

February 23, 2017

CLIMATE INVESTMENT FUNDS

**[APPROVAL BY MAIL] RWANDA: RENEWABLE ENERGY FUND PROJECT (WORLD BANK) (SREP)--
XSRERW058A-
COMMENTS FROM THE UNITED KINGDOM**

We have reviewed the above proposal and have a number of concerns and questions, that we would like the project team to address.

Our questions relate primarily to the way in which some of the Windows will be delivered and are as follows:

- The main mechanism for the delivery of Window 1 is through SACCOs, which have a widespread coverage in Rwanda. We can see the logic for wanting to use them for the provision of finance because of their location in so many communities. However, the rationale for using this mechanism in favour of other mechanisms is not clearly made.
- Where else has this model been used? Was it successful? If so, what lessons have shaped the approach in Rwanda?
- Were other models considered, M-KOPA, for example, and why were they found to be inappropriate?
- The administrative system being proposed seems quite inefficient and possibly unnecessarily costly, due to the levels of complexity involved in disbursing loans. The implementing partner, BRD, enters into sub-financing agreements with SACCOs, which then enter into service agreements with off-grid solar companies, households and micro-enterprises.
- On page 49 it is stated that care will be taken to improve transparency and ensure that the profit margins are minimal. Might this not be a disincentive for the SACCOs which assume full credit risk for all the sub-loans they extend.
- Regarding the risks identified, it seems that there is an additional risk that should be considered. The high transaction costs make the model vulnerable to competitive offerings in the market that could undercut the SACCOs.
- Regarding the SACCOs, we would be keen to understand more about their ownership and governance. Who are the owners and how are they governed?