

Nairobi Metropolitan Services Improvement Project & Water and Sanitation Services Improvement Project

May 10, 2012

United States Position

The United States supports the proposed credit to the Republic of Kenya in the amount of \$300 million for Nairobi Metropolitan Services Improvement Project (NaMSIP) and \$300 million in additional financing for the Kenya Water and Sanitation Service Improvement project. The United States supports both proposals, which will improve critical infrastructure and service delivery in Kenya. The United States commends the Bank for taking on the NaMSIP at a time when the country is undergoing massive urbanization and has implemented a major decentralization process as a result of the new constitution. Additionally, the United States applauds the Bank's successful implementation of the Kenya Water and Sanitation Service Improvement Project so far and welcomes efforts to improve further water and sanitation services in Athi Water Services Board (AWSB), Coastal Water Services Board (CWSB), and Lake Victoria North Water Services Board (LVNWSB). Both projects will help achieve the objectives of the Bank's Country Partnership Strategy 2010-13, which emphasizes the themes of growth, equity, environment and governance.

Urban transition will play an important role in determining the country's growth prospects and social stability. Kenya's cities are not able currently to meet the rapidly growing demands for services from residents and businesses as a result of major infrastructure bottlenecks. The demand on cities and municipalities will only increase as Kenya's new constitution decentralizes power away from the federal government to local authorities. The Bank and Government of Kenya have an opportunity to ensure that this transition is supported by improved service delivery and upgraded water and sanitation services, solid waste management and mass transport networks at the county levels. At the moment the institutional frameworks for local county level governments have not been established, and it will take time for local urban service provision agencies to be set up. The lack of local capacity poses risks to the Bank's engagement in Kenya. However, the United States agrees with staff that this real risk also provides a unique opportunity for the Bank to assist a transition that can improve the local authorities to provide services and infrastructure in the Nairobi metropolitan region.

The United States also supports the additional financing proposed for the Water and Sanitation Services Improvement Project. The project has demonstrated impressive results so far and additional financing will enable the project to extend its reach to more Kenyan households. The United States commends Bank staff and Kenyan authorities for their successful collaboration to date. We also note that Kenya's passage of enabling legislation has been instrumental to the project's success, and the United States sees this as a clear case of the importance of legal and regulatory reforms to the success of transformative projects such as this one.

The United States appreciates Bank staff's acknowledgement that Kenya's governance challenges remain a risk --both at the national level and as county-level authorities take over responsibility for water provision. However, the United States expects that the project's successful implementation so far and its popular support will mitigate this risk. The United States also commends the project for using employee and customer satisfaction surveys to enhance transparency and accountability. While the project results framework is an important (and positive) measure of progress, the United States sees the satisfaction surveys as a good step in making project outcomes more accessible and meaningful to the Kenyan people.

Kenya -Private Sector Power Generation Support Project

February 28, 2012
United States Position

The United States supports the discussion on Thika Power Limited, Triumph Power Generating Company Limited, Gulf Power Limited --all green field thermal PPs --and ORPower 4, the sole integrated geothermal expansion IPP. The World Bank Group has provided the Government of Kenya a well balanced mix of guarantee and financing options, which includes \$166 million in IDA guarantees, \$90 million in IFC A, B, and C loans and MIGA Breach of Contract guarantees. The United States supports this proposal and appreciates the fact that it has been presented as a harmonized power support project, which complements Kenya's long-term development plan, Vision 2030. The United States is glad to see that Kenya will contract over 600 MW of new generation capacity over the next 12-18 months through these four IPPs as well as other IPPs in the pipeline in order to meet the country's acute power supply shortage. The United States encourages the World Bank Group to continue to collaborate with Kenya on future IPPs and on managing a power sector development strategy, which can better withstand the negative effects of external shocks.

Kenya's ambitious goal of achieving 40 percent electrification by 2030 amid a rapidly growing and urbanizing population will require coordination with both the private sector and multilateral development banks. The successful coordination between the GoK, the World Bank Group, OPIC, AfDB and private sector in this and future power generation projects will be critical toward achieving this target and ultimately improving access to reliable electricity in Kenya. The United States notes Kenya's development of a diversified portfolio of complementary electricity assets that balances sources of power and types of technology while maintaining appropriate measures to mitigate potentially adverse environmental impacts. As several of the projects are in close proximity to either national parks or sensitive habitats, the United States encourages the Bank Group to continue to liaise with the Kenya Wildlife Services (KWS), the National Environment Management Authority, and Hell's Gate National Park authorities to monitor and address environmental impacts, while providing regular and publically available reporting updates to the Board. The United States also urges the Bank and the Kenyan authorities to collaborate to develop a sectoral assessment for the power sector including the cumulative impacts of future power generation sites on potentially environmentally sensitive areas, both from renewable and fossil fuel sources.

The United States notes Kenya's commitment to a multi-pronged power sector financing strategy that, in addition to the Multilateral Development Banks, looks more closely to its local capital markets and private foreign investors to help meet the significant financing gaps in its power sector. The United States hopes that this strategy leads to a more productive power generation sector where competition and quality service delivery are integral. The United States understands that Kenya has made progress establishing a policy framework to improve the commercial viability of electricity companies and opening the door for competition in the electricity market. The United States asks the Bank Group to remain engaged with Kenya on developing a robust power sector policy framework with a tariff structure that works both for the private sector as well as the Kenyan public, especially household consumers. The United States hopes that, with the help of the World Bank Group, Kenya's work on its power sector could be a model for countries in Africa and beyond.