



NEEDS BASED FINANCE FOR KENYA

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Policy Background

- ❖ Kenya developed its Climate Change Act in 2016.
- ❖ The act under section 25 gives provision of the establishment of the Climate Change Fund under the National Treasury and Planning.
- ❖ The work of the National Climate Change Fund is to provide resources for:
 - a. Development of innovations and research.
 - b. Support innovative actions.
 - c. Support implementation of climate change adaptation and mitigation actions.
 - d. Provide technical assistance to the counties.
- ❖ The National Treasury and Planning has set aside USD 500 M to operationalize the fund and the draft memo is waiting co-signing by the Ministry of Environment and Forestry.
- ❖ Kenya also has a National Climate Finance Policy whose work is to:
 - a) Promote Climate Finance flows in Kenya.
 - b) Enable Climate Finance through budget coding.
 - c) Enhance private sector participation.
 - d) Accelerate green economy through tech transfer.
 - e) Enhance benefit sharing from climate change proceeds.



The role of key ministries within the Climate Change landscape in Kenya.

- The National Treasury and Planning- It plays key role in providing financial management and support on matters related to climate change. It also host the GCF focal point office in Kenya.
- The Ministry of Environment and Forestry- it provides technical and policy management support on issues of climate change in the country. This is inclusive of support to the climate change council as well as the nation treasury.
- Other ministries are Ministry of foreign affairs, Ministry of Education Science and Technology, Ministry of Agriculture and others who bring on board the multi-stakeholder aspect in Climate Change discussions.
- Climate Finance is managed under the following departments at the National Treasury: Directorate of public debt management, Directorate of portfolio management and Directorate of accounting services and quality assurance.
- Climate Finance at the national treasury is umbrellaed under Climate Finance and Green Economy Unit.
- The role of the unit is to create linkages between Climate Finance mechanism and other state and non state organizations.



Devolution of Climate Finance in Kenya.

- Kenya has Devolved The national Climate Change Fund to the 47 counties in Kenya to firm County Climate Change Funds.
- As a result 5 counties (Makueni, Wajir, Garissa, Isiolo amd kitui) have established county climate change fund whose roles are to:
 - Fund priority areas linked to county development priorities through CIDPS.
 - Align funds to local priorities with the intention of building community resilience.
 - Embrace social inclusion and public accountability..
- The result of this has been:
 - ✓ 100 community prioritized public goods investemts across 5counties.
 - ✓ Enhanced local institutions championing climate resilience.
 - ✓ Increased annual domestic income by 8% at household level.



Challenges of Devolution of Climate finance in Kenya

- The challenges are :
 - Lack of community participation.
 - Institutional sustainability in the Investment post implementation.
 - Integration of Climate information into design of investment while ensuring the most vulnerable benefit.
 - Disconnect between government and community planning due to lack of consultation with traditional community based institutions in planning processes.
 - Lack of community oversight in procurement.
 - Lack of capacity by community to develop proposals aligned to government structures
 - Centrally set budget guidelines that limit sub-national government ability to support local priorities.



Budget Expenditure, Tracking, Monitoring and Evaluation.

Kenya is part of the enhanced transparency framework under article 13 of the Paris Agreement.

Ksh. 500m is needed to operationalize the climate change fund through starting financing activities and tracking of climate finance.

There is a need to differentiate between adaptation and mitigation actions through ensuring objectives plus outcomes of planned activities are to be on clear budget lines.

Kenya has developed the National Integrated Monitoring and Evaluation System (NIMES) to help track financing in Ministries and MDAs. This has been further mainstreamed to counties into County Integrated Monitoring and Evaluation System (CIMES).

The national treasury has also developed a handbook on Medium Term Plans implementation and CIDP indicators for counties.

The Climate Expenditure budget code has been built on Programme Based Budget to ensure accountability and result based financing.

It uses the Standard Charter of Accounts to code and record Climate expenditure in the IfMIS.

The SCOA maps budget data and associated programme and sub-programme to the required degree



Challenges in Budget Expenditure, Tracking, Monitoring and Evaluation.

The challenges are as follows;:

- Lack of adaption Indicators globally.
- Kenya is yet to create an effective monitoring toolkit with IFMIS and NIMES.
- A sufficient amount of Cliamte financing does not pay through the National treasury's IFMIS systems- CSOs
- Specialized government agencies such as TSC use other accounting systems different from IFMIS.
- Skills needed for coding and tracking Cliamte Finance remain a challenge as it requires Integrated skills from both Cliamte and Accounting.
- There is no globally agreed definition of Cliamte Finance thus making it hard to monitor.



Overview of Climate Financing modalities in Kenya

- ❑ From 2005 to 2015 the government of Kenya had provided ksh. 37 billion while development partners have provided Ksh. 194 billion for climate change in Kenya.
- ❑ For GCF in Kenya, Key milestones has been the establishment of a functioning NDA office that has managed to accredit NEMA, ACUMEN and KCB bank with other nominees being Geothermal development company, ACTs, Green Earth Trust among others.
- ❑ Under GCF the country has a total of 8 projects approved with USD 2.839 billion; 2 being for readiness, 1 for Institutional readiness for adaptation fund.
- ❑ The Green Environmental Facility supports environmental projects with clear Climate change outputs.
- ❑ In the Adaptation Fund NEMA received USD 10M which partly has been used to help the country to prepare its National Adaptation Plan.
- ❑ For the private sector the government has given a 10 year tax holiday for small scale solar projects.
- ❑ There is need for Kenya to be well positioned to act on emerging carbon market opportunities.
- ❑ There is also need for a primary carbon trading platform that will facilitate origination of carbon credits from individual projects.
- ❑ Kenya also needs to ensure its negotiations are strategic.



Approved GCF projects in Kenya

Project Name	Accredited Entity	Executing Entity	Project Size (USD)	Project Area	Status
GCF NAP Readiness Programme	FAO	Min. of Environment & Forestry; National Treasury	3	Kenya	Approved; Disbursed
Global Energy Efficiency and Renewable Energy Fund (GEERF) NeXt	EIB	Ministry of Energy	765	Multi Country	Approved in 2017
KawiSafi Ventures Fund	Acumen Fund Inc.	Acumen Capital Partners LLC.	110	Kenya, Rwanda	35% Disbursed
The Universal Green Energy Access Program (UGEAP)	Deutsche Bank	Ministry of Energy	301.6	Multi-Country	Approved in 2017
Climate Investor One (CIO)	FMO		821.5	Multi-Country	Approved in Nov 2018
Transforming Financial Systems for Climate (TFSC)	AFD		745	Multi-country	Approved in Nov 2018
Promotion of Climate-Friendly Cooking	GIZ	Ministry of Energy	58.8	Kenya, Senegal	Approved in Feb 2019
Towards ending drought emergencies: Ecosystem based Adaptation in Kenya's arid and semi-arid rangelands (TWEENDE)	IUCN	Ministry of Agriculture & Irrigation; NDMA	34.5	Mandera, Wajir, Isiolo, Lamu, Marsabit, Garissa, Tana River, Makueni, Kajiado	Approved in July 2019
Kenya NDA Capacity Strengthening and Country Programming	-	The National Treasury and Planning	USD 845,670	Countrywide	Approved in Dec 2019

Approved GCF projects in Kenya

Title of Project	Accredited Entity (AE)	Lead Executing Entity (EE)	Project Size (million USD)	Project Area	Status
Transforming Landscapes of Livelihoods in Kenya through a Water-Agriculture-Energy Nexus Approach	FAO	Ministry of Agriculture and Irrigation	250	Lake Basin	Full proposal
Enhancing Community Resilience through Tree Crop Based Livelihood Options in Makueni, Kilifi and Muranga Counties	NEMA	KEFRI	10	Makueni, Kilifi, Muranga	Full proposal
Enhancing the Resilience of Communities and Ecosystem in Athi River Catchment Area, Kenya	NEMA	Water Resources Authority (WRA)	10	Kiambu, Machakos, Nairobi, Nyandarua	Full proposal
Catalyzing REDD+ through large-scale private sector investment	Conservation International	KFS; Partner, Baker & McKenzie	61.8	Kenya, Cambodia	Full proposal
Strengthening County Governance to Access Climate Finance for Sustainable Development	NEMA	NDMA	10	All Counties	Full proposal
Greening Kenya's Special Economic Zones (SEZ): Achieving the Competitiveness in the Face of Resource Scarcity and Changing Climate Regime	UN Environment	KIRDI	28.87	EPZs in Nairobi, Machakos, Kilifi, Mombasa, Kwale	Full proposal

Challenges for Kenya in accessing Climate Financing modalities

– Key challenges:

- ❑ Lack of technical and institutional capacities on best practices- the entails development of bankable proposals.
- ❑ Slow GCF processes as funds are first transferred to the head quarters of the indirect access entities then rerouted back to the country.
- ❑ Difficulty in accessing climate finance from domestic banks due to limited capacity in Kenyan institutions.
- ❑ Capacity gaps indicate lack of adequate investment in research and Development and products of Development.



Green Bonds

- Transitioning to a low-carbon, and climate resilient economy, and more broadly green growth requires significant investment and consequently green financing
- Green Bonds offers an attractive mechanism to tap into impact/non-traditional investors and allocate capital to green, low carbon and climate-resilient infrastructure.
- Identified in the GESIP, National Policy on Climate Finance, NCCAP a key innovative instrument in financing priority areas with high GHG emission abatement potential or high climate resilience benefits.
- The global green bond market has grown exponentially over the past 5 years, reaching approximately USD167.5 billion issuance in 2018 - opportunity.
- The framework is a set of guidelines on the characteristics of the Sovereign Green Bond
- Kenya's framework has been developed to fit into the broader government's roadmap for sustainable financing
- It will ensure that the Sovereign green bonds, not only has a balance of environmental, social and economic objectives, but is also aligned with Green Bond Principles (GBP)
- The components of GBP are:
 - Use of proceeds.
 - Management of proceeds.
 - Process of project evaluation and selection.
 - Reporting.

Thank you for listening

