SWITZERLAND

Written Statement by
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A strong multilateral system for the 21st century

International cooperation is key to ensure that the benefits of globalization are broadly shared. The multilateral system, of which the EBRD is an integral part, plays an important role in this context. It can support countries in addressing some of their most pressing challenges, including financial stability, reduction of inequality, climate change, migration and conflict.

Switzerland has always advocated for a strong multilateral system. Such a system is key to ensure that the benefits of globalization are broadly shared. Lately, feelings of insecurity, existing and perceived inequalities, and fading trust in public institutions tend to reinforce political polarization and isolationism in many countries. These concerns must be addressed. While globalization generates tremendous benefits, it can also bring significant costs to societies. In this increasingly complex and demanding context, international institutions have to continuously demonstrate their value added in terms of relevance, efficiency, effectiveness, and impact.

Economic inclusion has taken centre stage in today's public debate. Without inclusion, countries – be they advanced or developing – cannot achieve sustainable economic growth. The EBRD has demonstrated that it can make a difference in supporting countries of operation through its investments, technical assistance and policy dialogue. Switzerland welcomes EBRD's engagement in promoting economic inclusion, as this will ultimately help develop a fairer, more resilient global economy for the benefit of all.

EBRD delivers strong operational results in 2016

2016 was a successful year for the EBRD. It delivered continued high scores for transition impact associated with its projects and strong financial results despite significant challenges in many countries of operation. The Bank's capital base remains solid, with the capacity to support further growth in the Bank's annual business volume, and its AAA credit risk rating was reaffirmed in 2016 by the three major rating agencies.

As the EBRD enters into the second year of its Strategic Capital Framework, which sets out the Bank's high-level strategic priorities for the period 2016-2020, there are indications that some parameters contained in the Strategic Capital Framework's may need to be reviewed. It is important to us that the Board of Governors retains the highest possible level of oversight and control, and that standards of good governance and cost efficiency are upheld.

Operational priorities for 2017

2017 is expected to be another challenging year for EBRD. Ample liquidity in financial markets, low levels of foreign direct investments and subdued equity markets in the Bank's region provide the context in which the Bank will have to operate.

While the positive outlook for the global economy gives grounds for optimism, it requires continued reform efforts in the EBRD's countries of operations to tap into the growth potential and to overcome some of the domestic challenges. A prerequisite for sustainable growth and the provision of equal opportunities is deep structural reforms to achieve better governance and an improved investment climate. With its three-pronged client offer of investments, technical assistance and policy dialogue, the EBRD is well positioned to support and advise countries of operation willing to reform. Recent experience also shows that the Bank's reform assistance can have the greatest impact when it is delivered in conjunction with other international financial institutions, such as the IMF or World Bank.

In this context, the Bank's continued support to SMEs via its *Small Business Initiative* and a renewed focus on equity investments at a meaningful level are essential for the Bank to deliver on its private sector mandate. Recognising that abundant liquidity in capital markets have reduced the demand for IFI financing, the EBRD should consider scaling-up risk sharing instruments to help unlock credit and improve the access to finance of the real economy.

Revitalising the EBRD's equity business, with a meaningful target, is a priority for Switzerland. Equity investments have a higher potential for delivering reform and transition than debt. The Bank's focus should be on investing in locally owned businesses with strong management, innovative products and the desire to expand into new markets. Attracting foreign direct investment is also crucial for a region that is characterised as having little leeway for further accumulating corporate debt, as was highlighted in the EBRD's Transition Report 2015-2016.

With a surge in client demand for local currency lending, the EBRD's efforts to extend local currency lending under its *Local Currency and Capital Markets Initiative* deserves particular recognition. With its policy dialogue and pragmatic step-by-step support, the Bank is helping countries of operation implement complex regulatory change to stimulate lending in local currency thereby reducing their over-reliance on foreign currencies.

Inclusion aspects have received more attention in EBRD's engagement with countries of operation than in past years, both with regards the gender and the regional inequalities dimension. Switzerland's experience with vocational training and skills development show the benefits they offer from an inclusion's perspective. The Bank's activities in promoting vocational training programmes, implemented in most cases as part of a transaction with a client, have shown positive results, and we very much support these efforts.

We congratulate the EBRD in being the first international financial institution to sign an Accreditation Master Agreement with the Green Climate Fund (GCF). The fact that the EBRD is the largest recipient of GCF allocations to date is testament to the Bank's strong operational track record with high demonstrated operational capacity to develop and implement a broad range of climate projects. Switzerland considers EBRD's commitment to contribute to the goals defined at the COP21 Climate Change Conference as crucial, and is pleased to see the Bank's progress in increasing the volume of green financing to 40 per cent by 2020.