

Climate and Development Outlook

Rwanda: Pioneering steps towards a climate resilient green economy

Over the past decade the Government of Rwanda (GoR) has demonstrated a keen awareness of the economic risks and opportunities of climate change for sustainable socio-economic development. Through developing a climate change strategy and establishing an environmental fund, the GoR has provided a strategic pathway for tackling climate change and a mechanism to finance its implementation. Both are products of sustained efforts to integrate climate compatible development into core development policies.

The GoR's commitment is underscored by support from the cabinet and president. As President Kagame noted: "The environment is our life-blood; indeed the real surprise is not that ministries of finance are now talking to ministries of environment – but that it has actually taken this long."

The international community has also signaled its support of Rwanda's approach. In June 2013, Rwanda's Fund for Environment and Climate Change (FONERWA) obtained financing from the British International Climate Fund (ICF) to the value of £22.5 million, making it the largest demand-based climate fund in Africa.

CLIMATE CHANGE AND DEVELOPMENT IN RWANDA

Rwanda is a dynamic economy, enjoying annual GDP growth averaging 8.5% over the past five years. Its economic growth plan, Vision 2020, seeks to transform the country from a subsistence-agricultural economy to a knowledge-based, middle-income economy by 2020. Climate change, however, is a major threat to the economic prospects of this small, landlocked and densely populated nation.

The 2009 Economics of Climate Change in Rwanda study found that climate change is likely to cost 1% of GDP per year by 2030. Climate change will increasingly take a toll on agricultural production, energy generation, water resource management and public health. Agriculture employs 80% of the population, and hydropower accounts for 55% of installed generation, making both these sectors particularly vulnerable.

As an oil importer, Rwanda is also sensitive to oil price spikes. Moving to renewable energy sources would provide domestic energy security, reduce greenhouse gas (GHG) emissions and provide a major boost to the economy, as payments abroad for oil are replaced by local expenditure for energy production and other development needs.



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Helping developing countries to design and deliver climate compatible development

Welcome to the Rwanda Special Edition

Rwanda is pioneering steps towards a climate resilient green economy. This publication summarises CDKN's partnership work with Rwanda to date, highlighting key achievements and signposting further information. It is not intended to be a comprehensive review of all Rwanda's initiatives or all of CDKN's country engagement strategy.

CDKN currently works to support climate compatible development in more than 40 countries across Africa, Asia, Latin America and the Caribbean, with substantial programmes in 13 of these.

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- *A national Green Growth and Climate Resilience Strategy*
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- *From planning to implementation: Lessons from Rwanda's success*

Key areas of CDKN support

- The development of the Green Growth and Climate Resilience Strategy
- FONERWA's design
- FONERWA's operationalisation



A national Green Growth and Climate Resilience Strategy

In 2011 Rwanda accomplished what few developing or developed countries have accomplished; after an intensive nine-month strategy development phase, Rwanda's Cabinet approved the Green Growth and Climate Resilience Strategy (GGCRS). The strategy proposes ways to integrate adaptation and mitigation actions across all sectors of the economy, focusing on the socio-economic development and future prosperity of Rwandans.

A COLLABORATIVE EFFORT

It was developed as a collaborative effort between the GoR, the Smith School of Enterprise and Environment (SSEE) at the University of Oxford, the UK Department for International Development (DfID) and CDKN. Ten cabinet ministers formed the steering committee that provided oversight and direction to the project. "It's an extraordinary thing to be an observer in a steering committee meeting with ten cabinet ministers talking and engaging with informed perspectives and a long-term vision of what they want to achieve," reflected CDKN Regional Director for Africa, Carl Wesselink. Over 450 stakeholders from government, the private sector, civil society, academia and development partners were consulted. It was an ambitious undertaking and in President Kagame's words: "If it can happen in Rwanda, it can happen anywhere."

BIG WINS

The strategy highlights seven 'Big Wins' and 14 'Programmes of Action' that will transform Rwanda's economy into a climate resilient and low carbon

economy. 'Big Wins' are identified as initiatives offering the biggest return on investment, affecting the whole economy over the long term. They include development of Rwanda's geothermal energy reserves, integrated soil fertility management, and a robust and climate resilient road network. Geothermal energy, in particular, could provide greater economic stability through decreased reliance on foreign oil imports. Only 16% of Rwandans are currently connected to the energy grid (up from 6% in 2008). An estimated geothermal potential of 700MW could exceed domestic electricity demand by 2020, if exploited. 'Programmes of Action' address the most important areas of work that are likely to succeed. These include integrated water resource management, sustainable land-use management, and a low carbon energy grid.

GREEN DEVELOPMENT

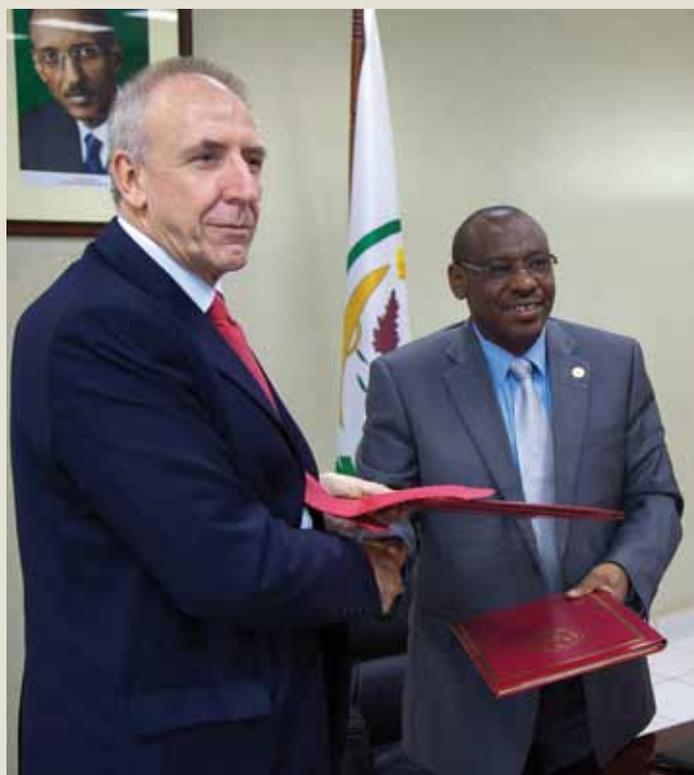
Central to the strategy's success will be building the relevant capacities for implementation within key economic sectors and across levels of government. The strategy's alignment with national development goals in Vision 2020 and Rwanda's medium term development plan, the Economic Development and Poverty Reduction Strategy (EDPRS), bodes well for its future. The strategy is also a signal to the international community that the GoR is preparing the national economy to take advantage of global green growth. The Minister of Natural Resources, Stanislas Kamanzi noted: "It is the responsibility of each nation to find the best way, to adapt, to adjust, and to find a solution that does not compromise sustainable development."

FONERWA – the largest demand-based climate fund in Africa

FROM STRATEGY TO FINANCE

One of the recommendations of the GGCRS is the creation of a national fund through which international and domestic climate finance can be managed. FONERWA is intended to be the primary vehicle through which Rwanda's climate and environment finance is channelled, disbursed and monitored. In June 2013, FONERWA was capitalised with £22.5 million from Britain's ICF, enabling Rwanda to start financing climate change interventions that support the country's national agenda.

Central to CDKN's involvement with the design and operationalisation of FONERWA is the recognition that climate finance is best managed by developing countries themselves, aligned to international fiduciary standards. Country ownership enables governments to align the funds with their priorities and support wider strategies on climate change and environmental management to best meet their unique needs. This project is also important for gathering emerging lessons to inform the establishment of similar funds in other countries.



Finance and Economic Planning minister Amb. Claver Gatete with the head of DFID in Rwanda, Mike Hammond, after the signing of the FONERWA donation.

The New Times/ Timothy Kisambira

DESIGNING FONERWA

FONERWA was designed as a 'basket fund' in which diverse sources of finance can be pooled and disbursed. The Fund is an instrument to access international climate finance and streamline existing but previously fragmented domestic revenue streams.

The design team consisted of local and international experts headed by the University of Wolverhampton's Centre for International Development and Training (CIDT). The core team was stationed in Kigali to ensure close and continued interaction with key stakeholders. The project enjoyed national ownership through the Rwanda Environment and Management Authority (REMA) and the Ministry of Finance and Economic Planning. National buy-in was bolstered by the fund's foundation in Rwandan law (Organic law 4/2005) and alignment with core development policies, such as Vision 2020 and the EDPRS. With the emphasis on the national context it was possible to design a fund that could both facilitate a wide range of interventions and focus on prioritised, demand-driven needs.

ACCESSING FONERWA

The Fund will utilise several short-, medium- and long-term financial instruments to achieve its objectives. Funding entry points were designed based on imperatives of existing policies and national needs analyses. The Fund can be accessed through four thematic financing windows:

- Conservation and sustainable natural resource management
- R&D, technology transfer and implementation
- Environment and climate change mainstreaming
- Environmental impact assessment monitoring and enforcement

Line ministries, government agencies and districts, civil society, academic organisations, and the private sector can access FONERWA. At least 20% of the fund is earmarked for the private sector and 10% for Rwanda's local districts. The governance and institutional structure is overseen by the Ministry of Environment and Natural Resources.

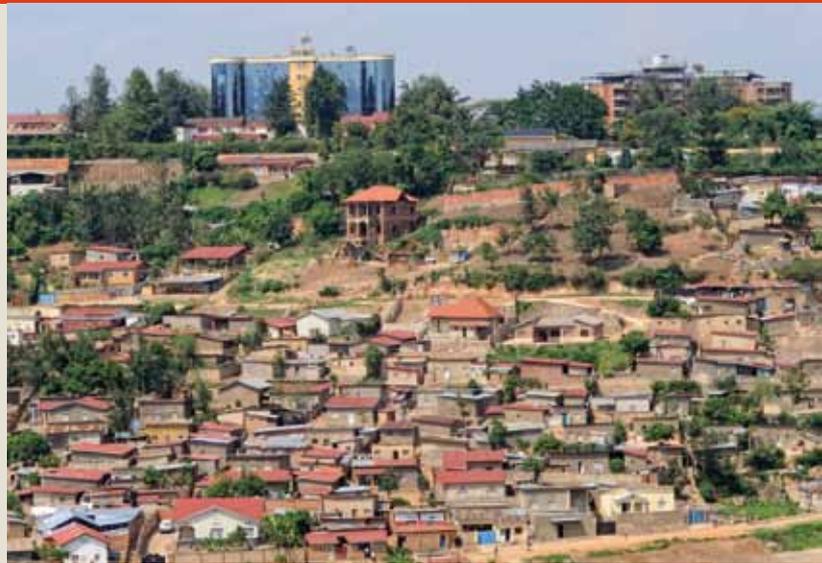
The GoR is also signaling its commitment to predictable and sustainable financing by contributing domestic revenue to the Fund. Dr. Rose Mukankomeje, Director General of REMA, said: “The Government of Rwanda has demonstrated commitment to integrate environmental sustainability, climate resilience and green growth as critical inputs towards sustainable development. It has become increasingly evident that a sustainable financing mechanism presents the most realistic opportunity for our government to live up to this commitment.”

BUILDING CAPACITY TO ACCESS THE FUND

FONERWA was operationalised in June 2013 with the launch of the first application round. The CIDT is providing fund management and capacity building support to the GoR over a period of two years, after which the GoR will take over the Fund’s management.

The two-year operationalisation phase involves a quarterly call for project proposals by prospective public and private sector beneficiaries. As a result, high cyclical demand for technical assistance in areas of project design, monitoring and implementation is anticipated. A critical challenge to the Fund’s success is ensuring that governance and administration capacity exists within the public and private sector to access the Fund. Potential beneficiaries must also understand how climate finance works, how to scope eligible projects and how to structure successful proposals.

From 2013 to 2015, CDKN will support FONERWA by building capacity in the private sector, civil society and government agencies in various districts. Key stakeholders will be coached and mentored to develop concept notes and project proposals targeting the Fund and other climate financing sources, as well as project monitoring and evaluation matrices. The project will also build awareness on the relationships between climate, environment, and economic growth.



From planning to implementation: Lessons from Rwanda’s success

CDKN spoke to Jahan Chowdhury, the FONERWA Project Manager, and Carl Wesselink, CDKN Regional Director for Africa, about the Rwandan approach to climate compatible development.

“When considering the sheer speed of the capitalisation of FONERWA compared to other countries’ attempts to design similar funds, the progress is astounding,” noted FONERWA’s project manager, Jahan Chowdhury. The GoR mobilised financing in less than a year of the Fund’s design. Chowdhury attributed the success to two key driving forces. First, potential donors were engaged before the design of the Fund was initiated: “We first asked ‘What are the fiduciary requirements of multilateral and bilateral financing sources?’ and this has helped immensely to fast-track the capitalisation and operationalisation.” Second, the GoR has been integrating climate compatible development into core national development policies and strategies over the course of several years: “Government has been pushing the green agenda since EDPRS 1 and international donors are responding favourably to the long-term commitment of the government.”



TOWARDS GREATER INTEGRATION

In May 2013, the second Economic Development and Poverty Reduction Strategy (2013-2018) (EDPRS 2) was approved by cabinet. The strategy forms the centre-piece of Rwanda's medium-term plan for development and the framework within which the GoR will focus efforts on transforming the economy and realising Vision 2020. Pursuing a green economy approach to development is one of five economic priorities in the EDPRS 2. Climate change and the environment have been integrated into EDPRS 2 as a 'cross-cutting issue' with the focus on mainstreaming environmental sustainability into productive and social sectors and reducing vulnerability to climate change. The EDPRS 2 identifies both the GGCRS and FONERWA as strategic tools for guiding specific interventions within national sector strategic plans and their implementation.

A NATIONALLY-OWNED AGENDA

Rwanda's success is not only the result of climate change and development policy integration. CDKN Director for Africa, Carl Wesselink, outlined two further factors that he believes has made Rwanda's approach to climate compatible development different. "Rwandan officials have moved beyond grappling with the content of policies to engaging with the practical challenges of delivering sustainable development at the budgetary and sector level. Not only do they have the political commitment, but they are unparalleled in their pursuit of the technical skills required for operationalising policies and strategies."

Second, Wesselink argues that the GoR is not following a climate change agenda set by international institutions. It is charting its own developmental path with an understanding of climate change as one of several risk factors to sustainable development. "FONERWA is a prime example," claimed Wesselink, "a Fund that has been set up within a department to enforce compliance with existing environmental impact assessment laws, funded from local taxes, has been adapted to make use of international climate finance. The GoR determines the agenda and it sets the priorities."



LOOKING AHEAD

Dr Mukankomeje emphasises that the high national expectations for FONERWA will require sustained investment support from developed countries. Given the GoR's strong policies, a national agenda and domestic technical specialists concerned with implementation, the focus is shifting towards investment opportunities for the implementation of identified projects. This includes the development of low cost, climate resilient housing and the implementation of the GGCRS in the agriculture sector. The GoR is also looking to mainstream the GGCRS into district-level development plans and build capacity at district level to include implementable actions within these development plans across sectors, with a specific focus on energy, agriculture and infrastructure.



Rwanda video

Watch "Rwanda: Emerging in a Changing Climate" on YouTube in English, French or Kinyarwanda. Co-produced by CDKN and the Environmental Education Media Project (EEMP), it documents the hopes of diverse Rwandans for an economy that is both low-carbon and climate-resilient.



The Climate and Development Knowledge Network (CDKN) aims to help decision-makers in developing countries design and deliver climate compatible development. We do this by providing demand-led research and technical assistance, and channelling the best available knowledge on climate change and development to support policy processes at the country and international levels. CDKN is managed by an alliance of six organisations that brings together a wide range of expertise and experience.

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Find out more

- The Green Growth and Climate Resilient Strategy document, its launch at COP17, and information on CDKN's support can be found on CDKN's Rwanda country page, www.cdkn.org/regions/rwanda/
- Information on FONERWA can be found at the Fund's official website, www.fonerwa.org and on CDKN's Rwanda country page
- For more information on climate compatible development in Rwanda visit the Rwanda Environment Management Authority website at www.rema.gov.rw

In the next edition:

- Climate finance to support food security
- Finance options for Latin America's low-carbon development

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