

# FINLAND

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**STATEMENT BY MR MARKKU KEINÄNEN, ALTERNATE GOVERNOR FOR FINLAND**

I would like to warmly thank the Republic of Cyprus for hosting this year's EBRD Annual Meeting. It has been encouraging to notice how well Cyprus has emerged from the period of economic recession experienced just a few years ago. Cyprus has managed to stabilise its banking systems and implement a considerable economic reform agenda, which led to a successful exit from the ESM/IMF-backed economic adjustment programme in March 2016. Cyprus has successfully returned to bond markets, and with a sound economic policy, solid economic recovery in Cyprus is expected to continue.

We have also been witnessing intensive negotiations for the reunification of Cyprus. Finland supports the tremendous efforts and commitment of the leaders of both communities. Reunification would open up new business opportunities and would pave the way for a stronger economy. Moreover, it would be beneficial for the stability and prosperity of the whole Eastern Mediterranean region. The EBRD could play a role in the reconstruction efforts in Cyprus in due course.

**Renewed Transition Concept**

Although there are signs of modest economic growth in the EBRD's region, it is highly demanding to achieve the ambitious transition goals, as global economic challenges and protracted political uncertainty continue to have a heavy impact on EBRD countries of operation.

The Bank, with its private-sector business model and activities to promote well-functioning democratic institutions, good governance and the rule of law, plays a critical role in achieving change and reforms in its region. With the renewed Transition Concept and the reformed methods of evaluating transition qualities and transition gaps, the EBRD can support the development of modern market economies in its countries of operation even more effectively.

**Financial Results 2016**

Finland congratulates the EBRD's Management and Staff for their successful efforts in delivering strong financial results in 2016, which was an economically challenging year. Once again the Bank proved capable of navigating a challenging world to deliver results. The Bank renewed its triple-A credit rating, and the profit of nearly 1 billion euros before allocations further strengthens the capital base of the Bank.

Finland commends the Bank for achieving a record high level of financing – equalling the amount invested in 2015 – and welcomes the increased support for policy reform. The Bank delivered, among others, on increasing climate change finance and local currency programmes as well as making a strong level of investment in small businesses. Finland is also pleased that the Green Economy Transition approach and the promotion of gender equality were integrated into the activities of the Bank.

### **Organisational Effectiveness and Efficiency**

Finland supports the Bank’s efforts to enhance organisational effectiveness and efficiency, and urges the Bank to continue to strive for further cost restraint and increased efficiency. Finland also encourages the Bank to continue its work to enhance revenue generation. It is of great importance to examine all possible new income-generating sources and activities, as the projected trend in the Bank’s cost to income ratio gives cause for serious concern in the coming years. Also, work to address the declining equity returns and improve the Enhanced Equity Approach is highly relevant in this respect.

Finland would also like to stress the necessity of targeting a balanced and diversified portfolio in terms of geographical, sector and product composition in order to ensure the Bank’s financial sustainability.

### **The Strategy Implementation Plan**

The Strategy Implementation Plan (SIP) is the main instrument for operationalising the agreed Strategic and Capital Framework. Finland supports the three priority areas of the SIP, i.e. policy and investment activity needed to support the Green Economy Transition and support delivery of the objectives internationally agreed at COP21; strengthening the Bank’s policy analysis and delivery capability; and thirdly, reinforcing the Bank’s control functions. Finland supports a prudent level of investment, which is well in line with the internal and external context of the Bank. A prudent level of investment also retains the Bank’s capacity to respond to possible changes.

Finland considers it is important that the Bank appropriately takes into account the needs of all geographical areas and countries of operation, as long as transition gaps remain. Updated country diagnostics and country strategies help to specify the priorities for both investments and policy dialogue in each country of operation.

### **Economic Inclusion**

Against the background of heightened challenges in the EBRD region, Finland supports the increased emphasis on economic inclusion opening up economic opportunities to previously under-served social groups. Inequality and social inclusion have become defining political, social and economic issues shaping the Bank’s region today. Economic inclusion is needed to unlock economic potential, and it can also have a positive impact on stability. Private-sector job creation is integral, and Finland shares the Bank’s private-sector inclusion approach with three priorities: women; young labour market entrants; and populations in less advanced regions within a country.

## **The New Safe Confinement of Chernobyl**

The international community together with the EBRD achieved a key milestone when the New Safe Confinement of the Chernobyl nuclear power plant was slid into position successfully in November 2016. The New Safe Confinement is indeed an important engineering accomplishment. It enables the transformation of Chernobyl into an environmentally safe and secure state. The project succeeded thanks to the determined and long-term commitment of the international community with the EBRD as the leading body.

## **Donor Funds**

The SEMED Multi-Donor Account has proved to be a strong and relevant actor in supporting the private sector in the region. Finland welcomed the recent decision to open a refugee crisis response framework and immediately allocated 1 million euros to it. The private sector must be seen as a key factor for driving economic growth and job creation. Yet donor funds are needed in order to ensure technical assistance and promote technology transfer and innovations. Finland would like to see the SEMED MDA as a strong vehicle for advancing the Green Economy Transition in the SEMED region's urban development. Finally, we would like to highlight and applaud the SEMED MDA's strong commitment to gender equality.

## **The Refugee Crisis Response**

Displacement is at an unprecedented level globally. As conflicts become protracted and result in large refugee situations – such as in Syria and its neighbouring countries – the response and solutions need to be comprehensive. There is no room for working in silos. The modalities for humanitarian, development and large-scale infrastructure funding need to be linked and aligned for a better and comprehensive response both to the displaced and to their host communities supporting self-reliance and resilience. This spirit was demonstrated in London at the Syria Conference last year and recently at the Brussels conference on Future Solutions for Syria. Finland lends its full support to the EBRD's initiatives that actively seek to support this approach among development partners in this regard.

## **Coordination of the International Financial Institutions**

We need better coordinated responses among International Financial Institutions and financing institutions in order to tackle global and regional challenges. Coordination among IFIs should be based on the comparative strengths of each institution, and executed at the strategic, thematic and country level. Here, the EBRD can make a significant contribution through its strong regional presence and its focus on the private sector.

## **New Member**

We would welcome Lebanon as a member and a recipient country of the Bank. Indeed, the EBRD would play an important role in assisting Lebanon in its current process of democratic and free market transition.