

***BUILDING SUSTAINABLE AND
AFFORDABLE CREDIT LINES FOR
SMALL SOLAR SYSTEMS:
EXPERIENCES FROM KENYA***

PRESENTATION BY

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HISTORY

MESPT is a Kenyan quasi-commercial entity whose activities include:

- Wholesale/Institutional loans for on-lending;
- Grant and fund management
- Capacity building at institutional and farm levels to enhance the efficiencies and productivity along the value chains.
- Financial and market linkages to promote holistic approach in value chain development.

We have over 20,000 micro, small and medium enterprises in our network

OUR APPROACH IN RBF

- Public invitation of potential beneficiary organisation for sensitization forums across the country.
- We held 8 regional round table meetings.
- We received a total of 79 expression of interest to participate in RBF programme.
- Only 26 applications (33%) were shortlisted to prepare full proposals.
- Only 9 applicants (35%) submitted their full proposals.

KEY IMPLEMENTATION PROCESS

Awareness creation events (regional events)

Sensitise on RBF and proposal guidelines

Seek expressions of interest (EoIs) from participants and screen the EoIs

Call for proposals from interested potential RBF beneficiaries

Target only successful EoIs

Continuous process in first 2 years

Selection of RBF beneficiaries

Evaluation of the proposals based on the selection criteria

Due diligence and contracting selected RBF beneficiaries

Implementation of interventions and delivery of results by RBF beneficiaries

Commence proposed activities

Report achieved results

Verification of results and disbursement of incentives

Continuous monitoring and periodic verification

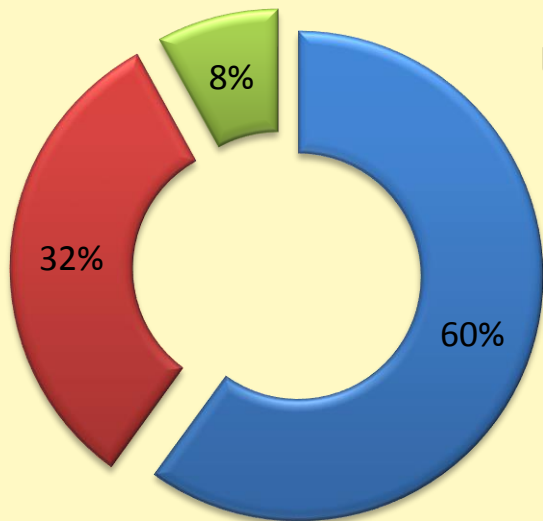
Validation of results and disbursement of incentives

Why these RBF projects?

- High initial costs for acquiring good quality solar and stove products

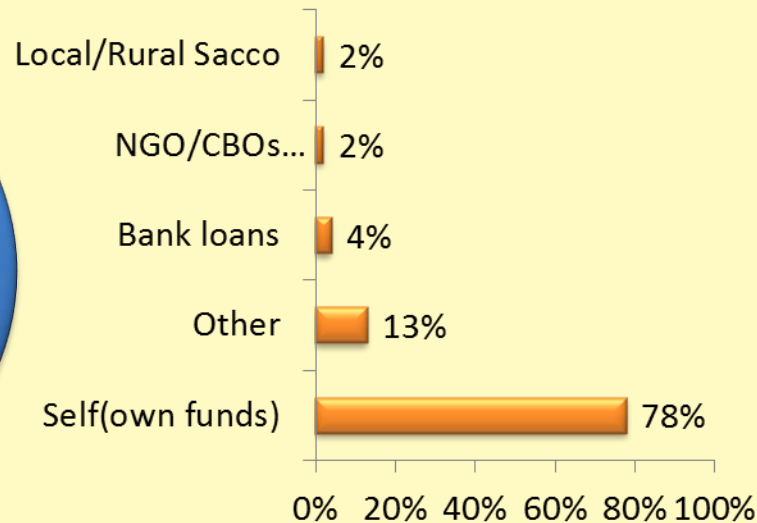
- Slow uptake or growth of solar and stoves entrepreneurship in rural areas due to financial constraints

- Low involvement of rural financing institutions in financing stoves and solar products



■ €7-€15 ■ €15-€30 ■ Above €30

- Cheap products are popular but they have limited services

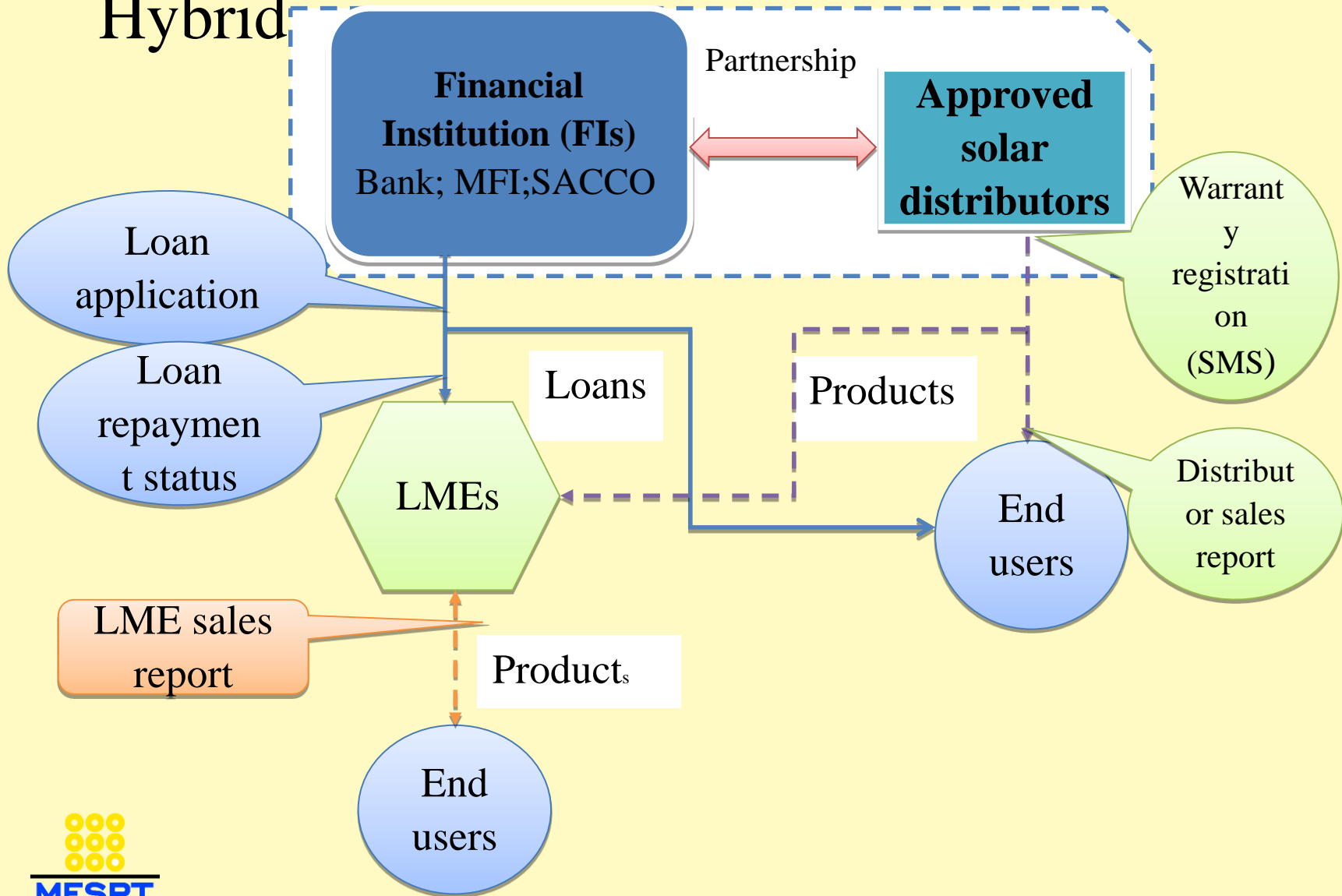


- Limited funds > low working capital
- Low sales by entrepreneurs (75% - less than 10 products & 57% - less than 5 products monthly)

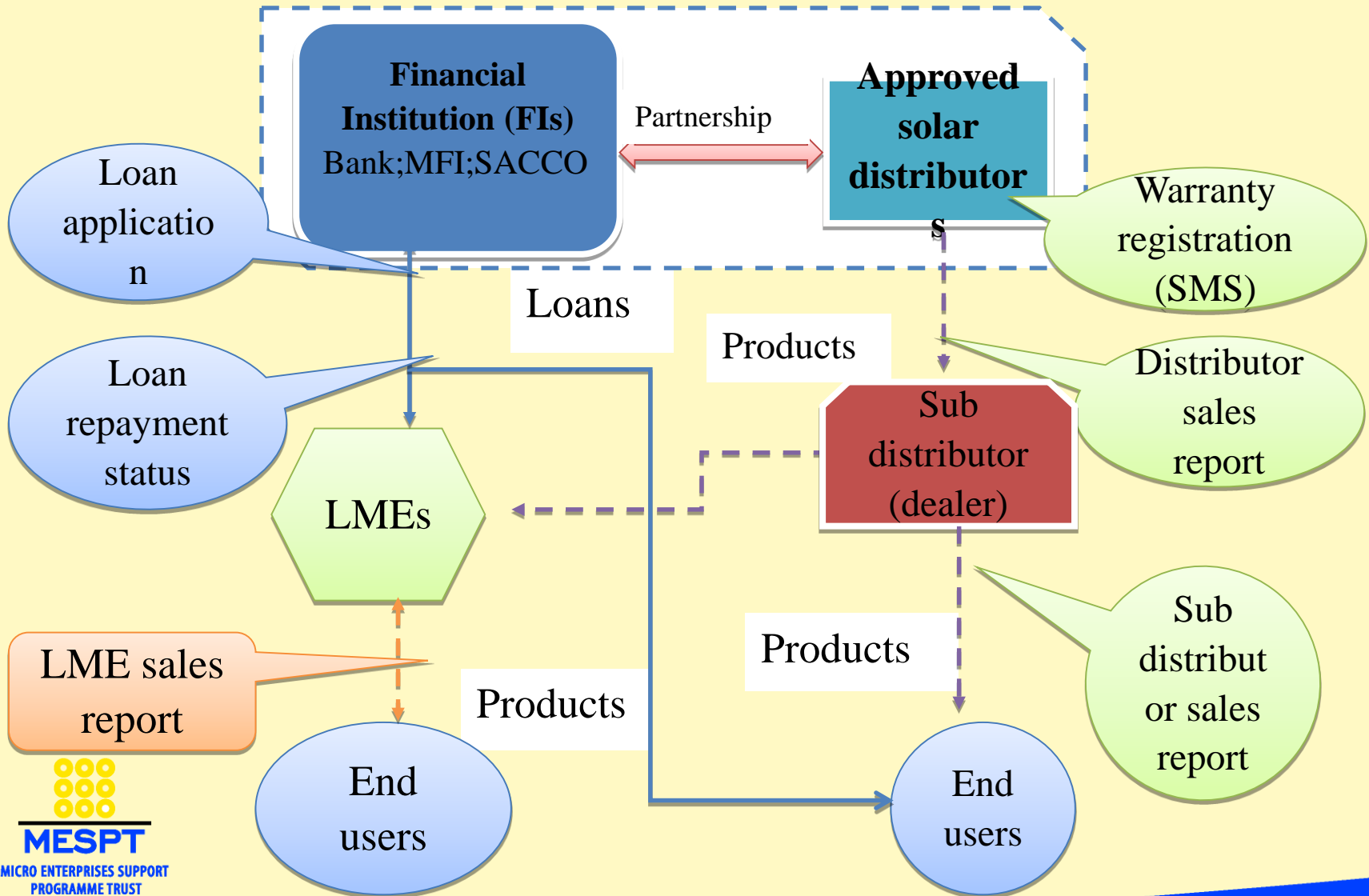
- Lack of awareness
- Inadequate technical knowhow
- Product unreliability and unreliable distribution channels in rural areas
- Poor after sales service
- Consumer solar loans are small hence expensive to administer

Financing Mechanisms-1. FI/Distributor hybrid channel

Hybrid

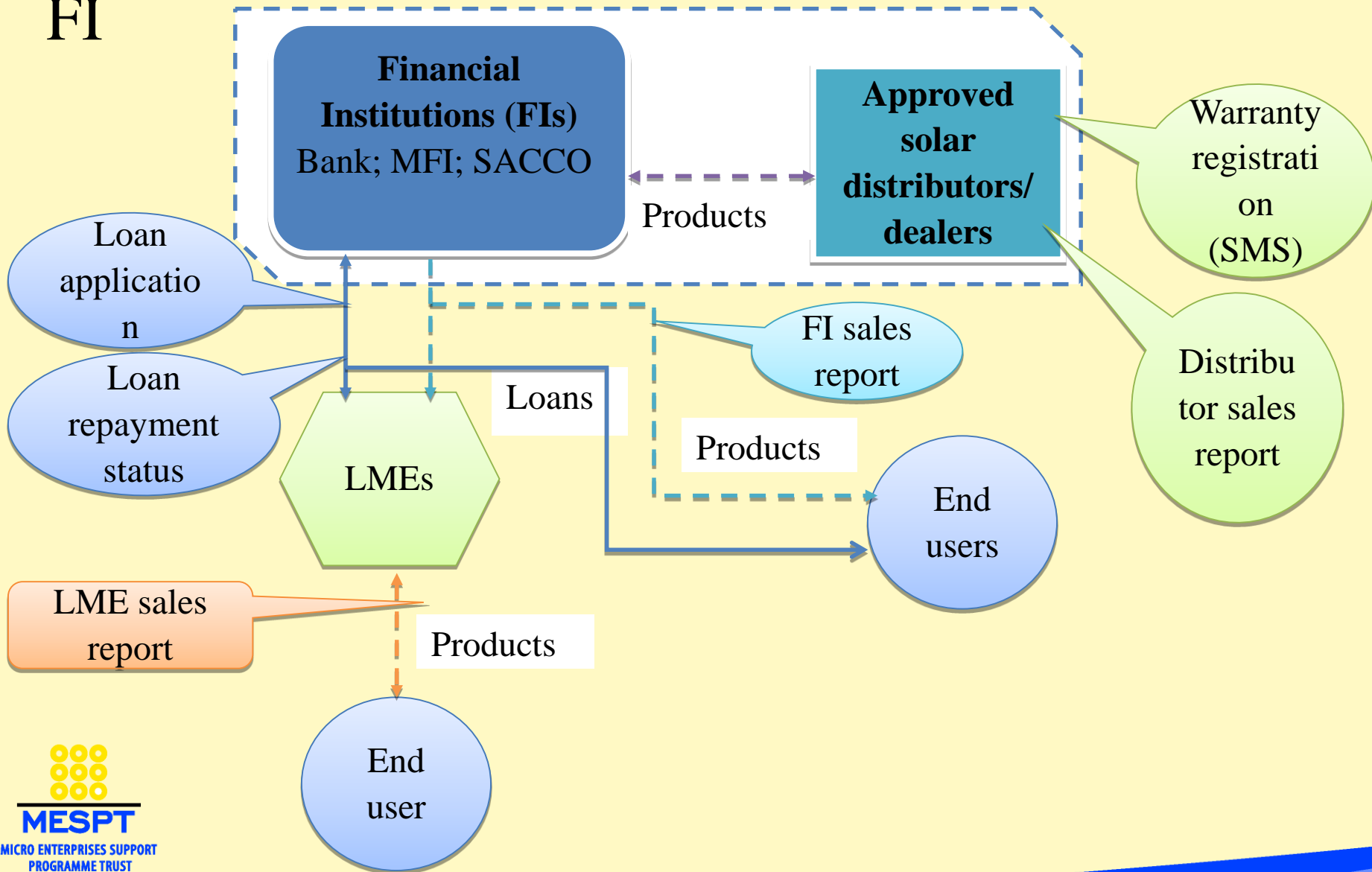


2. FI/Distributor/Sub-distributor hybrid channel



3) Pure FI channel

FI



INCENTIVE CALCULATIONS

The following factors have been considered to be of critical importance in incentive calculations:

- County Poverty Index
- County Development Index
- County Population Density
- Proportion of population in major towns/urban population in a County.

We will use one incentive rate per County.

INCENTIVE MECHANISM CONTD'

The incentives are expected to have the following characteristics:

- The value of the incentive will be a **percentage of the product price or the credit value to the end user.**

The incentive **will be capped** based on the following factors:

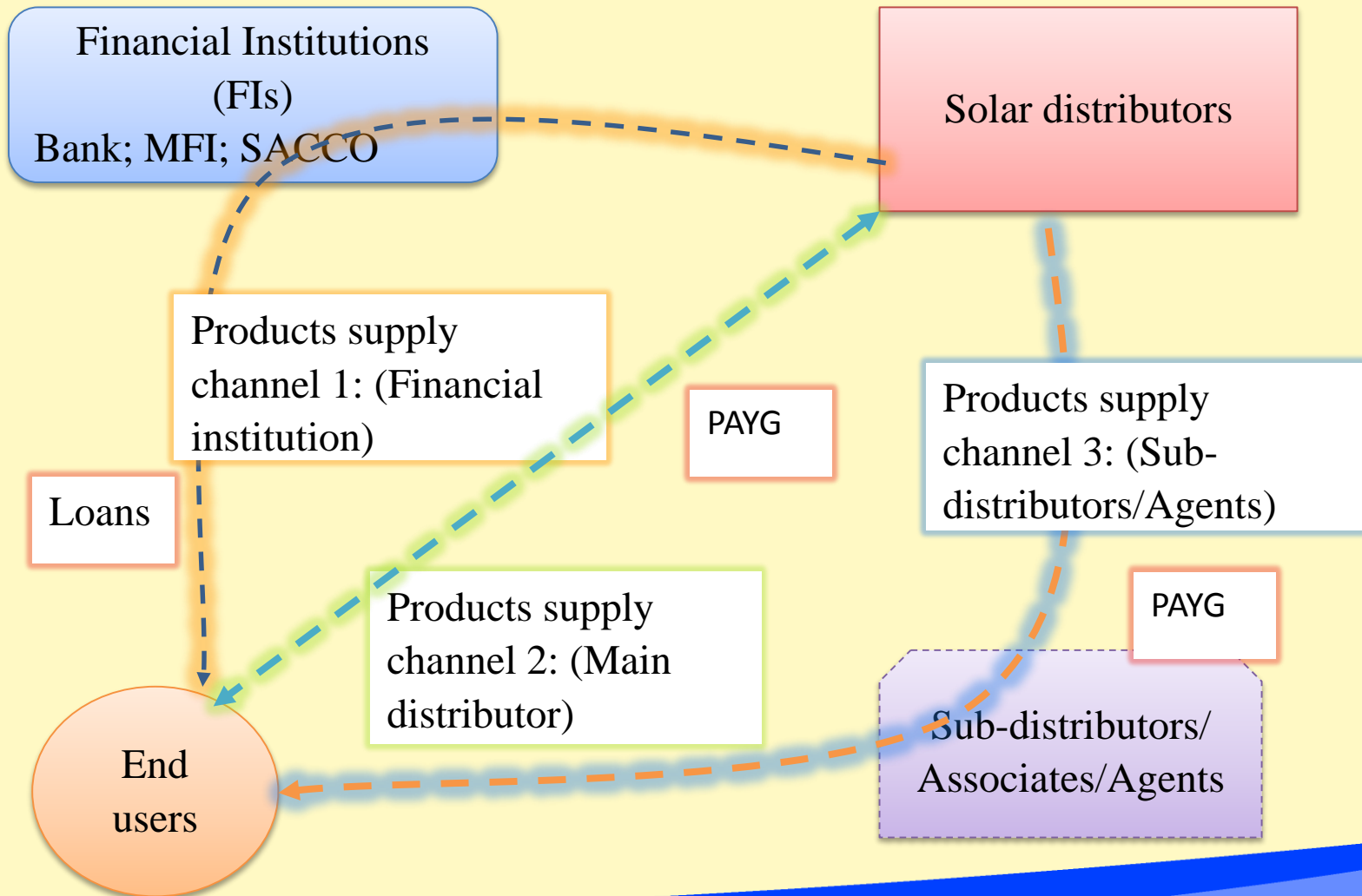
- Available resources for RBF incentives.
- Targets for the RBF initiative
- Average incentive rate from the initial EOIs received.

INCENTIVE MECHANISM

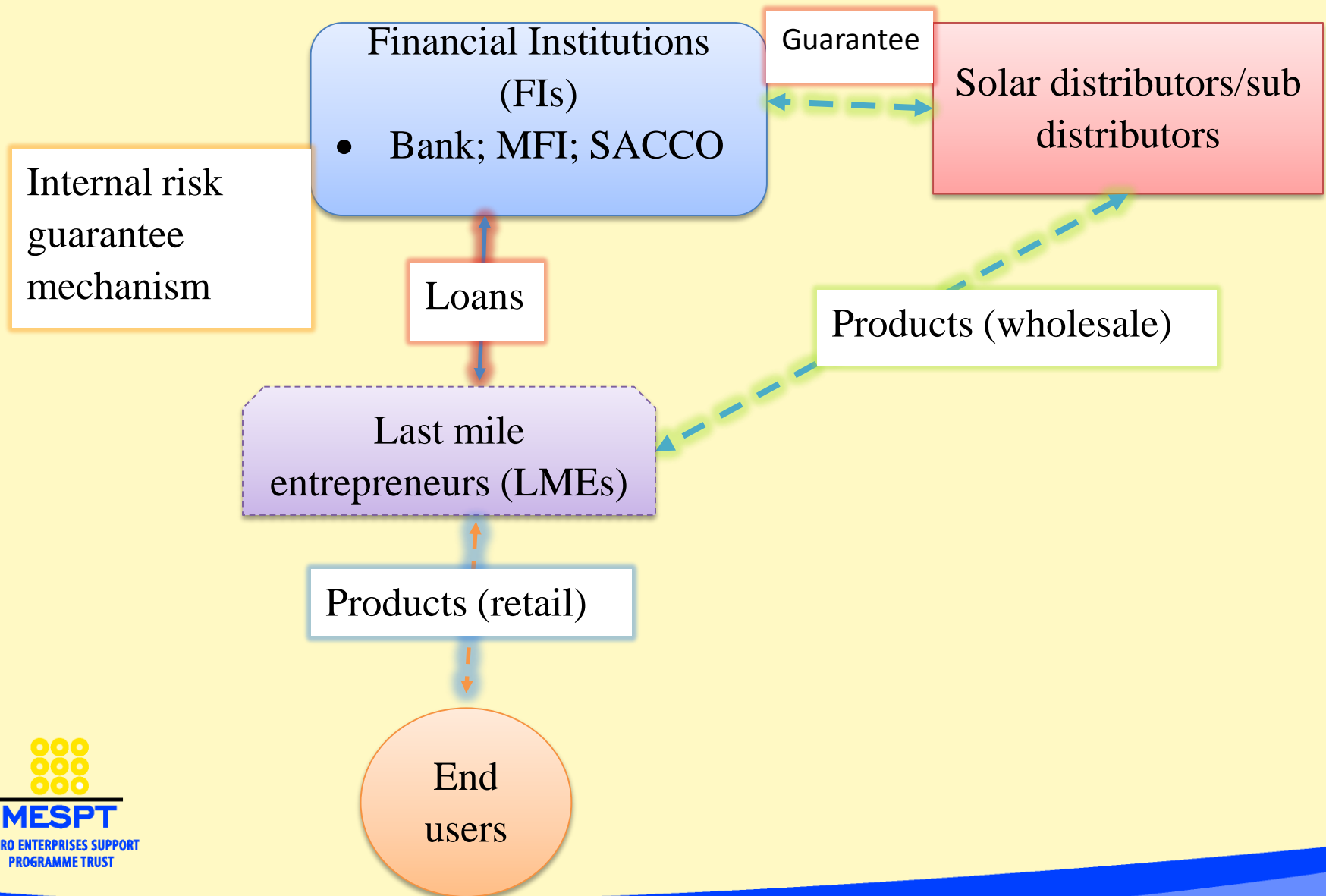
- The projected number of applicants
- The projected appetite of RBF incentives
- Duration of proposed interventions by RBF applicants

INCENTIVE STRUCTURE

Targeting End User



b) Targeting LMEs



THE END



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MICRO ENTERPRISES SUPPORT
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