

A report by



HYSTRA
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PRiCiNG QUALiTY

COST DRiVERS AND VALUE ADD iN THE OFF-GRiD SOLAR SECTOR



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Quality matters: it is a necessary condition for bringing social and financial benefits to families and enabling a sustainable expansion of OGS. Yet, quality also comes at a cost: quality products are generally more expensive (to varying extents) than non-quality products offering similar *functionalities* (vs. *similar quality*). A great portion of quality premiums (up to 70 per cent for SHS) comes from the costs of quality components on the upstream, and from distribution, after-sales service and financing on the downstream. These costs all bring critical durability, accessibility and affordability benefits to consumers.

Three potential areas of intervention emerge for policymakers to make quality products more affordable to consumers. These options were discussed by GOGLA and Hystra on October 2019 in Dakar, with policymakers from 15+ SSA countries, at one of the Community of Champions events regularly organized by GOGLA:

1. How to enhance public-private collaborations and develop electrification plans more likely to encourage access to quality solar products?

- a. Integrate quality products in electrification planning and ensure better data-sharing to help solar distributors adapt their extension plans, and conversely use pay-as-you-go (PAYGO) data to inform policymakers' planification
- b. Leverage result-based financing (RBF) to encourage quality solar to focus on areas where on-grid electrification does not make economic sense
- c. More generally, propose more fora for discussion between government and the OGS sector to enhance synergies and improve efficiency

2. How to lower the costs incurred by companies upstream by designing and better enforcing appropriate regulatory frameworks and tax exemptions?

- a. Lower taxation is one of the most effective ways to improve affordability
- b. Clarity on the scope of exemption limits access to non-quality products

3. How to lower the downstream costs with awareness campaigns, training programs, support of efficient, local distribution models, and reduction of financing costs?

- a. Back quality products with more endorsement by relevant authorities to efficiently create awareness on quality products and reduce marketing spending
- b. Train more qualified technicians or pooling after-sales service to lower the costs of after-sales
- c. Collaborate with donors to lower the costs of financing for local distributors
- d. Support local distributors in improving their offering and operations to lower the costs of serving the last mile