Luigi Federico Signorini: Africa growth and opportunity - Research in Action conference

Speech by Mr Luigi Federico Signorini, Senior Deputy Governor of the Bank of Italy, at the Research in Action conference, organised by the Bank of Italy, the Italian Ministry of Economy and Finance and the World Bank Group, Palermo, 3 November 2025.

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Ladies and gentlemen,

It is a pleasure to open this conference, organised jointly by the Bank of Italy, the Italian Ministry of Economy and Finance and the World Bank Group, and devoted to discussing Africa's development and the role of international cooperation in fostering it.

By 2050, one person in four will be African.[1] By 2030, half of all new entrants to the world's labour force will come from Sub-Saharan Africa.[2] This demographic transformation is both an immense opportunity and a major responsibility. It can become a powerful engine of growth, if supported by education, infrastructure, and sound institutions. International cooperation remains an important part of the strategy needed to achieve this goal.

The effectiveness and impact of all available resources and investments should be maximised. Increasing budget pressure on official development assistance around the world makes this even more necessary. Action-oriented research, such as the Conference title suggests, is therefore important. Let me mention here that the Bank of Italy welcomed and supported the recent expansion of the World Bank Group's Rome Hub. Its enhanced mandate will cover research, capacity building and operations, with a special focus on Africa. Its success hinges on close collaboration with African authorities and cultural institutions. Today's conference will present the first, valuable results of this project, and discuss the way ahead.

In recent decades, several African countries have grown considerably, yet most economies remain well below the global average in terms of GDP per capita.[3] The potential for innovation and entrepreneurship in the continent is supported by rapid urbanisation, digital adoption, and a growing middle class;[4] at the same time, structural challenges persist. Challenges and opportunities need the interaction of farsighted policy action at the global and at the local level.

Let me focus on four aspects.

First, infrastructure. Africa needs investment in physical infrastructure for energy and transport, as well as in infrastructure supporting digital connectivity, human capital and finance. Good infrastructure improves productivity, fosters innovation, and supports trade, both within the continent and with other regions. Investing in people is also vital, as technological progress offers great opportunities, but only a well-educated and adaptable workforce can seize them.

Investment requires a flow of internal and external capital. Whatever their origin, capital flows are enhanced by a stable macroeconomic environment and by strong, transparent institutions that protect investors' rights and foster an efficient use of resources. This is necessary both for attracting international private capital and for mobilising domestic resources. Developing local financial markets should be a policy goal, wherever feasible. Domestic and international investment, if successful, will reinforce each other.

International cooperation, both bilateral and multilateral, remains critical for much infrastructural investment. It provides resources for growth-oriented investment in cases when private returns are too low or uncertain. It offers technical assistance where required. Less obviously, but no less importantly, it can mitigate the uncertainties and information asymmetries that often affect private investment in developing economies, making it scarcer, more costly and more volatile than it could otherwise be. By leading by example, disseminating information, promoting transparency and good governance, and showing concrete results on the field, multilateral development banks - first and foremost the World Bank Group - can make a difference. They also play a key role in enhancing human capital: the Bank of Italy is proud to be contributing to this line of action through our partnerships with the World Bank, the African Development Bank, and European education and research institutions.

My second point concerns trade. For decades, trade has been one of the strongest drivers of economic growth. It stimulates productivity and fosters innovation. Together with improved infrastructure, trade can contribute to diversifying Africa's economies and increase their role in high value-added segments of the global value chains. WTO Director-General Okonjo-Iweala will surely touch on these topics during the Mattei Lecture she is due to deliver to this audience tomorrow.

Prospects for global trade are today, regrettably, more uncertain than they have been for a long time. In the current context, marked by fragmentation and tensions, enhancing trade ties within Africa and between Africa and other regions is a priority. The African Continental Free Trade Area (AfCFTA) is a step toward continental integration. Italy and Europe are open. The EU's Global Gateway, as well as the G7 Partnership for global infrastructure and investment, will contribute to Africa's development strategies and to the continent's green and digital transformation.

Italy has devoted special attention to African countries, notably with the Mattei plan, now in its implementation stage; Minister Giorgetti has just taken the opportunity to explain the Italian government's actions and priorities in this field.

My third point is about debt. Rising debt-to-GDP ratios and a shrinking fiscal space are not just an African issue these days. In Africa, however several countries have reached a crippling level of external debt.

Addressing external debt vulnerabilities is urgently needed. It is not a question of who is to blame: whether investors' recklessness, exogenous global financial-market oscillations, or bad use of borrowed money. Whatever the reason, where debt is unsustainable, it must be restructured; as a market-economy principle, this is true of countries no less than of companies. For countries, however, an unbearable debt burden not only constrains public investment and discourages private capital: it can undermine people's livelihoods and endanger social stability and peace.

The framework for sovereign debt restructuring, never straightforward, has become even more complex, also in connection to changing patterns in the international creditor community. Progress has recently been made, and most ongoing cases have by now moved toward completion; but the process remains too slow and uncertain.

In extreme cases, debt forgiveness is a moral obligation. More generally, however, debt restructuring is an unavoidable fact of economic life. The pain it inflicts on both debtors and creditors can be mitigated by a predictable and fair approach to debt resolution. Further improving debt restructuring processes, including under the G20 Common Framework, is needed; achieving it requires, in turn, earnest multilateral cooperation. An efficient arrangement should be crafted in a way that strives to prevent repeated defaults - through well-designed contracts and institutional arrangements - so that the resources released are used efficiently, and, looking ahead, capital can confidently flow to where it is needed, at a moderate price.

My final point concerns payments. This issue is part of central banks' own responsibilities, and it is crucially important for millions of households and small companies.

Remittances are a special concern for developing countries, and Africa in particular. Remittance flows to developing countries reached $700 billion in 2024, exceeding FDIs and official aid combined.[5] The flows of remittances from Africans working abroad are a major source of external finance for the continent. They provide stability to families and communities and support consumption and investment.

Remittances are also an important financial link between Italy and Africa: in 2024, recorded flows from migrant workers in Italy to their African families amounted to 2 billion euro.[6]

People wishing to transfer money to and from developing countries often face high costs and long execution times. This happens mainly because of fragmented infrastructure, limited competition and lack of regulatory alignment. The cost of sending money to Africa remains the highest in the world, averaging around nine percent for Sub-Saharan Africa. It is particularly high for intra-African remittances, exceeding thirty percent for some corridors.[7]

Improving cross-border payments, including through linking local fast payment systems, can make transfers faster, cheaper, and safer. The experience of the Bank of Italy-World Bank initiative in the Western Balkans, currently underway, is showing the value of cooperation in this area. Similar approaches could be extended to African partners. We stand ready to help.

Ladies and Gentlemen,

In the past few decades, globalisation and market-oriented reforms have lifted millions out of poverty in many areas of the world. Strong and open institutions, robust partnerships, as well as enhanced flows of trade, finance and ideas, can offer enormous opportunities to improve the economic well-being of many more millions. Now it is Africa's turn. The continent's immense human, natural and entrepreneurial resources can and should be unlocked.

I have not discussed so far, but I feel compelled to mention before closing my remarks, that, in several African countries, civil wars and internal strife are still causing enormous human and social suffering. These conflicts remain a major source of economic stagnation, institutional fragility, and stalled reform processes, with severe negative spillovers on neighbouring countries. We can only hope - and work to ensure - that these conflicts soon find a peaceful resolution, while sustained economic and social progress may, in time, help make such tragedies less likely to occur again.

Despite all the difficulties, multilateral institutions remain a key factor. They need to reform and become more targeted, focused and efficient. At the same time, as global tensions, and - sadly - armed conflicts, have increased, well-designed international and regional partnerships hold significant promise for creating further effective channels for development. In developing countries, a stable macroeconomy, open and accountable institutions and the prevalence of the rule of law can help mobilise resources, from private investors, donors and official sources alike. The fact that many developing countries have weathered the latest financial storms much better than previous ones has proved that reforms pay.

For international cooperation to happen, mutual understanding - across geographical and cultural differences - is the starting point. Let me conclude by making a brief reference to the building where our meeting is taking place. The *Palazzo dei Normanni* was built more than a thousand years ago, over even older fortifications, as the residence of the rulers of the island of Sicily; it is, to this day, the seat of the legislative assembly of this autonomous region. In the first half of the 13th century, it was inhabited by Frederick II, King of Sicily as well as King of Germany, King of Italy and Holy Roman Emperor. He was known as *stupor mundi*, the wonder of the world, for his outstanding political and cultural achievements. He spoke many languages and was curious about many fields of knowledge. As King of Sicily, he took pride in being open to the many traditions he found in this melting pot of an island (Sicilian and Italian, German, Norman, Greek, Latin, Arab, Jewish). Largely thanks to his encouragement and openness, Sicily became a cradle for the rebirth of European culture after the Dark Ages.

Frederick II showed that mutual understanding between cultures - across faiths, languages and seas - is not a weakness but a strength. Eight centuries ago, he fostered dialogue between the northern and southern shores of the Mediterranean Sea - that is, between Europe and Africa -, proving that wisdom knows no borders.

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[1] African Union (2023). Continental Report: African Agenda 2063 and the Global Context - Final. Addis Ababa: African Union. Available at this link.

[2] International Monetary Fund. *Regional Economic Outlook: Sub-Saharan Africa - Jobs Note. Washington*, DC: IMF, October 2024, p. 1. Available at this link.

[3] World Bank. 21st-Century Africa: Governance and Growth.

[4] https://www.ifc.org/en/insights-reports/2024/digital-opportunities-in-african-businesses.

[5] World Bank, World Development Indicators; IMF, *Balance of Payments Statistics*.

[6] Banca d'Italia, *Foreign workers' remittances* statistical data.

[7] World Bank, *Remittance Prices Worldwide* database (data as of 2025 Q1).