

# LATVIA

## **Statement by Mr Jānis Reirs, Governor for the Republic of Latvia**

Let me start out by thanking the staff of the Bank for the efficient way this Annual Meeting has been organized despite the prevailing restrictive circumstances.

### **General remarks**

Since its establishment, the EBRD has been successful in supporting the political and economic transformations in the countries it operates in, delivering commendable results despite rapidly changing socioeconomic conditions and geopolitical tensions. The Bank remains an important global player focused on private sector development and policy advice, based on a unique political mandate. Building on accumulated experience, country-specific know-how, and local presence, the EBRD is well placed to push forward transitions to well-functioning market economies in all its countries of operations.

I would like to extend special gratitude to the colleagues in our constituency: Norway, Finland, and Lebanon. We believe that the excellent cooperation spirit has ensured that our joint voice is heard and the opinions are incorporated in the main policy documents of the Bank. In addition, the joint Nordic-Baltic cooperation proved successful in bringing forward the greater ambition in the *Green Economy Transition Strategy* discussions - the concept that remains one of our top priorities.

Reiterating the conclusions of the EU-11 countries meeting in Riga on 27-28 February 2020, we see significant scope for increasing high-quality investment in the EU-11 region – a front runner and pioneering ground for the Bank’s medium-term priorities, namely promoting the green agenda and unlocking the innovation along with new technologies. In particular, the Bank needs to increase its contribution to achieving carbon neutrality in light of the *EU Green Deal*.

### **Operational results of 2019**

Latvia commends the EBRD for strong results achieved in 2019, when it reached a record-high EUR 10 billion in annual investments covering 452 signed projects, as well as for the timely and efficient response to the COVID-19 crisis in affected countries. We also welcome the solid financial performance that year, with net profits reaching EUR 1.43 billion and a reaffirmed AAA rating. We attribute these results to the efforts of the staff of the Bank, which undoubtedly is the most valuable asset of the Bank.

### **Strategic and Capital Framework**

The Strategic and Capital Framework for 2021-2025 (SCF) will mark the next chapter of EBRD’s operations, as the new realities created by COVID-19 will add to the challenges of achieving the priorities set in the SCF. Latvia supports the broad compromise that has been reached by the Board of Directors and the draft resolution regarding the SCF.

Considering the severity of COVID-19, we commend the EBRD for support it rendered to countries of operations, laying the foundations for sustainable recovery and development. Building on the three horizontal strategic priorities – *transition to a green, low carbon economy, equality of opportunity, and digital transition* – the SCF rightly aims at prioritizing support to current countries of operations. It is important that during turbulent times the Bank’s investment strategy focuses on the effective fulfillment of its mandate: closing market gaps and accelerating the transition of countries where the impact on development is highest.

The global economic recession triggered by COVID-19 brings to the surface the scale of vulnerability of many countries facing unprecedented needs of support to recover their economies. Therefore, Latvia supports the proposed direction of the SCF, that is to strengthen the engagement of the Bank in less advanced economies. Again, more advanced countries of operations were affected by the COVID-19 as well, having them seek the support of the international community and development partners. With the resurgence of COVID-19 in countries all across Europe, and expected long-lasting effects of the crisis in certain industries or for certain structural reforms, we stress the importance of EBRD’s continued operations in all EU countries of operations for the years to come. Latvia underlines the importance of the core principle of the EBRD *Graduation Policy*, meaning that graduation is country-driven.

In the light of all this, Latvia is of the strong opinion that any discussions about further expansions beyond EBRD’s geographical mandate are premature. Furthermore, decisions on future directions should be taken in a broad context including both the global and European financial architectures. Nevertheless, Latvia has supported the membership applications in the past and will be taking future decisions in cooperation with its partners.

### **Other institutional issues**

Latvia supports the proposed net income allocation of 2019, considering that the economic recession will affect the results for the year 2020, especially in regards to equity valuation. We support the proposed allocation to the EBRD *Shareholder Special Fund*, which contributes to financing technical assistance to those countries that are most in need. Especially critical is the support rendered to Lebanon, our partner in the constituency, and its severe economic and humanitarian crisis – we appreciate the engagement of the Bank.

Latvia fully supports the sovereignty and independence of Belarus, and firmly believes that democratic calls of Belarussian people for new, free and fair Presidential elections in line with international standards in presence of international observers should be respected. We strongly believe that the EU support should be redirected for the benefit of Belarus society. We should make sure that the regime and persons closely connected to it do not benefit from the EU support. In this context, careful assessment of the application of Article 1 of the Agreement Establishing the European Bank for Reconstruction and Development is needed.

Latvia expects the Bank to continue applying the highest governance standards to all of its operations and clients with regard to corruption, tax avoidance and evasion, and social and environmental standards.

## **Latvia and the Bank**

EBRD has been a reliable partner of Latvia since 1992, its financial support and investments having played a crucial role during the financial crisis of 2008. Today's global economic recession triggered by COVID-19 yet again underlines the important role that international partners play in supporting the economic recovery of countries around the world.

The negative impact of COVID-19 is currently increasing on a worldwide scale, including the Baltic countries and Latvia. In the second quarter of 2020, the economic recession in Latvia reached minus 8.9% of GDP, which was not as deep as had been projected: production was more resilient to the crisis as expected, and services managed to recover sooner. The economic recession, however, was mainly driven by a sharp drop in private consumption due to restrictions to limit the spread of COVID-19. To address these negative effects on the private sector, Latvia introduced a number of state-aid programs, including financial instruments to provide support to companies affected by the pandemic. However, considering the difficulties to predict the severity and duration of the crisis, active and continued engagement of the EBRD in Latvia's private sector during these turbulent times remains as important as ever.

Beyond crisis response, we appreciate the continuous dialogue with the EBRD on further exploring opportunities in Latvia for cooperation in energy efficiency and security, competitiveness, innovation, and structural reforms. Going forward, we see a potential for EBRD's engagement in the cross-border investments and the development of innovative tailor-made solutions that address both remaining and newly evolving transition gaps, including participation in the Latvian state aid programs on financial instruments aligned for the private sector. Partnership with the Bank in the margins of the *Structural Reforms Support Program* funded by the EU and the *EBRD Community Initiative* projects also brought positive results and wider recognition of the Bank in Latvia.

We appreciate the active engagement of the EBRD in Latvia during 2019, its increased level of investment in the region, its financial support to a number of specific projects, and participation in structural reforms such as capital market development.