

STATEMENT BY THE GOVERNOR OF THE
UNITED STATES OF AMERICA

President Kaberuka,
Ministers,
Ladies and Gentlemen

I am honored to represent the United States at this 44th Annual Meeting of the African Development Bank.

On behalf of Secretary Geithner, I would like to thank the people and Government of Senegal for their warm hospitality in hosting this important meeting in this historic city of Dakar. I would also like to recognize President Kaberuka and his staff for all their hard work in preparing for these meetings.

This is a crucial period for Africa. Over the past decade, many African countries have taken the lead in pursuing sound macroeconomic policies, greater transparency, and more openness to foreign investment, all of which have laid the foundations for vibrant economies that delivered high rates of broad-based, sustainable growth and made major inroads on poverty reduction.

Now the global economic crisis, coming on the heels of last year's exceptionally high food and fuel prices, has put many of these gains at risk. Growth will deteriorate dramatically in many African countries, fiscal revenues are likely to decrease, and private capital flows – which had been a key part of the recent growth acceleration – will slow as investors become more cautious. Many governments are struggling to finance immediate needs such as protecting the most vulnerable segments of their populations as well as longer-term priorities such as infrastructure projects that will determine the future growth potential of their countries. Without a rapid and robust recovery in the global economy and additional financial support, there is a risk that economies will stagnate.

The question before us now is how we will react to this economic challenge. We believe that there is a need for coordinated, global response with three main elements: sustained commitment to support economic activity through appropriate monetary and fiscal policy measures; actions to stabilize and repair our financial system and restore the credit that businesses and consumers depend on; and support from donors and the international financial institutions to help developing countries mitigate the impact of the crisis. We recognize that the final element is of particular importance to many African countries that did not cause the crisis and may have limited domestic resources to respond to the crisis.

On this point, the United States will remain a strong partner to African countries and the African Development Bank. The Administration is committed to meeting its pledge at Gleneagles to double official development assistance to sub-Saharan Africa by 2010. U.S. ODA was \$7.8 billion in 2008, putting us close to our goal of \$8.7 billion by 2010. At the recent G20 Leaders Summit in London, President Obama pledged to work with our Congress to provide nearly half a billion dollars in immediate assistance to vulnerable populations and double support for agricultural development to more than 1 billion dollars in 2010, so that we can give people the tools they need to lift themselves out of poverty.

It is also imperative to strengthen our international financial institutions, ensuring that they are able to use existing and additional resources expeditiously to help developing countries mitigate the impact of the global financial crisis. We support the steps taken to date by the IMF and World Bank to provide additional resources to the poorest countries, and we applaud the Bank's decision to front-load ADF commitments and restructure existing country portfolios. We welcome the establishment of the Trade Finance Initiative and the partnership with the IFC to support trade flows and bolster domestic financial sectors.

This institution has made significant capacity gains under President Kaberuka's leadership. The Bank has wisely narrowed its strategic vision to focus on core issues—such as closing the continent's infrastructure gap and supporting the private sector – that fit its comparative advantage and reflect its borrowing members' development priorities. In this vein, we strongly support the Bank's expanding work on leveraging private investment to help meet the continent's huge infrastructure needs. The U.S. Treasury is particularly pleased to work with the Bank and the Infrastructure Consortium for Africa to strengthen the dialogue between African Governments, private project developers and development finance institutions to attract private investment into Africa's power sector.

The Bank has also committed to strong internal governance and transparency through the adoption and initial implementation of strategies for human resources reform, IT, communications, risk management, business continuity, and improved procurement rules, among others. These reforms, which have strengthened this institution, should remain priorities even during this crisis.

We look forward to participating actively in the upcoming capital adequacy review of the Bank. The review presents an opportunity to ensure that the Bank has an appropriate level of resources and the capacity to manage them prudently and effectively deliver results. Let me reiterate the priority areas that Secretary Geithner has stated must underpin reviews of the MDBs:

- *A commitment to good governance, which is essential to institutional effectiveness.* We look forward to further progress increasing transparency, including improved information disclosure and full implementation of internal controls.
- *An appropriate division of labor between the international financial institutions, both in more normal economic circumstance and in times of crisis.* We support the agenda President Kaberuka has set for the Bank to focus its resources on infrastructure, governance and private sector development.
- *Managing results.* We commend the adoption of results metrics for the Bank's operations and encourage Management to continue progress in ensuring that incentives structures reward outcomes rather than lending volumes.
- *Sufficient focus on the poorest countries.* We expect to see greater demonstration of the Bank's commitment through higher net income transfers to ADF countries. The review of the Bank's resources must also take into account resources availability for the ADF.
- *Demonstrated flexibility in its balance sheets to address the crisis, and an ability to leverage both public and private finance.* We understand the Bank's commitment to

safeguarding its AAA rating but encourage management to engage directly with the ratings agencies to determine whether there is additional room to expand the AfDB's balance sheet.

Finally, we expect the Bank to produce a cogent and defensible demand analysis, differentiating between crisis demand and likely post-crisis demand. The analysis should identify how lending will be consistent with the Bank's comparative advantage.

Colleagues, the African Development Bank's resources and expertise are needed now more than ever. The United States pledges its ongoing support to President Kaberuka, the Bank, and the region as they confront the immediate challenges of the financial crisis and pursue long-term development objectives.