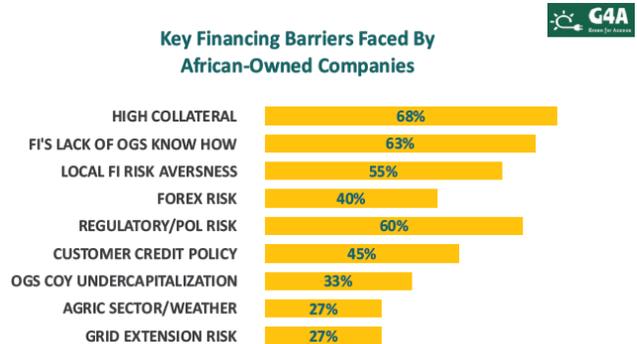


WORKSHOP ON EXPANDING DOMESTIC FINANCING FOR LOCAL SOLAR BUSINESSES

OCTOBER 7th 2020, 11:00 AM -12:30 PM EAT

Despite the large deployments of capital into the clean energy sector in Kenya, to date only a few commercial banks in Kenya are involved in financing solar PV companies and markets including off-grid, solar-powered pumps, captive PV installations, and large-scale PV projects. While international investors are crowding in, commercial banks see these projects as high risk, and local companies are perceived to lack proper business models and company structures. On the other hand, the main avenue of local solar PV companies for securing capital is through commercial banks where they face challenges in terms of collateral requirements, high interest rates of 13-14%, and inflexible loan periods.



The purpose of this workshop is to better understand the experiences and challenges of the commercial banks and the local solar SMEs, and to co-create new ideas on how to improve access to domestic finance for local solar SMEs.

WORKSHOP AGENDA

| Time | Agenda Item | Speakers |
|----------------|--|--|
| 11:00-11:15 AM | Brief Round of Introductions | UNEP-DTU Partnership, HIVOS, AfDB, Commercial Banks, Local solar PV companies |
| 11:15-11:20 AM | Purpose and Context Setting | Lakshmi Bhamidipati, UNEP-DTU Partnership |
| 11:20-11:55 AM | Bank Portfolio and Cases Presentation (3 slides each)- 1 specific example/case of a project where a Kenyan firm obtained finance for a solar project. What was the model, the specifics (in anonymised form) in terms of interest rates, collateral, payback times, special agreements 1 specific example/case of a project where finance could not be provided and the reasons why. | Bank 1 - Presents portfolio and shares two examples of lending to solar companies for cash flow needs (operational capital) Bank 2 - Presents portfolio and shares two examples of lending to solar companies for captive PV market Bank 3 - Presents portfolio and shares two examples of lending to solar companies engaged in solar pumps or solar mini-grid projects |
| 12:00-12:30 PM | Discussion Session (Whiteboard) | Specific examples from the private sector on positive and negative experiences of securing loans from the banks Open discussion by all participants and concluding points |

UNEP-DTU Partnership, along with Strathmore University, HIVOS, African Development Bank (AfDB) and other organizations are actively working to support the solar PV sector in Kenya through market insights, detailed reports, advisory services and new funding mechanisms.

This workshop builds on the previous work on this topic, and provides a platform to coordinate insights, and share collective experiences.

GUIDING DISCUSSION POINTS

1. What do the commercial banks expect from the local solar businesses in terms of business model, corporate structure etc.? What are the non-negotiable aspects for lending?
2. What kind of data and information do the banks need to develop a better understanding of the solar sub-sectors and the risks involved?
3. What experiences and insights do the banks have in regard to direct debt lending vis-à-vis indirect lending/disbursement of concessionary funds via donors and development banks (AFD, WB, AfDB)?
4. What kind of new products/finance mechanisms could be relevant to support local firms in the solar sector?

The expectation from this workshop is to arrive at a middle ground on potential solutions to expand financing to local solar businesses.

CONCRETE OUTCOMES / DISSEMINATION PLAN

- Workshop Report to be published on the UNEP-DTU Partnership's website and disseminated widely
- Dissemination of the combined findings from two UNEP-DTU Partnership workshops with key government stakeholders including Ministry of Energy, Ministry of Industry, Ministry of Finance, KEPSA, and KERA
- Sharing feedback with donor organizations such as the French Development Agency, AFD, the World Bank Group and Deutsche Bank on their technical assistance component for the commercial banks.

ABOUT THE TEMARIN PROJECT

UNEP-DTU Partnership, in partnership with Strathmore Energy Research Centre, is undertaking a project titled [TEMARIN](#)^{*}, for which one key objective is to support domestic MSMEs in the solar PV sector in Kenya and Uganda. We recently published a report on the [captive solar PV market in Kenya](#), which was presented at a [webinar](#) in May, 2020. This work, along with the interviews with Kenyan solar MSMEs, led to us gaining valuable insights on Kenyan MSMEs. Our team also interviewed key stakeholders including the Ministry of Industry, Ministry of Energy, EPRA, the World Bank Group, KEPSA, KERA, Power Africa, and PFAN on various aspects of the solar sector. We will publish a report soon on domestic solar MSMEs in Kenya, which consolidates and presents our findings.