THE NATIONAL INFRASTRUCTURE FUND

THE NATIONAL INFRASTRUCTURE FUND INVESTMENT POLICY,

AUGUST, 2026

Foreword

The National Infrastructure Fund represents an important milestone in Kenya's journey towards financing the infrastructure required to sustain long-term economic growth and national transformation. As Government continues to pursue ambitious investments in transport, energy, water, digital infrastructure and other strategic sectors, it is essential that we complement public resources with innovative financing models capable of mobilising significant private capital.

The National Infrastructure Fund was established by Parliament to provide such a platform. Its purpose is not merely to finance infrastructure, but to catalyse commercially viable investment, crowd in domestic and international investors, strengthen Kenya's project development capability and create a sustainable mechanism through which investment proceeds are continually recycled into future generations of infrastructure.

This Investment Policy Statement provides the policy framework within which the Fund shall pursue these objectives. It establishes the investment principles, eligible investments, governance standards, portfolio parameters and investment criteria that will guide the prudent deployment of the Fund's resources. Equally important, it reinforces the principle that commercial discipline shall remain at the centre of every investment decision. Public capital entrusted to the Fund must generate both measurable national development outcomes and sustainable financial returns that preserve and grow the Fund over time.

The policy also reflects the Government's commitment to transparency, accountability and responsible stewardship. It provides clear governance guardrails while allowing sufficient flexibility for the Board to develop innovative investment structures capable of attracting institutional investors, development finance institutions, commercial lenders and strategic partners into nationally significant infrastructure projects.

The success of the National Infrastructure Fund will ultimately be measured not only by the infrastructure it finances, but by its ability to establish a new model of infrastructure financing in Kenya - one that mobilises private capital at scale, reduces reliance on public borrowing, strengthens our capital markets and creates a self-sustaining cycle of investment and capital recycling for future generations.

I commend the Governing Council, the Board and all those who contributed to the preparation of this Investment Policy Statement. I am confident that it provides a strong policy foundation upon which the National Infrastructure Fund will fulfil its mandate and contribute meaningfully to Kenya's long-term economic prosperity.

Mbadi

HON. FCPA JOHN MBADI NG'ONGO, EGH
CABINET SECRETARY, THE NATIONAL TREASURY
CHAIRMAN, GOVERNING COUNCIL
<u>NATIONAL INFRASTRUCTURE FUND</u>

Preface

The National Infrastructure Fund Act, 2026 establishes the National Infrastructure Fund as a strategic national institution to mobilise long-term capital for investment in commercially viable infrastructure of national significance. Central to the achievement of this mandate is a clear investment policy that provides strategic direction while ensuring the prudent stewardship of the Fund's resources.

Pursuant to Section 25 of the National Infrastructure Fund Act, the Governing Council has prepared this Investment Policy Statement (IPS) to establish the investment policy of the Fund. The IPS provides the overarching policy framework within which the Board shall invest and manage the resources of the Fund in accordance with the Act.

The Governing Council has deliberately adopted a principles-based approach. Rather than prescribe detailed investment processes, this IPS establishes the investment guardrails that will govern the Fund, including its investment objectives, guiding investment principles, eligible investments, investment criteria, portfolio framework, treasury management framework, governance arrangements and performance measures. This approach provides the Board with sufficient flexibility to respond to changing market conditions and emerging investment opportunities while ensuring that every investment remains consistent with the Fund's statutory mandate and long-term objectives.

The Governing Council expects the Board to implement this policy through a comprehensive Investment Strategy, supported by Annual Business Plans, a Risk Management Framework and other governance instruments approved by the Board from time to time. Together, these documents create a coherent governance framework in which policy is established by the Governing Council and implementation is undertaken by the Board, ensuring clear accountability, transparency and effective oversight.

The Fund has been established not simply as a source of financing, but as a catalyst for transforming the manner in which nationally significant infrastructure is financed in Kenya. By applying commercial discipline, mobilising domestic and international private capital, promoting sound project preparation and recycling investment proceeds into future infrastructure investments, the Fund will enable commercially viable infrastructure projects to be financed outside the national budget. In doing so, it will preserve scarce public resources for essential public services and strategic investments that cannot be financed on a commercial basis, while creating a sustainable cycle of investment and capital recycling that supports Kenya's long-term economic development.

The Governing Council is committed to ensuring that this Investment Policy Statement remains relevant and responsive to evolving national priorities, changing market conditions and international best practice. The IPS will therefore be reviewed periodically in accordance with the National Infrastructure Fund Act to ensure that it continues to provide an effective policy framework for the prudent management and deployment of the Fund's resources.

The Governing Council commends this Investment Policy Statement to the Board, management, investors, development partners and all stakeholders as the foundational policy framework that will guide the National Infrastructure Fund in mobilising capital, investing prudently and delivering nationally significant infrastructure that supports sustainable economic growth and improves the lives of all Kenyans

Table of Contents

List of Abbreviations

ABS - Annual Business Plan

ICT - Information Communication Technology

IPS - Investment Policy Statement

LNG - Liquefied Natural Gas

NIF - National Infrastructure Fund

Executive Summary

The National Infrastructure Fund (NIF) was established under the National Infrastructure Fund Act, 2026 to mobilise long-term capital for the development of commercially viable infrastructure of national significance. The Fund represents a new approach to infrastructure financing in Kenya by providing a sustainable investment platform that mobilises domestic and international private capital alongside public capital to accelerate infrastructure delivery while preserving scarce public resources.

This Investment Policy Statement (IPS), prepared by the Governing Council pursuant to Section 25 of the National Infrastructure Fund Act, establishes the investment policy of the Fund. It provides the strategic policy framework within which the Board shall invest and manage the resources of the Fund, while ensuring that all investment decisions are undertaken in accordance with the Act and the long-term objectives of the Fund.

The IPS adopts a principles-based approach to investment governance. Rather than prescribing detailed operational procedures, it establishes the investment philosophy, guiding principles, investment criteria, portfolio parameters, treasury management framework and governance arrangements that will guide the prudent stewardship of the Fund's resources. The Board is expected to operationalise this policy through the Investment Strategy, Annual Business Plans, Risk Management Framework and other governance instruments approved from time to time.

The investment philosophy of the Fund is founded on commercial discipline. The Fund seeks to invest only in commercially sustainable infrastructure capable of generating appropriate risk-adjusted returns while delivering measurable national development outcomes. Through this approach, the Fund aims to crowd in private capital, strengthen Kenya's project development capability, deepen domestic capital markets and recycle investment proceeds into future infrastructure investments, thereby creating a self-sustaining cycle of long-term infrastructure financing.

The IPS identifies nationally significant infrastructure sectors that are eligible for investment, including transport, energy, information and communications technology, water and irrigation, agriculture and livestock, together with any other national priority infrastructure approved by the Governing Council. To maximise flexibility in attracting investment capital, the Fund may invest through a broad range of investment structures, including direct investments, equity, quasi-equity, debt instruments, project finance structures, special purpose vehicles, infrastructure funds, co-investment platforms, capital market transactions and project development activities.

To ensure that the Fund remains financially sustainable, the IPS establishes minimum investment criteria that every investment must satisfy. Projects are required to demonstrate identifiable demand, commercial viability, technical readiness and appropriate risk management. As a minimum policy standard, investments should ordinarily be capable of supporting at least sixty percent non-recourse project debt while generating a minimum expected equity return of seven percent to the Fund. Projects that do not satisfy these commercial thresholds may only be considered where Government Support Measures are provided in accordance with the National Infrastructure Fund Act.

The IPS also establishes portfolio guardrails to ensure prudent diversification and effective risk management. Capital deployed in any one sector is limited to forty percent of the Fund's assets at the time of investment approval, while capital deployed in any single project is limited to twenty percent. The Fund shall not borrow against its own balance sheet, and leverage shall ordinarily be undertaken only at the project or investment vehicle level on a non-recourse basis.

Stewardship of the Fund's Capital

The National Infrastructure Fund is capitalised principally from the proceeds of privatisation and other strategic capital allocations by the Government. These resources represent scarce national assets that cannot readily be replaced once deployed. The Governing Council therefore regards the preservation and prudent growth of the Fund's capital base as one of its fundamental responsibilities.

The Fund is designed to operate as a permanent national investment fund whose capital is preserved and strengthened over time while its investment income, realised gains and recycled investment proceeds are continually deployed to finance successive generations of nationally significant infrastructure. This long-term investment philosophy ensures that today's strategic national assets continue to create value for future generations, while reducing the pressure on the national budget to finance commercially viable infrastructure projects.

Consistent with this philosophy, the Treasury Management Framework requires capital awaiting deployment to be managed prudently to preserve capital, maintain adequate liquidity and generate sustainable investment income. Treasury management is therefore not merely a cash management function; it is an essential component of safeguarding the long-term financial sustainability of the Fund and ensuring that it continues to meet Kenya's infrastructure needs for generations to come.

The IPS establishes a clear governance framework that distinguishes policy from implementation. The Governing Council is responsible for establishing the investment policy of the Fund through this IPS, while the Board is responsible for implementing that policy through the Investment Strategy, Annual Business Plans, investment approvals and ongoing portfolio oversight. This separation of responsibilities promotes accountability, transparency and disciplined investment decision-making while ensuring that investment activities remain aligned with the Fund's statutory mandate.

Ultimately, this Investment Policy Statement provides the foundation upon which the National Infrastructure Fund will mobilise capital, finance commercially viable infrastructure, preserve and grow its capital base, and recycle investment proceeds into future investments. Through this disciplined and sustainable approach, the Fund seeks to create an enduring national institution capable of supporting Kenya's infrastructure development, strengthening economic competitiveness and improving the quality of life for both present and future generations of Kenyans.

CHAPTER ONE

1.1 Introduction

The National Infrastructure Fund is a creation of the laws of Kenya under section 5 of the National Infrastructure Fund Act, 2026.

The Fund is a special purpose vehicle which was borne out of the need to scale up and accelerate development of catalytic national infrastructure. It is intended to be an alternative from exchequer funding of national infrastructure projects, thereby leaving the National Budget for priority social and economic activities such as education, health, social security etc.

This policy sets out broad guidelines on priority projects for funding under the National Infrastructure Fund. It will be a vital tool not just for resource mobilizations but also prioritizing government development projects.

The policy is anchored on Article 201 of the Constitution and the Public Finance Management Act. It is supported through implementation of the Privatization Act.

1.2 Background

Kenya's development has previously funded infrastructure programmes either through the national budget or through borrowing. This has proved unsustainable. The Government cannot sustain the development of mega infrastructure projects through continued increases in taxation or borrowing.

The national debt is also not sustainable for the kind of projects necessary to move Kenya from developing to developed.

It is against this background, that the National Infrastructure Fund was conceived. A revolving fund, whose monies will be used to fund the initial projects, and thereafter the revenues will be used to fund subsequent projects.

1.3 Purpose of the Fund

The purpose of the Fund is as set out in section 4 of the Act, that is: to scale up and accelerate development of national infrastructure; to mobilize private capital and non-traditional sources of infrastructure finance including domestic pension funds and collective investment schemes, sovereign wealth funds, climate finance; to reduce the reliance of public debt for the financing of commercially viable infrastructure investments and to strengthen the national capacity for origination, structuring and execution of large and complex infrastructure projects.

CHAPTER TWO

2 Policy Guidelines

2.1 Purpose of the Investment Policy

The Act requires the development of the Investment Policy to provide the policy framework within which the Board shall invest and manage the resources of the Fund.

This IPS establishes the investment guard rails applicable to the Fund. The detailed investment procedures, treasury management procedures, delegation of authority, risk management policies and investment guidelines shall be approved separately by the Board.

The Act requires that the IPS should specify: the priority sectors proposed for development; the proposed projects; expected rate of return on investments on specific projects; proposed asset allocation, portfolio distribution and leverage rations, and exposure limits per sector and project.

In implementation of this IPS, the Governing Council and the Board shall be guided by the following principles.

a) Commercial Discipline
b) Commercial viability.
c) Financial Sustainability
d) Capital Mobilisation
e) Technical Integrity
f) Responsible Stewardship
g) National Development

2.2 General Investment Criteria

Every proposed project shall satisfy the following minimum investment criteria:

Demand Validation: The respective projects shall demonstrate identifiable users, market demand or contracted off-take capable of supporting sustainable revenue generation.

Commercial Viability: Approved projects shall be expected to generate market-based cash flows capable of supporting a minimum of 60% non-recourse project debt. Commercial viability shall constitute the primary investment threshold for all investments.

Financial Return: Projects shall be expected to generate a minimum equity return of 7% to the Fund.

Technical Readiness: Projects shall demonstrate satisfactory technical, environmental, legal and financial readiness and shall be accompanied with the relevant regulatory approvals.

Risk: Projects shall comply with the Board's Risk Management Framework.

2.3 Government Support Measures

Projects that do not satisfy the Fund's general investment criteria shall only be considered where Government Support Measures are provided in accordance with the Act and the Board is satisfied that the investment remains commercially and financially sustainable after giving effect to those support measures.

CHAPTER THREE

3 Proposed sectors & projects for Development

3.1 Priority sectors for development

The Board shall prioritise investment in national infrastructure as set out in the Act, comprising:-

a) National highways;
b) Railway networks;
c) Airports;
d) Seaports;
e) Electricity generation, transmission and distribution infrastructure;
f) Information and communication infrastructure;
g) Water reservoirs and irrigation; and
h) Agribusiness infrastructure.

3.2 Proposed projects

The priority projects are identified based on national development priorities; commercial viability of the projects; catalytic economic impact; capital mobilisation potential; and alignment with the purposes of the Fund under the Act.

Consistent with Sections 2 and 25(2)(a) of the National Infrastructure Fund Act, the Governing Council identifies the following priority sectors for development under this IPS:-

(a) Transport Infrastructure

Including national highways, railway networks, airports, seaports, logistics infrastructure and other nationally significant transport infrastructure.

(b) Energy Infrastructure

Including electricity generation, transmission and distribution infrastructure, geothermal, hydro, wind, solar, petroleum, oil and gas infrastructure, refineries, pipelines, storage facilities, LNG infrastructure and other nationally significant energy infrastructure.

(c) Information and Communications Technology Infrastructure

Including telecommunications infrastructure, fibre optic networks, cloud infrastructure, data centres, digital infrastructure and other nationally significant ICT infrastructure.

(d) Water and Irrigation Infrastructure

Including water supply, water storage, dams, irrigation, desalination, bulk water infrastructure and other nationally significant water infrastructure.

(e) Agriculture and Livestock Infrastructure

Including infrastructure supporting agricultural and livestock production, storage, processing, logistics, value addition and other nationally significant agriculture and livestock infrastructure.

(f) Other National Priority Infrastructure

Including any other nationally significant infrastructure identified by the Governing Council as a national priority, provided such investments are consistent with the National Infrastructure Fund Act.

There are currently no ongoing, or outstanding projects since this is the inaugural Investment Policy.

3.3 Portfolio Framework/Exposure Limits

The Board shall maintain a diversified investment portfolio as approved by the Board, but in any case:-

a) The maximum exposure to any one sector shall not exceed 40% of Fund assets;
b) The maximum exposure to any single project shall not exceed 20% of Fund assets.

Leverage shall be undertaken only at the project or investment vehicle level and shall ordinarily be non-recourse to the Fund.

3.4 Treasury Management

Pending deployment into infrastructure investments, fund monies shall be managed prudently to preserve capital; maintain liquidity; and generate appropriate investment income.

Treasury investments shall be undertaken in accordance with the Act and applicable Board-approved Treasury Policies.

The surplus funds of the Fund may be invested in Government securities in accordance with Section 43 of the Act.

3.5 Investment period.

This investment policy shall be valid for a period of five (5) years.

The Board shall, prior to the commencement of a financial year, prepare and adopt a business plan based on the IPS.

At the end of the Investment period the Board shall submit a report to the Governing Council on all incomplete projects under this IPS.

3.6 Review

The Board shall review the IPS annually and shall, where necessary, recommend amendments to the Governing Council.

CHAPTER FOUR

4 Monitoring and Evaluation

The Board shall monitor implementation of the Fund based on financial and non-financial indicators. The Board shall evaluate the performance of the Fund having regard to:-

a) Financial Performance;
b) Capital Deployment;
c) Capital Mobilisation;
d) Portfolio Quality;
e) National Development Outcomes.

The Board shall monitor performance of each respective project approved under the IPS. The Board shall establish appropriate performance indicators through the annual Business Plan.

Appendix 1 – Key Policy Parameters

Policy	Board Proposal
Minimum project debt capacity	60% non-recourse project debt
Minimum expected equity return	7%
Maximum sector exposure	40% of Fund assets
Maximum single project exposure	20% of Fund assets
Balance sheet borrowing	Not permitted
Project leverage	Non-recourse
Treasury objective	Capital preservation, liquidity and income
Project preparation	Annual allocation through the Business Plan
Investment authority	Delegated through the Board Charter

INVESTMENT POLICY STATEMENT

Compliance Checklist Against the National Infrastructure Fund Act, 2026

NIF Act Requirement	Relevant Section of Act	IPS Provision	Compliance
Investment Policy prepared by the Board	Section 25(1)	Purpose and Authority	☑
Investment Policy approved by Governing Council before submission	Section 25(1)	Covered in Review and Approval Process	☑
Investment Policy submitted to National Assembly	Section 25(1)	Review Section	
Validity period of five years	Section 25(3)	Review Clause	☑
Risk Management Framework	Section 25(4)	Risk Management Chapter	☑
Priority sectors identified	Section 25(2)(a)	Priority Sectors	☑
Proposed projects provided	Section 25(2)(b)	Proposed Projects	☑
Expected rates of return	Section 25(2)(d)	Investment Criteria and Expected Returns	☑
Asset allocation and portfolio distribution	Section 25(2)(e)	Portfolio Framework	☑
Leverage ratios	Section 25(2)(e)	Non-recourse Project Leverage	☑
Sector exposure limits	Section 25(2)(f)	Portfolio Framework	☑
Investment in national infrastructure only	Section 2	Eligible Investments	☑
Investment powers	Section 19	Investment Structures	☑
No borrowing against Fund balance sheet	Section 19(2)(a)	Portfolio Framework	☑

NIF Act Requirement	Relevant Section of Act	IPS Provision	Compliance
Project preparation	Sections 32 & 33	Project Preparation	☑
Government Support Measures	Section 34	Strategic Projects	☑
Business Plan linkage	Section 24	Proposed Projects / Governance	☑
Capital Account and Income Account recognised	Sections 38–42	Treasury Management	☑
Investment of surplus funds	Section 43	Treasury Management	☑
Reporting obligations	Part IV	Reporting	☑
Annual review by Board	Section 25	Review	☑

Added the technical compliance:

NIF Act Requirement	**Relevant Section of Act**	**Revised IPS Provision**	**Compliance**
Project preparation	Sections 32–33	Infrastructure Investment Framework	☑
Technical requirements incorporated into feasibility studies	Section 33(2)(a)	Technical Integrity Principle	☑
Legal, technical, financial, environmental and social due diligence	Section 33(2)	Investment Decision Framework	☑
Investment readiness prior to commitment of capital	Sections 32–33	Technical Integrity Principle	☑
Project structuring and preparation	Section 32(2)	Infrastructure Investment Framework	☑
Land requirements and site preparatory activities	Section 33(2)(e)	Infrastructure Investment Framework	☑
Technical appraisal supporting investment decisions	Sections 32–33	Investment Decision Framework	☑
Infrastructure resilience and lifecycle sustainability	Sections 32–33	Technical Integrity Principle	☑
Technical governance of infrastructure investments	Sections 19, 25 & 32	Infrastructure Governance Framework	☑
Technical management responsibilities	Section 25	Infrastructure Development & Technical Management Responsibilities	☑

Key Board Policy Decisions Reflected in the IPS

The IPS introduces the following Board policy decisions that are **not prescribed in the Act** but are consistent with its objectives:

Policy Decision	Purpose
Minimum 60% non-recourse project debt capacity	Defines commercial bankability
Minimum 7% expected equity return	Establishes minimum commercial return
Maximum 40% sector exposure	Portfolio diversification
Maximum 20% project exposure	Concentration risk management
Commercial viability as the primary investment gate	Protects Fund from political investment decisions
Demand validation requirement	Ensures customer-backed infrastructure
Project preparation recognised as a core function	Supports development of investment-ready projects
Political independence clause	Strengthens governance
Independent technical and financial assurance	Improves investment quality
Five-dimensional performance framework	Broadens performance assessment beyond financial returns