



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
KENYA INFRASTRUCTURE FINANCE/PPP PROJECT
APPROVED ON NOVEMBER 15, 2012
TO
MINISTRY OF FINANCE

FINANCE, COMPETITIVENESS AND INNOVATION

AFRICA

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ABBREVIATIONS AND ACRONYMS

APL	Adaptable Lending Program
CBK	Central Bank of Kenya
CD	Country Director
CMA	Capital Markets Authority
FSSP	Financial Sector Support Project
GoK	Government of Kenya
IPF	Investment Project Financing
MTR	Mid Term Review
NT	National Treasury
PDO	Project Development Objective
PIU	Project Implementation Unit
PPF	Project Preparation Fund
PPP	Public-Private Partnership
IP	Implementation progress



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BASIC DATA

Product Information

Project ID P121019	Financing Instrument Investment Project Financing
Original EA Category Full Assessment (A)	Current EA Category Full Assessment (A)
Approval Date 15-Nov-2012	Current Closing Date 31-Oct-2022

Organizations

Borrower MINISTRY OF FINANCE	Responsible Agency National Treasury PPP Unit
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Project Development Objective (PDO)

Original PDO

The overall objective of this two-phased Adaptable Lending Program (APL) Program is to increase private investment in the Kenya infrastructure market across sectors and to sustain this participation over an extended period of time. This involves three key areas of development: (i) enabling environment; (ii) pipeline; (iii) financing.

The specific objective of the APL 1 project is to improve the enabling environment to generate a pipeline of bankable Public-Private Partnership (PPP) projects.

Current PDO

The overall objective of this project is to increase private investment in the Kenya infrastructure market across sectors and to sustain this participation over an extended period of time.



Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IDA-61210	05-Jul-2017	07-Aug-2017	21-Dec-2017	31-Oct-2022	50.00	11.94	41.70
IDA-51570	15-Nov-2012	05-Dec-2012	11-Feb-2013	31-Oct-2022	40.00	31.71	5.46

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

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I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

Background

1. The Infrastructure Finance Public-Private Partnership (IFPPP) project became effective in February 2013 and was originally scheduled to close in December 2017 but this was extended to October 2022 to coincide with the closing date for the IFPPP Additional Financing that was approved in July 2017. The Project has been catalytic in framing an approach to maximizing finance for developing Kenya's infrastructure through the creation of an enabling environment and providing technical assistance for the preparation of projects. The project seeks to mobilize US\$ 1.25 billion in private financing through Public-Private Partnership (PPP) by the project closing date of October 2022.
2. The current PDO, IP, and fiduciary ratings for the project are satisfactory with the safeguards rating being moderately satisfactory. The original credit (IDA 51570) is almost fully disbursed, currently at 84 percent with US\$5.9M undisbursed but fully committed. The combined disbursement for the original credit and additional financing is 48%. The project is proposed for restructuring on account of two factors i) category reallocation ii) revision of indicators, which are discussed further below.

Category reallocation

3. The project has incurred expenditures and disbursements beyond the allocated amount under the Civil works, Operating costs and Consultant categories, while the other categories have disbursed below the allocated amounts. To provide operational flexibility, a single disbursement category will be introduced, and the remaining undisbursed amount of about US\$ 5.46M will be reallocated to this category.

Revision of Results Indicators

4. Two intermediate results indicators i) Capital Markets Bill 2011 approved by Cabinet for submission to Parliament and ii) Securities and Investments Bill 2011 approved by Cabinet for submission to Parliament are directly related to the financial



sector work and no longer fit in the IFPPP project. Another Bank supported project, the Financial Sector Support Project (FSSP) is now handling all financial sector related work. For this reason, the mentioned indicators are proposed for dropping as part of this restructuring.

5. Some of the baseline figures, End target figures and End dates for results indicators are not aligned to the original credit PAD and to the Additional Financing project paper. These are being corrected with this restructuring

With these changes, the Bank task team is confident that the PDO remains achievable within the current timeframe.



II. DESCRIPTION OF PROPOSED CHANGES

Category reallocation:

Provide a one- line category to cater for all activities for the remaining balance under the old credit as broken down in the 'reallocation between categories section' below

Revision of Intermediate Indicators (see table below):

	Action	Indicator	Rationale
1	Drop	Intermediate Indicator - Capital Markets Bill 2011 approved by Cabinet for submission to Parliament	Government institutions responsible for activities that were intended to help achieve the indicators are the National Treasury, Central Bank of Kenya and Capital Markets Authority. These institutions had been receiving technical assistance from the Bank since January 2011 through direct advisory services, hands-on-training, workshops and market sensitization support. The IFPPP project provided supplemental support through the Capital Markets Advisor who was directly under the project. The Advisor's contract lapsed in October 2015 coinciding with commencement of the FSSP project in April 2015 where the institutions mentioned above are beneficiaries. Subsequently, most of the financial sector activities with similar results indicators are handled under the FSSP. Consequently, no financial sector related activities have been approved for implementation under IFPPP since 2015. Hence this indicator is being dropped under IFPPP.
2	Drop	Intermediate Indicator - Securities and Investments Bill 2011 approved by Cabinet for submission to Parliament	Same as above
3	Drop	Intermediate Indicator – Five feasibility studies completed and submission by contracting authorities to the PPP Committee acceptable to the Association, including Safeguards	This is a duplication of Intermediate indicator -No. of feasibility studies approved by the PPP Committee.
4	Revise	PDO indicator - Mobilize at least US\$1.25 billion private capital	There is a typo on US\$1.25 billion which in numbers is misrepresented as 125,000,000,000 instead of 1,250,000,000. This is simply being corrected.
5	Results framework cleanup		Alignment of some baseline figures, End target figures, End target dates and DLI amounts to match the PAD and project paper. There are no changes in the DLI matrix from that in the Project Paper.

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III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Reallocation between Disbursement Categories	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Components and Cost		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES



Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
			Current	Proposed
IDA-51570-001 Currency: XDR				
iLap Category Sequence No: 1	Current Expenditure Category: DISB - GOODS			
600,000.00	184,769.05	184,769.05	100.00	100.00
iLap Category Sequence No: 2	Current Expenditure Category: DISB - CIVIL WORKS			
330,000.00	281,729.45	281,729.45	100.00	100.00
iLap Category Sequence No: 3	Current Expenditure Category: DISB - CONSULTING			
18,500,000.00	16,624,451.50	16,624,451.50	100.00	100.00
iLap Category Sequence No: 4	Current Expenditure Category: DISB - TRAINING			
3,500,000.00	2,145,886.86	2,145,886.86	100.00	100.00
iLap Category Sequence No: 5	Current Expenditure Category: Non Consulting services			
60,000.00	6,914.78	6,914.78	100.00	100.00
iLap Category Sequence No: 6	Current Expenditure Category: DISB - OPERATING COSTS			
800,000.00	867,131.30	867,131.30	100.00	100.00
iLap Category Sequence No: 7	Current Expenditure Category: PPF REFINANCING			
1,350,000.00	0.00	0.00		
iLap Category Sequence No: 8	Current Expenditure Category: UNALLOCATED			
1,260,000.00	0.00	0.00		
iLap Category Sequence No: 9	Current Expenditure Category: Goods, Civil works, Consulting, Training, Non-consulting services, Operating costs			



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	0.00	0.00	6,289,117.06	100
Total	26,400,000.00	20,110,882.94	26,400,000.00	



Results framework

COUNTRY: Kenya

Kenya Infrastructure Finance/PPP project

Project Development Objectives(s)

The overall objective of this project is to increase private investment in the Kenya infrastructure market across sectors and to sustain this participation over an extended period of time.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	DLI	Baseline	End Target
Institutional Development and Regulatory Reform			
Regular issuance of Government benchmark bonds in medium and long term maturities up to 7/10 year tenures (Number, custom) (Yes/No)		No	Yes
<i>Action: This indicator has been Revised</i>			
PPP Regulations associated with the new Law agreed to with MoF (Yes/No)		No	Yes
<i>Action: This indicator has been Revised</i>			
Private Capital Mobilized (Amount(USD))		0.00	1,250,000,000.00
<i>Action: This indicator has been Revised</i>			
Pipeline of PPP transactions			
No. of PPP Projects that reached financial close (Number)		0.00	3.00
Expression of Interests (EOIs) issued to prospective sponsors for three targeted PPP transactions (Number)		0.00	3.00
<i>Action: This indicator has been Revised</i>			



Indicator Name	DLI	Baseline	End Target
Improvement of FCCL framework			
PPP Fiscal Commitment and Contingent Liability Framework operationalized as measured by: upstream DMO due diligence on prospective (feasibility stage) transactions completed in line with Law (Yes/No)		No	Yes
<i>Action: This indicator has been Revised</i>			

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	End Target
Institutional Development and Regulatory Reform			
No. of Government officials with PPP certification from recognized institutions* (Number)		10.00	50.00
Line Ministries and Agencies ?Nodes? for First Mover Transactions established and operational (Number)		0.00	2.00
<i>Action: This indicator has been Revised</i>			
Regular issuance of Government benchmark bonds in medium and long term maturities up to 7/10 year tenures (Yes/No)		No	Yes
<i>Action: This indicator has been Marked for Deletion</i>			
Capital Markets Authority Bil 2011 approved by cabinet for submission to parliament (Yes/No)		Yes	Yes
<i>Action: This indicator has been Marked for Deletion</i>			



Indicator Name	DLI	Baseline	End Target
Securities and Investments Bill 2011 approved by cabinet for submission to Parliament (Yes/No)		No	Yes
Action: This indicator has been Marked for Deletion			
Preparation of a pipeline of PPP transactions			
Report drafted on project stakeholder engagement survey (Yes/No)		No	Yes
No. of EOIs/RFQ/RFP issued to prospective PPP private partners (Number)		8.00	20.00
No. of Feasibility Studies approved by the PPP Committee (Number)		10.00	25.00
Action: This indicator has been Revised			
PPP Training Curriculum Developed and Implemented (Text)		No Curriculum	Curriculum developed and approved, implementation of curriculum commenced
Improvement of FCCL Framework			
PPP FCCL approved by National Treasury Cabinet Secretary (Text)		No	Yes
Action: This indicator has been Revised			



Disbursement Linked Indicators Matrix

Disbursement Linked Indicators Matrix				
DLI 1	PFF Regulations gazzeted			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	No	Date	930,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	29-Jun-2018			
FY 18			930,000.00	
<i>Action: This DLI has been Revised. See below.</i>				
DLI 1	PFF Regulations gazzeted			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	No	Date	1,000,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	29-Jun-2018			
FY 18			1,000,000.00	
DLI 2	PFF governance and operations manual approved and implemented			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Date	930,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula



Baseline	29-Jun-2018		
FY 18			930,000.00

Action: This DLI has been Revised. See below.

DLI 2	<i>PFF governance and operations manual approved and implemented</i>			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Date	1,000,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	29-Jun-2018			
FY 18			1,000,000.00	

DLI 3	<i>PFF Seed money provided</i>			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Date	930,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	29-Jun-2018			
FY 18			930,000.00	

Action: This DLI has been Revised. See below.



DLI 3	<i>PFF Seed money provided</i>			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
<i>Output</i>	<i>No</i>	<i>Date</i>	<i>1,000,000.00</i>	<i>0.00</i>
Period	Value		Allocated Amount (USD)	Formula
<i>Baseline</i>	<i>29-Jun-2018</i>			
<i>FY 18</i>			<i>1,000,000.00</i>	

DLI 4	<i>At least 3 PFF Funding Agreements signed</i>			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
<i>Output</i>	<i>No</i>	<i>Date</i>	<i>4,700,000.00</i>	<i>0.00</i>
Period	Value		Allocated Amount (USD)	Formula
<i>Baseline</i>	<i>29-Jun-2018</i>			
<i>FY 18</i>			<i>4,700,000.00</i>	

Action: This DLI has been Revised. See below.

DLI 4	<i>At least 3 PFF Funding Agreements signed</i>			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
<i>Output</i>	<i>No</i>	<i>Date</i>	<i>5,000,000.00</i>	<i>0.00</i>
Period	Value		Allocated Amount (USD)	Formula



Baseline	29-Jun-2018			
FY 18			5,000,000.00	
DLI 5	Baseline circular to county government on PFF issued			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Date	1,400,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	28-Jun-2019			
FY 18			1,400,000.00	
<i>Action: This DLI has been Marked for Deletion</i>				
DLI 6	Baseline circular to county governments of FCCL framework issued			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Date	1,400,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	28-Jun-2019			
FY 18			1,400,000.00	
<i>Action: This DLI has been Marked for Deletion</i>				



DLI 7	At least 3 additional PFF Funding agreements signed			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Date	9,400,000.00	0.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	28-Jun-2019			
FY 18			9,400,000.00	
<i>Action: This DLI has been Marked for Deletion</i>				

Verification Protocol Table: Disbursement Linked Indicators

DLI 1	PFF Regulations gazzeted			
Description				
Data source/ Agency				
Verification Entity				
Procedure				
DLI 1	PFF Regulations gazzeted			
Description				
Data source/ Agency				
Verification Entity				



Procedure	
DLI 2	PFF governance and operations manual approved and implemented
Description	
Data source/ Agency	
Verification Entity	
Procedure	
DLI 2	PFF governance and operations manual approved and implemented
Description	
Data source/ Agency	
Verification Entity	
Procedure	
DLI 3	PFF Seed money provided
Description	
Data source/ Agency	
Verification Entity	
Procedure	
DLI 3	PFF Seed money provided
Description	
Data source/ Agency	
Verification Entity	



Procedure	
DLI 4	At least 3 PFF Funding Agreements signed
Description	
Data source/ Agency	
Verification Entity	
Procedure	
DLI 4	At least 3 PFF Funding Agreements signed
Description	
Data source/ Agency	
Verification Entity	
Procedure	
DLI 5	Baseline circular to county government on PFF issued
Description	
Data source/ Agency	
Verification Entity	
Procedure	
DLI 6	Baseline circular to county governments of FCCL framework issued
Description	
Data source/ Agency	
Verification Entity	



Procedure	
DLI 7	At least 3 additional PFF Funding agreements signed
Description	
Data source/ Agency	
Verification Entity	
Procedure	



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