AUSTRIA

EBRD Annual Meeting 2017
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We are delighted that the 26th Annual Meeting of the European Bank for Reconstruction and Development is being held in Nicosia. This choice of venue for the meeting clearly reflects the EBRD's changing geographical and operational priorities. Cyprus is a temporary recipient country and part of the SEMED region, which has been a region of operations for the Bank since 2012.

The Bank had a successful year, despite the economic, political and geopolitical uncertainties in the EBRD's region of operations. We are very happy to note that the Bank has the expertise, capacity and flexibility to craft appropriate responses to difficult situations. This is a testament to the special quality of the Bank, its Management and staff.

Significantly, the Bank was able to step up its efforts to revitalise the transition process and contribute to recovery and sustainable growth in the region. The Bank had an excellent financial year in 2016, managing to maintain the high level of activity with an Annual Bank Investment of €9.4 billion across 378 projects. This was especially important for its countries of operations during a period fraught with uncertainty. The Bank was thus able to demonstrate once again that is it a good, reliable partner, especially during tough and uncertain times.

It is particularly gratifying that the transition impact of the Bank's operations is still consistently high, with the Bank operating in almost every country and its activities more widely spread today than a few years ago, not least because of the expansion of its operations to the SEMED region. The only thing casting a shadow over the Bank's otherwise impeccable balance sheet is the rapidly growing concentration of its portfolio in a few countries. Therefore, we invite the Bank to strengthen its risk management further and to be accordingly vigorous in carrying out regular analyses and assessments of its country portfolios.

Even though it faced serious challenges in 2016, the Bank not only achieved a record investment volume and high transition impact, but it also conducted a large share (76 per cent) of its operations in the private sector, which affirms the Bank's transition and reform mandate. We sincerely hope that the Bank can continue to progress along this successful path.

We support the Bank's continued engagement in its EU countries of operations, as we firmly believe that the countries in this region have not yet fully completed the transition process and that this is an area where the Bank can still make a valuable contribution. Another benefit of the Bank's continued engagement in the EU countries of operations is that it helps offset the higher-risk operations in the Bank's portfolio, while generating revenue for the Bank in the process.

It is true that the transition process has lost some momentum in recent years, which has meant that progress towards well-functioning market economies has remained modest. The evolution of transformation has differed widely in the individual countries, so it has to be analysed and assessed on an individual basis. We thus welcome the fact that the Bank has updated the transition concept on the basis of its experience and the lessons it has learned; that it understands the importance of the need for strong market and public institutions; and that it is giving more weight to the desired outcomes of the transition process in order to make the economies of its countries of operations more competitive, greener, more inclusive, more integrated, more resilient and better governed. We are pleased that the Bank has rolled out two initiatives already in 2016 and hope that the discussion on inclusion taking place during the Roundtable at the Annual Meeting will make a further contribution to improving the understanding of how to strengthen the transition concept.

The Bank further stepped up its activities in the Early Transition Countries (ETCs) in 2016, approving a total of 114 projects with an overall volume of €902 million. This increase reflects the Bank's strategy and illustrates the good work being done by the Bank in less developed countries. This is particularly commendable given that the challenges posed in the ETCs are especially great.

Another important initiative concerns the promotion of local currency financing and the development of efficient and self-sustaining capital markets. The mobilisation of local currency financing and local investments is crucial to the sustainable development of the financial and banking sectors in transition countries. Many banks in the region are struggling, which is why this initiative – which helps reduce vulnerabilities in the region's banks – is more important and timely than ever before. In 2016 the Bank signed 93 local currency loans and carried out some 29 per cent of all its credit transactions in local currency, which is an excellent achievement.

Creating an environment where SMEs can flourish is part of the Bank's transition mandate and business model. The Bank has pushed through the Small Business Initiative (SBI) to boost its SME-related activities. The SBI is one of the key initiatives aimed at promoting a resilient economy and independent growth, while also encouraging the diversification of economies and the development of democratic markets. It is gratifying that the Bank was able to authorise €1 billion of financing in 2016, €400 million of which was invested directly in 66 SMEs.

We welcome the implementation of the gender strategy and are pleased that the Bank successfully implemented a total of 29 projects with a gender component in 2016, making a valuable contribution to the economic empowerment of women and the promotion of equality of opportunity.

We are delighted that the first year of the implementation of the Green Economy Transition has been very successful. The Bank invested €2.9 billion across 151 projects under this approach, equivalent to 33 per cent of Annual Bank Investment, resulting in an annual reduction of 5 million tonnes of CO_2 emissions. Support for the Green Economy Transition will help countries of operations fulfil the commitment to meeting the climate targets set at COP 21 and to implementing the SDGs. Therefore, it is particularly commendable that the Bank has further expanded its partnership with climate finance mechanisms such as the Green Climate Fund and the Global Environment Facility, establishing itself at the forefront of green investment. In this regard, we would like to emphasise in particular that the Bank demonstrates exemplary commitment in the areas of energy and resource efficiency and climate resilience, and that Austria will continue to provide bilateral support to the Bank in these areas.

We are pleased to note that in 2016 the Bank made good progress in implementing all aspects of the first Strategy Implementation Plan (SIP), part of the Strategic and Capital Framework 2016–2020, ranging from the high volume of investments to the high level of transition quality to little or no deterioration in the Bank's risk profile or investment portfolio. The objective of increasing the transition impact of investments was achieved as well. We call on the Bank to continue this performance delivery in 2017, and we support the Strategy Implementation Plan 2017–2019.

The Bank achieved very good results in 2016. Net realised profit stood at €1 billion in 2016 (2015: €800 million), marking a significant improvement on the previous year. This can be attributed primarily to an improved financial performance of Banking and Treasury operations and to a one-off release of provisions. However, geopolitical uncertainty in the region means that earnings will remain volatile. Although the Bank's reserves have risen to €9.2 billion and the rating agencies have confirmed its triple-A status, a conservative, prudent approach on the part of the Bank continues to be warranted.

For Austria, the development of the Western Balkans is a matter of particular importance. We support the special engagement of the EBRD in the Western Balkans and its cooperation in the Western Balkans Investment Framework (WBIF). We are delighted that the Bank's investments in 2016 rose to the record level of €1.6 billion, and hope that the coordinated approach to supporting economic and social development in the region will accelerate the closing of the transition gap in the Western Balkans.

We welcome the resumption of collaboration between the Bank and Uzbekistan and hope that the Bank, with its particular experience, will be able to provide the country with rapid, effective support for its forthcoming reforms.

Let me mention a few staffing changes:
I would like to welcome Mr Pierre Heilbronn as Vice President, Policy and Partnerships and wish him plenty of success at the Bank. Likewise, I would like to welcome to their new positions Ms Alexia Latortue as Managing Director, Corporate Strategy; Ms Janet Heckman as Managing Director, SEMED; and Ms Nandita Parshad as Managing Director, Energy and Natural Resources. I wish them every success.

Finally, I would like to thank the Bank's Management and its entire staff for their excellent work.

I would also like to express my thanks to Nicosia and Cyprus for the hospitality extended to us and for their support for the excellent organisation of this Meeting.