

SWEDEN

Written statement by Ms. Line Rosvall, Temporary Alternate Governor of the EBRD for Sweden

For nearly 30 years the EBRD has supported its countries of operation in the transition to well-functioning market economies with democratic institutions. This experience has equipped the Bank with invaluable knowledge of local circumstances and the ability to successfully operate under the difficult conditions that are often present in the EBRD regions.

In order for the Bank to contribute to the achievement of the SDGs and the goals in the Paris agreement it is crucial that this local expertise is fully utilised. Within the mandate of each IFI, we would welcome a greater sharing of expertise, know-how and capacity in order to develop all IFIs engagement with private sector, both regarding investments and mobilisation of capital. If we are to succeed in reaching the development goals it is important to adopt a system-wide approach that maximizes the joint impact of the IFI system. This requires taking full advantage of each institution's strengths and knowledge as well as avoiding overlaps and unhealthy competition that create inefficiencies within the system.

After careful consideration we therefore urge the EBRD to focus on strengthening the delivery in the current countries of operation. There are many remaining transition gaps in the current region and the EBRD should use its capital to continue to focus on closing these gaps, and to assist countries of operations to meet the SDGs and Paris commitments. Remaining in the existing region is not a bad thing and much more can and should be done there. We therefore see no reason to start any examination of a possible geographic expansion.

In order to maximize transition impact delivery and capital utilization in the current region, we think the Bank should conduct a strategic review before spring 2019, based on Terms of References approved by the Board of Directors. Such a review should aim at capturing countries' needs, shareholders' expectations and the respective positioning of different DFIs active in EBRD regions. The primary focus should be on:

- i) identifying the remaining market potential in the existing EBRD region (broad project pipeline, additional market demand, underserved customers' needs),
- ii) identifying the existing constraints currently limiting the EBRD's access to the additional market potential (e.g. pricing, resources),
- iii) defining required adjustments (e.g. resources and expertise, products and service offering, incentive scheme) to improve the EBRD's delivery capabilities.

The initial outcome of such a strategic review should be incorporated in the SIP for 2019-2021, while the longer term recommendations should be discussed at the 2019 EBRD Annual Meeting in Sarajevo, and the implications for an enhanced delivery in the existing region should be incorporated in the future Mid Term Directions and SCF 2021-2025. It is important that the Board is actively involved in these long term strategic discussions about the future of the EBRD and that a strategic review is conducted jointly between the Board of Directors and Management, with external support if needed.

When the Bank's recent expansions were undertaken it was with the understanding that it should not have a negative impact on the activities in the original countries of operation. This continues to be important going forward. Having that said, we are positive about the Bank's expansion to the SEMED region, the support to the refugee situation in Turkey, Jordan and Lebanon, the recently initiated operations in the West Bank and Gaza as well as the temporary countries of operation (Greece and Cyprus). We also welcome the renewed operations in Uzbekistan. We agree with the Resolution to bring the matter of extending the EBRD mandate in Greece forward to 2018. Before a decision is made at the end of the year, it is important that the current operations in Greece, the remaining transitions gaps and demand as well as the possible role of the EBRD in relation to other parties such as the IMF, the EIB and the Euro-countries is carefully evaluated.

To meet the huge financing needs in the coming years it is necessary to find innovative solutions. In this context, the EBRD is well positioned to catalyse private sector financing through its private sector oriented business model. Ways to mobilise further private financing should be actively explored.

Going forward, grant funding should also be viewed as an opportunity to catalyse more private financing and to increase the impact of the EBRD. Sweden provides significant grant contributions to the Bank's technical assistance and investments in the region and we consider grant financing to be an important enabler to fulfill the Bank's mandate, especially in regions with deep transitions gaps and high risk. We therefore welcome that some of the Bank's net income is allocated towards the EBRD Shareholder Special Fund (SSF). However, we would have preferred to see a more ambitious allocation proposal this year in line with growing needs for donor funding. These allocations are imperative to enable the Bank to achieve high transition impact and are also an important and necessary signal to donors that the Bank allocates internal resources. We would also have liked to see some concrete steps taken to start building up reserves for multi-annual planning purposes for the SSF.

It is still as important today as when the EBRD was established, that the Bank's countries of operations are committed to and applying the principles of multiparty democracy and pluralism. Sweden welcomes that a thorough process on how the Bank should work with implementation of Article 1 has been initiated, and would like to emphasise the importance of the Board's active involvement in these discussions. Focus should be on ensuring that the mandate is not watered down and on finding a solution where the assessment of compliance, as well as the motivation for continued engagement, is clearly communicated to avoid reputational risk for the Bank. It is also important to continue working on the details of how the Bank can adjust its approach in countries where compliance is faltering in order to strive for consistency and predictability in the Bank's approach.

Achieving the highest possible transition impact is the main goal for the Bank. This requires high quality investments and an organisation where long term transition results are clearly incentivised by a strong results framework. We therefore encourage the Bank to set higher targets regarding the Bank's transition goals and policy reform dialogue. In some cases this may motivate additional budgetary resources if there are no other viable alternatives to achieve desired impact. However, this must be carefully evaluated on a case by case basis. The Bank's efforts to achieve impact in its countries of operation must of course also be combined with long term financial sustainability and maintenance of the AAA credit rating. It is important that the Bank is able to react to unforeseen events without reducing the financial stability or necessitating a capital increase.

These aspects must be carefully considered in the ongoing discussions about increasing lending volumes.

There are several areas where the EBRD has and should continue to raise the bar in order to support its countries of operation.

Fighting climate change and improving and protecting the environment is one such area. To this end, Sweden strongly welcomes that the EBRD has reached its goal of 40% green investments by 2020 already in 2017. In the ongoing revision of the Energy Sector Strategy the Bank's proposals to focus on investments in renewables and energy efficiency, stop all investments in coal and upstream investments in oil, as well as to include carbon pricing in project assessments, is highly welcome. It is time to start gradually phasing out funding of fossil fuel investments. We question the view that natural gas is the best way to transition from more carbon intensive fuels. While this may be true in some cases, renewable energy sources should always be prioritised and gas investments should only be undertaken if they pose the most environmentally friendly alternative available at a reasonable cost, or if such investments can be converted for future renewable energy use.

The EBRD should also lead the way in continuing to show its clients that investing in equal opportunities means investing in productivity, growth and sustainable development. The Bank has two strong strategies dedicated towards this end, the Economic Inclusion Strategy and the Strategy for Promotion of Gender Equality. Going forward we would like to encourage the Bank to step up implementation and operationalization of these strategies and to ensure that an intersectional approach where gender equality is mainstreamed throughout the Bank's operations is followed.

Finally, Sweden would like to express its gratitude to the Jordanian Authorities and the EBRD for having arranged the 2018 Annual Meeting on the shores of the Dead Sea.