EBRD – does it matter for Australia?

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Date : September 5, 2011

Since the founding of the European Bank for Reconstruction and Development (EBRD) twenty?one years ago, to help finance private businesses in the countries of the former Soviet Union, its importance for Australia has been debatable. Its regions of operations are far from Australia, and of much greater strategic and commercial interest for Western Europe and the US. And while much of the donor?provided funds which EBRD manages count as aid under OECD rules, its countries of operation are mostly middle?income, and its mandate is specialised. EBRD is not about saving lives and alleviating poverty in such direct ways as other multilateral development banks and aid funds.

The original doubts about EBRD's importance for Australia contributed, together with developments internationally, in Australian politics and within EBRD, to a decision early in the term of the Rudd Government that Australia would withdraw. This was announced in May 2008. But later that year the global financial crisis broke, and its impact was most severe in the EBRD's regions of operation. The agreements of G20 leaders in 2008?09 on concerted counter?measures, including by international financial institutions, cast EBRD in a new role of clear importance to Australia. So the decision to withdraw was suspended.

Two further developments, apart from the financial crisis, make EBRD relevant to Australia.

The obvious one is this year's Arab Spring. Now EBRD's management and shareholders are ready to envisage that Egypt, Tunisia and Morocco (and perhaps in later years others) could be made eligible for EBRD to operate in them, financing private businesses and in other ways promoting the transition to more open, competitive economies.

The other development is less obvious and more gradual. In 2006 EBRD began full operations in Mongolia, and in 2008 its shareholders agreed Turkey should also become a country of operation. For a time some had resisted this for Turkey, fearing it would mean a loss of EBRD's focus on transition in the former Soviet Union, and an end to the prospect that EBRD could be wound up when that transition job was done.

What has eventuated is a considerable success by EBRD in Mongolia and Turkey. In each of these countries it has developed a distinctive, valuable role, alongside its counterparts owned by the World Bank (IFC) and the European Union (EIB), and in Mongolia the Asian Development Bank.

This success, particularly in Turkey, has prepared the way for EBRD's shareholders to see a real contribution it could make to economic transition in parts of North Africa and the Middle East, and perhaps thereby to social and political stability. And EBRD's success in Mongolia hints at a contribution it might one day make after a change of regime in North Korea.

Successive Australian Governments have wanted EBRD to stick to its core mandate of promoting private entrepreneurship and competitive markets. Over the years Australia's representatives in the EBRD Board have consistently argued for this. It is ironic that this thinking, after having fed disappointment and scepticism in the mid?2000s, now provides a good ground for championing EBRD's potential role in Egypt and a new region.

John Eyers was the representative in the EBRD Board of Australia, Korea, Egypt and New Zealand from November 2009 to June 2011. The views expressed here are his own and not necessarily those of the Australian Government.