

# LATVIA

## **Statement by Mr Jānis Reirs**

### **Governor for the Republic of Latvia**

First of all, let me thank the authorities of Bosnia and Herzegovina for hosting this Annual Meeting.

#### **General remarks**

Since its establishment, the EBRD has been successful in supporting the political and economic transformation in its countries of operation, delivering commendable results despite turbulent times, changing circumstances and geopolitical tensions. The Bank remains a very important player in its region with a strong private sector oriented business model, unique political mandate and policy engagement. Building upon accumulated experience, country knowledge and local presence, EBRD is best placed to foster transition to well-functioning market economies in its countries.

#### **2018 results**

We acknowledge the strong results of the Bank in 2018 reaching EUR 9.5 billion in annual investments with 395 signed projects. We welcome the solid financial performance with net profit reaching EUR 340 million and the reaffirmed AAA rating, as well as the good transition impact achieved.

#### **Strategic Review**

The Strategic Review requested by the Governors at the 2018 Annual Meeting aiming at finding ways how the Bank can increase its activities in its current countries of operations gave high hopes that an untapped market potential would be explored, new business opportunities identified and constraints and solutions to overcome these would be proposed. Regrettably, high expectations have not been fully met by the initial results of the Strategic Review, which seem to represent status quo for most of the EBRD's economies. While recognizing efforts put into this work by the Management and quantitative deliberations for 2019-2021, the projections set out for 2021-2025 are clearly lacking ambition.

Going forward we urge the EBRD Management, building upon analysis already done, to pursue the effort to enhance the Bank's activities in the existing region quantity and quality wise, activate already identified internal enabling factors and maximize transition impact delivery, as well as capital utilization in its current region. This work should be done in close cooperation with the respective authorities, business communities and other stakeholders.

#### **Outlook for the future**

While supporting the draft resolution for the preparation of the Strategic and Capital Framework 2021-2025 with five options to be investigated, an absolute priority and

pre-condition to any further work should be given to maximizing activities and transition delivery in the EBRD's current region. The potential for the EBRD's role is far from being exhausted – be it new economies the Bank embraced during the last decade, which still face extraordinary political, economic and security challenges, or Advanced Transition Countries, where clear transition gaps still remain. Capital capacity is there and properly adjusted human resources together with the regular and consistent policy dialogue activities as well as the right set of tools should match it.

No option which would come at the expense of the Bank's work in its current countries of operation should be pursued. Having said that, we believe any discussions about expanding beyond agreed geographical scope are premature and not warranted. Furthermore, decision on future direction should be taken in a broader context of global and European financial architecture.

While we urge the Bank to continue applying the highest standards to its operations and clients when it comes to integrity, social and environmental standards and tax evasion matters, we similarly expect the highest standards to be followed when it comes to internal governance, ethical conduct and integrity within the Bank.

### **Latvia and the Bank**

The Bank remains a reliable partner for Latvia. While still being financially additional in many areas, such as energy efficiency and security, competitiveness and innovation, EBRD's non-financial additionality and policy dialogue activities are as valuable. The successfully launched EBRD-driven initiative to enable the creation of pan-Baltic capital markets is one example of forward looking and proactive policy engagement. Going forward due attention has to be given to the internationalization of the local companies, cross-border investments and development of innovative tailor-made solutions to address remaining and newly evolving transition gaps.

We commend the increased activity in our region in 2018 and productive cooperation with the EU funds - further opportunities of coordination and complementarity should be explored, also in the context of new Multiannual Financial Framework post 2020.