

**Speech of Carlo Monticelli,**

**Alternate Governor for Italy**

*(AfDB/ADF 2011 Annual Meetings, Lisbon 9-10 June 2011)*

Mr Chairman, President Kaberuka, Fellow Governors, Ladies and Gentlemen. I wish to join colleagues in thanking the people and Government of Portugal for their warm hospitality.

Since last annual meeting in Abidjan, historical events in North Africa and critical political developments in Ivory Coast have posed difficult challenges to the Bank. Once again the Bank has shown its capacity to respond quickly: it has been ready to ensure the continuity of its operations, while safeguarding its staff and their families.

We look forward to increasing involvement of the Bank, in cooperation with other stakeholders, to support Tunisia and Egypt in line with the Action Plan presented in Deauville a few days ago. The Bank has an important role to play in helping the interim governments to manage the difficult transition process and we intend to support lending proposals to help promote growth, reduce inequality and create new opportunities for youth employment.

At the same time we expect that increased support could be offered once the new elected governments will be in place. The Bank should also stand ready to provide assistance to Libya, including for capacity building, when the situation stabilizes.

After the completion of the sixth general capital increase (GCI VI) and the replenishment of the African Development Fund (ADF XII), the Bank has been equipped with important financial resources but it has also been mandated to

implement an ambitious agenda of reforms. These should help the Bank to be more effective in its role as a primary financial institution to support African member countries in their efforts to achieve sustainable development and social progress.

We welcome the results that have been already achieved in some areas, but urge the Bank to accelerate progress where the pace of the reforms has not be in line with expectations. At the same time we stress the need to preserve cost-effectiveness and monitor the cost implications of reform decisions with attention and continuity.

We are aware that completing the ambitious agenda of reform defined in the GCI matrix is a complex task. We are sure however that under the leadership of President Kaberuka, with the support of the Board of Directors and wide consultation within the Bank, it will be possible to accomplish this endeavor. Full ownership at all Bank levels is essential to ensure that the reforms, once approved, are fully implemented.

We consider that four areas in this process of reform are particularly important:

- First: decentralization. If effective, it should improve the Banks capacity to respond to the needs of its regional members and to be a key player in the dialogue with Governments and development partners.
- Second: results. We support further strengthening of a widely shared culture of results at all levels within the Bank.
- Third: Risk management. We endorse the effort to redefine the Bank's risk appetite, capital adequacy and income model, in order to enhance the role of the Bank as a development institution while maintaining strong safeguards

of its integrity and preserving its long-term financial sustainability without the need to use callable capital or ask for another GCI.

- Finally: Human Resources Management. In order to enhance the retention capacity of professional staff, thus avoiding excessive vacancy and attrition rates, appropriate actions should be taken.

Through the GCI VI and the ADF resources the Bank has now adequate resources to address the immediate needs of its Middle Income Countries and Low Income Countries members as well as to strengthen its role in fragile states and post-conflict countries. However, though substantially increased, the available resources are still insufficient to meet the demand of regional member countries. Strong selectivity is required in identifying priorities and framing them in a strategic context.

The medium and long term strategy should remain focused and well anchored on sectors where the AfDB has a comparative advantage. We think that the pillars identified in 2008 remain relevant: infrastructure, private sector development, governance and high level education. We can also add the need to foster regional integration. In particular with reference to the private sector development the implementation of the strategy should be instrumental to foster an environment conducive to private investments. This is an essential underpinning for economic development, sustainable job creation and concrete progress in poverty reduction.

We appreciate the effort that the Bank has already made to support the private sector. Something, however, is still missing. Focus does not seem on the need to private sector per se, but on the role that private sector could play in complementing infrastructure financing, directly or through PPPs. We think that a

new strategy is needed where private sector is central and infrastructure (as well as governance, education and training, and regional integrations) are instrumental to reduce the costs and the risks of doing business.

There are success stories among African countries: “Emerging Africa’s Renaissance”; “Lions on the Move”. Reasons for hope are different but there are common factors: macroeconomic stability, good governance and a lively private sector are the underpinnings of the success.

At the other extreme, there are countries that are lagging behind. For them is at risk the possibility of reaching most of the Millennium Development Goals. These are countries where institutions are fragile, economic infrastructures weak and private sector is limited and informal.

The African Development Bank should continue to offer its support, helping the success countries consolidate their achievements, and sustaining the others in their efforts to strengthen institutions, increase transparency and accountability, improve infrastructure and enhance skills.

The future of African countries is in their hands. No development institution can replace their vitality, determination and good governance. The Bank can be a key support, backing governments in removing obstacles and addressing market failures that hamper private initiatives, prevent inclusive growth and social progress and undermine prospects for sustainable development.

Mr President we would like to reiterate Italy’s support to the Bank and to you personally. We are ready to stand by the Bank to help fulfill its mandate.