

# How can industrial policy effectively support and incentivise innovation in sustainability?

Innovation is crucial for mitigating and adapting to climate effects. However, according to the Rwanda Integrated Business survey, innovation at the firm level continues to be low. It is important to understand what factors drive innovation in sustainability initiatives and what are the potential barriers that hinder progress. Rwanda is an attractive investment environment in Africa, but still requires more support for creating the conditions for local innovation.

## Policy challenge

From the academic perspective, there is a growing interest in the way industrial policy can play a role in African countries' development as well as their decarbonisation. A [new report](#) from LSE Africa outlines the way innovation and adaptation can be instrumental to growing export industries, with particular attention to the way Gabon's ARISE Integrated Industrial Platforms (ARISE IIP) has been replicated in other African countries, including Rwanda. Special Economic Zones (SEZs) can be hubs of productivity improvements and export led growth. But few policies have been implemented to coordinate both climate action and industrial policy, particularly in Rwanda. There are opportunities for innovation to take advantage of high productivity green technologies or to support entry by firms in high productive and 'green' sectors.

Apart from being key for climate action, innovation is also important for firm productivity which is relatively low in Rwanda. As such, improving general innovation is high on the agenda for many policymakers in the country. Rwanda was able to greatly improve the investment environment of the country, rising to #2 in the ranking of the [World Bank's Doing Business Index](#) in Africa, and #38 in the world. Government is greatly interested in furthering the policies which can support the growth of manufacturing and a diversified set of export industries.

## Data

- Integrated Business Survey from the [Rwanda Statistics Agency](#)
- Rwanda Green Fund
- Rwanda Development Board

## Stakeholders

- Rwanda Environment Authority (REMA)
- Rwanda Green Fund
- Rwanda Development Board

For further information or to discuss project generation, please contact the IGC Rwanda team at [rwanda@theigc.org](mailto:rwanda@theigc.org)

