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PRIVATE SECTOR MOBILIZATION PLAN FOR CLIMATE ACTION (PSMP - CA)

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To obtain copies of this publication, please contact:

REMA
Inyota House, KG 7 Ave
P.O. Box 7436 Kigali
Tel +250252580101
Fax +250252580017
E-mail : remainfo@rema.gov.rw
Website: www.rema.gov.rw

Executive Summary

Climate change is disproportionately impacting the economically disadvantaged and slowing development and this disparity is likely to increase as global warming exceeds tolerable levels and climate change accelerates. Rwanda's 3rd National Communication on climate change recognizes building financial and technical capacity as very key for enabling the country to better respond to climate change issues to increase the resilience and promote green growth.

As part of fulfilment of its obligations to the Paris Agreement, that sets long-term goals to guide all nations to substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees, Rwanda published its updated Nationally Determined Contributions (NDC) in 2020.

The updated NDC represents a more detailed and robust assessment of mitigation and adaptation measures in Rwanda informed by in-depth analysis, improved information and data, increased ambition, and an extensive stakeholder-driven consultation process. To achieve the ambitious 2030 climate targets set out in this plan, Rwanda will need to mobilize USD 11 Billion, 40% of which is expected to be raised from domestic sources whereas the balancing 60% should be mobilized from external sources.

Not only the private sector is directly affected by climate risks – through emergence of a series of new business risks, including physical risks, and exposure to transition risks arising from the need to respond to climate change, engaging the private sector is essential for multiple reasons. Private players can, among many things, mobilize financial resources and technical capabilities, leverage the efforts of governments, engage civil society and community efforts, and develop innovative climate services and adaptation technologies. Private entities dominate many investments that are critical to adaptation, such as the location and design of buildings and other infrastructure investments.

Private sector investments are therefore expected to play a very important role in the fulfillment of the climate obligations of the Country, also supporting its green growth agenda.

This Plan provides strategic approaches for the central public authorities mandated to coordinate and manage climate action to systematically and substantially increase private sector involvement by enhancing participation of private operators in the mobilization of necessary climate funds from domestic and external sources.

> The *First Chapter* provides a detailed background to the Plan – including the rationale on why private sector should be engaged in climate finance. This chapter also discusses the core problematic of limited participation of private sector players in climate finance mobilization, the purpose of this Plan and the approaches implemented to determine root causes of the main issue.

The *Second Chapter* discusses the overall context of the Country, providing key information on the geography, the climate, the socio-economic environment, and the national development framework at policy and institutional levels.

The *Third Chapter* focus is centered on leading climate finance concepts and implementation mechanisms with details on the global context and the major climate funds that are currently involved in the channeling of climate funds to developing countries, including the Sub-Saharan Africa. This Chapter also discusses about the dynamic Coalition of Finance Ministers working to accelerate the mainstreaming of green agendas in national financial systems. It closes with an introduction on the objectives of the Paris Agreement and the related NDC Partnership.

The *Fourth Chapter* provides an apercu of the Rwanda financial sector, including an analysis of strengths, weaknesses, opportunities and threats from the perspective of their beneficiaries from the private sector.

The *Fifth Chapter* provides a mapping of the private sector, including a general overview of the private sector in Rwanda, the challenges hampering business operations and the opportunities with an emphasis on existing climate opportunities in alignment with the actions planned in the 2020's Updated Nationally Contributions of Rwanda.

The *Sixth Chapter* provides a problem analysis for the central issue of limited participation of the private sector in climate action and then formulates the strategic objectives to pursue in order to address identified root causes to the problem. The Chapter also provides an action plan for proposed actions, a mapping of stakeholder roles and responsibilities and the Plan's costs and financing.

The strategic pillars proposed by this Plan to increase the participation of private sector players in climate action are:

Pillar 1: Strengthening capacity of private sector to develop bankable projects;
Pillar 2: Strengthening institutional capacity to mobilize diversified instruments of climate finance;
Pillar 3: Strengthening ENCC sector capacity to catalyze green/climate Public-private-partnerships (PPPs); and
Pillar 4: Establishing mechanisms for efficient multi-stakeholders' information sharing.

The activities comprised in this Plan shall be implemented in the course of the next eight years (from 2022 to 2030's NDC goals) with a total budget requirement estimated at USD 822,000.

The Rwanda Environment Management Authority (REMA), the *Fond National pour l'Environnement au Rwanda* [Rwanda Green Fund] (FONERWA) and the Ministry of Environment (MoE) are the lead implementing entities for this Plan. Its successful implementation, however, will require intensive collaboration with the Private Sector Federation (PSF) of Rwanda as well as various stakeholders at national and international levels.

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Glossary

adaptation Climate change adaptation is the process of adjustment of human systems and societies to the impacts or expected impacts of climate change. It includes changes in behaviors, practices, skill sets, and knowledge to address anticipated short-, medium-, and long-term climate change impacts. Adaptation can take many forms: from adjusting planting seasons or switching to drought-resistant varieties, to installing early-warning systems to save people from oncoming storms, to relocating entire communities if the land can no longer support them, or they are too exposed to deadly storms or other climate hazards (Tall et al., 2021).

carbon finance Carbon finance provides resources to projects that aim to reduce emissions of carbon dioxide and other GHGs (Sachs et al., 2019).

climate change Climate change refers to long-term shifts in temperatures and weather patterns. Since the 1800s, human activities have been the main driver of climate change, primarily due to burning fossil fuels like coal, oil and gas. Once burned, these energy sources help raise the Earth's temperature by releasing greenhouse gases into the atmosphere (UN, n.d.-b).

climate finance Climate finance is a way for individuals and nations to help fight climate change (Fernando, 2020). It also refers to local, national or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change (UNFCCC, n.d.-b). The topic of climate finance is growing in international importance, as countries and companies become increasingly aware of the risks and opportunities associated with climate change (Fernando, 2020).
Climate finance supports the activities of climate change adaptation and mitigation to achieve a low-carbon economy and implement climate resilient development. Climate finance also supports projects for adaptation that are not included in carbon finance (Sachs et al., 2019).

conditional contribution An NDC contribution requiring international support and finance (GoR, 2020).

mitigation Climate Change Mitigation refers to efforts to reduce or prevent emission of greenhouse gases. Mitigation can mean using new technologies and renewable energies, making older equipment more energy efficient, or changing management practices or consumer behavior. It can be as complex as a plan for a new city, or as a simple as improvements to a cook stove design (UNEP, 2017).

Nationally Determined Contributions (NDCs) NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change. The Paris Agreement (Article 4, paragraph 2) requires each Party to prepare, communicate and maintain successive nationally determined contributions (NDCs) that it intends to achieve. Parties shall pursue domestic mitigation measures, with the aim of achieving the objectives of such contributions (UNFCCC, n.d.-d).

resilience Resilience is the capacity of a human or natural system to withstand the impacts of exogenous shocks, and to cope with and/or recover from them while retaining the essential functions of the original system. Resilient health systems, for instance, can cope with multiple crises, while resilient infrastructure refers to assets such as roads, bridges, cellphone towers, and power lines that can withstand multiple external shocks, as defined by the developer or procurer, typically including climate-related hazards (Tall et al., 2021).

sustainable finance Sustainable finance is the practice of creating economic and social value through financial models, products, and markets that are sustainable over time. It takes into account investments that are more expansive, comprehensive, and inclusive, considering not only the environmental aspect but also the social aspect and governance issues (Sachs et al., 2019).

unconditional contribution An NDC contribution requiring international support and finance (GoR, 2020).

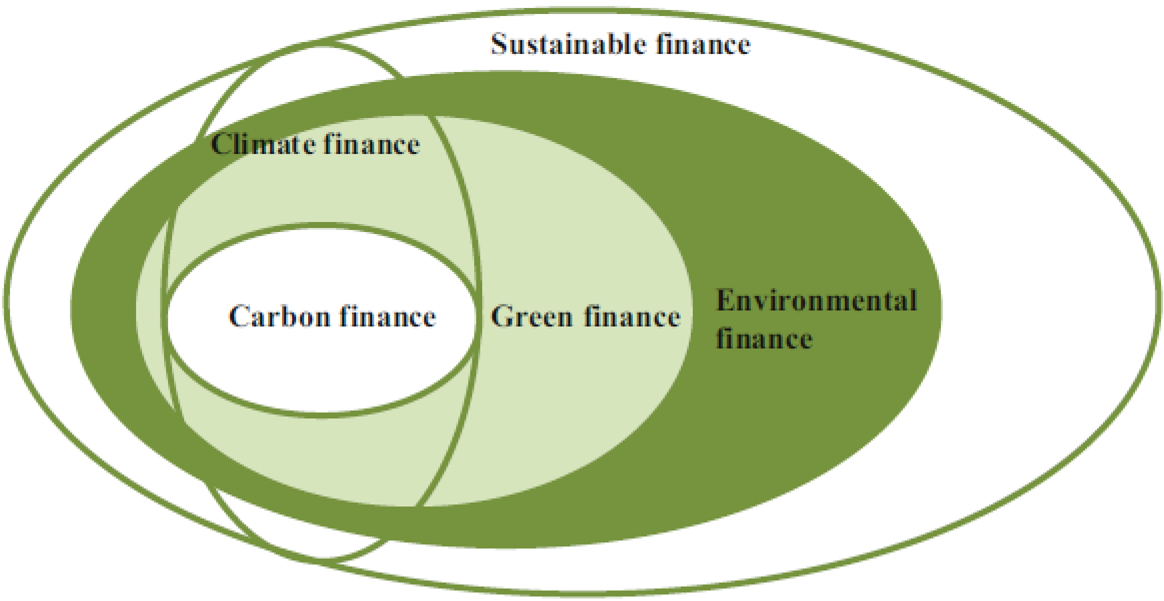

Figure 1: Relationships Between Climate Finance and Other Related Finances (Sachs et al., 2019)

Abbreviations and Acronyms

AE Accredited Entity
AF Adaptation Fund
AFD *Agence Française de Développement* [French Development Agency]
AfDB African Development Bank
AgDF Agaciro Development Fund
BAU Business As Usual
BNR National Bank of Rwanda
BRD Development Bank of Rwanda
CBIT Capacity-building Initiative for Transparency
CIF Climate Investment Funds
COP Conference of Parties
CPCIC Cleaner Production and Climate Innovation Center
CTF Clean Technology Fund
DFI Development Finance Institution
DFID Department for International Development
EIA Environmental Impact Assessment
ENABEL Belgian Development Agency
ENCC Environment and Climate Change
FDI Foreign Direct Investment
FIC Financial Intelligence Centre
FIP Forest Investment Program
FONERWA *Fond National pour l'Environnement au Rwanda* [Rwanda Green Fund]
GCF Green Climate Fund
GDP Gross Domestic Product
GEF Global Environment Facility
GGCRS Green Growth and Climate Resilience Strategy
GIZ *Deutsche Gesellschaft für Internationale Zusammenarbeit* [German Development Agency]
IDP Integrated Development Program
IE Implementing Entity
IFIs International Financial Institutions
IUCN International Union for Conservation of Nature
JAICA Japan International Cooperation Agency
LDC Least Developed Countries
LDCF Least Developed Countries Fund
MDB Multilateral Development Bank
MEAs Multilateral Environmental Agreements
MIE Multilateral Implementing Entity
MINAGRI Ministry of Agriculture and Animal Resources
MINECOFIN Ministry of Finance and Economic Planning
MINEMA Ministry of Emergency Management
MINICOM Ministry of Trade and Industry

MINICT Ministry of ICT and Innovation
MININFRA Ministry of Infrastructure
MoE Ministry of Environment
MoH Ministry of Health
NAEB National Agricultural Export Development Board
NDA Nationally Designated Authority
NDC Nationally Determined Contributions
NDF Nordic Development Fund
NGIs Non-Grant Instruments
NGO Non-Governmental Organization
NIE National Implementing Entity
NIRDA National Industrial Research and Development Agency
NISR National Institute of Statistics of Rwanda
NST National Strategy for Transformation
ODA Official Development Agency
OTP Office of the President
PDNA Post Disaster Needs Assessment
PoA Programmes of Action
PPCR Pilot Program for Climate Resilience
PPPs Public-private-partnerships
PSDYE Private Sector Development and Youth Employment
PSF Private Sector Federation
PSMP-CA Private Sector Mobilization Plan for Climate Action
PSSA Private Sector Set-Asides
RAB Rwanda Agriculture Board
RBC Rwanda Biomedical Centre
RCA Rwanda Cooperatives Agency
RDB Rwanda Development Board
REG Rwanda Energy Group
REMA Rwanda Environment Management Authority
RFA Rwanda Forestry Authority
RHA Rwanda Housing Authority
RICA Rwanda Inspectorate, Competition and Consumer Protection Authority
RIE Regional Implementing Entity
RLULMA Rwanda Land Management and Use Authority
RMB Rwanda Mines, Petroleum and Gas Board
RPPA Rwanda Public Procurement Authority
RRA Rwanda Revenue Authority
RSB Rwanda Standards Board
RSSB Rwanda Social Security Board
RTDA Rwanda Transport Development Agency
RURA Rwanda Utilities Regulatory Authority
RWB Rwanda Water Board
SCCF Special Climate Change Fund
SCF Strategic Climate Fund
SDGs Sustainable Development Goals
SEZ Special Economic Zone
SGF Special Guarantee Fund
SIDA Swedish International Development Cooperation Agency
SMEs Small and Medium Sized Enterprises
SOE State-owned Enterprise
SREP Scaling-up Renewable Energy Program
SWOT Strengths Weaknesses Opportunities Threats

tCO_2e Tonnes of Carbon Dioxide Equivalent
UNDP United Nations Development Programme
UNEP United Nations Environment Programme
UNFCCC United Nations Framework Convention for Climate Change
USAID United States Agency for International Development
USD United States Dollar
VUP Vision 2020 Umurenge Programme
WASAC Water and Sanitation Corporation

1 | Introduction

1.1 Background

Rwanda is highly vulnerable to the impacts of climate change due to its heavy reliance on rain-fed agriculture, as well as the need to improve its road networks, health sector and water resources management. In Rwanda, high levels of poverty and low levels of development limit the ability of poor households and communities to manage climate risks, increasing their vulnerability to climate-related shocks (WB, 2021a).

With the growing expectation of more rapid increases in global temperature and predictions of more frequent and severe extreme weather events, there is an urgent need to engage the private sector in efforts to improve adaptation and mitigation to climate change. Climate change is already disproportionately impacting the economically disadvantaged and slowing development, a disparity which is likely to increase as global warming exceeds tolerable levels and climate change accelerates.

At national levels, the 3rd National Communication on climate change recognizes building financial and technical capacity as very key for enabling the country to better respond to climate change issues to increase the resilience and promote green growth.

In accordance with the principle of "common but differentiated responsibility and respective capabilities", the United Nations Framework Convention for Climate Change (UNFCCC), the Kyoto Protocol and the Paris Agreement call for financial assistance from Parties with more financial resources to those that are less endowed and more vulnerable.

As developing country party to the mentioned agreements and also included in the UN's list of Least Developed Countries (LDC), Rwanda is an eligible beneficiary to various international climate finance schemes. However, in order to properly access climate finance, developing countries have to adapt to and meet the ever-changing readiness requirements on policy, institutional and capacity grounds.

Particularly, Rwanda need to mobilize USD 11 billion to achieve the ambitious climate targets set out in its updated Nationally Determined Contribution (GoR, 2020). About 40% of this cost will be raised from domestic sources and serve as a lever to the mobilization of climate finances from external sources (the balancing 60%) – which in turn could catalyze even more domestic climate investments. The private sector is therefore expected to play a very important role in the fulfillment of the climate obligations of the Country, also supporting its green growth agenda.

Private players can mobilize financial resources and technical capabilities, leverage the efforts of governments, engage civil society and community efforts, and develop innovative climate services and adaptation technologies. Private entities dominate many investments that are critical to adaptation, such as the location and design of buildings and other infrastructure investments (Miller, 2014).

In developing countries, however, the challenge of limited financial resources hampers green growth efforts by governments and other stakeholders for economic development, including the private sector. Local private for profit entities struggle to adequately respond to the raising markets and needs for green growth, and especially, the climate obligations.

In the case of Rwanda, according to the 2021's NDC Implementation Framework, there is a gap of USD 587,013,016 to achieve the Country NDC commitment for 2020-2025. The total gap is USD 6,526 million to achieve the total NDC (of USD 11,040 million) by 2030.

1.2 Rationale

Through its updated NDCs, Rwanda committed to reduce its greenhouse gas emissions by 38%, by 2030 compared to the Business As Usual (BAU) scenario. Both NDC mitigation and adaptation commitments will require substantial financial resources to be raised from public and private sources, at national level, and from international sources. Particularly, the private sector is considered as the engine of Rwanda's economy, therefore, there is a need to engage them and make sure they play an important role in climate action.

Private actors create innovative business models to conserve energy, reduce waste, shrink agriculture's carbon footprint, and make people, communities, and industries more resilient to the impacts of climate change. They also develop – and often dominate – the design and delivery of many adaptation products services such as drought-resistant seeds and other agricultural products, along with water management infrastructure and technologies (Miller, 2014).

Engaging the private sector in a more systematic manner will result in their increased participation in climate action and, by-doing-so, help the Country to mobilize the domestic funds required to implement its NDCs obligations. It will also increase the capability and readiness of private players to effectively partake in the mobilization of additional climate finance from external sources.

In its mandate to ensure environment is conserved and protected, REMA plays the role of the Nationally Designated Authority (NDA) of the Green Climate Fund (GCF) and that of Operational Focal Point for the Global Environment Facility (GEF), with responsibilities that include engaging all stakeholders to contribute to climate action. By providing information and building understanding of different climate funds, this "*Private Sector Engagement Plan for Climate Action*" is developed with an intention of accelerating Rwanda's private sector engagement in climate action and facilitating investment in the country's low carbon and climate resilient transition.

1.3 Problem Statement

The growth of green finance markets represents an emerging opportunity for both the private sector investment and project developers. Grants, equity, guarantees and subordinated debt are commonly used as catalytic first-loss capital to leverage private finance (GEF, n.d.-c).

There are concerns, however, that the current green and climate financial flows to and within Rwanda are not yet sufficient to meet and guarantee the successful achievement of the NDC goals in the medium term and, consequently, the long term national green growth and climate resilience ambitions. Most importantly, the participation of the local private sector in climate finance mobilization is limited and, as a matter of fact, much cannot be achieved unless the obstacles to the private sector involvement in climate finance are systematically addressed.

1.4 Objectives

This Plan has an objective to enhance private sector engagement in climate actions by increasing participation of private operators in the mobilization of needed climate funds from external and domestic sources for the period 2022-2030.

The Plan will directly contribute to the Vision 2050 aspiration for a private sector-led green growth, and also contribute to the NST1 goal for increased private investment through higher domestic private savings and foreign capital inflows (more on this in Section 2.4).

1.5 Methodology

A mixed methodology combining the literature review and qualitative methods was used to obtain relevant information. Participatory approaches were used to gather stakeholder views and considerations during the elaboration and the validation of the Plan. The following subsections highlight the main components of the methodology.

1.5.1 Desk review

Desk review activities include scanning the literature, analyzing secondary data, and creating a reference list. A number of resources were consulted to extract relevant knowledge and data. Those include national documents (policies, strategies, etc.), various technical publications on relevant subjects, including on climate finance. The full list of consulted works is provided in the References Section (from Page 63).

1.5.2 Consultative workshops

In the course of the development process of the PSMP-CA, two technical workshops were conducted – the inception and the validation meetings. The author had an opportunity to interact with participating stakeholders from public and private sector and gather valuable inputs from these consultations. Pre and post-workshop questionnaires were also administered to get useful qualitative data from the participants (The questiannaires templates are provided in Annexes 5 and 6).

1.5.3 Focus group discussions

During the inception workshop, the participants were split into groups to undertake a *SWOT (strengths, weaknesses, opportunities, and threats) analysis* for key single or groups of institutions from environmental and financial sectors. The template used for the SWOT analysis is provided in Annex 7.

1.5.4 Key informant interviews

The author met with a number of informants from key institutions to mine for more specific information related to their particular area of expertise, or to the technical area as assigned to them, as necessary. This process served to (1) address information gaps or validate information, (2) gauge perceptions and attitudes about the role of the private sector in climate action, and (3) vet ideas for potential interventions to engage private sector more efficiently.

1.5.5 Data compilation, analysis and report writing

Data and information gathering phases were followed by a process of inspecting, cleansing, transforming, and modeling data with the goal of discovering useful information and suggesting conclusions to provide the most insightful, detailed and relevant basis for the PSMP's interventions.

2 | National Context

2.1 Location, People and Climate

Rwanda is a landlocked country in the east of central Africa covering an area of 26,338 km^2. It is bordered by Uganda at the North at approximately at 120 kilometers south of the Equator, Tanzania at the East, Burundi at the South and the Democratic Republic of Congo at the West. Rwanda enjoys a tropical climate moderated by hilly topography stretching from east to west.

Rwanda has a population of 12.6 million, mainly made up of the young, with about 16.5% living in urban areas. The population is expected to increase by more than 50% to 17.6 million by 2035 and to double to about 22.1 million people by 2050. In 2017 the share of the working age population was estimated at 61%. Kinyarwanda is the national language of Rwanda, and one of the country's official languages alongside French, English, and Swahili (GoR, 2018).

Rwanda has a tropical climate moderated by hilly topography stretching from east to west. The country is divided into four main climatic regions: the eastern plains, central plateau, highlands, and regions around Lake Kivu. The eastern plains receive an annual rainfall of between 700 mm and 1,100 mm, with mean annual temperature oscillating between 20°C and 22°C. The central plateau region enjoys rainfall of between 1,100 mm and 1,300 mm, with an annual mean temperature of between 18°C and 20°C (GoR, 2020).

Rwanda is ranked 153rd in terms of its vulnerability to climate change (Notre Dame Global Adaptation Index). Temperature rises in recent decades have exceeded the global average. Since 1970, Rwanda's average temperature has gone up by 1.4°C and in some scenarios is projected to increase by 2°C by the 2030s. Rainfall has become more intense increasing the incidence of floods and landslides. Critical watersheds and water catchments have been converted into agricultural land, resulting in the destruction and drying up of streams and a decline in groundwater reserves. Steep topographical gradients and poor farming techniques have led to a soil nutrient balance that is among the most negative in Africa (WB, 2021b).

Rwanda is highly reliant on rain-fed agriculture both for rural livelihoods and exports of tea and coffee and depends on hydropower for half of its electricity generation. The country's ongoing economic growth is therefore highly threatened by climate change. Other factors influencing the country's climate change vulnerability include socioeconomic drivers such as building in flood prone areas, high population density in prone areas, increased value of assets in flood-prone areas, and poor management of soil erosion (GoR, 2020).

2.2 Natural Resources

Arable land is one of the major natural resources of Rwanda and vital for agricultural development. The total arable land is evaluated to 52% of the country's total surface area (GoR, 2018). Maize, beans, cassava, banana, and potatoes are the most popular crops grown in Rwanda (Owuor, 2019).

Rwanda has deposits of gold, tin ore, tungsten ore, and methane. Minerals extracted in Rwanda include tantalum, tin ore, tungsten, gold, coltan ore (niobium). Cassiterite, tungsten, and tantalite are mined by dozens of companies and artisanal miners (Owuor, 2019).

The country's hydrologic network covers 8% of the national area equivalent to about 2,143 km^2, on which 101 lakes cover about 8% of Rwanda total area, means 1300 km^2, 861 rivers occupy about 72.6 km^2 with 6,462 km in length while the water of 860 wetlands and valleys covers 770 km^2 (GoR, 2018).

The Rwandan territory is covered with diverse ecosystems which include; natural ecosystems (consisting of mountain rainforests, gallery forests, savannah woodland, wetlands and aquatic forests), forested area and agro- ecosystems (GoR, 2018). Gorilla tracking is one of the most popular tourism activities in Rwanda. Apart from the mountain gorillas, several other wild animals also inhabit Rwanda, including chimpanzees, zebras, golden monkeys, hippos, leopards, and over 600 species of birds (Owuor, 2019).

2.3 Socio-economic Environment

Rwanda is a small but growing economy, with a population of 12.6 million people and a Gross Domestic Product (GDP, Current) of USD 10.354 billion. Before the COVID-19 pandemic, Rwanda enjoyed strong economic growth, averaging over 7% GDP growth annually over the last two decades.

Leading sectors include energy, agriculture, trade and hospitality, and financial services. Rwanda's economy is overwhelmingly rural and heavily dependent on agriculture. Rwanda's principal exports are coffee, tea, cassiterite, coltan, wolfram, hides and skins, and pyrethrum.

Agriculture employs the majority of workers (68%) and other sectors with a high number of workers are whole sales and retail trade (10%) and construction (5%) (GoR, 2018). In 2021, services (from various categories like banking, insurance, transport, etc.) constituted the biggest GDP drive (48%), followed by agriculture (24%) and industries (construction, manufacturing, mining and quarrying) - (20%) while 8% was attributed to adjustment for taxes less subsidies on products (NISR, 2022).

Rwanda is highly import-dependent, and the Rwandan government faces chronic and large current account deficits. In 2020, imports totaled USD 3.109 billion compared to USD 2.725 billion in 2019, an increase of 14% due to increased imports of consumer goods (ITA, 2021).

However, Rwanda faces significant challenges in the cost of trading across borders, mainly because it is a landlocked country. The high cost of transportation, especially for imported goods, is evident in almost every sector of the economy. This is a challenge that creates an additional cost for Rwanda. The second, related to the first, is that although Rwanda has done very well in removing red tape, there is need to do more about cutting the overall costs of doing business, including to bring down the costs of financing, energy, and infrastructure (IMF, n.d.).

Opportunities for investment are particularly attractive in the sectors of infrastructure, energy, agriculture, tourism, manufacturing, information and communication technology, mining, financial services, real estate, and construction (ITA, 2021). Fortunately, these sectors are part of the key sectors being supported by different international climate financiers. This is good opportunity for Rwandan private operators to get financed for their projects and programmes.

A strong focus on homegrown policies and initiatives has contributed to significant improvement in access to services and human development indicators. Measured by the national poverty line, poverty declined from 77% in 2001 to 55% in 2017, while life expectancy at birth improved from 29 in the mid-1990s to 69 in 2019. The official inequality measure, the Gini index, declined from 0.52 in 2006 to 0.43 in 2017 (WB, 2022).

Rwanda's aspirations are translated as becoming an upper-middle income country by 2035 (GDP per capita of over USD 4,036), and a high-income country by 2050 (GDP per capita of over USD 12,476) (RoR, 2020).

2.3.1 Gender Equality

The Government of Rwanda has long been a global leader on the issue of gender equality and has put in place a strong legal and policy framework. These efforts have included: a revised constitution that reflects the principle of gender equality and a 30% quota for women in decision-making positions; the inclusion of gender as a cross-cutting issue in Rwanda's national policy strategy documents, such as Rwanda Vision 2020, a stand-alone national gender policy (2010), and a variety of sector-specific gender strategies and profiles; a girls' education policy (2008); a national policy against Gender-Based Violence-GBV (2011); a legal mandate for gender-responsive planning and reporting through Gender Budget Statements; gender-sensitive land reform, with joint titling of female and male partners' land; and gender equality in inheritance reforms.

These efforts have born impressive fruits over recent years, including gender equality in primary and secondary enrollments, a sharp reduction in fertility, large improvements in maternal health outcomes, women's greater access to land and therefore to finance which requires land as collateral, and the world's highest representation of women in parliament (WB, 2021b).

2.4 Development Framework

2.4.1 Vision 2050

Vision 2050 establishes the development framework for 2020-2050, with a mid-term review envisaged in 2035 and regular reviews planned every 5 years. The Vision intensifies the country's ambitions and continues the drive towards self-reliance and competitiveness.

It is built on five pillars:

- Human development;
- Competitiveness and integration;
- Agriculture for wealth creation;
- Urbanization and Agglomeration; and
- Accountable and Capable State Institutions.

The elaboration of Vision 2050 has taken into consideration the global and regional development agendas, to ensure harmonization of targets and indicators. Those include: The Sustainable Development Goals (SDGs), African Union (AU) Agenda 2063, East African Community (EAC) Vision 2050, and the Paris Agreement on climate change among other instruments.

It aims for growth and development that follow a sustainable path in terms of use and management of natural resources while building resilience to cope with climate change impacts. Rwandans for high quality of life aspirations will continue to be embedded in Rwanda's long-term Green Growth and Climate Resilience Strategy (GGCRS), currently under review, whose impact is intended to bring about mindset and developmental transformation in Rwandan society that is necessary to achieve the desired carbon-neutral and climate resilient economy.

Increasing the role of private sector is recognized as one of the prerequisites need to be fulfilled to ensure transformation and growth, and for Vision 2050 to be successful. It commits Rwanda to continue the journey towards self-reliance through a private sector led growth and transformation economic model.

2.4.2 National Strategy for Transformation (NST1)

The 7 year Strategy, adopted in 2017, sets out the Government of Rwanda's plans for achieving its 2020 and 2050 Vision's for economic development. Climate Change is highlighted as a priority cross-cutting area in the strategy. The Strategy is aimed at informing sectoral and district level strategies that will enable Rwanda to achieve its development goals (GRI-CGL, n.d.).

The Strategy focuses on strengthening cross-sectoral cooperation as a mechanism to address climate change, with a focus on agriculture, urbanization, and infrastructure and land use management.

Specific priorities and strategies are presented under three pillars:

- Economic Transformation;
- Social Transformation; and
- Transformational Governance.

The Economic Transformation Pillar presents a strategy to accelerate private-sector-led economic growth and increased productivity. NST1 envisages significant increases in private investment, from 14.4% of GDP in 2017 to 21.2% by 2024 and expects a large share of the private investment increases to be funded through higher domestic private savings and foreign capital inflows (FDI and net loans). The latter is forecast to increase from 6.9% of GDP in 2017 to 7.8% in 2024, leading to a gradual increase in private debt and the stock of FDI.

The implementation of the Vision 2050 and the NST1 is monitored by the Ministry of Finance and Economic Planning (MINECOFIN).

2.4.3 Green Growth and Climate Resilience Strategy (GGCRS)

The GGCRS (2011), now under review, provides the Country's roadmap for becoming a climate resilient, low carbon economy by 2050. The GGCRS is central in directing the achievement of Rwanda's development targets through low carbon and climate resilient pathways and has high-level commitment from the Government.

The GGCRS contains 14 Programmes of Action (PoA) towards its achievement, including "Green Industry and private sector development". One of the Pillars of the GGCRS is finance. The Strategy highlights the huge potential to attract private investment – both domestic investment and regional and global funds focusing on green economy investments – in many of the PoAs, as long as these are made commercially viable.

According to the GGCRS, the development of the private sector is crucial for sustainable development in Rwanda and more work needs to be done to encourage foreign direct investment.

The Government of Rwanda has successfully mainstreamed climate change into its national strategies and many of its sectoral strategies. The implementation of the GGCRS is monitored by the Ministry of Environment (MoE).

2.4.4 Sector Strategies and Institutional Framework

Sector strategies are medium-term sector strategies. They present policy priorities or strategic objectives, determine corresponding activities and budget requirements. They inform the processes of annual budgets preparation that are strategic and serve as factual tools to apply the NST and sectoral policies.

The following table highlights the setup of climate linked sectoral institutions in Rwanda and respective guiding policies and strategies.

Table 2.1: Climate sectoral institutions

Ministries	Industries	Umbrella organizations	Key Policies and Strategies
MINAGRI	Agriculture	RAB NAEB	– National Agriculture Policy (2018) – National Fertilizer Policy (2014) – Rwanda Strategic Plan for Agriculture Transformation (PSTA4) 2018-2024 – Rwanda irrigation master plan – Leveraging private sector strategy – Gender and youth mainstreaming strategy – ENRCC mainstreaming strategy (2018) – National Agriculture Insurance Scheme Livestock – RAB strategic plan 2020-2024 – NAEB Strategic Plan 2019-2024
MININFRA	Energy Housing Transport Water Waste (sanitation)	REG RHA RTDA WASAC WASAC	– Rwanda Energy Policy (2015) – National Sanitation Policy (2016) – National Water Supply Policy (2016) – National Transport Policy & Strategy (2021) – Rwanda National Urbanization Policy (2015) – National Urban housing Policy (2008) – National Urbanization Policy (2015) – National Human Settlement Policy (2009) – Urbanization and Rural Settlements Sector Strategic Plan 2018-2024 – National Policy and Strategy for Water Supply and Sanitation Services (2010) – National Sanitation Policy Implementation Strategy (2016)

Ministries	Industries	Umbrella organizations	Key Policies and Strategies
			– National Water Supply Policy Implementation Strategy (2016) – Water And Sanitation Sector Strategic Plan 2018–2024 – Transport Sector Strategic Plan for the NST1 2018-2024 – National Land Use Development Master Plan 2020-2050
MoE	Forestry Land Cross-sectoral	RFA RLULMA REMA	– National Water Supply Policy (2016) – Revised National Land Policy (2019) – Rwanda National Environment and Climate Change Policy (2019) – Rwanda National Forestry Policy (2018) – Forest Sector Strategy 2018-2014 – Rwanda Green Growth and Climate Resilience Strategy (2011) – National Land-Use and Development Master Plan 2020-2050 – Rwanda National Cooling Strategy (2019) – REMA Strategic Plan 2022-2026 – Water Quality Management Plan for Rwanda (2020) – Strategic Plan for the Environment and Natural Resources Sector 2018-2024
MoH	Health	RBC	– Health Sector Policy (2015) – Health Sector Research Policy (2012) – Fourth Health Sector Strategic Plan 2018-2024
MINICOM	Industry	NIRDA CPCIC RSB RCA RICA	– Entrepreneurship Development Policy (2020) – National Industrial Policy (2011) – Wild Life Policy (2013) – SEZ Policy (2018) – Revised Policy on Intellectual Property in Rwanda (2018) – Rwanda Trade Policy (2010) – Small and Medium Sized Enterprises (SMEs) Development Policy (2010) – Rwanda Quality Policy (2018) – Cooperative Policy (2019) – Rwanda PSDYE Strategy 2018-2024 – NIRDA Strategic Plan 2018-2022 – RCA Strategic Plan 2020-2025
Primature	Water	RWB	– National Policy for Water Resource Management (2011)
OTP	Mining	RMB	– Mine and Geology Policy (2010))
MINEMA	Disasters		– National Contingency Plan for Storms (2018) – National Contingency Plan for Floods and Landslides (2018) – National Contingency Plan for Fire Incidents (2019) – National Contingency Plan for Drought (2018) – PDNA and Recovery Plan (2021)

Ministries	Industries	Umbrella organizations	Key Policies and Strategies
MINECOFIN	Finance	BNR, RSSB NISR, RPPA AgDF, FIC SGF RRA	– National Investment Policy (2017) – Vision 2050 – NST1 2018-2024 – SGF Strategic Plan 2018-2023 – RRA Strategic Plan 2020-2024 – Financial Sector Development Strategic Plan 2018-2024 – The Third National Strategy for the Development of Statistics (NSDS3) 2020-2024
MINICT	E-Waste	EnviroServe	– National E-Waste Management Policy for Rwanda (2016)

2.4.5 Other important institutions

Rwanda Development Board (RDB)

Created by Organic Law N° 53/2008 of 02/09/2008, the mission of RDB is to improve the economic well-being of all Rwandans by providing a "one-stopshop" to fast-track development, support sustainable economic growth and create prosperity for all. It is therefore is a government institution whose mandate is to accelerate Rwanda's economic development by enabling private sector growth.

Currently, RDB's key services are; Investment Promotion, Export and SEZ Development, Investment Deals Negotiation, Tourism and Conservation, Skills Development and One Stop Center services including business and investment registration, visa facilitation, tax incentives management, etc. RDB also has a department that is in charge of reviewing and approving EIAs (RDB, n.d.-a; Squire & Nkurunziza, 2022).

Rwanda Utilities Regulatory Authority (RURA)

RURA is the chief regulator of public utilities in the country that was established in 2001 under Law No 39/2001 of September 13, 2001 (further reviewed and replaced by Law No.09/2013 of March 1, 2013. In discharging its duties, RURA grants licenses to service providers and acts as an intermediary between policymakers, service providers, and consumers.

RURA has the mandate to regulate four energy sub-sectors (Electricity, Renewable Energy, Gas and Downstream petroleum) with objectives to ensure sufficient, reliable, affordable and sustainable energy supply fairly to all consumers. RURA also regulates the sectors of transport and water and sanitation.

RURA is legally vested with the responsibility of ensuring fair competition among service providers while simultaneously promoting and protecting the rights and interests of consumers within regulated sectors. It is also authorized to carry out investigations and inspections at service delivery sites; impose administrative sanctions in case of a violation of laws and regulations; facilitate settlement of disputes related to regulated services; and issue directives to the regulated service provider as well as regulate tariffs. In so doing, RURA coordinates its activities with individual ministries responsible for each regulated sector and reports to the Office of the Prime Minister (Squire & Nkurunziza, 2022).

The regulatory functions of RURA within these sectors are varied (RURA, n.d.), they include (but not limited):

Table 2.2: Regulatory functions of RURA

Energy	Water and Sanitation	Transport
• Licensing or registration of electricity projects • Electricity end-user tariff setting • Review the Power Purchase Agreement • Monitor compliance with license terms and conditions • Issuance of permits to electrical installations practitioners • Grid/off grid renewable energy projects monitoring to ensure safe and efficient performance, as well as their compliance with rules and regulations in place • Licensing petrol service stations • Setting of public pump prices of fuel oil	• Licensing water service providers • Monitor compliance by licensees with laws and standards as well as license terms and conditions • Ensure the quality of service in water service delivery • Monitor performances of service providers • Perform audits and inspections to water service providers to assess the service provision • Licensing solid waste collection and transportation service providers • Licensing waste water collection and transportation service providers • Licensing wastewater treatment service providers • Licensing cleaning services providers	• Developing the sub sector's regulatory policy • Working with Traffic Police and other stakeholders to organize the sector • Collect and publish relevant information relating to road transport • Setting tariff on the regulated transport services • Handling customer's complaints • Issuance of authorizations and licenses (Transport of Goods, Taxi Cabs, Rental Cars, Driving Schools, Postal and Courier Operators, Speed Governor Supplying and Installation Companies, Public Transportation companies)

Development Bank of Rwanda (BRD)

Development banks are set up under a specialized act to provide finance for infrastructural and economic development. They usually get funds from borrowing, grants and selling of securities (Surbhi S, 2020), and their primary function is to provide credit for capital intensive investment project, usually for the long term, having a low rate of return.

In Rwanda, development banks have the mandate to finance strategic projects of the country to insure its socio-economic development. Some of the activities permissible to Rwandan development banks (BNR, 2016) are:

- Funds mobilization for development financing;
- Financing development project and infrastructures;
- Issue guarantees in line with permissible activities; and
- Investment in equities.

Currently, BRD is Rwanda's only national Development Finance Institution (DFI) with the mandate to support the development of the private sector with a focus on priority sectors aligned to the national strategic goals. Established in 1967, BRD has contributed to the country's economic growth through financial and non–financial investments in key growth areas and progressively realigns itself to ensure relevance, competitiveness and sustainability of its operations. The Bank offers short, medium and long term financing to small, medium and large enterprises at attractive rates through debt, equity and mezzanine instruments (BRD, 2018).

BRD finances the key strategic sectors of exports and manufacturing, agriculture financing, affordable housing, energy financing and education (BRD, 2017).

BRD has recently secured a 20 million EUR long-term credit facility from *Agence française de développement* (*AFD*) to accompany the growth of BRD's lending activity and further enable BRD to provide affordable loans to Rwandan Small and Middle enterprises for Government priority sectors. An additional 0.5 million EUR grant from AFD will specifically finance technical assistance to enhance BRD's capacity to fulfil its mandate, in order to reach purposes that include increasing BRD's developmental impact by supporting its positioning as a green bank through the definition of a climate strategy and the development of its environmental and social risk management and monitoring practices (AFD, 2022).

With the support of REMA and MoE, BRD has also started process to get GCF accreditation. BRD is also collaborating with NDC Partnership to develop its Green Finance Strategy. The collaboration between BRD and the Rwanda's Green Fund (FONERWA) on different initiatives is discussed below, under the FONERWA Sub-Section.

Private Sector Federation (PSF)

Established in 1999, the Private Sector Federation – Rwanda (PSF) is a professional organization, dedicated to promote and represent the interests of the Rwandan business community. It is an umbrella organization and voice of the private sector consisting of five professional clusters , four of which are sector specific and a specialized one for young and women groups, 80 associations and a membership base of over 80,000 members.

PSF is a key player in enabling the private sector to respond to Rwanda's vision for its future, especially promoting private businesses. As the country's flagship business institution, private enterprises look to PSF to address or facilitate solutions to business constraints that they face and represent their interests by using different channels and platforms.

Membership is open to business professional organizations such as associations, chambers, cooperatives, and industry chains. Members are drawn from business companies grouped into professional associations all committed to addressing the challenges associated with developing Rwandan's private sector.

PSF has recently established a Business Research Center (BRC) that will fulfill its business research agenda to facilitate evidence-based advocacy and promote public-private dialogue for policy reforms and elaboration. Moreover, PSF established Imanzi Business Institute (IBI) in 2020 to provide high quality training and capacity building services to businesses and entrepreneurs in Rwanda. IBI has a mission to support the private sector and business community with professional skills training, business acceleration and mentorship (IBI, n.d.).

FONERWA

Established in 2012, the Environment and Climate Change Fund – FONERWA – is public fund serving as a cross sectoral financing mechanism to achieve development objectives of environmentally sustainable, climate resilient and green economic growth. It aims to contribute to sustainable wealth creation and poverty reduction, through sustainable management of natural resources, climate resilient and green economic growth.

As a national Basket Fund, FONERWA is an instrument to facilitate direct access to international environment and climate finance, as well as to streamline and rationalize external aid and domestic finance. Access to the Fund is open to line ministries and districts, charitable and private entities, including businesses, civil society and research institutions (FONERWA, n.d.-a).

In its resources mobilization strategy, FONERWA recognizes that to further support the country in delivering its national Vision for 2050 it will need to increase its impact – playing a greater catalytic role in stimulating green sectors and promoting paradigm shifts across markets. To meet this challenge FONERWA will need to dramatically increase the volumes of finance it can attract and embrace its role as the national coordinator for mobilizing climate finance in Rwanda, supported by its new mandate enshrined in law (FONERWA, 2019).

The Fund plans to become more strategic by operating a hybrid fund (part demand led, part supply led). On a rolling, demand led basis, a minimum of 30% of total funds will target innovative private sector investments while 15% will target civil society groups working with vulnerable groups. The remaining 55% of total funds will be programmed through targeted (biannual) calls for largely public proposals guided by strategic national priorities. This has stimulated FONERWA to advance the design of several new investment vehicles (including a green SME incubator and an energy efficiency lease structure) that will allow it to support the emergence of a broad ecosystem of green innovation, businesses and projects (FONERWA, 2019).

FONERWA has identified 7 priority sectors for support across two phases of financing activity[1]:

Phase 1

1. Catalyzing a transition to sustainable biomass value chains – biomass replacement
2. Supporting a shift towards sustainable urban planning and development – smart cities
3. Stimulating development and operation of sustainable mobility and connectivity – sustainable transport
4. Minimizing impact and maximizing value of solid and liquid waste using alternative treatments – waste

Phase 2

5. Investing in water security and resilience to impacts of climate change – water
6. Increasing coverage with an efficient mix of green and resilient energy sources – renewable energy
7. Promoting sustainable and resilient food and agricultural production – climate smart agriculture

FONERWA is working with BRD to set up a facility to spur the country's ability to meet the growing opportunities for climate finance in the private sector. The facility dubbed Rwanda Green Investment Facility (RGIF) is modelled on the *green bank* idea. It will use a blended finance approach to leverage private investment where the blended finance approach includes debt, credit enhancements such as subdebt, tenor extension and collateral support to commercially viable projects in the green sector (AfDB, 2022).

2.4.6 Public institutions SWOT Analysis

Private stakeholders were requested to provide an examination of strengths, weaknesses, opportunities and threats of key public institutions they engage with in matters relevant to environment and climate action. The table below provides a summary of the inputs provided.

[1] Annex 2 has more details on the thematic windows funded by FONERWA

Table 2.3: SWOT analysis for key public institutions

	Strengths	Weaknesses	Opportunities	Threats
REMA	• Has government mandate and access to public funds • Is a GCF Designated National Authority (DNA) • Is an operational GEF focal point • Adequate and responsive staff • Efficient processes • Has a climate portal • Has human resources for finance mobilization • Has national and global climate actions reporting responsibilities	• Limited awareness of stakeholders on GCF opportunities • Insufficient communication with stakeholders, especially engagement with private sector • Lower ability to attract private finance • Lack of climate finance mobilization strategies for sectors • Lack of private sector engagement strategy	• External stakeholders / partners willing to support with climate finance • Good policies and strategies (political will) • Access to global network on climate actions and finance (GCF, GEF, . . .) • Political will for climate action in national strategies • compliance to international requirements • Implementer for multilateral agreements and access to its implementation facilities	• Ever changing climate financing landscape at global level (e.g. changes to funding policies and players)
MoE	• Has GCF accreditation as DAE • Is an NDA for the Adaptation Fund • Is a GEF political focal point • Has Government mandate • Has a policy development capacity • Access to Development partners to finance climate action • Comprehensive policy, strategies, program for climate action • Climate MEAs are ratified	• The GCF accreditation with no access to more private sector- friendly financial instruments (i.e. loans, guarantee and equity) • Priority for GCF services currently reserved to projects from public institutions • Low level of public awareness about climate funding • Insufficient communication with stakeholders, especially engagement with private sector	• External stakeholders / partners willing to support with climate finance • Political will for climate action in national strategies • Access to potential donors for climate finance	• Poor performance by partner implementing entities, including private institutions

	Strengths	Weaknesses	Opportunities	Threats
MoE (...)		• Lower ability to attract private finance • GCF accreditation capped at USD 50 m • Slow decision making process (bureaucracy) • More publicly oriented than privately oriented (limited public-private synergies) • Low national stakeholder engagement in climate actions • Limited programs for capacity building specific for the private sector		
FONERWA	• Has a specific mandate (climate, green, national level) • Has funds • Has dedicated staff for green funds mobilization	• Low level of public awareness about climate funding • Funding requirements not easy to meet • First priority offered to public project and project from funding countries • All information is shared sluggishly • Still needs more funds (not funded enough compared to the needs) • Limited awareness/ transparency on how funding is distributed	• FONERWA has access to finance • Momentum to attract climate finance (leveraging Rwanda's reputation for being green and forward-looking) • Existence of instrument designated for private sector (ex. Green Hub)	• Too dependent on external funding sources / finance (donor dependent) • Too much competition with other national green funding institutions

	Strengths	Weaknesses	Opportunities	Threats
FONERWA (...)		• Lengthy decision making process (bureaucracy) • More publicly oriented than privately oriented (limited public-private synergies) • Limited communication and outreach of ongoing initiative for climate action for different audiences		
Other public institutions (MINECOFIN, MINAGRI, RDB, MINICOM, etc.)	• Have easy/good access to information about green funds opportunities • Have greater negotiation power (and orientation and reallocation depending of the needs of the country) • Have clear and structured and coordinated planning, budgeting and reporting framework • High level of understanding for climate mainstreaming in their mandate (agriculture, investment strategy. . .) • Existence of Resource mobilization strategy for climate resilience agriculture project (MINAGRI, FONERWA) • De-risking green climate action for the private sector in agriculture (insurance. . .)	• Low level of information sharing (opacity) • Limited resources (human, finance. . .) to support climate actions	• Good green project are available • Political will for climate actions implementation	

The tables above give an overview of the perceived position of the various public bodies supporting climate action from the point of view of private actors (consulted during the preparation of this Plan). Although some of the views shared during the SWOT exercise may be less accurate (than others), it is beneficial to have an informed understanding of the views of such a group of key partners.

3 | Climate Finance Overview

3.1 Financial Mechanism

In accordance with the principle of "common but differentiated responsibility and respective capabilities", the UNFCCC, the Kyoto Protocol and the Paris Agreement call for financial assistance from Parties with more financial resources to those that are less endowed and more vulnerable (UNFCCC, n.d.-b).

To facilitate the provision of climate finance, the Convention established the Financial Mechanism to provide financial resources to developing country Parties. The Financial Mechanism is accountable to the Convention's Conference of Parties, which decides on its policies, programme priorities and eligibility criteria for funding.

The Global Environment Facility (GEF) was chosen to serve as an operating entity of the Financial Mechanism since the Convention's entry into force in 1994. In 2010, Parties established the Green Climate Fund (GCF) and in 2011 also designated it as an operating entity of the financial mechanism.

In addition to providing guidance to the GEF and the GCF, Parties have established two special funds—the Special Climate Change Fund (SCCF) and the Least Developed Countries Fund (LDCF), both managed by the GEF—and the Adaptation Fund (AF) established under the Kyoto Protocol in 2001.

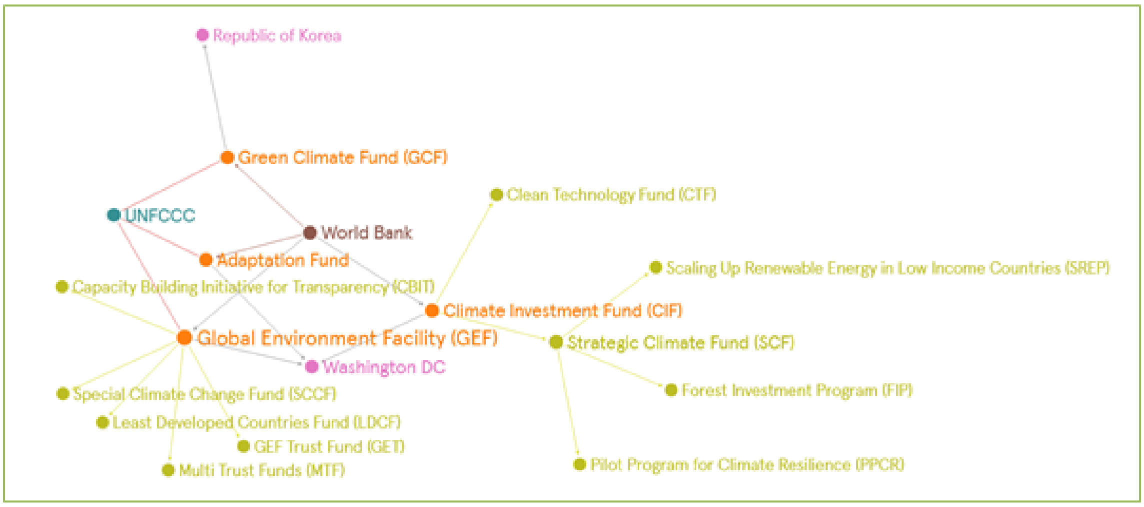

Figure 3.1: Climate funds breakdown and interactions (Pearce, 2017)

The range of partners for climate funds now includes regional development banks, a range of international organizations, developing country ministries, trust funds and non-governmental organizations (NGOs) (Romano et al., 2018).

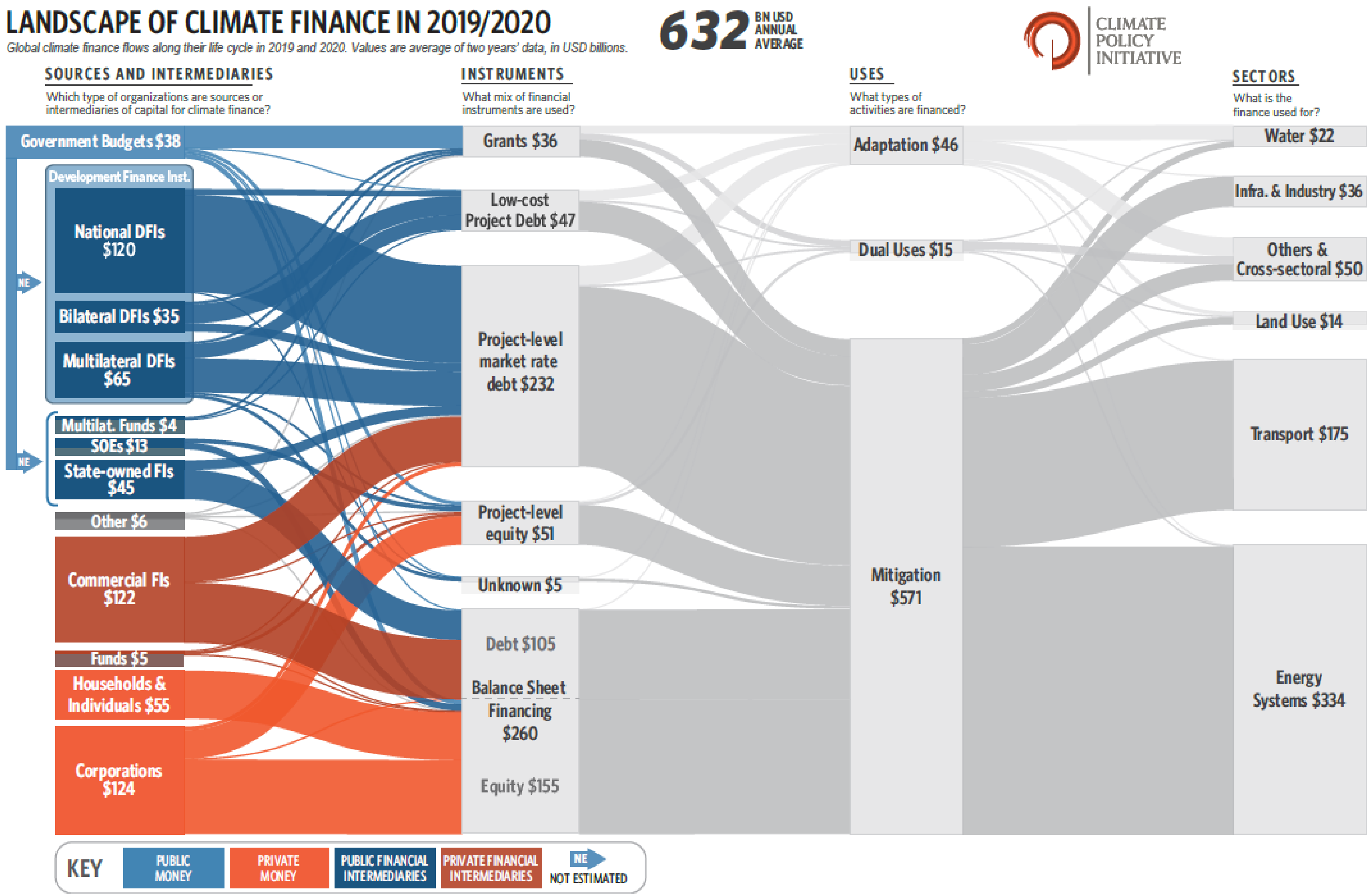

Figure 3.2: Global climate finance flows in 2019/2020 (Buchner et al., 2021)

As Party to various climate multilateral environmental agreements, including: the UNFCCC, the Kyoto Protocol, and the Paris Agreement, Rwanda has an obligation to contribute to achievement of the goals set out in these agreements and has also an opportunity to access financial support from multiple financial mechanisms put in place to support climate action in developing countries.

In collaboration with its development partners, Rwanda has been working towards achieving its climate goals in line with the UN backed Sustainable Development Goals (SDGs) – a set of 17 interconnected and ambitious 2030 Goals which address the major development challenges faced by people around the world.

The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at COP21 in Paris, on the 12^{th} December 2015 and entered into force on the 4^{th} November 2016 (UNFCCC, n.d.-e). The Agreement sets long-term goals to guide all nations:

- substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees;
- review countries' commitments every five years; and
- provide financing to developing countries to mitigate climate change, strengthen resilience and enhance abilities to adapt to climate impacts.

At the same conference (COP21), the Parties also agreed that the operating entities of the UNFCCC Financial Mechanism – GCF and GEF – as well as the SCCF and the LDCF shall serve the Paris Agreement.

The Paris Agreement works on a five-year cycle of increasingly ambitious climate action carried out by countries. Every five years, each country is expected to submit an updated national climate action plan - known as Nationally Determined Contribution, or NDC. In their NDCs, countries communicate actions they will take to reduce their greenhouse gas emissions in order to reach the goals of the Paris Agreement. Countries also communicate in the NDCs actions they will take to build resilience to adapt to the impacts of rising temperatures.

In 2015, Rwanda was among the few countries that participated to COP21 climate negotiations that took place in Paris, France, having already prepared and submitted their NDCs.

Rwanda was also the first country in Africa to revise its initial NDC, in 2020, and will pursue reductions across key sectors of its economy and has set up a system of indicators to track adaptation in water, agriculture, land and forestry, human settlements, health, transport and mining (UN, n.d.-a). The updated NDC represents a more detailed and robust assessment of mitigation and adaptation measures in Rwanda informed by in-depth analysis, improved information and data, increased ambition, and an extensive stakeholder-driven consultation process (GoR, 2020).

The total estimated cost for Rwanda's identified NDC mitigation measures through 2030 is estimated at around 5.7 billion USD, and over 5.3 billion USD for adaptation priorities, representing a combined funding requirement of around 11 billion USD.

The Section on *Opportunities in Climate Action* (from Page 37) highlights the mitigation and adaptation actions of Rwanda's updated NDC in details.

The following sections shed more light on the UNFCCC Financial Mechanism-linked climate funds discussed above, including profiles, business models, historical support to Rwandan projects, and the major accessibility challenges and opportunities for private sector actors.

3.1.1 Adaptation Fund (AF)

The AF was established to finance concrete adaptation projects and programmes in developing countries that are parties to the Kyoto Protocol and are particularly vulnerable to the adverse effects of climate change. Since 2010, the Adaptation Fund has committed more than USD 850 million for climate change adaptation and resilience projects and programmes, including more than 123 concrete, localized projects in the most vulnerable communities of developing countries around the world with 28 million total beneficiaries.

The Clean Development Mechanism (CDM)[1] is the main source of income for the AF and the World Bank serves as trustee of the AF on an interim basis.

Implementing entities (IEs) are the national, regional and multilateral institutions accredited by the AF Board to receive direct financial transfers from the Fund in order to carry out adaptation projects and programmes.

The AF has a Grant Programme to foster innovation in adaptation in developing countries that targets a broad range of potential finance recipients, including non-governmental organizations, community groups, young innovators and the private sector (Lee, 2019).

The Innovation Facility of the AF offers a small grants mechanism (up to USD 250,000 each) to develop and/or test innovative products, adaptation practices, tools, and technologies, and generate an evidence base to scale up effective solutions. Small grants are awarded to vulnerable developing countries through two routes:

- Directly to the Fund's accredited National Implementing Entities (NIEs) – the Ministry of Environment in the case of Rwanda;
- A Multilateral Implementing Entity (MIE) Grant Aggregator Mechanism through UNDP and UNEP, together with the Climate Technology Centre and Network, to entities that are not accredited with the Fund (organizations, groups, associations, institutions, businesses, agencies, NGOs, youth and other vulnerable groups) (AF, n.d.-a).

A large grants mechanism (up to USD 5 Million each) which rolls out proven solutions in new countries and regions or scales up innovations already demonstrated to work are also available to all implementing entities (NIEs, MIEs & RIEs) accredited with the Adaptation Fund.

The AF supports projects and programmes that encourage multi-stakeholder partnerships by including e.g., youth, women, disabled people, researchers, civil society, and the private sector (AF, 2021).

AF Funded Projects in Rwanda

As of August 2022, the AF has funded three national projects in Rwanda (AF, n.d.-b).

[1]The CDM allows emission-reduction projects in developing countries to earn certified emission reduction (CER) credits, each equivalent to one tonne of CO_2. These CERs can be traded and sold and used by industrialized countries to a meet a part of their emission reduction targets under the Kyoto Protocol.

Table 3.1: AF funded projects in Rwanda

Project title	Year approved	Grant amount (USD)	IE
(1) Project Scale-Up Grant: Reducing Vulnerability to Climate Change in North West Rwanda through Community Based Adaptation (RV3CBA)	2020	99,000	MoE
(2) Technical Assistance Grant for ESP and Gender Policy (TA-ESGP)	2016	25,000	MoE
(3) Reducing Vulnerability to Climate Change in North West Rwanda through Community Based Adaptation	2013	10 Million	MoE

The Adaptation Fund has also funded one 5 million USD regional project involving Rwanda: "*Adapting to Climate Change in Lake Victoria Basin (Burundi, Kenya, Rwanda, Tanzania, Uganda)*" through UNEP as RIE and the Executing Entity (EE) was Lake Victoria Basin Commission (LVBC).

The entire AF funding for Rwanda's national projects (about 1% of all funds allocated by the AF since 2010) was mobilized by the Ministry of Environment (NIE for the AF) alone or in collaboration with a line public entity. The Rwandan private sector has not yet participated in the mobilization of AF funds.

Note for the AF private sector engagement

- Normally, the AF accepts submissions from IEs (national, regional or multilateral), projects involving multi-stakeholder partnerships, including with private actors, are now highly encouraged.
- In order to access the AF funds, private actors and other entities that are not accredited with the AF have to go through a Multilateral Implementing Entity (MIE) Grant Aggregator Mechanism through UNDP and UNEP, together with the Climate Technology Centre and Network (CTCN).
- To effectively engage the AF, private sector players need two things:
  (1) An AF country program clearly highlighting the role of the private sector in climate adaptation in Rwanda – to be developed by MoE as AF NDA.
  (2) MoE, as the AF NDA, should coordinate with UNDP, UNEP and CTCN to put in place a private sector engagement strategy with regard to the AF.

3.1.2 Climate Investment Funds (CIF)

CIF is one of the world's largest and most ambitious multilateral climate finance mechanisms for developing countries seeking to shift to low carbon and climate resilient development, and to accelerate climate action. Its launch in 2008 emerged from recognition by world leaders that climate change and development are inextricably intertwined, and that climate-smart investment is needed at scale to deliver on the opportunities for green growth identified in the SDGs (CIF, 2021). It operates under the World Bank and works exclusively with multilateral development banks (MDBs) as implementing agencies.

CIF accelerates climate action by empowering transformations through its existing programs: (1) clean technology, (2) energy access, (3) climate resilience, and (4) sustainable forests in developing and middle-income countries.

CIF comprises two funds, the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF). The CTF provides new large-scale financial resources to invest in clean technology projects in developing countries, which contribute to the demonstration, deployment, and transfer of low-carbon technologies with a significant potential for long-term greenhouse gas emissions savings (WB, n.d.).

The SCF serves as an overarching framework to support the other three targeted programs with dedicated funding to pilot new approaches with potential for scaled-up, transformational action aimed at a specific climate change challenge or sectoral response (CIF, 2015a).

CIF is also pioneering investments in five new areas: (1) the transition from coal, (2) climate-smart cities, (3) nature-based solutions, (4) industry decarbonization, and (5) renewable energy integration. In 2021, recognizing the urgency of this mission and strong demand from developing countries, the G7 committed up to USD 2 Billion in additional resources for CIF.

The Private Sector Set-Asides (PSSAs) of the Strategic Climate Fund (SCF) are an ambitious mechanism of the CIF designed to competitively allocate concessional funding so as to increase private sector investment in each program of the SCF (CIF, 2014).

The PSSAs allocate concessional financing on a competitive basis to projects that engage the private sector in sustainable forestry (FIP), climate resilience (PPCR), and energy access through renewable energy in low-income countries (SREP). They are designed to spur innovation and flexible delivery of financing (CIF, 2015c).

The set-asides serve a complementary role to country investment plans, which generally favor public funds in these sectors, with their aim to provide the risk-appropriate capital needed to drive private sector investments in some of the world's most challenging markets.

CIF Funded Projects in Rwanda

To expand energy access in rural areas, the CIF's Scaling-up Renewable Energy Program (SREP) is supporting private sector off-grid energy solutions, such as stand-alone solar PV solutions and mini-grids using renewable energy sources. SREP financing is helping to overcome financial, institutional, and technical barriers to establish sustainable off-grid markets (CIF, 2015b).

Rwanda has also developed a Forest Investment Program (FIP) investment plan that builds on existing forestry policies and closely aligns with Rwanda's strategic program for climate action under the CIP's Pilot Program for Climate Resilience (PPCR). It focuses on strengthening resilience in the agriculture and water sectors, climate-proofing urban land use planning, and safeguarding Rwanda's most disaster-prone landscapes against floods, landslides, and fuelwood harvesting. Table 3.2 provides the full list of CIF funded projects in Rwanda (as of August 2022).

Table 3.2: CIF funded projects in Rwanda (CIF, 2018, 2020a, 2020b)

Name	CIF Fund	Funding (millions USD)			Co-financing (millions USD)	MDB
		Loan	Grant	Total		
BDRP: Rwanda NDC deep dive: Advancing Financial Innovation to Scale up Climate Action	PPCR	0	2.85	2.58	2.85	IBRD
BDRP: Rwanda Urban Development Project II	PPCR	2.38	0	2.38	175.45	IBRD
Renewable Energy Fund	SREP	27.50	21.44	48.94	51	IBRD

Note for the CIF private sector engagement

- Rwanda (through FONERWA) has an approved FIP (and PPCR) which was developed with the CIF support. Local private actors can take this opportunity and design follow up PSSA projects and submit to CIF through AfDB (the CIF partner agency for Africa).
- Opportunities like this can be easily missed due to lack of awareness of the set-asides within local private stakeholders and, again, the resources to act and produce quality proposals within the allotted timeframe can be limited.
- Still, it is also possible for private sector entities to access CIF funds through PPPs.
- The national office of AfDB should be requested to nominate an ENCC focal person charged to follow-up and disseminate this kind of information in a timely manner.

3.1.3 Global Environment Facility (GEF)

Established on the eve of the 1992 Rio Earth Summit to help tackle our planet's most pressing environmental problems, the GEF provides funding to assist developing countries in meeting the objectives of international environmental conventions.

The GEF serves as a "financial mechanism" to five conventions: Convention on Biological Diversity (CBD), United Nations Framework Convention on Climate Change (UNFCCC), Stockholm Convention on Persistent Organic Pollutants (POPs), UN Convention to Combat Desertification (UNCCD), and Minamata Convention on Mercury (GEF, n.d.-b). The GEF focal areas correspond to the conventions/agencies that it serves.

The GEF climate dedicated funds include:

- *Adaptation Fund (AF)*. Discussed in Section 3.1.1
- *GEF Trust Fund*. Used to finance projects for adaptation, mitigation, and preparation of national communications in Non-Annex 1 Parties to UNFCCC and other enabling activities.
- *Special Climate Change Fund (SCCF)*. SCCF was established in 2001 to finance projects relating to: adaptation, agriculture, economic diversification, energy, forest and waste management, industry, technology transfer and capacity building, and transport.
- *Least Developed Countries Fund (LDCF)*. LDCF was established in 2001 to assist LDC Parties carry out the preparation and implementation of national adaptation programmes of action (NAPAs).

The Capacity-building Initiative for Transparency (CBIT) was created within the GEF at the request of Parties to help strengthen the institutional and technical capacities of developing countries to meet the enhanced transparency requirements defined in Article 13 of the Paris Agreement. For instance, CBIT provides support to developing country Parties to fulfill their reporting obligations under the UNFCCC, including National Communications and Biennial Update Reports (GEF, n.d.-a).

GEF has partnerships with 18 entities, called GEF Agencies, who are the operational arms of the GEF. They work closely with project proponents — government agencies, civil society organizations and other stakeholders — to design, develop and implement GEF-funded projects and programs.

The GEF views the private sector as an agent for market transformation and promotes private sector engagement via its Non-Grant Instruments (NGIs) Program. NGIs are often grouped into three main categories (GEF, 2018a): risk mitigation products; equity; and debt instruments.

An increasing share of private-sector financing is being mobilized through the use of NGIs. The GEF-6 Non-Grant Instrument Pilot resulted in 11 innovative projects of approximately USD 100 million in GEF-funding and USD 1.7 billion in associated co-financing. This successfully demonstrates that non-grant projects can provide high leverage to GEF investments (GEF, 2018b).

GEF Funded Projects in Rwanda

In August 2022, the GEF counted 26 national projects for Rwanda that have been approved for GEF funding with a total funding of up to USD 81 million. 12 of these projects belong to the GEF focal area of climate change alone or in combination with other GEF focal areas as follows:

Table 3.3: GEF funded projects in Rwanda (GEF, n.d.-d)

GEF Focal area	Number of projects	Total funding (USD)	GEF Agencies (# of projects)
Climate change	9	38,191,387	UNEP (5), UNDP (1) AfDB (1), CI (1), WB (1)
Biodiversity, climate change, Land degradation	3	23,818,253	WB (2), UNDP (1)

The GEF has also approved a number of additional regional projects that list Rwanda among the beneficiary countries, including 8 projects in the focal area of climate change. According to the GEF online project database (GEF, n.d.-d), those GEF projects mentioned above were funded through:

- GEF Trust Fund: 18 national and 31 regional projects;
- LDCF: 7 national projects;
- CBIT: 1 project; and
- Multi Trust Fund[2] : 1 project (GEF, n.d.-e).

Note for the GEF private sector engagement

- The GEF setup the NGIs programme to allow funding to private sector entities.
- MoE and REMA (the national political and operational focal points for GEF), in collaboration with the GEF agencies operating in Rwanda, need to develop a GEF private sector engagement strategy to unlock NGIs opportunities to local private players.

3.1.4 Green Climate Fund (GCF)

GCF is the world's largest multilateral dedicated climate fund. It was established by the UNFCCC to support global climate action, by promoting a low-emission and climate-resilient transition in developing countries. GCF serves the Paris Agreement, supporting developing countries in reaching their nationally determined contributions (GCF, 2019a).

GCF business model is to work through Accredited Entities (AEs) to channel resources to projects. Developers can apply for GCF accreditation or work in partnership with an established AE. AEs may be public or private, including NGOs. AEs are accredited according to size and environmental and social risks of the projects they can implement: Micro (up to USD 10 m), Small (USD 10 m to USD 50 m), Medium (USD 50 m to USD 250 m) and Large (above USD 250 m) and, Risk categories A, B or C. They are multiple fiduciary standards that characterize accredited entities including: basic, project management and grant awarding

[2]Multi-focal area projects are funded by multiple GEF funds hence MTF

competences. Financial entities can be qualified for loan, equity, guarantee and blending instruments.

Rwanda has only one direct access accredited entity: the Ministry of Environment (MoE). MoE is classified in Environmental and social risk category B and can apply from USD 10 million to 50 million USD (Small). On the fiduciary standards side, MoE is only qualified for *basic* and *project management* categories.

GCF makes investments within its eight strategic result areas, in line with country priorities and aims for a 50:50 balance between mitigation and adaptation investments over time.

Table 3.4: GCF strategic result areas

GCF Mitigation Strategic Result Areas	GCF Adaptation Strategic Result Areas
• Energy generation and access • Transport • Buildings, cities, industries and appliances • Forests and land use	• Livelihoods of people and communities • Infrastructure and the built environment • Health, food and water security • Ecosystems and ecosystem services

Nationally Determined Authorities (NDAs) are government institutions that serve as the primary interface between each country and the Fund. They develop work programmes, oversee and endorse proposals and provide broad strategic oversight of the GCF's activities in the country (Eralil & Samal, 2019). Rwanda Environment Management Authority (REMA) serves as the GCF NDA in Rwanda.

In order to scale up its activities, GCF has set up the Private Sector Facility (PSF) to fund and mobilize private sector actors, including institutional investors, and leverage GCF's funds to encourage corporates to co-invest with GCF.

With regards to the beneficiary private sector entities, GCF provides debt, equity, guarantees, and grants via its AEs to: de-risk investments, drive systemic transformation, scale small projects and bundle them into larger portfolios and support capacity building[3].

As of February 2019, 39% of the project funding was intended for mitigation, 25% for adaptation and 36% cross-cutting into both adaptation and mitigation areas (Eralil & Samal, 2019).

As of October 2019, 25 private sector projects have been approved for GCF resources amounting to USD 2.2 billion and mobilizing an additional USD 7 billion in co-financing. The approved resources were deployed through various instruments as follows: loans 67%, guarantees <1%, grants 11%, and equity 22% (GCF, 2019a).

GCF Funded Projects in Rwanda

Readiness projects

GCF provides capacity building and technical assistance support to developing countries to enhance access to climate finance through its Readiness and Preparatory Support Programme. The Readiness Programme provides resources for strengthening institutional capacities, governance mechanisms, and planning and programming frameworks to identify and implement a transformational long-term climate action agenda for developing countries.

[3] Annex 2 has details on the business model of GCF

The table below indicates the approved projects in Rwanda under the GCF Readiness programme.

Table 3.5: Approved GCF readiness support projects for Rwanda

Title of the project	Year	IE	Budget (in USD)[4]
(1) Strengthening Rwanda's capacity to access GCF Funds through the assessment of readiness needs, updating country programme, capacitating national stakeholders and renewal of DAE accreditation	2020	REMA	300,000
(2) Readiness Support to Capacitate Rwanda's Subnational Level Actors in Green Growth and Climate Resilience	2020	GGGI	700,000
(3) National Adaptation Readiness and Preparatory Support for Building Flood Resilience Capacities in Rwanda	2020	GGGI	1,800,000
(4) Readiness and preparatory support to implement Green City Development Projects in Rwanda's Secondary Cities	2018	GGGI	600,000
(5) NDA Strengthening and Country Programming support for Rwanda through the Environment and Climate Change Fund	2015	REMA	300,000

The table below indicates GCF approved full projects for Rwanda exclusively or with Rwanda as one of the beneficiary countries.

Table 3.6: Approved GCF full projects for Rwanda (GCF, 2019b)

Title of the project/ programme	Scope	Year	AE	Sector	GCF funding (in USD)[5]
(1) CRAFT - Catalytic Capital for First Private Investment Fund for Adaptation Technologies in Developing Countries PCA FP181	Multiple countries	2021	Pegasus Capital Advisors	Private	100 million
(2) Transforming Eastern Province through Adaptation IUCN FP167	National	2021	IUCN	Public	34 million
(3) Global Subnational Climate Fund (SnCF Global) – Equity PCA FP152	Multiple countries	2020	Pegasus Capital Advisors	Private	150 million
(4) Participation in Energy Access Relief Facility (EARF) Acumen FP148	Multiple countries	2020	Acumen Fund	Private	30 million
(5) Technical Assistance (TA) Facility for the Global Subnational Climate Fund IUCN FP151	Multiple countries	2020	IUCN	Private	18.5 million
(6) Strengthening climate resilience of rural communities in Northern Rwanda MoE-Rwanda FP073	National	2018	MoE	NA (Direct Access)	33 million
(7) KawiSafi Ventures Fund Acumen FP005	Multiple countries	2017	Acumen Fund	Private	25 million

Note for the GCF private sector engagement

- GCF has funded multiple national and multi-country projects and programmes where Rwanda was a beneficiary through different accredited entities
- Private accredited entities have played an important role in the mobilization of GCF funds flowing to Rwanda, but no single proposal from domestically-based private entities has secured GCF funding so far.

- As direct access and country ownership are two important principles of the GCF, this fund provides an unparalleled climate financing opportunity to local private sector entities.
- Project developers engaging GCF are not required to use intermediary institutions to manage the received funding.
- Private sector entities operating in the sectors with connection to the goals of the Paris Agreement are encouraged to seek funding from GCF through the available instruments.
- MoE is currently the only Rwanda organization having a GCF accreditation. However, more private sector friendly funding instruments (such as loans, guarantee and equity) cannot be accessed through MoE due to the fiduciary standards of its GCF accreditation.
- Developers wishing to mobilize loans, guarantees or equity instruments must look for an international AE with such competences (such as the *Kreditanstalt für Wiederaufbau* (KfW)) that would be interested in their projects.
- As far as the private sector is concerned, MoE, as a GCF accredited entity, can still be helpful with grants and technical assistance (TA) proposals.
- The newly GCF funded projects intends to put in place climate investment funds whereby private operators can get access to more competitive loan, equity and guarantee services.
- It is unpractical to aim for GCF accreditation for every interested Rwandan company seeking climate funding to have direct access to GCF funds, REMA should rather aim for increased number and size of high-quality project proposals s that give multiple private operators access to climate funds. The best approach would be seeking GCF accreditation to strategic financial institutions.

3.1.5 Other Climate Funds

Several climate funds exist outside the texts of UNFCCC and linked agreements, and it would not be practical to mention all of them in this Chapter much so including their reviews, the following ones are included due to their special commitment to (and establishment in) the sub-Saharan Africa region.

Nordic Development Fund (NDF)

NDF is the joint Nordic international finance institution focusing on the nexus between climate change and development in lower-income countries and countries in fragile situations. NDF provides financing on concessionary terms in the form of grants, loans, and equity. NDF engages in both the public and the private sector, and uses financial instruments flexibly, alone or in various combinations, to match the needs of the project (NDF, 2020).

NDF committed to increase the share of its interventions in sub-Saharan African countries to at least 60% of new commitments during the Strategy period (2020-2025).

Recognizing the central role of the private sector in climate finance, NDF seeks ways to partner with the private sector to mobilize commercial and institutional investors to finance climate action, and to support local private entities in developing countries (NDF, n.d.).

In private sector operations, NDF focuses on early-stage project financing, which is usually associated with the highest risk levels during the lifecycle of projects. For example, the *Energy and Environment Partnership Trust Fund (EEP Africa)* and the *Nordic Climate Facility (NCF)*, two financing facilities managed by NDF, have provided catalytic and early-stage financing to a significant number of companies with green and climate-relevant technologies and solutions in developing countries.

NDF adds value to investments by mobilizing co-financing from investors with higher return expectations and lower risk appetites, including commercial and institutional investors.

Nordic Climate Facility (NCF)

NCF finances innovative climate change projects in developing countries. Strong project ideas can receive a grant between EUR 250,000 and 500,000. Financing is allocated on a competitive basis with thematic calls for proposals arranged annually. Selected projects should contribute to the fulfilment of the UN Sustainable Development Goals (SDGs). However, projects should be implemented through partnerships between Nordic and local partners (NCF, n.d.).

Energy and Environment Partnership Trust Fund (EEP Africa)

EEP Africa provides early-stage grant and catalytic financing to innovative clean energy projects, technologies and business models in 15 countries across Southern and East Africa (including Rwanda). Project financing is supplemented by technical support, investment facilitation and knowledge sharing (EEP Africa, n.d.-a).

EEP Africa invites applications from early stage off-grid and on-grid clean energy projects in active development phase in one or more of the target countries. In recent calls, grants and repayable grants between EUR 200,000 and EUR 1 million have been awarded, with a minimum co-financing requirement of 30%. Eligible applicants include companies (including start-ups), non-profit organizations and social enterprises (EEP Africa, n.d.-b).

3.2 Coalition of Finance Ministers for Climate Action

The Coalition of Finance Ministers for Climate Action is a group of over 70 finance ministers (including Rwanda's) engaged in efforts to address climate change through economic and financial policies according to the Helsinki Principles, a set of six principles that promote national climate action, especially through fiscal policy and the use of public finance.

The Helsinki Principles are designed to be aspirational; they are non-binding and are not listed in any order of priority (FM Coalition, 2019):

- **Align** our policies and practices with the Paris Agreement commitments;
- **Share** Share our experience and expertise with each other in order to provide mutual encouragement and promote collective understanding of policies and practices for climate action;
- **Work** towards measures that result in effective carbon pricing;
- **Take** climate change into account in macroeconomic policy, fiscal planning, budgeting, public investment management, and procurement practices;
- **Mobilize** private sources of climate finance by facilitating investments and the development of a financial sector which supports climate mitigation and adaptation; and
- **Engage** actively in the domestic preparation and implementation of Nationally Determined Contributions (NDCs) submitted under the Paris Agreement.

Some of the policies and practices included in Helsinki Principle 5 (Mobilize) are:

- Promote or develop a financial sector that supports climate change mitigation and adaptation, such as the voluntary disclosure of exposure of financial institutions and real sector companies to carbon-intensive sectors and climate risks;
- Promote financial flows through loans, guarantees, grants and other risk-sharing instruments, long-term credit lines, by engaging institutional investors, as well as through

tax-advantaged provisions for financial instruments such as green bonds, capacity-building for financial sector stakeholders, and provision of data;
- Encourage domestic public financial institutions or funds to include climate change mitigation and adaptation in their key strategic frameworks, or to consider climate change objectives in their investment risk assessment and decision-making, or to support relevant public private partnerships; and
- Support an active role for international financial institutions (IFIs) in mobilizing finance for climate change mitigation and adaptation and aligning their activities with the objectives of the Paris Agreement.

The Coalition will help countries mobilize and align the finance needed to implement their national climate action plans; establish best practices such as climate budgeting and strategies for green investment and procurement; and factor climate risks and vulnerabilities into members' economic planning (FM Coalition, n.d.).

3.3 NDC Partnership

The NDC Partnership brings together more than 200 members, including more than 115 countries, developed and developing, and more than 80 institutions to create and deliver on ambitious climate action that helps achieve the Paris Agreement and the Sustainable Development Goals (SDGs) (NDC Partnership, n.d.).

Governments identify their NDC implementation priorities and the type of support that is needed to translate them into actionable policies and programs. Based on these requests, the membership offers a tailored package of expertise, technical assistance, and funding. This collaborative response provides developing countries with efficient access to a wide range of resources to adapt to and mitigate climate change and foster more equitable and sustainable development.

Through the NDC Partnership, countries draw upon members' expertise and funding, turning their NDCs into actionable policies, programs, and projects. The Partnership's approach powers a collective response in which the whole is greater than the sum of its parts (WRI, n.d.).

In 2019, members of the NDC Partnership worked together to provide technical assistance and capacity building in over 50 countries. The NDC Partnership works directly with national governments, international institutions, civil society, researchers, and the private sector to fast-track climate and development action. The NDC Partnership gives nations the resources they need to effectively enhance their NDCs at the necessary scale.

The NDC Partnership has, on different occasions, supported Rwanda's Government in its climate actions, including, most notably, in developing its updated, more ambitious NDC (2020) and the NDC Implementation Framework (2021).

4 | National Financial Sector

The Rwandan financial sector is comprised of the banking sector, non-bank financial institutions which include pension sector and insurance, capital market and stock exchange infrastructure, fund management as well as financial sector supervision and regulation which is the mandate of the Ministry of Finance and Economic Planning (MINECOFIN) and the National Bank of Rwanda (BNR).

Total assets of the financial sector expanded by 20.3% (RWF 6,914 Bn) in FY 2020/21 – from 16.2% registered in 2019/20 (BNR, 2021).

At the end of the Fiscal Year 2020-2021:

- The total number of insurance companies was 15 (3 life and 11 non-life insurers of which, 2 are public institutions and 10 private, and 1 micro insurance company).
- 7 institutions were operating as non-deposit taking credit only institutions.
- The number of banks, microfinance, and pension institutions remained unchanged – 16 banks of which 11 are commercial banks, 3 microfinance banks, 1 development bank and 1 cooperative bank; 457 microfinance including 416 Umurenge SACCOs, 19 public limited companies and 22 other SACCOs; and 13 pension schemes (1 public pension fund and 12 private pension schemes) (BNR, 2021).

The financial sector is dominated by the banking sub-sector. Banks accounted for about 66.9 percent of total financial sector assets as at end June 2021, followed by pensions (dominated by the public mandatory scheme) representing 17.9 percent. Insurance and microfinance are the third and fourth largest components of the sector representing 9.2 percent and 5.6 percent of total assets, respectively (BNR, 2021).

The mainstreaming of climate change in the entire financial sector should be promoted to step up access to finance for climate actions.

Banks can take part in climate action in many ways, including by:

- implementing adaptation measures to protect own assets and operations [ex. replacing old cooling systems in branches];
- requiring borrowers to provide mitigation and adaptation plans as part of credit risk assessment; and by
- providing lists of energy- and water-efficient technologies for which companies can obtain cheaper loans.

As example, to support the dissemination of environmentally friendly refrigerators and air conditioners by making them more widely accessible and affordable in Rwanda, some banks have been proposing attractive loans to eligible salaried employees from the public and private sectors in a financial scheme supported by MoE through REMA, in collaboration with the UNEP's United for Efficiency (U4E) team and the Basel Agency for Sustainable Energy (REMA, 2022).

Insurance companies, too, can participate in climate action by providing funding for adaptation in the broader sense, i. e. not preventing climate hazard from affecting people in the first place but contributing to the affected people's coping capacity. Their motivation to technically support adaptation (prior to climate hazards taking place) might be even bigger than that of banks because their profits are more directly linked to such hazards not happening. Finally, they also adapt to climate change, e. g. by constantly refining their climate models to be able to assess risks more accurately (Cochu et al., 2019).

In collaboration with MINAGRI, and with the support of development partners, some Rwandan insurers are already piloting agricultural insurance schemes to mitigate against risks and losses incurred by farmers due to unpredictable natural disasters, pests and diseases that affect their livestock and crops (MINAGRI, 2019).

As for **investors**, they can:
- shift investments from oil companies to other industries;
- provide debt or equity for adaptation or [more] climate-resilient activities/companies (ex: investing in funds that provide debt to business or households at a concessional interest rate); and provide debt or equity for start-up companies or businesses with adaptation or/and mitigation solutions.

4.1 Financial Sector SWOT Analysis

Private stakeholders were requested to provide an examination of strengths, weaknesses, opportunities and threats of the financial institutions they engage with in matters relevant to environment and climate action finance mobilization. The table below provides a summary of the inputs provided during SWOT analysis.

Table 4.1: SWOT analysis for the Rwandan financial sector

Strengths	Weaknesses	Opportunities	Threats
• Funds/capital available • Use of modern technology (ex. easy to process national and international payments) • Have professional staff in financial management	• High interest rates • Financial service process can take longer • Collateral requirements are high • Limited experience with asset financing for green businesses • Risk-averse (which is not friendly for green businesses, who tend to be new) • Lack of data on green investment opportunities • Lack of awareness on opportunity for financing climate actions	• Too many investment opportunities • International sources of funding exists • Existence of international partners willing to fund green initiatives through financial institutions • Rwanda good market to start new initiatives and then exporting innovative technologies and business models to other markets	• Lack of green bankable projects/ immature markets • Complex processes and requirements (to access funds) • Some clients end up unreliable in the use of funds (risk of default) • Lack/limited numbers of skillful clients/ entrepreneurs

On opportunities in the Rwandan financial sector, there are ongoing/upcoming initiatives that are expected to enhance integration of environment and climate change considerations in local financial services and at the same time boost financial investments in climate action.

For instance, Rwanda seeks to position itself as a hub for green investment as it trials a new instrument to credit check SMEs' green credentials. As green finance remains an abstraction, with many investors struggling to assess just how green their investments really are a new pilot programme that develops tools for banks to assess how green their investments are might be about to change all that, with results that could revolutionize green financing (Barigye, n.d.).

Born of a partnership between the Green Digital Finance Alliance (GDFA) and the Kigali International Financial Center (KIFC), this initiative is making trials for this new tool to 'green rate' Small and Medium Sized Enterprises (SMEs). SMEs will be assessed according to data held by banks (including BRD) on the businesses they support. This information will then be converted into climate metrics, with the companies rated according to the levels of emissions emitted across all their areas of business.

The process will then become automated, allowing banks to assess the 'greenness' of their current portfolio and make future lending decisions based on accurate information on the green credentials of SMEs seeking investment. This makes green financing a core product offering and could be a game-changer for fund allocation, as it acts as assurance for banks that the companies are climate compliant.

Also, the BRD, the only development bank in Rwanda, is currently collaborating with NDC Partnership to develop its Green Finance Strategy while MoE is developing a comprehensive NDC reporting system.

The upcoming facility dubbed Rwanda Green Investment Facility (RGIF) to be jointly implemented by FONERWA and BRD could also be a game changer in the arena of access to climate finance by the private sector[1].

[1]More on RGIF on Page 14

5 | Private Sector Overview

5.1 Background

Though the government is expected to take part in the accomplishment of all NDC actions, the realization of many NDC actions will require active participation of the private sector.

To enhance the participation of private players in the mobilization of external climate funds, it vital to understand the linkages between the interventions comprised in Rwanda's updated NDC and the actual trades of private operators. This mapping approach creates awareness on how the private sector is expected to contribute to the achievement of the national commitments to the Paris Agreement and, at the same time, contribute directly to achieving the national 2050 green growth agenda, expressed in the Green Growth and Climate Resilience Strategy, currently under review.

The mapping of private sector also helped create a baseline directory of private operators involved in climate related activities to facilitate future engagements and pave the way for increased public private collaborations in climate finance mobilization by private sector.

This Section provides a quick apercu on the structure of the Rwandan private sector constituents, also evoking key underlying weaknesses and dynamics.

Rwanda's firms are a growing presence in the economy. The number of enterprises, although still low in absolute terms, has grown rapidly, from a state of decimation after the genocide against the Tutsi to 232,283 firms in 2020. The number of enterprises increased from 190,288 establishments in 2017 to 232,283 establishments in 2020, representing an increase of 22.1% in three years (NISR, 2021a).

The overwhelming majority of which (95.6%) are of the private sector. The remaining proportion of the number of establishments, 1.4% are for cooperatives, 1.0% are for public sector and 0.9% are for Public Private Partnership (PPP) and 1.1% are for the NGO (local and international).

A majority of these firms are small, although the size distribution is beginning to shift up gradually: 65% of the firms in 2014 were one-person firms, down from 73% in 2011. The number of large firms (those employing 100 workers or more) more than doubled (to 216) from a small base between 2011 and 2014, and their share of total employment increased to 20%. The number of medium firms (51–99 employees) also increased sharply (by around 60%), but their share of enterprise employment (4%) remains insignificant (WB & GoR, 2020).

The figure below indicates the distribution of establishments (number) by economic activity.

Firms are concentrated in the non-tradeable sector, including lower value added services. The two main sectors — wholesale and retail trade and accommodation and food services

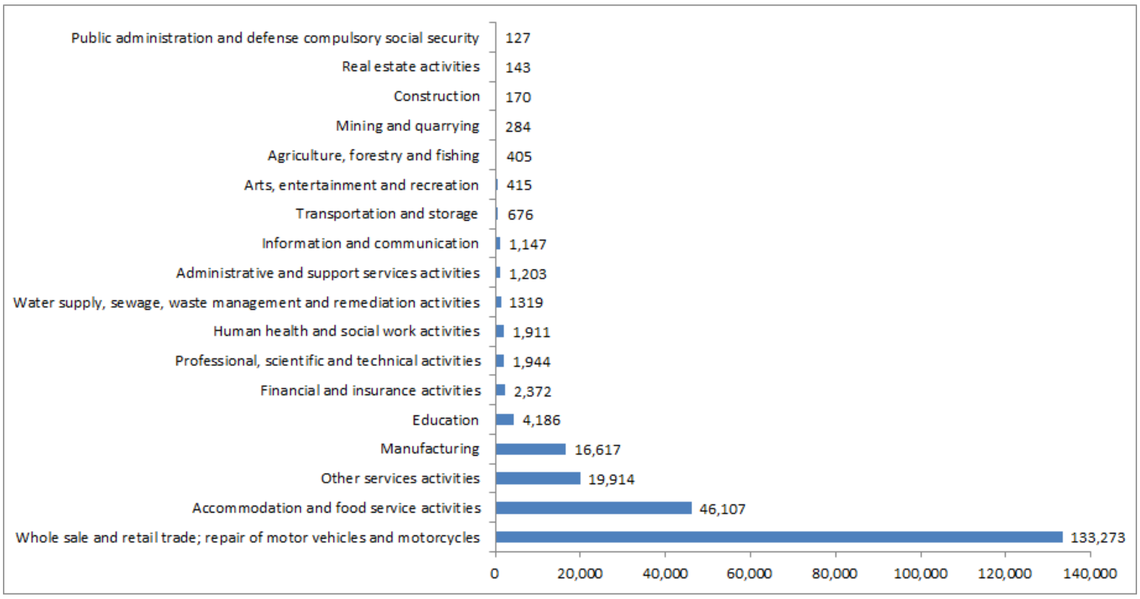

Figure 5.1: Distribution of establishments by economic activity (NISR, 2021a)

— accounted for 77.2% of all firms and 38.6% of their total employment in 2021 (NISR, 2021a).

State-owned enterprises (SOEs) played a useful role at the post 1994 recovery and reconstruction stage, when medium- and large-sized private firms were largely absent. SOEs, either fully or nearly fully owned by the government or held by public-private investment groups in which government has invested along with private investors, are present in many sectors, including in air transport, financial services, agriculture, utilities, real estate, cement, services, metals, dairy, and tea holdings (WB & GoR, 2020).

The private sector remains small, and performance has not been dynamic enough to meet the country's development challenges. Many of Rwanda's private enterprises lack the scale economies that are critical for competitiveness (WB & GoR, 2020).

Limited management skills resulting in the misuse and/or mismanagement of funds (grants and loans) was also reported amongst weaknesses while, on the other hand, inadequate communication and engagement with and by relevant public authorities on required climate actions is believed to result in limited awareness on existing funding opportunities.

The Economic Recovery Fund (ERF) was established by the Government to support the recovery of businesses hit hardest by COVID-19 so that they can survive, resume operations and safeguard employment, thereby cushioning the economic effects of the COVID-19 pandemic (BDF, 2022). A funding of FRW 105 billion was pumped into the first phase (ERF-1) to keep businesses from collapsing. ERF-2, launched in May 2022 with a USD 250 Million funding, will provide finance key sectors manufacturing that champion innovation, create employment opportunities and prioritize Made in Rwanda such as construction material, agro processing, textiles and light manufacturing (MINECOFIN, 2022).

Despite the long road ahead to overcome the multiple structural flaws and weaknesses, the Rwandan private sector continues to be a key driver of investment and economic development in the Country.

Rwanda's future development strategies seek to steer the country from its current reliance on public investments implemented through public funding or financial aid from development partners to economic self-reliance and competitiveness. These ambitions are hinged upon private sector participation in fast-tracking economic growth and improving productivity (Animashaun, 2021).

5.2 Opportunities

5.2.1 General Opportunities

Rwanda is the second easiest place to do business in Africa and 38th globally, according to the 2020 World Bank Doing Business report (WB, 2020). The Ease of doing business index ranks countries against each other based on how the regulatory environment is conducive to business operation [and] stronger protections of property rights. Economies with a high rank have simpler and more friendly regulations for businesses (Trading Economics, 2020).

The table below highlights the two main benefits that incentivize local production over imports.

Table 5.1: Public procurement and customs benefits for private sector (RDB, n.d.-b)

Public procurement policy	Customs benefits
• Government of Rwanda procurement covers about 12% of GDP • "Made in Rwanda" policy allows for a benefit in public procurements when local value addition is less than 30% • Bids meeting this criterion get a 15% preference over other bids • Smaller tenders (between RWF 10 million and RWF 100 million for services and works respectively) are always reserved for local suppliers	When domestic value addition is significantly high (30% value addition), import duties (for imports from all countries outside the East-African Custom Union) levied are lowered: • 0% for raw materials • 10% for intermediate products • 25% for finished products

In addition to some of what is discussed above, the other opportunities reported include:

- Rwanda being a good market to start new initiatives and then exporting innovative technologies and business models to other markets;
- Availability of [local and international] green funds willing to and/or specifically designed to support private operators;
- Political will to attract foreign investments and to empower private sector in climate finance mobilization.

5.2.2 Opportunities in Climate Action

The Article 9 of the Paris Agreement reaffirms the obligations of developed countries to support the efforts of developing country Parties to build clean, climate-resilient futures, emphasizing that the provision of resources should also aim to achieve a balance between adaptation and mitigation (UN, 2015).

Building on the financial commitments of the 2009 Copenhagen Accord, which aimed to scale up public and private climate finance for developing nations to USD 100 billion a year by 2020, the Paris Agreement established the expectation that the world would set a higher annual goal by 2025 to build on the USD 100 billion target for 2020 and would put mechanisms in place to achieve that scaling up (Denchak, 2021).

The agreement also provides that the Financial Mechanism of the UNFCCC, including the Green Climate Fund (GCF) and other operating entities, shall serve the Agreement. International cooperation on climate-safe technology development and transfer and building capacity in the developing world are also strengthened (UNFCCC, n.d.-c).

Article 9 instructs the institutions serving the Agreement to aim to ensure efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties, in particular for the least developed countries, in the context of their national climate strategies and plans.

As part of a global effort, developed country Parties will continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds, through a variety of actions, including supporting country-driven strategies, and taking into account the needs and priorities of developing country Parties (UNFCCC, n.d.-a).

At the heart of the Paris Agreement, Nationally Determined Contributions (NDCs) embody efforts by each country to reduce national emissions and adapt to the impacts of climate change. NDCs from developing countries are instrumental in the mobilization and allocation of climate finances from a variety of sources (international climate funds, bilateral and multilateral initiatives, MDBs, etc.) as donors also need to deliver on their own commitments/obligations vis-à-vis the Paris Agreement.

The updated NDCs of Rwanda is expected to serve as the national climate change investment plans up to 2030. Depending on expected source of funding, climate interventions included in Rwanda's updated NDC are classified into (1) *unconditional contribution* to be domestically financed and (2) *conditional contribution* to be achieved with the international support and finance.

The tables in the following sections highlight relevance of Rwanda's planned NDC interventions to the GCF strategic result areas, as the GCF is the biggest climate fund and supposedly the future of climate finance. They also point out, in an indicative way, actual trades or existing professional associations (within the PSF) regrouping private actors running businesses relevant to the climate actions being conferred. For each of the associations mentioned in the tables, further mapping of private sector players in climate action was conducted to identify association members[1].

Mitigation

The mitigation actions included in Rwanda's updated NDCs take the form of a reduction in GHG emissions relative to a business-as-usual (BAU) emissions baseline over the period 2015-2030.

Under a BAU projection, Rwanda's total emissions are forecast to more than double over the 2015-2030 period, rising from 5.3 million tCO_2e in the base year to 12.1 million tCO_2e in 2030, according to the 3rd National Communication on climate change of Rwanda (GoR, 2018). A detailed assessment of identified GHG mitigation options for Rwanda, under the updated NDC, estimates a total emissions reduction potential of around 4.6 million tCO_2e in 2030 against the BAU emissions in the same year of 12.1 million tCO_2e. That is a 38% reduction in GHG emissions compared to BAU in 2030.

[1] The information on private sector players involved in NDC climate actions can be accessed at the National Climate Change Portal

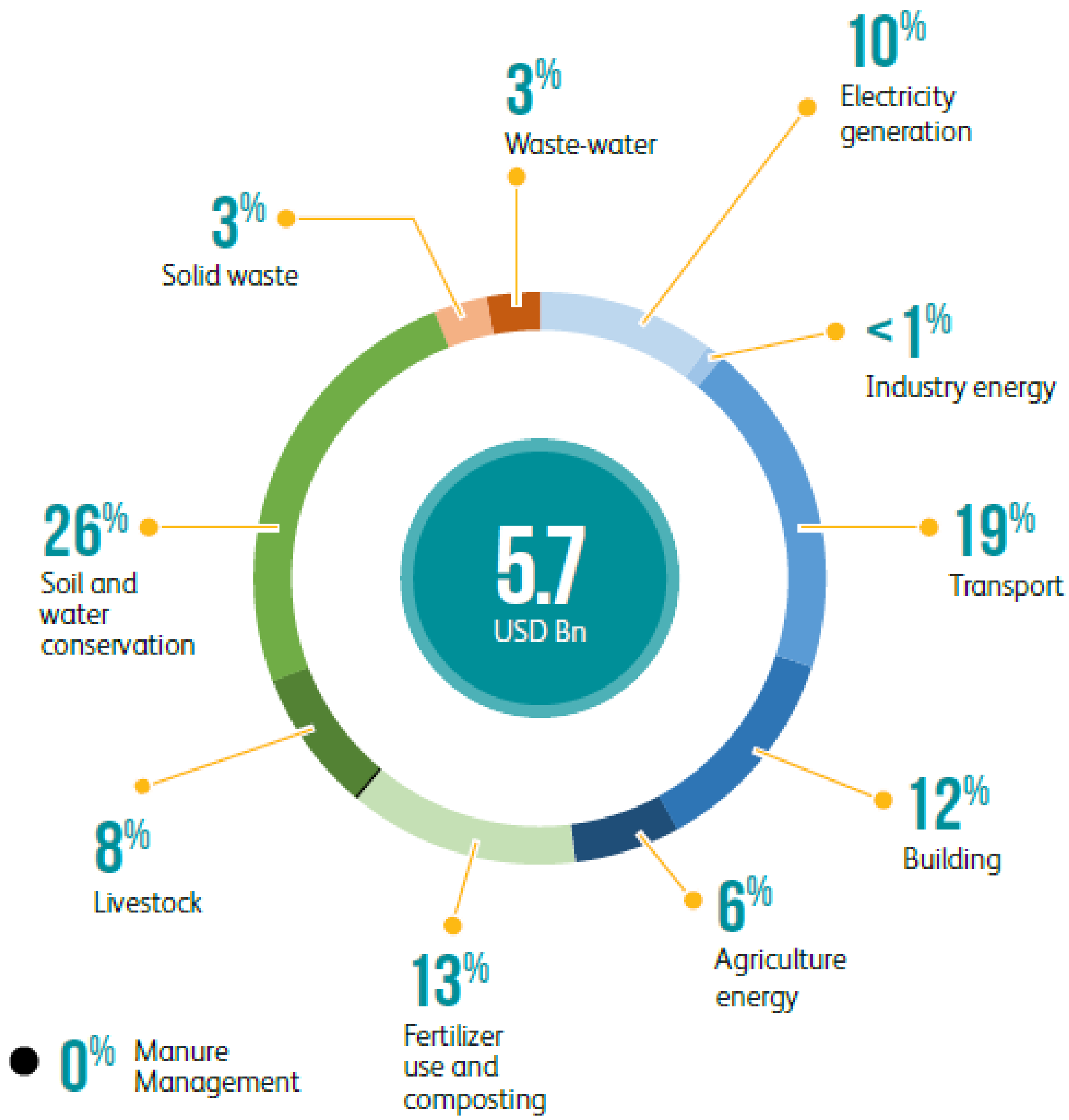

Figure 5.2: Investment requirements for all identified mitigation measures through 2030 (GoR, 2020)

Table 5.2: NDC Mitigation Opportunities

	GCF MITIGATION STRATEGIC RESULT AREAS					
Sectoral NDCs	**Energy generation and access**	**Transport**	**Buildings, cities, industries and appliances**	**Forests and land use**	**Cost estimates 2015 – 2030 (in USD)**	**Related private sector groups (associations)**
ENERGY SECTOR						
1. Grid-connected hydropower generation	X				328 million Unconditional	Energy developers
2. Solar street lighting	X		X		28 million Unconditional	Energy developers; Construction
3. Energy efficiency in agro-processing			X		2 million Unconditional	Energy developers; Agro-processing; Tea factories
4. Climate compatible mining			X		5 million Unconditional	Energy developers; Mining
5. Efficient brick kilns			X		13 million Unconditional	Energy developers; Manufacturing
6. Energy efficient cement production			X		11 million Unconditional	Energy developers; Manufacturing
7. Vehicle emissions standards		X			190 million Unconditional	*GoR activity*
8. Efficient lighting in buildings			X		6.4 million Unconditional	Energy developers; Construction; Real estate
9. Efficient cook stoves		X	X		380 million Unconditional	Energy developers; Manufacturing
10. Solar pumping for irrigation	X				285 million Unconditional	Energy developers
11. Solar mini-grids	X				206 million Unconditional	Energy developers

	GCF MITIGATION STRATEGIC RESULT AREAS					
Sectoral NDCs	**Energy generation and access**	**Transport**	**Buildings, cities, industries and appliances**	**Forests and land use**	**Cost estimates 2015 – 2030 (in USD)**	**Related private sector groups (associations)**
12. Public transport infrastructure		X	X	X	50 million Conditional	Energy developers; Construction; Engineering
13. Electric vehicles (EVs)		X			900 million Conditional	Dealers in car brands; Garages and spare parts; Car assembly; Motorbike sellers
14. Off-grid and rooftop solar electrification	X		X		600 million Conditional	Energy developers
15. Solar water heater (SWH) programme			X		60 million Conditional	Energy developers; Construction; Engineering
16. Promotion of on-farm biogas for energy	X				62 million Conditional	Energy developers
INDUSTRIAL PROCESSES AND PRODUCT USE (IPPU)						
17. Increased pozzolana use in cement (Clinker and cement production)			X		8.2 million Unconditional	Manufacturing
18. Fluorinated gases substitution			X		23.2 million Unconditional	Manufacturing; Electronics wholesalers and retailers; Hardware shops
AGRICULTURE, FORESTRY AND LAND USE (AFOLU)						
19. Soil and water conservation (crop rotation)				X	235 million Unconditional	Crop farming
20. Improved livestock husbandry (Reduction in CH_4 emissions from enteric fermentation)					279 million Unconditional	Livestock farming

	GCF MITIGATION STRATEGIC RESULT AREAS					
Sectoral NDCs	**Energy generation and access**	**Transport**	**Buildings, cities, industries and appliances**	**Forests and land use**	**Cost estimates 2015 – 2030 (in USD)**	**Related private sector groups (associations)**
21. Improved manure management					30.5 million Unconditional	Fertilizers
22. Improved fertilizers					77 million Unconditional	Fertilizers
23. Soil and water conservation (terracing)				X	294 million Unconditional	*GoR activity*
24. Soil and water conservation (multi-cropping)				X	173 million Unconditional	*GoR activity*
25. Conservation tillage				X	128 million Unconditional	*GoR activity*
26. Improved livestock species and population					156 million Unconditional	*GoR activity*
WASTE						
27. Landfill gas utilization	X		X		28 million Unconditional	Energy developers
28. Waste-to-energy (WtE) plants	X		X		56 million Unconditional	Energy developers; Manufacturing
29. Aerobic composting			X		47 million Unconditional	Fertilizers
30. Waste-water treatment plants (WWTP)			X		178 million Unconditional	Manufacturing

Adaptation

The private sector plays three roles in and for adaptation (Cochu et al., 2019):

- *Own adaptation to climate change*. Climate change poses a threat not only to individuals, households and the public sector, but also to the private sector, both in developed and in developing countries. Section 5.3.1 highlights the impacts of climates change on companies in detail.
- *Financing adaptation efforts by others*. Private financial institutions and investors such as banks, pension funds, insurance companies or impact investors can invest in resilience or provide funding for adaptation of others, e. g. through (micro-) loans, bonds or venture capital.
- *Supporting others through products and services for resilience*. Private entities can develop and provide specific products or services that help others become more resilient and cope with the risks of climate change.

Building on existing national adaptation strategies and plans, the updated NDC prioritizes adaptation interventions. It establishes adaptation baselines and develops sector-level performance indicators and targets. In total, 24 adaptation interventions are proposed and a total of 38 adaptation indicators have been developed to be aligned with baselines and adaptation targets (GoR, 2020).

Some interventions will be contingent on the availability of external financial support (conditional) while others may be implemented through internal funding (unconditional) or co-financing (internal and external sources of budget). The total amount of NDC adaptation interventions is estimated at above 5.3 billion USD through 2030 (GoR, 2020).

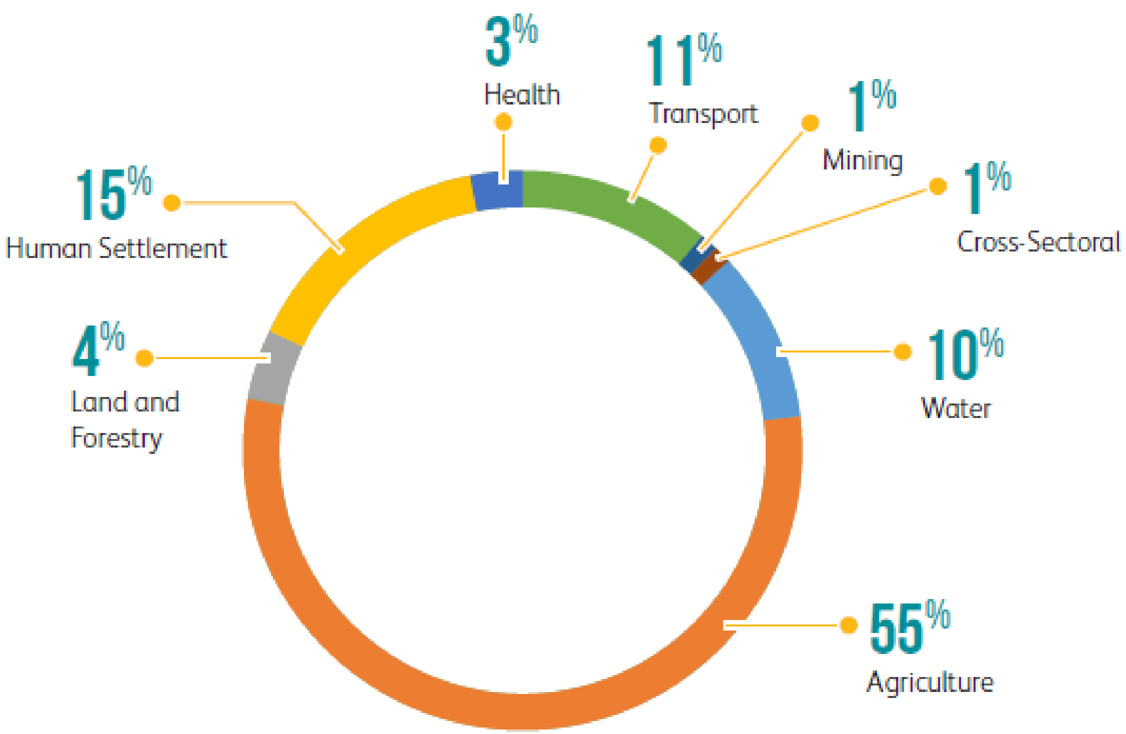

Figure 5.3: Adaptation investment levels from the total 5.3 billion USD through 2030 (GoR, 2020)

Table 5.3: NDC Adaptation Opportunities

	GCF ADAPTATION STRATEGIC RESULT AREAS					
Sectoral NDCs	**Livelihoods of people and communities**	**Infrastructure and the built environment**	**Health, food and water security**	**Ecosystems and ecosystem services**	**Cost estimates 2020 – 2030 (in USD)**	**Related private sector groups (associations)**
WATER						
1. Develop a National Water Security through water conservation practices, wetlands restoration, water storage and efficient water use		X	X	X	164.3 million Unconditional	*GoR activity*
2. Develop water resource models, water quality testing, and improved hydro-related information systems			X	X	10 million Unconditional	*GoR activity*
3. Develop and implement a management plan for all Level 1 catchments			X	X	360 million Conditional	*GoR activity*
AGRICULTURE						
4. Develop climate resilient crops and promote climate resilient livestock			X		24 million Conditional	Seed producers and traders
5. Develop climate resilient postharvest and value addition facilities and technologies		X	X		200 million Conditional	Produce storehouses
6. Strengthen crop management practices (disease prevention, diagnostic, surveillance and control)			X		3 million Unconditional	Animal feeds and pesticides

	GCF ADAPTATION STRATEGIC RESULT AREAS					
Sectoral NDCs	**Livelihoods of people and communities**	**Infrastructure and the built environment**	**Health, food and water security**	**Ecosystems and ecosystem services**	**Cost estimates 2020 – 2030 (in USD)**	**Related private sector groups (associations)**
7. Develop sustainable land management practices (soil erosion control; landscape management)			X		346.1 million Conditional	*GoR activity*
8. Expand irrigation and improve water management		X	X	X	2,261 million Conditional	Engineering
9. Expand crop and livestock insurance			X		109.6 million Conditional	Financial advisory services; Insurance brokers; Insurance companies
LAND AND FORESTRY						
10. Development of Agroforestry and Sustainable Agriculture (control soil erosion and improved soil fertility)			X	X	92 million Conditional	*GoR activity*
11. Promote afforestation /reforestation of designated areas			X		16.8 million Unconditional	Forestry; Furniture; Furniture and timber sellers
12. Improve Forest Management for degraded forest resources				X	8.1 million Conditional	Forestry; Furniture; Furniture and timber sellers
13. Integrated approach to planning and monitoring for sustainable land management					60 million Conditional	*GoR activity*

	GCF ADAPTATION STRATEGIC RESULT AREAS					
Sectoral NDCs	**Livelihoods of people and communities**	**Infrastructure and the built environment**	**Health, food and water security**	**Ecosystems and ecosystem services**	**Cost estimates 2020 – 2030 (in USD)**	**Related private sector groups (associations)**
14. Develop a harmonized and integrated spatial data management system for sustainable land use management					20 million Conditional	*GoR activity*
15. Inclusive land administration that regulate and provide guidance for land tenure security					5 million Unconditional	*GoR activity*
HUMAN SETTLEMENTS						
16. High density buildings and informal settlement upgrading		X			400 million Unconditional	Real estate; Construction
17. Storm water management		X	X		400 million Unconditional	Construction; Engineering; Real estate
HUMAN SETTLEMENTS						
18. Strengthen preventive measures and create capacity to adapt to disease outbreaks			X		185 million Conditional	Manufacturing; Hardware shops; Engineering companies; Health services
TRANSPORT						
19. Improved transport infrastructure and services			X		600 million Conditional Unconditional	Construction; Engineering
MINING						
20. Climate compatible mining		X		X	59.3 million Unconditional	Mining; Engineering

Cross-cutting

Table 5.4: NDC Opportunities in Cross-cutting Sectors

Cross-cutting NDCs	Cost estimates 2020 – 2030 (USD)	Related private sector groups (associations)
1. Establish an integrated early warning system, and disaster response plans	20 million Conditional	*GoR activity*
2. Disaster risk monitoring	6 million Conditional	*GoR activity*
3. Institutional capacity building and development for cross-sector NDC implementation	6 million Conditional	*GoR activity*
4. Access to finance	3 million Unconditional	Banks; Financial advisory services; Insurance brokers; Insurance companies; Microfinances

As mentioned earlier, the evaluation of NDC interventions against the GCF strategic result areas was made because, not only the GCF is the biggest climate fund, it also offers a range of flexible financial instruments, enabling it to respond to specific investment contexts and market barriers. It also strive to engage across public and private sectors to unlock high impact and paradigm shifting climate investments and cherish its ability to partner with the business world to mobilize institutional investors at scale to fund climate action, and to encourage local private sectors in developing countries to deliver climate solutions (GCF, 2021).

That being said NDCs can be used to engage any climate financiers (MDBs, bilateral, etc.) provided other conditions and requirements are met. Above and beyond, all the funds under the UNFCCC Financial Mechanism are entrusted to the World Bank, as indicated in Chapter 3.

The NDC Implementation Framework (2021-2025) presents the Country's priorities for support on climate change actions in a framework that allows for tracking progress against results[2]. It serves as a useful tool for mobilizing and coordinating technical and financial assistance from development partners by showing the contribution of each partner in fund mobilization. It presents ongoing and completed projects planned, indicative and new areas of investment (GoR, 2021).

5.3 Threats and Challenges

5.3.1 Impacts of climate change on companies

Climate change can have multiple impacts on private sector companies. Firstly, it creates a series of new business risks, the most obvious being physical risks – the operational impacts of extreme weather events, or supply shortages caused by water scarcity or flooding. Companies are also exposed to transition risks which arise from society's need to respond to climate change, and the demands for radical changes to technologies, markets, government policy and regulation to confront what appears to be a growing threat to implementing traditional economic growth and development initiatives (NUADA, 2021).

Extreme and unpredictable weather can also increase business costs, undermine the viability of existing products or services and affect asset values. Companies that fail to transition - fail

[2] The outcomes of the NDC Implementation Framework are highlighted in Annex 2

to adequately ‘climate proof’ or continue to cause unwarranted environmental damage to the natural asset base of a country can easily lose market share and even become obsolete.

Table 5.5: Direct and indirect climate risks to businesses (Tall et al., 2021)

	Direct risk	**Indirect risk**
Local exposure	*Extreme weather* Business interruption, damage of physical assets, increase of operating/production costs *Temperature change* Impacts on physical assets, productivity/yield, health *Water scarcity* Impacts on crops, goods production, health, transport	*Financial risk* Access to capital might reduce as investors become more aware of CC risks *Impacts on workforce* Health-related issues *Rising insurance policies* Higher risk exposure
Distant exposure	*Disruption of supply chains* Decreasing reliability of supplies (e.g., electricity, primary commodities) *Impacts of markets* Price volatility & variability of supply/demand of goods *Reputational risk* Negative media coverage, perception of civil society	*Increased competition for resources* Uncertainty in production, lack of transport, scarcity of commodities *Regulatory & legal risk* Land use regulations, water efficiency standards *Political risk* Food security, migration – conflicts & instability

5.3.2 General Challenges

The following seven constraints were identified as the major challenges of the Rwandan private sector in 2017, according to the Private Sector Development and Youth Employment Strategy 2018-2024:

- *Access to finance*. Firms in Rwanda struggle to mobilize finance for their operations. Financial product diversity was also limited in Rwanda and access to investment capital was equally as scarce as access to working capital products and insurance
- *Access to skills*. Overall labour force productivity is low in Rwanda.
- *Enforcing small business contract*. The inability to enforce business contracts was a major constraint to especially small businesses.
- *High cost of trade and regulatory compliance*. At an average USD 3,633 per container from Mombasa to Kigali, Rwanda remains one of the most expensive places for a container to reach. At an estimated 3.1% of GDP, the cost of complying with regulatory requirements also remains high.
- *Insufficient access to quality infrastructure*. Rwanda faces an infrastructure gap, hindering its economic transformation. In general, access to readily available, serviced land is a major constraint, often raised as one of the biggest challenge by foreign investors looking to set up operations in Rwanda.
- *Internal market inefficiencies, both for raw materials and for final products*. Domestic markets in Rwanda are characterized by low levels of overall efficiencies.
- *Access to and cost of standards and technology*. Selling in export markets requires standard certification and reliable quality. 32% of firms reported that access to tools and

machinery is a challenge. Within-firm R&D and innovation is near zero in the Rwandan private sector (MINICOM, 2017).

5.3.3 Access to Finance

Low access to long-term finance and high costs of finance are binding constraints that cut across a number of sectors. The high cost of finance reflects not inefficiency of the banking sector but challenges to reach economies of scale (IFC, 2019).

The mapping private sector was particularly interested in the key challenges faced by private operators involved in climate actions in their efforts to mobilize funds, in additional or concurrently to the general ones highlighted above.

From the interactions made with various private sector players, the major challenges in climate finance mobilization include: (1) limited awareness on climate finance opportunities; (2) limited skills and capacity to develop quality/bankable green projects; and (3) limited financial resources to outsource expertise to help in climate finance mobilization.

In Rwanda, most businesses are considered SMEs. The vast majority of those contacted, under this mapping exercise, affirmed they have never managed projects budget beyond 1 million USD though they may have more ambitious business plans. In combination with other difficulties, this generalized lack of experience in high impact projects do also constitute an important handicap to their efforts for finance mobilization – only SOEs and a few others appear to be an exception to this concern.

5.3.4 PPPs Constraints

In Rwanda PPPs are governed by Law n° 14/2016 of 02/05/2016. This law requires the Rwanda Development Board (RDB) to issue general Guidelines for procurement of PPP projects and advise the Government on matters related to PPPs[3]. The law also determines the eight responsibilities of Contracting Authorities, line public institutions entering PPPss depending on the PPP under study, which include identification of PPP projects, undertaking necessary feasibility studies for PPPs and performing all activities related to the procurement procedure for PPP projects.

The successful mobilization of the USD 11 billion needed to implement the NDCs from domestic and external sources will definitely require further collaboration and well-coordinated partnerships between public and private entities.

However, the lack of medium-term climate investment plan and especially medium-term PPP procurement plans – inventories of multi-sectoral climate interventions that the Governments intends to undertake in partnership with private players, may limit private actors' participation and inventiveness in climate action while Rwanda has all takes to change the situation. NDCs have a ten-year target with 5 year updating cycles and the sectoral strategies around 7 years: it is therefore realistic to create cross-sectoral climate investment plans, including PPP procurement plans for climate action.

Medium term climate PPP procurement plans will provide the business community with clear information on the government's plans for climate-smart PPPs for the coming years and motivate private players to plan ahead and get ready to participate more efficiently.

[3]RDB published the general PPP guidelines in the Official Gazette n°29bis of 16/07/2018

6 | Private Sector Engagement in Climate Action

The previous chapters acknowledge the crucial role of the private sector role in the fight against climate change but also emphasize shed light on the problem of limited participation of the Rwandan private sector in the mobilization of climate funds, also revealing how multifaceted the matter is. All sides involved in the national climate action value chain, including national and international entities need to do more to improve the situation.

The Government of Rwanda has put in place different policies and strategies aimed to ensure a sustainable development through green growth and climate resilience building. The ratification of the Paris Agreement leads the Country to commit to an ambitious cross-sector climate investment plan in the form of NDCs that lists priority climate adaptation and mitigation actions through 2030.

However, according to the NDC Implementation Framework (2021) there is a gap[1] of USD 587,013,016 to achieve the Country NDC commitment for 2020-2025. The total gap is USD 6,526 million to achieve the total NDC (of USD 11,040 million) by 2030 (GoR, 2021).

In order to mobilize USD 11 billion, from domestic and external source, needed to implement the climate interventions comprised in the NDCs, various obstacles hampering the efforts of the Rwandan private sector to fully partake in the mobilization of climate finance should be addressed.

Though the participation of the Rwandan private sector in climate action and climate finance mobilization is still limited, MoE and other public institutions have already, at different occasions, taken decisive steps to engage the private sector in that direction with promising results. Notable examples on such engagements include:

- *Private sector representation in the National Coordination Team (NCT) for GCF*. The NCT is a 10 people technical committee with members from different entities (both public and non-public) tasked to make thorough reviews of new GCF project applications on behalf of the GCF NDA and advise the later on the proper course of action with those applications. One member of the NCT was appointed by the PSF giving the PSF a firsthand experience on the workings of GCF project development and application processes.
- *FONERWA has a policy to allocate at least 20% of its funding to private sector projects*.
- *Establishment of the Cleaner Production and Climate Innovation Center (CPCIC)* to ensure that all technology, processes, services and choices made by the private and the public sector embrace the best practices in terms of climate change resilience and cleaner/efficient production.

[1] The gap between the needed funds (NDC request) and the available projects support was calculated by excluding the cost for completed projects, ongoing projects starting before 2020 (NDC period) and indicative (tentative) project funds.

It is obvious that more still need to be done and in a systematic manner. The following sections will further review the problem of limited participation of the private sector in climate action and highlight the strategic objectives to pursue in order to address identified root causes to the problem.

6.1 Problem Analysis

Financial resources and sound investments are needed to address climate change, to both reduce emissions, promote adaptation to the impacts that are already occurring, and to build resilience. Different causes have been linked to the problem of limited participation of the players from the Rwandan private sector in climate finance mobilization.

Most climate funds under the UNFCCC Financial Mechanism and others have been putting in place private sector engagement policies in order to give private actors from developing countries access to climate funds for development or scaling-up of innovative climate projects.

However, as highlighted in Chapter 3, the climate funding that flowed to Rwanda from these major funds were most mobilized by public entities (e.i. ministries). The only private entities that participated in the mobilization of external climate funds for Rwandan projects so far were either regional or internal private organizations. Rwandan private players have not yet benefited directly from these international climate finding opportunities.

At national level, the financial institutions are reported to make substantial investments in all NDC sectors (energy, agriculture, water, manufacturing, cement, etc.) (NISR, 2021b) but it is unclear how much is allocated to the actual NDC actions. There is no mechanism in place to track such details or determine whether these investments are not actually contributing to the worsening of impacts of climate change or with increased CO_2 emissions or not.

Generally, as noted earlier, private players find it very hard to access climate financing. Different causes have been linked to the problem of limited participation of the players from the Rwandan private sector in the mobilization of climate finance flows to and within Rwanda. The following sections highlight the major root causes identified from the analysis of the consultations with different stakeholders and literature review.

6.1.1 Limited Capacity to Develop Bankable Projects

From the discussions held with private operators, three challenges were identified as major obstacles to their efforts to mobilize climate funds: (1) limited skills and capacity to develop quality/bankable green projects internally; and (2) limited financial resources to outsource expertise to help in climate finance mobilization and (3) lack of support for project preparation[2].

There is need to liaise with relevant professional syndicates/associations and assess climate project preparation needs and support accordingly. It is also important to join forces on market assessments to screen/identify climate projects for potential private sector financing. The assessment process should also include undertaking initial market sounding, assess returns on investment, and conduct enabling environment diagnostic, to understand what it would take to attract private investment.

[2]REMA and other public entities need to leverage on the financial support from funding partners to provide technical assistance and project structuring support, identify potential private sector investors, and also identify initial source of public sector funding to support project preparation.

6.1.2 Lack of a Differentiated Approach to Engage Diverse Private Stakeholders

As pointed out in discussions with private sector players, earlier private sector engagement efforts by public environmental entities seemed to overlook the deep dissimilarities in enterprise sizes and financial situations. The vast majority of enterprises in Rwanda are SMEs which have never managed projects costing up to 1 million USD and therefore are less likely to engage international climate financiers, who are usually interested in high impact investments costing dozens or even hundreds of millions. Only SOEs and handful private organizations seem to be the only entities with such capabilities.

It is therefore important to acknowledge that the "private sector" is not a homogenous group but instead encompasses various actors, from large international corporations down to micro, small and medium-sized enterprises (MSMEs). A more effective engagement approach to engage the private sector in climate finance mobilization should take into account this reality.

6.1.3 Less-enabling Environment

Institutional capacity to tap different GCF financial instruments

Generally, climate financiers willing to support national private sectors prefer to engage them through financial instruments other than grants. So far, the Ministry of Environment is the only Rwandan based organization that has a GCF accreditation though with basic, non-private sector friendly fiduciary capabilities.

The table below lists the GCF accredited entities that have mobilized full project GCF project funding for projects for Rwanda (as sole beneficiary or co-beneficiary with other countries) and their fiduciary standards.

Table 6.1: GCF accredited entities that have mobilized full projects funds for Rwanda

		Fiduciary standard								
Name	Type	Basic	Proj. Mngt	Grant	Loan	Equity	Guarantee	Blending	Funding Range*	Approved
MoE	National	X	X						10 - 50	1
PCA	International	X	X		X	X	X		250<	2
IUCN	International	X	X	X					50 - 250	2
Acumen	Regional	X	X	X	X	X			<10	2

* In USD million

There is urgent need for nationally based GCF accredited entities capable of offering the private sector opportunities for more attractive loans and equity and guarantee deals to support climate projects. The Country has to rely on the agenda of regional and international GCF accredited organization for such projects.

The push for more private sector friendly GCF accreditations should be carried out together with the advocacy to expedite and achieve the mainstreaming of environment and climate change in the financial sector, especially in the banking and insurance subsectors, starting at higher levels (MINECOFIN and BNR).

PPPs opportunities on climate actions

Some well-established climate financiers (such as MDBs) prefer to work with governments making it nearly impossible for private operators to access their funding. Funds from these sources may occasionally flow to private entities through procurement arrangements which don't count as climate financing. There is need for an ENCC sector adjusted PPPs policy and/or guidelines to promote PPPs in the environment and climate change sector and increase private sector access to climate funds from this kind of situations. The existing national PPP guidelines need to be translated into the ENCC context to facilitate participation of the private sector in climate finance.

Furthermore, there is need for a national medium term climate investment plan highlighting forthcoming major adaptation and mitigation investments and expected contribution from the private sector, including possibilities for PPPs. This planning document could also be considered as a PPP procurement plan in alignment to existing medium-term plans such as NST, NDC, and sectoral strategic plans.

Communication/Information sharing

Climate funds intended to support developing countries flow through multiple channels, such as international climate funds, official development agencies (ODAs), etc., making it easy but also challenging for end beneficiaries, including public and private actors, to access because each channel happens to have its own business model, funding criteria and terms and conditions that are frequently updated.

There is need for a mechanism to collect information on current and pending climate funding opportunities (for the private sector) from the offices of different development partners of Rwanda, including ODAs – such as DFID, ENABEL, GIZ, JAICA, SIDA and USAID, multilateral development banks (MDBs) – such as AfDB and WB, and also including UN and GEF agencies and the GCF accredited entities operating in Rwanda. MEAs focal persons and the institutions they work for are also well connected and to their respective information feeds, it is important to connect them on this information sharing mechanism.

On the other end, private sector operators have reported limited awareness on climate finance opportunities as one of the top obstacles to climate fund mobilization accomplishment. The suggested information sharing mechanism should have a second arm intended to facilitate rapid information delivery from REMA to private actors to allow for proper action in due time. The exchanges will be two ways as REMA too will need feedback from private actors, especially after NDC reporting tools are available and deployed to allow accurate reporting/monitoring of major climate actions in progress.

REMA will have updated information on the latest private sector solutions and developments and be able to engage private actors more efficiently.

6.2 Strategic Pillars

The purpose of this document is to provide comprehensive approaches to engage and increase participation of the private sector in climate finance mobilization to meet the financial needs of Rwanda's updated NDCs to 2030. As Rwanda refines the mainstreaming of environment and climate change, and especially the integration of its NDC in the financial sectors, including the deployment of NDC reporting systems in banking operations, future updates of this document will feature clear margins of what sufficient or insufficient participation of private sector in climate finance represent.

Based on the key problems discussed in the previous sections, a number of strategic interventions are proposed. The following figure provides the strategic logical framework of this PSMP – CA.

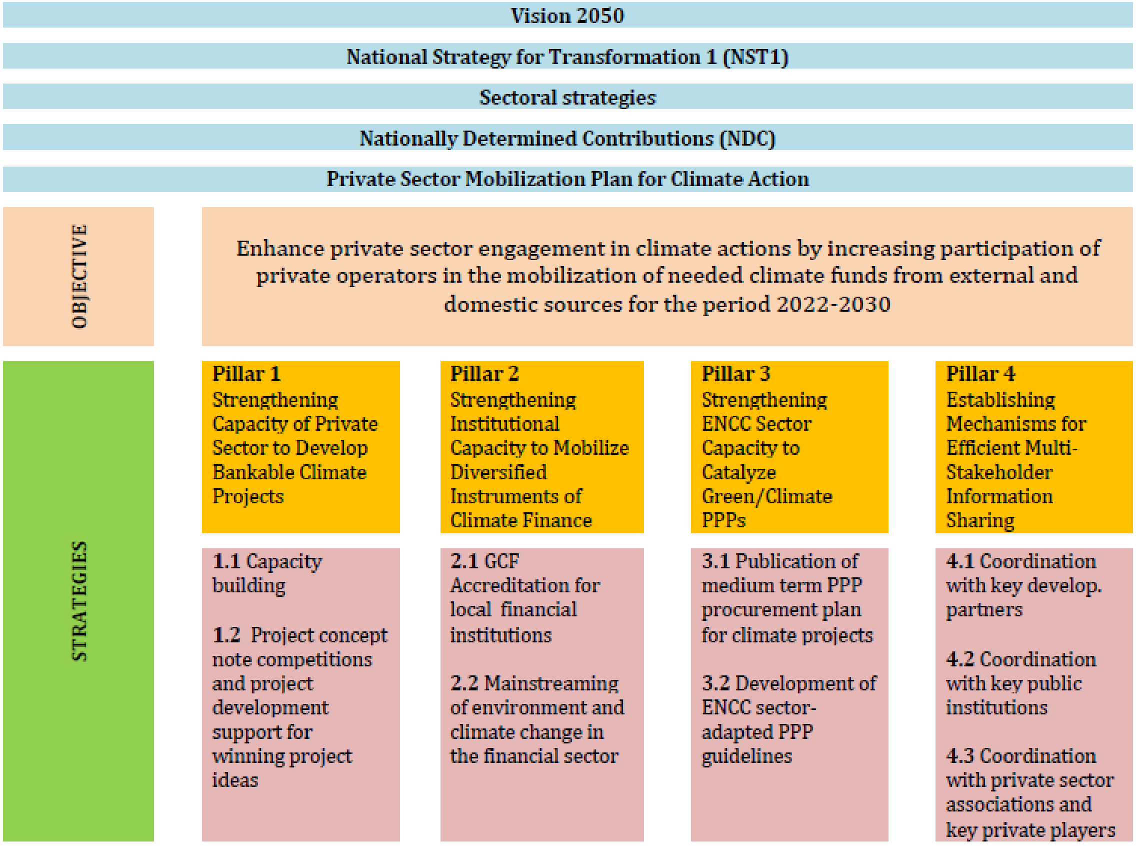

Figure 6.1: Strategic logical framework

The next sections discuss in details the strategic pillars for private sector engagement on the mobilization of climate finance.

6.2.1 Pillar 1: Strengthening Capacity of Private Sector to Develop Bankable Climate Projects

In principle, private sector investments in climate action are no different to investment decisions in other markets – they are always based on clear information on what the opportunity is, a perceived low risk of loss and a reasonable return, in a short as possible time frame (NUADA, 2021).

This pillar has an objective to strengthen private sector's knowledge base on environment and climate change in the national context and, most importantly, build their capacity to develop bankable climate projects that could be used to mobilize funds from domestic and external sources. Interventions will be organized in close collaboration and consultation with relevant professional associations/syndicates, where applicable.

The capacity building objective should be pursued in tiers: larger business entities will be supported to develop or fine-tune capabilities to mobilize domestic and international climate funds for large projects while medium and smaller enterprises will be supported to become more proficient with domestic sources of finance.

The NISR's Establishment Census Report of 2020 used four categories for enterprise size based on the number of workers: (1) Micro: 1 to 3 workers; (2) Small: 4 to 30 workers; (3) Medium: 31 to 100 workers; and (4) Large: 100 and plus workers. A similar design can inspire the designing of capacity building support packages for different private sector players to optimize efficacy. On the other hand, the Development Bank of Rwanda (BRD) approaches the matter from a yearly turnover basis (BRD, n.d.), as follows:

- Small Businesses as those with annual turnover less than FRW500 Million;
- Medium Businesses as those with annual turnover from FRW 500 Million to 1 Billion;
- Large Businesses as those with annual turnover above FRW 1 Billion.

Action 1: Building capacity of private actors to design bankable climate projects

Action 2: Organize project concept note competitions in select climate subsectors and support full project development for winning project ideas. The action will be conducted every one or two years.

6.2.2 Pillar 2: Strengthening Institutional Capacity to Mobilize Diversified Instruments of Climate Finance

The only national entity with GCF accreditation, MoE, cannot propose climate projects intended to create opportunities for concessional loans and equity due to the fiduciary capacity limitations, while climate financing to private actors is mostly focused on those instruments.

This pillar has an objective to enable and create GCF opportunities for concessional loans, guarantee and equities to private actors involved in climate actions in Rwanda that don't rely on the priorities of international accredited entities. Strategic financial institutions should be empowered to mobilize external climate financial resources and, in turn, create attractive financing opportunities for the climate projects of local SMEs.

Though the opportunity is supposedly open for all financial institutions, the following two institutions would be the best candidates for the much-needed GCF accreditations:

- ***BRD***. It is the only development bank in Rwanda. BRD focuses on the sectors of agriculture, energy, education, industry, exports, infrastructure and housing but do also participate in special projects. The GCF accreditation process has already started, there is need to expedite the process. BRD has the potential to tap into the currently inaccessible (from a national accredited entity) loans, equity and guarantee GCF instruments. Basic and project management as well.
- ***RSSB***. It is the largest investment fund in Rwanda. RSSB invests in private companies (within various sectors: infrastructure, financial services, hospitality, manufacturing, healthcare, etc.), also known as private equity investing, and public companies listed on stock exchanges locally and in the region. Many local companies have benefited from financing through RSSB's investments, while RSSB benefits in the form of capital gains, and/or generation of capital dividends. RSSB has a big potential to mobilize equity finances from GCF.

Action 1: Identify and mobilize national financial institutions with loans, guarantee and equity fiducial capacities in climate sectors. BNR makes yearly updates for their lists of licensed financial institutions.

Action 2: Support GCF accreditation for identified national financial institutions with loans and equity fiducial capacities.

Action 3: Support the mainstreaming of environment and climate change in the financial sector, including policy and operational gap assessments and strategies.

6.2.3 Pillar 3: Strengthening ENCC Sector Capacity to create Catalyze Climate PPPs

In order to attract and streamline private sector participation in climate finance, it is important to review NDCs and the key sectoral strategic plans in collaboration with key public stakeholders to identify and publish lists of impending PPP projects along with ENCC sector-adapted PPP guidelines, in collaboration with RDB and line institutions.

Action 1: Identification and publication of medium-term climate investment/PPP procurement plan with potential/priority/upcoming climate PPPs [after every NDC/sectoral strategy update/cycle]. The action will involve consultations with every climate sector separately. RPPA will be involved at compilation and subsequent approval stages at higher levels (ministerial or cabinet).

Action 2: Development of ENCC sector-adapted PPP guidelines and climate PPP procurement plans – the activity will be conducted once every NST1 planning cycle (with a possibility for an occasional updated when a new NDC update so requires).

6.2.4 Pillar 4: Establishing Mechanisms for Efficient Multi-Stakeholder Coordination and Information Sharing

With its mandate to facilitate climate finance flows to Rwanda, REMA, as a de facto intermediary, needs to reinforce its climate finance information gathering capabilities on one side and, on the other, develop its aptitude to transmit climate finance information to end user private sector players in a timely manner and continually.

Action 1: Reinforce coordination and establish an information sharing mechanism with international development partners providing climate finance (operating in Rwanda).

Action 2: Reinforce coordination with MEAs focal points and key public institutions.

Action 3: Reinforce coordination with relevant private sector associations and key private operators.

6.3 Action Plan and Budget

The implementation of all activities will be led by REMA, in close collaboration with FONERWA and MoE.

Outputs	*Activities*	*Indicators*	*Targets*	*22/ 23*	*23/ 24*	*24/ 25*	*25/ 26*	*26/ 27*	*27/ 28*	*28/ 29*	*29/ 30*	*Total cost (USD)*
OUTCOME 1: Capacity of private sector to develop bankable climate projects strengthened												
1.1 Building capacity of private actors to design projects	Organize trainings for PS players per sector (energy, agriculture, water, land use, forestry, health, transport, waste, housing, industry)	Number of training beneficiaries, number of training workshops **Implementing partners:** PSF, FONERWA, BRD	Twenty (20) national experts trained in climate project development every 2 years 80 experts targeted in total **Means of verification:** Training reports									50,000
1.2 Organize project concept note competitions	Organize project concept note competitions	Number projects submitted, number of contestants **Implementing partners:** PSF	One (1) winning project in targeted sectors/sub-sectors **Means of verification:** Competition reports									100,000
	Support development of full project (from the winning)	Number of projects developed **Implementing partners:** PSF	Six (6) projects **Means of verification:** Reports (project support)									60,000
OUTCOME 2: Institutional capacity to mobilize diversified instruments of climate funding strengthened												
2.1 Identification and mobilization of national financial institutions with loans, equity and guarantee fiducial capacities	Consultation meetings with BNR, MINECOFIN, MoE and FONERWA to assess new GCF accreditation needs and identify potential candidates from the national financial institutions with loans, equity and guarantee fiducial capacities	Number of consultation meeting with financial stakeholders **Implementing partners:** BNR, FONERWA, MINECOFIN, MoE	One (1) meeting every year **Means of verification:** Meeting report									10,000
	Formal engagement of identified financial institutions to sell the GCF accreditation opportunity	Letters of engagement, meeting minutes	All financial institutions identified as strategic for a GCF accreditation									10,000

Outputs	*Activities*	*Indicators*	*Targets*	*22/ 23*	*23/ 24*	*24/ 25*	*25/ 26*	*26/ 27*	*27/ 28*	*28/ 29*	*29/ 30*	*Total cost (USD)*
		Implementing partners: MoE	**Means of verification:** Official telegrams exchanged, meeting minutes									
	Supporting GCF accreditation for national financial institutions	Supporting letters, technical assistance provided	At least two (2) financial institutions supported									50,000
		Implementing partners: MoE	**Means of verification:** Reports (of technical support provided)									
2.2 Support the mainstreaming of environment and climate change in the financial sector	Conducting sector level policy and operational gap assessment for environment and climate change mainstreaming	Assessment report	One (1) report									100,000
		Implementing partners: MoE, MINECOFIN, BNR, line public entities	**Means of verification:** Reports									
	Mobilize and support (in collaboration with MINECOFIN and BNR) the development of a strategy to mainstream environment and climate change in the financial sector	Financial sector strategy for environment and climate change mainstreaming	One (1) strategy									100,000
		Implementing partners: MoE, MINECOFIN, BNR	**Means of verification:** Official telegrams exchanged, meeting minutes, reports (on technical support provided)									
	Train financial institutions to implement the environment and climate change mainstreaming strategy for the financial sector	Number of financial institutions trained	1 training 80 experts targeted in total									50,000
		Implementing partners: MoE, MINECOFIN, BNR	**Means of verification:** Training reports									
OUTCOME 3: Capacity of the E&CC sector to catalyze PPPs strengthened												
3.1 Identification of potential climate PPPs	Identifying potential climate PPPs in key sectors	Report of pending climate PPPs /portfolio	One (1) portfolio report every 7 years									100,000
		Implementing partners: MoE, Line public entities, RDB	**Means of verification:** Reports									

Outputs	*Activities*	*Indicators*	*Targets*	*22/ 23*	*23/ 24*	*24/ 25*	*25/ 26*	*26/ 27*	*27/ 28*	*28/ 29*	*29/ 30*	*Total cost (USD)*
3.2 Development and publication of a medium-term climate PPP procurement plan	Develop medium term climate PPP procurement plan	PPP procurement plan	One (1) procurement plan every 7 years									50,000
		Implementing partners: MoE, RDB, RPPA, line public entities	**Means of verification:** Procurement plan									
3.3 Development of sector adapted PPP guidelines	Develop sector adapted PPP guidelines	Adapted PPP guidelines report	One (1) guideline document/report									50,000
		Implementing partners: MoE, RDB	**Means of verification:** Guidelines									
OUTCOME 4: Mechanisms for efficient multi-stakeholder information sharing established												
4.1 Reinforce coordination and establish an information sharing mechanism with relevant international development partners (operating in Rwanda)	Requesting relevant development partners to nominate a focal person to facilitate liaison with the ENCC sector	Number of focal persons nominated	One focal person from each organization									0
		Implementing partners: Development partners	**Means of verification:** Nominations (letters)									
	Organize biannual meetings with development partners' focal persons	Number of meetings	Two (2) meetings/year									42,000
		Implementing partners: MoE, line public entities, development partners	**Means of verification:** Meeting minutes									
4.2 Reinforce coordination with key public institutions	Requesting key public institutions to nominate a climate finance focal person	Number of focal persons nominated	One (1) from each key public organization									0
		Implementing partners: Line public entities	**Means of verification:** Nominations (letters)									
	Organize biannual meetings with climate finance focal persons from key public institutions and MEAs focal persons	Number of meetings	Two (2) meetings per year									0
		Implementing partners: MoE, line public entities	**Means of verification:** Meeting minutes									
4.3 Reinforce coordination with relevant private sector associations and key private actors	Organize biannual meetings with relevant private sector associations and key private players in all NDC subsectors	Number of meetings	Two (2) meetings per year									50,000
		Implementing partners: MoE, PSF, line public entities	**Means of verification:** Meeting minutes									
TOTAL												**822,000**

6.4 Implementation Arrangements

6.4.1 Roles and Responsibilities of Key Stakeholders

Table 6.3: Stakeholder roles and responsibilities

Institutions	Roles and responsibilities

MoE	*As ENCC policy maker*
	• Support the mainstreaming of climate change in key sectors
	• Support and monitor of NDC implementation
	• Support efforts to increase participation of private sector in climate adaptation and mitigation planning and climate finance mobilization
	
	As GCF accredited entity
	• Mobilize GCF funds to support capacity building of private players in green technologies and climate funds mobilization
	
	As AF NDA
	• Coordinate with UNDP, UNEP and CTCN to put in place a private sector engagement strategy for the AF
	• Build private sector capacity and readiness to engage the AF effectively:
	  – Raise private sector awareness on the AF business model, private sector engagement policy and existing opportunities from the national perspective (AF country programme)
	  – Disseminate information on ad-hoc funding opportunities for the private actors (calls for proposals)
	• Accompany private players in project development and submission processes
	
	As GEF political focal point
	• Develop a private sector engagement strategy for GEF's NGIs programme (that aims to fund climate projects for private sector players).

REMA	*As ENCC policy advisor/maker & promoter* • Support the mainstreaming of climate change in key sectors • Support NDC implementation • Promote participation of private sector in climate adaptation and mitigation planning and climate finance mobilization *As GCF NDA* • Support accreditations of national based entities with fiduciary capacities that are more private sector friendly • Mobilize GCF funds to build capacity of private players in green technologies and climate funds mobilization *As lead implementer of this plan* • Rally stakeholder support and mobilize necessary resources to this plan
FONERWA	*As a Special Fund to support green projects and programmes in Rwanda*
MINECOFIN	*As member of the FM Coalition* • Expedition the mainstreaming of ENCC into the financial sectors • Assess, in collaboration with MoE, the potential of harmonization of NST and NDC planning cycles to integrate NDCs in NSTs

Institutions	Roles and responsibilities
MINICOM	*As policy maker and regulator of trade and industry sector and all other attached sectors*
Other line ministries and public entities	*As public stakeholders in climate action* • Support coordinated efforts to put in place and operationalize the suggested information sharing mechanism for climate finance to facilitate participation of private actors • Support the preparation of medium-term climate PPP procurement plans and PPP guidelines more adapted to the ENCC sector *As stakeholders of private project developers* • Encourage partner private players to act on NDC and take advantage of climate finance opportunities
International development partners operating in Rwanda (ODA, GEF Agencies, GCF AEs, MDBs, etc.)	*As supporters of green initiatives* • Support coordinated efforts to put in place and operationalize the suggested information sharing mechanism for climate finance to facilitate participation of private actors • Disseminate in-house private sector engagement strategies and related opportunities in country partnership programmes
PSF (and professional associations)	*As key stakeholders & benefiiciaries* • Support coordinated efforts to put in place and operationalize the suggested information sharing mechanism for climate finance to facilitate participation of private actors • Support processes of identification and categorization of private operators, packaging of differentiated supports • Participate in the organization (including identification and categorization of private operators, packaging of differentiated supports) of campaigns to support private players in climate finance mobilization • Participate in the implementation of campaigns to support private players in climate finance mobilization
Individual private actors	*As end beneficiaries of this Plan* • Take part in the climate finance mobilization programmes to support own business operations

6.4.2 Cost and Financing

The implementation of this Plan spans over eight fiscal years from 2022/2023 to 2022/2030 with a total cost estimated at USD 822,000.

REMA, as the lead implementer, will be in charge of coordinating the PSMP activities, including the mobilization of the finances as required. However, other institutions, including non-governmental ones, are welcome to coordinate with REMA and contribute on any PSMP actions, especially if the PSMP activities in question are in line with their own plans and priorities to avoid pointless duplications.

For its repetitive actions, the PSMP will mostly be funded from the regular budgets of REMA, MoE and key public stakeholders. Other actions will likely get financed by ongoing and

PSMS Pillars	Budget (USD)	Percentage
1. Strengthening Capacity of Private Sector to Develop Bankable Climate Projects	210,000	26%
2. Strengthening Institutional Capacity to Mobilize Diversified Instruments of Climate Finance	320,000	39%
3. Strengthening ENCC Sector Capacity to create Catalyze Climate PPPs	200,000	24%
4. Establishing Mechanisms for Efficient Multi-Stakeholder Coordination and Information Sharing	92,000	11%

Table 6.4: Estimated budget for the PSMP

future climate change projects within REMA and by stakeholders – especially those one-off activities which are relatively a bit costly.

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ANNEXES

Annex 1 – Outreach Programme

Throughout the implementation phase of this Plan, as highlighted in the problem analysis section, REMA will have to engage three groups of stakeholders:

- Development partners (with offices in Rwanda or not);
- Key public institutions; and
- Private sector players (including PSF associations and key companies)

The following table suggests the format, frequency and expected outcomes of engagement with those stakeholders.

Stakeholders	Strategic framework	Goals	Media	Frequency
Development partners	Reinforce coordination and establish an information sharing mechanism with relevant international development partners (operating in Rwanda)	Nomination of ENCC liaison	Formal request	One off
		Information sharing on climate finance opportunities for the private sector	Technical meetings (with liaisons)	Quarterly
			Regular email & phone contacts with liaisons	On as necessary basis
		Cordiality event to review partnership achievements and discuss future plans	High level meeting	Annually
Public institutions	Reinforce coordination with key public institutions	Nomination of ENCC liaison	Formal request	One off
		Information sharing on climate finance opportunities for the private sector	Regular email & phone contacts (with liaisons and MEAs FPs)	On as necessary basis
			Technical meetings (with institution liaisons)	Semiannually
			Technical meetings with MEAS FPs	Semiannually
			High level policy meeting	Annually
	Development and publication of a medium term climate PPP procurement plan & PPP guidelines	Climate PPP procurement plan	Technical meetings (with liaisons)	Once every NDC and NST planning cycle
			High level ministerial meeting (to approve the plan)	Once every NDC and NST planning cycle
	Support the mainstreaming of environment and climate change in the financial sector	Integration of environment and climate change aspects into financial policies, strategies and operations	Technical meetings (with liaisons)	Once every NDC and NST planning cycle
			High level ministerial meetings (to approve the plan)	Once every NDC and NST planning cycle

Stakeholders	Strategic framework	Goals	Media	Frequency
PSF and professional associations	Reinforce coordination with relevant private sector associations and key private actors	ENCC liaison/focal person nomination (in all relevant associations)	Formal request	One off
	Building capacity of private actors to design projects	Organization of trainings	Training workshops	Annually
	Organize project concept note competitions	Organization of concept note contests	Call for concept notes	Annually
	Reinforce coordination with relevant private sector associations and key private actors	Information sharing on climate finance opportunities for the private sector	Regular email & phone contacts (with liaisons)	On as needed basis
Key private entities	Organization of business leaders dialogue on climate actions	Inform private stakeholders on latest trends in climate action	High level meeting	Twice a year
	Reinforce coordination with relevant private sector associations and key private actors	ENCC liaison/focal person nomination	Formal request	One off
		Information sharing on climate finance opportunities for the private sector	Regular email & phone contacts (with liaisons)	On as needed basis
	Support GCF accreditation of national financial institutions	Support GCF accreditation process	Technical assistance	On as needed basis
	Organize project concept note competitions	Support winning project development	Technical assistance, financial assistance	Annually

Annex 2 – Investor Guide

Background

This Annex highlights the priorities for climate action represented in the NDC Implementation Framework for 2021-2025. It revisits the challenges to private actors with more depth and provides further information on how to engage different climate financiers. Last but not least, it highlights key considerations for those involved in the development of climate projects/programmes with an objective to mobilize funds.

Priorities for Climate Action

The national development plans for key climate sectors are highlighted in various sectoral strategies intended to implement the National Strategy for Transformation (NST). The specific medium-term priorities for climate action, however, are communicated in the Nationally Determined Contributions (NDCs). NDCs have a five-year cycle of increasingly ambitious climate action carried out by countries as part of the efforts to contribute to the Paris Agreement.

The total estimated cost for Rwanda's NDC mitigation measures through 2030 is estimated at around 5.7 billion USD, and over 5.3 billion USD for adaptation priorities, representing a combined funding requirement of around 11 billion USD.

NDC implementation frameworks present the national priorities for support on climate change actions in a framework that allows for tracking progress against results. They indicate planned, ongoing and completed projects, and also new areas of investment for 5 years periods (NDC cycle). They will serve as tools for mobilizing and coordinating support for NDC actions, aligned with the FONERWA Resource Mobilization Strategy and the priorities from the public investment committee.

The Outcomes of the NDC Implementation Framework 2021-2025 are:

1. Increased productivity, nutritional value and resilience through sustainable, diversified, and integrated crop, livestock, and fish production systems in a gender-responsive and climate resilient manner.
2. Ecosystems and forest resources increased and sustainably managed to optimize the economic and ecological functions in a gender-responsive
3. Integrated and sustainable land management to maximize reliable, efficient and productive investments in a gender-responsive and climate resilient manner
4. Integrated human settlement planning and coordination
5. Vibrant, efficient and responsible mining spurring sustainable economic development
6. Enhanced green energy production and use in industries.
7. Electricity generation capacity increased to ensure that all demand is met and a 15% reserve margin is maintained
8. Reduced biomass usage for cooking
9. Street lighting expanded to all populated areas and main roads
10. Improved rural and urban transportation services
11. Enhanced Environmental management and resilience to climate change
12. Integrated and sustained Waste Management Services
13. Integrated and sustainable water resources management to maximize reliable, efficient and productive investments
14. Enhanced reliability of weather and climate services and products for Rwanda's socio-economic development
15. Enhanced Health promotion and environmental health

Private Sector Challenges

Private firms make investment decisions based on the project's commercial viability. Prospective investments are thus expected to cover the full costs of the project, including the cost of capital, and achieve a return commensurate with the risks associated with a particular project (CIF, 2011).

Generally, the barriers that prevent businesses from engaging in adaptation can be grouped into six categories (Dougherty-Choux et al., 2015), namely:

1. **Lack of awareness and knowledge of climate risks.** Investing in adaptation re-

quires understanding how a specific industry or sector, in a specific place, is likely to be impacted by climate change. Poor information—information that is unavailable or inaccessible—about the risks and uncertainties that are relevant to the scale and location of MSE activity makes it difficult for businesses to incorporate these risks in their decision-making. MSEs have limited tools and capacity to undertake risk-benefit assessments to support investments in climate-related risk reduction or new business opportunities.

2. **Limited availability or knowledge of (cost effective) adaptation options**. Businesses will not invest in an adaptation measure—especially when there are high, upfront investments—unless there are clear benefits in terms of increased resilience and/or profitability.
3. **Lack of technical capacity to implement**. Adopting new business processes, developing new products or services, and implementing new practices and technologies for increased resilience often involve technical skills that require upfront investment. In particular, it requires specific skills and knowledge of how to guide and implement the process from idea to commercialization that are often not readily supported in developing countries. Capacity constraints can discourage MSEs from adopting new climate-resilient practices and technologies in their business.
4. **Lack of financial capacity to implement**. Some adaptation investments involve large upfront costs, relatively long payback time, and uncertainties related to climate impacts. Consequently, banks and other financial intermediaries can be reluctant to invest in adaptation because the risks of lending appear too high. In rural areas, banks themselves might not have the policies or technical ability to assess these kinds of risks. Therefore, the capacity of bank employees in developing countries can also be a significant barrier to businesses accessing finance to invest in adaptation.
5. **Policy and regulation that hinder adaptation**. While many governments have committed to climate change adaptation as part of their development strategies, private sector engagement is limited in sectoral planning and budgeting at the national and sub-national levels. MSEs, in particular, are absent from these exercises. Uncoordinated and unclear inter-sectoral policies can frustrate adaptation efforts by the private sector. For example, pricing subsidies for water can result in low costs to the consumer but high costs to society. This often leads to wasteful use, especially in the agriculture sector, depletion of the resource, and potential loss of livelihoods in the event of extreme weather changes.
6. **Social attitudes toward adaptation**. Adaptation to climate change is a process influenced by more than just financial and technological development. The social context can be a significant barrier to adoption of new technologies and production methods. Adaptation is often viewed as a behavioral change because people's decisions are influenced by social factors, such as gender, class, or race, the adaptive capacity of individuals varies considerably.

On climate change mitigation, Figure 6.2 provides a summary of barriers to low carbon investment.

The figure's representation of barriers to climate investments is valid to the contexts of developing countries in general, as also confirmed by the outcomes of exchanges held with different private stakeholders in the PSMP preparation process.

In the context of Rwanda, some of the barriers mentioned in Figure 6.2 (or their variations) were reported to be more pronounced. An assessment conducted earlier as part of the process to private sector development planning highlighted out the problems of: (1) access to finance, (2) access to skills, (3) enforcing small business contract, (4) high cost of trade and regulatory compliance, (5) insufficient access to quality infrastructure, (6) internal market inefficiencies and (7) access to and cost of standards and technology (IFC, 2019).

Low access to long-term finance and high costs of finance are binding constraints that cut across a number of sectors. The high cost of finance reflects not inefficiency of the banking sector but challenges to reach economies of scale (IFC, 2019).

	Barrier	Description
1 Financial	Revenues (where unsubsidized)	▪ Many fossil fuels still subsidized ($300 bn globally) and carbon externality not yet consistently priced
	Higher capital intensity	▪ Many low carbon technologies face large overall capital needs and higher financing cost than high carbon alternatives
	O&M costs	▪ For some low carbon technologies O&M cost is high (e.g., offshore wind) but typically lower than for low carbon alternatives
	Risk	▪ Higher technology and financing risks ▪ Lower market risk exposure
2 Structural	Network effects	▪ Many technologies rely on networks to happen (e.g., solar and wind require flexible and sufficient grid capacity)
	Fragmentation and transactional costs	▪ Many low carbon investments are small scale which makes them difficult to deliver and typically leads to higher transaction costs
	Agency problems	▪ In energy efficiency, the person paying for the investment is often not the one reaping the benefits
	Status quo bias	▪ Like with most changes, there is a bias in society for the status quo
3 Technical/ Capability	Immaturity	▪ Markets are only evolving—capacity needs to be built across the value chain including in the financial community
	Awareness and education	▪ Lack of awareness of opportunity and understanding of the technical solutions available as well as their financial benefits
	Inability to price risk	▪ Inability to price risk due to limited historic data ▪ Cross-industry linkages make risk assessment more challenging
	Technical solution	▪ Products are inferior or perceived to be inferior on some usage dimensions (e.g., the case for energy efficient light bulbs)

Figure 6.2: Barriers to investment in low-carbon sectors (Patel, 2011)

From the interactions made with various private sector players, in the course of this work, the challenges in climate finance mobilization reported as key include: (1) limited awareness on climate finance opportunities; (2) limited skills and capacity to develop quality/bankable green projects; and (3) limited financial resources to outsource expertise to help in climate finance mobilization.

Domestic Climate Financiers

The Special Green Fund (FONERWA)

FONERWA was setup to mobilize and finance green and climate projects in all key sectors. The Fund regularly issues call for project proposals in alignment with its priority areas. Selected/wining projects are supported through grants or more affordable credit lines.

FONERWA provide access to early stage financing for private sector applicants (FONERWA, n.d.-b) through the following instruments:

Innovation Grant
(up to 300,000 USD):
- Research & Development
- Proof-of-Concept
- Demonstration

Line of Credit
(from GBP 50,000 up to GBP 5 million):
- Implemented jointly with Rwanda Development Bank
- Below market interest rate (at least 11.45%)

According to the FONERWA's private sector guidelines (FONERWA, n.d.-b), the funding must target to address the national development priority areas (thematic windows) related to environment, climate change and green growth, listed below:

1. Conservation & sustainable natural resources management which includes;
    - Ecosystem rehabilitation
    - Sustainable land management
    - Integrated water resource management
    - Sustainable forestry management
    - Sustainable mines & quarries
    - Promotion & protection of biodiversity
2. R&D and technology transfer and implementation in areas of:
    - Renewable energy & energy efficiency technology
    - Pollution management
    - Water storage, conservation and irrigation technologies
    - Applied and adaptive research (agroforestry, waste, urban planning)
    - Disaster risk reduction
    - Data collection, monitoring & Management Information Systems (MIS)
3. Environment & climate change mainstreaming through;
    - Strategic Environment & Climate Assessments (SECA's)
    - Sector specific adaptation and mitigation
    - Support to implementation of cross-sectoral integrated planning (e.g. IDP, VUP)

Development Bank of Rwanda (BRD)

BRD provides (directly or through partner commercial banks) short, medium and long term financing to small, medium and large enterprises at attractive rates through debt, equity and mezzanine instruments to the key strategic sectors of exports and manufacturing, agriculture financing, affordable housing, energy financing and education.

The Bank promotes green finance for SMEs through two approaches: direct training and channeling funds through financial institutions, microfinance institutions as well as savings and credit cooperatives (BRD, 2022).

For every financing project implemented by the Bank, a dedicated fund with special funding goals and requirements is setup correspondingly. Some of the climate relevant special funds operated by the Bank include:

- WB Technical Assistance. Assisting BRD in Scaling up Renewable Energy Program under the Strategic Climate Fund.
- FONERWA. Financing private sector projects in Clean Technology environmental sustainability, & Climate Resilient and green investments.
- NIRDA. A grant managed by the Bank for the open calls program, aimed at supporting industries/enterprises to address their technological and technical barriers to their growth and competitiveness.
- Economic Recovery Fund. A fund established by the Government of Rwanda (GoR) to increase access to finance and support the recovery and resilience of businesses affected by the COVID-19 pandemic.

In the future a new special fund for Green Climate Fund (GCF) could be added as BRD is currently working to get GCF accreditation. For Rwanda based private actors involved in climate action businesses, this much awaited new development by BRD could be a game changer in the field of climate finance.

BRD is at the forefront of leading Rwanda's green agenda transition. The Bank will implement a robust Green Financing strategy to assist in mobilizing sustainable development finance and increase lending to green projects in the Rwandan economy.

Agriculture Development Projects

Agriculture finance is a national priority to achieve transformation of the agriculture sector and greater financial inclusion. A comprehensive agricultural ecosystem financing programs including lease financing and insurance with a focus on priority value chains have been established to ensure increased financial serves flow across all agriculture value chains (MINAGRI, 2021).

The National Strategy for Transformation (NST1) goal for agriculture finance in 2024 is 10.4%. The Government is making substantial efforts to de-risk the sector through various initiatives including:

- Project on weather-index based crop and livestock insurance.
- Establishment of the Business Development Fund (BDF) which provides guarantees for loans.
- Subsidy policy on agriculture inputs and irrigation equipment.
- Establishment of a commodity exchange market and warehouse receipt system to enable produce in storage to be used as collateral.
- Land consolidation policy where farmers can join their plots of land to create a sizable area for farming.
- Increase area under irrigation as mitigation measures for climate variability.
- Development of higher yielding varieties, resistant to diseases and climate change.

REMA's Climate Project Competition

REMA, as provided in the PSMP, is expected to organize climate project competitions for private actors on a regular basis. Resources will be mobilized to support the development of winning projects ideas into full project proposals ready to be submitted to potential climate financiers.

According to the PSMP, REMA, in collaboration with relevant stakeholders, will also, over the next eight years, build capacity of private project developers to develop bankable projects on climate action.

External Climate Financiers

At international level, different climate funds were setup to support the financial mechanism of the UNFCCC. The following sections highlight the different strategies used by such leading climate funds to support private sector efforts on climate action.

Green Climate Fund (GCF)

GCF is the world's largest multilateral dedicated climate fund. It was established by the UNFCCC to support global climate action, by promoting a low-emission and climate-resilient transition in developing countries. GCF serves the Paris Agreement, supporting developing countries in reaching their nationally determined contributions (GCF, 2019a).

GCF provides debt, equity, guarantees, and grants via its AEs to:

- De-risk investments
- Drive systemic transformation
- Scale small projects and bundle them into larger portfolios
- Support capacity building
- Develop public-private climate-resilient infrastructure
- Encourage innovation

GCF Project Investment Criteria

Impact potential Can the project contribute to GCF's objectives and result areas?

Paradigm shift potential Can the project catalyze impact beyond a one-off project? To what extent will it remove barriers to the engagement of the private sector, and bring about systemic change towards low-carbon and climate-resilient development pathways?

Sustainable development potential Does the project have wider benefits and priorities? Are environmental and social safeguards and gender equality an integral part of the project?

Needs of the recipient Does the project provide financing needs to the beneficiary country and population? Is there an absence of alternative sources of financing?

Country ownership Is there beneficiary country ownership, and capacity to implement a funded project in alignment with the country's policies, climate strategies, and institutions?

Efficiency and effectiveness Does the project foster cost-effectiveness and private sector funding mobilization?

Table 6.6: GCF Private Sector Facility (PSF) product clusters

Private equity funds	Financial Institutions	Project Finance	Structured Finance
Being the premier anchor investor in climate investment equity/debt funds	Mainstreaming climate change mitigation and adaptation in the financial sector	Tailoring life cycle, concessional financing to de-risk high impact projects	Capital/carbon/ insurance markets that require bespoke structuring solutions
• Supporting first-time fund managers in technology, early equity and adaptation funds • Encouraging early-equity investment in underserved geographic regions where equity is not traditional • Spurring local innovation & global accelerators in countries with high innovation • Launch successful adaptation funds	• Extend credit lines to local FIs to finance mitigation and adaptation projects • Increase access to green finance for MSMEs with risk sharing facilities • Provide readiness support to green the financial sector by promoting sustainable finance • Establish green banks	• Promoting new business models: De-risking and crowding in debt and equity capital. • Supporting transformative & replicable investments at scale: Structuring solutions to alleviate barriers. • Seeding climate investment vehicles: Systemic intervention to crowd in domestic capital	• Innovative structured financing solutions: Use of securitization/ green bonds • Support REDD+/ Carbon markets: Tailored price support to boost private sector emission reduction demand • Promoting insurance-based financing products: Scale up use of insurance as a tool for risk sharing/ mitigation

GCF Strategic Result Areas

GCF Mitigation Strategic Result Areas	GCF Adaptation Strategic Result Areas
• Energy generation and access • Transport • Buildings, cities, industries and appliances • Forests and land use	• Livelihoods of people and communities • Infrastructure and the built environment • Health, food and water security • Ecosystems and ecosystem services

GCF Project Investment Criteria

Impact potential Can the project contribute to GCF's objectives and result areas?

Paradigm shift potential Can the project catalyze impact beyond a one-off project? To what extent will it remove barriers to the engagement of the private sector, and bring about systemic change towards low-carbon and climate-resilient development pathways?

Sustainable development potential Does the project have wider benefits and priorities? Are environmental and social safeguards and gender equality an integral part of the project?

Needs of the recipient Does the project provide financing needs to the beneficiary country and population? Is there an absence of alternative sources of financing?

Country ownership Is there beneficiary country ownership, and capacity to implement a funded project in alignment with the country's policies, climate strategies, and institutions?

Efficiency and effectiveness Does the project foster cost-effectiveness and private sector funding mobilization?

From idea to investment

1. Develop a project idea that supports the beneficiary country's climate action plans and priorities
2. Find an Accredited Entity (AE) that you could work with, or you could seek accreditation yourself
3. The AE will engage with the beneficiary country (Nationally Designated Authority - NDA) to ensure your idea aligns with their country needs and priorities
4. Once your idea is turned into a Concept Note (CN) GCF will provide feedback
5. At this point the AE needs to show the beneficiary country (NDA) is fully on-board by obtaining a no-objection letter
6. Then the AE can submit a full Funding Proposal (FP)
7. GCF will review the proposal – and so will the Fund's Independent Technical Advisory Panel
8. The project proposal goes to the Fund's Board for decision
9. Once approved, then GCF signs a Funded Activity Agreement with the AE

Project or programme proposals can be submitted at any time, and GCF is ready to guide applicants in developing ideas into a Funding Proposal. GCF also prioritizes specific areas for investment through Requests for Proposals (RFPs).

National Contact for GCF

REMA is the Nationally Designated Authority (NDA) for the GCF in Rwanda. NDAs are government institutions that serve as the primary interface between each country and the Fund. They develop work programmes, oversee and endorse proposals and provide broad strategic oversight of the GCF's activities in the country (Eralil & Samal, 2019).

Adaptation Fund (AF)

The AF was established to finance concrete adaptation projects and programmes in developing countries that are parties to the Kyoto Protocol and are particularly vulnerable to the adverse effects of climate change.

The AF's Grant Programme to foster innovation in adaptation in developing countries targets a broad range of potential finance recipients, including non-governmental organizations, community groups, young innovators and the private sector (Lee, 2019).

The Innovation Facility of the AF offers a small grants mechanism (up to US$250,000 each) to develop and/or test innovative products, adaptation practices, tools, and technologies, and generate an evidence base to scale up effective solutions. Small grants are awarded to vulnerable developing countries through two routes:

- Directly to the Fund's accredited National Implementing Entities (NIEs) – the Ministry of Environment in the case of Rwanda;
- A Multilateral Implementing Entity (MIE) Grant Aggregator Mechanism through UNDP and UNEP, together with the Climate Technology Centre and Network, to entities that are not accredited with the Fund (organizations, groups, associations, institutions, businesses, agencies, NGOs, youth and other vulnerable groups) (AF, n.d.-a).

National Contact for AF

The Ministry of Environment (MoE) is the Nationally Designated Authority (NDA) for the AF in Rwanda.

Climate Investment Fund (CIF)

CIF is one of the world's largest and most ambitious multilateral climate finance mechanisms for developing countries seeking to shift to low carbon and climate resilient development, and to accelerate climate action. CIF accelerates climate action by empowering transformations through its existing programs: (1) clean technology, (2) energy access, (3) climate resilience, and (4) sustainable forests in developing and middle income countries.

CIF is also pioneering investments in five new areas: (1) the transition from coal, (2) climate-smart cities, (3) nature-based solutions, (4) industry decarbonization, and (5) renewable energy integration. In 2021, recognizing the urgency of this mission and strong demand from developing countries, the G7 committed up to $2 billion in additional resources for CIF.

The Private Sector Set-Asides (PSSAs) of the CIF's Strategic Climate Fund (SCF) are an ambitious mechanism designed to competitively allocate concessional funding so as to increase private sector investment in each program of the SCF (CIF, 2014). The PSSAs allocate concessional financing on a competitive basis to projects that engage the private sector in sustainable forestry (FIP), climate resilience (PPCR), and energy access through renewable energy in low income countries (SREP). They are designed to spur innovation and flexible delivery of financing (CIF, 2015c).

The set-asides serve a complementary role to country investment plans, which generally favor public funds in these sectors, with their aim to provide the risk-appropriate capital needed to drive private sector investments in some of the world's most challenging markets.

National Contact for CIF

The CIF funds projects through its partner agencies which are Multilateral Development Banks (MDB). Private project developers have therefore to collaborate with and submit proposals through MDBs such as the African Development Bank or the World Bank.

Global Environment Facility (GEF)

The GEF serves as a "financial mechanism" to five conventions: Convention on Biological Diversity (CBD), United Nations Framework Convention on Climate Change (UNFCCC), Stockholm Convention on Persistent Organic Pollutants (POPs), UN Convention to Combat Desertification (UNCCD), and Minamata Convention on Mercury (GEF, n.d.-b). The GEF focal areas correspond to the conventions/agencies that it serves.

The GEF views the private sector as an agent for market transformation and promotes private sector engagement via its Non-Grant Instruments (NGIs) Program. NGIs are often grouped into three main categories (GEF, 2018a): risk mitigation products; equity; and debt instruments.

GEF uses NGIs as means to inter alia (GEF, 2020):

- Leverage substantial private sector capital for targeted investments that support GEF's objectives;
- Strengthen partnerships with the private and public sectors in recipient country governments;
- Enable the GEF to demonstrate and validate the application of innovative and flexible financial instruments in projects for broader adoption; and
- Enhance the financial sustainability of the GEF through the generation of reflows.

An increasing share of private-sector financing is being mobilized through the use of NGIs. The GEF-6 Non-Grant Instrument Pilot resulted in 11 innovative projects of approximately $100 million in GEF-funding and $1.7 billion in associated co-financing. This successfully demonstrates that non-grant projects can provide high leverage to GEF investments (GEF, 2018b).

National Contact for GEF

The GEF has two focal points in Rwanda:

- The political focal point: Ministry of Environment (MoE), and

- The operational focal point: Rwanda Environment Management Authority (REMA).

Key Considerations

Private investment decisions are based on the project's commercial viability. Prospective investments are thus expected to cover the full costs of the project, including the cost of capital, and achieve a return commensurate with the risks associated with a particular project (CIF, 2011).

Those interested in climate project investments and climate finance mobilization need to make sure the proposed project ideas meet a minimum number of criteria, including:

- *Ensuring the project is indeed a climate project.* Does the project have potential to significantly reduce GHG emissions? Will it increase resilience to climate change and/or reduce vulnerability to climate change?
- *Ensuring the project commercially viable*. The project should demonstrate market competitiveness and profitability well beyond the project's lifetime.
- *Co-financing*. How much the developers are capable of contributing for the project and how much is needed from external sources.
- *Alignment with the national climate investment priorities (and possibility for a PPP)*. It is also important to check what the latest NDC Implementation Framework has to say about the area of interest . In Rwanda, NDC implementation frameworks present the national priorities for support on climate change actions in a framework that allows for tracking progress against results. They indicate planned, ongoing and completed projects, also indicating new areas of investment for the next 5 years (NDC cycle).
- Appeal to domestic and/or financiers. Which financier(s) to engage? The appropriate financial instrument(s) to go after.
- Other considerations:
  - Opportunities for technical assistance.
  - Membership to a PSF registered association
  - Featuring on climate portal's directory of private sector players involved in climate action to increase company visibility

Conclusion

The PSMP-CA 2022-2030 proves the Government's renewed commitment to enhance private sector engagement in climate actions by increasing participation of private operators in the mobilization of needed climate funds from external and domestic sources.

Different Government programmes and projects aimed at promoting green priorities are implemented in key sectors (agriculture, energy, etc.) some of which having private sector engagement components. Private actors developing climate projects are therefore recommended to get in touch with line ministries and umbrella institutions to seek information on any existing financing opportunities of interest, if any, and take proper action.

Private actors engaged in climate action relevant businesses should follow the developments with different climate funds closely and, engage with the national focal points for more clarifications, if necessary.

The PSMP-CA establishes a mechanism for more efficient information sharing involving an enhanced coordination between REMA and the private sector. Private actors may consider adding their businesses in the directory of private entities involved in climate action to increase visibility to climate financiers and also make sure useful updates on climate finance opportunities are received.

Annex 3 – PSF Clusters and Member Associations

Established in 1999, the Private Sector Federation – Rwanda (PSF) is a professional organization, dedicated to promoting and represent the interests of the Rwandan business community. It is an umbrella organization and voice of the private sector consisting of five professional clusters, 80 associations and a membership base of over 80,000 members.

Membership is open to business professional organizations such as associations, cooperatives, and industry chains. Members are drawn from business companies grouped into professional associations all committed to addressing the challenges associated with developing Rwandan's private sector.

PSF has recently established a Business Research Center (BRC) that will fulfill its business research agenda to facilitate evidence-based advocacy and promote public-private dialogue for policy reforms and elaboration.

Moreover, PSF established Imanzi Business Institute (IBI) in 2020 to provide high quality training and capacity building services to businesses and entrepreneurs in Rwanda. IBI has a mission to support the private sector and business community with professional skills training, business acceleration and mentorship (IBI, n.d.).

Industry

- Association for Promotion of Metal Works (APROMET)
- Association of Cassava Processors & Exporters in Rwanda (ACPER)
- Association of Maize Millers in Rwanda (AMMIRWA)
- Association of Professional Tailors (ATP)
- Association Professionelle des Imprimeries Opérant au Rwanda (APIOR)
- Beverage Producers - Association pour la Promotion des Producteurs de Jus, Boissons Alcooliques et Alcoolisees au Rwanda (APPROJUBAR)
- Contractors (Association des Entrepreneurs du Bâtiment et Travaux Publics (A.E.B.T.P)
- Energy Private Developers Association (EPD)
- Rice Millers Association (RFMA)
- Rwanda Association of Manufacturers (RAM)
- Rwanda Bread Bakers Association (RBBA)
- Rwanda Garages Association (RGA)
- Rwanda Mining Association (RMA)
- Rwanda Wood Value Chain Association (RWVCA)
- Rwandese Association for the Promotion of Leather and Leather Products (RAPROLEP)

Trade

- Association des Commerçants Grossistes et Détaillants au Rwanda (ACGDR)
- Association des Concessionaires des Marques Automobiles
- Association des Importateurs des Produits Pétroliers au Rwanda (ASIMPER)
- Association des Importateurs Grossistes en Produits Pharmaceutiques (AIGPHAR)
- Association des Pharmaciens Propriétaires d'Officine du Rwanda (APPOR)
- Coffee Exporters and Processors Association of Rwanda (CEPAR)
- Rwanda Agriculture Inputs Dealers Association (RAIDA)
- Rwanda Association of Producers, Exporters and Sellers of Handicrafts Products (RAPESH)
- Rwanda Hides and Skins Association (RHSA)
- Rwanda Onions Traders Association (ROTA)

Agriculture

- Fédération des Coopératives de Mais au Rwanda (FCMR)
- Fédération des Coopératives des Producteurs de Pomme de terre au Rwanda (FECOPPORWA)

Services

- Association des Transporteurs des Personnes au Rwanda (ATPR)
- Association Nationale des Properietaires des Auto Ecoles au Rwanda (ANPAER)
- Association of Cleaning Companies of Rwanda (ASCCOR)

- Fédération des Unions des Coopératives de Riz au Rwanda (FUCORIRWA)
- Fédération of Fishery Coopératives in Rwanda (FEFICOORWA)
- Fédération Rwandaise des Coopératives d'Apicultures (FERWACAPI)
- Fédération Rwandaise des Coopératives des Théiculteurs (FERWACOTHE)
- National Dairy Farmers Federation of Rwanda (NDFFR)
- National Seed Association of Rwanda (NSAR)
- Rwanda Coffee Cooperatives' Federation (RCCF)
- Rwanda Federation of Wheat Cooperatives (RFWC)
- Rwanda Horticulture Interprofessional Organization (RHIO)
- Rwanda Live Animals & Meat Export Organization (RAMEO)
- Rwanda Mushroom Producers and Exporters Organization (RMPEO)
- Rwanda Pig Farmers Association (RPFA)
- Rwanda Poultry Industry Association (RPIA)
- Association of Insurance brokers (APROCAS)
- Association of Insurers of Rwanda (ASSAR)
- Association of Microfinance Institutions of Rwanda (AMIR)
- Association of Regional Transporter Rwanda (ARTR)
- Association of Tax Advisors of Rwanda (ATAR)
- Beauty Makers Association (BMA)
- Ecommerce & Eservice Cluster
- FinTech Cluster
- Institute of Real Property Valuers In Rwanda (IRPV)
- Institution of Engineers Rwanda (IER)
- IT Hardware & Solutions Cluster
- Motorcyclist's Federation (FERWACOTAMO)
- Organization of Certified Public Auditors of Rwanda (OCCAR)
- Photographers & Cameramen [Association Professionelle des Photographes & Cameramen du Rwanda (APPHORWA)
- Rental Transport Companies Association (RTCA)
- Rwanda Association of Proffessional Conference Organisers (RAPCO)
- Rwanda Association of Real Estate Brokers (RWAREB)
- Rwanda Association of Travel Agencies (RATA)
- Rwanda Bankers' Association (RBA)
- Rwanda Bar Association
- Rwanda Community Tourism Association
- Rwanda Driver and Safari Guides Association (RSGA)
- Rwanda Fashion Designers Association (RFDA)
- Rwanda Forex Bureau Association (RFBA)
- Rwanda Freight Forwarders Association (RWAFFA/ADR)
- Rwanda Hospitality Association (RHA)
- Rwanda Hospitality & Tourism Educators Association (RHTEA)
- Rwanda Institute of Architects (RIA)
- Rwanda Organization of Professional Management Consultants (ROPC)
- Rwanda Outdoor Advertising Association (ROAA)
- Rwanda Postal and Express Courier Express Association
- Rwanda Private Medical Facilities Association (RPMFA)
- Rwanda Private Schools Association (RUPSA)
- Rwanda Private Security Industry Association (RPSIA)
- Rwanda Tours and Travel Association (RTTA)

Specialized

- Young Enterprenuers
- Women Enterpreneurs

Annex 4 – Contributors

Author

Gaspard Kabalisa

Supervision

Juliet Kabera (REMA)
Rachael Tushabe (REMA)
Marie Dalie Dukuze (REMA)
Bernardin Bavuge (REMA)
Eliab Muhawenimana (Consultant-REMA)

Sectoral contributors

John Furaha (Agruni Ltd)
Adeline Icyimpaye (MunyaxEco)
Adrien Bimenyimana (MINICOM)
Ariane Kanyana (RMB)
Bernardin Bavuge (REMA)
Billy Michel Migambi (MoE)
Callixte Kanamugire (PSF)
Charles Rutabayiru (Pro Water Rwanda)
Clement Uwimana (RSB)
Daniel Mulisa (MININFRA)
David Ukwishaka (REMA)
Didace Habamenshi (BRD)
Diogene Mitali (Agruni Ltd)
Dismas Bakundukize (RFA)
Djuma Nsanzimana (CPCIC)
Donatha Niyitanga (REMA)
Emmanuel Niyonshuti (COPEDU Plc)
Emmanuella Murekatete (FONERWA)
Ephrem Niyitanga (REG/EDCL)
Eric Murera (PSF)
Eric Ruhumiriza (EPD)
Eric Sibomana (RENGOF)
Faida Zoubeda Uwase (Save Environment)
Felicite Ndayishimiye (REMA)
Felix Mihigo (EnviroServe)
Florent Uwacu (PSF)
Francoise Mbabazi (Pro Water Rwanda)
Frank Butera (RMA)
Gerard Minishimwe (FECOMIRWA)
Honore Nzayisenga (Ruliba Clat Ltd)
Innocent Bisangwa (MINAGRI)
Irene Mutesi (REMA)
Jacques Nzitonda (RURA)
Jan de Graaf (Biomassters Ltd)
Jean Bosco Muhigirwa (Sulfo Rwanda)
Jean Paul Habimana (COPED)
Jean Pierre Nduwayezu (RMB)
Jean Vianney Nyarubuye (REMA)
Jerry Ndayishimiye (Guraride)
Joseph Biziyaremye (EPR)
Marguerite Uwimana (COCEN)
Mark Mugarura (CIMERWA)
Martin Musonera (REG)
Maurice Ruvugabigwi (ASSERWA)
Nicholas Kuria (Pit Pumpers Ltd)
Noel Nizeyimana (GreenCare Ltd)
Papias Karangwa (REG)
Papias Mucyo (RAB)
Pascal Gatete (Depot Kalisimbi Ltd)
Paulin Buregeya (COPED)
Petra Niyonsenga (MINAGRI)
Pierre Celestin Hakorimana (BDF)
Richard Tuyisenge (COCEN Ltd)
Rosine Isimbi (RMB)
Senthic Kumar (Sulfo Rwanda)
Simeon Harerimana (RDB)
Sylvie Mugabekazi (CPCIC)
Tabitha Benegusenga (MoE/NDC Partnership)
Theogene Ngaboyamahina (REMA)
Theoneste Ntagengerwa (PSF)
Vicky Ruganzu (RAB)
William Odongo Obadha (Aquasan Ltd)

Annex 5 – Pre-workshop questionnaire

To be filled by each participant ***from the private sector***

Organization

1. Name of your organization/enterprise[1]
   ………………………………………………………………………

2. When your organization was established (year)?
   ……………………

3. What sector is your organization operating in?

a. Energy	e. Transport	i. Waste
b. Water	f. Agriculture	j. Industry
c. Housing	g. Mining	k. Appliances
d. Forestry	h. Health	l. Finance

4. Does your organization have a business plan?

a. Yes	b. No

5. Size/cost range of your organization's single biggest climate related project in the last 10 years (in million USD)
   a. Less than 1
   b. 1 to 5
   c. 5 to 10
   d. More than 10

Climate finance mobilization capacity and experience

6. Does your organization have a list of (climate related) projects/investments it plans to undertake in future?

a. Yes	b. No

7. Does your organization have an internal financial resources mobilization strategy?

a. Yes	b. No

8. Does your organization have a financial resources mobilization staff/department/unit?

a. Yes	b. No

9. Has your organization applied for funding from a national green financier in the past?

a. Yes	b. No

10. Has your organization received funding from a national green financier in the past?

a. Yes	b. No

[1] Organization names will be coded before data analysis. The report will make no any direct association between findings and names of participating organization

11. If yes on Q10, please indicate the type of funding received from a national green financier in the past (select more than one answer if appropriate)
    a. Grant
    b. Loan
    c. Equity
    d. Other (specify)
    ....

12. Has your organization applied for funding from an international climate financier in the past?

a. Yes	b. No

13. Has your organization received funding from an international climate financier in the past?

a. Yes	b. No

14. If yes on Q13, indicate the type of funding received from an international climate financier in the past (select more than one answer if appropriate)
    a. Grant
    b. Loan
    c. Equity
    d. Other (specify)
    ....

15. Have you personally heard about the Global Climate Fund (GCF)?

a. Yes	b. No

16. Has your organization applied for funds from Global Climate Fund (GCF) in the past?

a. Yes	b. No

17. What are the main challenges to your organization's efforts for external financial resources mobilization?
    a. ....
    b. ....
    c. ....
    d. ....
    e. ....

PPP experience

18. Has your organization entered a public-private-partnership (PPP)[2] with a public entity in the past?

a. Yes	b. No

Thank you very much for your time and contribution!

[2] Joint planning, financing, implementation and/or operationalization of a particular project

Annex 6 – Post-workshop questionnaire

To be filled by all participants

INSTRUCTIONS: Please circle your response to the items. Rate aspects of the workshop on a 1 to 5 scale:

1 = "Strongly disagree," or the lowest, most negative impression
3 = "Neither agree nor disagree," or an adequate impression
5 = "Strongly agree," or the highest, most positive impression

Choose N/A if the item is not applicable to your situation. Your feedback is sincerely appreciated. Thank you.

WORKSHOP ORGANIZATION (Circle your response to each item)						
I was well informed about the objectives of this workshop	1	2	3	4	5	N/A
The workshop objectives were clear to me	1	2	3	4	5	N/A
The workshop group activities were beneficial	1	2	3	4	5	N/A
The pace of this workshop was appropriate	1	2	3	4	5	N/A
DELIVERABLES (Circle your response to each item)						
A private sector mobilization strategy will be beneficial	1	2	3	4	5	N/A
I am satisfied with the outline for the private sector mobilization strategy	1	2	3	4	5	N/A
An investor guide will be beneficial	1	2	3	4	5	N/A
I am satisfied with the outline for the investor guide	1	2	3	4	5	N/A
A policy brief will be beneficial	1	2	3	4	5	N/A
I am satisfied with the outline of the policy brief	1	2	3	4	5	N/A
DIRECTORY (Circle your response to each item)						
All relevant enterprises should be included in the private operators directory	1	2	3	4	5	N/A
All key private operators are included in the directory	1	2	3	4	5	N/A
OTHER (Circle your response to each item)						
My company will definitely be interested in climate finance mobilization	1	2	3	4	5	N/A
The contributions/inputs on the SWOT analysis were satisfying	1	2	3	4	5	N/A

Annex 7 – Template for SWOT Analysis

	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
1. REMA[1]				
2. MoE[2]				
3. FONERWA[3]				
4. Other public institutions (MINECOFIN, MINAGRI, RDB, MINICOM, etc.)				
5. Private sector[4]				
6. Civil society, International & national NGOs				
7. Financial institutions[5]				

[1] As GCF National Designated Authority (NDA)
[2] As GCF direct access entity (DAE) and as Adaptation Fund (AF) Designated Authority (DA) & AF Implementing Entity (IE)
[3] As a national green fund
[4] As a major player (investor, developer, implementer, etc.) in key climate sectors
[5] As current financier for climate projects and as potential candidates for GCF accreditation