



In Conversation with

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1. When and why did your institution join the NGFS?

The National Bank of Rwanda (NBR) joined the NGFS in October 2022.

Prior to that, the Government of Rwanda had made significant commitments towards building a green economy. Indeed, our country was among the first to ban the use of non-biodegradable plastic bags and packaging materials as far back as 2008. In addition, the Kigali Amendments to the Montreal Protocol to reduce consumption and the production of hydrofluorocarbons were signed in Rwanda in 2016. Therefore, NBR's work on meeting net-zero targets is embedded in the national policies and the robust institutional, legal and policy framework to address climate change, reduce biodiversity losses, and enhance adaptive capacity.

On the policy side, Rwanda developed its "Green Growth and Climate Resilience Strategy"¹ to guide the country's response to climate change and overall goal to build a climate-resilient and low carbon economy. The country further undertook the review of its National Environment and Climate Change Policy in 2019 to align with its national and global sustainable development commitments, including the National Strategy for Transformation (NST1), Vision 2050, the submitted Nationally Determined Contributions (NDCs), the African Union's Agenda 2063 and the UN Sustainable Development Goals (SDGs).

As a result, Rwanda has set ambitious climate action targets to reduce carbon emissions by 38% in a decade. Although the country's carbon footprint is very low (0.003% of global CO₂ emissions), the impact of climate change is significant as evidenced by the recent heavy rainfall and floods that cost lives to hundreds of our citizens. The change in weather patterns has also had a negative impact on the agriculture sector (which employs 70% of our population), driving food inflation to record levels.

Therefore, the NBR considered the possible effects of climate change on its core mandate, i.e. maintaining price stability and the soundness and stability of our financial system.

¹<https://www.environment.gov.rw/index.php?eID=dumpFile&t=f&f=85937&token=7e50c74649b75e311bd1b23a9832b65f5e050b39>.

Realising the need for international collaboration to manage climate-related financial risks as Central Bank but also regulator of banks, insurance and microfinance companies, we decided to join the NGFS.

This is an opportunity for us to better understand financial and physical risks linked to climate change, define necessary regulatory and supervisory frameworks to comply with international standards on reducing greenhouse gas emissions, as well as refine our role in guiding the financial sector in the journey towards a carbon-neutral economy and the promotion of sustainable and green finance.

2. Can you share with us the key elements of the National Bank of Rwanda's climate strategy and how it fits into the broader national strategy in your jurisdiction?

In 2022, the National Bank of Rwanda played a pivotal role working with other stakeholders in the development of the Rwanda Sustainable Finance Roadmap². The latter is considered an instrumental guide for regulators and supervisors as well as a structured and strategic plan, outlining the core areas for endorsing sustainable finance in Rwanda.

The Sustainable Finance Roadmap consists of three primary objectives: **firstly**, to have financial instruments to support Rwanda's ambition to be a sustainable finance hub. **Secondly**, to develop the necessary financial sector infrastructure to these instruments; and **lastly**, to cultivate a first-class human capital needed to build and underpin this sustainable finance infrastructure.

To effectively implement this roadmap, NBR conducted a diagnostic review of its institutional frameworks and regulated institutions' capabilities to implement the roadmap and operationalise other sustainable finance requirements in the next seven years.

The Central Bank's main contributions will be focused on the following:

- Transitioning to sustainable lending;
- Expanding the sustainable insurance sector;
- Enhancing Financial Sector ESG Risk Management;
- Improving corporate ESG disclosure and reporting;
- Enhancing Capacity Building in Sustainable Finance.

In line with the Sustainable Finance Roadmap, in 2023 NBR issued climate-related and environmental financial risk management guidelines to assist financial institutions in integrating climate risks in their governance, strategies, risk management, and disclosures.

Furthermore, NBR is actively involved as one of the leading institutions in the ongoing development of Rwanda's Green Taxonomy, which aims to define sustainability criteria, foster shared understanding and trust on what constitutes a green investment, as well as prevent greenwashing.

The taxonomy will also inform the central bank and the broader financial system about how to categorize economic activities as green or sustainable. Once completed, it will be the second green taxonomy in Africa (following South Africa's) and will lay a strong foundation for the country's green

² <https://kifc.rw/wp-content/uploads/2023/01/KIFCSustainableFinanceRoadmap.pdf>.

transformation. Coupled to the guidelines on climate-related financial risks, it will further guide financial institutions in making investment and lending decisions, leveraging their newfound ability to measure and consider the environmental impact of their actions.

3. To which extent did the National Bank of Rwanda leverage the work of the NGFS in its own domestic journey? Any concrete examples?

The National Bank of Rwanda has leveraged the work of the NGFS in its regulatory and supervisory processes as well as in other interventions. I can mention five examples:

- In line with the NGFS' First comprehensive report « A call for action »³ and specifically in line with recommendation #1, the NBR published guidelines on climate-related and environmental financial risks. During the development process, the NBR considered scenarios developed by NGFS as a starting point for scenario analysis and guided the financial institutions to consider these scenarios as applicable.
- The NBR is actively supporting the development of Rwanda's Green Taxonomy as per the NGFS recommendation #6.
- Based on the NGFS recommendation #4 on building awareness and intellectual capacity, where the NGFS encouraged central banks to allocate sufficient internal resources to address climate-related risks and opportunities and in line with the results of the diagnostic review conducted, the NBR has successfully established its sustainable finance group, serving as a focal point for internal and external stakeholders. This group will also provide valuable support in the journey of greening the financial system and in creating awareness and building capacity both internally and in the sector.
- As a member, the NBR also benefited from various training opportunities through the NGFS e-learning platform (Climate Training Alliance, CTA). The NBR is also consulting the NGFS Sustainability Training Reference (STaR) Guide to establish our capacity development programs.
- The NBR's research team leveraged on the NGFS papers and research to understand and explore the interlinkages between climate change, monetary policy and financial stability and how to incorporate climate scenarios in our policies.

We believe the network will continue to be of great support to the NBR as we advance our initiatives to address climate change and nature-related financial risks.

4. One last word?

As a recent member of the NGFS, we commend the remarkable and persistent efforts of the NGFS in initiating work that enable central banks and financial supervisors to take necessary action in addressing climate-change risks.

³ https://www.ngfs.net/sites/default/files/medias/documents/ngfs_first_comprehensive_report_-_17042019_0.pdf.

In particular, the recent task force on blended finance and the newly-established taskforce on adaptation are testimonies to the NGFS's commitment to look at topics that are specific to emerging market and developing economies.

Our involvement as new member of the NGFS Steering Committee, as well as contribution in various Workstreams, is a result of our commitment to play a significant role in the greening of the financial sector not only in Rwanda, but across the region.