

ITALY

Statement by Mr Pier Carlo Padoan
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The 2016 Annual Meeting is not business as usual since it is taking place on the 25th anniversary of the EBRD. This is a great opportunity to take stock of its achievements and look ahead, to reflect on the Bank's long-term vision after the year 2020, the end of the first Strategic and Capital Framework (SCF).

Over the last quarter of century the EBRD has performed its unique mandate assisting its Countries of Operations (CoOs) to develop market economies, leveraging democratic systems and supporting policy reforms. Concretely, the Bank has contributed to the economic, social and - indirectly - to the democratic progress of its Region, by improving the life of millions of people and reducing the gap between West and East.

Moreover, two considerable breakthroughs have been achieved. Firstly, proving that private sector financing can be an important source of funding along with official resources. Secondly, the cultural change in private sector's behaviour and in its way of operating, thanks to the Bank's raising standards and improving rules for doing business and conducting transactions.

Since its establishment, the EBRD has developed a comprehensive set of invaluable skills and knowledge that make it outstanding amongst the Multilateral Development Banks (MDBs). Today it is taken as a point of reference by those MDBs that want to build or boost their private sector arms. It has a well-established leading role in strengthening the SME sector and in working with the private sector in the field of climate change and energy efficiency. These features are pure assets and should be preserved.

The increasing emphasis on SMEs is the result of the Bank focussing more and more on what is "small" and "highly complex", a direction we like and which should continue to be pursued. The establishment of the Small Business Initiative (SBI) constitutes the last key achievement in this process. At the same time, the increasing emphasis on climate change and

energy efficiency is in line with the global challenge of moving towards a “greener world” as recently reaffirmed by COP 21.

Over time, the EBRD’s agenda has become more complex and broader against an operating environment and a global scenario that have become more difficult and challenging. Economic inclusion, Gender Equality, Green Economy Transition Approach and the Refugee Crisis are only the most recent issues taken on board. While considering all these topics as integral and necessary components of its agenda, the Bank should pursue them according to modalities that are in line with its transition mandate, business model and operating principles, intervening in those areas where it has expertise and can add value.

The Bank has also been growing in membership and in the number of CoOs, enhancing its multilateral character. In this regard, we welcome the recent membership of China and look forward to the entry of Lebanon and Libya as prospective CoOs.

The broadening of its geographical remit from Turkey to the Southern and Eastern Mediterranean up to Cyprus and Greece represents the most tangible change undergone over the last 25 years. In a situation where the current CoOs are a diverse universe of countries, that do not share a common past and face varied challenges and problems, we believe that the transition mandate is still valid.

Certainly, we agree on the idea that the transition concept should be updated or “refreshed” and support the interpretation of transition as the move towards a competitive, well-functioning, inclusive and sustainable market economy. However, this should not entail assigning to the Bank tasks that do not fall in its areas of competence and expertise.

In the SCF period, the Bank’s ultimate goal is to re-energize transition while fighting any stagnation and preventing reversals of transition. The precondition for the EBRD to be successful in this endeavour is the resumption of a long term growth in the whole region of operation that has slowed down since the financial crisis.

We believe the Bank can effectively contribute to boost economic growth in its region by sharpening what it has been doing so far: providing even more support to SMEs; helping governments build a sound and friendly business environment in order to be able to attract private investors and long-term capital; fighting corruption; investing in physical and human capital; promoting regional integration. From their side, it is crucial that CoOs implement the

appropriate economic and institutional reforms as prerequisites for a long-term and resilient growth.

The EBRD and its services are highly needed across its region although to different extents and degrees. Combining its financial instruments and technical assistance with its strategic tools (Country Strategies and Policy Dialogue), the Bank can trigger long lasting systemic change that is conducive to transition, growth and progress without losing its character of being a project-investment and demand driven Institution.

Over the last few years, 2015 included, the Bank has been acting in an operating environment characterized by decline in commodity prices, continued geopolitical tensions, currency depreciation and a drop in FDIs. In spite of this, last year the operational and financial performance has been very positive and we wish to praise the Bank for this. However, the future remains highly uncertain and risky.

In this context, safeguarding and strengthening the financial position of the EBRD and its profitability becomes crucial. This implies the need to harmonize and reconcile transition impact, business volume and financial sustainability – with the three of them to be considered equally important – through a rigorous implementation of the strategic portfolio approach. We call on the Bank to avoid any exposure concentration in one single country and to keep its portfolio well balanced and diversified.

Looking at the present and future regional challenges, we support the continuous Bank's engagement in Ukraine and its scaling up in the SEMED region, although aware of the associated risks. Similarly, we would like to encourage the Bank to identify modalities for a deeper engagement of the private sector in the Western Balkans, where the public sector is still dominant.

Working in coordination and partnership with the other IFIs, by deepening synergies wherever possible, and sharing knowledge, remains fundamental. In this context, we look forward to the establishment of a fruitful collaboration with the neo-born Asian Infrastructure Investment Bank (AIIB) from which both Institutions could highly benefit.

We welcome the three year *Operational Efficiency and Effectiveness Programme* recently launched by the Bank which aims at addressing these issues on a systemic level for the first time and keeping the budget under control. We hope that this exercise will not be a

one-off measure and that the Bank will consider improving efficiency and effectiveness as a permanent task.

After 25 years, there is no need to rebrand the EBRD. It has a great reputation and is now stronger than it was at the time of its creation. We are very proud of what the Bank has accomplished so far, thanks to the work, dedication and professionalism of all its Presidents, Management and Staff and to the continuous shareholders' support.

We wish the EBRD every success over the next 25 years.