



Kenya Pension Funds Investment Consortium

*Mobilizing Local Pension Capital For Pan-
African Infrastructure Development*

Call For Investment Proposals

Round 1: December 2022

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1. Background

The Kenya Pension Funds Investment Consortium (KEPFIC) is a consortium of Kenyan retirement funds who have come together for the purpose of collaborating to make sustainable long-term infrastructure and alternative asset investments in the region.

Historically infrastructure investment has been the domain of national and county governments, however Kenya's infrastructure deficit remains high at approximately USD 4 billion annually¹ and addressing this deficit represents an untapped investment opportunity for local pension funds. Investments into alternative assets such as infrastructure and housing represent an attractive yet underutilized investment opportunity for pension funds as these investments provide competitive returns, portfolio diversification, inflation hedges and long-term asset-liability matching for pension portfolios.

KEPFIC was founded as an industry-wide initiative to address the challenges in investing in infrastructure and alternative assets for pension funds. While infrastructure investments are capital-intensive and require specialized investment and operational expertise, through KEPFIC pension funds are able to pool their resources - along with global co-investors- and collectively share in the infrastructure investment pipeline and expertise, due diligence and other benefits provided.

KEPFIC is supported by USAID and the World Bank Group and has further leveraged its mission and established partnerships with offshore pension funds looking for liquid co-investment opportunities in the region. Through this support and co-investment partnerships, KEPFIC aims to mobilize and invest at least USD 250 million in infrastructure and alternative assets in the near term and provide competitive returns and diversification opportunities to its member funds and partner co-investors.

KEPFIC is legally incorporated in Kenya under the Companies Act, 2015 as a company limited by guarantee and was officially launched in October 2020. The consortium operates as an industry association and provides various benefits to its participating members including:

- 1) Pre-Screened Investment Opportunities:** Access to pre-screened alternative investment opportunities that are suitable to pension portfolios.
- 2) Economies of Scale:** KEPFIC achieves economies of scale in the investment selection, structuring, negotiation and due diligence processes.
- 3) Capacity-Building:** KEPFIC works to build the technical and investment capacity of its member funds to enable them to make informed investment decisions into alternative assets. KEPFIC's capacity-building initiatives include live deal analysis and project site tours, regular investment workshops with experts in infrastructure

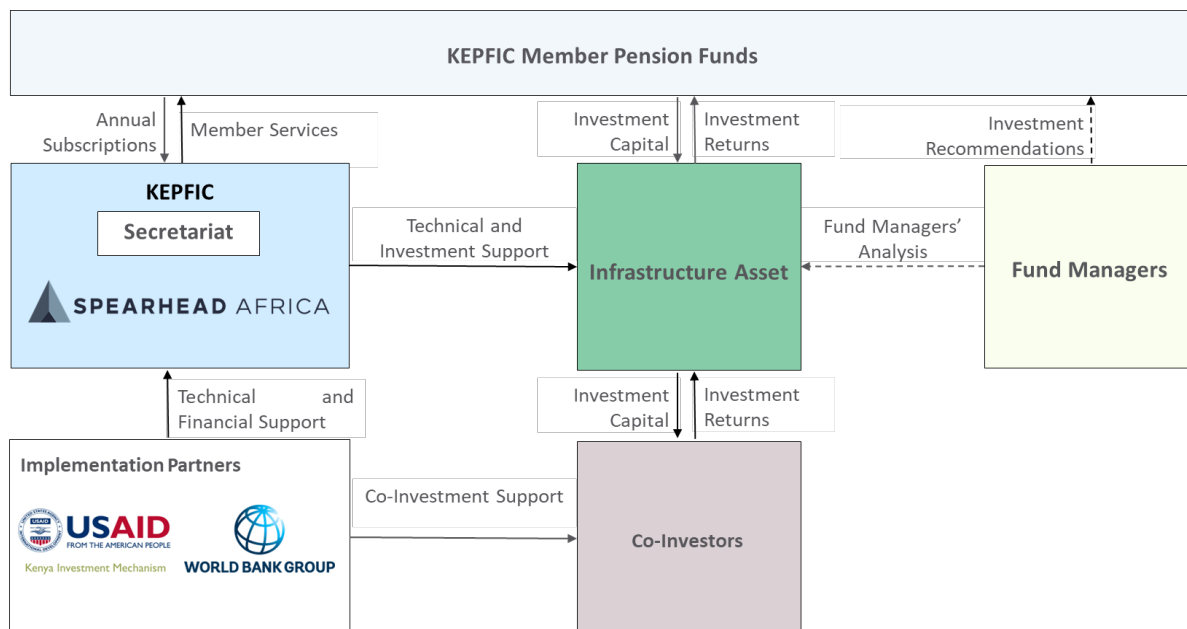
¹ World Bank (2013), Kenya's infrastructure: A continental perspective <https://doi.org/10.1596/1813-9450-5596>

investment and networking sessions with like-minded local and foreign pension funds.

- 4) **Co-Investment with Global Pension Funds:** KEPFIC has established partnerships with offshore pension funds and asset managers that would allow for co-investments with their Kenyan counterparts.
- 5) **Technical Support from Implementation Partners:** KEPFIC benefits from technical support from its implementation partners including USAID and the World Bank in the investment selection and execution process.
- 6) **Advocacy:** KEPFIC represents its members' interests and engages with the respective regulators and external stakeholders, contributing to a supportive policy environment.

KEPFIC Investment Structure

KEPFIC's strategy is to source a robust investment pipeline for the consideration of its member pension schemes. To date, KEPFIC has successfully mobilized over **USD 113 million** into alternative assets investments by the Kenyan pension fund industry via the investment process illustrated below:



KEPFIC has been recognized as the Pension Fund Infrastructure Initiative of The Year at the Africa Investor awards and was awarded for its mobilization efforts at the 2022 Africa & Emerging Markets Summit held in Chicago, United States further validating its mission and highlighting the East Africa infrastructure investment landscape to global players.

The respective roles of the various parties in the structure are as shown below:

Party	Roles
<p>KEPFIC</p>	<ul style="list-style-type: none"> • Develop a robust investment pipeline that provides competitive returns and diversification opportunities to our member funds and partner co-investors. • Build the infrastructure and alternative asset investment capacity of member funds and the institutional investment ecosystem in Kenya as a whole. • Foster like-minded pension funds to collaborate and co-invest in sustainable alternative assets investments. • Provide transaction support with the support of its implementation partners. • Organize networking initiatives with both local and international pension funds. • Build co-investment relationships with like-minded international investors. • Engage with respective regulators and policymakers. • Represent its members' interests and contribute towards a supportive investment landscape.
<p>Pension Funds</p>	<ul style="list-style-type: none"> • Enrol and participate in KEPFIC membership activities. • Build their expertise in alternative assets. • Consider shortlisted alternative assets opportunities. • Improve their portfolio risk-adjusted returns by diversifying into suitable alternative assets.
<p>Fund Managers</p>	<ul style="list-style-type: none"> • Review the shortlisted investment opportunities. • Provide investment recommendations to their client schemes. • Undertake investments in selected alternative asset investments on behalf of their client schemes. • Participate in capacity-building exercises.
<p>Implementation Partners</p>	<ul style="list-style-type: none"> • Offer technical support. • Provide support in due diligence.

2. Call for Investment Proposals

KEPFIC is releasing this Request for Proposals (RFP) to invite investment proposals from project sponsors and fund managers that are looking to raise capital from Kenyan pension funds for regional opportunities. We are seeking investment proposals from the private sector as well as Public-Private-Partnerships (PPPs), and we are looking for bankable projects with suitable returns that support economic development and are backed by strong environmental, social and governance principles.

Issue Date	13 th December 2022
RFP Number	KEPFIC - CFIP2022
RFP Closing Date (Updated)	31 st January 2023
RFP Closing Time	17:00 East African Time
KEPFIC Email	investments@kepfic.co.ke

Eligible proposals under the call should have the following characteristics:

Sector	Infrastructure (sector agnostic) and housing
Investment Location	<ul style="list-style-type: none"> • Direct project level investment: East Africa • Private equity/debt funds: Pan-Africa (but must have a Kenya strategy)
Instrument	<ul style="list-style-type: none"> • Debt for project level investment and a preference for listed instruments. • Equity for fund level investments (Limited Partnerships) • Real Estate Investment Trusts
Currency	Kenya Shilling preferable
Investment Return Hurdle	Minimum of government bond yields

Investment Shortlisting Process

The following table highlights the investment shortlisting process and the necessary requirements at each stage.

Step 1	Receipt of investment proposals from project sponsors by closing date as indicated in the RFP documentation.
Step 2	Proposals are reviewed against the proposal evaluation criteria as described in Section 6 – Evaluation Criteria.

Step 3	Sponsors/Promoters are notified of outcome of the evaluation review by the KEPFIC Secretariat. Shortlisted proposals proceed to the next step.
Step 4	An in-depth due diligence of the shortlisted investments will be conducted, and project sponsors will be asked to provide additional information and access to project data rooms. Non-disclosure agreements (NDAs) will be executed at this stage and project sponsors will be required to pay a fee of KES 75,000 per proposal which will cover the proposal processing and assessment. (The fee would be recoverable against any success fees charged on funds raised.)
Step 5	Following the completion of the in-depth proposal due diligence sponsors of shortlisted proposals will be invited to present their opportunities to KEPFIC members and their licensed fund managers for their consideration.
Step 6	KEPFIC will thereafter organize deal road shows for the project sponsors with the interested pension scheme investors and will assist the project sponsors reach investment close. (All costs will be catered for by the project sponsor.)

KEPFIC will charge a placement fee of **1%** payable by the project sponsor upon a successful fund raise.

3. Important Notes for Applications

1. The purpose of this document is to assist project sponsors in the submission of potential investment proposals for KEPFIC members.
2. For audit and efficiency purposes, this RFP process is being managed electronically and applicants are required to submit their proposals by email to the KEPFIC at investments@kepfic.co.ke.
3. Proposals must be submitted in the provided format and received by KEPFIC no later than the RFP closing date and time.
4. The title of the email of your submission must be labelled and in line with the following: **KEPFIC CFIP – [Project Name]**
5. All communication regarding this RFP shall be in writing, electronically via email to the KEPFIC Secretariat.
6. Information is to be fully and comprehensively provided in all aspects.
7. All documents must be submitted in the English language.
8. Project sponsors may be asked to clarify their proposals and/or provide more details.
9. The KEPFIC Secretariat will examine the responses to determine completeness and sufficiency. Failure to complete any of the attachments and/or to provide written responses to any further questions or requested additional information for clarification will result in the proposal's elimination from further consideration.

10. Any information given and later found to be incorrect shall lead to rejection of the proposal.
11. Information given by the applicants will be treated in strictest confidence.
- 12. Applicants to note that this process does not amount to any contractual obligation on the part of KEPFIC and KEPFIC is not obliged to proceed with any of the investment proposals received.**
13. The completed document should be initialled and signed off by the Director/Partner of project sponsor and signed off appropriately on the last page.
14. Applicants will meet all costs associated with preparation and submission of their investment proposals.
15. Submission will be as per the instructions in Section 2 – Call for Investment Proposals.

4. Mandatory Requirements

1. Teaser of the investment proposal.
2. Completed KEPFIC Investment Proposal Template.
3. Company profile demonstrating relevant experience and track record.
4. Certificate of incorporation, partnership, or business registration.
5. List of Directors, telephone, and email addresses.
6. CVs of directors and senior staff.
7. Evidence of registered physical office.
8. Tax compliance certification.

5. Investment Proposal Templates

Applicants are asked to ensure that details of prospective investment proposal are provided as per the template below.

Investment Template for Direct Project – Level Investment

1. Project Sponsor Information	
	Response
Sponsor Company Name	
Registered Location	

Contact Person and contact email	
Nature of company's activities	
Relevant project development and investment track record	
<p>Does the project/ company have any relations to any natural person who has been entrusted with a prominent public function and/or has ever been categorized as a "PEP" (Politically Exposed Person) by a bank or any financial institution?</p> <p>If yes, please provide the title of the public function, the identity and your relationship with the involved natural person(s).</p>	

2. Project Description	
	Response
Describe the project for which you are raising capital.	
Which sector best characterizes the project's activities?	
Stage of planning, development or operation of the project.	
Timeline to financial close and to commercial operation. <i>(Relevant for greenfield projects)</i>	

How long has the asset been operational? (<i>Relevant for brownfield assets</i>)	
Details including tenure and currency on the project agreements currently in place (including offtake agreements, construction contracts, EPC, O&M, etc).	
Details of all existing partners on the project.	
Details of transaction advisor on this project if applicable.	

3. Investment Need	
	Response
Investment size (KES equivalent)	
Minimum investment ticket size (KES equivalent)	
Proposed financing instrument	
Investment tenure	
Funding commitments received to date (include investment amounts, instrument, currency, and investor where applicable)	
Expected internal rate of return (IRR) and/or yields.	
Is there a guarantee underpin for the expected returns? Please	

provide details including profile of guarantor and percentage guarantee cover.	
Investment close date.	

4. Key Risks and Mitigants	
	Response
Key investment and project operational risks.	
Key risk mitigations.	

5. Regulatory Information	
	Response
Provide all the necessary regulatory approvals and licenses required for operation.	
Does this transaction align with any government priorities in the geographies of operation?	

6. Environmental, Social & Governance Considerations	
	Response
Please provide details on the Sustainable Development Goals (SDGs) that this project is aligned with.	
Please provide details on the expected ESG outcomes and impact at project and company level.	

7. Other	
	Response
Any additional notes and relevant information.	

Investment Template for Fund-Level Investments (Limited Partnerships)

1. Background Information	
	Response
Name of Fund	
Country of domicile	
Contact Person and contact email	
Number of funds raised	
Information on investment track record.	
Management team and profiles	
<p>Does the Fund (including its key personnel) have any relations to any natural person who has been entrusted with a prominent public function and/or has ever been categorized as a “PEP” (Politically Exposed Person) by a bank or any financial institution?</p> <p>If yes, please provide us with the title of the public function, the identity and your relationship with the involved natural person(s).</p>	

2. Fund Description	
	Response
Investment strategy	

Sector and sub-sector	
Co-investment policy	
Provide details on the funding commitments received to date (include investment amounts, instrument, currency, and investor where applicable)	
Exit options	

3. Investment Need	
	Response
Proposed fund size (KES equivalent)	
Investment currency	
Fund term	
Investor minimum commitment (KES equivalent)	
Expected investment close	
Amount deployed (KES equivalent)	
Target returns	
Management fees	
Investment pipeline	

4. Key Risks and Mitigants	
	Response
Key investment risks.	
Key risk mitigations.	

5. Regulatory information	
	Response
Regulatory approvals and licenses required to operate.	
Does the fund's investment strategy align with any government priorities in the geographies of operation?	

6. ESG Considerations	
	Response
Please provide details on the Sustainable Development Goals (SDGs) that this fund is aligned with.	
Please provide details on the expected ESG outcomes and impact at the portfolio and fund level.	

7. Other	
	Response

Any additional notes and relevant information.	
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6. Evaluation Criteria

KEPFIC will conduct an initial screening to assess the extent to which proposals meet the evaluation criteria below. KEPFIC will evaluate the investment proposals to ensure they are technically sound, strategically focused, provide appropriate risk adjusted returns and take into consideration ESG principles.

The evaluation process will focus on the identification and selection of projects that are (i) commercially viable with appropriate investment returns, (ii) driven by promoters with requisite track record and expertise, and (iii) have positive expected ESG impacts.

Investment proposals will be assessed against the following:

- How well the proposal as submitted meets the requirements for each criterion;
- The risk-return dynamics of the investment;
- The project sponsor's track record/relevant experience;
- ESG and sustainability considerations at both project level and firm level.

The evaluation criteria outlined below will be used to shortlist suitable projects based on alignment to KEPFIC members' risk-return appetite and KEPFIC's mandate.

	Evaluation Metric	Score
1	Risk/Return Metrics	
	<ul style="list-style-type: none"> • Investment Return • Investment Instrument • Guarantee Underpin • Level of Guarantee • Offtake Contracts Secured • Risk Mitigation 	40%
2	Fit with KEPFIC Mandate	
	<ul style="list-style-type: none"> • Investment Horizon • Currency of Investment • Investment Size for KEPFIC Participation • Project Geographical Location 	10%
3	Project Sponsor Track Record	
	<ul style="list-style-type: none"> • Completed Projects • Previous Funds Raised & Performance 	25%

	<ul style="list-style-type: none"> • Assessment of Management 	
4	Investment Readiness of Project	
	<ul style="list-style-type: none"> • Project/Pipeline Stage • Committed Funding • Profile of Existing Investors/Lenders/Partners 	10%
5	ESG and Sustainability Considerations	
	<ul style="list-style-type: none"> • Alignment with SDG Goals • ESG Initiatives/Activities at Firm Level • ESG Considerations at Project Level • Expected ESG Outcomes and Impact 	15%
	TOTAL	100%