

HUNGARY

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1. On behalf of Hungary, first, I would like to thank the Bosnian and Herzegovinian authorities for hosting the twenty-eighth Annual Meeting of the EBRD.
2. Bosnia and Herzegovina, and the overall Balkans region, have gone through troubled times and still face many challenges. Having said that, we do think that the EBRD has and will have a major role in the region to help the fragile economies to develop and integrate into the more developed European economies. Hungary, being the Northern neighbour of the Region, supports the regional integration and the convergence of the Balkan countries towards Western and Central Europe.
3. We welcome the overall performance of the Bank in 2018, having reached €9.6 billion of Annual Investment, one of the highest in the history of the Bank. On the other side, the rise in the costs and the staff outpaced the growth of Annual Investments, resulting in a further deteriorating cost-to-income ratio. The recently approved operational threshold was breached, which worries us and invites the Management to implement the required counter-measures.
4. Before this annual meeting, the EU11 countries met in London and discussed business opportunities, the outcome of the Strategic Review, the Pre-Feasibility Study and the longer term outlook for the Bank's operations. As a result, a Statement was released in which the EU-11 countries declared that they stand firmly behind the Bank's mandate. The key pillars of transition impact, additionality and sound banking have always been, and should continue to be, the fundamental principles of the Bank's operations.
5. Looking back a bit, at the 2018 Annual Meeting, Governors asked the Bank to undertake a Strategic Review *'of how the Bank can increase its activities in its current countries of operations'*. We recognise the efforts that the Management has put into qualitative deliberations to identify business opportunities and market potential, including reflection on internal and external enablers. However, we see more room for exploring opportunities in our region. We think further analysis is needed to identify the obstacles to overcome and deliver both in terms of quality and quantity. Thereby, the Bank could revisit its projection for a 50% annual investment decrease for Hungary. I'm convinced that a higher ambition level could be targeted following widespread and proactive stakeholder consultations.
6. Looking at the global, regional and individual challenges, we do believe that the existing countries of operation should remain the primary focus of the Bank and any consideration to go beyond cannot happen at the expense of the Bank's work in its current regions.
7. On the way going forward, we support the draft resolution on the table for the Strategic and Capital Framework (SCF) 2021-25, which has been built on a broad consensus. I would like to stress the common EU11 message, especially on the extension of the Bank's mandate to other countries. As an absolute pre-condition to any extension, the

Bank should identify all options for capital usage to maximise transition in existing countries of operation. The possible fields of cooperation should include, among others, *innovative financial solutions, sustainable and innovative green investments, cross-border expansion, tailor-made infrastructure, smart cities solutions and enhancing competitiveness*. We also support the proposed analysis on the crisis buffer. We approve of launching an assessment of a limited number of African countries closely integrated with Bank's current geographical scope to become potential future Countries of Operation. The analysis of possible redemption of capital could also be a viable option for shareholders to maximise the meaningful impact of their goals. Needless to say that EBRD's future orientations should be in line with discussions led in other international and European panels, therefore the timing of any such decision is very important to maximise the stakeholders' impact in the countries of operations of the IFI world.

8. We support the proposal that at the end of 2019, the Board of Governors receive the Progress Report, based on which the Board of Governors shall be able to provide further guidance in view of the final preparation of the SCF 2021-25.
9. Lastly, we do think that the discussion of the Strategic Capital Framework and the Hungarian Country Strategy can help the Bank to go further down the road of innovative and tailor-made solutions. Therefore, we have high expectations for a new Hungarian Country Strategy, along with an ambitious Strategic Capital Framework for the existing EBRD Regions.