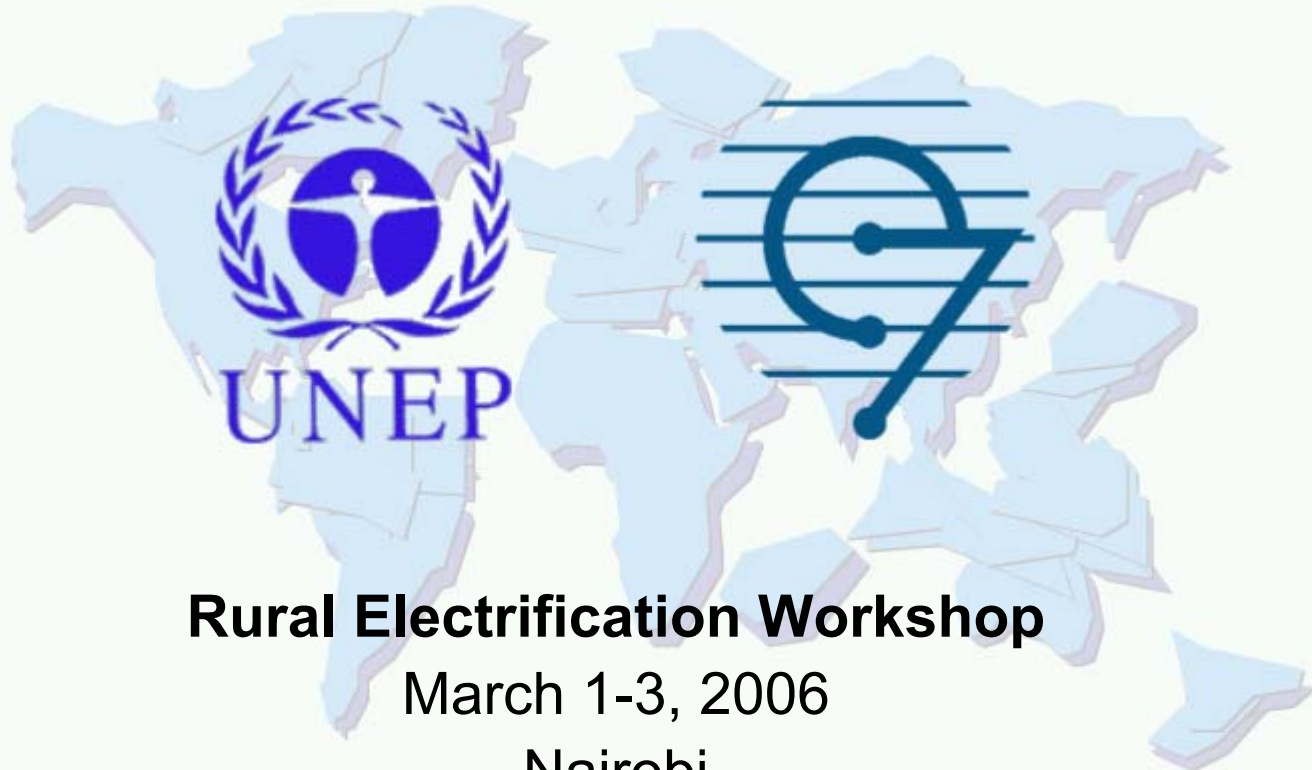


Session 4

Group 1

Mr. Izael Da Silva



Rural Electrification Workshop

March 1-3, 2006

Nairobi

Session 4 – Group 1

- What are the key risks for RE projects? How to reduce them?
- Internal project risks: responsibility of the operator
- External risks: responsibility of the local authorities
- Ex - Political uncertainty
 - Possible return on investment for the investor
 - *Institutional framework and international donors*
- Ex - Regulatory uncertainty and transparency of procedures
 - *Reinforcement and compliance of regulation*

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- Financial: risk for borrower and lender
 - adequation between the duration of loan and the recovery period
 - *To increase the pay back period*
- Possibility for the consumer to pay – loss of cash crop incomes
- Good governance and transparency RE not attractive for private investors: how to attract them? Lack of commercial viability, except if subsidies are appropriate to make the project commercially viable
- Major risk: regularity of income of the consumer => the operator should take insurances to prevent this risk

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- Lack of local counterpart: to discuss with possible donors
- RE is not a priority on the government agenda
- Low population density
- Time is cost
 - Need to raise the financing
 - Financing of the development
 - Time needed for the development of the project
 - Bureaucracy is a very big risk
- Problem of seasons risks for hydraulic – quality of resources data

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- Lack of appropriation of the project by the consumers:
 - illegal connections, etc. (it is not specific to RE)
 - Lack of ownership by the consumers
- Country risks = > higher level of subvention
- Poor customers mix
- Complexity of financing model and sourcing

- Local currency presents a risk of exchange with foreign currency (of the donors...)
- Theft of PV panels