



PPP/PIPs INTERNAL STAKEHOLDER ENGAGEMENT FORUM REPORT

Date: 19th February 2025

Venue: KAWI Auditorium

Attendance: 86 participants

Introduction

In fulfilling its mandate to develop, maintain, and operate high-voltage electricity transmission infrastructure across Kenya, KETRACO seeks to expand its network to meet growing demand and facilitate reliable power supply. The Transmission Master Plan (TMP) estimates a total investment requirement of USD 5.286 billion to deliver these objectives.

Due to increasing constraints in public financing, KETRACO has adopted the Public Private Partnership (PPP) model to mobilize private capital for project development. Under Section 40 of the PPP Act, Cap 430, the Company received two Privately Initiated Proposals (PIPs) that have undergone evaluation and are currently at the negotiation stage.

In compliance with Section 43(5)(f) of the Act, which mandates stakeholder outreach for social acceptability, KETRACO convened an **Internal Stakeholder Engagement Forum** on 19th February 2025 at the KAWI Auditorium. The objective was to provide information on the PPP projects and collect feedback from staff as internal stakeholders.

Meeting Proceedings

The Managing Director gave an overview of the strategic intent behind adopting the PPP model, citing the capital-intensive nature of the transmission network expansion and the constraints in accessing donor and government funding.

The General Manager, Project Development Services, presented the technical and legal framework governing the PPPs, including details on the proposed PIPs, risk allocation, and the anticipated government support framework.



(R-L) Dr, Eng, John Mativo, MBS, Managing Director and Eng. Anthony Musyoka, GM Project Development Services, during the internal stakeholder engagement forum.

Summary of Presentations

a. MD's Presentation Highlights:

- PPPs are necessary to bridge the financing gap in implementing the TMP.
- Donor funding is becoming increasingly constrained, necessitating private capital.
- The BOOT model will be used for both PIP projects with a 30-year concession period.
- Value for money, affordability, and transfer of assets post-concession are critical.

b. GM PDS's Presentation Highlights:

- Introduction of two key PIPs under negotiation:
 - **Kakamega–Kisumu–Musaga 220kV TL (73km)**
 - **Lessos–Loosuk 400kV TL (179km) and Lessos Substation**
- Description of PPP structure, approval process, and risk allocation
- Emphasis on performance-based payments and liquidity support structures

- Alignment with Kenya's PPP Act and involvement of key stakeholders, including the PPP Directorate and Attorney General's Office

Question and Answer Session

Question	Answer
Why is KETRACO pursuing PIPs instead of competitive bidding for the two projects	The proposals were unsolicited and addressed critical needs in the TMP. Since preliminary studies and wayleave acquisition had not been done, competitive bidding was not viable at the time. The PPP Act allows PIPs if they pass a value-for-money test and undergo stakeholder consultation.
Will adopting the PPP model impact job security for KETRACO staff?	No. The PPP model will complement KETRACO's mandate and potentially expand staff roles in project monitoring and enforcement. Local content requirements will also create more job opportunities.
What safeguards are in place to control wayleave compensation rates?	The RPF will guide compensation under PPPs to ensure consistency with other projects. KETRACO remains involved to maintain equity and fairness in compensation.
How is value for money being ensured during contract negotiations?	Independent assessments, base case modeling, and affordability analysis are guiding negotiations. All assumptions, including equity IRR, are being thoroughly vetted.
What will be the role of PITs under PPPs/ PPPCommittee?	The contracting authority will assist the Project Company in acquisition of wayleave. In addition, there are several upcoming projects which will not be implemented as PPPs and the PITs will still be necessary for smooth project implementation.
What happens if KPLC delays payments to the private party?	KETRACO is entering into a Transmission Services Payment Agreement (TSPA) with KPLC which reduces their obligations to pay KETRACO into writing. Further, the private party is required to take out a liquidity support facility to be provided as coverage of payment of 3 months Availability Based Tariff Payments in case of delays by the Contracting Authority.

What if negotiations with the private party fail?	If the parties don't reach agreement on acceptable terms, the PPP project will not proceed. KETRACO will consider other funding and implementation mechanisms.
If the land acquisition risk is transferred to the private party, how will KETRACO control the rates used by the private party to compensate the project affected persons considering that KETRACO will still implement further projects which are not PPPs?	The Project Company will use KETRACO's Resettlement Policy Framework to guide wayleave acquisition. In addition, assistance to the Project Company in wayleave acquisition is part of the agreed negotiated contract terms. This assistance will be discussed internally to ensure that the standards are maintained across all projects.

Outcome

- Enhanced awareness and understanding of PPP implementation among staff.

Conclusion

The engagement forum was a success, with staff gaining clarity on the purpose, structure, and benefits of the PPP model in implementing the two critical transmission projects. Staff expressed appreciation for the transparency and were encouraged to follow subsequent updates as negotiations progress.