

SWITZERLAND

Speech by Federal Councilor Doris Leuthard at AGM 2008

Economic environment and activities of the Bank

In 2007 EBRD's region of operation recorded an average growth rate of 7%, the highest since the transition process began. Recent international economic trends, in particular the rising oil and gas prices but also the related emerging food shortages, raise problems for many countries. At the same time, they potentially represent tremendous opportunities for many EBRD's countries of operation, if and when accompanied with the adequate policies.

The positive economic development as well as the advancement in the transition process, particularly in Central Europe, is underscored by the graduation of the Czech Republic at the end of last year. We congratulate the Czech Government on this important step and thank the EBRD for its crucial role in accomplishing it.

We welcome the Bank's increased focus on Central Asia where commitments were doubled in 2007, albeit with a heavy concentration in one country (Kazakhstan). We continue to encourage the Bank to dedicate more resources to Early Transition Countries and the Western Balkans to support their further development towards democracy and market economy.

On Turkey as a country of operation. We fully and warmly support Turkey's request to become a country of operations. We are convinced that Turkey can benefit from EBRD's skills and experience in assisting transition economies. On the other hand, we also share the view that the Bank's involvement must be complementary to other IFIs.

Results for the Bank

2007 has also been a very successful year for the EBRD itself. It signed the highest number of projects with the highest amount of commitments, and realized the second highest amount of net profits of its history. Almost 90% of new projects had Transition Impact ratings of "good" or "excellent". We congratulate Management and staff on the achievement of this excellent result.

Trends

We also welcome the €1.7 billion in investments under the Sustainable Energy Initiative achieving its three-year target well ahead of schedule.

We support the Bank's emphasis on health and safety as part of its environmental and social policy. And we welcome the Bank's commitment to better consider how gender equality can create new business opportunities and strengthen the Bank's transition impact.

Capital Adequacy, Net Income Allocation, Turkey as Country of Operation

Apart from the extension of the Bank's operations to Turkey, two questions of major significance dominated the agenda of the Bank's future:

On capital adequacy. We welcome the Strategic Operations Framework and appreciate the thorough debate that has led to its adoption. The business volume and headroom requirements meet our objective of ensuring the sustainability of the Bank's operations over the medium term.

On net income allocation. We endorse the proposed use of 2007 net profits. As the current economic uncertainties are likely to prevail for some time, our first priority must be to maintain adequate reserves to sustain the Bank's operations also during less favorable times. As a second priority, we support the establishment of a Special Fund to allow the Bank to invest in technical cooperation. Technical expertise does catalyze the transition impact of the Bank's lending and direct investment operations, mainly in early transition countries.

We welcome the Bank's efforts to minimize the displacement of donors by devising terms and conditions that ensure that the Special Fund is complementary to donor contributions. We are more skeptical about the Bank's contribution in favor of investment grants. We think they are difficult to reconcile with the Bank's mandate to foster market economies. And we do expect Management to narrowly target the utilization of such grants by setting restrictive criteria and to carefully assess their impact.

We share Management's view that the special need to support Ukraine in the funding of the new Chernobyl Shelter and the implementation of the nuclear spent fuel facility well justifies the allocation of €135 million from the Bank's net income, as a one-off contribution complementary to those of other donors.

Future

As I have already noted, the Bank continues to be successful in all relevant respects. It has shown its ability to adapt to changing challenges while remaining faithful to its mandate: it has moved the focus of its activities further to the south and east of its area of operation and, where possible, into the third phase of transition. And it has developed a new emphasis on sustainable energy and the environment. In all these efforts the Bank deserves our continuing support.

On the energy and climate agenda, I consider it as essential for the Bank to draw all possible synergies with other players' initiatives, including other international financial institutions. In this context I would like to mention a symposium Switzerland will organize this autumn on climate change, in

particularly on questions of financing and the role of the private sector. We would, of course, very much welcome EBRD's participation.

The transition process continues and the relevance of the Bank's mandate persists. We believe that the on-going and deepening international financial crisis is one of the up-coming challenges for the Bank and its region of operations. It will also increase the Bank's additionality.

In this context, I look forward to the discussions on CRR4, when it will be time to take stock of achievements and of remaining challenges.

Closing remarks

I would like to close by welcoming and supporting the candidacy of Mr. Thomas Mirow as the next President of the Bank. The President will continue to play a crucial role in maintaining a spirit of broad consensus among shareholders on the major aspects of the Bank's mission. We believe, Mr. Mirow is well qualified for this important task.

We would also like to take this opportunity to warmly thank the out-going President, Mr. Jean Lemierre, for his dedicated and able leadership of this Bank over the past eight years.

I wish to close by also thanking the Ukrainian authorities for the excellent organization of this year's Annual Meeting.