

## **U.S. Position on an AfDB Equity Investment in Africa50**

April 23, 2014

Africa50 is an ambitious undertaking that holds the potential for meeting critical infrastructure needs in the region. The United States would like to thank President Kaberuka for his vision and leadership and note its appreciation of the responsiveness of the African Development Bank's (AfDB) management to U.S. questions and feedback over the past year.

The time is ripe for a major push for infrastructure investment in Africa. Sub-Saharan Africa is the world's fastest growing region but growth potential remains significantly constrained by the lack of infrastructure. As African leaders across the continent note, this persistent deficit threatens to hold back their countries' social and economic gains. Indeed, the challenges posed by the dearth of infrastructure led President Obama to launch the Power Africa initiative in 2013, and the United States greatly values the African Development Bank's role as a vital partner in this initiative.

Africa's infrastructure financing gap is staggering. An estimated \$38 billion of investment per year is needed and a further \$37 billion per year is required when taking into account the often neglected but vital maintenance costs for existing infrastructure. This brings the overall annual financing need to \$75 billion a year – more than ten percent of Africa's total GDP. While Africa is an increasingly appealing destination for private capital, a number of barriers continue to deter investors. These include information asymmetries, high risk perception, a dearth of bankable projects and, all too often, the absence of strong legal and regulatory frameworks that are conducive to private investment. Ideally, Africa50 will help address these challenges which go beyond a financing gap. In that vein, the United States particularly welcomes the project preparation business line and its focus on preparing and delivering bankable infrastructure projects.

Though the United States supports the objectives of Africa50, the United States has had concerns with key components of its design and operations, especially with regards to its financing structure and the application of African Development Bank safeguard and procurement standards. The United States thanks Bank management for working closely with us to address these concerns, especially in recent days. In particular, the United States welcomes assurances that equity investments will be phased in and that AfDB financing for both the business development and planning components will be contingent on leveraging other sources of capital on a 4:1 basis. That said, the United States would have preferred more certainty with respect to possible sources of other capital, the country of incorporation and the project pipeline. With respect to the pipeline, the United States urges management to prioritize projects with strong development impact, including in renewable energy and regional transportation.

On safeguards, the United States is very pleased that AfDB safeguards will be applied to all Africa50 projects. This commitment greatly increases U.S. confidence in the potential for Africa50 to support vital infrastructure needs while protecting the region's environment and vulnerable populations through? with the long-term perspective of sustainable and equitable development.

The United States is disappointed that the AfDB's procurement standards will not apply to all projects, though the U.S. presumes they will apply in the event there is AfDB co-financing. The U.S. would appreciate management's clarification on this point.

Finally, the United States wishes to be recorded as abstaining due to legislative mandates and the uncertainty regarding the procurement standards.