

Republic of Kenya**Electricity Modernization Project****Chair Summary*****March 31, 2015**

Executive Directors approved an IDA credit in the amount of US\$250 million equivalent, a Strategic Climate Fund-Scaling-Up Renewable Energy Program grant in the amount of US\$7.5 million, and an IDA guarantee in an amount equivalent to US\$200 million to the Republic of Kenya for an Electricity Modernization Project (IDA/R2015-0042) on terms and conditions set out in the President's Memorandum.

Directors expressed broad support for the operation, including the innovative combination of credit, grant, and guarantee instruments used to support Kenya's goals in the electricity sector. Directors welcomed the four pillars of the operation supported by the Bank: (i) improving electricity service delivery and reliability; (ii) implementing a revenue protection program in the Kenya Power and Lighting Company (KPLC) to reduce commercial losses; (iii) connecting rural and peri-urban households to electricity; and (iv) institutional development, capacity building and implementation support.

Directors also welcomed the catalytic use of the IDA guarantee to enhance KPLC's credit quality, which will enable KPLC to raise approximately US\$500 million of new commercial debt with lower interest rates and longer tenors than those currently available to it, to replace existing debt that is placing a heavy burden on the company, and thus setting KPLC on the path to long-term financial sustainability. At the same time, Directors underscored the importance of balancing financial sustainability with affordability to expand electricity access to low-income households.

Directors urged staff to continue to work with the implementing agencies—KPLC and the Rural Electrification Agency—to build capacity, address governance and corruption challenges, and to supervise closely implementation of safeguard policies under the Project. Finally, they encouraged continued collaboration across the Bank, IFC and MIGA to support the private sector, which could play a critical role in electricity infrastructure development in Kenya.

*This summary is not an approved record.