



Rwanda

Financing for Transformation

Abuja-Nigeria

28/9/2022

Guiding question

- **Guiding Question:**

Rwanda established the green Investment Fund, connected with the ongoing reforms of the INFF, but also in the context of its broader green agenda. Can you please share with us how this is being done and the connection of the public and private finance related reforms in the context of the INFF?

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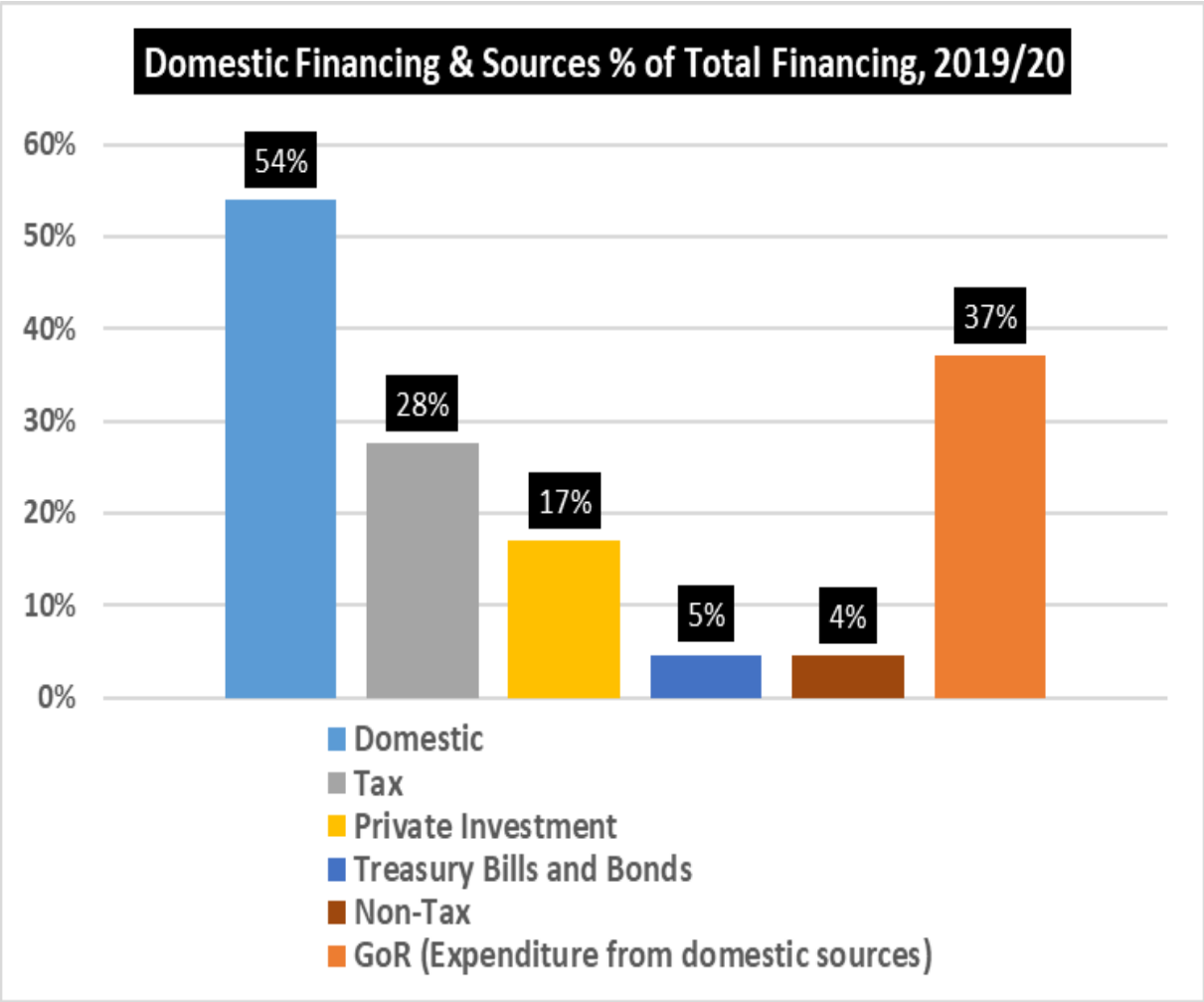
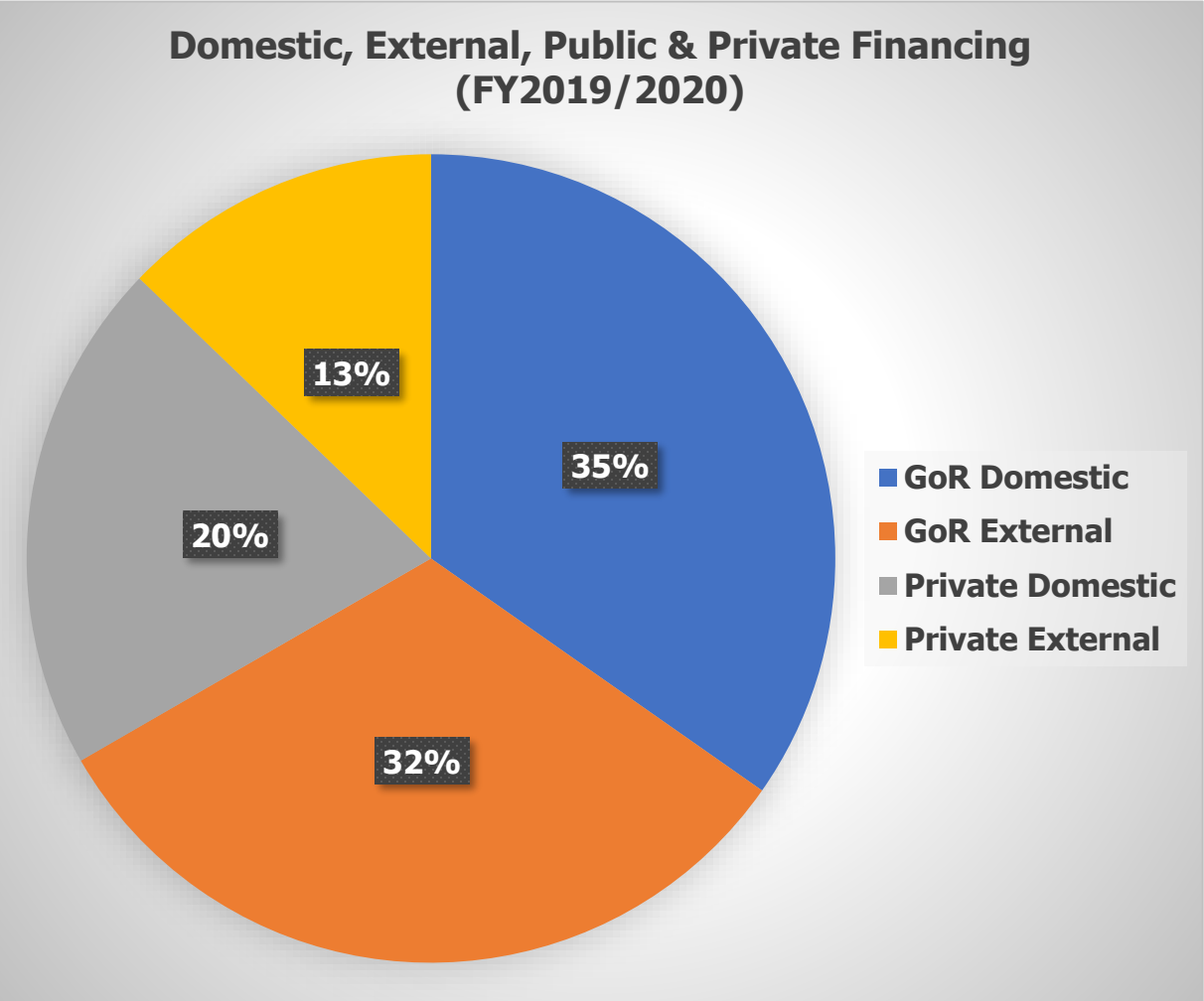
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Introduction and content of diagnostics

- The Report sets the analytical baseline and constitutes the main product of the first building block of the INFF process.
- Assesses the financing landscape, i.e., supply of resources, through public finance, public debt and the medium-term budget, FY 20/21 – 22/23.
- Encompasses financial deepening in the money and capital markets to assess flows through credit and bonds, highlighting sources of savings such as pensions and insurance as well as the depth of financial inclusion.

- **Emphasizes leveraging private sector for infrastructure investment through PPPs, FDI, blended and innovative finance. Presents advantages of tapping into international capital and re-engaging the Diaspora for national investment.**
- Proposes adoption of the Integrated Planning and Reporting Toolkit (IPRT) to ensure accountability and transparency in resource use and to empower the INFF oversight committee with accurate and regular reporting on financing results.
- Highlights the Rwandan INFF context and linkages between Vision 2050, the UN 2030 Sustainable Development Goals (SDGs) and first National Strategy for Transformation (2017-24). Together with other initiatives for development finance in the international community (OECD Long Term Investment Project, International Tax Architecture and the global response to COVID-19; AU 2063 agenda & AfCFTA, AFREXIM, EAC).

Sources of Development Financing

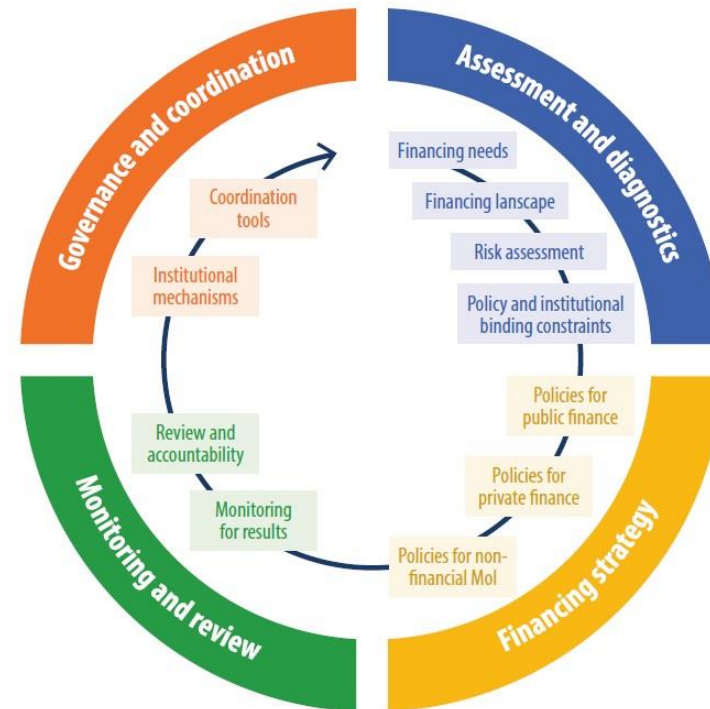


Key Recommendations

Increase resource mobilization on all fronts to realize medium-term financing needs and achieve the financing targets that have been significantly underestimated due to Covid-19. Equivalent of 21.3% of GDP for the last decade of the SDGs is required.

Effective INFF governance through responsible institutions and policies will be critical for a coherent and successful process. This entails effective coordination to maximize synergies around the design, execution and monitoring of the entire INFF process – including the consensus on trade-offs.

A robust and holistic monitoring framework including use of an Integrated Planning and Reporting Toolkit (IPRT) will allow assessment across development agendas and by sector – aligning goals, targets and indicators.



Establish an integrated financing dashboard to consolidate and monitor data from existing tracking systems on all key financial flows, from mobilization, allocation, to disbursement and spending. This will improve transparency, synergies and decision-making around financing measures.

Improve reliance on domestic sources by getting on a higher trajectory of domestic resource mobilization (DRM). Consider articulating an accelerated DRM strategy that supplements Rwanda's MTRS with structural reforms. Conduct tax gap analysis by sector.

Ensure a holistic approach to development financing in Financing Strategy, the next stage of INFF process. This should include consolidation of capital market gains by introducing more corporate debt instruments and non-sovereign treasuring (e.g. green bonds).

Consolidate the integration of SDGs in the budgeting process and strengthen linkages between the long-term vision, medium-term national plan and national budget. Increasing the role of non-state actors in the process.



Rwanda's green fund: THE BIG PICTURE

A **solution** to Rwanda's development challenges

An opportunity to attract climate finance to support **resilience to climate change** and **green growth** in Rwanda.

Investing in the **best public and private projects** that have the potential for transformative change.

The fund provides **expert technical assistance** to ensure the success of its investments

RESOURCES MOBILISED

Approx. USD 210 MILLION

Approx.





EXISTING FINANCIAL INSTRUMENTS (Part of reforms)

INNOVATION GRANT

This product is a performance-based investment for research and development, proof-of-concept and demonstration. **Private sector companies can apply for up to USD 300,000 and must provide 25% match funding.**

CREDIT LINE

The Green Fund provides Rwanda's cheapest money with a credit line that provides Financing at 11.45%, well below market rates. Developed with Rwanda's Development Bank, private sector companies must provide 30% match funding.

GRANT

Accessed by public institutions and NGOs

FUTURE INVESTMENT AREAS

Immediate Focus Sectors vis a vis NDC

Biomass Replacement



Creating opportunities to invest in biomass replacement and catalyze transition to sustainable biomass value chains.

Green Cities



Support a paradigm shift in green urbanization by brokering investment in major flagship urban initiatives.

Sustainable Transport



Stimulate investment in low-carbon vehicles and e-mobility to support affordable access to markets and livable cities.

Waste



Tackle the urban waste challenge and introducing opportunities for circular economy investments across the value chain.

Sector investment priorities (under development and analysis)

- Clean Domestic Fuel & LPG
- Bio-digestion
- Sustainable charcoal

- Green City Kigali Pilot in Kinyinya
- Rollout in secondary cities
- Green Buildings

- E- Vehicle Infra
- E-Bus Rapid Transport
- Electric Scooters

- Upgrade landfill
- Waste to energy

Could be combined with biomass

Second Wave

Climate Smart Agriculture



Renewable Energy



Water



A second phase of high-potential sectors could be elaborated subsequently

INSTRUMENT PIPELINE

The fund is developing additional private sector financial instruments that will offer opportunities to invest in sectors, programmes and specific transactions across the **public-private spectrum through a number of bespoke instruments, mechanisms, and platforms, including:**

'Hybrid' Fund

- Traditional grants, concessional loans and credit lines

Guarantee Fund

- Credit guarantees and similar products

Leasing and Securitisation Vehicles

- Covering assets including solar, energy efficiency, irrigation, and others

Green Bonds

- Bespoke for the application

Business Incubator and Accelerator Programs

- Grants, seed equity, crowd investing, and other appropriate instruments

Medium and Large Enterprise Facilities

- Loans, bridging/gap finance, and guarantees

5. Private sector facility

Green Leasing Facility- Coolase/BDF

The last meeting held with BDF and BASE to discuss the coolase scheme highlighted the following:

1. The MoU under which this partnership has been developed has expired. It will have to be reviewed and updated.
2. FONERWA had agreed to hire a consultant to setup the Guarantee fund

Funding available under the NDC Deep Dive to undertake this consultancy and some additional work (expansion of the product offering).

Way Forward:

1. BDF is drafting the ToRs for the consultancy (under NDC Deep Dive)
2. MoU to to be updated

Line of credit/BRD (MoU update)

Currently, the MoU is being revised to create a framework collaboration that will open new and diversified financial instruments for the private sector.

This is intended to position FONERWA for broader resource mobilization especially from private investors.

Wayforward:

Finalize collaboration framework MoU between FONERWA and BRD

Green Investment Facility

An integrated grant and finance approach to leverage and expand resources. It is proposed to be made of:

- Project Preparation Facility housed at FONERWA: “from feasibility to bankability” and assist projects to come to a state where they can secure commercial finance
- Green Financing Facility housed at BRD

Ways to ensure strong relationship:

- creation of a Steering Committee to supervise the arrangement between the 2 institutions.
- A clear operating agreement where FONERWA and BRD run regular roundtables and work together to support key green sectors

6. Challenges and Wayforward

Challenges

1. Covid19 outbreak has impeded some operations and delayed developments towards further resources mobilization on both sides of FONERWA and its partners
2. Delays of some partners in design and/or implementation of collaboration agreements
3. Global climate finance flows for adaptation is limited and takes time to secure funding.
4. Some donors have earmarked fund which requires FONERWA to develop proposals in line with donors' requirements.
5. Bankable projects require feasibility studies to inform the proposal and this requires to raise funding for feasibility.

way forward

1. Assessing Covid19 affected operations/programs and devise a catch-up plan for upcoming fiscal year in collaboration with partners
2. Continuous engagement with partners for effective implementation
3. Diversify partners including development partners, foundations, impact investors, etc. to maximize funding opportunities.
4. **Develop a pipeline of bankable projects** across the Resource Mobilization Strategy priority sectors which will be used to engage partners
5. **Develop multiple financial instruments including a model and structure that can attract blended finance (Need MINECOFIN's support)**



THANK YOU