

STATEMENT BY MR. CARLO MONTICELLI
ALTERNATE GOVERNOR FOR ITALY

Mr Chairman,
Mr President,
Fellow Governors,
Ladies and Gentlemen

First of all, let me thank the Senegalese authorities for their warm hospitality.

We meet today in the middle of the most severe global financial and economic crisis in decades. The global downturn, which initiated in advanced countries, has now spread to developing and transition countries.

Africa is not immune to the contagion. Quite the contrary, in difficult times, less developed countries are the ones that suffer most and, within them, the poorest and most vulnerable parts of population are hit hardest. For several countries in Africa, moreover, this crisis immediately follows other two disasters: the 2007-2008 food and fuel crises, which had devastating effects on poverty.

The World Bank estimates that, as a result of the current crisis, in 2009 the number of people below the poverty line is bound to increase by at least 50 million, possibly by twice as much. And most of them in Sub-Saharan Africa.

The recent advances in the fight against poverty and in progress towards Millennium Development Goals, which took years of hard work to achieve, risk being wiped out by the crisis in few months.

The international community has risen to the challenge, responding to the crisis with unprecedented unity and a clear commitment to avoid the tragic mistakes of the past: myopic insulation and protectionism.

Leaders from both advanced and emerging countries convened and decided to act together. Exceptional policy actions have been taken in the financial, monetary and fiscal fields. The firm commitment to ensure adequate support to cope with the emergency confronting poor countries was, from the very beginning, part and parcel of the joint response to the crisis.

Against this background, Italy has strongly endorsed the call on Multilateral Development Banks to substantially increase their activity as a key element in the strategy to contrast the effects of the financial crisis on developing and poor countries.

MDBs should review their existing instruments and constraints on capital utilization for a full use of their balance sheets. The urgent objective is to maximise the development impact of their activity in the effort to offset the drastic contraction in private capital flows, including remittances. Accordingly, Italy has appreciated and strongly supported the African Development Bank's initiatives aimed at delivering counter-cyclical help, such as the "Emergency Liquidity Facility" and the "Trade Finance Initiative".

Indeed, we commend the Bank's intensified efforts to expand the volume of operations in these troubled times. At the same time I feel my duty as a shareholder is to remind Management that the Bank's contribution to contrast the crisis must not come at the cost of lowering the guard in two crucial respects: first, the pursuit of good governance - capacity building, particularly in low income and fragile countries, is paramount to achieve sustainable development; second, the strict adherence to the soundest financial practices. No emergency can provide excuses to derogate from the high standards that the Bank has set for itself in these two fields. I am sure that President Kaberuka, together with the whole staff, will ensure that this is the case.

In difficult times like the current ones, setting strategic priorities is even more important than usual. I thus want to flag *one* field that the Italian government regards as absolutely crucial for Africa and has set at the forefront of the development agenda of its presidency of the G8 in 2009: food security.

The recent food crisis had a devastating impact on the living conditions of the poorest countries in Africa. The emergency response was rapid and generous, including by the Bank, through the prompt approval of the "Africa Food Crisis Response". But now that food prices have fallen, that crisis risks being forgotten. On the contrary, this is just the time for action to prevent future crisis. Emergency plans have now to be complemented by a broader strategy aimed at raising agricultural productivity.

To generate lasting and widespread productivity gains, as well as to maximize the impact on poverty, a special focus on small-scale farmers is required. For this reason we strongly encourage the Bank to elaborate and finance, possibly in association with other international agencies, initiatives directed to improve market access for smallholder farmers in poor countries.

Before concluding, I wish to stress that Italy remains deeply committed to the Bank and stands ready to assess its needs for additional resources. Resources are scarce, now more than ever, and must be employed to maximize their development effect. Therefore, the evaluation of the need for additional resources must take place within the framework of a comprehensive strategy ensuring that i) administrative inefficiencies hindering the use of existing resources are removed; and that ii) a clearer division of labour between ADB and other institutions is set out, so as to avoid inefficiencies and costly duplications.

Finally, I would like to express my heartfelt thanks to President Kaberuka, whose vision and leadership makes the ADB a true "force of the good" in the fight against poverty and disease. And we all know how much Africa needs it.

Thank you for your attention.