

**OPENING STATEMENT BY
THE CHAIR OF
THE BOARD OF GOVERNORS**

2017 ANNUAL MEETING OF THE BOARD OF GOVERNORS

OPENING STATEMENT

CHAIR OF THE BOARD OF GOVERNORS

PIERRE GRAMEGNA

WEDNESDAY 10 MAY 2017

Your Excellency President Anastasiades,
Distinguished Governors,
President of the EBRD,
Ladies and Gentlemen,

It is a great honour for me to address you as the Chair of the Board of Governors and to welcome you here on the occasion of this 26th Annual Meeting of the Bank. It is also very important to underline that we do this in the beautiful and historic city of Nicosia. It is a testament to the relevance and also to the evolution that the Bank is undergoing that we are meeting in the country that is the newest of the countries of operation. Let me also thank you all for electing me as your Chair for this year's meeting. As a founding member of the EBRD and as the country that has the highest donor quota in the EBRD per capita, my country, Luxembourg, is very honoured that you have bestowed this honour on us.

Let me also thank our Cypriot hosts for receiving us in this beautiful conference centre named Filoxenia, which means "hospitality and generosity shown to guests". We have experienced this hospitality over the last couple of days, and it is no surprise that your hospitality here in Cyprus is legendary and, Mr President, I think I can speak on behalf of all of us in telling you how moved and pleased we were that you shared your beautiful residence with us yesterday evening. It was truly an unforgettable gala dinner.

At our Annual Meeting in Warsaw in 2014 Governors approved the launch of a time-limited activity here in Cyprus. I must say that the EBRD has delivered substantial projects and has had an impact that is quite visible. The amount of projects that have been financed by the EBRD is close to €200 million and we are on track with what was envisaged. The success of the relationship also comes through the fact that it has been possible to build on the relationship with the private sector.

Let me outline a couple of things that have been done here: First, the supporting of over 60 business advisory projects to help SMEs, and I understand there are more of these projects in the pipeline; second, helping achieve a 20 per cent increase in solar-powered electricity generation by investing in five photovoltaic power plants across the island.

We have all witnessed Cyprus's recent economic recovery to which the President alluded in his speech, and obviously at European level in the Euro Group we have been very impressed by the economic performance, but also by the implementation of the EU programme, which ended in March 2016, and which was earlier than anticipated. Congratulations also to my colleague Harris Georgiadis for a quite forceful and efficient implementation of that programme.

The theme of our 26th meeting here today is "Targeting Green and Inclusive Growth: Meeting Regional and Global Challenges". This is a very pertinent theme as we have learned many lessons over the last year about the pressures and inequalities that many societies feel. The EBRD is well equipped to create the conditions that can bring about sustainable and inclusive growth across all its countries of operation. A demonstration of this will come tomorrow, when the Bank will launch its first Economic Inclusion Strategy. Through this strategy the EBRD will deepen and strengthen its distinct private sector-led inclusion approach to support its clients in addressing business challenges such as skill mismatches or low workforce diversity in order to create routes into training, jobs and entrepreneurship. The primary target groups for this new strategy will be the young, labour market entrants on the one hand, women and people in less advanced regions, and potentially other groups that experience disproportionate barriers across the Bank's recipient countries. We will also have the opportunity to discuss experiences of economic inclusion this afternoon in our Governors' roundtable discussion.

What were the achievements of the year 2016-2017? Since we met in London last year, there are a couple of standout achievements that need to be highlighted. The first is the approval of the implementation of the new transition concept and the six new qualities of transition, which I am going to mention: competitiveness, better governance, greener, more inclusive, more resilient and better integrated. This is quite a challenging programme, President, and you will speak more about this in your speech.

A second remarkable highlight over the last 12 months relates to the EBRD's ongoing and longstanding management of the seven multi-donor nuclear safety funds and associated programmes for Chernobyl. Work on the Chernobyl new safe confinement has continued for many years but last November it reached a defining milestone when the arch-shaped steel structure was moved into its final position above the destroyed reactor 4. The Chernobyl arch is the largest removable land-based structure ever built, with a span of 257 metres, a length of 162 metres, a height of 108 metres and a total weight of 36,000 tonnes. With a lifetime of 100 years, it will allow the eventual dismantling of the shelter improvised back in 1986 at the time of the disaster. This extraordinary feat of engineering will make the site safe and secure. I strongly encourage you to watch the time-lapse video of this modern-day wonder taking shape; it is a truly inspiring spectacle and a remarkable achievement of international cooperation.

The operational results of 2016 will also be mentioned by the President, so I will take them quickly. The amount of billions invested by the Bank is impressive: €9.4 billion. There have been 378 projects in 35 countries, which is equally impressive. The profit for last year was €1 billion, thus confirming the good health of the EBRD, which enjoys a rating of AAA. As a country with an AAA rating, I must tell you, President, that I feel very comfortable with the EBRD.

It is also fitting that when looking at the theme of our Annual Meeting, 33 per cent of the Bank's investments are in projects that are in the Green Economy. This is a great achievement.

Over the last year the EBRD has continued its focus on local-currency financing and has nurtured the development of local capital markets, which contribute to building the hallmarks of resilient economies.

In 2016 the EBRD signed the equivalent of almost €1.6 billion across 93 local-currency loans and bond transactions.

At a time when many are tempted to deleverage and reduce their activities, due to market volatility, the EBRD actively sought new investors and secured €2.1 billion of foreign direct investment to the Bank's regions of operations, which is up from €1 billion in 2015.

These and many other results were delivered in parallel with substantial work to modernise the Bank's business culture. This exercise is known internally as the Operational Effectiveness and Efficiency Programme and it includes significant investment in supporting technology. I know that the President will discuss this in more detail.

In my country, Luxembourg, which from the outside can probably be considered as being extremely healthy, financially speaking, the government nevertheless had to undergo a spending review three years ago and had as a motto "you have to do more: Spending less and being more efficient". That is also key in countries that are not countries of operation.

The second thing that is key, and it is true for Luxembourg and all of Europe, is investment. We have seen how much economies have suffered in the years after the world financial crisis because investment was too low. I am glad that the European Fund for Strategic Investment is proving the right tool to boost investment in the European Union. In Luxembourg we have decided to make that the number one priority, and we invest 4 per cent of our GDP in public investment, which makes us one of the most efficient countries in this field.

On behalf of the Governors I encourage you, President, to continue in that direction and to adjust the business culture to make it more efficient.

Before coming to my conclusion, I would like to wear my hat as representative of Luxembourg and to talk about the constituency of Belgium, Luxembourg and Slovenia. First, I would like to say how much we value and appreciate how the EBRD is managing its future and adjusting to continuing change. Our constituency particularly appreciates the drive towards investment in the Green Economy. I have already mentioned that 33 per cent has

been achieved, but the goal is to reach 40 per cent by 2020. Our constituency particularly welcomes this approach.

Let me also underline that our constituency encourages you, President, to keep the right balance in what the Bank is doing. By that I mean the right balance in terms of countries of operation and the right balance in terms of risk-taking, because the health of the EBRD is probably our most important common goal.

On a personal note, Jean-Louis Six has been the Director of our constituency for 15 years. He is going to hide in his seat now, because he did not know that I was going to mention this; but it is well-deserved, Jean-Louis, that your role should be highlighted as you are the dean of all the Directors, and your contribution to the EBRD is well recognised. Thank you very much.

Ladies and gentlemen, we have an exciting Annual Meeting ahead of us. Running alongside our institutional meetings the Business Forum uses the refreshed transition concept as inspiration for panel discussions on each of the six qualities of transition that I mentioned. These panels are also an occasion to discuss the many economic, social and political challenges that we are facing. The role of civil society in promoting transition resilience is one of the key themes in the Civil Society Programme this year. Bringing together many representatives from civil society is an important component of the EBRD's Annual Meeting.

As we look to the Bank's future, its regions continue to face many uncertainties, but we should all go into this meeting and into next year with confidence about the Bank's experience and the role it can play as a catalyst in achieving a positive impact.

The EBRD was launched many years ago to reconstruct economies and foster investment, thus bringing economies and countries closer together. In this time, where extremist movements and nationalists are gaining strength in many countries, let us emphasise the role of the EBRD and of international financial institutions in general in reducing tensions between countries and spurring growth and investment through cooperation. Let us use our meeting here in Cyprus to foster that spirit of cooperation.

With that, I would like to conclude by congratulating the President and the staff of the EBRD for the work done in the last year, but also for the work throughout the history of the Bank. I thank the Board of Governors for their trust and for their input to today's meeting.

Thank you very much.