

U.S. Position on the AfDB's Investment in the Nacala Rail and Port Project

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While the United States recognizes the benefits of this operation, including upgrading infrastructure to support industrial activity in this region and helping move agricultural products to market, and the value that the African Development Bank (AfDB) affords this project as a private sector deal in support of stronger regional integration, the United States has serious concerns with the presentation and disclosure for this project.

The disclosed environmental and social impact assessments (ESIAs) lack a *comprehensive* analysis of the environmental and social risks associated with the project. The ESIAs fell short on discussing potential impacts, the risk of associated facilities, cumulative impacts, and the resettlement process for households.

On impacts, the ESIAs raise the potential impacts on protected areas and species, but note a lack of biodiversity data and omitted a discussion of specific mitigating measures for biodiversity impacts. The railway ESIA suggests that no major rivers are crossed, but that the mine and railway are adjacent to major rivers in Mozambique and the associated line in Malawi crosses the Shire River. Despite this, the ESIA does not assess potential impacts of water use or contamination. The impact assessment for the port notes that endangered marine species are in the area of influence but provides insufficient detail on baseline conditions or impacts.

On associated facilities, the ESIA for the associated mine suggests that the proposed rail and port components are part of a larger integrated mining-power generation-transportation project. The United States would therefore expect to see more discussion of the power generation facilities, quarries for ballast and concrete, and work camps. But these issues were not presented.

On cumulative impacts, AfDB identified the risk of increased illegal transport and trade of wildlife and natural resources, and the United States commends the proposal to establish hotlines for anonymous reporting. However, despite the multinational character, the geographic extent, and the clear intent to provide a basis for future extractive industries, the documents do not assess the cumulative impacts of water use or habitat fragmentation.

On resettlement, the United States urges that the AfDB closely monitor the resettlement process. Over 12,000 households are expected to be affected by the combined port and rail project. The environmental and social due diligence (ESDD) detailed where some of the weaknesses were with regard to the resettlement process, but the United States was disappointed to not find any publicly disclosed resettlement analysis from the AfDB. This only amplifies the United States' concern that the local community may not have enough information on how the resettlement process will be handled. .

The United States strongly urges the AfDB to follow the example of the other multilateral development banks (MDBs), by ensuring ESIAs are easily accessible on the public website. This will help ensure that affected communities are adequately informed about projects that could have a significant adverse impact on the environment or people. In addition to facilitating environmental and social due diligence, it would reinforce AfDB's commitment to transparency in its operations.

Finally, on financing, the United States is concerned that the project failed to clearly explain what the AfDB funds are adding as the construction of the rail and port is nearly complete. Is the funding being used to simply fill a financing gap? If this is the case what is the value added beyond low cost financing?

While the United States is supportive of the project's efforts to build infrastructure in this region, the United States abstains on this project in line with the domestic legislation on environmental and social disclosure and content requirements.