



## RWANDA COOLING INITIATIVE

### Green On-wage Financing Concept

The Green On-Wage (GO) mechanism for refrigerators and air conditioners of the Rwanda Cooling Initiative (R-COOL) is a project co-implemented by Rwanda Environment Management Authority (REMA), the United Nations Environment Programme's United for Efficiency (UNEP U4E) initiative, and the Basel Agency for Sustainable Energy (BASE) with support from the Kigali Cooling Efficiency Programme (KCEP). The banking sector in Rwanda was identified as one of the key financial institutions to partner with based on its strong market share, experience in running consumer loan products, presence across the all regions in the country. The mechanism will provide to eligible salaried employees financing to purchase climate-friendly Refrigerators or Air conditioners.

## Why Green On-Wage (GO)

### Significant market growth opportunity

#### Domestic refrigerating appliances

- An average yearly market growth rate of 13.7% due to the maturing of the household refrigerating appliance market in the residential sector, where the national stock is projected to further increase to about 228,000 units in 2024 from 83,000 in 2019.
- 100% electrification is targeted by 2024 and household refrigerators are prioritised by households as they gain access to electricity. They are also important equipment for businesses in the food and hospitality sectors.
- There is market growth potential in all segments of the population, though the penetration rates are higher in urban centres and for middle- and high-income households, compared to rural areas.

#### Room air conditioner (AC)

- Room AC usage is low (2%) in the residential sector mostly due to the climate in Rwanda. The current market size was estimated to be approximately 1700 room AC units in 2019. It is projected to increase to about 4000 units in 2024, amounting to 13.7% annually in the coming years due to growth in middle-income households, urbanisation, climate change, and the expansion of national energy access.
- A room AC can consume far higher amounts of electricity than other appliances in a household, with growing implications as adoption of these products increases, particularly during peak periods of use (e.g. at the hottest parts of the day) as it adds strain to the electricity grid and high utility bills for users. Room ACs are increasingly common in businesses and public facilities, from schools to hospitals and beyond.



## Overview of R-COOL GO

R-COOL GO is a consumer finance product designed to meet the financing needs of salaried employees of public and private institutions interested in a new refrigerator or air conditioner. The first step in the process is for local financial institutions (LFIs) to enter into consumer finance agreements with technology providers and set up credit facilities. Eligible clients choose their desired product, and request funding to a partner financial institution, who performs credit assessment. If the client is deemed eligible, the partner financial institution credits directly the vendor, who in turn, provides the appliance to the end-client.

## How to apply for R-COOL GO support

### What does R-COOL GO support

R-COOL GO typically supports small investments of RWF 500,000-1,500,000 corresponding to the sales price of eligible refrigerators and room ACs. A list of eligible products has been developed and verified by UNEP U4E, BASE and the Government of Rwanda for those that meet strict criteria for energy efficiency, environmental impact of the chemicals used in the systems, and a minimum warranty of 2 years to help ensure robust quality for consumers. The project team has also negotiated with manufacturers of these products to secure a rebate of 15% for customers who select to return end-of-life cooling appliances through R-COOL GO as incentive to dispose their old equipment and not sell it to secondary market.

#### Step 1

A qualified salaried employee could lodge a customer application with the selected technology provider and received in return a pro forma invoice, then the customer can proceed with the credit application directly with the selected LFI.

#### Step 2

Once approved, the financier is able to credit the account of the technology provider with the amount corresponding to the sales price of the selected product minus the rebate almost immediately from the receipt of the proof of delivery of the selected product. In some instances, a take-back scheme can be integrated into R-COOL GO where technology providers agree to cover both the amount of minimum percentage of the selling price of the product to be accorded to the customers in the form of a voucher or cash-back for future purchases and to contracted compliant e-waste management companies to cover the costs of collection, transport, treatment, and disposal of returned end-of-life eligible appliances. In this case, LFIs shall also receive a collection certificate from technology providers to proceed with the disbursement of credit.

#### Step 3

Finally, consumer loan repayments are directly made from the customers to the LFIs and are either guaranteed by their profiled employers or deducted directly from the employees' after-tax salaries. There are different ways to structure the repayments:

- Employees of profiled employers who hold accounts with LFIs make repayments through their checking accounts at the end of each month. In the case of default, employers guarantee the repayments. In this case, the balance of due repayments is directly deducted from the salaries. Same conditions apply if the salaried employees leave the employers earlier than expected.
- Employees who hold accounts with LFIs agree to make direct reimbursements through salary deductions at the end of each month.





### Vendors

1. Partner vendors offer high energy efficient and climate-friendly cooling appliances
2. Properly dispose the End-of-Life appliances with Authorized E-waste Management Companies



### Efficient System

3. Customers apply through partner vendor to acquire any registered certified models in the positive list
4. Customers receive a pro-forma invoice and contact a partner bank to lodge credit application



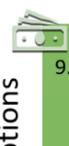
### Bank

5. Partner Banks offer credits to customers at competitive conditions
6. Partner Bank transfer the cost of the cooling appliance to the partner Vendors minus a negotiated rebate



### Employers

7. Bank-employers sign collaborations agreements
8. Employers become the guarantors of the employee's repayment



### Repayment options

9. Customers make repayments. Employer guarantee credits
10. Customers authorize deduction of repayment from monthly payrolls
11. Employers make bulk repayment on behalf of employees that requested credits

## Business model of R-COOL GO



## Delivering multiple benefits to stakeholders



Employers make the salary deductions for each employee and make a bulk reimbursement for all their employees to the LFIs at the end of each month.



Avoided upfront costs, and the ease of repayment to help motivate investments that may not otherwise happen.



Access to credit is facilitated and the loan terms are more attractive for end-customers due to rebate negotiations with technology providers who wish to promote and sell certified premium products through the mechanism.



Communications campaign to promote the scheme backed by the Government, UNEP U4E and BASE with opportunities for high-profile recognition for leadership in the green transition to better products



Supports the government of Rwanda's green growth agenda and its implementation of the National Cooling Strategy.



Robust monitoring of customer applications, as well as measurement, reporting and verification (MRV) processes allow LFIs to align with the principles of green finance.



Take-back scheme for proper collection, transport, treatment and disposal of discarded appliances can be included, increasing the incentives for consumers and co-benefits for society.

Example elsewhere: [Ghana is implementing ECOFRIDGES GO](#) and has sold over 500 certified models as of early June 2021 during the mechanism's pilot phase (and growing rapidly). ECOFRIDGES GO is supported by the same UNEP U4E and BASE team developing R-COOL GO.

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