

RWANDA BIOFIN POLICY BRIEF

Biodiversity Policy and Institutional Review



December 2017

Background

The Biodiversity Finance Initiative (BIOFIN) is a global partnership addressing the biodiversity finance challenge in developing countries. BIOFIN provides support for countries to initiate a national policy dialogue to identify and mobilize the resources required to successfully implement national biodiversity plans and achieve national biodiversity targets. The Finance Policy and Institutional Review (PIR) is one of a series of reports meant to support the Government of Rwanda meet its biodiversity and conservation strategies and objectives. The recently completed PIR report presents the findings of the review, which includes the analysis of current policies with direct or indirect impacts on biodiversity financing and their adequacy, as well as identification of existing gaps and recommendations for improving financing of biodiversity protection and mitigation.

Biodiversity status and trends

Rwanda has a rich diversity of species, including 2,280 species of higher plants, 151 mammal species, 11 of which are currently threatened. Among them are 14 primates, which include half of the remaining world population of mountain gorillas in Volcano National Park. Rwanda also has 97 species of reptiles, 25 species of amphibians and 19 fish species. Rwanda has over 700 species of birds and supports the second highest number of Albertine Rift endemics than any other country.

As reported in Rwanda's Fifth National Report (2014) submitted to the Convention on Biological Diversity, the major negative trends impacting Rwanda's biodiversity include:

- Ongoing loss of forest cover outside of protected areas;
- Depletion of rivers and lake systems;
- Water pollution and spreading problems of invasive species;
- Loss of native plant species associated with intensive farming practices; and
- Erosion and loss in soil quality.

Rwanda's policy and institutional context

As the PIR suggests, Rwanda has developed a comprehensive policy framework for conserving and financing biodiversity. At the same time, the Government has created or restructured a number of institutions to address different environmental needs and priorities.

The policies that directly impact the conservation and financing of biodiversity include policy documents on Environment, Biodiversity, Forests, Wildlife, and Sustainable Land Use, along with national laws to implement the policies. The two most direct policy statements are the National Biodiversity Policy (2011) and the National Biodiversity Strategy and Action Plan (2003 and 2016).

The mandates for managing and financing biodiversity are dispersed over many institutions, although three of them have the central roles: Ministry of Environment, Rwanda

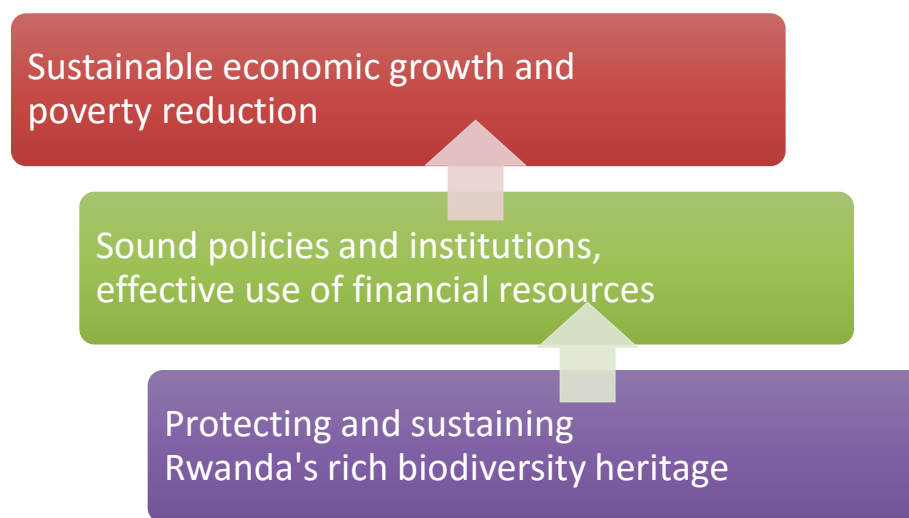
Environment Management Authority, and the Ministry of Land and Forestry. Other institutions and agencies have important roles, such as the Rwanda Development Board (RDB), the Ministry of Agriculture and Animal Resources, and the Rwanda Water and Forestry Authority (RWFA), among others.

Biodiversity economic and financial landscape

Biodiversity and ecosystems constitute Rwanda's natural capital on which the country's economic sustainability and human welfare depend. Rwanda's biodiversity makes substantial contributions to GDP. At the macroeconomic level, for example, agriculture, forestry, and fishing contributed 32 percent of GDP in 2017.

Maintaining and enhancing the country's natural assets is crucial to the country's future. The need to clearly articulate the links between biodiversity, ecosystem services and economic benefits is thus of great importance for long term planning and policy development as well as budget allocation decisions in order to achieve sustainable economic growth and poverty reduction.

Linking human development and biodiversity



Sources of biodiversity revenues

Traditional financing for biodiversity conservation originates from national budgetary allocations and development budget investments, notably direct donor-budget support or donor funded projects. International, regional and national NGOs raise their own funds to support biodiversity conservation and sustainable use.

Ministries and agencies, such as RDB and RWFA, each year generate considerable revenues from biodiversity related sources. Major sources of revenue include park entry fees, tourism concessions, forest concessions and the sale of standing timber, water license fees, and various kinds of business licenses. There are also a number of environmental fines and

penalties in place that are meant to discourage harmful impacts on ecosystems, although their effectiveness is a matter of debate.

Most revenues coming from government agencies go to the consolidated government fund, although a portion of the funds may be allocated to biodiversity conservation during the budget cycle. Exceptions to this budgeting approach include RDB and FONERWA.

The role of subsidies

The Government of Rwanda has initiated a number of subsidies, some of which have positive, long term impacts on biodiversity. These include the gas subsidy to reduce reliance on wood and reduce deforestation, as well as tax benefits and rebates for clean technology to further reduce reliance on fossil fuels.

At the same time, the Government has put in place financial subsidies on inorganic fertilizers, improved seeds, and irrigation equipment, as a means of assisting agricultural producers. Many of these subsidies have potentially negative impacts on biodiversity. Some of the negative impacts of subsidies include:

- direct soil and water pollution which has adverse impacts on plant, animal and human health;
- inappropriate irrigation technologies resulting in overdraw of water and draining of wetlands;
- and promotion of improved seeds for some crops leading to mono-cultures and loss of native agro-biodiversity.

Biodiversity Finance Solutions

To increase the level, quality and effectiveness of investments in biodiversity, the PIR analysis has opened an ongoing discussion to explore new sources and means – “finance solutions” - of generating revenues for biodiversity protection and mitigation .

Biodiversity finance solutions refer to biodiversity-enhancing mechanisms that represent a combination of new or modified laws, policies, programs, regulations, fees, taxes, incentives and subsidies. These solutions are aimed at expanding the resource envelope for biodiversity and using existing resources more cost effectively.

The PIR offered five finance solutions to begin a public debate on how best to generate increased resources for biodiversity. These include:

- Generating increased biodiversity revenues through tourism;
- Effectively assessing and capturing water resources values;
- Expanding FONERWA’s focus on biodiversity;
- Rationalizing and streamlining environmental fines and penalties; and
- Bioprospecting through the use of licenses and fees to develop commercially valuable biodiversity products for pharmaceutical, agricultural, cosmetic and other applications.

Over the coming months, BIOFIN will explore in more detail other potential finance solutions for consideration by Rwanda’s policy-makers.

Summary of Key Recommendations

Rwanda has in place most of the policies it requires for effective management of its biodiversity. However, several major constraints remain that impede full implementation and achievement of the intended policy objectives and better secure and deploy financing.

The PIR offered a number of recommendations, some of which include:

- The analysis conducted as part of this PIR suggests that many of the existing environmental fines and penalties are not being adequately collected nor the laws and regulations upon which they are based being effectively enforced. This is leading to a loss in revenues for the Government as well as continued loss or degradation to the natural capital that is meant to be protected.
- With the new agriculture policy, priority attention must continue toward more sustainable, eco-friendly agriculture that safeguards the long-term interests of smallholder farmers through protection of local ecosystems. Similarly, there is a growing need to ensure that current efforts to refine Rwanda's water policies are fully articulated and implemented, so as to safeguard this vital resource through effective water pricing policies and restoration of catchment areas.
- With respect to major infrastructure and capital projects, including mining, there is a pressing need to strengthen biodiversity considerations in environmental compliance and regulations and to ensure that environmental impact assessments are effectively utilized in the "design and build" and "closure" stages of such projects.
- Increased support for education and research is needed so that there is sufficiently trained manpower to monitor, study, evaluate and assess policies and activities relevant to biodiversity and conservation – with the goal of ensuring research-driven decision making. Public awareness and education campaigns should be an integral part of this effort.
- The 2016 NBSAP proposes a more holistic approach to environmental mainstreaming, of which biodiversity is one component. Greater efforts need to be expended in ensuring that biodiversity is mainstreamed (and funded) in all relevant sectors.
- A national system of biodiversity indicators needs to be established to measure and monitor all aspects of biodiversity. A "score card" of indicators is vital for establishing a solid biodiversity baseline as a reference point for measuring future changes in biodiversity and the impacts of conservation policies and programs.