Climate Compatible Growth

COP27 POLICY BRIEF SERIES

# The political economy of power planning in Kenya

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## Summary

A review of Kenya's long-term power planning process, locally known as Least Cost Power Development Plans, reveals perennial power dynamics and inefficiencies. This briefing will scope out how the sectoral institutions, actors and competing interests shape power dynamics and impact the outcome of energy planning. We conducted a review of the country's power sector policies, legislation, and plans, along with in-depth semi-structured interviews with key informants across the sub-sector. Preliminary insights from the analysis show that while the least cost power planning matrix in Kenya is largely inclusive, gaps and misalignments in the policy framework create loopholes for malpractice. Further, a political culture of patronage and adherence to a bureaucratic chain of command are core to the sub-sector's decision-making. Recommendations involve empowering various sector utilities, addressing gaps within the policy framework, adopting more optimal planning tools, and developing better mechanisms to counter corruption.

## Key Policy Recommendations

- Kenya needs to implement a more inclusive power planning process that goes beyond sector utilities and the private sector to include civil society actors.
- Current gaps and misalignments in the policy and legislative framework should be addressed as mandated by the legal framework, and any policy changes should be approached in a transparent and consultative manner.
- The sector is in need of further liberalization by empowering sector utilities, creating board independence in sector utilities, and weakening the legacy of patronage.
- To ensure that power planning is more evidence-based, more optimal and context-relevant planning tools are needed.

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# Introduction

In sub-Saharan Africa, Kenya is considered one of the frontier countries in developing long-term power plans, locally known as Least Cost Power Development Plans (LCPDP). The LCPDP process in the now unbundled electricity sub-sector takes into account different stakeholder interests to find a compromise that aligns with national development plans.

Developments in the Kenyan power sector have raised concerns about the cost of power and the effectiveness of the LCPDP process. Recent long-term plans have not been adequately based on solid independent technical analysis [1–2]. Further, the LCPDP and subsequent procurement process have sometimes been misaligned, as new projects were started before or without thorough evaluation of whether they are in line with least-cost planning standards [2–3]. Our review of this multi-stakeholder process reveals various power dynamics resulting in part in high power prices, which provoked a presidential directive to renegotiate power purchase agreements.

This briefing scopes out how the actors and institutions underpinning the electricity sub-sector in Kenya shape power dynamics and impact the outcome of energy planning. As the country develops its Integrated National Energy Planning (INEP) framework as mandated by the Energy Act 2019, insights on the political economy of power sector planning with respect to the LCPDP will be invaluable.

# Methodology

The underlying study relied on evidence drawn from key informant interviews. In addition, document analysis of literature, policy documents including legislation and reports, and media reports (both mainstream and social) together enabled the tracing of planning and decision-making processes in Kenya's power sector. Primary data collection relied on two scoping conversations that were used to clarify the research direction, and eight semi-structured interviews with key informants within the sector central to power sector planning. This included past and present personnel of EPRA, Kenya Power, KenGen, KETRACO, the Ministry of Energy and Petroleum (MoEP), the 2021 Taskforce, and civil society (see **Table 1** and **Results** section for a full breakdown of stakeholders). Interview questions revolved around the factors that have contributed to power planning and, overall the state of integrated electricity systems in Kenya. We explored the role of the existing governance structures and decision-making processes; institutional interests, values and norms in the power sector; incentive structures; political and economic conditions; and policy outcomes. Interviews were undertaken in March and April 2022, and they were recorded and transcribed, to complete a set of primary and secondary data upon which narrative analysis was undertaken. All information was given anonymously at the request of participants.

| Category | No. of interviewees | Abbreviation in text |
|---|---|---|
| Energy regulator | 1 | ER |
| National government | 2 | NG |
| Sector utility | 3 | SU |
| Civil society organization | 1 | CSO |
| Academia (scoping) | 2 | AC |
| Private sector | 1 | PS |

*Table 1. List of key informant interviews and scoping conversations in the study*

# Results

## The institutional framework, key actors and interests

Power planning in Kenya is governed by various policies and legislative acts, among them, two overarching documents: the Constitution of Kenya 2010 and the Kenya Vision 2030 unveiled in 2008. Power planning, largely focused on generation capacity, is guided by a 20-year LCPDP that is revised every two years. Complimentary documents include the National Energy Policy of 2018, the new Energy Act of 2019 and the Feed-in-Tariff (FiT) Policy of 2021. A draft Renewable Energy Auctions Policy (REAP, 2021) is yet to be implemented, and an Integrated National Energy Plan (INEP) is under development at the Ministry of Energy and Petroleum (MoEP) to streamline energy planning at the county and national levels.

Influential actors in the sector include the Office of the President, which sets government strategies and targets, and has recently been focused on scaling up electrification and lowering power prices. The sector policymaker, MoEP, is currently focused on promoting the development and use of renewable energy technologies. The Energy and Petroleum Regulatory Authority (EPRA) aims to balance the interests of sector utilities and consumers, but its autonomy is sometimes in doubt [4–5]. Power sector utilities include Kenya Power as the single offtaker, Kenya Electricity Generating Company (KenGen) which is expanding its generation capacity, and Kenya Electricity Transmission Company Limited (KETRACO) which is also expanding the high voltage national transmission grid. Other utilities, such as the Renewable Electrification Renewable Energy Corporation (REREC), Geothermal Development Company (GDC), and Nuclear Power and Energy Agency (NuPEA), have played a peripheral role in the power planning process. Other stakeholders include the Vision 2030 secretariat, Kenya Private Sector Alliance (KEPSA), and Kenya National Bureau of Statistics (KNBS). **Figure 1** summarizes the LCPDP process and actors involved at each stage.

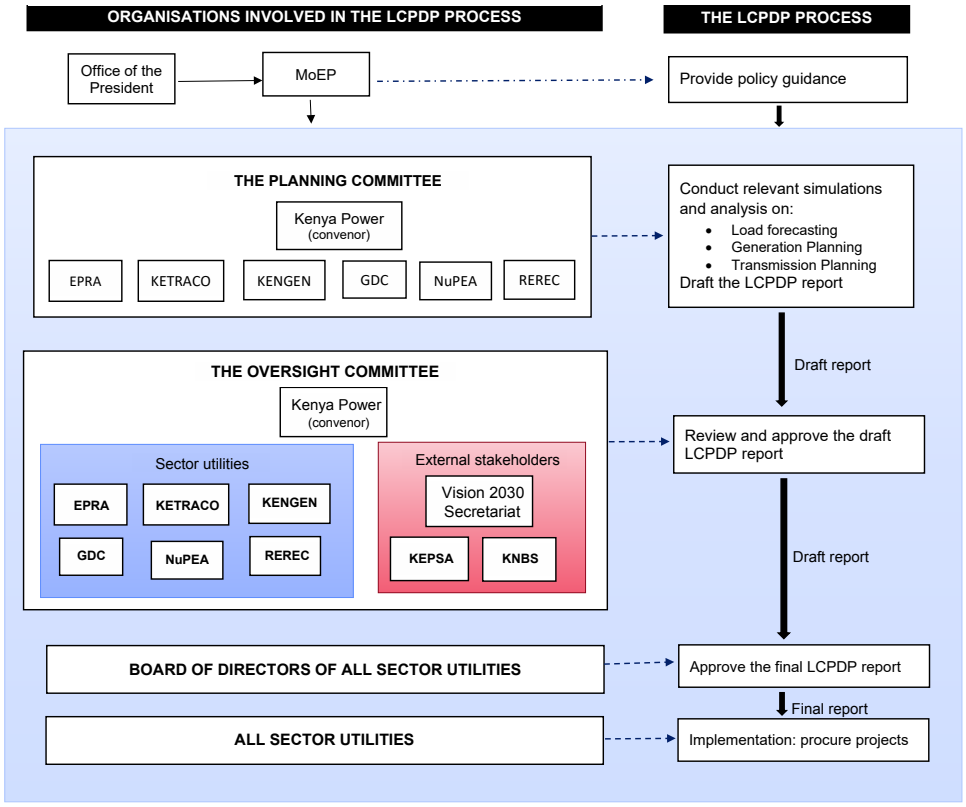


*Figure 1: Kenya stakeholders and steps in the LCPDP process*

## Power dynamics in the sector

Our analysis of the interviews and documentary evidence reveals the following key political economy factors in the Kenyan power planning process; summarized in **Figure 2**:

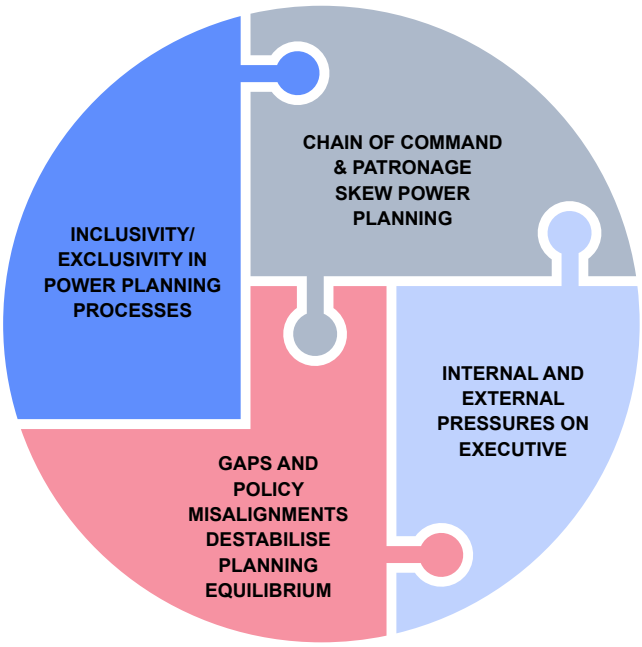


*Figure 2. Power dynamics in power planning in Kenya*

**Coordinated power planning in an unbundled sector has fostered an institutional culture of inclusion of sector utilities in the process.** Such coordinated planning also serves to moderate the competing interests of the utilities involved. Although pure convergence is never really achieved, a consensus consisting of "compromised positions" (SU) is reached.

> *"The fact that everybody's on the table kind of helps in making sure it's not just your interest as an institution that is being considered. Everybody's interest has to be taken care of, and everybody has to be listened to" (SU).*

Nevertheless, our analysis of the data shows a clear exclusion of civil society actors in the process.

**Gaps and misaligments in the evolving policy framework destabilize the planning equilibrium.** Among these gaps, key informants mentioned the failure to update the FiT Policy in a timely fashion between 2012 and 2021, thus overlooking global developments in technology and prices when new generation projects were considered or contracted during that period [3]. Further, the LCPDP mandate shifted from MoEP to the regulator (EPRA), and most recently to the offtaker (Kenya Power). The latest change has been received with mixed reactions due to the perceived (lack of) neutrality of the offtaker.

> *"We need [an institution] who seems to be neutral, and one that every player in the sector sees as neutral to take care of the planning... It's like a referee in a football match. At the end of the day these powers need to go to the Ministry" (NG).*

As the coordination of the LCPDP transitions, powerful actors may alter the sector's trajectory by imposing their interests and worldviews on the process.

**Chain of command and patronage as an industry norm**. This manifests itself in how MoEP, the National Treasury, and the Office of the President influence developments even at the implementation stage through board participation [5], executive orders, appointments of CEOs and reshuffles. Key informants spoke of sector dynamics heavily skewed in favour of powerful positions at the top of government, and instances of direct interference with planning outcomes or bypassing of existing plans.

> *"My experience is that a lot of them [sector utility board members] think about the guy who appointed them first before they think of 'Wanjiku' (the end user)" (ER).*

Some infomants partly attribute the high cost of power to these factors.

**Foreign and domestic pressures on the sector.** Through the threat of sanctions or conditions for financial aid and provision of technical support, development partners have played a significant role in directing developments in the power sector, e.g. unbundling of the sector, power planning, and even tariff reviews [4]. Some industry experts also believe that the imperative to fully transition to renewable energy—evidenced by new solar and wind projects in the LCPDP—is externally driven. As an informant noted:

*"The people who are pushing renewables have had the last 200 years to use dirty fuels. They've developed their economies cheaply, and now they're talking to us about renewables that are expensive. The conversation we want to have, looking at our energy mix, what is the most optimal mix that we should have for Kenya, noting its state of development and the ability of its people to actually afford this energy" (SU).*

The executive has also been under intense internal pressure, particularly from civil society and the private sector to reduce the cost of power, which in part resulted in the formation of the 2021 Taskforce to explore how power prices can be lowered.

**Rent seeking and integrity issues.** Political and financial corruption evidenced by diversions in public spending, inefficiency in allocating public contracts based on nepotism or tribalism, bribery and mismanagement have historically plagued the energy sector in Kenya [6]. Key informants referenced powerful actors that skewed the negotiation of power purchase agreements with specific independent power producers. Some political elites even own assets in generation and distribution, creating a conflict of interests in procurement processes.

# Policy Recommendations

Sector actors in Kenya agree on the need to build energy security by generating reliable, affordable, and accessible electricity, and the need to scale up electrification, diversify the energy generation mix, and attract private sector investment in the sector. However, these objectives may be curtailed by political economy factors. Thus, we make the following recomendations:

- **Entrenching a more inclusive power planning process that goes beyond sector utilities and the private sector.** Inclusion of civil society actors in this process would foster more accountability in its implementation.
- **Addressing gaps and misalignments in the policy and legislative framework.** Policies should be updated as mandated by the legal framework, and any policy changes should be approached in a transparent and consultative manner.
- **Further liberalization of the sector would help develop and implement more sound, evidence-based power plans.** This could be achieved by empowering sector utilities, creating board independence—particularly from the Executive—and weakening the legacy of patronage.
- **Better planning tools and building capacity may help counter biases and interferences in the planning process.** More optimal and context-relevant planning tools could account for infrastructural opportunities and constraints, and sector utilities need support to develop their own evidence-based technical analyses.
- **Developing better mechanisms to counter corruption in the power sector.** A combination of legislative, administrative, technological, and civil society initiatives can increase transparency and accountability, strengthen auditing and oversight, and encourage participation to counter corruption.

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