Round table – Kenya Mini-Grid Sector

Opportunities and challenges (Dev partners‘ point of view)

Arthur Honore (AfD), Jasmin Fraatz (GIZ)
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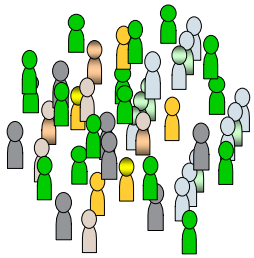
ESMAP Mini-Grid conference

Kenya as case study:
Barriers typical for mini-grid deployment

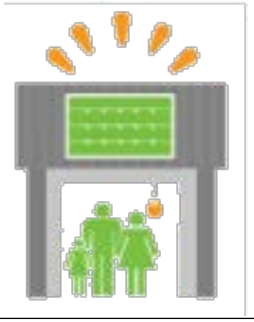
Barriers

Load curves and customer demand that can often not be predicted



Regulatory framework that hinders free tariff setting

Uniform tariff and single utility model that discourage private sector



A banking sector that is not prepared for small-scale high-risk projects

The Kenyan market for mini-grids
Despite positive signs, challenges persist

Deficiencies in regulatory framework: lack of MG specific regulations and absence of sufficient financial incentives (adapted cost-reflective retail tariffs, grid-extension and MG transfer, service quality)

Untested business models: business models are often hindered by inflexible tariff structure for cost (high upfront costs yet low ability-to-pay)

Limited technical capacity: lack of technical skills along the mini-grid value chain (planning, design, construction, O&M); insufficient management skills

Lack of financing

returns similiar to grid connected projects, but higher perceived risks

As a result:

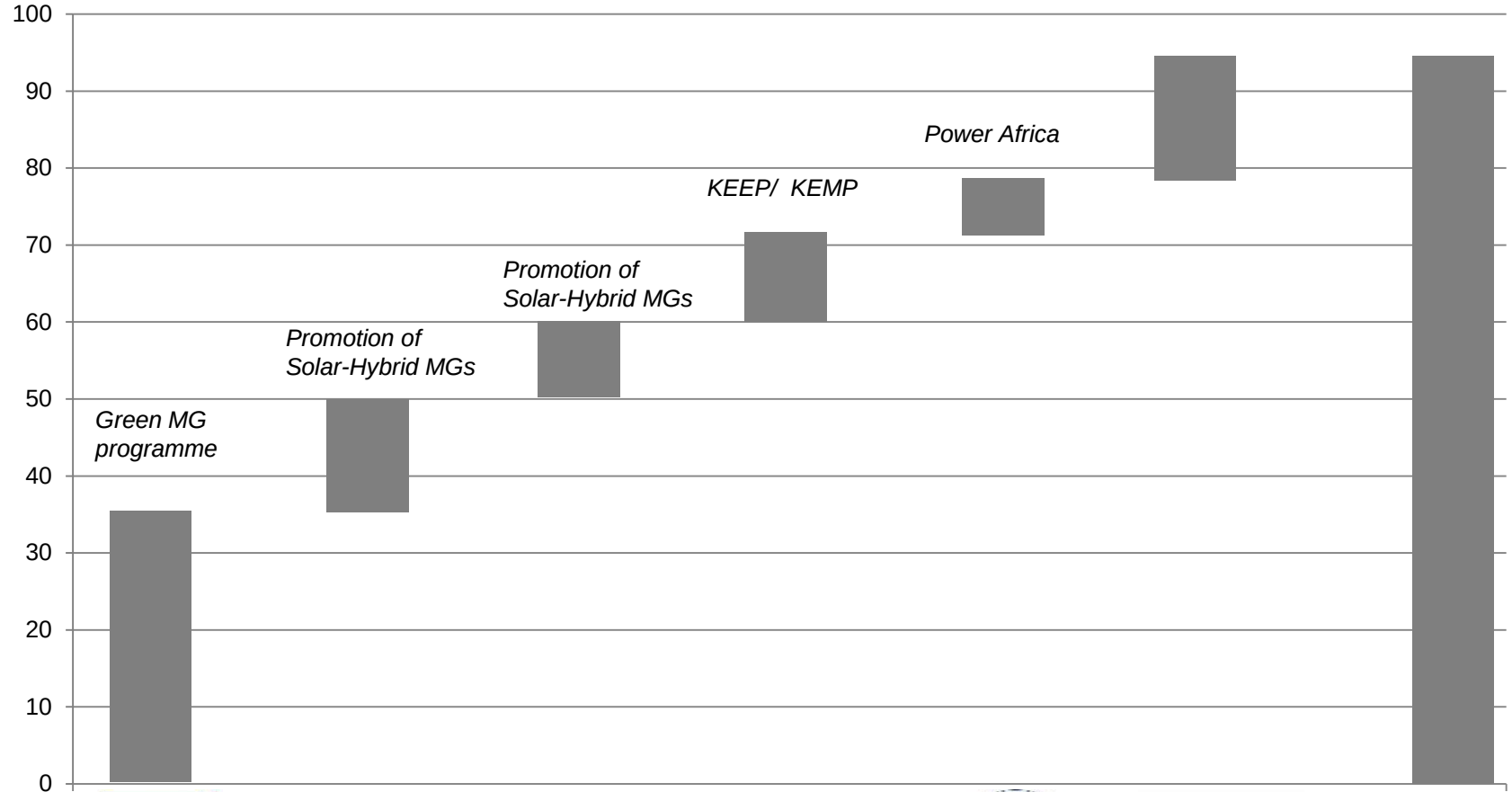
› no banks offer long-tenor debt financing at feasible rate

› few investors with sufficient risk appetite

Development partner interventions
Focus on finance and policy/regulation

Challenge	Details	Interventions
Regulatory Framework/ Policy	✓ Deficiencies in policy and regulatory framework for MG market development: arrival of main grid ✓ Absence of sufficient financial incentives (e.g. RE FiT, credit lines, grants, adapted retail tariffs)	**Various donor activities (market analyses, MG policy framework, etc) : IFC, WB, GIZ, KfW, AfD**
Access to finance	✓ Grant dependency to demonstrate bankable business model due to lack of incentives ✓ Few investors with sufficient risk appetite	**Several grant/ incentive programmes: AfD/ DfID (green mMG), KfW, WB, GIZ/EnDev (RBF), USAID**
Technical capacity	✓ Lack of technical skills along the mini-grid value chain planning, design, construction, O&M ✓ Insufficient management skills	**Various donor initiatives: CB for public and private sector: GIZ, AfD/DfID**
Business models	✓ High electricity costs due to high upfront/ investment costs, yet low ability to pay in remote areas ✓ Business models remain untested: 1) Mini-Grid concession model; 2) IPP model	**Various donor initiatives: AfD/DfID, KfW, GIZ, IFC, WB**

Supporting Mini-Grid Development in Kenya approx. 100m EUR available



Key support programs

Amount & nature	Donor / Financier	Initiative/ Activities	Project duration
45 M€ loan to GoK	XXX	Promote public sector mini-grids in county of Embu	2016-2021
2 M$ TA Grant	XXX	TA to promoters, TA on regulation	2014-2018

Supporting sector development
Proposed way forward

- Set up of mini-grid committee task force with clear mandate and action agenda
- Timely endorsement of mini-grid policy providing clear guidelines and regulations
- Continue working in parallel on pilot initiatives, to learn from actual cases and build momentum

Thank you for your attention.