

# ESTONIA

## **Statement by Mr Sven Sester**

### **Governor for Estonia**

We would like to thank the EBRD, its staff and management for the work done in the past year. In view of geopolitical uncertainties accompanied by economic challenges that characterised 2016, it is encouraging to see that the Bank has succeeded in delivering strong operational and financial results.

By engaging with the private sector, the Bank has managed to not only spark transition in countries of operation, but also managed to sustain the momentum. This achievement is evidenced by the Bank meeting the expected transition impact scores as well as the transition performance of Bank's portfolio of ongoing investments. Undoubtedly these results are welcomed, and hopefully will be surpassed next year.

Despite the success stories, the Bank cannot avoid but analyse also the possible risks stemming from overconcentration of Bank investments in small number of countries, this is further exacerbated by the often uncertain political developments. The concentration risks can be managed and reduced, thereby also reinforcing investors' and rating agencies' confidence in the robustness of the Bank's investments. To this end, the Bank could give serious consideration to looking for investment opportunities in lower risk and more established markets, while also keeping in mind the possible transition gaps that more advanced countries of operation still need to address.

We welcome the financial framework agreement the Bank has reached with the Green Climate Fund – we are certain this will allow the Bank to engage in new and exciting projects that will further the green investments and will also generate synergies and learning opportunities for the Bank. We also look forward to seeing results from the Gender Strategy adopted in 2015, and hope Bank will appreciate the importance of this strategy.

Estonia fully supports the Bank in its decisions and the Board of Director's judgement made last year, furthermore, we agree that the Bank's conduct towards Russian Federation are fully consistent with the Agreement Establishing the Bank.

In addition, the topic of graduation has now been discussed in the Bank's management, the Board of Directors and by advanced transition countries themselves. The management's position has been that the Bank finds it difficult to provide additionality in the advanced transition countries. However, with the considerable geopolitical challenges that translate into risk concentration, advanced transition countries provide excellent risk distribution opportunities and profitability. While it is important to work on developing a well-balanced package to incentivise graduation, the Bank should nonetheless continue to implement already approved country strategies. Furthermore, the graduation process should not be automatic, but each and every case would be assessed separately. Graduation should remain a voluntary process initiated by concerned country itself.

Going forward we hope to see more and closer cooperation between the EBRD, the EIB and the Commission. Undoubtedly each institution has its field of expertise that the others can leverage off, and therefore, create synergies that could be used to benefit both the institutions themselves as well as the advanced transition countries. Estonia will hold presidency of the EU in the fall of 2017, and we would welcome a chance to further this cooperation.

Lastly, we would also like to thank the Cypriot authorities for hosting the EBRD Annual Meeting.