CLIMATE FINANCE SEGMENT
EXPERIENCE OF FONERWA
CBFP
23rd NOVEMBER 2016
FONERWA
For a Green & Resilient Rwanda
Increased risk of flooding.

Climate modeling projects climate change estimated 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 and Innovation Infrastructure
- Integrated 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
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

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’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.

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)
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

1. Green Climate Fund (GCF)
2. World Bank/Climate Investment Funds (PPCR/FIP/SREP)
**FONERWA: Resources Mobilization**

- **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
Private sector Instruments

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)
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

- 1089 concept notes submitted
- 87 Full Proposals developed
- 33 proposals approved
- 31 under implementation

10 Central government
10 Districts (3 are District/NGO)
9 private sector
4 NGO
Current Governance Structure to Future

**Fund Management Committee (FMC)**
-**Decides funding prioritisation, takes final funding decisions and provides strategic oversight**
- **GoR Chair, DP Co-Chair and members (DPs, GoR ministry reps (DG level), CSO rep, private sector rep)**
- **Observers**

**Fund Technical Committee (FTC)**
- **Technical Advice, proposal screening, recommendations to FMC**
- **GoR Chair, DP Co-Chair and members (DPs, GoR ministry reps, technical experts)**

**Call-down consultancy pool**
- **Additional support for proposal screening and technical assistance**

**Fund Secretariat, Fund Management Team**
- **Day-to-day fund management, Technical assistance, M&E, Resource mobilisation, initial screening of concept notes (PPDs)**
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