

# UNITED STATES

**Statement for the United States by Geoffrey Okamoto  
Deputy Assistant Secretary for International Finance  
U.S. Department of the Treasury**

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We would like to thank the people of Bosnia and Herzegovina and all of the government leaders who helped prepare this event for their warm hospitality in hosting these meetings.

Outside the United States, global growth has softened materially, and risks to growth will increase if countries do not take actions to bolster confidence and to address underlying structural impediments to help raise medium-term growth. In this context, the European Bank for Reconstruction and Development (EBRD) remains a key tool to drive momentum for reform in its region through its unique model that reinforces the private sector as the engine of economic growth through investment, policy dialogue, and capacity building.

We welcome the EBRD's strong operational performance in 2018 and early 2019 in delivering transition in its countries of operations. The EBRD should continue to seek opportunities to increase its impact and drive reforms in areas where the needs are the greatest and where the Bank can add the most value in furthering private sector investment, while ensuring that it does not crowd out private capital, particularly in the more advanced regions, which should be on a path to graduation. We expect the Bank to honor our collective commitment to prioritize quality over quantity in the implementation of its current growth plan and not seek to simply drive up investment volumes.

The next year will be a decisive one for the future of this valuable institution. We look forward to strategic discussions with all shareholders and Bank Management as we jointly develop a Strategic and Capital Framework for 2021-2025, which reflects the international character of this Bank, its unique private sector and political mandates, and our shared priorities.

**What We Have Achieved**

The Bank has made significant strides in advancing women's economic empowerment in the first three years of implementation of its Strategy for the Promotion of Gender Equality, including through its successful Women in Business programs. In April 2019, the Bank's Women of the Steppe proposal received all of its requested funding from the Women Entrepreneurs Finance Initiative. We believe the Bank's planned Gender Responsive Investment Climate Assessments in particular will bring much needed attention and baseline analysis to the systemic barriers facing women-owned business in Central Asia. We are encouraged by the success of the Women in Business pilot program in the Western Balkans, and would support the Bank's building on the pilot to help create systemic change in how the financial sector serves women in these countries. The EBRD should continue to leverage its strong private sector expertise and investments to demonstrate to its clients that positive

inclusion practices make business sense: they can help companies overcome operational constraints and accelerate growth.

The EBRD's support for small and medium sized enterprises (SMEs) in its countries of operations is another of its great strengths. The United States was pleased to contribute another \$5 million to the Small Business Impact Fund (SBIF) in February 2019, of which \$4 million will be allocated specifically to Ukraine. This brings the total U.S. commitment to the SBIF since its creation in 2015 to \$14.5 million, contributing to the Fund's and the Bank's successful efforts to support lending and advisory services for over a million SMEs, and to improve the overall business environment.

We should all be proud of the work the Bank has done in conducting an inclusive review of its Environmental and Social Policy (ESP), Independent Project Accountability Mechanism (IPAM), and Access to Information Policy (AIP), including engaging a wide array of civil society organizations. We were especially pleased to be able to support the new IPAM policy, which brings the Bank's accountability mechanism in line with best practice at International Financial Institutions. We also welcome a number of important improvements made within the AIP, including the creation of an appeals mechanism, the provision of Project Summary Documents (PSDs) for all projects, and improved disclosure for Category B and Financial Intermediary operations. We welcome the overall stronger approach to the ESP, including improvements regarding scope, capital markets transactions, and financial intermediaries.

We appreciate and call upon the EBRD to sustain its efforts to help anchor reforms in Ukraine. The EBRD has played a pivotal role in helping the authorities to improve corporate governance in the energy and banking sectors, to facilitate future privatizations of state-owned enterprises, and to fight corruption. The Ukrainian government, with the help of the EBRD, the United States, and other international partners, must work to fully implement the reform agenda that will help attract private investment and achieve sustainable growth.

### **The International Character of the EBRD**

While we remain fully committed to the EBRD and its mission, we have been disappointed by some developments at the Bank over the past year that we see as prioritizing the interests of a subset of shareholders over seeking a broader consensus of the international shareholding of the Bank. The recently approved ESP was the latest example of this, which imposes prohibitive GMO regulations on borrowing countries. Further notable examples that have exacerbated this division between shareholders include the adoption of the Bank's domiciliation policy and the categorical exclusion of coal and upstream oil investments from its energy sector strategy. We call on the EBRD to reinforce its identity as a true multilateral institution by making efforts to internalize and respond to the views of all shareholders.

### **Maintaining Financial Discipline**

For the EBRD to be able to continue its good work, it must preserve its current strong position through continued financial discipline. We welcome the EBRD's continued ability to sustain its operations on organic capital growth alone.

Cost control is also important. We regret the breach of the maximum operational limit for the cost to income ratio in 2018, and were disappointed that no additional remedial measures were proposed for cost control. The Bank must take action to ensure this important control parameter is adhered to. We prioritize the need for lean administrative budgets across the multilateral development banks.

### **Looking Forward**

We are pleased to support the resolution authorizing Preparatory Work for the Strategic and Capital Framework 2021-2025, and appreciate the work of the Board of Directors in achieving broad consensus on the document in advance of the Annual Meeting. The draft resolution asks directors to explore a range of strategic options, including creating a large crisis buffer, doing more in less advanced countries of operations, expanding within the SEMED region and, potentially, returning capital to shareholders. We do not currently see a need to expend significant resources examining the possibility of EBRD expansion into sub-Saharan Africa, as some shareholders and Management have suggested.

The EBRD can do more in less advanced countries in its current region without sacrificing transition impact and quality. The strategic review over the past year has borne this out, while also indicating that EBRD work in advanced transition countries will yield limited value. It has been understood since the creation of this institution that as it succeeds in helping formerly state-directed economies transition to more market-oriented ones, the EBRD should reduce investment volumes as private capital becomes more readily available. Several countries in the EBRD's region of operations now have well-functioning private capital markets and have little or no need for EBRD finance. For that reason, we feel strongly that the new Strategic and Capital Framework must contain a roadmap for graduating the more advanced countries from EBRD financing.

The Strategic and Capital Framework should also focus on reviewing the EBRD's capital adequacy, as required in the Agreement Establishing the Bank. The existence of a strong capital position at the EBRD is an opportunity to adopt a more robust financial model to ensure the EBRD maintains a strong buffer to respond to future crises within its current mandate, without sacrificing the Bank's ability to invest and drive transition.