

Danish Support for FONERWA for Ireme Invest (Rwanda Green Investment Facility)

Key results: <ul style="list-style-type: none"> - Through the financial and technical support of Ireme Invest, the objective is to increase Rwandan private sector engagement in green transition, to meet the objectives of: <ul style="list-style-type: none"> o Increased no. of small, medium and large low-emission power suppliers (30,000 households electrified/120,000 persons). o Increased energy efficiency in building, cities, industries and appliances (634 households w. improved energy efficiency, a total of 2,546 individuals benefitted) o Improved energy efficiency in agriculture and improved agri-production during droughts o Strengthened adaptive capacity and reduced exposure to climate risks (2,536 individuals w. dwelling have increased adaptive capacity to climate change) o Increased use of low-carbon transport (2,134 taxi driver job years and 63,504,135 electric passenger miles travelled) o Increased wetland rehabilitation to support water quality and flood control o Strengthened institutional and regulatory systems for climate-responsive planning and development (long-term sustainability of Ireme Invest, incl. sustained efforts to support viable green sectors projects). 	File No.	2022-19399					
	Country	Rwanda					
	Responsible Unit	GDK					
	Sector						
	Partner	FONERWA					
		<i>DKK million</i>					
		2023	2024	2025	2026	2027	Total
	Commitment	37.0					37.0
	Projected disbursement	19.0	18.0				37.0
	Duration	2023 - 2027					
	Previous Grants	None					
	Finance Act Code	§06.34.01.40					
	Head of Unit	Karin Poulsen					
Desk Officer	Maiken Rasmussen						
Reviewed by CFO	YES: Rasmus Tvorup Ewald						
Relevant SDGs							
Justification for support: <ul style="list-style-type: none"> - Contribute to Rwanda's efforts to achieve the interventions set out in its Nationally Determined Contribution (NDC), updated in May 2020 (UNFCCC) - Danish support will be a key deliverable for the ambition of the Danish government to support promotion of climate and nature and with Denmark's Strategy for Development Cooperation as well as the Danish government platform "responsibility for Denmark" - Part of the implementation of the Memorandum of Understanding on bilateral cooperation between Denmark and Rwanda, April 2021 							
Major risks and challenges: <ul style="list-style-type: none"> - High risk perception, limited experience, common risk averse local banks and financial institutions, high information ratios - Mismatch between available loans (short term) and green project financing needs - Small projects, high up-front capital costs, high volatility/lack of local currencies, constraints on sovereign borrowing - Limited green technological private sector capacity 							

Objective

The overall objective is to enhance the capacity of Rwanda to advance financial innovation to accelerate climate mitigation and adaptation measures with the focus on leveraging private investments in low carbon, climate-resilient technologies and sectors. Ultimately, this will contribute to achieving the objectives of Rwanda's NDC in terms of climate adaptation and mitigation as well as contribute to job creation and sustainable development more broadly.

Environment and climate targeting - Principal objective (100%); Significant objective (50%)

	Climate adaptation	Climate mitigation	Biodiversity	Other green/environment
Indicate 0, 50% or 100%	100%	100%		100 %
Total green budget (DKK)	18 million	19 million		

Justification for choice of partner:

FONERWA is the national environment investment fund, established in 2012 by the Rwandan Government. It is legally mandated to mobilise climate finance with proven record of accomplishment in Rwanda. It is a Government of Rwanda preferred mechanism by which to deliver on joint Danish and Rwanda development priorities in relation to climate finance.

Summary:

Ireme Invest will, based on a blended financing model, mobilise private investments for green and climate resilient private sector projects in Rwanda. The Danish contribution will capitalise its new Project Preparation Facility, implemented by FONERWA as well as fund technical assistance to enhance the organisational capacity of FONERWA and specifically Ireme Invest.

Budget (engagement as defined in FMI):

Project Preparation Facility	30.945.000 DKK
Technical Assistance	3.000.000 DKK
Overhead costs (7%)	2.555.000 DKK
Reviews (MTR), capacity assessments and audit	500.000 DKK
Total	37.000.000 DKK

Project Document

Danish Support for

The Project Preparation Facility of Ireme Invest (Rwanda Green

Investment Facility)

Implemented by Rwanda National Fund for Environment

(FONERWA)

Contents

Abbreviations and Acronyms	4
1. Introduction	5
2. Context, Strategic Considerations, Rationale and Justification	6
2.1 National Context	6
2.2 Strategic Considerations	7
2.3 Rationale and Justification	7
2.4 Lessons Learned	14
3. Project Objective	15
4. Theory of Change and Key Assumptions	15
5. Summary of Results Framework	20
6. Inputs/Budget	21
7. Institutional and Management Arrangement	22
7.1 General Institutional and Management Arrangement	22
7.2 Specific Management Arrangement for the Danish support	23
8. Financial Management and Reporting	25
9. Risk Management	26
10. Closure and Sustainability	27
11. List of Annexes	28
Annex 1: Context Analysis	29
Annex 2: Partner Assessment	35
Annex 4: Risk Management	37
Annex 5: Budget Details and Monitoring	41
Annex 6: List of Supplementary Materials	42
Annex 7: Plan for Communication of Results	43
Annex 8: Process Action Plan	44
Annex 9: Quality Assurance Checklist	46
Annex 10: Rwanda Country Climate and Development Report (CCDR), Executive Summary	47
Table 1 Danish Support Budget Estimate & Distribution	13
Table 2 Budget details for Ireme Invest	13
Table 2 Potential Reporting Requirements	16
Table 3 Ireme Invest Risk Management	17
Figure 1 Ireme Invest Theory of Change	12

Abbreviations and Acronyms

AfDB	African Development Bank
BRD	Development Bank of Rwanda
DFI	Development Finance Institution
DP	Development Partner
FONERWA	Rwanda National Fund for Environment (Rwanda Green Fund)
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GGCRS	Green Growth and Climate Resilient Strategy
GGGI	Global Green Growth Institute
GoR	Government of Rwanda
IFU	Danish Investment Fund for Developing Countries
KIFC	Kigali International Finance Centre
LDCF	Least Developed Countries Fund
MFA	Ministry of Foreign Affairs (Danish)
MINECOFIN	Ministry of Finance and Economic Planning
MINIRENA	Ministry of Environment and Natural Resources
NDC	Nationally Determined Contribution
NDF	Nordic Development Fund
PD	Project Document
PFI	Participating Financial Institution
PPF	Project Preparation Facility
REMA	Rwanda Environment Management Authority
RGIF	Rwanda Green Investment Facility
SDG	Sustainable Development Goals
SEFA	Sustainable Energy Fund for Africa
SIDA	Swedish International Development Cooperation Agency
SPRC	Strategic Programme for Climate Resilience
ToC	Theory of Change

Units

DKK	Danish Krone
ha	hectare
km	kilometre

1. Introduction

This Project Document (PD) presents the Danish contribution of DKK 37 million to Ireme Invest, a new green investment facility that will increase the private sector's contribution to Rwanda's green transition. It is implemented by Rwanda National Fund for Environment (FONERWA¹) together with the Development Bank of Rwanda (BRD). Ireme Invest will feature a Project Preparation Facility offering grants and a Credit Facility offering concessional loans and a credit guarantee. The Danish contribution will go to FONERWA and mainly support the Project Preparation Facility (PPF). The PPF will provide performance-based grants/investments for feasibility studies, research and development, proof-of-concept and demonstration etc.

Ireme Invest is an initiative of the Government of Rwanda (GoR) to directly finance climate initiatives of the private sector and contribute to the country's achievement of its climate and development goals, in line with the national development plans and commitments by Rwanda under the Paris Agreement. Its mandate is to catalyse private investments in Rwanda, with a unique and specific focus on blended finance by providing catalytic project development/maturation finance and financial instruments (debt, credit enhancements e.g. sub-debt, guarantees) to projects that are commercially viable – but not yet bankable – in green sectors. The main objectives of Ireme Invest are: i) address local market gaps and crowd-in private finance using financial tools; ii) build local market capacity through innovation, risk mitigation and deal arrangement; and iii) strengthen Rwanda's ownership of climate finance by empowering the country to better access international finance (non-grant) resources and aligning infrastructure finance with GoR national objectives.

The Nationally Determined Contribution (NDC) of Rwanda was updated in 2020 and has identified climate adaptation and mitigation measures presented in the Updated NDC. These measures include electricity generation, buildings and agriculture, manufacturing industries, clean transportation, water conservation, waste management, wetlands and soil management. The NDC targets and green growth objectives have identified priority investment needs for a total amount of USD 5.7 billion by 2030 for mitigation investment and USD 5.3 billion for adaptation by 2030.

Ireme Invest will be implemented by two GoR-owned institutions: FONERWA and the BRD working in partnership to offer primarily grants and loans, but will progressively offer other instruments such as guarantees and equity. In-kind support includes mostly technical assistance for proposal development to project promoters and, in some cases, offset of proposal development costs through grants.

This PD is informed by the Formulation Mission² to Kigali, Rwanda, which took place from 30 August to 2 September 2022, during which time the GoR indicated and expressed a clear interest in Danish support for FONERWA and Ireme Invest. The Danish support will contribute to the efforts of Rwanda to achieve the goals set out in its NDC, the National Strategy for Transformation (NST) the Green Growth and Climate Resilient Strategy (GGCRS), Rwanda's long term climate strategy, and Rwanda's Vision 2050, more broadly. This will enable the strengthening of the Rwanda green transition by mobilising private investments through Ireme Invest. At the same time, the Danish support will be a key deliverable for the ambition of the Danish government to support the promotion of climate, nature and environment as guided by the Strategy for Development Cooperation of Denmark "The World We Share" (2021) and as well the Danish government platform "Responsibility for Denmark" (2022), which has specific focus on mobilisation of private finance for climate investment and a strong geographical focus on Africa. The Danish contribution will also support progress towards the SDGs. Moreover, this project forms part of the implementation of the Memorandum of Understanding on bilateral cooperation between Denmark and Rwanda (April 2021).

¹ Fond National de l'Environnement de Rwanda

² Led by the Danish Ministry of Foreign Affairs (MFA)

2. Context, Strategic Considerations, Rationale and Justification

2.1 National Context

Climate change has an adverse impact on the economy of Rwanda and public health and due to its level of socio-economic development, Rwanda will suffer increased significant impacts. The World Bank Country Climate and Development Report (CCDR) for Rwanda from September 2022 states that although there are considerable year-to-year variations, the broad effect is that climate change depresses GDP, leaving it 5–7 pct. lower than the baseline in many years³.

Global changes in temperature and precipitation and the regional distribution of those changes are the primary drivers affecting climate-related hazards such as floods, landslides and droughts that have struck Rwanda in recent years with devastating effects. Livelihoods of rural populations, food security in rural as well as urban areas, agriculture, transportation, communication, energy, health, water, and institutional systems require strengthening in order to support the population. The capacity and scale of adaptation to climate change depends on the vulnerability to impacts of Rwanda's population and its natural systems. The vulnerability of people is shaped by their resilience or adaptive capacity. In relation to climate change, vulnerability relates to direct effects caused by storms, floods, hot weather, lower or higher rainfall, and extensive soil erosion and fertility loss where these in turn lead to indirect impacts such as lower productivity from changing ecosystems or disruption to economic systems. With the poor being more directly dependent on ecosystem services and products for livelihoods, the vulnerability of natural systems has profound implications. The CCDR concluded that *“Climate change is expected to increase soil erosion and damage to infrastructure and other built-up capital through more intense seasonal flooding, taking into account the topography of Rwanda and the location of Rwanda's capital stock.”* (see Annex 10).

Rwanda is highly vulnerable to climate change not only due to its socio-economic baseline status and poverty situation but also because of its dependence on agriculture. Almost all agricultural activities are rain-fed, which makes Rwanda vulnerable to changes in rainfall patterns. Negative impacts of climate change are exacerbated by the limited (i) irrigation potential for agricultural production; (ii) availability of good drinking water; and (iii) feasibility of hydroelectric schemes in place/planned in Rwanda. For example, lower water flows or frequent extreme flash floods often carry high sedimentation loads, which could lead to increasing high levels of siltation, exacerbated by severe erosion. These may adversely impact projects such as micro-hydropower schemes, which are at risk from increasingly erratic water supplies, as well as higher maintenance costs.

Strong dependency of agriculture on natural resources further increases vulnerability to climate change. The vulnerability of Rwanda is further increased by its high population density that will increase further given its annual population growth rate of 2.7 pct. Population density is especially high in the central/western north and in the south, areas that are also characterised by high flood risks. Adaptive capacity of people in these areas is low because high population density decreases options of relocation in case of an extreme event. Due to impacts of climate change on environment and social functions, Rwanda is also becoming increasingly vulnerable to climate-related health issues, as well as new infectious diseases, such as the coronaviruses, changes and/or increased risk of water-borne disease, malaria and deaths during sustained drought, heatwaves, storms, and floods.

These issues are considered in FONERWA's project designs where relevant, with specific climate, environment and social safeguarding measures and tools⁴. To be consistent, all FONERWA-funded projects require climate-explicit environmental and social safeguard standards compliance and climate rationale, more broadly, to strengthen the case for project funding. This is prepared in accordance with

³ [World Bank Country Climate and Development Report, Rwanda](#)

⁴ FONERWA ESMF, Vol. 2: Climate Explicit Environment and Social Safeguards and Measures with Climate Resilient Tool, 2020

national regulations, the IFC⁵ 2012 standards, WBG⁶ 2018 and KfW⁷ sustainability guidelines 2019 which include assessment and management of environmental and social risks and impact, biodiversity conservation and sustainable management of natural resources; resource efficiency and pollution prevention and management, labour and working conditions, community health and safety; land acquisition, restrictions on land use and involuntary resettlement; and cultural heritage. To ensure this, FONERWA has tools specifically designed for climate-resilient projects and for mainstreaming climate aware processes in all projects it funds.

2.2 Strategic Considerations

The support for mobilisation of climate financing aligns entirely with the GoR policy ambitions and intentions as described in the NDC, the NST, GGCRS, and the Rwanda Vision 2050. Growth and development is to follow a sustainable path in terms of use and management of natural resources, while building resilience to cope with climate change. The aspirations for Rwanda are embedded in the GGCRS whose impact is intended to bring about developmental transformation that is necessary to achieve the desired carbon-neutral and climate-resilient economy.

The strategic green priorities of the GoR are well aligned with the development policy and strategic priorities of Denmark. This proposed funding to FONERWA will contribute to the Danish Government's ambition to support people in least developed countries by supporting climate change adaptation and mitigation efforts. It requires mobilisation of finance for renewable energy, energy efficiency, and climate smart and resilient agriculture among others, all of which provide measures for social protection. Without adaptation, the climate and biodiversity crises will seriously constrain the livelihoods of large parts of the population.

Financing from all sources is needed to realise the SDGs and the goals of the Paris Agreement. This is in line with the Danish Strategy for Development Cooperation "The World We Share", and specifically to the notion that "*We will mobilise funding for sustainable development from a range of different sources, particularly the private sector, through innovation and public-private partnerships.*" It is also aligned with the Danish long-term Global Climate Action Strategy "A Green and Sustainable World", and specifically addresses "*the need to strengthen the mobilisation of climate finance for the poorest and most fragile countries*". The strategic considerations link to the national context, since the Danish support will be directed towards Ireme Invest, which has a focus on blended finance and the private sector in Rwanda. An overarching pre-condition for a good life⁸ is a flourishing private sector, without which long-term development is impossible.

2.3 Rationale and Justification

The following will present the implementing partners of Ireme Invest, the facility itself and cross-cutting priority considerations.

Rwanda's National Fund for Environment (FONERWA)

FONERWA serves as a catalyst in attracting climate finance and green investments. It actively supports both public and private projects that have the potential to bring about transformative change. Rwanda's development strategy is laid out in its current NST for 2017-2024 in which FONERWA plays a specific role. FONERWA was established by law in 2012 and mandated to play a primary role of responding to the national need and demand for climate finance at scale to address growing environment and climate concerns. FONERWA serves as a catalyst in attracting climate finance and green investments. It actively supports both public and private projects that have the potential to bring about transformative change. Strong political will and ownership exists across national government institutions with FONERWA as a

⁵ International Finance Corporation

⁶ World Bank Group

⁷ Kreditanstalt für Wiederaufbau ("Credit Institute for Reconstruction") a German promotional bank (one which mobilises private finance for projects with high public good value added when the private sector is unwilling to do so)

⁸ From "The World We Share"

leading climate champion. FONERWA facilitates access to international climate finance, streamlines and rationalises the external aid and domestic finance, and plays a coordinating role for climate change project financing (including mainstreaming projects that require coordination across several ministries). FONERWA supports and contributes significantly to a coherent strategy to climate proof the economy of Rwanda. The Fund has cumulatively financed more than 46 projects across government (central and districts), Non-Governmental Organisations (international and local) and various private sector project beneficiaries.

Over the years, FONERWA has changed to respond to emerging opportunities. In 2016, the FONERWA law underwent a revision to strengthen and build on the original mandate, commensurate with new responsibilities for the Fund. These included the nomination of FONERWA as the institution responsible for mobilizing additional internal and external climate funds for the implementation of Rwanda's NDCs. The changes to the law empowered FONERWA as an independent, special status institution and broadened its responsibilities to independently mobilize, manage and coordinate climate and environment finance. The law also set out a revised governance structure, comprised of a Board of Directors and an Executive organ headed by a CEO.

This financing network places the Fund at the centre of coordination and collaborative oversight over projects implemented by partners particularly in monitoring and evaluation and ensuring projects deliver climate responsive results including project risk profiling and management. FONERWA achieves this through effective coordination with technical agencies and other public finance management oversight agencies with the Ministry of Finance and Economic Planning (MINECOFIN) oversight. The coordination framework facilitates the policy objective of mainstreaming green and climate resilient growth options into the planning and budgeting processes of national and local government. MINECOFIN provides oversight on building capacity across national institutions to mobilise and utilise climate finance, integrating natural capital accounting into the national development planning framework, and mainstreaming green and climate resilient practices across sectors, including plans and budgets. MINECOFIN achieves the environment and climate change mainstreaming through tools that include the guidelines to the budget call circular and monitoring tools such as the environment and climate change checklists that are regularly updated by sector planners.

Development Bank of Rwanda (BRD)

BRD has a total asset of approx. USD 425 million and offers short, medium and long-term investment loans to projects in the priority sectors of the Rwandan economy including the green economy. In its strategic plan (2018-2024), BRD has an expanded and refocused mandate as a typical national development finance institution (DFI), and its strategic direction is appropriately aligned with the Rwanda National Strategy for Transformation and the SDGs. BRD offers a variety of guarantee funds to cover the risks of prospective projects aligned with sustainable development. In addition, BRD offers advisory services and capacity building to its clients faced with challenges of limited skills in terms of compiling their business ideas into bankable business plans and management skills during and after project implementation.

BRD was identified as the implementing co-partner for Ireme Invest particularly to support project preparation and project financing by using a blended approach to leverage private and public investments for an initial target of USD 55 million. BRD will manage Ireme Invest by providing targeted financial products to green projects in the priority sectors to address local market gaps. In managing Ireme Invest's credit facility, BRD will specifically undertake key activities including – project pipeline development credit and risk analysis – and portfolio management.

Ireme Invest (Rwanda Green Investment Facility, RGIF)

Ireme Invest is Rwanda's new green investment facility that support Rwanda's private sector to access green finance and increase the private sector's contribution to Rwanda's response to climate change. The

facility will catalyse green and low-carbon private investments with a focus on blended finance. It is a partnership between FONERWA and BRD, supported by the GoR.

The launch of Ireme Invest took place at COP27 in 2022, where the first round of capitalization was announced with an initial seed capital of USD 104 million from selected development partners and BRD. The overall financing requirement of the facility is estimated to USD 335 million comprised of a mix of grants, concessional credit lines, and partial credit risk guarantees.

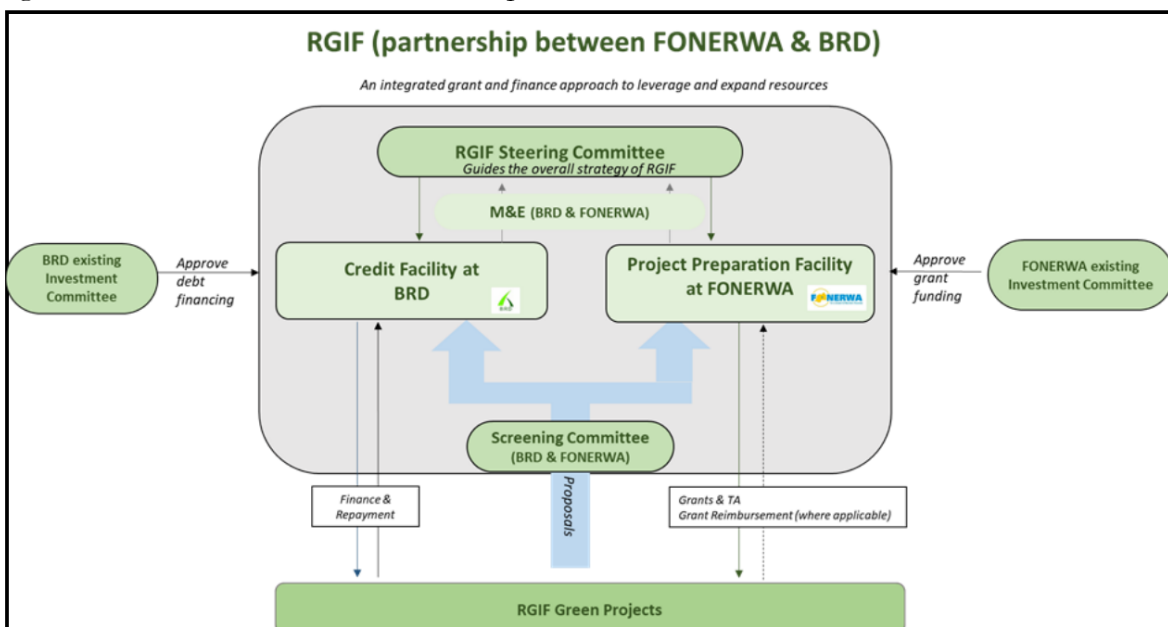
The overall objective is to enhance the capacity of Rwanda to advance financial innovation to accelerate climate mitigation and adaptation measures with the focus on leveraging private investments in low carbon, climate resilient technologies and sectors. The mandate of Ireme Invest is to catalyse private investments in Rwanda, with a unique and specific focus on blended finance by providing adequate financial instruments to projects that are commercially viable – though not yet bankable – in green sectors. Ireme Invest’s main objectives are: i) to address local market gaps and crowd-in private finance using financial tools; ii) build local market capacity through innovation, risk mitigation and deal arrangement; and iii) strengthen Rwanda’s ownership of climate finance by empowering the country to better access international finance (non-grant) resources and aligning infrastructure finance with GoR national objectives.

Ireme Invest has two windows:

- Project Preparation Facility (PPF) with a grant component to support project preparation;
- Credit Facility (CF) to provide financing to target projects.

The two windows are designed to work together in an integrated programme. Funding for Ireme Invest supported projects via these two components will flow through two national institutions: BRD as the technical responsible party for CF, and FONERWA as the technical responsible party for the PPF. This arrangement allows both entities to work together in a structured way with a wider pipeline of projects, while leveraging the strengths of the respective institutions. A clear and integrated Ireme Invest management and governance mechanism represented by a Steering Committee has been created to ensure an effective coordination between the PPF and the Credit Facility. The intention is to create synergy between the project preparation and the credit facility to build a robust pipeline of projects to feed into the CF from the PPF. Figure 1 summarises the partnership between FONERWA and BRD to integrated grant and finance approach to leverage and expand resources.

Figure 1: *Ireme Invest/RGIF institutional setup*



BRD will offer direct financing as well as intermediated or “on-lending” to financial institutions. BRD will on-lend the funds to banks and Savings and Credit Co-Operative Societies that are interested in participating and which comply with Ireme Invest eligibility criteria. The on-lending arrangement will be governed by a Participating Financial Institutions (PFI) Financing Agreement to be signed between BRD and each financial institution. The PFIs Subsidiary Financing Agreement is based on a standard template, which outlines the terms and conditions of the financing, and details the rights and obligations of both parties, and remedies among other provisions. PFIs will extend sub-loans to clients in the priority sectors following Ireme Invest’s investment guidelines and eligible criteria. PFIs will be eligible to receive a draw-down tranche of up to USD 1 million equivalent, for up to 60 months, with up to 12 months of grace period.

The PPF provides grants to support early-stage project development and improve the bankability of eligible projects. The purpose of the PPF is to help projects transition “from feasibility to bankability” and assist projects to secure commercial finance through the finance arm of Ireme Invest and other financiers. With grant money often in limited supply, PPF funds are intended to provide “catalytic” funding at an early stage for transactions that may otherwise be too risky or complex to pursue. The PPF offers grants and reimbursable grants to selected priority sectors projects to support technical studies and other activities that contribute toward a specific project’s viability. In accordance with the Ireme Invest Operations Manual, chapter IV on PPF project implementation: “The Ireme PPF will support private sector projects from ideation to bankability through incubation and acceleration and thus creating a sustainable project pipeline for the BRD credit facility, local financial institutions, and international Investors.”

The specific operations of the project selection, investment committee, disbursement and triggers for the financial instruments are outlined in the Ireme Invest Operations Manual. The project management costs will support the implementation of these activities for Ireme Invest (both FONERWA and BRD).

To raise awareness for Ireme Invest and ensure that project developers are aware of the program offerings, FONERWA will conduct a series of technical assistance training sessions and outreach campaigns to market participants. The investment strategy and market focus for Ireme Invest is based on the design work, market assessment and pipeline analysis conducted by FONERWA and Coalition for Green Capital to inform the initial focus of the program.

Ireme Invest has identified a pipeline of projects in various national priority (NST1) sectors with a strong potential for GDP growth and job creation in addition to climate change mitigation and adaptation. More than USD 367 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 GoR planners:

- Solar & mini hydro off-grid projects. Mini-hydro projects will be considered only with clear eligibility criteria to ensure climate rationale
- Climate Smart Agriculture: Solar PV to replace existing diesel-powered (costly & GHG-emitting) irrigation systems other rural agriculture processes, etc.
- Energy efficiency & green cities: RGIF to provide financing solutions to support green city development and the application of the new Energy Efficiency Law regarding commercial buildings
- Clean transportation

The NDC targets and green growth objectives have identified priority investment needs for a total amount of USD 5.7 billion by 2030 for mitigation action alone in several sectors including agriculture, energy, urbanisation and clean transportation. The NDC has also set ambitious goals for investment in adaptation targeting USD 5.3 billion by 2030 focusing on programme activities including: i) sustainable intensification of agriculture; ii) integrated water resources management and planning; iii) integrated land use and management; iv) efficient resilient transport systems; v) ecotourism and conservation and

payment of ecosystem services; and vi) sustainable forest and agroforestry, etc. However, current investment trajectories show a shortfall of investment to meet these goals, particularly from the private sector. The World Bank funded FONERWA⁹ to operationalise Ireme Invest with a USD 2.85 million grant from the Climate Investments Fund, and with a proposed grant from the Climate Resilient and Low-Carbon Development Trust Fund in the amount of USD 1.75 million to MINECOFIN (USD 4.6 million in total). The main objective of the funding was to enhance capacity of the GoR to advance financial innovation to accelerate climate change adaptation and mitigation in line with Rwanda's NDC. Of the USD 4.6 million, USD 295,000 were used to design Ireme Invest as part of the Climate Resilient and Low-Carbon Development Trust Fund, which was provided to design instruments to advance green growth and resilience.

Ireme Invest will use its official eligibility criteria to determine which businesses that qualify under Ireme Invest. The screening committee will determine whether a business can access funding from either the PPF or CF in order to move to the next level of the respective investment committees. Ireme Invest will apply a range of cross-cutting investment criteria and guidelines that specify which projects are eligible to receive grants from the PPF at FONERWA and loans from the CF at BRD. The criteria include, but are not limited to:

- Projects should match at least one of the eligible priority sectors or key interventions defined in the theory of change (ToC), which are aligned with Rwanda's updated NDC;
- Project must contribute to at least one of the climate change related outputs (mitigation or adaptation) listed in the Ireme Invest Logframe;
- Projects must demonstrate financial viability (i.e. through its financial model, business plan, and supporting documentation) including articulating a strategy for accessing private or commercial investment once Ireme Invest funding ends;
- Project must provide an indication that it currently faces difficulty in securing access to finance from local or international financiers, and how the PPF grant funding or climate finance financing will help address this problem;
- Benefits from the project will be sustained after the lifetime of the project, including economic development, poverty reduction, skills development, etc.;
- Projects should target a high number of beneficiaries with clear demonstration of gender and social inclusion, with a preference for projects with strong gender impacts (detailed in section on gender, below).

Under the PPF, private sector companies can apply for different types of funding between USD 20,000-300,000 in grants, and up to USD 1 million in equity, pending on the instruments:

- Non-recoverable grants: Ticket size: USD 20,000-100,000 USD, duration: 12 months
- Recoverable grants: Ticket size: USD 50,000-300,000, duration: up to 18 Months
- Equity: Ticket size: Up to USD 1 million

FONERWA provides BRD with a credit line that provides financing at 11.45 pct., well below market rates of approximately 18 pct. Under the CF:

- A credit line with an estimated interest rate between 9-12 pct., below market rates of approximately 18 pct. The credit line ticket size ranges from USD 50,000-5,000,000. Maximum maturity period of 10 years with a maximum grace period of 2 years (only interest will be paid during the grace period).
- A bank guarantee facility will also be provided by BRD. It will have a cap of 1,500,000 USD and will be able to cover up to 50 pct. of commercial bank collateral requirements for male applicants with up to 75 pct. of commercial bank collateral requirements for female applicants. The guarantees will only be called down once the business is liquidated, all business assets are sold off and the bank still has an unpaid due balance from the business.

⁹ Rwanda NDC Deep Dive: advancing financial innovation to scale up climate action (World Bank, 2022)

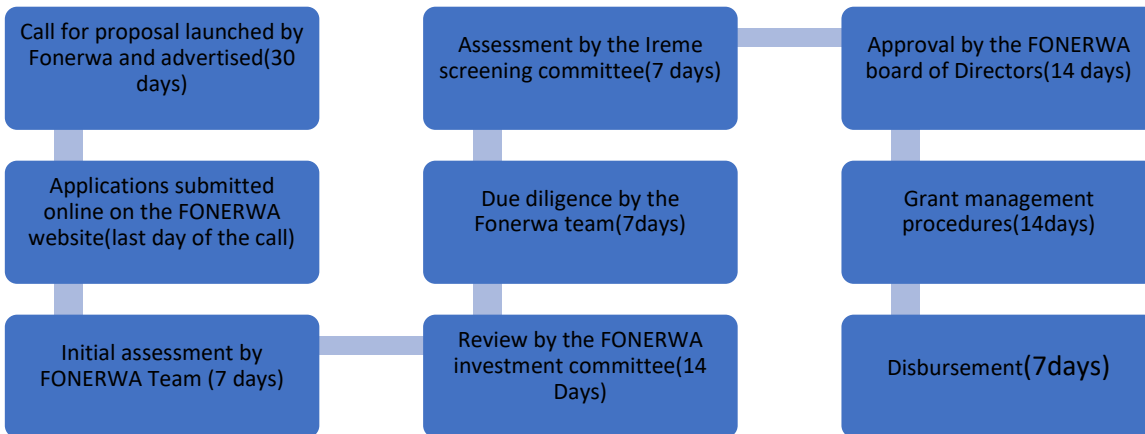
The timeline for initiating the facility is following the roadmap, presented in table X below:

Focus Area	Key Initiatives	Specific Activities	Due/Completion Date
CREDIT FACILITY CAPITALIZATION	Signing of the first financing agreement with Ireme Invest funders/partners	Fast-track follow up and signing of financing agreements with Ireme Invest funders [EIB, ResponsAbility, AFD, EU Grants, SIDA]	30. maj 2023
	First drawdown of funds from existing partners and funders	Meeting CPs and submission of drawdown requests	TBD
	Secure Blended Financing	Have clear options of blended finance from different sources and partners to achieve an interest rate between 9-12%	30. april 2023
CREDIT FACILITY PIPELINE DEVELOPMENT	Have a list of eligible bankable projects worth RWF 20 billion	Identification and assessment of bankable projects against eligibility criteria and sign term sheets with clients that are interested and eligible for the credit facility	30. maj 2023
CREDIT FACILITY DISBURSEMENT	First Disbursement to Bankable Projects amounting to RWF 10 billion	Credit Approval and Disbursement to Bankable Projects	TBD
PROJECT PREPARATION FACILITY CAPITALIZATION	Engage FCDO, DANIDA, and potential partners (SIDA, AFD, etc.)	Upon completion of operational documents, start reaching out	3. april 2023
	Signing of first grant agreement	Sign Grant Agreements with FCDO, DANIDA, GIZ and other potential partners	30. juni 2023
	First Drawdown of grant from PPF partners	Completion of RGF fiduciary assessments, signing of grant agreements, and disbursement to RGF accounts	31. juli 2023
PROJECT PREPARATION FACILITY CALLS FOR PROPOSAL	Issue RFP for Incubator and Accelerator program	Issue a Request for Proposal for an incubator and Accelerator Program Management Company	30. juni 2023
	Prepare Complete Call for Proposal Package	Prepare call for proposal documents to be submitted to the public	14. juli 2023
	Issue first Call for Proposal to the public for the Project Preparation Facility	Issue the Call for Proposal to the public and ensure that there is appropriate and sufficient communication made about it	15. august 2023
	Complete review of first Call for Proposal submissions for the Project Preparation Facility	Review Calls for Proposal submissions for the Project Preparation Facility through the screening committee, investment committee and steering committee. Activities here will involve due diligence exercises, financial report reviews, ESG evaluation, technical reviews of project feasibility, revision of submissions and project environmental impact assessments. This will be followed by the selection of successful projects which will be forwarded for the agreement signing process for the purposes of fund disbursements.	16. oktober 2023

PROJECT PREPARATION FACILITY DISBURSEMENT	Disbursement of first Batch of Financial Instruments	Sign agreements with selected project owners, disburse grants and other financial instruments through agreed upon tranches, perform monitoring and evaluation to ensure value for money and compliance with agreement terms and stipulations. Sign an agreement with the incubator and accelerator program management company and disburse funds for running the program.	30. november 2023
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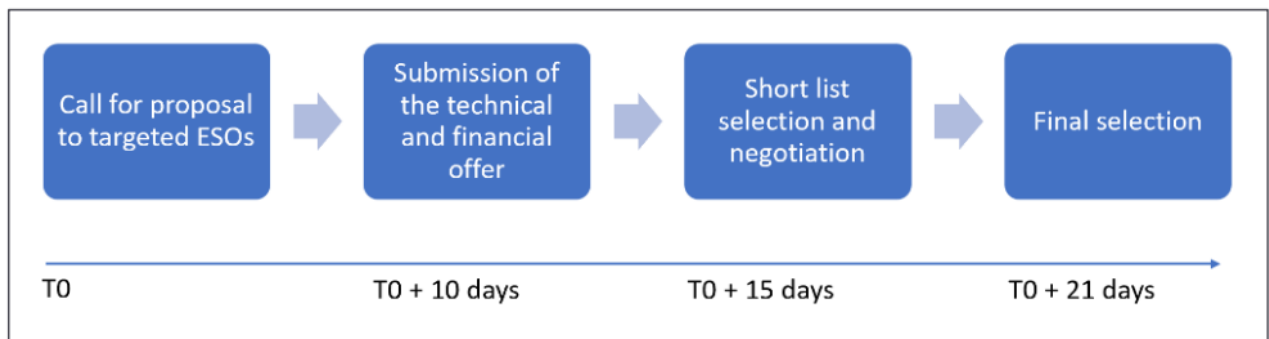
The quality assurance process from project application level, to project selection to implementation monitoring are concretized through the Ireme Invest Operations Manual. Figure 2 from the Operations Manual illustrates the screening process of a company applying for support through Ireme Invest:

Figure 2: Ireme Invest' screening and monitoring process



Procedures for PPF Execution using existing Ecosystem of Incubators

The ESO selection process should consist of a Call-for-Proposal process as represented visually below. The Rwanda Green Fund will identify and work with a single ESO during its first phase of growth, but in future may work with multiple ESOs concurrently. The process below is in line with ESO expectations and market. While diligence in ESO selection is of course critical, it is important that ESOs are not subject to lengthy and complex selection processes because this is likely to cause them to lose interest in the Program. A short, high-intensity process is likely to be preferred.



In terms of the submission requirements for the CFP, the following should be required as part of the submission. A technical and financial proposal developed by the ESO;

Criteria specific to the evaluation of the technical and financial proposal are detailed below in the section detailing the considerations for the ESO selection.

- Experience and track record of success in supporting companies at varying levels of development
- Proven track record managing budget higher than 100,000 USD
- Mature existing structure and talents strong enough to be scaled-up, i.e. existing team qualifications and quantity of qualified personnel. This should include:
 - Full-time employee count
 - Skills represented full-time
 - Part-time employee count
 - Skills represented part-time
 - Level of expertise of employees
- Ability to procure service providers to support Businesses
- Ability to comply with FONERWA procedures
- Existing pool of independent and corporate experts the ESO can recruit for ad-hoc expertise
- Ability and appetite to scale up to run the program with available and additional resources. This requires an existing team of core resources, which has experience working together.
- Positive market reputation, perceptions, and connections to supporters, regional funders and other ESOs Experience and insights into green growth needs, roadblocks, and means to support.
- Methodologies or distinctive intellectual property in coaching, mentoring, or uplifting companies
- Willingness to provide green enterprise training

Gender

The operations manual of Ireme Invest includes a section on gender policies. It will prioritise projects with gender-sensitive interventions or women-led enterprises in all priority sectors focusing on companies that offer products or services that offer more benefits to women, especially women who are the most vulnerable to climate change.

Ireme Invest will focus on target sectors where gender equality is poorly addressed such as in climate smart agriculture, shifting away from biomass for cooking, and rural energy access through mini-grids targeting at least 30 pct. of its total investment portfolio. The project pipeline and eligibility criteria of Ireme Invest focus on serving these sectors, which currently suffer from chronic under-investment due to market barriers that impede investment in low-carbon, climate-resilient development projects. Investment support will help overcome these barriers, and provide appropriate financing to support these projects while scaling up low carbon markets in Rwanda. A strong focus on gender equality will result in direct benefit impacts to women, targeting at least 30 pct. of women-owned or related businesses. These benefits include, but are not limited to, increased access to finance, clean energy, climate smart agriculture equipment, and to housing that is energy efficient and climate resilient.

Gender equality is a key priority for Denmark, and the clear intention to prioritise women-led projects in Ireme Invest is viewed as an asset. For the PPF, Denmark will follow up on the concretisation and implementation of the Gender Policy and the target of at least 30 pct. women-led or related businesses. Denmark will encourage FONERWA to investigate and address this issue with concrete steps from the start of the PPF.

Coherence

Currently, Denmark does not have a comprehensive bilateral development cooperation portfolio in Rwanda. However, there is substantial scope for synergies with other instruments. Already the GCF and NDF – two institutions that Denmark is heavily engaged in – are working with FONERWA and Ireme Invest. The NDF also supports innovative, private-sector oriented projects via the Energy and Environment Partnership, which is active in Rwanda. Another example is the SPARK+ fund formed by the Clean Cooking Alliance and Enabling Capital. This fund invests in access to clean and efficient cooking energy solutions for rural, peri-urban and urban communities in Sub-Saharan Africa, and is supported by both the Sustainable Energy Fund for Africa (SEFA) and the Danish Investment Fund for Developing Countries (IFU). There is potential for direct synergies between Denmark's active engagement through the boards of these institutions and the bilateral partnership with FONERWA. Denmark will explore these options further during project implementation.

Also, IFU is considering engaging with Ireme Invest through development guarantees for the CF. Depending on the trajectory of Ireme Invest, IFU could potentially provide equity investments or loans to Ireme Invest, as it has done in other financial institutions in Africa (the African Guarantee Fund, Centenary Rural Development Bank, the Trade and Development Bank, and aBi Finance etc.).

2.4 Lessons Learned

The initiative and design of Ireme Invest is based on the lessons from FONERWA's work since its establishment in 2012. Based on its +10 year experience and from previous calls and engagement of the private sector, FONERWA recognised that special attention and a funding vehicle for private sector projects was required. FONERWA has identified an increased need for specified private sector support and access to finance (grant and credit), which has led to the FONERWA and BRD joint establishment of Ireme Invest.

Further, there are examples of other 'basket funds' having been established in Rwanda to meet cross-cutting needs¹⁰. However, evidence of impact related to the creation of national level institutions to enable access to climate resources is limited. The need to build institutional capacity in Rwanda in order to improve access to climate finance and the ability to use it to address climate issues is considerable¹¹ and not limited to Rwanda¹². International financial commitments to support developing countries in Africa are increasing, though weak capacity in country is constraining the ability to absorb the finance¹³.

Ireme Invest would not only address this, but also provide valuable lessons for other developing countries and development partners alike who are trying to tackle this problem. In addition, it is widely acknowledged that the private sector is and continues to be the clear avenue to access climate finance at speed and scale that is crucial to climate action, more broadly though specifically among developing countries. Although evidence of impact may be limited, evidence of need is strong and supports an innovative approach such as this. An impact evaluation of an intervention in this area would provide valuable evidence and lessons that would be of use to others considering similar action.

3. Project Objective

Ireme Invest will serve the following objectives:

- Address local market gaps to facilitate the flow of private investment through local market-fit financial tools

¹⁰ Public Financial Management Basket Fund, Microfinance Capacity Building Fund, National Institute of Statistics of Rwanda, National Election Commission and the Microfinance Guarantee Fund

¹¹ SEI (2009)

¹² Stern Review on the Economic of Climate, 2006, http://webarchive.nationalarchives.gov.uk/+http://www.hm.treasury.gov.uk/sternreview_index.htm

¹³ Climate Finance in Sub Saharan Africa, ODI, November 2011

- Strengthen Rwanda’s ownership of climate finance by empowering the country to create a first of its kind cross-cutting green finance support facility
- Build the green finance capacity of local banks through innovation, risk mitigation and deal arrangement

The overall objective of the Danish support is to contribute to green transition and climate resilient development in Rwanda, thereby supporting the GoR in achieving Rwanda’s NDC as well as contribute to green job creation and sustainable development. Specifically, the objective is to enhance the capacity of Rwanda to advance financial innovation to accelerate climate mitigation and adaptation efforts by leveraging private investments in low-carbon, climate resilient technologies and sectors through support to the country’s private sector development in green sectors.

The Danish support will constitute a contribution to the key results for FONERWA’s work in Ireme Invest. The objective is to be realised through Danish support to the PPF under Ireme Invest and enhanced capacity of FONERWA in its project preparation capacity. The funding will be earmarked to support the PPF, and the Danish support is designed to build on and feed into the ToC and Results Framework of FONERWA. The aspect of attribution of the Danish support will be based on approximation of share of results based on share of the Danish contribution to the PPF. The Danish support will also include technical assistance for FONERWA. These activities would not only contribute to climate mitigation, adaptation and job creation, but also generate long-term benefits of meeting the NDC objectives, and environmental protection more broadly.

The Danish support will cover all six priority sectors of FONERWA and Ireme Invest: i) renewable energy, ii) climate smart agriculture, iii) energy efficiency in commercial buildings and cities, iv) clean transport, v) circular economy, and vi) wetlands restoration.

Given that FONERWA is a new partner to Denmark, the Danish support will include a financial management capacity assessment of FONERWA to be carried out between signing of the agreement and the first disbursement of Danish funds. The assessment will consider the financial management capacity of FONERWA including budgeting, accounting, internal controls, governance and staff, financial reporting, and auditing.

The importance of ensuring a robust pipeline for the PPF, will be an area of attention in the Danish dialogue with and monitoring of FONERWA during project implementation.

The Danish support will be flexible in terms of providing support for the PPF, including for its potentially adjusted scope of eligibility of projects in size and level of financial viability. Denmark will discuss with FONERWA how to broaden the additionality requirement and others for projects that are both financially and commercially viable, but not yet bankable – e.g. through a more flexible approach, where the PPF also targets and supports businesses and project cases that are *potentially* financially viable.

4. Theory of Change and Key Assumptions

The Monitoring and Evaluation Framework of Ireme Invest is based on result-based management principle, whereby the Ireme Invest Programme defines *ex-ante* project specific indicators and targets that lead to project results and Ireme Invest Programme level outcomes. The programme goal statement is linked to the theory of change (ToC), which explains how projects financed under Ireme Invest will support Rwanda’s ambitious goals of reduced emissions and increased climate resilience.

Rwanda faces many local challenges that hold back investments in the green sectors, and hold back growth of Rwanda’s green and resilient economy. A tailored solution is therefore needed to address specific market barriers, and support Rwanda’s green transition. Ireme Invest is designed to meet the

needs of the local market, and is based on feasibility analyses, market studies and stakeholders input that have informed the program design.

The main assumptions of Ireme Invest are:

- Rwanda's future economic growth and the prosperity of its people are intimately linked to a successful transition to a green and resilient economy
- Energy, agriculture and urban growth are critical drivers in Rwandan economy and future levels of prosperity and well-being
- A large increase in investments will be necessary to help build new infrastructure in these sectors that is green and sustainable
- Current flows of investments in critical green technology and businesses is lacking
- The investment need is estimated at USD 11 billion of new investment needed over a 10 years period. In the near-term sectors identified as part of the Ireme Invest design process, over USD 367 million in investment opportunities/project pipeline have been identified

For the PPF specifically, the identified barriers are:

- Rwanda is a small economy, with a small banking system and a limited group of local project developers
- Many local developers in the green economy do not have long track record, which can limit the ability to raise equity or debt
- While some international project developers are able to raise money internationally (in foreign currency), local Rwanda players struggle to raise financing, including in Rwandan francs, which further stymies the expansion of the local market
- On the financing side, local banks often struggle to provide long-term finance (which is critical for certain green sectors). Lack of experience in green sectors at local commercial banks can lead to general risk aversion, high perception of risk and high collateral requirements
- Local banks often focus on short-term working capital or corporate finance. They tend to underfinance projects that require high capital costs and long repayment periods. This further limits access to finance for local green projects, which need affordable tailored financing solutions (including long-term debt) to make the economics work for end-customers

Based on these, Ireme Invest will catalyse private investments in Rwanda, with specific focus on blended finance to provide affordable financing to green projects and contribute to the achievement of Rwanda's NDC targets. The ToC for Ireme Invest is provided overleaf in Figure 3.

Market challenges being addressed by Irene Invest:

- Limited market incentives: Green investments, such as renewable energy projects or sustainable infrastructure, often require significant upfront capital investment. However, the market incentives for such investments may be limited, leading to higher perceived risks and lower returns. This can discourage financial institutions from offering affordable finance options for green projects.
- Limited expertise and awareness: Green investments often involve complex technologies and business models, requiring specialized expertise and knowledge. Financial institutions may lack the necessary expertise to evaluate the viability of green projects or may be unaware of the potential opportunities. This lack of expertise and awareness can hinder the availability of affordable finance for green investments.
- Higher perceived risks: Green investments, especially those in emerging sectors or technologies, may be perceived as higher risk compared to traditional investments. This perception of risk can result in higher interest rates or stricter lending conditions, making it difficult for private sector players to access affordable finance for green projects.
- Lack of financial products tailored for green investments: Financial institutions may not offer

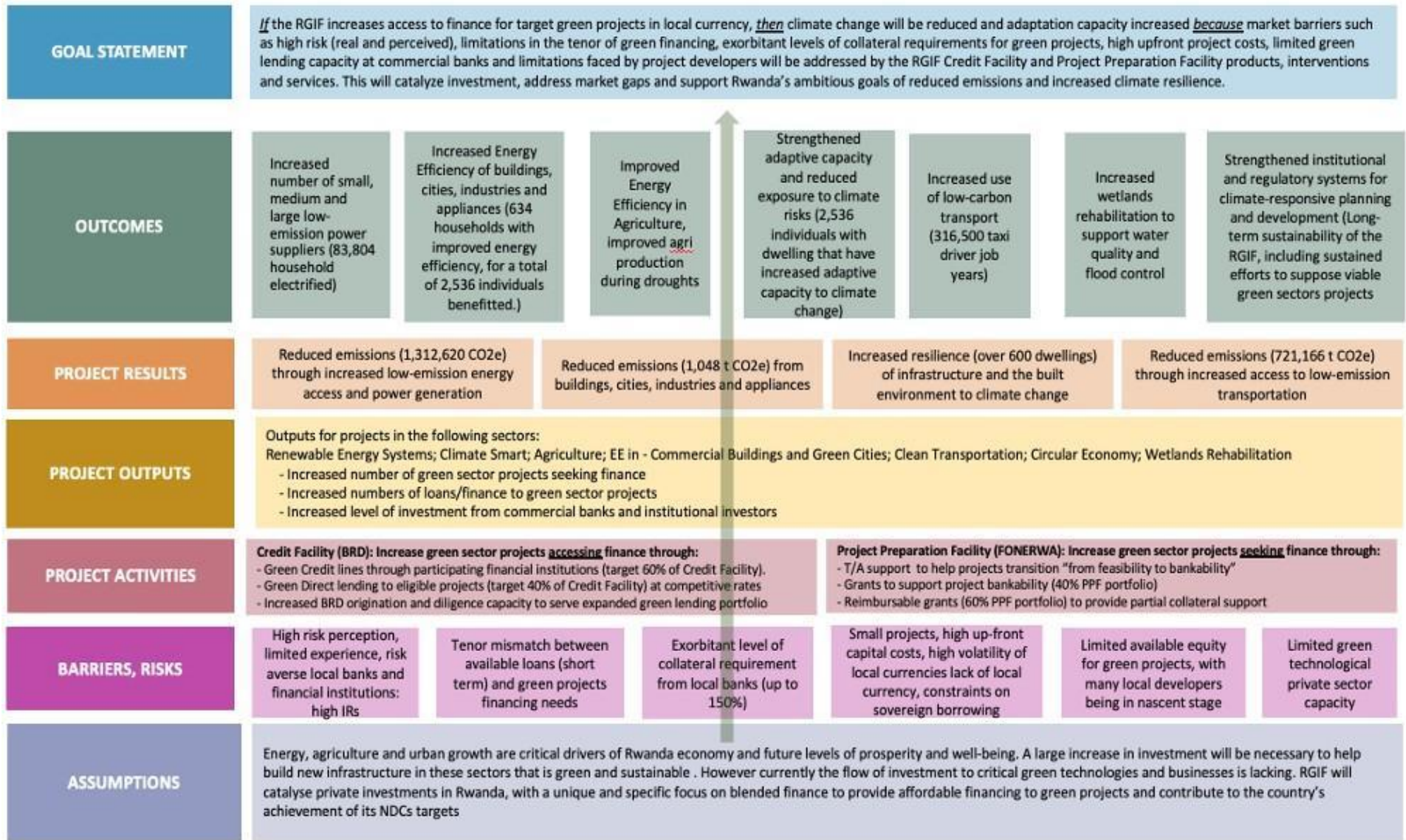
specific financial products or instruments that are tailored for green investments. Green projects may have unique financing requirements, such as longer payback periods or different risk profiles, which may not align with traditional financial products. The absence of specialized financial products can limit the availability of affordable finance for green investments.

- Lack of standardized measurement and reporting: Green investments often require a clear measurement and reporting framework to demonstrate their environmental impact and sustainability. However, there is a lack of standardized methodologies and reporting frameworks, making it challenging for private sector players to communicate the environmental benefits of their projects. This lack of standardized reporting can result in higher perceived risks for financial institutions, impacting the availability of affordable finance.

The integrated approach and dedicated financial tools of Ireme Invest is expected to result in increased availability of local currency financing and affordable debt for local developers. MinEcofin will make the funds available to BRD in local currency via the Central Bank of Rwanda. BRD will lend the funds to local developers and on-lend to local commercial banks in Rwandan francs. The project will result in more green finance capacity in the country, with dedicated programs FONERWA and BRD resulting in local market capacity being strengthened. More bankable green projects (supported by the CF and the PPF) will also result in decreased risk perception of local financiers, and increased co-investments from commercial banks to the green sector.

The above is overall expected to result in the ability of local project developers to grow their businesses and expand their offerings to end beneficiaries and customers, including agricultural cooperatives, villages in need of electricity, and urban dwellers' need of efficient and resilient housing facilities. Beyond the climate benefits, growth in these industries will also have a positive economic impact, contributing to more economic activity and increased output in key growth sectors, including agricultural construction and energy.

Figure 3: Ireme Invest Theory of Change



The basic link from Danish support to the ToC of FONERWA is that support to PPF will likely lead to more green projects and contribute to general FONERWA results framework. Consequently, the Danish support to the PPF will contribute to the efforts of Rwanda to achieve the goals set out in its NDC, the National Strategy for Transformation, Green Growth Climate Resilience Strategy (GGCRS, 2022), and the Rwanda Vision 2050 more broadly. This will enable the strengthening of the Rwanda green transition by mobilising private investment through Ireme Invest. Further, through support to technical assistance of FONERWA in its new capacity in Ireme Invest, Denmark will support the capacity building of the Project Preparation Facility. Through active engagement with FONERWA on Ireme Invest, Denmark will also help further dialogue with local private sector stakeholders to further build and scope the project pipeline of Ireme Invest. Finally, through previous Danish experience with private sector engagement in East Africa, Denmark can provide sparring and knowledge sharing on obstacles and opportunities, to further strengthen the implementation of Ireme Invest and the PPF.

At the same time, the Danish support will be a key deliverable for the ambition of the Danish government to support the promotion of climate, nature and environment as guided by the Strategy for Development Cooperation of Denmark “The World We Share” (2021) and as well the Danish governments platform “Responsibility for Denmark”, which has specific focus on mobilisation of private finance for climate investment and a strong geographical focus on Africa. The Danish contribution will also support progress towards the SDGs and the objectives of the Paris Agreement.

If the above is to happen, there is a need for an outcome from the PPF that changes the current situation to one which improves the mobilisation of private investment through Ireme Invest. The support needs to improve the take-up of funds by the private sector, which will be monitored using the indicator “increase of firms accessing credit line”. If the project is to achieve this outcome, it requires an output that can be evidenced by selected indicators (such as Number of projects securing co-financing or private sector funding volume “leverage” via the Ireme Invest program).

The Ireme Invest assumption that the local Rwandan private sector has a strong pipeline of ‘financially viable, but not yet bankable’ projects for the PPF, will be assessed both as part of the mid-term review. The matter of project pipeline will be a central topic in dialogue with FONERWA, and Denmark will urge FONERWA and BRD to define what a suitable pipeline case may be in terms of size/volume, and other key eligibility criteria not defined yet, e.g. relating to company track record, minimum number of employees, legal status etc. for the PPF and the CF, respectively. Denmark will also raise this point as part of the donor coordination.

Further, the assumption regarding sufficient volume of potential private sector projects, which will apply for support through Ireme Invest, makes it important to engage directly with the private sector (emerging green sector). As a donor, Denmark proposes that FONERWA and BRD establish a close dialogue with the umbrella organisation Private Sector Federation in Rwanda and Rwanda Chamber of Commerce, to include views, commitments and interests of the private sector. The aim would be to reach a more formal or well-defined consultative role during the implementation of the Danish support. Finally, DK will focus on the pipeline issue in the dialogue with FONERWA, and inquire about it ahead of the first and second Danish disbursement.

Denmark will support FONERWA to further consultation and cooperation with local private sector stakeholders, and will share experience and key learnings from Danish support to private sector projects in other East Africa countries such as Uganda, Kenya and Tanzania that can be supportive to Ireme Invest (e.g. the successful Agricultural Business Investment Fund Initiative, aBi Uganda).

5. Summary of Results Framework

The overall objective of Ireme Invest is to enhance the Rwanda’s capacity to advance financial innovation to accelerate climate mitigation and adaptation measures with the focus on leveraging private investments in low carbon, climate resilient technologies and sectors. The general outcome as a result of Danish support to FONERWA will be increased Ireme Invest lending (as a result of enhanced readiness and eligibility of projects) through project preparation and capacity building to help build new infrastructure in the energy, agriculture and urban sectors that is green and sustainable. Table 1 below shows the results framework for the FONERWA’s work with the Project Preparation Facility:

Table 1: Results framework

Project	Danish Support to Ireme Invest through FONERWA		
Project Objective	To support Ireme Invest to enhance the Rwanda’s capacity to advance financial innovation to accelerate climate mitigation and adaptation measures		
Impact Indicator	Increased investments and finance mobilised Accelerated climate mitigation and adaptation measures # of green jobs created in the private sector		
Project Title	Danish Support to Ireme Invest through FONERWA		
Outcome	Change in increase of firms that meet bankability criteria for accessing loan for green growth		
Outcome indicator	# of firms eligible for or accessing the credit line		
Baseline	Year	2023	0 businesses
Target	Year	2027	15 businesses
Output 1	Increased number of green sector businesses seeking finance		
Output indicator	# of applications to Ireme Invest Program, disaggregated by loan and grant component		
Baseline	2023	40 applications in total	
Target	2027	100 grant applicants 60 loan applications	
Output 2	Increased number of green sector projects accessing finance		
Output indicator	# of projects granted funding under the Ireme Invest program, disaggregated by loan and grant component		
Baseline	2023	0	
Target	2027	20 businesses provided with grants 20 business provided with credit lines	
Output 3	Increased level of investment from commercial banks and institutional investors		
Output indicator	# of businesses to secure co-financing or private sector “leverage” via the Ireme Invest program Ratio between public and private financing (leveraging between 3-4 times for private sector investments)		
Baseline	2023	0 0	
Target	2027	20 1:3-4 public to private ratio	

For the PPF, FONERWA will be responsible for the following activities:

- Prepare and disseminate information about Ireme’s PPF’s proposed products, terms and conditions of grants support and eligibility criteria for beneficiaries, projects to all interested parties, including project developers, SMEs in the IREME target sectors.
- Review and approve reimbursable and non-reimbursable grants to SMEs and project developers.

- Appraisal of recoverable and non-recoverable grants and Equity applications to be approved by FONERWA Investment Committee.
- Overall management of ESO
- Coordinate with BRD to raise additional funding for Ireme based on identified needs.
- Coordinate with BRD for sectors where both finance and grants are needed.
- Providing clear and coordinated communications to project developers to explain the Ireme program and clarify both the grant and other financing windows.
- Working in collaboration with BRD through the screening process to select projects eligible to the IREME. This includes applying consistent criteria so projects emerging from the PPF are a strong match for financing through the Credit Facility of the IREME.
- Working in collaboration with BRD to prepare IREME Monitoring and Evaluation reports to be submitted to IREME Steering Committee.
- Conduct site visits to observe progress and meet with beneficiaries and grantees.
- Supervise that the Environmental and Social Management System (ESMS) has been duly followed.
- Disburse funds as requested.
- Ensure integrity of procurement process.
- Ensure integrity of environmental screening, including the clear exclusion of Category A projects.
- Ensure compliance with the GoR anti-corruption law.
- Maintain summary records of the flow of resources.
- Arrange and monitor repayments of recoverable grants as collateral. FONERWA's Finance Department should inform IREME project team promptly on any non-receipt or overdue payments from grantees requiring further action.
- Report to IREME Steering Committee. Prepare, in an agreed format, written reports for the IREME Steering Committee on progress made in achieving the IREME PPF objectives (semi-annually and annually).
- Make arrangements for external audits of the project accounts and records and statements of expenditures.
- Prepare and submit to the IREME Steering Committee not later than 45 days after the end of each semester, interim unaudited financial reports for the IREME PPF covering the past semester.
- Provide reports to the IREME Steering Committee necessary for IREME implementation reviews and take a lead in IREME PPF impact assessments.
- Prepare annual report (including annual financial management reports and impact assessment reports) in the form and substance satisfactory to IREME funders.
- Play the role of the secretariat service for the Screening committee.
- Consolidate the IREME overall Monitoring and Evaluation reporting.

For further on FONERWA's role and responsibilities, please see the Ireme Invest Operations Manual (appendix 11).

6. Inputs/Budget

The full budget estimate for the Danish support is DKK 37 million to FONERWA, with allocations as follows in Table 2, while Table 3 provides an indicative overview of budget details for Ireme Invest.

Table 2: Budget for Danish Support to Ireme Invest (DKK)

	2023	2024	2025	Total
Support for project preparation, project capacity building and piloting through PPF	15,945,000	15,000,000	0	30,945,000
Technical Assistance and capacity building for FONERWA (~8%)	1,500,000	1,500,000	0	3,000,000
Overhead costs (7 %)	1,277,500	1,277,500	0	2,555,000
Sub total	17,445,000	16,500,000	0	36,500,000
Mid-term review			250,000	250,000
Inception review and financial management capacity assessment	250,000		0	250,000
Total	17,695,000	16,750,000	0	37,000,000

Table 3: Tentative details for Ireme Invest' capitalisation budget (first capitalisation round)

	In agreed currency	In € approximated
Project Preparation Facility (FONERWA)		
FCDO (UK)	£ 7,000,000	8,700,685
FONERWA for operational costs	\$ 300,000	306,680
MFA of Denmark	DKK 36,500,00	4,900,000
Subtotal	-	13,246,680
Credit Facility (BRD)		
AfD	€ 20,000,000	20,000,000
EIB	€ 20,000,000	20,000,000
SIDA (credit guarantee)	€ 20,000,000	20,000,000
BRD	\$ 12,000,000	12,270,000
Subtotal	-	72,270,000
Total		85,516,680

The Ireme Invest Operational Manual provides policies and operational guidelines to meet the requirements of all funders who might provide capital to Ireme Invest. Details include:

- Investment strategy
- Risk management policies and procedures
- ESG risk management policies and practice
- Monitoring, Verifying and Reporting policies and practices
- The role of the cross-cutting Ireme Invest Steering Committee

As part of the financial management capacity assessment of FONERWA, the above listed documents will be reviewed.

7. Institutional and Management Arrangement

7.1 General Institutional and Management Arrangement

The governance structure of Ireme Invest allows the GoR, development partners, private sector and civil society oversight of projects and programmes to ensure transparency and accountability. FONERWA's governance structure consists of the Board of Directors, Board subcommittees (HR committee, Audit committee and Investment committee) and Fund Secretariat. The Rwanda Ministry of Environment (MoE) is the national policy oversight institution responsible for the Fund. The Board of Directors of FONERWA is vested with the most extensive power to make decisions regarding administration, human resources and property of FONERWA in order to fulfil its responsibilities, as regulated by the laws

establishing FONERWA¹⁴. FONERWA is a specialised entity and has legal personality and enjoys administrative and financial autonomy. The FONERWA Secretariat provides facilitation for the central coordination of the Fund.

Ireme Invest is created as an integrated programme with two facilities designed to work together in an integrated fashion. This will be materialised through an operating financing agreement between FONERWA and BRD, through which each institution commits to working together to implement Ireme Invest and to coordinate necessary actions to achieve its vision, mission and objectives. BRD and FONERWA have agreed to coordinate specific activities including: i) identifying needs of priority sectors, where grants and finance are both needed; ii) rolling out coordinated requests for proposals for sectors where both finance and grants are needed; iii) providing clear communications to project developers to explain the Ireme Invest programme and clarify both the grant and financing windows; iv) applying consistent criteria so projects emerging from the PPF are a strong match for financing through the Credit Facility; and v) raising additional funding based on identified needs.

A clear and integrated Ireme Invest management and governance mechanism represented by a Steering Committee has been established to ensure an effective connection between the PPF at FONERWA and the CF at BRD. The FONERWA and BRD Investment Committees, working with the Ireme Invest Steering Committee, reserve the right to amend these investment policies as needed to ensure the effective operation. At a minimum, the FONERWA and BRD Investment Committees review these policies annually, and more often if required. Development partners, including Denmark, will share a seat on the steering committee on a two year rotation basis.

In addition for the PPF, the investment selection process will allow a maximum of three months from the time an applicant submits to when they receive a funding decision since private sector always expects a quick decision. However, this timeline applies only to successful projects that have reached the board meeting. The process integrates a decision point where FONERWA convenes a Development Partner (DP) forum to present potential investment for recommendation to the Investment Committee.

The CF (loan component) will finance selected projects through debt financing and will be implemented by BRD as Technical Responsible Party and will manage these funds on its balance sheet under its Special Project Implementation Unit (SPIU).

The PPF (grant component), implemented and managed by FONERWA, funds feasibility studies, technical assistance, advisory services, proof of concept activities, business model development, prototype development, testing for nascent business or business projects through grants and other appropriate financial instruments. FONERWA will use the funds to invest in project pipeline development by offering both non-recoverable grants, recoverable grants, and equity. All funds collected from recoverable grants will be reinvested into the PPF to provide additional grants and sustain the facility.

BRD and FONERWA will have signed a cooperation agreement to operationalise Ireme Invest as an integrated programme including the PPF and the CF. The Danish overhead costs will be used as operating costs to support Ireme Invest.

7.2 Specific Management Arrangement for the Danish support

The Agreement for Danish support to Ireme Invest will be signed by three parties: The Danish MFA (as the donor), the MINECOFIN (as the recipient government party) and FONERWA (as the executing

¹⁴ [Law no. 16/2012 of 22/05/2012 determinig the organization, functioning and mission of the national fund for environment \(FONERWA\)](#) and [Law no. 29/2017 of 16/08/2017 establishing the national fund for environment and determining its mission, organization and functioning.](#)

agency). Following the signing of the agreement, MINECOFIN will sign a subsidiary agreement with FONERWA to allow for the transfer of funds.

Given the bilateral nature of funding to FONERWA, it will require an active Danish engagement, monitoring and follow up. The daily monitoring of the Danish support and the bilateral dialogue will be undertaken by the Danish project office in Kigali in coordination with FONERWA. Ireme Invest is in the process of establishing a reporting system for all its partners and key stakeholders. The project office will follow up with FONERWA on the following points of strategic relevance to Denmark:

- Local private sector stakeholder engagement
- Project pipeline, building and forecasting
- Gender segregation of indicators, following the Ireme Invest Gender Policy

The Department for Green Diplomacy and Climate and the Embassy of Denmark in Kampala will support the project office in Kigali while it is becoming operational, both in terms of grant management and monitoring. The role and responsibilities of the project office towards this project will be assessed during the Danish mid-term review of the Ireme Invest support.

As donor to Ireme Invest and FONERWA Denmark will share a seat in the Steering Committee with the development partners as part in a 2-year rotating system. In addition to the regular bilateral engagement, Denmark will be invited by the CEO of FONERWA to take part in the Development Partners Forum. The Forum is a high-level strategic forum for dialogue between GoR its DPs on FONERWA. The main objectives of the Forum are to provide:

- A context policy dialogue between the GoR and its DPs, at which GoR openly engages in dialogue with donors on major policy issues and the strategic orientation of their partnerships;
- An opportunity for GoR to showcase its major achievements and constraints in implementing its development programmes;
- A opportunity for GoR to present its policies and strategic priorities for the development of the country;
- An environment for open discussion with regard to the management of external aid.

Further, through the Danish project office in Kigali, Denmark will coordinate with relevant development partners. Denmark is already taking part in the informal coordination with other donors specifically related to FONERWA. In this context, Denmark will contribute to alignment, complementarity and additionality of the respective support to Ireme Invest, and explore opportunities for joint reporting and general coordination of donor priorities for FONERWA.

In the broader local climate context, the Danish project office in Kigali has been invited to participate in the German lead informal donor development cooperation group focusing on the green sector. This focus of this group goes beyond that of FONERWA and Ireme Invest, but is a highly relevant group for Denmark to participate in for general climate and green sector donor coordination.

FONERWA is a new partner to Denmark, and the support constitutes the first bilateral development engagement between Denmark and Rwanda. Further, Ireme Invest is a new joint partnership of FONERWA and BRD. Denmark will therefore make a financial management capacity assessment of FONERWA, to be conducted before the first disbursement to FONERWA. The assessment will look at the financial management capacity of FONERWA. Further, the grant will include a mid-term review of the Danish support, evaluating the progress, risks, setup and arrangements related to the funding for the PPF, including the risk management context (which FONERWA is currently building).

The Danish MFA reserves the right to carry out any technical or financial mission that is considered necessary to monitor the implementation of the Danish project. After termination of the Danish project, Denmark reserves the right to carry out evaluation.

8. Financial Management and Reporting

Financial management

The Danish support is expected to be committed in 2023, with disbursements in Q2/Q3 of 2023 and 2024, based on annual written disbursement request with two signatures from FONERWA.

Within the project period, the Danish funds can be recovered and provided as new grants as long as they aligns with the objective of this project document hence the purpose of the Ireme Invest PPF. FONERWA should strive to spend the Danish grant within the project period. Upon the end of the project period, funds from recovered grants will transfer to the PPF to be reused in line with the PPF's objective. This is based on the contribution being an earmarked capital contribution to FONERWA and on confidence in the governance structure of FONERWA, including the Board's¹⁵ and the Investment Committee's responsibility to ensure that FONERWA continues to use the funds within its mandate, including the objective of the PPF of Ireme Invest.

Upon end of the Danish project period, any unused funds and interests accrued from the Danish funds, must be repaid to the Danish MFA.

As the manager of the PPF, FONERWA will manage the Ireme Invest grants program in accordance with its required financial management system, which include financial reporting, internal audits, procurement and budget planning and implementation. The financial management of FONERWA is guided by its Grant Management Manual¹⁶. FONERWA will prepare unaudited Interim Financial Reports (IFRs) and submit them to the Ireme Invest Steering Committee based on the stipulated timelines in the Operations Manual. The financial reports will later be consolidated and provided to an external independent auditor as part of the Ireme Invest annual external audit.

The Ireme Invest Steering Committee submits programme level financial information and annual audited financial statements due within 120 days after 30 June for the PPF (on 31 October) of each year. Financial reports are presented in conformity with donor requirements/templates. The reporting can be joint with other donors in a single reporting.

Following the financial reporting cycle to the Ireme Invest Steering Committee, FONERWA will report to Denmark on financial matters through annual audited financial reporting, no later than 31 October each year. The financial reporting must follow the requirements of the Danish Financial Monitoring Guidelines¹⁷ including clearly outlining the Danish funding. Further, the statement of accounts must specify that Danish funds are channelled solely support the objective of the PPF. The audit report to Denmark (or joint donor report) should comprise (i) a management report together with an audit opinion from the FONERWA external auditors concerning the adequacy of internal control over cash-based financial reporting; and (ii) a combined financial statement for all cash-based trust funds together with FONERWA external auditor opinion, which is done by the Office of the Auditor General. The cost of the single audit shall be borne by the FONERWA. FONERWA will make available copies of all financial statements and auditors' reports received in accordance with the FONERWA Access to Information Policy. The statement shall be signed by the responsible authority.

¹⁵ <http://greenfund.rw/our-board>

¹⁶ [Grant management manual final version.pdf \(greenfund.rw\)](#)

¹⁷ [General Guidelines for Financial management \(um.dk\)](#)

Narrative progress reporting and review

FONERWA and BRD will conduct quarterly progress reports to be shared with the Ireme Invest Steering Committee. In addition, FONERWA and BRD will conduct bi-annual impact reviews of both facilities which is a review, identifying challenges in implementation, delays, and risks and recommending actions to be taken to ensure successful implementation of Ireme Invest. The project monitoring reports and the bi-annual impact reviews/progress reports for the PPF will be shared with Denmark.

The Ireme Invest team establishes a database for each component of the project to periodically monitor the evolution of implementation, outputs, and results, with systems for regular data gathering and processing of information required to monitor the main performance indicators and intermediary indicators as defined in the Results Framework.

In addition to the financial reporting and the general Ireme Invest reports, FONERWA will provide Denmark with annual narrative progress reporting (preferably joint report with other donors), to be shared no later than 31 October each year. The annual narrative progress report should contain:

- Assessment of developments in the national or sector framework during the past year
- Progress as compared to the defined (original or revised) outcome and output targets for the reporting period
- Explanations of challenges encountered and how these have been handled
- Progress to date compared to output and outcome targets for the entire project period, as stipulated in the results framework
- Reporting expenditure as compared to budgets
- Reporting linkage between outputs and expenditures
- Lessons learnt during the year with an analysis of what works and what has worked less well and why supported by evidence
- Specification of recommended changes and adjustments, including budget re-allocations for approval by the relevant authorities
- Follow-up on prior recommendations

Furthermore, as per FONERWA M&E policies, the PPF and the CF will have an independent evaluation every three years as part of the overall evaluation of FONERWA. The first evaluation is scheduled for [2025], and the evaluation, its conclusions and recommendations will also be shared with Denmark.

In addition to the initial financial management capacity assessment, and the above-mentioned reporting requirements, the Danish support will include a mid-term review of the Danish support, to be performed during the implementation period. Denmark prefers that the mid-term review is executed jointly with other funding partners and will be looking into options for such a format.

Denmark maintains a strict policy of zero tolerance towards corruption in all its forms. Denmark requires maximum openness. Transparency is essential when fighting corruption, and information concerning the public sector is generally accessible to the general public in accordance with the Danish Public Administration Act and the Danish Act on Access to Public Administration Files. Therefore, any reports on corruption will be made publicly available by the MFA. The Danish MFA has a zero tolerance for inaction in tackling sexual exploitation, abuse and harassment as well for child labour and any associated link to support terrorism. Any violation can be ground for immediate termination of the Agreement.

9. Risk Management

FONERWA's risks are managed under the internal audit and legal function of the Fund to comply with all internal policies and this will be used as risk management framework for the PPF. BRD will use the Bank's existing risk management framework for the CF.

Three main categories of risks have been considered for the Danish support: (i) Contextual risk concerning the general risk and fragility factors. Contextual risks are divided into political, economic, societal, environmental/climate and security risks; (ii) Programmatic risk concerning risk in regard to achievement of programme objectives; and (iii) institutional risks in relation to the interest of Denmark and its partners. The main risks within the three categories are summarised in below, while a risk management matrix is presented in Annex 4.

The contextual risks are mainly related to the risk of overall economic decline and declining fiscal space in Rwanda as effect of global economic challenges causing increased electricity and food prices, and increased debt challenges for developing countries etc. This risk spilling over into diminished incentives to prioritise transition to green and sustainable development. However, there is strong political focus on sustainable development and a stable political situation which can provide a clear national direction, even in turbulent times. This risk is considered unlikely, but has significant impact. International support to prioritise green and sustainable development can help underpin and realise the GoR's direction and ambitions. Also, impact of COVID-19 could impact negatively on project development and implementation, as well as change or delay the business cases of each project.

The programmatic risks include demand from the private sector and from the home market. The relatively small Rwandan population makes up a fairly small home market to take in new private sector products. Further in terms of pipeline, the Ireme Invest setup is designed to provide a pipeline of projects from the PPF to the CF. However, it is less clear how the pipeline for the PPF looks. One risk is that there is a large pipeline of smaller projects, but perhaps not a significant number of cases of reasonable size. This risk is considered likely and significant in impact. FONERWA will be able to mitigate this through targeted calls for proposal and through dialogue and partnership with the local private sector stakeholders. Further, Denmark will engage with FONERWA and other donors to assess the pipeline for the PPF and address this with appropriate mitigation measures if necessary (e.g. include a more flexible approach for nurturing and developing a pipeline, or to support the "value chain" at earlier stages). A potential mitigation or adapted intervention is to target projects that are not yet financially viable, but could become viable in the near future. If the pipeline is insufficient with such an amended approach, support could also be considered for earlier stages of project development. There could be another critical assumption in regard to the pipeline – there may not be suitable number and type of projects that are determined as having additionality, i.e. that will be financially viable, but not yet bankable. Special support measures could be developed for such cases.

Institutional risks relate to the fact that Ireme Invest is a new setup and a new partnership between FONERWA and BRD. Capacity at each institution is proven over time, however the capacity of the joint setup and partnership constitutes a risk for operations and implementation. For the Danish grant, this includes specific risk related to the institutional capacity of FONERWA to take on this new setup. The risk is considered likely and significant. To mitigate this, the Danish grant includes a budget for technical assistance, and the FCDO also provides TA support. The Ireme Invest setup between FONERWA and BRD is already progressing well with joint operations manual, joint E&S frameworks and joint risk management framework in the making. In coordination with donor partners, Denmark will follow and support the development of the joint setup. The risks are further addressed in the risk management matrix in Annex 4.

10. Closure and Sustainability

While the near-term focus sectors are climate smart agriculture, renewable energy, green buildings and clean transportation, once Ireme Invest has developed a track record and other sectors have matured, the facility can help unlock private investments in other priority sectors such as recycling, biomass and biogas, water and sanitation, and ecological services for wetland rehabilitation.

The exact portfolio mix will depend on numerous factors over the course of project implementation, including continuation of on-going regulatory enabling environments, quality projects/developers submitted for financing, etc. It is assumed that Ireme Invest will allocate approximately 25 pct. of its fund toward each of the four near-term priority sectors. Sector allocation of funds per priority area will be drawn from the Investment Policy Statement specific to the PPF.

The closing date for the Danish project is 30 June 2027, subject to any extension. Once the project is closed, FONERWA has four months to complete disbursements of activities that were completed by project closing date.

Upon completion, FONERWA is required to present a final financial statement along with the completion report covering the entire project activity. The final financial statements must be submitted no later than six months following the end of the project period and be signed by the auditor as audited. As part of the final audited financial statement, a specification of any remaining unspent funds and interest earned, but not yet transferred to the MFA, is presented and these funds are repaid to the MFA. Further, upon completion FONERWA must submit a final report. It must include an assessment of effectiveness and efficiency obtained through the development partner's contribution (Danish or joint), measured against the results framework in the Danish project document. The report must document lessons learnt and evaluate the prospects for continued sustainable progress. The final report should follow the format of FONERWA's own reports, as used during the implementation.

Sustainability will be assured if the following aspects can be demonstrated:

- Institutional stability;
- Continued operation and maintenance of the project outcomes;
- Continual flow of net benefits;
- Maintenance of environmental stability;
- Equitable sharing and distribution of project benefits;
- Continued community participation;
- Ability for the project outcomes to be resilient over time.

11. List of Annexes

Annex 1: Context Analysis

Annex 2: Partner Assessment

Annex 3: Theory of Change and Results Framework

Annex 4: Risk Management

Annex 5: Budget Details

Annex 6: List of Supplementary Materials

Annex 7: Plan for Communication of Results Annex 8: Process Action Plan

Annex 9: Quality Assurance Checklist [in separate document]

Annex 10: Rwanda Country Climate and Development Report (CCDR), Executive Summary

1. Overall Development Challenges, Opportunities and Risks

Rwanda is a developing country and still requires significant infrastructure investments for its socio-economic development. The World Bank notes that Rwanda has been a frontrunner among African economies in the Doing Business indicators, moving from a global rank of 148 in 2008 to 38 in 2020, second in Sub-Saharan Africa after Mauritius. Although Rwanda's annual GDP growth has averaged 7.2 pct. in the last decade, Rwanda remains one of the poorest countries in the world and infrastructure gaps, including drainage remain substantial. Indeed, Rwanda ranks 111 in the world when it comes to infrastructure quality according to the 2019 Global Competitiveness Report.¹

Poverty in Rwanda has declined substantially in the past two decades but remains high in rural areas, where access to public services is still low. Poverty has also become less severe, with a shrinking gap between average consumption of the poor and the poverty line. However, despite poverty reduction, poverty reduction stagnated between 2014 and 2017 owing to droughts, a slowing down of the structural transformation and rural to urban transition, and a weakening of the job-creating potential of Rwanda's recent growth.² Moreover, over 90 pct. of the poor in Rwanda live in rural areas (mainly in the Southern, Western, and Eastern provinces). There is a high correlation between poverty and the lack of access to public services.

Rwanda's development strategy is laid out in the seven-year plan, the National Strategy for Transformation (NST1) for 2017–2024, prioritised by the three pillars of economic transformation, social transformation, and transformational governance. The NST1 aims to lay the foundation for achieving upper-middle-income country status by 2035 and high-income status by 2050.

In 2019, Rwanda's economy expanded by 9.4 pct., the highest growth rate on the continent and well above Rwanda's average growth of the past 10 years³. Investments were the main driver of growth, expanding by 23.3 pct. and supported by strong public investments. Private consumption also grew by 9 pct.. The contribution of net exports to growth was negative because the growth had been led by domestic demand. As of December 2019, public and publicly-guaranteed debt reached 58.5 pct. of GDP. Rwanda's debt remains sustainable, and the risk of debt distress has shifted from low to moderate as a result of the COVID-19 pandemic⁴ which also caused Rwanda's GDP to fall by 3.4 pct. in 2020, the first recession since 1994.⁵

The GoR has taken prompt actions to mitigate the impact of the pandemic, including launching an Economic Recovery Plan (ERP), which provides a blueprint for recovery in the hardest hit sectors, resumption of productive activity, and safeguarding of employment. The ERP takes infrastructure development as a critical sector that could catalyse broader economic recovery through boosting productivity and has the potential to contribute significantly to creation of immediate jobs.⁶

1 EAQIP, PAD, World Bank

2 *Ibid*

3 *Ibid*

4 *Ibid*

5 <https://www.worldbank.org/en/country/rwanda/overview#1>

6 *Ibid*

2. Political Economy and Stakeholder Analysis

Small and landlocked, Rwanda is hilly and fertile with a population of about 12.5 million people (2018). It borders the Federal Republic of Tanzania, Uganda, the Democratic Republic of Congo and the Republic of Burundi. Rwanda has generally maintained political stability since the 1994 genocide against the Tutsi. Parliamentary elections in September 2018 saw women fill 61% of seats, the

Rwandan Patriotic Front won the majority and, for the first time, opposition parties, the Democratic Green Party of Rwanda and Social Party Imberakuri, winning two seats each. After a national referendum approved by 98% of voters, President Paul Kagame was re-elected to a seven-year term in August 2018.

Rwanda now aspires to Middle Income Country status by 2035 and High-Income Country status by 2050 to be achieved through a series of seven-year NST1s, underpinned by sectoral strategies focused on achieving the SDGs.⁸

7 <https://www.worldbank.org/en/country/rwanda/overview#1>

8 Rwanda, 7 Years Government Programme: National Strategy for Transformation (NST1) 2017–2024

3. Fragility, Conflict and Resilience

The OECD characterises fragility as the combination of exposure to risk and insufficient coping capacity of the state, systems and/or communities to manage, absorb or mitigate those risks. Fragility can lead to negative outcomes including violence, poverty, inequality, displacement, and environmental and political degradation. Rwanda was included in the 2018 OECD States of Fragility as a fragile state but removed in the 2020 version. The reason for removing the designation of Rwanda as a fragile state was that fragility declined, in descending order of magnitude, in the political and security dimensions while increasing slightly in the economic, environmental and societal dimensions.⁹

Rwanda is ranked 168 in terms of its vulnerability to climate change in the Notre Dame Global Adaptation Index.¹⁰ Temperature rises in recent decades have exceeded the global average. Since 1970, Rwanda’s average temperature has gone up by 1.4 degrees Celsius and in some scenarios is projected to increase by 2 degrees Celsius by the 2030s. Rainfall has become more intense increasing the incidence of floods and landslides. Critical watersheds and water catchments have been converted into agricultural land, resulting in the destruction and drying up of streams and a decline in groundwater reserves. Steep topographical gradients and poor farming techniques have led to a soil nutrient balance that is among the most negative in Africa.¹¹

The Republic of Rwanda released its Green Growth and Climate Resilience National Strategy for Climate Change and Low Carbon Development in October 2011 with a vision for Rwanda to be a developed climate-resilient, low-carbon economy by 2050. The Strategy aims to build upon work that is already being done in Rwanda on climate change, focusing the various projects and policies in a holistic national document, which encompasses the long-term direction as well as short-term priority actions. The Strategy is one of the initial steps on a pathway, which leads to a sustainable, secure future where Rwanda is prepared for the risks associated with climate change, population growth and rising oil prices¹².

9 OECD, States of Fragility 2020

10 Notre Dame Global Adaptation Index, 2019

11 World Bank Country Partnership Framework for Rwanda

12 <https://sustainabledevelopment.un.org/index.php?page=view&type=99&nr=309&menu=1449>

4. Human Rights, Gender, Youth and applying a Human Rights Based Approach

This human rights analysis mainly focuses on human rights aspects relevant for the specific project. While there is no explicit right to a functioning wetland, it is closely linked to several central human rights. Particularly, the rights of women as enshrined in e.g. Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) and the right to health and to clean water. In this respect, participation, transparency, equality and non-discrimination are key. It is also linked to the enjoyment of a clean, healthy and sustainable environment.

The project will also seek possibilities to support the national school feeding programme contributing to quality education and reduction of malnutrition of children. Further, the project will target poor households and by this contribute to ensuring that no-one-is-left-behind.

During its recent Universal Periodic Review in January 2021, Rwanda received and accepted a recommendation to take measures to increase efficiency, accountability and transparency in public service delivery (recommendation number 134.17) as well as recommendations relating to climate change (recommendations 134.25-26) and many on gender equity (134.110 and 134.112 among others).¹³ In 2019, Sub-Saharan Africa averaged 67/100 on the 2020 Gallup Global Law and Order index gauging people's sense of personal security and their personal experiences with crime and law enforcement. This makes Sub-Saharan Africa the second-lowest scoring region out of 10. However, Rwanda scored 80/100, just below the world index score of 82/100.¹⁴

The UN Rwanda Country Team (UNCT) undertook in 2017 an exercise aimed at exploring the national development context to enable a better common understanding of the country's challenges and development aspiration. According to the UNCT, despite substantial progress made over the last two decades in the areas of Citizen Participation and Accountability, there are challenges related to quality participation and insufficient capacity of institutions of accountability. The UNCT notes that studies revealed that citizen participation stands at 63.4 pct. in 2017 and the level of citizen satisfaction in their participation in decision making is at 45.5%⁴². The Rwanda Governance Scorecard indicates that the quality of service delivery – while increasing - is one of the least performing governance indicators in Rwanda rated at 66.2 pct. in 2010, 70.4 pct. in 2012 and 72 pct. in 2014 and 72.9 pct. in 2016⁴³. Rule of Law was the second least performing indicator of the 2010 Rwanda Governance Scorecard (Rule of Law scored only 67.71 pct.), the score increased to 79.7 pct. in 2016 and across the different indicators, justice related indicators were among the highest scoring indicators,⁴⁴ according to the UNCT.

The UNCT further notes that some challenges remain to be addressed in governance in reinforcing inclusive participation and strengthening the political processes through addressing the issue of political space, the weaknesses in the capacities of civil society, and the need to accelerate media sector reforms. In the rule of law, there is scope for more judicial reforms that strengthen access to quality justice, ensure reduction in backlog cases, and improve the quality of prosecution¹⁵.

The World Bank Group in its Rwanda CCDR (2022)¹⁶ calls for prioritised investments to reduce the country's vulnerability to climate change. The report highlighted key policies and interventions that are needed in Rwanda to strengthen climate resilience in the context of the country's commitments under the Paris Agreement and its development priorities. It noted that the private sector will be a key partner in helping to finance the green transition in Rwanda. By attracting more private sector investment into sustainable agriculture and infrastructure projects, it will support Rwanda in strengthening its resilience to climate change. In particular, investing in nature-smart resource development projects, focused on water infrastructure development and management, soil conscious conservation agriculture, and sustainable forestry will be essential as will be investing in low-carbon

energy and transport solutions and enhancing climate compatible urbanization, whilst developing a climate-smart, private sector-friendly environment that balances investment projects with policy reforms and helps to develop a green finance market.

Gender and youth

Rwanda ratified CEDAW in 1981. During the CEDAW review of Rwanda in 2017, the Committee appreciated the measures taken by the State party to eliminate gender-based violence against women and provide assistance to victims. The Committee also recommended the state party to enhance its efforts to firmly combat all forms of gender-based violence against women, including domestic and sexual violence, paying particular attention to disadvantaged groups¹⁷.

According to the World Bank, the GoR has long been a global leader on the issue of gender equity and has put in place a strong legal and policy framework. These efforts have born impressive fruits over recent years, including gender equity in primary and secondary enrolments, a sharp reduction in fertility, large improvements in maternal health outcomes, women's greater access to land and therefore to finance which requires land as collateral, and the world's highest representation of women in parliament¹⁸.

WB further notes that although Rwanda's commitment to gender equity is widely recognised, there are gaps that remain and progress in these areas can be instrumental in helping Rwanda meet its development objectives. Areas where further attention is needed include: stalled progress in reducing fertility after prior impressive reductions; translating gains in human capital into greater quality of women's economic participation, including occupational sex segregation and a large gender-earnings gap; a continuing gender gap in secondary completion and in tertiary education and technical and vocational education and training; the lower representation of women in decision-making positions below the national government level; gender-based violence (GBV); women's greater share of domestic tasks; and smaller but continuing gaps in access to productive assets for agriculture and entrepreneurship. Challenges remain in eliminating GBV and violence against children in spite of the firm government commitment to promote gender equity¹⁹.

According to the WB, Rwanda's strong policy, legal, and institutional framework to promote gender equity and address and prevent violence against women and children is being leveraged for greater results. Priority actions to promote gender equity are strengthening women's participation in tertiary and technical-vocational education; promoting women's economic participation through entrepreneurship, especially access to finance; building up women's participation in subnational democratic bodies; and expanding response and prevention services to address GBV in all districts and sectors and support for awareness and behavioural change²⁰.

Rwanda ratified the Convention on the Rights of the Child in 1991 and both of its optional protocols in 2002. According to the UN in Rwanda Development Assistance Plan 2018-2023, the Government of Rwanda recognises that the rapid rate at which its population is growing and the

consequent high child dependency burden are among the main challenges curtailing the country's socioeconomic progress and attainment of Vision 2020. Rwanda's population is very youthful with 40.1% being under age 15; 2 pct. between 15 and 24, and 68.7 below age 30 in 2015. The high dependency burden poses a challenge to economic growth, due to the high costs to the nation and households of essential needs for children, including education and health services. It also impedes the ability of the nation and households to save – an important factor that would increase investments and provide an impetus to accelerated economic growth²¹.

7 A/HRC/47/14

8 Global Law and Order, Gallup, 2020

9 https://rwanda.un.org/sites/default/files/2019-04/United%20Nations%20in%20Rwanda%20Development%20Assistance%20Plan%202018-2023%20%28UNDAP%20II%29_0_0.pdf

10 World Bank Country Climate and Development Report (2022)

11 CEDAW/C/RWA/CO/7-9

12 World Bank, Rwanda Country Partnership Framework for the Period of 2021-2026

13 Ibid

14 Ibid

15 EAQIP, PAD, World Bank

5. Inclusive sustainable growth, climate change and environment

According to the World Bank, Rwanda's growth model cannot be successful without prioritising environmental sustainability and building resilience against climate change. A steady depletion of Rwanda's forest and water resources has heightened the country's sensitivity to climate change. Since 1990, there has been a steady decline in total forest cover, and an increase in cropland.²²

Demand for biomass for energy use is a major driver of deforestation and forest degradation. Rwanda has set targets to increase and sustain forest cover through its NSTI. Critical watersheds and water catchments have been converted to agricultural land. The resulting reduced vegetation cover has led to increased runoff and river flows, increasing the water yield. Reduced vegetation has caused a decrease in infiltration and groundwater reserves have been depleted. Increased runoff is linked to greater soil erosion, and such soil loss through erosion is a significant problem which threatens food security.²³

According to the World Bank, going forward, key priorities will include the development of climate-compatible, sustainable urban infrastructure; investments in stable and sustainable landscapes; and development of financing instruments for resilience and green growth that address the challenges posed by large upfront costs and uncertain long-run benefits.²⁴

Climate and environment

From the perspective of climate and disaster risks, Rwanda's exposure rating is high for extreme temperature, extreme precipitation and flooding, and drought.

Approximately 52% of the country's total land area is arable and the total cultivated area is equivalent to 66% of the national territory, with more than 93 000 hectares of marshland under cultivation. With considerable small-plot cultivation occurring on hills or mountain areas, vulnerability to climate change impacts has increased through runoff and landslides.

Rwanda's hydrological system is split into two basins, which are divided by the Congo-Nile ridge, with water systems to the west of the ridge flowing into the Congo basin and the east flowing into the Nile basin. The hydrological network covers 8 pct. of the national area, equivalent to about 2143 km². The Congo basin drains approximately one-third of the national territory equating to approximately 10 pct. of the available water. Rwanda has abundant lakes (101), rivers, and wetlands, and groundwater is an important water source in rural areas. The wetlands of Rwanda are composed of marshlands, lakes, rivers and streams and represent nearly 15 pct. of the national territory of which 6.3 pct. are marshlands and 8.6 pct. are lakes or streams that are either permanent or seasonal. Total wetlands cover 276,477 ha with 20 pct. of the total wetlands being fully protected.

Rainfall for the country is highly variable and the analysis indicates a likely increase in annual rainfall, with the increase likely to occur during the main rainy season, December to April, with drier tendencies from July to September. The intensity of heavy rainfall is expected to increase from +3 pct. to +17 pct. and the frequency expected to increase from +9 pct. to +60 pct. by end of the century. An increase in the country's overall water balance is also expected. During periods of increased aridity, long-lasting dry spells are expected to increase by 0 to 8 days by end of the century. Frequent rainfall deficits are expected in parts of the eastern and southern provinces, while increased rainfall is expected in parts of the western, northern and southern provinces. This is expected to significantly impact agriculture, water, energy, forestry, and health sectors, as well as agricultural land and freshwater resources and ecosystems.

Sustainability

The GoR has demonstrated strong commitment and ownership of Ireme Invest.

22 The Natural Capital Accounts for Land, published by the Government of Rwanda in 2018

23 *Ibid*

24 *Ibid*

25 Ministry of Infrastructure, Final Report, Environmental and Social Management Framework (ESMF)

6. Capacity of public sector, public financial management and corruption

According to the World Bank, a results-oriented approach to service delivery and a zero-tolerance approach to corruption has helped mobilise external assistance in Rwanda²⁵. In 2020, with an average score of 32, Sub-Saharan Africa was the lowest performing region on the Corruption Perceptions Index by Transparency International. However, Rwanda ranked 49 out of 180 countries with a score of 54.²⁶

Rwanda's relative success in battling corruption is reflected in the control of corruption indicator of the Worldwide Governance Indicators, according to which Rwanda ranked at 71 percentile globally in 2018, which was not only significantly ahead of the average ranking for low- and lower middle-income countries but also higher than the average ranking for upper middle-income countries.²⁷

26 WB Country Partnership Framework for Rwanda

27 Transparency International, Corruption Perceptions Index, 2022

28 WB Country Partnership Framework for Rwanda

7. Matching with Danish strengths and interests, engaging Danish actors and seeking synergies

Support to Ireme Invest will contribute to Danish priorities regarding, among others, SDG 13 on climate action. This is in line with the Denmark's new Strategy for Development Cooperation and the Danish long-term Global Climate Action Strategy.

The support is designed to deliver targeted action aligned with these strategy documents.

Denmark will explore the options for synergies in Rwanda during project implementation.

Annex 2: Partner Assessment

The National Fund for Environment (FONERWA)

Ireme Invest is a new facility though will be implemented by two well-established institutions: FONERWA and BRD. The Danish contribution will be implemented through Ireme Invest by FONERWA. FONERWA was set up in 2012 to mobilise domestic and international climate finance, and to secure sustainable financing for public and private investment to contribute to environmental sustainability, resilience to climate change, and green growth with a view to contributing to economic development and prosperity in Rwanda.

Over the years, the FONERWA has changed to respond to emerging opportunities. In 2016, the FONERWA law underwent a revision to strengthen and build on the original mandate, commensurate with its new responsibilities. These included the nomination of FONERWA as the institution responsible for mobilising additional internal and external climate funds for the implementation of Rwanda NDC. The changes to the law-empowered FONERWA as an independent, special status institution and broadened its responsibilities to independently mobilise, manage and coordinate climate and environment finance. The Law also set out a revised governance structure, comprising a Board of Directors and an Executive organ headed by a Chief Executive Officer.

FONERWA has been primarily run (to date) as a grant-based, demand-led fund that accepts project proposals on a regular annual or more frequent basis through a competitive call for proposal process. Funding includes grants for public sector entities (such as line Ministries and District authorities), civil society organisations and academia as well as innovation grants to support research and development, proof-of-concepts (prototyping) and demonstration (piloting and commercialisation) for private sector applicants. In addition, FONERWA offered a line of credit offering concessional rates to private sector applicants in partnership with BRD.

FONERWA has mobilised funding from a range of development partners, including fund capitalisation from FCD, KfW and SIDA as well as from the domestic budget, complemented with funding for capacity building and support from UN Development Programme, the GCF and the Global Green Growth Institute. As of October 2020, the Fund has cumulatively mobilised USD 250 million, which makes FONERWA one of the largest government-run, demand-based climate funds in Africa. FONERWA also supported MoE to be the first Ministry in Africa to obtain national entity accreditation with the GCF.

Development Bank of Rwanda

The Development Bank of Rwanda (BRD) Plc has a mandate to ensure that the private sector plays its role in sectors critical to achieving the National Strategy for Transformation and the SDGs by providing them with affordable, long-term, and customized development finance. BRD has seven prioritised sectors of intervention including Renewable Energy, Agriculture, Exports, Housing, Social Infrastructure, Education, and Digital economy. The BRD products and services offerings include investment loans, grants, guarantees, trade finance, and advisory services.

Summary of partner capacity assessment

Rwanda has generally maintained political stability since the 1994 genocide against the Tutsi. Parliamentary elections in September 2018 saw women fill 64% of seats, the Rwandan Patriotic Front maintain an absolute majority and, for the first time, opposition parties, the Democratic Green Party of Rwanda and Social Party Imberakuri, winning two seats each. President Paul Kagame was re-elected to a seven-year term in August 2018. Rwanda now aspires to Middle Income Country status by 2035 and

High-Income Country status by 2050 to be achieved through a series of seven-year NST1s, underpinned by sectoral strategies focused on achieving the SDGs.

Ireme Invest is still in its infancy. Therefore, it is important to take an integrated and collaborative approach by working across sectors and tackling an enabling environment to support such development.

Key stakeholders

Key stakeholders identified include though are not limited to the following:

- Ministry of Finance and Economic Planning (MINECOFIN)
- Ministry of Agriculture (MINAGRI)
- City of Kigali (CoK)
- Rwanda Housing Authority (RHA)
- Rwanda Utility Regulatory Authority (RURA)
- Ministry of Infrastructure (MININFRA)
- Ministry of Environment (MoE)
- Rwanda Environment Management Authority (REMA)
- Private sector (The Private Sector Federation and/or Rwanda Chamber of Commerce)
- Project-affected people and local communities

Summary of key partner features

Name of Partner	Core business What is the main business, interest and goal of the partner?	Importance How important is the programme for the partner's activity-level (Low, medium high)?	Influence How much influence does the partner have over the programme (low, medium, high)?	Contribution What will be the partner's main contribution?	Capacity What are the main issues emerging from the assessment of the partner's capacity?	Exit strategy What is the strategy for exiting the partnership?
FONERWA	Government Entity	High	High	Oversight and resources	Capable of upscaling	No special requirements after end of programme
BRD	Government Entity	High	High	Oversight and resources	Capable of upscaling	No special requirements after end of programme

Annex 4: Risk Management

Three main categories of risks have been considered: (i) Contextual risk concerning the general risk and fragility factors. Contextual risks are divided into political, economic, societal, environmental/climate and security risks; (ii) Programmatic risk concerning risk in regard to achievement of programme objectives; and (iii) institutional risks in relation to the interest of Denmark and its partners.

Together with the assumptions from Section 4 and the risk narrative in Section 9 of the project document, the below presents the risks of Ireme Invest as viewed by Denmark, building on Ireme Invest and FONERWA risk considerations.

Ireme Invest Risk Management Matrix

Risk	Likelihood	Impact	Mitigation	Residual Risk	Background to assessment
Contextual risks					
COVID-19 pandemic	Likely	Minor	The GoR has developed an Economic Recovery Plan (ERP) to respond to the COVID-19 pandemic. The ERP provides a blueprint for recovery in the hardest hit sectors, resumption of productive activity, and safeguarding of employment.	Minor	DK finds the risk management sufficient. DK will monitor this risk through dialogue with the GoR.
Decline in fiscal space due to global economic development	Likely	Major	Partly mitigated by GoR's commitment to incurring mostly concessional debt and the pursuit of a sound fiscal policy, supported by an active IMF program.	Minor	DK finds the risk management sufficient. DK will monitor this risk through dialogue with the GoR.
Programmatic risks					
Mismatch between available loans (short term) and green project financing needs	Very likely	Significant	Ireme Invest is targeting to address the barrier through broadened partnerships and PPF	Some risks remain given that Ireme Invest is a new facility. Scope may be adjusted over time to fit financing needs.	DK overall agrees with the FONERWA risk management related to the pipeline from the PPF to the CF of Ireme Invest.
Insufficient pipeline of project to PPF, including lack of good quality proposals.	Likely	Significant	PPF builds on FONERWA experience of supporting feasibility studies for key local green projects. PPF's purpose is to help projects transition "from feasibility to bankability" and assist projects securing commercial finance. PPF support will prioritize early-stage, high-impact, innovative projects and businesses that have high	Pipeline for PPF still may need further attention.	GCF Funding Proposal. To strengthen the pipeline for the PPF, DK will support FONERWA in its investigation of this pipeline, including strengthening dialogue with local private sector

Risk	Likelihood	Impact	Mitigation	Residual Risk	Background to assessment
			<p>probability of successful completion based on developer track record and sound business plans. Ireme Invest will work closely with market actors and local commercial banks to address market gaps, build project pipelines and catalyse more private investments.</p> <p>In terms of lack of quality projects, PPF to provide detailed feedback when projects are rejected.</p>		<p>stakeholders, such as the Private Sector Federation. DK will make this a key monitoring focus, and will follow up with FONERWA during implementation.</p>
Insufficient interest from private sector	Likely	Significant	Further Outreach	Still risk of insufficient interest	<p>GCF Funding Proposal</p> <p>DK project document proposes coordination and partnership with local private sector stakeholders.</p>
Small projects, high up-front capital costs, high volatility/lack of local currencies, constraints on sovereign borrowing	Very likely	Significant	<p>MINECOFIN will make funds available in Rwandan francs through Ireme Invest.</p> <p>Financial instruments under the PPF will directly address the issue of high up-front capital cost.</p> <p>Further, the rapid evolution of the financial sector facilitated by the multiple policy and financial reforms targeting the green financial sector in Rwanda is poised to address the risks.</p>	Minor	<p>GCF Funding Proposal.</p> <p>DK finds the risk response in the Ireme Invest design.</p>
Limited available equity for green projects, with many local developers being at a nascent stage	Likely	Major	<p>BRD offers direct lending to projects, working with commercial financiers (equity sponsors and banks) as co-financiers.</p> <p>Thus, Ireme Invest offers direct lending products and provide needed support to projects, e.g. through offering technical underwriting capacity and deal arrangement, as</p>	Minor	<p>DK is satisfied with the risk response, and will follow the risk mitigation of Ireme Invest.</p>

Risk	Likelihood	Impact	Mitigation	Residual Risk	Background to assessment
			<p>well as direct credit support in the form of subordinate lending with commercial co-financiers in a senior position. This direct lending modality with co-financiers will further enable co-financiers to gain “hands on” experience financing projects in new sectors and under new regulatory regimes.</p> <p>Further, the rapid evolution of the financial sector facilitated by the multiple policy and financial reforms targeting the green financial sector in Rwanda is poised to address the risks</p>		
Limited green technological private sector capacity	Highly likely	Major	<p>The green financing sector is growing fast with the potential to attract not only financing but also technology and innovation partnerships as Rwanda emerges into a regional sustainable financing hub, the target of the Kigali Int. Finance Centre (KIFC), which has close working relations with FONERWA. In addition, Rwanda is at the forefront of innovation and offers a highly attractive fintech environment, making Rwanda a perfect piloting ground for new (including green) technologies.</p>	Some risk remain	Risk can be further reduced by working in partnerships between local and international companies.
Institutional risks					
Lack of institutional capacity for implementation and sustainability at implementing agencies	Likely	Major	PPF to receive resources and capacity building	There may be need to repeat capacity building or initial capacity building will identify special needs.	<p>DK is pleased the progress made by FONERWA and BRD on setting up Ireme Invest and will follow progress in monitoring in dialogue with FONERWA (and donors) on capacity needs.</p> <p>For FONERWA, the Danish financial capacity assessment will</p>

Risk	Likelihood	Impact	Mitigation	Residual Risk	Background to assessment
					identify gaps and weaknesses and mitigation measures.
Weak corporate governance of grantees	Likely	Major	Following FONERWA's operations manual, all selected projects will undergo a pre-award management and financial survey. Further, FONERWA has a clear guiding on M&E for ongoing projects, based on each project's M&E plan.	Minor	FONERWA Operations Manual. DK finds the FONERWA operations manual comprehensive. DK will follow the risk during implementation in dialogue with FONERWA.
Insufficient capital available to support Ireme Invest objectives	Unlikely	Significant	PPU has adequate external resources	Always a need for capital	Ongoing discussions with FONERWA, donors and GoR

Notes

Programmatic risks

This is unlikely, there was sufficient market assessment to determine that there was significant interest and appetite from the private sector

Institutional risks

This is unlikely, the fund has a proven track record and in addition it has gone through a restructuring to strengthen the team to be able. There is also technical assistance provided by FCDO and other donors to ensure that any gaps are filled.

Denmark maintains a strict policy of zero tolerance towards corruption in all its forms. Denmark requires maximum openness. Transparency is essential when fighting corruption, and information concerning the public sector is generally accessible to the general public in accordance with the Danish Public Administration Act and the Danish Act on Access to Public Administration Files. Therefore, any reports on corruption will be made publicly available by the MFA. The Danish MFA has a zero tolerance for inaction in tackling sexual exploitation, abuse and harassment as well for child labour and any associated link to support terrorism. Any violation can be ground for immediate termination of the Agreement.

The Danish MFA reserves the right to carry out any technical or financial mission that is considered necessary to monitor the implementation of the project. After termination of the project support, Denmark reserves the right to carry out evaluation. Any unspent balance or any savings of project funds shall be returned to the Danish MFA.

Annex 5: Budget Details and Monitoring

This is a single partner project and should indicate:

Requirement						
A budget showing the Danish contributions to a summarised partner budget	See Table 1					
The summarized partner budget should show allocations per outcome, or other main spending area, and funding sources with the respective amounts (detailed partner budgets will normally exist as basis for the summary budget)	This has not been made available and will be developed during the inception review by MFA in line with the Danish Financial Management Guidelines)					
Allocation of the Danish contribution by outcome, or by other main programme area	See Table 1					
Breakdown in annual allocations of Danish contributions, total and by outcome, as relevant	2023	2024	2025	2026	2027	Total
	18.0 DKK	19.0 DKK				37.0 DKK
Indicate funding modality (earmarked or core funding), by either showing Danish funds as allocated to specific components of the partner budget or to the partner budget as a whole	Earmarked to Ireme Invest PPF with some to FONERWA technical assistance					

Budget Monitoring

The purpose of the budget monitoring reports is to monitor and report on progress against agreed plan and budget for a specific period of time. As such, the budget monitoring reports are the primary tool to keep track of resources and compare expenditures to results.

The budget monitoring reports should be drawn up to the same level of detail as the detailed output-based budget and include budget figures, actual expenditures and variance for both the accounting period in question and accumulated for the entire engagement period.

The information presented in the budget monitoring reports should be:

- Funds received during the period and accumulated;
- Budget for the period and accumulated;
- Actual expenditure for the period and accumulated;
- Variance between budget and expenditures; and
- Explanation of significant deviations between budget and expenditure and description of mitigating measures.

Annex 6: List of Supplementary Materials

#	Document / Material	Source
1	A Green and Sustainable World	MFA
2	Danida Guidelines for Country Strategic Frameworks Programmes and Projects 2020 and Annexes 1-9	MFA
3	Financial Management Guidelines October 2019	MFA
4	Guideline to Risk Management Aug 2013 updated May 2022	MFA
5	Note Verbale Rwanda Formulation Mission 29 Aug-2 Sept 2022	MFA
6	Priorities for Danish Development Cooperation 2021	MFA
7	Update 2022 Guidelines for Country Strategic Frameworks Programmes and Projects November 2020	MFA
8	FONERWA Annual Review 2013	FCDO
9	FONERWA Annual Review 2015	FCDO
10	FONERWA Business Case	FCDO
11	FONERWA Logframe 2015	FCDO
12	FONERWA Project Completion Review Oct 2020	FCDO
13	ESMA for RGIF	FONERWA
14	Green Guarantees Facility Operations Manual	FONERWA
15	RGIF Operational Manual	FONERWA
16	FONERWA Design Document	FONERWA
17	FONERWA ESMF & RPF Vol 2	FONERWA
18	FONERWA ESMF & RPF Vol 4	FONERWA
20	METADATA	FONERWA
21	ToC Results Framework	FONERWA
22	RGIF Pitch Deck	FONERWA
23	RGIF Training	FONERWA
24	FONERWA Operational Manual	FONERWA
25	GCF Funding Proposal	FONERWA
26	ENR Sector Strategic Plan 2018 - 2024	Government
27	Project concept note for the IFE Climate proofing rural settlement	Government
28	Rwanda National Adaptation Plan 2019	Government
29	Rwanda National strategy for Transformation (NST1 2017-2024)	Government
30	Rwanda NDC 2020	Government
31	Rwanda NDC Implementation Plan	Government
32	Rwanda National Gender Policy 2021	Government
33	Rwanda Vision 2050	Government
34	Rwanda Wetlands Ecological Integrity Rapid Assessment Report	Government
35	Strategic Programme for Climate Resilience 2017	Government

Annex 7: Plan for Communication of Results

FONERWA will report to Danish MFA through project progress reports following which Ireme Invest reports to DP Forum through Forum meetings. Results of Ireme Invest will be communicated through the Ireme Invest communications strategy and approach that is aligned with its Business Plan.

FONERWA will report through project progress reports and liaise with Danish MFA. The results will be communicated through Ireme Invest's official team.

Communications activities are implemented by FONERWA communications staff. The MFA logo and standard acknowledgments (that include references to FONERWA) is included, appearing in all external materials such as publications, news stories, press releases, videos, presentations, banners, etc.

The project content is disseminated through various channels such as web platforms, social media, e-newsletters, and events. The FONERWA website is the primary platform for knowledge products, programmes, progress, and results. Content is also cross-promoted on other Government and partner sites, when appropriate.

The project content is also disseminated online to internal and external audiences through publication announcements. Hard copies of publications are distributed to MFA. Major initiatives, events and knowledge products are covered through news stories published on the website, or blog posts. These stories and blogs, as well as the publications themselves, are then promoted through FONERWA social media channels. When feasible, FONERWA coordinates social media strategies with its donors and other partners to strengthen the impact of virtual conversations on global energy issues.

It is expected that the results will be communicated through the annual reporting from FONERWA, which will be part of the annual progress report. Furthermore, there will be a dedicated session during relevant meetings, where Denmark participates, to discuss the support in Rwanda.

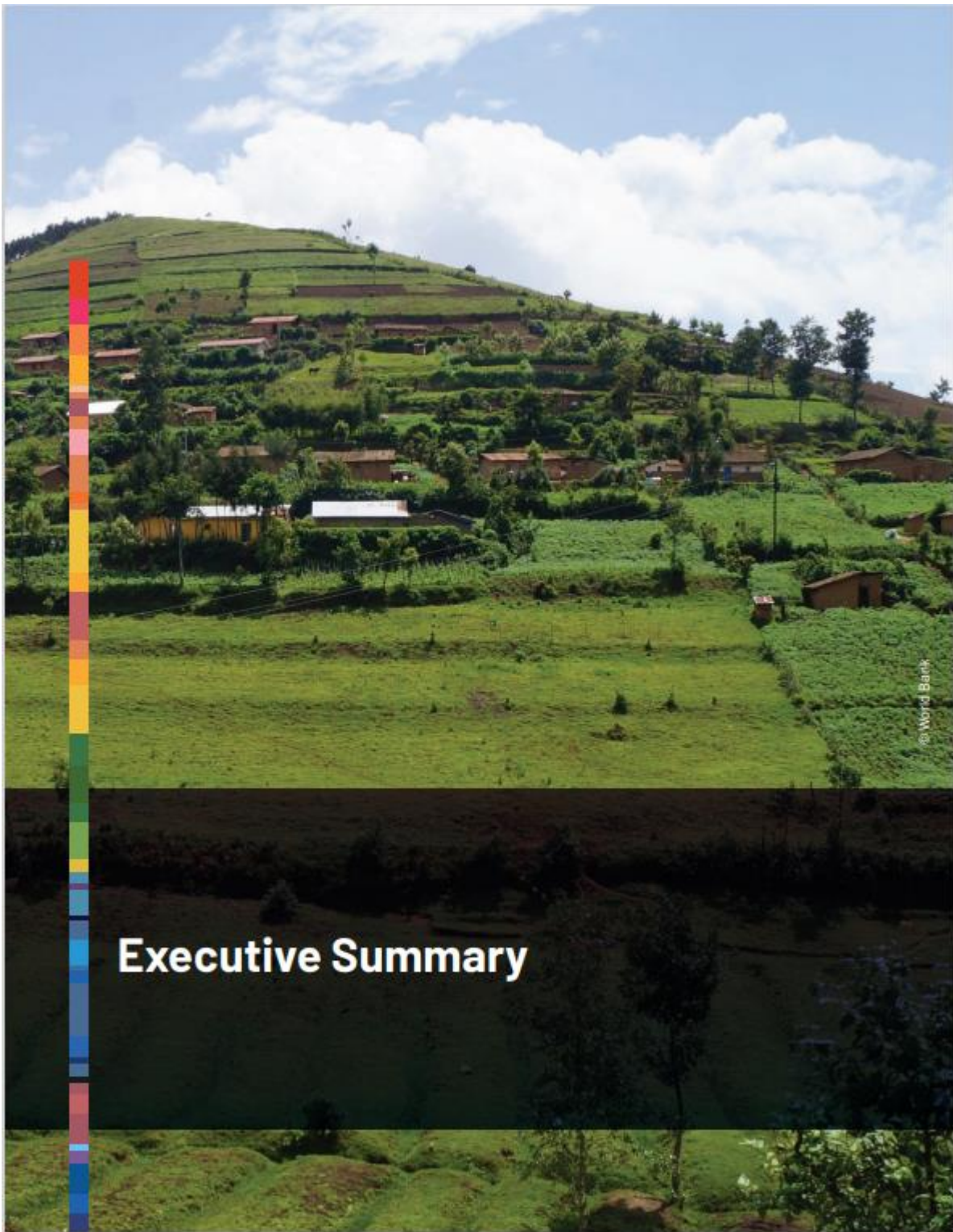
Annex 8: Process Action Plan

Action/product	Deadlines	Responsible/involved Person and unit	Comment/status
Identification			
Establishing a Task Force	Primo June	GDK	Task Force with GDK, APD, Kampala, ELK?
Scoping meetings	June-July	GDK in consultation with Task Force, Rwandan ministry for Environment, potential partners and other bilateral donors	
Recruitment process for consultant for identification and formulation initiated	Mid-July	GDK	Below EU threshold
Drafting of Identification Note	July	Consultant in consultation potential partner(s), and GDK	Analyses encompassing problem analysis, donor mapping, input from relevant partner strategies and lessons learnt.
Identification Note for review	Primo August	Review by Task Force and Rwandan authorities	
Final Identification Note	Medio August	Consultant	
Formulation			
Mission preparation note	Medio August	Consultant	Based on final identification note
Formulation mission to Kigali, Rwanda	August tbc. 29.8-2.9 (tbc.)	GDK, Kampala and potentially APD	Meetings w. Rwandan ministry for environment, potential local partners. Visit projects.
Formulation of project documents	August-September (by 30 September)	Consultant in consultation with GDK and Task Force	Evt. CFO/PFM (Public Financial Management) kapacitet med på formuleringsmissionen
Recruitment of consultant for external appraisal	Medio September		Internal or external appraisal to be determined in consultation with ELK.
Agreement with Rwandan partners on project documents	Primo October	GDK	
Quality Assurance: External appraisal	During October	External consultant	Alternatively, a real-time appraisal will be conducted (TBD in consultation with ELK).
Final appraisal report integrating comments from the responsible unit and partner(s)	Ultimo October	Responsible unit	
Quality Assurance Checklist (Annex 9): documentation of the appraisal process	Ultimo June 2023	GDK	Signed by GDK desk officer and the Head of unit and attached to the project/programme documents
Checklist for approval by the Under-secretary for development policy	Ultimo June	GDK	The filled-in checklist to be attached to the project/programme document, appropriation cover notes and Annex 9
All documentation are sent in F2 for the Under-secretary's endorsement via the Head of unit and ELK (Modtagelse i bevillingssekretariatet)	Primo <u>August</u>	GDK	Required documentation: Appropriation cover note Final Project Document, including annexes Quality Assurance Checklist (Annex 9)

Action/product	Deadlines	Responsible/involved Person and unit	Comment/status
			Checklist for approval by the Under-secretary for development policy
Project documents for approval by the Minister	<u>Medio</u> August	ELQ	
Implementation			
ELQ facilitates that grant proposals are published on Danida Transparency after the Minister's approval	Medio August	ELQ	
Signing agreement	<u>Medio/Ultimo</u> August	Kigali project office and Kampala Embassy	
Register commitments in FMI	<u>Medio/Ultimo</u> August	Kigali project office + GDK	
Financial and capacity assessment of FONERWA	September-October	Kigali project office	
1 st disbursement of funds to implementing partners	Ultimo October	Kigali project office + GDK	
1 st status meeting on implementation with partners	March 2024 (tbc.)	Kigali project office	Meeting with implementing partners

Annex 9: Quality Assurance Checklist
[In separate document]

Annex 10: Rwanda Country Climate and Development Report (CCDR), Executive Summary
The full report can be found on: <https://openknowledge.worldbank.org/handle/10986/38067>



Executive Summary

Over the past two decades Rwanda has achieved remarkable social, political and economic progress. The Rwandan economy grew by 7.7% per year on average between 2004 and 2019, a pace exceeding those of its peers. Nevertheless, the Government of Rwanda recognizes that sustaining high growth rates will require building resilience to different shocks, including those stemming from climate change. While contributing only 0.003% to global greenhouse gas emissions, Rwanda is vulnerable to the consequences of climate change. The country has prepared ambitious measures to support a green, inclusive, responsible, and growth-orientated development pathway. These adaptation and mitigation measures are outlined in its 2020 revised Nationally Determined Contribution (NDC) together with costed investments, programs, and policies. All measures are carefully designed to mutually reinforce adaptation and mitigation objectives, and contribute to meeting Rwanda's development objectives. For example, measures classified as mitigating emissions from livestock, agriculture, and land use (which together account for 74% of total emissions), include investments in conservation agriculture, animal husbandry, and soil and water conservation, which will also increase Rwanda's resilience to climate shocks.

The impact of risks of climate change could be consequential for Rwanda's growth given the reliance of the economy on climate sensitive sectors. Climate change is likely to increase variability in crop yields and agricultural production, cause severe flood damage to physical capital, reduce labor productivity, and impact demand for tourism. The CCDR estimates that if these risks materialize, Rwanda's GDP levels can drop by 5–7% below baseline in multiple years by 2050, with negative impact on private consumption, exports and government revenues. During year of severe floods (e.g., a 100-year flood), such extreme events are forecast to reduce GDP by an additional 4.4 percentage points below the baseline scenario during the flood year. Climate change is also expected to slow the pace of structural transformation in Rwanda, compromising future economic growth and poverty reduction.

By strengthening resilience to climate change, Rwanda can better prepare to manage the adverse impacts of climate change. Implementing the commitments articulated in the NDC is estimated to require new investments of US\$11 billion, of which close to US\$7 billion is conditional on new financing. This is equivalent to spending an average of 8.8% of GDP each year through 2030 — exceeding recorded and projected annual inflows of official development assistance (ODA) and foreign direct investment (FDI) between 2015 and 2030 and representing a large share of projected domestic revenue collection or public investment spending during the same period.

The Rwanda CCDR highlights key interventions that are needed in Rwanda to strengthen climate resilience in the context of country's development priorities and its commitments under the Paris Agreement. The CCDR finds that Rwanda's unconditional adaptation and mitigation commitments (i.e., the actions the country plans to implement through 2030 using existing and planned domestic and external financial resources) would substantially dampen the shocks to GDP resulting from increased weather variability. Unconditional NDC investments would boost industrial output and employment during project implementation compared to their baseline levels. The CCDR also finds that conditional actions boost the capital stock above the baseline by more than 4% on average in the late-2020s and by 1% towards mid-century. The additional climate investments in agriculture, energy, and infrastructure simulated in the CCDR could also accelerate the pace of structural transformation. Considering the current global and national fiscal context, finding the right balance between development and climate action will be instrumental for Rwanda to sustain its impressive growth rates and deliver its national development plan Vision 2050.

The CCDR offers recommendations organized by priority areas, where sector-specific interventions and projects are presented.

Priority Area #1: People and Resource-oriented Nature-Smart Development

Water infrastructure development and management

Sustaining growth in Rwanda will require greater private sector engagement and investment in the water sector. The private sector is a significant user of water resources. This necessitates the improvement in the water supply infrastructure and the implementation of water demand management practices. To co-ordinate this effort, the establishment of Multi Stakeholder Partnership and National Water Climate Centre that facilitates the collective action of both private and public sector with respect to water is recommended. It should further be recognized that while the expansion of water storage through infrastructure development is a critical component for achieving the economic growth aspired to for Vision 2050 and other supporting policies, additional measures will also be needed.

Demand-side interventions in the water sector are also required. These include, in addition to climate-smart agriculture, the reduction of non-revenue water through improved infrastructure and improved metering and institutional strengthening, the introduction of efficient domestic water use technologies, and economic incentives by applying block-rate tariffs. This will require an educational program as to the effect and impact of these demand side measures, and thereby also sensitizing all water users as to its value and importance.

The water resources sector will also benefit greatly from the measures indicated under other priority areas such as climate-smart urbanization, soil-conscious conservation agriculture and outward focused forestry and the development of the protected area network. The development of the water resources sector will also enhance social protection by improving water access and reducing poverty. As water is a cross-cutting catalyst for development and essential for quality of life and the development of human well-being, there is also an opportunity to develop a payments-for-ecosystem services system to enhance water security while promoting forestry, conservation agriculture and the development of protected areas.

Soil-conscious conservation agriculture

A program on soil-conscious conservation agriculture and payment for ecosystem services (PES) could be instrumental to combatting further soil loss caused by deforestation, land conversion, and land degradation. The reduction in natural vegetation has led to increased runoff and river flows, impacting water yield and increasing landslides and soil erosion, and decreasing infiltration and groundwater recharge. Programs to reverse this could enhance development and food and income security in the wake of climate change. The PES, if implemented with the emphasis on the expansion of the network of terraces (both radical and progressive), will increase soil carbon retention. The PES should be implemented with a strong emphasis also on crop rotation and intercropping such as the use of bananas in coffee plantations, which will furthermore result in increased biomass production, yield, and the quality of coffee.

Elimination of current subsidy on mineralized fertilizers while enhancing the support of the production of organic and locally produced compost could promote soil fertility benefits and reduce pollution of groundwater resources. There is a great opportunity and need for a country-wide educational program with respect to the principles and implementation of conservation agriculture, including no tillage. A PES that rewards landscape and ecosystem restoration, and is linked to other PES initiatives, would encourage private sector investment in land and water infrastructure.

Supporting actions should include the development and distribution of climate-resilient seed, the investment in affordable post-harvest and storage solutions and the improvement of crop and livestock management through climate responsive extension services. There is room for growth to extend agronomic information and training to farmers. This could be supported by innovation with respect to insurance to reduce the cost thereof and to link it to climate-smart response mechanisms.

Sustainable and productive forestry and collaborative management partnerships

The development of the protected areas (PA) network with an outward focus to maximize foreign exchange earnings will benefit people, and general ecosystem service delivery and biodiversity. In 2019, tourism generated foreign exchange earnings of US\$498 million, which is about double the combined earnings from tea, coffee, and minerals. Maintaining or growing such earnings will require putting in place a PA network to mitigate the impacts of PAs being surrounded by areas with a high population density. Collaborative management partnerships (CMPs) could be used by the PA network to fast-track, among others, improving PA operational and management efficiency, the reviewing and adjustment of the entry fees, the application of concession fees and the introduction of traversing rights. This would put in place a system for awarding concessionaires the rights to operate routes in the PAs (such as Akagera National Park and the Gishwati Mukura Park) on the basis of a tender. To ensure the maximum benefits flow to the local communities, there should be a roll-out and expansion of revenue-sharing schemes to communities and local landowners for co-management and maintenance of PAs, for example, beyond the Virunga National Park. It is also important to introduce an investment-friendly environment, especially for foreign nationals with respect to new PAs, including in Gishwati Mukura.

The development of the PA network could be enhanced by the development of an outward focused, trade-orientated, professional, and productive forestry sector that also acts as a buffer zone to the PA network. To enhance the profitability and commercial nature of the forestry, the afforestation and reforestation in high-risk erosion zones would be required while improving forest resource harvesting and protection to reduce illegal activity. Improved forest land tenure and agglomeration of forested resources will also contribute to the improved management of the resource. These changes will pave the way for the involvement of private sector entities and a sustainable and productive forestry sector. Promotion of agroforestry could also support farmer resilience on small plots through more diversified incomes, social protection, and prevention of land degradation, among other benefits.

Priority Area #2: Low-carbon Energy and Transport Solutions for Climate-Smart Development

Rwanda could maintain a low-carbon growth trajectory by introducing low-carbon energy and transport solutions. From an energy sector perspective this involves, among others, switching from peat-based electricity generation to the expansion of lake methane and the increased use and adoption of both off-grid solar electrification and rooftop solar generation and solar water heaters, and the expanded use of the anaerobic digestion of organic waste, as well as landfill gas utilization.

Rwanda should also consider diversifying its power supply mix through regional power trade and the development of other renewables to reduce climate shocks. There are significant costs and technical challenges associated with large hydropower. Hydropower is also susceptible to variations in precipitation resulting from climate change. The CCDR recommends expanding other sources of supply to reduce hydropower's contribution to 20%. A coordination between the water and energy sectors is recommended to review the country's reliance on hydropower and expand small hydropower schemes. This would also align Rwanda's electricity expansion plan with the NDC.

Rwanda should also consider eliminating tax duties from all renewable or cleaner sources of energy. This is to be done in conjunction with the rapid implementation and national roll-out of clean cooking stoves, which will lead to a reduction in unsustainable firewood, charcoal and fossil energy consumption for cooking, and associated emissions and health costs.

Expansion of the program for national dissemination of compact fluorescent lighting and low emitting diode lamps and the enhancement of energy efficiency in industry will also be beneficial for Rwanda. The latter



should specifically include the phasing out of diesel gensets for on-site electricity consumption in mining, the phasing out of the use of clamp kilns and applying energy efficiency measures in the brick industry, and the use of waste heat recovery and rice husks as fuel within clinker production. The in-house improvement of both lighting and cooking solutions will greatly improve the quality of life of all Rwandans and improve the conditions for learning and productivity.

Equally important will be introducing fuel economy and emission standards in conjunction with an accelerated vehicle retirement program, or “scrappage” schemes. This can be used to incentivize the removal of the most polluting vehicles from the road, while improving the air quality in cities (and in turn labor productivity) and improving road safety.

Priority area #3: Climate-compatible urbanization

Land readjustments and parceling peripheral (yet well-linked) urban land into grids in advance of settlements, and in sites and services could reduce the vulnerability of the average urban household to climate hazards. The City of Kigali and the secondary cities have recently developed master plans that aim to incorporate climate change and environmental concerns. This is an important action given the expectation that urbanization is projected to occur rapidly in Rwanda. Such measures will enhance the inclusion and the economic participation of more people.

The engagement of all key sectors in urban planning, zoning and building codes will help mitigate any unintended lock-in impacts in terms of the energy and the transport systems. The government and the stakeholders in the energy sector need to be involved early in the urban planning process, including reviewing and providing inputs in master plans from an energy efficiency perspective building on international experience. The government and the energy sector should also start developing building energy efficiency



and green building codes including integrating and incentivizing rooftop solar and net metering. From a transport perspective the introduction of electric vehicles and charging infrastructure (e-mobility), together with an enhancement of the public transport system could also enable the development of the country, especially when considering e-bicycles and low emissions motorcycles and the promotion of the modal shift from private to public and low-carbon transport modes through the increased use of public and non-motorized transport.

Implementation of the property tax levels mandated by the 2019 law and their fair and efficient enforcement will help mobilize municipal revenue and improve urban planning while maintaining a low-carbon footprint of cities. The challenges include limited urban planning capacity in the One-Stop Centers which create and enforce master planning zoning regulations and limited fiscal capacity at central and local government level, and iii) inadequate legal and regulatory framework. The current property tax regime is one of the lowest in the world even after reforms in 2019, and municipal revenues are greatly needed to implement measures to promote climate resilience at subnational level.

Restructuring of the construction permit fee from the current flat fee regime to a percentage of 0.1% or 0.2% of the value of the bill of quantities would also help generate much needed revenues. This has great potential to fund the One-Stop Centers, which are likely to improve their capacity to proactively generate local-level urban plans. This capacity is to entail, in part, the capability to conduct flood modelling and landslide susceptibility, which includes an analysis of the cost to assets and the broader economy that will be incurred in extreme flooding and precipitation events. In this context and from a disaster risk management perspective, the adoption and implementation of the New National Disaster Risk Reduction Management Policy is important. Protection should therefore be offered to critical infrastructure within floodplains which will require a detailed study delimiting the flood plain boundaries.

Summary of recommendations of the appraisal

Title of Programme/Project	Danish Support for Rwanda Green Investment Facility (RGIF), Implemented by Rwanda Green Fund (FONERWA)
File number/F2 reference	F2: 2022-19399
Appraisal report date	November-December 2022

Summary of possible recommendations not followed

GDK has taken all of the recommendations into consideration.

Overall conclusion of the appraisal

The overall conclusion of the appraisal is that the proposed project is recommended for approval with only minor adjustments taking the recommendations of the appraisal report into consideration.

The Rwanda Green Fund (FONERWA) programme, and more specifically the proposed Danish support to Rwanda Green Investment Facility (RGIF) implemented by FONERWA, is a relevant and strategic intervention. Targeting the Danish support (as per specific objective) to contribute to project preparation and enhanced capacity of FONERWA and RGIF, i.e. supporting a Project Preparation Facility (PPF), is assessed as very relevant and a likely effective and feasible intervention. It will be an important, potentially critical, element for engaging and directly financing the private sector (emerging green sector) and ultimately contributing to advancing Rwanda's achievement of its climate and development goals.

Further, the Appraisal team concludes that the proposed project support is well aligned to the Danish Strategy for Development Cooperation and in compliance with the Danida Aid Management Guidelines.

The Danish support has been prepared in a consultative process with the key stakeholders in Rwanda and the appraisal team is satisfied that the support can be pooled with other donors support to FONERWA and RGIF without necessarily earmarking special support areas and demanding special reporting etc. making administration and reporting less complicated for the recipient. However, donor "crowding" and potential special donor requirements from various other contributors could impact effectiveness and requires attention during implementation (please see recommendations section below).

The PD is generally well written, but thorough editing, such as streamlining or clarifying some text passages and remove typos, would strengthen the presentation.

The main reservations (recommendations, please see below) otherwise relate to a wish for some improvements of the results framework, indicators or other means of tracking Danish contribution and attribution and investigating what the actual pipeline of fundable business cases/projects may be in Rwanda – and if needed adjust targets or focus on the project preparation interventions.

Recommendations by the appraisal team	Follow up by the responsible unit
<p>1: <i>It is recommended to align the support taken into consideration that RGIF going forward in all likelihood will be renamed IREME Invest as it was presented under that name at the COP27, and if necessary to verify/adjust planned support accordingly.</i></p>	<p>GDK will update the project document to reflect the change in name from RGIF to Ireme Invest.</p>
<p>2: <i>We recommend to include in the PD the intention and ambition for the Danish support to help FONERWA secure further consultation and cooperation with the local Private Sector (PS) stakeholders (for instance the Private Sector Federation, PSF) from early stages of the Danish support to the PPF and throughout. We further recommend to highlight in the PD that the experience from Danish support to other PS oriented projects in East Africa will be shared with FONERWA (e.g. support to a study tour to visit the aBi Trust Fund in Uganda).</i></p>	<p>The eligible sectors for the Ireme Invest program are also based on priority sectors identified in Rwanda’s updated NDCs, as well as a project pipeline assessment conducted during the program design process, which consisted of an on-the-ground stakeholder consultation process, interviews and workshops, and desk review of available proposed business plans and feasibility studies of projects in key NDC-aligned sectors in Rwanda.</p> <p>GDK partly agrees with the recommendation and will make this a point for monitoring and including in dialogue with FONERWA on Ireme Invest (section 7.2). The consideration will also be included as a key assumption in the section on Theory of Change and Assumptions (Section 4), and as part of the risk management matrix (Appendix 4). The examples from previous Danish experience with private sector projects in East Africa is included as a proposal for further elaboration in dialogue with FONERWA.</p> <p>Further, the Danish project office in Kigali will initiate dialogue with PSF on Ireme Invest.</p>
<p>3: <i>We recommend to update the PD with relevant figures and latest research on CC and natural resources issues – as per e.g. Country Climate and Development Report: Rwanda (World Bank Group, September 2022) and/or IPCC research and reports.</i></p>	<p>GDK agrees; the information from Rwanda’s updated NDC and national climate and sustainable development plans reflects the most recent national ambitions and will not be updated. Data and references in the Introduction (Section 1) and the National context (Section 2.1) has been updated based on the World Bank CCDR for Rwanda. Further, the CCDR for Rwanda has been annexed to the project document (Annex 10).</p>

<p>4: <i>It is recommended to extend support and work with FONERWA to refine and elaborate the results framework, particularly to strengthen the causality between output-outcomes-impacts by quantifying number of projects at different stages of project preparation process, which is in fact what is being supported through the PPF. This also extends to analyse further on key assumptions in the ToC. It could also be considered to establish some gender segregated results e.g. women led companies as done by the NDF-EEP programme (also supported by Danida) as it actually visualises opportunities. The PD can clearly include and outline the rationale and plan for this intended support.</i></p>	<p>GDK agrees. The PD section 4 on ToC has been elaborated to include further on the assumptions and barriers of Ireme Invest, as well as additions of the Danish support.</p> <p>Further, DK will include the topic of the ToC, results framework as well as results monitoring and evaluation for the PPF in the continuous dialogue with FONERWA. Gender criteria are already considered as part of Ireme Invest in terms of gender sensitive interventions and women-led enterprises. DK will focus on inclusion of gender segregated indicators in dialogue with FONERWA on the PPF results framework development and monitoring to capture the gender policy of Ireme Invest. This is highlighted in Section 7.2 on management arrangement for the Danish support.</p>
<p>5: <i>We recommend to investigate and ascertain that a suitable pipeline is available (possible to be a key milestone in the first year of support), and address this with appropriate mitigation measures if necessary (e.g. include a more flexible approach for nurturing and developing a pipeline, or to support the “value chain” at earlier stages if needed).</i></p>	<p>GDK agrees. In the PD, the Danish support has been elaborated to include more flexibility, meaning that the Danish support can be used on PPF projects both below and above 0.3 million USD. Further, as in response to recommendation 2, Denmark will encourage FONERWA to keep a close dialogue with the local private sector – to be able to adjust the PPF offers according to local market demand for PPF support. This has been incorporated in the risk management in Section 9.</p> <p>Finally, DK will focus on the pipeline issue in our dialogue with FONERWA, including explicitly inquire about it ahead of the first and second disbursement, as presented in Section 4 and 9.</p>
<p>6: <i>We recommend to clearly make FONERWA and BRD to define what a suitable pipeline case may be in terms of size/volume, and other key eligibility criteria not defined yet, e.g. relating to company track record, minimum number of employees, legal status etc.</i></p>	<p>GDK agrees, and will include the topic of pipeline for the PPF and the CF, respectively, a topic for joint consideration. Denmark will also raise this point as part of the donor coordination. These considerations has been included in Section 8 on Financial Management and Reporting.</p>
<p>7: <i>We recommend to build into the ToC (assumptions) and the PD what early stage investigations are needed for innovative venture and pilot projects versus projects in need of growth capital and what approaches could be taken going forward depending on these assessments.</i></p>	<p>GDK partly agrees. The ToC for the Danish support has been elaborated (Section 7), and the Ireme Invest ToC will be followed up in dialogue with FONERWA in terms of their work to ensure a pipeline for the PPF and collaboration with local private sector stakeholders.</p>

<p>8: <i>It should be discussed in the subsequent dialogue with FONERWA how to broaden the additionality “requirement”, for projects that are both financially and commercially viable but not yet bankable i.e. have a more flexible approach, e.g. that the PPF also target and support business and project cases that are potentially financially viable.</i></p>	<p>GDK agrees and will take this up in dialogue with FONERWA.</p>
<p>9: <i>The AT recommends that the PD establishes clearly the rationale (donor coordination and Denmark’s commitment to same) and the potential (or if already confirmed, the intended) role and responsibility of the in-country Danish project office.</i></p>	<p>In dialogue with the project office in Kigali, GDK will clarify the role and responsibilities of the Danish project office in relation to the support for Ireme Invest, including regarding dialogue with FONERWA grant monitoring and donor coordination. Given the timing for the project office setup, this will not be formalised in the Danish PD. The balance between roles and responsibilities of the project office vis-à-vis GDK will be assessed as part of the Danish mid-term review.</p>
<p>10: <i>We recommend that the PD clearly define and outline the intentions from Danida and the commitment to coordination, and that Denmark will participate in the presently German lead donor support coordination.</i></p>	<p>GDK agrees and will include a section on donor coordination under ‘Specific Management Arrangement for the Danish Support’ (Section 7.2).</p>
<p>11: <i>It is highly recommended to make a financial capacity assessment of FONERWA. This can be done between the Danish commitment and the first disbursement in order to make a capacity assessment of FONERWA. This review can assess the financial capacity of FONERWA and assess elements of the risk management matrix.</i></p>	<p>The need for a financial capacity assessment of FONERWA to be performed between commitment and first disbursement is already included in the PD in Section 7.2 on Specific Management Arrangement for the Danish support. It has also been included in Section 3 on Project Objective.</p>
<p>12: <i>The reporting should be aligned with that of other donors so that no separate report is needed for Danish support and ideally all the donors to FONERWA should agree on a single format satisfying all donors.</i></p>	<p>GDK agrees and is already coordinating with other donors, including on reporting requirements, with the aim to reach a single format that is agreeable to several or all.</p>
<p>13: <i>Update of the PD risk management matrix to include how to handle the risk of pipeline projects (e.g. high number of very small projects and low number of eligible or suitable projects) and institutional risks such as weak corporate governance of grantees.</i></p>	<p>GDK will update the risk section and Annex 4 to include the risk of project pipeline, risk of weak corporate governance of grantees, financial capacity, and local private sector inclusion.</p>

<i>14: The risk matrix could be further completed to include risks remaining after risk mitigation “residual risks” and some more details on “Background to assessment”.</i>	GDK agrees and will update the risk management matrix in Section 4 to reflect the AMG template, including the residual risk and background to assessment.
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I hereby confirm that the appraisal team has identified the above-mentioned issues and provided the corresponding recommendations as stated above to be addressed properly in the follow-up to the appraisal.

Signed in Copenhagen on the 19th of December 2022



Appraisal Team leader/ELK representative

I hereby confirm that the responsible unit has undertaken the follow-up activities as stated above. In cases where appraisal recommendations have not been accepted, reasons for this are given either in the table or in the notes enclosed.

Signed in Copenhagen.....on the 11 June 2023

Head of Unit



Adam Sparre Spliid, Deputy Head, GDK

ANNEX 9: QUALITY ASSURANCE CHECKLIST

File number/F2 reference: 2022-19399

Project name: Danish Support for Ireme Invest (Rwanda Green Investment Facility) through FONERWA

Project period: August 2023- 31 December 2026

Budget: DKK 37 million

Presentation of quality assurance process:

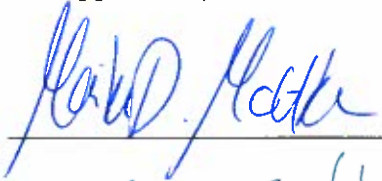
The Danish support for FONERWA for Ireme Invest (Rwanda Green Investment Facility) was appraised during the period November-December 2022. The outcome of the appraisal was: *“The overall conclusion of the appraisal is that the proposed project is recommended for approval with only minor adjustments taking the recommendations of the appraisal report into consideration.”*

Following the appraisal, the project document was revised accordingly, where especially the ToC and risk management was updated and elaborated. The appraisal further confirmed the need for the financial and capacity assessment of FONERWA, which was presented in the project document.

- The design of the project has been appraised/appraisal checklist filled out, by someone independent who has not been involved in the development of the project.
- The recommendations of the appraisal/comments in the appraisal checklist have been reflected upon in the final design of the project.
- The project complies with Danida policies and Aid Management Guidelines, including the fundamental principles of Doing Development Differently.
- The project addresses relevant challenges and provides adequate responses.
- Issues related to HRBA, LNOB, Gender, Youth, Climate Change, Green Growth and Environment have been addressed sufficiently in relation to content of the project.
- Comments from the Danida Programme Committee (if applicable) have been addressed.
Comments: Project has not been presented to the Danida Programme Committee
- The project outcome(s) are found to be sustainable and in line with the partner's development policies and strategies. Implementation modalities are well described and justified.
- The theory of change (if applicable), results framework, indicators and monitoring framework of the project provide an adequate basis for monitoring results and outcome.

- The project is found sound budget-wise.
- The agreed budget and financial reporting procedures provide an adequate basis for financial monitoring of funds.
- The project is found realistic in its time-schedule.
Comments: The Danish support for the project has been delayed due to Parliamentary elections and longer process on the parliamentary approval of the Danish Finance Act 2023.
- Other donors involved in the same project have been consulted, and possible harmonised common procedures for funding and monitoring have been explored.
Comments: Ireme Invest is also supported by UK, Sweden and Germany. Denmark has engaged continuously with these donors, and are taking part in the joint Development Partner Forum, organised by FONERWA.
- Key project stakeholders have been identified, the choice of partner has been justified and criteria for selection have been documented.
- The implementing partner(s) is/are found to have the capacity to properly manage, implement and report on the funds for the project and lines of management responsibility are clear.
Comments: The engagement constitutes the first Danish support to FONERWA and the first bilateral support to Rwanda. Therefore, upon signature and before first disbursement, a financial and capacity assessment of FONERWA will be initiated from the Danish side, to make a full assessment of FONERWA's capacity in addition to the initial partner assessment made during formulation.
- Implementing partner(s) has/have been informed about Denmark's zero-tolerance policies towards (i) Anti-corruption; (ii) Child labour; (iii) Sexual exploitation, abuse and harassment (SEAH); and, (iv) Anti-terrorism.
- Risks involved have been considered and risk management integrated in the project document.

In conclusion, the project can be recommended for approval: yes

Date and signature of Desk Officer: 11.07.23 

Date and signature of Management: 11.7.2023 