

**MANAGING CONTINGENT LIABILITIES  
AND PPPs IN THE CONTEXT OF THE  
COVID-19 PANDEMIC: THE CASE STUDY OF  
KENYA**

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# WHY PPPs?

- The private sector can offer better value for money—higher quality of services at lower cost—because:
  - its drive, motivation, and creativity
  - the combination of creating assets and delivering services
  - efficiency gain mostly linked to internalization of maintenance strategy
  - the possibility of introducing user fees

# WHY PPPs



Yet, efficiency gains in PPPs should be high enough to offset:

higher cost of private capital

fixed costs associated with managing PPPs

# WHY PPPs

**Creates illusion of fiscal space when in fact there is none**

Only “good” PPP projects “may” create space “if”

efficiency gains are achieved and are larger than higher financial and transaction costs compared to traditional public procurement

# PPP PROJECTS IN KENYA



# Legal and institutional context

The Constitution of Kenya 2010

Public Finance Management Act 2012

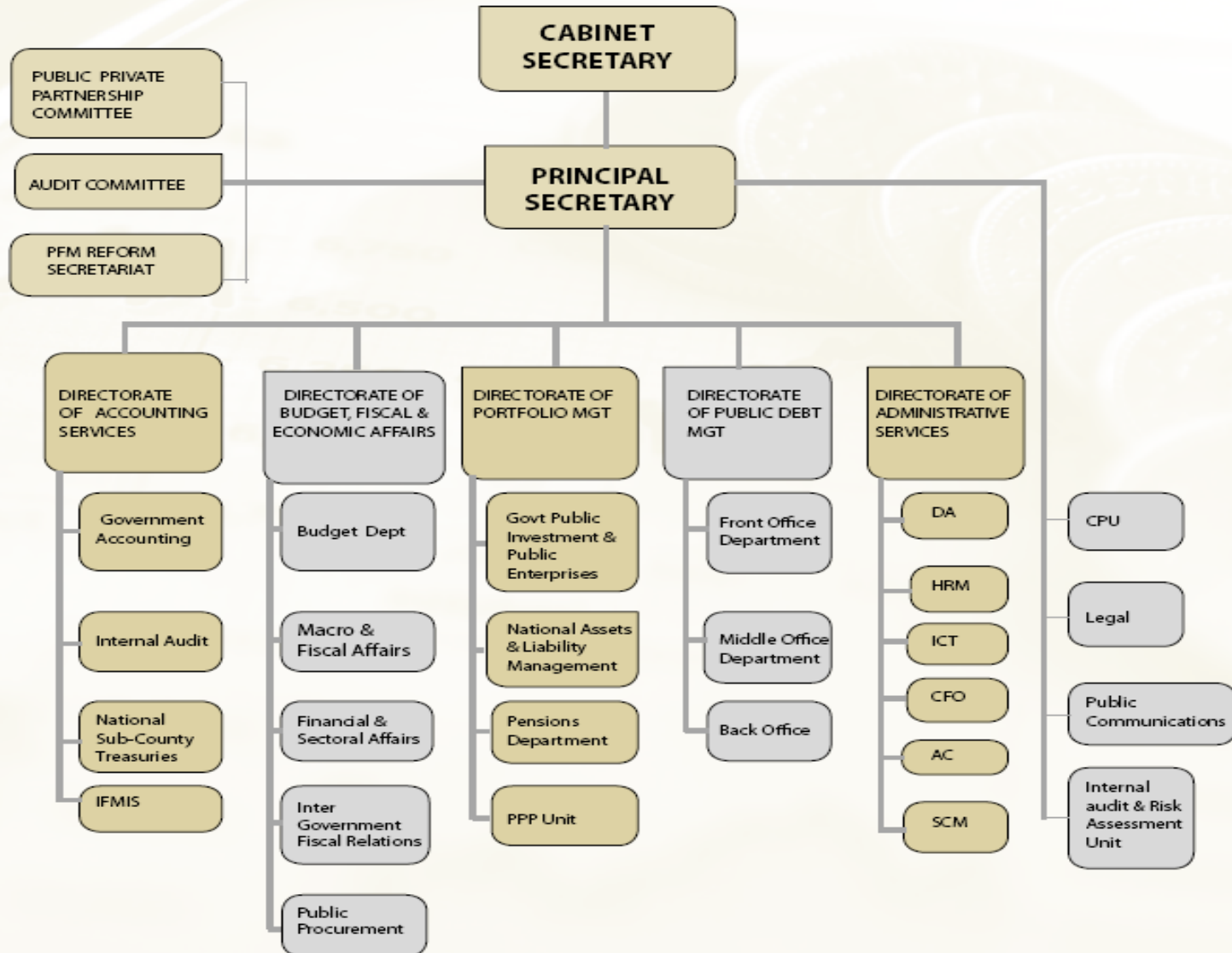
Public Finance Management Act Regulations 2015

The Public Private Partnership Act 2013

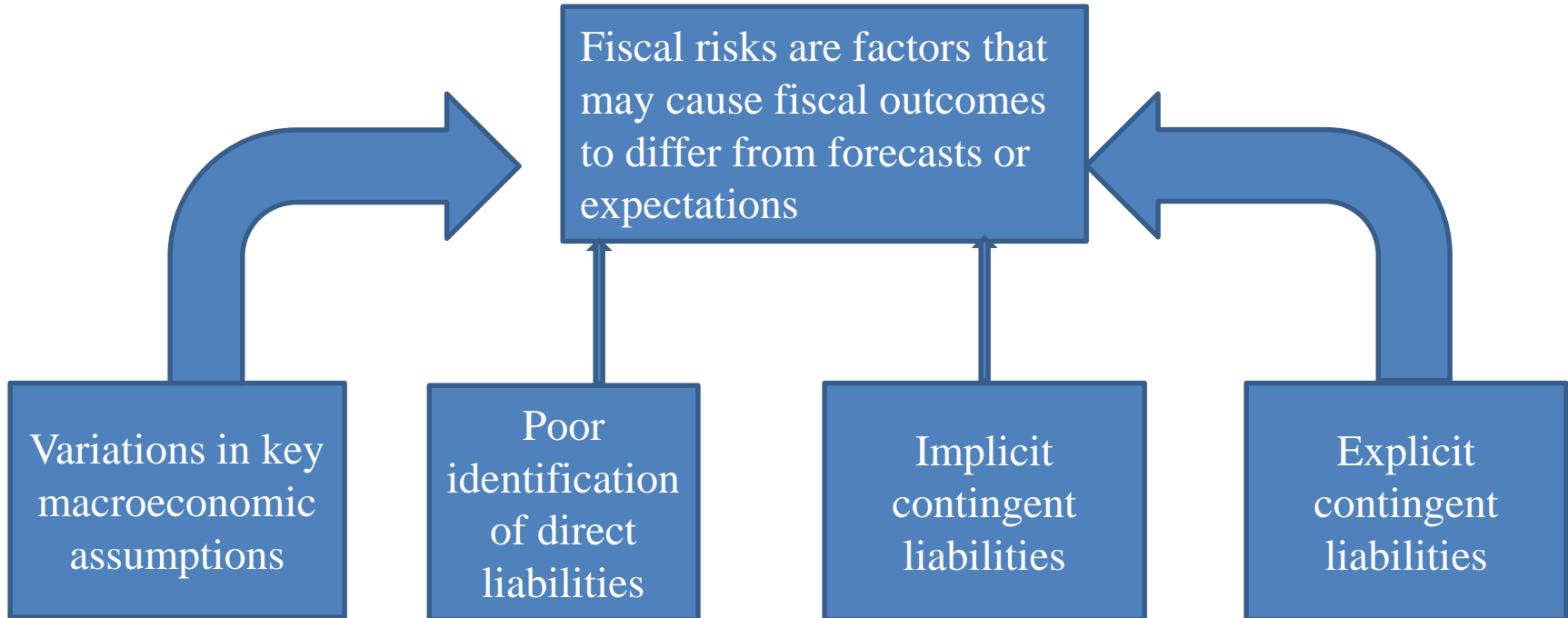
Policy on the Issuance of Government Support  
Measures in Support of Investment Programmes

Debt and Borrowing Policy

# Legal and institutional context



# Fiscal Risks





# COVID-19 Mix: Likely Impact

- *Diminished revenue collection*
  - *Potential huge payouts*
- *Possibility of bailouts of SOCs and SOEs*
- *Sub-optimal reallocation of resources and reduced accountability*
- *Institutional weakening post COVID-19 etc.*

## Way forward

- *Strengthening the legal framework for risk management*
- *Institutional restructuring and change management.....*

**Thank You**