



Pipeline Analysis of Public Private Partnership Projects in Kenya

Final report

Client: Ministry of Finance-Financial and Legal Sector Technical Assistance Project

Rotterdam, 31 October 2012



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Ecorys Nederland BV, The Netherlands
Gibb Africa Ltd, Kenya

Rotterdam, 31 October 2012

About Ecorys

At Ecorys we aim to deliver real benefit to society through the work we do. We offer research, consultancy and project management, specialising in economic, social and spatial development. Focusing on complex market, policy and management issues we provide our clients in the public, private and not-for-profit sectors worldwide with a unique perspective and high-value solutions. Ecorys' remarkable history spans more than 80 years. Our expertise covers economy and competitiveness; regions, cities and real estate; energy and water; transport and mobility; social policy, education, health and governance. We value our independence, integrity and partnerships. Our staff are dedicated experts from academia and consultancy, who share best practices both within our company and with our partners internationally.

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1 Introduction

1.1 Background

In November 2011, the Ministry of Finance through the Financial and Legal Sector Technical Assistance Project (the Client) awarded Ecorys (The Netherlands) and Gibb Africa Ltd (Kenya) (the Consultant), the contract to conduct a pipeline study of Public Private Partnership (PPP) projects in Kenya (the Study).

1.2 Study objectives and deliverables

The main objective of this assignment is to identify and prioritize potential PPP projects, which have a high degree of success with minimal risks to the Government. To this end, the following specific tasks are stated in the TOR.

- 1) Identification of:
 - a. All major projects currently proposed as PPPs in Kenya by line Ministries and other government agencies.
 - b. Potential public projects, which are not currently proposed as PPPs and which could present good opportunities for PPP.
- 2) Collection and assessing available technical and economic information relating to these projects.
- 3) Conceptualizing the projects based on the available information.
- 4) Ranking the identified projects in order of probability of success as PPPs, based on a simple and robust project prioritization and ranking criteria. The top five projects ranked with the highest probability of success shall be subjected to a higher degree of analysis.
- 5) Identification of critical path items necessary to successfully implement all identified projects.

The Study's Terms of Reference (TOR) identifies the following deliverables:

- A. Inception report, including work plan and projected schedule at the beginning of the assignment.
- B. Pipeline analysis report, outlining the ranking of proposed PPPs in Kenya. This report shall also detail the methodology to be used for screening the long list of PPP projects to arrive at the top five priority projects to be recommended for further consideration.
- C. Priority PPP Program report, detailing the five proposed PPPs, including a detailed description of the technical, economic and financial parameters, as well as a preliminary risk allocation structure and procurement plan.
- D. A draft Cabinet Memorandum encapsulating the PPP Pipeline analysis for consideration – this memorandum is to be prepared in conjunction with the Client.
- E. A key note presentation on the PPP Pipeline analysis and identified PPPs for a stakeholder forum; and
- F. A final report on all activities under this Study.

1.3 Study implementation

The Study commenced in December 2011 and finalized 1st November 2012.

2 Deliverables submitted

2.1 Deliverable A-Inception report

An inception report was submitted in January 2012 based on the kick-off meeting with the Client held in December 2011.

2.2 Deliverable B-Pipeline analysis report

The different stakeholders in Kenya forwarded 187 possible PPP projects. Of these 187 possible PPP projects 171 were sufficiently documented to be screened of which 137 proposals have been considered eligible for PPP. These have been prioritized in terms of likelihood of success through a multi-criteria analysis¹:

1. A project that is well advanced in its preparations allowing for a rapid initiation of a PPP tendering process.
2. A project that has a clear scope and can be defined in SMART Output specifications (Specific, Measurable, Attainable, Realistic, Timely) allowing for a transparent PPP contract.
3. A project that is championed by politicians and embedded in the country's development policy and respective sector strategy minimizing the risk of delays because of political disagreement.
4. A project that minimizes the fiscal burden for the government by applying user charges that are affordable to recover the costs.
5. A project that has manageable risks to either the government or the private sector and where uncertainties on costs and revenues are minimal to enhance bankability.
6. A project that can be delivered by numerous private entities allowing for competitive pricing.
7. A project that can be replicated allowing to offset the initial concept development costs through economies of scale.
8. A project that has sufficient size to attract market interest though not too large to discourage prospective bidders and lenders.

This long list has been reviewed by the GoK and the Client selected the following five projects for further development to prefeasibility level²:

1. Kisumu Port Development;
2. Mombasa Special Economic Zone Development;
3. Second Nyali Bridge in Mombasa;
4. Widening of the Mombasa – Nairobi – Malaba Road;
5. Hotel at Jomo Kenyatta International Airport.

2.3 Deliverable C-Priority program report

We have prepared and submitted separate pre-feasibility reports for each of the following projects:

¹ See our Projects Screening and Prioritization Report of June 2012 for further details.

² As confirmed by the PPP Unit on 13 June 2012.

1. Kisumu Port Development;
2. Mombasa Special Economic Zone Development;
3. Second Nyali Bridge in Mombasa;
4. Widening of the Mombasa – Nairobi – Malaba Road;
5. Hotel at Jomo Kenyatta International Airport.

Draft versions were submitted in September and October 2012. Comments from the Client were received end October and these were accommodated in final versions of the pre-feasibility reports.

2.4 Deliverable D-Draft Cabinet Memorandum

A draft Memorandum was prepared explaining approach and methodology, a brief summary of each of the five PPP pre-feasibility reports. Finally a sequencing was proposed based on their readiness and likelihood of success to arrive at a commercial and financial close.

2.5 Deliverable E-Key note presentation stakeholder forum

The envisaged stakeholder forum has not been organized within the Study's contract period ending 30st October 2012.

2.6 Deliverable F-Final report

Report on hand.

3 Knowledge transfer and capacity building

Capacity building was not included in the TOR but our consultative and participatory approach has ensured the Client is well aware of the methodology and approach used. A similar approach can be used on an on-going bases to augment the project pipeline and ensure a steady PPP deal flow.

4 Implementation strategy

Based on the project's viability and level of interlinked and preparatory activities we propose the following implementation sequencing.

1. The Airport hotel is by far the easiest to implement. It is both viable and self-contained and does not require additional preparatory activities.
2. Widening Mombasa – Nairobi – Malata road comes secondly as it is both viable and straightforward in its implementation. Although a road project is of course more complex than a hotel.
3. The Mombasa Nyali bridge project is potentially viable but here the land issue is a key interlinked and preparatory activity that could take some time to resolve.
4. The Kisumu port is enfolded in a high level of uncertainty and with numerous interlinked activities such as the lake master plan to be prepared in conjunction with neighbouring countries. Also connecting infrastructure needs to be revamped to allow the ports value capture.
5. Finally, the SEZ Mombasa is the least developed project and could take significant time before it can be brought to market as a PPP.

5 Study closure

Approval is sought to close the Study and proceed with finalizing pending payments to the Consultant.



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