

CYPRUS

**28th ANNUAL MEETING OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT IN SARAJEVO**

8-9 May, 2019

**Statement by Mr. Kyriacos Kakouris
Head of Delegation and Governor for Cyprus**

Mr. Chairman, Mr. President,

Ladies and Gentlemen,

It is a great honour for me to address you, as Governor for Cyprus, on the occasion of this 28th Annual Meeting of the European Bank for Reconstruction and Development. Let me extend my appreciation to the authorities of Bosnia and Herzegovina for inviting us to the beautiful city of Sarajevo and the management and staff of EBRD for their excellent organizational arrangements and wish all participants in this meeting every success and fruitful discussions.

Looking back at the year 2018, we can safely state that it has been a very successful period for the EBRD, in terms of operational and financial results and it is quite encouraging that the Bank continued to have impressive transition impact, combining high levels of investment with policy support for economic reform.

We are very pleased to see that in 2018 Bank investment amounted to €9.5 billion comprising 395 investment operations and activity in 71 trade finance

agreements and it constitutes a positive sign that gross disbursements increased to €7.2 billion in 2018 from the 2017 level of €6.2 billion while operating assets resumed their growth and reached €30.2 billion for the first time in the Bank's history.

It is quite promising that in 2018 the EBRD invested in 37 economies with allocation of €2.0 billion in the southern and eastern Mediterranean (SEMED), €1.6 billion in eastern Europe and the Caucasus, €1.0 billion in Turkey, €1.7 billion in south-eastern Europe, €1.3 billion in central Europe and the Baltic states, €1.1 billion in central Asia and €0.9 billion in Cyprus and Greece combined.

The President, the Board of Directors, the staff and the management of the Bank should be congratulated for their efforts to support key economic sectors, in line with Bank's operational strategy, and more specifically €3.2 billion in the financial sector, with the majority of financing directed via partner banks to small and medium-sized enterprises, €1.9 billion in the infrastructure sector, €2.2 billion in the diversified corporate sectors, and €2.2 billion in the energy sector.

We are fully aware that this year's Annual Meeting in Sarajevo comes at a critical juncture as the EBRD works towards establishing its priorities in the next Strategic and Capital Framework (SCF) 2021-2025 which will be considered for approval by Governors at next year's Annual Meeting in May 2020.

It is of utmost importance to approve a roadmap establishing a balanced strategic planning process for the relevant five work streams as this will lead to an increase in the quality and quantity of the Bank's activity in its countries of operations but it is very essential that such an initiative would not lead to additional capital contributions or threaten the AAA status of EBRD, and to make sure that any expansion must not be at the expense of work in the current countries of operations.

We very much welcome the Bank's Third Strategy and Implementation Plan (SIP) 2019-2021 which presents a projected trajectory for activity and we have no doubts that the Bank has sufficient capital to support both this higher than previously anticipated activity and withstand stress events according to the Bank's measures of capital, recognizing and emphasizing, at the same time, that EBRD'S triple-A rating remains unqualified from all the rating agencies.

At this point, we would like to express our full support for the proposal that the Board of Governors will approve in this Annual Meeting in Sarajevo, to allocate €95 million of the Bank's 2018 Net Income Allocation to the EBRD Shareholder Special Fund, €20 million to the EBRD Trust Fund for West Bank and Gaza and €2 million to the EBRD Community Special Fund and we believe that these allocations will provide the necessary funding capacity for operational requirements for investment and non-investment needs.

We noted with satisfaction that, other important highlights in 2018 included the approval of the €700 million Green Cities Framework, which positions the EBRD as a major player in the financing of climate mitigation and adaptation for cities, the extension of Recipient Country Status of Greece for another five years till 2025, the approval of San Marino as a new member of EBRD while India has become the 69th shareholder of the EBRD and for that reason it is appropriate to acknowledge the key work done by the Bank and the quality and motivation of its staff.

Mr. Chairman,

At the Annual Meeting in 2014, the EBRD Board of Governors granted Cyprus temporary recipient country status. The timing of EBRD starting its engagement in Cyprus could not have been more appropriate. It gave a very positive signal of confidence and trust to the economy and the banking system at a time when the restoration of financial stability was a top priority.

Cyprus went through a very severe financial crisis but since then it has achieved a remarkable recovery. The banking sector has stabilized and healed to a significant extent. The Republic has regained continuous and sustainable access to the international capital markets and has established itself as a reliable frequent issuer. This has been translated to a new ability to issue at longer maturities and at lower cost than in the past and the deepening of the available

investor pool. The budget deficit has been eliminated and since 2014 we manage sound public finances, safeguarding a balanced budget in structural terms, focused on sustainability and growth enhancement within the boundaries of available fiscal space. In fact, our economy edged out of the recession in 2015 and is currently registering a growth rate of 3,9% of the GDP (in real terms in 2018), following the real growth rate of 4.5% in 2017 and a 4.8% in 2016.

In this effort, the role of the EBRD since 2014 has been significant. Through its expertise and the financial tools it possesses as well as through its investments in key sectors of the economy EBRD has made a crucial contribution to the economy and reform of our economy.

The Cyprus Government is grateful to the EBRD allow me to express our sincere thanks and appreciation to the President and the Staff of the EBRD but our special thanks go to the head and staff of the local office of the EBRD in Nicosia.

The mandate of the EBRD to operate in Cyprus ends next year. Under the current status of the economy it is unlikely that the Government of Cyprus will request an extension of the mandate. We do believe that EBRD should operate and deploy its valuable funds where is needed most

Bearing in mind EBRD's capacity to adapting its policies, operations and products, we are sure that the Bank will continue its operations with optimism to

achieve its ambitious objectives and we are confident that the Bank is in a sound position to deliver results and continue to foster transition in its member countries.

I once again take this opportunity to congratulate Sir Suma Chakrabarti and the staff of the Bank for the excellent work they have accomplished and by wishing them continued success in fulfilling the Bank's mandate throughout the next planning period. With the strong cooperation and support of its shareholders, the Bank will no doubt see further achievements in the coming years.

Let me finally wish all participants in this Annual Meeting every success and fruitful discussions.