

# Electrification Strategies – “Stimaloan” credit facilities



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# The Vision

- 💡 Electricity infrastructure has been identified as one of the pillars that will facilitate the Government of Kenya achieve its Vision 2030 objective of transforming Kenya into a middle-income economy
- 💡 Thus the Govt. is to increase electricity access rate to 40% by 2020 from the current 29%
- 💡 In tandem with this objective, Kenya Power has set its 5 year Corporate Strategic Plan, to achieve a customer base of 3 million by 2016 from the current total of 1.9 million
- 💡 For the 2011/12 financial year, the target is to connect 300,000 customers
- 💡 All this leads to our campaign to Stimulate Connectivity

# Barriers to Connectivity

- 💡 Internal wiring costs (Readyboard solution)
- 💡 Equitable distribution of costing/pricing/ unaffordability. (83,000 quoted customers)
- 💡 Rising costs in subsidising standard connection fees
- 💡 Capacity to construct the network
- 💡 Scattered clusters of customers far from network
- 💡 Unplanned developments
- 💡 Wayleave acquisition

# Stimulating Connectivity - Strategies

Initiative	Description
Transformer maximization	<ul style="list-style-type: none"> <li>• Targets potential customers in urban/peri urban within a radius of 600m from existing transformer</li> <li>• Standard connection fees (USD 421 – 3 phase &amp; 591 single phase) &amp; quite popular</li> </ul>
Umeme Pamoja (Group approach)	<ul style="list-style-type: none"> <li>• Targets a cluster of potential customers in urban/peri urban areas</li> <li>• Customers share the cost of connection equally</li> <li>• Average connection fees USD 663 (Kshs. 55,000) to USD 843 (Kshs. 70,000)</li> </ul>
Line Maximization	<ul style="list-style-type: none"> <li>• Entails installing transformers in high density peri urban areas (e.g. market centres, residential clusters, etc.) traversed by power lines</li> <li>• Customers share the cost of connection equally</li> <li>• Average connection fees USD 663 (Kshs. 55,000) to USD 843 (Kshs. 70,000)</li> </ul>
Rural Electrification	<ul style="list-style-type: none"> <li>• Implemented by REA and funded by the Govt and Donors (e.g. AFD)</li> <li>• Subsidized connection rates –from USD 210 (KShs. 17, 400) to USD 559 (KShs. 46, 400)</li> </ul>

# Stimulating Connectivity - Slum Electrification Project (GPOBA )

## PROJECT CONCEPT:

- A subcomponent of distribution component of IDA-financed KEEP
- US\$ 5 million GPOBA Funding
- Targets 66,000 Connections
- To improve livelihood of Kenyans in slums by providing safe electricity at subsidized connection rate
- Emphasizes stakeholder communication and involvement of local organizations

## PROJECT COSTS:

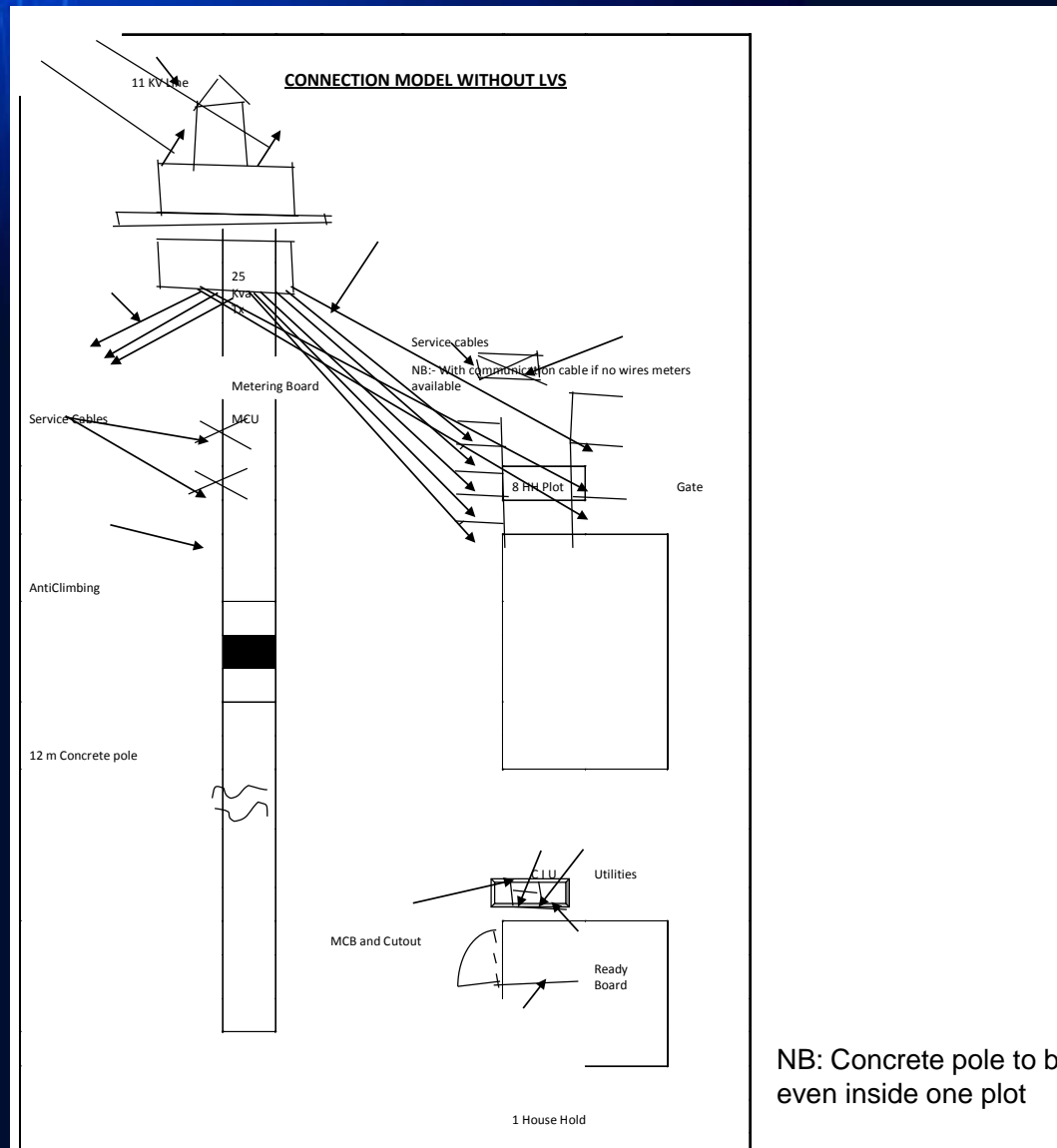
- Average connection costs in slums approx. US\$400, hence US\$380 per connection underfunded
- Reduced connection fee of KSh 1,160 (US\$ 15) or about 5% actual connection cost
- The special fee has created a funding gap for KPLC- hence OBA subsidy to bridge this
- GPOBA & IDA grant funds will reimburse US\$125 to KPLC upon independent verification of each household connection
- They will disburse an additional US\$100 to KPLC upon verification six months later that the connection is still in operation

# Stimulating Connectivity - Slum Electrification Project (GPOBA )

## TECHNOLOGY USED:

- Pre-payment meters to meet the needs of the clients with irregular income and enhance revenue collection
- Use of low-cost technical solutions (e.g. ready boards that do not require internal wiring of houses) hence reduce connection costs
- Technologies that reduce theft opportunities (e.g. No LV network )
- Use single phase TXs erected on single concrete poles – hence low installation costs in transportation, labor and manoeuvrability
- Small No of customers per TX will create a sense of ownership to customers & security from vandalism
- Due to lack of wayleaves in slums, the 11 KV (HV) network will mainly use insulated ABC lines

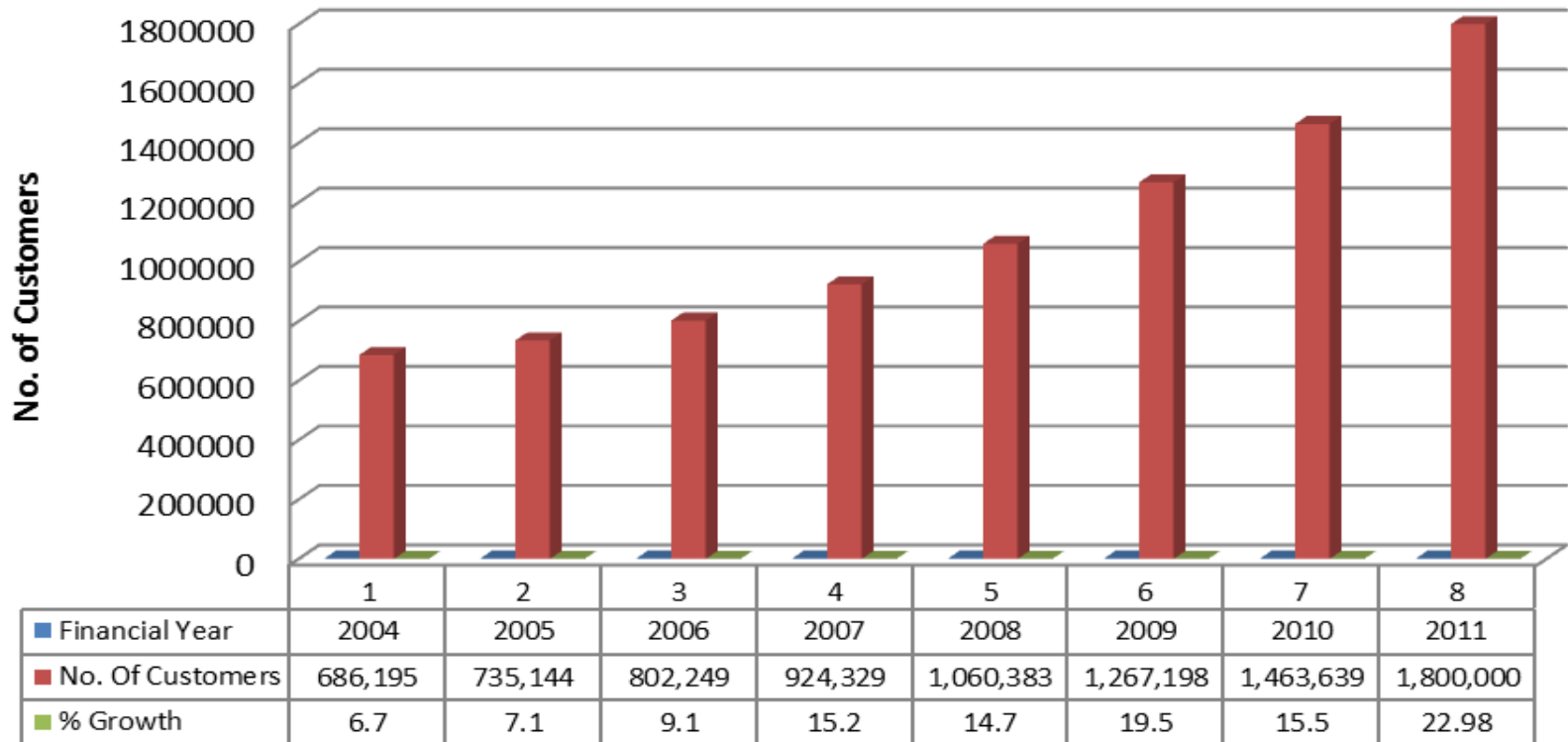
# Stimulating Connectivity - Slum Electrification Project (GPOBA)





# 8 Years Customer base Growth

## CUSTOMER BASE GROWTH



There has been a steady increase in customer base owing to a number of connectivity enhancement initiatives. The total number of customers to date is 1,976,616.



# Stimulating Connectivity thro Various Stimaloan Credit Solutions

- **Service innovation entails providing credit facilities to low income customers for electricity connection**
- **Currently there are three models:**
  - 1. *Equity StimaLoan***
    - ✓ **Wholly managed by Equity Bank**
    - ✓ **Introduced 3 years ago**
  - 2. *KPLC StimaLoan***
    - ✓ **Wholly managed by Kenya Power**
    - ✓ **Started one year ago**
  - 3. *National bank StimaLoan***
    - ✓ **Wholly managed by National Bank**
    - ✓ **Commenced January 2012 & is currently being piloted**

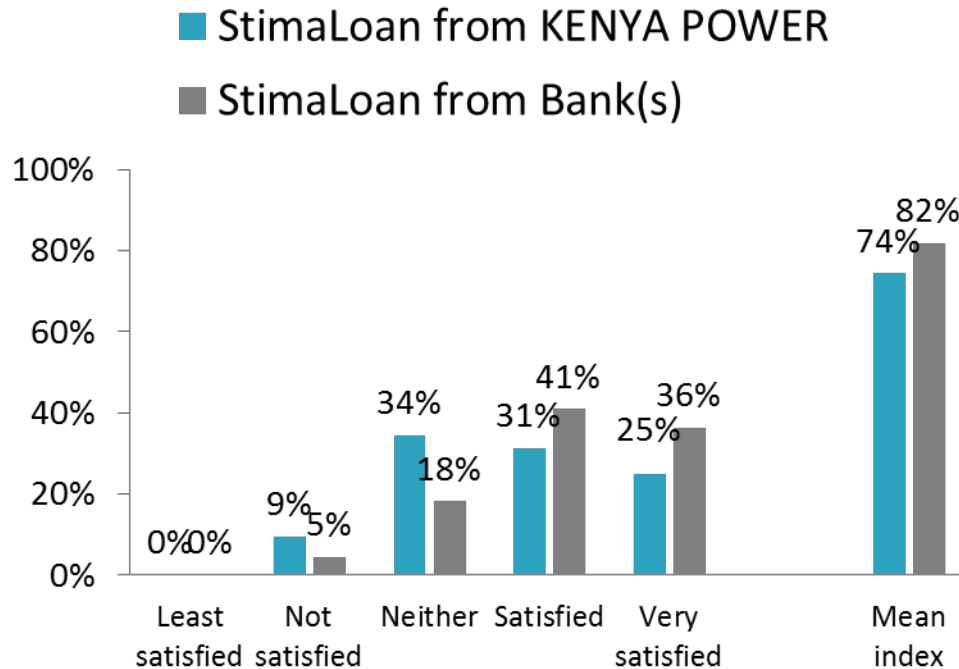
# Stimulating Connectivity thro Various Stimaloan Credit Solutions

- 💡 A National Revolving Fund (RF) targeting the low income segment of the market was recommended following a socio-economic survey in 2006 that found majority of the target customers (around 640,000) could not afford to pay the average connection fee of USD 350 upfront
- 💡 The RF initially targeted 13,575 customers on a pilot basis
- 💡 Reasons for three different Stimaloan options :
  - Legislation challenges with KPLC model gave banks head start
  - Offer customer choice
  - Free market policy – with many banks keen to give diverse loans

# Case Study of KPLC's Revolving Fund (KPLC StimaLoan)

- 💡 Since its implementation one year ago, 24,116 customers have benefited from the fund and are now connected
- 💡 Main challenge experienced so far is following up on customer loan repayments attributed mainly to the inconvenience of making repayments & delays in sending reminders to pay (via their bills)
- 💡 IT challenge of incorporating Stimaloan balances in monthly bills – being addressed
- 💡 Current default rate about 36.6% - enhanced recovery efforts underway
- 💡 Most of the customers reside in peri-urban areas and find it costly to travel to a Kenya Power Office to make their installment payments.
- 💡 Various initiatives underway to facilitate more pay points for the customers to make their loan repayments including through mobile phones.
- 💡 Comprehensive rollout of KPLC StimaLoan utilizing AFD's Euro 31 million scale-up funds is underway

- Q. Which other products and services offered by KENYA POWER are you aware of?
- Q. How satisfied are you with the products and services you are currently using?



### Positive feedback

It is the most flexible and accommodative service for potential users 19%

### Negative feedback

It has a high interest (banks) 24%

Take long to respond (Kenya Power) 38%

Paper work takes one month 19%

Sample: 34 Domestic Customer who have processed Stima loan from Kenya power

Sample: 22 Domestic Customers stated experience with Stima Loan

It is perceived that StimaLoan via banks are processed faster than that of Kenya Power. The key drawback of banks' StimaLoan is high interest rates, while Kenya Power StimaLoan, delays in processing.

# StimaLoan – Success Factors

- 💡 **High market appetite/demand for product**
- 💡 **Donor funding availability (AfD)**
- 💡 **Existence of local banks keen on providing credit**
- 💡 **Support by Govt & top KPLC Management**
- 💡 **In-house determination championed by CR & Marketing Dept**
- 💡 **Compatible IT systems to manage processes**
- 💡 **Favourable legislation to cushion default**

# Proposals for Scale Up

	Item	Objectives
1	Capacity building for Revolving Fund staff	Enhance microfinance skills for Scale-up
2	Marketing of Revolving Fund annually	Create awareness & increase uptake
3	Additional Funding for the National Revolving Fund	Bridge the gap in AfD's committed Euro 31m
4	Consultancy services for Revolving Fund Scale-up including IT system to manage repayments via prepaid tokens	Smooth implementation of Scale-up
5	Readyboards, surge protectors & electricity safety (includes capacity building & customer education campaigns)	Reduce internal wiring costs & encourage safe use of power
6	Connection Policy Review, Connection Charges subsidy & Line maximization	Affordable and enhanced access to electricity
4	Energy Efficiency and Productive Use of Electricity (customer education campaigns, staff capacity building & CFLs distribution)	Efficient use of electricity with socio-economic benefits
8	Solar Water Heaters Pilot Project (including capacity building)	Reduce water heating bills & encourage renewable energy use
9	Prepaid meters, smart meters, meter Laboratory equipping & installing small size transformers (includes capacity building & customer education campaigns)	Loss reduction & better revenue collection
11	Sovereign guarantees for IPPs for new plants	Enhance supply availability and reliability





THANK YOU