National Climate and Nature Finance Strategy of Rwanda

2024-2030

CONTENTS

List of Figures

List of Boxes

List of Tables

Foreword

Rwanda's bold, strategic and citizen-centred approach to sustainable development has enabled the country to make significant progress over the past two decades. Sustaining and accelerating this growth in line with Vision 2050 requires significant investment in building the resilience of the country's economy, societies, and landscapes to external shocks, including those stemming from climate change.

To date, we have successfully brought climate change and environmental considerations into our national development agenda, by articulating the importance of these issues in various national and sectoral documents. And, as a result, the evolution of our climate and nature finance landscape has been marked by notable advancements over the past decade. These include the significant role that the Rwanda Green Fund has played in spearheading climate and nature finance mobilisation since 2012, alongside MoE and REMA who serve as designated national entities for the Green Climate Fund, the Global Environment Facility and the Adaptation Fund, all of which have enabled the implementation of multiple multi-million-dollar programmes across the country.

Building on these successes, the Government of Rwanda, together with development partners and the private sector, is investing significant effort in diversifying financing mechanisms and sources to ensure that our country's climate and nature objectives are effectively brought into the changing national and international landscape.

As we look to our next major milestone of achieving middle-income status by 2035, it is timeous to consider how the climate and nature landscape will evolve over the next decade, and how as a country we will match this evolution through appropriate national instruments, funding mechanisms and institutional arrangements.

In response to this, this Climate and Nature Finance Strategy (CFNS) has been developed to unlock investments at scale; leverage existing initiatives and instruments, and develop new ones; ensure public funds are being optimally utilised to deliver climate-resilient and nature-positive outcomes across sectors; and establish appropriate governance and coordination mechanisms to enable the required degree of cohesion and capacitation across stakeholders. This Strategy will also serve as a key driver for the preparation of a programmatic investment pipeline that will play a critical role in scaling up access to climate and nature finance – thus complementing existing efforts being undertaken by Rwanda Green Fund, the MoE, and MINECOFIN, amongst others.

The development of this Strategy could not have been achieved without extensive input from the diverse cross-section of national and international stakeholders involved in Rwanda's climate and nature finance ecosystem. Likewise, the implementation of this Strategy will require sustained, collaborative effort from a multitude of actors to achieve its desired objectives, and the Government of Rwanda remains grateful to all those who have been involved in this journey to date.
Rwanda is committed to ensuring that our economic advancements are achieved in a green, resilient, and socially just manner. And through this CFNS, we are set to mobilise the scale of investment required to attain our SDG, NDC, CBD, GGCRS and Vision 2050 commitments whilst serving as a regional and global leader in climate and nature finance.

Acknowledgements

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Overview of the Rwanda's Climate and Nature Finance Strategy

The Rwanda Climate and Nature Finance Strategy (CNFS) was developed by the Ministry of Finance and Economic Planning (MINECOFIN) in collaboration with other Government of Rwanda agencies, the private sector, and development partners. This Strategy covers the period from 2024 to 2030 and aims to green existing investments and make them more climate resilient. It provides a framework for making Rwanda's public and private sector investments more sustainable and unlocking new and additional investments to effectively mitigate and adapt to climate change and conserve its precious natural capital. The CNFS is aligned with the country's development vision and promotes targeted initiatives to expand the tax base, generate additional revenues for local and national governments, strengthen and diversify the economy, leverage existing initiatives and financial instruments, and develop new partnerships and market innovations. The CNFS capitalises on Rwanda's successful track record in accessing climate and nature finance and adaptive management capacity to navigate changing internal and external conditions. The CNFS highlights opportunities to scale climate and nature initiatives and deploy incentives to catalyse investments to include green elements. It identifies opportunities to leverage diverse funding sources, mobilize innovative financial mechanisms, and promote partnerships with various stakeholders, both domestically and internationally. A whole-of-government approach and collaborative engagement across society is needed to achieve its objectives.

Executive summary

Rwanda has successfully integrated climate change and environmental priorities into its national development agenda, aligning with key international agreements such as the Paris Agreement, Convention on Biological Diversity, the 2030 Agenda for Sustainable Development, Africa Agenda 2063, and other global and regional commitments. As Rwanda progresses towards achieving middle-income status by 2035, it recognizes the need to evolve its financing mechanisms, enhance private sector involvement, and attract increased foreign investment flows to effectively address climate and nature-related imperatives while ensuring sustainable economic growth. Rwanda is committed to ensuring that its economic advancements are accompanied by the promotion of good governance, competition, mobility, global integration, financial development, human capital, and sustainable infrastructure.

Building on Rwanda's significant progress in mobilising climate finance to date, there is a need to unlock innovative climate and nature -focussed financing mechanisms and scale-up private sector investments to support the country's regional and global competitiveness in the knowledge-based economy. The overall cost of implementing the Nationally Determined Contributions (NDCs) is estimated at USD 11 billion. According to the NDC implementation framework, financing has been secured to cover most implementation costs for the 2020–25 period, with the total secured finance amounting to US$4.5 billion. However, looking ahead, the overall financing gap is estimated at USD 6.5 billion for the entire 2020–30 period. Moreover, a Biodiversity Financial Needs Assessment (FNA) conducted in 2018 estimated that between USD 97.5 and 107.7 million is needed for the period 2019-2030 to finance Rwanda's biodiversity goals as per the National Biodiversity Strategy and Action Plan (NBSAP) commitments.

In light of the critical importance of diverse financing mechanisms and improved coordination and alignment, the Rwandan Ministry of Finance and Economic Planning (MINECOFIN) has led the development of a comprehensive Climate and Nature Finance Strategy (CNFS). This strategy complements and aligns with existing policies and sector-specific strategies, aiming to support a pivot towards whole-economy efforts that build on individual projects and donor-funded initiatives. The CNFS seeks to capitalize on Rwanda's success in accessing climate finance and considers how the country can evolve its approach to climate and nature resource mobilization amidst changing internal and external conditions. Its goal is to unlock investments that can expand the tax base, generate additional revenues for the local and national government, bolster the larger economy, leverage existing initiatives and instruments, and develop new ones, thereby ensuring efficient and effective use of public funds to attract growing volumes of philanthropic and private sources.

The establishment of a dedicated Climate Finance Department, alongside enhanced roles within MINECOFIN and amongst other key national entities and coordination mechanisms, presents a unique opportunity to streamline the identification of investment programmes, prioritisation, fund sourcing, coordination, management, and monitoring, and make recommendations on which policy instruments to use (taxes, duties, regulations etc) that influence availability of climate and nature finance. The aspiration is for the Climate Finance Department to take on the leadership role in guiding the implementation of CNFS, and thus have a comprehensive overview of the country's climate and nature finance landscape, as well as to improve coordination among government institutions, development partners, and the private sector. . The establishment of this new Department aims to harness the existing institutional mechanisms, including the Rwanda Green Fund, the Ministry of Environment, and others, to drive green growth across various sectors. As such, it is anticipated that the implementation of this CFNS will not only unlock the full potential of the economy but also empower entities to adopt agility, enabling them to swiftly capitalise on diverse climate and nature resourcing opportunities.

1 Introduction

1.1 NATIONAL CLIMATE AND NATURE STRATEGIC AND POLICY CONTEXT

Rwanda's 2050 aspirations and Green Agenda

Rwanda has embedded climate change and environmental priorities into its national development agenda, aligning with the Paris Agreement, Convention on Biological Diversity, the 2030 Agenda for Sustainable Development, Africa Agenda 2063, and other global and regional commitments.

Rwanda's Vision 2050 sets ambitious goals for the country to become a middle-income economy by 2035 and a climate-resilient, carbon-neutral high-income economy by 2050. The first National Strategy for Transformation (NST-1) and NST-2 align with the Sustainable Development Goals and prioritises climate change and the environment across sectors. This approach is reflected in the annual national budget, focusing on economic recovery, climate change mitigation and adaptation, and productive sector enhancement. The 2023 National Investment Policy (NIP) supports the implementation of NST-2 and aligns with Vision 2050, the updated Nationally Determined Contributions (NDCs), the revised Green Growth and Climate Resilience Strategy (GGCRS), and the National Biodiversity Strategy and Action Plan (NBSAP) – integrating environmental, social, and governance considerations. The revised GGCRS provides the framework for achieving carbon neutrality and climate resilience through mitigation, adaptation, and green growth initiatives by 2050, and is underpinned by the policy imperatives set out in the National Environment and Climate Change Policy (NECCP).

As Rwanda advances towards attaining middle-income status by 2035, it must evolve its financing mechanisms, foster greater private sector involvement, and attract increased foreign investment flows to effectively address its climate and nature-related imperatives while achieving sustainable economic growth. Rwanda is committed to ensuring its economic advancements are inseparable from promoting good governance, competition, mobility, global integration, financial development, human capital and sustainable infrastructure.

Rwanda's breakthroughs in mobilising climate and nature finance

Rwanda is dedicated to tackling the pressing challenges of climate change, nature, and biodiversity. Since the 1990s, the country has forged ahead on a path towards sustainable development, achieving remarkable progress. Noteworthy socioeconomic growth, averaging 7.7% annually between 2004 and 2019, has driven advancements across human development indicators, including the average GDP per capita growth of 4,981 (World Bank, 2024). At the same time, Rwanda has closed about 70% of its gender gap and is ranked 2nd in Africa in terms of progress in gender parity (World Economic Forum, 2023).

The establishment of Rwanda's Green Fund (FONERWA) in 2012, played a crucial role in mobilising and deploying climate and nature finance, reaching USD 300 million by 2024 (WB, 2024). Most recently, Rwanda has made historical breakthroughs in shaping its national climate and sustainable development finance agenda through the introduction of innovative financing solutions such as the IREME Invest Facility, Intego Facility and Sustainability-Linked Bond (SLB), the announcement of the Green Taxonomy, Carbon Market Framework, as well as being the first country in Africa participating in the International Monetary Fund's Sustainability and Resilience Facility (RSF) (Figure 1). Since 2021, Rwanda has played a pivotal role in the Taskforce on Access to Climate Finance, aiming to deliver measurable changes in access to climate-compatible investments. The Taskforce emphasises a shift from projects to programmes, aligning climate finance with national plans in collaboration with climate finance providers. Rwanda is among five pioneer countries, that are at the forefront of this approach, with principles and recommendations published at COP26.

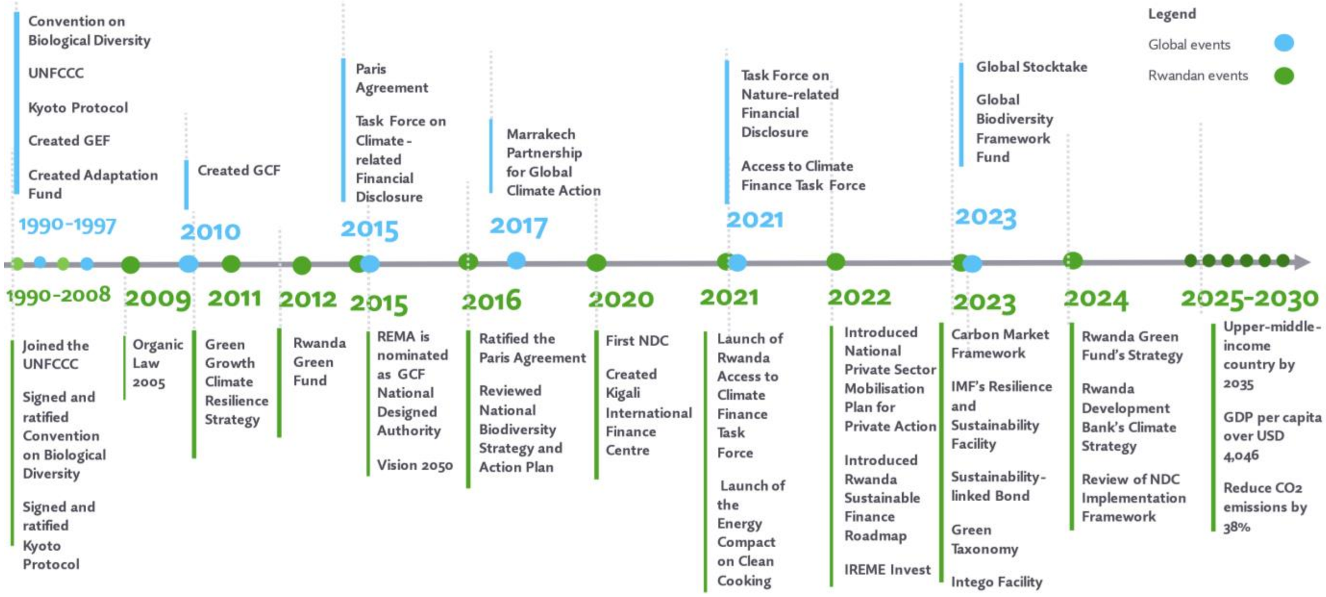

Figure 1: Rwanda's breakthroughs in climate and nature financing

Despite Rwanda's significant progress in mobilising climate finance, it needs to unlock innovation and private sector investments to enable it to compete regionally and globally in the knowledge-based economy.

1.2 RWANDA'S CLIMATE AND NATURE FINANCE NEEDS AND TRENDS

Climate and nature finance needs

Rwanda's updated NDCs delineate the financial demands for implementing both adaptation and mitigation measures until 2030, amounting to approximately USD 11 billion. Of this, 40% is earmarked for unconditional measures funded domestically, while the remaining 60% relies on external financing support. According to the NDC implementation framework, financing has been secured to cover most implementation costs for the 2020–25 period, with the total secured finance amounting to US$4.5 billion. Looking ahead, the overall financing gap is estimated at US$6.5 billion for the entire 2020–30 period (IMF, 2023).

The revised GGCRS underscores the need for an annual investment of USD 2 billion, with about USD 700 million sourced from government budgets[1]. This allocation mirrors the 60:40 split observed in the NDCs between conditional and unconditional funding. However, the Country Climate and Development Report (CCDR) for Rwanda highlights a challenge, noting that the required spending level under the updated NDCs exceeds inflows of official development assistance (ODA) and foreign direct investment (FDI) recorded and projected between 2015 and 2030, as well as a significant portion of domestic revenue collection and public investment spending during the same period.

Moreover, a Biodiversity Financial Needs Assessment (FNA) conducted in 2018 estimated that between USD 97.5 and 107.7 million is needed for the period 2019-2030 to finance Rwanda's biodiversity goals as per the National Biodiversity Strategy and Action Plan (NBSAP) commitments.

Climate and nature finance trends

On average, approximately 5.4% of public expenditure is allocated to environmental and climate change sectors, with a higher concentration on climate adaptation and environmental programmes. This translates to an estimated USD 217.6 million per annum based on the 2023/2024 national budget, reflecting a substantial increase from the 2.1% recorded in the

1 This amount encompasses the funding required for all conditional and unconditional NDC measures up to 2030.

period 2008-2012. This demonstrates the government's dedication to green growth and climate resilience, acknowledging the cross-cutting nature of environmental and climate change issues.

In 2021, Rwanda received a total of USD 636.4 million in climate-related development finance commitments, with 52% allocated for adaptation and 48% for mitigation efforts. Most climate-related commitments (88%) were concessional and developmental, while non-concessional sources accounted for 9% and private concessional[2] for just 4%. Concessional and developmental funding primarily supported mitigation measures, while non-concessional and private concessional sources were directed towards adaptation (OECD, 2023).

Private sector investment in climate and nature initiatives has not been extensively reported. However, given the sector contributed USD 2.1 billion in investment in 2022 (15.8% GDP), including USD 399 million in FDI, its potential role as a source of finance is promising. Rwanda's private sector spans various sectors and possesses extensive reach, suggesting its capacity to contribute significantly to climate and nature-related financing efforts.

Looking ahead, Rwanda will need to move towards making all investment programs low carbon, climate resilient and nature positive. It will also need to ensure increased public and private sector allocation for – and reporting on - climate and nature, alongside innovative and strategic utilisation of concessional finance, considering that as Rwanda progresses towards middle-income status, there may be a decrease in concessional finance availability.

1.3 KEY CONSIDERATIONS IN MOBILISING CLIMATE AND NATURE FINANCE

Advances in the institutional landscape in climate and nature finance mobilisation

Rwanda's institutional landscape in climate and nature finance is notably advanced, exemplifying the country's commitment to effectively mobilising and leveraging finance to support climate action and fostering a transition towards a green economy. However, amidst these commendable efforts, it becomes increasingly apparent that coordination and oversight are crucial for ensuring the optimal utilisation of resources and maximising impact. The establishment of a new Climate Finance Department within MINECOFIN underscores Rwanda's commitment to enhancing coordination mechanisms and strengthening oversight in climate and nature finance. This strategic move is poised to facilitate streamlined decision-making processes, improve resource allocation efficiency, and ultimately propel Rwanda towards greening the investment at the whole of the economy scale.

Sustainability

The sustainability of green investment projects is fundamental to advancing the climate and nature finance landscape. This concept embraces a holistic approach, to increase resilience, reduce carbon emissions, protect nature, and simultaneously achieve economic viability and social equity.

Implications for Rwanda's National Fiscus

In line with greening the development objectives, an increasing portion of Rwanda's fiscal allocation must be climate-resilient and nature-positive. To tackle this challenge, Rwanda needs to integrate environmental impact, climate risk, natural capital, and lifecycle cost analysis into all investment decisions (considering climate-related risks and opportunities), and diversify its financing sources, by increasing engagement with philanthropies, development finance institutions, and the private sector. Careful selection of financial instruments is paramount to efficiently attract and leverage diverse funding sources. At the same time, Rwanda is cognizant of the economic sectors that would need support and is committed to ensuring that its transition to a middle-income country is just as well as providing the required social safety net for a growing

[2] Private concessional includes funds mobilised by philanthropic sources (OECD, 2023)

population. As part of this transition, Rwanda will aim to reduce its reliance on ODA and increase revenue mobilisation from a growing tax base and other sources.

An assessment of macroeconomic conditions and sovereign debt efforts underscores Rwanda's constrained fiscal space, which is expected to tighten in the coming years. National fiscal needs must be met, whilst maintaining stable debt levels. Financing avenues, particularly those heavily reliant on new sovereign-backed debt should be approached with caution. Emphasis should be placed on instruments facilitating the judicious use of public funds to attract philanthropic and private sources (e.g. blended finance or carbon credits), as well as transforming economic sectors toward providing higher skilled service jobs (e.g. moving the economy away from subsistence agriculture towards collective action and higher skilled service jobs, where Rwanda can support national demands but also serve as a hub for the region/globally).

Boosting private sector readiness to invest in climate and nature

Investment by Rwanda's private sector is estimated at US$1,15 billion per annum, of which it is estimated that US$ 0,11 billion relates to climate and nature[3] (World Bank, 2024). This represents a significant yet underutilised source of financing for Rwanda's climate and nature objectives. Despite efforts to bolster private sector investment, the growth has been sluggish, with investments expanding marginally from 12.7% to 15.8% of GDP between 2007 and 2022. In contrast, public sector investment surged from 5% to 13.8% of GDP during the same period (World Bank, 2024). While government and agencies like the Rwandan Development Board (RDB) have initiated measures to enhance private sector investment and attract FDI, these initiatives have not been explicitly geared towards climate and nature. Thus, directing investments towards these endeavours presents an opportunity to leverage private sector resources and attract FDI.

The recent introduction of financial instruments and facilities, such as IREME Invest and the Green Taxonomy, provide a robust foundation for private sector programmes seeking access to climate finance. Nevertheless, there is a misalignment between the private sector's ability to formulate financially viable projects, while integrating with Environmental, Social, and Governance (ESG) criteria required to access concessional sources of finance. At the same time, developing projects that are financially attractive to a range of private investors, whilst meeting climate and nature objectives also remains a challenge. The potential to leverage programmatic investment planning to target private sector financed interventions should be explored.

There is, therefore, a need to provide technical and financial support aimed at enhancing the private sector's ability to develop bankable programmes and investments with attractive returns that are aligned with climate and nature objectives is crucial.

Proof of concept approach

Existing financial instruments and facilities in Rwanda, such as IREME Invest, Intego and the SLB, provide a foundation for accessing funds to support the country's development objectives. The issuance of Rwanda's SLB represents a significant achievement, showcasing the country's commitment to innovative financing mechanisms. However, its bankability was contingent on concessionality, suggesting challenges in replicating similar instruments in the future. Nonetheless, the bond

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[3] Calculation based on the following:

1. Public sector expenditure of climate and nature (C&N): US$ 0,21 billion = US$ 3,97 billion x 5,4% [(national expenditures 2023/24) (MINECOFIN,2023) x (% national expenditures on C&N) (REMA,2022)]

2.Privat sector investment in USD billion: US$1,15 billion = 8,43% x US$ 13,7 billion [private sector investment % GDP x GDP 2024 (WB RWA_DSA, 2024)

3. Public sector investment in US$ billion: US$ 2,19 billion = 16,02% x US$ 13,7 billion [private sector investment % GDP x GDP 2024 (WB RWA_DSA, 2024)

4. Ratio of public to private sector investment = 0.66:0.34 [above variables used]

5. Assumed ratio of private to public investment remains the same for investment in climate and nature. Therefore private expenditure on C&N: US$ 0,11 billion = (US$ 2,19 / 0,66) x 34% [(public sector investment in C&N /(proportional share of public to private investment) x proportional share of private sector investment.

issuance serves as a valuable learning experience for the banking sector, establishing a framework for future instruments with similar structures and objectives, as well as positioning Rwanda as an innovation hub for new climate and nature financing approaches, to springboard into the broader region.

Programmatic approach to climate and nature investment planning and alignment to the GGCRS' Programmes of Actions

Rwanda has acknowledged the value of adopting programmatic approaches to bolster its development trajectory. Such an approach involves strategically linking long-term programmes to achieve large-scale impacts on the global environment, particularly leading on quality and per/capita type metrics and endemic species. By embracing this method, Rwanda stands to benefit from synergistic outcomes, enhancing country ownership, fostering the integration of global environmental concerns into decision-making processes, and increasing opportunities for co-financing from diverse sources, as well as streamlining implementation arrangements, facilitating co-financing of priority investments, and application of continuous learning and adaptive management. Building upon the project-based activities that Rwanda Green Fund's investments are beginning to transition into programmatic approaches holds promising advantages for Rwanda's Climate-Smart Agriculture (CSA), Sustainable Urbanisation, and Sustainable Landscape Management (SLM) investment plans.

Financial instruments must align with the strategic interventions outlined in the revised GGCRS' Programmes of Action (PoAs). Each PoA and strategic intervention under the GGCRS demands tailored financing solutions to meet its specific investment requirements and cash flow dynamics, as well as links to public and private investment.

Short, medium, and long-term appropriateness

Rwanda's transition to middle-income status by 2035 raises questions about the availability of concessional finance and ODA. As Rwanda progresses, there is a need to ensure that financial instruments align with its changing eligibility for concessional funding, as well as unleashing the power of its citizens and new enterprises to drive innovative solutions, inclusive business models, and reduced reliance on public resources and development aid.

Assessing financial instruments across short-, medium-, and long-term horizons is crucial to align with Rwanda's evolving development trajectory. The CNFS must be agile and adapt to shifting priorities, including a transition from debt-type instruments to self-sustaining mechanisms as Rwanda progresses towards higher income status.

Expediency and affordability

Consideration of the complexity and cost-effectiveness of financial instruments is essential. While certain instruments may offer long-term benefits, their implementation costs and reliance on concessional finance must be carefully evaluated to ensure feasibility and affordability.

A nuanced approach to selecting financial instruments is essential to support Rwanda's climate and nature aspirations effectively. By considering factors such as fiscal implications, alignment with development goals, and affordability, Rwanda can develop tailored financial strategies that align with its evolving economic landscape and long-term aspirations.

Global trends in climate and nature financing

Rwanda must remain cognizant of global trends shaping the financial landscape, notably the growing significance of ESG criteria in investment planning. Initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Task Force on Nature-related Financial Disclosures (TNFD) are gaining traction, emphasising the importance of incorporating climate and nature considerations, such as risks, opportunities and disclosure, into financial decision-making. Additionally, the evolving developments in the bioeconomy underscore the need for Rwanda to stay abreast of advancements in sustainable and resource-efficient economic models, ensuring alignment with international best practices and emerging opportunities.

Domestication

Rwanda is aware of the vital role of domestic capital formation in stimulating economic growth and development. By fostering the cultivation of savings and investments within its borders, the country aims to strengthen its internal financial resource base. This approach reduces vulnerability to external economic shocks, enhances Rwanda's ability to navigate global economic challenges effectively and contributes to the development of a robust domestic financial ecosystem.

Innovation and regional hub

Support the Kigali International Financial Centre (KIFC)/Rwanda Finance Limited (RFL) in advancing Rwanda's position as a premier financial hub for international investment and cross-border transactions within Africa. Their primary objective is to cultivate Rwanda as a centre for sustainable finance, attracting global capital to support green and sustainable finance initiatives at local and regional levels.

Opportunities for developing bioeconomy

Rwanda can seize the opportunities of the bioeconomy and circular economy[4] by investing in research, innovation, and infrastructure to harness the potential of biological resources sustainably. This involves promoting the development of bio-based industries such as agriculture, forestry, biotechnology, and renewable energy while prioritising environmental conservation and biodiversity.

By leveraging bioeconomy and circular initiatives, Rwanda can create new jobs, enhance economic growth, reduce dependency on fossil fuels, contribute to mitigating climate change and improve human well-being.

Climate finance for a just transition

While some segments of the Rwandan population are already experiencing the negative impacts of climate change, others may face adverse effects from both adaptation and mitigation measures. By making inclusion one of its core principles, the CNFS aims to facilitate a socially just transition, with due consideration placed on understanding the impacts of climate finance interventions on different groups of society.

1.4 INTENT OF THE CLIMATE AND NATURE FINANCE STRATEGY

Role of the Climate and Nature Finance Strategy in the existing policy landscape

Recognising the critical importance of diverse financing mechanisms and improved coordination and alignment, the Rwandan Ministry of Finance and Economic Planning (MINECOFIN) has spearheaded the development of a comprehensive Climate and Nature Finance Strategy (CNFS) that complements and is aligned with existing policies and sector-specific strategies but is designed to support a pivot towards the whole of economy efforts that build on individual projects and donor-funded initiatives.

This CNFS aims to capitalise on the success of Rwanda's journey and its competitive advantage in accessing climate finance to consider how the country can evolve its approach to climate and nature resource mobilisation considering changing internal and external conditions. This intends to unlock investments that can grow the tax base and generate additional revenues for local and national government, build the larger economy, leverage existing initiatives and instruments, and develop new ones, to provide an efficient and effective use of public funds to crowd in growing volumes of philanthropic and private sources.

4 The bioeconomy can be defined as the production, utilisation, conservation, and regeneration of biological resources, including related knowledge, science, technology, and innovation, to provide sustainable solutions (information, products, processes and services) within and across all economic sectors and enable a transformation to a sustainable economy (FAO, 2023). The circular economy entails markets that give incentives to reusing products, rather than scrapping them and then extracting new resources. Bioeconomy emphasises mainly on raw material and production phases although this may include recycled material as well. The circular economy aims at reducing the use of natural resources and designing products to last long and be recyclable (SEEA, 2017)

The CNFS's role in the national policy and strategic landscape is to address the need for resource mobilisation at scale to finance Rwanda's climate and nature-related development objectives by 2030. **The CNFS does not supersede/replace any existing strategies and policies. It serves as a complementary, enabler of Rwanda's existing policy and strategic framework.** Through the CNFS, Rwanda endeavours to foster increased coordination and complementarity among climate and nature financing initiatives, laying the groundwork for a sustainable and resilient future. Primarily, the CNFS will aim to mobilise resources necessary to finance the climate adaptation, mitigation and development needs stated in Rwanda's GGCRS (including the updated Nationally Determined Contributions), which are informed by key national macro-economic policies, including the Vision 2050, National Strategy for Transformation and National Investment Policy, as well as the nature finance-related policies, including the National Biodiversity Strategy and Action Plan (Figure 2).

Figure 2: CNFS's positioning within Rwanda's climate and nature policy landscape

Establishment of a dedicated Climate Finance Department[5] within MINECOFIN

The establishment of a dedicated Climate Finance Department, alongside enhanced roles within MINECOFIN, presents a unique opportunity to streamline the identification of investment programmes, prioritisation, fund sourcing, coordination, management, and monitoring, as well as making recommendations on which policy instruments to use (taxes, duties, regulations etc) that influence availability of climate finance. The aspiration is for it to have a comprehensive overview of the climate and nature finance landscape, as well as to improve coordination among government institutions, development partners, and the private sector. It will aim to effectively contribute to and optimise the established system, ensuring efficient utilisation of resources and maximising the impact of climate and nature financing efforts. The Department will take the leadership role in guiding the implementation of CNFS. The establishment of this new Department aims to harness the existing institutional mechanisms, including the Rwanda Green Fund, the Ministry of Environment, and others, to drive green growth across various sectors. This initiative not only unlocks the full potential of the economy but also empowers entities to adopt agility, enabling them to swiftly capitalise on diverse resourcing opportunities.

5 Year 63 Official Gazette n° Special of 08/02/2024

2 Overview of Climate and Nature Finance Strategy

2.1 STRATEGY FRAMEWORK

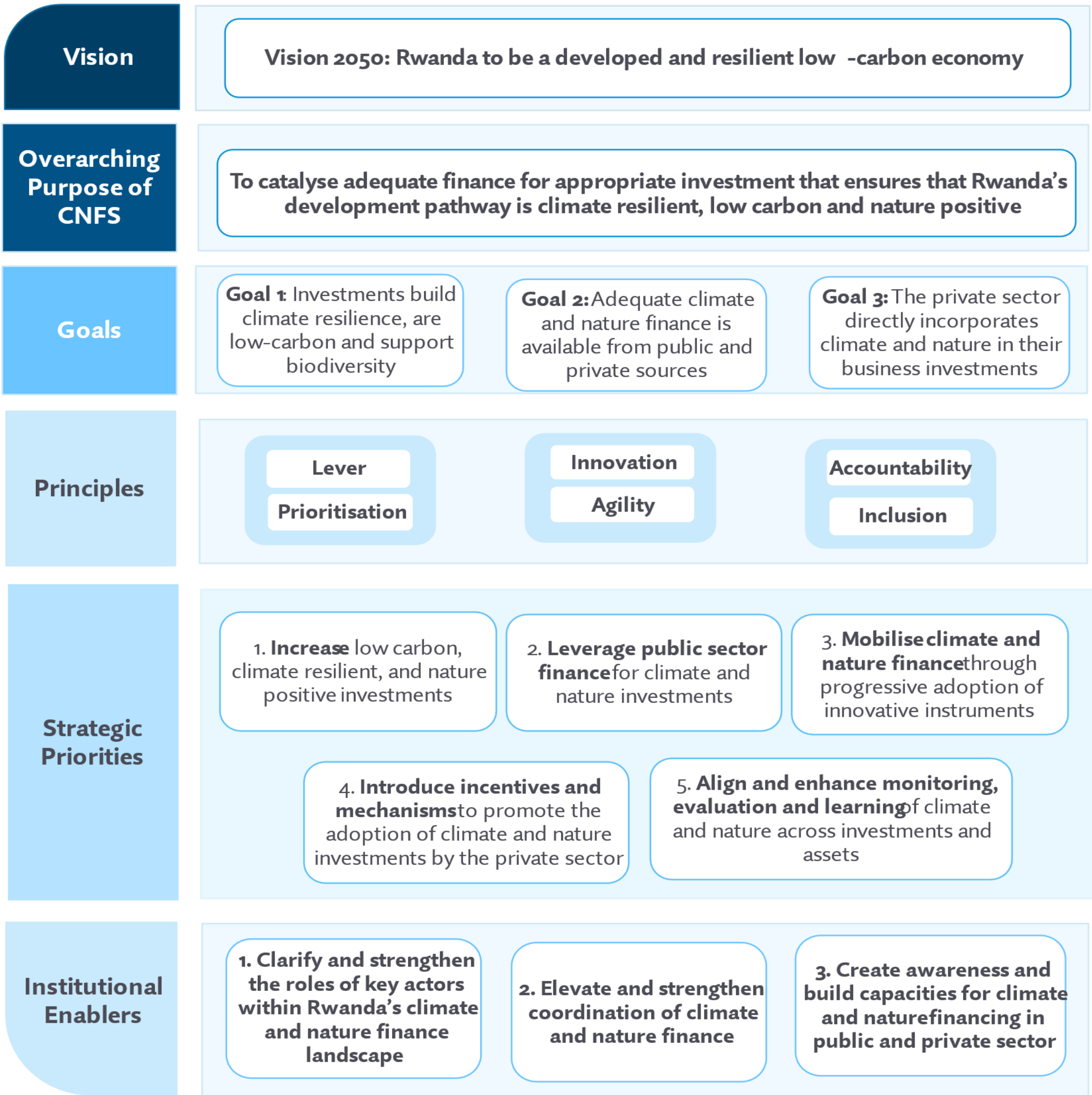

Figure 3: CNFS Strategic Framework

2.2 VISION & OVERARCHING PURPOSE

VISION 2050: Rwanda to be a developed and resilient low-carbon economy. Vision 2050 aims to transform Rwanda into an upper middle-income country by 2035 and a high-income country by 2050, while simultaneously fostering a carbon-neutral and climate-resilient economy. As part of this vision, Rwanda aims to reduce emissions by 38% compared to business as usual by 2030. The CNFS will play a pivotal role in providing strategic solutions for mobilising and scaling finance to achieve this ambitious development trajectory.

Overarching Purpose of CNFS: To catalyse adequate finance for appropriate investment to ensure that Rwanda's development pathway is climate resilient, low carbon and nature positive. The purpose of Rwanda's CNFS is to both green investment by the public and private sectors and enable the effective mobilisation of substantial financial resources dedicated to addressing climate change and conserving biodiversity in alignment with the country's development vision. This involves scaling investment in specific climate and nature initiatives, as well as incentivising other development investments to include green dimensions. It also requires the country to leverage diverse funding sources, foster innovative financial mechanisms, and promote partnerships with various stakeholders, both domestically and internationally.

Timeline: 2024 – 2030. The CNFS spans from 2024 to 2030, with flexibility for review. Aligned with Rwanda's NDC and the initial phase of the revised GGCRS, it is set to synchronise with NST-2 for coherence. While initially for six years, it is structured to extend beyond 2030, aligning with further GGCRS revisions and Vision 2050.

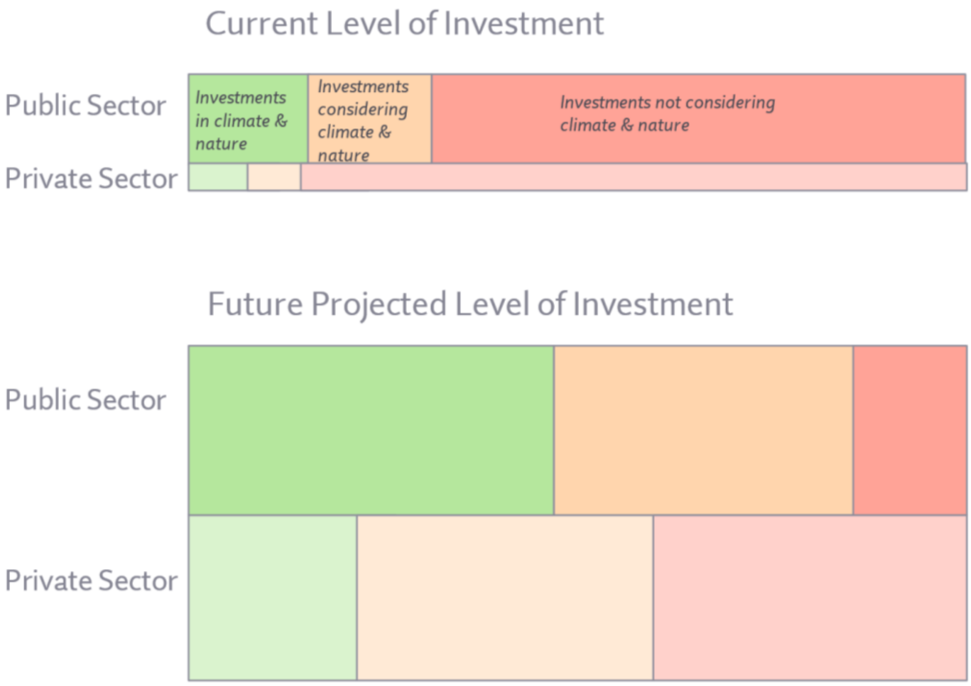

Figure 4: Graphical representation of the purpose and goals of the CNFS

Figure 4 provides a graphical depiction of the elements required to achieve this purpose over the next decade. Current investment levels by the public and private sectors are represented, indicating the distinction between investments specifically addressing climate mitigation, adaptation or biodiversity (in green), investments that address climate change or biodiversity in their design (in orange) and investments that do not explicitly consider climate or nature. Currently in 2024, a relatively small portion of all investments are in the first two categories, but as indicated in the representation of projected future investment, this portion increases substantially by both the public and private sectors. Currently, the majority of all financing for this investment is through ODA (including concessional finance) with lesser portions directly from the fiscus and capital markets.

Furthermore, the total investment is currently dominated by the public sector because investment by the private sector is still nascent in Rwanda; the portion of private sector investment that addresses climate or nature lags behind the public sector which is already driving a green agenda in line with the Vision 2050 and GGCRS. As the economy grows and the private sector emerges more strongly, it is expected that the total investment will increase with a significant emphasis on the private sector. As Rwanda transitions towards middle income status, the percentage of ODA available for financing this investment is likely to decline, requiring increased allocations from the fiscus, as well as increased leveraging of financial markets and private sector capital.

2.3 GOALS

The CNFS Goals reflect the intent highlighted above, namely increase green investment by the public sector, catalyse additional sources of finance for climate and nature, and scale green private sector investment.

Goal 1: Investments build climate resilience, are low carbon and support biodiversity. Goal 1 focuses on the expansion of green public sector investments and the inclusion of climate and nature dimensions in other development investments, achieved by enabling and incentivising investments that enhance climate adaptation, and low-carbon development and promote positive outcomes for nature conservation and biodiversity.

Goal 2: Adequate climate and nature finance is available from public and private sources. Goal 2 centres on scaling, mobilising, and accessing climate and nature finance from both public and private sources to enable this green investment. It seeks to leverage diverse funding mechanisms and partnerships to secure the necessary resources for implementing climate and nature-related initiatives and investments for both the public and private sectors.

Goal 3: The private sector directly incorporates climate and nature in their business investments. Goal 3 aims to catalyse and scale up private sector-driven programmes and investments in climate and nature, both in green initiatives and by greening their normal business developments and operations. By fostering collaboration between the public, private sectors and philanthropic groups, and implementing supportive policies and incentives, this goal seeks to unlock the potential of private investment to drive climate and nature-positive outcomes.

2.4 PRINCIPLES

Prioritisation. Prioritising within this CNFS involves allocating resources towards initiatives that are climate-resilient and nature-positive, repurposing it towards productive investments that are green, carbon neutral and climate resilient as well as reviewing investments that are harmful to nature (fossil fuel subsidies, supporting polluting industries etc.) It entails exploring synergies and promoting joint investments that are larger and can attract private sector and other partners. It is essential to align all environmental, climate change, and sustainable development initiatives under a cohesive national strategy. This involves ensuring that policies, strategies, and actions are not only interconnected but also directly contribute to Rwanda’s ambitions for a green, resilient economy. Integrating these efforts will provide clear direction and foster synergies across various sectors and stakeholders.

Leverage. Leverage, as a principle for this CNFS, involves harnessing existing successes and breakthroughs to amplify impact and attract further investment. It implies considering use of limited public resources to pay for outcomes or provide limited guarantees for private investments (i.e., results-based financing, etc.). Building on achievements such as the establishment and longevity as well as progressive and adaptable legal instrument and mandate of the Rwanda Green Fund, Rwanda's eligibility for the IMF's RSF, and the issuance of its inaugural SLB, the CNFS aims to capitalise on these foundations to unlock additional financial resources, foster innovative partnerships, and catalyse transformative initiatives that advance climate resilience, nature and biodiversity conservation.

Innovation. Innovation within this CNFS encompasses the exploration and implementation of novel financing mechanisms to unlock diverse funding sources, mobilise resources at scale and catalyse the private sector. It involves adopting innovative approaches to resource mobilisation, such as leveraging public-private partnerships (PPPs) or exploring nature-based solutions, to catalyse investments in climate resilience and biodiversity conservation. This requires a deliberate effort to create a conducive environment for private sector engagement, including regulatory frameworks and incentives that encourage investment in green and resilient infrastructure. It is important to incentivise green and resilient investments through both financial and non-financial measures. This includes revisiting and potentially repurposing existing subsidies and fiscal policies to support sustainable practices and discourage environmentally harmful activities. Developing a clear framework for incentives will be key to mobilizing both domestic and international investments. Additionally, innovation extends to advancing regional innovation, adopting new monitoring, evaluation and learning techniques, utilising technologies like satellite imagery or blockchain, and enhanced digitalisation issuing new financial instruments and bringing in new participants to the formal economy.

Agility. Agility within the CNFS encompasses the capacity to envision what is required and clearly identify areas where development partners and the private sector can contribute to solutions. It also involves the ability to swiftly respond and adapt to evolving environmental, economic, and social conditions. This requires leveraging dynamic approaches, flexible mechanisms, and continuous learning to optimize resource allocation, seize emerging opportunities, and effectively address shifting challenges. Embracing agile adaptation enables the CNFS to remain responsive, resilient, and relevant over time, fostering innovation and maximizing impact amidst uncertainties. Establishing robust mechanisms for monitoring, evaluation, and learning is crucial to assess the impact of strategies and policies, identify areas for improvement, and adapt to changing circumstances. This will enable Rwanda to continuously refine its approach to sustainability and climate resilience, ensuring that strategies remain relevant and effective over time.

Inclusion. Inclusion within this CNFS emphasises the active involvement and equitable representation of both women and men, youth, and local communities. It involves ensuring their meaningful participation in decision-making processes, equitable access to resources, and opportunities for capacity building and empowerment. By prioritising inclusion, the CNFS aims to address systemic inequalities, enhance resilience, and foster ownership, local participation, and sustainability in climate and nature initiatives, ultimately leading to more effective and socially just outcomes and sharing of benefits. Ensuring the involvement of all relevant stakeholders, including the private sector, civil society, and communities, in the planning, implementation, and monitoring of sustainability strategies is crucial. This inclusive approach will ensure broader buy-in, leverage diverse expertise, and foster innovative solutions to complex challenges.

Accountability. Accountability within this CNFS involves good governance to promote clear lines of responsibility in line with respective mandates, informed and efficient decision-making, and transparent tracking and reporting on the allocation and utilisation of financial resources. It necessitates establishing clear mechanisms for oversight, evaluation, and stakeholder engagement to ensure that investments are directed effectively. Embracing accountability fosters trust, promotes responsible stewardship of funds and enhances the credibility and effectiveness of the CNFS in addressing climate and biodiversity challenges. Effective implementation of strategies and policies necessitates strong institutional capacities. Strengthening the capacities of government institutions, financial intermediaries, and the private sector is vital for the operationalization of strategies like the Green Taxonomy. Training, awareness-raising, and technical support are crucial to ensure these stakeholders can effectively contribute to achieving the set objectives.

3 Strategic Priorities

The five Strategic Priorities outlined below, along with their key activities, constitute the essence of Rwanda's strategic intent to accomplish the stated purpose and goals of this CFNS. The activities within the five Strategic Priorities can be harnessed to stimulate climate and nature-positive investment in Rwanda through *(i) Shifting capital via strategic national government policies and programs, (ii) Leveraging public funding (grants and concessional debt), (iii) Embracing innovative investment instruments, (iv) Introducing incentives aimed at promoting private investment, and (v) Improving the monitoring and evaluation of climate and nature-related investments and assets.* The applicability to a type of finance is mapped as follows: Nature finance, Adaptation finance, and Mitigation finance.

3.1 INCREASING LOW-CARBON, CLIMATE-RESILIENT, AND NATURE-POSITIVE INVESTMENTS

Strategic Priority 1 entails increasing public and private investments in climate-resilient, low-carbon technologies and practices, while also promoting initiatives that contribute to the conservation and restoration of nature. *By prioritising such investments, Rwanda aims to foster a greener and more sustainable economy, mitigating climate risks and preserving biodiversity for future generations.*

3.1.1 Align relevant policies to enable climate and nature investment

Rwanda has developed a robust strategy and policy landscape to accelerate climate action and enhance environmental protection. This is reflected in its efforts **to ensure complementarity and alignment between climate and nature-related policies and strategy documents,** as well as establish an implementation framework that allows for programmatic delivery of resilient and green development extending beyond traditional, sector-siloed approaches. To further direct these efforts, the following actions will be taken:

I. Conduct a comprehensive review of existing policies and strategies related to climate and nature to identify areas requiring more complementarity. With climate and nature increasingly recognised as interrelated areas of development, there is value in clearly determining and formalising connections between the NBSAP and GGCRS and their collective linkages; especially in light of the CNFS, which acknowledges the intersectionality of climate and nature-related risks, opportunities and investments.

II. Propose and implement policy amendments or revisions to ensure enhanced coherence and alignment with overarching climate and nature objectives and investments. This could involve:

   i. Incorporating the necessary flexibility for new policies and strategies, including the National Strategy for Transformation – 2 (NST2), and National Disaster Risk Financing Strategy, to accommodate the pace of advancing climate and environmental science and the impact of external shocks on the economy.
   ii. Amending policies with detailed, shorter-term planning horizons (e.g., 2030), with the option of updating and extending them to align with broader national processes such as the forthcoming NST-2, alignment with reviews of mid-term and longer-term strategies such as revisions to GGCRS.

III. Ensure agility of the policy and strategy landscape by implementing regular monitoring and evaluation mechanisms to track progress and make adjustments needed.

3.1.2 Operationalise the Green Taxonomy

Rwanda announced its new Green Taxonomy at COP28, demonstrating its commitment and ambition to defining sustainability criteria and fostering shared understanding and trust regarding what constitutes a green investment. The introduction of a Green Taxonomy provides an opportunity to augment the pool of viable private sector projects and align them more effectively with existing frameworks, thus facilitating improved access to financing. **To effectively implement the Green Taxonomy in Rwanda, a combination of regulatory adoption in the medium term and non-regulatory measures in the short term is recommended.** The measures to ensure the effective implementation of the Green Taxonomy are as follows:

I. Develop comprehensive implementation guidelines for the Green Taxonomy, ensuring seamless alignment with IREME Invest, and the investment methodology of the Rwanda Green Fund.

II. Conduct robust training and capacity-building sessions on the Green Taxonomy for government agencies and private sector stakeholders to enhance understanding and facilitate the effective implementation of pilot projects.

III. Embed Green Taxonomy criteria into policies and regulations. This includes integrating them into disclosure regulations for sustainable reporting, procurement processes, public investment management (e.g., Climate Budget Tagging), and establishing criteria for labelling green or sustainable financial products.

IV. Strengthen regulatory compliance with the Green Taxonomy through proactive measures such as implementing Green Building Codes and Energy Efficiency Strategies.

3.1.3 Promote an integrative portfolio approach to investment planning

Rwanda is committed to a **transition from a project-based investment approach to an integrative portfolio approach in mobilising and managing climate and nature finance**. The prioritisation of four investment programmes within the revised GGCRS, as well as a pledge to incorporate climate change into the public investment cycle made in NIP, exemplifies such commitment. Notably, with commendable efforts from the Rwanda Green Fund working closely with other agencies and partners to develop a programmatic approach, Rwanda is advancing this investment model. To sustain and enhance the success of the integrative portfolio approach, attention will be directed towards the following:

I. National stakeholders engaged in executing the climate and nature agenda will leverage existing PoAs within the GGCRS to establish structured project pipelines focused on climate change and nature. These pipelines should attract programmatic-scale funding and deliver impactful outcomes in a coordinated manner.

II. The Rwanda Green Fund will play a pivotal role in sharing its expertise and lessons learned in adopting a programmatic approach to investment planning.

III. Embedding climate and nature considerations into all government investment decisions is imperative through robust mechanisms such as Climate Budget Tagging, Environmental Impact Assessments, Climate Risk Assessments, Natural Capital Accounting, and Lifecycle Analyses.

IV. Replicating the public sector's experience in integrative portfolio planning will be encouraged among other stakeholders, including investors and external funders. MINECOFIN will take an action-oriented oversight role and together with other key entities involved in climate and nature finance will actively promote and incentivise this behaviour.

3.1.4 Allocate adequate resources to sustain natural assets and catalyse bioeconomy

Rwanda is dedicated **to ensuring that its investment decisions are grounded in reliable data concerning the current state of its natural assets**. To this end, the Natural Capital Accounting (NCA) framework[6] consolidates information on resource stocks and flows, utilisation patterns, scarcities, and potentials. At the same time, **opportunities to leverage Rwanda's natural assets are presented through advancement in circular and bioeconomy**. To capitalise on these opportunities, the following actions will be taken by MINECOFIN, MoE and the National Institute of Statistics:

I. NCA data will be integrated into the System of National Accounts, and regularly updated to assess the status of natural assets and identify hotspots accurately. It is imperative that stakeholders within the economic planning sector actively utilise this data to pinpoint priority areas for investment.

II. MINECOFIN and MoE will collaborate and research practical steps to apply circular and bioeconomy principles in natural resource management. Emphasis will be placed on maintaining the integrity of ecosystems while pursuing economic gains.

III. MINECOFIN, in partnership with MoE, will explore opportunities for engaging with local communities, businesses, and non-profit organisations to drive circular and bioeconomy initiatives.

Box 1: Implications for Water Management and Landscape

The resilience and sustainable management of Rwanda's water resources are critical for the country's long-term economic growth and the fulfilment of its NDC. Achieving this requires a coordinated, cross-sectoral effort to ensure affordable and reliable access to water for households, as well as for energy, agriculture, urban, and industry sectors.

The revised GGCRS encapsulates the water resources adaptation measures in the updated NDCs by presenting a series of strategic interventions covering planning, implementation, and management of water security and catchment management plans, alongside resilient infrastructure development, including stormwater and drainage systems. These measures are expected to require an investment of USD 1.6 billion up to 2050, the majority of which will need to be funded by the public purse by 2030. Recurrent operation and maintenance costs are estimated at USD 29 million annually. Additionally, the policy options for water and wetland resources outlined in the State of Environment Report (SOER) 2021 align closely with those in the GGCRS, emphasizing the need for integrated, catchment-based water resource management coupled with integrated land management.

A programmatic approach is crucial for effective water resources management in Rwanda. The private sector holds significant potential to contribute to this effort, especially through investment in nature-based solutions aimed at rehabilitating and conserving at-risk watersheds, considering the direct operational impact of downstream flooding.

To incentivise such investments, mechanisms such as Payment for Ecosystem Services (PES) could be employed. PES programmes can compensate landowners for maintaining or restoring ecosystem services, such as watershed protection, thus encouraging private sector involvement. Additionally, PPPs can play a vital role in jointly financing and implementing these solutions, with PES serving as a key incentive for private sector participation. Through these strategic avenues, Rwanda can effectively mobilise private sector capital, strengthening the resilience and sustainable management of its water resources.

[6] Covering land, water, minerals, and ecosystems

3.2 LEVERAGE PUBLIC SECTOR FINANCE FOR CLIMATE AND NATURE INVESTMENTS

Strategic Priority 2 emphasises the strategic utilisation of grant funding and concessional debt alongside public sector resources to bolster climate and nature-related investments. *The issue of co-financing and allocation of public resources to access grants and concessional debt is a crucial consideration. By maximising the efficient use of grant funding, especially while Rwanda is eligible for it, the country can amplify its impact and expedite progress towards its climate and nature objectives.*

3.2.1 Scale access to international climate and biodiversity grant funding

Rwanda's success in mobilising development grant funding should be leveraged to access similar international resources designated for climate and nature, particularly from philanthropic groups. Specifically, grant funding reserved for low-income countries should be the immediate focus, ensuring access before Rwanda achieves its development objectives of becoming a middle-income country. Drawing upon the technical capacity and success of the Rwanda Green Fund, the focus will be on the following:

I. Identify international climate and nature grant funding opportunities earmarked for low-income countries.

II. Strengthen existing partnerships with international donors and development agencies to access these grant funds effectively. Consider the provision of co-financing/matching finance to foster partnerships and mobilise resources.

III. Enhance capacity within government agencies, local organisations, and existing funds, such as Rwanda Green Fund to bolster capacity within government agencies, local organisations, and existing funds to effectively apply for and manage grant funds. This involves offering training in grant proposal writing, financial management, and reporting.

3.2.2. Focus, negotiate, and deploy concessional finance to derisk investment in climate and nature

The Government of Rwanda is making significant progress in becoming a strategic financial and investment partner to the private sector and International Financial Institutions (IFIs) for climate and nature investment programmes, exemplified in its successful launch of the IREME Invest**. Rwanda is committed to deploying concessional finance to de-risk investments to bring the private sector on board and support it with climate and nature opportunities and attracting investment**. This will be further advanced through the following actions implemented by MINECOFIN, in partnership with Rwanda Green Fund, BRD and other government agencies:

I. Ensure that the ability to mobilise additional finance from the private sector is a key criterion for concessional fund mobilisation and allocation.

II. Continue identifying opportunities to access highly concessional loans from IFIs with favourable terms, such as low-interest rates and extended repayment periods.

III. Identify suitable nature and climate projects that require derisking to attract investment from the private sector and IFIs. This process should lean on similar identification exercises undertaken by IREME Invest but remain open to projects with varying degrees of risk and return parameters.

IV. Strategically focus grants, guarantees, and credit enhancement mechanisms, provided by the actors within the climate and nature finance landscape, to de-risk climate and nature projects to attract private sector investment. This should cater to investors with varying risk appetites.

3.2.3. Promote fiscal allocations to investments that are low carbon, climate resilient, and nature-positive

The CNFS goals align with Rwanda's ambition to reach middle-income status, reflecting the increasing expectation for higher environmental standards and sustainability practices. **Public spending and decision-making** at the government will take into account Rwanda's climate and nature objectives, and **ensure promotion of investments are climate and nature-sensitive with low-carbon, climate-resilient, and nature-positive projects being promoted and at the same time ensuring alignment with Rwanda's development needs and priorities**. The impact of public investment on climate and nature outcomes must serve as an important criterion for national and local government budget allocation. This will be achieved by:

I. Including climate and nature objectives detailed in the GGCRS, and other strategic documents, in the national budget decision-making, prioritisation, and procurement processes (including the Sustainable Public Procurement Policy).

II. Classifying ongoing and future public investments according to the Rwandan Climate Budget Tagging, aligned with the Green Taxonomy and other relevant frameworks to enable better prioritisation and decision-making.

III. Setting sectoral targets for public investment in climate and nature to strategically drive national budget allocations.

IV. Leveraging existing initiatives like the 'Intego Facility' to promote expenditure by national and local government departments into climate and nature initiatives.

3.2.4. Develop innovative debt and equity mechanisms for private sector investments, backed by grant and concessional funds

Rwanda is committed to enhancing the bankability of private sector projects by reducing transaction and administrative costs and supporting economy-wide resource mobilisation and programmatic investments. IREME Invest is an innovative green investment facility implemented by the Rwanda Green Fund and the BRD, which exemplifies this commitment and opens new avenues for climate and nature resource mobilisation. To further leverage this success, the following actions will be taken:

I. Explore the use of recoverable loans and conditional debt instruments, leveraging grant funding as backing to de-risk programmes, to facilitate climate and nature financing, as well as ensure inclusion at local levels.

II. Focus on supporting small and medium-scale businesses by providing specialised financing mechanisms tailored to their needs, fostering innovation and entrepreneurship in climate and nature-related sectors.

III. Implement small blended finance initiatives that combine different types of funding, such as grants, loans, and equity, to maximise financial leverage and support diverse programmes contributing to climate and nature objectives.

IV. Foster partnerships with the private sector through PPPs, leveraging their expertise and resources to co-finance and implement climate and nature programmes, thereby enhancing sustainability and scalability.

V. Document, utilise and share the lessons learned from the IREME Invest facility development and operationalisation for future replication and capacity building.

VI. Establish new partnerships (i.e. MasterCard Foundation ALU partnership) or similar investments focused on enhancing academic programmes and integrating climate and nature finance concepts into the national curriculum.

Box 2: Implications for the Agriculture

Agriculture is Rwanda's main economic activity. The sector accounts for 33% of GDP, it employs over 70% of the working population and almost 90% of households practice some form of subsistence farming (FAO, n/d)

Vision 2050 views the sector as a critical pillar for driving inclusive wealth creation, by shifting toward modernised, climate-smart approaches and technologies that maximise productivity and enable greater participation in global value chains. Achieving this requires access to agricultural and climate finance mechanisms and risk sharing facilities, at scale.

The GGCRS' PoA on "Sustainable agriculture, forestry and conservation" includes four strategic interventions that encapsulate Vision 2050's agricultural ambitions, considering the sector's critical contributions to both mitigation and adaptation NDCs. The sector is also visible in three other PoAs (with strategic interventions focussed on urban agriculture; crop management through digital practices; and catchment management for improved soil and water conservation). The estimated financing requirements of these interventions is estimated at USD 6.5bn up to 2050, of which USD 5.6bn will need to be mobilised from private sector investment.

The CCDR's Priority Area on "Soil-conscious conservation agriculture" aligns with those in the GGCRS, but more explicitly links conservation agriculture with a PES approach (such as expansion of terraces, crop rotation, etc.) which would offer additional environmental and climate benefits, like increased soil carbon retention, and increased biomass production etc. Importantly, PES models that reward landscape and ecosystem restoration and exhibit economic viability have the potential to draw in private sector investment in land and water infrastructure. The CCDR also identifies several other avenues for private sector participation and public-private partnerships, which would deliver economic and climate benefits for the agricultural sector – such as investment in affordable post-harvest solutions; innovations in agricultural insurance mechanisms; and expansion of irrigation systems for improved drought resilience. More work is required to better understand private sector appetite and the required enabling conditions to realise these opportunities.

Blended finance can be a useful mechanism to accelerate the adoption of climate-resilient technologies in agriculture by combining concessional loans or grants with private-sector investment. This approach provides farmers and agricultural enterprises with access to affordable financing options, mitigates financial risks through instruments such as guarantees or insurance products, and supports technical assistance and capacity-building programs to educate farmers about the benefits and proper use of these technologies. Furthermore, blended finance stimulates market development for climate-resilient technologies by incentivising private sector investment in research, development, and commercialisation.

3.3. MOBILISE CLIMATE AND NATURE FINANCING THROUGH THE PROGRESSIVE ADOPTION OF INNOVATIVE INSTRUMENTS

Strategic Priority 3 aims to harness Rwanda's ambition to mobilise additional public and private finance to meet its targets by embracing innovative financial instruments and mechanisms. *By introducing new approaches such as blended finance, green and sustainability-linked bonds, and carbon markets, Rwanda seeks to attract diverse sources of finance to increase financial flows and maximise the effectiveness of its climate and nature investments, driving sustainable development and resilience.*

3.3.1. Facilitate financing windows for private sector investment with significant climate and nature dimensions

Larger-scale private sector investment in climate and nature should be facilitated by building on, enhancing and establishing structured programmes and dedicated funding windows. This can be supported by creating financially attractive investment portfolios aligned with climate and nature objectives. By pre-screening and packaging projects within designated funding windows, Rwanda can reduce barriers to investment, including navigating due diligence processes and ensuring legal and regulatory compliance. Additionally, implementing risk reduction strategies such as guarantees and credit enhancement mechanisms can further bolster investor confidence and attract increased private sector participation in climate and nature-focused initiatives. To achieve this, Rwanda will:

I. Identify and target key private sector investor groups in priority sectors, including both local and international institutional capital, corporates, financial institutions (FIs), and development finance institutions (DFIs), and comprehensively understand their risk appetite and ESG strategies.

II. Package individual climate and nature projects into bankable portfolios, ensuring they have undergone pre-screening and offer returns aligned with the risk appetite and ESG strategies of key investors identified.

III. Market financing windows and programmes to key investor groups.

IV. Support efforts in advancing Rwanda's position as a premier financial hub for international investment and cross-border transactions within Africa. The primary objective is to cultivate Rwanda as a centre for sustainable finance, attracting global capital to support green and sustainable finance initiatives at local and regional levels.

Box 3: Implications for Tourism

The service industry contributes almost half of Rwanda's GDP, with tourism generating USD 455 million in 2022, and nature-based tourism accounting for 80% of all leisure and business visitors (Rwanda Development Board, 2022). This sector is a vital component of the economy, with every USD 1 million spent on nature-based tourism activities estimated to create 1,328 new jobs, according to the World Bank. However, the industry faces significant vulnerabilities to external shocks such as COVID-19 and climate variability, as highlighted by the CCDR, which anticipates detrimental effects from Rwanda's projected temperature increases. Therefore, it's crucial to conserve and enhance the ecosystems, biodiversity, and cultural heritage that underpin the sector.

Vision 2050's Competitiveness and Integration pillar includes a specific objective on "high-end sustainable tourism," promoting investment in sustainable ecotourism initiatives that engage local communities. This objective aligns with recommendations in the National Land Use and Development Master Plan (NLUDMP) and GGCRS, which advocate for community-based ecotourism for conservation, educational, and recreational purposes, requiring an estimated budget of USD 72 million. Additionally, the CCDR highlights the potential role of the private sector in creating ecotourism hubs in wetlands and national parks, fostering developments like botanical gardens, hiking, and cycling trails.

The World Bank's 2023 Economic Update on Natural-Based Tourism in Rwanda emphasises the need for private sector engagement to diversify funding sources and enhance the policy environment to stimulate increased investment in natural-based tourism. The report suggests strategies such as outsourcing the management of protected areas to private entities and licensing commercial activities in adjoining areas. Furthermore, innovative bond initiatives, like the rhino conservation bond launched in 2022, demonstrate a new approach to conservation financing. This outcome-based financial instrument channels investments to achieve conservation outcomes, such as increasing black rhino populations, with investors receiving a successful payment at maturity if conservation goals are met. This approach transfers project risks to capital market investors while allowing donors to pay for conservation outcomes, representing a pioneering model in conservation financing. Rwanda's tourism revenue sharing programme ensures distribution of funds through local community cooperatives. Members of these cooperatives had received or were aware of tangible benefits received by the community from tourism and national parks (Susan Snyman et al, 2022).

3.3.2. Gradually adopt appropriate debt financing instruments specifically structured to mobilise additional climate and natural resources

Existing sovereign debt initiatives should be complemented by debt instruments that are specifically structured to finance climate and nature programmes. These instruments serve a dual purpose: a) facilitate access to concessional financing, and b) channel investments towards targeted climate and nature initiatives. Rwanda has already successfully tested some of these instruments, and this experience will be useful for replication and upscaling (see A 3). Taking this into account, the focus will be on:

I. Developing and implementing climate and nature debt instruments such as:

    i. Green Bonds, and other bonds where the use of proceeds relates to climate and nature.
    ii. Outcome-based debt instruments, such as the Sustainability-Linked Bonds (SLBs) and Wildlife Conservation Bond where repayment is contingent on project success or environmental outcomes, providing viability-backed funding for sustainable programmes.
    iii. Nature-for-debt swaps, where sovereign debt obligations are exchanged for commitments to conservation or environmental programmes.

II. Leveraging the expertise, resources and experiences of institutions like the BRD who recently launched SLB, to build capacity to launch similar instruments. The current efforts led by MINECOFIN to create new instruments can expedite similar efforts by other agencies and the private sector.

3.3.3. Operationalise and expand access to carbon and biodiversity markets

Building on the launch of Rwanda's Carbon Market framework in September 2023, efforts should be made to further support the development of carbon markets, as well as the development of similar frameworks for biodiversity markets. Rwanda's swift progress in these areas, relative to other African nations, positions it to lead regionally in both carbon emissions and biodiversity markets, aligning with global initiatives and trends such as the 30x30 goals. These present significant opportunities for Rwanda to access additional finance, especially from philanthropies and multilateral funding mechanisms (i.e., GCF) which are supporting countries with resources to achieve these goals. The focus will therefore be on the following:

I. Developing biodiversity frameworks in anticipation of a growing market that encourages net positive investment in biodiversity.

II. Accelerating the development of the carbon market by, operationalising existing policy frameworks (through institutional setup; deploying infrastructure, as needed for tracking and reporting); integrating such market's role fully into the future country NDCs; and streamlining local and international investor access, while reducing barriers for carbon and biodiversity credit providers/programmes.

III. Building capacity within Government for Paris Agreement Article 6 transactions will facilitate the potential for increased volume of and price for compliance carbon market transactions in all sectors.

IV. Supporting digital Monitoring, Reporting and Evaluation of Government programmes in sectors that can monetise emission reductions to build a supply of high-integrity emission reductions in Rwanda, which can attract a new source of private capital flows to those sectors.

V. Developing a biodiversity market framework that provides transparency, credibility, accountability, and alignment with international standards, potentially building on the work done under BIOFIN.

3.3.4. Promote and enable the development of commercial bank green debt instruments

The Rwandan government has demonstrated its ability to issue green and impact debt instruments (bonds) that support its climate and nature objectives (see Section 0). **Leveraging this success, the commercial banks and private sector can capitalise on the government's groundwork by issuing innovative debt instruments** aligned with climate and nature goals. This strategic approach enables Rwanda's commercial banks and other private sector actors to access substantial amounts of international, often concessional, sources of finance. To facilitate this:

I. Leverage the networks and technical capacity of Government to assist the private sector in accessing and issuing green debt instruments. This could include developing toolkits or one-stop shops.

II. Facilitate green bond issuance by providing backing, such as guarantees, possibly facilitated by private financial institutions or commercial banks.

III. Lower barriers and costs of issuing and listing instruments, such as Capital Markets Authority (CMA) fees, for green businesses and instruments to incentivize participation in green financing mechanisms.

IV. Develop and promote potential tax benefits for the private sector engaged in green initiatives, emphasising their relevance to encouraging investment in sustainable programmes (see Section 3.4.1).

V. Establish a donor-funded grant (or heavily concessional) programme which could be used to support market issuances of innovative products. It will be important that regulatory capacity and oversight are there to ensure the market grows, considering all potential risks and rewards.

3.4. INTRODUCE INCENTIVES AND MECHANISMS TO PROMOTE THE ADOPTION OF CLIMATE AND NATURE INVESTMENTS BY THE PRIVATE SECTOR

Strategic Priority 4 involves creating favourable conditions and incentives to encourage increased private sector investment in climate and nature initiatives. *By offering tax incentives, subsidies, and regulatory support, Rwanda aims to stimulate private sector participation in sustainable programmes, unlocking new opportunities for innovation, growth, and collaboration. This will involve both increasing the number of climate and nature-related/focused investments as well as ensuring commercial and development initiatives include climate and nature dimensions.*

3.4.1. Refine policy/taxation instruments to promote private sector adoption of climate and nature investments

Policy instruments and taxation should be considered to incentivise informed decision-making. Concurrently, these measures can establish a reliable national income stream directed toward climate projects and promote private sector adoption of climate and nature investments. Proposed actions include:

I. Conduct a comprehensive review of existing tax policies to identify areas where adjustments can be made to incentivise investments aligned with Green Taxonomy principles. This can include taxation focused on the priority areas of Rwanda's economic development. These incentives should be designed in a way that does not crowd out investment in non-climate and nature-related projects.

II. Conduct a review of existing incentives to identify those having a perverse effect and unintentionally encouraging harmful or unsustainable practices.

III. Design implementing instruments to finance sustainable settlements, landscaping, and substantial infrastructure projects.

IV. Consider introducing tax incentives to encourage private sector investment in climate and nature-focused initiatives. Examples of incentives that can be explored include:

  i. Climate-smart agriculture: nutrient trading systems, climate insurance products, crop diversification credits, long-term land leases with favourable terms for climate-smart agriculture, and support in achieving green certifications.
  ii. E-mobility: subsidies for electric vehicles, parking levies for high-emission vehicles, subsidised training on operating e-transports, and fuel tax adjustments that remain conscious of the impact on the poor.
  iii. Low-carbon Energy: Carbon taxes, tax credits for renewable energy investments, feed-in-tariffs for renewable energy, power purchase agreements for renewable energy, tax rebates for high-efficiency appliances and equipment

3.4.2. Promote the adoption of mechanisms that increase private sector investment in climate and nature

The private sector has resources and innovative capabilities to consider nature-based solutions and payment for ecosystem services as potential and increasingly important avenues for businesses to mitigate its environmental impact, and increase climate resilience, while simultaneously fostering economic growth. Rwanda, recognising the capital costs for such actions, will seek opportunities for private sector involvement in climate and nature initiatives as follows:

I. Partner and help support markets for private sector engagement in climate and nature initiatives, emphasising the potential economic benefits and long-term sustainability. Encourage inclusion and participation of actors at the local level.

II. Develop facilities to reduce the cost of finance for private sector investment in nature and climate.

III. Build on existing efforts and operationalise PES, Net Biodiversity Gain schemes, and Land Value Capture mechanisms.

IV. Identify viable financial mechanisms for private sector investment such as the usage of labelled bonds ("green", "sustainability", "transition"), Ecotourism bonds, and debt-for-nature swaps. Carbon credit swaps and PPP interventions.

V. Build technical capacities of the private sector to develop and implement non-regulatory tools and mechanisms.

3.4.3. Enable insurance products to build resilience to disasters through nature-based solutions and social risk financing

As Rwanda moves towards becoming a middle-income country, its relatively small insurance industry is likely to experience significant growth. The insurance industry can play an important role in ensuring resilience by 1) providing products tailored to climate and nature-related risks and related socio-economic impacts, and 2) acting as a source of patient institutional capital for investment in climate and nature projects. Nature-based solutions (NbS) are particularly well matched with insurance funds given the significant capital required to implement, and measurable risk reduction impact. As major institutional investors, insurers can support the transition to a low-carbon economy by managing the physical, transition, and liability risks of climate change to their portfolios and underwriting activities. These measures complement existing efforts to ensure the social protection system can respond effectively and efficiently such as Rwanda's application to V20-G7 Global Shield against climate risk, which will ensure the disbursement of funds against predetermined contingency plans. The following actions may be considered:

I. Facilitate the development of tailored insurance products by identifying natural assets where downstream beneficiaries, industries, and assets are vulnerable to extreme climate events. Determine the asset's eligibility for NbS and asses downstream risk exposure.

II. Establish a framework for 1) assessing the risk mitigation impacts of certain NbS and 2) funding Nbs in collaboration with the insurance industry and other affected sectors

III. Design financial products in line with the Disaster Risk Finance Strategy to address climate and nature-related challenges.

3.4.4. Implement guidance and ultimately regulation to increase and then enforce compliance with ESG requirements aligned with the Green Taxonomy

The concept of ESG is utilised as an indicator of sustainability within the private sector and is often reflected as a core principle of corporate governance and is reflected in the private sector's investment strategies, compliance and reporting. The inclusion of ESG factors and criteria for the private sector in areas such as risk management and disclosure requirements facilitate the prioritisation of ESG considerations in operations and investment decisions. To ensure the alignment of ESG principles with the Green Taxonomy and ultimately compliance with both, the following measures are prioritised:

I. Enhance the attractiveness of local businesses to foreign investors by aligning with global ESG standards and potentially opening up foreign markets for Rwandan enterprises.

II. Alignment between ESG principles and the Green Taxonomy by incorporating Green Taxonomy terminology and outcomes into the required ESG principles and guidelines such as the ESG risk management and reporting and the ESG framework for the banking sector.

III. Capacitate the private sector on the Green Taxonomy principles (see Section 3.1.2).

IV. Establish ESG listing criteria on the Rwanda Stock Exchange for green and sustainable financial products which are aligned with the Green Taxonomy, incorporating Global Reporting Initiative (GRI) standards and promoting ESG disclosure to meet international standards (e.g. example of the EU and UK).

3.5. ALIGN AND ENHANCE MONITORING, EVALUATION AND LEARNING OF CLIMATE AND NATURE ACROSS INVESTMENTS AND ASSETS

Strategic Priority 5 is focused on the importance of robust monitoring and evaluation mechanisms to track progress and ensure accountabilit*y, by enhancing data collection, reporting, and analysis specifically related to climate and nature finance.*

3.5.1. Develop climate and nature monitoring mechanisms for all investments in Rwanda

Rwanda is dedicated to enhancing transparency and accountability of the climate-related expenditures and revenue streams. MINECOFIN, in collaboration with MoE, is leading the development and gradual implementation of Climate Budget Tagging as a pivotal framework to integrate climate change considerations into the National Accounting System. Aligning the Climate Budget Tagging [7]with the Green Taxonomy is a key next step to ensure consistent categorisation and tracking, facilitating a comprehensive understanding and assessment of green initiatives, with a wider nature and environmental scope. To further advance this process, the following actions are proposed:

I. Fully operationalise the Climate Budget Tagging within MINECOFIN by:
    i. Ensuring that the staff is competently applying the tagging methodology and can identify interventions with positive and negative impacts on climate change processes
    ii. Regularly developing Climate Budget Statements and integrating relevant provisions in the Budget Framework Paper
    iii. Uses Climate Budget Tagging for the Financial Year planning and decision-making

II. Explore the steps necessary to parallel work on Climate Budget Tagging with the Green Taxonomy and expand the tagging to a wider nature and biodiversity scope

III. Ensure synergy and cross-referencing among climate and nature finance accounting and monitoring initiatives, such as the NDC Implementation Framework, NBSAP, BIOFIN Reports, etc.

IV. Develop and operationalise the Climate Finance Dashboard (Information System) to track, monitor and evaluate (i) domestic and international climate finance data (committed, available and disbursed funding, from public and private sources); and (ii) financing needs by performance of climate and nature initiatives within Rwanda's NDC Implementation Framework.

V. Strengthen the capacity within the National Institute of Statistics and MINECOFIN to utilise the Climate Budget Tagging, Green Taxonomy, and Climate Finance Dashboard for monitoring the progress and financing gap for climate and nature initiatives.

These efforts will be extended to encompass all investments in Rwanda, including private sector investments, utilising the Green Taxonomy as a foundation for categorisation. The following steps will be taken:

I. Expand the climate and nature finance monitoring system to include private sector-related investments, leveraging the rollout of the Green Taxonomy as a vehicle for this expansion.

II. Investigate potential mechanisms for tracking investments aligned with the Green Taxonomy to ensure consistency and transparency in investment reporting.

III. Implement economy-wide application of investment tracking mechanisms to capture climate and nature-related expenditures across all sectors and industries.

IV. Collaborate with relevant statistical agencies to understand and monitor the financing gap for climate and nature initiatives, leveraging statistical data for informed decision-making and resource allocation.

[7] "Green budget tagging" is conflated with "climate budget tagging". While climate budget tagging, similar to other tagging practices such as biodiversity tagging, is a subset of green budget tagging, these practices focus specifically on tagging budget items relevant to a narrower range of environmental goals. Green budget tagging has a wider purview relating to several environmental goals (OECD, 2020).

3.5.2. Further develop nature capital accounting and monitoring systems to enable greater responsiveness to future financing opportunities

Recognising nature as a set of assets that provide benefits to people and society can facilitate more informed decision-making processes, mitigating the risk of undervaluing the natural environment in such decisions. Rwanda emerged as one of the pioneers on the continent by developing NCA frameworks for assessing land, water, and ecosystems in 2019. These frameworks adopted a holistic approach, evaluating natural assets not only in ecological terms but also in terms of the social and economic benefits they generate (see Section 3.1.4). For further use of NCA as a tool for investment and policy decision-making, Rwanda is going to take the following actions:

I. Collaboratively develop an NCA Sourcebook by the MoE and MINECOFIN. This sourcebook, drawing from international best practices and Rwanda's experience with NCA through WAVES, will offer user-friendly guidance on mapping natural capital stocks, quantifying ecosystem service flows, and identifying opportunities to enhance ecosystem services.

II. Ensure regular updates, aggregation, and comparison of ecosystem services data, integrating it with economic indicators within the National Accounting System on an annual basis. This integrated data will facilitate an understanding of gains and losses experienced by ecosystems, supporting the introduction of PES and quantifying financial agreements in blended finance.

III. Foster transparency and accessibility by regularly sharing NCA results through the National Institute of Statistics.

IV. Explore the implementation of Natural Capital Net Gain/Biodiversity Net Gain as a criteria for investment decisions.

V. Strengthen the capacity of national stakeholders in NCA, Natural Capital Net Gain/Biodiversity Net Gain, and their practical application in investment decision-making processes.

3.5.3. Identify and introduce innovative technologies for climate and nature finance-related monitoring, evaluation and learning

Rwanda is cognizant of the importance of innovative technologies for monitoring, evaluation, and learning in the realm of climate and nature finance and its potential to enhance transparency, efficiency, and effectiveness. In this light, Rwanda is keen to explore and further enhance its existing efforts in:

I. Utilisation of **satellite imagery and remote sensing technologies** to monitor changes in land use, deforestation, carbon sequestration, and biodiversity. Advanced analytics and machine learning algorithms can analyse vast amounts of data to provide real-time insights and early warnings of environmental changes.

II. Consider the implementation of **blockchain-based platforms or other technologies** to ensure transparency and traceability in climate finance transactions, particularly in carbon markets and ecosystem services trading. Technologies such as blockchain can help verify the authenticity of carbon credits, track funds, and streamline reporting processes, reducing fraud and enhancing accountability.

III. Apply **Artificial Intelligence and machine learning algorithms** to predict environmental risks, assess project impacts, and optimize resource allocation. AI-powered models can analyse complex data sets, identify patterns, and generate insights to improve the effectiveness of climate and nature finance interventions.

IV. Leverage **Geospatial Analysis and Geographic Information Systems (GIS)** to visualise spatial data, map ecosystem services, and prioritise conservation and restoration efforts. GIS-based tools can support decision-making processes by integrating environmental, social, and economic data into spatially explicit analyses and scenarios.

V. Engage citizens and local communities through **crowdsourcing platforms and citizen science initiatives** to collect environmental data, report observations, and participate in monitoring and evaluation activities. Citizen-generated data can complement traditional monitoring efforts and provide valuable insights into local environmental conditions.

3.5.4. Introduce adaptive management and adaptive implementation approaches

Adaptive management and adaptive implementation approaches can help to accommodate the evolution and dynamics of Rwanda's climate and nature landscape. These approaches emphasise continuous learning, flexibility, and responsiveness to changing conditions, allowing stakeholders to adapt their actions based on new information and circumstances. Rwanda is committed to:

I. Developing **adaptive management frameworks** that define clear objectives, strategies, and indicators for monitoring, evaluation, and learning (MEL). These frameworks should incorporate feedback loops, decision points, and mechanisms for adjusting strategies based on MEL findings.

II. **Building capacities for MEL** to gather relevant data, analyse results and draw actionable insights. This may involve training staff, developing monitoring protocols, and implementing data management systems to ensure the timely collection and analysis of data.

III. Adopting **agile management practices**, to foster adaptability, collaboration, and iterative decision-making. This may entail breaking down deliverables into smaller, manageable tasks or iterations, regularly assessing progress, and adjusting strategies based on feedback and changing priorities. Use of the Objectives and Key Results (OKR) goal-setting framework will also be explored.

4 Institutional Enablers

Three Institutional Enablers are critical to ensuring Rwandan capability is built to effectively implement the Strategic Priorities outlined in the previous section. They focus on i) strengthening and defining the role and mandates of key national entities; ii) ensuring appropriate coordination mechanisms (and the representatives within these) exist and function between public and private stakeholder groups involved in Rwanda's climate and nature finance ecosystem, and iii) outlining important capacity considerations that underpin the specific capacity building efforts identified under select Strategic Priorities.

4.1 CLARIFY AND STRENGTHEN THE ROLES OF KEY ACTORS WITHIN RWANDA'S CLIMATE AND NATURE FINANCE LANDSCAPE

Clarity on the roles and responsibilities of government agencies, development partners, and other stakeholders involved in Rwanda's in climate and nature financing landscape *will facilitate smoother and more cohesive implementation of investment programmes, reduce duplication of efforts and improve overall effectiveness in achieving climate and nature objectives.*

4.1.1 Role and responsibilities of key actors

To date, the involvement of a diverse cross-section of stakeholders has ensured that climate and nature financing considerations have been effectively elevated and mainstreamed into Rwanda's institutional architecture. Government entities, the financial sector, national and regional security exchanges, and professional associations involved in various aspects of climate and nature finance collectively oversee the demand-side of climate and nature finance – including resource mobilisation, allocation, investment, policy formulation, standards and accreditation, utilisation, and MEL.

Table 1 presents an overview of the current role of key entities involved in the Rwanda's climate and nature finance landscape. Where appropriate, it also proposes the evolution – or potential positioning – of these stakeholders within the context of this CFNS, which can be further explored during the CFNS organisational design process.

Table 1. Role and potential positioning of key stakeholders in Rwanda's climate and nature finance ecosystem

Current role and potential CFNS positioning of key entities involved in Rwanda's in Climate and Nature Finance Landscape
Ministry of Finance and Economic Planning (MINECOFIN) MINECOFIN plays a central role in the allocation, management, and coordination of financial resources for climate-related initiatives. Its involvement is critical in integrating climate considerations into national economic and fiscal policies to address the challenges of climate change. MINECOFIN leads the PFM Sector through the Joint Sector Reviews (JSRs) via the PFM Coordination Forum (PFM CF) co-chaired with a lead Development Partner (DP). The PFM CF meets twice a year in a Forward-Looking JSR or FLJSR (for forward planning) and a Backward-Looking JSR or BLJSR (for backward review). The PFM CF oversees the implementation of one of the 16 Sector Strategies for NST, the PFM Reform Strategy – which has 'Resource Mobilization' as one of its strategic objectives. *From the PFM CF as the apex body, the next level is the PFM Technical Working Group (PFM TWG) with formal quarterly meetings– and then, different 'Thematic Clusters' that will now include the forthcoming Climate Finance Department, described in more detail in 4.1.2. As the custodian of this CFNS, MINECOFIN is responsible for ensuring the requisite institutional, coordination and resourcing mechanisms are in place for its effective implementation.*
Ministry of Environment (MoE) MoE is responsible for several climate-related activities including policy development, resource mobilisation, project oversight, coordination, capacity building, monitoring and reporting, advocacy and engagement, and mainstreaming climate change considerations. MoE is the only National Accredited Entity to the Green Climate Fund, the Political Focal Point for GEF and the National Implementing Entity for Adaptation Fund. MoE co-chairs the Environmental Joint Sector Reviews (JSRs) with a lead DP – meeting twice a year in both

the FLSWG and BLSWG – and oversees the implementation of the Environmental Strategy – one of the other 16 Sector Strategies for the NST. This is followed by the Environment and Climate Change Sub-sector Working Group (ESWG – described in more detail in 4.1.2) with formal quarterly meetings – and then, different 'Thematic Clusters'. *MoE should lead the technical aspects of the CFNS's Strategic Priorities and work closely with MINECOFIN on its capacity-building and monitoring components.*
Rwanda Environment Management Authority (REMA) REMA reports to MoE and has the legal mandate for national environmental protection, conservation, promotion and overall management, including advisory to the government on all matters pertinent to the environment and climate change. It is a National Designated Authority for GCF (serving as the interface between Rwanda and the GCF) and the Operational Focal Point for GEF. *MoE and REMA should retain their current nationally designated roles for the GCF, GEF, and Adaptation Fund.*
RWANDA GREEN FUND (RGF) The Rwanda Green Fund reports to MoE and works closely with MINECOFIN. It plays a crucial role in Rwanda's environmental and climate efforts – including funding environment and climate projects, resource mobilization, project selection and management, capacity building, policy support, monitoring and evaluation. Rwanda Green Fund is the Task Force on Access to Climate Finance (TACF) Secretariat. *Rwanda Green Fund's mandate may warrant review in light of this CFNS, towards defining a more empowered and sustainable institution – and clarifying how it reports to both MoE and MINECOFIN – as well as the necessary collaboration framework with the forthcoming Climate Finance Department.*
Central Bank of Rwanda – National Bank of Rwanda (BNR) BNR is the central bank of Rwanda and is mandated to regulate and oversee Rwanda's monetary and financial systems - formulating and implementing monetary policies, issuing currency, and maintaining price stability – including the soundness and integrity of the banking and financial sector. It reports to MINECOFIN. *BNR will play an increasingly important role in greening the banking and financial services sectors.*
Development Bank of Rwanda (BRD) BRD reports to MINECOFIN and is the Development Financial Institution (DFI) mandated to provide innovative and sustainable development finance for socio-economic impact – through short, medium, and long-term investment loans to projects in the priority sectors of the Rwandan economy – particularly Agriculture, Exports, Manufacturing & Infrastructure, Energy, Housing and Education. While BRD supports Greenfields and takes limited equity positions in the finance of SMEs at different stages of growth, it doesn't invest in a pipeline beyond the typical business development by a DFI. *It will be important for BRD (together with other relevant stakeholders) to map out the entire ecosystem between Greenfield SMEs and projects to investable, mature opportunities that the private sector can take on, with a view to creating a viable pipeline that can absorb and sustain climate and nature finance mobilized at scale.*
Kigali International Finance Centre (KIFC) KIFC promotes Rwanda as a regional and international financial hub and reports to MINECOFIN. While KIFC's primary focus is on financial services, including banking, insurance, and investment, it can indirectly support climate finance and sustainability efforts through attracting investment, facilitating green finance, partnerships and collaboration, financial innovation, supporting ESG principles, training and capacity building, awareness and advocacy. *KIFC could play a lead role in coordinating the banking and financial sector's involvement in the CFNS through the establishment of a dedicated Thematic Cluster – described further in 4.1.2.*
Rwanda Development Board (RDB) RDB is mandated to accelerate Rwanda's economic development by enabling private sector growth and FDI. RDB reports to the President of Rwanda. *RDB's efforts must be aligned with this CNFS, with RDB playing a lead role in incentivising FDI towards green investments.*
Capital Markets Authority (CMA) and Rwanda Stock Exchange (RSE) CMA reports to MINECOFIN and has a dual mandate for developing and regulating the capital markets industry, commodities exchange and related contracts, warehouse receipts systems and collective investment schemes. Rwanda Stock Exchange (RSE) reports to CMA and is an independent entity responsible for operating and regulating the stock market in Rwanda.

CMA, in collaboration with other institutions such as RSE, RDB and KIFC, is beginning to lay the foundations for a greener and deeper capital market.
Rwanda Revenue Authority (RRA) RRA is the government agency responsible for revenue collection, tax administration, and customs services - generating government revenue, ensuring tax compliance, and facilitating international trade. It reports to MINECOFIN. *A direct link between RRA and the forthcoming Climate Finance Department could be established through MINECOFIN's Tax Policy Directorate (TPD).*
Rwanda Social Security Board (RSSB) RSSB is a government agency responsible for managing and administering social security programs and benefits – providing social protection and financial support to eligible individuals and their families. It reports to MINECOFIN. *As a pension fund, RSSB has significant resources to invest in the economy. Orientating a portion of such investments to climate and nature initiatives would be impactful for this CNFS.*
Rwanda Insurers Association (ASSAR) ASSAR is an industry association that represents insurance companies in Rwanda. It provides a platform for cooperation, advocacy, and information sharing for its members, and collaborates with the BNR and MINECOFIN on industry-related issues such as the development and regulation of the insurance sector in the country. *ASSAR could be mobilized to engage the industry around green insurance products – and the broader potential around the global 'loss and damage' positioning.*
Rwanda Banker's Association (RBA) RBA is an industry association that represents banks and financial institutions operating in Rwanda. It provides a platform for cooperation, advocacy, and information sharing among its members, and collaborates with the BNR and MINECOFIN on industry-related issues. This includes green financial services lending products, and funding of projects that promote sustainability for the economy and environment. *These efforts could be scaled up further to help green the economy, in collaboration with other financial sector partners.*
Association of Microfinance Institutions in Rwanda (AMIR) AMIR is an industry association representing microfinance institutions in Rwanda – serving its member interests and promoting good practices, such as inclusive finance and environmentally responsible investments. While AMIR does not report to a government entity, it may collaborate with the BNR, the Rwanda Cooperative Agency (RCA), RDB and MINECOFIN to address industry-related issues and contribute to the development and regulation of the sector. *AMIR could be mobilized to engage the industry around greening the microfinance sector.*
Institute of Certified Public Accountants of Rwanda (ICPAR) ICPAR is a professional organization representing certified public accountants and accounting professionals in Rwanda – operating to serve the public interest and member interests. *Through ICPAR's involvement in the PFM sector and its collaboration with KIFC on the Skills Councils, it is poised to be instrumental in supporting the base skills for a green economy, inculcating ESG standards and practices, and promoting NCA and PFM regulation.*
Key service ministries MINALOC, MINICOM, MININFRA, MINAGRI, MINAFET, MINEMA etc. all participate in the Environmental Joint Sector Reviews and have various designated responsibilities in delivering the NDC and GGCRS targets.

Conditional climate and nature finance contributions are driven by international development partners (e.g. DFIs, multilateral and bilateral donors, and philanthropists) and the private sector (e.g. investors, businesses, operators, financial institutions and capital markets). The intersection of these groups with one another and with various public sector entities is reflected in Figure 4 below, which also clearly depicts the central role that MINECOFIN plays within this institutional landscape.

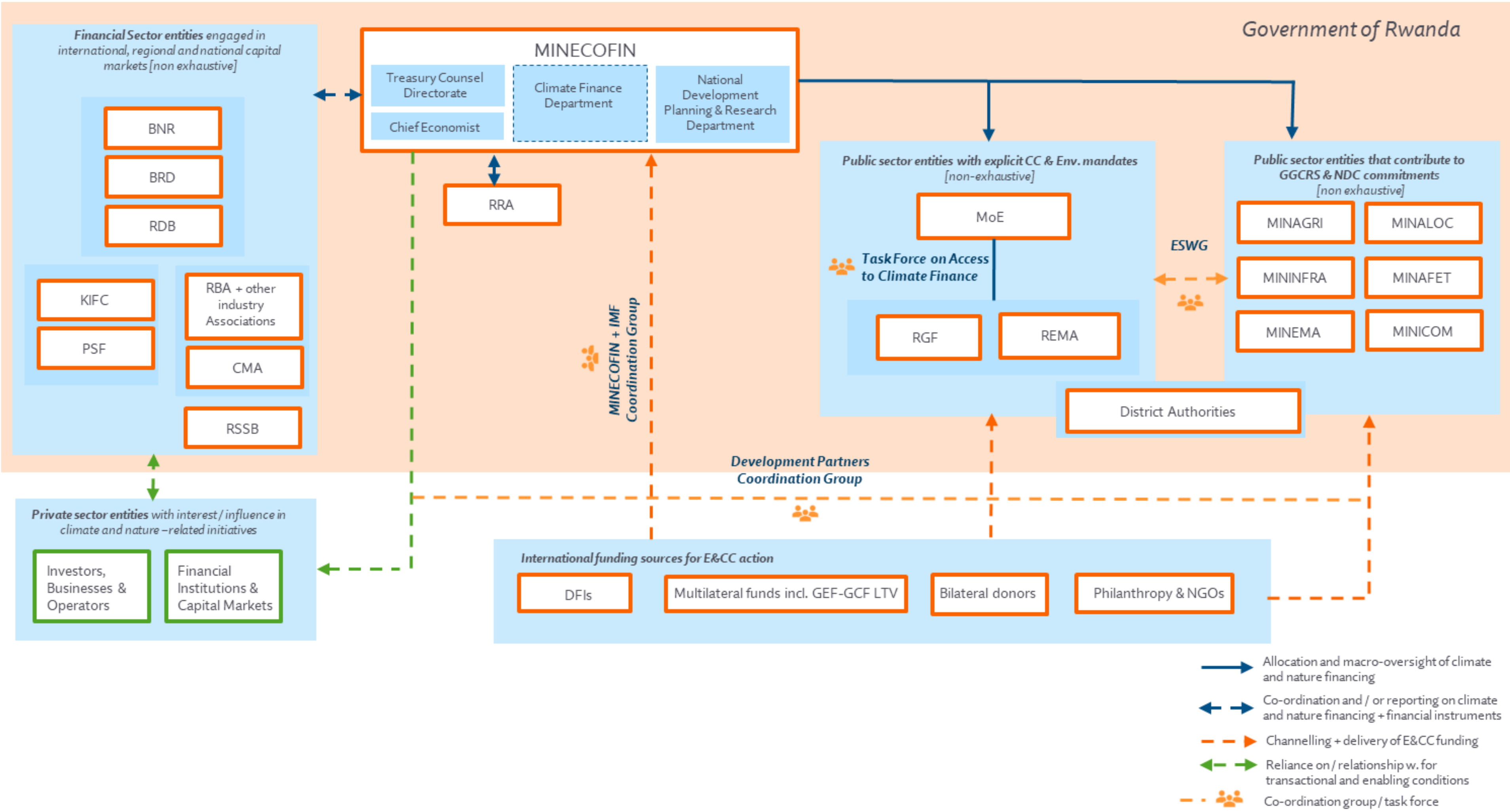

Figure 4: Rwanda's current ecosystem of key climate and nature finance bodies

4.1.2 Roles and responsibilities of MINECOFIN

MINECOFIN's role encompasses maintaining overall responsibility for the allocation of public resources including those earmarked for climate and nature initiatives, mobilising a significant proportion of Rwanda's international climate finance from development partners, and promoting the use of innovative financing mechanisms, such as green bonds and carbon markets. To date, these efforts have been delivered through various Departments within MINECOFIN, including the National Budget Department, the Investment Opportunities Department, the Treasury Counsel Directorate, the National Development Planning and Research Department, and the Chief Economist (see Box 4). However, as the scale and diversity of climate and nature finance mechanisms and sources evolve, there is a need for more accurate oversight and coordination at a macro scale. Thus, whilst several of MINECOFIN's existing departments have, and will continue to, play an important role in climate and nature finance tracking, allocation and mobilisation efforts, a dedicated department within MINECOFIN is required to lead certain critical aspects of these processes – including priority areas of this CNFS.

This role will be taken forward by the forthcoming **Climate Finance Department**.

Box 4: Climate and nature finance -related roles and responsibilities of MINECOFIN's existing departments.

- The **Planning and Research Department** takes the lead role in budget planning and allocation of public resources to finance the GGCRS and NDC investments, as well as leads the climate and nature finance monitoring efforts, including the Climate Budget Tagging.
- The **National Budget Department** coordinates the preparation and implementation of the National Budget as well as the effective implementation of the Fiscal Decentralisation Policy through formulation, monitoring and evaluation of budgetary policies and procedures, including those related to climate and nature.
- The **Chief Economist** is responsible for the formulation and monitoring of macroeconomic policies and programs, including issues relating to analysis and projections of the core macroeconomic sectors. It is responsible for ensuring consistency of overall economic policies and objectives defined in the NST-1 and in Vision 2050. Its role is particularly important in climate and nature finance due to overview and decision-making around the national sovereign debt.
- The **Treasury Counsel Directorate** provides legal support to the Ministry in developing a legal framework for the finance and economic sector and related subsectors through preparing economic and finance-related laws and regulations; as well as providing legal support in the management of recourse relating to tax payments. Its role in climate and nature finance is particularly important for regulating the Green Taxonomy, and ESG-related standards, as well as introducing and managing climate and nature-related tax changes.
- The **Investment Opportunities Department** is responsible for identifying and analysing strategic opportunities for profit-oriented public investments, including climate and nature-related.

This delineation of these current functions provides an important point of departure upon which the new Climate Finance Department's mandate can be determined, to provide additionality and complementarity with existing efforts.

To ensure complementarity with Rwanda's broader national climate and nature finance architecture (and with other MINECOFIN Departments), and establish a clear remit of what the new Climate Finance Department's role will be in implementing this CFNS, this Department must take ownership of key, discrete aspects of climate and nature financial flows, processes and reporting.

These institutional considerations will be clarified through the CFNS organisational design process, including the development of new Terms of Reference for the Climate Finance Department as well as potentially revising the Terms of Reference for existing Departments. This will also need to be complemented by a capacity needs assessment of relevant functions within MINECOFIN and identifying new or additional competencies and expertise required to fill human resource gaps; and the establishment of intra-Ministry channels through which relevant Departments will coordinate on their respective climate and nature finance roles.

Subject to the outcomes of these processes, it is envisaged that the **Climate Finance Department's** responsibilities *may* include:

Policy Coordination and Advocacy:

- Championing the spending priorities for GGCRS and NDC amongst broader fiscal allocation discussions. Given climate and nature finance will comprise an increasingly significant portion of the country's general resource mobilisation in the future, and thus be a major focus for NST-2, such finance will likely fall within the (PFM)sector.
- Taking responsibility for driving the country's policy agenda related to climate economics, climate finance, and green growth, and representing Rwanda's climate and nature finance approaches and progress through national, regional, and international platforms
- Working with relevant sectoral ministries to develop policy papers and support their understanding and uptake of concepts related to climate economics and green growth.

Integration, Coordination and Capacitation:

- Serving as the Secretariat of a national **Task Force on Climate and Nature Finance** (TFCNF) – elaborated in 4.1.2.
- Ensuring that climate and nature finance is integrated into the PFM sector, potentially leading a sub-working group on the climate and nature cluster within PFM.
- Coordinating decisions on financing instruments for climate and nature finance, working closely with other relevant functions within the MINECOFIN.
- Building capacity within the Government and among stakeholders for effective climate finance management and green growth planning, working closely with the Chief Skills Office within RDB / MIFOTRA (elaborated further in 4.3 below).

Greening Investments and Financial Mechanisms:

- Ensuring generalised investments are "greened" appropriately (i.e. identify if / how the allocation of all other public budget could be greener and more climate resilient) and support the allocation of funding required to do so (i.e. securing funding for climate change risk assessments, etc.). The specific mechanisms and incentives through which the Department would achieve this would need to be determined through engagement with key line Ministries.
- Providing policy advice and coordinating decisions on financing instruments to be used for climate and nature finance, including the provision of support to develop and structure these, working closely with other relevant MINECOFIN functions.

Financial Management and Oversight:

- Maintaining clarity on demand and supply of climate and nature finance flows and matching it to capacity needs, programmes, and developments. This could include exploring and advising on how money from donors should be strategically utilised, and how to incentivise, support or match private sector investment and growth with climate and nature project pipelines. This would require close consultation with the existing ESWG, as well as with MoE, Rwanda Green Fund and REMA specifically.
- Maintaining oversight of consistent application and training on Green Taxonomy and ESG approaches and principles, working closely with the Taxonomy Steering Committee and Working Group (including Rwanda Finance Limited, which serves as the Working Group's Secretariat).
- Spearheading the establishment of a NCA system to account for environmental resources.

4.2 ELEVATE AND STRENGTHEN COORDINATION OF CLIMATE AND NATURE FINANCE

In line with the Vision and Goals of this CFNS, there is scope to consider the evolution and future positioning of key climate and nature finance coordination mechanisms *to ensure that they remain effective and aligned with the broader institutional framework that underpins the successful implementation of this CFNS.*

Rwanda's efforts to coordinate discussions, decisions, and the results of, climate and nature investments are well established, as evidenced by the various coordination groups and task forces in Figure 4. To date, these coordination bodies have been highly effective in facilitating strategic engagements and ensuring alignment of efforts between various stakeholder groups. There is however a need for these groups – and the manner in which they interact – to evolve in line with the Vision and Goals of this CFNS, to ensure that the Government of Rwanda has a lens through which to oversee and aggregate all aspects of Rwanda's climate and nature finance ecosystem – as a basis for continuing to drive cohesive progress and accelerate current momentum.

A national **Task Force on Climate and Nature Finance** (TFCNF) could fulfil this coordination role, with the intention of channelling, consolidating, and communicating strategic direction against a series of focal areas – which could include: private sector coordination, resource mobilisation, and monitoring alignment. Currently, each coordination body has a clear mandate with distinct functions, which contribute to one or more of these focal areas. It is therefore appropriate to consider the way in which these bodies (and other standalone entities from the environment and finance sectors) could feed into the TFCNF, illustrated conceptually below.

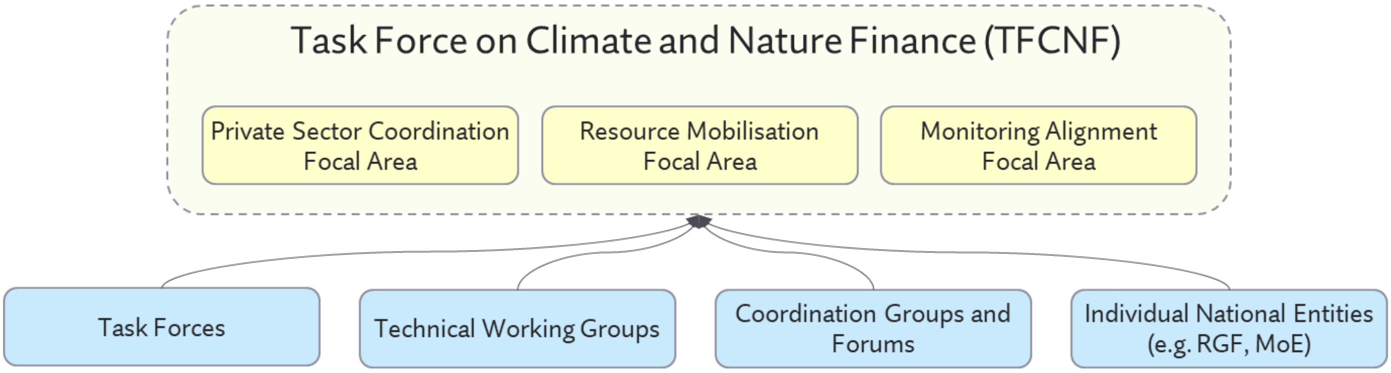

Figure 5: Conceptual framework for the TFCNF

The forthcoming Climate Finance Department within MINECOFIN should serve as the Secretariat for this TFCNF and would be responsible for determining the specific modalities of engagement with relevant stakeholder groups as well as related reporting and decision-making protocols. This may require some re-configuration or tailoring of the mandates of existing coordination bodies – as opposed to establishing entirely new groups – which will be explored during the CNFS organisational design process. The potential positioning of these key coordination bodies as they relate to the proposed TFCNF is suggested in Table 2.

Table 2 Potential positioning of existing coordination bodies

Organisation and potential positioning for enhanced coordination
Task Force on Access to Climate Finance (TACF) The TACF aims to transform the system of climate finance in Rwanda through a new, programmatic approach aligned with Rwanda's national climate action plans and priorities, which is effectively supported by coherent, programmatic finance from multilateral and bilateral development partners (DPs). It is chaired by MoE, with a Strategic Advisor based within RGF. The TACF works to harmonize DP modalities to deliver coordinated climate finance and pool Technical Assistance resources for effective delivery, as well as streamline the financial regulatory environment to support incentivised practices that promote private sector investments. *The TACF mission, while still embryonic, is aligned with the CNFS. Since the TACF is in the early stages of operationalization – with an inherently short-term mandate - reconfiguring its purpose and operational model to serve the needs of this CNFS will help to build on what already exists. It is therefore proposed that the TACF be collapsed into the proposed TFCNF, as the apex body for this CFNS.*
Development Partners Coordination Group (DPCG) The DPCG is the highest-level development coordination forum which brings together policy makers and DPs to discuss DP support for Rwanda's development agenda. It is composed of permanent secretaries, heads of bilateral and multilateral donor agencies, representatives of civil society and the private sector.

Given the significant scale of climate and nature finance being channelled into Rwanda by DPs, it will be important to ensure that this Group works closely with the TACF(and subsequently the proposed TFCNF – specifically, the focal area on resource mobilisation (and to a lesser extent, private sector coordination).

Environment and Climate Change Sub-sector Working Group (ESWG)

The ESWG is chaired by REMA and is responsible for overseeing implementation of REMA's Strategic Plan (2022-2026) which includes many NDC, GGCRS and NBSAP measures / activities / interventions. To achieve the targets set out by these national and international commitments, the REMA's Strategic Plan acknowledges the need to secure and mobilise climate and nature finance from a range of sources, including through the Joint Action Development Forum, multilateral funds, the carbon market etc.

Environment and climate finance -related efforts (progress, gaps etc.) undertaken or discussed by the ESWG should be shared with the proposed TFCNF. The ESWG will thus provide primary input into the TFCNF's resource mobilisation focal area, representing the various key line ministries that report into it.

MINECOFIN and IMF Coordination Group

The role and mandate of the MINECOFIN and IMF coordination group has evolved to include key stakeholders involved in fiscal policy reform, public debt and PFM, and these DPs are actively contributing to discussions on "greening" PFM.

At the point of NST-2's adoption, it will be important to ensure continued alignment between this coordination group, the PFM Coordination Forums (including working groups and clusters) and the proposed TFCNF – reporting into the resource mobilisation focal area.

Private Sector Federation (PSF)

PSF is a professional organization with a membership base of over 80 associations and 80,000 members. It supports Rwanda's private sector to respond to the country's Vision 2050 and is acknowledged as a key institution working to advance climate action and green growth in Rwanda, by collaborating with MoE, RGF and REMA on the implementation of the country's Private Sector Mobilisation Plan for Climate Action (2022).

PSF would therefore provide critical input into the proposed TFCNF's private sector mobilization focal area, together with KIFC.

Finally, Figure 4 highlights a potential gap in coordination within the finance and banking sector. Therefore, in carrying out the CFNS's organisational design, there is scope to consider the establishment of a **Banking and Finance thematic cluster**, which would aim to ensure that climate and nature finance -focussed efforts amongst key institutions in this sector (e.g. KIFC, BNR, RDB, RRA, CMA, RBA, ASSAR, AMIR, etc) are aligned. Given the prominent role that KIFC is already playing in this space, it could serve as the Chair and represent the cluster at the proposed TFCNF.

4.3 CREATE AWARENESS AND BUILD CAPACITIES FOR CLIMATE AND NATURE FINANCING IN THE PUBLIC AND PRIVATE SECTOR

The CNFS seeks to raise awareness and build capacities among both public and private sector stakeholders on the importance of climate and nature financing. *By increasing awareness and enhanced understanding, Rwanda aims to empower stakeholders with the knowledge and skills needed to access, manage, and utilise climate and nature finance effectively.*

This Enabling Pillar links directly with the capacity-building initiatives described in select Strategic Priorities, and comprises five primary aspects:

- **Capacity building and awareness raising within MINECOFIN regarding its ownership of this CNFS, and what these responsibilities entail**. This will be driven by the new Climate Finance Department, with modalities for this intra-Ministry engagement, knowledge-sharing and dialogue agreed upon once the Department is established. The technical capacities will be built around:
  - Climate-related economic policy, such as monitoring of and advising on borrowing terms to maintain the level of the public and external debt in check; climate macro modelling and forecasting; climate-related risk analysis and statements; quarterly climate expenditure reporting on climate change expenditure execution compared with budget plans.
  - Mainstreaming the appraisal of projects' climate risk, mitigation potential and nature impacts into public investments.
  - Support the application of Green Taxonomy and its continuous updates.

- **Broader awareness raising amongst the private sector and development partners on the Government of Rwanda's intentions relating to climate and nature finance mobilisation and mechanisms**. This externally oriented communications approach will focus on developing targeted engagement plans for different stakeholder groups, to be delivered through appropriate forums, and by appropriate GoR entities (with oversight from the ClimateFinance Department and significant involvement of MoE) on what the CFNS Strategy entails, what Rwanda's climate and nature finance targets and commitments are, and its vision for achieving them. The purpose of this is to stimulate greater interest, understanding and alignment in how the private sector and donor agencies strategically allocate funds and invest in certain sectors.

- **Develop capacities within Rwanda on technical aspects of the CFNS through upskilling and pilot demonstration**. This includes capacity building targeted at government agencies on Green Taxonomy and ESG accreditation, applying and managing grant funds, launching new debt financing instruments, and climate finance monitoring (through Climate Budget Tagging and the Climate Finance Dashboard). These efforts will also extend to broader private and financial sector stakeholders, particularly about ESG and Green Taxonomy accreditation.[8] As appropriate, such capacitation will be done pragmatically and demonstrably, with MINECOFIN and MoE leading efforts to apply ESG and Green Taxonomy approaches to existing project pipelines together with private sector and development partners.

- **Adopt adaptive monitoring, evaluation, and learning (MEL) techniques and technologies, to allow for agile and effective management of the CFNS.** Towards ensuring greater alignment in monitoring climate and nature finance metrics across sectors, the Government will consider the use digital MEL technologies to allow for efficient, reliable and transparent monitoring and reporting. Such platforms would support an adaptive management approach,

[8] Described in more detailed under relevant Strategic Priorities.

whereby strategic decisions and revision of CFNS related objectives, targets or timelines can be informed by up-to-date, accurate data and feedback loops.

- **Capacity development in the BNR and other supervisory authorities on the integration of sustainability financing approaches** into financial market regulation processes, including development and implementation of sustainability reporting based on the Green Taxonomy and international standards, e.g. International Sustainability Standard Board, as well as climate risks in the financial system, climate scenarios, risk management tools and sensitivity analysis.

5 Prioritised actions for short-term implementation (2024-2026)

***The CNFS serves as Rwanda's blueprint to unlock financing and investment, solidifying its position at the forefront of achieving climate and nature objectives.** It outlines the actions the Rwandan Government will take to initiate CNFS implementation, distinguishing between immediate actions to be executed between 2024-2026. Below is a concise overview of commitments during this period.*

1. **The Task Force on Climate and Nature Finance (TFCNF)**, with Focus Areas on a) Private sector coordination, b) Resource mobilisation, and c) Monitoring Alignment will be established as a driving mechanism for the implementation of CNFS and the broader climate and nature finance landscape. The Climate Finance Department will act as a Secretariat of the Task Force and lead the agile management and coordination process. The Institutional Design and Task Force Establishment will be led by MINECOFIN and implemented in coordination with key stakeholders by the end of 2024 *(CNFS Institutional Enablers)*.

   As part of the Task Force establishment process, the **mandates of key actors within the Climate and Nature Finance landscape** will be strengthened. This will include an analysis of the capacities to mobilise and invest in climate and nature finance, as well as the implementation of relevant capacity-building programmes. This process will be led by MINECOFIN, in coordination with the MoE and Rwanda Green Fund and will be finalised by *2025 (CNFS Institutional Enablers)*.

2. **The Climate Finance Department** will be established within MINECOFIN with the key role of coordinating the implementation of the CNFS, as well as taking on cross-sectoral oversight of the climate and nature finance landscape. The coordination arm of the Department will be the TFCNF. The Institutional Design and Department development process will be led by MINECOFIN and finalised by 2024 *(CNFS Institutional Enablers)*.

3. Ensure the **alignment of climate and nature-finance-related policies and strategies**, including the National Strategy for Transformation, the Disaster Risk Financing Strategy and others, acknowledging the intersectionality of climate and nature-related risks, opportunities and investments. This process will be led by MINECOFIN through 2024-2026 *(CNFS Strategic Priority 1)*.

4. **Implement an integrated portfolio approach to investment planning**, aligned with GGCRS, across line Ministries and agencies engaged in climate and nature finance management, and develop criteria for project selection to prioritise climate and nature. Establish mechanisms to **build a sustainable pipeline of 'green and investment-ready' opportunities to timely absorb resources mobilised and attract growing private sector participation**. The foundation for this will be established throughout 2024-2026. This activity will be led by the Rwanda Green Fund, in collaboration with line Ministries and implemented *(CNFS Strategic Priority 1)*.

5. **Following the Strategic Priorities and Action Areas of this CNFS, develop a set of priority activities specific to line Ministries and their mandated sectors**. This process will be led by line Ministries in coordination with MINECOFIN and implemented through 2024-2025 *(CNFS Strategic Priority 1)*.

6. **The operationalisation of the Green Taxonomy** will begin with the relevant and coordinated capacity-building programmes targeting commercial banking and other private sectors. This process will be led by the Kigali International Finance Centre/RFL, in coordination with MINECOFIN and will be taking place through 2024 - 2025 *(CNFS Strategic Priority 1)*.

7. Design and introduce **digital integrated climate and nature finance monitoring and evaluation mechanisms**. This process will be led by MINECOFIN, closely coordinated by the MoE and the REMA and implemented through 2024 - 2025 *(CNFS Strategic Priority 5)*. **Integrate Climate Budget Tagging into the Public Finance Management processes**, to identify investments that can be greener and climate-sensitive. This process will be led by MINECOFIN and implemented throughout 2024-2025 *(CNFS Strategic Priority 4)*.

8. Conduct **mapping of key philanthropies active in climate and nature space** and develop targeted programmes aimed to market Rwanda's climate change and green growth objectives. This process will be led by the Rwanda Green Fund and implemented by 2024 *(CNFS Strategic Priority 2)*.

9. **International grant and concessional finance will be accessed** to support suitable private sector climate and nature finance projects that require de-risking. Co-financing needs and requirements will be considered. As part of this activity, the design and launch of innovative outcome-based financing mechanisms will be prioritised. This will be led by the MINECOFIN in coordination with BRD, RDB, and Rwanda Green Fund, and implemented as a priority in 2024-2025 *(CNFS Strategic Priority 2)*.

10. Building on IREME Invest, by designing and implementing **blended finance initiatives that combine different types of funding, including grants and loans (and possibly) equity to support small, medium and large firms**. This will be led by the Rwanda Green Fund, in coordination with the RDB and PSF and implemented as a priority in 2024-2025 *(CNFS Strategic Priority 2)*.

11. **Position and advocate Rwanda's climate change and green growth progress** and objectives **to regional investors** and the market as a **regional access hub**. This process will be led by the KIFC and implemented through 2024-2025 *(CNFS Strategic Priority 4)*.

12. **Provide capacity building and financial de-risking** support to RDB, BNR, Bank of Kigali and other commercial banks that are implementing innovative financing instruments. This process will be implemented throughout 2024-2026 and led by the MINECOFIN, with key implementing agencies being the KIFC and RBA *(CNFS Strategic Priority 3)*.

13. Lower barriers and costs of issuing and listing instruments, such as Capital Markets Authority fees, for green businesses and instruments to **incentivise participation in green financing mechanisms**. MINECOFIN will lead this process in coordination with the Capital Markets Authority. It will be implemented throughout 2024-2026 *(CNFS Strategic Priority 3)*.

CNFS Activity	Implementing Agency	Supporting Agency	Timeframe
1. Establish the **Task Force on Climate and Nature Finance** and strengthen the roles of key actors within the climate and nature finance landscape.	MINECOFIN	All actors	2024-2025
2. Establish a **Climate Finance Department** within MINECOFIN	MINECOFIN	-	2024
3. Ensure the **alignment of climate and nature-finance-related policies and strategies**, including the National Strategy for Transformation, the Disaster Risk Financing Strategy and others, acknowledging the intersectionality of climate and nature-related risks, opportunities and investments	MINECOFIN	-	2024-2026
4. Implement an **integrated portfolio approach to investment planning**, aligned with GGCRS, across line Ministries and agencies engaged in climate and nature finance management, and develop **criteria for project selection to prioritise climate and nature**.	RGF	MINECOFIN	2024-2026
5. **Based on the Strategic Priorities and Action Areas of CNFS, develop a set of priority activities specific to line Ministries and their mandated sectors**.	Line Ministries	MINECOFIN	2024-2025
6. The **operationalisation of the Green Taxonomy** will begin with the relevant and coordinated capacity-building programmes targeting commercial banking and other private sectors.	KIFC/RFL	BRD, RDB, MINECOFIN	2024-2025
7. Design and introduce **digital integrated climate and nature finance monitoring and evaluation mechanisms**. **Integrate Climate Budget Tagging into the Public Finance Management processes**, to identify investments that can be greener and climate-sensitive.	MINECOFIN	MoE, REMA	2024-2025
8. Conduct **mapping of key philanthropies active in climate and nature space** and develop targeted programs aimed to market Rwanda's climate change and green growth objectives.	RGF	-	2024
9. **International grant and concessional finance will be accessed** to support suitable private sector climate and nature finance projects that require de-risking. Co-financing needs and requirements will be considered. As part of this activity, the design and launch of innovative outcome-based financing mechanisms will be prioritised.	MINECOFIN	BRD, RDB, RGF	2024-2025
10. Building on IREME Invest, by designing and implementing **blended finance initiatives that combine different types of funding, including grants and loans (and possibly) equity**.	RGF	RDB, PSF	2024-2025
11. **Position and advocate Rwanda's climate change and green growth progress** and objectives **to regional investors** and the market as a **regional access hub**.	KIFC	-	2024-2025
12. **Provide capacity building and financial de-risking** support to RDB, BNR, Bank of Kigali, and **other commercial banks** that are implementing innovative financing instruments.	MINECOFIN	KIFC, RBA	2024-2026
13. Introduce **incentives for the financial sector and private sector** to green the financial instruments, services and products.	MINECOFIN	CMA	2024-2026

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A 1. ANNEX 1: KEY DEFINITIONS

The CNFS will adopt internationally recognised definitions of climate and nature finance, drawing upon the best practices established globally.

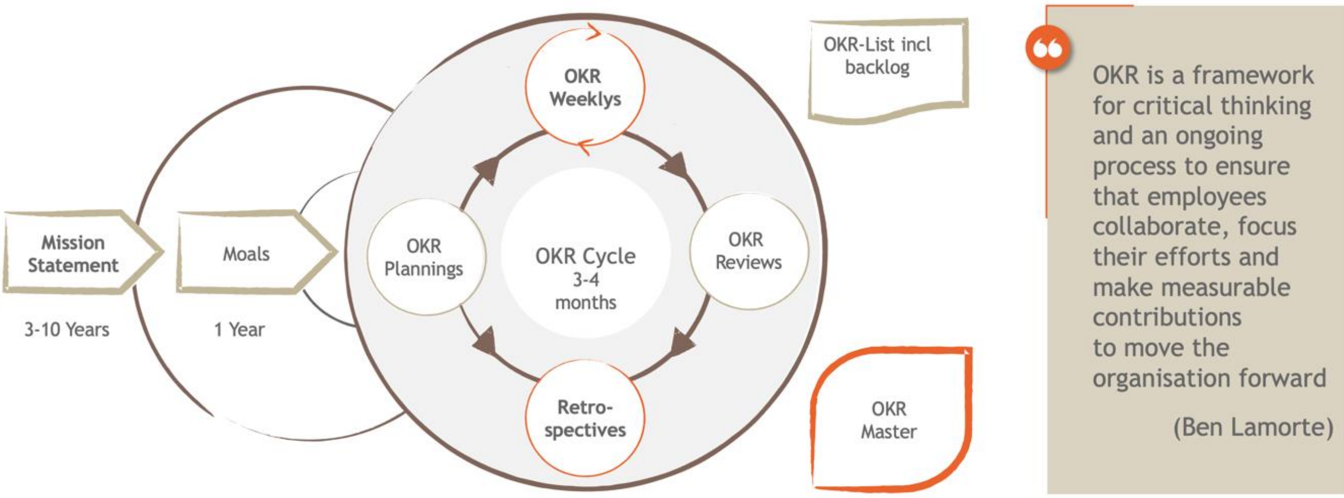
Type	Source	Definition	Sectors/Terminology
Climate Finance	**UNFCCC**	"Climate finance refers to the **financial resources and instruments directed towards climate change mitigation and adaptation actions**"	Mitigation, Adaptation
Nature Finance	**UNEP**	"Investments in **nature-based solutions (NbS) that address environmental challenges like biodiversity loss and land degradation, through the protection, restoration, and sustainable management of natural ecosystems**"	Biodiversity loss and land degradation, ecosystem restoration, nature-based solutions

Figure 6: Definitions for climate and nature finance

Key points around the definitions of climate and nature finance:

- Climate finance has a broader cross-sectoral scope and applies to multiple economic sectors. Climate finance can have adaptation, mitigation and cross-cutting (both adaptation and mitigation) focus.
- Nature finance has a narrower scope as it focuses on biodiversity loss, land degradation, ecosystem restoration and nature-based solutions, which can (and most frequently do) have strong adaptation and mitigation benefits (are climate-related), or might be non-climate related.

A 2. ANNEX 2: AGILE MANAGEMENT – OBJECTIVES AND KEY RESULTS FRAMEWORK



Source: die agilen, 2020

A 3. ANNEX 3: FINANCIAL INSTRUMENTS

Typology	Instrument	Pros	Cons	Strategy priority enabled
Fiscal	Tax breaks and other tax incentives	• Incentivise private sector investment	• Impact tax revenues • Complex to implement. • May result in inequity • May disincentivise non-nature and climate investment	3.4
Debt (and Debt like)	Debt-for-Nature swap	• Encourage long term commitments to investment in C&N • Provides debt relief	• Requires significant and effective governance and oversight.	3.2, 3.3
	Green or sustainable bonds (corporate and sovereign)	• Provides significant amounts of upfront capital for C&N investments. • Relatively cheaper cost of debt	• Requires sustainable long-term revenues to service. • Significant transaction and monitoring and evaluation costs.	3.2, 3.3, 3.4
	Sovereign debt	• Significant upfront capital with relatively fewer conditions • Existing relationships and lines of credit	• Increase public debt servicing cost. • Implications for long term fiscal sustainability and sovereign debt rating	3.2, 3.3
	Outcomes-based financing	• Financially incentivises long term commitment to achieving C&N targets. • Has the potential to be a relatively cheaper form of finance.	• Requires significant and effective governance and oversight. • Can result in significant transaction costs.	3.2, 3.3
	Concessional loans	• Significant upfront capital • Cheaper cost of debt relative to commercial loans.	• Use of proceeds are generally prescribed.	3.2, 3.3
	Guarantees	• De-risk projects to crowd in investment. • Unless called upon, require limited cashflows	• Sovereign back guarantees have an impact on sovereign debt rating.	3.2, 3.3, 3.4
Non-debt	Grant	• Little to no associated financing costs	• Use of proceeds are generally condition. • Limited availability for middle-income countries.	3.2, 3.3
	Carbon credit markets	• Source of foreign direct investment. • Encourage investment in carbon sequestration	• Price volatility • Complex and administratively burdensome	3.3, 3.4
	Biodiversity credits	• Provides financial incentives for biodiversity efforts	• Nascent market with limited proof of concepts	3.3, 3.4
	Disaster risk financing	• Enables transfer of financial risk to entities better equipped to absorb financial strains. • Promotes improves disaster response and budgeting	• Relatively high transaction costs. • May disincentivise investment in proactive risk reduction measures and resilience-building activities	3.4
	Public Private Partnership (PPP)	• Leverage private sector financing and expertise. • Transfer risk to the private sector	• Complex contractual requirements. • Limited to projects that are financially attractive to the private sector.	3.2, 3.4
	Payments for ecosystems	• Provides financial incentive for conservation	• Administratively complex with high transaction costs	3.4
	Venture Capital or Angel fund investment	• Leverage private capital. • Highly flexible and innovative	• Investors generally have a high-return, short-term focus. • Limited scalability	3.4