



Africa Infrastructure Development Association

Fifth Floor, Ebene Esplanade, 24 Bank Street
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MEMO

East Africa Strategic Working Group (SWG)

22 March 2021

Over twenty private infrastructure leaders met for the launch of the AfIDA East Africa Strategic Working Group on 22-March. The majority of the discussion focused on the Kenya power sector, and in particular on the recent move by the Government of Kenya (GoK) to initiate a sweeping review of the sector. The discussion concluded the following points;

1. Infrastructure investment in Kenya remain a market of choice for private investors;
 - a. The country is expected to see a two-doublings of GDP (from \$ 100 billion to \$ 416 billion) over the next twenty years. The economy has been resilient in 2020, and likely to be one of the few African nations to report positive GDP growth for the year.
 - b. The country has a demonstrated track record of policy consistence and implementing frameworks which reflect the needs of private capital.
 - c. Sector reform is well underway with an unbundled energy sector, cost reflective tariffs, and a partially privatized KPLC.
2. Challenges;
 - a. GDP growth in 2020 notwithstanding, public debt and economy are nevertheless expected to be stressed as a result of the 2020 pandemic and the global economic slow-down.
 - b. KPLC has assumed increased levels of debt over the last seven years, including \$2.8 billion for an eight year spend on rapid expansion of rural electrification. While this has increased connections from 3.5 in 2015 – to 7.5 million in 2020, there are increased distribution losses, and decreasing average consumption – 1100 kWh per customer (down from 2100 kWh in 2015).
 - c. There are concerns that the recent Least Cost Development Plan (LCDP) does not appear to tie-up with COD promised to projects, and the approach to assessing Demand-Supply balance is not clear, including the impact of seasonality and evolution of intermittent capacity.

3. Opportunities:

Recognising the above, there was unanimity amongst the group for AfIDA to foster a partnership between Government, Development Partners (eg AfDB, EIB, WBG, IFC, G7) and the Private sector for increased quality and scale-up of infrastructure investment in the region. This would include;



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- a. Promoting evolution in the regulatory environment for;
 - i. risk allocation between public and private sector thought implementation of reverse auctions,
 - ii. protecting operating projects, and assets in construction, or advanced development, against adverse impact of hasty regulatory change – eg take and pay or tariff renegotiation,
 - iii. adopting new technology such as energy storage, and
 - iv. promoting support and clarity for commercial & industrial (C&I), or third party sales to large users, and for expanding the role of off-grid.
 - b. Promoting financial support from GoK, Supra-nationals and partner countries for reaffirming support for KPLC. This is crucial to preserve the early successes of attracting private investment, without a project-by-project Sovereign Guarantee.
 - c. Clarifying on tax policy to decrease investment risk.
 - d. Cross-pollinating positive experience across sectors and countries.
 - e. Promoting local currency finance – from both on-shore holders of assets and capital, and from off-shore issuance eg from enhanced Local Currency Bonds.
 - f. Fostering broader regional development – eg regional power pools and grid development.
 - g. Beyond energy, there is also interest from the group in promoting legislation and effective frameworks for Transport across the region.
 - h. Engagement with a cross section of Government stakeholders, including executive bodies, sector ministries and Ministry of Finance (eg. PPP Unit in Treasury in GoK).
4. The Group, including the registered attendees listed below, will seek to organise around different sub-groups, including the constitution of a Steering Group. Meetings will be held approximately every four-six weeks, or as often as deemed necessary.

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Registered Attendees included

Actis
AllIM
AP Moller Capital
Bowmans Law
CDC
Convergence
CPCS
DBSA
DEG
EIB
Elsowedy
Enel
Gridworks
Herbert Smith Freehills
Infraco Africa
Meridiam
MIGA
Standard Bank
T&D Bank
TCX
Trinity International
SAPP