

ITALY

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The EBRD region of operations is slowly recovering from the global crisis. The past year saw a positive economic trend and growth is expected to pick up over the next two years. However, the environment remains challenging due to the continued geopolitical tensions, slowdown in reform implementation, political uncertainty and low FDI.

On a global scale, several years of sluggish global growth have bred the emergence of in-ward looking policies, revival of nationalistic trends and protectionist pressures. Globalization and the consolidated system of international cooperation seem to have been put into question and the former is increasingly identified as the cause of falling living standards and growing inequalities in the distribution of benefits and opportunities.

Against this backdrop, we believe that the Multilateral Development Banks, and the unique model of cooperation they represent, remain key to deliver the ambitious international agenda and tackle common challenges. To this end, and given the difficult context, they should further increase their ability to act as a system of complementary agents, dividing labour according to their comparative advantages. Stronger coordination will make their actions more effective, thus ensuring that their full potential is achieved. Therefore, we welcome the ongoing international discussions on effective coordination among the IFIs.

Notwithstanding its operational niche and unique mandate, the need for a stronger coordination and division of labour with the other IFIs applies also to the EBRD. We are pleased about the ongoing discussion with the other Institutions for a more structured approach to policy dialogue on key reforms. It is a remarkable step in the right direction. We also take note of the significant progress made by the Bank last year in the field of policy engagement and welcome the decision to combine policy and investment instruments together in order to boost systemic change and pave the way to new` business opportunities.

This action, building on the EBRD's well-known capacity to deliver, will ensure that the Bank continue to make a difference in its Countries of Operations (CoOs), as it has remarkably done

over the past year despite the challenging and complex operating environment. Once again, the Bank has ensured a significant flow of high quality investments in its CoOs, in line with its business plan and the 2016-2020 Strategic and Capital Framework, while producing very good financial results and further strengthening its capital base.

However, we underscore that financial performance is neither the EBRD's ultimate goal, nor the measure of its success and the driver of its investment decisions. While it is crucial to continue to ensure its financial strength, we firmly believe that, as a public institution, the EBRD must continue to give priority to its mission of facilitating the transition of its CoOs and to invest where its mission so requests. The transition impact must remain the ultimate objective of the Bank's activity.

In this regard, the review of the Transition Concept represents a remarkable achievement of last year. We support the revised and more granular Concept, which, with its six qualities, better reflects the realities and the existing differences within the region of operations. We believe that it should be complemented by a set of benchmarks and targets aimed at ensuring that the Bank remains focused and selective in the CoOs. We see this work as an important component of a renewed graduation approach, on which we expect a constructive and inclusive debate to start, without prejudice to the basic principles of the current policy.

In our view, a renewed effort of the EBRD to pursue its transition mandate ultimately relies on a strategic rethinking of the Bank itself, aimed at making the Bank's engine as efficient as needed by its clients' demand. Therefore, we praise the Operational Effectiveness and Efficiency (OE&E) Programme, which is the most ambitious modernization and reorganization plan ever undergone by this Institution since its establishment. In addition to reducing costs and generating savings - which is of paramount importance in itself - we expect the Programme to make the Bank more effective in delivering its services, while preserving high standards and quality. We also expect the Bank to put in place the necessary sensible change management activities, so as to ensure the continued engagement of the whole organization.

Furthermore, as we believe that inclusiveness is an essential component of the new transition model, we warmly welcome the strategy on economic inclusion launched at this Annual Meeting. It will also allow the EBRD to bring its unique model based on the involvement of the private sector within the international effort to tackle inequality, which are a global concern and an impediment to sustainable economic growth. In this regard, we are particularly glad that promoting entrepreneurship and MSMEs access to finance is one of the three strategic areas of intervention.

In particular, economic inclusion is a major challenge in the SEMED Region and in the Western Balkans. Increasing rates of youth unemployment are a cause of great concern for the political stability of the two regions. The heavy loss of human capital resulting from many young people leaving their country in search of better opportunities reduce its economic growth potential. We expect the Bank to pay special attention to these regions in the implementation of the strategy and we strongly encourage Management to develop tailored and innovative programs and products to address this issue.

This Annual Meeting sees the start of the Bank's presence in West Bank and Gaza. We strongly support this engagement, while recommending caution and further reflection on how the Bank can effectively assist the private sector in a complex environment. With the same attitude, we look forward to welcoming Lebanon as a member and a country of operations of the Bank in the next few months. Almost 20 years ago some member countries, amongst which Italy, envisioned a Bank dedicated to Middle East and North Africa as a crucial instrument for stabilization and peace in the region. After almost two decades, we are pleased to see that the EBRD is playing a strong role in the SEMED region. We look forward to seeing the Bank gradually cover the region in its entirety, so as to help achieve its large potential for private sector development.

In the same vein, we acknowledge the crucial role played by the Bank in Ukraine in moving forward with the reform process, thus preparing the ground for a more robust activity in the near future. Once again, the Bank is demonstrating that it can make a concrete huge difference on the ground.

To conclude, the EBRD continues to show its ability to deliver on its mandate, ensuring quality investment and services to its countries of operations and clients, while implementing ambitious policies to make further steps towards efficiency and effectiveness. Italy praises the Bank for its achievements and ensures its full support for its endeavor.

Finally yet importantly, we wish to thank the Cypriot Authorities for their warm hospitality in this marvellous and unique island.