

SWEDEN

Written statement by Ms. Eva Haghanipour, Temporary Alternate Governor of the EBRD for Sweden

Since the founding of the EBRD, the Bank has played a crucial role in supporting its countries of operations' transition to a well-functioning market economy with democratic institutions. In the present fragile economic and political context and with the remaining transition challenges under the revised transition concept, the EBRD has a continued important role to play. Moreover, it is still as important today as when the EBRD was established, that the Bank's countries of operations are committed to and applying the principles of multiparty democracy and pluralism.

The recent broadening of the transition concept to include not only the transition towards a competitive, but also an inclusive, well-governed, environmentally friendly, resilient and integrated market economy is highly supported by Sweden. The Bank has successfully updated its mission to reflect the changing landscape and new transition challenges in its countries of operation. The revised transition concept also makes the Bank better equipped to contribute to the implementation of the Sustainable Development Goals and the Paris Agreement on Climate change. In this context, the EBRD is well positioned to catalyse private sector financing. In the implementation of the revised concept, the EBRD should strive to achieve the highest possible transition impact. The Bank should thus focus on qualitative results rather than on the volume of lending. The Bank of course needs to pay due attention to its risk taking, costs and profitability, but this needs to be balanced with the overall mandate of the Bank to achieve impact in its countries of operations. To enhance the transition effects of the Bank's operations, the investments should be based on appropriate conditionality and strengthened policy dialogue to promote sector reforms and systemic change.

Achieving the highest possible transition impact requires an organisation that supports this purpose. One key aspect in this context is to ensure that operations enabling long term transition results are clearly incentivised by a strong results framework. Following the revision of the transition concept it is also important that the change is communicated and anchored throughout the organisation, ensuring that the staff is well informed of the future direction of the Bank.

The long term financial sustainability and AAA credit rating is another precondition for continued successful operations. Sweden, therefore, welcomes

the Bank's ambition to maintain prudent cost control as well as to improve the EBRD's internal efficiency through the recent adoption of the Operational Effectiveness and Efficiency (OE&E) programme. The Bank's renewed focus on income generation has to be performed with caution and should not overshadow the focus on transition impact. The high market volatility and political and economic uncertainties in several countries of operation pose a potential threat in this regard. From an overall risk perspective, due attention needs to be paid to high country concentration to ensure appropriate diversification across the EBRD's Region of Operations.

Sweden welcomes the implementation of the framework for net income allocation and the role it will play in preserving the financial position of the Bank. It is important that the net income is allocated towards operations that align with the Bank's mandate and contribute to transition impact. We support the suggested allocation to the EBRD Shareholder Special Fund (SSF), it is in this allocation is important to enable the Bank to achieve high transition impact. It is also an important and necessary signal to donors that the Bank allocates internal resources. In the long run it is important to make multi-annual allocations that secure long-term planning and operations under the SSF. We also strongly welcome the planned EBRD operations in the West Bank and Gaza and support the proposed net income allocation for this purpose.

The EBRD should deepen its engagement in its current region of operations, where transition challenges remain. We are positive about the Bank's engagement in the SEMED region, the temporary countries of operation (Greece and Cyprus) as well as the support to the refugee situation in Turkey, Jordan and soon Lebanon. This expansion was however done with the understanding that it should not have a negative impact on the activities in the original countries of operation. There is still demand for the Bank and remaining transition gaps in the original region, including in central Europe and the Baltics.

Recalling the European Council's conclusions of 16 July 2014, against the background of the Russian illegal annexation of Crimea and its aggression in Eastern Ukraine, Sweden remains firm that no new operations should be conducted in Russia as long as the conflict continues and the Minsk agreement is not fulfilled. We appreciate Management's successful work of re-directing the Bank's business volume in Russia to other countries in the Bank's region while maintaining a high quality in terms of transition impact and financial sustainability.

There are several areas where the EBRD has and should continue to raise the bar in order to support its countries of operation. Fighting climate change and improving and protecting the environment is one such area. To this end, Sweden

strongly supports the EBRD's progress in implementing the Green Economy Transition approach. An important milestone in this process was the Accreditation Master Agreement with the Green Climate Fund that will allow the EBRD to further increase its green investments in several countries of operation. The Bank's ambitions and its support of renewable energy and of energy efficiency should however be further increased. The EBRD should only invest in projects which result in a net reduction of carbon emissions. In future project assessments an expanded application of carbon pricing is desirable.

The EBRD as an organisation should also lead the way in continuing to show its clients that investing in equal opportunities means investing in productivity, growth and sustainable development. Sweden therefore welcomes the Bank's ambition to operationalise this aspect of the transition concept through the new Economic Inclusion Strategy (EIS). In this context we would like to underline the importance of acknowledging the existence of multiple aspects of discrimination and adopting an intersectional approach where gender equality is mainstreamed throughout the Bank's operations.

Since the EBRD was established in 1991, Sweden has provided significant grant contributions to the Bank's technical assistance and investments in the region, such as the Eastern Europe Energy Efficiency and Environment Partnership (E5P) and the Bank's Women in Business programmes. Going forward, we support the use of grant financing to enable fulfilment of the Bank's mandate, especially in regions with deep transitions gaps and high risk. Grant funding should be viewed as an opportunity to catalyse more private financing and to increase the impact of the EBRD.

Finally, Sweden would like to express its gratitude to the Cypriote Authorities and the EBRD for having arranged the 2017 Annual Meeting in the beautiful city of Nicosia. We would also like to encourage and give our full support to the ongoing Cypriot led peace process facilitated by the UN. Now is a historic opportunity to reach a settlement on the Cyprus issue, to the benefit not only of the Cypriots themselves but also for the security and prosperity of the region and Europe as a whole.