

Urumuri Revolving Fund for Climate & Circular Economy

Bank of Kigali Foundation & GIZ

The Urumuri CCE Revolving Fund is a groundbreaking program designed to address the financing needs of micro, small and medium-sized enterprises (MSMEs) with climate sensitive and circular business models. This joint initiative between the Bank of Kigali Foundation (BKF) and GIZ provides interest-free loans, business development support (BDS) and technical assistance to companies with circular and climate-sensitive business models. Apart from enabling companies to scale, they are also supported in developing bankable business models to access commercial financial products.

Loan officers of BK's commercial SME department also benefit from tailored training courses on green project eligibility, green credit risk assessment, management, and monitoring, as well as circular business models. This will support both the development of a more attractive green portfolio and increase bankability of business plans in "green" sectors.

The GIZ Waste & Circular Economy Project invited its sister project on the implementation of Rwanda's NDC to participate and contribute to this cooperation, which enabled enlarging the scope of the revolving fund to include climate-sensitive businesses.

Challenges to Access Growth Money

Rwanda holds strong potential for scaling up Circular Economy (CE) and Climate-Sensitive practices. As a regional leader in climate action, the country has demonstrated a firm commitment to sustainable development. Challenges however persist, ranging from an innovation ecosystem that is currently still dependent on international organizations, to high interest rates and demands of banks, as well as a general risk-averseness to work with companies engaged in circularity and climate-sensitivity.

Self-sustaining green innovation ecosystem

Building a self-sustaining innovation ecosystem that consistently produces high-quality, bankable business cases remains a work in progress. Many entrepreneurs struggle to frame their innovative ideas in ways that align with market expectations and meet the requirements of financial institutions. One of the key challenges is the difficulty in integrating and quantifying climate and environmental benefits within business models, which complicates the identification of "green" opportunities that can attract financing.



Financial Institutes' Formal Demands

Commercial loans in Rwanda often come with interest rates ranging from 18% to 22%. Coupled with stringent collateral requirements – land and assets are often not regarded as such – this environment poses substantial barriers for MSMEs, especially those seeking to explore green markets. As a result, most businesses opt to fund their activities through limited internal resources, with less than 10% currently financed through formal (micro-) financing channels.

Hesitancy to Engage with CE/CC Businesses

From the financial institutions' perspective, several structural barriers persist. Many bank loan officers lack the expertise to evaluate the climate and environmental components of proposed projects, which can hinder their ability to assess the viability of green investments. This, combined with a general risk-averse stance shaped by high default rates, limits banks' willingness to engage with circular- or climate-related ventures—even when they may be environmentally impactful.

The Urumuri Initiative

The Urumuri Initiative was established by BK in 2017 as an annual, six-month business accelerator programme and offers its best participants zero-interest loans. The initiative is funded through profits of the BK Group and serves as an entry point to the financial sector for starting entrepreneurs as well as micro and small businesses. Although managed by BK Foundation, the interest-free loans are

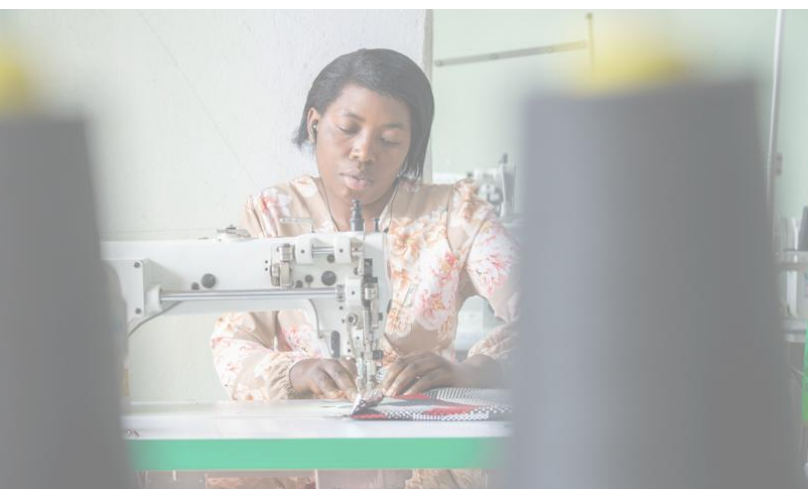
provided through the bank's commercial SME Department. Before getting the loan, companies go through a rigorous screening process, to minimize default risks.

For the ninth edition of Urumuri, BK Foundation partnered with GIZ, and specifically targeted companies working in circularity and waste management, as well as businesses that want to improve the climate impact of their internal production processes and / or value chains in these fields. The cooperation between BK and GIZ has enabled the initiative to tap into its strong expertise on circular business models and green financing, as well as raising the loans from 6 million to 30 million Rwandan Franc (RWF).

Revolving Fund

In a first phase, 138 businesses – out of over 400 applications – underwent coaching and training on business development support. In total, around 20 companies will receive an interest-free loan in 2025. After receiving the loan, companies will repay over a 36-month period, with the repaid money flowing into a revolving fund.

BK Group and GIZ contribute to lowering financial barriers and capacity gaps by offering accessible money without collateral demand, and provide tailored support in terms of financial literacy, preparation of bankable business plans and quantification of climate change and environmental impacts of the projects.



Loans over Grants

BK Group and GIZ both believe that zero-interest loans are to be preferred over non-refundable grants.

Many accelerator programmes encourage businesses through grants. While well-intentioned, these grants have led to some entrepreneurs mainly chasing free money, essentially becoming “grantpreneurs”, instead of working on financially viable, market-driven ventures.

As opposed to grants, loans encourage financial discipline and accountability. Albeit interest-free, business owners and entrepreneurs are required to develop viable, business plans with a clear pathway towards profitability to be able to repay their loan.

Value for Money

The repaid money in the revolving fund will allow Urumuri to re-launch calls for proposals on circular economy, waste management and climate-sensitive business models until the money in the fund is naturally depleted (due to anticipated defaults, currency depreciation and inflation).

This allows the allocated funds, including German and European taxpayer’s money, to be

used multiple times to achieve impact and help entrepreneurs to grow their business.

Reducing Defaults – Rigorous Credit Checks

Although interest-free, the loans are officially regarded as such by the National Bank and go into the official statistics, including those on the overall default rate of the bank, which may not surpass 5%. As such, BK Group must minimize the risk of defaults, while at the same time it does not want to burden small companies with debt. Hence businesses are rigorously assessed by loan officers of BK’s commercial SME department and supported by GIZ for the parts of the plans related to the companies’ circularity and climate sensitivity. This allows the small business owners to build up a relationship with a commercial bank and to gain better understanding of the bank’s needs to access financial products.

Building Capacity of Loan Officers

Through assessing dozens of companies with circular and climate-sensitive business models, BK’s SME department is building its own capacity in understanding circular and climate sensitive business plans. This will enable the BK loan officers to evaluate companies from these sectors at value and to be better able to offer them fitting financial products in the future.

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