

CROATIA

Croatia

- First of all we would like to thank the Kingdom of Jordan for hosting this twenty-seventh Annual Meeting of the European Bank for Reconstruction and Development (EBRD)
- We would also like to express our particular appreciation for the contribution of Kingdom of Jordan and its people in providing support to refugees fleeing neighbouring countries. These amicable efforts carry a vital role in the overall endeavours of all surrounding refugee hosting communities. We also value and support the efforts Bank is making in that regard.
- On that note we would like to commend the Bank, management and its valuable staff both in London and Regional Offices, for their exceptional results in the previous year and for the overall good performance throughout the SCF period. Despite difficult macroeconomic and political circumstances in some of its markets, Bank has managed to successfully maintain the integrity of its business model while remaining profitable and safeguarding its AAA rating.
- The Bank has also well responded to shifts in its portfolio development and has managed to scale up activities in SEMED while seizing opportunities and calls for action on other fronts. We are of course referring to last year's reactivated operations in Uzbekistan, engagement in Lebanon and West Bank and Gaza, and hopefully its continued operations in Greece, of which we are fully supportive.
- Furthermore, we would like to commend the great strides made on revitalizing the way in which Bank interprets and implements transition, as well as the significant efforts made on advancing the green aspect of the Bank and on mainlining the "inclusion" agenda within its operations.
- This particular dual character of the Bank, of sound banking coupled with policy development, with primary focus on private sector, underpins the unique role EBRD plays in the global IFI architecture as well as showcases its comparative advantage.
- That said, Bank has been witnessing a stagnation of its portfolio volumes and operating assets. Share of private sector investments is decreasing, most worryingly in certain products such as equity, from which there were high expectations both by the management and shareholders. Furthermore, capital utilisation is dropping and is projected at a relatively low level of 70% across the remainder of the SCF period. Simultaneously, costs have been increasing, coupled with pressures on income and narrowing cost savings from efficiency programs.

- All this suggests there is enough capital headroom for scaled up investments and stronger engagement, but also that there is strain on Bank's budget and its abilities to achieve those objectives and to explore existing business opportunities.
- For this reason we fully support that a strategic review is undertaken of Bank's operation in its existing countries of operations before launching any analysis on possible expansion outside of Bank's regions. Bank's already strained resources should not be extended further on expansion missions, before all possible options for stronger engagement in its current regions are explored. The strategic review should diligently and in depth examine and determine the needs and opportunities for Bank's engagement, as well as challenges and obstacles that need to be overcome in order to increase the use of Bank's capital in its current geographical footprint. This needs to be done for the benefit of existing recipient countries and with value added for the Bank in mind. Strategic review should also propose ways to evolve and adapt the Bank to the changing environment, and explore varying modes for deploying existing and new innovative tools and instruments towards those objectives.
- With the ongoing wider debate on the IFI architecture and the internal EBRD debate on Bank's futures, the timing is particularly favourable for such an in depth review, enabling the Bank and its shareholders to reflect on and consider the Bank's unique features and how these can be advanced in the future. This debate could take place at the next Annual Meeting of Governors in Sarajevo, in time for the discussions on the new SCF.
- This Governor has full confidence in the Bank, its management and staff, that all these objectives can be fulfilled to the highest standard and that in doing so a sustainable and value added path for Bank's future development would be laid out.