EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

PRESS CONFERENCE

Wednesday, 29 April 2015

Suma Chakrabarti, President

MR WILLIAMS: Good afternoon, everybody, and thank you very much for coming. This will be on the record, a briefing with EBRD President Suma Chakrabarti, ahead of the Annual Meeting.

THE PRESIDENT: Thank you very much, Tony, for that introduction.

Thank you for coming to this traditional briefing for the media in London ahead of the Annual Meeting and Business Forum, which this year is taking place in Tbilisi on 14 and 15 May, just over two weeks away.

First a word on Georgia, if I might start with that. We have been investing in Georgia and the Caucasus for over 20 years but this is the first time we have ever had an Annual Meeting in the Caucasus region.

We have been very active in Georgia, virtually doubling our annual investments in 2014 to over €200 million. If you look back over the last 22 years, we have invested a total of €2.6 billion in Georgia; it is one of the largest investments per capita in any of our countries of operations. There are some good reasons why.

Georgia is, in our view, a leading reformer and ranks 15th out of the total of 189 countries on that list surveyed in the World Bank's *Doing Business* survey. It is has really modernised its economic and political institutions and rigorised its economy.

In Tbilisi itself and in Georgia generally there is a very positive buzz around the meeting, which is going to shine a spotlight on the economic progress that the country has made.

As you may have heard this morning, there were ministerial announcements today in Georgia with implications for the future shape of the government. Of course we are in very close touch with our counterparts in Tbilisi with whom we have been planning this event for nearly three years now; we are continuing to work towards what promises to be a very productive and stimulating conference.

The current government continues in an acting capacity and can exercise all its functions. The Annual Meeting of course is incredibly important to Georgia anyway and so we are expecting no problems. It is quite possible a new government will be appointed in the next couple of weeks, but already we have been reassured that it is all systems go and nothing will change in terms of the Annual Meeting.

The Prime Minister of Georgia spoke about the Annual Meeting in Tbilisi and referred to it as a very important event in Georgia's calendar

As always at EBRD annual meetings, this is a real opportunity to put the spotlight on one of the economies where the EBRD invests but also to address with our shareholders and in panel discussions in the Annual Business Forum all the sorts of issues that are relevant to all of the countries where the EBRD invests.

The second part of what I am going to say is really about some of the themes that are going to be prevalent during the meeting. As we approach this meeting, many of the countries in the EBRD regions are still suffering from the legacy of the global financial crisis, but I think even more importantly right now from the more recent impact of the geopolitical tensions in the EBRD regions. EBRD countries are facing quite acute challenges: the impact of the Russia-Ukraine crisis; the economic downturn in Russia that stems from both the decline in the oil price but also sanctions; and the oil price of course hitting some of our other countries of operations, the energy producers. In the eurozone recovery is patchy and the ECB actions on quantitative easing and lower oil prices could be positive for Central Europe and the Baltics but we have yet to see the full impact of that, and of course there is uncertainty around Greece, too.

Our latest forecasts in EBRD from late January show an overall slight economic contraction for the whole transition region, with large GDP falls for Russia and Ukraine of 5 per cent each this year. They are broadly in line with the IMF but the data is probably getting slightly worse for some of our countries, particularly those two. Tony, we will, I think, produce a new forecast at the Annual Meeting,

MR WILLIAMS: On the 14th, the first day of the meeting.

THE PRESIDENT: With the EBRD Governors who represent our shareholders we are going to be discussing at this Annual Meeting the response to the immediate challenges facing our countries and how we can prepare for a more robust future where economies can deal more effectively with external shocks.

One of the themes that you are going to see a lot more of is how EBRD can do an even more effective job, going forward, in terms of linking our project and financial assistance with policy dialogue to support reform. With our Governors, we are mapping out a strategy of the EBRD regions for the coming years, guided by three priorities. They are quite broad priorities but I can give you more detail in the Q and A, if you like.

The first of these priorities is strengthening resilience by improving the investment climate, working on policies and projects that really help more with social cohesion and social inclusion. An example of this would be our push on gender and access to finance, for example, of female entrepreneurs. A second area would be regional integration, which we like to promote, but also global integration, too. What we are trying to do is help our region by supporting investments that strengthen the economic, financial and infrastructure links across countries and national borders. We are also trying to open up the region to more investment from countries that do not know our regions that well – if you like, the Gulf, the Far East, South Asia and South-East Asia as well as North America and Western Europe. That is another theme you will see. The third theme is: how can EBRD help with global and regional challenges, such as energy efficiency, resource efficiency, climate change and increasing energy and food security. Those are the three themes that I think the Governors ought to focus on, looking forward.

At the heart of this strategy, as I should have said at the beginning, is the scaling-up of EBRD's effort on policy work – policy reform, policy dialogue – to try to help lead the charge towards reforms that encourage investment in our countries of operation. We strongly believe that a combination of more policy reform and an eye to good investment will help to deliver the development agenda in our countries of operation. A big part of this this year, as you all know, is the adoption of the Sustainable Development Goals, the new SDGs, for the next 15 years. There is also the climate conference in Paris in December. The new SDGs, interestingly compared with the old Millennium Development Goals, at least for EBRD, are a far better fit in a number of areas – infrastructure and energy being two obvious examples.

We have been asked by the Secretary General of the UN to play a much stronger role than perhaps we did on the MDGs in terms of financing for development; how does one attract private sector finance into the development agenda along with IFC. We wrote the chapter on private financing that was examined at the spring meetings in Washington. I think we will also be asked to talk a lot more about that and again that will be an undercurrent at Tbilisi, the whole question of how EBRD, along with other MDBs, can make a bigger contribution to the SDGs, going forward.

Those are some of the things we will be looking at. I look forward to seeing you or your colleagues at Tbilisi itself.

MR LARRY ELLIOT (The Guardian): How much worse do you think things are getting in Russia and Ukraine?

THE PRESIDENT: I have not been to either country since November. That was when I was last in Ukraine. What I pick up is obviously from our teams and our forecasts and from other commentators. I think the situation in Russia is pretty serious in terms of poverty levels now in some of the smaller cities. It really is biting now in some places. The evidence is not more than anecdotal yet but that is what we hear. I think in some of the bigger cities things are still fairly stable economically. My worry, Larry, and view on Russia is what is happening to the Russian economy is doing to neighbouring economies. We do not really talk much about this and of course many of the neighbouring economies are our countries of operations, too. In Central Asia, the drop in remittance levels, the drop in trading links, is really having a big impact on places like the Kyrgyz Republic, Tajikistan, Uzbekistan and so on. You can also see a lot of returning men from Russia now unemployed on the streets in these countries. There are social cohesion issues as well building up there. The EBRD is going to have to do a lot more in those Central Asian countries, not just in Ukraine and Moldova but also there, too.

On the Ukrainian side, I think there is a mixed picture. Clearly, the economy is still contracting but we do not think as much as it did last year. There is much more reform going on, so there is the prospect that if they can push through the reforms and then implement them, not just legislate but implement them – administrative capacity has always been an issue – then they will, over time, build a stronger investment climate for investors to come back. There is also obviously the frozen conflict, if you like, which of course is a deterrent to many private investors and one cannot claim otherwise. Yesterday there was a big conference, the EU-Ukraine Summit, where there was a lot of support from the EU Member States. I think there is an aid conference, the Friends of Ukraine, happening as well.

There is a lot of support for Ukraine and a hell of a lot of support for the new government – the not so new government now. It is probably the best government certainly that the people in EBRD have seen since 1991; basically, it is the best government since independence. That may not be a very high hurdle but, at the same time, I should say I am incredibly impressed with the minister of finance and the minister of the economy; these are incredibly capable people technically and they deserve our support. They have a large job to do. They are also doing quite courageous things, things that needed to be done in terms of taking on oligarchs. What has happened to Mr Kolomoisky is quite a big event and a signal is being sent. More power to their elbow. We were predicting a 5 per cent contraction in their economy – I will be interested in what we say in two weeks' time – and that is less than last year's contraction. It is very tough. Putting working capital into some of the companies, into the SMEs particularly, is a big part of what we did last year. I think we will have to do more of that this year, too, to help them survive the crisis.

MR ROBERT KERTESZ (MTI): Mr President, you mentioned in the briefing that EBRD shareholders had advised the EBRD not to proceed with new programmes in Russia. Does this advice still stand and if so how long do you anticipate the situation continuing?

THE PRESIDENT: The guidance, as we call it, that was given to us by our Board on 23 July last year still stands, so the EBRD is not originating any new projects in Russia. We are continuing to manage our portfolio in Russia, old projects, working on small business support still to SMEs and so on but not originating new projects.

How long will this last? How long will the geopolitical tension last? When will the Russians and the European Union and North American shareholders find some way of breaking the impasse? It seems to me currently a lot is being built around the implementation of the Minsk Accord and, as I understand, the European Union sanctions are likely to last through to the end of the year. I do not personally expect any great shift in terms of positions of our shareholders until they have to look at that review towards the end of the year and then we will see.

In the meantime, so you are aware, we had a very large staff in Russia of 160 plus. We have been very skilful in using them (a) to manage the portfolio of existing projects but (b) quite interestingly, they have been part of the success story of 2014 for us. We redeployed their work to Kazakhstan, Turkey, Ukraine and Central Asia. We had a very good year last year in terms of business investment – €8.9 billion without Russia playing much of a part. We met the demand elsewhere by redeploying the staff in a way that for a multilateral bank was quite an unusual thing to be able to do, given we have a very sticky internal labour market normally, but that was a good thing to do and we used Moscow as a hub to do that.

MR KERTESZ: (inaudible)

THE PRESIDENT: Yes. Our relationship with the Russian authorities, the Ministry of Economy and Ministry of Finance being the main two, has been extremely good, and not just at my level. We have an open relationship; we discuss these issues with them and they want to maintain a relationship with us as well, so the dialogue is good. We still discuss policy issues; they often come for advice. There are examples from other countries that they might want to look at. That relationship is fine.

MR NEIL BUCKLEY (FT): Suma, you mentioned the ministerial departures in Georgia. As the Bank and the Governors prepare to meet there, are there any concerns that the political progress that was achieved in Georgia, despite all the successful reforms that you highlighted, may be being reversed in any way? I think we have seen something like seven ministerial departures in the last year or two and high profile legal cases against former members of the government.

THE PRESIDENT: In general terms, I think political progress is being maintained. Early on when the new government came in about two and a half years ago the dialogue was very much about trying to look forward rather than looking in a rear-view mirror and arguing about the last government, so we were very much pushing the new government to try to develop an economic plan, looking forward. I think that did get developed and we were very pleased with that. The reason we had such a good year last year in terms of investment was because they were pushing ahead with reforms. In that sense, I felt quite pleased with it.

What has happened obviously with the seven resignations you mentioned is that that triggers a constitutional matter whereby then the government has to resign and be reformulated. Since the major party has an overwhelming majority in parliament, I do not suppose it is going to be too difficult to reformulate a government in the next few days or weeks. We have already been reassured this morning because this is the big event for them this year that this event will go ahead with their full technical, logistical and political support. I do not really see the problem. They are still 15th in the league table. Whatever one thinks – there are the arguments about the *Doing Business* survey criteria and so on – being 15th in that league table is a pretty good effort and they have maintained that with this government.

MR MARC JONES (Reuters): You were referring to forecasts that you are going to put out, for Ukraine especially. From what your Directors and the Board are saying, how much has the risk gone up being in places like Russia and Ukraine and are they becoming more wary of that? Are you going into Greece? I guess that is going to be discussed at this meeting. That is another very risky place for the Bank to be. What is the view on the committed risk that you have?

THE PRESIDENT: First, we are a development bank, so if we do not do risky places, why do we exist – it would be a good question – and we need to do that. At the same time, we are a bank, so we also need to balance our risks. You are right about that.

There is no doubt that Ukraine, for example, is a test case in a way. It is much more risky in many ways because the economy has been contracting. That has put a number of companies in distress, which obviously could have an impact, if we were invested with those companies, on our own balance sheet, which is why the working capital loans were good for them but also good for us last year. We have to manage that risk alongside the upside risk in other countries. We have several other countries where we are doing much more – like Kazakhstan, Romania, Turkey, Poland and Egypt – and where we are doing very well financially.

In Russia the quality of our portfolio remains very high. What impacted on the portfolio last year was not, if you like, the economy so much; it did in one sense because the rouble depreciation obviously hit us and hit the Russian equity market too and that had an impact but it was not the quality of the investments so much. We are always trying to balance a difficult situation like in Ukraine with making sure we have enough investment in countries that need a development bank to invest in them but where profits are also possible. That is fundamental. Last year, as you know, we made a loss after we had taken out provisions and so on and it is the first time in nearly ten years because of what happened essentially to the rouble and basically what will happen in Ukraine. Those are the two instances.

MR MARC JONES (Reuters): Obviously the rouble has come back a little bit.

THE PRESIDENT: We have done very well in the first three months. The first three months looks much better this year.

MR MARC JONES (Reuters): You spend €1billion last year in Ukraine. Where do you see it being this year?

THE PRESIDENT: Ukraine came out as our number two last year. Turkey was number one at €1.4 billion, which is amazing after five years of operation. There are three offices in Turkey now. Ukraine came second because we made a major effort of up to €1.2 billion; the new government was seen by us to be much more reformist and trying to do the right thing. We were back in the public sector doing roads projects, for example, which we had been out of with the previous government. We had reduced our profile completely in Ukraine because we did not feel it was going in the right direction economically.

Can we do similar amounts this year or go forward? We have been very clear with the Ukrainians and everyone else that a lot depends on implementation of reform in two sectors in particular, energy and banking. In the energy sector I think they have with

Naftogaz started moving in the right direction and so there are possibilities to do more. We did something of that towards the end of last year. How much more we can do depends on how much more reform they can make in the energy sector.

One key statistic to bear in mind in Ukraine in energy is something I think we all forget too easily, and I forget too easily. If they got to Western European levels of energy efficiency, which would probably take a decade to get to, they would not need to import very much, which would be a major help. We are going to push very hard on energy efficiency in particular in Ukraine so that the energy sector can earn and become more self-reliant over time. The banking sector is even more complex because you are dealing with many more players. In the middle of last year my data point was 170 banks in Ukraine. The Turkish economy, which is much larger than the Ukraine economy, has 40 banks. Having 170 banks makes no sense. That is because quite a lot of them are boutique banks, linked to oligarchs and so on, so it is really important for the government to be able to take on those vested interests and restructure and recapitalise and make them much more commercial. That is going to have to be part of our story this year.

This year I think the total amount of investment is going to depend very much on reform of those two sectors. That is why it is going to be very back-loaded this year into the second half of the year in order for them to be able to take the legislation and other things through. I cannot predict exactly how more. We have enough capital to do as much as we need to do. That is not going to be a headroom issue; it is a reform issue.

MR PAUL HANNON (Dow Jones): Looking forward to the next five years and having your emphasis on policy, I am wondering how you will approach that in terms of conditionality. It seems to me it is very stark. You are dependent on a bottom-up approach: we invest in these projects and by creating a bigger private sector, we transform these countries. Essentially you start dropping the old, top-down via the government, so an attempt to change the whole place through the administration that existed. You are trying to have both of those things now, are you not? What is the conditionality? You cannot not invest in a reliable private sector project because the government will not agree to do something that you think it should.

THE PRESIDENT: It is a very good question and I think we are being much more savvy about this. The story I like to tell is the comparison between Poland and Ukraine. This is not just about EBRD. I think it says a lot about the two countries. In 1991 Ukraine's per capita income was higher than Poland's and it is now lower by quite a bit. Why? If you look at the last 24 years, why is it that EBRD has had very successful projects in Ukraine but the country looks no better, if not worse, whereas in Poland we have had very successful projects and the country does look a lot better. It is not just up to the EBRD of course but it has a lot to do with the administrative capacity, good policy analysis, good reform and so on. It is an object lesson that somehow we worked well with the Polish policy makers in that period, building up our projects to sector level, understanding what policies are required and then having a dialogue with the authorities of the government in a way that we simply failed to do in Ukraine.

It is much harder for us – this is part of your question – for the EBRD, which is a project-based bank, to have a policy dialogue with a government. We do not do budget support and we are not going to; we do not do balance of payments which would lead you straight into a dialogue with a government about policy. We have to work harder to convince that from our projects and our sector understanding we have something useful to say that would make this country a better place. Therefore, even more than if you were in the World Bank, you need a willing set of reformers that wants to take that advice and use it. That is why when I say we want to do more on policy we have been very careful about in which countries we choose to up our policy gain. Rather than just saying we will do it everywhere, it has to be where there is a set of reformers who really want it. Ukraine is a good example right now where we have that set of reformers. Kazakhstan in the last one year has become like that with Prime Minister Massimov. Why have we done so much more in Kazakhstan? It is because we have been able to have a good policy dialogue with him and his team. Romania last year as well and Serbia potentially, coming forward.

Our Investment Climate and Governance Initiative is focused on four countries only for a very good reason – again, very much trying to pick reformers. Ukraine was the first one we started with on anti-corruption. Albania is another one we are working on and Serbia potentially. In Moldova this was very much a push forward of the previous government and we will have to see if the new government is as enthusiastic about reform or not.

It is not a blanket approach but much more selective and forensic, building up the sector knowledge and acquiring a set of reforms that we can work with.

MR PAUL HANNON (Dow Jones): If you do not already have willing and enthusiastic reformers, it seems to me that what you are saying is that you will start to do less.

THE PRESIDENT: Absolutely. When I arrived at this Bank it was striking to me that we had had all this investment in Ukraine and the first people seeing me were a bunch of private sector company CEOs in the agribusiness sector in Ukraine who had been harassed daily by the Customs authorities and others essentially for financing the governing party. It was quite clear that in many ways some of the conditions were of almost of a failed state in Ukraine. What the new government is trying to do is put in place institutions, and that takes a long time, which will move the country in the right direction. That is why I feel comfortable about taking the risk in Ukraine and investing a lot more in the case of Ukraine. If a country is not willing to try to move in that direction, it is very difficult to do more.

Robert's country, Hungary, is another example of a country where we did really well for many years; we invested heavily, policies were market-friendly and moving and did very successfully and then of course it proved very difficult in the last couple of years to do very much. Now, suddenly, fingers crossed, we have some interest in reform again. Let us see if it lasts. That is why we are able to move forward in the banking sector in a way we could not for two years or so.

MR PAUL HANNON (Dow Jones): A final point: essentially it seems to me you are saying that a lot of money that you have invested in EBRD's assistance has been wasted.

THE PRESIDENT: No, I am not saying that. I am saying that if you are measuring it on just project success, we have been very successful in Ukraine. I am saying that in the Ukrainian case we did not make the systemic change that we have made in the Czech Republic and Poland and the Baltic States and Hungary even and several other countries where they have made a major shift forward. That does not mean the transition journey is over in those countries. We did very well in those countries. You saw the

2013 Transition Report, Stuck in Transition. We picked out the countries where we need to do a lot more. It is a question of what you judge it on. We are one element in the whole scheme. The fact that Ukraine has not been as successful as we would like is not down to EBRD alone; it is down to a lot of factors, including successive Ukrainian governments. I think the dial is turning in the right direction.

MS AGNES LOVASZ (Bloomberg): I have a Hungarian question. The Hungarian Government is planning to put the burden of compensating victims of the brokers' scandal on the banking system. How does this affect the EBRD's agreement with the Hungarian Government by which they are supposed to reduce the burdens on systems of government?

THE PRESIDENT: We are currently having a dialogue with the Hungarian Government about their plans in the banking sector. As you know, Agnes, we signed this memorandum of understanding on banking sector reform focused very much on the banking tax. We have to go back to Budapest and have a further discussion because the whole purpose of that reform that said how much they would reduce the tax by each year was to allot the banks then to start lending again into the real sector, to the SME sector in particular. If further burdens are going to be put on the banking sector, the concern of the courts would be that that rather negates some of the positive measures that were taken. The Financial Institutions team here is in discussion with the Hungarian authorities and the Hungarian central bank about that. I do not have anything more to say yet because we are in the middle of a conversation with them about it, but it is something that our shareholders are very interested in, given that we signed this major MoU in Budapest in February, with strong support from the EU and other multilaterals.

MR SHU TAKAOKA (Ji Ji Press): What is your view on AIIB (launched) by China which could invest in the EBRD region?

THE PRESIDENT: I think it is extremely important for our region – in the Asian countries we would overlap with the AIIB – for EBRD and the new bank to work well and closely together. To give you a concrete example, we have already started talking to the fledgling team in AIIB, the secretary general and others about: firstly, attending our Annual Meeting in Tbilisi; secondly about environmental and social standards; thirdly, about governance; and, fourthly, about infrastructure – obviously infrastructure projects in general.

I think it would be an ideal objective for the two institutions to see, when they are up and running some early next year, whether we can co-finance some projects together in Central Asia in particular. It will be interesting to see what the definition of "Asia" is of course at the AIIB. I think Central Asia is bound to be part of the definition. We would very much like to do that. By the way, I have to say that several of our Central Asian countries of operations have told us they would very much like the EBRD and AIIB co-financing to help on projects. We are already engaging with them. It has been very harmonious so far. We were the last new bank set up. Even that was a quarter of a century ago but they want to learn some lessons on what worked and what we could have done better from us.

MR MARC JONES (Reuters): On that issue, you bring ambitions that go global basically for the EBRD and you were thinking about China, so this would be a nice way into that, would it not?

THE PRESIDENT: I do not think the EBRD is thinking of going global. One of the biggest issues for our region has been how to get long-term capital into our region. If you look at our countries, particularly our emerging markets, whether it is Morocco all the way through to Mongolia, it is striking amongst the emerging markets compared with sub-Saharan Africa, Latin America and South Asia that we get much less long-term capital in those markets these days. What going global meant was trying to get more long-term capital from parts of the world that did not really know our region very well and to which we could offer political comfort. We have been trying to create an equity participation fund which may attract, in due course, sovereign wealth funds, pension fund and insurance fund money into these countries of operations which are rather lacking that sort of funding. China is an obvious source for some of that but China is also an obvious source in many other ways for us because Chinese companies are investing in many of the Central Asian countries particularly, so the question is whether we could have projects with them. In fact very recently our Board approved the first ever project with a Chinese sponsor, Huaxin Cement, in Tajikistan. I am not sure the project will go ahead but that is for more technical reasons. It was a way of trying to include the Chinese market and start working with a Chinese partner. I am absolutely certain we will need to do more of that. The AIIB is just another vehicle to take that. Of course there will be some European shareholders, so it seems, in the AIIB as well, so they will be very interesting to work with.

MS STEPHANIE LINHARDT (The Banker): You have mentioned Greece already. Greece is going to be moving into the recipient stage role of EBRD. Is there any programme or any timeline already in place?

THE PRESIDENT: Stephanie, Greece was approved, as you probably recall, as a country of operations through to 2020. It has temporary country of operations status like Cyprus does. We have now sent a couple of missions to Greece to discuss what the operational sectors might be where we could offer assistance, and so on.

What we need to do this year is work up a country strategy. What the country strategy looks like rather depends on what Greece's economic policy will look like. I do not think we can rush to draft something without knowing for sure what approach Greece will take. There are some obvious sectors, whatever the policy stance might be, which are, in a way, not really contested on either side of the policy fence. To give you some examples, Greek companies and Greek banks are quite short of trade finance. We have worked quite well with that in the Balkans countries and know them quite well. One question we are putting to our shareholders is: could we start with some trade financing at least? I think that is a potential way forward. Another issue may well be some sort of working capital type funding for some of the group corporates. The third area worth investigating further is cross-border investment – Greece linking to the Balkans more generally through both energy and infrastructure type projects. Frankly, without Greece, a lot of the projects in the infrastructure sector in the Western Balkans are of marginal economic quality because the economies are not large enough in their own right, so Greece gives them some bulk. That is another area we are looking at.

I do not think we can give you a straight foward "this is exactly what we do" because that is what the strategy is for. You might see one or two projects going forward in the first six months of this year which are safe under any policy approach Greece decides to take. We have now had approval from our Board to set up a small office in Athens. We will now place some people on the ground, which will make it easier for us to have a discussion with the private sector and with the government.

MS STEPHANIE LINHARDT (The Banker): Should, for some reason, Greece exit the eurozone, would that make a difference to your strategy?

THE PRESIDENT: I just do not know, to be honest. It depends what the terms of the exit are, what the knock-on effects are. It is impossible to know. All the multilaterals are doing an analysis at the moment, led by the IMF in particular and the ECB, but we are all looking at this question of what we should do in the event of Greece staying in or Greece exiting. This is normal contingency to work in every single multilateral but I cannot tell you today exactly what the operational implications will be. We have plenty of countries that are outside the eurozone. That is not the issue so much as the terms of the exit that are more difficult to predict.

By the way, Cyprus is going really well. Whenever I say this I think my shareholders think it is because the Cypriots are all essentially British trained, good civil servants; they know what they are doing. I think there is something in that!

MR LARRY ELLIOT (The Guardian): You talked a bit about the UN conference on the SDGs. You also touched on the climate change conference in Paris. What do you see the role of the EBRD is at that conference?

THE PRESIDENT: Let us take the SDGs. Larry, you know this very well because of the discussion when I was at DfID. I think the MDGs were very good in terms of being helpful on privatisation because there were very few of them; helpful in terms of resource gathering with the public and getting political support because they are very outcome-focused; and very helpful in terms of measurement. What they missed – and those of us who designed it knew this – is that they do not really describe the totality of the development challenge; they did not talk about infrastructure/energy and inclusion in any real way. What we now have, perhaps at the price of losing prioritisation and focus because there are a lot of these SDGs, is a better description of the complexity of the development process and challenges. That also means that we have a much better fit for us at the EBRD with the new challenges. We are more a sort of hard economic type institution and so the infrastructure/energy stuff plays in. We have moved a bit towards, if you like, the MDG people in the sense that we are more interested in inclusion now as an economic issue than we would have been a few years ago, which is a good thing.

I think there is just a better fit and therefore the question has come back, rightly I think, from the other MDBs and particularly from the Secretary General: well, good news, now what is your offer? You have been particularly successful in leveraging private finance. For every one euro we invest we mobilise roughly two and a half euro from banks and others into our projects. We need that sort of leveraging for the SDGs, not just in our region but in other regions. We will not be operating in other regions but can we help the others understand how we did it and what sort of skills you require to get that leveraging?

The other one on climate change is linked to the SDGs as well. Since 2006, EBRD has had the Sustainable Energy Initiative and we are now the leading multilateral in terms of energy efficiency in the private sector. Last year, 34 per cent of all our financing was in the energy efficiency area, which was a record for us but it is a record for any multilateral. It is very interesting that we have been asked to show what we have learnt and how we have managed to get this going through local credit facilities, through energy efficiency facilities in local banks, and so on, as well as working directly with private sector companies. Can we transfer that knowledge to the other MDBs in the other regions? That is something that, frankly, we have become rather good at. Interestingly, the Global Environment Facility has given some money – as I say, it is outside our resources – just seed corn money, to talk to the Brazilian banks, the Indian banks and Chinese banks about what we have learnt about doing this, say, in Slovakia or Turkey to see whether they can create similar facilities with their own money themselves. Again, that is something, I think with the skills we have and having done it, we can share and help others to do.

In the COP21 context the French particularly in their agenda of solutions, as they call it, are very much looking for us to scale up even further in this area of sustainable energy and sustainable resources, but also to help others to be able to use our platforms in their own regions.

For us as a bank this year a big part of what we are doing is the offer to other multilaterals as much as to ourselves in those areas. I think you will see us scaling up in the next five years in infrastructure as well as energy efficiency. We have been working with Gordon Brown quite closely in the G20 context on infrastructure. We have got to do a lot more on that.

MS AGNES LOVASZ (Bloomberg): The Ukrainian Energy Minister mentioned the other day that there are plans for an instrument that would help the Ukrainians buy natural gas. Can you tell us more about that – the EBRD and the IFC?

THE PRESIDENT: I think there are two different things here. One is in terms of payments for the gas; that is more the budgetary payments and that is more likely to be the World Bank particularly working with the Ukrainian Government. They are talking about use of their budget support funding from the World Bank to help with advance payments and so on. With us and the IFC you are going to see much more on the energy efficiency side. The question here has been for the Ukrainian Government, so they have rightly, in my view, put up energy prices; they had to as they were far too low. While that is helpful, it is obviously politically and socially quite difficult at a time when the economy is contracting. The public, particularly the poorer sections of the public, lower middle class and all the public, are a going to take a big hit in terms of bills. The question was: can we do something about energy efficiency in residential district heating to lower the cost of energy and therefore even if the price goes up, their overall total payments do not go up. To do that, and we have done that very successfully in Slovakia next door, you do need some grant money and we do not have that. We are not a grant financier. We need grant funding because otherwise the cost of our loans would be just too expensive to go through the banks. The question we have been asking is whether we can get the European Union or some of the leading European bilaterals to put some grant funding in to make this possible, and that is a discussion that is going on right now with Brussels and other capitals. If we can do that, again going back to the answer to Larry's question, because we have the expertise in energy efficiency, we could put these great facilities in very fast through the good banks in Ukraine but we do need the grant funding point to be sorted out first. There is a bit of negotiation to do on that.

MR WILLIAMS: If there are no further questions, you know where to find us afterwards if there are any others. Have a look at the website. All the information you need about the Annual Meeting is on the web and it is being refreshed every day. We look forward to seeing as many of you as possible there. Thank you very much for coming.

THE PRESIDENT: Thank you. I hope to see you in Tbilisi.