

**Statement of J. Steven Dowd of Florida to be
Executive Director
of the
European Bank for Reconstruction and Development**

Chairman Young, Ranking Member Merkley, and distinguished Members of the Foreign Relations Committee, it is a great honor to appear before you today as the nominee to serve as Executive Director of the European Bank for Reconstruction and Development.

Before discussing my background and the EBRD, I would like to introduce my wife, Lillian. Lillian is an attorney and an ardent defender of legal rights for women and girls in Africa. We share a great love for Africa. My deepest thanks to Lillian and our three children Steven, Thomas and Andrea for their love and support. Also watching today is my college professor from more than four decades ago: Professor Frederick Schweitzer of Manhattan College.

Serving as United States Executive Director at the African Development Bank has been a privilege. It's not an easy job. But it is one that is immensely satisfying as it can potentially unleash forces that improves the lives and livelihoods of millions. However, tough issues - from strategic design and implementation to complex and sensitive governance issues - need to be addressed in a balanced but firm manner.

In my view, development assistance is not a charitable exercise, nor is multilateralism an end in itself. Americans are the most generous people in the world. They have always been forthcoming and willing to support those less fortunate. Their generosity extends beyond immediate neighborhoods and borders as they are keen to lend a helping hand to all around the globe. They want a better life for people living thousands of miles away, who they may never know. I believe that these hard-earned dollars must be safeguarded rather than taken for granted by ensuring they are used for the purposes intended and delivers the greatest impact. Traditionally, this has been achieved by complementing our bilateral support with multilateral assistance.

Although the objectives of the multilateral institutions remain relevant, in many cases these institutions have become ineffective and often driven by political agendas. The attention to results, value for money and focus on the client, ie. the disadvantaged, is often neglected or misplaced. Nonetheless, the U.S. agreed to large capital increases, and negotiated substantial reform packages, for the World Bank and the African Development Bank. However, especially at a time when many Americans have lost their jobs, American tax dollars need to be as effectively managed as possible. International cooperation can be important and constructive. American leadership will be essential to revitalizing and renewing the mission and focus of multilateral development assistance.

The EBRD was set up in 1991 in response to the fall of the Berlin Wall. The EBRD has helped dozens of countries establish democratic capitalism. Many of the countries where EBRD works are now members of the EU and NATO and are valued allies and important trading partners of the United States. EBRD should focus its efforts on countries where the private sector is less well developed and EBRD support can have a larger impact, for example in Central Asia, and with vital national security partners across the Southern and Eastern Mediterranean. Conversely,

it should reduce its engagement in more advanced European countries, through a graduation process.

The EBRD has been a critical partner in times of democratic change and even upheaval in Ukraine, Mongolia and Central Asia. In fact, the EBRD is one of the few instruments the United States has to engage in Central Asia at a time of Belt and Road and Great Power competition. The EBRD is one of the largest investors in many countries where it operates in support of private sector growth and enjoys trust, great prestige and influence in those countries. It certainly deserves our close attention.

The EBRD has strong finances, with significant room to increase investment. In the current crisis, the EBRD should look to increase its investment portfolio to help address immense private sector needs, particularly for small and medium size enterprises. In doing so, it should carefully guard its AAA rating and avoid coming back to shareholders for additional capital.

Having said that, the EBRD is at a crossroads and I believe the United States is an essential voice in shaping the bank's direction and purpose in the years ahead. Briefly, the EBRD has to decide whether to focus on its current foot print of countries which encompasses the original countries in the post-Soviet world along with Middle Eastern and North African countries. Or, to expand its mission to encompass sub-Saharan African countries (and potentially beyond). Given this choice, we believe the bank should focus on the first option: the current footprint of countries and "finish the job" before seeking to expand to additional countries. I hasten to add that, given my familiarity with African finance and friendship with some leaders in Africa, and as the largest shareholder of the EBRD at 10% of the shares, the United States will be an active and engaged shareholder in this and all future debates.

In my business career I would often ask colleagues: "what business are we in?" They might say we are in the widget business. I would say, "no, we are in the leverage business." It is the same in the development banking business: our job is to leverage the collective capital of the shareholders to do more with less. We must accelerate prosperity by "crowding in" private capital many times bigger than the collective capital at the EBRD making use of current and new financial instruments that only a development institution can bring to bear. Investment funds, sovereign wealth funds, pensions funds, insurance funds and other pools of long-term funds must be incentivized to engage vigorously in development. They can and should be brought to the table. For this is a win-win for all of the players around the table.

There are other immediate challenges facing the EBRD— among them pending leadership changes, Brexit, a crisis in remittance flows, and, certainly not least of all, debt sustainability. Of course, these challenges are made more complicated given the economic shock of Covid-19 and its aftermath. There is much work to be done. My experience in development banking and finance coupled with private sector executive experience, provide me with a skill-set well suited to the challenges at the EBRD.

Charting the course forward, the bank must be guided by its founding mandate. A democratically grounded mandate, that assists clients toward market-oriented growth and investment; promotes

entrepreneurial initiative; fortifies banking and credit systems; and bolsters legal frameworks to support contract and property rights.

Good governance and free enterprise underpin fundamental freedoms and the rule of law, the sure path to innovation and wealth creation. These are the components of shared prosperity, peace and stability - the reward for which is a better future.

I will resolutely safeguard our nation's vital interests and deeply-rooted values, and vigorously represent your fiduciary oversight obligations at the European Bank for Reconstruction and Development - should you allow me the opportunity to serve as U.S. Executive Director.

Chairman Young, Senator Merkley, and Members of the Committee, I thank you for this opportunity to appear before you, and look forward to your questions.