

Gearing economic policy and financial sector towards sustainability

Improved regulatory and economic framework for the mobilization of public and private financial capital for the benefit of a socio-ecological economic transformation

The challenge

Rwanda is highly vulnerable to adverse effects of climate change, such as draughts, heavy rainfalls and landslides; its economy is dominated by nature-based tourism and rainfed agriculture. The impacts of climate change are increasingly burdening many economic sectors, regions, and population groups and threaten to exacerbate inequalities. Significant investments need to be mobilized to mitigate greenhouse gas emissions and strengthen climate change adaptation capacity, through Rwandan government funds, international cooperation, and private investors.

Aligning its efforts with commitments under the 2030 Agenda for Sustainable Development, Paris Climate Agreement and Enhanced Nationally Determined Contributions (NDC) for mitigation and adaptation for the period to 2030, Rwanda declared green economic growth a priority of its development agenda. Through increased integration of sustainability considerations into economic policy, financial system development and institutional strengthening, it aims to establish mechanisms to redirect financial flows toward climate- and sustainability-relevant activities, thus ensuring the right to a healthy environment to Rwanda's current and future generations.

Our approach

The project provides expert advice and technical support in three interlinked fields: (i) Policy coordination and monitoring; (ii) Economic and financial policy; and (iii) Financial system. The focus is on signals and incentive mechanisms to support public and private sector action and investments in the spirit of a socio-ecological economic transformation.

By strengthening cross-sectoral **policy coordination and monitoring**, the project promotes increased coherence, efficiency, and transparency in policymaking by various ministries and stakeholders as well as sound implementation of sustainability-oriented national strategies, such as the Climate and Nature Finance Strategy (2024). This includes development of a Climate Finance Information System platform to track climate finance data across different programs and facilitate finance data exchange among key institutions thus significantly improving the targeting and impact of climate finance investments and creating a basis for discussion and decision-making for a wide range of stakeholders.

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Project region	Rwanda
Lead executing agency	Ministry of Finance and Economic Planning
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By deepening knowledge and skills within Ministry of Finance and Economic Planning (MINECOFIN), National Bank of Rwanda (BNR), and other stakeholders in applying complex analyses and studies in the field of climate- and sustainability-oriented **economic and financial policy**, the project contributes to better decision-making in promoting macroeconomic resilience of the economy and society to sustainability risks (especially climate risks). The support in this area includes technical advice on integrating climate risks into macro models; devising sustainability-oriented fiscal policy and public investments while also addressing gender and social aspects; implementation of Rwanda Green Taxonomy (RGT) as well as sustainability disclosure and reporting.



By aligning the **financial system** with sustainability considerations, the project creates conditions for financial institutions to channel capital into sustainable economic activities. In the long term, such an alignment is expected to improve risk management and thus strengthen the resilience of the financial sector, while also making investments in climate and sustainability more attractive. This field includes measures to disseminate and implement the RGT in the financial sector through pilot projects as well as development of regulatory instruments, such as guidance for various stakeholder groups (banks, investors, insurers, etc.) on how to implement the RGT. In addition, it also includes measures to introduce sustainability reporting for financial institutions and companies in accordance with the guidelines of the International Sustainability Standards Board (ISSB). This not only improves the quality and credibility of reporting in financial institutions but also strengthens Rwanda's position in the global market by demonstrating to investors and stakeholders its serious efforts and steps toward sustainability.

The project responds to the needs of Rwandan key actors in economic and financial policymaking. It works with a broad range of stakeholders, including regulators and public sector entities, such as MINECOFIN, BNR, Rwanda Finance Limited, Institute of Certified Public Accountants of Rwanda (ICPAR), Development Bank of Rwanda, Rwanda Green Fund, and others. It also collaborates with bilateral and development partners, notably with the French development agency, the International Monetary Fund, the World Bank and Kreditanstalt für Wiederaufbau (KfW), as well as GIZ bilateral projects (NDC, AIHub) and GIZ global projects Sustainable Finance and Data Economy. This multistakeholder approach ensures that the activities are comprehensive, inclusive, and aligned with Rwanda's sustainability objectives including Rwanda's Vision 2050, Rwanda's National Strategy for Transformation for 2024-2029 (NST 2), Rwanda Sustainable Finance Roadmap (2022), Revised Green Growth and Climate Resilience Strategy (2022).

The benefits

The focus on climate- and environmentally friendly fiscal, economic, and financial market policies creates new opportunities for the private sector, as it leads to the emergence of new activities and markets. For example, the classification of green or sustainable investments within the RGT makes the potential investment spectrum more transparent and justifiable from an investor's perspective. Moreover, strengthening the sustainability-oriented financial market also promotes the development of the capital market, mobilizes domestic and international investments, and contributes to financial market stability. By incorporating ecological risks associated with climate and environmental impacts more strongly into financing decisions, the management of financial and

non-financial risks can be improved. This in turn leads to better-informed capital allocation, which reduces climate- and environmentally harmful activities and promotes the financing of climate- and environmentally friendly projects. The project also contributes to more inclusive and resilient economic development by addressing the management of environmental risks that disproportionately affect poor and disadvantaged population.

Rwanda's Green Taxonomy (RGT), www.minecofin.gov.rw/rwandagreentaxonomy, is a framework that aims to define sustainability criteria, foster shared understanding and trust on what constitutes a green investment, and prevent green-washing. It abides by internationally recognized core principles and offers an innovative framework for the inclusion of activities that contribute to climate change adaptation and resilience. The development of RGT represented a crucial step in laying a solid foundation for Rwanda's green transformation. RGT was the second taxonomy in Africa (after South Africa) and the first in Africa to include the agricultural sector. It was adopted in two steps, in November 2023 and November 2024, involving four and eight sectors, respectively.

Successful implementation of taxonomies relies on disclosure of consistent and high-quality sustainability information as mandated by disclosure regulations. At the same time, disclosure regulations benefit taxonomies as they allow entities to identify sustainability risks and opportunities. Taxonomies and sustainability disclosures are therefore mutually reinforcing sustainable finance instruments.

Development of **Rwanda's Adoption Roadmap for ISSB sustainability-related financial disclosures** (in progress, to be adopted by ICPAR at end April 2025) and **Guidelines N° 040/2024 of 25/11/2024 on the Disclosure and Reporting of Sustainability-Related Financial Information for Financial Institutions** (adopted by BNR in November 2024, www.bnr.rw/regulatoryframework) provide for a phased ISSB adoption by 2030.

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