HOUSE OF COMMONS

Foreign Affairs Committee

Oral evidence: The Western Balkans 5 June 2018, HC 1013

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Watch the meeting

Members present: Tom Tugendhat (Chair); Chris Bryant; Mike Gapes; Stephen Gethins; Andrew Rosindell; Bob Seely; Royston Smith.

Questions 37-71

Witness

I: Dr Peter Sanfey, Deputy Director for Country Economics and Policy, European Bank for Reconstruction and Development.

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Examination of witness

I: Dr Peter Sanfey, Deputy Director for Country Economics and Policy, European Bank for Reconstruction and Development.

Chair: Welcome to this afternoon's session of the Foreign Affairs Committee. Dr Peter Sanfey, thank you very much for coming. I note that we have a large delegation from the Inter-Parliamentary Union, so welcome to you as well. Can we crack straight on? Royston, it's all yours.

Q37 **Royston Smith:** I will go straight to why we are here. Why is the European Bank for Reconstruction and Development so active in the Western Balkans?

Dr Sanfey: We see this as a very important part of our region. In fact, in per capita terms, our investments in the Western Balkans are higher than in any of our other sub-regions. We see this as a region with a lot of potential but a lot of catching up to do.

Now there is the added factor of the EU accession process. We are not a European institution, despite our name. We are not directly concerned with the accession process, but what we do is very complementary to it. All of these countries are committed to joining the EU, and the EU is committed to taking them in, and we are committed to helping them in that process. Our mandate there is very much complementary to the whole EU accession process.

For those reasons, we are putting a lot of effort into promoting our mandate there. Our mandate is all about ensuring that those countries can eventually become well-functioning market economies. That is very consistent with what the EU wants. The EU does not want them in the EU without their being able to withstand the competitive pressures of the market economy, so we are helping them to achieve that.

Q38 **Royston Smith:** What are the opportunities in the region and what are the principal obstacles?

Dr Sanfey: Let me take the opportunities first. When I talk about this region, I often tell people that you can take a "glass half full" or "glass half empty" approach. You can start by being a bit pessimistic and looking at the problems and think that these are quite poor countries—among the poorest in Europe—and there are a lot of difficulties that have held them back.

With the glass half full, you should see that as an area of potential. We see this as an area of very strong potential. We know that countries that are poorer than rich neighbours should catch up over time, provided the right conditions are in place. Our job, and the role of other international institutions, is to try to put those conditions in place, or help the countries put the conditions in place for catch up.

There is a wide range of opportunities in different sectors. I am thinking of the metals sector, agribusiness, tourism—there is a whole range of potential investment opportunities that we are looking at, in collaboration with private sector investors.

There are a range of obstacles. I would say that the business environment is not particularly conducive to doing business. It has improved over the past two and a half decades, but there is still a considerable way to go. Doing business there can be cumbersome and can run into lots of administrative barriers. It can be difficult to access finance and sometimes difficult to trade across borders. These are small countries, so that is particularly important. Those are the kinds of obstacles that investors and businesses on the ground mention to us when we deal with them.

Q39 **Stephen Gethins:** Thank you for coming along today. In your opening remarks, you talked about how important EU accession was, in terms of being complementary to the work you are doing there. Could you say a little more about how important it is to your work and how much your work depends on EU accession?

Dr Sanfey: EU accession is very important for the region as a long-term goal. To have that credible perspective of ultimate membership is extremely important for the region. It is also very important for another class of people: investors, particularly potential investors. That comes up all the time: we talk to them and they always want to know where the countries stand in the process, which countries are making more progress, what are the barriers and what is a credible timeframe for accession, because it is important to them.

If the process is advancing in the region, which I think it is, investors know that, broadly speaking, the conditions for profitable investment are improving. That is why it is important for us, too, because we at the EBRD are trying to be a catalyst for investment. In fact, ultimately we are trying to put ourselves out of business. A core principle in EBRD is that we are additional—we are bringing something to the market and to investors that is not available elsewhere. Ultimately, if these countries can join the EU and be well-functioning market economies, there is no longer a role for us. But they are a long way short of that at the moment.

We attract investors with us. When we invest, we like to co-invest; we don't like to be the majority investor in a project. We like to bring investors along with us. It is important to be able to say that they still have this EU perspective and that they still have the reasonable expectation that that is where they will end up eventually.

Stephen Gethins: That goal of EU accession by the states becomes very important for your investors.

Dr Sanfey: Absolutely.

Q40 **Stephen Gethins:** What do you see as the main obstacles to accession at the moment? Be specific about different countries if you wish.

Dr Sanfey: The first thing to say is that the EU itself is taking a bit of a softly-softly approach—I believe you discussed this at great length in the previous session. It is not trying to rush in any of these counties. Quite the opposite; it is proceeding quite carefully and in recognition of some of the previous entrants who perhaps were not quite ready at the time. That is how the process is going.

Some countries are further along than others. Montenegro and Serbia are in the process of negotiating, but other countries have not yet started that. We expect to be there for quite a long time. It will be important for us to be a partner for the EU and other international institutions as long as these countries are still in the waiting room, and most likely even for some years after that.

Q41 **Chris Bryant:** You talked about the business environment. Could you be a bit more specific about what the problems are and what needs to be reformed? Are we talking about corruption, the rule of law and enforceable contracts? The black market has always been quite a big part of the Western Balkans economy. What are the kinds of things that need most urgently to be addressed?

Dr Sanfey: Those are all major problems in the region. One thing I want to say is that we do not just pontificate about this while sitting in London; we carry out regular surveys of businesses on the ground and ask them exactly about these problems. We have a major survey which we carry out jointly with the World Bank every few years called the Business Environment and Enterprise Performance Survey—BEEPS for short. BEEPS is a very revealing instrument for answering exactly your question: telling us what the biggest problems are. We take a big, randomly drawn sample of businesses on the ground in each country and we ask them to rate the severity of different obstacles on a one-to-five scale, from no obstacle to very severe obstacle. There is a whole menu, including some of the things you mentioned.

Let me say a few things about what we typically find. You mentioned the black economy. Indeed, when we ask legitimate businesses, they say that often the No. 1 problem is what we might call the "informal economy"—unregistered and so on. They are trying to do business legitimately, obey all the relevant rules and legislation and pay all the taxes, and there are other businesses they are competing with that are under the radar and not doing that at all. That is one of the top obstacles.

Corruption is an issue in the region, and it does feature prominently in businesses' concerns. It can be corruption in inspections and in dealing with tax administration. Getting things done often involves paying bribes and so on. It can be difficult to ask businesses directly about that, but there are ways of asking the question that will try to reveal that. All of which leads me to say that, from a business environment and investment perspective, the big weakness of the region is governance, broadly defined. I mean governance standards in the public sector, which are quite weak, but also corporate governance among private businesses. That stands out as a particular problem, and it is one that we have made a very strong focus of our policy work in the region.

We have an initiative at the EBRD called the investment climate and governance initiative, which I am very pleased to say is supported by the UK Government financially and in other ways. Working with the UK and other donors, we have a particular focus for this initiative in the Western Balkans, with agreements and memorandums of understanding signed with all Western Balkan countries except Macedonia—it is in the process—helping to tackle some of these issues. There are issues around public procurement, for example, so we are working hard to improve public procurement standards in a couple of these countries—Bosnia and Serbia. We are working to improve the inspections regime in Bosnia—that is another flagship project that the UK is supporting. It is hard work, and it is chipping away at these problems, but it is going to take some time before we really get up to western European standards.

Q42 **Stephen Gethins:** Can I follow that up quickly? The governance is really interesting. I do not know if you are able to highlight some of the states that are doing particularly well, but do you find there is political will to tackle the corporate governance side of things?

Dr Sanfey: I think there is some political will, but in some countries there are major governance problems that go right to the top. I would be a bit reluctant to single out particular countries because I think it is a common problem across the region.

When it comes to public institutions and public administration, there is a lot of cronyism and a lot of clientelism: a lot of jobs and contracts being awarded on the basis of favours and political affiliation rather than on merit and so on. In fact, we carry out another survey in the region every few years with the World Bank, the Life in Transition Survey, which is a big household survey. In that, one of the questions we ask people is, "What do you need to get on in life?" Again, there is a range of options—it could be intelligence, skills, hard work or effort—and one of them is political connections. In the Western Balkans this stands out very prominently. Many people believe that this is what we need to advance. I think that is a sign of the governance challenge, particularly in public institutions, that we face.

Q43 **Chair:** Do you see much appetite among the political class to change that?

Dr Sanfey: Having covered the region for more than 20 years, I think the situation has improved but, again, it is a slow process. It is not something on which it is easy to get quick results. You can, as I say, chip away at it. We are trying to focus on a few particular cases where we have expertise, but it is going to take some time.

Q44 **Andrew Rosindell:** In your February 2018 paper on the Western Balkans, you stated that the obstacles to regional progress are not necessarily political. Could you elaborate on that?

Dr Sanfey: In the paper you are referring to we focused on regional co-operation. As a co-author with a colleague, we took the view in the paper that regional co-operation has been significant in the region, particularly in the last two decades. It is one of the achievements in the region. It has come both bottom-up from companies and individuals co-operating across borders, but also from the top, and we at EBRD have seen this close up through our investment summits, which we host every two years. We had our third one in February 2018. These investment summits bring together the Prime Ministers of all the countries of the region. You see close up the bond that has developed among some of the political leaders in the region and the recognition that working together can bring benefits to all: they are not competing with each other and they are willing to put aside some of the problems of the past. So I really think that political co-operation has made great progress in the region.

When it comes to economic co-operation, keep in mind that these are all quite small countries. Collectively it is a region of around 18 million or 19 million people and around €100 billion GDP, but individually they are small countries. Economic co-operation is also very important, but there are a range of obstacles to that, and not just the obstacles I have mentioned already, but obstacles to trading across borders. There is corruption at the borders. The transport links are sometimes not very good. Again, we are doing what we can to improve that, but that is a major task.

I think progress was made last year at the Trieste summit. Again, there was a political agreement among the leaders of the region to work on a multi-annual action plan to develop a regional economic area. This regional economic area is focusing on four pillars. It is about improving trade and tackling the remaining barriers that are stopping countries trading across borders. It is certainly about creating a single investment space, so it is selling the region as a whole to investors rather than competing among themselves. It is also about promoting mobility in the region, particularly the mobility of professional people and researchers and scientists and so on.

Lastly, it is about developing the digital agenda in the region. Again, this is an area where the region lags behind. That is what we were trying to get at here. If you look in the paper, you will see that trade within the region is quite limited. The countries look to the eurozone as trading partners. Foreign direct investment has been quite limited. In per capita terms it has been a quarter or a fifth of what the EU countries typically attract. Your colleague asked about a willingness to tackle problems, and I think there is a willingness to really make progress on these economic issues.

Q45 **Andrew Rosindell:** When you talk about the region, are you talking about the four countries that are not part of the EU, or are you talking about the wider Balkan region? Are you including Croatia as part of the region?

Dr Sanfey: That is a good question. Where does the Western Balkans stop? What I mean by the region is the Western Balkans 6—the six countries that are not in the EU. Those are Albania, Bosnia and

Herzegovina, Kosovo, Serbia, Montenegro and Macedonia—or the former Yugoslav Republic of Macedonia, to give it the name by which it is still recognised in the EBRD. I recall that, at one point, Croatia was considered part of the Western Balkans, but of course it has been an EU member since July 2013.

Q46 **Andrew Rosindell:** So it is the non-EU region you are talking about?

Dr Sanfey: The non-EU region, yes.

Q47 **Andrew Rosindell:** So they cease to be part of that region once they join the EU—if they join the EU?

Dr Sanfey: Yes. If and when they join the EU, I guess we will talk about that. If Serbia and Montenegro—the front runners—joined, we may start talking about the Western Balkans 4, but for the time being we are talking about the Western Balkans 6, because that is where a lot of the focus is, including in our institution.

Q48 **Andrew Rosindell:** Who else do you work with on the ground? Apart from the elected Governments of each country, what groups of people do you work with? Obviously there is the business community, but who else are you co-operating with?

Dr Sanfey: One thing I want to emphasise is that the EBRD has a very strong private sector focus. We are a public institution, but our mandate is to work primarily on private sector investments and on policies that promote private sector development and the market economy. The great majority of our investments are in the private sector. They are in the various corporate sectors and the financial sector—agribusiness, tourism and so on. However, we selectively invest also in public sector projects, which are often done in collaboration with the European Investment Bank, for example. Road projects, railways and big energy sector projects are still typically done with a public sector counterpart, so they will involve us dealing with the public sector on the ground.

Very importantly, we have offices in all these countries. We have people there who are able to deal with the issues that arise on a day-to-day basis. That is very important for progressing these projects, because they can be difficult to advance, particularly when it comes to big public sector projects. It is one thing to sign a €100 million loan to Bosnia and Herzegovina. Things can then become complicated, and loans often get stuck because conditions are not met to allow for disbursement or to allow sub-projects to advance. As I said, we are primarily trying to focus on private sector projects, so we are talking all the time to local businesses, to domestic investors and to foreign investors who may want to come and co-invest in projects with us.

Q49 **Andrew Rosindell:** I have one final, very quick question. How do you assess the importance of that region of Europe to the United Kingdom? From a British perspective, how important is it that we are more engaged in the development of these countries for the future? Or is it more a question of it being an EU thing—of the EU wanting to extend to those countries—and therefore not so important for Britain? Do you think there are good reasons why Britain should be active and in there, working in those countries, for our own benefit as well as theirs?

Dr Sanfey: It is true that they are focused on EU accession and, with Britain leaving, there will probably be less attention given to the British role. Nevertheless, from the UK perspective, there are a number of reasons why the UK should be involved. First, the UK will remain part of Europe, and it is important for the UK's peace, prosperity and security that Europe as a whole thrives—including this part of south-eastern Europe, which currently is not in the EU, and which lags behind and has a number of problems. It is in the interests of the UK to help with that.

The UK also still has a very good reputation in the region, particularly when it comes to things like governance. I think this is why the UK can have a probably disproportionate impact on these countries by promoting governance and by working with institutions such as ours to advance this particular objective.

Thirdly, the UK has particular expertise in financial institutions. This region lags behind on financial intermediation, financial sector development, but not so much in the banking sector. There are plenty of banks, most are foreign owned and arguably there are too many banks, but when it comes to non-bank financial services, some of these countries are still in their infancy. With the UK's expertise in that area, I think there could be a role also.

Ultimately, we haven't worked with many UK investors in the region. The investors we have worked with have tended to come from continental Europe. Any projects we invest in we do so on a sound banking basis. We will not invest unless we are confident we will get our money back and be profitable. There are profitable opportunities there—profitable opportunities for British businesses as well as anyone else.

Q50 **Chris Bryant:** Can I just ask, why not British businesses then?

Dr Sanfey: It's a good question. I don't think there is a good answer to it. Historically, these countries were much more connected with bigger central European countries, such as Germany, Austria, Switzerland, Italy. This is where a lot of investment comes from. In the old Yugoslav days, under the guest worker programme, many emigrated to Germany for some years, to Austria, Switzerland and so on, so links were built. Sometimes these investors are from this expatriate community or they may be second generation and coming back.

With the UK there haven't been quite the same economic and investment links. There are some British investments in the region, but they tend to be dwarfed by those from other countries.

Q51 **Chair:** Are there areas of business that the UK could relatively simply get involved in—agrifoods, that sort of area?

Dr Sanfey: I think there is a range of things. Nothing would be ruled out. Agrifoods would be one. Financial services comes to mind, given that this is a strength of the UK and such an important part of the UK economy. For any British businesses that want to invest there, there are opportunities across a whole range of sectors. In Macedonia, for example, car components are a very big part of the economy now because they have made a very aggressive effort to attract investments there, including some from the UK.

There is a lot of potential for further development of tourism. So far, most of the development in this region has been in Montenegro, but I think there is a lot of potential in some of the other countries as well.

There are plenty of opportunities and British businesses by all means should be looking at profitable opportunities because they do exist. I go back to the point I made earlier that poorer countries should go faster. Our expectation is that these countries will be catching up on EU standards and that means that there are returns to be made which may be more than they will get elsewhere.

Q52 **Chair:** Your bank was set up under the watchful eye of Baroness Thatcher at a time when this was a very separate region, in the sense that the war was very active. Do you think that the interest that you are showing is a reflection of EU interest or British interest or a combination?

Dr Sanfey: I would say that it is a combination and also a reflection of the interest of our other shareholders. We have, I believe, 67 countries as shareholders, including some big shareholders such as the US, Japan and others. Japan, for example, has given a significant amount of assistance to these countries, as has the US through its USAID programme. I just take those as two examples. Switzerland is very interested in the region. We are a multinational, global institution. I think all our shareholders follow closely what is happening in the Western Balkans and are supportive of what the management of the EBRD is trying to do.

Q53 **Chair:** Would you say that those countries, particularly countries such as Japan, are really rather more interested in the peace-building that you have achieved through development rather than the economic return, although the economic return is of course important?

Dr Sanfey: Yes, I think they are interested in both.

Q54 **Mike Gapes:** You use the phrase "Euro-Atlantic integration" in your paper. Is that because of the nature of your investors being not just European, when in fact the focus of these countries is very much on EU accession? What does Euro-Atlantic integration mean for these countries, apart from their desire to get access to the European Union as quickly as possible?

Dr Sanfey: I think it means wanting to be part of the western world, rather than—

Q55 **Mike Gapes:** Rather than the history?

Dr Sanfey: But, at the same time, not ruling out good economic relations with countries further east and attracting investment from them. There is a lot of discussion—I think you have discussed in this Committee the relations with Russia, the investments coming from the Middle East and the role of China, which is certainly of growing importance here. But ultimately, for the countries of the Western Balkans and for the people, they see themselves as part of Europe and as part of this broader—

Q56 **Mike Gapes:** Is that an economic vision, or is it value-based?

Dr Sanfey: I think it is both, but it is primarily economic-based, because when they look west they see mostly these stable, prosperous economies and people enjoying their lives, whereas if they look further east it is maybe not quite so attractive. I think the leaders there at the moment are quite pragmatic. They want to attract investment. Sometimes the investment is more available from countries further east; sometimes it might even be cheaper. On a pragmatic basis they will develop these links as well.

Q57 **Mike Gapes:** Is it not paradoxical that for 15 or 20 years some of these places tried very hard to have disintegration—to come out—and now the focus is on greater integration? Isn't part of the problem that any organisation has in dealing with it? Let us go back to Dayton. We froze a conflict and we have ended up with institutional structures that make it very difficult to have integration because of the nature of the point at which we froze that conflict.

Dr Sanfey: That is true. Bosnia and Herzegovina, which you are alluding to, is in our view a particular case—we have said it repeatedly in papers we have put out and elsewhere—where the constitutional structure is hindering the development of the country. Nevertheless, even Bosnia and Herzegovina is making progress. It is making progress economically—the economy is growing, around 3%. There is a lot of resilience in Bosnia and in the region generally. That resilience is showing through in terms of private sector development.

Q58 **Mike Gapes:** If growth in these countries on average is around 3.4%—I think that is the figure that has been quoted—the estimate is about where they are compared to the average GDP in central or eastern Europe or the average in western Europe. I have seen a figure here: some models say that it will take up to 200 years before they catch up with the level of economic development. Surely the obstacles are such that it is going to require something far more radical if we are going to put these countries on a path of having anything approaching what Poland or the Czech Republic or, not least, Germany, France or the Netherlands—

Dr Sanfey: The 200 years figure is a pessimistic one. That is the lower case.

Q59 **Mike Gapes:** Well, I am pessimistic. I have learned in life and in politics that it is never as easy as you think.

Dr Sanfey: Absolutely. Nevertheless, full catch-up with the average EU living standards will come more quickly than that. I see you have our paper in front of you, which has some calculations. A more realistic catch-up scenario would be in the region of 50 to 60 years, and that is catching up with the average EU standards, which countries such as Poland are still significantly below. Catching up with the likes of Poland, Hungary and so on could come more quickly. Arithmetically, it requires year-on-year growth in this region being—

Q60 **Mike Gapes:** You would need something like the Estonian rate of growth.

Dr Sanfey: That would certainly help, with the kind of rates they had. There is the potential there. At the moment, the conditions are not quite in place. At the moment, we see growth going on at around 3% or 3.5% on average, which is not bad and more, certainly, than in the eurozone, or in the UK for that matter, but there is potential to do even better. It really goes back to the whole question of how we attract investment in this region. How do we boost these levels of investment? Domestically, the sources are not quite in place, so it's also about attracting foreign investment.

Q61 **Chair:** I am going to move to your shareholders, as I know that Russia is one of the largest shareholders of the EBRD. What do you think it gets out of your activities in the Western Balkans? It has, as we know, other interests in the region.

Dr Sanfey: For Russia or any other EBRD shareholder, by being a shareholder of the EBRD you are committed to the bank's broad mandate, which is to promote the transition to well-functioning market economies, to encourage private sector development and entrepreneurship, and also to invest in countries that are committed to democracy and pluralism. Russia, like any other country, will benefit if we are promoting projects there that are advancing those objectives, and I think we are doing that. We are also a profitable institution, so we are not giving grants or soft loans. By and large, we do not lose money; we have a very low rate of non-payment or non-performing loans. Any shareholder will benefit from those.

Russia has interests in the region. It has particular interests in countries such as Serbia and Bosnia and Herzegovina. It will advance those just as any other country will as well, but I don't see Russia in any way being opposed to what the EBRD is doing in this region.

Q62 **Mike Gapes:** You referred to the work you do with the private sector. Can you tell us, apart from the EBRD, what other main international financial institutions, banks and hedge funds are active in the region?

Dr Sanfey: Very active in the region are ourselves, the European Investment Bank, which is very prominent—

Mike Gapes: Which is an EU institution.

Dr Sanfey: Yes, the bank of the European Union, effectively. We often work together with them, especially on some of these bigger infrastructure projects. It is a good partnership in this region and we have complementarities. In particular, we have our presence on the ground, which they often do not have, so we are able to deal with day-to-day issues on the ground.

The World Bank is also very active in the region; that is, the broader World Bank Group, which includes the International Bank for Reconstruction and Development and the International Finance Corporation, which is the private sector wing of the World Bank Group. They are active in this region too and, again, we have collaborated with them on certain projects. There are some smaller multilateral institutions as well that are active, but these would be the main ones in addition to the Commission—the European Union—as an institution. Some donors are very active—the US; Switzerland is very active.

Q63 **Mike Gapes:** Is that USAID?

Dr Sanfey: Yes. Switzerland has a strong interest in this region, and some of the Scandinavian countries are very active as donors.

When it comes to banks, I mentioned earlier that there is quite a large number of banks in the region. Arguably, there are too many banks in some of these countries. We would expect to see—and we are seeing—some consolidation and merging together of some of the smaller banks.

Q64 **Chris Bryant:** Retail banks or commercial banks?

Dr Sanfey: Commercial banks. The banking sector is mostly foreign-owned. There are not many domestically-owned banks and it is mostly foreign-owned banks: Austrian banks, French banks, Italian banks, and there are Greek banks still present in some of the countries. The OTP Bank from Hungary is active in a few of the countries. They are the main providers of finance. When it comes to hedge funds, investment funds and so on, generally there is not much. One of the things we would like to see over time is more investment fund activity, perhaps at a regional level, with funds that choose regional projects that have particular potential.

Q65 **Mike Gapes:** Are there particular obstacles to banks operating in the region?

Dr Sanfey: There are no particular obstacles to setting up a bank. As we have seen, foreign banks came in the late 1990s and the early 2000s when things started to open up there. They saw an opportunity in all six countries: the five ex-Yugoslav countries and Albania. Local banks had often gained a bad reputation, people had lost their money in the 1990s, in the banks or had their deposits frozen. They were not trusted, and foreign banks saw an opportunity and came in at high speed and in big numbers. Some countries over-extended themselves. We have recently been dealing with the problem of the slowdown. There was the crisis in 2008-09, and the subsequent slowdown left a lot of these loans not performing. That is a problem that has taken some time to address. But it has not been difficult for banks to set up. What they find difficult now is finding bankable projects, good projects that they can finance, taking into account the risks.

Q66 **Mike Gapes:** Is there a role for financial institutions in London in the region? Given what you said about lack of projects, is it unlikely that there would be a significant area for investment from London?

Dr Sanfey: If economic growth can take off a bit, then the projects will come, and there can be a role. I would see more of a potential in developing some of these very underdeveloped financial sector projects such as insurance, leasing, factoring and so on—these are things that are not much used in the region and where, potentially, UK-based institutions might have a role to play.

Q67 **Mike Gapes:** The UK Government makes a huge contribution to various things listed by you such as the World Bank, the EBRD and the European investment fund and so on. We are big contributors, yet from what you have said our private sector is not there in this region.

Dr Sanfey: It is not in the region very much, no. We would like to see more of it. The UK is a contributor, but it is also a beneficiary; it is benefiting certainly from EBRD investments.

Q68 **Mike Gapes:** Finally, the summit is coming up in July in London. What do you think you would want, and what would other international financial institutions want, to come out of that?

Dr Sanfey: I understand that the agenda is still being developed. There are a lot of topics that could be put on the agenda. What I would like to see, and what I think the EBRD would like to see, would be at least part of the agenda focusing on business environment and investment issues. I would like there to be recognition that this was a key feature of the last Berlin Process summit in Trieste in July last year. An outcome of that summit was the proposal to create a regional economic area and there has been the development since then of a work plan to advance that objective.

There have been some advances in thinking about what needs to be done to remove trade barriers, create a single investment space and so on. We at the EBRD are not just about investing in projects, but about working on policies that can advance these objectives through our investment climate and governance initiative and others. It is key for us that we can help to create a single investment space and a good investment environment for investors to come. I would hope that these issues would feature somewhere on the agenda and that it is not just about issues such as security or migration, which are important, of course, but only part of the picture.

Q69 **Mike Gapes:** From what you have said, there is clearly a long way to go before you can create the kind of economically integrated region where that would be successful. Are we still at base camp, or are we in the foothills—or are we moving somewhere else on this?

Dr Sanfey: I think we are somewhere halfway up.

Q70 **Mike Gapes:** That is, given the politics in the region and the disputes about the name of one country or the actual international status of another country in the region.

Dr Sanfey: These are long-running issues. The name issue for Macedonia will hopefully have some resolution soon, although we will see.

Mike Gapes: We have been told that.

Chris Bryant: They resolved it for the Eurovision song contest—FYROM.

Q71 **Chair:** Indeed, and I hear there is a new name coming any day now.

Dr Sanfey: Let's see. I really don't think we are at base camp. We are well along this process. I personally have been covering the region for more than two decades and the EBRD has been active since the early '90s. We have really seen a lot of progress, but there is still a lot more to be done.

Chair: I thank you very much for your insights, Dr Sanfey. This has been extremely useful. We are very grateful for your time.