Donor coordination Power sector in Kenya

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Contents

Objectives of the Group

- Support and encourage strong, government-led donor co-ordination
- Promote co-ordinated dialogue and technical support on strategic issues
- Ensure that donor support in this field is increasingly provided in a predictable, harmonised, aligned and co-ordinated manner

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Mandate of the Group

- Quarterly sector meetings
- Update donor matrix and group members
- Update on donor coordination and strategic issues for the larger Harmonisation, Alignment and Coordination (HAC) Group
- Promote coordinated support and policy dialogue on strategic sectoral issues
- Support the Government’s efforts to formulate national sector policies and strategies
- Share and disseminate results of sector-related technical studies in order to minimize duplication of work
- Work towards developing a common assistance strategy

⇒ **Donor co-chairs: AFD and JICA**

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Contents

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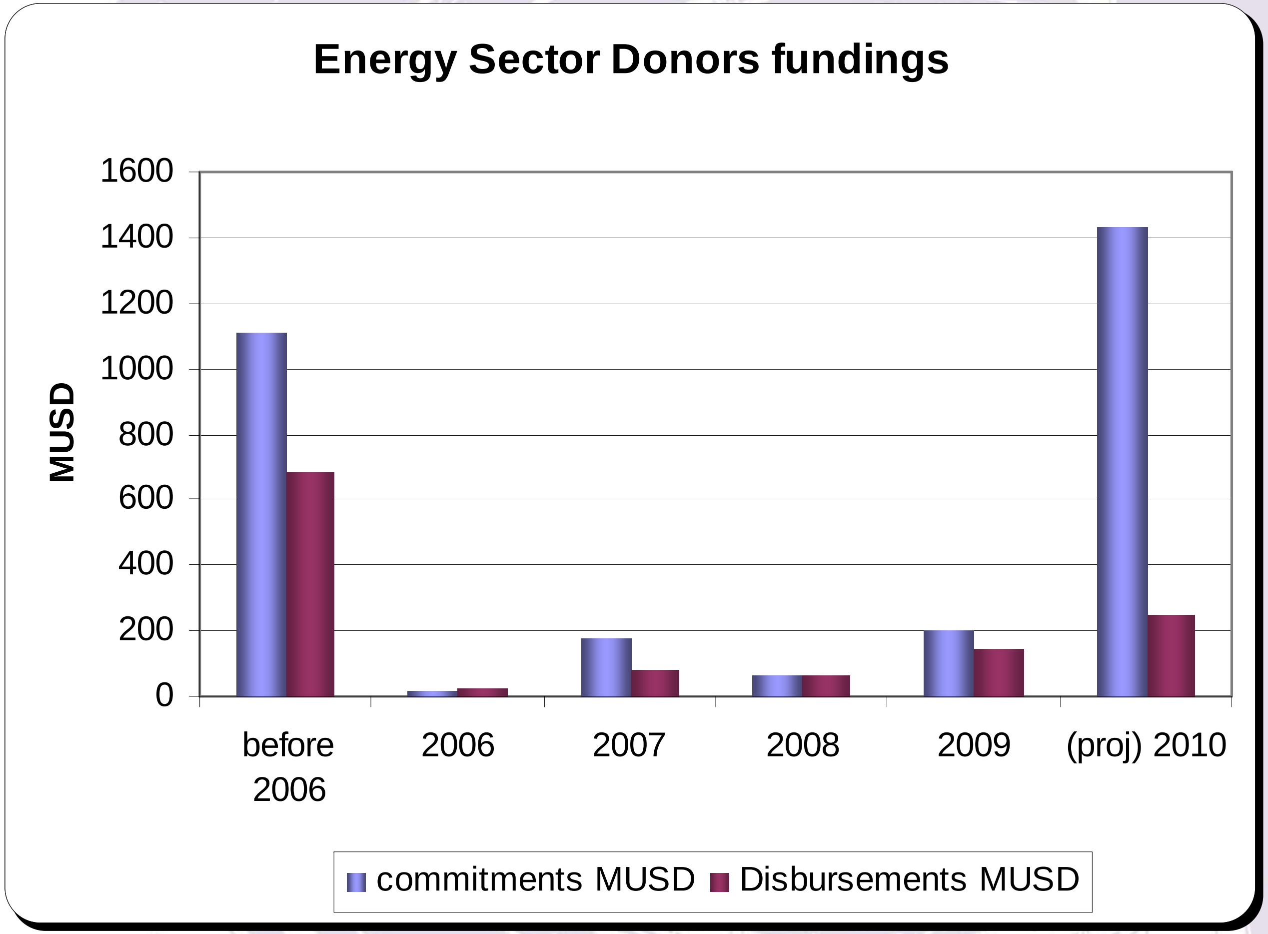
Evolution of the donors funding in the Energy sector in Kenya



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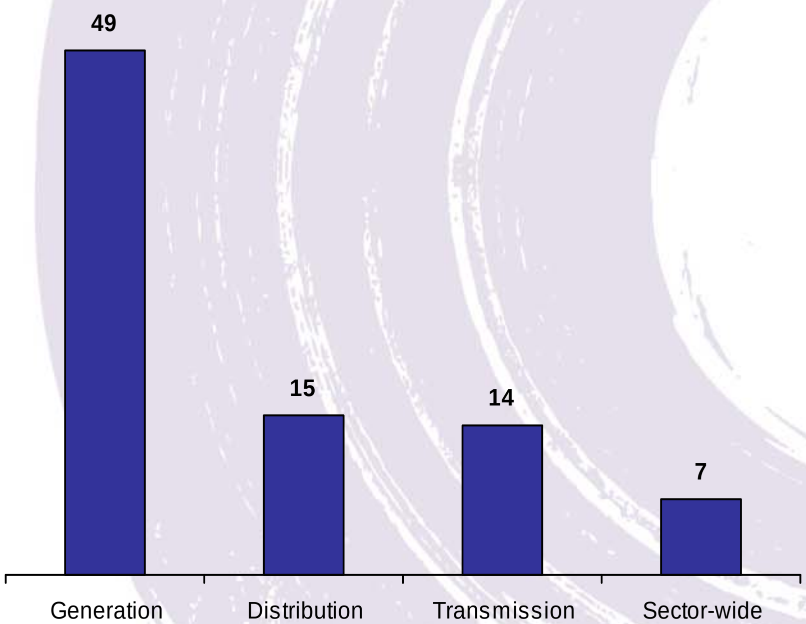
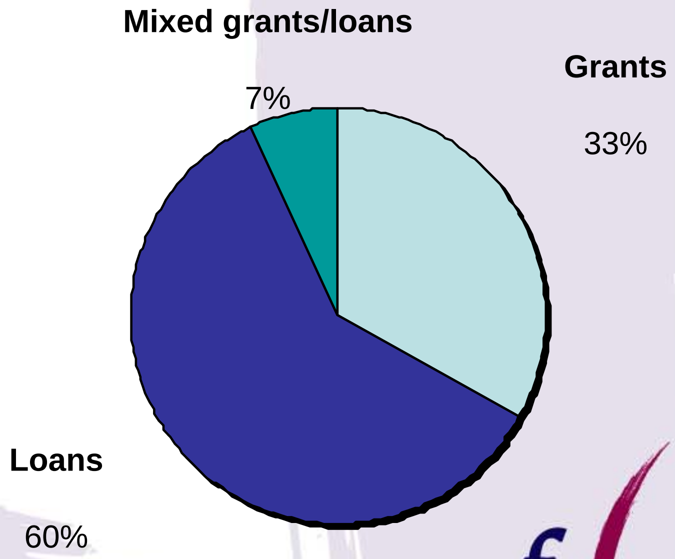
Donor-funded projects in Kenya

Number of projects per sub-secctor



Number of projects per terms of assistance



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Total = 85 projects/programmes, 21 donors active and more than € 2 bn committed

Donor Intervention per sub-sector

Donor	Distribution	Generation	Sector-wide	Transmission	Total
AFD/Proparco	4	9	1	3	17
AfDB		3		4	7
Belgium	1				1
China Eximbank	1	1			2
DFID		1			1
EC	2	6			8
EIB	1	2		1	4
Finland	2				2
GEF / UNEP / UNDP/UNIDO		8	1		9
JICA	1	2		1	4
KfW/DEG/GIZ		8		2	10
Norway				1	1
Spain	2	1		1	4
USAID			2		2
WB/IFC	1	8	3	1	13
Total	15	49	7	14	85

Donor intervention per GoK priorities

	Number of projects	As % of committed funds
Promotion of renewable energies	38	**33%**
Transmission Investment	9	**17%**
Rural electrification	7	**4%**
Regional Integration	7	**3%**
Generation capacity expansion	6	**18%**
Demand-side management	5	**1%**
Access to energy/connectivity	4	**2%**
Distribution investment	4	**7%**
Various	4	**16%**
Policy formulation	1	**1%**

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Donor requirements

– Confidence in the Kenyan power sector

- Clear presentation of the needs and priorities with strong Government Support
- A clear strategy to align with a good reform agenda including regulation and investment planning
- Financial sustainability of the sector
- Country risk amanagment (political stability, better governance)

⇒There is a global positive opinion of the Kenyan Power sector amongst donors but progresses can be made

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Challenges for donors (1)

- **Align with GoK priorities**
- **Focus on impacts:**
  - Connectivity
  - Economic and social benefits of electrification
  - CO_2 emission reductions for RE and EE projects but also DSM
  - Least cost options
- **Ensure appropriateness of financing tools depending on the objectives – different sources of funding needed to meet diverse needs**
  - Adjusted to the investment returns.
  - Adapted to the final beneficiary (private sector, government, local communities)
  - Invite all donors to participate to meet important funding requirements

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Challenges for donors (2)

– Need to enhance

- ➢Availability of funds
- ➢Coordination
- ➢Predictability
- ➢Rapidity of implementation
- ➢Effectiveness
- ➢Capacity building and sustainability
- ➢Replicability and sustainability over time!

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Contents

1. The Energy Donor Coordination Group
2. Donor funding in the energy sector in Kenya
3. Key challenges for donor support
4. **Conclusions and recommendations**

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Conclusion and recommendations

Kenya's energy sector faces major challenges:

- **Need to expand electricity access -** Low access rates (approx. 20%), particularly in rural areas (approx. 8-10%), compared to other Sub-Sharan countries (70% in South Africa, 42% in Ghana)
- **Need to increase generation capacity substantially while implementing demand-side management/energy efficiency measures to limit demand growth -** Installed generation capacity which is insufficient to meet current and future demand growth *prospect*
- **Need to diversify the generation mix and in particular accelerate the development of green energy -** Insufficiently diversified generation mix causing important blackouts during drought periods and substantially increases the cost of production for the country due to the need to operate expensive emergency generation
- **Need to establish the necessary guaranty, security schemes and pursue sector reforms** - Expanding access and diversifying supplies will require the mobilization of development partners but also private sector
- **Needs to ensure the mandate and capacity of all stakeholders in the sector is consolidated -** The institutional framework is very recent and capacity of some stakeholders is still to be strengthened

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⇒ ***Scope for intervention is large!***

Thank you!

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