

Renewable energy investment in East Africa: Evidence on the roles and limits of financial risk mitigation

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Extended Abstract

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Abstract Summary

Renewable energy investment in East Africa has expanded despite persistent macroeconomic, financial and political risks. While declining technology costs improved project viability, investors continue to face significant barriers, including weak offtaker creditworthiness, currency volatility and policy uncertainty. Risk mitigation and transfer (RMT) instruments - such as guarantees, political risk insurance and concessional finance - have therefore become central to mobilizing investment.

This paper examines the role and limitations of RMT in enabling utility-scale renewable energy investments in East Africa. The analysis draws on six case studies of solar and wind projects in Kenya, Uganda, Djibouti and Burundi, based on project documentation, stakeholder interviews and in-country workshops.

The results show that RMT instruments are vital in enabling projects to reach financial close. Their design varies significantly across countries. In Kenya, projects combine guarantees, political risk insurance and concessional lending within a relatively mature but financially constrained market. In Uganda, the GET FiT program illustrates an integrated approach, bundling standardized procurement, feed-in tariffs and development finance institutions (DFI) support. In contrast, projects in Djibouti and Burundi rely on customized, project-level instruments and deeper involvement of multiple DFIs, reflecting higher risks and less mature markets.

The paper also finds important limitations. In small and financially constrained power systems, renewable energy deployment often follows “start-stop” investment cycles, where

periods of capacity expansion are followed by slowdowns driven by utility financial stress and policy reversals. Persistent risks, particularly weak utility balance sheets and planning uncertainty, continue to hinder progress even where extensive RMT is in place.

The paper concludes that RMT instruments have been effective in creating a demonstration effect and continue to be necessary, but are not sufficient to sustain investment in the longer-term. Scaling investment requires complementing project-level de-risking with broader sector reforms, including improved utility performance, demand planning and market design.

Presenting Author Biography

Daniel Duma is a Senior Research Fellow at the Stockholm Environment Institute where he leads the [Finance for Sustainable Development Programme](#). FSD focuses on identifying policy solutions that can support investments in sustainable economic activities in developing countries.

Daniel's research interests include blended finance and risk mitigation, renewable energy finance (particularly in Sub-Saharan Africa), energy policy, economic regulation in power distribution, carbon pricing, and financing industrial transitions.

Daniel is also an Associated Researcher at the University of Cambridge Energy Policy Research Group and a Research Fellow at the Centre on Regulation in Europe in Brussels.