

Public private partnerships in Kenya



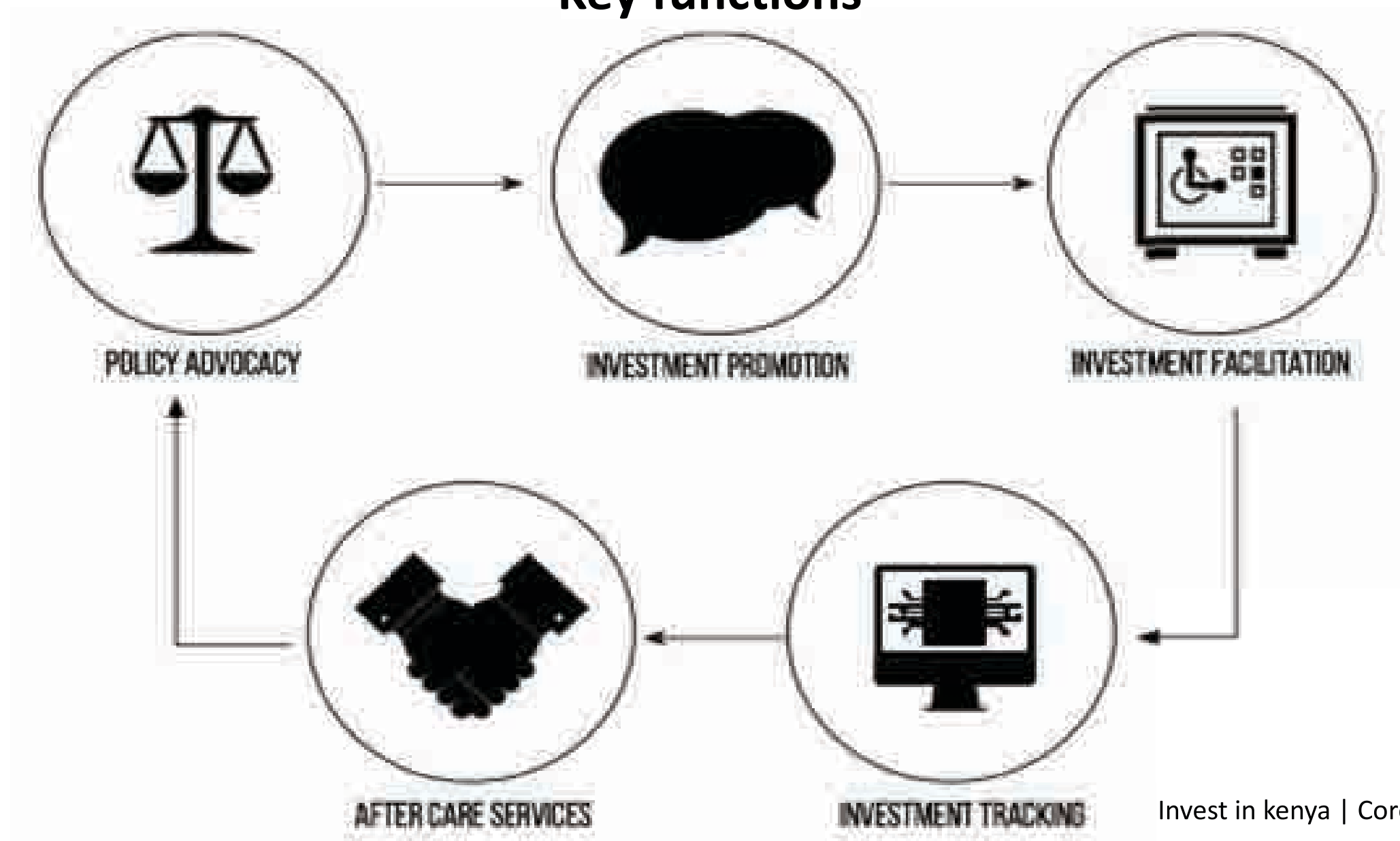
***Kenya Investment Authority,
Arusha , April, 2019***

Kenya Investment Authority (KenInvest)



A Republic of Kenya State Agency under the Ministry of Industry, Trade and Cooperatives established under the Investment Promotion Act No. 6 of 2004, with the mandate of promoting and facilitating investments in Kenya

Key functions



Institutions in Kenya Government ONE-STOP-CENTRE (OSC) at KenInvest



DEPARTMENT OF
IMMIGRATION
SERVICES



Kenya Power



Federation of Kenya Employers



OFFICE OF THE ATTORNEY GENERAL
AND DEPARTMENT OF JUSTICE

Business registration service



KENYA REVENUE
AUTHORITY



EPZA



nema

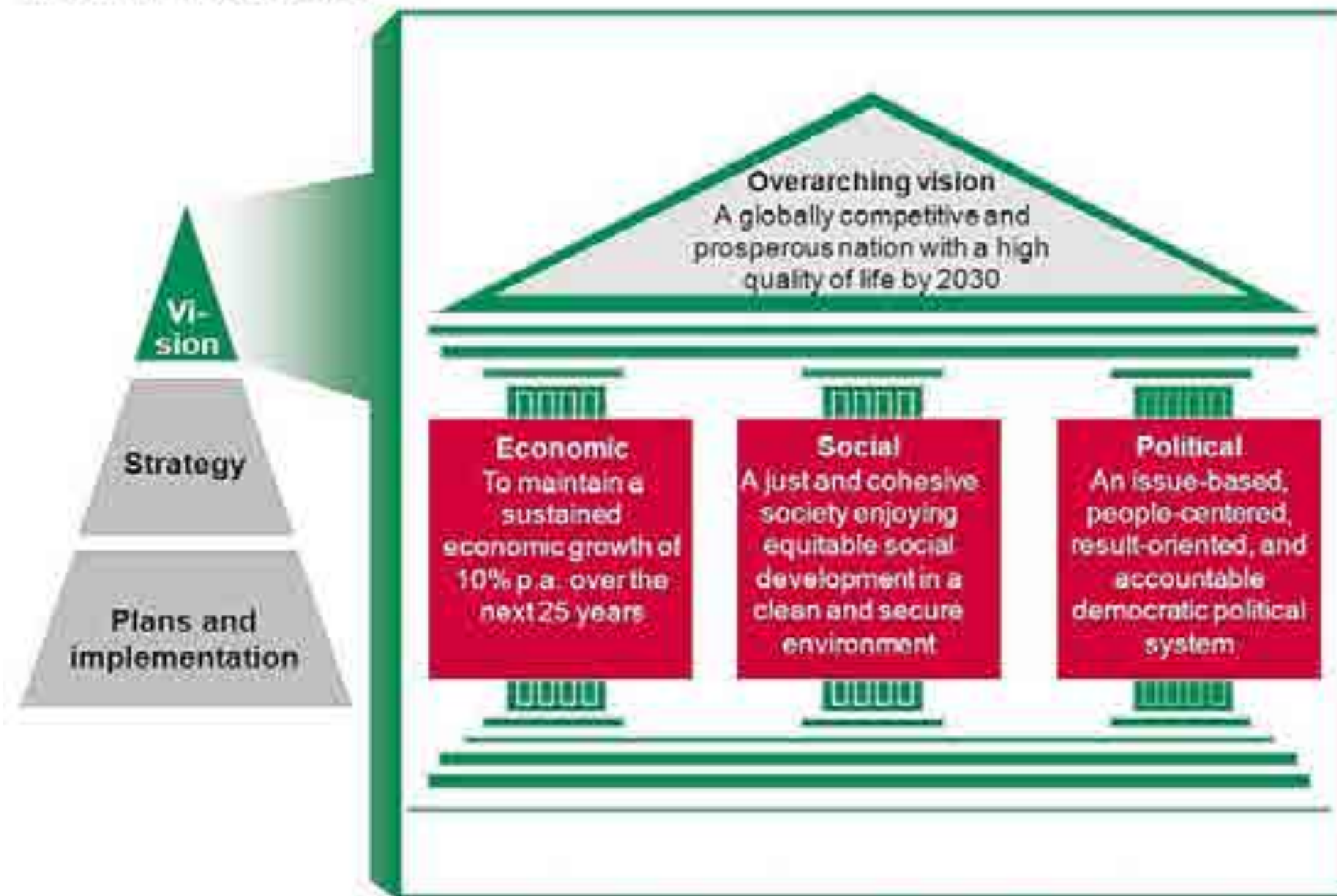
NEMA



The Kenya Vision 2030 aims to transform Kenya into a newly industrializing, middle-income country providing a high quality of life to all its citizens by 2030 in a clean and secure environment. From June, 2008 – End 2030



KENYA VISION 2030

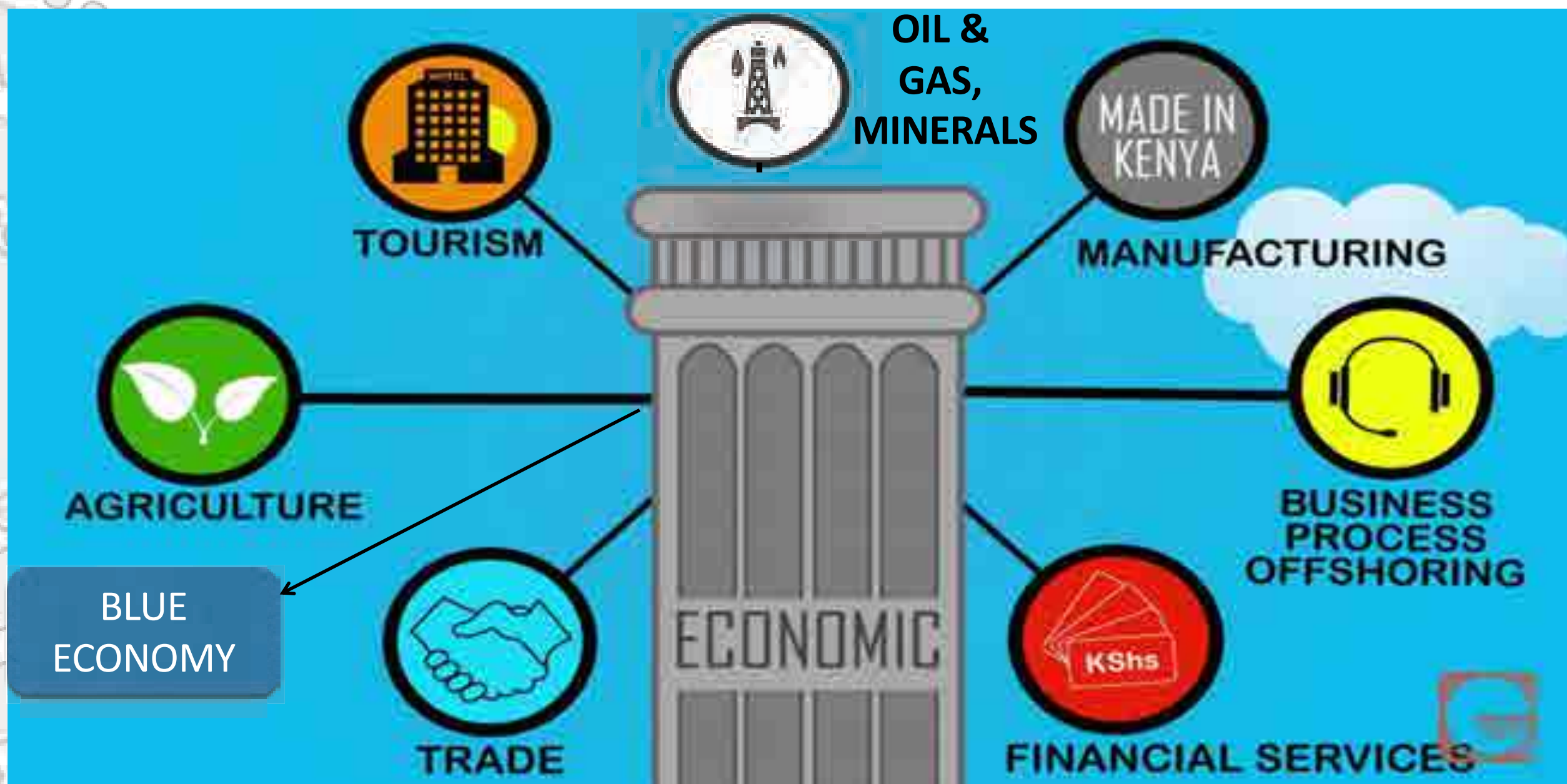


Identified six priority sectors that promised to raise GDP growth rate to 10% in a number of years.

These sectors are;

- Tourism
- Agriculture & Livestock, Wholesale & Retail Trade Manufacturing,
- Financial Services, Business Process Offshoring and IT-Enabled Services.

MACRO & ECONOMIC PILLAR



BIG FOUR ECONOMIC AGENDA



MANUFACTURING

Raising the Share of Manufacturing Sector to GDP to 15 Percent by 2022 by adding \$2-\$3 billion to Kenya's GDP



HEALTH COVERAGE

Providing universal health coverage to guarantee quality and affordable healthcare to all Kenyans by reconfiguring the National Hospital Insurance Fund and reforming the governance of private insurers.



FOOD SECURITY

Enhancing food security and proper nutrition to all Kenyans by 2022 by ensuring self-sufficiency in the production of maize, rice and potatoes among others.



AFFORDABLE AND DECENT HOUSING

Deliver 500,000 housing units in major cities across the country by 2022

“The Big 4 Agenda” – President will dedicate time & Resources in the next 5 Years

“The Big Four will create jobs which will enable our people to meet their basic needs & transform lives from that of hardship and want, to greater comfort & well-being.”
and That is the future our President has seen

1. Food & Nutrition security:

Contributes about 51% to GDP: 26% directly & 25% indirectly. Under the Big 4 - **New & innovative initiatives that will drive 100% food security over the next 5 years**



1.	Focus area: 1 Enhance large scale production	- Place additional 700,000 Acres through PPP (including idle arable land) - Irrigation in food production is an opportunity - Use locally blended fertilizer on a 50/50 basis & implement liming.
2.	Focus area: 2 Drive small holder productivity	- Secure investments through PPP in post-harvest handling (storage/cold storage, aggregation) and market distribution infrastructure to reduce losses - Establish East Africa's Premier food hub, secure investors to construct a Shipyard & increase domestic fishing fleet by 68 Vessels in the Coast.
3.	Focus Area: 3 Reduce Cost of food	Contract farmers for Strategic Food Reserve & other commercial off-takers - Secure investments through PPP in post-harvest handling (storage, cold storage for fish, aggregation) & market distribution infrastructure to reduce losses

2. Affordable Housing



1.	Objective	Facilitate mass housing production of at least 1,000,000 affordable homes in 5 years across the country by working in partnership with relevant private sector & reduce the cost of construction by at least 50% .
2.	Contribution to GDP	To increase Real estate & construction sector GDP contribution from 7% to 14% by 2022
3.	Current Situation	Kenya has a deficit of 250,000 housing units annually. The low cost housing agenda seeks to plug in on the acute shortage of habitable housing units nationally.
4.	Opportunities	Development of affordable housing to cater for the needs of low income Kenyans; Setting up factories for Industrial Building Systems (IBS) for timely delivery of construction materials; Engage in joint ventures with county governments agencies towards delivery of affordable housing
6.	Incentives	15% corporate tax for developers of 100 low cost residential units & above
7	Impact	While targeting to build the 500,000 housing units, create 350,000 jobs

3. Manufacturing Sector

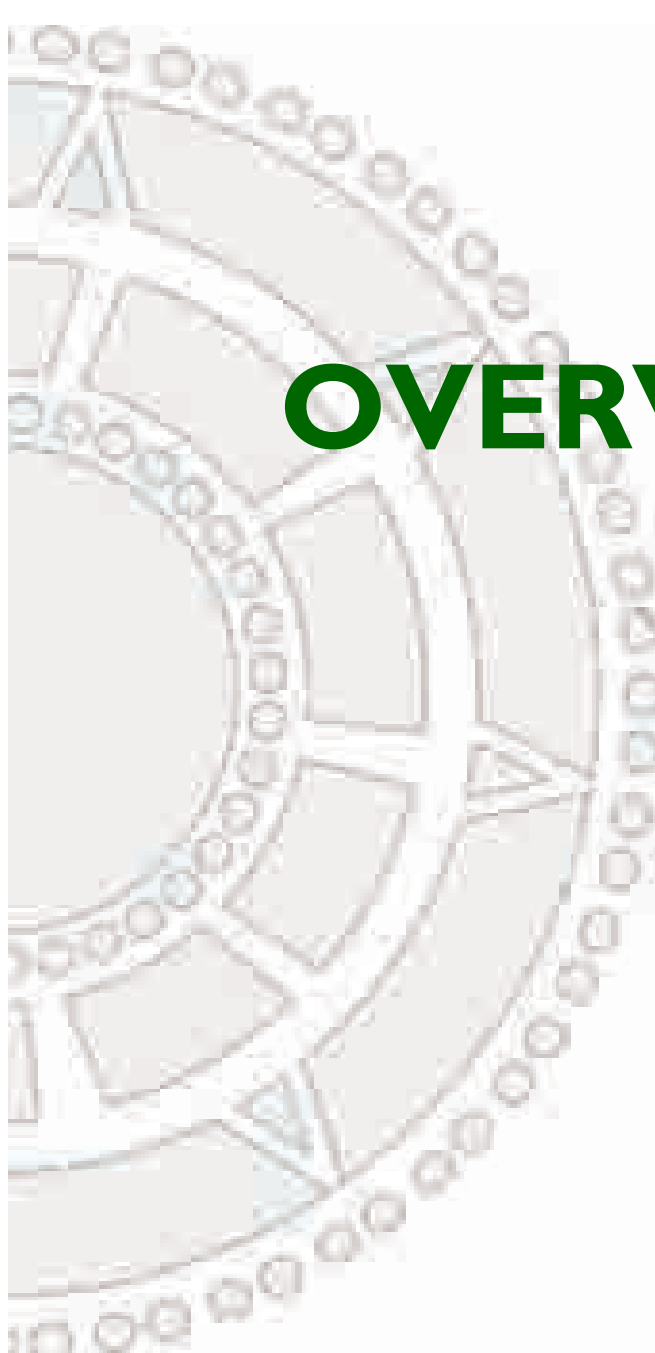


1.	Objective	To increase manufacturing from current 10% to 15% of GDP by 2022
3.	Current Situation	Formal employment in the sector rose marginally by 0.8% to 303,300 persons in 2017 accounting for 11.4% of total formal employment
4.	Opportunities	Agro-processing ; Leather processing & manufacturing; Construction materials for low income housing; Pharmaceutical manufacturing ; Auto Industry; Assembly of Electronic/ ICT; Development of industrial zones & parks; & Other areas that UK investors would be keen to invest
6.	Incentives	Cheaper power to reforms making it easier to do business
7	Impact	The growth of the sector is expected to play a vital role in supporting the country's social economic development particularly with regard to employment creation.

4. Affordable Healthcare for All: 100% Universal Health Coverage



1.	Objective	100% Universal Coverage for All
3.	Current Situation	Current Coverage 16.5Million, Target 35Million = Population covered 51Million by 2022
4.	Opportunities	Enhance Private Insurance Coverage; Ensure availability of Medical Commodities and Equipment; Digitize Health e.g. Supply Chain Telemedicine; Attract USD 2Billion Private Sector Investment; Implement Alternative Financing
7	Impact	Health Coverage for all, Access to Services; Access to Financing



OVERVIEW OF THE PPS IN KENYA

The Over-arching Legislation



- The Constitution of Kenya (Public Finance/Resource Mobilization)
- The PPP Act No.15 of 2013 (substantive and procedural matters)
- The Public Finance Management Act 2012 (PPPs are PFM issues)
- County Governments Act 2012 (sub-national PPP frameworks)

KENYA'S PPP INSTITUTIONAL FRAMEWORK



- The Cabinet
- PPP Committee
 - PSs from relevant ministries
 - Attorney General
 - 4 private sector Members appointed by the treasury
 - PPP Unit Director
- PPP Unit
- Contracting Authority

PPP Projects



- Energy Projects (Independent Power Producers- IPPS), Solar and Wind
- Railways- Kenya Uganda Railway and SGR
- Ports- Lamu Port, Kisumu port
- Water Projects
- Education- Student Hostels
- Health

Lessons Learnt



- PPP Committee and PPP Unit are regulatory and advisory bodies
- Contracting Authorities have the critical role of implementing the PPP projects, YET
 - ✓ *Capacity of CA*
 - ✓ *Change management*
 - ✓ *Most delays on project preparation and implementation happens at the CA level*
- ✓ • Need to Focus on building the Capacity of the CA to undertake its role

Challenges



- Legal Framework- long time delays before project approvals, slow justice in Arbitration
- Need for and absence of full or partial guarantees
- PPP tend to concentrate on capital intensive but low return projects
- Tender Wars
- Political interference and Governance issues

Capacity Of the PPP Unit -adequate staff to support the CA

Stakeholder Expectations:

- PPPs are fairly complex in nature and require a new and systematic approach in the way they are prepared and implemented.
- It takes time and effort to prepare the project with additional steps. For example:
 - Every PPP Contract has to be prepared and negotiated –this takes time
 - Commercial close is followed by Financial close –this can take even 2 years
- Capacity to negotiate contracts by CAs is limited.

Lessons Learnt



County Level PPPs:

- At the time of drafting of the PPP Act 2013, devolution had not started.
- Amendments to the Act now proposed to:
 - effectively entrench devolved governments principles
 - make the approvals process at both levels of government quicker and simpler; and,
 - render the role split between functional units, policy makers and regulatory agencies clearer, upon which County Regulations can be issued.
- County PPP team to support County Governments
- **Contracting Authority Project Ownership Critical to Success of Projects:**
 - ownership by the CA is critical to the success of any PPP Project.
- **Premature PPP Market Engagement:**

Some CAs have engaged the market before project preparation which has confused the market

Investor Support & Facilitation: Step By Step Guide To Investing & Doing Business in Kenya – ONE-STOP-CENTRE



KenInvest also undertakes After-care Services to pick out investor concerns

Once a company begins operation KenInvest undertakes tracking services to ensure smooth project implementation

Issuance of The Investment Certificate from KenInvest upon to Health, Environment & Security requirements

Submit Application form with copies certificate of Incorporation, Registration or Certificate of Compliance and Memorandum & Articles of Association to KenInvest

Visit www.investmentkenya.com & fill in the Investment Application Form

Register your business at the Registrar of Companies

Apply for Statutory Requirements:

- Tax PIN /VAT Registration –visit: www.kra.go.ke
- Register with the National Social Security Fund (NSSF)
- Register with the National Hospital Insurance Fund (NHIF)
- Acquire a Single Business Permit from the relevant Local Authority





Thank you