RWANDA CLIMATE BUDGET STATEMENT

FOREWORD

Rwanda's exposure to climate change is well recognized, with critical sectors such as agriculture, infrastructure, rural settlement, water resources, health, and energy already facing significant and growing risks. These challenges underscore the urgency for transformative action and policy innovation that safeguards livelihoods and secures sustainable development for current and future generations.

As policymakers, we bear the responsibility to champion a development agenda that is both climate-resilient, inclusive and sustainable. This involves supporting initiatives that mitigate greenhouse gas emissions, enhance resilient and adaptive capacity, and protect, conserve and manage our natural ecosystems. Equally important is ensuring that public resources are allocated transparently and effectively, in line with our commitments under the Paris Agreement through implementation of Nationally Determined Contributions (NDCs).

The Government of Rwanda, through the support of the International Monetary Fund's Resilience and Sustainability Facility (RSF), has embarked on a bold path of public financial and investment management reform. Central to these efforts is the institutionalization of **Climate Budget Tagging (CBT)**—a mechanism that strengthens the monitoring, reporting, and decision-making around climate-related public spending.

Notable progress has been made. MINECOFIN has developed operational guidelines for climate tagging, aligned the Budget Call Circular and IFMIS systems, and formed a multi-institutional technical committee including representatives from REMA, the Ministry of Environment, LODA, MINAGRI, and MININFRA to guide implementation.

In addition to green tagging, Rwanda has introduced **brown tagging** to identify spending that may have negative environmental or climate impacts. This complementary measure helps us better assess risks, shift toward more sustainable options, and reinforce climate-conscious decision-making across all sectors. For the fiscal year 2025/26, only fossil fuel and inorganic fertilizer will be considered under brown tagging.

By strengthening these tagging mechanisms, Rwanda is also fulfilling its obligations under the Enhanced Transparency Framework (ETF) of the Paris Agreement. Unlike previous efforts such as the Public Environmental Expenditure Reviews (PEER), which operated

outside the core public finance system, climate and brown tagging are now embedded in national processes, improving data integrity, reducing duplication and data omission.

In conclusion, as climate-related shocks continue to impact the economy and communities alike, the Government of Rwanda remains committed to advancing the climate agenda through transparent, evidence-based, inclusive and sustainable budgeting. By tracking and managing climate-related expenditures more effectively, we are building a resilient, low-carbon economy that delivers on our national goals while ensuring a sustainable future for generations to come.

LIST OF ACRONYMS

RSF - Resilience and Sustainability Facility

IMF - International Monetary Fund

CBT - Climate Budget Tagging

MINECOFIN - Ministry of Finance and Economic Planning

REMA - Rwanda Environment Management Authority

LODA - Local Administrative Entities Development Agency

NDC - Nationally Determined Contributions

GHG - Greenhouse Gas

OECD DAC - Organisation for Economic Co-operation and Development Assistance Committee

IFMIS - Integrated Financial Management Information System

SDGs - Sustainable Development Goals

RCBS - Rwanda Climate Budget Statement

PEER - Public Environment Expenditure Review

MoE - Ministry of Environment

NST1 - National Strategy for Transformation

GGCRS - Green Growth and Climate Resilient Strategy

ETF - Enhanced Transparency Framework

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SECTION 1: INTRODUCTION

A) RWANDAN CLIMATE CHANGE SCENARIO

A rise in temperatures over the last 40 years is a major concern. Rwanda has experienced extreme weather events including violent storms, flooding, droughts, that results in loss and damage. Loss of life and injury, loss of agricultural production as well as damage to private property and public infrastructure. The Government of Rwanda notes with concern of the significant increase in the frequency and intensity of climate induced disasters over the past decade, raising the toll of human casualties as well as economic and environmental losses.

To this effect, the Government of Rwanda is strongly committed to deal with the impacts of climate change. This is done through putting in place policies and strategies with different policy actions and other interventions to deal with Climate change impacts, foster environmental protection and conserve different ecosystems for micro and macro level development spheres of the country. The Green growth and climate resilience strategy (2023) was designed to serve as a blueprint for the required efforts that Rwanda needs to implement green growth and climate resilience agenda until 2050. This is complemented by Nationally Determined Contributions (NDC) which is a climate agenda for the country and serves to support Rwanda to respond to the global but rather domesticated needs of the Paris Agreement. All these short and long-term strategies have an ambitious combined total of over USD 60 million.

B) NDC COMMITMENTS

The Intended Nationally Determined Contributions (NDC) that was first Introduced in Rwanda in 2015 was the first of its kind that Rwanda developed to respond to the needs of the Paris Agreement. In 2020, the country revised the existing INDC and developed a new version of the Nationally Determined Contribution (NDC). This revised NDC commits Government of Rwanda to reduce emissions by 38% until 2030 and projects required financial resources to the tune of $11 million.

Under the revised NDC, sectoral interventions have all been set with respective key performance indicators that will be tracked during the NDC implementation period. This requires institutions to develop capacities to respond to the existing knowledge gap. Government focal persons have been selected to receive training of trainers and later-alone support to train other government institutions.

The Government is also keen to continue supporting inclusive and climate resilience investments that adapts and mitigates to the impacts of climate change. This is clearly envisaged in the National investment policy (2023).

SECTION 2: CBT OBJECTIVE & SCOPE

Why we are building a climate budget statement?

a) Objective & Scope

- ✓ Climate Budget Tagging (CBT) supports in identifying and tracking climate change budget being mobilized and report on their spending. These financial resources include both internal and external funds.
- ✓ Enable the government to make informed decisions and prioritize climate investments especially in areas that are highly affected by climate change. In Rwanda these could include land management, transport, settlement, and water and energy infrastructure among others.
- ✓ Enable public scrutiny on government spending on climate responses to improve accountability and transparency. This is also essential to respond to the requirements of the Paris agreement that Rwanda is a signatory.
- ✓ Mobilize climate-related action across government sectors by providing evidence of ongoing climate-related activities; and
- ✓ Raise public awareness about climate change issues and government's climate responses. In more specific terms, the CBT will help to achieve the above by supporting to:
    - Track climate expenditure for both mitigation and adaptation across sectors,
    - Monitor the level of integration of climate change in the system,
    - Allow the decision-making process to be more informed of the problem and of the progress made in each of the sectors affected by climate change, and
    - Generate information that helps strengthen institutional cooperation for data exchange which is relevant for the

preparation of the inventory needed for producing national reports.

b) Pioneering, based on gender budgeting statement.

While the environment and climate change monitoring statement were not very popular like Gender Budget Statement, the former was a blueprint of the later. Both statements are filled by budget agencies and submit the filled templates (Environment and CC monitoring statement and Gender budget statement) along side the institution's single action plan to the Ministry of Finance and Economic Planning (MINECOFIN). At the end of the year, assessments are done to assess the level of expenditures in climate/environment related interventions.

c) Inform government, Legislature, the public to support our international commitments.

The climate budget tagging will support the government of Rwanda to respond to the obligations under the Paris Agreement, including the implementation of an Enhanced Transparency Framework (ETF) to accurately track climate finance flow. To be able to meet this obligation, every stakeholder is required to play his/her role in an efficient and effective manner.

- **CBT description of why and how; include any limitations for FY2025/2026**

The CBT as earlier indicated started to be implemented in FY 24/25. However, there are challenges that have occurred and still occur in the entire process. These challenges include:

- ✓ Lack of capacities in areas of environment/climate change by government staff. This normally occurs during the activity standardisation as well as differentiating adaptation activities from mitigation activities and/or selecting those activities that fall in both adaptation and mitigation.
- ✓ Inability to track off-budget spending by private sector and development partners.

SECTION 3: CLIMATE BUDGET TAGGING METHODOLOGY

A. Climate Tagging Methodology in Rwandan context

Climate Budget Tagging (CBT) is a tool for monitoring and tracking climate-related expenditures in the national budget system. It provides comprehensive data on climate-relevant spending, enabling government to make informed decisions and prioritize climate investments.

The implementation of CBT is not a one shoe fits all approach but rather depends on the circumstances surrounding the PFM management system at the country level. For the 2025/26 fiscal year tagging will also consider brown expenditures.

Definition of a brown marker; A brown expenditure is one which causes direct harm to climate change mitigation and adaptation objectives, or impedes, contradicts, or counteracts efforts to achieve climate change mitigation or adaptation.

Typical examples of brown activities include direct expenditures on fossil fuels or inorganic fertilizers, incentives that encourage the removal of GHG sinks, or activities which directly finance or incentivize maladaptation and therefore increase vulnerability to climate change impacts.

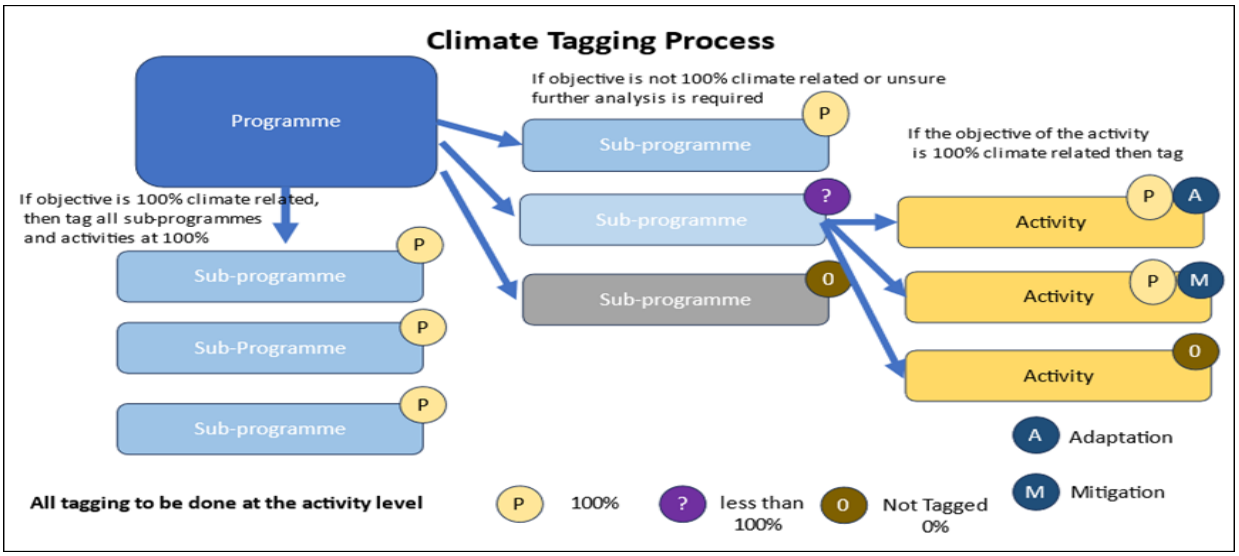
B. Linkages to IFMIS

- IFMIS has made Provisions in the budget system to introduce climate budget tagging by developing an IT-based system. Therefore, a provision has been made to mark the climate related activities. The provision has options with drop down menu: For example,

To mark whether the activity is contributing to one of the three climate objectives mitigation (1), adaptation (2) or both (mixed) (3), In addition to the three existing climate tags—mitigation, adaptation, and cross-cutting—the brown tag has also been introduced to help identify climate-related activities that may have negative environmental impacts or contribute to maladaptation.

- Ministries, Agencies and districts planners, through the IFMIS system have tagged climate related activities which are development in nature. User guidelines (Annex-4) have been developed to support BAs in Integrating CBT and Brown tagging within the IFMIS and will be more encompassing and robust in providing information about climate-related budget. Below is a figure illustrating the Climate budget tagging process in the IFMIS;

Figure 2: Rwanda's Climate budget tagging process in IFMIS



a) Reporting approach.

The IFMIS system provides reports on tagged interventions including budget allocation and actual spending. In year and end year execution reports are extracted to monitor implementation and financing on climate change and consequently published in the consolidated budget execution report.

SECTION 4: KEY CLIMATE PRIORITIES FOR FY 2025/2026

A) FY 2025/2026 CLIMATE SPENDING HIGHLIGHTS

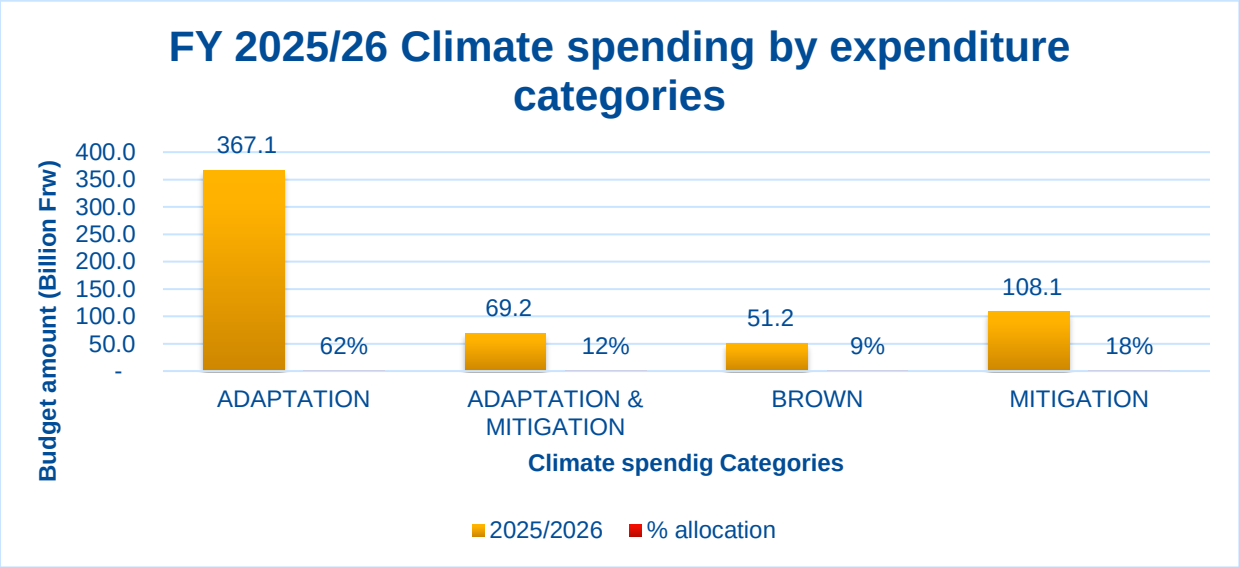
For the FY 2025/2026, following the introduction of brown expenditure tagging, priorities fall under adaptation, mitigation, some under both and others brown. Rwanda prioritization focused largely on adaptation interventions due to its level of vulnerability which accounts for 62% of the total allocation to climate change related interventions. On the other hand, mitigation specific interventions take 18% and interventions that fall under both categories account for 12% where as piloted brown expenditure (Fossil fuel and Inorganic fertilizers) account for 9% of the total allocation.

Adaptation interventions include Post harvest handling, Sustainable, Diversified and Climate Smart Crop Production and Productivity, increased irrigation systems, land scape restoration, environmental compliance and enforcement, sustainable agriculture

practices, environment and climate change mainstreaming as well as developing capacities and increasing resilience of the communities to adapt to effects of climate change.

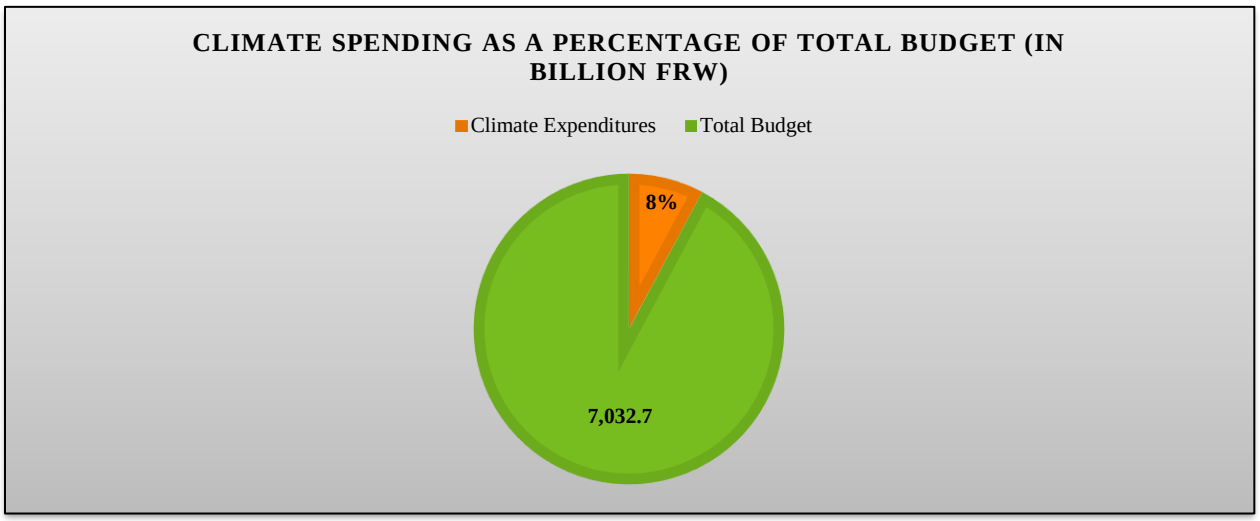
Below Chart illustrates projected spending in the FY 2025/2026.

Chart 1: 2025/2026 Climate spending by expenditure categories



The overall share of climate change related interventions for the FY 2025/26 against the total government budget is sustained at 8% as indicated by the extracted budget tagging results in IFMIS. Below chart demonstrates allocation to climate related spending vis a vis total Government expenditure;

Chart 2: Climate Spending projections as a percentage of Total Budget



B) CLIMATE SPENDING ALLOCATION BY SECTORS

A big portion of climate related spending is in the environment sector followed by the energy sector and transport. This is so because, the Ministry of Environment, affiliated agencies and interventions earmarked to districts were considered. In addition to this, this is the sector that is responsible for climate change and therefore most of the sectoral allocations are in that space.

Graph 1: 2025/2026 Climate Spending allocation by sectors (In Billion Frw)

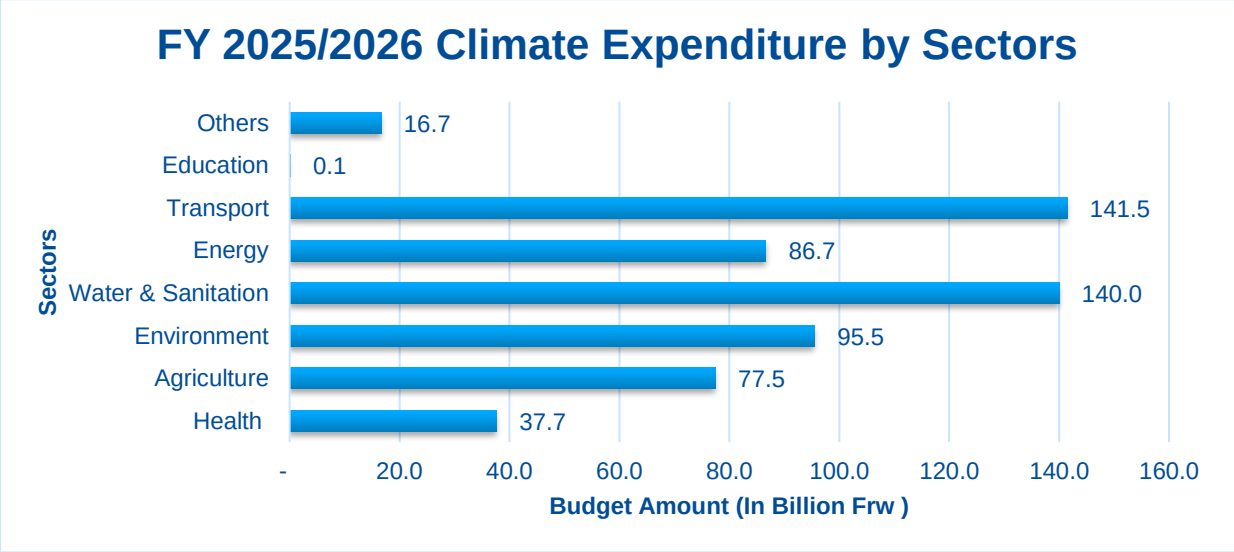


Table 4.1 Summary Report in Billion Frw						
CBT Type	2025/2026	% Allocation	2026/2027	% Allocation	2027/2028	% Allocation
ADAPTATION	367.1	62%	356.5	61%	297.2	56%
ADAPTATION & MITIGATION	69.2	12%	62.4	11%	58.4	11%
BROWN	51.2	9%	65.2	11%	73.9	14%
MITIGATION	108.1	18%	101.9	17%	104.8	20%
Total	**595.7**	**100%**	**586.0**	**100%**	**534.3**	**100%**

SECTION 5 CONCLUSION

As climate risks continue to shape development outcomes, Rwanda remains firmly committed to strengthening the integration of climate considerations across all phases of public financial management.

It is observed that budget allocation to climate change related interventions is projected to increase in nominal terms from Frw 465.9 billion in 2024/2025 to Frw 595 billion in 2025/2026. Thus, the government calls upon all stakeholders both government and non-government to take into consideration climate change impacts in their planning and budgeting processes as well as Climate budget tagging to facilitate efficient resources allocation and expenditure tracking.

Through the institutionalization of Climate Budget Tagging (CBT) and the introduction of brown tagging, Rwanda is enhancing its ability to track, prioritize, and align climate financing with national goals. These tagging mechanisms serve as tools for improved policy dialogue, enabling the government to identify high-impact interventions, reduce climate-negative investments, and ensure that resources are effectively allocated for both mitigation and adaptation efforts.

The government will continue to produce an annual report on climate expenditures, ensuring transparency and accountability across all budget agencies. These insights will not only support expenditure reviews but also guide future allocations by spotlighting what is working, identifying gaps, and informing shifts toward more impactful climate action.

Rwanda's journey toward a climate-resilient economy will be sustained by evidence-based planning, coordinated policy implementation, and inclusive stakeholder engagement. By institutionalizing both green and brown tagging, we reaffirm our commitment to responsible budgeting and long-term sustainability.

Together, we are shaping a climate-smart future grounded in transparency, guided by resilience, and driven by the shared ambition to build a greener and more prosperous Rwanda.