

Using Rwanda's INDC to Evaluate Projects Funded by Climate Finance

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Intended Nationally Determined Contributions (INDCs) and Climate Finance

In advance of the Paris Agreement countries participating in the U.N. Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP21) were encouraged to establish Intended Nationally Determined Contributions (INDCs). These INDCs provide public outlines for how each country will contribute to the Paris Agreement's long-term goals of limiting average global temperature rise to below 2°C and to achieve net zero emissions in the second half of this century.

In general, INDCs act as symbols of commitment to combat climate change but also provide a framework for identifying key actions for meeting the goals of the Paris Agreement. In most circumstances a country's INDC will set a clear greenhouse gas (GHG) emissions reduction target and highlight actions in which they aim to reduce emissions. These actions can be as broad as reducing energy use in industrial processes or as specific as modifying urea application in agricultural practices. In addition to outlining mitigation strategies and emissions targets many INDCs also highlight intentions for adaptation such as improving crop and livestock production practices for greater food security or enhancing water conservation by improving water use efficiency.¹

A nation's ability to meet their INDC is dependent upon several factors including, but not limited to, technological capacity, institutional structure, climate policy frameworks and available human and financial resources. In the context of developing countries, domestic budgets are not compatible with the amount of financial capital required to meet INDCs. As a part of the Paris Agreement, developed countries were encouraged to create a roadmap to achieve the mobilization of US\$100 billion per year by 2020 as a form of financing climate change mitigation and adaptation.² This funding, known as climate finance, has obvious implications for accomplishing INDCs however, a variety of issues surrounding climate finance threaten reaching emissions targets.

A prominent issue is the definition of climate finance itself. The United Nations Framework Convention on Climate Change (UNFCCC) Standing Committee on Finance defines climate finance as follows:

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“Climate finance aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintain and increasing the resilience of, human and ecological systems to negative climate change impacts.”³

Put more succinctly, this definition refers to climate finance as a method to promote mitigation of and adaptation to climate change. It is important to keep this definition in mind when analyzing climate finance because in a globalized finance market it is often difficult to determine the flow of funds and their intended use. There has been criticism that funds labeled as “climate finance” can actually end up being used for purposes not related to climate change adaptation and/or mitigation.

There has also been an emphasis that climate finance funding should be “new and additional” in the sense that climate finance should not be included in existing official development assistance commitments and other pre-existing flows from developed countries.⁴ By keeping climate finance separate from other funding, countries can avoid diverting funding for development needs and/or claiming climate finance targets have been met based on already established funds for other sectors.

There are three sequential phases of climate finance: mobilization, administration/governance and disbursement.⁵ Since the advent of climate finance there has been much focus on the mobilization and administration/governance of funds. This is understandable because there is considerable doubt that the global community will be able to reach the US\$ 100 billion that was established as the collective goal at the Paris Agreement. However, a lack of emphasis on the analysis of the disbursement of funds and the implementation of financed projects may result in funds being ineffectively utilized. With the purpose of climate finance being to finance projects that mitigate greenhouse gas emissions and promote climate change adaptation, the climate change research community should be spending considerably more effort determining if funds are being used as they were initially intended. In order to assess efficacy of climate finance funded projects one could analyze projects according to alignment with a country’s INDC, assuming that the INDC was originally designed with the intention of mitigating climate change and adapting to its negative impacts.

Rwanda's INDC

There have been three major predictions for future Rwandan climate based on climate models. These include:

- An increase in average maximum and minimum monthly temperatures (1.5-2.8°C)
- Greater seasonal variability
- Intensification of heavy rainfall resulting in floods and landslides ⁶

The Republic of Rwanda accordingly considers itself highly vulnerable to climate change, especially in light of its strong reliance on rain-fed agriculture and a high population density. The nation's INDC was designed to aid in Rwanda's long-term vision to "...become a climate resilient economy...that reduces vulnerability to climate change impacts."⁷ To that end, it lays out steps to mitigate climate change and adapt its likely effects through changes in agriculture, forestry, tourism, water, land use, energy, transport, industry, waste, and cross-cutting sectors such as disaster management and climate data and projections.⁷

FONERWA – Rwanda's Green Fund

FONERWA is the main mechanism through which Rwanda's climate change finance is disbursed. It began its initial operations in August 2012 and accepted its first round of project proposal submissions in January 2013.⁸ Based on FONERWA's documented partners, Figure 1 demonstrates the general climate finance flow that makes it way to FONERWA.

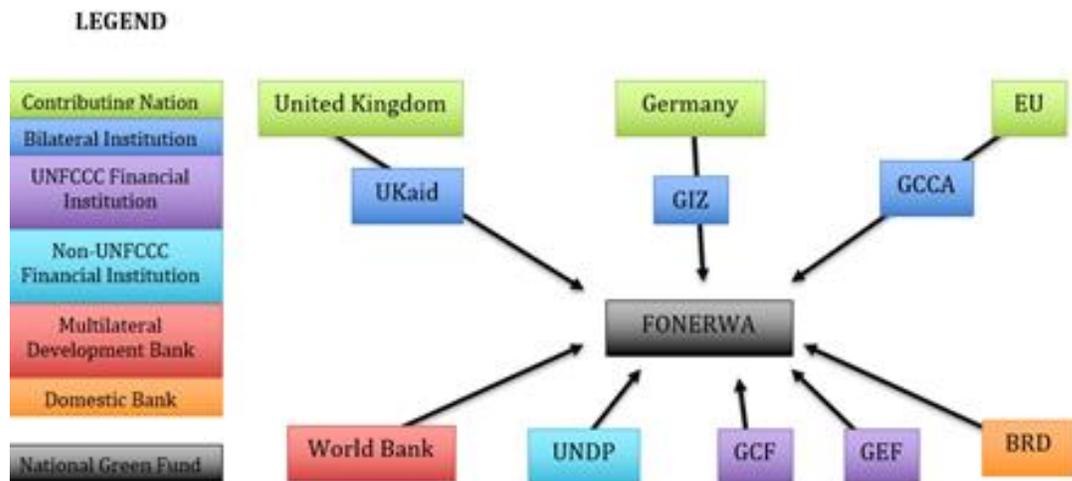


FIGURE 1 This is a visual schematic of the international climate finance community contributing to Rwanda’s FONERWA. This graphic is meant as a general picture of climate finance flows and does not include all contributors and funds.

Through both bilateral and multilateral channels FONERWA has received enough support to fund 32 projects to date.⁹ Projects are selected every 6 months after a formalized process of public Calls for Proposals. Proposals must explain why the project is needed, what change is to be achieved, what are the logistics of project plan, how the project addresses gender and youth, and how the project will be sustained after FONERWA funding comes to an end.

Proposals are reviewed for eligibility criteria including demonstrated value, benefits beyond project lifetime, stakeholder consultation, anti-corruption provisions and environment/climate objectives.¹⁰ However, the projects are not evaluated based on their alignment with the nation’s INDC. In some cases, as with the Rushahshi Environmentally Friendly Mining Project, the result is that there is little relationship between the projects funded and the goals articulated in the INDC.

The Rushahshi Environmentally Friendly Mining Project (REFMP)

The Standard Mining Company Ltd.’s mining project has been approved for implementation and will be funded by a FONERWA grant. The main outputs of this project are supposed to be the following:

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- Strengthening of conservation and management of natural resources
 - Conversion of mined-out areas into other economic land uses
 - Piloting of a model mine¹¹

When comparing the REFMP application and project proposal to Rwanda's INDC there are limited connections. However, a few overlaps are evident. For example, one aspect of the REFMP project includes constructing solar panels to power mining operations. Although the use of solar is not in the form of a solar power plant, this aspect of the project relates to section 1.1 of Rwanda's mitigation INDC:

*"Rwanda will increase the share of renewable energy in country power generation through construction of hydro, solar power plants and methane to electricity power plants hence shifting from using fossil fuels for its electricity needs."*⁷

In the REFMP project proposal there is also an emphasis on water pollution prevention and efficient use of water. Under the assumption that preventing water pollution will entail water quality testing and that the local Cyacika River is considered a main river, this aspect of the project can relate to section 5.2 of Rwanda's adaptation INDC:

*"...surface water quality monitoring will be carried out on selected sites of main rivers."*⁷

Besides these two ambiguous applications, though, the REFMP project does not correlate with any other aspects of Rwanda's INDC. In fact, many of the listed project risks, including river pollution, air pollution, dust emissions, inefficient water use and mismanagement of storm water, go directly against Rwanda's INDC.¹¹ With this in mind, it is difficult to say that this project falls within the range of projects that would qualify under climate finance on the grounds that the project does not directly address climate change adaptation or mitigation.

Rwanda Air Quality and Climate Change Monitoring Project

Other projects funded through FONERWA align better with Rwanda’s INDC, as with the Rwanda Air Quality and Climate Change Monitoring Project, a grant-funded project led by the Rwanda Environment Management Authority (REMA) and implemented by the government of Rwanda. The outputs of this project are supposed to be the following:

- Establishment of an air quality management system
- Enhancement of the climate change observatory to increase understanding of local emissions relating to climate change
- Improved capacity to resolve scientific air quality and climate change issues in Rwanda
- Enhancement of research and outreach
- Promotion of policy formulation ¹²

Although the project has obvious implications for climate change mitigation, the portion of Rwanda’s INDC that directly relates to this project falls under the adaptation section 8.1:

*“Improve observation facilities to provide all **climate information** necessary for future monitoring, climate trend detection, management of climate variability...”⁷*

Risk level for the project is low, with main concerns including the increased potential for economic burden on impoverished people from new emissions regulations and the potential for electronic wastes once monitoring equipment becomes outdated.¹² Overall this project shows promise by directly addressing one of Rwanda’s INDC and by fitting within the context of climate finance.

FONERWA: A Vehicle of Climate Finance, or Something Else?

Rwanda's FONERWA was intended to contribute to sustainable wealth creation and poverty reduction in Rwanda through sustainable management of natural resources, climate resilient and green economic growth.⁸ In order to fund their projects the fund has received financial support from the international climate finance community. However, based on the two case studies mentioned above, not all FONERWA funded projects necessarily fall within the realm of "climate finance". A project such as the implementation of a new mineral mine, albeit done with consideration for renewable energy and ecosystem health, cannot be explicitly categorized as a project that mitigates climate change or promotes adaptation to climate change's impacts. This is because projects such as REFMP inherently contribute to climate change via emissions and pose risks such as river pollution and inefficient water use, all of which has the potential to hinder adaptive action. This being said, it remains important to make economic activity, such as mining, more sustainable to reduce negative impacts. However, to fund such projects under the umbrella of climate finance complicates the issues of defining climate finance, tracking financial flows, and selecting projects that actually address a nation's INDCs.

There are several ways forward here. Firstly, there may be a need to compromise on the definition of climate finance or perhaps even shift towards "sustainable finance". By framing relevant finance as sustainable rather than climate-oriented, this allows for the funding of a broader range of projects without contradicting the original definition of climate finance. However, by doing so the international community would be risking underfunding projects that directly address climate change adaptation and mitigation.

A second solution would be to create a more rigorous mechanism of tracking climate finance to enhance accountability and determine whether funding that was originally intended for climate change adaptation and mitigation goes towards projects that directly address those needs. This would require international cooperation and collaboration along with a transparent database for open analysis.

Finally, more responsibility could be placed at the national level. National recipient funds

could be analyzed more stringently before multilateral/bilateral funds are channeled to them under the assumption they will be funding projects that fall within the category of climate finance.

Additionally, as this paper suggests, it may be useful to analyze projects according to the nation's INDC. INDCs were supposed to be designed to present a framework for promoting climate change adaptation and mitigation. If a nation has submitted an INDC that thoroughly addresses the adaptation and mitigation needs of the submitting nation then projects receiving funds designated for climate finance should directly correlate with the relevant country's INDC.

This brief investigation into FONERWA highlights the need to emphasize the analysis of the implementation portion of climate finance. Even if the international community finds itself approaching the US\$100 billion goal, if these funds are not used for projects actually promoting climate change adaptation and mitigation then we may find ourselves inadequately prepared for climate change impacts. In order to adequately prepare the international community may need to agree on a set definition of climate finance or completely change the category of finance, establish a sound method of tracking finance and refine INDCs to holistically address climate change adaptation and mitigation.

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Notes

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