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Getting Ready for Climate Finance: the Case of Rwanda

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INTRODUCTION

BACKGROUND

In recent years, there has been a growing realisation that enhancing the effectiveness and the distributive fairness of international climate finance to developing countries depends not only on the greater availability of a variety of financing resources (e.g. multilateral, bilateral, public, private), but increasingly as well, on the capacities of recipient countries and especially the most vulnerable ones, to absorb, manage, and implement money flows.

As a result, more efforts from the part of both developed and developing countries should be devoted to improving recipient countries' ***national climate finance readiness*, *i.e. their capacity to plan for, access, allocate, deliver and make use of climate finance resources, both domestic and international, as well as monitor, track, and report of its use and results (UNDP 2012).*** In this regard, it is notably important to gain a better understanding of the drivers and limitations of climate finance readiness development especially within the context of those recipient countries that have in recent years demonstrated substantial efforts towards strengthening capacities to access international climate funds.

OBJECTIVES OF THE STUDY

The objectives of this study are mainly twofold:

- First, to provide a comprehensive assessment of the state of climate finance readiness in **the Republic of Rwanda**, with a specific focus on the country's main climate change financing entity or vehicle, namely **FONERWA,** the French acronym for the National Fund for the Environment and Climate Change.
- Second, too enhance our understanding of how to promote and design short- and long-term climate finance readiness strategies which can be ultimately more responsive to recipient countries' specific circumstances, needs, and priorities.

METHOD – THREE MAIN STEPS

The methodology for this research is based on three main steps:

1. **The identification of the literature** pertaining to the emerging topic of climate finance readiness. The literature targeted includes: **a.** frameworks provided by various institutions; **b.** guidelines established by major multilateral climate funds; and **c.** country-level assessment studies.
2. The selection of **core modalities, components and indicators of climate finance readiness** and their integration into a conceptual framework which guides the case study analysis.
3. **Desk research** on Rwanda's climate change strategies, policies, and climate finance institutions, mechanisms, and activities complemented by individual phone or **skype interviews with key experts and stakeholders** involved in the governance, support, implementation and/or reception of climate finance in Rwanda.

FRAMEWORK - CLIMATE FINANCE READINESS (CFR)

In its most generic definition initially provided by the United Nations Development Programme (UNDP) in a 2012 report, the concept of CFR can be taken to refer to: **"*the capacities of countries to plan, access, deliver, monitor and report on climate finance,* both international and in ways that are catalytic and fully integrated with national development priorities and the achievement of the MDGs" (UNDP 2012, p. 4).**

As intended by its authors, this definition of CFR offers **one of the most comprehensive accounts** of what it means to be ready for climate finance at national and local levels and has since its introduction, served as the main conceptual basis for several frameworks. With respect to the concept of "readiness" itself, there is a widespread consensus that the latter should be viewed primarily as an ongoing process towards achieving varied capacities and mechanisms for climate finance. Some studies however, and especially case-study analyses, prefer to employ the term in a more static sense in order to estimate various "states" and "degrees" of readiness in regard to climate finance in specific recipient countries.

All in all however, most of the analyses on CFR, tend to proceed in a similar manner, by mapping out, albeit in more or less details, CFR's core modalities, components and their various indicators encompassing the variety of activities and/or capacities needed for building enhanced national and local readiness for climate finance. Drawing especially on the four-part framework developed by the UNDP (2012) and further expanded by OneWorld (2014), the conceptual framework we use in this study to evaluate Rwanda's national policy and institutional landscape for climate finance involves 4 modalities with distinct components and indicators. **See table 1 below.**

Table 1 : Key modalities, components & indicators of national climate finance readiness (adapted from UNDP 2012/One World 2014)

Planning

Capacity to plan for the *supply*, *management* and *use* of climate finance resources

- **Component 1: Cohesive national climate change policy framework**
  Indicators:
  - National climate policy strategies and plans
  - National **climate fiscal strategy**
- **Component 2: enabling Governance Architecture**
  Indicators:
  - A **whole-government** approach
  - Sufficient levels of **coordination & inclusiveness**
- **Component 3: climate finance readiness support**
  Indicators:
  - **Access** to preparatory support
  - Focus on enhancing **national ownership** over CF

Accessing

Capacity to access allocated funds and to leverage other potential sources of climate finance

- **Institutional Capacities for access**
  Indicators:
  - **Accredited National Implementing Agency** (NIE) esp. for direct access
  - Capacity to formulate projects that **attract & catalyze** further public and private funding
- **Institutional capacities for blending and combining financial resources**
  Indicators:
  - A **whole-government** approach
  - Sufficient levels of **coordination & inclusiveness**

Delivering

Capacity to deliver finance, implement and execute activities at national and sub-national levels

- **Delivery mechanism(s) or institution(s)**
  Indicators:
  - **Financial mechanisms/entities** (implementation and execution of projects & programmes)
  - Robust **fiduciary management and capacity** for project development
  - **Coordination** at national and local levels
- **Capacities for private sector engagement**
  Indicators:
  - **Policy conditions** for private sector participation
  - **Support/training** provided to private entities

MRV

Capacity to monitor and evaluate the impact of climate finance on mitigation and adaptation goals

- **National framework for monitoring and evaluation**
  Indicators:
  - Adequate **data collection** process
  - Systemic **reporting**
  - Regular evaluation processes and reviews
  - Inclusive **stakeholder participation**
- **Cohesive tracking approach**
  Indicators:
  - Implementation of **tracking framework** (e.g. Climate public Expenditure and Institutional Review).

CLIMATE FINANCE IN RWANDA: POLICY & INSTITUTIONAL CONTEXT

Macro-economic situation and CC vulnerability	Landlocked Country / Pop. 11.36 Million and GDP of $ 7.8 bn/ low income country, largely dependent on the agricultural sector. **Climate change (CC) vulnerability index** (2015): high vulnerability to CC and adaptive capacities are low throughout the country.
Policy/Legal framework	• **Vision 2020** adopted in 2000: broad development goals • 2013: **Five Year Strategic Plan** for the Environment and Natural Resources Sector • Climate change strategies further provided in **the 2011 Green Growth Strategy**. • 2011 Green Growth Strategy provides for **a climate investment plan**
National governance architecture for climate finance	**National governing bodies (planning)** → **MINIRENA** (Ministry of the Environment) is responsible for most national environmental strategies including CC policies. Foreign aid goes through **MINECOFIN** (Ministry of Finance) as all budgets. **Implementing entities (IE) (access)** → **MINIRENA; REMA** (Rwandan Environmental Management Authority) are the main implementing entities; **MININERA** accesses funding and is the IE for the Adaptation Fund and the Green Climate Fund. **Rwanda Development Bank** has credit facility to attack investments. **Delivery (executive agency)** → **FONERWA (the National Climate and Environment Fund)** designs, manage, executes programmes; the lion's share of climate finance in Rwanda is distributed by the Fund. **MININFRA** (Ministry of Infrastructure) is the focal point for the Cif (Climate Investments Fund) projects.

RWANDA'S CLIMATE FINANCE READINESS: MAIN FINDINGS & RECOMMENDATIONS

MAIN FINDINGS

Overall, our analysis suggests that Rwanda can rightly be viewed as **a leader in Africa in terms of CFR.** In the past decade indeed, Rwandan authorities developed robust capacities to effectively plan for climate finance allowing for the country to access funds from a wide range of sources.

But, despite substantial efforts to establish an enabling national governance architecture, progress remains to be made in promoting more effective and responsive institutional capacities **for the management and disbursement of allocated funds**. It should be noted however, that Rwanda's main climate financial vehicle – FONERWA - is still at the early stage of its operationalisation and that since its overhaul in 2012, actions have been continuously undertaken to improve its application system, managerial efficiency, disbursement capacity and pace, inclusiveness, and monitoring and evaluation procedures.

Additionally and as in many other developing countries, it is clear that the private sector in Rwanda has yet to play a more significant role in financially supporting climate change actions, especially in the context of adaptation needs.

Summary of key findings according to each CFR's modality STRENGTHS & WEAKNESSES

PLANNING	
Strengths	A strong and cohesive policy and regulatory framework / Adequate policy focus on adaptation / Enabling governance architecture / Financial planning in progress / Extensive access to international support for climate finance readiness
Weaknesses	No national climate change policy / Limited awareness of the climate change vulnerability index / Insufficient sub-national integration of climate change concerns / Limited coordination of government agencies involved in accessing CF / Rigid organisational structure within ministries / Limited opportunities for NGOs consultation and participation
ACCESS	
Strengths	Established access to a variety of potential financial sources (especially Adaptation Fund and Green Climate Fund)/ Advanced institutional capacities for access.
Weaknesses	Limited capacities for private sector engagement Lack of coordination between accessing entities
DELIVERY	
Strengths	Leading delivery mechanism for climate finance (i.e. FONERWA)
Weaknesses	Slow and complex application process / Funds mainly disbursed to government-led projects / Concerns about FONERWA's communication with non-governmental actors - beneficiaries / Unequal geographical distribution of climate-related funds / Limited capacities for blending/combining sources of finance.
MRV	
Strengths	Existence of a national MRV system/framework
Weaknesses	Unclear-complex MRV system and lack of reporting capacities at the local level Reported data currently lacks accuracy

KEY RECOMMENDATIONS

- **Need to develop and update a specific national climate change strategy**
- **Need to improve awareness of climate change vulnerability assessments at national and local levels**
- **Need for greater coordination between the various entities currently accessing climate finance**
- **Enhancing the vertical integration of national climate change strategies and objectives**
- **Important to create greater/newer opportunities for NGOs participation**
- **Greater focus on how to strengthen capacities for private sector engagement**
- **Need continued efforts to strengthen and simplify FONERWA's application process and disbursement system**
- **Increasing the number of applicants/beneficiaries from the non-governmental sector**
- **Simplification and streamlining of MRV procedures**

References cited in this poster

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