

# CZECH REPUBLIC

## Statement - Czech Republic

First let me cordially **thank the authorities of Bosnia and Hercegovina** for kindly hosting this event. We strongly believe that the Western Balkans and its regional integration should remain a core priority for the Bank.

Looking at **2018**, let me congratulate the EBRD staff for another year of good operational results. We also note the relatively weaker financial performance and remain concerned about the breach of the cost to income ratio, a control parameter indicating trends in Bank's financial health. Keeping costs under control, managing Bank's portfolio more strategically and looking for ways to foster sustainable income generation are necessary to maintain good balance.

Last year we welcomed the Governors' request to focus on the existing countries and identify business opportunities to do more and better. It is with regret that the **Strategic Review** has not fully met these expectations and has not been endorsed by the shareholders. We subscribe to those who expressed disappointment about the level of ambition, especially in the long term. Fully in line with the **EU11 conclusions** adopted last month in London, we believe much more could and should be done for all existing countries. The EBRD mission is far from completed. This applies also to the more advanced economies which deserve tailored approach and could serve as a stable laboratory for development of Bank's more risky and innovative products.

We are pleased that **additional capital capacity** to increase investments has been identified; however, we do not fully understand what are the obstacles preventing the Bank from utilising its surplus capital in the existing countries and we miss a list of actions to be taken to overcome these obstacles. That said, we would not want to see the disagreement around the Strategic Review to give the perception of a missed opportunity to deliver more in existing countries and directly or indirectly cause return of unused capital.

The question is: **what should the Bank do** if it cannot identify enough private sector business opportunities in the existing almost 40 countries to effectively utilise its capital? We think that the answer is NOT to look elsewhere: be it public sector or other geographies. We believe the answer is to look harder and more systematically into (1) strengthening business development and origination at the local level; (2) equity opportunities; (3) green projects; (4) product innovation; (5) resourcing on the ground; (6) cross-border investment; (7) taking more deliberate managed risks; (8) seeing value in smaller yet impactful projects, especially in smaller countries.

Going forward, **we can support the resolution** with the following comments: (1) in terms of sequencing, the existing countries of operations should be an absolute priority; (2) expansion should be limited to the current geographic and political mandate of the Bank; and (3) we can agree that if capital is idle - it justifies discussion on capital redemption.

Regarding **potential expansion**, I would like to clarify, Mr Chair, that while we are supportive of development in other regions, we do not see the EBRD's future in sub-Saharan Africa or globally. Instead we strongly encourage the EBRD to share its private sector expertise with other institutions of the IFI family that are already well established and better equipped to deliver change in other regions. This would be a more cost-effective solution for shareholders.

Last but not least, in order to **ensure smooth preparation of the new strategy**, work should start early on the terms of reference in order to develop a well-structured and timely approach as a pre-condition for the analytical work to commence. This work should not pre-judge any outcomes, avoid creating expectations and take into account developments shaping the International as well as European Financial Architecture. As a result, it would be much appreciated to see more strategic documents fully endorsed by our representatives in London enabling broader consensus on the future directions of the Bank.

**In conclusion**, we are very supportive of the EBRD as an institution with distinguished political, geographic, transition and private sector mission. **We hope that the EBRD will honour its unique mandate** in all these areas **and do maximum for our existing countries of operation in the coming years**. The best way would be to **lead by example** in key areas such as innovation, transparency, budget discipline, integrity and good governance.