

UNITED STATES

Statement from Secretary Steven T. Mnuchin on the Annual Meetings of the European Bank for Reconstruction and Development

WASHINGTON – *U.S. Treasury Secretary Steven T. Mnuchin, as the Governor for the United States of America, issued the following statement on the 2020 Annual Meetings of the European Bank for Reconstruction and Development:*

On behalf of the United States, I would like to thank the Management and Staff of the European Bank for Reconstruction and Development (EBRD) for their efforts to make it possible for the Board of Governors to meet and vote virtually and the substantial assistance the EBRD has provided to help countries and businesses large and small manage the significant economic effects of COVID-19. I would also like to thank Acting President Jürgen Rigterink for helping guide the EBRD through the leadership transition.

We meet at a time of great challenge for the global economy. The full economic impact of COVID-19 is still unknown. Countries that have made less progress in their transition to market economies, however, will likely bear much of the brunt of this economic crisis. These countries entered the crisis with smaller fiscal buffers, less favorable investment climates, and greater reliance on remittances. Small and medium-sized enterprises (SMEs) in sectors such as tourism will be hit hardest.

The only path to sustained recovery is for countries to pursue the principles that are at the core of the EBRD's mission—commitment to open markets, entrepreneurship, and multiparty democracy and pluralism. It is crucial for the EBRD's countries of operation, including Ukraine and Belarus, to avoid backsliding during this time. In Ukraine, EBRD advisory support is needed to promote meaningful economic and governance reforms, while in Belarus EBRD dialogue could help promote a legitimate democratic process.

Since its foundation, the EBRD has played a critical role in supporting Central and Eastern Europe through many challenges, including emerging from Communism, conflict in the Western Balkans, EU accession, and the Global Financial Crisis. As EBRD expanded to the Mediterranean, it has carved out an important role in promoting private sector reforms. The United States remains strongly committed to the EBRD and has most recently supported the EBRD's programs to advance SME development across the region and governance reform in Ukraine by providing supplemental bilateral resources through multi-donor grant funds. We fully recognize the important alternatives the EBRD offers to the debt trap diplomacy and authoritarian, mercantilist policies of malign actors that seek to expand their influence over the EBRD's countries of operations.

This backdrop highlights the importance of the Bank's Strategic and Capital Framework for 2021-2025. The Framework must strike the right balance of addressing near-term challenges while also maintaining a focus on the Bank's core transition mandates. As the world recovers from this pandemic over the medium term, the EBRD's specialized knowledge of private sector development will be crucial to rapid restoration of economic growth and job creation,

particularly in less advanced economies. We fully support the goal of maintaining at least 75% of investment to the private sector during the next five years.

Private sector development is particularly important for less developed countries. We urge the Bank to fully implement the Framework goal to increase the proportion of investment directed at countries less advanced in their transition to market economies. We look forward to seeing the Bank take more focused approaches to help countries more advanced in their transition progress closer to graduation, to free up resources for others.

The Framework includes important features to ensure financial accountability and sustainability, including establishing a 2% buffer on capital. This will help ensure disciplined lending and provide counter cyclical capacity when needed, positioning the EBRD to remain responsive to the needs of its countries of operations over the medium-term.

The international character of the EBRD and its diverse shareholder base remain foundational strengths. We look forward to the new EBRD president drawing on these strengths and prudent guidance from the Strategic and Capital Framework for 2021-2025 to advance the response to the COVID-19 pandemic and the Bank's transition mandates. The United States will continue to stand as a strong partner with the EBRD and its countries of operations in this endeavor.