

Italy Statement
AIIB Annual Meeting
Luxemburg, July 12-13, 2019

Halfway through its fourth year of operations the AIIB has consolidated into a well-established multilateral player, with a well-defined regional and sectorial focus and significant potential for further expansion.

AIIB's capacity to be relevant is clearly reflected not only in its growing member base and diversified loan portfolio – whose impact is already felt by many borrowing countries - but also in its triple-A rating and in its recent successful first bond emission, as well as into the close relationships with other multilateral institutions that AIIB has been able to successfully build.

As a founding member, Italy has closely followed the growth of AIIB's operations, and the progresses in the adoption of standards and of an adequate internal governance architecture, still under refinement.

Italy is satisfied of the achievements so far, and proud of supporting and encouraging the President and management's efforts to progressing and integrating the bank into the international financial architecture. The need to work as a system according to their respective comparative advantages will remain key for AIIB as well as for other IFIs. In this context, we recognize that AIIB is a valuable complement to such system and that its strengths lie on its innovative business model, which may be further calibrated but is already bearing important fruits.

We appreciate the efforts of management in building up AIIB's technical capacity with enhanced attention to the quality of human resources. It is a fact that a large part of AIIB's capacity to be innovative depends on the quality of its human capital and in this context we express appreciation for the international character of its workforce, to which we are pleased and proud to contribute.

Central to supporting the expansion of the bank from the operational side is a safe and sound approach to financing. Italy is pleased to see that over the last three years AIIB has developed a well-functioning system for the rigorous assessment and mitigation of operational risks.

We encourage the bank to keep pursuing and developing with the same intensity the highest standards of internal governance, particularly in consideration of its non-resident board model. We appreciate that in this

context, notwithstanding the obvious structural limitations that this model implies, AIIB is encouraging wider possible interaction of shareholders with management.

We also recognize the significant efforts that have been put in place particularly in the last 12-18 months to design an adequate system of internal checks and balances, and to enhance information flows and their quality to the Board and external stakeholders. We encourage the bank to keep pursuing the target of maximum transparency. We believe that this level of focus and attention to the governance aspects will continue to bear fruits as the organization builds up. Institutional credibility will remain the foundation for the high reputation that AIIB has been able to acquire so swiftly.

Core operations have significantly expanded in previous years and, moving forward, we now expect increased diversification of regional borrowers. They are the main beneficiaries of AIIB's operations and they stand to take full advantage of the benefits of the modernization and enhancement of the infrastructural endowment, which can be only conducive to an increase in growth and wealth.

No less important will be the Bank's ability to deliver solutions that are in line with its commitment - included in its "green, lean, clean" motto - to mainstream into all operations environmental concerns as not only multilateral banks, but the entire development community is already doing.

We see AIIB evolving and growing into a model institution able to supply innovative solutions in fields that merit full attention. We appreciate its capacity to consider technology as a fundamental element and a driver of its own policies, particularly those pertaining to the improvement of the urban context and the monitoring of projects. We agree that AIIB should keep testing the possibility to introduce wider ranges of financial products, to keep exploring how to maximize the development impact of infrastructure, to establishing it as a growingly important asset class. We hope that efforts underway will in due time reinforce adequately the capacity of several member countries to elaborate viable infrastructural projects, also thanks to the use of AIIB's dedicated fund for project preparation.

To support AIIB in its growth it will be crucial that the bank keeps an intense engagement with the business community of all member states, and that also companies from non-regional, non-borrowing countries become increasingly able to tender in large infrastructure works, that financial intermediaries are able to participate in co-financing and that consulting firms are able to find suitable engagements. For this to happen it will be essential to improve further the practices of project information sharing and give

continuous evidence of the will to uphold AIB's clients to apply best standards and practices, particularly in the area of procurement.