

MAKING THE CASE

# Rwanda

Case Studies on Inclusive  
Economic Development

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October 30, 2025

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1.0

# Background



## 1.1. Sustainable Development in Rwanda

Rwanda's progress since the early 2000s has been widely celebrated as one of Africa's greatest success stories. The country has been growing at a fast pace, with a GDP **Compound Annual Growth Rate (CAGR)** of 9.3% over the last 10 years<sup>1</sup>. After the devastating genocide against the Tutsi in 1994, the country has steadily rebuilt its economy, but challenges remain. There is a strong urban-rural divide, as 82% of the population lives in rural areas<sup>2</sup>, where there are low connection rates and electricity consumption, even up to ten years after electrification efforts<sup>3</sup>. Lack of infrastructure reinforces existing geographical disparities and isolates part of the population from comprehensive participation in the growing economy.

Through the Vision 2050 document, the government established an ambitious vision for the country's future: becoming an upper-middle income country by 2035 and a high-income country by 2050<sup>4</sup>. As part of this strategy, Rwanda aspires to become the leading **information and communications technology (ICT)** hub in Africa<sup>5</sup>. To achieve this goal and bridge the country's capabilities gap, increased funding for inclusive infrastructure projects is essential.

## 1.2 BRD Sustainability-Linked Bonds in Rwanda

The **Sustainability-Linked Bond (SLB)** program led by the **Development Bank of Rwanda (BRD)** is one of Rwanda's most innovative approaches to financing sustainable and equitable growth. Launched in Rwandan francs on the Rwanda Stock Exchange in September 2023 with the support of the World Bank, the SLB marks several firsts: it was BRD's first bond issuance; the first SLB issued in East Africa; and the first use of **World Bank International Development Association (IDA)** financing to leverage private capital<sup>6</sup>.

The SLBs directly support Rwanda's Vision 2050 agenda by rewarding progress towards three **key performance indicators (KPIs)**:

- Improving ESG practices and systems of partner financial institutions from 0% to 75%
- Increasing funding of women-led projects in the bank's portfolio from 15% to 30%
- Financing 13,000 affordable housing units by 2028.

Unlike other sustainable bonds, the proceeds of SLB issuances are not designated to specific projects, a restriction that often excludes smaller issuers. Instead, Rwanda's SLB model links borrowing costs to sustainable development goals through a step-down approach, rewarding progress with lower interest rates as KPIs are achieved<sup>7</sup>.

Depending on the number of targets BRD meets, coupon payments decrease between 0-40 basis points.

The program is led by BRD with strong support from the World Bank, who provided both credit enhancement and technical assistance. BRD has been a key financier of Rwanda's sustainable development, but traditional funding sources such as government allocations and international loans are limited. The World Bank IDA funds were collateral for credit enhancement, enabling BRD to mobilize private capital and lower borrowing costs<sup>6</sup>. The World Bank also provided technical assistance in designing the SLB framework, reviewing transaction documents, and defining KPIs and sustainability targets<sup>7</sup>. The National Bank of Rwanda was also involved, as BRD created a \$10 million escrow account at the National Bank to hold the IDA collateral and invest it in risk-free government bonds to reduce costs<sup>7</sup>.

## Promising Results

The first issuance, completed in October 2023 for RWF 30 billion (USD 24 million) with a 7-year tenor, was oversubscribed by 110%, attracting over 120+ diverse investors. A second tranche of equal size followed in September 2024, oversubscribed by 130%<sup>7</sup>. The SLB program has strengthened Rwanda's domestic capital market by attracting domestic investment, reduced borrowing costs for end borrowers, incentivized private progress towards the three KPIs, and enhanced access to affordable finance for ESG-aligned projects, women-led enterprises, and low-income households. By linking investor returns to the KPIs and contributing to the domestic market development, the SLB program advances financial inclusion and equity.



2.0

# Built For All: Applied



## 2.1 Pillar One: Collective Stewardship of Shared Resources for Future Generations

The Sustainability-Linked Bond program advances Pillar Three: **Collective Stewardship of Shared Resources for Future Generations**. It adopts a long-term approach that prioritizes investment in public infrastructure, supports the transition to renewable energy, and builds community wealth to benefit future generations.

The Rwandan SLB model demonstrates how financial innovation can operationalize the principle of collective stewardship. Each of the three KPIs - enhancing ESG performance, increasing representation of women-led projects in the bank's portfolio, and financing affordable housing - align with this pillar. Sustaining momentum will depend on the continued collaboration with institutional partners and robust monitoring of KPI progress.

### **Alignment with Ideal Outcomes of the Pillar**

#### ***Businesses balance short-term objectives with long-term stakeholder interests***

Rwanda's SLB balances short-term business goals with long-term stakeholder interests by de-risking private domestic investment and linking financial performance directly to sustainable development goals. Through credit enhancement, BRD enables firms to pursue short-term objectives, such as risk mitigation, while advancing long-term stakeholder interests, such as growth of domestic capital and progress towards ESG adoption, financing women-led enterprises, and affordable housing. This model exemplifies collective stewardship, demonstrating how blended finance can generate shared, long-term social, environmental, and economic resilience.

#### ***All communities having access to clean, air, water, and a healthy ecosystem & Renewable energy sources meet demand and lessen impact on climate change***

The first KPI, enhancing EGS practices, lays out the groundwork for more responsible lending and investing across Rwanda's financial sector that aligns with this ideal outcome<sup>8</sup>. As partner institutions adopt stronger ESG frameworks, they can promote better environment safeguards that help preserve natural resources for future generations.

*All places build community wealth across neighbourhood residence & All places and future generations benefit from well-maintained public infrastructure*

The second and third KPIs, focused on women-led projects and affordable housing, enable community wealth creation and resilient infrastructure. BRD's goal of allocating 30% of its SME loans to women-led enterprises by 2028 demonstrates a deliberate shift in capital flows toward inclusive growth, business diversification, and local resilience. Financing affordable housing allows households to build assets without incurring unsustainable debt, fostering intergenerational wealth. In January 2024, BRD announced that half of SLB proceeds would support public transport improvements in Kigali<sup>9</sup>. Together, these initiatives advance Rwanda's vision of livable, sustainable cities.

### **Strengths**

Rwanda's SLB, launched by the BRD with the support of the World Bank, exemplifies collective stewardship by aligning short-term financing mechanisms with long-term sustainable development goals. The bond integrates measurable KPIs including improving ESG practices, increasing the proportion of women-led projects, and financing affordable housing units by 2028, ensuring that progress can be monitored and adjusted over time<sup>10</sup>. Distinctively, the SLBs step-down mechanism marks a progressive shift from the traditional step-up structure that penalizes underperformance. This reward-based approach not only incentivizes continuous improvement but also signals confidence in the country's ability to meet its sustainability commitments. By linking reduced borrowing costs to tangible social and environmental outcomes, the SLB embeds accountability and resilience into Rwanda's fiscal systems, transforming sustainability into a source of financial advantage. Issuing the bond in local currency also reduces exposure to foreign exchange volatility and strengthens domestic ownership of development finance<sup>11</sup>.



## Opportunities

While the SLB represents a significant step toward inclusive and sustainable financing, opportunities remain to enhance its long-term stewardship impact. Expanding the framework to specify renewable energy and climate adaptation projects could further align SLBs with Rwanda's Vision 2050 priorities of low-carbon, climate-resilient growth. Strengthening monitoring and evaluation systems particularly through open data portals and regular progress reporting could increase public accountability<sup>12</sup>. Rwanda can lead regional collaboration in sustainable finance by sharing best practices and harmonizing green investment standards across East Africa.

## Lessons for Action

Beyond Rwanda, the SLB offers a valuable model for other developing economies seeking to mobilize private capital for inclusive growth<sup>13</sup>, and embed environmental and social metrics into policy design<sup>14</sup>. The use of IDA funds as collateral shows how concessional finance can effectively de-risk domestic investment, encouraging replication by multilateral development banks and regional partners<sup>15</sup>. Ultimately, Rwanda's SLB demonstrates that responsible fiscal innovation anchored in collective stewardship can transform sustainability goals into tangible, measurable, long-term outcomes.



## 2.2 Pillar Two: Equitable Access to Resources and Opportunities

Rwanda's Sustainability-Linked Bond (SLB) embeds social equity in its financial framework by linking incentives to progress on ESG performance, gender equality, and affordable housing. The SLB mobilizes private investment for inclusive growth, complementing Rwanda's Vision 2050 priorities on gender equality and poverty reduction.

### Strengths

#### *Systemic discrimination is addressed, eradicated, and prevented*

Allocating increased funding for women-led enterprises helps close persistent gender and regional financing gaps, expanding access to credit in underserved markets.

#### *Everyone has pathways to build individual wealth and explore economic opportunities*

Financing affordable housing and inclusive lending addresses structural barriers in asset ownership and rural investment, enabling wealth accumulation and broader participation in Rwanda's economy.

### Opportunities for Growth:

- **Monitoring and evaluation:** Introducing interim metrics to track progress toward the 30% women-led financing target to promote transparency and accountability.
- **Local public-private collaboration:** In addition to mobilizing private investment, collaboration with microfinance institutions and companies<sup>16</sup> can help increase rural women's access to affordable credit.
- **Rural-urban disparity and information dissemination:** Expanding outreach in rural areas to address regional access gaps. Greater regional targeting of housing and SME projects could ensure a more equitable geographic distribution.

## 2.3 Pillar Three: A Level Playing Field for Work and Competition

Rwanda's SLB promotes a level playing field by enabling sustainable and women-led enterprises to compete in the labour market, and promoting economic security via affordable housing. This is a major step in linking market competitiveness to inclusive and sustainable outcomes rather than short-term gains.

### **Strengths**

*Labour markets are competitive for workers and employers, Marginalized communities do not face barriers to finding and keeping work, Capital is circulating throughout the economy and used productively*

By supporting women-led enterprises, the SLB expands access to finance for underrepresented entrepreneurs. These measures advance women's economic participation and intergenerational mobility by easing financial barriers and enabling greater investment in education, healthcare, and entrepreneurship<sup>17</sup>. The SLB rewards institutions for meeting ESG goals and promotes accountability and transparency. This ensures that sustainable businesses can compete in the market.

*Work provides a living wage, and families experience economic security*

By financing affordable housing, the SLB contributes to improved household financial security by reducing debt attributed to housing costs.



## **Opportunities for Growth:**

*Everyone has the training necessary for the future of work:*

Skills mismatches and uneven access to digital training remain major constraints to SME competitiveness in Rwanda<sup>18</sup>. Expand access to upskilling programs and digital tools, to achieve the government's goal of 80% digital literacy by 2027, targeting rural and marginalized groups.

*Capital is circulating throughout the economy and used productively:*

Rwanda's domestic capital market capitalization was reported at 25.9% of GDP in 2022<sup>19</sup>. Ensuring transparent allocation of SLB funds and pairing financing with technical capacity building could help optimize resource use.

*Businesses of all sizes and stages of maturity compete in a dynamic market ecosystem:*

Provide SLB incentives for startups and SMEs, and leverage the domestic capital market to attract investment, stimulate entrepreneurship, and foster inclusive economic growth.



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