

# **My vision for the European Bank for Reconstruction and Development**

## **by Tadeusz Kościński**

### **1. Electing the new EBRD President**

As the elections of the new EBRD President are approaching, I strongly believe that entrusting this mission – for the first time in the EBRD history – to a representative of a country of operation would be a significant testament to the success and impact of the EBRD's work. Yet, it would be so much more than a symbol. I am ready to further strengthen the EBRD by bringing to the table a unique combination of knowledge and transition experience from the perspective of the Bank's country of operation and an active participant of the transition process.

### **2. Strategic directions of EBRD activity**

- After close to 30 years of the EBRD's activity its mandate remains valid and important for its recipient countries. Rising annual investment volumes serve as proof of unfaltering demand for Bank support. At the same time there is room to further enhance its presence, prioritizing the countries less advanced in transition, i.e. those in Central Asia, Eastern Europe and the Caucasus, the Western Balkans and the SEMED region.
- Despite considerable success in strengthening various sectors of economies of beneficiary countries, transition gaps persist in numerous areas and the Bank continues to be additional and impactful. Demand for EBRD financing will naturally diminish in some areas while new opportunities of Bank's engagement are emerging in line with development of our countries and changing external conditions. These new opportunities include developing capital markets, internationalization of companies as well as stimulating connectivity and cross-border investment (digital interconnections, transport, energy) and facilitating regional linkages in order to support economic integration and a smoother transition.
- The EBRD should continue equity investments as it is the Bank's strong comparative advantage contributing to enhanced transition impact. It is vital to expand private equity activities in less advanced countries since it adds further value to EBRD operations catalyzing co-investment and lessening companies' dependence on debt.
- Additionally, the focus of the EBRD should follow the demand for financing of some new priority areas, in particular climate-related and green investments including smart cities solutions, electro-mobility and smart grids. There is significant scope for the Bank to deliver substantial assistance in this area, not only through financing but also through advice in project preparation given the institutional

underdevelopment and lack of capacity to identify and design bankable projects in a number of countries.

- One of the strengths of the EBRD business model and a factor directly contributing to its continued success lies in the diversity of its clients. Notwithstanding its primary objectives of delivering transition impact and additionality, the Bank manages its portfolio so as to strike a balance between different risk levels. To that respect, projects carried out in Advanced Transition Countries complement operations involving some less advanced recipients. Significantly altering this client base requires careful consideration in order to avoid upsetting that balance.
- Maintaining dialogue with clients and being sensitive to their needs have always been at the heart of EBRD activity. Therefore, the potential graduation of the advanced transition countries should be seen as an ultimate objective. At the same time, however, it should continue to be country-driven and linked to demand for EBRD financing in a given country. We all should aim for this process to be a success story for both sides, the Bank and the graduating member country. There is no need to rush and bring unnecessary negative effects to the recipient countries and to the Bank by limiting its access to the profitable and well performing projects as they provide good base for the Bank to engage in more risky ones.

### **3. Rethinking the geographical directions**

- While all current regions of EBRD operations deserve continued engagement, the Bank should focus on less developed economies, mainly those in Central Asia, Eastern Europe and the Caucasus, the Western Balkans and the SEMED region. Continued country-specific approach, combined with the policy dialogue and supporting structural reforms, makes it possible to gradually close some of existing transition gaps. Against this background maintaining the EBRD's presence in advanced countries of operation is also justified as they often provide a sound testing ground for more innovative solutions prior to their broader implementation.
- Several geographic expansions of the EBRD mandate have been successful thus far, also due to a meticulous process of preparing the ground for such initiatives. These included analysis of potential beneficiaries, activities of other actors present in the field and the Bank's own capacity.
- With respect to the potential engagement in Sub-Saharan Africa currently under deliberation, the analysis should be continued. The Bank should be prepared for a limited and selective expansion, providing that broad consensus among shareholders is reached. This is much related to the ongoing discussion on the European financial architecture for development. While we are expecting some guidance from the EU Council on this, I believe that the Bank should remain one of the key multilateral development banks, engaged in cooperation with other international financial institutions and domestic development banks, in order to

ensure effective use of the limited resources and to be able to address the significant needs.

- There is room in the system for all currently active IFIs to work in concert towards the achievement of common goals. To that end the EBRD would be best suited to take the lead in its areas of expertise, where it can provide for tangible impact. Focusing on support to the private sector, fostering entrepreneurship and building capacity via policy dialogue should yield the best results.

#### **4. EBRD Governance**

- The Bank should involve its shareholders to a fuller extent in the decision-making process at different levels, restoring the spirit of open cooperation between management and Directors to streamline the work towards achieving common goals. At the same time, I have always supported a close dialogue with clients being sensitive to their needs, and this should remain in the core of EBRD's approach.
- The Bank should continue to build on and further strengthen its international character. This would include making better use of professionals from countries with firsthand transition experience, including in key managerial positions.
- The EBRD has to strive to deliver its support close to its target markets with more staff in the field deployed to regional offices to better address the needs and expectations of countries of operation. My experience from cooperating with the EIB and the World Bank clearly shows that local presence is the key to successful operations of financial institutions. Thus, I see a need to review the Bank's presence in various countries following strategic decisions regarding its future mandate.

#### **5. Recent developments**

Finally, the world is now facing a still-evolving health emergency – the COVID-19 pandemic. It is affecting every single country. I am sure that the EBRD has to take an active role among the international institutions providing immediate support to businesses, citizens and communities suffering from the impact of the virus. The emergency package shall be followed by long-term recovery support – the phase where strong leadership is needed at the Bank. The recent and forthcoming developments will certainly affect the countries of operation, the Bank itself, its priorities and activities and I stand ready to devote all my knowledge and energy to lead the Bank in these challenging times ahead.