

BOOSTER FACILITY PROPOSAL FOR FINAL CONSIDERATION
Project Fact Sheet

RWANDA - RWANDA CATALYTIC GREEN INVESTMENT BANK (RCGIB)	
Partner Agency	African Development Bank (AfDB)
Executing Agency	Service provider (in the process of being procured by AfDB)
Sector	Business development services (climate solutions) CRS Code: 25030
Country	Rwanda
Budget ¹ -NDF -Partner Agency -Other	Total 749,000 USD (appr. 683,000 EUR) NDF: 350,000 EUR (appr. 384,000 USD) AfDB: 100,000 USD (appr. 91,000 EUR) UNDP: 250,000 USD (appr. 228,000 EUR) FONERWA: 15,000 USD (appr. 14,000 EUR)
Project Period	2020 - 2021
Mode of Finance	Parallel co-finance grant
Previous Support to Country	Credits: EUR 12.5 million Grants: EUR 12.8 million
Rio Markers	Mitigation: 2 = principal objective Adaptation: 2 = principal objective
Gender Marker	1 = significant objective
Climate Screening Satisfied	Yes
Sustainable Development Goals	Poverty reduction (SDG1); gender equality (SDG5); clean water (SDG6); clean energy (SDG7); economic growth (SDG8); infrastructure (SDG9); reduced inequality (SDG10); sustainable cities (SDG11); and climate action (SDG13)
Environmental and Social Policy	Compliance: Yes; Risk Category: Low; Qualifications: None; Compliance Supervision: No
Processing Schedule	Final - April 2020 Signature - May 2020 Effective - June 2020

¹ Exchange rate on 14 April 2020: 1 EUR = 1.09655

PROJECT SUMMARY

NDF grant EUR 0.35 million

Project Period: 2020 –2021

Partner Agency: African Development Bank (AfDB)

Implementing Agency: Procurement in process of the services needed

Objective

The overall objective of the proposed project is to support the design, capacity building, and capitalisation of Rwanda Catalytic Green Investment Bank (RCGIB).

The specific objective of the proposed NDF Booster project is to provide co-financing for the collaborative engagement to develop the GCF funding proposal and the required attachments and to support Rwanda's National Green Fund FONERWA in becoming a Green Bank. The Green Bank is expected to be more of a public-private partnership that will initially focus on provision of loans and reimbursable grants for financing pipeline projects.

The following outcomes are expected

- 1) The RCGIB is established as a legal structure and as an upgrade of FONERWA;
- 2) A full funding proposal is prepared and submitted to the Green Climate Fund (GCF) for financing the capitalisation of the RCGIB; and
- 3) The core organisational elements of the RCGIB are defined and assembled.

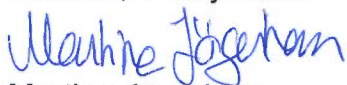
Financing

The total project cost estimate is EUR 683,000. NDF is providing EUR 350,000 in grant while AfDB's in-kind contribution is estimated at 91,000 EUR, UNDP has provided approximately EUR 228,000 and FONERWA has provided 14,000 EUR.

Recommendation for Management resolution:

Management approved grant financing of up to EUR 350,000 to the project Rwanda Catalytic Green Investment Bank.

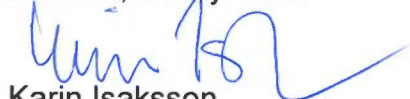
Helsinki, 5 May 2020



Martina Jägerhorn
Program Manager

Approval of grant financing of up to EUR 350,000 to the project Rwanda Catalytic Green Investment Bank.

Helsinki, 5 May 2020



Karin Isaksson
Managing Director

ABBREVIATIONS

AfDB	African Development Fund
BRD	Development Bank of Rwanda
CGC	Coalition for Green Capital
CO ₂	Carbon dioxide
COVID-19	Coronavirus disease 2019
FONERWA	Rwanda's National Green Fund
GBN	Green Bank Network
GCF	Green Climate Fund
GDP	Gross Domestic Product
GoR	Government of Rwanda
KIFC	Kigali International Finance Center
MRV	Monitoring, Reporting, and Verification
NDC	National Determined Contributions
NDF	Nordic Development Fund
NST1	Rwanda's National Strategy for Transformation
OGEF	Off-Grid Energy Access Fund
PPF	Project Preparatory Facility
RCGIB	Rwanda Catalytic Green Investment Bank
SDG	Sustainable Development Goal
SGF	Small Grant Facility
SIDA	Swedish International Development Cooperation Agency
UNDP	United Nations Development Program

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1. INTRODUCTION AND PROJECT BACKGROUND

FONERWA is Rwanda's own green fund and has a key role in mobilising and providing grants for projects relating to climate change. Now the Government of Rwanda would like to see FONERWA evolve into a "Green Bank". Aiming to support Rwanda with this long-term goal, NDF, the African Development Bank (AfDB), FONERWA, and United Nations Development Program (UNDP), have discussed collaboration to support, first the design phase, and later, the capitalisation of Rwanda Catalytic Green Investment Bank (RCGIB).

Green Banks around the world have demonstrated the ability to use public capital to drive green investment. Existing green banks within the global Green Bank Network (GBN)² have used approximately USD 15 billion USD in public capital to mobilize more than USD 50 billion in total green investment, lowering CO2 emissions, increasing climate resilience, and create thousands of jobs to support economic growth and employment.

The NDF Booster grant project presented here will support the design phase and as well as preparatory studies feeding into a Green Climate Fund (GCF) funding proposal to be submitted by AfDB as the Accredited Entity (AE). It is expected that NDF financing will be subsequently requested also for the capitalisation of RCGIB and possible start-up funds for early-stage operating expenses for the launch of the RCGIB.

The process of evolving FONERWA into a Green Bank has begun with initial support from UNDP. GCF will be requested to finance USD 50 million out of the total capitalisation goal of USD 100 million. Discussions are ongoing also with SIDA, who is considering providing guarantees. Other co-financing partners targeted include AfDB and other MDBs, bilateral agencies and commercial financiers.

2. RELEVANCE AND RATIONALE

2.1. Project Relevance

The RCGIB is an initiative of the Ministry of Environment executed by FONERWA as part of FONERWA private sector and resources mobilisation strategy. The RCGIB will be formed as an evolution of FONERWA, Rwanda's existing Green Fund to create new dedicated financing capacity designed to fill local market gaps, attract public and private funding, and benefit from tax incentive to achieve its mission while supporting national green growth objectives. It is being designed with a set of guiding principles (independent investment decision-making, ability to raise financing from Development Financial Institutions as well as the private sector, financial sustainability, etc.) to ensure its success.

² The GBN is a membership organization formed to foster collaboration and knowledge exchange among existing green banks, enabling them to share best practices and lessons learned. The GBN also aims to serve as a source of knowledge and a network for jurisdictions that seek to establish a Green Bank. For more information, see <https://greenbanknetwork.org/>

The RCGIB is specifically designed to support implementation of Rwanda's National Determined Contributions (NDCs), green growth objectives and national development goals, plans and targets. The RCGIB will also help Rwanda's strategic branding and establishment of the Kigali International Finance Centre (KIFC) as a regional Centre of Excellence for promoting business and financial transactions that also supports the implementation of NDCs.

The RCGIB is well positioned to rebuild critical green development sectors needed to ensure economic recovery after COVID-19 such as agriculture, renewable energy, transport, etc. Investing in these sectors will serve as a driver for Rwanda's GDP growth recovery through creation of more jobs and a more resilient and sustainable society.

RCGIB will support at least nine of the United Nations' Sustainable Development Goals: reduction in poverty (SDG1), gender equality (SDG5), access to clean water and sanitation (SDG6), affordable and clean energy (SDG7), decent work and economic growth (SDG8), industry, innovation and infrastructure (SDG9), reduced inequality (SDG10), sustainable cities and communities (SDG11), and taking climate action (SDG13).

2.2. Relevance to NDF's Mandate and Strategy

Based on a project pipeline assessed for RCGIB to be USD 330 million for the first three years, the preliminary estimates of CO2 emission reductions has been estimated at 2.09 billion tonnes of CO2 for a project lifetime of 25 years, or around 115 million CO2e per year. Moreover, the pipeline investments will potentially have significant adaptation impacts, increasing the resilience of an estimated 150,000 direct beneficiaries.

The proposal is fully in line with the NDF priority of increasing support to Africa. The proposal directly contributes to the NDF strategy in the following focal areas:

Catalytic role and leverage: The NDF project will help Rwanda get access to public and private climate finance and support the country in creating a green bank that will crowd in private investments for adaptation, mitigation and climate-resilient investments. Rwanda and AfDB would like to see RCGIB serve as a model to be replicated elsewhere in Africa.

Project Preparatory Funding: NDF will support the development a full proposal to the GCF. It will also help designing a Project Preparatory Facility (PPF) within the RCGIB.

Support for Innovation: The creation of RCGIB will foster the development of new and innovative green finance solutions and develop new types of national capital markets.

Support for Private Sector Development: The proposed Green Bank in Rwanda will address barriers that currently restrict sustainable private sector market growth. RCGIB will directly support private sector capacity building, as it will provide project preparatory financing to the private sector. It will fill the middle market-financing gap by consolidating several small project transactions and medium-scale transactions that are usually not of investment interest to multilateral banks and development finance institutions.

Emerging Climate Change Issues: NDF financing will support the creation of one of the first Green Bank in Sub-Saharan Africa. Such a unique institution with different financing instruments, exclusively targeting climate investments, does not yet exist on the continent.

3. THE PROPOSED PROJECT

3.1. Objectives

The overall objective of the proposed Booster project is to support the design, formation, capacity building, and capitalisation of RCGIB.

The specific objective of the proposed NDF Booster project is to co-finance the preparation and development of a detailed GCF funding proposal and support FONERWA in becoming a Green Bank. The Green Bank is expected to be a public-private partnership that will initially focus on provision of loans and reimbursable grants for financing climate projects.

The overall objective of the RCGIB is to catalyse innovative green finance and enhance Rwanda's capacity to accelerate investment in sustainable economic development based on climate adaptation and mitigation.

3.2. Project Activities

The total NDF financing will be EUR 350,000. The project activities proposed to be funded by NDF's Booster grant can be grouped under three components:

- 1) Establish the RCGIB legal structure as an upgrade of FONERWA;
- 2) Prepare a full proposal for GCF, including development of RCGIB structure and operating procedures; and
- 3) Define and initiate the RCGIB staffing and recruitment process.

The content of the proposed activities are described in more detail below:

- 1) Establish the RCGIB legal structure and support the upgrading of FONERWA
This activity will include finalising the structure of RCGIB within FONERWA's existing mandate. This step entails implementation of necessary changes, upgrading and capacity building within FONERWA to encompass the new functions of the RCGIB. The deliverables will include the following:

- All documents required for RCGIB Government of Rwanda contracts, agreements and incorporation.
- All legal and/or contractual documents required as related to potential Trust Fund account and custodial/trustee role of RCGIB
- All documents related to the governance and structure of the RCGIB

2) Prepare a full proposal for GCF and define all related RCGIB structure and operating procedures

The objective for this task is to prepare, in collaboration with and building on work done by AfDB, FONERWA, and UNDP, a successful funding proposal including required attachments for the RCGIB to be submitted to the GCF *and* to develop all necessary related RCGIB structures and capacities. Deliverables will include the following:

- Completed GCF funding proposal and revisions through GCF committee processes;
- Integrated RCGIB financial model;
- RCGIB business plan;
- Gender action plan;
- Impact metrics report (climate, jobs, gender, beneficiaries, SDGs);
- RCGIB operations manual;
- Report defining the structure and market strategy for the Project Preparation Facility (PPF);
- Report defining the RCGIB monitoring, reporting and verification (MRV) procedures; and
- Report defining the RCGIB environmental and social risk management procedures.

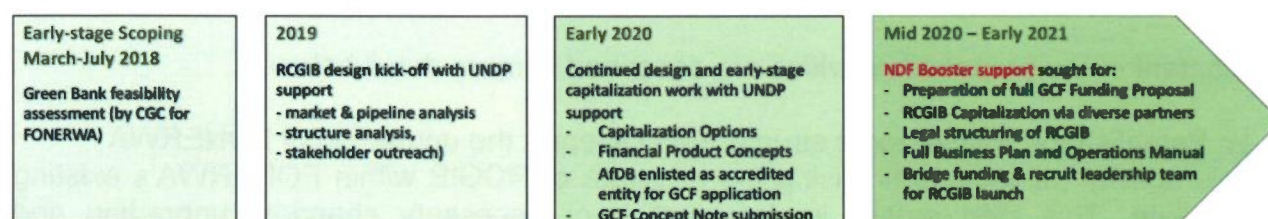
3) Define the structural elements of the RCGIB to fulfil the requirements for securing GCF investment.

Deliverables will include the following:

- Report containing the RCGIB staffing plan and recruitment process for the leadership team;
- Conduct a recruitment process for the RCGIB leadership team; and
- Secure bridge funding for early stage RCGIB operating expenses.

The proposed NDF Booster support planned to be implemented from mid 2020 until early 2021 will build on work done and completed by others until early 2020, as illustrated in Figure 1 below.

Figure 1: Rwanda Catalytic Green Investment Bank Project Phases and Timeline



3.3. Cost Estimates and Financing Plan

The total NDF financing will be EUR 350,000 (approximately USD 384,000), complementing approximately EUR 90,000 in in-kind contributions from the AfDB and approximately EUR 230,000 in funds from UNDP for ongoing activities.

The tentative budget for the project activities proposed to be funded by NDF's Booster grant will include:

- 1) Establish RCGIB as a legal structure and support the upgrading of FONERWA (USD 150,000)
- 2) Prepare a full proposal for GCF (USD 175,000)
- 3) Define and assemble the core organisational elements of RCGIB (USD 59,000)

The total budget for this preparatory phase and a brief description of the roles of the organisations is provided in the following table:

Organisation	Area of Support / Role	USD	EUR
FONERWA	Initial scoping work	15,000	14,000*
UNDP	Initial support for design and mapping capitalisation options, GCF concept note	250,000 ^{a)}	228,000*
NDF	Design and legal work for the RCGIB, and technical input to the GCF proposal	384,000*	350,000
AfDB	RGCF proposal preparation, consisting e.g. of review work to be conducted by AfDB	100,000 ^{b)}	91,000*
TOTAL		749,000	683,000

* Estimate based on the exchange rate of 14 April 2020: 1 EUR = 1.09655 USD

The table above provides an approximate estimate for the in-kind work that AfDB will contribute with. A multidisciplinary team at AfDB will conduct the following tasks to support overall deliverables and project outcomes:

- Development, review and assembling full GCF funding proposal in close coordination with project technical consultant and FONERWA;
- Extensive interaction with GCF staff and review teams up to and through the GCF Board meeting;
- Review and assistance with preparation of all impact metrics including climate, jobs, gender, beneficiaries, and SDGs;
- Review and assistance in development of gender action plan;
- Review and assistance with the RCGIB MRV procedures; and
- Review and assistance with developing the RCGIB environmental and social risk management procedures.

UNDP's grant contribution noted above represents support already contracted and essentially completed at this time. One of the main deliverables under this contract was the GCF project concept note, a precursor document to the funding proposal that NDF will support. Other key outputs included development of structural options for the RCGIB with related early-stage legal work, initial analytical work resulting in a draft business plan outline, the development of a conceptual framework for financial products, and preparation of an initial strategy mapping capitalisation options. Support was also provided for high-level roundtable presentations to key decision makers in Rwanda, such as the Ministry of Finance, the Ministry of Environment and selected development partners. UNDP is potentially interested in providing technical assistance and grants for the PPF design and launch, which is not included in this budget.

3.4. Nordic Interest

The project is well aligned with Nordic policies and NDF's mandate. Its focus is on climate actions (SDG13), and it will initially support GoR getting increased access to climate

financing. In addition to SDG13 RCGIB will directly contribute to several other SDGs and will ultimately strengthen the private sector's abilities to contribute to climate financing.

The new institution to be created will identify needs and high impact opportunities in the field of climate change and green growth, and promising innovative solutions to meet these needs and opportunities. It will invest in solution providers and support them to establish themselves and to grow in the target markets. These solutions may include both North-South and South-South technology transfer, in addition to domestically sourced solutions.

The proposed project builds on the capacity building work that Sweden has provided for FONERWA. NDF's proposed support to FONERWA for private sector development and the development of financial instruments complements particularly well the Embassy's ongoing support. NDF and SIDA are also discussing support for the capitalisation of RCGIB.

3.5. NDF's Added Value and Comparative Advantage

NDF's key comparative advantage is its ability to swiftly mobilise support to this important design and preparatory phase. Through NDF's agile and flexible Booster funding, the project will be able to benefit from seed money funding that will leverage significant additional resources from GCF, AfDB, UNDP, and others.

This initial seed funding will contribute to AfDB's long-term plan to replicate RCGIB in other countries in Africa. To this end, AfDB is currently conducting a Green Bank scoping project evaluating the potential for Green Banks and/or National Climate Change Funds in six additional African countries including Ghana, Benin, Mozambique, Zambia, Tunisia, and Uganda. The RCGIB is viewed as a pilot initiative in this broader context. As five of AfDB's scoping countries are also NDF's partner countries, NDF's support to RCGIB in Rwanda can be expected to indirectly support also these NDF partners.

NDF will add substantial value through its small grant in support of the design and preparation of this green bank in Rwanda at a critical phase of the project focused on securing anchor capitalisation from the GCF and completing the related RCGIB design and structuring work. The relatively modest grant provided by NDF can thus achieve a significant catalytic impact and leverage the efforts of one of Africa's first green funds.

Together with AfDB, NDF will support the design of RCGIB. This will open a window of opportunity for NDF to explore direct participation in the new green bank.

The RCGIB concept also links with several other key existing and planned NDF operations. For example, both the Nordic Climate Facility (NCF), Energy and Environment Partnership (EEP) provide grant support for early stage upstream development of projects that can apply for follow-up funding from RCGIB and from other green banks that may be established in Africa. The RCGIB is also relevant for the African Guarantee Fund (AGF) and NDF could be instrumental in securing a future collaboration.

4. IMPLEMENTATION ARRANGEMENTS

Implementation will build on work that have already been executed by FONERWA with input of the Coalition for Green Capital (CGC) and in coordination with AfDB, with grant support provided by the UNDP. The project activities and outputs proposed for NDF booster support build on and complement these earlier phases of the RCGIB project

AfDB will take the lead role and will act as the Accredited Entity for the GCF funding proposal securing GCF concessional resources for the RCGIB. AfDB will be supported by a consultancy to be procured on competitive basis. The proceeds of NDF funding will go directly and entirely to support the work of the consultant under supervision of the AfDB Climate Team.

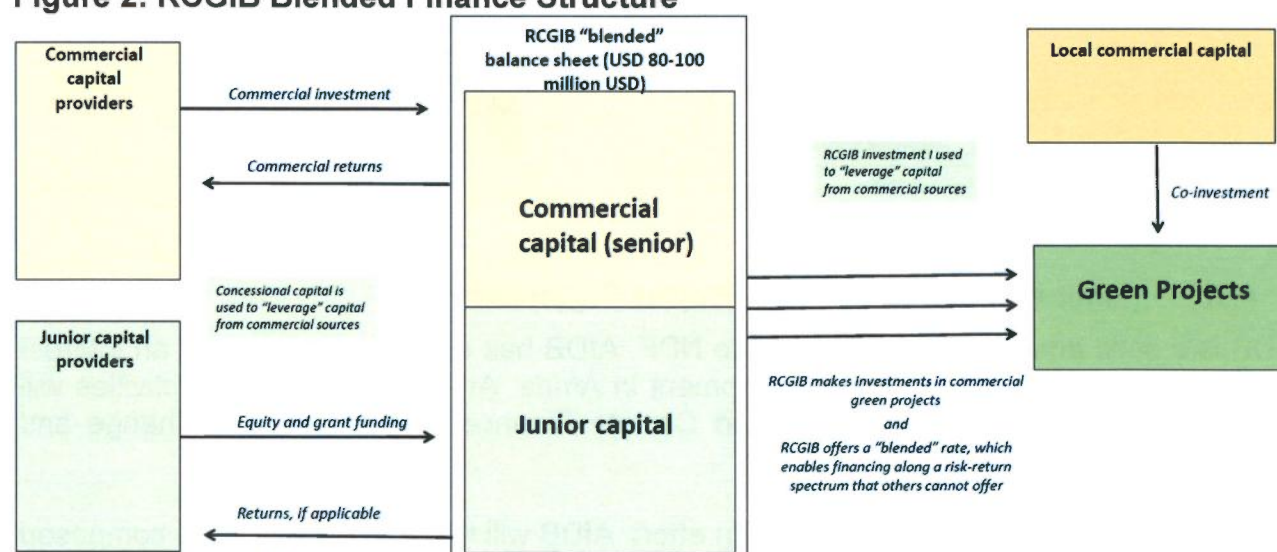
FONERWA's active involvement will continue throughout project implementation. Important input will also be provided by other key stakeholders in Rwanda.

4.1. Technical Aspects

Some of the key aspects of RCGIB are explained in this chapter, to summarise the work NDF's support is building on and the ultimate aims of RCGIB that NDF will support.

The RCGIB mandate is to catalyse green private investment in Rwanda, with a specific focus on *blended finance* and a goal of crowding-in private investment by providing financial instruments (debt, credit enhancements e.g. sub-debt, guarantees) to projects that are commercially viable – but not yet bankable – in the green sector (see Figure 2). It will address the following objectives: i) address local market gaps and crowd in private finance using financial tools, ii) strengthen Rwanda's ownership of climate finance by empowering the country to better access international finance (non-grant) resources, iii) work in partnership with the local banks to build their green finance capacity through innovation, risk mitigation and deal arrangement.

Figure 2: RCGIB Blended Finance Structure

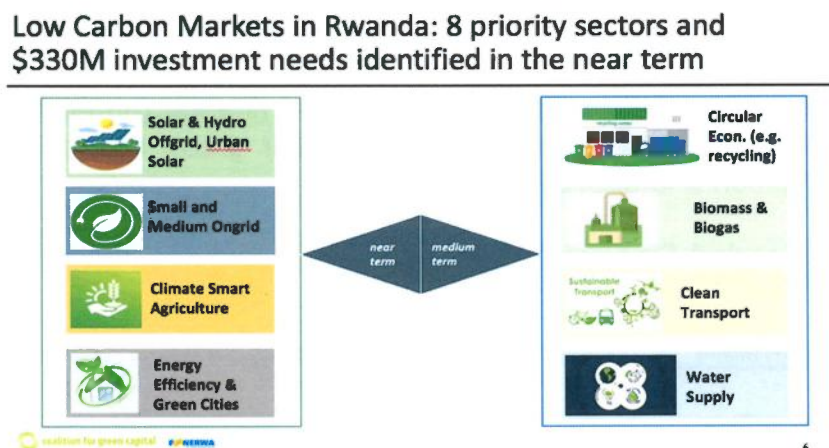


The essential functions required for the RCGIB to be successful include availability of project preparation support and tailored financing solutions that unlock new project development opportunities and economic growth. The financing window will provide finance to projects that are commercially viable but not yet bankable with the main objective to increase private investments.

A market assessment and project pipeline analysis have been conducted to inform the initial focus of the RCGIB. Based on this market assessment, the RCGIB will serve the green sector with a near term focus on renewable energy, climate smart agriculture and energy efficiency in commercial buildings. Other priority sectors include circular economy, biomass, water and sanitation and clean transport. RCGIB has identified a pipeline of projects in various national priority sectors with a strong potential for GDP growth and job creation in addition to climate change mitigation and adaptation.

More than USD 330 million in financing needs have been identified for the next three years in terms of debt and equity as expressed by private sector developers and Government of Rwanda (GoR) planners as noted below and summarized in Figure 3. Once RCGIB has developed a track record and other sectors have matured, RCGIB can help unlock private investments in other priority sectors such as recycling, biomass and biogas, water, clean public transport.

Figure 3. Priority Sectors of the RCGIB for Near- and Medium Term Operations.



4.2. Institutional Aspects and Project Organization

AfDB is a solid and well-known partner to NDF. AfDB has strong expertise and an interest in taking the lead in green bank development in Africa. At AfDB, the project activities will be coordinated by the Environment and Climate Finance Division/Climate Change and Green Growth Department.

The AfDB will manage this RCGIB design effort. AfDB will lead the project team composed of FONERWA on behalf of the Government of Rwanda, other relevant GoR agencies as

needed (Ministry of Finance and Ministry of Environment), and the consulting service provider (the Executing Agency) to be contracted. This project team will meet weekly to oversee and implement the defined schedule of project activities.

In terms of the institutional characteristics of the RCGIB, it will be formed through an institutional evolution of FONERWA and will be structured in line with the green bank concept as shown in Figure 2. Upgrading FONERWA to become the RCGIB would provide the opportunity for integration of new finance programs with FONERWA's current grant and project preparation resources to more fully support early stage project development. RCGIB as the new FONERWA will provide one integrated facility offering tailored solutions addressing market gaps while building local expertise in green finance through two separated windows: i) a Project Preparation Facility (PPF) to support commercially viable project at early stage through grants funding, and ii) a financing facility to directly support commercially viable green public and private projects.

4.3. Procurement and Contract Structure

AfDB will seek, select and retain the consultant in accordance with its regular procurement process and will directly manage the consultant on behalf of the project team. The NDF funded project activities will be implemented by this consulting firm to be recruited by the AfDB. Information on this competitive procurement process relating to this recruitment to be carried out by AfDB will be shared with NDF.

NDF and AfDB will each sign an interlinked direct service contract with the consultant and channel funds as parallel financing directly to the consultant, based on jointly agreed deliverables to be monitored and approved by the AfDB. This follows a similar kind of structuring as was done for the Off-Grid Energy Access Fund (OGEF) small grant facility (SGF) project. In that setup, the consulting firm recruited will be expected to report to AfDB (with copies to NDF concerning all communication and outputs) but receive direct payments from NDF based on the approvals of the outputs.

AfDB has initiated the procurement process for the NDF activities with a plan to sign a 12-months contract by end May 2020. NDF has been involved in commenting on the Request for Expression of Interest and the Terms of References.

4.4. Risk Analysis

The main risks of this proposed Booster grant consist of delays caused by the COVID-19 pandemic. The macro-economic shock caused by the pandemic may also hamper the Government's current focus on green growth and climate resilience.

To mitigate project development risk, the AfDB will bring the full force of its established and successful GCF team to the RCGIB capitalization effort. The AfDB will also use its role as Africa's leading development bank to partner with the Government of Rwanda to develop a successful financing strategy for initial capitalisation and launch of the RCGIB. Further, the AfDB will seek a contracted technical partner with an established track record on Green Bank formation and with specific experience in securing GCF funds to launch and catalyse Green Banks in Africa.

In terms of analysing and understanding risk relating to the new organisation to be established (RCGIB), key elements have been identified and are summarised in Annex 2 of this document.

4.5. Monitoring and Evaluation

Monitoring of the RCGIB design effort will be conducted by a multidiscipline team coordinated by the GCF Coordinator at AfDB's Climate Finance Division in the Climate Change and Green Growth Department. Project monitoring will be on an ongoing basis whereby the AfDB meets regularly (at least weekly or more often as needed) with the full project team (as anchored by FONERWA and relevant GoR agencies) and the project contractor.

Evaluation of the RCGIB design effort will be measured by project outcomes and based on delivery of specific deliverables defined in the Terms of References for the consultancy services. NDF has been involved in commenting on the Terms of References and will receive copies of all deliverables. As also NDF financing will be sought for the capitalisation of RCGIB, NDF is expected to be consulted on the design of RCGIB.

5. ECONOMIC AND SOCIAL ASPECTS

5.1. Economic Justification

Based on the RCGIB market assessment and project pipeline analysis, the RCGIB will serve a USD 330 million project pipeline based on the needs that have been identified for the next three years in terms of debt and equity as expressed by private sector developers and GoR planners. This level of investment will support Rwanda's economy in numerous direct and indirect ways. While full details of the economic case for creation of the RCGIB will be developed as part of the design efforts included in this proposed project (via the impact metrics assessment for the GCF funding proposal), the broad economic justification for the RCGIB includes the following:

- Overall, the cost of climate change to Rwanda's economy is estimated to be in excess of USD 3 billion USD by 2030. Rwanda could lose over 1% of its GDP each year due to climate related losses by 2030. The RCGIB will directly finance measures designed to reduce this economic burden and enable Rwanda's economy to minimise climate impacts and grow and thrive.
- Creation of construction jobs as related to projects in the renewable energy, climate smart agriculture/irrigation and commercial building energy efficiency projects to be financed by the RCGIB.
- Creation of jobs stemming from the medium-term project pipeline in sectors like circular economy, biomass, water and sanitation and clean transport.
- Long-term economic resiliency and growth stemming from green, sustainable development as consistent with climate adaptation and mitigation measures to reduce Rwanda's climate-related vulnerabilities.
- In terms of COVID-19 economic recovery, the RCGIB will support Rwanda's capacity to progress from emergency aid relief to longer-term strategies to grow its economy focusing on job creation in low carbon markets. The role of

catalytic, blended innovative finance capacity to support critical infrastructure and social investments will be essential for economic recovery and growth.

- Gender-specific economic benefits will be defined as part of the scope of work for the proposed project.

5.2. Environmental and Social Aspects

NDF's support will be used to prepare the social and environmental impact analysis and safeguard policies as well as a gender assessment and action plan for RCGIB. This will help ensure that NDF's requirements are met in terms of safeguarding environmental, social and gender aspects in RCGIB, and potentially unlock a next phase contribution from NDF towards the capitalisation of RCGIB.

The ultimate social and environmental benefits developed through the activities of the RCGIB will touch on the following sectors, with wide-ranging social and environmental benefits:

- Renewable Energy: The RCGIB will help grow Rwanda's energy access across rural and urban areas improving quality of life for men and women.
- Biomass Energy: The RCGIB will invest in multiple biomass replacement strategies focusing on cleaner cooking technologies, improved charcoal and cook stoves leading to significant human health and environmental and climate benefits.
- Agriculture: The RCGIB will invest in climate smart agriculture to improve the resilience of the agriculture sector with significant positive social impact.
- Water and Sanitation: The RCGIB will support Rwanda's National Strategy for Transformation (NST1) by investing in developing waste management systems.
- Transport Sector: By investing in clean transport, the RCGIB will help reduce CO2 emissions and air pollution stemming from Rwanda's transport sector. On its current trajectory, Rwanda's transport sector is expected to increase its emissions from 0.53 million tCO2 in 2012 to 3.1 million tCO2 in 2030. Transport emissions are one of the primary sources of air pollution in Kigali.
- Green Urbanisation: The RCGIB will support investment in Rwanda's Green Cities initiative, which provides a framework and guidance for Rwanda's urbanisation, and is a key driver for growth in Rwanda's secondary cities.

6. CONCLUSION

The RCGIB project is well aligned with Nordic development policies and NDF's mandate. The government of Rwanda hopes that the new institution to be created will identify needs and high impact opportunities in the field of climate change and green growth, and promising innovative solutions to meet these needs and opportunities. It will invest in solution providers and support them to establish themselves and to grow in the target markets. These solutions may include both North-South and South-South technology transfer, in addition to domestically sourced solutions.

The RCGIB will pilot a model with broad application across Africa and elsewhere in the developing world. NDF's initial seed funding to the RCGIB will also contribute to AfDB's long-term plan to replicate RCGIB in six other countries in Africa, including five NDF partner countries.

Through creating an institutional capacity to catalyse innovative green finance the RCGIB will improve the climate finance architecture and demonstrate a powerful new model to accelerate investment in sustainable economic development based on climate adaptation and mitigation. Within Rwanda, the RCGIB is specifically designed to support implementation of Rwanda's NDCs, green growth objectives and integrated suite of national development goals, plans and targets.

NDF will add substantial value through its swift and flexible direct Booster grant support to the design and preparation of this green bank in Rwanda at a critical phase of the project. The relatively modest grant resources provided by NDF can achieve catalytic impact and leverage by sharing preparation costs for a new African financing structure to be linked to one of Africa's first green funds.

ANNEX 1 RCGIB Theory of Change



ANNEX 2 Preliminary mapping of risks relating to the new institution to be established (RCGIB)

Key facility-level financial and operational risks and mitigation measures

Performance risk: The RCGIB structure will be designed with a focus on commercial operations, independent investment decision-making processes, and maximum security for capital providers, both in terms of equity and first loss capital in the facility, as well as strong investment criteria and fund management team, bringing capacity focused on financing commercially viable projects. As part of this structure, RCGIB governance will be designed using international best practices that allow for appointment of non-government board members, independence of investment decision making, and avoidance of investment decisions based on political considerations. This design will be supported by a robust Fund Manager staffing selection process, internal to RCGIB. The design will also include an underlying financial model that takes advantage of the blended capital stack to offer financial products/investments that simultaneously drive the market and provide returns to the facility to ensure its sustainability. The key element of performance risk for the RCGIB will be to build on FONERWA's existing success and track record and to add effective new finance-oriented capacity with strong fund management, leadership, origination, market outreach, and reporting and metrics capacity. The right staffing is critical to success of the RCGIB, and so the right mix of experience and track record will be recruited to support the RCGIB launch and operations. This will also include training of investment staff in the early days of the RCGIB's scale up and operations.

Adequate project pipeline and bankability risk: Through its Project Preparation Facility, the RCGIB will support development of bankable projects in priority sectors by providing project preparation assistance, grants, and (reimbursable) grants for to compliment project development as needed. RCGIB will build on FONERWA's experience of supporting feasibility studies for key local green projects such as the Kigali Green City, the electric motorcycles, etc. This support to project developers, via the PPF will help ensure that projects are able to move from feasibility to bankability, and that there is a robust pipeline of projects for RCGIB investment. The RCGIB will also work closely with the national development bank (BRD) and local commercial banks to address markets gaps, build project pipeline and catalyse more private investments.

Financial sustainability risk: Two complementary measures will be used to ensure the financial sustainability of the RCGIB. On the project development side, projects will be carefully vetted for viability and bankability at the front end of the PPF process to ensure a high rate of success. Once projects are selected, the RCGIB PPF will provide reimbursable grants wherever possible to allow for the return and recycling of grant funds. In addition, a diverse array of grant funds from several development partners will be engaged in the PPF to make this funding source more robust. Secondly, on the financing side of the RCGIB, the financial model and business plan will be structured to generate sufficient revenues from loans to support the operating expenses of the RCGIB. It will take several years to generate adequate deal flow to achieve financial sustainability, but this is a proven model for Green Bank operation.

Foreign exchange risk: The RCGIB will provide financing in the local currency. For investments in Rwanda in hard currency that require a hedge, RCGIB will work closely with the central bank of Rwanda to develop a currency hedging strategy that keeps costs low and passes saving on to end beneficiaries/borrowers.

Key project-level financial and operational risks and mitigation measures

Macro-economic shocks: Macro-economic shock caused for example by the COVID-19 pandemic may hamper the Government's current focus on green growth and climate resilience, which the RCGIB depend upon. Simultaneously, the RCGIB offers also a remedies for shocks like these, since the institution can serve as a driver for Rwanda's GDP growth recovery through creation of more jobs and a more resilient and sustainable society,

Policy risk: to reduce policy-related risks to individual projects and priority sectors, the RCGIB will work closely with policy makers across relevant sectors and agencies within the Government of Rwanda to understand and improve the enabling environment across relevant sectors for RCGIB projects. This is one of the key benefits of the Green Bank model where dedicated catalytic finance capacity is embedded directly in the market and strong relationship to government, to provide feedback on policies or regulations that are increasing risk or inhibiting investment.

Project Viability Risk: The RCGIB will reduce project risk through the in-depth work of its PPF to strengthen the bankability of projects. The PPF will work closely with project developers and commercial banks to address project vulnerabilities, improve structuring, permitting, contractual agreements, etc. and to improve bankability.

Financial Risk: The RCGIB will address financial risk of projects through offering tailored financial projects specifically designed to close market gaps and address financing barriers to improve bankability and transaction success (e.g. credit enhancement products such as sub-ordinated debt).

