



ADVERTISEMENT

OPTIONS STUDY: LOCAL CURRENCY TARIFFS FOR KENYAN POWER PURCHASE AGREEMENTS

GuarantCo, part of the Private Infrastructure Development Group ("PIDG"), was established to help address and overcome existing constraints in the supply of local financing to infrastructure projects and to support the development of local financial markets in low income countries.

GuarantCo is sponsored by the donor arms of the British (DFID), Dutch (DGIS), Swiss (SECO) Australian (DFAT), and Swedish (SIDA) governments and is rated AA- by Fitch and A1 by Moodys.

Historically, power generation in Sub-Saharan Africa has been a dollarized business supported by development agencies and international lenders with dollar balance sheets, although the success of the South African renewables initiative shows what can be achieved through the local market.

Particularly in Kenya, the local bank and debt capital markets have expanded and deepened greatly since the first independent power projects ("IPPs") were financed. In addition, an increasing local cost component and a larger proportion of renewables in the projected generation mix, provides a greater opportunity for local financing than the initial large thermal IPPs. This combination provides an opportunity to reconsider the case for more local financing.

At a conceptual level, obtaining local currency funding would reduce the impact of the Foreign Exchange Fluctuation Adjustment, ("FERFA"), although the impact of different interest and inflation rates would also need to be taken into account in the final generation tariff and reflected in the consumer tariff. Any reduction in the consumer tariff will translate into more affordable power and deliver a sustainable advantage to consumers including businesses and industries in Kenya, particularly in the manufacturing sector, creating more employment and contributing to the growth of the economy.

GuarantCo is now looking to appoint a consultant to support the Ministry and Energy and Petroleum, and the Energy Regulatory Commission as the co-ordinating agency, carry out an options analysis. The key output of the study would be the identification of the options and the proposed mechanisms to accommodate a local currency component with the fact base analysis of the potential impact and benefits.

This study is funded by the Technical Assistance Facility of the PIDG.

GuarantCo Management Company ("GMC") is the fund manager and provider of management services to GuarantCo, and is the point of contact for GuarantCo. Interested consultants are requested to contact finance-ops@Guarantco.com for detailed Terms of Reference, requirements for submissions of Proposals and other relevant information.

Deadline for the Submission of Proposals is scheduled for May 31st.