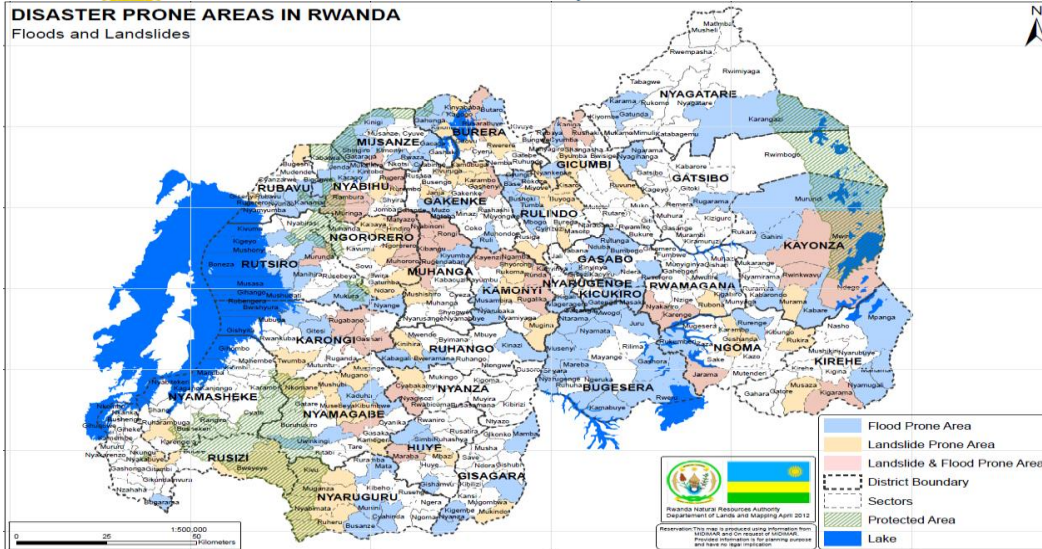


# CLIMATE FINANCE SEGMENT EXPERIENCE OF FONERWA CBFP

23<sup>rd</sup> NOVEMBER 2016



# Vulnerability to Climate Change



- Drought affected districts: Bugesera, Gatsibo, Kayonza, Kirehe, Ngoma, Nyagatare and Rwamagana
- Flood affected districts: Burera, Rubavu, Gicumbi, Nyabihu, Ngororero, Musanze, Rutsiro, Nyamagabe, Muhanga, Kamonyi and Bugesera
- Landslide affected districts: Nyabihu, Ngororero, Kamonyi, Muhanga, Burera and Gicumbi

Rwanda's NAPA identifies two sets of Districts for priority implementation of the climate adaptation activities: (a) districts prone to drought - Bugesera, Kirehe, Kayonza, Gatsibo, Rulindo and Nyamagabe; and (b) districts prone to floods - Nyabihu, Rubavu, Rutsiro and Ngororero. □



- ◆ Climate modeling projects rises of up to 2.5°C by the 2050s) and increasingly intense rainfall events.
- ◆ Increased risk of flooding (and droughts in some areas), landslides and soil erosion.
- ◆ Additional economic costs: a loss of ~1% of GDP per year by 2030 (excludes the future effects of floods/extreme events).
- ◆ Annual costs of adapting to climate change estimated up to \$300m per year

# GGCRS: Programmes of Action

## Enabling Pillars

Institutional Arrangements

Finance

Capacity Building and Knowledge Management

Technology, Innovation and Infrastructure

Integrated Planning and Data Management

## Programmes of Action

Sustainable intensification of small-scale farming

Agricultural diversity of markets

Sustainable land use management

Integrated Water Resource Management

Low carbon energy grid

Small-scale energy access in rural areas

Disaster management and Disease prevention

Green industry and private sector development

Climate compatible mining

Resilient transport systems

Low carbon urban systems

Ecotourism, conservation and PES

Sustainable forestry, agroforestry and biomass

Climate data and projections



# VISION & MISSION

- The Government of Rwanda (GoR) has shown political leadership on environment and climate change issues:
- Green Growth and Climate Resilient Strategy approved by Cabinet in 2011
- FONERWA established in law in June 2012  
*[FONERWA - implementation of the Green Growth Strategy]*

## **Vision**

- To respond to current and future climate change financing needs - to achieve sustainable economic development.

## **Mission**

- To mobilize, manage, monitor and facilitate cross sector access to environment and climate related finance.



## How does FONERWA work?

- FONERWA is a demand-led fund
- Fund capitalization and access by applicants through four thematic windows
- Rigor, accountability and transparency – key characteristics of fund management



# FONERWA Thematic Financing Windows

## Window 1:

- Conservation & rehabilitation of natural resources

## Window 2:

- Energy, R&D and technology transfer

## Window 3:

- Environment & climate change mainstreaming

## Window 4:

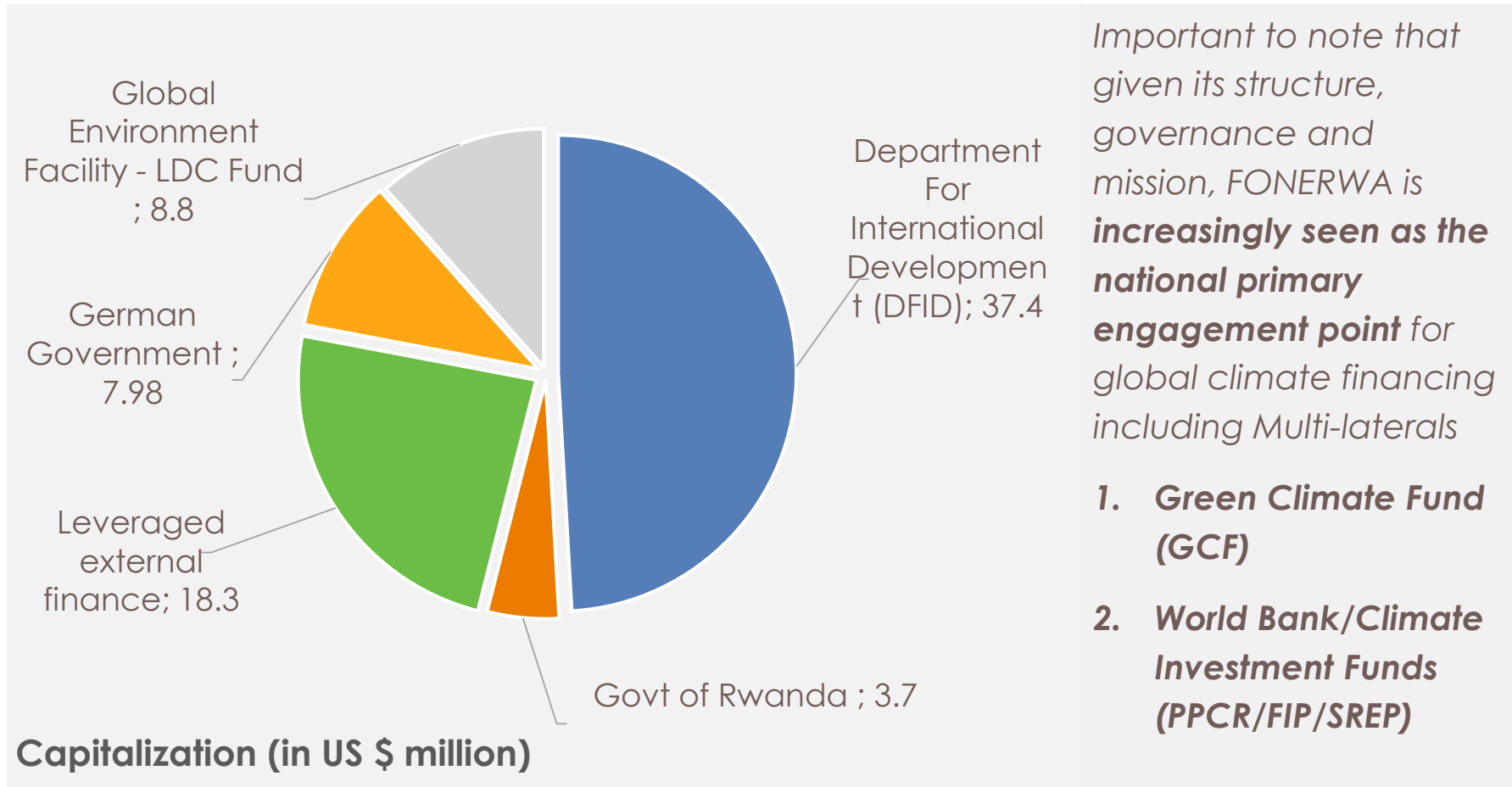
- Environmental Impact Assessments (EIA)

### **FONERWA's overall Objective:**

To contribute to sustainable wealth creation and poverty reduction in Rwanda, through environmental sustainability, rational management of natural resources, climate resilient and green economic growth.

## FONERWA's capitalization

FONERWA is capitalized through various sources totaling **\$ 76 million**



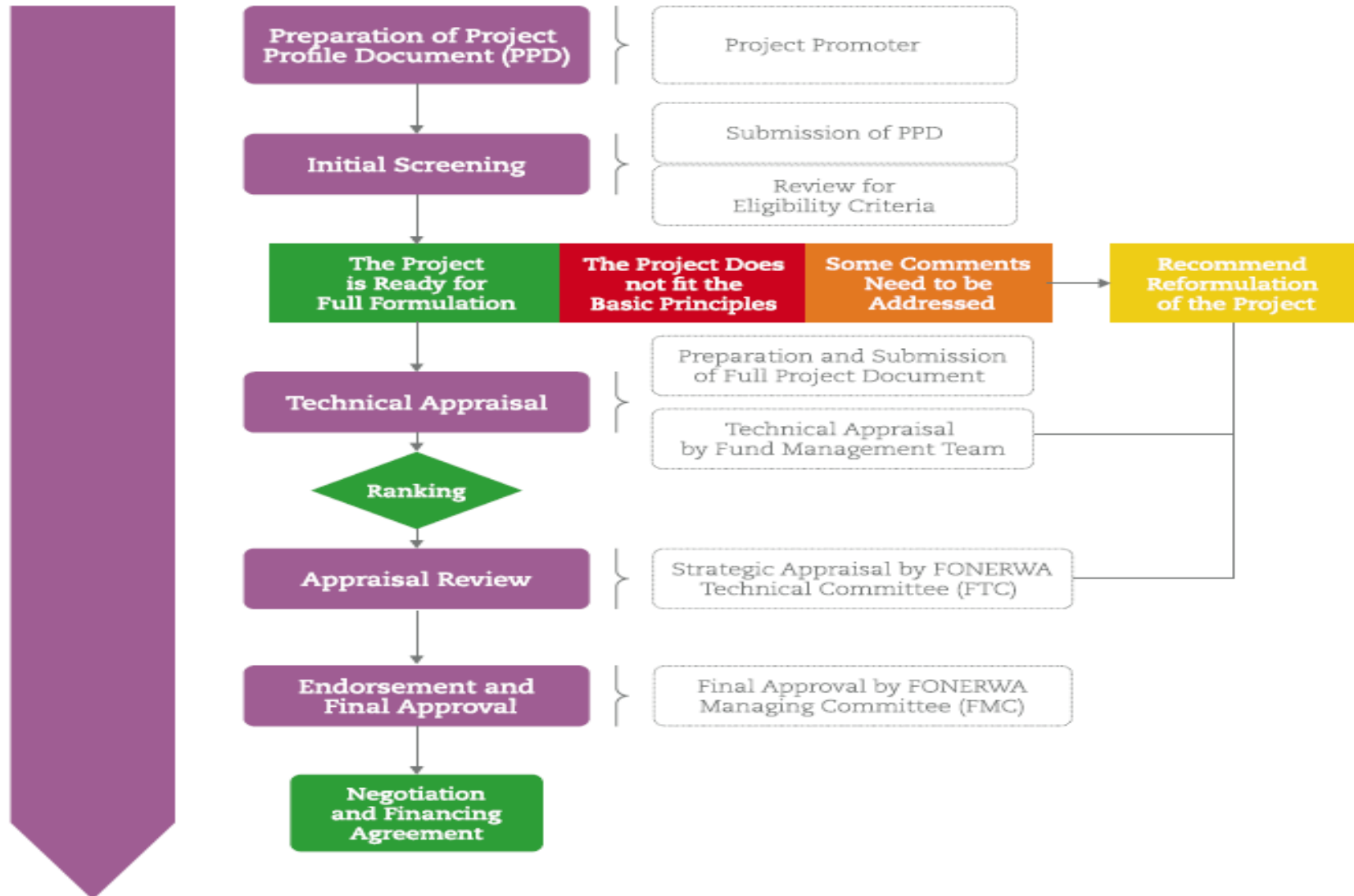
Important to note that given its structure, governance and mission, FONERWA is **increasingly seen as the national primary engagement point** for global climate financing including Multi-laterals

- Green Climate Fund (GCF)**
- World Bank/Climate Investment Funds (PPCR/FIP/SREP)**

- GCF
  - GCF readiness support (Strategic Framework)
  - Support to proposal development (PPF and greening rural settlement and local economy) - **1.5M/50M USD**
  - Enhanced Direct Access support - **20M**
- Engaging in-country Development Partners (DPs)
  - DFID –Climate change Innovation Centre/Scoping study on Technical Facility/Technical support to develop capacity
  - KFW – **USD 500,000 (Feasibility studies for GCP)**
  - BTC (Renewable energy)
  - World Bank: CIF (SREP/PPCR/FIP - **USD 50M/50M/24M**)
  - GGGI: **USD 2.4M** (to 2019); CDKN: **150,000 USD** (2016) Technical support



# FONERWA Application Process



### Innovation Grant

- Performance based grants for R&D, proof-of-concept and demonstration
- \$300,000 ceiling and 25% match funding

### Line of Credit

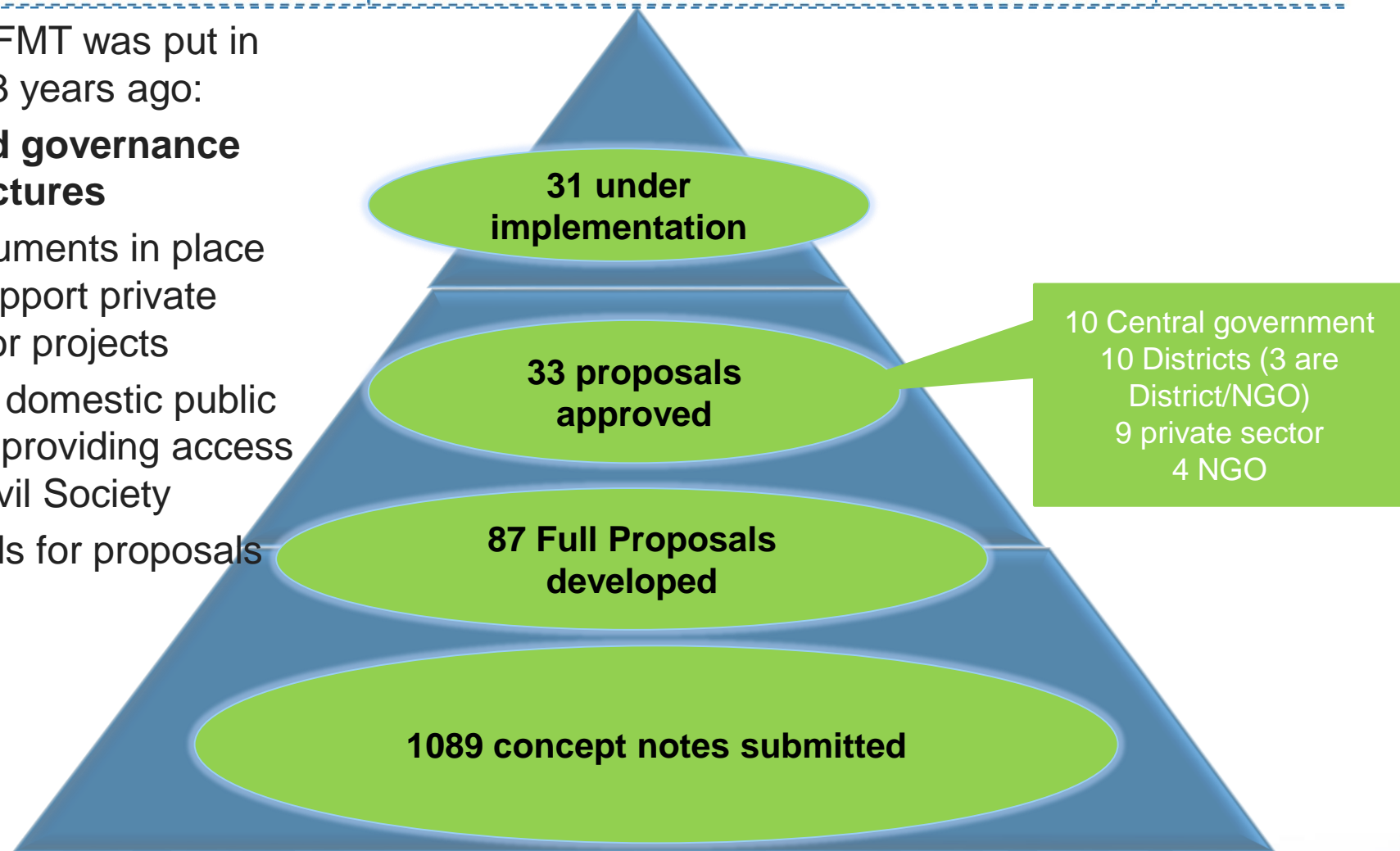
- Developed with Rwanda's Development Bank (**BRD**)
- Below market interest rate (16%) of 11.45%

- Improving/Reinforcing Private sector engagement
- Implementing the new strategy
  - Expanding/Diversifying financial instruments
  - Viability Gap Funding (VGF) in process
  - Equity and Guarantees
  - Rolling application and other strategies for enhanced targeting [SREP (50 M)]
  - Resources mobilization from PS – Impact investors particularly in Landscape restoration (Small holder farmers)

## Current Portfolio

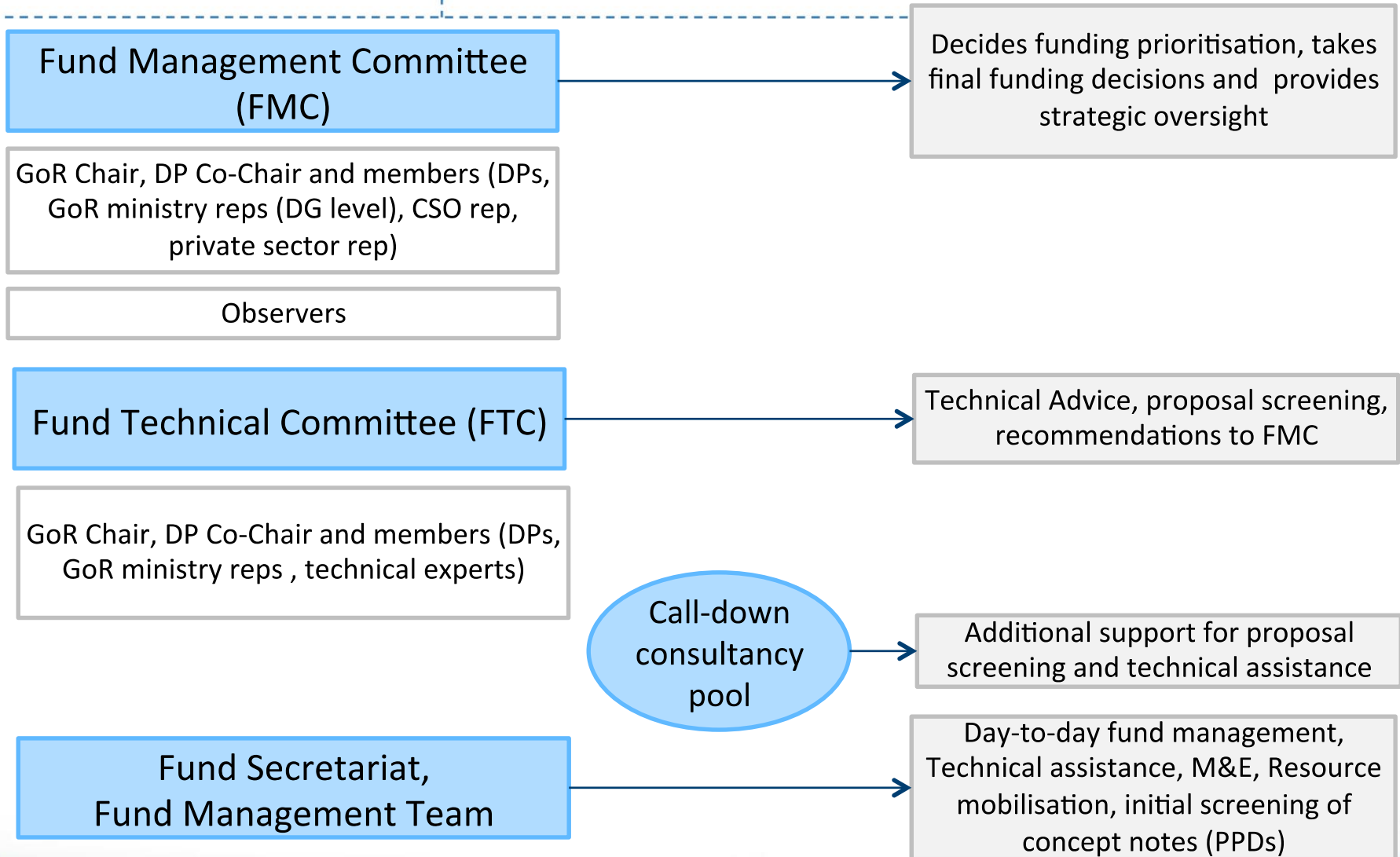
Since FMT was put in place 3 years ago:

- **Solid governance structures**
- Instruments in place to support private sector projects
- Only domestic public fund providing access to Civil Society
- 9 calls for proposals





# Current Governance Structure to Future



# Dealing with the challenges

## Challenges

Generating relevant interest in climate change investments

Limited coordination among sectors

Technical capacity and ownership of sustainable development processes

Low uptake of available resources by Civil society, researchers and Private sector

**Urgent need for recapitalization**

## Opportunities

Private sector /green growth are key Strategic focus areas for economic transformation

High level dialogue on Green Growth and climate resilience strategy

Strategic partnerships for capacity building

FONERWA presents financing options for research and innovation in CC and energy

Good environment for investment

# Key Lessons learned

## Develop and maintain standards - a key success factor for FONERWA

- Technical assistance and resources critical to build capacity
- Fiduciary standards: aligned to international standards builds confidence
- Adhering to Deadlines: Internal discipline builds credibility with all stakeholders
- **Working with NGOs and Private sector to expand scope of their applications**
  - Rare opportunity for public support/partnership with NGO
  - NGOs bring comparative advantage to implement community climate and resilience actions
- **Technical rigor and transparency of application process**
  - High standards and due process for its applications
  - Transparent process and online public scrutiny of successful projects

## Way forward

Synthesis of Lessons Learned to guide STRATEGIC ORIENTATION

Strategically build capacity and mobilize finance

A strong and reliable results/Knowledge management

Identify strategic areas of partnership

- private sector (Renewable energy, Green City Pilot, green investments, PPP, etc.)
- CSO to build climate resilience of communities (Green villages, Landscape restoration investments among small holder farmers)

Robust resources mobilization including impact investors in FLR



*THANK YOU*