

U.S. DEPARTMENT OF THE TREASURY

Press Center



Statement by Deputy Assistant Secretary Scott Morris, Temporary Alternate Governor for the United States

6/9/2011

African Development Bank Annual Meeting

June 9-10, 2011

President Kaberuka, Ministers, distinguished guests, ladies and gentlemen, it is a pleasure to present the Governor's statement for the United States at this 46th Annual Meeting of the African Development Bank. The United States thanks our Portuguese hosts for their warm hospitality and we recognize African Development Bank staff for their hard work during the year and in preparing these meetings.

The past year has been a particularly eventful one for the African continent, and one in which the importance of the African Development Bank to the countries of the region has been demonstrated time and again. The Bank helped to sustain the continent's emergence from the global financial crisis by supporting sound macroeconomic policies and providing timely assistance alongside other development partners. Events in recent months in North Africa, Sudan, and Cote d'Ivoire have presented the Bank with extraordinary challenges and opportunities. Though the circumstances differ in each of these countries, the task for the Bank is to support short term economic stability while helping to promote the conditions for sustained and more inclusive growth over time.

The historic changes in Tunisia and Egypt underscore the need for policies and governance structures that channel the benefits of growth to all citizens, rather than concentrating wealth in the hands of elites, as well as the need to support private sector-led job creation. The United States stands ready to deepen our work with Africa to help meet these needs. We will do so by working with the AfDB, the countries of the region, other development partners, the private sector, and civil society at this critical time.

We will also continue to look to the Bank to help address development priorities across Africa, ranging from investment in regional infrastructure to food security and climate change adaptation and mitigation. In support of the AfDB's efforts to address these issues more effectively, we also look forward to the continued implementation of the Bank's robust institutional agenda.

North Africa

Through an enduring commitment to economic inclusion, transparency and reform, Egypt and Tunisia can become cornerstones of a more prosperous and equitable North Africa. As President Obama emphasized in May, "successful democratic transitions depend upon an expansion of growth and broad-based prosperity." Alongside the World Bank, the African Development Bank is playing a leadership role among the multilateral development banks in support of this process.

In this context:

- We offer strong support for the Joint Action Plan of the multilateral development banks, with the African Development Bank and other MDBs focusing on areas of comparative advantage and coordinating closely in their support of home-grown policies and reform agendas.
- We support the prompt action taken by the African Development Bank, in close cooperation with other international financial institutions, to support Tunisia's economic governance reforms. We look forward to similar, tightly coordinated assistance for Egypt. These contributions will help to address economic and financial stabilization, improve governance, and respond to society's demands for measures to improve living conditions.
- We encourage the African Development Bank to deepen its efforts to promote programs aimed at strengthening voice and political accountability in North Africa.
- We welcome the African Development Bank's role in supporting private sector oriented growth strategies in North Africa that will promote job creation and economic inclusion, particularly for youth and women.

Fragile and Post-Conflict States

The intensive efforts in support of South Sudan's independence as well as the tumultuous events surrounding Cote D'Ivoire's elections highlight the challenges for the AfDB in working in fragile and post-conflict states. The Fragile States Facility is an important financing instrument in these situations, and, more generally, the AfDB's role as a convener, interlocutor, and source of expert advice points to the critical value of the institution in helping to work through the many challenges presented in these countries. The Bank's work in South Sudan and Cote D'Ivoire will be particularly important in the months ahead as new governments seek to transition successfully to greater growth and development.

- As South Sudan prepares for independence next month, the AfDB has provided material support for the transition to a new sovereign state. We urge the Bank to move forward quickly with membership for South Sudan. The Bank should continue to step up its engagement with the new country through dialogue, capacity building and other support pending completion of the membership process.
- The United States Government looks forward to the peaceful and durable completion of the Comprehensive Peace Agreement commitments, including on South Sudan's secession and Abyei, plus reforms on the ground in Darfur. We are concerned about recent developments in Abyei and call on the leaders of the North and South to resolve the issue peacefully, expeditiously and through mutual agreement. We remain committed to the continuing economic viability of both the North and the South. The North will face substantial economic challenges when the South becomes independent. It will be important for all donors to help support economic growth that will underpin prosperity in both countries.
- In Cote d'Ivoire, we welcome the recent inauguration of President Ouattara and applaud his commitment to provide security and advance the aspirations of all Ivoirians. We appreciate the leadership role that the AfDB seeks to play in Cote d'Ivoire and commend staff and Management for their hard work over the past weeks to develop a program to restore basic services, so that Ivoirians across the country can benefit materially from the country's return to peace and stability. Going forward, we encourage the Bank to work with the Ivoirian authorities to strengthen transparency in public finances and to help the country achieve the higher potential growth that peace and stability can underpin.

AfDB institutional Issues

As part of the 6th general capital increase and the replenishment of the African Development Fund last year, the AfDB adopted a landmark package of reforms that will improve operational policies and help to ensure sound finances in the years ahead. Given the scope and ambition of these policy commitments, we would like to recognize the important progress that has already been made and highlight the work that lies ahead in key areas.

- As Management begins drafting a long-term strategy, we encourage them to focus on the promotion of inclusive growth and development through selective focus on infrastructure, governance, private sector development, and higher education and training. In addition, the Bank should mainstream private sector development across all operations and ensure that attention to governance goes beyond providing budget support. We support maintaining regional integration, climate change, food security, and gender equality as key cross-cutting themes that the four areas of strategic focus should address.
- The United States will continue to work closely with the AfDB in support of regional integration initiatives, in particular to help address priorities in regional infrastructure. We note the progress being made by Africa's regional economic communities, in particular the East African Community, in pursuing regional integration. We encourage them to continue focusing their attention and resources on the infrastructure priorities that are the core of their integration strategies. We welcome the Bank's progress in developing regional integration strategy papers, including the development of regional integration scorecards that will help to prioritize regional operations. We look forward to moving more quickly toward implementation in partnership with regional member countries and other regional actors.
- We welcome the Bank's adoption of a comprehensive income model. It will provide a cohesive framework to lock in transfers to the concessional window. It will also promote financial sustainability through coordinated decisions on reserve accumulation, lending levels, loan pricing, and the administrative budget.
- We fully support the Bank's efforts to strengthen risk management, including establishment of a credit committee and repositioning of the risk oversight function. The Bank's more explicit definition of its "risk appetite" recognizes the difficult trade-offs involved in supporting select private sector investments in risky low-income and fragile economies, while also sustaining its capital base into the future.
- The new Bank-wide Results Framework is an important step in consolidating the Bank's quality and results agenda, and we commend management on its expeditious work in meeting this GCI-related commitment. In these difficult budgetary times, annual reporting on results will be an important means for assessing whether development finance provided through the Bank is producing "value for money."
- The Bank is currently taking public comments on its draft Disclosure Policy. We welcome the policy's shift to a presumption of disclosure and a negative list. Most important, however, will be the shift in practice by Bank staff so that posting of project and policy documents on the Bank's web site becomes routine. Similarly, we look forward to the full implementation of the Multilateral Development Bank Cross-Debarment Agreement, including publication of debarred individuals and firms.
- In the coming months, the Bank will be finalizing its Energy Policy, Energy Strategy and a series of guidance notes to make them operational. The United States would like to see expanded energy access and assistance in achieving a low-carbon growth path. In cases where coal resources present the most viable option for expanding access, we expect the promotion of best available technology and tangible commitments to offset emissions. In all cases, there should be rigorous adherence to an updated set of environmental and social safeguard policies.
- The Bank is also working on a new policy to guide its use of Program-Based Loans (PBLs). PBLs should be used selectively, mainly in countries with strong fiduciary controls and with greater attention to measuring their development impact. PBLs should not be presented to the Board absent an agreed International Monetary Fund program or assessment letter documenting a sound macroeconomic framework, particularly for fragile countries.

Finally, we would like to emphasize the importance we place on providing the Bank with a firm medium-term planning horizon so that it can more effectively pursue its mission across the continent. Medium-term stability is essential to the Bank's ability to recruit and retain talented staff. For this reason, we strongly support the proposed multi-year extension of the temporary relocation agency in Tunis. A stable planning horizon is particularly important now, as we prepare to invest significant new resources in the Bank to support an expansion of its sovereign and private sector lending activities.

Thank you.