

TURKEY

Statement by the Governor for the Republic of Turkey
Mr. Raci Kaya, Deputy Undersecretary of Turkish Treasury, EBRD Alternate
Governor for Turkey

Mr. President, Esteemed Governors,

I would like to extend my sincere appreciation to the Government of Jordan and the EBRD Management for the excellent organization and warm hospitality.

We are glad that 2017 has marked another successful year for EBRD and it is not solely because of the record business volume or number of projects. What is more remarkable is that this operational reach has been complemented by strong overall quality in transition performance. The Bank has hit all-time high in its transition impact scores in its projects, more than 40% of which was encouragingly in green finance. The financial results have also been favorable albeit with a decrease in profit compared to the previous year. Here, conservative net income allocation proposal is also welcomed, as it is in line with the previously agreed framework and foresees allocations only to Shareholders' Special Fund and Trust Fund for West Bank and Gaza, where the launch of EBRD activities is also commendable.

As the global recovery momentum is getting stronger and the economic growth is becoming broader and more shared; the financing demand and the opportunities for EBRD are likely to rise. To respond, the Bank definitely needs to maintain its strong operational and financial performance, while delivering high quality impact. We welcome that the 2018-2020 Strategic Implementation Plan is in line with this objective and we expect that the emphasis given to local currency and capital markets development, equity investments, sustainable infrastructure, energy and resource efficiency, strengthening of SMEs, more regional integration and cooperation, entrepreneurship and innovation is continued.

Despite some challenges such as lower level of Annual Mobilized Investment in 2017 and decreasing trend of equity investments, the first half of the current Strategic and Capital Framework period also confirms that the Bank is on track with operational objectives. Indeed, the estimates imply that the capital base could support even a considerable increase in annual business volume by the end of this period.

There are remaining obstacles to overcome, and we believe that the Bank is equipped to, and capable of adapting itself to take up to the challenges going forward. Apart from the high-level commitments, i.e. Sustainable Development Goals and COP21, the international financial architecture is changing, necessitating the players to be flexible enough to adjust. In particular, the new development strategies in Europe should be assessed carefully, in coordination with other MDBs, and in line with the global development goals. EBRD has a unique role to play with its strong experience on private sector and could contribute significantly to this process.

Looking ahead, we would like to see the Bank maintain, as well as enhance, its activities in the current countries of operations. The current region's transition gaps are huge and clearly EBRD could generate a significant value-added. In this context, we welcome the proposal to move up in a two-stage sequential approach. In particular, the first stage, namely the strategic review which will help strengthen the Bank's delivery of its transition mandate further in the existing region will be vital.

But the Bank should not increase its investments just because "it can". It should invest more in areas which it is needed most, like targeting firm-level productivity growth, sustainable infrastructure, and supporting more the export-oriented local companies. It should invest more; if and where it can increase its impact and where transition and financial return prospects are favorable.

This should be done with its effective products and ways, like local currency lending, innovative financing, and mobilization of private sector. Here, to improve income generation capacity, we welcome further enhancing in-house capacity and resources for equity investments, increase in which should go hand in hand with capacity building process.

For the second stage, we are glad that the Bank has evolved and managed the expansions successfully so far, and can continue to do so in future.

Certainly, the continuation of the Bank's impact depends on its financial health and its mandate and unique business model guide this process. As such, Bank should delicately assess financial sustainability implications of any new operational decision.

Without any doubt, any new decision on expanding beyond current EBRD region should be gradual, well-examined, and the implications on the governance front

should be thoroughly assessed. We are certain that the second stage of feasibility examination for expansion will help towards this end.

We thank the EBRD Management and all EBRD shareholders for their support to Turkey in 2017. The well-designed policy dialogue activities between the Bank and Turkey and the very well-aligned objectives have been instrumental in achieving this healthy partnership, which generates mutual benefits. As such, with a 97% private sector share of its portfolio, Turkey plays a significant role in delivering the EBRD's mandate with its very strong performance in transition impact and financial return indicators.

Boosting and supporting a private sector-oriented growth – a growth that is sustainable and inclusive – has always been one of the essential policy objectives of our Government, and the EBRD continues to be a very important development partner to this end. We believe in the mandate, qualities and the impact of the EBRD in Turkey and in its region. That is the reason we have been engaging with the Bank as a donor as well. We are glad that the existing close cooperation between the Turkey and the EBRD has resulted in launch of a new EBRD-Turkey Donor Fund, which is the first of its kind we have ever established with a multilateral development bank. With its proven track record in blending financing with high quality technical assistance and grant funding, we believe that the EBRD will effectively utilize this Fund in further promoting its mandate in Turkey, as well as in other countries of operations.

In conclusion, I would like to express my appreciation to President Sir Suma and the entire staff of the Bank for their outstanding work during recent years and wish the best for the Bank going forward.

Thank you.