# HOW THE PROJECT FACILITATION FUND WILL **IMPACT INFRASTRUCTURE DEVELOPMENT IN KENYA**

Public Private Partnerships ("**PPPs**") are fast gaining momentum in the country, with the PPP pipeline currently standing at over sixty projects and the first mover projects having been rolled out.

As one of the key indicators of successful PPPs is the allocation of risk to the party best suited to manage it, the Government is currently looking into mechanisms to address the risks which private sector is not well placed or willing to manage. The recent operationalization of a project facilitation fund ("**Fund**") through the gazettement of the Public Private Partnerships (Project Facilitation Fund) Regulations ("**PFF Regulations**") in May 2017, is expected to go a long way towards achieving this.

To begin with, a number of infrastructure projects have not lived to see the light of day due to the costs involved in transforming them from mere concepts to actual projects. The Fund is expected to give such projects a lifeline by financing some of the preparatory phase costs such as land acquisition and resettlement, consultancy services, tender processes and transaction advisory services.

This is significant because costs, such as those associated with land acquisition and resettlement, have been singled out as being among the most significant preparatory phase outlays. The Fund shall therefore provide cash flow relief to contracting authorities by financing any shortfall in land acquisition costs, to be repaid in subsequent budgeting cycles.

On the advisory front, the expected funding will also make it possible for contracting authorities to engage advisors, which should hopefully translate into bankable projects being rolled out into the market.

The Fund shall also provide viability gap funding ("**VGF**") to support capital costs and land acquisition costs. Simply put, VGF is a means through which the Government can extend financial support to projects which are not financially viable, but are economically justified and necessary. The Government shall do this by providing capital grants, loans or other forms of financial support in respect of a portion of the project costs, in order to make eligible projects viable and attractive to private investors. This has been rolled out successfully in other jurisdictions such as India for projects in the road, rail and power sectors.

Finally, the Fund is expected to provide liquidity for contingent liabilities when they crystallize. A case in point is termination payments which could unexpectedly fall due from a contracting authority in the event that a project agreement is terminated mid-stream. Private sector would typically want reassurance that the contracting authority can fund such obligations, should they arise.

Once capitalised, the Fund should go a long way towards addressing this concern as it shall be expected to cover contingent liabilities where budgetary allocation has not been made by the contracting authority or where the same cannot be handled by the National Treasury under alternative frameworks or handled under the National Government Contingency Fund.

All in all, the operationalization of the Fund is a major step towards attracting private capital for the delivery of bankable infrastructure project to the Kenyan population.

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