

## WORKSHOP ON KENYAN SOLAR BUSINESSES TO DISCUSS PROJECT FINDINGS, CHALLENGES AND THE WAY FORWARD

JUNE 24<sup>th</sup>, 10<sup>AM</sup>- 12<sup>PM</sup> EAT

Kenya has witnessed a considerable surge in solar PV dissemination and uptake, positioning the country as a frontrunner and a regional leader in this market. However, domestic solar PV businesses face several challenges such as lack of access to funding, human resource constraints, inconsistent policies and regulations, and an inadequate business ecosystem.

In this context, the UNEP DTU Partnership, in collaboration with Strathmore Energy Research Centre, conducted a detailed study to highlight competitiveness among Kenyan MSMEs<sup>1</sup> and bring to attention the challenges faced by Kenyan solar companies. In February 2020, the project team conducted in-depth interviews with 14 Kenyan solar MSMEs, which are operating across off-grid, mini-grid, productive use, C&I, and utility-scale market segments, and who are all invited to take part in this workshop together with the representatives from Ministry of Industry, Trade and Enterprise Development (MoI), Ministry of Energy and Petroleum (MoEP), EPRA and KERA.

The goals of this workshop are: **1)** validate the findings from the interviews; **2)** delve deeper into the challenges under three key themes (mentioned below); and **3)** come up with concrete action points.

The key themes and related challenges:

- 1. Finance:** Limited funding options for working capital requirements, continued emphases on conditionality and asset-based lending, high collateral and interest rates on bank loans etc.
- 2. Human resources:** Constraints in recruiting and retaining the right talent, lack of expertise and specialised experience with O&M and system designing, limited entrepreneurial competences (such as financial acumen, communication skills, strategic thinking) etc.
- 3. Policy and regulations:** High taxes and lack of clarity about them, inconsistent implementation of regulations, and lengthy bureaucratic procedures etc.

Additionally, the solar companies also highlighted the lack of an effective business ecosystem for the sector, for instance the perceived disconnect between companies and enabling institutions (such as Ministry of Industry, MSEA, KNCCI, KEPSA, KERA), which will be discussed.

Further, the recent covid-19 crisis has intensified many of the challenges that came up in our findings, while also bringing to the fore newer ones. It has highlighted an urgent need to further strengthen the sector and make it more resilient. We believe this workshop can advance the cause. The workshop agenda is included below.

### POST-WORKSHOP ACTIVITIES

Based on the outcomes of this workshop, we plan to organize focused dialogue sessions with relevant stakeholders. The first session will be with financiers (especially local commercial banks) to share insights on solar PV market trends and the needs of domestic MSMEs, as well as to discuss the policies, practices and limitations of commercial banks. This will be followed by a meeting with senior representatives from the Ministry of Industry, to bring to their attention the needs of domestic solar MSMEs, which has already been initiated.

We hope to see you at the workshop!

<sup>1</sup>MSME: Micro, Small and Medium Enterprises

# WORKSHOP AGENDA

Time	Agenda Item	Speakers
10am-10:30am	<b>Welcome Note</b>  Brief round of introductions	<i>Mathilde Brix Pedersen; UNEP-DTU Partnership. Representatives from the Mol, MoEP, EPRA and, KERA (TBC)</i>
10:30am-10:45am	<b>Presentation on key findings from the interviews with domestic solar MSMEs in Kenya, including:</b> <ul style="list-style-type: none"><li>• SME characteristics and business strategies</li><li>• Global value chains and upgrading pathways</li></ul>	<i>Lakshmi Bhamidipati, UNEP-DTU Partnership</i>
10:45am-11:00am	<b>Presentation on the 3 themes (Finance, Skills, Policies &amp; Regulations) and related challenges</b>	<i>Louise Strange, UNEP-DTU Partnership</i>
11:00am to 12 noon	<b>Discussion</b> <ul style="list-style-type: none"><li>• Arrive at action points to take forward</li></ul>	<i>Hope Njoroge, SERC &amp; Lakshmi Bhamidipati</i>

## ABOUT THE PROJECT

UNEP-DTU Partnership, in collaboration with Strathmore Energy Research Centre, is undertaking a project titled **TEMARIN<sup>2</sup>**, for which one key objective is to support domestic MSMEs in the solar PV sector in Kenya and Uganda i.e. companies that are majority Kenyan owned, registered in Kenya, and whose majority business is in the solar PV sector.

## ACTIVITIES SO FAR

We recently published a report on the [captive solar PV market in Kenya](#), which was presented at a [webinar](#) last month. This work, along with the interviews with 14 Kenyan solar MSMEs, led to us gaining valuable insights on Kenyan MSMEs - how they started their businesses, how they became competitive, and what were the barriers to them scaling up. Moreover, we gained an understanding of how business competitiveness depends on elements such as entrepreneurial spirit, human capital, quality work, favourable policies etc. Apart from solar MSMEs, our team also interviewed key stakeholders including the Ministry of Industry, Trade and Enterprise Development, Ministry of Energy, EPRA, the World Bank Group, KEPSA, KERA, Power Africa, PFAN, and Equity Bank on various aspects of the solar sector. We plan to publish a report on domestic solar MSMEs in Kenya later this year, which consolidates and presents our findings.

<sup>2</sup>TEMARIN: Technology, Markets and Investment for Low Carbon and Climate Resilient Development.