OPENING STATEMENT BY THE PRESIDENT OF THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

Annual Meeting – Board of Governors' Opening Session

Wednesday 9 May 2018, 10.00

Dead Sea, Jordan

King Hussein Convention Centre (KHCC), Philadelphia Hall, Ground Floor

Sir Suma Chakrabarti, EBRD President

1. Welcome and thanks

Your Majesty King Abdullah II ibn Al-Hussein,

Your Majesty Queen Rania Al-Abdullah,

Your Royal Highness Crown Prince Al-Hussain Bin Abdullah,

Excellencies,

Distinguished Governors,

Ladies and Gentlemen,

Let me bid you the warmest of welcomes to the EBRD's 27th Annual Meeting.

And, to Jordan and to this breath-taking setting.

On behalf of the Bank, I should like to thank the Royal Hashemite Court, Chairman Fakhoury, all our other many friends here for everything that has been done to prepare the ground.

2. Jordan and SEMED – the EBRD at its best

As we are at the lowest physical point on earth let me start with a high point: by reviewing EBRD's performance in Jordan itself.

Our work in the Kingdom has been an amazing success story.

We have invested over €1 billion in just over five and a half years.

That we have done so is testament to the outstanding leadership and vision of His Majesty, his guidance of an excellent ministerial team and the bold entrepreneurial culture for which Jordan is celebrated across this region and beyond.

Nor should we forget that this, our common achievement, has been secured notwithstanding the conflicts in your neighbourhood and the arrival of so many refugees in your country.

Your Majesty, we salute the way Jordan has welcomed your guests in such numbers.

What better way is there to celebrate this inspiring story than by holding our first ever Annual Meeting and Business Forum in the Southern and Eastern Mediterranean here in Jordan?

Indeed, success in Jordan mirrors the EBRD's achievements across the whole of this region.

Our business in this region has grown from zero only five and a half years ago to a total investment of around €7 billion today.

Egypt was our second largest country of operations by business volume last year.

EBRD investment in Tunisia also hit record levels in 2017. And we had another strong year in Morocco.

Only in March I visited Lebanon and the West Bank and Gaza and was able to sign our first ever investments in both places.

Our pipeline for SEMED remains strong.

Our performance in this region illustrates some very important lessons about the Bank and what we can do.

First, once our shareholders decide, we can scale up our operations on the ground - fast. You decided, we delivered. And there is more to come.

Second, that once on the ground we are quick on our feet, flexible and swiftly adapt to local conditions and needs, as witnessed by our refugee response work.

Third, that we innovate, by setting up the Trust Fund for West Bank and Gaza, for example.

And fourth, that we can do all this by complementing, not crowding out, other sources of finance, whether from our MDB friends or from the private sector.

So the EBRD business model now delivers in countries far removed from our original patch, whether, literally, in terms of geography or, more figuratively, in terms of history, culture and economic context.

We have done this time and time again, whenever our shareholders have challenged us to move into new territory.

3. 2017: a record year

What was true for SEMED was true for the bank across <u>all</u> our regions in 2017.

Our Expected Transition Impact was at an all-time record level.

We invested €9.7 billion in 2017, a new record, in a total of 412 projects, another new record.

Over the Christmas break we also signed our five thousandth project – yes, five thousandth - since our creation at the start of the ’90s.

The Bank is clearly delivering in its existing regions of operations.

The first, a major highlight of last year, was the way we hit our climate finance target, as approved by you but with a deadline of 2020, three years early.

Thus, financing as part of our ***Green*** Economy Transition rose from €2.8 billion in 2016 to €4 billion last year.

That was 43 percent of our total investment volume for the year.

We are, for example, financing the largest solar site in Africa at Benban in Egypt.

And, the President of the European Commission no less has specifically requested us to do more on the green economy in Europe, the neighbourhood and beyond.

Our Strategy for the Promotion of Economic **Inclusion** also goes from strength to strength**.**

Our Women in Business programme has now reached more than 35,000 female entrepreneurs, providing finance of over €400 million in partnership with 30 financial institutions across 17 countries.

As for supporting **Resilience,** the EBRD leads the way among MDBs on local currency financing and the development of local capital markets.

Last year the Bank invested €1.5 billion in local currency equivalent in 114 projects.

For example, we invested the equivalent of €22 million in a pioneering inflation-linked bond issued by a leading utility group in Turkey.

And the Bank of course remains a leader in promoting **Competitive** economies by providing support to small businesses.

This is at the very core of the EBRD's transition mandate.

Last year the EBRD financed over 200,000 (yes, over 200,000!) small businesses both directly and through local financial intermediaries.

At the heart of the "new beginning" in our partnership with Uzbekistan is the support we are providing to SMEs through local banks there, amounting to US$115 million in credit lines last year.

And a great example of our work in developing Regional **Integration** is the Bank's support for Moldova's power interconnection with Romania and its integration in Europe's electricity market.

Last but not least, **Well-Governed** institutions are at the heart of EBRD's mandate.

Last year the Bank, together with the Hellenic Financial Stability Fund, assisted the four largest banks in Greece with management of their non-performing loans.

Ladies and gentlemen, our 2017 performance overall and on our six Transition Qualities that I have just covered is a story well worth telling.

And so is the way we are advancing policy and investment work hand in hand.

That includes the way we help support the EU approximation process in a region such as the Western Balkans, which I shall be discussing next week in Sofia with EU leaders.

And through our support for the exciting development of the Astana International Financial Centre in Kazakhstan.

Much of this great work would not have been possible without grant contributions from multilateral and bilateral donors.

Donors contributed €876 million last year to support EBRD operations, well above our target.

Indeed, it was a record year for donor contributions.

Close to half of these funds were in the form of concessional finance from the Green Climate Fund, helping us support the countries where we work tackle climate change.

The European Union remains by far the largest provider of grant support to the EBRD and contributed some €313 million in 2017.

But many bilateral donors also provided critically important support for the Bank.

Indeed, it is very encouraging to see more of our recipient countries become donors to the Bank, a sign, I believe, of our maturing mutual relationship. I am particularly pleased to welcome our newest donor Turkey, with which we signed our first agreement earlier this year.

Our heartfelt thanks to all of our donors.

And our heartfelt hope that some of our traditional donors, from the biggest shareholders, will be active providers once again.

Last year's performance story would not be complete without a word on our finances, our efficiency drive and staff engagement.

We are a Bank that has its eye very much on its own financial sustainability.

In 2017, our net profit was €772 million and our triple A ratings were confirmed once again, with one agency emphasising what it called 'our excellent levels of solvency and liquidity'.

All of that delivery and high performance is due to our outstanding staff. It is they who are also helping the Bank modernise from the bottom up.

That is reflected in the further improvement in our staff engagement scores in 2017.

That is reflected in our Operational Effectiveness and Efficiency programme, which met the vast bulk of its delivery targets – simplifying and streamlining many processes.

Through this efficiency programme, we saved and reinvested almost more than €11million in 2017, enabling us to live within our flat budget.

4. 2016-20 Strategic and Capital Framework: the half-time score

Ladies and gentleman, 2017 was <u>not</u> a one off.

It was the second full year of the Strategic and Capital Framework – the SCF – approved by Governors in Tbilisi in 2015.

We stand today at almost the SCF's halfway point.

And, as any professional management should, we have assessed our progress with implementation so far.

We are broadly on track.

The review acknowledges:

- our consistently strong delivery of high quality projects in general and in support of the Green Economy in particular;

- our flexible response to changing circumstances in different regions;

- and our success in maintaining profitability, capital growth and our AAA rating;

That is all good to know.

But we are not resting on our laurels.

We know we need to do better on:

- utilising as fully as possible the Bank's capital and expertise to maximise value and deliver effectively, whilst at the same time maintaining a diversified and financially sustainable portfolio in line with the SCF priorities;

- boosting income generation to meet the continuing pressure on income streams and enhance our performance in equity investment; and

- continuing to deliver transition impact, notably in mobilising the private sector and strengthening our product offer in what is a difficult operational context.

So, in sum, we are delivering **YOUR** five year strategy.

But we know there is more to do to create even greater value.

5. A bank in demand

The overall picture of a Bank in good health is supported by another phenomenon.

The Bank is in demand - and in more demand than ever.

That is true of existing countries of operations where we opened new offices in Alexandria, in Tangier and in Odessa.

I have already mentioned the new beginning, in Uzbekistan.

And I touched on our recent signings in Lebanon and the West Bank and Gaza, newcomers to the EBRD.

And Governors voted recently and unanimously for India to become a member.

Indeed, with the exception of our friends at the Asian Infrastructure Investment Bank, the EBRD is the only MDB whose membership is actually growing.

6. Facing the future

So the EBRD could carry on fulfilling its mandate in this vein for many years to come.

We might call this the ‘business as usual’ approach.

Under this scenario, we would continue to have significant transition impact and further strengthen our financial performance.

But to adopt such an approach would, I fear, be to fall victim to complacency.

Yes, the EBRD is a bank delivering significant impact in today’s world.

But to pursue the ‘business as usual’ approach risks missing a great opportunity to do everything we can for the world of tomorrow.

An opportunity that should be seized.

Remember, we have just twelve years to achieve the 2030 Agenda for Development – the Sustainable Development Goals and COP21 - that you have all committed to.

And the challenges of unregulated migration add yet another layer of complexity to our work in our regions.

To deliver the SDGs and the COP21 requires the creation of sustainable markets and mobilising huge volumes of private sector investment.

It requires:

- market-based pricing to crowd in the private sector;

- the promotion of sound policy reforms;

- and access to grants, investments and guarantees to make blended financing attractive.

These are the key tenets of the EBRD business model.

Key tenets that we hope the broader MDB system can fully adopt even as each MDB also focuses on what it does best.

Given what sustainable development needs in terms of crowding in the private sector and advancing policy reform, the EBRD is not just a special bank.

It has become the **indispensable** multilateral development bank.

One that stands at the very heart of core transition and development priorities.

That is the first big point to make in the separate but linked G20 and European debates about the future of the MDB system.

But the second big point concerns the EBRD itself.

Could and should the EBRD deploy its distinctive business model, expertise and capital to contribute more towards delivering your priorities and international commitments?

The Governors' Roundtable later today is an ideal forum for launching the debate about the EBRD's role within the broader MDB system.

It would be premature to seek specific decisions at this stage.

But, on the basis of your guidance, Management would develop options for the future beyond our current SCF period.

This will require much thought and careful preparation – and direct, open communication with you, our Governors.

And, most importantly, it will require, once again, the ambitious outlook that Governors have displayed in the past.

Should there be significant changes to our current plans, they would have to be approved by Governors as part of the next Strategic and Capital Framework at the Annual Meeting in 2020, and only implemented thereafter.

My own view is that the EBRD's approach should be sequential:

- immediately seeking to do even more in our existing countries of operations, while remaining faithful to the areas of focus and principles you approved in the existing Strategic and Capital Framework.

- of course, there are other countries in the SEMED region that are not yet members and we welcome the fact that some are here and showing interest in EBRD;

- and then, starting in January next year, should there be additional capital capacity that could be deployed, begin a feasibility study of whether to extend our work gradually and incrementally to new countries, with sub-Saharan Africa an obvious region to consider.

All these elements would – as I said - feed in to the next Strategic and Capital Framework for your approval at the 2020 Annual Meeting.

This sequenced approach would perform one major task.

It would maximise <u>both</u> shareholder <u>and</u> institutional value.

Because it would grant you the opportunity to meet your priorities and international commitments - and to do so at no extra capital cost.

And because you would be applying the best business model for the job and allowing the Bank to maximise its impact.

You will want to think about this while also bearing in mind that multilateral development banks are complements, <u>not</u> substitutes.

That is why we have already been welcomed as partners in our regions by other multilateral banks.

And it is why you – our shareholders – have on four occasions wisely decided to expand our geographical remit.

Thank you for the support that has contributed so much to our strong results in 2017.

I am very much looking forward to our discussion later today on how to continue to strengthen our delivery and transition impact in our current countries of operations in the near future

As well as considering what our future might look like further down the line.

The EBRD is already clearly a bank for <u>today's world</u>.

Let us now work together. To ensure we do everything we can to make EBRD fit for the <u>world of tomorrow</u>.

Thank you very much.