

EUROPEAN COMMUNITY

EBRD ANNUAL MEETING
BELGRADE – 22-23 MAY 2005

**STATEMENT BY MR JOAQUÍN ALMUNIA,
GOVERNOR FOR THE EUROPEAN COMMUNITY**

Mr Chairman, Governors, Ladies and Gentlemen,

It is a great pleasure for me to be here, in Serbia and Montenegro, for this year's Annual Meeting of the EBRD.

I would like to speak first about this country and more generally the countries of South-eastern Europe, before addressing briefly our priorities in EBRD's other countries of operations.

The EU has now agreed to open negotiations with Serbia and Montenegro on a Stabilisation and Association Agreement, an important step towards EU membership. This is another signal to the countries of the Western Balkans that the EU will live up to its promises and that they will become Member States if they respect European values and are able to take on the political and economic obligations of membership.

The implementation of the Stabilisation and Association Process, modelled upon the EU pre-accession strategy, is indeed moving ahead in the Western Balkans. By the end of this year, we aim at adopting an opinion on the application for membership of the former Yugoslav Republic of Macedonia. We also hope to be able to conclude negotiations on a Stabilisation and Association

Agreement with Albania and to open such negotiations with Bosnia and Herzegovina.

But, the EU has not only a political strategy for the Western Balkans. We are also implementing an ambitious programme of financial assistance, paying to these countries some €5 billion of grant support over the period 2000 – 2006.

Let me add a word about the acceding and candidate countries of South-eastern Europe.

We have now signed the Accession Treaty with Bulgaria and Romania and, if they are ready, these countries will become EU members in 2007. We hope that Croatia will soon be ready to start accession negotiations and we also expect to initiate such talks with Turkey in early October.

The South-eastern European countries face different challenges and must implement various far-reaching political and economic reforms before EU membership appears within reach. The road to European integration may therefore be more or less sinuous depending on each country's own merits. We are however developing for the post-2006 period a unified and more flexible financial assistance framework, which will cover both the candidate and the potential candidate countries of South-eastern Europe and will increase substantially our grant support.

In this context, we count on the considerable experience that EBRD has accumulated in supporting the pre-accession process and would expect the Bank's activities in South-eastern Europe to be extended and reinforced, notably in support of regional integration and private sector development. On our part, we intend to strengthen our cooperation with the Bank and to promote new co-financing initiatives.

Turning now to the enlarged EU, we would also expect the EBRD to maintain a significant level of activity in the Central and East EU Member States. This is the result of a pragmatic analysis that takes into account the actual needs of these countries and the EBRD's comparative advantages. In fact, the Bank's countries of operations that joined the EU last year still have a lot of challenges to face. Further promotion of a strong banking sector and of private and entrepreneurial initiatives are necessary, as well as support for industrial restructuring and improvement of municipal and environmental infrastructure.

In these areas, the EBRD has developed over the last ten years considerable expertise and a clear comparative advantage, which should be used in all its countries of operations. Naturally, EU and EIB financial support to the new Member States will be stepped up in the coming years and EBRD's activities are likely to concentrate in the promotion of innovative financing products catalysing private sector investments and maximising the leverage effect of EU structural funds. The development of these types of activity will progressively call for a reduced use of the EBRD's own resources, but will certainly require the Bank's continued involvement in co-financing initiatives with the EU and the EIB, helping the recipient countries to adequately structure complex projects.

Let me now refer to some of the EBRD's other countries of operations.

Starting with Ukraine, I would like to underline how pleased we are with the recent political changes and the clear orientation that this country has taken towards moving closer to the EU. These events call for a major improvement in EU/Ukraine relations and we have been prompt in taking concrete steps in this direction. We have recognised the European vocation of Ukraine and moved

forward towards a strategic partnership with this country through an Action Plan, which includes new tailor-made commitments like supporting its WTO accession, strengthening financial assistance and offering visa facilitation and the prospect of an enhanced contractual relationship. In this context, we encourage the EBRD to step up its activities in Ukraine and we stand ready to provide, together with the EIB, the necessary support. At the same time, we expect the Ukrainian leadership to keep its side of the bargain, to consolidate democracy and to demonstrate consistency in decision-making, notably in the important area of nuclear safety, where the EBRD and the EU are major partners.

In the context of our European Neighbourhood policy, we are also agreeing **Action Plans with our other partners of Eastern Europe and the Caucasus** and we are working towards a new Neighbourhood Instrument designed to foster cross border and regional cooperation. We would expect to further enhance our cooperation with the EBRD in this context.

As for Russia, we have agreed earlier this month a package of road maps for the creation of four common spaces, including a common economic space that aims at establishing in the long term an open and integrated market between the EU and Russia. However, an effective deepening of EU/Russia relations also requires a genuine commitment from the Russian authorities to strengthen their cooperation with EU bodies, to move ahead with important structural reforms and to promote a clear and positive business environment. These would also provide important incentives for our support to reinforced EBRD and EIB activities in this country.

I would like to conclude with some quick thoughts about the EBRD's future orientations.

Last year, EBRD's performance was once more remarkable for its dynamic portfolio, its strong transition impact and its impressive profitability. We welcome these results, which speak of the efficacy of the Bank's portfolio management, balanced across all regions, as endorsed by our Board during the last Capital Resources Review. Only a financially strong and profitable EBRD can develop its activities on a sound basis and help meeting the important transition and private sector development challenges that all its countries of operations are still facing. The Bank's medium-term priorities need of course to be adapted to changing circumstances, but our approach should always remain pragmatic and result-oriented.

Thank you for your attention.