

MALTA

2019 Annual Meeting of the European Bank for Reconstruction and Development

Statement by Prof Edward Scicluna, Governor of the EBRD for Malta

Sarajevo, 8-9 May 2019

It is a privilege for me to address the Annual Meetings of the European Bank for Reconstruction and Development (EBRD). I take this opportunity on behalf of the Maltese Government to thank the Government of Bosnia and Herzegovina and the authorities for hosting the twenty eight Annual Meeting of the EBRD with excellent organisation and gracious hospitality.

I would also like to thank the President of the EBRD, Sir Suma Chakrabarti, as well as all the officials and staff members of the Bank for their determination and efforts during 2018 in the face of numerous challenges. The Bank's performance reflects their professionalism, skill and dedication. Certainly, the EBRD continues to play a unique and powerful role on a global level, fostering the transition towards open market-oriented economies and promoting private and entrepreneurial initiative.

Malta welcomes San Marino, soon to join the EBRD family as the 70th Shareholder. Needless to say membership will benefit both parties as well as the countries where the Bank operates. I am also pleased to note that the EBRD will continue with its engagement in Greece until 2025.

The EBRD region is expected to have remained on a sustained economic growth path in 2018 although economic uncertainties and geopolitical instability continued to persist in a number of countries. We note with satisfaction that despite major challenges the EBRD continued to record positive operational results in 2018. Annual Bank Investment reached €9.5 billion across 395 projects in 37 countries of operation, closely matching the record high attained in 2017. In line with its operational strategy, the EBRD also continued to focus its investments in key economic sectors, seizing opportunities to make a greater transition impact especially through its involvement with the private sector.

Certainly the countries where transition needs are greatest continued to benefit considerably from the Bank's investment activity. I therefore take this opportunity to commend the Bank for its relentless support to the Southern and Eastern Mediterranean region (SEMED) as new investments totalled €2 billion in 2018, the majority of which were in the private sector. We note that Egypt continued to be the largest EBRD country of operations. The past year has also seen the first investment by the Bank in Lebanon and the West Bank and Gaza. We also note that other regions where the Bank invested heavily included South Eastern Europe as well as Eastern Europe and the Caucasus.

We note that in 2018 adverse conditions across equity markets and higher provisioning charges heavily impacted on EBRD's net operating profit which declined considerably to €340 million (2017: €772 million). Realised profit before impairment remained strong at €606 million and close to that recorded in 2017. Despite these uncertainties, we are pleased to see that the Bank continued to be characterised by a strong capital position and a high level of liquidity. These

positive results and the EBRD's strong business model underpin the Bank's "triple-A" rating with stable outlook, as reaffirmed by all three major rating agencies in 2018. Undoubtedly this satisfactory achievement puts the Bank on a stronger basis to be better geared to meet the additional challenges that the future beckons.

As in the past, we welcome the allocation of part of the net income to the Shareholder Special Fund to assist those countries facing the biggest transition challenges.

It is encouraging to note that the Bank continues to play a crucial role in supporting countries in its region of operation to meet the Sustainable Development Goals and COP21 commitments. After an exceptional year in 2018, we note with satisfaction that the EBRD devoted 36% of its total annual bank investments to the green economy. This places the Bank closer to achieving the target of the 40% share by 2020. Malta is strongly aligned with the EBRD's new Energy Policy 2021-2023 which aims to increase investment in renewable sources and rules out financing for coal. Indeed, Malta has itself invested heavily over the past years to successfully transform its energy sector in order to achieve the goals of cleaner, cheaper, and sustainable energy.

In light of the Jordan Declaration to strengthen the quality and quantity of EBRD delivery in its regions, I appreciate the extensive work undertaken by Management and the Board of Directors in drafting a resolution on the required preparatory work for the next Strategic Capital period. We acknowledge that additional analysis of options and possible strategic directions must be undertaken as part of a well-structured work programme. The steps taken in the Strategy Implementation Plan for 2019 to 2021 to enhance delivery of Bank investment in its country of operations are duly noted.

I would like to conclude by reaffirming Malta's strong support for the policy initiatives and strategies pursued by the EBRD as it strives to accelerate the transition process in its region. Certainly, the Bank continues to display its ability to adapt quickly and robustly to changing global circumstances and scale up operations quickly. The positive results achieved over the past years are a reflection of the successful management that has been underway in this important institution. Undoubtedly further work and initiatives by the EBRD will be instrumental in achieving even better results in the years to come.