

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

**Board of Governors' Opening Session**  
**Wednesday 8 May 2019, 09.30 – 10.30**  
**Parliamentary Assembly Building, First Floor, Great Hall**  
**Sir Suma Chakrabarti, EBRD President**

**1. Welcome and thanks**

Presidents and Prime Ministers,

Distinguished Governors,

Ladies and Gentlemen,

Welcome to the EBRD's 28<sup>th</sup> Annual Meeting and Business Forum.

I am delighted that we are holding it here in the historic city of Sarajevo, at the heart of the Western Balkans.

While **all** EBRD countries have their own appeal and fascination, this region has had a special place in my own career for twenty-five years. So I am delighted to be here in Sarajevo at my penultimate Annual Meeting as EBRD President.

I know our hosts have worked extremely hard to make this event a very special one.

On behalf of the Bank, I should like to thank my good friends Denis Zvizdic, Chair of the Council of Ministers of Bosnia and Herzegovina, Mirko Sarovic, Deputy Chairman and our Governor, Jyrki Katainen, our chair of Governors, and Enzo Quattrocioche, the Secretary General and all our colleagues here for everything they have done to prepare for this week.

And a special thank you too to the leaders of the Western Balkans countries for joining us today.

## **2. The EBRD and Bosnia and Herzegovina**

Wherever the EBRD invests, we bring together many people from different walks of life – the private sector, government, civil society – to deliver real transition impact.

As our mission statement says, “We invest in changing lives” - for individuals, for businesses, for economies.

This is especially true of Bosnia and Herzegovina.

The EBRD story started here soon after the signing of the Dayton Agreement at the end of 1995.

Today, the total of our investments stands at €2.3 billion – in 159 projects.

Indeed, the Bank's portfolio in Bosnia and Herzegovina relative to national GDP is one of the highest in our portfolio of nearly 40 countries of operation.

We began here with the reconstruction of transport and energy infrastructure after the years of conflict.

Today, we fund, together with our partners, major infrastructure projects connecting different parts of the country. And we connect Bosnia and Herzegovina itself with the rest of the region and the European Union.

Our story also had its beginnings in modest equity investments in two local banks.

Today, we use a network of such banks to channel funding to SMEs, to support women entrepreneurs, and to encourage households to invest in energy efficiency.

One of our goals is to help create an economy that empowers local people – especially the young – to realise their dreams at home, in their own country, rather than abroad.

Too many home grown talents are lost to emigration and we need to create the conditions where they will choose to stay.

It is our strong belief that we can do this by accelerating economic integration, both regionally and in the context of EU accession.

I will return to this very important theme later.

### **3. 2018 highlights**

Our story here is just one chapter from a larger volume about our work – and the way we are having ever more impact – across three continents.

You saw a taste of the sheer range and variety of what we do - in different sectors and geographies – in the video we watched earlier.

For three years in a row now we have invested nearly €10 billion in our countries of operations.

Last year's investment level was close to 2017's record and the number of operations was at the top end of the business plan as well.

In 2019 I want EBRD to break the ten billion euro investment barrier for the first time in our history.

But implementing quality projects matters far more than approving and signing them. So, I am delighted that last year we delivered an increase in disbursements and growth of our operating assets. These have now reached a record level of €30 billion. That is what will make the difference on the ground.

We also observed a rebound in the equity share of our business back to 2016 levels.

We also achieved more diversity in the Bank's work, with a large increase in business done in small countries and a consequent reduction in the concentration of business in large countries.

We mobilised more investment to multiply our impact.

And we increased the number of projects in countries where transition is least advanced.

All this was achieved despite adverse headwinds in equity markets and currency depreciation in a number of emerging economies.

Indeed, the Bank remains financially very strong. Realised profits before impairment stood at €606 million, very close to the figure posted the previous year.

We have maintained our AAA status, with one rating agency strengthening its assessment of our financial position and remarking on our 'very strong enterprise and extremely strong financial risk profiles'.

Behind the numbers on our balance sheet stand many inspiring stories of our ground-breaking work, such as:

- funding the Kitchener Drain in Egypt to reduce extreme levels of pollution for six million people living in the Nile Delta;
- our contribution to energy security through the Southern Gas Corridor which bolsters energy links between Asia and Europe and accelerates the shift away from coal;

- our first investments in Lebanon and the West Bank – both of them very challenging markets; and
- our re-engagement in Uzbekistan, which picked up with amazing speed and included the delivery of improved water, electricity and heating supplies to hundreds of thousands of people.

I am particularly proud of our work to build resilience through local capital and currency markets. Indeed, 40 percent of our business overall last year was in local currency – the highest share of any major multilateral development bank by a distance. This includes one third of our €1 billion financing in Turkey, a country which has been experiencing an economic slowdown and currency depreciation.

Last year also saw the adoption of new strategies and policies which will allow us to do even more in the future.

- New strategies for the Energy Sector, Local Currencies and Capital Markets, and Agribusiness.
- The approval of the €700 million Green Cities Framework which confirms our status as a major player in the financing of climate mitigation and adaptation.
- The extension of our mandate in Greece to the end of 2025.
- And just two weeks ago the Board approved new state of the art Good Governance Policies.

I should also take this opportunity to thank our donors for their support. Without it much of our impact would be far reduced - or non-existent.

Last year that support amounted to €583 million, well above target.

The European Union remains our largest donor by far – thank you Jyrki for that!

We were also particularly pleased that Spain and Israel have resumed their place in our donor family. And we welcome more of our recipient countries, namely Turkey, Poland and Bulgaria, as donors. Many thanks to them as well.

Today would also be a good moment to wish a very happy 10<sup>th</sup> birthday to the Western Balkans Investment Fund, a unique partnership of the region's governments, the European Commission, bilateral donors and multilateral development banks such as ourselves.

And to congratulate the WBIF on all its work, not least reaching the milestone of allocating more than €1 billion in grants for projects.

A priority for our donors and all our shareholders, as well, of course, as management, is to ensure that the Bank is as effective and efficient as possible.

Our Operational Effectiveness and Efficiency programme has been in place since 2016 and has delivered financially.

Just as importantly, it has resulted in meaningful change to the way we work, such as:

- reducing the time to draw up new strategies and make investment decisions;
- simplifying the process of assessing project impact;
- introducing specialist teams to manage our debt portfolio; and
- making far greater use of data to inform decisions.

I am also delighted that we have signed the contract for our new headquarters in Canary Wharf, London, to which the Bank will move in 2022. This represents a very good commercial deal and will also enable our staff, the EBRD's greatest asset, to work in one of the very best buildings in terms of environmental sustainability.

And, as many of you know, I remain absolutely committed to strengthening relations between all – and I mean all - shareholders and the Bank, and to enhancing the quality of our common understanding.

In my January letter to Governors I undertook to run an exercise to that effect, focussed on actions that management could take from its side.

That exercise, involving consultants with knowledge of the EBRD and its governance, is underway and includes feedback from our Directors.

I plan to implement actions from this exercise from this autumn.

One clear lesson is already clear. Collectively, we as a Bank are strongest when we share a vision of where we want to go; have clarity about our respective roles; and engage in energetic but constructive and – I want to stress - respectful interaction about the path ahead.

#### 4. #EBRDmore

Ladies and gentlemen, you, our shareholders, have asked us to do even more to deliver progress towards ‘market-oriented economies and the promotion of private and entrepreneurial initiative’ that we committed to at our founding.

2019 will therefore be a pivotal year for the EBRD – the beginning of a further step change that will require both enhancing the **quality** of what we do while seeking to increase the **quantity** of our investments and projects across our regions.

The EBRD business model, focussed on the private sector and combining our traditions of sound banking with an emphasis on policy reform, has served us well.

As has our extensive knowledge of local conditions gained through our network of 53 offices, based not just in capitals but in secondary cities and far flung regions as well.

While we deliver locally, we also think globally – not least through our commitment to invest more than 40 percent of our ABI in the green economy by the end of 2020 to respond to the defining environmental

imperatives of our age. We are well on the way to delivering on that target.

We relish the opportunity to raise our game still further – in all our regions.

Doing more will be a key theme as we move towards the next Strategic and Capital Framework.

As will a range of other issues – including our readiness to respond to interest in membership from more countries in the Southern and Eastern Mediterranean region.

## **5. Integration – the theory and practice in the Western Balkans**

Recalling that the theme of this Annual Meeting is “Connecting Economies for Stronger Growth”, and that ‘integration’ is one of the six qualities we use to define sustainable market-oriented economies, I now want to return to that subject.

In general, we see integration as a very powerful instrument for expanding trade in goods and services, increasing cross-border investment and, perhaps most importantly of all, encouraging the exchange of new ideas and innovation.

Integration via physical infrastructure connects regions via roads, railways, ports, airports and telecommunications, helping people and goods move more easily.

For example Corridor VC, one of our landmark regional projects which crosses through Bosnia and Herzegovina, links the Adriatic coast with Central Europe.

It also boosts economic opportunities in regions which have been hitherto poorly connected to the rest of the global economy.

Economic integration also covers investment flows.

And integration through foreign direct investment can have far reaching effects.

For example by upskilling workers in economies with high emigration levels, such as those here in the Western Balkans, creating more opportunities for local people to fulfil their potential.

In other words, it can help to end the vicious cycle of outward labour migration leading to falling productivity, lower investment and further emigration.

Finally, and also of major relevance to this region, we champion integration to encourage political and economic reforms that will deliver long term sustainable and inclusive growth.

Fundamental to this is the EU approximation process. We at EBRD are strongly committed to it. We see it as a very important external anchor for reforms.

Including reforms which further integration such as:

- promoting higher business standards ever closer to those of the EU;
- reducing or eliminating trade barriers; and
- ensuring a level playing field for companies.

At the same time we are also working hard to attract more foreign investment and strengthen public-private dialogue on improving the business climate.

That includes last year's launch, together with the newly established Regional Chamber of Commerce, of a Regional Investment Platform.

And the launch this March of an online Western Balkans business registry to boost transparency and investors' access to information. Serbia and North Macedonia are already on board. Others will join soon.

## **6. Integration – ideas and people**

Both of those initiatives were highlights of our most recent Western Balkans Investment Summit in London.

It was in 2014 that we first brought together the region's six Prime Ministers – a historic breakthrough at the time. But now repeated every other year, including next February.

The format has been such a success that we have replicated it in other regions.

I have had yet another very warm and interesting discussion with the Western Balkans leaders this morning.

I took the opportunity to salute them again for their efforts to promote integration – and raise the region’s profile among investors.

Investors should be particularly heartened by the spirit of rapprochement symbolised most recently by our dear friends, Prime Ministers Zoran Zaev of North Macedonia and Alexis Tsipras of Greece.

Theirs is a moving – and inspiring - example of vision, courage, leadership and willingness to compromise in the interests of their countries, the region and us all.

I would like to pay special tribute to them both today.

And I also encourage the leaders of Serbia and Kosovo to continue their dialogue, first facilitated by our special guest Baroness Ashton, as a way of moving their countries and the wider region towards a more positive future.

## **7. Conclusion**

Today, ladies and gentlemen, we celebrate the EBRD, its achievements and its values, notably integration and its special meaning for the Western Balkans.

Tomorrow, many of us will be marking Europe Day, when we honour peace and unity across this continent.

May 9<sup>th</sup> is the anniversary of the 1950 Schuman Declaration, which turned out to be a decisive moment in the creation of what we now know as the European Union.

Many of its arguments remain relevant seven decades on and echo the points I have been making to you today.

"Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity." The words of Robert Schuman, France's then Foreign Minister.

Ladies and gentlemen, those words ring true today and speak equally to the many regions beyond Europe where the EBRD is doing more and more to build:

stronger and more vibrant economies,  
solidarity and integration between them,  
and a better world for our children.

Thank you very much.