

DENMARK

European Bank for Reconstruction and Development
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Written Statement by Minister for Business, Industries and Financial
Affairs Rasmus Jarlov
Governor of the EBRD for Denmark

On behalf of Denmark, I have the honour and great pleasure to present my first written Governor's statement ahead of the 2019 Annual Meeting in Bosnia and Herzegovina.

In the statement this year, I will focus on the strategic future of the Bank in the coming years, especially paying attention to the preparation of the next Strategic and Capital Framework (SCF) for 2021-2025.

Before turning to the strategic future of the Bank, it is important to pay homage to the past. The Bank has a rich history of making a difference. For nearly 30 years, the EBRD has supported its Countries of Operations (CoOs) in the transition to well-functioning market economies with democratic institutions.

The results of 2018 with 395 investment operations in 37 economies illustrate the importance and the continued relevance of the EBRD in its CoOs. Let me also congratulate the Bank on the approval of the EUR 700 million Green Cities Framework which underlines the Bank's position as a major player on the green agenda. I am looking forward to seeing the Bank develop its operations further in the CoOs, not least regarding green projects.

The activities of the Bank need to be managed in an efficient manner and within the limits agreed. In this respect, the breach of the cost-to-income ratio operational threshold calls for a close monitoring and the implementation of required measures agreed by the Bank's Board of Directors in order to bring the ratio well-below the operational threshold.

Turning to the future, the EBRD must continue to build on the Bank's core competences focusing on developing market economies and a well-functioning private sector. With this in mind, I will provide my guidance for the development of the SCF for 2021-2025.

Looking back to the Annual Meeting in May 2018, it was agreed that the EBRD should undertake a Strategic Review to increase both quality and quantity in current countries of operations. The Strategic Review was welcomed by Denmark with an expectation of a renewed focus on deepening and broadening activities in the current CoOs, not least in the smaller countries, where the Bank has potential to have a systemic impact.

In the coming year we need continued, well-structured analysis of how the Bank can reaffirm its commitment in the current CoOs also in the 2021-25 period. It might start from the six transition qualities (competitive, inclusive, well-governed, green, resilient, and integrated). These qualities are all important, but well-governed is the most important key to development and the area where we would particularly like the EBRD to set high standards – and lead by showing a good example through its own internal governance.

Denmark's main priority is for the EBRD to continue to develop its operations in its current CoOs, and in the South Eastern Mediterranean (SEMED) region where the EBRD has played a positive role in building resilience in the context of the large refugee flows in recent years.

Decisions on geographical expansion should be based on whether the EBRD would have a comparative advantage compared with other International Financial Institutions, while keeping in mind the uniqueness of the Bank's Article 1, which set the EBRD apart from other IFIs.

At the same time, any decision on geographic expansion should be taken with a clear focus on the systemic impact EBRD's relatively limited spare capital would deliver, if brought to use in large areas such as Sub-Saharan Africa. Furthermore, spreading the Bank's limited resources over a much wider geographical area would not help maintain an efficient business model with a healthy cost-to-income ratio.

It is vital that the EBRD continues to build on its strengths, where the Bank has its special competences and ability to add value, especially in the development of the private sector, the energy sector and the green economy, work on lending in local currencies, and the development of well-functioning capital markets and financial sectors.

In order to have a solid basis for the decision on the SCF for 2021-2025 at next year's Annual Meeting, it is essential to involve shareholders in the design of the work that is to be carried out under the five work streams set out in the resolution. I look forward to working closely with Management via the EBRD Board of Directors on this important task. And I expect to receive the agreed roadmap before the end of July at the latest and to receive a progress report before the end of 2019.

Finally, let me thank the President, Management and all staff for their hard work in a challenging business environment. My special thanks go to Bosnia and Herzegovina for arranging the annual meeting this year.

Yours sincerely,

Rasmus Jarlov