Improving LPG consumer financing for low-income communities in Kenya:

Government’s pro-poor discounted LPG cylinder products,
and
GLPGP microfinance pilot project

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Kenya: Demographics

- Urban population: 26% (UN estimates)
- Per capita LPG consumption (<4kg/capita in 2017)
- Population accessing clean fuels for cooking: <12% (DHS report, 2014)
Over 80% of the population depend on polluting fuels (solid fuels and kerosene) for cooking.

**Chart:**

- **Primary fuel used for cooking in Kenya, 2014 (%):**
  - Electricity: 0.4%
  - LPG/biogas: 11.5%
  - Kerosene: 11.9%
  - Charcoal: 17.2%
  - Wood: 56.1%
  - Straw/shrubs/grass: 1.1%
6kg LPG cylinder in Kenya: a robust, handy and affordable package

- Easy to assemble; just connect burner and grill
- Robust and stable
- Easy to carry, even without a vehicle
- High pressure (unregulated pressure) convenient for quick cooking meals and deep frying
- Affordable; cost range Kshs.4,500 -5,500 (US$ 44.30 - 54.20)
- ‘Introductory’ LPG for 1st time LPG users
Gas Yetu – The Mwananchi Gas Project

• National LPG enhancement project by Government of Kenya
• 4.8 million cylinder packages to be disseminated over the next three years (to reach over 18 million people)
• 6kg complete cylinders (gas, burner & grill) distributed at a discounted price of Kshs 2,000 (US$ 19.70) to low-income households, saving Kshs 3,500 (US$ 34.50)
• National Oil Company of Kenya (NOCK) is also developing a robust distribution model in all counties to ensure LPG access

NB: Gas Yetu means “our gas” and Mwananchi means “common man”
The Mwananchi Gas Project: Government’s stated objectives

- Enhance LPG penetration from about 10% to 70% in 3 years
- Reduce respiratory diseases and mortality rates associated with household air pollution due to use of biomass
- Uplift the quality of life of Kenyan citizens
- Reduce deforestation as beneficiaries move away from charcoal & firewood
- Promote entrepreneurship by giving priority to women, youth and people living with disabilities to engage in the supply chain as distributors, retailers and brand ambassadors.
The Mwananchi Gas Project: How it works

- Registration at chief’s office using booklets provided by NOCK
- Pilot program in Kajiado and Machakos counties
- Beneficiaries present I.D. and registration forms at distribution centre
- Subsequent 6kg refills initially priced at Kshs. 900 (US$ 8.87) per cylinder; now revised to Kshs. 840 (US$ 8.28)
The Mwananchi Gas Pilot in Kajiado & Machakos counties: Lessons so far (1/2)

- Nearly 30,000 cylinders issued in Kajiado and Machakos (about 80% of registered households)
- About 1 in 4 households came back for refills after approx. 2 months
- Peri-urban areas use more LPG than rural areas
The Mwananchi Gas Pilot in Kajiado & Machakos counties: Lessons so far (2/2)

• Families still stack fuels, adding charcoal, firewood, kerosene
• Most popular ‘other’ fuel is charcoal
• During the weekend, peri-urban areas stack more (they have more time to fan charcoal or stoke wood)
• NOCK reported enquiries from households that did not qualify, but still could not afford upfront cost for LPG package (opportunity for microfinance)
GLPGP microfinance project

• Pilot project will target an initial 150 households not eligible for Mwananchi Gas program
• Tripartite arrangement: gas supplier, financier and GLPGP

• Equipment: double burner stove, 13 kg filled cylinder, LPG hose and regulator at a cost of approx. Khsh. 10,000 (US$ 100)
• 6-month loan repayment with 14% interest (annual)
• Household to pay $16.50 as a deposit
Benefits of a multiple burner cooker and bigger cylinder size

- User can cook two meals at a go
- Reduces need for fuel stacking
- Knobs allow greater flame control – hence also more economical
- “Off” position is different from “minimum” position, therefore safer
- Less noisy than 6kg cylinder (unregulated burner)
- Avoids challenges of fake burners which discourage use of LPG (a common problem with camping valve burners in the market), as double/multiple burner suppliers usually provide a guarantee
Selected pilot county: Nyandarua

- A rural county where no organised LPG promotion is currently on-going
- 99% usage of biomass for cooking
- Facing deforestation
- Population is engaged in agricultural activities; likely to appreciate more time for other economic activities and improved standard of living by using LPG
GLPGP microfinance pilot: next steps

• Before purchase
  – Educate on benefits of LPG, safety, how to economise, etc.
  – Cooking demonstrations
• Equipment delivery
  – Formal project launch and publicity
• After project kick-off
  – Mobile payments
  – Monitor savings for monthly repayments and for refills
  – Understanding overall experience with loan repayments
• Lessons from pilot will inform project expansion beyond Nyandarua county
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