

SWITCH Africa Green Regional Meeting on Integrated Waste Management

**Financing for Enterprises in the sector: Creating an
enabling environment for circular economy and
integrated waste management**

Case of FONERWA - Rwanda's Green Fund

By: Steven NIYONZIMA

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1. What the Financing mechanisms

- National Fund for *Environment and Climate Change (FONERWA)* is:
 - established as a cross-sectoral **financing mechanism** to support Rwanda's development objective of green and *climate resilient* growth;
 - the vehicle in which environment and climate change finance is channeled, programmed, disbursed and monitored;
 - an instrument to:
 - facilitate direct access to international environment and climate finance
 - streamline and rationalize external aid and domestic finance
- Access to the Fund is open to:
 - line ministries and districts, charitable and private entities, civil society and research institutions.

Greening the national priorities: the EDPRS II priorities

Economic Transformation

Rural Development

Productivity and Youth Employment

Accountable Governance

Example issues to be addressed under the thematic areas:

Diversification of economic base

Sustainable development of human settlements

Judiciary reforms

Private Sector Development

Modernization of Agriculture

Education and skills development

Public Accountability

Infrastructure Development

Natural Resource and Environment Management

Job creation focused on Youth

Development Communication

Urbanization

Green Growth and Climate Resilience Strategy (GGCRS): The financing pillar

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

FONERWA: GGCRS financing

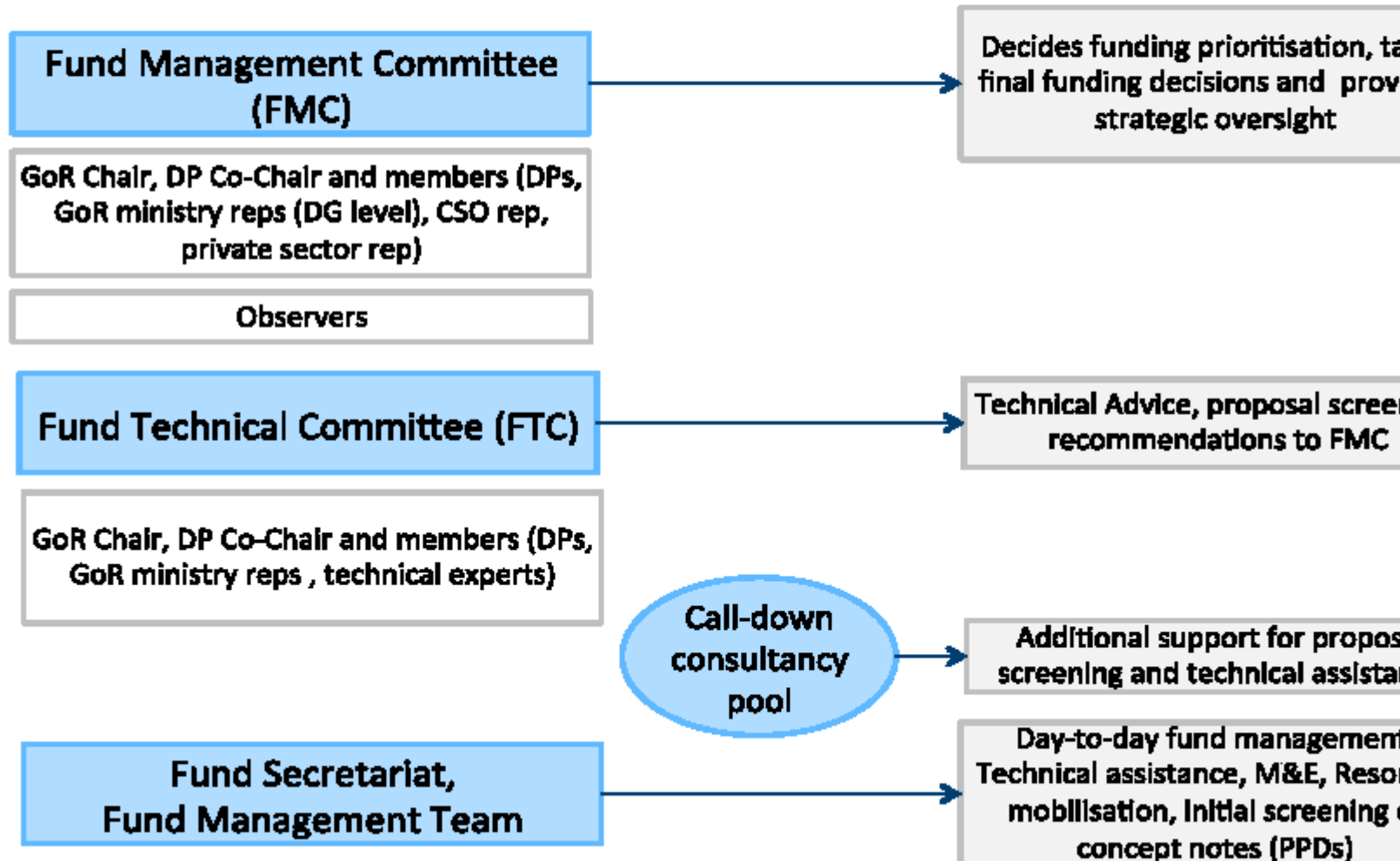
Vision

- To **respond** to Rwanda's current and **future needs for environment and climate change related financing**, to further support and accelerate goals of sustainable economic development.

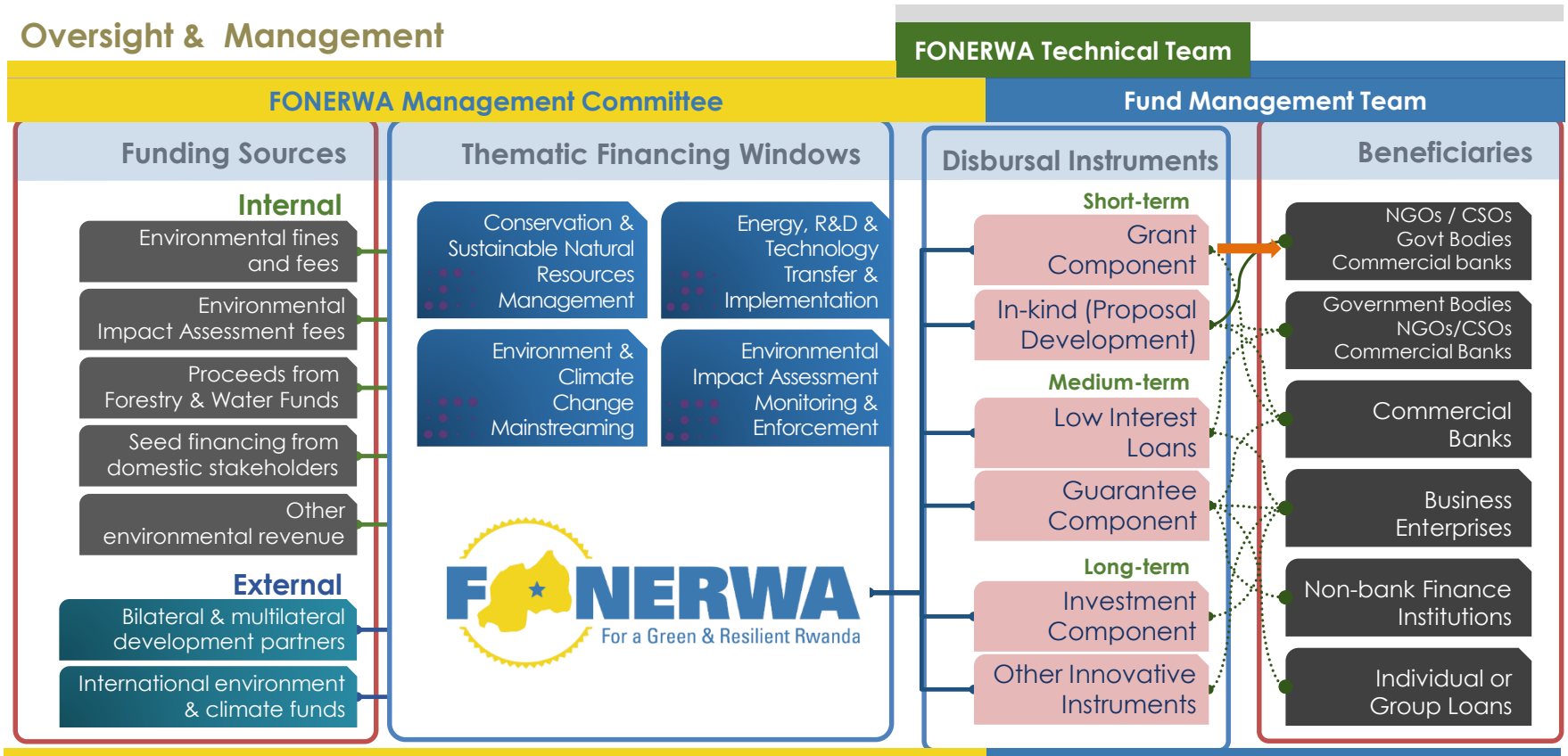
Mission

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

Current Governance Structure



FONERWA Operations: Fund Design



Adapted from FONERWA [website](#) and [brochure](#) developed by [CDKN](#) & [Centre for International Development and Training](#)

How does FONERWA work?

- FONERWA is a demand-led fund
- Applicants are invited to submit proposals based on its four thematic windows on a bi-annual basis
- The funds are channeled through thematic windows
- Applications undergo a rigorous review process overseen by the Fund's technical team and management committee
- Oversight of the fund is rigorous and done with transparency and accountability to all stakeholders
- Impact is monitored the fund's 'logical framework'

Thematic Financing Windows: Targeting the Mainstreaming window

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)

Key entry points to Mainstreaming: Capitalizing on what works!

Entry points 1:

- Ecosystem rehabilitation
- Sustainable Land management
- IWRM
- Sustainable Forestry
- Mines and quarries
- Promotion and protection of biodiversity

Entry points 2:

- Renewable energy & EE technology
- Pollution management
- Irrigation technology
- Applied and adaptive research (AF, waste, urban planning)

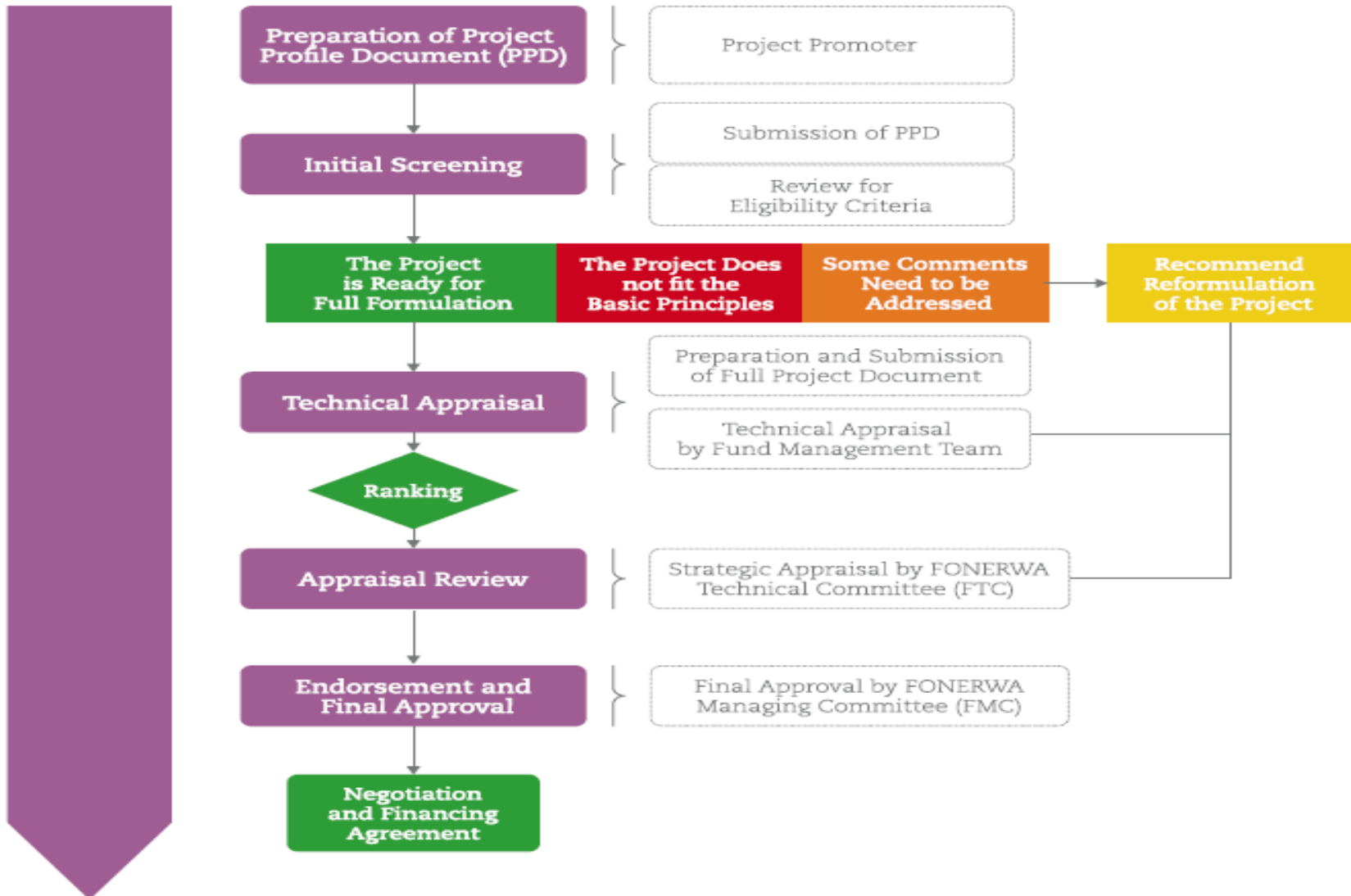
Entry points 3:

- **SEA (including CC)**
- **Sector-specific adaptation and mitigation,**
- **Support to cross-sectoral integrated planning (e.g. IDP, VUP)**

Entry points 4:

- Monitoring and implementation of environmental management plans
- Environmental Auditing

FONERWA Application Process



Key aspects of the Mainstreaming Approach

- **A sound proposal must consider:**
 - **Climate Risks** – How do/ would significant changes in weather patterns adversely impact investment
 - infrastructure? (e.g. Flood = Damage to road infrastructure , impact on accessibility lifetime cost vs return on infrastructure , local area economy wide impact)
 - **Reliable investments**
 - Cost savings and other financial and non-financial benefits from investing in Environment and Climate Smart (e.g. long-term cost savings from IWRM in hydro, Improving energy mix to match vulnerabilities and ensure sustainable supply of green energy)
 - **Intervention area and mechanism**
 - Where would FONERWA investments be applied and to what should they be allocated to ensure the impact is maximized and influences all future related policy, programmes and investment (e.g. is a key policy to be informed? Is a key investment to be “greened”, is a strategy’s sustainability to be enforced? Should there be a pilot in a district or a province wide feasibility study?)
 - **Technical Capability Requirements**
 - What technical capabilities, financial and non-financial resources are required to achieve a successful proposal and thereafter a sustainable infrastructure planning, development and roll-out mechanism
 - **Inclusive Development planning and implementation**
 - How do we optimize contributions from stakeholders? (role of NGO , private sector, community ownership through pilot projects and scale up initiatives).

2. Opportunities that are available under FONERWA

- FONERWA is a big opportunity.
 - Capacity building
 - Organizations in Rwanda and around the world have submitted applications
 - Financial support is also available for Private Sector (Minimum of 20% of its resources)
 - **Innovation Grant Windows:**
 - Research & Development, Proof-of-Concept, Demonstration;
 - **Line of Credit:**
 - Implemented jointly with Rwanda Development Bank,
 - Below market interest rate

Innovation Grant Eligibility Criteria

- Lead applicant must be a registered company in Rwanda;
- Duration should not exceed 12 months (*depending on project scale and scope*);
- The project has strong commercial potential (*sustained after the lifetime of the project*);
- The project activities are carefully designed to deliver results;
- The project matches one of the FONERWA thematic windows
- The demonstration grant will not fund 'pilot plants'. These capital investment start-up activities can be supported by the FONERWA line of credit.

Innovation Grant Funding Terms

- Funding ceiling is \$300,000;
- Match funding requirement of a minimum of 25% ;
- All funding will be distributed with performance based payments (i.e. \$50,000 for first phase, \$100,000 second phase, etc);

LINE OF CREDIT:

- The line of credit will allow the promoter to initially access a below market interest rate of at least 11.45%;
- The promoter will go through a joint approval process whereby FONERWA will conduct a technical evaluation and BRD will conduct internal due diligence and a financial evaluation.;
- Credit Line Funding Terms: Minimum funding levels of GBP 50,000; Maximum of GBP 5 million; Disbursement will be in accordance with FONERWA and BRD lending terms and conditions

3. Technical Assistance required to support financing mechanism

- DFID funded and CIDT managed project in Rwanda set up, operationalised, strengthened and transferred FONERWA, the Climate and Environment fund, to Government of Rwanda;
- The project ran for 3 years (36 months) from October 2012 till September 2015.

4. Showcase of some Green Projects and Lessons learned

- **Project:** *Developing local mushroom strains to improve smallholder out grower livelihoods and defend against National Park encroachment.*
- **Funding Requested:** *40,822,000 RWF*
- **Name of Lead Organisation:** *Kigali Farms Ltd-Private Sector Ets*
- **Partner Institutions:** [Botanic Garden Meise \(Belgium\),](#)
[Tourism and Conservation Department of Rwanda](#)
[Development Board](#)
- **Info. About the project:** This Green Fund investment was the first time in Rwanda, created an inventory of edible mushroom populations in Rwanda's forest ecosystems, 10 identified species that are suitable for export and have the potential for cultivation and marketing by [Kigali Farms](#).

Project: National e-waste management strategy for Rwanda to support the establishment of sustainable recycling industries

- **Funding Requested** : *873,647,300 Rwf*
- **Name of Lead Organisation** : Rwanda Resource Efficient and Cleaner Production Centre/ Ministry of Trade and Industry
- **Partner Institutions**: [Great Lake Electronics Management](#), [WorldLoop](#), UNEP, UNEP, [REMA](#), [Ministry of Youth and ICT](#), [Ministry of Trade and Industry](#), [Rwanda Housing Authority](#)
- **Key Project Outputs**:
 - Output 1: E-waste strategy developed, policy and legal framework reviewed
 - Output 2: A detailed inventory on the current e-waste situation is conducted
 - Output 3: Environmental friendly e-waste collection centres and dismantling facility are designed and set up
 - Output 4: E-waste collected and treated according to required standards

Project: Rice Husk to Power Project

- **FONERWA window:** R&D Tech transfer
- **Investment :** USD 229,483
- **Lead organisation:** Novel Energy
- **Project Summary:**
 - The 70 kW (pilot) Rice Husk to Power Project is being constructed in Nyagatare District adjacent to the Nyagatare Rice Company milling facility.
 - The project introduces the rice husk gasification for power generation technology to Rwanda which converts biomass into electricity.
 - Rice husks contains silica, making it unsuitable to be used as fodder. As a result, rice millers across Rwanda and around the world face challenges with the disposal of husks.
 - This Novel Energy pilot project will convert approximately 600 tons of rice husk per year into 453 MWh of electric units and 437 tons of Co₂-e reduced
 - creates at least 4 full time green energy jobs and approximately 50 people from the local community during the construction phase will be hired.

Employment and Poverty Reduction

- 90,498 Green Jobs Created

Environmental Protection

- 35,356 Ha of Forest Land Rehabilitated
- 12,998 Ha of Watersheds and Water bodies Rehabilitated

Climate Resilience and Livelihood Improvement

- 18,914 Families Connected to Off-grid energy



PORTFOLIO OF PROJECTS – REPRESENTATIVE AND INCLUSIVE FINANCING

ENTITY TYPE	FUNDING	PROPORTION
Districts	7,160,657,261	22.2%
Districts Partnering with NGOs	4,311,572,605	13.4%
Central Government	17,438,334,837	54.1%
NGOs	2,030,664,485	6.3%
Private Sector	1,265,895,647	4%

- NGOs include national as well as international NGOs
- Private Sector includes both medium and small sized enterprise in critical sectors – renewable energy, mining and agriculture
- Partnerships with local authorities increase the absorption capacity of NGOs and implementation capacity of local authorities
- District have earmarked funds and have been critical in adaptation financing and livelihood enhancement
- Central Government and its agencies have been critical in ensuring accountable application of resources especially in adaptation

Challenges/opportunities

Challenges

Sustainable development undermined by business as usual performance/focus

Limited coordination among sectors

Capacity/ownership of sustainable development processes

Identifying champions and partnerships for capitalization of the fund

Identify critical areas of intervention

Opportunities

National and global climate change Linkages: NDCs and SDGs underpinned by global funds

National (cross sector) climate resilience strategy

Climate change recognized as an economic development issue

Strategic engagement of reliable Partners

Focus on national priorities with global implications: NDCs and SDGs.

5. Conclusion and Recommendations

- The FONERWA model has proven catalytic in:
 - facilitating resource mobilisation into the Fund (US\$50 million according to April 2016 review);
 - technical assistance to leverage funds for wider GoR, including most recently GCF accreditation (coaching, mentoring and specific small group support);
 - The speed of the capitalization of FONERWA is remarkable (early engagement of potential donors, the Government's integration of climate compatible development into national policy and the presence of strong institutional and governance conditions)

For more information,
WEBSITE: www.fonerwa.org

MEDAWASE