

**Opening Panel Business Forum: The (R)evolutionary Road:
Company Stories Made Real**

Thursday 14 May - 9:30 - 9:45

Excellencies, Ladies and Gentlemen,

Welcome to the opening panel of our 2015 Business Forum at the EBRD Annual Meeting and many thanks for joining us.

We are honoured by the presence of distinguished panellists from several countries who will share with us what it takes to create a successful business.

Entrepreneurship and economic development

We all know that entrepreneurship is a crucial motor for economic transition. It always has been. From man's first steps trading tools, foods, skins and other commodities, to today's highly sophisticated and inter-linked economic networks, the engine has been the entrepreneurial spirit.

We know this is true across various stages of economic development and organisation: from the agricultural stage through the period of industrialisation to the rise of the services sector. Economic

development and entrepreneurship are intimately linked. Individual companies form the backbone of any economy and are critical to a country's economic success.

And, of course, companies do far more than just produce goods or services. They create jobs, provide salaries, pay taxes and, as they grow, so does a wide network of related activity. In a word, companies are the motive force behind the creation of wealth.

Entrepreneurship and the EBRD

Encouraging and fostering entrepreneurship has been at the heart of the EBRD's activities from the start. Our mandate has a very clear private sector commitment because we see it as the driving force of the kind of economy we believe serves societies best.

Working to create the conditions in which small and medium-sized enterprises can flourish is firmly anchored in the EBRD's transition mandate and its business model.

The EBRD is of course a bank and its core instruments are financial. Nevertheless, we also have the ability to supplement and leverage the impact of our financing through capacity building and policy dialogue in ways which, crucially, can ensure lasting "systemic" change.

To strengthen our work with private entrepreneurs we launched our Small Business Initiative in late 2013. With a targeted approach we have not only broadened but also deepened its impact. A key motivation behind the launch of the Small Business Initiative was a crucial diagnosis. Many countries in our region had become, or were in danger of becoming, “stuck in transition” and needed a new push and incentive to re-energise the transition process. For the EBRD it was only logical to focus on the private sector.

In doing so we were able to build on a very strong legacy. Since the Bank’s establishment in 1991 we have recorded more than 1,600 operations with a net cumulative investment of almost €16 billion under what we call today the Small Business Initiative.

Over the years we have developed a sophisticated and flexible toolbox which has been critical in widening our outreach and deepening our impact. Without this we would not have been able to support companies like the teashop or the mushroom producer we just saw in our video.

And what also plays a critical role in our work with private businesses is the activity of our Small Business Support team, which is providing know-how and advice to companies and entrepreneurs. Over the years we have developed a network of thousands of experienced entrepreneurs, practitioners and experts who offer expertise and the

wisdom of experience to the small businessman or woman in a swift, hands-on way.

Entrepreneurship at the company level

Providing finance and engaging in concrete business support is a good start – but what makes a successful company?

First, a sound and coherent BUSINESS PLAN matters.

A stroke of genius may inspire an enterprise, but to transform it into a viable business is a different matter altogether. I am sure our panellists will have to say a lot about this in a few moments.

Second, CORPORATE GOVERNANCE matters.

Winning financiers and investors' trust and confidence by applying the highest standards of transparency and best practice is as important as managing a company in accordance with international standards of efficiency and productivity.

Third, LEADERSHIP matters. A quick look at our four outstanding panellists today also shows the decisive role the individual entrepreneur plays in the development of companies. Nothing is as inspiring as personal leadership to meet the challenging of succeeding in business.

1. Finally, a LONG-TERM PERSPECTIVE matters. What is needed in addition to financial prudence is the ability to look beyond immediate profits to see the bigger picture.

The wider framework

As I said earlier, the EBRD is a bank. But we are also more than a bank. We engage in policy dialogue with governments in order to help create a business environment which allows private businesses to thrive.

In order to be able to succeed, companies need support. Ronald Reagan once famously said: “The nine most terrifying words in the English language are: I'm from the government and I'm here to help.”

Overregulation, red tape and excessive taxes can – of course – stifle economic activity, with some very serious consequences.

Rapid growth, as some of EBRD’s countries of operation experienced in the past 20 years, does not necessarily mean sustainable growth. The belief that “the rising tide lifts all boats” concealed serious imbalances and rising inequalities that were revealed following the 2008 financial crisis.

In response to that crisis, the EBRD increased its investments significantly - by almost 50 per cent - and supported businesses through provision of working capital, restructuring support, credit lines to banks for on-lending to small and medium-sized enterprises.

A stable economy needs an effective state and sound political and economic governance institutions – not to rein in the economy, but on the contrary to create an environment in which the creativity and innovative power of companies is systematically fostered.

These lessons influenced the way the EBRD thinks about how we do business. We need to closely integrate investments with policy advice and technical assistance in order to promote long lasting transition.

We have identified four pillars of government activity that are key to the development of a successful private sector encompassing:

- POLICIES that underpin a modern market economy;
- Effective INSTITUTIONS. which are accountable, legitimate, transparent and competent;
- Strong political LEADERSHIP, which is critical for reform success;

- And finally, a LONG-TERM PERSPECTIVE from governments really matters for the private sector. A consistent and consistently applied policy framework really matters for the private sector to invest.

Investors' support

Drawing lessons from all this the EBRD sees itself very much as the advocate of the business community. We listen to companies' concerns, we address them when we talk to the authorities and we are looking for joint solutions.

And we are delivering. I am very proud to report that only yesterday we signed a Memorandum of Understanding with Prime Minister Gharibashvili about the establishment of an Investors' Council for Georgia.

This initiative will help to facilitate the further improvement of the business environment with the main purpose to provide a strong platform for the dialogue between the private and public sectors. It follows other examples, most recently in Albania and Ukraine, where the EBRD has also been a pioneer in improving the investment climate together with the authorities.

Conclusion

As you can see the EBRD is an investor with a holistic approach and a long-term view – attributes which support businesses. Companies are the engines of an economy, and we want to ensure that these engines are being fired up. We look forward to learning from your experience now and are grateful for the contribution you make to the countries where we invest.

We invest in changing lives, but the real agents of change are the companies that we support. You are at the heart of what we are trying to create.

Thank you for listening.