



SEMA PROJECT-

FOR ENERGY LENDING

PRESENTATION BY:
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The views expressed in this presentation are those of the project only,
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SEMA in short

“Sustainable energy market acceleration”

- Technical assistance to FIs and energy enterprises
- Rural Kenya, Uganda, Tanzania
- Duration: 4 years, emphasis on years 1 and 2;
- Budget: € 845.000
- Partners: Triodos Facet, HIVOS, Integral Advisory in Kenya, Friends consult in Uganda

Triodos Facet

Integral
Initiatives for Africa's Development

FRIENDS
CONSULT

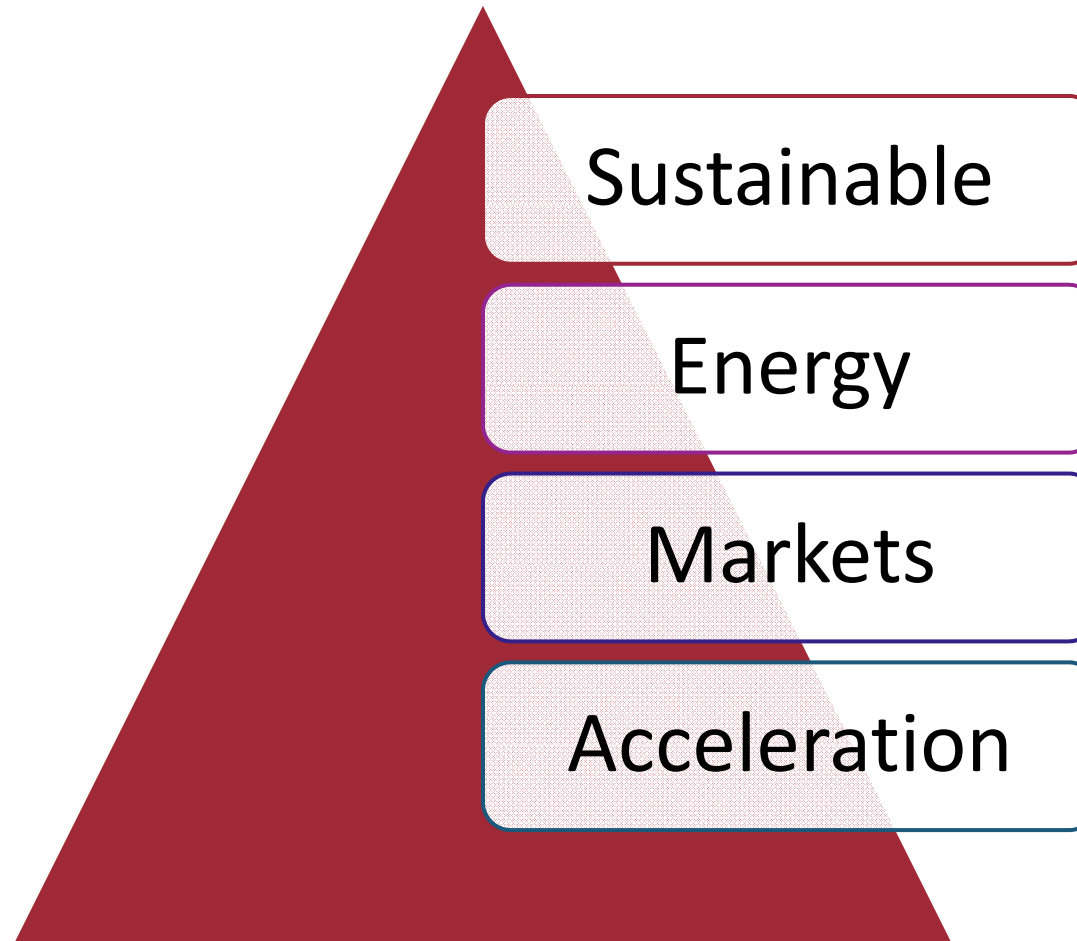
Hivos
people unlimited



What is SEMA?



3



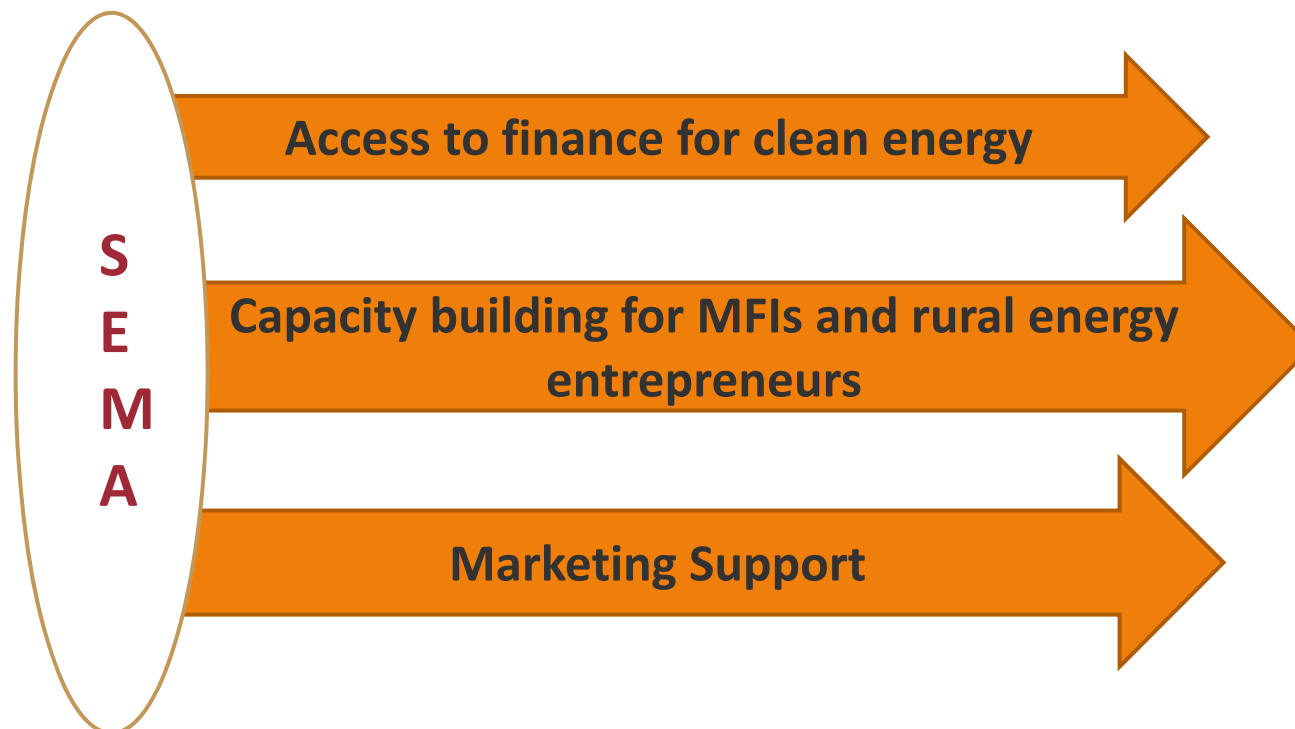
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SEMA-The Project



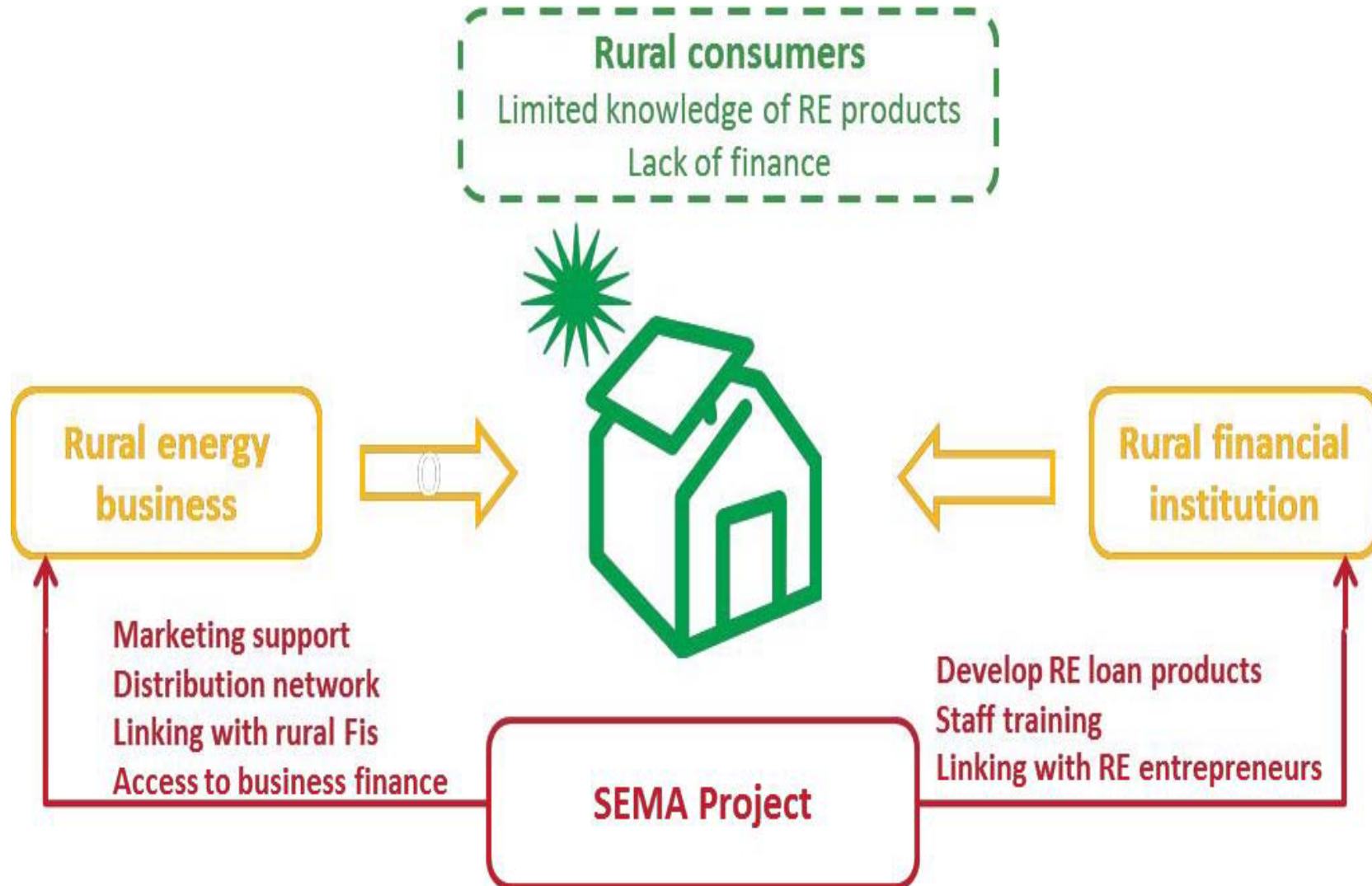
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SEMA project objectives include:



Bringing together finance and product suppliers

5



SEMA PROJECT in Kenya:



6

Foster profitable working partnerships between energy enterprises and SACCOs / MFIs:

- ❑ 11 SACCOs signed MoUs with the six selected rural energy entrepreneurs
- ❑ Successfully supporting the piloting of microfinance for the national biogas program
- ❑ Currently supporting SACCOs and MFI to structure cooperation with entrepreneurs *and*
- ❑ Training FI staff and providing support in renewable energy (loan) products marketing

TA for the FIs (SACCO and MFI)

7

- ❑ Identifying and linking financial institutions with reliable rural energy businesses
- ❑ Market research for renewable energy finance
- ❑ Developing dedicated renewable energy financial products
- ❑ Training staff on renewable energy products
- ❑ Supporting financial institutions to access (international) renewable energy credit lines by building their capacity to attract such investments

Market research for FIs

8

- Consumer interest in the product
- Willingness to pay
- Ability to pay

Assess the potential; *is it worthwhile to invest FI resources in making the energy loan a success?*

MoU: Agreeing on the product

9

Enterprise

-Product

- limit choice?

-Price

- Fixed or quotations required? Variable costs, eg. installation?

-After sales services

-Warranty

-Buy-back guarantee

Financial Institution

-Loan amount

-Who can access the loan?

- Income situation? Guarantors? Percentage of compulsory savings?
- Allowed a second loan?

-Loan repayment period

- Seasonal income?

-Interest rate:

- Declining vs flat rate
- Penalty rate in case of late payment

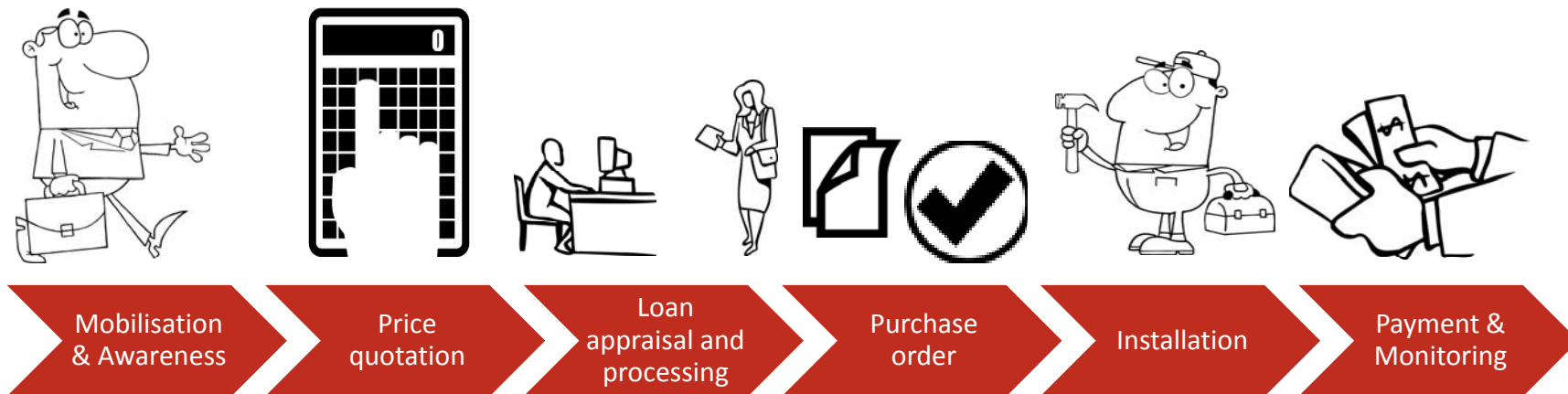
-Other fees?

- Loan application fees
- Commitment fees

Structuring the process



10



- Who does what ? (role of company and FI)
- When ? (throughput time)
- What if things go wrong ? (agree on fall back scenario)

Energy Loan Marketing



11

Crucial points for Marketing

1. Agree on:

- *Marketing activities*
- *Roles and timing*
- *Objective (set realistic targets)*
- *Evaluate*

2. Workshop with entrepreneur and FI staff, so that each understands the energy and the financial product

- *Raising realistic expectations on what a renewable energy product can do is very important.*

Some impressions ...

12



- MFI HQ staff visits biogas installation

Some impressions ...

13



- SACCO staff and entrepreneur, product demonstration



SEMA project challenges

14

- ❑ Inadequate funds for SACCOS and other organizations to inject capital into renewable energy loans. Dairy SACCOS have been intent on funding dairy related ventures
- ❑ Wind turbines are expensive to install, thus the SACCOS have declined to engage with the wind entrepreneur
- ❑ Managing project partners expectations. Many think the project was to fund the REEs and many SACCOS still harbor the belief that they are supposed to be funded
- ❑ Assisting some REEs has been quite complex. Some have complex management structures that take long time to make decisions, others entrepreneurs are too passive and thus delaying the absorption of the SEMA assistance that is being offered and so many others.
- ❑ Recruiting and inducting KENFAP certified masons into the massive KWFT national biogas piloting procedures has had hurdles in terms of who will fund for the logistics of the training though we have succeeded to unlock the impasse

Alternative funding sources ?

15

Alternative funding sources for the above would positively impact the renewable energy sector in Kenya.

- ❑ ***Funding from within the country*** (SACCOs, Banks, MFIs, private sector and the Government) can make this sector grow tremendously.
- ❑ ***Negotiated loans with cheap interest rates from diverse international investors***
- ❑ ***Funding from donors:*** this funding can create a pool of funds that can create a revolving fund that will be used to fund the FIs who should channel these funds at interest rates which are lower than the prevailing market rates.

Recommendations



16

Recommendations to other projects:

- Approach a financial institution with a business case: *Why is it interesting business for the MFI to start financing energy products?*
- Support the FI in market research
- Talk it through; agree on the processes, have clarity on each other roles, set targets, have a fall back scenario

Thanks!

For more information,
please visit www.sema-project.org