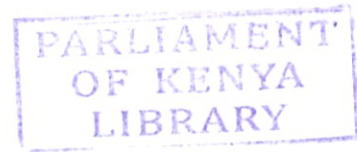




REPUBLIC OF KENYA

**THE NATIONAL TREASURY
& ECONOMIC PLANNING**

PUBLIC PRIVATE PARTNERSHIPS
DIRECTORATE



THE 3RD ANNUAL REPORT ON THE STATE OF PUBLIC PRIVATE PARTNERSHIPS IN KENYA FOR THE FINANCIAL YEAR 2023/24

Prepared by:

PUBLIC PRIVATE PARTNERSHIPS DIRECTORATE
THE NATIONAL TREASURY & ECONOMIC PLANNING


JUNE 2024



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FOREWORD



This Third Annual Report on the State of Public Private Partnerships in Kenya for the Financial Year 2023/24, is prepared in compliance with Section 88 of the Public Private Partnerships (PPP) Act of 2021. Under this provision, the Public Private Partnerships (PPP) Directorate is required to prepare and submit to the Public Private Partnerships Committee, an Annual Report on the State of Public Private Partnerships in Kenya. The provision also requires the Cabinet Secretary for the National Treasury to submit a copy of the Report to Parliament.

Under the 4th Medium Term Plan (2023-2027), the Government identified delivery of projects through PPP arrangements as a key strategy in addressing Kenya's acute infrastructural gap and also mitigating fiscal constraints. PPPs are expected to partly fill the investment-financing gap, and more so the gap occasioned by the ongoing fiscal consolidation efforts aimed at reducing government borrowing and lowering yields on government securities. In the same vein, the harmonization of the Public Investment Policy aimed at aligning the frameworks of PPP and Public Investment Management, which

shall be completed shortly, will ensure that commercially viable and environmentally sustainable development projects are implemented under the PPP model, thus availing the necessary fiscal headroom for Government to finance social projects.

Public Private Partnerships are uniquely structured to unlock the transformational delivery of public goods and services. Progress achieved in the fiscal year 2023/24, includes the completion of construction for three PPP projects namely: the Road Annuity Lot 15; the Road Annuity Lot 18; and the 35MW Sosian-Menengai Geothermal Power Plant. In line with local content requirements, as outlined under the PPP Act 2021, the Project Companies integrated local resources by adopting measures such as employment of Kenyans through using local sub-contractors and predominantly sourcing materials locally for the construction of these projects. These measures supported skills improvement of the local populace besides contributing to the growth of the local economy and improvement of the livelihoods of Kenyans.

The completion of the above mentioned three projects adds to the two PPP projects already in operation namely; the Nairobi Expressway and the Road Annuity Lot 33. These PPP projects continue to improve service delivery in the transport sector and the production of clean energy for powering the national grid. Additionally, construction of the Kenya Defence Forces Residential Accommodation Units and 35MW Quantum Geothermal Power Plant commenced during the fiscal year 2023/24 and are scheduled to be completed Financial Year 2024/25.

Further, during the 2023/24 fiscal year, Contracting Authorities jointly with the Directorate and the private sector, progressed a number of approved PPP

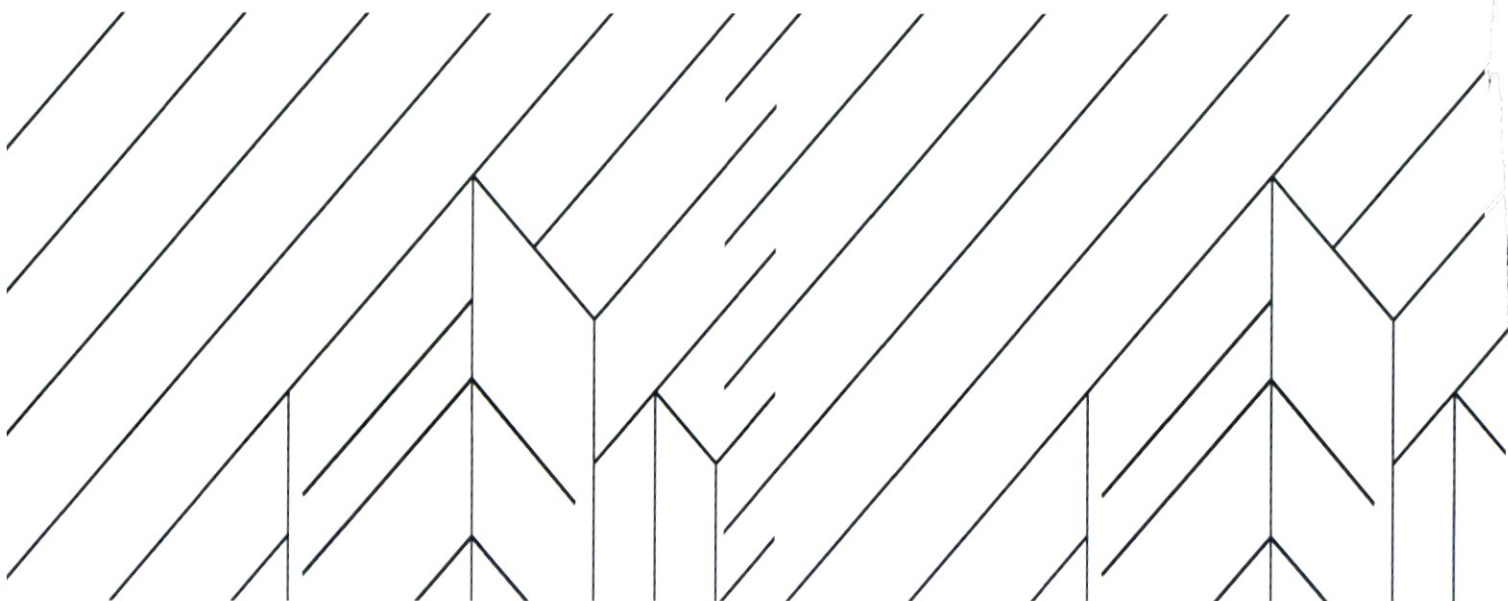
projects in agriculture and housing, to advanced stages. These projects include: the Stoni Athi Affordable Housing and University of Nairobi Purpose-Built Student Hostels, which are expected to boost access to affordable housing. The Galana-Kulalu Food Security project and Tana Delta Integrated projects will, after completion, go a long way towards transforming the agriculture sector by increasing the production of maize and rice in the country. This will greatly contribute to Government efforts to enhance food security. Other projects that have obtained preliminary approvals to progress include Ndarugu 2 Dam, Sabaki Water Carrier, Londiani Dam, Lamu Water Desalination Plant, and High Grand Falls. The feasibility studies for these projects are being finalized.

The priority sectors earmarked for PPP projects in the next fiscal year will continue to be Agriculture, Roads and Transport, Urban Development and Housing, Energy, Water and Irrigation, Information, Communication Technologies (ICT), Health, Housing, Tourism, Education, Industrial Parks, Aviation and the Blue Economy.

As more PPP projects get into the implementation phase, the Government has prioritized strengthening the capacity of key technical government agencies which include the Contracting Authorities, sectoral regulatory agencies, and the Public Private Partnerships Directorate, on the management of contracts for PPP projects. This will enable the agencies to undertake effective monitoring and supervision of projects, ensuring that PPP projects are delivered in a manner that is consistent with service delivery performance thresholds and full compliance with environmental, social, and sustainability requirements and standards.



**HON. CPA JOHN MBADI, EGH
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TREASURY & ECONOMIC PLANNING**



ACKNOWLEDGEMENT



This Report is a result of the collaborative efforts of various stakeholders in the PPP ecosystem from both the public and private sectors, as well as development partners.

In particular, the support and input of Contracting Authorities both at the National and County Government levels towards the enrichment of this report cannot be gainsaid. Through their dedication and active participation, we are developing PPP projects in various sectors.

We also extend our gratitude to the private sector, which has catalyzed and grown our PPP program by availing both financing and technical expertise for the development of PPPs.

These include: INTEX RAF 1 Ltd for the Lot 33 Road Annuity Programme, Moja Expressway Company Ltd for the Nairobi Expressway, Infraconnect 15 Ltd for the Lot 15 of Road Annuity Programme, Infraconnect 18 Ltd for the Lot 18 of Road Annuity Programme, Sosian Menengai Geothermal Power Ltd for the 35 MW Sosian Menengai Power Plant, QPEA GT Menengai Ltd for the 35 MW Quantum Menengai Power Plant and Linda Project Co. Ltd for the Kenya Defence Forces Residential Accommodation Project. We appreciate their collaboration and flexibility in enabling the delivery of projects that are both bankable and affordable. Our appreciation also goes to our development partners, especially the World Bank for their continued support of the PPP program, now in its 12th year.

We also thank other key partners who include the International Finance Corporation (IFC), the Private Infrastructure Development Group (PIDG), the United States International Development Agency (USAID), and the Africa Legal Support Facility (ALSF). Their deployment of both technical and financial resources in the PPP program has been instrumental to the progress we continue to achieve.

