

ITALY

STATEMENT BY MR GIORGIO LECCESI
TEMPORARY ALTERNATE GOVERNOR FOR ITALY

Kiev 18 - 19 May 2008

On behalf of Italy, I would like to express my sincere gratitude to our Ukrainian hosts for their warm hospitality, and for their own contribution to our work.

Seventeen years of activity make the Bank a teenager in human terms, but for a Bank it is probably long enough to look back, assess the outcomes achieved so far and consider where we stand in the transition process.

During these years the region has made extraordinary efforts: the results are really impressive, with tangible and significant benefits in terms of real per capita income, economic structures, business and institutional environment and financial markets. The countries of operation have to be congratulated for effectively managing the transition and deserve full credit for their achievements, but we can say with pride that the EBRD has played a useful role in this process.

Looking ahead, there are still many challenges for the EBRD. Progress in transition has not been uniform across the region. In Central Europe countries are well advanced in their transition process. The Czech Republic was the first country to graduate from the EBRD and I would like to sincerely congratulate the Czech people and authorities for their achievements. This represents a success for the country and for the Bank itself.

Elsewhere, progress is more diversified. In the seven poorest countries of operation half of the population lives below the poverty line. Even in countries where transition is more advanced, there are still critical areas to be addressed. In some cases the privatization process did not live up to its promise, while in many other inadequate institutional frameworks represent an obstacle to the creation of a sound environment, conducive to investments.

In this respect, the Bank may play a crucial role thanks to its unique mandate which recognizes the importance of both economic and political reforms. The EBRD can support government authorities to establish the “level playing field” so as to make economies function properly.

Among the crucial areas where the Bank can really make a difference, I would mention sustainable development and especially climate change. In these areas we need political leadership to take bold, long term decisions. The EBRD can provide financial resources to business pioneering new environmental technologies, still too risky for private sector. The challenge is making technological progress and public policy compatible.

Let me now warmly welcome the news that Turkey has requested to change its status, in order to become a country of operation of EBRD. We look forward to the successful and swift completion of the process starting today. We are fully convinced that the extension of EBRD operations to Turkey shall be highly beneficial both for

the country and for the Bank itself. We are confident that, by working together, the final decision can be reached soon.

This Annual Assembly is also called to approve the EBRD 2007 net income allocation and provide guidance to the Bank through the remaining period of Capital Resource Review 3.

By endorsing the decision proposed by the Board, we shall provide the Bank with the necessary technical cooperation resources to complement donor countries' contributions, in order to sustain its quality investment. This is a crucial innovation for the Bank, and we see it as an effective means to boost the transition impact. We are confident that the use of grants will be consistent with sound principles and compatible with the Bank's purposes and functions.

I am particularly pleased that in the context of net income allocation €35 millions will be made available as a contribution towards decommissioning of the Chernobyl nuclear reactor. We look forward to the successful conclusion of the ongoing efforts to fully cover the financial requirements.

Italy fully supports the report of the Board of Directors and endorses its recommendation.

Key aspects of 2007 activity

The debate on net income allocation has been made possible by the remarkable performance of the Bank in 2007, both in terms of business activity and net profit. Let me praise management and staff for such a successful outcome.

The crisis spreading beyond the US subprime market is likely to negatively affect the financial sector in all countries in the region over the next months. Although we are seeing some signs of progress, the crisis is far from over. The Bank should remain watchful and cautious. In these circumstances Bank's additionality is likely to increase. It is of the utmost importance that the EBRD remains involved in difficult environments where risk increases. This is in line with the strategic directions given to the Bank on the occasion of the Capital Resource Review 3.

The Bank has increased its focus on countries further south and east where transition towards a market economy is less advanced and projects tend to be smaller. This is consistent with the strategic directions given by Governors. The Western Balkans experienced a record year for EBRD investment, while the number of projects signed in the Early Transition Countries more than quintupled compared to the levels achieved before the launch of the Initiative in 2004. We hope that the share of investment to Western Balkans and Early Transition Countries will further develop in the current year.

The reorientation of the Bank's portfolio has coupled with an improvement in the transition rating of the projects. The share of operations with a transition impact potential rating of good or excellent in 2007 was 89 per cent, a better result than that foreseen in the Business Plan for 2007 and for which management and staff should be congratulated.

The share of equity over total investment set a new record last year. This is good news as equity investment magnifies the role of the Bank as a stimulus to improvements in corporate governance and sound business standards.

The adoption of new environmental and social policy, with a sharper focus on the social aspects of projects, puts the Bank in line with other international financial organisations and with the Equator Principles as well as emerging best practice. The policy addresses key challenges like climate change and adaptation, biodiversity and renewables, gender, indigenous peoples and vulnerable groups. The revision process has highly benefited from an extensive public consultation exercise, which went well beyond the requirements of the Public Information Policy.

ITALY AND THE EBRD

Let me conclude by saying a few words on Italy's position vis-à-vis the EBRD.

Italy continues to firmly believe in the EBRD key role in the transition process. This should be accomplished in close cooperation with other IFIs operating in the region, and particularly the EIB, building a constructive dialogue, reinforcing the activities undertaken together, avoiding overlap.

As one of the most active donors in the Bank, Italy is also involved in joint technical assistance and co-financing initiatives.

Western Balkans remain an area of priority for our country. I am glad to see that the Italian-sponsored Western Balkans Local Enterprise Facility is progressing with highly satisfactory results. I hope this innovative mechanism which provides flexible financing schemes could be replicated also by other shareholders. In this context, we are looking forward to welcoming you at the Western Balkans Strategic Forum that will be held in Rome in June.

EBRD management

Finally, I would like to express my gratitude to the EBRD's Management and staff. It is not just luck that the Bank has made substantial profits while delivering its transition mission. This result requires professional skills and commitment and we are glad to see that the EBRD staff and management have both.

In conclusion, we would like to thank President Lemierre for his leadership in the last 8 years, allowing the Bank to achieve remarkable results. We wish President Lemierre all the best in his future career. We would like also to welcome the new President and wish him all the best for the task ahead.