

## PPIAF Assistance in Kenya

Since 2000 PPIAF has funded 23 activities in Kenya worth \$5.8 million. Five of these activities were funded under the Sub-National Technical Assistance (SNTA) window.

### Technical Assistance in Support of Private Participation in Infrastructure in Kenya

**Two overarching multi-sector activities have been instrumental in guiding or supporting other sector-specific work.** A high-level conference on private participation in infrastructure held in May 2003 provided an opportunity to familiarize target groups and the general public with the concept of private participation in infrastructure. A new government came into power in 2003, and a key component of its program for national development was to restore investment in Kenya's water, roads, transport, communications, and energy infrastructure as quickly as possible. The new government sought PPIAF support for this high-level conference to help build consensus among the key players of the infrastructure sectors on the necessary policy initiatives and reforms required to increase private sector participation in infrastructure in Kenya. The conference was attended by 180 participants drawn from the government, public authorities, private companies, and donors. The conference was intended to identify the opportunities and challenges for private sector participation in infrastructure in Kenya; to discuss private sector participation options available to infrastructure sectors; and to help build consensus on the way forward. The government has since implemented many reforms to facilitate transactions and public-private partnerships (PPPs) in rail and power.

While there are some high profile "mega project" PPPs in progress (e.g., the rail concession and Independent Power Producers in the energy sector that date back several years), most segments of the Kenyan government have little experience with PPPs. Moreover, financial support to PPPs from the sovereign government (e.g., revenue guarantees) has been ad hoc. To meet the country's ambitious goals, the government has recognized the need to improve the investment climate in Kenya for PPPs and the ability of all governmental agencies to prepare, procure, and implement quality PPPs more efficiently and consistently. The second multi-sector activity supported by PPIAF provided advice on the development of a PPP strategic implementation framework, which would create an environment conducive for investment in PPPs. This supported the development of a legal, regulatory, and institutional framework for PPPs in Kenya, and led to the government issuing detailed PPP Guidelines as well as setting up a PPP unit in March 2010.

Thereafter the government has taken several important steps toward establishing a comprehensive PPP framework, housed by the Ministry of Finance. In particular, the PPP Regulations of 2009 established the PPP Steering Committee, a cabinet-level body chaired by the Permanent Secretary Finance, and the PPP Secretariat, envisioned to be the technical body of the Steering Committee and headed by a PPP Director who reports to the Permanent Secretary Finance as chair of the Steering Committee.

In addition to these two critical multi-sector activities, a third one was funded in 2007 to help the Nairobi Central Business District Association hold a broad-based dialogue with the private sector to discuss how PPPs can contribute to Kenya's long-term economic development plan Vision 2030. More than 150 participants from the private sector and government attended the workshop in February 2007. A large number of participants from the private and public sectors as well as from the civil society participated to learn about the concept of PPPs and how such partnerships can help improve and expand infrastructure services.

In February 2011 the Ministry of Finance requested PPIAF funding to support the PPP Secretariat by: i) providing the requisite advice and support in fulfillment of its mandate to assist ministries, departments, and government agencies in identifying and developing PPP projects; and ii) helping contracting authorities review the work of PPP transaction advisors. The support so far has included PPP capacity building to various agencies and the identification of PPP projects. The PPP unit has also been supported with reviews of the draft PPP bill, now pending parliament approval as well as advisory support.

The first phase of support has drawn to a close, and the PPP unit requested an additional PPIAF grant in August 2012 to finalize: developing finance regulations, training to lead government agencies, advising on new hiring by the PPP unit, and following up and mentoring on the first two pilot transactions.

### **Results of PPIAF's Activities in Kenya in Support of Private Participation in Infrastructure**

<b>Category</b>	<b>Outputs</b>
<b>Enabling environment reform</b>	
<i>Policies prepared or legal or regulatory changes recommended</i>	<ul style="list-style-type: none"> <li>• Draft policy framework to articulate the government's commitment to PPPs and provide a policy basis for the PPP Legal Framework and a foundation for PPP Institutional Framework</li> <li>• Establishing a PPP Program—Institutional Framework for Kenya, April 23, 2012</li> <li>• Comments on Draft PPP Bill approved by Cabinet in November 2011 and to be submitted to Parliament in December 2012, April 2012</li> <li>• Review of PPP Legal Framework in Kenya, April 2012</li> </ul>
<i>Analyses/assessments prepared</i>	<ul style="list-style-type: none"> <li>• PPP Unit Vision, Mission, and Role, April 2012</li> </ul>
<i>Plans/strategies prepared</i>	<ul style="list-style-type: none"> <li>• Kenya PPP Pipeline, April 2012</li> <li>• Procurement documents and terms of reference for PPP advisors, August 2012</li> </ul>
<b>Capacity and awareness building</b>	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> <li>• High-level conference to build consensus among key players of infrastructure sectors on the necessary policy initiatives and reforms required to help increase private sector participation in infrastructure in Kenya, May 15, 2003</li> <li>• Nairobi Central Business District Association PPP Forum, February 2007</li> </ul>

<b>Category</b>	<b>Outcomes</b>
<b>Enabling environment reform</b>	
<i>Policies adopted, legislation passed/amended, or regulations issued/revised</i>	<ul style="list-style-type: none"> <li>• The Government of Kenya issued detailed PPP Guidelines in 2009</li> </ul>
<i>Plans/strategies adopted or implemented</i>	<ul style="list-style-type: none"> <li>• An advisor was hired to support the government by providing advice and support to the PPP Secretariat on the management of the PPP Unit's coordination with government agencies and line ministries for project development, PPP information dissemination, training, and capacity building</li> </ul>
<i>Institutions created or strengthened</i>	<ul style="list-style-type: none"> <li>• A PPP Unit was set up at the ministry of Finance in March 2010</li> <li>• PPP Unit capacity enhanced through advisory support, 2012</li> </ul>
<b>Capacity and awareness building</b>	
<i>Consensus achieved</i>	<ul style="list-style-type: none"> <li>• Improved understanding of Nairobi Central Business District Association forum participants of how PPPs work</li> </ul>

## Technical Assistance for Kenya's Energy Sector

Kenya's long-term economic development plan, known as Vision 2030, recognizes that infrastructure, and in particular a reliable power supply, is vital in sparking economic growth. The level and intensity of commercial energy use in a country is a key indicator of the degree of economic growth and development. The challenges facing the power sector in Kenya include weak transmission and distribution infrastructure, high cost of power, low per capita power consumption, and low countrywide electricity access. Through the early 2000s, the lack of reliable energy supply in the country lowered the annual sale revenues of Kenyan firms by approximately 7% and reduced Kenya's annual GDP growth by about 1.5%. Electricity access in Kenya is still extremely low in comparison to that of peer economies. Kenya's countrywide rate of household access to electricity is about 20%, far below that of other African countries with similar per capita income levels.

PPIAF's support to Kenya energy sector reforms came via three technical assistance activities from 2001–2005, which aimed to restructure, and eventually introduce private sector participation in the Kenyan power sector. The first and most important activity in 2001 was a large grant to carry out a comprehensive study to determine an optimal market structure for the power sector, one conducive to greater competition involving the private sector. The study evaluated various private sector participation options for both the generating company, Kenya Electricity General Company (KenGen) and the distribution company, Kenya Power and Lighting Company (KPLC). The study also recommended short- and medium-term measures that include internally restructuring KPLC and putting the power utilities on a recovery path partly by strengthening corporate governance—particularly that of KPLC. A stakeholder workshop was held in Nairobi, Kenya in June 2004 to discuss the recommendations of the study, and consensus was subsequently reached to implement the un-bundling of the power sector and privatization of public utilities.

PPIAF provided a second grant to the Kenyan government in 2002 to help design and sponsor a forum in February 2004 for key stakeholders and development partners to discuss the government's draft national energy policy paper, exchange ideas, and agree on the reforms needed to overcome obstacles limiting the exploitation of existing opportunities by either the public or private sectors. The resulting national policy paper outlining energy sector reforms reflected many of the recommendations of the 2001 PPIAF-funded study, including PPP opportunities, led to the adoption by Cabinet of its new energy policy in 2004.

As part of the sector restructuring, the government took on measures to improve KPLC's operational and financial management as well as prepare the company for privatization through a performance-based management contract. PPIAF provided a third grant in 2005 to help the government engage the services of a transaction advisor to prepare a performance management contract for KPLC and help select a preferred management service provider.

This led to the successful competitive tender and award of a two-year performance management contract to Manitoba Hydro in May 2006. Manitoba Hydro began operation of KPLC in June 2006. The management contract led to gains on the distribution side in a number of areas including connectivity, overall business culture, and corporate performance: increase of new customer connections from 67,000 to 120,000 in the first year, followed by a further 25% increase to 150,000 connections in the second year. Also, system losses reduced significantly from 19.6% to 17.6% by June 30, 2007, and voltage fluctuations were reduced by 130.2%. Furthermore, KPLC customers expressed widespread satisfaction with improvements in customer management practices. The contract lasted two years, but the government followed it with a commercialized management structure involving many of the same international experts who led the team under the original management contract.

PPIAF's support to the energy sector also led to the 2006 KenGen initial public offering (IPO), which involved the sale of 659.51 million shares to 245,000 shareholders. The proceeds of the sale, the largest

IPO in Kenyan history at \$109 million, helped diversify power generation sources and limit the need for overall power price increases.

KenGen’s public infrastructure bond issue, sold in 2009, is another major sector reform achievement triggered by PPIAF’s work beginning in 2001. The bond issue, sold without backing by national government guarantees, was oversubscribed by about 70%, bringing in a massive \$335 million in proceeds. The sale of the 10-year bonds will help fast track the utility’s power generation projects, which include the installation of an additional 1,500 MW of desperately needed generating capacity by 2012.

Expansion and diversification of electricity supply remains key to realizing Kenya’s Vision 2030, which aims to transform Kenya into a middle-income country by 2030.

### **Support to Kenya’s Geothermal Development Company**

The Geothermal Development Company was established by the Government of Kenya in 2008 to accelerate geothermal exploration, exploitation, and development in Kenya. It is a wholly Government-owned corporation with a mandate to: promote rapid development of geothermal resources in the country; avail steam to power plant developers for electricity generation; manage the geothermal reservoirs to ensure constant supply of steam for power generation; and promote alternative uses of geothermal resources other than electricity generation. The Geothermal Development Company was looking to enhance its creditworthiness to be able to be able to access finance to invest in geothermal field development in Kenya.

In September 2011 PPIAF assistance was requested, through its SNTA program, to conduct a quick diagnostic of the financial situation and administration of the Geothermal Development Company to identify the key areas of weaknesses to be addressed. The overall aim was to help the Geothermal Development Company increase its creditworthiness and access commercial finance. The resulting diagnostic identified key areas to improve the Geothermal Development Company’s financial creditworthiness and enhance its access to finance from various sources.

The study carried out a review of the financial, operating, governance, and control systems of the Geothermal Development Company to assess its suitability in terms of obtaining finance from mainstream and alternative financing sources. It also identified bottlenecks in the funds flow process as well as internal issues that may limit the capacity for the Geothermal Development Company to implement its planned programs and offered recommendations for addressing them.

### **Results of PPIAF’s Activities in Kenya’s Energy Sector**

Category	Outputs
<b>Enabling environment reform</b>	
<i>Analyses/assessments prepared</i>	<ul style="list-style-type: none"> <li>• Detailed market design study, and recommendations concerning the structure and ownership of the Kenya power market and regulatory regime required to implement the structural and ownership reforms and improve sector efficiency</li> <li>• A Financial Review of the Geothermal Development Company Ltd, July 2012</li> </ul>

<b>Capacity and awareness building</b>	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> <li>• Workshop that provided a forum for all stakeholders to deliberate on energy sector reforms and highlighted key issues including the reforms needed and any obstacles inhibiting the realization of existing opportunities, 2004</li> <li>• Forum on the energy sector held in February 2004 where all the critical stakeholders and interested development partners as well as energy experts deliberated on the government's draft national energy policy paper, exchanged ideas, and confirmed the key issues including the reforms needed and any obstacles inhibiting the exploitation of existing opportunities either by the public or private sector</li> </ul>

<b>Category</b>	<b>Outcomes</b>
<b>Enabling environment reform</b>	
<i>Plans/strategies adopted or implemented</i>	<ul style="list-style-type: none"> <li>• Strategy for the restructuring and privatization of Kenya's power sector completed following a comparison of options and consensus building among key stakeholder, 2004</li> </ul>
<i>Policies adopted, legislation passed/amended, or regulations issued/revised</i>	<ul style="list-style-type: none"> <li>• A policy paper outlining energy sector reforms, including PPP opportunities, was finalized and approved by Cabinet, 2004</li> </ul>
<b>Project cycle-related assistance</b>	
<i>Transactions facilitated or supported</i>	<ul style="list-style-type: none"> <li>• PPIAF transaction support led to the signing of a performance management contract for Kenya's electricity distribution company, Kenya Power and Lighting Company (KPLC) in May 2006</li> </ul>

<b>Category</b>	<b>Impacts</b>
<i>Increased number of people with infrastructure services</i>	<ul style="list-style-type: none"> <li>• Under the two-year management contract, KPLC experienced an increase of new customer connections from 67,000 to 120,000 in the first year, followed by a further 25% increase to 150,000 connections in the second year</li> </ul>
<i>Additional private investment in the sector</i>	<ul style="list-style-type: none"> <li>• The KenGen IPO in 2006 generated \$109 million</li> <li>• KenGen followed the IPO with the nation's first public infrastructure bond offer, generating proceeds of \$335 million to be used to expand the utility's generating capacity</li> </ul>
<i>Improved level of service</i>	<ul style="list-style-type: none"> <li>• Under the KPLC management contract, system losses were reduced significantly from 19.6% to 17.6% by June 30, 2007, and voltage fluctuations were reduced by 130.2%</li> </ul>

### **Technical Assistance for Kenya's Water Sector**

Kenya's water sector was doing poorly in the 1990s with 40% to 70% unaccounted for water and only 25% of consumers properly metered. It is against this background that the Government of Kenya requested PPIAF support beginning 2000 for studies targeting three cities—Nairobi, Mombasa, and

Kisumu—looking at developing strategies for private participation in water supply and sewerage in the cities, and building consensus on preferred options that would expand services to the poor. After wide consultations, various private sector participation arrangements were suggested for the three cities. These recommendations were not implemented at the time, and the government opted to corporatize the utilities instead. When a new government came into office in January 2003, a review of all water- and sewerage-related proposals and activities was carried out, and a new Water Act (2002) gazetted under the previous government was adopted for implementation. PPIAF then supported a training workshop in 2004 for members of the newly established Water Services Regulatory Board (under the new Water Act) on issues and challenges facing private participation in the water sector. As a result of the workshop, the nascent regulatory board was strengthened.

In 2005 PPIAF financed a study to better understand the challenges faced by Kenyan community-based organizations (CBOs) as they tried to secure market-based financing for small water operations in peri-urban areas. The study investigated ways of combining capacity building, output-based donor subsidies, and private sector financing to help CBOs expand and improve their water delivery operations.

In particular, the study found that CBOs in Kenya lacked the technical and managerial capacity to plan investment projects and make compelling loan applications to prospective lenders. Micro-lenders, on the other hand, had little understanding of the water sector, little interest in project finance loans (with loans secured only by the anticipated revenues from the facilities to be built or improved), and were unfamiliar with project credit analysis. In collaboration with the Water and Sanitation Program (WSP) and the Global Partnership on Output-Based Aid (GPOBA), the study helped facilitate market-based infrastructure finance for 10 CBO water providers—valued at K Shs 80 million (\$1.0 million) under the pilot project—in rural and peri-urban areas of Kenya. The operating and financial performances of the ten projects have improved significantly since they were financed under the program, with 36,000 consumers being served as of November 2010.

In order to build on the success of the earlier grant, PPIAF—through its SNTA program—approved a second activity in 2008 to help the Kenyan government establish a Project Development Facility to help a much larger group of CBOs prepare capital development plans and apply for investment loans from local micro-finance institutions led by K-Rep Bank. To support the development of a pipeline of viable community projects that could access financing under the program, the Project Development Facility was established at the Water Services Trust Fund. Thirty-five (35) communities received project development grants from the facility to hire a specialized operator to prepare feasibility studies, business plans, and loan applications on their behalf. The program encouraged these operators to build human resources and technical capacity to serve community-based water providers and to plan to operate the community-based water providers as private operators under management contracts in the post-implementation phase. As of April 2013, K-Rep Bank has approved loans of K Shs 220 million (US\$2.56 million) to 25 new projects out of the 35 with investments totaling K Shs 310 million (US\$3.6 million). The communities made up for the difference by investing K Shs 90 million. Total population served is 306,153. Additional output-based aid for the scaled-up project was provided by the European Union's Water Facility. The Project Development Facility closed in September 2010.

Experience in Kenya's water sector in raising funds from domestic and regional banks as well as from financial sector institutions is limited. To explore options to raise such funds, the Government requested PPIAF support in 2009 for a study of financial transaction options in Kenya. The objective was to assist in developing a wide range of activities to support market finance debt transactions in the Kenyan water utility sector and contribute to the conclusion of transactions for both medium- and large-scale providers, providing key inputs to support innovative debt transactions. A draft credit analysis of four water companies (Embu Water & Sanitation Company Limited (EWASCO), Malindi Water & Sewerage Company Limited (MAWASCO), Nakuru Water and Sanitation Services Company (NAWASSCO), and Kericho Water and Sanitation Company (KEWASCO)) was completed. The analysis found that all four utilities are creditworthy. Draft due diligence on a potential private sector borrowing was also completed. Discussions are ongoing with potential lenders.

In early 2011 PPIAF supported a study on PPP options for the management and development of irrigation infrastructure. Two stakeholder workshops were held in October 2010 and February 2012 to discuss the recommendations of the resulting PPP Options for Irrigation Development and Management report. The activity helped create awareness among stakeholders about different options and modalities for PPPs in irrigation infrastructure management and development, assessing the necessary actions for creating an appropriate enabling environment for PPPs in the sector, and developed three pilot PPP transaction models. Discussions with government regarding follow-up support to the three identified PPP pilots are ongoing.

### **Results of PPIAF's Activities in Kenya's Water Sector**

Category	Outputs
<b>Enabling environment reform</b>	
<i>Analyses/assessments prepared</i>	<ul style="list-style-type: none"> <li>• A series of assessment tools for lenders to use in providing market-based financing for small water projects as well as business and financial planning tools to help small water operators' present bankable projects to prospective lenders, 2006</li> <li>• Project Development Facility Manager Operating Manual, 2009</li> <li>• Debt Capacity Analysis and Evaluation of Available Funding Options for Nairobi City Water and Sewerage Company Limited, September 2010</li> <li>• Detailed Company and Project Analysis and Information Memorandum for Embu Water &amp; Sanitation Company Limited, Malindi Water &amp; Sewerage Company Limited, Nakuru Water and Sanitation Services Company, and Kericho Water and Sanitation Company, September 2010</li> <li>• PPP Options for Irrigation Development and Management in Kenya, April 2012</li> </ul>
<i>Plans/strategies prepared</i>	<ul style="list-style-type: none"> <li>• Private Sector Participation Options for Water and Sanitation Services in Kisumu, September 2003</li> <li>• A Study of Options for Private Sector Participation in the Water and Sanitation Services of Nairobi—Report on the Preferred Private Sector Participation Solution, June 2002</li> <li>• Review of Options for Private Sector Participation in the Provision of Water Supply and Sewerage Services in Mombasa and the Coastal Region (Kenya)—Final Report on the Preferred Option, December 2002</li> </ul>
<b>Project cycle-related assistance</b>	
<i>Transaction support</i>	<ul style="list-style-type: none"> <li>• Thirty-five communities received project development grants from the facility to hire a specialized operator to prepare feasibility studies, business plans, and loan applications on their behalf, June 2009-September 2010</li> </ul>

<b>Capacity and awareness building</b>	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> <li>• Workshop for members of the newly established Water Services Regulatory Board (WSRB) on issues and challenges facing private participation in the water sector, February 2004</li> <li>• Stakeholder workshop to improve the understanding of what support services to water providers look for, and what the market for support services currently looks like, October 31, 2005</li> <li>• Two stakeholder workshops to discuss the recommendations of the PPP Options for Irrigation Development and Management report, October 2010 and February 2012</li> </ul>

<b>Category</b>	<b>Outcomes</b>
<b>Enabling environment reform</b>	
<i>Institutions created or strengthened</i>	<ul style="list-style-type: none"> <li>• Water Services Regulatory Board strengthened, February 2004</li> <li>• Project Development Facility established, June 2009</li> <li>• Nairobi City Water and Sewerage Company Limited strengthened, 2011</li> <li>• Embu Water &amp; Sanitation Company Limited, Malindi Water &amp; Sewerage Company Limited, Nakuru Water and Sanitation Services Company, and Kericho Water and Sanitation Company strengthened, 2011</li> </ul>
<b>Project cycle-related assistance</b>	
<i>Transactions facilitated or supported</i>	<ul style="list-style-type: none"> <li>• 10 CBOs accessed a total of K Shs 80 million (\$1.0 million) in financing, 2006–2011 (under pilot project)</li> <li>• K-Rep Bank approved loans of K Shs 220 million (US\$2.56 million) to 25 CBO water projects</li> </ul>
<b>Capacity and awareness building</b>	
<i>Technical capacity enhanced</i>	<ul style="list-style-type: none"> <li>• CBOs able to present bankable water projects to prospective lenders, 2005</li> </ul>

<b>Category</b>	<b>Impacts</b>
<i>Increased number of people with infrastructure services</i>	<ul style="list-style-type: none"> <li>• The 10 CBO water projects are benefitting nearly 36,000 people in rural and peri-urban areas (under pilot project)</li> <li>• Additional 25 CBO benefitting 306,153 people under the second phase of the Project Development Facility</li> </ul>

### **Technical Assistance for Kenya's Transport Sector**

In 2000 PPIAF funding was sought by the Government of Kenya to hire a consultant to assess the economic potential of road concessions and help develop the transactions and regulatory framework necessary for efficient and transparent road concessioning. The main objectives of this activity were to (1) assess the economic and financial potential for the concessioning of main roads in Kenya, (2) assist the government in selecting the most appropriate strategy, and (3) prepare a coherent legal, financial, procurement, and regulatory framework to both encourage private sector interest and safeguard the national economic and social interest. After considering various technical, economic, and financial issues,



it was concluded that road concessioning in Kenya was viable. The PPIAF-funded report recommended a toll concession for the Mombasa–Malaba route and maintenance concessions for an extensive network of paved roads, to be financed by shadow tolls.

In 2003 and as a follow up to the PPIAF conference on private sector participation, the Ministry of Transport and Communication (MOTC) requested PPIAF assistance to institute a study assignment to assist the Kenya Airports Authority (KAA) to develop appropriate airport management private sector participation strategy. The KAA expressed a need to have its management structure for large and small airports reviewed, with the object of involving a greater participation from the private sector. The view was that private sector involvement will support the KAA in keeping up with the increasing demand for airport infrastructure and services. The main problem facing the KAA included a narrow revenue base, which could not support the KAA’s development and recurrent programs; this meant that there were no adequate funds for infrastructure development and provision of other essential services.

A review of the management and operation of KAA airports highlighted various deficiencies and issues in the sub-sector. This was outlined in a private sector participation strategy report that outlined options for the operations and management of Kenya’s airports as well as a road map for implementation. The government approved the proposed strategy on involving the private sector in airport operations, but decided to carry out extensive airport renovations before engaging a private partner. In 2008 the government requested further support from PPIAF through its SNTA program to support KAA in examining commercial finance options for its infrastructure development plans. Specifically, this ongoing assignment will assist management in determining the role which commercial finance can play in the KAA’s debt finance mix generally and in selecting the most suitable form(s) of commercial financing to meet KAA’s current financing requirements.

PPIAF also provided assistance to Kenya’s rail sector. Kenya’s rail corridor is of strategic importance to the region, linking the port of Mombasa to Nairobi and continuing onward into Uganda. Furthermore, it is a key conduit for bulk freight, easing pressure and providing additional capacity along the northern corridor. Owing to deterioration of the infrastructure, freight traffic on the rail corridor has declined to less than 1 million tons per year and handles less than 6% of the cargo passing through the northern corridor that links Kenya, Uganda, Rwanda, Burundi, the Democratic Republic of Congo, parts of Tanzania, southern Sudan, and Ethiopia. Efficiency indicators from the early 2000s show a relatively poor performance.

PPIAF funded a study to review the institutional framework for the sector in 2004. The final report detailed recommendations on the overall regulatory framework and governance issues, and provided reviews of the road, aviation, port, water, energy, and communications sectors as well. The reviews contributed to developing a series of regulatory options and ultimately, a recommendation as to a regulatory policy framework that best meets the regulatory requirements of all sectors. This strategy work led to a joint concession between Uganda and Kenya, which was approved and signed in May 2006. The deal became operational in October 2006. PPIAF work was used to regulate the existing concession.

### **Results of PPIAF’s Activities in Kenya’s Transport Sector**

Category	Outputs
<b>Enabling environment reform</b>	
<i>Analyses/assessments prepared</i>	<ul style="list-style-type: none"> <li>• Kenya Railway Study Report, 2003</li> <li>• Private Sector Participation in Airport Infrastructure and Services in Kenya, 2005</li> <li>• World Bank/Kenya Airports Authority (KAA), Debt Finance Options for KAA, June 2010</li> <li>• Credit Rating Considerations for KAA – Final Rating Advisory Notes, December 2010</li> </ul>

<i>Plans/strategies prepared</i>	<ul style="list-style-type: none"> <li>Road Concession Strategy, 2000</li> </ul>
<i>Policies prepared or legal or regulatory changes recommended</i>	<ul style="list-style-type: none"> <li>Draft law relating to the setting up of an Office of Rail Regulation (ORR), 2004</li> </ul>
<b>Capacity and awareness building</b>	
<i>Workshops/seminars</i>	<ul style="list-style-type: none"> <li>A workshop was held to debrief stakeholders on the recommendations contained within the Private Sector Participation in Airport Infrastructure and Services in Kenya report, March 22, 2005</li> </ul>

<b>Category</b>	<b>Outcomes</b>
<b>Enabling environment reform</b>	
<i>Plans/strategies adopted or implemented</i>	<ul style="list-style-type: none"> <li>Adoption by government of road concessioning strategy 2004</li> <li>The government approved the proposed strategy involving private participation in airport operations, but decided to carry out extensive airport renovations before engaging a private partner, 2005</li> </ul>
<i>Institutions created or strengthened</i>	<ul style="list-style-type: none"> <li>KAA strengthened, December 2010</li> </ul>
<b>Project cycle-related assistance</b>	
<i>Transactions facilitated or supported</i>	<ul style="list-style-type: none"> <li>25-year joint concession for Kenya–Uganda Rail, May 2006</li> <li>The Government of Kenya is developing the Nairobi Urban Toll Road (NTR) primarily via private concession (currently on hold)</li> <li>Two loans of \$93 million from Agence Française de Développement and European Investment Bank to upgrade the Jomo Kenyatta International Airport in Nairobi, June 2010</li> </ul>

<b>Category</b>	<b>Impacts</b>
<i>Additional private investment in the sector</i>	<ul style="list-style-type: none"> <li>Debt financing of \$64 million is to be provided for the Kenya–Uganda Rail</li> </ul>