

What Makes Residential and C&I Solar Projects Bankable?

Insights from the GCCE Banking Sector
Roundtable on Clean Energy Finance

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Ghana Chamber of Clean Energy (GCCE) in partnership with the International Perspective for Policy and Governance (IPPG)

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About this Publication:

This publication is extracted from Section 4 of GCCE's report, Commercial Bank Financing of Residential and C&I Solar Projects in Ghana: Barriers, Bankability, and Strategic Priorities. It has been prepared as an easy-to-read guide for GCCE members and other clean energy businesses to better understand how commercial banks assess financing opportunities and what it takes to develop more bankable residential and commercial and industrial (C&I) solar projects.

Download the full report: www.cleanenergyghana.org

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Disclaimer:

The views expressed in this publication are intended to support knowledge sharing and do not necessarily represent the official positions of participating financial institutions or other organizations represented during the roundtable.

Introduction

Access to financing from Ghanaian commercial banks for residential and commercial and industrial (C&I) solar projects remains one of the most significant barriers to the growth of Ghana's distributed solar market. While demand for residential and C&I solar systems continues to increase, many solar companies and developers continue to face difficulties securing commercial financing for project execution and business expansion.

To better understand the factors limiting financing of the sector by commercial banks, the Ghana Chamber of Clean Energy (GCCE), in partnership with the International Perspective for Policy and Governance (IPPG), convened a Banking Sector Roundtable, bringing together senior executives from Ghanaian commercial banks and selected GCCE member companies to examine the opportunities, constraints, and strategic priorities for expanding commercial bank financing of residential and C&I solar projects in Ghana.

The discussions informed GCCE's report; *Commercial Bank Financing of Residential and C&I Solar Projects in Ghana: Barriers, Bankability, and Strategic Priorities*, which identifies the broader policy, regulatory, market, institutional, and banking factors influencing the limited commercial bank financing of the sector. The report and its recommendations will also serve as a foundation for GCCE's advocacy and engagement with policymakers, regulators, commercial banks, and other stakeholders to strengthen the enabling environment for commercial bank financing of residential and C&I solar projects in Ghana.

The roundtable discussions also highlighted an important consideration. While commercial bank financing of residential and C&I solar remains limited, banks are already financing selected projects and companies through their own balance sheets and climate finance facilities. This suggests that, despite the broader policy, regulatory, market, and institutional barriers, commercial banks are willing to finance projects that meet their lending requirements. Understanding how banks assess the bankability of both the project and the developer is therefore critical for solar companies and developers seeking to improve access to commercial finance.

This publication is extracted from Section 4 of the report. It provides insights from commercial banking executives on the financing needs of solar companies and developers, the key dimensions used to assess the bankability of residential and C&I solar projects, and practical measures that can help developers engage commercial banks more effectively and improve access to finance. Prepared as an easy-to-read guide, it is intended to help GCCE members and other clean energy businesses better understand how commercial banks assess financing opportunities and what it takes to develop more bankable projects.



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Financing Needs of Solar Companies and Developers

Solar companies and developers often require three distinct forms of capital:

- **Working Capital for Project Development and Pipeline Growth:** Before a project reaches financial close, solar companies and developers must invest time and resources in originating opportunities, engaging clients, preparing proposals, conducting assessments, and building a project pipeline. Companies therefore require working capital to sustain operations and continue developing projects during this period.
- **Financing for Project Execution:** Once a contract is signed, solar companies and developers require financing to deliver the project. This is particularly important because project costs are often incurred before payments are received, creating a financing gap between project commencement, project delivery, and customer payment, depending on the project's commercial model.
- **Growth Capital:** Growth capital enables solar companies and developers to strengthen their operational capacity and position themselves for future expansion. It supports investments in product licenses, equipment, technology, systems, and organizational capabilities that are not tied to a single project but are necessary to scale operations, remain competitive, enter new market segments, and pursue larger opportunities.

However, banks do not assess these financing needs equally. Each financing need is associated with a different risk profile, repayment structure, and level of lender comfort, resulting in varying levels of bank appetite for financing.

- **Working Capital for Project Development and Pipeline Growth:** Banks are generally more cautious in providing working capital because repayment is not supported by a specific project's cash flows or a contracted payment obligation. Instead, they are relying on the company's future pipeline and its ability to convert opportunities into successful projects. Consequently, banks place emphasis on the visibility and credibility of the pipeline, previous project successes, and the company's demonstrated execution capability before extending such facilities.

- **Financing for Project Execution:** Banks are generally most comfortable providing this type of financing because repayment can be linked to a specific project, offtaker, and cash flow stream. Project deliverables, payment milestones, and the strength of the offtaker become key considerations.
- **Growth Capital:** Similar to working capital, banks are generally more cautious in providing growth capital because repayment is not tied to a specific project's cash flows. However, the successful delivery of previously financed projects often provides a pathway to broader growth capital financing. Through repeated transactions, banks develop a deeper understanding of the company or developer's capabilities, track record,
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Table 1 summarizes the financing needs of solar companies and developers, and the corresponding decision pathways typically followed by banks.

Table 1: Clean Energy Financing Needs and Corresponding Bank Risk Appetites

Financing Need	Purpose	What Banks Look For	Relative Bank Appetite
Working Capital	Supports project development, pipeline origination, business operations, and activities required to convert opportunities into signed projects before revenues are realized.	Visibility into company or developer's project pipeline, credibility of future opportunities, demonstrated ability to convert leads into projects, and a strong execution track record.	Low: Banks may provide support but require confidence that the pipeline will generate future revenues capable of supporting repayment.
Financing for Project Execution	Provides funding required to execute and deliver projects between contract signing, project construction, and customer payment.	Defined project cash flows, creditworthy offtakers, project deliverables, technical feasibility, and contractual arrangements.	High: Generally, the most comfortable entry point for banks because repayment is linked to a specific project or offtaker.
Growth Capital	Supports investments in equipment, software licensing, specialized machinery, systems, and other assets that strengthen the company's long-term operational capacity and growth.	Established relationship with the company or developer, successful delivery of previous projects, strong pipeline visibility, business performance, and confidence in future growth prospects.	Low to Moderate: Appetite increases significantly once previous successful project financings have established confidence in the company or developer's execution capabilities, repayment behaviour, and growth prospects.

Bankability of Residential and C&I Solar Projects



- **What Makes Residential and C&I Solar Projects Bankable?**

Commercial banks apply a common set of assessment criteria when evaluating whether a residential or a C&I solar project is suitable for financing. Five key considerations are particularly important in shaping lending and financing decisions. These include (1) the solar company or developer's corporate governance and management oversight, (2) the commercial viability of the project, (3) the technical capability required to deliver and support the project, (4) the collateral or security supporting the transaction, and (5) the robustness of the project's legal and contractual framework.

These considerations are assessed simultaneously rather than sequentially, with lenders forming an overall view of the project's bankability based on the combined strength of these factors.

- **Corporate Governance and Management Oversight**

Banks assess the quality of the solar company or developer's governance and management arrangements as part of their broader due diligence processes by looking beyond basic business registration to assess how the company is governed in practice. This includes understanding who owns the company, who makes key decisions, and whether adequate oversight exists over the business and its projects.

For example, while a company may satisfy the legal requirement for board membership, governance concerns may arise where decision-making and oversight are concentrated among a small group of closely related individuals, for instance, a husband and wife. Such considerations influence lender confidence in the company's ability to manage risks, fulfil obligations, and responsibly manage borrowed funds.

- **Commercial Viability**

Banks assess the commercial viability of a project by determining whether it has a credible and sustainable source of repayment capable of meeting the loan obligations. For residential projects, this includes the household's income, financial position, and repayment capacity. For C&I projects, key considerations include the strength and creditworthiness of the offtaker, contractual payment arrangements, and the overall

commercial structure of the transaction. These considerations are strengthened, where applicable, by contractual arrangements with equipment suppliers, including import agreements, and other project partners that demonstrate greater certainty over the commercial structure and implementation of the project.

- **Technical Capability and Project Delivery**

Banks assess whether a project can be successfully delivered, operated, and maintained over its intended lifetime. Key considerations include the company or developer's previous experience, track record in managing installations, demonstrated performance on similar projects, and the adequacy of post-installation support arrangements. Banks also seek assurance that equipment meets recognized quality standards and that appropriate certification and licensing requirements have been satisfied. Ultimately, this is intended to provide confidence that the project will perform as expected, generate the anticipated benefits, and avoid operational failures that could undermine payments.

- **Collateral and Security**

Banks assess the availability and quality of security arrangements that can protect their interests in the event of underperformance or default. While traditional collateral remains an important consideration, the banking executives acknowledged that for solar and other clean energy projects, there must be a willingness to look beyond asset-backed security structures and consider broader forms of credit enhancement. These include projected cash flows, creditworthiness of the offtaker, and, perhaps most importantly, the developer's own equity contribution or "skin in the game," which signals commitment and a willingness to share in the project's risks. In this case, the goal is to ensure that sufficient protections exist to support recovery and reduce the bank's exposure should project performance fall short of expectations.

- **Legal Viability**

Finally, banks seek assurance that the contractual and legal arrangements underpinning a project are robust, enforceable, and free of legal gaps that could undermine implementation or repayment. Legal due diligence is therefore undertaken to review project agreements, identify potential risks or weaknesses, and confirm that the rights

and obligations of the parties are clearly defined. This process helps banks to determine whether the transaction structure adequately supports project execution, protects the interests of all parties involved, and is ultimately enforceable.

Table 2: Key Dimensions Used by Banks to Assess the Bankability of Residential and C&I Solar Projects

Bankability Dimension	What Banks Seek to Establish	Key Questions Asked by Lenders
Corporate Governance and Management Oversight	Whether the company is managed in a manner that inspires confidence and demonstrates accountability.	a) Who owns the company? b) Who makes key decisions? c) Are governance and oversight arrangements credible?
Commercial Viability	Whether the project has a credible and sustainable source of repayment capable of meeting its debt obligations.	a) Who is paying for the project? b) Is the household or offtaker creditworthy? c) Are payment arrangements reliable and enforceable?
Technical Capability and Project Delivery	Whether the developer has the capacity and experience to successfully deliver and support the project.	a) Has the company delivered similar projects in the past? b) Can it manage installations and provide post-installation support?
Collateral and Security	Whether sufficient security and commitment exist to support repayment.	a) What security is available? b) How much equity has the developer invested? c) Does the developer have sufficient "skin in the game"?
Legal Viability	Whether the project is supported by robust and enforceable legal arrangements.	a) Are contracts properly structured? b) Are rights and obligations clearly defined? c) Are there legal gaps that could affect implementation or repayment?

• Improving Bankability

In addition to these five core dimensions of project bankability, two additional considerations can further improve the bankability of residential and C&I solar projects.

These are discussed below.

• Engaging Banks Early in the Project Lifecycle

Experience from successfully financed residential and C&I solar projects demonstrates that the timing of bank engagement can be just as important as the project's commercial and technical merits. Rather than approaching banks only after all contractual arrangements have been finalized, successful transactions often involve banks during the early stages of project development. Early engagement enables financing arrangements,



EPC contracts, equipment procurement, and broader risk allocation mechanisms to be developed concurrently with banks, resulting in stronger and more bankable projects.

In one example given, the bank was engaged during the negotiation of the EPC contract rather than after it had been finalized. This enabled the bank to ensure that the contractual arrangements adequately protected its interests, including the inclusion of step-in rights. As one banking executive explained:

“It wasn't a matter of finishing the EPC and offtaker contract and then looking for financing. We were involved during the negotiation process, which also brought the supplier into the financing arrangement.”

The early involvement of the bank also facilitated the alignment of the financing structure with project implementation. A six-month moratorium on loan repayments was incorporated to allow for equipment procurement, installation, and commissioning before debt service commenced.

- **Understanding Commercial Bank Financing Requirements**

Closely linked to early engagement is the ability of solar companies and developers to have prior knowledge and understanding of how commercial banks assess financing opportunities. Companies that approach banks with a clear understanding of lending requirements, project structuring, and repayment obligations are generally better positioned to communicate the strengths of their projects and engage more effectively with lenders. As one banking executive observed:

"The ability to sell your story depends on how to communicate with us. As a banker, if I'm going to sell my project to another banker, I know what he or she is looking for, so I know what I need to be selling. The developers need to be able to understand us and speak our language to make it easier to do business.”

A better understanding of commercial banks' credit assessment processes and financing requirements can therefore strengthen engagement between developers and lenders and improve the bankability of residential and C&I solar projects.

Key Business Insights



Top 3 Lessons

1. Project Financing Attracts the Strongest Bank Appetite

Commercial banks do not assess all financing needs equally. Financing linked to the execution of contracted residential and C&I solar projects attracts the strongest lending appetite because repayment is supported by identifiable contractual arrangements and a clearer source (offtaker) of repayment. Working capital and growth capital generally require stronger business relationships and greater confidence in the developer's long-term performance.

2. Bankability Begins Long Before a Loan Application

Successful financing is often determined well before a financing proposal reaches the bank. Early engagement with the bank, stronger project preparation, robust contractual arrangements, and a clear understanding of commercial bank requirements significantly improve financing outcomes.

3. Bankability Determines Access to Finance, Not Just Demand

Strong market demand for residential and C&I solar does not automatically translate into commercial bank financing. Banks distinguish between projects based on their bankability, assessing not only the technical merits of a project but also the commercial, financial, legal, and managerial capacity of the developer. Companies that understand these assessment criteria are better positioned to secure financing from banks.

Top 3 Risks

1. Treating Bankability as a Financing Requirement Rather Than a Business Strategy

Many solar companies and developers approach commercial banks only after projects have been structured, limiting opportunities to incorporate lender requirements into project design. This can reduce financing options and delay financial close.

2. Focusing on Technology Rather Than Commercial Viability

Technical capability alone is insufficient to secure financing. Banks place equal emphasis on corporate governance, repayment capacity, contractual arrangements, collateral, and legal enforceability. Projects with strong technical designs but weak commercial structures are unlikely to attract financing.

3. Seeking the Wrong Type of Financing

Working capital, project execution financing, and growth capital are assessed differently. Companies that seek financing without aligning their request to the bank's risk appetite and lending approach risk unsuccessful financing applications.

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