‘Cheaper’ energy still unaffordable to rural households

Aug. 10, 2016, 2:00 am  |  By ISABEL PIKE

An electricity pole. Photo/ Elkana Jacob
Rural demand for electricity connections is significantly lower than the Kenyan government predicted, even when connection costs are highly subsidised, according to economists at the University of California, Berkeley.

These results come at a crucial moment for Kenya. Rural electrification rates are low at less than 10 per cent and the government has ambitious plans to scale up electrification in rural areas.

In 2015, Kenya announced a US$364 million programme funded mainly by the African Development Bank and the World Bank, to launch the Last Mile Connectivity Project. The aim of the LMCP is to connect millions of households to the national grid by reducing the connection price from Sh35,000 to Sh15,000. Many of the households targeted by the LMCP are Kenya’s poorest, rural households.

The UC, Berkeley researchers found that even at this revised price, demand for electricity connections was much lower than expected.

“Since we found lower take-up than we had expected, even at highly subsidised connection prices, the LMCP’s plan to allow newly-connected households to slowly pay for their electricity connections over time will be critical in ensuring the success of the project,” said Prof Catherine Wolfram, one of the authors of the research paper.

In partnership with the Rural Electrification Authority, the researchers implemented a randomised controlled trial of electricity connections. One hundred and fifty communities in Busia and Siaya counties were first selected for the project, and then half (75) of the communities were assigned into one of three subsidy groups: high (100 per cent discount), medium (57 per cent discount), and low (29 per cent discount), relative to the current Sh35,000 connection price.

Nearly all households offered a 100 per cent subsidy took up the connection but demand fell sharply with price. Demand was close to zero for the low subsidy and the no subsidy households. Demand for an electricity connection was significantly lower than predicted by the government in an early 2015 planning report, as well as the research team’s calculations before the intervention. Not surprisingly, wealthier households were much more likely to connect.

According to the researchers, a few factors might be suppressing demand, including large amounts of bureaucratic red tape, which lead to lengthy installation delays, low grid reliability, especially in rural areas, and household credit constraints.

“To get the Last Mile program right, the government of Kenya will need to factor in the connection price, repayment period, and may also need to shorten the installation period and institute improvements in service quality,” said Kenneth Lee, another one of the scholars. According to Kenya Power, the LMCP is currently underway and will soon be expanding nationwide.
Facing the cut – Transition from boys to men

[VIDEO] We’re ready for you, Raila tells Uhuru after Jubilee Party launch

Sex between cousins is not incest, High Court rules

Jubilee using Eurobond cash to woo Cord politicians visiting State House – Raila

Why Jubilee may lose majority seats in parliament

Uhuru ‘abusing office’ with planned State House address on Jubilee matters – ODM

Send money to Kenya
$1 = KSh99.49

Send money now »

IEBC commissioners to know exit terms on Friday as Jubilee, Cord reach consensus

30-year-old man found dead after alcohol drinking competition

TSC to promote 10,000, recruit 5,000 to bridge teacher-student ratio gap

Nairobi county to resume demolition of structures in Huruma tomorrow

Sports ranks low when students choose universities, survey shows

15-year-old boy admitted after circumcision goes wrong

Why Jubilee may lose majority seats in parliament

Car stolen from Peter Kenneth’s wife recovered in Busia

Five ‘Wakali Kwanza’ gangsters shot dead in Mombasa
'Cheaper’ energy still unaffordable to rural households | The Star, Kenya

4 [VIDEO] Sonko, Kabogo forge alliance, pledge to show Waititu dust

5 Ababu third force alliance is Jubilee votes project, says Ojaamong

6 Keep off Kericho politics, Chepkwony supporters tell CS Keter

POPULAR IN CLASSIFIEDS
1. 110 for sale in Kenya
2. British American tobacco jobs
3. Bukura agricultural college jobs
4. Cars for sale in Kenya
5. Casual jobs in Kenya
6. Casual jobs in Nairobi
7. Civil engineering jobs in Kenya
8. Driver jobs in Nairobi
9. Estate houses for sale
10. Hotel jobs in Nairobi

POPULAR IN LATEST NEWS
1. Car stolen from Peter Kenneth’s wife recovered in Busia
2. Five ‘Wakali Kwanza’ gangsters shot dead in Mombasa
3. Ababu third force alliance is Jubilee votes project, says Ojaamong
4. Keep off Kericho politics, Chepkwony supporters tell CS Keter

POPULAR IN NATIONAL NEWS
1. Why Jubilee may lose majority seats in parliament

POPULAR IN SPORT NEWS
1. I was lucky, admits Okwirri after close win
2. Wario gags athletes