



Financing Green and Greening Finance

an opportunity for Burundi

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- An opportunity for Burundi.....3
 - Energy.....4
 - Infrastructure.....4
 - Food Security.....5
 - Blue Economy.....5
 - Waste.....5
 - Forest Management.....5
- Greening Burundi’s Finance Sector.....7
- Capturing the Commercial Opportunity.....7

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Climate change is now a global emergency. This is not only confirmed by the scientific data in the IPCC's latest assessment report¹ but is also all too evident in the increasing frequency and severity of extreme weather events -from forest fires, storms, and droughts to floods and heatwaves - that are affecting every continent. At the same time the world economy is stalling. Growth is expected to remain historically low over the next five years² as geopolitical tensions, high inflation, and monetary tightening continue to take effect. Advanced economies are the hardest hit, with a negative ripple effect through to developing countries.

These issues have been compounded in Burundi which has suffered slow economic growth over recent years (c. 2%)³ and which suffers from high unemployment (c.15%)⁴, high poverty (c.75%)⁵ and high illiteracy (c.40%)⁶. Furthermore, the country is already witnessing both droughts and floods as a result of climate change, an issue that is of critical importance to a country with primary agriculture as its principal industry.

Ambitious multilateral climate and decarbonisation goals remain in place despite these global and local economic challenges, driven by a consensus that only an international coordinated response can avert catastrophe and provide the only sustainable path to global social and economic resilience. This means prioritising financial resources for climate action, as indicated by the upward trend in climate finance mobilised by developed countries for developing economies. According to a 2022 OECD analysis, climate finance allocated to developing countries reached US\$83.3 billion in 2020, up from US\$58.6 billion in 2016; the same report projects that this total amount will exceed US\$100 billion this year and is set to reach US\$117 billion in 2025. In addition to climate funds, green finance in line with broader ESG goals has boomed in developing countries, topping US\$720 billion in 2021⁷, with mechanisms now underway to channel more of these funds to developing countries⁸.

This presents a strong opportunity for Burundi to leverage green finance to invest in its own sustainable development, securing long term social, economic, and environmental benefits for all its citizens. This investment will also allow Burundi to pursue a climate resilient development path. Despite its negligible share of global CO2 emissions – currently less than 0.02% - Burundi is ranked the 22nd most vulnerable country to the effects of climate change⁹. It is already confronting these effects, including heavy rainfall, droughts, landslides, and extensive soil degradation, which are impacting virtually all Burundian economic sectors while also destabilising communities, threatening food security and water availability, and driving internal displacement.

¹ International Panel on Climate Change, AR6 Report: Climate Change 2023

² International Monetary Fund, 2023 World Economic Outlook

³ International Monetary Fund, 2023 World Economic Outlook

⁴ International Labour Organization, 2023 World Employment and Social Outlook

⁵ World Bank, 2023 World Development Indicators.

⁶ UNESCO's Institute for Statistics

⁷ Forrester Analysis 2022, "The State of Green Finance in Developing Countries"

⁸ 'Green finance' refers to a broad system of financial investment flowing into sustainable development projects and initiatives, environmental products, and policies that encourage the development of a more sustainable economy. It encompasses various financial services including loans, insurance, stocks, private equity, and bonds that take into account environmental, social, and governance (ESG) criteria.

⁹ As per the Notre Dame-Global Adaptation Country Index 2022

Through initiatives such as the National Development Plan 2018-2027 and the National Peace Building Programme, the Government of Burundi is already acting to gradually restructure the economy and reduce climate risks. It is also working on the necessary environment to attract more Foreign Direct Investment to support this transformation. This paves the way for accessing green finance to deliver key investments that will support Burundi's progress towards the UN 2030 Sustainable Development Goals. These funds will supplement and complement the international climate funds allocated to Burundi for specific climate mitigation and adaptation measures.

This broad yet integrated approach is based on a core, holistic vision: the imperative to respond to climate change need not be a policy challenge to be viewed in isolation, but rather a broader opportunity to drive the social and economic transformation that Burundi, is already working towards. It can translate into low-carbon, sustainable development that will address the climate threat and protect Burundi's vital natural assets, while at the same time promoting inclusive growth, closing the energy gap, and reducing food and water insecurity. This action is especially vital given Burundi's projected population growth, which is projected to reach 25 million by 2050.

Below are just some of the critical areas which are currently the focus of Government of Burundi's national development strategy and where green finance can make a decisive contribution.

Energy

Through the Power Generation Master Plan, Burundi is focused on addressing its energy deficit by investing in its considerable renewable energy sources (RES), notably water and sun. Hydropower is already the primary source of energy production, now boosted by the construction of three new stations (Jiji-Mulembwe, Rusizi III, and Rusumo). However, this energy source remains under-exploited and could be a way forward for the longer-term growth of clean energy supply. Solar energy is another potential renewable source, evident in the 7.5MW solar power plant inaugurated in Mubuga in 2021. Further investment may also be warranted in energy efficiency technology which can be applied to retrofitting existing infrastructure as well as to new public buildings. Green finance can be a solution to attracting investment in these key areas of Burundi's energy sector.

Infrastructure

Infrastructural capacity is vital to advancing Burundi's sustainable development goals. Transport is one key area where investment in efficient and climate resilient road connectivity will not only enable domestic social and economic improvements but will also strengthen linkages with neighbouring countries. Projects such as the corridor linking Burundi with Tanzania are a key example of the Government's vision in this regard: providing a strong yet sustainable transport infrastructure will boost access to internal and external markets, while supporting the growth of new economic activities. Investment in green public transport will also facilitate mobility. Green finance can help the Government of Burundi deliver this vision. Furthermore, the improved (and ecological) utilisation of Lake Tanganyika as a medium for trade with eastern DRC, Zambia and southwestern Western Tanzania could be delivered using blue finance.

Food security

Burundi continues to face food insecurity, with some of the key drivers including poverty, rapid population growth, and inefficient agricultural practices. Climate change is also having a major negative impact, which will only intensify in the coming years unless adaptation and mitigation measures are implemented. The Government of Burundi is committed to tackling food security as a central pillar of its poverty-reduction policies. This can be enabled by the transformation of Burundi's current low-production, subsistence agricultural set-up into a sustainable and climate-resilient agri-business model which protects the country's valuable natural resources, especially water, while increasing food supplies and creating new employment and commercial opportunities. This will also increase Burundi's potential for the internationalisation of its agricultural market, both regionally and further abroad. Investment in sustainable and 'climate smart' agriculture is a strong component of green finance, with an annual investment growth of 32.5% since 2013.^{10 11}



Apart from these areas which would support the implementation of the Government of Burundi's strategic vision, green finance can also drive sustainable innovation and diversification, tapping into new niche opportunities that will create jobs and new revenue streams. These include:

Blue economy

Burundi has abundant water resources - nearly the entire western border of Burundi lies on the shores of Lake Tanganyika, and most of its northern side is bordered by the Kanyaru River. This presents opportunities to invest in sustainable blue economic niches, such as eco-tourism, fish farming, seaweed farming, and aquaculture. The Government of Burundi is already acting to upgrade facilities at the Port of Bujumbura. Through its agreement with the Government of Tanzania earlier this month it has also just stepped up its commitment to ensure the sustainable protection of Lake Tanganyika for the economic benefit of both countries. These interventions serve as a robust framework for further innovative initiatives.

Waste

As much as waste is a challenge, it is a resource and an opportunity. Investment in waste recycling and processing facilities can create a new economic sector with outputs that can be exported at much higher value. In Burundi, the effective sorting, management, repurposing and processing of domestic waste could be used to develop higher value products that can be sold and exported overseas. Furthermore, the reception of recyclable materials from neighbouring countries—at a fee to them for managing their waste—could be developed as a means of expanding Burundi's economy: e.g., plastic into bottles, bricks and road surfaces; organic waste into cooking briquettes and fertiliser; paper into clothing yarn, toilet paper and construction materials (e.g., insulation, drywall); cotton into new clothes, furniture upholstery and fibreglass, etc.


Forest Management

Burundi has significant potential as a carbon sink (particularly with the vast areas of peatland which should be maintained) and has now pledged to increase its total area of forest cover by 20% by 2025. Reversing the deforestation trend can not only serve as a key climate mitigation and biodiversity protection measure but can also enable a new revenue stream in the sale of carbon credits.

¹⁰ Global Landscape of Climate Finance 2021 report.

¹¹ It should be noted that food security is not solely about the provision of food to a population, but also about the provision of nutrition to a population and, to that end, it is strongly recommended that governments consider engagement with food fortification programmes.

¹² Peatlands are one of the most naturally effective carbon sinks. They are estimated to store about 500 billion tonnes of carbon, about 20% of the world's soil carbon, and more than twice as much carbon as is stored in all of the world's forests. Not only are they critically important in the maintenance of biodiversity, but they also hold vast amounts of water preventing flooding in lower lying areas.



By investing in renewable energy, energy efficiency, and other climate-friendly projects, Burundi can create jobs, reduce poverty, and build a more sustainable future.

We are committed to working with the government of Burundi to develop and implement a green finance strategy that will help the country achieve its development goals.”

*Delphin Kaze
Director, KAGE Advisory*

Greening Burundi's Finance Sector

We believe that this is the perfect time for Burundi to bolster its environmental credentials by decisively driving its ambitious national development strategy forward within a green economic framework. Demonstrating this foresight will position Burundi as an innovator and a leader in the East African region and in Africa as a whole: a country that is taking timely and holistic action to transform and restructure its economy for inclusive and sustainable growth, better placed to address the needs of a growing population while also building climate resilience. This approach will also distinguish Burundi from other countries in terms of foreign direct investment, giving it a competitive edge in attracting green capital.

Taking this opportunity will need Burundi to implement a dedicated financial strategy with green finance at its heart. This will provide a pathway to de-risking investments and enabling the financial flows needed to support climate action and sustainable development.

The first step in transitioning to a green financial system is the reform of the current banking sector to design a robust national sustainable finance framework. This is made up of policies, regulations, guidance, and programs that promote higher standards of environmental and social (E&S) risk management by the financial sector while stimulating investment in green and inclusive sectors. These interventions secure enhanced credibility and lower risk for local financial institutions seeking to attract international capital and position the financial sector to help address environmental and social challenges through scaled-up investment.

Capturing the commercial opportunity

Green and sustainable finance bring together many areas where opportunity lies for Burundi, not just in financial services but also in encouraging the innovation and diversification that will drive future sustainable growth. Burundi has the potential to establish itself as the regional hub for the green economy, reinforcing the strong role that the Government of Burundi is working to consolidate in the East African Community ("EAC"), across the African Continental Free Trade Area ("AfCFTA") and in the African Union ("AU"), particularly as its President, SE Évariste Ndayishimiye transitions from Chair of the EAC to Chair of the AU in 2023.

Demand for green finance from consumers, investors, and governments is expected to grow substantially over the coming decades. Burundi should start working to capture a fraction of this market by developing its green finance centre whilst developing its capacity and resources in the area.

As KAGE, we believe that green finance offers a unique opportunity for Burundi on several levels. The transition to a green economy and one that leads to human development requires a significant reallocation of resources and having an attractive legislative, institutional, and regulatory regime in this area can truly position Burundi as a regional hub. The future is now and is entirely in our hands.

¹⁰ Global Landscape of Climate Finance 2021 report.

¹¹ It should be noted that food security is not solely about the provision of food to a population, but also about the provision of nutrition to a population and, to that end, it is strongly recommended that governments consider engagement with food fortification programmes.

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At KAGE Advisory, our mission is to empower governments, businesses, and organizations to create a sustainable, green economy for future generations. Our experts are passionate about addressing global environmental challenges and have extensive experience in sustainable development, green finance, and carbon credits.

We believe that sustainability is not only an environmental necessity but also a catalyst for innovation, job creation, and long-term economic growth. By working together, we can unlock the full potential of the green, blue, and circular economies and create a better world for all.

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