



Increasing Green Finance Investment

an approach for Burundi

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Increasing Green Finance Investment

an approach for Burundi

Burundi faces numerous challenges in its pursuit of sustainable development. With a population of approximately 12 million people and a GDP per capita of just USD 200, Burundi is one of the poorest countries globally. Furthermore, the nation is highly vulnerable to climate change, experiencing frequent droughts, floods, and other climate-related disasters. To address these challenges and promote economic growth, Burundi must tap into the potential of green finance.

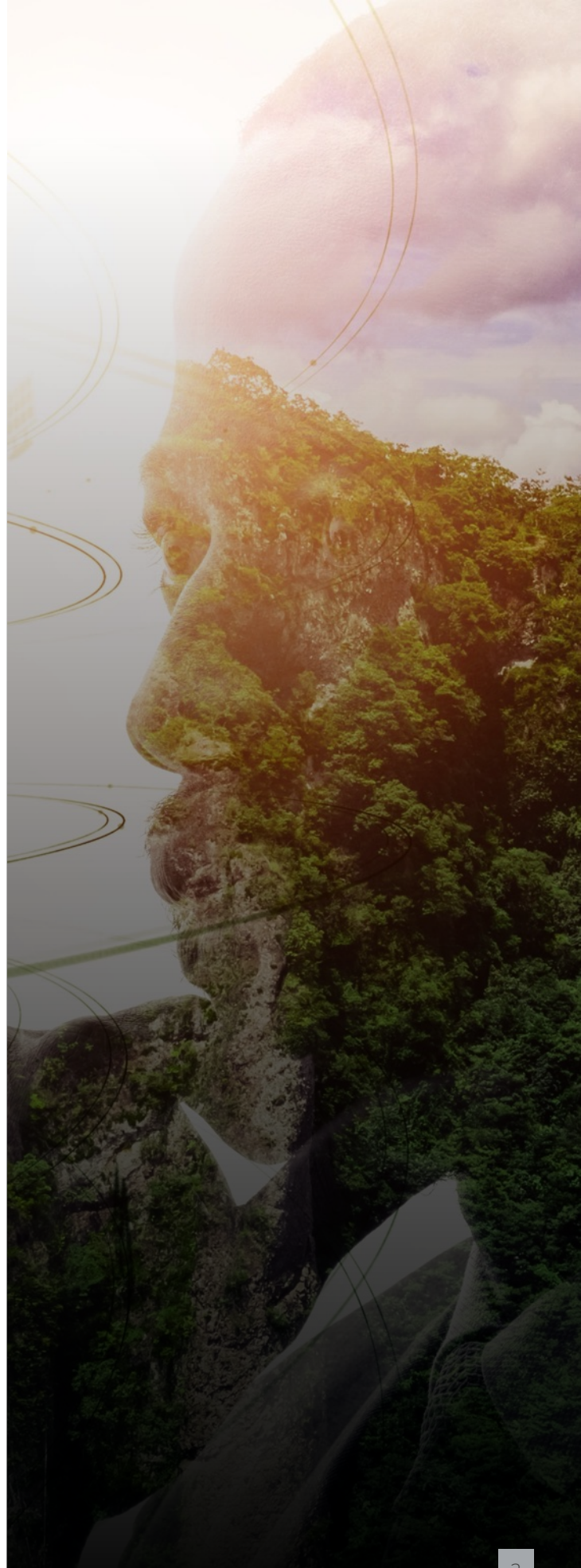
Sustainable Solutions for a Frontier Economy

Burundi's journey towards sustainable development has been marked by significant progress in reducing poverty and improving economic performance. However, the nation still grapples with climate change, environmental degradation, and limited access to finance. Green finance—defined as the financing of projects that contribute to environmental sustainability—offers a compelling solution to these pressing issues.

Firstly, climate change poses a severe threat to the country's development, with its adverse effects already being felt through droughts, floods, and landslides. These events have caused extensive damage to infrastructure, crops, and livestock. By embracing green finance, Burundi can adapt to climate change and build resilience against future shocks.

Secondly, environmental degradation is a major challenge facing Burundi. The country is losing its forests at an alarming rate, leading to soil erosion, water pollution, and climate change. Green finance can play a pivotal role in conserving these natural resources and mitigating the adverse effects of environmental degradation.

Lastly, Burundi suffers from limited access to finance, which hampers its economic development. Green finance provides an opportunity for Burundi to mobilize the necessary funds for sustainable investment, restructuring national debt, unlocking economic growth and promoting job creation.



Green Finance and National Debt

In 2021, Burundi's national debt was recorded at c. USD 2 billion, which is 84.31% of its GDP, almost as large as its entire economy. For comparison, the average debt-to-GDP ratio for countries around the world is 62.16%.

As significant a challenge as this is, by adopting an environmental sustainability policy and by engaging with green finance institutions and funds, Burundi can not only restructure its national debt, but also embark on and invest in sustainability projects that benefit local communities and the nation's environment and biosphere.

Ways of Using Green Finance

Below, we have listed three examples of green finance:

green bonds are debt securities issued to finance environmental projects, while green loans provide funding for businesses and individuals engaged in environmental initiatives, and green investments involve allocating capital to companies or projects focused on environmental sustainability.

Green Bonds

There are several ways that green finance can be used to help restructure national debt. One option is to issue green bonds, which are bonds that finance environmentally sustainable projects. These bonds have become increasingly popular in recent years, with issuances reaching a record high of \$295 billion in 2020. By issuing green bonds, frontier economies can tap into a growing pool of investors who are interested in sustainable investments.

In addition to providing financing for sustainable development projects, green finance can also help frontier economies like Burundi manage their national debt in a sustainable way. For example, by issuing green bonds, countries can diversify their sources of financing and reduce their reliance on traditional sources of debt financing.

Green Loans

Another option is to engage with green finance institutions like the Green Climate Fund (GCF), which provides financing for projects that help countries adapt to and mitigate the impacts of climate change. The GCF has already provided funding for several projects in Burundi, including a project to improve the country's water supply and sanitation systems.

Engaging with green finance institutions and funds can also help to access other sources of financing. For example, the World Bank has launched a program called the Climate-Smart Agriculture Investment Plan, which provides financing for projects that promote sustainable agriculture. By participating in this program, frontier economies can access financing from both the World Bank and the private sector.

Green Investments

Frontier economies can also work with green finance funds like the Climate Investment Funds (CIF), which provide financing for projects that reduce greenhouse gas emissions and promote sustainable development. The CIF has already invested in several projects in Africa, including a project to improve energy efficiency in buildings in Tunisia.

Another benefit of engaging with green finance institutions and funds is that it can help countries meet their commitments under the Paris Agreement on climate change. The Paris Agreement calls for countries to take action to limit global warming to below 2 degrees Celsius above pre-industrial levels. By investing in sustainable development projects, frontier economies can contribute to this global effort to address climate change.

The Role of Government in Promoting Green Finance

The government of Burundi plays a crucial role in promoting green finance within the country. By creating a favourable regulatory environment, providing financial incentives, and raising awareness about the benefits of green finance, the government can encourage the growth of sustainable investments.

A favourable regulatory environment entails the development of policies and regulations that support green finance. These frameworks should define the terms and guidelines for green finance, ensuring clarity and consistency in their implementation. Additionally, the government can incentivize green investment through tax breaks, grants, and other financial mechanisms.

To increase awareness, the government must actively advocate for green finance policies, highlighting their benefits to the public, businesses, and financial institutions. By engaging with the media and organizing workshops and seminars, the government can disseminate knowledge about green finance and foster a culture of sustainability.

Furthermore, the government can create a conducive market for green finance by collaborating with financial institutions. This involves developing specialized green financial products and services and providing guarantees and other risk-mitigation measures. Additionally, the government can invest in green projects, setting an example for other businesses and individuals.

Crucially, the government must clearly communicate their development goals and objectives to green finance institutions and funds to ensure that their priorities are taken into account in the financing process.

The government must also develop the technical expertise and capacity to develop and implement green projects through training programs, partnerships with experienced organizations, and hiring of qualified personnel.

And finally the government must ensure transparency and accountability in the use of green finance funds by establishing clear reporting mechanisms and involving civil society organizations in the monitoring and evaluation of green projects.

7 Steps to Green Finance Success

- 1 *Create a Favourable Regulatory Environment***
Burundi should develop comprehensive policies and regulations that facilitate the growth of green finance. This includes defining clear guidelines for green finance, establishing reporting standards, and streamlining approval processes.
- 2 *Provide Financial Incentives***
The government should offer financial incentives such as tax breaks, grants, and low-interest loans to businesses and individuals engaged in green projects. These incentives will encourage investment in sustainable initiatives and create a favourable investment climate.
- 3 *Raise Awareness of the Benefits***
The government should launch awareness campaigns to educate the public, businesses, and financial institutions about the advantages of green finance. By highlighting its potential for economic growth, job creation, and environmental sustainability, Burundi can foster a greater understanding and acceptance of green finance.
- 4 *Align with Institutions and Funds***
Ensure that the institutions and funds also understand the government's socio-economic objectives so that both parties can work together to create and fund appropriate projects.
- 5 *Build Capacity***
The government can work with green finance organisations and private sector businesses to build technical capacity and employ a new generation of environmental businesspeople.
- 6 *Develop Green Financial Products & Services***
The government should engage with financial institutions to develop innovative green financial products and services. This collaboration can include designing green bonds, green loans, and other investment vehicles tailored to the needs of Burundi's sustainable projects.
- 7 *Build-in Good Governance***
Work with organisations to build in strong governance and compliance protocols. Being clearly accountable for the funds invested—and being able to show the tangible benefits of the projects—will make it easier to secure green finance in the future.

"To access green finance, we must demonstrate strong governance and compliance protocols, and commit to financial and operational transparency.

Only then will we attract responsible investors who share our commitment to sustainability and long-term success."

*Delphin Kaze
Director, KAGE Advisory*



Government Departments Roles in Promoting Green Finance

To effectively drive green finance investment, various government departments in Burundi can play specific roles aligned with their expertise. The following departments can contribute to the development and implementation of green finance initiatives:

The Office of the President

The Office of the President can provide leadership and direction in promoting green finance. By issuing a presidential decree outlining the government's commitment to green finance, the office can set a clear vision for sustainable investment. Additionally, creating a green finance task force comprised of representatives from the government, private sector, and civil society can develop a comprehensive plan to increase green finance investment in Burundi.

The Office of the President can also advocate for green finance policies such as tax breaks for green investments and government procurement of green products and services. By investing in green infrastructure and promoting green entrepreneurship, the office can lead by example and inspire others to follow suit. Collaboration with international organizations experienced in green finance can further enhance Burundi's efforts.

Ministry of Finance and Economic Cooperation

The Ministry of Finance plays a critical role in promoting green finance by creating a favourable regulatory environment and providing financial incentives. Developing a green finance policy framework that defines the terms and guidelines for green finance will provide clarity and guidance to financial institutions. Establishing a green finance registry can help track investments and provide information to potential investors.

The ministry should offer financial incentives such as grants and loans to businesses and individuals interested in green projects. By investing directly in green infrastructure and establishing a green bond market, the ministry can catalyse sustainable investment. Collaboration with other African countries can help share best practices and facilitate regional initiatives on green finance.

Ministry of Foreign Affairs & International Development

The Ministry of Foreign Affairs & International Development can promote green finance at international forums such as the United Nations Climate Change Conference and the World Bank/IMF Annual Meetings. Through active participation, the ministry can raise awareness of Burundi's commitment to green finance and attract international cooperation and investment.

Collaborating with development partners such as the World Bank, African Development Bank, and the European Union can provide technical assistance and financial support to drive green finance in Burundi. By investing in green infrastructure projects, promoting green trade, and creating a green finance task force, the ministry can contribute to sustainable economic growth.

Ministry of Hydraulics, Energy and Mines

The Ministry of Hydraulics, Energy and Mines can develop a green energy strategy that outlines the government's goals for increasing the use of renewable energy sources. By promoting energy-efficient technologies and improving energy efficiency in the public sector, the ministry can reduce Burundi's reliance on fossil fuels and create a sustainable energy landscape.

Collaboration with the private sector can lead to the development of green projects, while creating a green jobs program can provide training and employment opportunities in the green economy. Working with financial institutions to invest in green projects and drive innovation can further bolster Burundi's progress in green finance.

Ministry of the Environment, Agriculture and Livestock

The Ministry of the Environment, Agriculture and Livestock can develop a green agriculture strategy that promotes sustainable agricultural practices such as crop rotation, no-till farming, and water conservation. By improving land use planning and protecting forests and other natural resources, the ministry can preserve Burundi's biodiversity and combat environmental degradation.

Creating a green jobs program and collaborating with the private sector to develop green projects will foster economic growth and job creation. By aligning efforts with international organizations, the ministry can tap into their expertise and resources to drive green finance in Burundi.

Ministry of Commerce, Transport, Industry and Tourism

The Ministry of Commerce can develop a green trade policy that promotes sustainable trade practices, such as the use of recycled materials and reduced packaging. By encouraging the use of sustainable transportation and supporting the development of green industries, the ministry can contribute to Burundi's economic growth while reducing its environmental footprint.

Promoting green tourism and working with the private sector to develop green projects can position Burundi as a sustainable tourism destination. Collaboration with financial institutions can help create green finance opportunities for businesses in the commerce, transport, industry, and tourism sectors.

Ministry of East African Community Affairs, Youth, Sports and Culture (MECYAYSC)

The Ministry of East African Community Affairs, Youth, Sports, and Culture can promote green entrepreneurship by providing training and financial assistance to young people interested in starting or growing businesses focused on environmental sustainability. By supporting the development of green infrastructure and green industries, the ministry can foster economic growth and job creation.


The ministry can also raise awareness of green finance and its importance by publishing educational materials, organizing workshops and seminars, and collaborating with the media. By creating a green finance task force and advocating for green finance policies, the ministry can drive sustainable development and inspire the youth of Burundi.

Ministry of Higher Education and Scientific Research

The Ministry of Higher Education and Scientific Research can incorporate green finance into the curriculum of universities and colleges. By offering courses on green finance, providing training to faculty members, and supporting research on green finance, the ministry can ensure a future generation equipped with the necessary knowledge and skills for sustainable development.

The ministry can also establish a green finance research centre to conduct research, provide training, and develop resources for promoting green finance. Partnering with international organizations experienced in green finance can further enhance Burundi's research capabilities and promote knowledge sharing.





Collaboration between government ministries is essential to achieve the best results for the citizens of Burundi.

By working together and combining both resources and expertise, Burundi can tackle complex sustainability issues and deliver effective green finance solutions that impact and improve the lives of all its citizens”.

*Dominic Parker
Director, KAGE Advisory*



Ministry of Public Services, Labour & Employment

The Ministry of Public Services, Labour & Employment can provide training to public servants on green finance, ensuring they possess the knowledge and skills needed to promote green finance initiatives. By developing green jobs programs and providing financial assistance to businesses developing green products and services, the ministry can foster employment opportunities in the green economy.

Promoting green procurement practices within the public sector and investing in green infrastructure can showcase the government's commitment to sustainability. By supporting the development of green industries, the ministry can stimulate economic growth while preserving the environment.

Ministry of Communication, Information Technology, and Media (MINCOTIM)

The Ministry of Communication, Information Technology, and Media can leverage its communication channels to raise awareness of green finance. By publishing articles, infographics, and videos about green finance on its website and social media platforms, the ministry can educate the public about the importance of sustainable investment.

Providing training on green finance to journalists and media professionals can ensure accurate and informative reporting on green finance initiatives. Collaboration with financial institutions to develop green finance products and services and promoting green finance through the ministry's procurement practices can further drive sustainable investment.

Office of Strategic Studies and Development

The Office of Strategic Studies and Development can incorporate green finance into the government's strategic plan, ensuring that sustainable investment is a priority across all sectors. By providing technical assistance to ministries and agencies, the office can facilitate the development and implementation of green finance initiatives.

The office can promote green finance through the government's procurement practices by including green clauses in all contracts. Collaboration with international organizations can help in knowledge sharing and provide valuable insights into successful green finance strategies. By creating a green finance task force, advocating for green finance policies, and investing in green infrastructure, the office can drive sustainable economic growth in Burundi.

Burundi Development Agency (ADB)

The Burundi Development Agency (ADB) can play a pivotal role in promoting green finance by providing technical assistance to businesses and individuals interested in green projects. By leveraging private sector investment through guarantees and risk-mitigation instruments, the ADB can attract more capital to sustainable initiatives.

Promoting green finance products and services through collaboration with financial institutions and educating the public about green finance can create awareness and acceptance of sustainable investment. Creating a green finance fund, launching a green finance certification program, and hosting green finance conferences can further bolster Burundi's green finance ecosystem.



Conclusion: A Path to Sustainable Economic Growth in Burundi

Burundi stands at a crucial juncture in its pursuit of sustainable development. By embracing green finance, the nation can address climate change challenges, combat environmental degradation, and unlock economic growth. Through the concerted efforts of government departments, Burundi can create a favourable regulatory environment, provide financial incentives, and raise awareness about the benefits of green finance. By driving sustainable investment, Burundi can pave the way for a prosperous future, balancing economic growth with ecological stewardship.

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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