

# ICED Evidence Library

## Case Summary: Zambia Scaling Solar Programme

Tags: Investment, Infrastructure, Energy, Programme Design, Case Study



Solar Panels in Zambian Village Credit: UNIDO

### The Programme

Investors developing private solar projects in Africa have been deterred from entering the market by obstacles such as high transaction costs, heavily negotiated agreements, high risk and the cost of capital. The IFC Scaling Solar Programme was initiated to de-risk the bidding process and to enable project developers to compete on a “like-for-like” basis. The IFC’s investment facilitation platform offered a suite of financing and advisory under a single engagement to also attract globally competitive project developers in a challenging environment. Zambia was the first country to officially engage IFC in its programme to explore the development of two large-scale solar projects in July 2015.

### Design Features

**Adaptable suite of project documentation templates.** IFC Advisory Services (IFC AS) developing a set of adaptable templates for the Zambia project, which both speeded up the procurement process of the original project process and also means that it can be easily replicated in other contexts.

**Provision of technical, legal and environmental due diligence.** The costs of undertaking due diligence processes often represent a key obstacle. The IFC AS accelerated this process by using its own advisors to undertake feasibility studies, site selection and legal due diligence.

**Ensuring a competitive, transparent auction procedure.** IFC AS led the auction process on behalf of the client government. By providing each developer with access to the technical, legal and environmental due diligence documentation, the IFC ensured a level playing field for all pre-qualified providers.

**Provision of an innovative credit-approved term sheets.** Previously bidders were required to arrange their own financing and guarantees. The IFC however offered a standardised term for limited recourse financing, political risk insurance, and partial risk guarantees.

**Self-sustaining programme.** The costs for IFC AS services were financed upfront by donors and the client government. However, the winning bidder will pay a success fee, which will finance the next iteration of the Scaling Solar Program.

## Key Results



### **Attraction of high quality international investors.**

Zambia was able to attract the most reputable international solar investors and developers. This is due to strict pre-qualification criteria, transparent process, and guaranteed financing.



**Low pricing.** The submitted bids were highly competitive – the winning bid provided the lowest PV pricing seen in Africa at US\$ 6.02 cent/kWh for a 45 MW project.



**Speed.** It is expected that within 24 months of first government engagement and within 18 months of bid award the projects will be fully operational.



**Scalability.** The standardised approach means that it can be replicated in other countries with minor localised amendments. Senegal, Madagascar and Ethiopia are all currently engaging the IFC AS to develop their domestic solar energy markets.

## Lessons Learnt

**Transparent, competitive procurement:** A transparent and well run procurement is essential to achieving competitive pricing and attracting quality investors to the solar energy market in developing countries.

**Lower transaction costs:** Standardised documentations and shared due diligence exercise lower transaction costs for project developers, resulting in more competitive pricing.

**Design self-sustaining services:** The IFC model of charging the successful investor for technical advisory services is an effective way of ensuring project sustainability.

**Support transaction focused capacity building:** To ensure local ownership and sustainability ongoing transaction focused capacity building should be provided to the local stakeholder.

**Ensure appropriate timelines:** An ambitious timeline is set-out for the projects, which may prevent quality due diligence. Revisiting the appropriateness of the timeline is necessary for scale-up.

**Monitor the impact closely:** It remains early to assess the impact of the Scaling Solar program on the wider market. A close monitoring of the Zambia projects is important to inform future projects.

*This summary was prepared based on the “Scaling Solar: Zambia Country Programme” case study, which was developed as part of an evidence review for UK Department of International Development (DFID) to inform its new Cities and Infrastructure for Growth programme. The case study describes an innovative solar infrastructure investment facilitation platform developed by the International Finance Corporation (IFC). The projects awarded under the programme are not yet operational and conclusions should be drawn based on further updates on the programme status.*

*If you want to find out more about this case study, please contact [iced.programming@uk.pwc.com](mailto:iced.programming@uk.pwc.com) or read the full case study on the ICED website.*