Powering growth

How green finance is cutting energy costs and strengthening farmer livelihoods

Solar panels installed at Kandia Fresh Produce Suppliers Ltd.

KES 350,000	KES 50,000	300+ farmers
Previous monthly grid bill: up to	Current monthly grid bill: below	Supply Kandia in two counties

For years, Kandia Fresh Produce Suppliers Ltd knew that switching to solar energy could significantly reduce the cost of running its avocado processing and cold-storage operations. The company had even undertaken several energy audits.

But one challenge remained: financing the transition without putting additional pressure on the business.

“We had considered investing in solar, but the challenge was the cost of financing,” says Dixon Mulwa, Finance Manager at Kandia. Today, that investment is a reality. Through the Financing of Energy Transition for Agro-processors Project, implemented by the Micro Enterprises Support Programme Trust (MESPT) in partnership with FSD Kenya, Kandia has transitioned much of its operations to solar energy.

The result has been significant: its monthly grid electricity bill has fallen from as much as KES 350,000 to less than KES 50,000. But the impact goes beyond energy savings. The investment is freeing up working capital to purchase more produce, pay farmers promptly and create opportunities for future business expansion and employment.

High energy costs, limited financing

Energy is critical to Kandia’s operations, powering avocado processing machinery, cold rooms and other equipment used to prepare and preserve produce for the market.

Kandia’s challenge reflects a wider financing gap facing Kenya’s agro-processing sector. Before the project, MESPT conducted energy audits on 15 agro-processing SMEs, identifying ten viable investments in technologies such as solar systems, biogas, wastewater treatment and energy-efficient refrigeration. Together, these investments required more than KES 1.08 billion in financing.

Despite the potential savings, high upfront costs, stringent collateral requirements and limited access to affordable credit made such investments difficult for many businesses.

According to FSD Kenya Climate Lead Mugwe Manga, only about 3-4% of bank lending goes to the agriculture sector, underscoring the financing challenge faced by agricultural enterprises.

Making green finance work

MESPT and FSD Kenya partnered to pilot an energy-transition financing mechanism that combined energy audits, tailored credit and technical support. Importantly, the approach considered not only the business case for the investment, but also the wider impact agro-processors have within agricultural value chains.

“Beyond capital, we look at the impact that the agro-processors or the SMEs that we work with have on the smallholder farmers,” says Lispah Maina, Head of Credit at MESPT.

KES 8.8M	48 months	6 months
Solar investment financing	Loan repayment period	Principal repayment grace

Kandia secured KES 8.8 million, repayable over 48 months, to finance a solar system of approximately 120 kW. The facility was offered at an interest rate of 10% on reducing balance, compared with the approximately 18-19% Kandia indicated it could have faced through conventional commercial financing. It also included a six-month principal repayment grace period. The system now powers some of Kandia’s most energy-intensive operations, including avocado processing machinery and cold rooms.

When energy savings reach the farmer

“We have seen tremendous savings on energy,” says Dixon. Kandia has also adjusted its operations to maximise solar generation during daylight hours, including shifting some activities previously dependent on other energy sources to electricity.

More importantly, the savings are strengthening the company’s cash flow and its relationship with the more than 300 farmers in Makueni and Machakos who supply its produce.

Kandia’s inverter and solar batteries

“The money that we would have paid to get power from KPLC, at least we have been able to cater for other needs, for example, paying our farmers,” Dixon explains. Previously, high operating costs sometimes affected the company’s ability to pay farmers quickly. Today, Kandia has greater flexibility to provide advance payments for produce collection and settle payments more promptly.

“Before, we would have small challenges here and there of delaying their payments. At least now the funds are available; we are able to pay the farmers promptly.” The stronger cash position also gives Kandia greater capacity to purchase produce and potentially engage more farmers.

“When you have resources, you will be able to venture more in terms of recruiting the farmers and also have money to pay this product to the farmer,” Dixon adds.

It is a ripple effect that extends beyond Kandia’s electricity bill: lower energy costs free up working capital; stronger cash flow enables increased sourcing and timely payments; and increased sourcing creates more reliable income opportunities for farmers.

Creating space for growth and jobs

Kandia is now considering expanding its cold-chain and storage capacity to handle larger volumes of produce. Such growth could also create additional employment. “Once we do any expansion, it calls for extra labour because we'll have people who are manning what you have expanded,” Dixon explains.

For Kandia, therefore, solar energy is not simply an alternative source of power. It is helping create a stronger foundation for business growth, increased farmer sourcing and future jobs.

Avocado crates in the cold room ready for export

“At least now the funds are available; we are able to pay the farmers promptly.”

Dixon Mulwa

Finance Manager Kandia Fresh Produce Suppliers Ltd

From pilot to possibility

Across the project, MESPT and FSD Kenya disbursed KES 10 million in energy-transition financing to agro-processors, including Kandia’s solar investment and financing towards a wastewater treatment and biogas project at Vert Ltd.

The pilot demonstrates how combining energy audits, appropriately structured financing and technical support can enable agro-processors to adopt cleaner technologies while strengthening their competitiveness.

“This is not theory; this is development in action,” says Mugwe. For FSD Kenya, the experience also provides evidence that green financing for agricultural SMEs can deliver both development impact and commercial value. “This project demonstrates that green financing is actually profitable, that you can get a commercial return,” he adds.

The opportunity now is to build on this evidence by bringing together financial institutions, development partners, technology providers and other actors to expand affordable and flexible green financing for agro-processors.

At Kandia, that potential is already visible: solar panels are powering production, electricity costs have fallen, cash flow has improved, and farmers are being paid more promptly.

It demonstrates a powerful connection across the agricultural value chain: when an agro-processor becomes more efficient, the benefits can reach far beyond the factory.

By unlocking the right financing for green investments, agro-processors can reduce costs, strengthen their businesses, create jobs and improve income opportunities for the farmers who supply them.