

REPUBLIC OF RWANDA



MINISTRY OF INFRASTRUCTURE

PROJECT IDENTIFICATION NOTE

ENERGY SECTOR

**Private Sector Participation in the generation of Electricity from
renewable resources (PSPE)**

**UNDER THE INDICATIVE BILATERAL COOPERATION PROGRAM BETWEEN BELGIUM
AND RWANDA**

1. Summary description of the intervention.

- 1.1. The proposed intervention "*Private Sector Participation in the generation of Electricity from renewable resources*" (PSPE) will support the Government of Rwanda in its efforts to scale up generation of electricity from national resources. It is part of the ongoing Indicative Cooperation Program (ICP 2011-2014) between Belgium and Rwanda.
- 1.2. The Government of Rwanda strategy to reach electricity generation capacity targets¹ relies on the involvement of the private sector in power generation through Independent Power Producers (IPP) and Private Public Partnerships (PPP) structures.
- 1.3. Potential renewable energy resources for private participation in electricity generation in Rwanda include: hydro-power development, biomass, methane gas-to-power, geothermal, solar photovoltaic, etc.
- 1.4. As the Government investment arm, the Development Bank of Rwanda (BRD) aims at becoming the prime driver of sustainable private sector investment. Its development objectives focus on the priority sectors of the economy, including the energy sector.
- 1.5. For this intervention, the proposed strategy is threefold:
 - *Create a revolving fund to encourage private sector participation in the generation of electricity from renewable resources - the Rwandan Renewable Energy Development Fund (REDF) - at the BRD*, and support its management: develop its financing instruments, modalities and procedures, promote the fund and its achievements, define the selection criteria's for the projects, provide technical assistance to micro- small and medium enterprises (MSME), identify investment options, finance feasibility studies, finance access road to new power plants and/or connection to the grid, etc.
 - *Trigger the interest of other investors for the REDF* : the Government of Rwanda and BRD could additionally contribute to the fund from their own resources, other interested financial institutions as the Belgian Investment Bank (BIO) could also be convinced to invest. BRD could subsequently blend grants and loans within the fund and provide financing at very favorable conditions to private energy developers.
 - *Support the institutional development of the energy sector* by participating to the improvement of the legal- and regulatory framework in order to promote an

¹ EDPRS 2 - Outcome 1.1: "Increased electricity generation capacity to 563 MW leveraging large scale private investment"

investor-friendly environment by creating a level playing field for all energy players and service providers.

2. Ministry to be designated for the preparation and implementation of the intervention.

- 2.1. The ministries to prepare and implement the intervention will be the Ministry of Infrastructure (MININFRA) and the Ministry of Economy and Finance (MINECOFIN).
- 2.2. The Development Bank of Rwanda (BRD) will be the implementing body together with the Belgian Development Agency (BTC)
- 2.3. Close collaboration with key government bodies will be sought during the preparation and implementation of the intervention, in particular: the Ministry of infrastructure(MININFRA), the Rwandan Utilities Regulatory Authority (RURA), Rwandan Energy Group (REG, Rwandan Development Board (RDB) and the Environment and Climate Change Fund (FONERWA)

3. Define the general objectives and specific objectives of the intervention.

- 3.1. *The general objective of the intervention is:*
The energy sector is able to provide sufficient, reliable and affordable energy for all Rwandans.
- 3.2. *The specific objective of the intervention is:*
The generation of electricity from renewable resources is increased by the participation of the private sector supported by the intervention.

4. Target group and, where applicable, the location of the intervention.

- 4.1. Renewable energy private developers and investors will benefit directly from the intervention. According to the strategy of the Belgian Development Cooperation, the intervention shall target Micro- Small- and Medium Enterprises (MSME).
- 4.2. The intervention will contain a capacity development component supporting BRD in selecting and supporting energy MSME in view of ensuring the sustainability of the investments.
- 4.3. The indirect beneficiaries are the Rwandans that will benefit from the electricity in households, public institutions, social facilities, enterprises, etc.

5. Relationship of the intervention with EDPRS 2 (Economic Development and Poverty Reduction Strategy 2), the Millennium Development Goals (MDGs) and Energy/Electricity Policy.

- 5.1. The intervention will contribute to the investment plan designed to achieve the Government of Rwanda's stated targets set out in the EDPRS 2: it will directly contribute to the 563 MW generation capacity outcome.
- 5.2. The intervention will define a set of result-based monitoring indicators in line with EDPRS 2 and the sector policy documents, among others the National Energy Policy and the Energy Sector Strategic Plan (ESSP).

6. Synergy with other bilateral and multilateral donors

- 6.1. An energy Sector Wide Approach (eSWAp) is being developed to improve harmonization of donor aid flows and to create synergy between all involved parties and development partners (DP) in the energy sector. The eSWAp will support the energy Sector Working Group (eSWG).
- 6.2. BRD & BTC will regularly report back to the eSWG on the progress of the PSPE.
- 6.3. Other bilateral and multilateral donors and finance bodies could additionally contribute the fund from their own resources.
- 6.4. The Environment and Climate Change Fund (FONERWA) under the Ministry of Environment and Natural Resources (MINIRENA) supports environment and climate change initiatives for green and resilient growth. This includes a range of measures including support for innovative renewable energy projects. Synergies and potential overlap between FONERWA and REDF will be carefully analyzed during the formulation phase in view of ensuring the complementarity of the two funds or envisaging their merging through a subsidiary scheme if desirable.

7. Budget and duration of the intervention

- 7.1. The duration of the intervention will be 6 (six) years. The support of Belgium will amount to € 6 million.

8. Measures to be taken to ensure the sustainability of the intervention after its closure (measures regarding institutional, human resources and financial authorities).

- 8.1. The BRD fund shall be designed to be viable after the closure of the intervention. Attracting the interest of other investors will contribute to its sustainability.
- 8.2. Actions will have to be taken within the intervention to strengthen the key stakeholders - including capacity building with regard to project management, contract management, project financing and the development of relevant technical, commercial, and managerial skills.
- 8.3. According to the National Energy Policy, the following measures are proposed by the Government of Rwanda to increase private sector involvement in electricity generation: (i) streamline investment promotion processes for IPP, (ii) extend and expand investment incentives to private investors, (iii) de-risk investments through upstream resource assessments and pre-feasibility studies, (iv) accelerate and facilitate energy sector PPP, (v) empower more local enterprises to engage in energy sector deals and accelerate the introduction of more competition in energy service provision. The PSPE intervention shall contribute to those measures to align with the national strategy.

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