

SPAIN

**KIEV, 19 MAY 2008
EBRD ANNUAL MEETING**

**STATEMENT BY MR DAVID VEGARA,
ALTERNATE GOVERNOR FOR SPAIN**

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

1. Allow me first of all to thank the Ukrainian authorities, as well as those of the City of Kiev, for their hospitality in hosting this meeting. Our appreciation extends as well to the Bank staff for the arrangements and organisation of this assembly.

2.1. In 2007, the EBRD continued to **increase its business volume** and number of projects to record levels, ensuring a forceful and effective delivery of its mission. The level of lending over the last two years 2006 and 2007 has turned out to be **48% higher** than anticipated, based both on the favourable global financial conditions and on the growth in the Bank's capital through the accumulation of profits. Both these factors have now changed, so the Bank must take them into account looking forward.

3.1 We support the **income allocation** decision adopted this year. The Bank is in a very comfortable financial position, with a significant level of reserves. Whilst the consideration of dividends was an adequate process, the decision to allocate 22% of the Bank's annual income to uses other than reserve accumulation strikes a good balance between financial prudence, on the one hand, and releasing available resources to reinforce the Bank's mission, on the other.

3.2 Therefore, we support the contribution to the **Chernobyl Fund** as well as the establishment of the **Shareholders' Special Fund**, and encourage the Bank to ensure that both these contributions are AOD eligible for EBRD shareholders.

3.3 The significance of this new **Fund** should not be underestimated. It opens a new dimension in project support that was, until now, only available in a limited manner through untied multi-donor funds. Clearly, some **donor substitution** will be unavoidable, and a redefinition of the roles of the Bank and Donor countries will have to take place. We look forward to this discussion within the solid governance arrangements of the Fund.

3.4 However, this year's income allocation decision must take into account the **deterioration in international financial conditions** that has taken place since summer last year. The new conditions will impact the valuation of the Bank's investments this year, and, with it, the Bank's profits and reserve accumulation capacity. The sustainability of the Bank in the medium run requires these factors to be taken into account, so further reserve accumulation in the new **Strategic Reserve** of 78% of this year's profit is financially prudent.

4.1 We can support the **Strategic Operational Framework**. The Bank must generate sufficient reserves so that, at the end of 2010, it will have the possibility to look to the years beyond. The creation of the strategic reserve allows the building of reserves to continue, but sets a limit on lendable capital as well as a ceiling on business volume at the maximum sustainable level. We think, however, that any decision to transfer reserves away from the Strategic Reserve into General Reserves has a direct bearing on the income allocation decision taken by Governors the year precedent, so we trust and expect the Bank to be mindful and respectful of any such decision.

4.2 The setting of a **40% limit** on the concentration of annual business volume on any one country of operations is welcomed, especially since the correlation of risk between some countries of operations can be very high.

5.1 Mr Chairman, we note with concern that the Bank's activities in the Western Balkans have decreased in 2007. We urge the Bank to continue to engage these countries to try to create the conditions to maximise its investments. In the years ahead, the process of transition in the **Balkans** will continue to be driven by **the prospect of EU accession**. In this context, Spain continues to support the untied multidonor Western Balkans Fund.

5.2 It is also important that the EBRD continues to adapt to address the challenges posed by Moldova, the Caucasus, and Central Asian countries. We are encouraged by the very good results of the Early Transition Countries Fund in delivering results. But clearly, the new Fund opens significant new opportunities to further support the Bank's activities. To this end, it is important that the resources of the new Fund are selectively applied, and that the incentives to staff and resources both in local offices and in Headquarters ensure that the necessary level of effort and expertise is applied there where it is needed.

6.1 We strongly welcome the application of **Turkey** to change its status to Country of Operations. The EBRD can be effective in the support of the private sector in Turkey. Additionally, new possibilities open for the EBRD in the Balkans and Central Asian Countries in cooperation with the Turkish private sector.

6.2 We look forward to a thorough analysis of the implications of this process, which must include the coordination with other IFIs and specially the EIB, as well as be based on the premise that the EBRD does not detract efforts from any existing country of operations. We look forward to a positive decision by Governors in the shortest possible time.

7 We welcome the efforts by the Bank in the fields of energy efficiency, renewable energy and carbon credits: The Spanish Government continues to support these initiatives with important contributions to the **multilateral carbon credit fund (MCCF)** and to the Sustainable Energy initiative, to which Spain contributes with €4 million.

8. The EBRD, Mr Chairman, is a multilateral institution which must build on, and benefit from, the contribution of all shareholders. In that respect, I would like to express my concern about the under-representation in the Bank's staff of a number of countries. Spain is one of them, deeply committed in all the initiatives of the Bank. We look forward to a greater involvement in the shaping of the strategic orientations of the Bank by participating in its Executive Committee.

9. Mr Chairman, this Assembly is clearly one that marks a most significant change, that of the Presidency of the Bank. I wish to take this opportunity to congratulate Mr Thomas Mirow very warmly for his election as future EBRD president, and wish him every success in his new responsibility.

10. My **closing words** must be to thank you, Mr Chairman, for your efforts and leadership over eight years at the helm of the EBRD. Your legacy is one of which you can feel very proud. On behalf of my Government, I wish to congratulate you for the Bank's many achievements over this period. I wish you every success in your new endeavours.

Thank you