

Unlocking a stalled solar investment to power Senegal

Improved Business and Investment Climate in West Africa Project

Context

The *Improved Business and Investment Climate in West Africa Project* is a four-year initiative that was launched in November 2014. The Project is funded by the European Union and seeks to support the ECOWAS Commission and the ECOWAS Member States to remove national investment constraints/barriers and to promote the regional expansion of cross-border investments.

The Project is implemented by the World Bank Group, which is providing technical assistance and working in collaboration with the ECOWAS Commission, the Member States, and private sector business associations.



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In Senegal, like elsewhere in Sub-Saharan Africa, the energy market faces a number of challenges. Power can be expensive for consumers. Infrastructure is limited and supply can be inconsistent. In fact, only five countries in Sub-Saharan Africa have an electrification rate of 60 percent or more.

That is now changing through innovative public and private partnerships across the power sector. Attracting investment in cost-effective and scalable solar projects could mean cheaper and better supply to citizens in Senegal and in the wider region of West Africa.

The *Improved Business and Investment Climate in West Africa Project* team recently supported the Government of Senegal to unlock a solar-energy-transaction project. The deal was between the government and the World Bank Group/International Finance Corporation's *Scaling Solar* initiative - a one-stop-shop solution for governments to rapidly mobilize competitive privately-funded gridconnected solar projects. The ultimate objectives are to achieve low tariffs and deliver them in a short timeframe.

In Senegal, the government was negotiating a key investment to develop up to 200 MW of solar energy valued at USD80 million. However, the *Senegal Scaling Solar* project had been stalled for several months as a result of a **national investment-climate constraint**. The barrier was based on a long-standing administrative practice maintained by the government concerning third-party project indemnifications, in line with mainstream French Civil Law principles.

The *Improved Business and Investment Climate in West Africa Project* team crafted an innovative middle-ground solution to resuscitate the stalled foreign investment transaction. The hybrid approach (both civil and common law) adopted in a balanced fashion the key features of third-party indemnification principles as originating from both legal traditions.

Objectives

- Increase foreign direct investment at the national level (in the ECOWAS member states) and the region in West Africa
- Explore key investment pipelines and unlock stalled investment projects, in collaboration with financial and private sector institutions

Results

In February 2016, the Government of Senegal accepted the hybrid approach and agreed to modify in part its long-standing administrative practice concerning third-party indemnifications and, thereby,

lifted the investment climate constraint that was impeding the structuring of a transaction necessary for the economic growth and development of Senegal. The government also stated that the hybrid model crafted for this project will be viewed as a template for similar contracts going forward.

Facts & figures
<ul style="list-style-type: none"> • Project objective: Deepen regional integration in West Africa to the benefit of the private sector • Focus: Remove constraints on the regional expansion of cross-border investments and their taxation • Timeframe: 2014–2018 Donor: European Union (EU) • Beneficiary Institutions: Economic Community of West African States (ECOWAS), in collaboration with the West African Economic and Monetary Union (WAEMU), member states (representatives of national governments, and private sector associations) • Technical Assistance Partner: World Bank Group (WBG)

The government subsequently signed the agreement to develop solar-energy facilities valued in the aggregate at **USD 80 million**. The new **70 megawatt power plant** in Senegal has significantly increased the country’s power generation capacity, providing reliable electricity to **1.5 million people** who previously lacked it.

The *Improved Business and Investment Climate in West Africa* Project is required to generate investments in the West Africa region in the amount of USD 150 million by three years post-project, and this important transaction has already contributed very early to this impact figure.

Unlocking an investment of this kind in Senegal is key and will have positive trickle effects in the country, but also potentially in the region. Investment approaches of this kind can be replicated, scaled to other countries, by generating economies of scale and creating a larger regional market to power West Africa. Furthermore, the *Improved Business and Investment Climate in West Africa* Project team is currently working to replicate this administrative practice reform in other Francophone countries (who follow the same French Civil Law

principles as Senegal) in the ECOWAS common market, and naturally, in other sectors of the Senegalese economy as well.

Testimonial

“The technical assistance provided by the *Improved Business and Investment Climate in West Africa Project* enabled the Ministry to finalize the Scaling Solar project, an investment worth USD80 million to implement solar power plants in Senegal,” said Mansour Elimane Kane, Senegal’s Minister of Oil and Energy.

“We’re finally winning our fight for energy in Senegal. Thanks to the developers and financiers led by the World Bank Group, we are increasingly able to deliver access to energy to people across the country,” said Senegal’s President Macky Sall.



Photo: Senegal’s President, Macky Sall, at the official launch of the solar energy initiative with former IFC Regional Director for West Africa, Vera Songwe. ©World Bank/IFC