U.S. Position

Infrastructure Finance Public-Private Partnerships (IFPPP) Project – World Bank

November 15, 2012

The United States believes that a stable, predictable and transparent investment environment along with a strong pipeline of finance-worthy projects will go a long way toward incentivizing the private market to invest in Kenya's infrastructure. This project appropriately emphasizes institutional and regulatory reform along with the preparation of bankable projects as critical steps to develop Kenya's infrastructure. The United States also supports the components of the project that focus on developing Kenya's capital markets and capacity to manage fiscal commitment and contingent liability risk.

The IFPPP project structure as a two-phase Adaptable Program Loan (APL) balances the reform component with the objective to develop a viable project pipeline. This effectively aligns incentives to attract private capital to bankable deals. The United States welcomes the Bank's strategic decision to refrain from generating a large IDA commitment to finance projects before triggers for APL-2 – including the enabling environment and pipeline readiness – are satisfied. In this respect, the United States sees that the Bank is taking into account the lessons of prior efforts in the infrastructure space that we believe can make a big difference in the project's prospects for success. *While the IFPPP will focus on projects that are targeting the private market, the United States welcomes staff comments on how the Bank's emphasis on institutional and project readiness in Kenya may inform the Bank's strategy for developing infrastructure in other IDA countries.*

The passage of the PPP Law – one of the triggers for APL-2 – will signal to investors that Kenya is committed to the reform effort underlying the IFPPP project. The United States welcomes the legal and institutional reforms that Kenya already has undertaken to facilitate the development of a pipeline of bankable projects. In addition, the United States underscores the importance of open, internationally competitive and transparent bidding as a means to ensure that the public secures the best deal possible. The United States also appreciates the government's efforts to date to win passage of the PPP Law. The current Parliamentary session that ends in January is the ideal opportunity to pass this legislation and provide momentum to the IFPPP project.

The United States notes the potential for Phase 2 of this APL to provide seed financing for the development of projects that are likely to include Category A investments. The United States understands the rationale for structuring the APL in this way, as it provides a good linkage between the institutional and pipeline development goals of APL-1 and the project development and financing goals of APL-2. However, the United States is concerned about the use of a multi-phase APL to finance Category A infrastructure projects, given that the second phase may not come for Board review under standard procedures. In this respect, the United States welcomes the Bank's assurance that Category A projects to receive financing under APL-2 will receive full ESIAs and have significant disclosure periods, and that the PAD for APL-2 will be circulated to the Board on an absence of objection basis. These procedures ensure the United States' ability to exercise review of the environmental and social impacts of all projects to receive World Bank financing. In addition, the United States welcomes the assurance that because large infrastructure projects are likely to require additional Bank funding beyond the relatively minor amounts available under APL-2, such projects would be submitted separately for Board approval.