

# LATVIA

**Statement by Ms. Dana Reizniece-Ozola**  
**Governor for the Republic of Latvia**

**General remarks**

The economic growth in the EBRD region, despite some modest improvements in 2016 and a positive outlook for the future still faces continuing volatility and is subject to many risks, including not least, the geopolitical tensions in and around the region, as well as global policy uncertainty. We believe that the Bank is still very well placed to further contribute to reenergising growth in its region and to deliver on its mandate by fostering transition to open market economies.

**2016 financial and operational performance**

In 2016, amid continuing, but also new uncertainties in geopolitical, economic and policy developments, the EBRD yet again demonstrated a commendable performance with the record-equal annual investment of €9,4 billion in 378 projects. We also welcome the strong financial results achieved in 2016, with net profit close to €1 billion, increased reserves, decreasing non-performing loan ratio and the reaffirmed Bank's triple-A rating.

We welcome continued strong business activity in the southern and eastern Mediterranean, south-eastern Europe, stepped-up investments in Greece and take note of accelerated investments in Turkey. However, we regret the decrease in investments in Ukraine, which almost halved in comparison to 2015. Being Ukraine's largest international financial investor, the role the EBRD has and will be playing is an extremely important one. The added value of the EBRD in Ukraine - not only financial, but also in terms of policy advice - cannot be overestimated in furthering reforms and building upon impressive work already done.

Mindful of the risk prone environment in which the Bank has been expanding its operations, a greater share of business volume in the Advanced Transition Countries is justified not only by the need to address the remaining and persisting transition gaps, but also by the need to maintain a balancing element in the Bank's portfolio, allowing the Bank to continue its operations in riskier regions.

We welcome the progress made in the implementation of the Green Economy Transition approach and also the increase in gender-oriented projects.

We note with satisfaction that in 2016, 30 years after the nuclear catastrophe in Chernobyl, the ambitious engineering project of placing the New Safe Confinement arch over the destroyed reactor has been successfully concluded. We are proud of the role the EBRD has played in this process.

## **Renewed transition concept**

In 2016 the modernisation of the transition concept was approved, outlining the need to assess the successful transition to market economy against competitive, well-governed, green, inclusive, resilient and integrated qualities. We fully support this new way of conceptualisation of the transition concept, and expect it to help better focus and guide further investments and policy dialogue activities in our countries of operations.

Transition is a long-term process; it is also a fragile one. There is no immediate evidence of irreversibility of the reforms; however without this judgment one cannot conclude that the transition is secure and thus complete. Sustainability of the reforms also stems from their inclusiveness, bearing in mind that inequality and unfair distribution of reform-created opportunities may result in reduced support for market-oriented reforms and not least democracy. Setbacks and tendencies to depart from the reform agenda already appear in many parts of the region. Alarming, economic, but also political reversals have been taking place also in the advanced transition countries. It is thus important to be able to talk openly about any deviations from the transition course and fulfilment of the political criteria.

## **Latvia and the Bank in 2016**

In 2016 Latvia joined the OECD, thus becoming its 35<sup>th</sup> member and achieving another milestone in the country's development. This accession process served as another catalyst for important reforms, facilitating further improvements in various sectors, including corporate governance of state owned enterprises, anti-money laundering and anti-corruption regulatory frameworks.

On the one hand, joining the OECD was a logical step following the accession to the EU and Eurozone, on the other - it brings along new challenges, but also opportunities in pursuing responsible policies, raising quality standards, initiating and implementing further reforms.

Our "to do" list is still an extensive one and the Bank is still an important and reliable partner, whose engagement in sectors, like energy efficiency and security, financial sector and capital markets, competitiveness and innovation is still additional. In this

regard, we look forward to the robust implementation of the country strategy for Latvia in years to come. Investment potential is there and the human resources devoted should match the tasks at hand. We appreciate policy dialogue activities undertaken in 2016 and, despite small in volume, strategically meaningful support provided by the Bank aiming to ensure long-term financing for energy-efficiency upgrades, which proves this is not always about quantity.

### **Outlook for the future**

We commend the initiated Operational Effectiveness and Efficiency programme and hope that it will result in prudent work streams, modernised processes and efficient resourcing within the Bank. We also highly welcome the launched review of the Bank's income generation capacity; however, the results of this process should not dilute nor come at the detriment of the original aim and the mandate of the Bank.

### **Conclusions**

In conclusion I would like to express our appreciation of the Bank's performance in 2016. I believe the Bank is very well placed to support the region and has all the necessary tools at its disposal to achieve every success. I also want to thank the Cypriot authorities for their hospitality.