

Republic of Kenya - Proposed IFC Investment in Thika Power Limited (Thika Power)
December 15, 2011
United States Position

The United States supports the proposed IFC "A" loan of up to \$39.3 million in Thika Power. The United States recognizes the need to develop power infrastructure in Kenya in light of its acute power shortages. The United States understands that this 87 MW Heavy Fuel Oil Power Project is one in a series of new Independent Power Producer (IPP) projects being facilitated by the Government of Kenya under a Power Purchase Agreement (PPA). The United States encourages the IFC's collaboration with the Government of Kenya on future IPPs and anticipates that some of these future projects will include renewables. Nevertheless, the United States wishes to be recorded as abstaining on grounds that the project's Environmental Impact Assessment was not made public at least 120 days prior to Board consideration. Although the project's Environmental Impact Assessment appears to be adequate and complies with IFC's Performance Standards, the United States must abstain due to legislative mandates.

The World Bank Group's Kenya Country Partnership Strategy for 2010-2013 has as its principal objectives: improving core infrastructure, especially in roads, electricity and water supply. The United States notes the fact that the Project also contributes to Kenya's strategic priorities to improve necessary infrastructure as part of Kenya's Vision 2030 for economic and social development. The Thika Power project, if successful, will help to support Kenya's desire to achieve a more stable energy supply and decrease Kenya's utilization of expensive and inefficient emergency diesel-fired plants, which are currently used to meet the country's energy shortfalls.

The United States appreciates the project's incorporation of financial instruments and collaboration efforts from multiple World Bank Group institutions. Coordination on IPPs remains critical for successful long-term infrastructure development in Africa, particularly as private finance remains limited. In particular, the United States notes the positive impact that IFC's involvement in this project has provided and believe that the facilitation of long-term financing in an environment where such financing is limited is critical. The United States expects that future IPPs will employ similarly innovative and comprehensive financing instruments in order to ensure bankability and adequate private sector interest.