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REPORT ON IMPLEMENTATION OF THE NATIONAL ASSEMBLY'S RECOMMENDATIONS ON THE OUTCOMES OF THE UNITED NATIONS CONFERENCE OF PARTIES TO THE UNITED NATIONS FRAMEWORK ON CLIMATE CHANGE (COP24)

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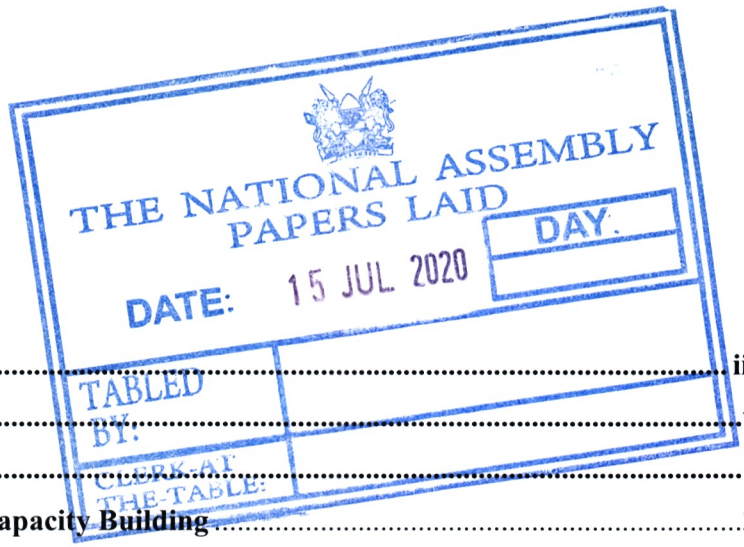


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EXECUTIVE SUMMARY

The United Nations Conference on Climate Change (COP24) took place in Katowice, Poland between 3rd and 14th December, 2018. The conference included the 24th session of the Conference of Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) which recommended the finalization of the rules for implementation of the Paris Agreement on climate change under the Paris Agreement Work Program (PAWP).

A Kenyan delegation was led by the Cabinet Secretary (CS) for the Ministry of Environment and Forestry (ME&F) and included: i) Kenyan Members of Pan-African Parliament; ii) The National Treasury; iii) Ministries, Departments, Counties, and Agencies (MDCAs); and iv) Civil Society organizations (CSOs). The National Assembly delegation noted vide the referenced letter that there was need for Kenya to create awareness about climate change issues, and build capacity for climate finance mobilization and utilization in readiness for funds pledged at COP24. Hence, The National Assembly recommended that, the CS for the National Treasury and Planning, as Kenya's National Designated Authority (NDA) for the Green Climate Fund (GCF) should seek to enhance climate finance awareness and build capacity for stakeholders to effectively benefit from the climate financing programme pledged at the COP24, enforce policies to safeguard finances for climate change, and make climate funds more accessible to all.

Against the above backdrop, the National Treasury (NT) has been undertaking the following actions:

a) Conducted Climate Finance (CF) regional training programmes and awareness workshops for personnel from MDCAs, CSOs, and the private sector on climate financing in Kenya from May – July 2019. The workshops and programmes include:
    i. Seven (7) county capacity building workshops on the GCF.
    ii. Supported piloting of Kenya Accountable Devolution Programme Two (KADP II)
    iii. Developed a Locally-led Climate and Disaster Risk Management Programme for capitalizing all the 47 County Climate Change Funds (CCCF) approved by the World Bank in February, 2020 and amounting to USD 300M.
    iv. Developed a medium to long-term Climate Finance Training Programme in partnership with Cambridge University , Financial Sector Deepening Africa (FSD

Africa), Eastern and Southern Africa Management Institute (ESAMI), and Kenyatta University (KU) for training of medium to senior government officers at management and policy levels.

b) Developed a stand-alone Climate Finance Training Curriculum aimed at training County personnel on access and management of Climate Finance.

c) Continuous implementation of the National Policy on Climate Finance 2018 (Sessional Paper No. 3 of 2017) through:

   i. Reviewing the Climate Public Budget Expenditure Review (CPBER) on climate actions.

   ii. Developed the Cimate Expenditure Budget Codes Training handbook.

   iii. Developed the Kenya Sovereign Green Bond Framework.

   iv. Facilitated the issuance of the 1st corporate green bond in sub-Saharan Africa which was cross-listed in the Nairobi Securities Exchange (NSE) and the London Stock Exchange (LSE).

d) In response to mobilization of climate finances and access to climate funds both at national and county governments, the NT has established mechanisms to mobilize climate financing from various sources as follows:

   i. Developed the "Climate Finance in Kenya: Review and Future outlook" discussion paper outlining climate finance mobilized and the project pipelines. https://www.adaconsortium.org/index.php/component/k2/item/397-climate-finance-in-kenya-review-and-future-outlook).

   ii. Developed twenty nine (29) project proposals and concept notes twelve (12) of which have been approved and funded by the GCF.

   iii. Developed draft Climate Fund Regulations (2019) for the establishment of a Climate Change Fund (CCF) with approved seed capitalization of KES 500M from GoK and USD 300M from the World Bank.

   iv. Established systems to tap into the global green bond market, a key innovative instrument in financing priority areas with high greenhouse gas (GHG) emission abatement potential.

v. Established a taskforce to develop the National Green Fiscal Incentives Framework Policy aimed at providing incentives to the private sector to support climate change actions at the local level and will be replicated at all counties.

1.0 BACKGROUND

COP24 is the informal name for the 24th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC).

The UNFCCC is a "Rio Convention", one of three adopted at the "Rio Earth Summit" in 1992. The UNFCCC entered into force on 21 March 1994. Today, it has near-universal membership. The countries that have ratified the Convention are called Parties to the Convention. Preventing "dangerous" human interference with the climate system is the ultimate aim of the UNFCCC.

The Conference of the Parties (COP) is the supreme body of the UNFCCC Convention. It consists of the representatives of the Parties to the Convention and holds its sessions every year. The COP takes decisions which are necessary to ensure the effective implementation of the provisions of the Convention and regularly reviews the implementation of these provisions.

In accordance with a decision of the 22nd Session of the Conference of the Parties to the Climate Convention (COP22) in Marrakesh in November 2016, the successive climate summit (COP24) was held in Poland. Poland was selected to host this event within the framework of the Eastern European Group (EEG). Poland held the Presidency of the Climate Convention for the fourth time. The COP24 conference took place from 2nd to 16th of December 2018 in Katowice, Poland.

The main goal of the COP24 summit was to adopt a package of implementing rules for the Paris Agreement. Additionally, the summit sought to finalize the Paris Agreement Work Programme. This would put into place the practical implementation guidelines needed to track progress and ensure that climate action is transparent. This in turn would build trust and send a signal that governments are serious about addressing climate change. The COP24 established a clear way forward on climate finance to ensure greater support for climate action in developing countries.

The COP24 deliberations would determine climate efforts and action for years to come. With high-level events, panel discussions and roundtables, particularly, COP24 aimed to address three main issues: i) the rules and procedures for how countries will meet their commitments, ii) how climate action will be financed, and iii) "ambition"—what countries may be willing to do to exceed their

Paris emissions-cutting commitments when they're updated in 2020. The Paris Agreement Work Programme would make the Paris Agreement fully operational by unlocking ambitious action to reduce emissions of greenhouse gases, to adapt to the impacts of climate change, and to empower developing countries.

In view of the above background, the Kenyan delegation attended the conference to ensure Kenya's interests are well represented in the review and implementation of the Convention and any other legal instruments that the COP adopted. The rest of this report is arranged as follows: the next section outlines in detail the actions Kenya has undertaken to implement the first recommendation on enhancing climate finance awareness and building capacity for climate finance readiness, followed by a section on Kenya's climate policy environment that safeguards finances for climate change. The last section provides Kenya's resource mobilization actions in light of the third Parliamentary recommendation on climate change funds availability.

2.0 ENHANCING AWARENESS AND CAPACITY BUILDING

The National Treasury through the climate finance unit (CFU) is at the forefront of setting arrangements for enhancing awareness on climate change issues and building capacity for climate finance readiness of MDCAs, CSOs, and the private sector. In Particular, the National Treasury has organized training and workshops across the country to build capacity in accessing climate finance opportunities. Some of the workshops and trainings that have been implemented post COP24 by the NT include:

2.1 County capacity building workshops on the green climate fund (see annex 1)

The NT in collaboration with the ME&F, the CoG, and the Pan African Climate Justice Alliance (PACJA) organized county capacity building workshops on the GCF across 6 counties namely Machakos, Isiolo, Embu, Eldoret, Kisumu and Mombasa between 13th May and 6th June 2019. The trainings were organized into six clusters according to the existing six county economic clusters or blocs. A total of 199 participants drawn from 34 county governments, CSOs, and private sector actors attended the workshops.

The stakeholders were sensitized on and familiarized with the requirements of the GCF, including its access and modalities. The stakeholders were also trained on how to access domestic and international climate finances including the GCF with particular focus on programme/project development in line with Kenya's priority areas. They were also exposed to existing policy frameworks at international, national, and county levels that support access to climate finance from various sources.

The NT is currently supporting all six economic blocks in developing their funding proposal to attract climate finances

2.2 Capacity building on climate change management – training course at Kenya School of Government (see annex 2)

The Ministry of Environment and Forestry (ME&F) in collaboration with the Kenya School of Government (KSG), NT and other stakeholders developed a 'Climate Change Policy, Planning and Budgeting at National and County Level Training Course'. The course is executed by KSG. Within the course curriculum, the NT handles the climate finance module.

2.3 Sensitization workshops on climate finance budgeting and expenditure tracking (see annex 3).

The NT in collaboration with the United Nations Development Program (UNDP) organized a workshop to sensitize county chief officers for finance on climate finance budgeting and expenditure tracking. The workshop held in Kisumu on 9th – 11th September 2019 was attended by fifty-four (54) participants. The Key objectives that were addressed during the workshop include:

i. Capacity building for County governments, civil society organizations (CSOs) and private sector players on identifying climate change elements, planning, budgeting, coding, tracking and reporting expenditure towards climate adaptation and mitigation within their programs and projects;
ii. Conducting County diagnostics analysis to inform the development of the National Program on Climate Finance: Budgetary Reforms for Resilience Local Level Planning and Budgeting.
iii. Consultation on the accreditation of the Council of Governors (CoG) to the GCF

2.4 GCF accreditation support for the Council of Governors (see annex 4)

In conjunction with the World Bank Group the NT under Component 2 (Development of County-level Capacity and Programming for Climate and Disaster Risk Management) of the Kenya Accountable Devolution Programme (KADP2) is supporting the CoG's accreditation process to the GCF. The support entails the recruitment of a consultant to conduct a gap analysis and strengthen capacity of the CoG to enable county accreditation and access to GCF funding, and the development of a preliminary concept note for eligible climate change investments by counties to be supported by the GCF.

2.5 Development of climate finance budget coding, tracking and reporting training handbook: Enhanced Transparency of Climate Finance in Kenya (see Annex 5)

The training handbook on climate finance budget coding, tracking and reporting is part of the Government of Kenya's strategic intervention to build climate finance capacity to better coordinate resource mobilization and track expenditures on climate change at both the national and county levels. Climate finance tracking and reporting will not only enhance coordination and effectiveness of climate change mitigation and adaptation efforts and initiatives but will also promote robust transparency in accordance with the Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC).

The handbook was developed by a Multi-Stakeholder Technical Working Group coordinated by the National Treasury and the Ministry of Environment and Forestry. The team was composed of officers appointed from the National Treasury (TNT), the Ministry of Environment and Forestry; State Department of Planning; Council of Governors (CoG); Kenya School of Government (KSG); Kenya Private Sector Alliance (KEPSA); Transparency International (TI) and Pan African Climate Justice Alliance (PACJA).

A wide range of individuals and institutions were consulted during preparation of the handbook. This culminated in a validation workshop attended by representatives from State departments and agencies of the national government, county governments, civil society, the private sector, and academia. The National Treasury is also grateful to the national and international climate change experts who provided valuable technical inputs to the process.

2.6 Climate Finance training in partnership with Cambridge University, FSD Africa, ESAMI & Kenyatta University (KU) (see annex 6)

The objective of this project is to identify, provide and deliver capacity building initiatives to develop capacity of financial sector stakeholders, policy makers and regulators in climate finance (At present there is no provider of this kind of bespoke climate finance training programme in the region).

The project has identified a reputable UK academic training provider (Cambridge University) to develop the content and train local trainers from collaborating universities and/or other training service providers to ensure local training capacity is available at the end of the project. At this stage, the project has not concluded discussions and agreed with all the potential UK and local partners.

Key partnerships

To ensure international recognition, the training programme will be developed by an internationally recognized training provider. (Preliminary discussions are currently being pursued with some UK institutions as well as potential local and regional host institutions such as King's College, London, University of London, Imperial College London, Cambridge University and the International Institute for Environment Development). An independent consultant will first undertake a training needs analysis before developing tailored training courses that are relevant for local market needs.

Local partnerships have been explored with local universities such as Nairobi University, Kenyatta University, Kenya School of Monetary Studies, Strathmore University. However, it is considered that a regional training institute such as East and Southern Africa Management Institute (ESAMI) is best suited to host the training in order to reach a wider group of decision makers from Sub Saharan Africa. Also, it is imperative to ensure long-term sustainability and cost-effectiveness.

The architecture of collaboration will be such that the international partner will be responsible for long-term curating of curriculum content and updating to ensure it remains relevant to the market. To ensure sustainable supply of future trainees, some level of recognition/mandating by regulators

and industry associations will be pursued. In addition, the project will explore how future trainings can be funded through scholarships issued by national, development partners and county government budget allocation for public servants as well from global climate change funds. We envision the short course described below as a 'quick-win' aimed at sensitising and raising market awareness, whereas at the core is the masters programme the of which the design and implementation is likely to take a longer duration.

The approach described above supports FSD Africa in its market facilitation objective to both build capacity and support the delivery of projects that achieve a long-lasting significant impact on newly emerging innovative green financial markets. There is potential for this project to be regionalised either through collaboration with other Ministries of Finance or various financial sector stakeholders in the region through a 'hub and spoke' approach where Nairobi remains the regional and global centre for climate finance training delivering for short and long courses on climate finance or 'exporting' training to other countries.

2.7 Resource mobilization "Climate Finance in Kenya: Review and Future Outlook" working paper (see annex 7)

"Climate Finance in Kenya: review and future outlook", a comprehensive working paper collaboratively authored by representatives from the National Treasury and Planning, African Center for Technology Studies (ACTS), International Institute for Environment and Development (IIED), and the adaptation (ADA) Consortium highlights the climate finance mechanism in Kenya.

The paper shows that the country has made significant progress in Climate Finance management but there is huge opportunity for Kenya to develop a robust system and be a regional leader in climate financing. So far, the country has made good progress in setting up policies and institutional arrangements to help mobilise, allocate and monitor climate finance. The various policy instruments set out by the government to enhance processes of climate financing paint a progressive future. The National Policy on Climate Finance seeks to position the country to better access climate finance through a variety of well-thought-out strategies to be executed through public–private partnerships.

Furthermore the paper recommends continuous research and innovation in climate adaptation and mitigation and diffusion of local technologies through investment incentives from both the public and private sectors. Research and innovation will play a key role in climate change adaptation and mitigation strategies and interventions. The complex and dynamic nature of climate change and its impacts further requires Kenya to expand and maintain systems for targeted and continuous innovation, including development of locally contextualized technologies. Capacity building for both national and county entities and other stakeholders in climate finance is critical if progress is to be actualised.

2.8 Financing Locally Led Climate Actions Program (FLLCoA) (see annex 8)

The proposed program aims to strengthen local resilience to the impacts of climate change, natural hazards, and other shocks/stressors by building counties' capacity to plan, implement and monitor resilience investments in partnership with communities. It would emphasize the governance, social inclusion and citizen participation aspects of climate and disaster risk management, and support resilience investments identified by counties in partnership with communities. The program will be national in scale, linking local level action to national level coordination and planning, and would be designed to build the capacities and systems for understanding, planning, administering climate resilience investments while at the same time funding the investments themselves

3.0 FRAMEWORKS AND POLICIES FOR CLIMATE FINANCE

Kenya's Climate Change Act 2016, the National Climate Finance Policy, 2018, and the National Climate Change Action Plan (NCCAP) 2013 – 2022 underpin Kenya's climate finance policy setting. The underlying objectives of these progressively developing policies and the corresponding regulatory mechanisms are climate action support and mobilization of adequate finances. Pointedly, the National Policy on Climate Finance (see annex 9) which was adopted by Parliament as Sessional No. 3 of 2017 on 23rd February 2018 seeks to increase the country's adaptive capacity and build resilience to climate change while promoting low carbon sustainable development path. The policy helps in the mobilization of both domestic and international climate finances.

The goals of the policy are to provide a legal and institutional framework to guide and promote:

- climate finance flows in Kenya
- tracking of climate finance through budget coding
- enhanced private sector participation
- accelerated green economy through technology transfer
- enhanced benefit sharing from climate change proceeds in the country

The implementation of the National Climate Finance Policy is estimated to be KES 200 million annually for a 5-year period.

In line with the progressive nature of Kenya's policy setting on climate finance, the NCAAP has set targets to be achieved between 2020 – 2022 (see Table 1). The CFU of the NT will provide the necessary technical support required to achieve the targeted climate finance related interventions.

Table 1. Target climate finance related interventions at the National Treasury.

Intervention	Milestone
Green Fiscal Framework	Accelerate private financing of climate resilience and low emissions investment
Training on Transparency	80 county CEC of environment, economic planning CFOs, directors and chief officers trained
Capability development for supporting implementing agencies	100 technical officers from the ministries, departments, Agencies, private sector and civil society organizations
Carbon credit registry development	A carbon registry delivery is developed
Development of draft Sovereign green bond framework	Green bond framework is developed and sovereign green bond issued to raise at least USD 50M
Development of Kenya climate change fund (KCCP) regulation	Climate change fund regulation is developed
Development of pipeline projects/program proposals	At least five project concept notes developed and two full project proposals of USD 100M
Green Financial initiatives acceleration	3 SMEs supported to provide green financing services
Accreditation of new direct access entities	At least two new direct entities accredited by GCF
Implementation of the National climate finance policy	At least 30 counties supported to develop and implement county specific climate policies, action plans, NDCs etc.
Establishment of the Kenya climate change fund (KCCF) secretariat	Kenya climate change fund (KCCP) Established, capitalized and operational
Support counties to establish climate funds	At least 10 counties establish and have dedicated climate change funds
Mobilization of additional climate finance	At least 100M mobilised to finalise pipeline projects

Also, in the Capital Markets space, Kenya recently launched the Kenya *Green Bonds Regulatory Framework*, which includes Capital Markets Authority (CMA) *Policy Guidance Note for Issuance of Green Bonds* and *NSE Listing Rules* incorporating listing requirements for Green Bonds. Development of Kenya's Sovereign Green Bond Framework for the issuance of sovereign green bonds is ongoing (see annex 10).

4.0 RESOURCE MOBILIZATION FOR CLIMATE ACTION

4.1 The Green Climate Fund

The GCF is a new global fund and a mechanism of the UNFCCC created to support the efforts of developing countries to respond to the challenge of climate change. The NT as the NDA for GCF in Kenya executes GCF works at the National and Sub-National levels. The NDA is the contact focal point of the fund within the country and maintains communication with the fund. Financing from the GCF is accessed only through development of funding proposals submitted via an entity that has been accredited by the fund. Credited entities are either national, regional or international (direct or indirect) entities that meet the accreditation requirements of the fund's activities in the country.

The NT has issued accreditation nomination letters to Ten (10) entities since 2015. Out of the ten (10), two (2) entities i.e., National Environment Management Authority (NEMA) and Acumen Fund Inc. have been accredited. Other entities in the process of accreditation include: Kenya Commercial Bank (KCB); Geothermal Development Company (GDC); African Centre of Technology Studies (ACTS); One Acre Fund; Green Earth Trust; East African Development Bank (EADB); Cooperative Bank of Kenya; Kenya Red Cross; Kenya Industrial Research and Development Institute (KIRDI) and the CoG.

To accelerate access to climate finance, the NT as the GCF's NDA has approved the development of twenty nine (29) proposals and concept notes which are at different levels of development or implementation. In total, Kenya has a pipeline of about twenty nine (29) funding proposals and concept notes at different levels of development and implementation.

Of the twenty nine (29) proposals, twelve (12) funding proposals including a National Adaptation Plan Readiness Programme have been ***approved and funded*** by the GCF Board. Table 2 provides a summary of approved projects and programmes.

Table 2. Funding proposals and concept notes under development or implementation

	Project/Programme/title	Accredited Entity (AE)/ Delivery partner	Lead executing entities (EEs)	Total project investment (million USD)	Project area	Year of approval
1.	Towards ending drought emergencies: Ecosystem based Adaptation in Kenya's arid and semi-arid rangelands (TWENDE)	International Union for Conservation of Nature (IUCN)	Ministry of Agriculture and Irrigation; NDMA	34.5	Kenya (Mandera, Wajir, Isiolo, Lamu, Marsabit, Garissa, Tana River, Makueni, Kajiado).	2019
2.	Readiness Support – NDA Capacity Strengthening and Country programming	-	The National Treasury	0.85	Kenya	2019
3.	Promotion of Climate-Friendly Cooking	GIZ	Ministry of Energy	58.8	Kenya and Senegal	2019
4.	Climate Investor One (CIO)	FMO	Local financial partners/ institutions	821.5	Multiple Countries	2018
5.	Transforming Financial Systems for Climate (TFSC)	Agence Française de Développement (AFD)	Local financial partners/ institutions	745	Multiple Countries	2018
6.	Project Preparation Facility for Athi River Catchment GCF Funding proposal	UNON	NEMA	0.339	Kenya	2018
7.	Readiness Support - NEMA capacity strengthening programme towards accessing climate finance from the Green Climate Fund	UNON	NEMA	0.431	Kenya	2018
8.	NAP Readiness Programme - Enhancing Capacity for Planning and Effective Implementation of Climate Change Adaptation in Kenya	Food and Agriculture Organization of the UN (FAO)	Min. of Environment; The National Treasury; KEPSA; KAM	3	Kenya	2018
9.	Global Energy Efficiency and Renewable Energy Fund (GEERF) NeXt	European Investment Bank (EIB)	Ministry of Energy	765	Multiple Countries	2017
10.	KawiSafi Ventures Fund	Acumen Fund Inc.	Acumen Capital Partners LLC.	110	Kenya and Rwanda	2015
11.	The Universal Green Energy Access Program (UGEAP)	Deutsche Bank	Ministry of Energy	301.6	Kenya, Benin, Namibia, Nigeria, Tanzania	2016
12.	UNDP, WRI and UNEP Readiness Programme	UNEP, UNEP	The National Treasury	1.35	Kenya	2016

In summary, the total GHG emissions avoided as a result the above mentioned projects is 1,215 MTCO2 Eq. while the Resources mobilized are: (i) Direct/Kenya alone = USD 39.2 Million; and (ii) Multi-country projects USD273.48 Million.

4.1.1 Green Climate Fund (GCF) Readiness Support Project Application for the NDA 2019 (USD 845 000) (see annex 11)

Kenya, being an emerging economy, is one of the country's most vulnerable to impact of climate change. The country is classified among the countries and regions most at risk to effects of climate change, with severe consequences expected over the short to medium term across such sectors as Agriculture, Industry, Energy, Water, Trade and Tourism (IPCC, 2014). According to the recent national statistics, the economic cost of climate change in Kenya is 2 – 2.4 % of GDP each year (KNBS, 2018). Floods alone are estimated to cost 5.5 % of GDP every 7 years, while droughts account for 8 % of GDP every 5 years.

To address these impacts, Kenya has developed a significant number of overarching, as well as sector specific, policies, plans, strategies and acts which are relevant to climate actions in Kenya. Priorities, therefore, have to be elaborated to guide the readiness actions to ensure that Kenya's progress towards climate change finance is aligned with national development priorities and mainstreamed within critical process and institutions dealing with low-carbon and climate-resilient issues. Kenya faces challenges in mobilizing climate finances both locally and externally. Locally, there is low awareness of the impacts and opportunities. Kenya has not mobilized private sector finance adequately, and only this year was the first corporate green bond issued in the country. Externally, many entities lack adequate capacity to fulfill the requirements of global financing. This includes financial and skill capacity to develop bankable project proposals to attract financing, and attaining fiduciary standards that are required.

In order for Kenya to take advantage of the opportunities to address climate change, it is imperative to take conscious steps aimed at building capacities and developing clear coordination mechanisms for climate financing including GCF access. It is against this background that the National Treasury, as the NDA for GCF in Kenya, mooted development of this Readiness proposal. The most immediate actions include leveraging private sector financing through creating awareness and removing fiscal barriers to green technology proliferation. Additionally, Kenya proposes to develop GCF country programme aligned with the current national development strategies and goals (NCCAP 2018 – 2022; MTP III), and the GCF priority areas w to boost Kenya's ability to access financing from GCF. is the readiness support will be applied to bolster Kenya's readiness to access and report on climate financing. The readiness support will also support accreditation of

direct access entities, enhance the institutional capacity of the NDA to effectively coordinate with line ministries, counties, private sector, civil society organizations and development partners, and facilitate effective stakeholder engagement processes.

4.2 Kenya Climate Change Fund

Establishment of a Climate Change Fund (CCF) is provided for in the National Policy of Climate Finance and Climate Change Act, 2016. The purpose of the CCF is to finance priority climate change actions and interventions in Kenya. The draft Public Finance Management Reform (PFMR), 2019 was developed to operationalize the CCF. The approved seed capitalization of the Fund is Ksh 500 M.

4.3 County Climate Change Funds

The County Climate Change Funds (CCCFs) are devolved finance mechanisms under the authority of each county government that promote mainstreaming of climate change adaptation into local planning and budget systems. The CCCFs are key coordination mechanisms for climate change action at the county level and gives county governments a means of accessing and using climate finance in a way that addresses their distinct priorities.

Five County Governments—Garissa, Isiolo, Kitui, Makueni and Wajir—have established their CCCFs that identify, prioritize and finance investments to reduce climate risk and achieve adaptation priorities. These counties have committed 1% - 2% of the annual budgets to the CCCFs. A scale-out strategy for the CCCFs to all the other counties has been developed and is being rolled-out.

4.4 Green Bonds

The National Policy on Climate Finance has identified green bonds as key innovative instruments in financing priority areas with high GHG emission abatement potential or high climate resilience benefits. In addition to appealing to different types of investors, globally, green bonds have proven to be an effective tool to raise awareness and open dialogue with investors about projects that help address climate change and other environmental challenges.

Green and blue bonds are part of the government's plan to secure alternative funding options to increase green investments in the country. A sovereign or corporate Green Bond issuance in Kenya would be the first in the East and Central African region.

4.5 Development of the Green Fiscal Incentives Framework Policy for Kenya

The National Treasury and Planning is developing a National Policy Framework on Green Fiscal Incentives. Broadly, the framework will provide guidelines on enhancing private financing of climate actions, spur green innovation and technology development, improve green fiscal consolidation, and help identify smarter ways for government taxation and spending. By setting appropriate economic incentives and price signals, green fiscal policies can help shift consumption patterns and drive private investments in projects that reduce GHG emissions and build the resilience of communities against the negative effects of climate change. Environmental taxation – part of the polluter pays principle – incentives can also play a crucial role in raising the revenues needed to meet the Sustainable Development Goals, Paris Agreement, Kenya Vision 2030, Nationally Determined Contributions (NDC), National Adaptation Plan (NAP), the Big Four Agenda, UN agenda 2030, AU agenda 2063, among others.

Particularly, Kenya can benefit from removing existing subsidies on negative externalities such as subsidies on "dirty" fuels, and other carbon-intensive carbohydrates and implement reforms with the preferred carbon pricing technique i.e., carbon and environmental taxation, Emissions Trading Scheme, etc. These reforms have been applied successfully in several countries, examples, include South Africa Carbon Tax, California Emission Trading Scheme (ETS), Nordic countries (Sweden, Norway, Finland, and Denmark), British Columbia Carbon Tax (now a Canadian approach), Chile Carbon Tax and other mitigation measures as provided for under article 6 of the Paris Agreement. The main expected outcome of the proposed policy is to introduce carbon trading at NSE as a means of mobilizing adequate resources from the private sector to finance climate actions at the local levels.

To fast track development of the policy framework, the PS, National Treasury approved the establishment of an inter-ministerial taskforce with officers drawn from Ministries Departments

and Agencies (MDAs), development partners, and specialized technical agencies. The taskforce will spearhead the process of developing the framework with support from a qualified consultant.

Annex 1: Report of the County Capacity Building Workshops on the GCF

Executive summary

This report provides a comperehensive summary of the proceedings of the capacity building workshops for counties on Green Climate Fund (GCF). The workshops took place from the 13th May to 6th June 2019 in Machakos, Isiolo, Embu, Eldorect, Kisumu and Mombasa. The workshops were oganized by the National Treasury and Planning in collaboration with the Ministry of Environment and Forestry, Council of Governors (CoG) and Pan African Climate Justice Alliance (PACJA).

This trainings were organized into six clusters through the existing six county economic clusters or blocs. A total of 199 partcipants attended the workshops drawn from 34 county governments, civil society organizations and private sector actors. Each workshop took 3 days.

The activities undertaken during the workshops included training sessions by facilitators from the National Treasury and Planning and National Environmental Management Authority (NEMA). Some of the topics covered in the presentations included: Mainstreaming of climate change in MTP III; The climate finance Landscape; The GCF; Green Climate Fund (GCF) concept notes and proposal development including templates; and Adaptation Fund and GCF Opportunities from NEMA's experiences. Other activities included plenary discussions where participants identified the main challenges their regions face as a result of climate change, including challenges faced during implementation of adaptation and mitigation interventions. Participants also proposed potential interventions to eliminate the challenges identified. Following the identification of challenges and potential solutions, the participants proposed titles pf concept notes for development. The main challenges identified are summarised below:

i. Rampant destruction of forests through charcoal burning, logging and fuel/firewood extraction.
ii. Diminished food security and water resources as a result of frequent droughts and less rainfall
iii. Loss of livelihoods due to drought, leading to overutilization of natural resources
iv. Lack of technical and financial capacity among communities, organizations and governments to implement climate change adaptation and mitigation interventions

v. Lack of public awareness and knowledge of causes and impacts of climate change

vi. Poor solid waste management and lack of recycling facilities

vii. Pollution in coastal zones and destruction of marine ecosystems

The following are the titles of some of the proposed proposals and proposals under development for the different regions:

Region	**Title**	**Proposed/ Under development**
Lower Eastern	i. Enhancing Land-based Adaptation and Resilient Green Economies in Makueni, Kajiado, Machakos and Kitui Counties of Kenya. ii. Building Community and Ecosystem Resilience in Lake Magadi and Natron Catchments	Under development Under development
Jumuiya ya Kaunti za Pwani	i. Rehabilitation of the Marine ecosystem ii. Sustainable solid waste management	Proposed Proposed
Lake Region Economic Block	i. Sustainable natural resource management for improved livelihoods in LREB ii. Transforming Landscapes and Livelihoods in Kenya through a Water-Energy-Food Nexus Approach	Proposed Under development
Frontier Counties Economic cluster	TWENDE Towards Ending Drought Emergencies: Ecosystem Based Adaptation in Kenya's Arid and Semi-Arid Rangelands	Under development
Central Kenya Cluster	Ecosystem Based Resilience and Adaptation to Climate Change in the Mt Kenya Forest Ecosystem through promotion of a natural resource based economy	Proposed
North Rift Economic Block	Building an Efficient and Effective Ecosystem for Food Security and a Healthy Community (forest, water, agriculture and waste management)	Proposed

The different clusters proposed that the National Treasury should facilitate development of the concepts/proposals through convening task teams from the different clusters. The National

Treasury will write to the Governors of the different Counties to nominate and facilitate officers to undertake the process.

Going forward, the National Treasury will implement the folowing actions:

i. Convene more training forums for stakeholders at County levels, with a view to creating platforms where stakeholders can align their efforts and interventions towards adaptation and mitigation.

ii. Follow up with the cluster teams to ensure that proposed concepts are developed and submitted to the GCF.

1.0 Introduction

The Green Climate Fund (GCF) is a global fund created by the United Nations Framework Convention on Climate Change (UNFCCC) to support the efforts of developing countries to respond to the challenge of climate change. GCF helps developing countries limit or reduce their greenhouse gas emissions and adapt to climate change. The Fund was set up by the 194 countries who are parties to the UNFCCC in 2010, as part of the Convention's financial mechanisms. Following the Paris Agreement in 2015, the GCF was given an important role in implementation of the agreement and supporting the goal of keeping global warming well below 2^0 Celsius. In the Agreement, the developed countries committed to mobilize $100 billion per year up to 2030. Other financial mechanisms of the UNFCCC are the Adaptation Fund and Global Environment Facility (GEF).

GCF works at the National and Sub-National levels. In Kenya, it is coordinated by the National Treasury, which is the National Designated Authority (NDA). The NDA is the contact focal point of the Fund within the Country and maintains communication with the Fund. Financing from the GCF is accessed only through development of funding proposals submitted via an entity that has been accredited by the Fund. Accredited Entities are either national, regional or international (direct or indirect) entities that have met the accreditation requirements of the Fund. One of the key responsibilities of the NDA is to provide strategic oversight of the Fund's activities in the country.

The other roles of the National Treasury as the NDA as outlined by the Fund include:

- Convening relevant public, private and civil society stakeholder to identify priority sectors to be financed by the Fund,

- Communicating nomination of entities seeking accreditation to the Fund,
- Implementing a no-objection procedure by issuing 'Letters of No Objection' on funding proposals submitted to the Fund,
- Providing leadership on the deployment of readiness and preparatory support funding in Kenya, and
- Communicating the Kenya's strategic priorities for financing low-emission and climate-resilient development across the economy.

As a result of Kenya's devolved system of government, most of climate change related development activities in Kenya are now being implemented at County level. County governments and County based organizations could potentially benefit from GCF resources to implement climate change adaptation and mitigation projects. However, this requires that entities be able to meet GCF requirements for financial assistance, including developing innovative, transformative and bankable programmes and project proposals for submissions to the GCF.

It is in this context that the National Treasury in collaboration with the Ministry of Environment and Forestry and the Council of Governors mobilized and engaged the County Governments, CSOs, Private sector players at the county level to build the capacity of their officers and support them in developing GCF Project Concept Notes and funding proposals to enable them access climate finances from GCF and other development partners. In this regard a ***three-day training*** was implemented for all the counties through the ***six county economic clusters***. The workshops were held in **Machakos, Isiolo, Embu, Eldoret, Kisumu** and **Mombasa** from 13th May – 6th June 2019.

2.0 Objectives of the Training

The main objective of the workshops was to sensitise and create awareness to the county governments and County level entities on the climate financing opportunities including through the GCF and identify potential bankable project concepts for further development.

The specific objectives of the training workshop to:

a) Sensitize and familiarize County stakeholders on the requirements on GCF, including access and modalities.
b) Build capacity on how to access domestic and international climate finances including the GCF with a focus on programme / project development in line with NDCs, NCCAP, NAP, MTPIII priority areas.
c) Expose the county stakeholders on existing policy frameworks at international, national and county level that support access to climate finance from various sources.
d) Support the targeted counties to initiate the development of GCF project concept notes.
e) Introduce participants to transparency and accountability mechanisms for climate finances through coding, tracking and reporting.
f) Understand the need to undertake periodic climate expenditure reviews and audits.
g) Sensitize on the need for the development of county specific climate fiscal framework.

Expected Outcomes

The expected key outcomes from these trainings were:

a) All relevant stakeholders engaged in the process of generating project pipeline for Counties to access climate finance by developing bankable project proposals.
b) Enhanced capacity of County Government officials and local stakeholders at the County level to become GCF Executing Entities (EE).
c) County officials' capacity built to enable them develop competitive, legally, innovative, transformative and bankable Programme/ project proposals for funding for GCF and other funding agencies.
d) A County and National based pipeline of potential Programme/ Project concepts for uptake by accredited entities.

3.0 Attendance

The training targeted County officers dealing with planning, finance, environment, climate change, project development, resources mobilization, livelihood programs and disaster risk reduction and management.

In total one hundred and ninety-nine (199) participants attended the six (6) training workshops. Thirty-four (34) counties were represented in the trainings. Other participants include the representatives from the Civil Society Organizations (CSOs) and the private sector actors based at the counties. The table below summarizes the attendance in the six workshops. A detailed list of participants is annexed to this report.

Dates & Venue	***Economic Cluster or Bloc***	***County Governments/ Orgs Present***	***Counties Absent***	***No. of Participants***
May 13-15, 2019 Machakos	South Eastern Kenya Economic Bloc (SEKEM) + Narok & Kajiado	– Machakos – Kitui – Makueni – Kajiado – CSOs	– Narok	22
May 20-22, 2019 Isiolo	Frontier Counties Development Council (FCDC)	– Isiolo – Wajir – Marsabit – CSOs	– Garissa – Tana River – Mandera	31
May 23-25, 2019 Embu	Mt. Kenya and Aberdares Economic Bloc	– Laikipia – Kiambu – Embu – Meru – Nakuru – Nyandarua – Muranga – Nairobi – Tharaka Nithi – CSOs	– Nyeri – Kirinyaga	42
May 27-29, 2019 Eldoret	North Rift Economic Bloc	– Nandi – Elgeyo Marakwet – West Pokot – Turkana – Uasin Gishu – Trans Nzoia	– Samburu	44

		– Baringo – CSOs		
May 30-31, 2019 Kisumu	Lake Region Economic Bloc (LREB)	– Siaya – Busia – Kisumu – Nyamira – Kisii – Kericho – LREB Secretariat – CSOs	– Homabay – Bomet – Vihiga – Kakamega – Migori – Bungoma	32
June 3-5, 2019 Mombasa	Jumuiya ya Kauti za Pwani	– Lamu – Kilifi – Mombasa – CSOs	– Taita Taveta – Kwale	28
Total				**199**

4. Training and Presentations

The participants were taken through the following presentations:

1. **Mainstreaming Climate Change Third Medium Term Plan (MTP III) 2018 2022 Outline of the Presentation.** This presentation was done by facilitators from the State Department of Planning. The outline is as listed below.
   i. Overview of Kenya Vision 2030
   ii. Mainstreaming Climate Change into MTP III
   iii. Overview of Third Medium Term Plan 2018 2022
   iv. Monitoring and Evaluation

2. **Developments in the climate finance landscape.** This presentation was done by facilitators from the National Treasury.
   Outline of the Presentation
   i. The challenge Climate Change
   ii. Evolution of Climate Change Finance Globally
   iii. What is Climate Finance?
   iv. Kenya's Readiness Tools for Climate Finance
      - NCCAP 2018 2022
      - National Policy on Climate Finance
   v. Kenya Climate Change Fund

vi. Source of Climate Change Finances

vii. Green Bonds

viii. UNFCCC Financing Mechanisms

ix. The GCF

x. Tracking and Reporting of Climate Finance

3. The Green Climate Fund.

This presentation was done by facilitators from the National Treasury. Outline of the Presentation is as listed below.

i. Background and overview - Business model, Characteristics of the GCF, Engaging with the GCF

ii. NDAs & focal points – Country Ownership

iii. Projects & programmes

iv. GCF portfolio - Kenya GCF portfolio

4. Green Climate Fund (GCF) concept notes and proposal development including templates.

This presentation was done by facilitators from the National Treasury. Outline of the Presentation is as listed below.

i. GCF structure Reporting and roles

ii. Concept note and proposal development and submission

iii. Proposal assessment process and criteria

iv. GCF decision process

5. Adaptation Fund and GCF Opportunities: NEMA's experiences.

This presentation was done by facilitators from the National Treasury. Outline of the Presentation is as listed below.

i. Adaptation Fund – Background, progress report of Kenya's Adaptation Fund Programme

ii. NEMA's engagement with the GCF – Accreditation, submitted concepts and funding proposals
iii. GCF proposal design including the Simplified Approval Process
iv. Challenges and lessons learnt

5. Workshop Outcomes

Participants were required to identify the main challenges their Counties and regions face as a result of climate change, or during implementation of climate change adaptation and mitigation interventions. The following are the main challenges identified in the different regions and proposed interventions to resolve them.

a) LOWER EASTERN

The lower Eastern region covered 5 Counties, namely: Makueni, Machakos, Kitui, Narok and Kajiado. The following are the challenges identified

i. Deforestation; using trees for firewood and for charcoal
ii. River pollution with effluent from industrial and housing facilities
iii. Sand harvesting leading to degradation of riverine zones
iv. Use of an incinerator that causes environmental pollution and acid rain
v. Lack of waste management systems
vi. Overgrazing
vii. Soil erosion
viii. Human wildlife conflict

Interventions being undertaken include the following;

- Reforestation through various programs such as Adopt a Tree for school children in Machakos County.
- Rehabilitation of riverine areas through river bank erosion control and planting trees
- Encouraging farmers to practice agro-forestry
- Promoting alternative source of energy such as biogas and briquettes

- Development of policies that provide guidance on use of natural resources, for example Makueni County has a Sand Harvesting Act and Authority in place. Kajiado County has an Environmental Bill in place.

Areas of opportunities for further intervention include;

- Creating authorities that will control sand harvesting processes
- Civic education to the public on the importance of protecting and conserving natural resources
- Developing alternative sources of livelihood for the community
- Creating appropriate waste management systems

The region is covered under two concept notes being developed for onward transmission to the GCF. The concept notes were discussed in a plenary, where participants were in agreement that the components covered most of their climate change priority areas. The following are the titles of the concepts:

1. **Enhancing Land-based Adaptation and Resilient Green Economies in Makueni, Kajiado, Machakos and Kitui Counties of Kenya.**

The proposed programme has the following components:
Component 1: Enhancing climate smart land-based practices
Component 2: Transforming rural livelihoods through climate smart land-based enterprises
Component 3: Enhancing policies and climate information systems for adaptation and resilience building
The Executing Entities are the World Agroforestry Center (ICRAF), and the County governments.

2. **Building Community and Ecosystem Resilience in Lake Magadi and Natron Catchments**

The proposed programme has the following components:
Component 1: Building natural resource base and ecosystem resilience through rehabilitation/restoration of deforested and degraded areas

Component 2: Restoration of Lake Magadi ecosystem for sustainable development through de-silting

Component 3: Strengthening community adaptive capacity through nature based enterprises and sustainable land management.

Component 3: Policy support, institutional strengthening and knowledge generation to support implementation of EbA.

The Accredited entity for the project is the World Wide Fund for Nature (WWF)

b) **JUMUIYA YA KAUNTI ZA PWANI –**

The region comprises of 5 Counties: Mombasa, Kilifi, Tana River, Lamu and Taita Taveta. The region is not yet covered under any GCF proposal, except for the pockets of Tana River and Taita Taveta covered by a proposal by IUCN.

The challenges identified include the following:

i. Poor and unsustainable solid waste management practices
ii. Degradation of marine ecosystem including mangrove and kaya forests
iii. Lack of data on climate change impacts leading to challenges in disaster management and preparedness
iv. Lack of sufficient funding to finance or co-finance climate change projects
v. Lack of knowledge, awareness and capacity of the community to conserve the environment
vi. Lack of proper leadership and political will on environmental matters
vii. Lack/inadequate technical and institutional capacity
viii. Lack of environmental policies and legislations to guide interventions and funding for the sector

Some of the proposed solutions include the following:

i. Establishment of a solid waste management facility (waste to energy) to recycle waste from the region, and possibly other regions in the country.
ii. Rehabilitation of the Mangrove ecosystem and kaya forests through participatory forest management, sustainable land use practices and management within buffer zones. The participants proposed the following title that can be used for a project proposal:

"Participatory forest management: improve the performance of Kaya Forest Buffer Zones, Kilifi County"

iii. Establishment of GIS lab (for climate monitoring and land changes monitoring)

iv. To build capacity of locals in monitoring the buffer zones

v. Roads constructed with infrastructure for non-motorized transport such as cycling and pedestrian paths

vi. Improve access to clean and sufficient water

vii. Renewable energy projects such as offshore wind power to generate electricity

viii. Improved governance and institutional capacity, as well as enacting necessary policies and legislations

The participants settled on the following projects as the priority projects for consideration in financing:

1. Rehabilitation of the Marine ecosystem
2. Sustainable solid waste management

The participants nominated an ad hoc committee drawn from Lamu, Kilifi, Mombasa and CSOs to spearhead the development of a concept notes based on the 2 priority areas selected.

c) LAKE REGION ECONOMIC BLOCK (LREB)

The LREB cluster consisted of 7 Counties, namely: Kisumu, Siaya, Kisii, Nyamira, Kakamega, Vihiga, following were the priority areas to be considered:

i. Promoting food security through clean energy provision and sustainable land use management in LREB

ii. Improving livelihoods through sustainable NRM and CSA in the Lake Region

iii. Integration of ecosystem management for natural resource use

iv. LREB climate resilience project

v. Development and use of renewable energy

vi. Eradication of poverty through development of alternative livelihoods

The participants proposed the following project title: **Sustainable natural resource management for improved livelihoods in LREB**

The region is covered under a GCF proposal that is under development. The proposal is titled **'Transforming Landscapes and Livelihoods in Kenya through a Water-Energy-Food Nexus**

Approach'. The Food and Agriculture Organization of the United Nations (FAO) is the Accredited Entity for the project. Participants were in agreement that the proposal covered most of their priority areas. The concept has the following components:

Component 1: Increased water security for agricultural, domestic, and industrial use for the inhabitants in the project sites and related users

Component 2: Enhanced adaptive capacity and resilience to climate change among small scale farmers in the three water basins

Component 3: Improved access and up-scaled use of cleaner energy sources and technologies (CESTs) in agro-processing and other industries, and domestically

Component 4: Enhanced knowledge management and learning to support up-scaling of interventions that are evidence-based at the national, county and community levels

d) FRONTIER COUNTIES CLUSTER

The Frontier Counties cluster consists of 7 Counties, namely: Garissa, Wajir, Isiolo, Marsabit, Mandera. The main challenges identified include the following:

i. Overutilization of forest resources through charcoal burning and fuel/firewood
ii. Frequent droughts leading to scarcity in pasture resources, which results to overgrazing and soil degradation
iii. Lack of technical and institutional capacity to implement climate change adaptation and mitigation activities
iv. High levels of poverty and lack of employment/livelihoods, which lead to over exploitation of natural resources
v. Lack of sufficient financial resources to implement projects

The participants were taken through a project proposal titled 'TWENDE Towards Ending Drought Emergencies: Ecosystem Based Adaptation in Kenya's Arid and Semi-Arid Rangelands', which covers some of the Counties in the region. The Accredited Entity for the project is IUCN (International Union for Conservation of Nature). The Executing Entities are; Ministry of Agriculture and Irrigation (MoAI), National Drought Management Authority (NDMA) and Conservation International (CI). The project will focus on eleven of Kenya's Arid and Semi-Arid (ASAL) counties: Garissa, Tana River, Isiolo, Marsabit, Samburu, Kajiado, Kitui, Makueni, Tharaka-Nithi, Meru and Taita Taveta.

The target landscapes face challenges of weak capacities for landscape planning, poor access to climate data and analysis, and low access to markets and financial services. The project addresses this through three components:

1. Component 1: Climate change adapted planning for drought resilience
2. Component 2: Restoration of rangeland landscapes for ecosystem based adaptation
3. Component 3: Investments and incentives for climate change resilient ecosystem management

e) CENTRAL KENYA CLUSTER

The Central Kenya cluster was comprised of 10 Counties, namely: Kiambu, Nairobi, Kirinyaga, Nyeri, Meru, Tharaka Nithi, Laikipia, Nyandarua, Nakuru and Embu. The following were the environmental and climate change challenges identified by participants.

i. Rising food insecurity and water scarcity due to insufficient rainfall and population pressure on land, leading to small parcels per family.
ii. Lack of technical and institutional capacity to implement climate change adaptation and mitigation activities
iii. Deforestation and destruction of forests and water catchment areas
iv. High levels of poverty and lack of employment/livelihoods, which lead to over exploitation of natural resources
v. Lack of political support and financing for climate change adaptation and mitigation projects
vi. Lack of awareness of knowledge of climate change, and possible adaptation and mitigation technologies and interventions
vii. Human wildlife conflict due to population pressure and illegal activities such as farming and logging in gazetted areas (game parks and forests)

The following concept note which was under development by Embu, Meru and Tharaka Nithi was adopted by the participants as a working concept note for the region.

Title: "Ecosystem Based Resilience and Adaptation to Climate Change in the Mt Kenya Forest Ecosystem through promotion of a natural resource based economy"

f) NORTH RIFT ECONOMIC BLOCK (NOREB)

The NOREB is composed 8 counties including Nandi, Elgeyo Marakwet, West Pokot, Turkana, Uasin Gishu, Trans Nzoia, Baringo and Samburu. It was noted that the region does not have any GCF concept note or funding proposal in the pipeline.

The following were the environmental and climate change challenges identified by participants:

i. Destruction of forests and ecosystems, deforestation and land degradation
ii. Poor solid waste disposal and lack of recycling facilities
iii. Poor governance and lack of appropriate policies to address effects of climate change
iv. Inadequate technical and financial capacity to implement climate change adaptation and mitigation activities
v. Lack of capacity to develop bankable proposals
vi. Challenges in sustainability of projects, hence benefits do not accrue once project funding is diminished
vii. Changes in weather patterns, leading to drought
viii. Encroachment in to forests and protected areas

Some of the potential areas of intervention identified include the following;

i. Agro-forestry (afforestation, fruit trees planting)
ii. Water service provision (domestic water harvesting,dams and solar powered boreholes)
iii. Waste management and recycling including waste to energy
iv. Agricultural extension services (train on modern farming methods)
v. Public awareness and sensitization on forestry, ecosystem restoration, waste management, sustainable farming methods

6. Way Forward

The different clusters proposed that the National Treasury should facilitate development of the concepts/proposals through convening task teams from the different clusters. The National Treasury will write to the Governors of the different Counties to nominate and facilitate officers to undertake the process.

Going forward, the National Treasury will implement the following actions:

I. Convene more training forums for stakeholders at County levels, with a view to creating platforms where stakeholders can align their efforts and interventions towards adaptation and mitigation.

II. Follow up with the cluster teams to ensure that proposed concepts are developed and submitted to the GCF.

The participants agreed on a way forward to develop concept notes for projects that address the priority areas they identified, as well as future engagements geared towards aligning adaptation and mitigation interventions in the clusters. The way forward for the development of GCF concept note agreed upon in all the workshops including timelines was as follows:

Action	***Lead***	***Timeline***
1. Create a platform for sharing information, updating on progress and planning meetings– email exchange and WhatsApp group	Cluster lead	6/06/2019
2. Compilation of the identified opportunities for the difference clusters through a report	Cluster lead	11/06/2019
3. The NDA to send a formal letter to Governors informing on progress and requesting for nomination of officers in to the Task Teams that will develop the concepts/proposals	NDA	19/06/2019
4. Formation of a technical Task Teams to spearhead proposal development		21/06/2019
5. Development of the zero GCF concept note – *using the template*	Task Team	30/08/2019
6. Submit first concept note draft to NDA	Task Team	31/08/2019
7. Plan for next meeting for the Region with the NDA to discuss next steps on the concepts	NDA	6/09/2019

Annex 2: Capacity building training curriculum, The Kenya school of government





KENYA SCHOOL OF GOVERNMENT

Climate Change Management

Curriculum

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February 2018

Vision

Excellence in public service capacity development

Mission

To contribute to the transformation of the public service by inculcating national values and developing core skills and competencies for quality service delivery

Values

Integrity
Customer focus
Professionalism
Innovation
Creativity

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1. INTRODUCTION

This climate change management program has been developed in response to recent trends in the global environment, affecting livelihoods and sustainability of human existence. The highlights of these trends can be discussed thus:

i. Climate change is presently the most pressing challenge to realization of sustainable development – indeed continued existence of entire humanity. According to the United Nations Framework Convention on Climate Change (UNFCCC) climate change entails a change of climate attributed directly or indirectly to human activity that alters the composition of the global atmosphere which contributes to natural climate variability over comparable time periods.

ii. In turn, climate change adversely affects food production, social and economic development, and pursuit of Sustainable Development Goals (SDG), particularly SGD number 13, 14. The objective of UNFCCC is to stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with climate system in order to allow different ecosystems to adapt naturally to climate change.

iii. Countries are now individually and collectively under the compelling need to combat climate change and its impact; conserve sustainable use of oceans, sea and marine resources and sustain management of forests, combat deserts, and halt and reverse land degradation and loss of biodiversity. The terms of the Kyoto Protocol in committing developed countries to reduce the Greenhouse Gas (GHG) emissions and also the provisions of the African Union Agenda 2063 on inclusive growth and sustainable development through effective stewardship of resources are also quite instructive.

iv. The effects of climate change are experienced in Kenya as elsewhere around the world and, being an abiding member of the international, the country has demonstrated commitment to undertake both individually and in concert with others to take measures to protect its unique natural endowment and ecosystems by developing climate resilient economies through adaptation and mitigation policy actions; that is, planning, decision making and implementation.

v. Indeed, the country has ratified the Paris Agreement, 2016, developed the Intended Nationally Determined Contribution (INDC) and the National Climate Change Action Plan (NCCAP 2013-2017), and enacted a dedicated legislation – the Climate Change Act, 2016. The outstanding Government policy measure is to systematically develop knowledge and competencies in public service leading to incorporation of climate change adaptation and mitigation in policy making and budgeting. The climate change management program through has been developed at the Kenya School of Government in collaboration with the Ministry of Environment and Natural Resources to meet this need.

2. RATIONALE OF THE PROGRAM

The climate change management program is a direct response to the requirements of the country in the search for sustainable development. Some specific observations can be made in this regard.

i. Kenya has begun to experience the unprecedented impact of climate change: extreme climatic events such as droughts and floods, rising temperatures, and widened variability in rainfall patterns. The effects of climate change now threaten the economy and realization of the Kenya Vision 2030 goals.

ii. While the Government has taken some notable measures to respond to the problem of climate change such as conclusion of treaties, development of frameworks for action, and legislation, implementation will depend on practical mainstreaming climate change mitigation and adaptation actions in planning and budgeting across socio-economic sectors with support from the National Treasury at the head of the Green Climate Fund and the National Environment Management Authority.

iii. Already, mainstreaming climate change actions in planning and budgeting is underway at the national and county levels and some positive results can be noticed in form of enhanced resilience to climate change. Nevertheless, Kenya remains vulnerable to the impact of climate change such as expressed through

increased frequency and intensity of extreme climate events, namely droughts and floods.

iv. Vulnerability of the country to climate change is exacerbated by high dependency of the economy on climate-sensitive sectors, especially agriculture, energy, wildlife, tourism, water and health. Further, climate change has the potential to roll back development gains that have been made over the years and inhibit efforts towards the achievement of the SDG

v. Whereas initial steps have been taken in Kenya in preparation for climate change adaptation and mitigation, completion of the circle and undertake desired climate change-related activities requires capacity building in public service to bridge present and emerging knowledge and competency gaps. The critical capacity building requirements invariably have to focus on mainstreaming climate change matters in policy and budget making in all Government Ministries, Departments and agencies, including County level Governments. The School has therefore entered collaboration with relevant Government Ministries and agencies as well as other stakeholders to develop training program on *"Climate Change Management'* for middle and senior-level public servants who are involved in decision making on policy and budget matters.

3. STRUCTURE OF THE PROGRAM

a. Entry Requirements

The program is suited for middle and upper level policy makers in Government Ministries and agencies at both national and county level; non-governmental organizations; and private sector. These will be officials with capacity to guide policy and budget making so as to incorporate climate change sensibilities.

b. Duration

The program will run for ten days with sixty contact hours.

c. Aim of the Program

This program is designed to provide appropriate knowledge, competence and attitude to mainstream climate change mitigation and adaptation measures in policy making and the planning and budgeting process.

d. Learning Objectives

Participants should by the end of the program be able to:

i. Describe the basics of climate science;

ii. Explain the impact of climate change on sustainable development

iii. Analyze the global, national and county institutional and regulatory framework for support of the climate change agenda

iv. Explain methods of integrating climate change adaptation and mitigation actions in planning and budgeting

v. Develop strategies for mobilization of financing for climate change initiatives, and

vi. Apply the climate change measurement, reporting, and verification system.

e. Learning Outcomes

The program seeks to achieve three key outcomes:

i. Mainstream climate change adaptation and mitigation actions in policy making, planning, and budgeting

ii. Mobilize funding to support climate change actions, and

iii. Utilize the climate measurement, reporting, and verification system.

f. Delivery Methodology

Participants will be engaged through face-to face interactive lectures, case studies, demonstrations, Peer to peer learning, experience sharing, self and group assessment exercises and group discussions. Participative and interactive participant-centered adult training approaches will be used. Participants will also be expected to develop policy papers on the areas they will have covered.

g. Evaluation and Certification

The program will be evaluated at various levels;

i. Pre and Post Evaluation

ii. Continuous assessment during the program and at group level

iii. End of event evaluation and feedback for future improvement and delivery

iv. Action planning: The participants will be required to prepare an action plan at the end of the program for future implementation.

A certificate of participation will be awarded to successful candidates upon fulfillment of all program requirements including 90% class attendance.

h. Program Content

The program is organized in five units (See Table 1):

i. Unit I: Introduction to Climate Change

ii. Unit II: Climate Change Response Actions

iii. Unit III: Integration of Climate Change Responses in Planning

iv. Unit IV: Financing Climate Change Initiatives

v. Unit V: Climate Change Measurement,, Evaluation, and Reporting

4. CONTENT DETAILS

A summary of the content covered by each of the units is given in Table 1.

Table 1: Summary of the Program Content

S/No.	Unit	Content
Unit I	Introduction to Climate Change	i. Science of climate change ii. Evidence of climate change iii. Causes of climate change iv. Impact of climate change on sustainable development
Unit II	Climate Change Response Actions	i. Climate change adaptation ii. Climate change mitigation iii. Climate change resilience building
Unit III	Integration of Climate Change Response Actions in Planning	i. Global, regional, and national perspectives on climate change ii. Institutional and regulatory framework for climate change iii. Integration of climate change actions in national and county policy
Unit IV	Financing Climate Change Initiatives	i. Introduction to 'climate finance' ii. Climate financing and budgeting iii. 'Climate finance' governance iv. Tracking, reporting and verification of climate finance
Unit V	Climate Change Measurement, Reporting and Verification	i. Climate change reporting obligations ii. Climate change Measurement, Reporting and Verification System (MRV) iii. Dissemination of climate change knowledge and information

The following section provides the description, aim, objectives and content covered by each of the units.

4.1 Unit I: Introduction to Climate Change

a. Description

This unit covers global, national and local concerns about climate change and its impact on life and sustainable development; climate change system and process; causes and evidence of climate change and impact of climate change on sustainable development.

b. Aim

The aim of the unit is to equip participants with knowledge on the climate science, causes, evidence and impact of climate change on sustainable development.

c. Objectives

Participants should be able to:

i. Demonstrate knowledge of the science of climate change;
ii. Describe causes of climate change;
iii. Assess evidence and impact of climate change in Kenya;
iv. Analyze the impact of climate change on sustainable development; and
v. Map climate change disaster prone areas.

d. Unit Content

i. The science of climate change, explanation of the climate system and the greenhouse effect and climate monitoring and prediction.
ii. Causes, evidence and impact of climate change, climate hazards and disasters and mapping of climate change disaster prone areas.

4.2 Unit II: Climate Change Response Actions

a. Description

This unit covers climate change response actions relating to climate change adaptation, climate change mitigation and resilience building.

b. Aim

The aim of the unit is to equip participants with knowledge and skills in climate change adaption, mitigation and resilience building.

c. Objectives

Participants should be able to:

i. Describe climate change mitigation actions;

ii. Implement appropriate climate change adaptation actions; and

iii. Develop strategies for climate change resilience building.

d. Unit Content

i. Climate change adaptation and mitigation

ii. Climate change resilience building.

4.3 Unit III: Integrating Climate Change Response Actions in Planning

a. Description

This unit covers climate change related conventions, policies and agreements at global, regional, national county and sector levels. It describes low carbon development strategies and the Climate Change Act, 2016 which obligates national and county governments to mainstream climate change responses into planning.

b) Aim

The unit aims at equipping participants with skills in domesticating and mainstreaming international and regional climate conventions, agreements and frameworks into planning.

c) Objectives

Participants should be able to:

i) Describe the international , regional and national conventions and agreements related to climate change;

ii) Discuss the climate change related policies, legislations and regulatory frameworks at national, county and sector levels;

iii) Analyze the implication of the Climate Change Act, 2016 to sustainable development in Kenya; and

iv) Integrate climate change actions and responses in planning.

d) Unit Content

i. Global and Regional Conventions, agreements and perspectives on climate change including the Sustainable Development Goals and African Union Agenda 2063

iii. National climate change policies, legislations and regulatory frameworks such as the climate change act, Constitution of Kenya 2010 and Kenya Vision 2030,

4.4 Unit IV: Financing Climate Change Activities

a) Description

The unit focuses on climate finance, budget coding, sources of finances and access modalities and tracking of climate relevant expenditure. It examines domestic and international financing aimed at realizing low carbon climate resilient developments.

b) Aim

The module seeks to promote skills and competencies in aligning budgets and work plans to climate financing mechanisms and governance structures.

c) Unit Objectives

Participants should be able to:

i) Describe the evolution of climate finance and budgeting;
ii) Discuss the governance mechanisms for climate financing and budgeting in Kenya;
iii) Discuss the guidelines for sourcing and accessing financing for climate change related activities; and
iv) Use budget codes to track climate change related budgets and expenditures.

c) Unit Content

i. Evolution of climate finance and introduction to climate finance, budgeting and " budget coding"
ii. Climate finance governance, sources of climate finance and access modalities
iii. Tracking, Reporting and Verification of Climate Relevant Finance

iv. Using Budget Codes to verify climate related budgets and expenditures

4.5 Unit V: Climate Change Measurement, Reporting and Verification

a) Description

This unit explores the monitoring, evaluating and reporting of climate change activities at international and national levels. It describes the measurement, reporting and verification (MRV) systems used to improve performance and achieve results in climate change processes, projects and programmes.

b) Aim

This aim is to equip participants with knowledge; skills and competencies to monitor, evaluate report and verify climate change actions.

c) Unit Objectives

At the end of this module, the participant should be able to:

i) Discuss the key aspects of the Climate change Monitoring, Reporting and verification systems;

ii) Describe the data requirements in using the MRV system in reporting climate change related information; and

iii) Explain the benefits and challenges of the MRV system.

d) Unit Content

i) Climate Change Reporting Obligations under the United Nations Framework Convention on Climate Change and the Climate change Act, 2016.

ii) Climate Change Measurement, Reporting and Verification, including monitoring and evaluating climate change indicators and implementation of the MRV System.

iii) Disseminating climate change knowledge and information through awareness creation, knowledge management, and establishment of feedback pathways.

-END-

Annex 3: Sensitization workshop on climate Finance Budgeting and Expenditure Tracking

1.0 Introduction

The Sensitization Workshop on Climate Finance Budgeting and Expenditure Tracking for Counties in Kenya was held at the Grand Royal Swiss Hotel, Kisumu, on the 9th-11th September 2019. The workshop was hosted by the National Treasury in collaboration with United Nations Development Program (UNDP). The workshop was coordinated by the National Treasury.

The workshop was attended by fifty-four (53) participants from the Ministries, Counties, Departments and Agencies (MCDA), Private Sector, Civil Society, Development partners and the Council of Governors (CoG).

The workshop started at 0900hrs on 9th September, 2019.

1.1 Welcoming Remarks

Mr. Jared O. Abwho from Siaya County Government made the welcoming remarks.

1.2 Objectives of the workshop and Expected Output

Mr. Muthini from the National Treasury presented the key objectives of the workshop and the expected outputs.

Objectives

- Capacity build County Governments, Civil Society Organizations (CSOs) and Private Sector Players on identifying climate change elements, planning, budgeting, coding, tracking and reporting expenditure towards climate adaptation and mitigation within their programs and projects.
- Conduct a County Diagnostics Analysis to inform the development of the National Program on Climate Finance: Budgetary Reforms for Resilience Local Level Planning and Budgeting.
- Consult Stakeholders on the Council of Governors (CoG) Accreditation to the Green Climate Fund (GCF).

Expected Output

- Increased understanding on Coding, Tracking and Reporting on Climate Finance Flows.
- County Diagnostics Analysis Findings.
- Feedback from Stakeholders on CoG Accreditation to the GCF.
- Roadmap for Next Steps

2.0 Global Examples: Climate Change & National Budgets: A Presentation by Mr. Geoffrey Omedo.

Mr. Geoffrey Omedo from UNDP began his presentation by highlighting the deep disconnect between climate change policy frameworks and budgets and the need to reconnect sectoral planning with the NCCAP. In view of this, he made a presentation on the ideal holistic government approach to climate change financing.

Additionally, he gave an overview of global examples on integrating climate change into National Budgets i.e.

- Monitoring the implementation of the NCCAP through the National Budget – A case study of Bangladesh.
- Accessing Climate Spending Allocation Patterns Alignment with the NCCAP - A case study of Cambodia.
- Assessing the Credibility of Budgeted Climate Change Programs – A case study of 2016 absorption rate in Indonesia
- Climate Risk Informed Public Investments – A case study of Fiji, Pakistan, Nepal and Tonga.
- Accessing the Financing gap for NDC – A case study of Bangladesh

In conclusion, he highlighted how to incorporate climate risk into planning and budget formulation through: screening relevant PIPs using climate change appraisal criteria; analyzing project risk using instruments such as climate change scenarios; and integrating climate financing framework into the planning/budgeting processes.

3.0. National Climate Change Action Plan - A Presentation by Mr. Samuel Okotti

Mr. Samuel Okotti from the Ministry of Environment and Forestry began his presentation by informing participants that Section 13 of the Climate Change Act, 2016 requires the Government to develop five-year National Climate Change Action Plans (NCCAP) to guide the mainstreaming of adaptation and mitigation actions into sector functions of the National and County Governments.

He noted that NCCAP 2018-2022 which builds on the first Action Plan (2013-2017), provides a framework for Kenya to deliver on its Nationally Determined Contribution (NDC) under the Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC) through seven (7) key priority actions. The priority actions include: Disaster Risk Management; Food and Nutrition Security; Water and the Blue Economy; Forestry, Wildlife

and Tourism; Health, Sanitation and Human Settlements; Manufacturing; Energy and Transport

He further indicated that the main NCCAP 2018-2022 enablers are overarching technology and innovation; capacity development and knowledge management; and climate finance.

4.0. Mainstreaming Climate Change in Budgeting Processes: A Presentation by Mr. Geoffrey Omedo.

Mr. Geoffrey Omedo from UNDP began his remarks by highlighting the impacts of climate change and how countries counties can program themselves to address the impact of climate change through: regulatory frameworks and policies; strategic capacity building; and piloting of adaptation and mitigation initiatives.

Additionally, he gave an overview of the various areas UNDP is supporting in the Kenyan climate change & finance landscape. This include: Climate Public Expenditure and Budget Review; Budget Coding in IFMIS; Supporting CoG develop County Spatial Plan Guidelines, 2nd Generation CIDP and Performance Monitoring Tool.

Thirdly he emphasized on the importance of mainstreaming climate change across all sectors of the economy including agriculture, livestock, energy, water & forestry. In conclusion he highlighted the various climate for opportunities available and the relationship between climate change and planning.

5.0. Introduction to Climate Finance – The Global Perspective: A Presentation by Mr. Hillary Korir.

Mr. Hillary Korir from the National Treasury began his remarks by highlighting the economic costs of climate change in Kenya. He noted that to address this the Government of Kenya has put in place various policies and measures.

Additionally, he gave a brief on the evolution of climate finance, the post Paris structure of UNFCC, the key elements for climate finance flows, and sources (public, private, multi-lateral & bi-lateral) and channels of financing. On matters UNFCC financing mechanism, he highlighted the structure and access modalities of the Adaptation Fund, Global Environmental Facility (GEF), Green Climate Fund (GCF) and Sustainable Development Mechanism (SDM).

In conclusion, he provided context on other emerging climate financing instruments including: green bonds, blue bonds, result-based financing, blended financing and risk sharing instruments.

6.0. Developments in the Kenya Climate Finance Landscape: A Presentation by Mr. Davis Muthini

Mr. Davis Muthini, from the National Treasury began his presentation by giving an overview of Kenya's Strategic documents for climate finance; with an emphasis on the National Policy on Climate Finance. Additionally, he gave an overview of the Kenya Climate Change Fund highlighting the purpose of the fund, the objects of the fund, the sources of funds & financial instruments available under the Fund.

Secondly, he noted that the Green Bond which has been identified as an alternative source of funding by GoK seeks to transition the economy to a low carbon development pathway. In the same breadth, he informed participants of the activities up to date geared towards issuance of the 1stSovereign Green Bond in Kenya.

Lastly, he made a presentation on the Green Climate Fund, with a specific focus on: the GCF business model, GCF strategic Results Areas; Access Modalities; Accreditation Status; Investment Criteria; and GCF Kenyan Portfolio

7.0. Climate Budgeting and Costing: A Presentation by Mr. Davis Muthini.

Mr. Davis Muthini, from the National Treasury began by describing the budgeting process in both National and County Governments. Additionally, he provided clarity on the budgeting calendar/resource allocation stages with a focus on Budget Review and Outlook Paper (BROP); Sector Working Groups (SWGs); Budget Policy Statement (BPS) and County Fiscal Strategy Paper (C-FSP)

Secondly, he expounded on how to mainstream climate change in budgeting process. This included through: clearly defining climate change mitigation and adaptation interventions to be financed in the MTEF budget proposals; prioritizing climate related expenditures and mainstream the same within programs

Lastly, he highlighted the importance of integrating climate financing in the budgeting process, identify and costing climate change activities for climate financing.

8.0. Climate Change and Green Growth - AfDB's Policies and Operations: A Presentation by Dr. Robert Ochieng.

Dr. Robert Ochieng, from African Development Bank, began his remarks by giving an overview of AFDB's 2nd Climate Change Action Plan (CCAP II 2016-2020). He noted that the plan is focused on four pillars: Adaptation, Mitigation, Climate Finance (CF) and Enabling Environment.

Additionally, he gave an insight into the Climate Change and Green Growth Department which leads in the bank's efforts in supporting the continent's shift towards a climate-resilient development pathway.
Thirdly, he took participants through various tools for mainstreaming climate change including: Climate Risk Screening Tool, Adaptation Review and Evaluation Procedures, Greenhouse Gas (GHG) Accounting and Reporting Tool. In the same breath, he expounded on some of the key achievements of the Bank which include: mobilizing ensuring climate informed project designs and allocation of 40% of approvals as climate finance.
Lastly, he took participants through the AfDB's Investment Finance Window and financial Instruments available under the Bank.

9.0. Coding, Tracking and Reporting Climate Finance Flows: A Presentation by Mr. Peter Odhengo.

Mr. Peter Odhengo from the National Treasury, began his remarks by highlighting the pillars of climate finance tracking and reporting. Additionally, he expounded on why it is important to track climate finances.
Secondly, he gave a brief on the structure of the Standard Chart of Accounts (SCOA) in the IFMIS; highlighting the new analytical segment 8' has been introduced in IFMIS to tracking of all climate finance flows at the National and County level.
In conclusion, he unpacked the 'new analytical segment 8' by giving practical examples on classification of adaptation and mitigation projects/programs under IFMIS.

10.0. County Climate Change Fund Mechanism: A Presentation by Mr. Hausner Wendo.

Mr. Hausner Wendo from Adaptation Consortium (ADA) noted that the County Climate Change Funds Mechanism had been piloted successfully in counties of Isiolo, Garissa, Kitui, Makueni and Wajir. Based on this, it was noted that the mechanism is being scaled out in Vihiga, Nandi, Bomet, Kisii, Kakamega, Kisumu, Narok, Siaya, Taita-Taveta, Tharaka Nithi, Embu, Machakos, Kilifi and Kwale.
Secondly he gave a brief on other initiatives ADA has with the counties, more so on: mainstreaming climate change into planning; and delivering user led Climate Information Services (CIS).
In closing, Mr. Wendo highlighted on the CCCF sustainability model as well as some of the successes and challenges under the CCCF mechanism.

11.0. Mainstreaming Climate Change in CIDP's – A case study of Makueni County: A Presentation by Mr. Munyao

Mr. Munyao from Makueni County Government began his remarks by expounding on the Makueni Vision 2025 which is anchored on the Sustainable Development Goals (SDGs') and Kenya Vision 2030.

He further noted that the Makueni County Integrated Development Plans (CIDP II - 2018-22) will be delivered through intervention in 5 thematic areas namely: community economic empowerment; water resource management; lands, urban planning and development; socio-economic development; and enablers.

With regard to mainstreaming climate change in CIDPs, it was noted that the key entry points include: climate information; legislative framework (CCF regulations, CC Policy, Bill); and Institutional framework (CCF Board, Sand Conservation and Utilization Authority, Climate Change Committees, Community and Forest Associations).

12.0. Climate Change Finance – A case study of Kitui County: A Presentation by Mr. Paul Kimwele

Mr. Paul Kimwele, from Kitui County Government gave a brief on the Kitui County Climate Change Fund (CCCF) mechanism. He noted the four mechanisms include: Climate Change Planning Committees, Climate Information Services, Monitoring and evaluation of Resilience Building and County Climate Change Fund.

In conclusion, he noted the purposes of Kitui CCCF. In this regard, he mentioned the Phase 1 achievements as: construction of 9 earth dams, 2 sand dams, and water distribution in 10 wards.

13.0. CoG Gap Analysis for GCF Accreditation - A Presentation by Mr. Benson Ochieng

Mr. Benson Ochieng from ILEG began by informing participant's that ILEG was recruited by the World Bank under the Kenya Accountable Devolution Program (KADP II), to: conduct a Gap Analysis on CoG to determine its readiness capacity for Accreditation to the GCF; and support development of a preliminary GCF Concept Note to support mobilization of resources to address the impacts of climate change at the county level.

He noted that addition to being the entity through which GCF channels its financial resources to climate change projects and programs, other roles of an Accredited Entity (AE) include: Developing and submitting funding proposals for projects and programs; Overseeing project and program management and implementation; Deploying and administering a range of financial instruments; and Mobilizing private sector capital for blending with GCF and/or own resources

In closing, he administered questionnaires to stakeholders to get their views on CoG Accreditation to the GCF.

14.0. County Diagnostic Analysis

In August 2019, the UNDP offered Technical Assistance to the National Treasury on Climate Finance: Budgetary & Fiscal Reforms for Resilience at County Level Planning and Budgeting.

The TA seeks to support Kenya to undertake sensitization and a rapid case study on climate finance at the county level, as a basis for designing future collaboration on strengthening climate finance at county level.

It is upon this background, that the National Treasury conducted the County Diagnostic Analysis with a view of receiving feedback that will inform Program on Climate Finance: Budgetary and Fiscal Reforms for Resilience at County Level Planning and Budgeting.
The feedback received from counties mainly focused on the following key components:

- Component A: Legal, Regulatory & Policy Reforms and Capacity Building
- Component B: Mainstreaming Climate Change Reforms and Capacity Building
- Component C: Climate Finance Flows Coding, Tracking and Reporting Reforms and Capacity Building
- Component D: Institutional Reforms and Capacity Building
- Component E: Program Management & Coordination

7.0 Next steps and recommendations:

The meeting agreed that the 3 key areas that will inform the way forward are:

i. Development of a Synthesized Report on Climate Finance in Kenya.
ii. Design of a Program on Climate Finance: Budgetary and Fiscal Reforms for Resilience at County Level Planning and Budgeting.
    - The Program will be informed by the findings of the county diagnostics analysis.
iii. Climate Finance Program Stakeholder's Validation Workshop

Annex 4: Kenya Accountable Devolution Program (KADP): Devolution and Locally-Led Climate and Disaster Risk Management Project (P163600)

I. INTRODUCTION

From February 18-22, 2019, a World Bank team conducted an implementation support mission of the Devolution and Locally-Led Climate and Disaster Risk Management Project, which is being implemented under the Kenya Accountable Devolution Program. The Project focuses on strengthening the capacity of counties to address climate-related vulnerability, risk management and resilience, including capacity building in environmental and social risk management and safeguards. The objective of the mission was to provide overall support to the implementation of this project which is being implemented in Makueni, Siaya, Narok and Kwale Counties of Kenya.

The mission would like to express its sincere appreciation to Hon. Samuel Tunai, Governor, Narok County; Mr. Peter Odhengo, Senior Policy Advisor, National Treasury; Dr. Pacifica F. Achieng Ogola, Director, Climate Change Directorate; the Council of Governors and the County Governments of Kwale, Narok and Siaya, among other stakeholders for their participation, hospitality, and for the fruitful discussions during the mission. The full list of persons met is in Annex 1.

This Aide Memoire (AM) summarizes the findings on the status of project implementation, recommendations and agreements reached with the relevant agencies to take corrective measures and/or to expedite implementation. The AM was discussed with National Treasury, Climate Finance Unit, Ministry of Devolution and ASALs, Climate Change Directorate and the Council of Governors.

The mission team held a debrief with the National Treasury, Climate Finance Unit on progress of the project, recommendations and key outcomes for the mission, in addition to follow up actions with target counties and actions that are linked with the national processes. Request to finance specific actions to be led by the treasury was received by the mission and are detailed in Annex 1.

I. OVERALL STATUS AND KEY PROJECT DATA

The objective of this project is to improve county governments' capacity to integrate locally-led climate and disaster risk management considerations into their developing planning process. The Devolution and Locally-Led Climate Change Adaptation (CCA) and Disaster Risk Management (DRM) project (P16300) is a sub-activity of the Programmatic Approach (PA) Social Accountability & Devolved Sectors Project (P160017) that is focused on devolved sectors and the social dimensions of the Kenya Accountable Devolution Program (KADP). The PA aims to strengthen core devolved governance systems at both national and county levels with a focus on strengthening citizen engagement and devolved service delivery within Kenya's devolution process.

Project activities focus on (i) integrating climate and disaster risk management into County

Integrated Development Plans; (ii) strengthening county government capacity for climate and disaster risk management; and (iii) promoting partnerships between communities and their local authorities on resilience strengthening.

Project Data: The project was approved in August 2017 and will close on August 31,2019.

II. KEY POINTS DISCUSSED AND AGREED ACTIONS AND PROGRESS:

Component 1: Integration of climate and disaster risk into CIDPs:

KADP steering committee meeting: The mission team participated and presented progress on climate change component during the KADP steering committee meeting. Key progress highlighted include the integration of the climate change and disaster risk management into County Integrated Development Plans of the target counties of Kwale and Siaya, and a start-up process on the development of a mobile-based early warning system for floods in Narok County, through additional funding from the World Bank's Global Facility for Disaster Reduction and Recovery (GFDRR).

Project Coordination meeting: the mission met with key counterparts from Kwale, Makueni, Narok, Siaya, the Kenya Red Cross Society and the International Institute for Environment and Development (IIED) during a project coordination meeting that aimed at fostering shared understanding on the project vision, objective and activities. The meeting provided a platform to understand the ongoing climate and disaster risk management initiatives by counties and project partners. The mission highlighted approaches to strengthen social resilience and promote local action for adaptation. Having in place legislative and policy frameworks in term of climate change and disaster risk management was highlighted as an important element towards allocating the necessary finance and putting in place a working governance system for adaptation and resilience building. Participants also discussed the opportunities and mechanisms increase progress on adaptation by incorporating climate change and DRM into county planning, and existing climate change laws.

Meeting with Narok Governor: The mission held discussions with the Governor of Narok county to brief him on the planned DRM activities in Narok. The meeting was facilitated by the Kenya Red Cross, and the discussion was anchored on a partnership to develop a mobile-based early warning system. The team also discussed the broader project focus, including the goal of strengthening county-community partnerships on resilience building and disaster risk management. The Governor mentioned poor land use planning and environmental degradation as major contributors to flooding risk in Narok. The county has put in place some measures like dams/pans in upstream areas that is helping in flood control and indicated the proposed early warning system will be beneficial to the county. The mission team agreed to link the Governor to the Kenya Urban Support Program (KUSP) team of World Bank to discuss urban planning support and ways of consolidating the impacts from both the KADP and KUSP programs. The Governor confirmed support for the project, and his commitment to raise awareness of the system once its functional.

Progress on integration of CC and DRM into Kwale's CIDP: The mission confirmed that recommendations provided by stakeholders in Kwale, has led to integration of climate change aspects in Kwale's CIDP. The project supported two stakeholder meeting that led to the memoranda, which informed the key messages on climate change and DRM included in Kwale's CIDP.

Linkages with Adaptation ('Ada') Consortium on project progress: The mission was briefed by IIED, which is part of the Adaptation Consortium and one of the implementing partners of the project. The IIED team updated the mission on efforts to link this project with existing mechanisms established by ADA consortium in several counties. The mission was satisfied with the IIED inception report that outlined a reasonable approach to link the project with ongoing efforts and build on existing partnerships. Linkage with the other implementing partners like Kenya Red Cross Society in terms of coordination was emphasized including synchronizing some of the interventions by partners to conduct joint field missions. Reporting by counties on the climate change interventions as required by the Climate Change Act of 2016 was discussed, including the approach the project will use to facilitate development of the MRV framework in collaboration with the Climate Change Directorate. Synergy with the national MRV+ for the National Climate Change Action Plan (NCCAP) 2018-2023 will be considered before finalization of the framework.

Component 2: Development of county-level capacity and programming for climate and disaster risk management:

Peer Learning on County Climate Change Fund: Several county governments such as Makueni, Kitui, Wajir, Garissa and Isiolo have domesticated legislation on climate change, with some local adaptation actions undertaken in Makueni and Wajir Counties. The County Climate Change Fund legislations have allocated 1 and 2%, respectively of their development budget to address the impacts of climate change. Peer-to-peer learning by KADP targeted counties is expected to ignite discussions in the targeted counties to initiate similar legislation, and mainstream climate change in the planning process. Makueni, being the most advanced in this aspect, will host the peer learning event, while Wajir will share its good practices as well.

Progress on Kenya Country Environmental Analysis (CEA) and County Information Sheets:
The Kenya Country Environmental Analysis (CEA) is an ongoing programmatic non-lending Technical Assistance (TA) that seeks to enhance the World Bank and the Government of Kenya's (County governments) understanding of Kenya's critical ENR challenges and priorities, with a view to enhancing action and solutions, including national and county budget resources that directly contribute to Kenya's Vision 2030 strategy. From the World Bank's perspective, the TA would contribute to the next CPS for Kenya. An interim draft of the CEA has been prepared that focuses on the economic costs and health burden due to natural resource degradation in land, forests, wildlife & protected areas, water, coastal & marine zones, and how these impacts are exacerbated by refugee influx, climate change trends and extreme events. A key aspect of the CEA is the compilation of County Information Sheets for select counties depicting their climate change and variability profiles in addition to the potential options for adaptation. This CEA is being supported by

the Kenya CMU with funds under PROFOR and the Kenya Devolution and Locally-Led Climate and Disaster Risk Management Project. The next steps to finalization of the CEA are: (1) re-editing of the interim draft CEA; (2) completion of the County Information Sheets for Kwale, Makueni, Narok and Siaya counties with climate change information; (3) undertaking a stakeholder validation workshop in May 2019; and (4) submitting the CEA to GENDR and GPSURR management by mid-June 2019.

Component 3: Establishment of community-county partnerships for resilience

County Climate Change Fund (CCCF): The mission took part in a consultative meeting on the draft County Climate Change Fund (CCCF) scale out strategy that brought together key members of the Adaptation Consortium. This mechanism is considered critical to the sustainability of this project. The scale-out of the County Climate Change Fund (CCCF) mechanism across all counties aims at facilitating the flow of climate finance from a range of public and private sources to the local level. It reinforces the mainstreaming of climate change in plans and budgets and enhances public participation in decision-making. Since 2012, the Adaptation ('Ada') Consortium has developed and tested the CCCF in five counties with positive results. There is now significant demand for the same from other counties. The scale-out will be steered by the National Drought Management Authority (NDMA), under which the Ada Secretariat is domiciled, and overseen by a Steering Committee that is representative of the national and county governments and CCCF partners.

National Treasury (Climate Change Finance Unit): The mission briefed and sought guidance from the National Treasury on the project implementation and mode of delivery for the remaining period. The National Treasury Climate Finance Unit requested additional support to counties in terms of capacity building on coding, tracking and reporting on climate finance and training of key county and national government official involved in climate financing using a module developed by the National Treasury and the Kenya School of Government (KSG). The mission recommended an initial focus on four KADP counties under this project. The National Treasury Further made request for the following;

Readiness capacity for Council of Governors (COG) for Accreditation to the Green Climate Fund (GCF): This would support the CoG accreditation process to the GCF, and develop a preliminary concept note for eligible climate change investments by counties to be supported by the GCF. It entails conducting a gap analysis and strengthening capacity of the CoG to enable access to GCF funding. Once accredited, the concept note will prioritize climate change activities to be included in a detailed proposal to the GCF. The National Treasury will lead the process through support of the consultant in close collaboration with the CoG. The readiness for accreditation process is expected to take 3-4 months and should conclude by August 2019.

Training on climate finance budgeting and expenditure tracking and development of an e-learning course for CCM: This training is part of the Government of Kenya's efforts to improve resource mobilization and expenditure tracking related to climate change. Training is aimed at equipping County Governments with the requisite skills and knowledge to

properly identify climate change elements, and to plan, budget, code and track expenditure towards adaptation and mitigation within their programs and projects. This training will be delivered by the National Treasury Climate Finance Unit, Kenya School of Government, Climate Change Directorate (CCD), Kenya Meteorological Department (KMD), National Environmental Management Authority (NEMA) and Council of Governors (CoG). After the training, an e-leaning course will be developed and hosted at the Kenya School of Government, as well as Maarifa Center.

One Planet Summit brochure: The mission team reviewed the briefing document being prepared for the One Planet Summit to highlight the contribution of KADP to climate change initiatives in Kenya through the county and national level engagement. A section dubbed "People driven responses to climate change" describes the initiatives undertaken under the Devolution and Locally-Led Climate and Disaster Risk Management stream of KADP. It emphasizes elements of integration of the climate and disaster risk management into CIDPs and support toward formulation of the climate change financing mechanism.

II. FIDUCIARY COMPLIANCE

Procurement Performance: The mission reviewed and agreed on the Terms of Reference for the Kenya Red Cross Society, who were selected to support the disaster risk management aspects of the project.
Financial Management (FM) Performance: N/A
Disbursements Status: This is a Bank Executed Technical Assistance. All the funds are currently committed, and the task team expects all projects activities to be completed by August 31, 2019.
Additional funding (USD 425K) was received from the WB GFDRR to support the project's DRM component.

III. SAFEGUARD MANAGEMENT

The project has no safeguards implications at this stage.

NEXT REVIEW: the next technical support mission will be conducted in May 2019.

Table 1: Summary of Agreed Actions

	Actions	**Responsibility**	**Agreed timeline**
i.	Finalize contracts for Kenya Red Cross Society	Task Team	March 15, 2019
ii.	Launch the Mobile-Based Early Warning System	Kenya Red Cross and Narok Government	April 15, 2019
iii.	Training on climate finance budgeting and expenditure tracking and development of an e-learning course for CCM	Task Team, National Treasury CC Unit and Kenya School of Government	May 30, 2019
iv.	Finalization of the CEA and four county profiles	Task Team	May 30, 2019

v.	Peer Learning on County Climate Change Fund	Task Team	July 1, 2019
vi.	Readiness capacity for Council of Governors (COG) Accreditation to the Green Climate Fund (GCF)	Task Team, National Treasury, CC Unit	August 1, 2019





REPUBLIC OF KENYA THE
NATIONAL TREASURY
AND PLANNING

A TRAINING HANDBOOK

CLIMATE FINANCE: BUDGET CODING, TRACKING AND REPORTING

Text
Text

Enhanced Transparency of Climate Finance in Kenya
2019

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IN CONTRIBUTION TO THE NDC PARTNERSHIP
ACCELERATING CLIMATE AND DEVELOPMENT ACTION

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REPUBLIC OF KENYA
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A TRAINING HANDBOOK

CLIMATE FINANCE: BUDGET CODING, TRACKING AND REPORTING

Enhanced Transparency of Climate Finance in Kenya
2019

FOREWORD

Kenya is a party to the United Nations Framework Convention on Climate Change (UNFCCC), its Kyoto Protocol, and the Paris Agreement. Over the past five years, considerable efforts have been made to mainstream climate change considerations into the country's plans, policies, strategies, projects and programmes. These documents include the Vision 2030; the National Climate Change Response Strategy, 2010; the National Climate Change Framework Policy; the National Climate Finance Policy; the Green Economy Strategy and Implementation Plan; the MTPs; and the Climate Change Act, 2016. They provide a regulatory framework for an enhanced response to climate change and mechanisms and measures to achieve low-carbon, climate-resilient development. Further, they enable mechanisms for mobilising, tracking and reporting on climate finance.

Kenya's economy is highly dependent on its natural resource base. This makes our country highly vulnerable to climate change and threatens our Vision 2030 goal to create a globally competitive and prosperous nation with a high quality of life. Addressing climate change requires us to transform our economy by integrating climate change into development policies and actions across multiple sectors. This will lower greenhouse gas emissions, reduce our vulnerability to climate shocks and deliver poverty reduction gains. Taking action to adapt to and mitigate climate change is in our national interest.

The National Climate Change Response Strategy and its associated National Climate Change Action Plans lay the groundwork for Kenya's Nationally Determined Contribution under the Paris Agreement. Actions to address climate change include tree planting programmes, protecting and conserving the five water towers (Mau Forest Complex, Aberdares, Mt. Kenya, Cherangani Hills and Mt. Elgon), and pursuing geothermal development, energy efficiency programmes and drought management. Kenya has also gained experience in the carbon market by developing mitigation projects under the Clean Development Mechanism and Voluntary Carbon Market, including in the areas of renewable energy, energy efficiency and restoration of degraded lands.

Climate finance is an important enabling aspect of our efforts to address climate change. The Paris Agreement sets a goal of mobilising USD 100 billion per year by 2020 to support mitigation and adaptation activities in developing countries. Significant financial resources from the public and private sectors are expected to be channelled towards climate action. If our country is to take advantage of these opportunities, the proper institutional and financial mechanisms must be in place so that resources are directed efficiently toward national climate and development priorities. This is the context in which we have developed this National Policy on Climate Finance.

The objective of this Training Handbook on climate finance for state and non-state actors is to improve our ability to mobilise and effectively manage and track adequate and predictable climate change finance from public and private sources. The handbook introduces the learner to climate change and presents the historical background of climate financing, sources and the governance structure of climate finance. It further elaborates the process of planning, budgeting and reporting on climate financing at the sector level, as well as costing for climate change in government programmes and/or projects. It dives deep into the climate finance codes used under the Standard Chart of Accounts (SCOA) and their applicability within the Integrated Financial Management Information System (IFMIS) system.

This handbook represents Kenya's first step towards enhancing transparency of the climate finance support needed and received through international and national sources. Further, it links the inputs and impacts in terms of emission reduction and resilience building at national and sub-national levels.

Hon. (Amb) Ukur Yatani Kanacho, EGH

Cabinet Secretary,

National Treasury and Planning

ACKNOWLEDGEMENT

This training handbook on climate finance budget coding, tracking and reporting is part of the Government of Kenya's strategic intervention to build climate finance capacity to better coordinate resource mobilization and track expenditures on climate change at both the national and county levels. Climate finance tracking and reporting will not only enhance coordination and effectiveness of climate change mitigation and adaptation efforts and initiatives but will also promote robust transparency in accordance with the Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC).

The handbook was developed by a Multi-Stakeholder Technical Working Group coordinated by the National Treasury and the Ministry of Environment and Forestry. The team was composed of officers appointed from the National Treasury (TNT), the Ministry of Environment and Forestry; State Department of Planning; Council of Governors (CoG); Kenya School of Government (KSG); Kenya Private Sector Alliance (KEPSA); Transparency International (TI) and Pan African Climate Justice Alliance (PACJA). I take this early opportunity to recognize their professionalism and diligence throughout the process of developing the handbook.

A wide range of individuals and institutions were consulted during preparation of the handbook. This culminated in a validation workshop attended by representatives from State departments and agencies of the national government, county governments, civil society, the private sector, and academia. The National Treasury is also grateful to the national and international climate change experts who provided valuable technical inputs to the process.

Reaching this significant milestone in Kenya's response to climate change would not have been possible without the generous financial and technical support from UNDP through the NDC Support Programme under the Low Emissions and Climate Resilient Development Project (LECRD). I also wish to acknowledge the support through PACJA. I sincerely thank you all and look forward to your continued support and collaborative cooperation in future.

Julius Muia, PhD, CBS

Principal Secretary,
National Treasury

EXECUTIVE SUMMARY

Climate finance is one of the key enablers to climate change adaptation, mitigation and enabling environment. It refers to resources over and above programme/project costs mobilized to address the effects of climate change. Climate finance covers the entire cycle - from mobilizing resources to using, coding, tracking and reporting climate change-related expenditures by both government and non-government entities.

This handbook is part of the Government of Kenya's strategic intervention to build climate finance capacity so that it can better coordinate resource mobilization and track climate change expenditures. The goal is to equip all state and non-state agencies with the requisite skills and knowledge to properly identify climate change elements, plan, budget and mobilise resources, and code and track expenditures towards adaptation and mitigation, both as stand-alone initiatives and projects and/or within programmes and projects.

The handbook is organized into four modules. Module one introduces the learner to climate change in general, important terminology and highlights, and practical adaptation and mitigation actions. Module two presents the historical background to climate financing and discusses in detail the sources and governance structure of climate finance. Module three provides a detailed review of the process of budgeting for climate change at the sector level and how to cost for climate change in government programmes and/or projects. It also identifies the entry points for mainstreaming climate financing in the government planning and budgeting process. Module four focuses on the climate finance codes used under the Standard Chart of Accounts and applicable under the IFMIS system used in the country. It also describes the mechanism and procedures to track and report climate-relevant expenditures during budget implementation and financial reporting for the government and non-state actors.

Kenya has developed key policy documents to enable the country to address climate change effectively. The documents adopted include the Climate Change Act, 2016; the National Climate Change Framework Policy; the Green Economy Strategy and Implementation Plan 2016-2030; the National Climate Finance Policy; the Disaster Risk Management Policy; the National Climate Change Action Plan 2018-2022; and the Disaster Risk Financing Strategy 2018-2022.

The relevant references and annexures are presented at the end of the handbook.

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ABBREVIATIONS

ADB	Asian Development Bank
ADP	Annual Development Plan
AF	Adaptation Fund
AFD	Agence Française de Développement (French Development Agency)
AfDB	African Development Bank
AIA	Appropriation-In-Aid
ARUD	Agriculture, Rural and Urban Development
BPS	Budget Policy Statement
BROP	Budget Review and Outlook Paper
CBDR-RC	Common but Differentiated Responsibilities and Respective Capabilities
CCBC	Climate Change Budget Code
CCCF	County Climate Change Fund
CDM	Clean Development Mechanism
CEC	County Executive Committee
C-FSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plans
CIF	Climate Investment Funds
COP	Conference of the Parties
CRA	Commission on Revenue Allocation
CRE	Climate Relevant Expenditure
CTF	Clean Technology Fund
DANIDA	Danish International Development Agency
DFID	Department for International Development (United Kingdom)
DNA	Designated National Authority
DOD	Department of Defence
DRR	Disaster Risk Reduction
EAC	East African Community
EII	Energy, Infrastructure and ICT
EU	European Union
GCF	Green Climate Fund
GEF	Global Environment Facility
GESIP	Green Economy Strategy and Implementation Plan
GFS	Government Financial Statistics
GHG	Greenhouse Gas
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (German International Development Agency)
ICF	International Climate Funds
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
JICA	Japan International Corporation Agency
KfW	Kreditanstalt für Wiederaufbau
LDCF	Least Developed Countries Fund
MCDAs	Ministries, Counties, Department and Agencies
MDAs	Ministry, Departments and Agencies
MDBs	Multilateral Development Banks
MERV	Minimum Efficiency Reporting Value
MRV	Monitoring, Reporting and Verification
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NCCAP	National Climate Change Action Plan
NCCC	National Climate Change Council
NCCRS	National Climate Change Response Strategy
NDA	National Designated Authority
NDC	Nationally Determined Contribution
NEMA	National Environment Management Authority
NIE	National Implementing Entity
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OFP	Operational Focal point
PFM Act	Public Finance Management Act
PIM	Public Investment Management
PPCR	Pilot Program for Climate Resilient
PPP	Public Private Partnership
QEBR	Quarterly Economic & Budgetary Review
RBCF	Result Based Climate Financing
REDD+	Reducing Emissions from Deforestation and Forest Degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries
SAGAs	Semi-Autonomous Government Agencies
SCCF	Special Climate Change Fund
SCF	Strategic Climate Fund
SCOA	Standard Chart of Accounts
SIDA	Swedish International Development Agency
SREP	Scaling Up Renewable Energy Program
SWG	Sector Working Groups
TNT	The National Treasury
TWG	Technical Working Group
UNCED	United Nation Conference on Environment and Development
UNFCCC	United Nations Framework Convention on Climate Change

MODULE ONE:

Introduction to Climate Change

OVERVIEW

This module provides a general overview of climate change, response strategies and plans in Kenya. In particular, it introduces the learner to the basic aspects of climate change and its economic impacts globally, regionally, nationally and on devolved units. It also seeks to develop skills and knowledge on low-carbon, climate-resilient economic activities and how they relate to climate financing and sustainable development agenda.

MAIN OBJECTIVE

This module introduces the learner to the basics of climate changes, terminology, causes, impacts and measures to address the causes and impacts.

SPECIFIC OBJECTIVES:

a. To describe the basic terms used in climate change;

b. To identify the causes and impacts of climate change; and,

c. To highlight the response mechanism to the causes and impacts

1.1 BACKGROUND

Climate change is one of the major phenomena that threaten the global development agenda in the 21st century. Aware of the dangers posed by changing climatic conditions, the global community has united to confront this threat to humanity and natural resources.

Response to climate change is a priority of the Government of Kenya, both at the national level and within devolved units. The Constitution and our commitments under global treaties and conventions require the government to take action to mitigate and adapt to the impacts of climate change. The Climate Change Act of 2016 provides the legislative framework for an enhanced response to climate change.

To understand climate change, it important to distinguish between weather and climate. While weather refers to the state of the atmosphere of a given place at a given time, including characteristics such as rainfall, temperature, wind and humidity, climate is the average weather pattern in a place over a period of at least 30 years, as defined by the World Meteorological Organization. Climate change is therefore a permanent shift in the state of the climate that persists for an extended period of time (30 years or more). It is attributed directly or indirectly to anthropogenic (human) activity, which contributes to increased greenhouse gases (GHG) and, hence, alters the composition of the global atmosphere.

According to the Act, climate change means a change in the climate system caused by significant changes in the concentration of GHG as a consequence of human activities. On the other hand, climate change resilience means the ability to maintain competent function and return to some normal range of function, even when faced with the adverse impacts of climate change.

Climate finance refers to monies mobilized by government or non-governmental entities to finance climate change mitigation and adaptation actions and interventions. Specifically, it refers to the additional cost of building resilience (adaptation) and reducing emissions (mitigation). This separates ordinary development project costs, which would otherwise have been incurred, to address the extra costs of building resilience and reducing emissions within project design (additionality) and implementation.

1.2 CAUSES OF CLIMATE CHANGE

Climate change is attributable to global warming due to an unprecedented increase in the concentration of greenhouse gases (GHG) as a result of anthropogenic activities, particularly the exploitation of fossil fuels.

Greenhouse gases are substances that can trap heat in the atmosphere. Thus, they keep the earth's surface warmer than it would otherwise be. The main GHG are carbon dioxide (CO2), methane (CH4) and nitrous oxide (NOx). The result is global warming, which refers to the increase in the average surface temperature of the earth's atmosphere and oceans.

Anthropogenic activities that cause GHG emissions are:

a. Agriculture – including enteric fermentation from livestock; use of fertilizers; rice cultivation; burning of farm residues; and poor land cultivation;

b. Land use, land use change and forestry – including the conversion of wetlands to croplands; conversion of forest land to croplands; deforestation; and forest degradation;

c. Energy demand and supply – including energy generation using fossil fuels; transportation; burning of charcoal and the use of firewood and other biomass;

d. Waste – including primarily emissions from decomposing waste and disposal of industrial waste; and,

e. Industrial processes – including emissions arising from processing and the conversion of products from one form to another.

Actions aimed at reducing or avoiding GHG emissions are called mitigation actions.

1.3 IMPACTS OF CLIMATE CHANGE

The impacts of climate change include increased frequency and intensity of extreme weather events, causing, among other events, floods, droughts, strong winds and rising temperatures. This affects different sectors of the Kenyan economy differently. The sectors below are as defined in the Medium-Term Expenditure Framework (MTEF).

Agricultural and rural development: floods and droughts lead to, among other impacts, reduced food production (sometimes total crop failure and livestock death); post-harvest contamination; new pests and diseases in both crops and livestock; and destruction of farm infrastructure.

Energy, infrastructure and ICT: floods cause silting of dams and the destruction of roads, bridges and other infrastructure. Droughts result in lower water levels in dams and rivers, affecting hydro power generation, and reduced water supply for domestic, agricultural and industrial uses.

Health: droughts increase the incidence of respiratory diseases and malnutrition-related complications. Floods often lead to water-borne and vector-borne diseases, such as malaria and zoonotic diseases. Climate change has also led to the emergence of new diseases in areas where they were not previously present.

Education: floods affect access to learning institutions and the usability of facilities. The effect of droughts and floods in agriculture, health, energy and infrastructure affects both learners and teachers and, thus, interferes with the learning process and, ultimately, the quality of education.

Governance, justice, law and order: increased frequency and intensity of droughts has increased armed conflict among communities over water and pasture, especially in arid and semi-arid areas, and to more conflicts amongst pastoralists and crop farmers. Both types of conflict often create internal population displacement (climate refugees) and consequent complications. Human and wildlife conflicts have also grown, especially during extreme droughts and flooding. When infrastructure is flooded, security operations and emergency relief missions are hampered. In some cases, the impacts of droughts and floods have led to cross-border conflicts.

Social protection, culture and recreation: droughts and floods exacerbate the vulnerability of disadvantaged groups, such as the aged, ill, persons with disabilities, women and children. This exerts additional pressure and/or places an additional burden on scarce national resources.

Climate change exacerbates environmental degradation, desertification and biodiversity loss (fresh water, marine life and terrestrial ecosystems), resulting in soil erosion, deforestation, water scarcity, receding water bodies, drying wetlands, melting snow caps, rising sea levels and increased salinity in underground water aquifers and soils. Actions aimed at addressing the impacts of climate change are called adaptation actions.

1.4 CLIMATE CHANGE RESPONSE ACTIONS

Responses to climate change focus on adaptation, mitigation and means of implementation (i.e. finance, technology and capacity building). The Climate Change Act, 2016 describes adaptation as the adjustment in natural or human systems in response to actual or expected climate stimuli, or their effects, that moderates harm or exploits beneficial opportunities. The Act describes mitigation as efforts that seek to prevent or slow the increase of atmospheric GHG concentrations by limiting current or future emissions and enhancing potential sinks for GHG.

The enablers of climate change responses are policies, legislation and strategies or action plans that provide for adequate and predictable climate finance, climate-relevant technological transfer and capacity building. In that regard, Kenya has adopted the National Climate Change Response Strategy; the Climate Change Act, 2016; the National Climate Change Framework Policy; the Green Economy Strategy and Implementation Plan 2016 -2030; the National Climate Finance Policy; the Disaster Risk Management Policy; the National Climate Change Action Plan 2018 -2022; and the Disaster Risk Financing Strategy 2018-2022.

In addition, climate change has been mainstreamed in the Medium Term Plan (MTP III) 2018-2022, the County Integrated Development Plans (CIDPs) and the Performance Management Systems. At the sub-national level, as of December 2018, some counties had already developed county-specific climate change polices and/or established a climate change fund. These include the county governments of Makueni, Isiolo, Kitui, Wajir and Garissa. Other county governments that have made significant progress in developing their climate change policies and/or establishing climate change funds include Kisumu, Vihiga and Homa Bay.

1.5 CLIMATE CHANGE GOVERNANCE IN KENYA

The Climate Change Act, 2016 assigns responsibility for climate change to all arms of government, the private sector and the general public. Figure 1 describes the institutional framework as defined under the Act.

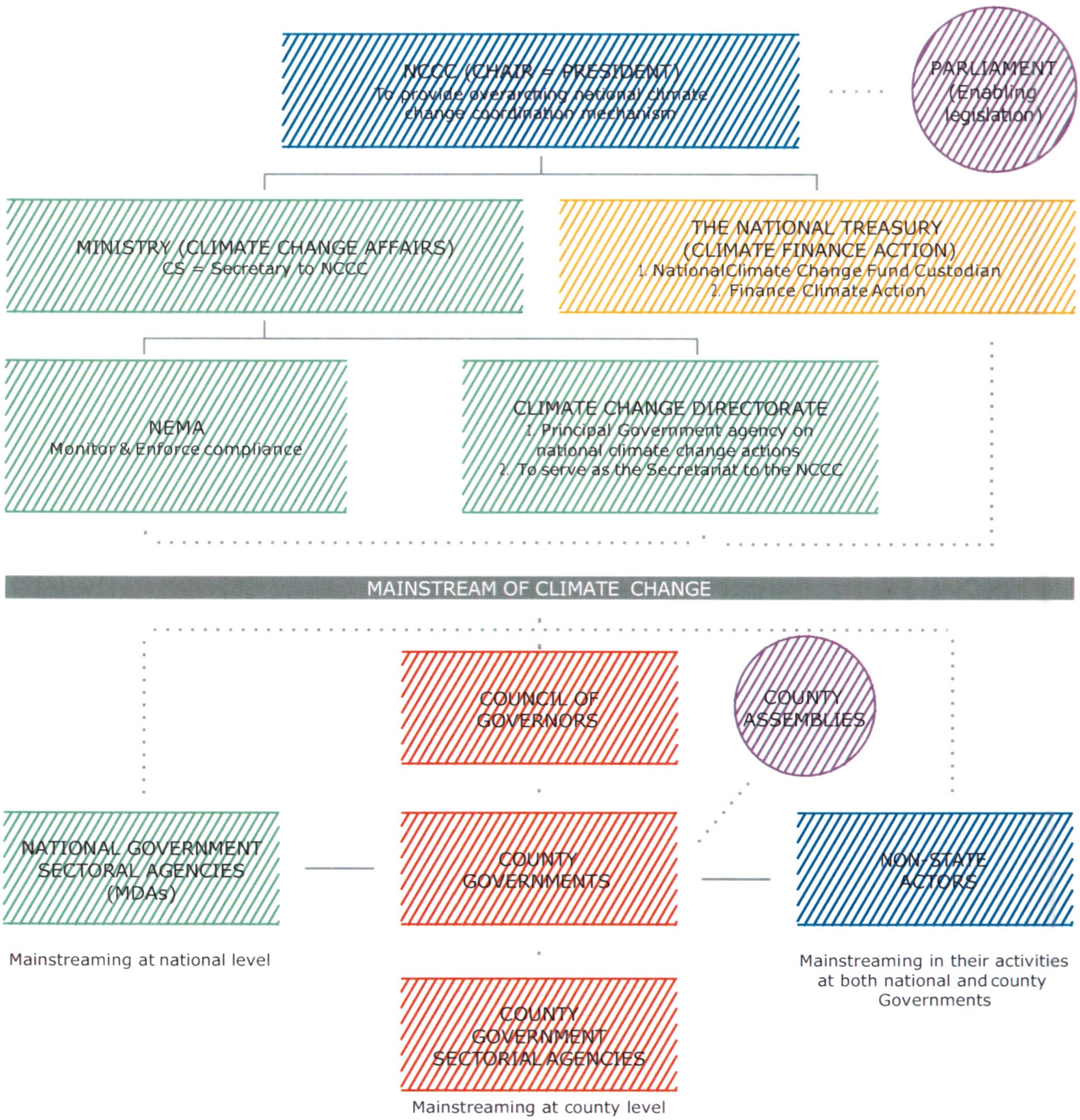


Figure 1: Climate change institutional coordination structure

NATIONAL CLIMATE CHANGE COUNCIL (NCCC)

The NCCC, chaired by the President of the Republic of Kenya, is responsible for overall coordination and advisory functions, including approving and implementing National Climate Change Action Plans (NCCAPs). The Council shall, among other tasks, "ensure the mainstreaming of climate change functions by the national and county governments". Members of the Climate Change Council are defined in Section 7 of the Climate Change Act (No. 11 of 2016).

EXERCISE

List the members of the National Climate Change Council and their qualifications where applicable.

MINISTRY OF ENVIRONMENT AND FORESTRY

The Ministry of Environment and Forestry is currently responsible for climate change affairs and is charged with formulating and conducting periodic reviews of climate change policy, strategy and NCCAPs. The Ministry's Cabinet Secretary (CS) is the NCCC's Secretary. Through the Climate Change Directorate, the CS provides technical assistance on climate change actions and responses to county governments, based on mutual agreement and needs identified by those governments. The CS reports biennially to Parliament on the status of implementation of international and national climate change obligations.

The Climate Change Directorate (CCD) is currently part of the Ministry of Environment and Forestry, which is responsible for environment and climate change affairs. The Directorate manages the overall implementation of NCCAPs, including coordinating climate change actions and related monitoring, reporting and verification (MRV). The CCD is the Council's Secretariat and coordinates technical implementation of climate change functions. This includes providing analytical support and technical assistance on climate change and coordinating the implementation of and reporting on the NCCAPs.

THE NATIONAL TREASURY AND PLANNING

The National Treasury is responsible for developing a strategy and issuing regulations setting out procedures and powers to identify sources of climate finance, monitor use, and work with the Cabinet Secretary responsible for climate change affairs to develop incentives to promote climate change initiatives. The Climate Change Fund is vested in the National Treasury.

The State Department for Planning is responsible for mainstreaming climate change in national and county planning and for developing climate change indicators. It also monitors climate change actions.

OTHER GOVERNMENT ENTITIES

The Climate Change Act, 2016 sets out the roles and responsibilities of government entities regarding implementation of climate change actions and the NCCAPs:

- **County governments** are responsible for integrating and mainstreaming climate change into CIDPs, designating a County Executive Committee (CEC) member to coordinate climate change affairs, and reporting annually on the implementation of climate change responses. County governments are expected to establish climate change units, led by the CEC member responsible for climate change, to oversee the implementation of climate change actions stipulated in the CIDPs.

- **State departments and national public entities** are to establish climate change units responsible for integrating NCCAPs into strategies and implementation plans and for reporting to the Council on performance and implementation.
- **The National Environment Management Authority (NEMA)** is responsible, on behalf of the Council, for monitoring and enforcing compliance, by public and private entities, with assigned climate change duties and targets.

NON-STATE ACTORS

Various stakeholders have roles in implementing NCCAPs and addressing climate change, including:

- **General Public:** The public will play a role in planning, implementing and monitoring climate change interventions, with an emphasis on enhancing adaptive capacity and improving the ability to withstand climate shocks;
- **Private sector: T**he private sector can support implementation of climate change actions in two ways: 1) adaptation – ensuring that businesses can adjust to the extent possible to any consequences of climate change by managing risk and exploiting opportunities; and 2) mitigation – reducing GHG emissions from business operations to minimise the impacts of climate change in the future. The Council may impose climate change obligations on private entities that would likely involve reporting requirements introduced in a phased manner and developed in consultation with the private sector;
- **Public benefit organisations:** They include non-governmental organisations, civil society organisations and faith-based organisations, amongst others, and have been involved in climate change activities in Kenya. Paragraph 1(i) Article 4 of the UNFCCC acknowledges the role of civil society in the areas of education, training and public awareness. Civil society is recognized as a powerful agent of change through creating public awareness, policy research and analysis and conducting advocacy on key socioeconomic issues, including climate change;
- **Academia and research institutions:** They help to provide evidence for knowledge-based decision-making by national and county governments, the private sector, development partners, and civil society. They conduct research on different aspects of climate change, including improving the understanding of climate change attribution in Kenya and developing appropriate technologies to reduce GHG emissions; and,
- **Media:** This sector provides vital information at times of emergency, from issuing imminent floods warnings to explaining how to deal with disease outbreaks. The media helps to disseminate information about climate change. Accurate, timely and relevant information is a critical component of resilience and appropriate climate change action.

MODULE TWO:

Climate Financing

OVERVIEW

Multiple enablers (policy, legal and institutional frameworks) and means of implementation (technology, finance and capacity building) are needed to implement climate change actions. This module reviews climate financing as an important component of climate change mitigation and adaptation. It includes the following units: history of climate financing; sources, channels and means of accessing climate finance; and the climate finance governance structure.

MAIN OBJECTIVE

This module explains climate financing and its evolution, sources, channels and importance in facilitating climate actions in Kenya.

SPECIFIC OBJECTIVES:

a. To understand the historical background of climate financing;

b. To understand the sources, channels and means of accessing climate finance in Kenya; and,

c. To understand Kenya's climate finance governance structure.

UNIT ONE

2.1 HISTORICAL BACKGROUND

INTRODUCTION

Climate finance is a crucial climate change mitigation and adaptation element that Kenya needs in order to achieve its development agenda and meet its obligations under the UNFCCC. Over the years, the global community has developed key milestones to define and advance climate change and climate finance through continuous global engagement within United Nations structures. These developments provide the context and mechanisms to better understand and access climate finance. The nations of the world have held several global conferences to address and respond to the challenges and threats that climate change poses. The key highlights, policy recommendations and commitments emanating from these engagements are summarized below.

UNITED NATIONS CONFERENCE ON THE HUMAN ENVIRONMENT

This conference was held in Stockholm, Sweden from June 5-16, 1972. The main aim was to examine the problems of the human environment and identify those that can be solved through international cooperation and agreements. The gathering was important because it defined development's impacts on the environment and the transboundary nature of those impacts. It identified industrial pollution as one of the main causes of climate change.

BRUNDTLAND COMMISSION

The United Nations established the Brundtland Commission in 1983. Its objectives were to identify ways to save the human environment and natural resources and prevent the deterioration of economic and social development. The Commission produced a comprehensive policy framework referred to as "Our Common Future," also known as the "Brundtland Report". It includes three main pillars: economic, environmental and social.

UNITED NATIONS CONFERENCE ON ENVIRONMENT AND DEVELOPMENT

In 1992, the United Nations Conference on Environment and Development (UNCED), also known as the Rio de Janeiro Earth Summit, adopted Agenda 21 and the three Rio Conventions - the United Nations Framework Convention on Climate Change (UNFCCC), the United Nations Convention on Biological Diversity (UNCBD) and the United Nations Convention to Combat Desertification (UNCCD). Although the three conventions are interrelated, the course focuses on UNFCCC.

a. **Agenda 21**

Agenda 21 provides for a global partnership and strives to reconcile the dual requirements of a high-quality environment and a healthy economy for all people of the world. It identifies key areas of responsibility and offers preliminary cost estimates for success. A key proposal from the Summit was that countries should mobilize their own resources from their public and private sectors to finance Agenda 21. However, new and additional external funds were deemed to be necessary if developing countries were to adopt sustainable development practices. Of the estimated USD 600 billion required annually by developing countries to implement Agenda 21, the countries were to transfer USD 475 billion from their own economic activities.

b. **United Nation Framework Convention on Climate Change (UNFCCC)**

Following the scientific findings from research and the first report of the Intergovernmental Panel on Climate Change (IPCC), climate change became one of the priority areas for the Earth Summit. With its adoption, the UNFCCC thus became the United Nations' first legally binding agreement to focus on combating the negative impacts of climate change. The mechanisms for implementing the UNFCCC are discussed at the annual Conference of the Parties.

The first Conference of the Parties (COP) was convened in 1995 in Berlin, Germany. To promote effective implementation of the Convention, the third COP was convened in Kyoto, Japan in 1997, where the first legal instrument, the Kyoto Protocol, was agreed. The Convention's Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC) principle had a significant influence on the Protocol. Further, it acknowledged that the developed countries bear significant responsibility for climate change, given the amounts of their industrial CO2 emissions. It assigned them the responsibility to mitigate climate change impacts and to help the least developed and developing countries to adapt to the negative impacts of climate change.

PARIS AGREEMENT

The Paris Agreement was adopted by the 21st Conference of the Parties (COP 21) to the UNFCCC in 2015 and came into force in 2016. It strengthens implementation of the Convention by dealing with GHG emissions, adaptation, building climate resilience and promoting enhanced means of implementation. Kenya ratified the Paris Agreement in December 2016 and submitted a wide range of ambitious adaptation and mitigation actions as Nationally Determined Contributions (NDC), as required under the Paris Agreement. The NDC is subject to review every five years, in accordance with the principle of no backsliding. The country will require both international support and domestic efforts to realize the NDC targets.

The climate finance goal under the Paris Agreement is to ensure that financial flows are consistent with a pathway towards low-emissions and climate-resilient development within the context of sustainable development. The Agreement reaffirms that financing, both public and private, should be directed towards implementing climate actions. The diagram below presents a summary of the Paris Agreement and the outline of its key provisions.

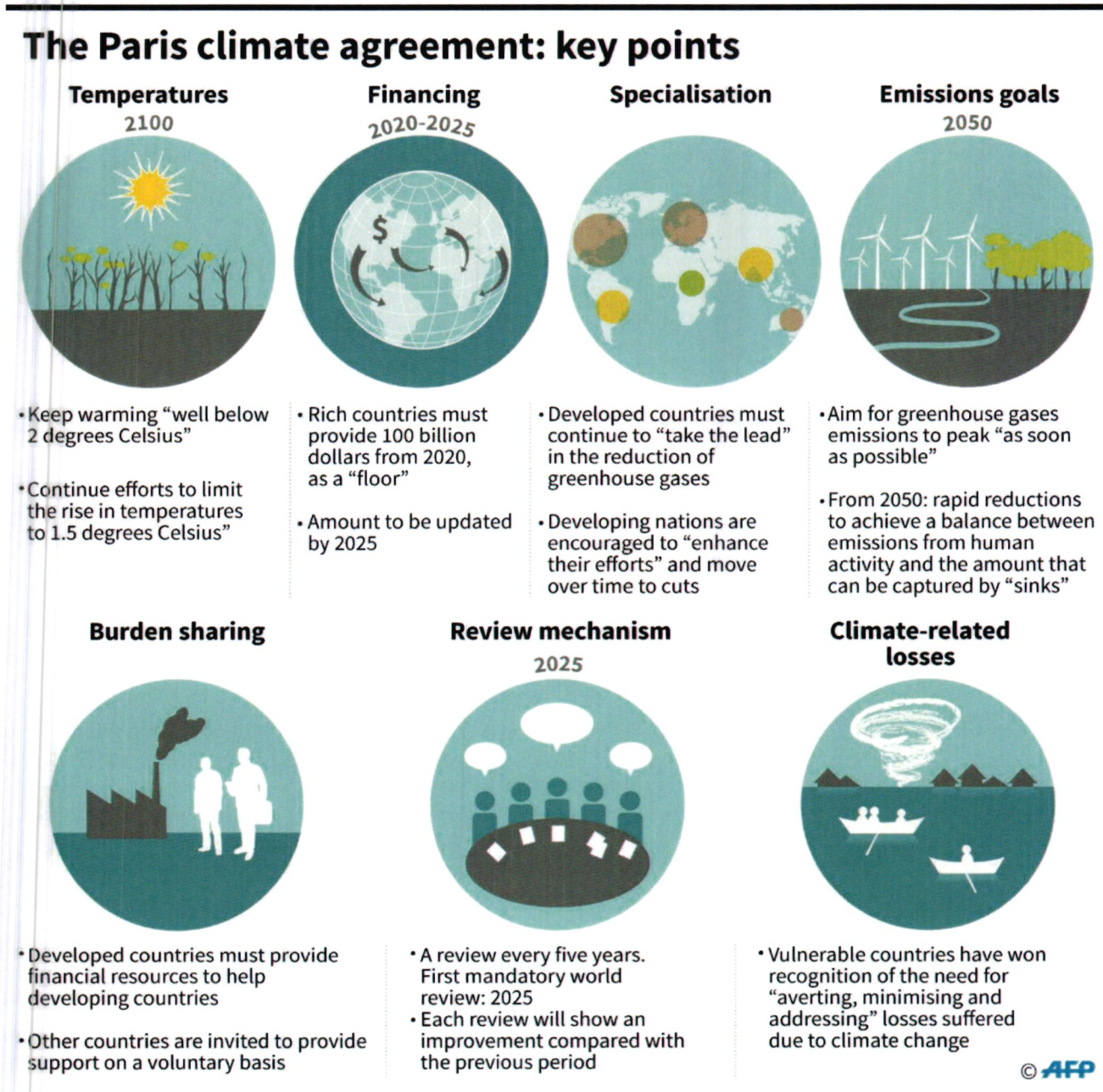


Figure 2: The Paris Climate Agreement
Source: AFP

KEY CLIMATE FINANCE ASPECTS OF THE PARIS AGREEMENT

One of the Agreement's key goals is to ensure that financing is available to respond to climate change. It addresses various aspects of climate finance:

a. **Mobilizing climate finance:** developed country Parties shall take the lead in mobilizing financial resources to support country climate change strategies. The mobilization should also take the needs and priorities of developing countries into account.

b. **Provision:** developed countries shall provide scaled-up financial resources to developing countries. The financing should strike a balance between adaptation and mitigation.

c. **Scale:** scaled-up financial resources shall be provided, with the climate finance goal of USD 100 billion per year to be met by the 2020. A new and more ambitious finance goal is to be set by 2025 above the floor of USD 100 billion.

d. **Transparency:** developed countries shall submit biennial reports. These reports should communicate transparent, consistent, qualitative and quantitative information on financial support mobilized or provided through "public interventions," as well as the projected levels of future support.

e. **Balance:** a balance shall be reached between adaptation and mitigation to address the greater emphasis historically on mitigation.

f. **Financial mechanism:** to facilitate the provision of climate finance, the financial mechanism established by the Convention shall serve the Paris Agreement. The Global Environment Facility and Green Climate Fund constitute the operating entities of the mechanism that serve the Agreement. Other funds that serve the agreement include the Special Climate Change Funds, the Least Developed Countries Fund and the Adaptation Fund.

g. **Progress assessment:** a global stocktake process shall be conducted in in 2023 and every five years thereafter. This climate finance information review will provide direction on future financing.



EXERCISE

Discuss the progress of the implementation of the UNFCCC and the Paris Agreement in Kenya. This should include, but not be limited to, policy, legal, institutional and programmatic/projects intervention measures.

UNIT TWO

2.2 CLIMATE FINANCE SOURCES AND CHANNELS

INTRODUCTION

A definition of the term "climate finance" has yet to be agreed internationally. However, according to the UNFCCC, climate finance refers to local, national or transnational financing, drawn from public, private and alternative sources of financing, that seeks to support mitigation and adaptation actions that will address climate change. Climate finance may be directed either from developed to developing countries (north-south), from developing to developing countries (south-south), or be drawn from domestic financial flows in developing and developed countries.

Climate finance is critical to addressing climate change and Kenya's vision for low-carbon, climate-resilient development. This requires significant investments in sectors that emit large quantities of GHG, as to adaptation and building resilience. Climate finance is also important to facilitate the capacity development and technology development and transfer needed to support implementation of climate actions. All areas of climate finance need to be gender responsive to ensure effectiveness and equity. Gender perspectives, principles and tools should be mainstreamed in all levels of the governance structures, procedures, processes and operations of climate finance mechanisms.

SOURCES AND CHANNELS OF CLIMATE FINANCE

The sources and channels of climate finance can be categorized broadly as public or private. For the purpose of this training, public and private sources have been further classified by international and national sources and channels. The diagram below summarizes the global climate finance architecture.

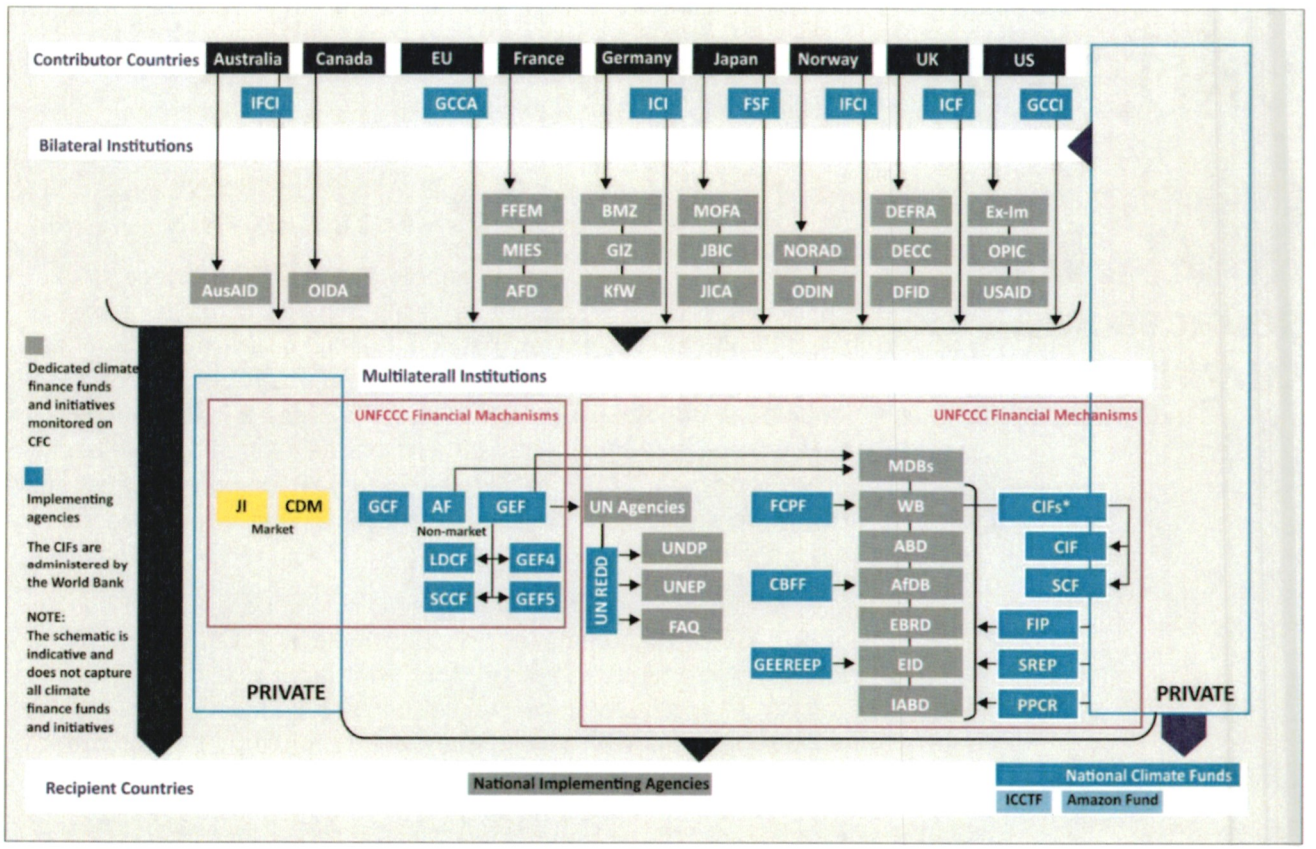


Figure 3: The Global Finance Architecture
Source: The Global Finance Architecture Climate Funds updates.
https://climatefundsupdate.org/gobal-climate-finance-architecture

1. PUBLIC SOURCES AND CHANNELS

A. MULTILATERAL FUNDING SOURCES

i. Green Climate Fund (GCF)

The GCF was established in 2010 with initial financing of USD 10.3 million from 43 governments. Its overall objective is to promote a "paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their GHG emissions and to adapt to the impacts of climate change". GCF supports projects and programmes in developing countries. It is governed by the GCF Board (GCF's Governing Instrument) and is an operating entity of the UNFCCC Financial Mechanism.

The Green Climate Fund is unique in its ability to engage directly with both the public and private sectors in transformational climate-sensitive investments. It works through a wide range of accredited entities to channel its resources to projects and programmes. Such entities may be international, regional, national or subnational public or private institutions that meet the standards of the Fund. Countries may access the

Fund through multiple entities simultaneously. The GCF supports projects based on the following classifications:

a. Size: micro (less than USD 10 million), small (USD 10 – 50 million), medium (USD 50 –250 million) and large (more than USD 250 million);

b. Risk classification: captures the project's environmental and social risks. The three classifications are Category A (high risk), Category B (medium risk) and Category C (minimal risk).

There are two ways to access GCF funding:

a. Direct access, whereby a country accesses funding through a National Implementing Entity (NIE), e.g. NEMA in Kenya, or through a regional accredited institution, which may apply directly for project funding;

b. International access, whereby countries submit project proposals via large multilateral organizations, such as an accredited UN institution or an accredited multilateral development bank (MDB).

Funds from the GCF are accessed through the following windows, each of which has its own template:

- Readiness and Preparatory Support Programme;
- Project Preparatory Facility;
- Request for Proposals (RfPs); and,
- Project/Programme financing.

The Fund's Private Sector Facility and a specific window for private sector funding are intended to strengthen its engagement and leverage additional funding for climate-related projects and programmes. The GCF supports country ownership, which means that the projects and programmes it supports should fall within a country's priorities. In addition, the Fund has created a country- level coordination mechanism with a National Designated Authority (NDA)/Focal Point. Kenya's NDA is the National Treasury.

Adaptation Fund

The Adaptation Fund (AF) was established in 2001 under the Kyoto Protocol. It seeks to finance concrete adaptation projects and programmes in developing countries that are particularly vulnerable to the impacts of climate change. The Fund is financed through a 2 percent levy on the sale of emission credits from the Clean Development Mechanism of the Kyoto Protocol. In past years, it has had to rely increasingly on developed country grant contributions.

Since 2010, it has provided USD 512 million to climate adaptation and resilience activities, including supporting 77 concrete adaptation projects. The AF pioneered direct access to finance for developing countries through National Implementing Entities that are able to meet agreed fiduciary standards, as opposed to working solely through UN agencies or MDBs as multilateral implementing agencies. The Ministry of Environment and Forestry is the AF'S Designated National Authority (DNA) for Kenya. DNAs are government offices that act as a point of contact for the AF in the country. The National Environment Management Authority (NEMA) is Kenya's accredited NIE. NEMA has successfully accessed AF resources of USD 10 million and is implementing an adaptation programme, which is scheduled to run for three years.

EXERCISE

Analyze project(s) in Kenya funded by the Adaptation Fund, noting challenges and successes.

ii. Global Environment Facility (GEF)

GEF is an operating entity of the UNFCCC's financial mechanism and has a long track record in environmental funding. Climate change is a focal area under the GEF. Resources are allocated based on the impacts of spending on environmental outcomes, while ensuring that all developing countries receive a share of the funding.

The GEF provides funding through four modalities: full-sized projects; medium-sized projects; enabling activities; and programmatic approaches. The selected modality should be the one that best supports the project objectives. Each modality requires completing different templates.

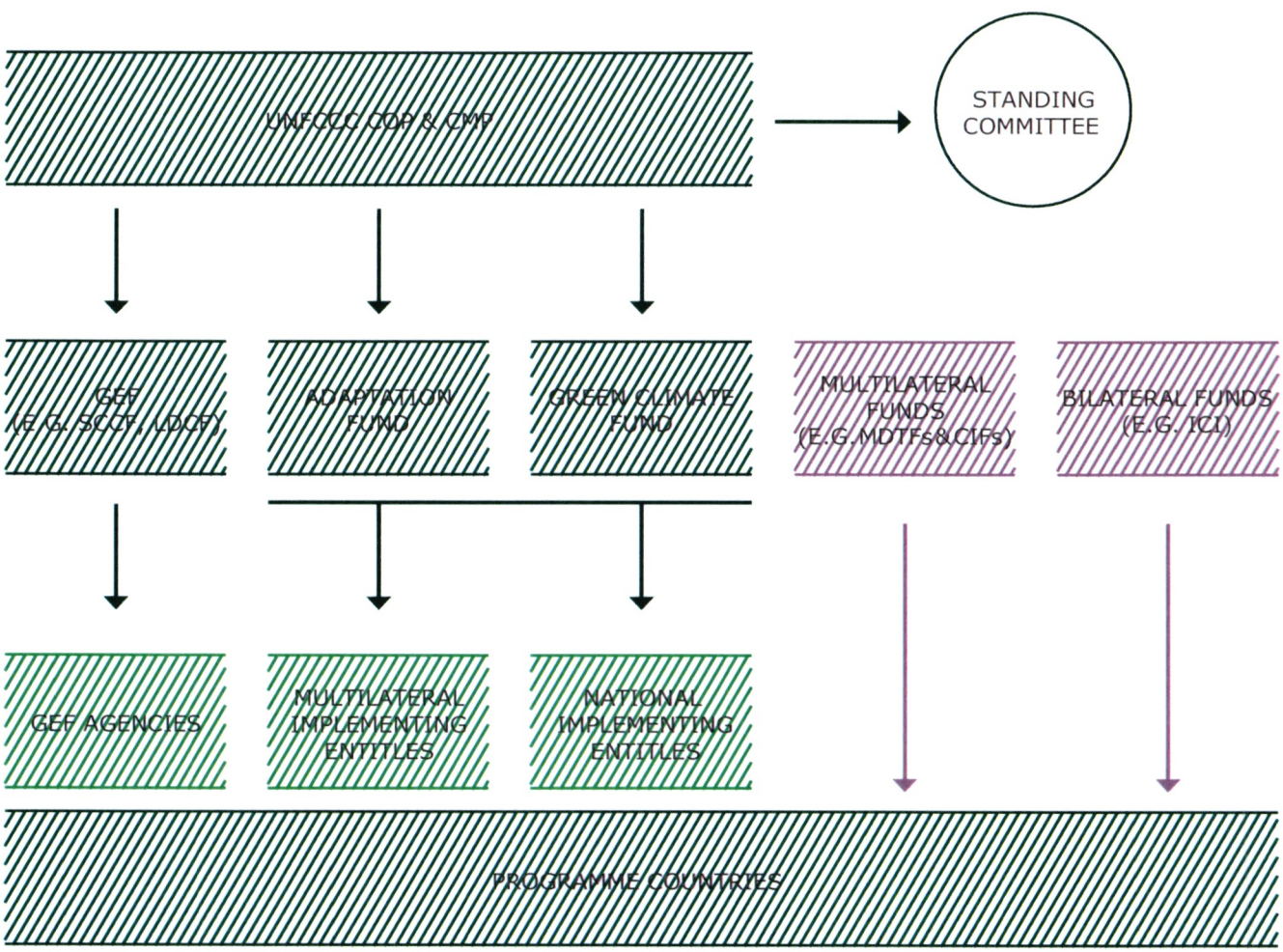


Figure 4: Climate finance under the UNFCCC

The GEF Operational Focal Point (OFP) coordinates all GEF-related activities within a country. The Ministry of Environment and Forestry is the GEF's OFP for Kenya. The OFP reviews project ideas, checks against eligibility criteria and ensures that new project ideas will not duplicate an existing project. All projects to be submitted for approval require a Letter of Endorsement signed by the GEF OFP.

The GEF also administers the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF) under the guidance of the UNFCCC Conference of Parties (COP). These funds support the development and implementation of national adaptation plans, although largely through smaller-scale projects (with a country funding ceiling of USD 20 million).

B. BILATERAL FUNDING SOURCES

Climate finance is delivered through various bilateral donor countries and institutions. Some of the key bilateral institutions relevant to Kenya are listed below.

CASE STUDY

The EU is providing a GBP 32 million grant to conserve Kenya's Mt. Elgon and Cherangany water towers through its Water Towers Protection and Climate Change Mitigation and Adaptation Programme. The project, which is implemented by the Ministry of the Environment and the county governments, is intended to eradicate poverty by enhancing the productivity of ecosystem services.

i. European Union

Kenya receives climate finance from the EU as part of its global finance commitment and allocation to climate change. The EU provides funding directly to governments, the private sector or, even, civil society organizations to implement climate change projects. European Union public climate finance is provided through the European Union Commission and its member states.

ii. Germany

Germany contributes to climate finance in three main areas: mitigation, forestry protection and climate change adaption. Most of the funds are channelled through bilateral development projects in the form of grants and loans. The main source of public climate finance is the Federal Ministry for Economic Cooperation and Development (BMZ) and the Federal Ministry of Environment. Other entities responsible for channelling climate finance include the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and Kreditanstalt für Wiederaufbau (KfW).

iii. Danish International Development Agency (Danida)

The Danish International Development Agency (Danida) serves as the development cooperation agency of the Government of Denmark under the Danish Ministry of Foreign Affairs. Danida is committed to supporting the achievement of the Sustainable Development Goals and provides support to Kenya particularly on green growth initiatives.

iv. United Kingdom

The Department for International Development (DFID) is responsible for official development assistance (ODA). The DFID climate change program priorities include: green growth and low-carbon development; climate

adaptation; climate risk reduction and risk transfer, including climate risk insurance; sustainable infrastructure development; energy efficiency; renewable energy; and sustainable transportation. DFID provides grants, concessional loans, equity and guarantees.

The UK has set up an International Climate Fund (ICF) that drives urgent action to tackle climate change in developing countries.

v. USAID

USAID is a bilateral funding agency involved in funding climate change mitigation and adaptation activities through loans and grants in Kenya. Its primary focus is on clean energy and low-carbon, climate-resilient development.

Other bilateral finance channels include the Swedish International Development Cooperation Agency (Sida), the Agence Française de Développement (AFD) and the Japan International Corporation Agency (JICA).

C. DOMESTIC SOURCES AND CHANNELS

Budgetary support

The Kenyan government is making significant investments in climate change and implementing climate change-relevant projects and programmes. Most of these resources - around 45 percent - are in the energy sector. Forestry and land use projects and water and sanitation activities each account for an additional 20 percent of resources. Some county governments have allocated approximately 1-2 percent of their development budget to climate change.

i. Government ministries and agencies

They receive financing through budgetary allocations to implement climate change and/or climate-relevant projects.

ii. National and county climate change funds

In 2016, Kenya enacted the National Climate Change Act, which establishes a Climate Change Fund. The Fund receives allocations from the national budget to finance climate change adaptation and mitigation. Under Kenya's devolved governance structure, the counties have created county-specific climate funds to support those activities at the county level.

Subsidies

The Climate Change Act, 2016 provides for incentive mechanisms to encourage the transition to low-carbon pathways, as alternatives to the Business-as-Usual scenario. This may also apply to resilience building through subsidised premiums for climate risk insurance; for example, the Kenya Agricultural Insurance and Risk Management Programme and the Kenya Livestock Insurance Programme.

2.
PRIVATE SOURCES AND CHANNELS

CASE STUDY

Through the Forest Carbon Partnership Facility, the World Bank is providing a grant of USD 3.88 million to put in place mechanisms to enable Kenya to reach its overall REDD+ goal to improve livelihoods and well-being, conserve biodiversity, contribute to the national aspiration of attaining a minimum 10 percent forest cover, and mitigate climate change for sustainable development.

A. INTERNATIONAL PRIVATE SECTOR INVESTMENT AND CAPITAL

This constitutes the largest portion of international climate finance. Sources include private corporations and financial institutions, including both equity and loans for specific projects. The majority of these resources are concessional loans, debt, equity or guarantees.

B. MULTILATERAL DEVELOPMENT BANKS (MDBS)

Overall, MDBs make significant contributions to climate finance. In 2017, they provided USD 35.219 billion. MDBs act as both sources and channels of climate finance. Relevant MDBs in the climate finance sphere include the World Bank Group, the Africa Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the European Investment Bank.

MDBs such as the Asian Development Bank (ADB) and African Development Bank (AfDB) also act as implementing agencies to the Climate Investment Funds and are accredited to other funds.

C. PHILANTHROPIC SOURCES

These financial contributions from individuals and foundations support climate actions in various parts of the world. They may be made to organizations at all levels (local, national, regional and global) for climate change projects in developing and developed countries.

D. CLIMATE INVESTMENT FUNDS

Established in 2008 and with USD 8.3 billion in financing currently, CIF aims to accelerate climate action by facilitating transformation in clean technology, energy access, climate resilience and sustainable forests in developing and middle-income countries. It offers large-scale, low-cost, long-term financing arrangements that reduce the risk and cost off climate financing.

The CIF includes two trust funds, the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF). The SCF includes three programs: Pilot Program for Climate Resilience (PPCR), Forest Investment Program (FIP) and Scaling up Renewable Energy Program in Low Income Countries SREP).

E. DOMESTIC PRIVATE INVESTMENT

Kenya's dynamic private sector plays a key role in helping the country realize its low-carbon, climate-resilient objectives and builds on the strong base already established. The key factor determining the private sector's ability to contribute to financing climate actions is a supportive investment environment with clear and transparent regulations and well-designed policy incentives. The private sector also provides climate finance as part of its corporate social responsibility and corporate shared values. The use of public finance to help leverage private sector investment complements this.

F. CARBON MARKETS

These markets seek to reduce GHG emissions in a cost-effective manner by setting emissions limits and allowing emission units to be traded. By putting a price on carbon emissions through the market system, it helps to internalize the environmental and social costs associated with pollution, thereby encouraging investors and consumers to choose a lower-carbon footprint. They include:

i. Cap and trade

Under this approach, a cap (or ceiling) is placed on the amount of GHG that countries or companies may to emit. Any entity that exceeds the cap must pay a fine, which presents a financial incentive to reduce emissions. If a company or country is unwilling or unable to reduce its emissions, it may, instead, buy carbon credits from parties that are on track to meet their reduction targets and thus have credits going spare.

ii. Offset markets

By offsetting or compensating, rather than reducing, emissions, a country or company finances a project elsewhere that should help to reduce emissions, such as renewable energy or reforestation.



CASE STUDY

1. MIKOKO PAMOJA Project Mikoko Pamoja, loosely translated "mangroves together", is the first community carbon project in the world to conserve mangroves through the sale of carbon credits.

2. KENGEN has developed and registered a number of projects under the clean development mechanism (CDM) funding process, e.g. Olkaria 2 Geothermal Expansion Project, Redevelopment of Tana Power Project, Olkaria 1 and Olkaria 4.

iii. Voluntary carbon markets

This approach is relevant to individuals and companies taking voluntary action to offset GHG emissions. When an individual takes an airplane flight, for instance, he or she can purchase credits from a company to offset his/her share of the emissions produced by that flight. The amount paid to purchase those credits should be used to finance a project that reduces emissions.

iv. Market mechanisms under the Paris Agreement

Article 6 of the Paris Agreement establishes two main market mechanisms in which parties may participate voluntarily. Shares of their proceeds will provide funding for adaptation actions in developing countries. These mechanisms include cooperative approaches and a sustainable development mechanism.

G. EMERGING CLIMATE FINANCE INSTRUMENTS

i. Green bonds

Green bonds are designated bonds intended to encourage sustainability and support climate-related or other types of special environmental projects.

Green bonds come with tax incentives such as tax exemption and tax credits, making them a more attractive investment compared to a comparable taxable bond. This provides a monetary incentive to tackle prominent social issues, such as climate change and a shift to renewable

sources of energy. To qualify for green bond status, they are often verified by a third party, such as the Climate Bond Standards Board, which certifies that the bond will fund projects that include benefits to the environment.

Further reading: Green Bond **https://www.investopedia.com/terms/g/green-bond.asp#ixzz5Y2S4yMih**

ii. Blue bonds

The blue bond is a debt instrument issued by governments, development banks or others to raise capital from impact investors to finance marine and ocean-based projects that have positive environmental, economic and climate benefits. They are similar to green bonds, but focus on mobilising resources for conservation efforts in oceans and marine resources.

iii. Results-based climate financing (RBCF)

Under this financing modality or approach, an investor disburses funds to a recipient upon performance and achievement of a pre-agreed set of climate mitigation or adaptation results and successful independent verification. Examples of the application of RBCF include Reducing Emissions from Deforestation and Forest Degradation (REDD+). Various facilities and institutions, such as the GCF and the World Bank, provide funding for REDD+ under RBCF principles.

iv. Blended financing

This financing package is composed of concessional funding provided by development partners and commercial funding by investors. It represents a strategic use of development finance for enhanced mobilization of additional finance. Although it is still an emerging instrument in developing countries, blended finance has been shown to provide financial support to high-impacts project that would not initially attract commercial funding because of the associated high risks, but that have the potential to become commercially viable over time. It is therefore an important instrument aimed at overcoming hurdles related to private sector investment in climate-related projects or programmes.

v. Risk-sharing instruments

These take the form of catastrophe bonds, insurance or weather derivatives. Catastrophe bonds securitize risks associated with natural hazards.



EXERCISE

Select one county that has approved its County Climate Change Fund and analyse the Fund's operation, management, challenges and successes.

CLIMATE FINANCE CHALLENGES IN KENYA

a. The structure of global climate finance is fragmented, complex and bureaucratic, making it difficult to access funds;

b. Given Kenya's vulnerability, adaptation and resilience-building are key. However, investment favours climate change mitigation activities;

c. Climate finance lacks an agreed definition and appropriate transparency;

d. Coordination and tracking mechanisms are weak; and,

e. Greater awareness and capacity are needed to develop bankable project proposals that meet the standards of multilateral climate funds.

UNIT THREE

2.3 CLIMATE FINANCE GOVERNANCE IN KENYA

IMPORTANCE OF CLIMATE GOVERNANCE

Following the Paris Agreement on climate change, a significant shift took place regarding the use of climate finance at national levels. Legal and regulatory frameworks and political support within and outside government remains important. To ensure proper governance of climate finance in Kenya, multi-stakeholder engagement has been created in the mitigation of and adaptation to climate change.

Kenya's key climate finance governance institutions include:

a. **National Climate Change Council**, which was established under the Climate Change Act, 2016 and is chaired by the President, will guide implementation of this policy and receive at least biannual reports on its implementation. The Council's mandate is to provide legislative and policy direction, supervision, oversight and guidance on climate change across all levels of government.

b. **The National Treasury** is the primary custodian for all matters of climate finance and is responsible for overall implementation of the National Policy on Climate Finance. It also coordinates and facilitates activities related to climate finance, including the activities of the climate finance mechanism (Climate Change Fund) and the Inter-Ministerial Climate Finance Technical Advisory Committee. The National Treasury is Kenya's National Designated Authority (NDA) for the Green Climate Fund.

c. **National Environmental Management Authority (NEMA)** is accredited to serve both as the National Implementing Authority for the Adaptation Fund and as a Direct Access Entity for the Green Climate Fund. NEMA thus has direct access to the two multilateral funds through development and submission of project proposals that meet their standards and accountability requirements.

d. **The ministry responsible for climate change affairs through the Climate Change Directorate** develops National Climate Change Actions Plans that outline priority actions to be funded through various climate finance sources and channels.

Other government ministries, departments, agencies, county governments, private sector entities and civil society organizations execute climate change projects funded through various streams and are thus responsible for prudent management of climate resources. Additionally, some county governments have established independent county climate funds that fund their priority local climate actions with different governance arrangements.

CLIMATE FINANCE GOVERNANCE PRINCIPLES

Governance refers to the process of making and implementing decisions. Good governance principles include strategic vision, transparency, accountability, integrity, participation and responsiveness, effectiveness, and efficiency, as well as respect for the rule of law. This unit reviews three of these principles - transparency, accountability and integrity - which are highlighted under the Paris Agreement.

a. Transparency

Transparency refers to the open disclosure of information relating to rules, plans, processes and actions. It allows people outside an institution to monitor its work and to take action when something is not as it should be. Within a transparency framework, duty-bearers must answer for their actions and decisions.

In the climate finance context, an institution involved in climate finance discloses (makes available or upon request):

- its mandate and a full description of its staff and their responsibilities;
- any other financial or political interests that decision-makers may have;
- full details on applications submitted, the status of applications, decisions, the decision-making criteria, the decision-making process, and a description of the persons involved in decision-making;
- information on opportunities for external parties to observe decision-making processes; and,
- details on how to register a complaint.

b. Accountability

Accountability is a mechanism designed to ensure that affairs are conducted or entities are managed with due regard to the interests of those with an interest in the entity's affairs. Accountability guarantees that the actions and decisions taken by public officials regarding government initiatives respond to the needs of the community, thereby contributing to better governance and poverty reduction. It also means that decisions and actions are subject to oversight, guaranteeing that the stated objectives are met.

Good governance involves accountability in terms of improving the delivery of public services, measuring performance, providing incentives to achieve targets and imposing sanctions in case of non¬-performance.

Accountability is to be viewed in terms of democratic control and integrity of operations, as well as in terms of performance.

Citizens can hold decision-makers to account when they have access to information. This is essential to good governance. Effective financial reporting mechanisms and auditing practices require institutions to:

- provide predictable, timely explanations of their decisions;
- offer a clear process through which individuals affected by those decisions can request a review and register complaints;
- establish an effective whistle-blowing policy to expose wrongdoing that protects whistleblowers from reprisals;
- create a dedicated body within the institution to handle complaints and clear procedures for following up on reports of wrongdoing;
- subject their decisions to timely and enforceable review; and
- consult with members of the public regarding their decisions or actions and establish and impose penalties if those provisions are breached. Such consultations should be meaningful and regular and civil society input should be reflected in final decisions.

c. Integrity

Integrity refers to behaviour and actions consistent with a set of moral or ethical standards embraced by individuals and institutions that create a barrier to corruption. They include the following:

- Develop codes of professional conduct that are enforced for all staff. These should be publicly available and include clear sanctions for non-compliance;
- Conduct background checks or integrity screenings (ideally, by an external body) prior to appointment or employment. These should cover such issues as vulnerability to the influence of politically-connected persons, employment history, reference checks, credential verification and adverse media coverage;
- Ensure that all staff participate in integrity training to ensure that they understand the codes of conduct that govern them, their relevance and importance. Non-attendance should result in sanctions;
- Implement policies and background checks to guard against conflicts of interest. These should cover additional employment, inside information, other business interests, gifts and other forms of benefits, community, family and other expectations and opportunities. Appointments to the institution should be made based on a clear set of professional criteria and should be subject to disclosure requirements which are subsequently verified;
- Impose restrictions to prevent staff from interacting with business groups who might seek undue influence; and,
- Create mechanisms to protect staff against arbitrary dismissal.

ISSUES IN CLIMATE FINANCE GOVERNANCE

Many institutions channel climate finance and their relationships are often complex. There are four key areas of concern in climate finance governance: how funds are generated; how funds are managed; how decisions on eligibility for funds are made; and how funds are used. These are explained below:

a. How funds are generated

'Double counting' occurs when donor countries claim that they are contributing climate finance funds but the resources have already been counted as development aid (that is, they make one payment but deduct it as two expenditures). In so doing, donors avoid making another contribution beyond their development assistance pledges, while, by definition, climate finance should constitute additional funds.

b. How funds are managed

Climate funding institutions may lack effective structures and systems to enhance accountability in the delivering climate finance.

c. How decisions on eligibility for funds are made

Decisions should be made based on clear and objective criteria that guide funds to where they are most needed.

Guidelines and procedures should prioritize the most immediate needs for climate action and give room for creative and objective decision-making.

d. How funds are used

Processes and procedures must be in place to ensure that funds are spent for the proper purposes and are not diverted into questionable contracts or spent without authorization. Unless these processes are designed correctly, climate finance resources could be lost to corruption, abuse, waste or mismanagement.

Guarding against this means adhering to the principles of good governance: transparency, accountability and integrity. In the next section, you can test your knowledge about good governance as it relates to climate finance.

CLIMATE FINANCE RISKS

a. Sovereign risk

b. Regulatory

c. Monetary and fiscal

d. Political

e. Corruption

- Lack of transparency and public disclosure in decision-making processes
- Policy capture and undue influence from interested parties
- Conflict of interest
- Creative accounting and reporting
- Double counting of finances and emissions

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- Mismanagement of public resources
- Embezzlement and misappropriation of funds
- Lack of public participation and civil society engagement

f. Project risk

g. Technological risk

h. Social cultural risk

POLICY, LEGAL AND INSTITUTIONAL FRAMEWORK

This sub-section highlights the policy and legal arrangements at the national level related to the international framework that guides and facilitates climate finance governance.

A. United Nations Framework Convention on Climate Change

Climate finance is a means of implementing the Convention to facilitate climate response actions at the national level, in line with the country's commitments to global action on climate change. These commitments are the result of global climate change negotiations undertaken by the countries of the world as part of the Conference of the Parties (COP) process. For example, the process by which developing countries formulate National Adaptation Plans was agreed at COP 16. Thus, Kenya has developed a National Adaptation Plan (2016-2030). Such plans of action require international and national financing to implement these commitments.

As described in Unit 1, the Kyoto Protocol and the Paris Agreement establish important mandates for countries regarding the mobilization and provision of climate finance, with clear guidelines on how to do so to support climate response actions. The two agreements underscore the role of climate finance as an implementation method that facilitates action. Kenyan law supports their relevance to Kenya, as the country is a party to the international climate convention and these agreements.

B. Kenya's Constitution

The Constitution establishes a commitment to ecologically sustainable development. Sessional Paper No. 10 of 2012 on Kenya Vision 2030 establishes the country's goal to become a middle-income country providing a high quality of life to all its citizens by 2030. Climate change poses a significant challenge to its sustainable national development goals.

In addition, Articles 2(5) and 2(6) of the Constitution state, respectively, that "rules of international law shall form part of the laws of Kenya" and "that any treaty ratified by Kenya shall form part of the law of Kenya." Thus, the UNFCCC and the Paris Agreement, which provide for financing for climate actions, form part of Kenyan law.

C. National Climate Change Response Strategy

The National Climate Change Response Strategy (NCCRS) of Kenya aims to strengthen and focus nationwide actions on climate change adaptation and GHG emission mitigation. The strategy recognizes the country's need to address climate change and offers comprehensive and robust adaptation and mitigation interventions that support adaptation to and mitigation of climate change. The NCCRS provides a framework for integrating climate concerns into development priorities, government planning and budgeting.

D. Climate Change Action Plans

Kenya's National Climate Change Action Plans are five-year iterative plans that aim to further the country's sustainable development goals. The plans set out priority adaptation, mitigation and enabling actions and promote mainstreaming of climate change actions into development planning and budgeting processes. The National Climate Change Action Plans also form the framework for implementing Kenya's Nationally Determined Contributions (NDC).

E. National Climate Change Framework Policy

The National Climate Change Framework Policy (2018) aims to integrate climate change considerations into planning, budgeting, implementation and decision-making at the national and county levels and across all sectors. The policy establishes a fund mechanism and strategy that enables implementation of priority actions for climate resilience and adaptive capacity and low-carbon growth. It aims to explore avenues to attract internal and external climate finance, including through foreign direct investment and other multilateral or bilateral funding.

The policy promotes private sector involvement in climate finance opportunities by introducing policy incentives, removing investment barriers, creating a conducive investment climate and facilitating access to finance. It aims to adopt and implement sector-specific anti-corruption, transparency, accountability and integrity mechanisms to ensure the prudent management of climate finance. The policy seeks to establish a framework for coordination and monitoring and for tracking sources, applications, and impacts of climate finance.

F. Climate Change Act, 2016

The Climate Change Act (No. 11 of 2016) is the first comprehensive legislative framework for climate change governance in Kenya. Its objective is to "enhance climate change resilience and low carbon development for the sustainable development of Kenya." The Act establishes the National Climate Change Council (Section 5), Climate Change Directorate (Section 9) and Climate Change Fund (Section 25).

The Fund is described as a financing mechanism that supports implementation of priority climate change actions by both public and private entities. It is vested in the National Treasury. Some key funding sources mentioned include monies appropriated from the Consolidated Fund, donations, endowments, grants, gifts and monies under an Act payable to the Fund. The Fund is administered by the National Climate Change Council and managed by the Principal Secretary responsible for climate change affairs. The detailed modalities and governance structure of the Fund will be established in subsidiary legislation to be enacted by Parliament. The Fund is expected to become the primary vehicle to receive and disburse international climate finance. In doing so, it would aim to overcome the challenges of fragmentation associated with the current disbursement of international public climate finance in Kenya, and build a national institution with core climate finance expertise.

G. National Policy on Climate Finance, 2018

The National Climate Finance Policy (2018) establishes the legal, institutional and reporting frameworks to access and manage climate finance. Its goal is to further Kenya's national development goals through enhanced mobilization of climate finance that contributes to low-carbon, climate-resilient development goals.

The policy provides mechanisms to help the country improve its ability to mobilize adequate resources to adapt to and mitigate the effects of climate change. To ensure that Kenya is effectively positioned to access financing globally for its climate and development priorities, the national policy encourages creating a national climate change fund that will effectively manage and implement projects and track climate finance, thereby improving transparency and accountability.

H. County Climate Finance Framework

Section 19 of the Climate Change Act, 2016 sets out the role of county governments in climate change issues, which includes integrating and mainstreaming climate change actions into county climate change development plans. These are the County Integrated Development Plans (CIDP), broken down into Annual Development Plans, County Sectoral Plans and County Spatial Plans. Further, the Act establishes a climate change unit headed by a CEC in charge of climate change affairs at the county level. This is an institutional coordination mechanism for climate change matters.

County governments may enact legislation that facilitates implementation of national policies, strategies and legislation at the country level, such as the Climate Change Act, 2016 and the National Climate Change Action Plan, because environmental matters are a devolved function. In view of this, various counties have established working climate finance mechanisms. Four arid and semi-arid counties (Isiolo, Garissa, Wajir and Makueni) have developed climate change policies and accompanied this with County Climate Change Fund (CCCF) legislation that establishes County Climate Change Funds. The CCCF legislation commits counties to contribute a certain percentage of their development budget to local climate actions.

MODULE THREE:

Climate Budgeting and Costing

OVERVIEW

This module introduces the concepts of climate budgeting and costing. Climate budgeting refers to a process by which public funds can be mobilized and aligned for climate change actions. This involves an accounting of the budgetary measures taken by the national or county governments to support climate change and related actions and will include details of the amounts that Kenya is investing annually in climate change. Climate costing is the proposed or estimated cost of producing or undertaking climate adaptation and mitigation activities.

MAIN OBJECTIVE

To introduce the learner to the process by which public funds can be mobilized and aligned for climate change actions.

SPECIFIC OBJECTIVES

a. To describe the budgeting process at both the national and county government levels;

b. To educate the learner about the process of mainstreaming climate change in budgeting; and,

c. To explain costing of climate change activities.

UNIT ONE

3.1 NATIONAL BUDGETING

BUDGETING PROCESS (NATIONAL AND COUNTY)

National and county government budget processes are guided by the provisions of the Public Finance Management Act, 2012. The process follows the channels illustrated below.

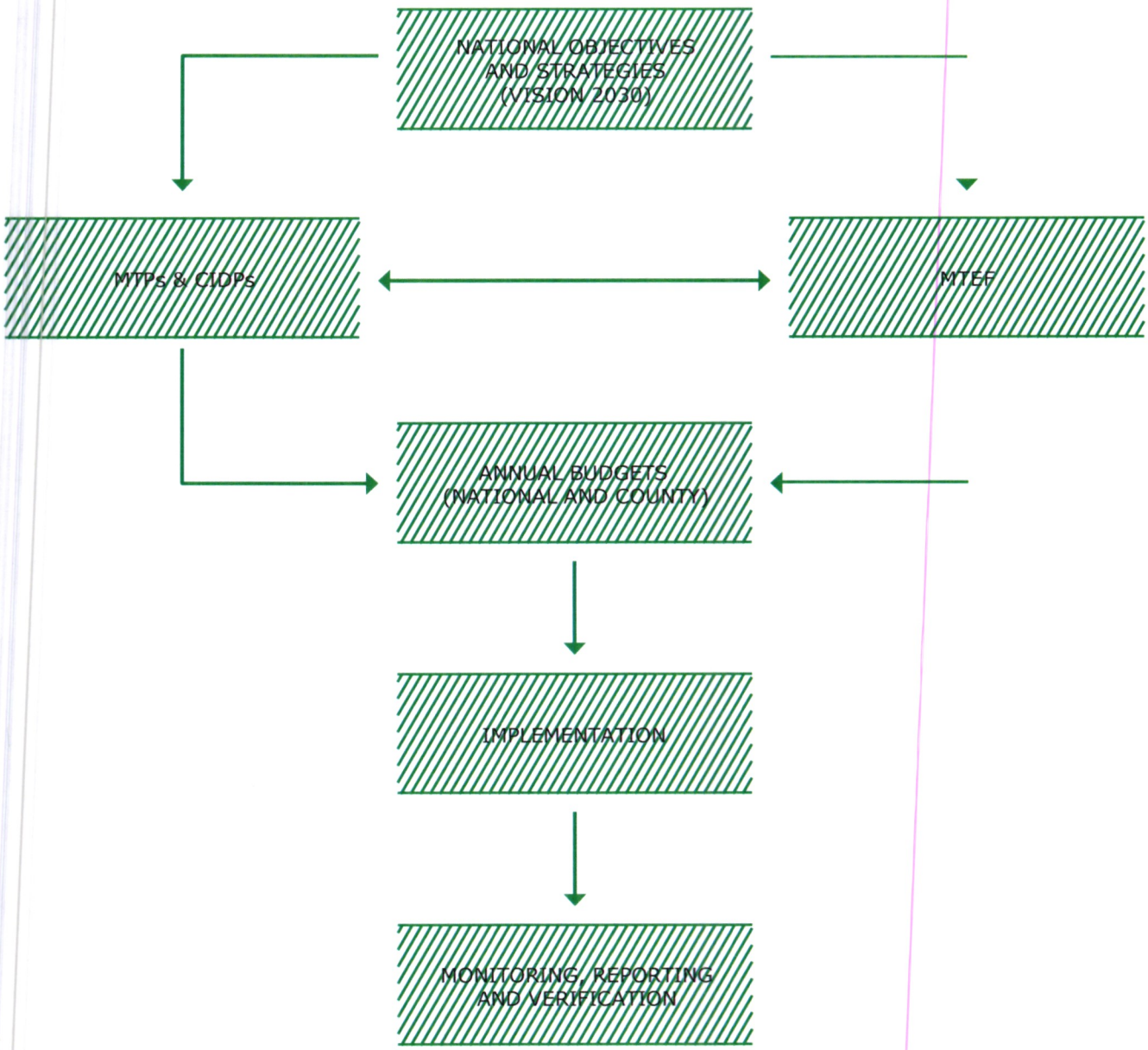


Figure 5: National budgeting channels

LINKING THE BUDGET TO NATIONAL AND COUNTY POLICIES

Policy, planning and budgeting processes should be integrated for optimal national and county development outcomes. Budgets at the national and county levels are linked to the Constitution of Kenya, Kenya Vision 2030 and its Medium-Term Plans (MTPs). County-level budgets are further linked to the County Integrated Development Plans (CIDPs). In addition, the budgets are linked to specific sector, legal and institutional frameworks.

Climate change budgeting is aligned to the Climate Change Act, 2016, the National Climate Change Action Plan (NCCAP), the Nationally Determined Contributions, the National Policy on Climate Finance, the National Climate Change Framework Policy, the Green Economy Strategy and Investment Plan (GESIP), County Integrated Development Plans, MTPs, and other relevant policy documents.

The policies and strategies are long-term and are implemented in short-term budgets through the MTEF, which covers three years.

NATIONAL BUDGETING CALENDAR

The Public Finance Management Act, 2012 guides Kenya's budgeting process at both levels of government. The national budgeting process begins when the Treasury Circular that provides guidelines for the planning and MTEF process is issued. The proposed sector budget allocation is included in the Budget Review and Outlook Paper (BROP), normally released by 30 September. That proposed allocation is finalized in the Budget Policy Statement (BPS), which is submitted to Parliament in February. The budget estimates are finalized and tabled in April with ministry, program and sub-program details. The National Assembly and the County Assemblies play a critical legislative role in approving the national and county budget estimates. This is done through departmental committees of both sets of assemblies. Ministries, counties, departments and agencies play a key role in justifying their budget estimates in these legislative departmental committees.

The budget process for national and county governments follows the budget calendar, as illustrated in Figure 3.2. Detailed budget calendars for national and county governments are found, respectively, in Annexures 1 and 2.

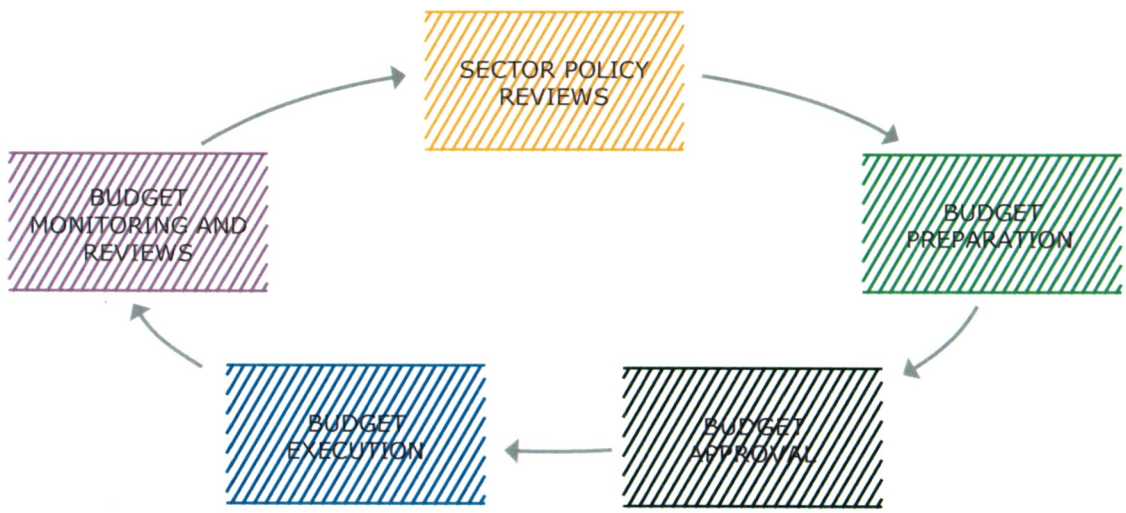


Figure 6: The budget cycle

SECTOR WORKING GROUPS

Between the release of the BROP and the finalization of the BPS, Sector Working Groups (SWGs) review and adjust sector proposals. These groups are meant to facilitate government coordination around the budget so that the main departments and agencies within each sector negotiate over priorities. The 10 SWGs are as follows:

- Agriculture and Rural development
- Energy, Infrastructure and ICT
- General Economics and Commercial Affairs
- Governance, Justice, Law and Order
- Public Administration and International Relations
- National Security
- Education
- Social Protection, Culture and Recreation
- Health
- Environmental Protection, Water and Natural Resources

UNIT TWO

3.2 MAINSTREAMING CLIMATE CHANGE IN BUDGETING

This unit analyses how climate-related projects or programmes are mainstreamed into national and county government budgets. Mainstreaming refers here to the integration of climate change in the budgeting process as part of budget planning, implementation, expenditure management and financing.

BUDGETING FOR CLIMATE FINANCING

To mainstream climate change effectively in the development process as required under the Climate Change Act, 2016, deliberate efforts must be taken to ensure that climate change considerations inform the budgeting, planning and finance processes.

Mainstreaming climate change within the development process is expected to bolster efforts to achieve low-carbon development pathways. It is also expected to enhance climate finance accountability at the local and global levels.

The national and county budgeting processes provide useful opportunities to integrate climate financing. Climate change mitigation and adaptation interventions to be financed should be clearly defined in the MTEF budget proposals, prior to the allocation of expenditures and validation in the BPS.

Expenditures should be allocated accurately within the framework of available and agreed budget resources. Programs should prioritize climate-related expenditures or mainstream them within programs, but with a level of clarity to allow for distinctions. Budget allocations and expenditures should not worsen existing gender inequality and other cross-cutting social issues resulting from the negative effects and impacts of climate change. This should be ensured by merging existing

gender equality policies with the climate budget practice. This involves conducting a gender-based assessment of climate change budgets, incorporating a gender perspective at all levels of the budgetary process and restructuring revenues and expenditures to promote, rather than weaken, gender equality.

IMPORTANCE OF INTEGRATING CLIMATE FINANCING IN BUDGETING PROCESSES

Integrating climate finance in Kenya's budgeting process helps to:

a. maximize budgetary allocation of public sector resources to climate change adaptation and mitigation efforts;

b. track public sector expenditures related to climate change adaptation and mitigation and their effectiveness against policies and plans; and,

c. strengthen monitoring and reporting of climate change adaptation and mitigation efforts.

3.2. CHALLENGES TO INTEGRATING CLIMATE FINANCING IN BUDGETING PROCESS

These challenges include:

a. inconsistencies in official financial information, with slight differences between published figures and actual financial records. This is addressed using the actual financial records held by the Integrated Financial Management System (IFMIS) unit of The National Treasury (TNT);

b. plans developed off-system that may not be clearly linked to budgets, but ministries, counties, departments, and agencies (MCDAs) execute budgets derived from these plans;

c. the lack of accounting of climate finance provided by development partners to non-state actors because no mechanism exists to enforce reporting on these resources; and,

d. institutional capacity gaps within the MCDAs to mainstream climate change into budgeting.

IDENTIFYING ACTIVITIES FOR CLIMATE FINANCING

Activities that are eligible for climate financing are identified under the national climate change policies and strategies: the Climate Change Act, 2016; the National Policy on Climate Finance; GESIP 2016-2030; NCCAP; MTPs; Vision 2030; CIDPs; ADPs; and Sector Development Plans. These activities are implemented under the Sector Working Groups at both national and county levels. They must meet the following criteria:

i. **Mitigation -** contributes to the objective of stabilizing GHG concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. This is achieved by promoting efforts to reduce or limit GHG emissions or to enhance their sequestration.

ii. **Adaptation –** reduces the vulnerability of human or natural systems to current and expected impacts of climate change, including climate variability, by maintaining or increasing resilience, strengthening the ability to adapt to, or absorb, climate change stresses, shocks and variability, and/or by helping reduce exposure to them.

iii. **Enabling environment** – involves a range of crosscutting enabling actions required to implement the priority adaptation and mitigation actions. These actions equip government and stakeholders with the knowledge, skills, technologies and financing needed to deliver and report on adaptation and mitigation actions. They encompass activities from information and knowledge generation, to capacity development, planning and implementation of climate change adaptation actions.

Examples follow of the types of activities that are eligible for climate financing under the Sector Working Groups.

Table 1: Examples of activities eligible for climate financing under the Sector Working Groups

SECTOR	ADAPTATION	MITIGATION	ENABLING ENVIRONMENT
Agriculture, Rural and Urban Development (ARUD)	• Adopt flood and drought early warning systems • Diversify livelihoods and crops • Uptake agricultural insurance	• Practice agroforestry • Adopt minimum tillage systems • Manage manure and efficiency in livestock management	• Build community-level capacity to raise awareness and educate on disaster management and flood hazards
Energy, Infrastructure and ICT (EII)	• Improve energy and resource efficiency in manufacturing sector • Climate proof energy and transport infrastructure • Develop environmentally sustainable transport systems • Adopt climate change-resilient technologies, such as clean cooking solutions, modern coolers and scrubbers	• Follow green building practices • Implement minimum energy performance standards • Increase production of non-forest biomass fuel briquettes (such as agricultural waste, sawdust and human waste) • Develop renewable energy	• Implement policies and regulations to encourage climate-resilient energy, ICT and Infrastructure • Promote mitigation actions in the aviation and maritime sectors • Conduct research into new and emerging energy technologies in the energy sector that will reduce GHG emissions
Environmental Protection, Water and Natural Resources	• Climate proof water harvesting and water storage infrastructure and improving flood control • Develop early warning systems in areas susceptible to floods • Restore degraded landscapes (ASALs and rangelands)	• Carry out afforestation, reforestation (Implement REDD+ Initiatives) • Rehabilitate of degraded lands, including rangelands • Adopt climate-resilient solid waste management	• Implement Blue Economy Master Plan • Implement policies and regulations, including fiscal policy • Increase accessibility of Disaster Risk Reduction (DRR) information and tools for climate-change adaptation negotiators and managers
General Economics and Commercial Affairs (Manufacturing, trade, EA and regional integration, tourism development and promotion)	• Build climate-resilient infrastructure in manufacturing	• Reduce fuel consumption and fuel overhead costs • Shift 30% of freight from Mombasa to Nairobi from road to rail • Develop a roadmap for the improvement of heavy-duty truck efficiency developed, including increased use of low-rolling resistance tyres, super structure fittings, etc., and vehicle standards. • Promote industrial symbiosis in industrial zone	• Implement policies and regulations for climate-resilient manufacturing

SECTOR	ADAPTATION	MITIGATION	ENABLING ENVIRONMENT
Health	• Reduce incidence of malaria and other vector-borne diseases expected to increase because of climate change • Provide comprehensive health insurance, including for climate change-related health impacts.	• Recycle wastes from hospitals and other health facilities	• Implement policies and legal framework
Education	• Increase accessibility to climate-change learning materials, Internet connectivity and tools. • Synchronize school calendar with weather-related events.	• Design green buildings (classrooms, dormitories) • Adopt a green schools programme • Use renewable energy - biogas	• Enhance community awareness • Integrate climate change in education curriculum
Governance, Justice, Law and Order	• Practice water efficiency • Adopt of climate-smart agriculture	• Practice energy efficiency • Use biogas	• Develop gender and inter-generational awareness plan for climate change • Build capacity for personnel on climate change reporting and climate finance • Support alignment of county legislation to the Climate Change Act, 2016
Public Administration and International Relations	• Promote international trade and foreign direct investment in climate- resilient projects • Climate proof national government projects	• Promote international trade and foreign direct investments in low-carbon projects	• Encourage systematic dialogue, information exchange and joint efforts between climate change and disaster reduction bodies, focal points and experts, in collaboration with policy makers and development practitioners • Strengthen policy formulation, planning, budgeting and implementation of the Kenya Vision 2030 • Enhance Kenya's role in global climate change governance system at the UNFCCC and articulate the national interest and positions
National Security	• Frame and prioritize climate change as a national security risk/threat • Strengthen coordination among climate change security agencies • Invest in more climate-resilient and agile military • Increase Department of Defence (DOD) commitment to adapting to climate change	• Include a climate change line in the DOD budget to mitigate climate risk and threats • Reduce carbon footprint of security facilities • Enhance security operations, especially in areas prone to climate-related crime	• Build capacity on climate change's role as a 'threat-multiplier' in the geopolitical landscape and its implications for Kenya's national security • Build capacity on climate change risk management and planning considerations facing DOD as it seeks to maintain force readiness
Social Protection, Culture and Recreation	• Reduce risk of vulnerable groups to climate-related disasters and reduce risks to communities and infrastructure	• Use vulnerable groups as agents of change in issues related to climate mitigation	• Build capacity within vulnerable group on the effects and impacts of climate change

PUBLIC INVESTMENT MANAGEMENT (PIM) FRAMEWORK

The Public Finance Management Act (PFM) of 2012 established PIM as an efficient framework for project cycle management, providing methodological guidance on efficient public investments. Such guidance is the basis for consistent and comprehensive project appraisal. PIM ensures that projects entering the budget are verified in terms of quality and cost effectiveness, and reduces the likelihood of ad hoc decisions on project funding.

The PIM framework is useful in outlining procedures for project selection, screening, appraisal, monitoring, evaluation and reporting. The guidelines are aimed at supporting expenditure control and spending by providing standard processes to ensure that only priority projects are financed and fully implemented.

The National Treasury provides leadership in implementing PIM through the Cabinet Secretary for Finance. The Public Investment Management Department (national government projects) provides secretariat services for PIM. The State Department for Planning and other line ministries are also key players in implementing the PIM framework.

At the county level, the County Executive Committee Member for Finance spearheads PIM, and the County Investment Management Unit (county government projects) provides secretariat services. Other county departments also play a key role in implementing the PIM.

Scope of the PIM Guidelines

The guidelines apply to:

i. national and county governments and their entities, including constitutional commissions, independent offices, and state corporations when planning and implementing public investments;

ii. public investment projects, wholly or partially funded through public finances, irrespective of the source; and,

iii. projects considered for implementation through public-private partnership arrangements, provided that the guidelines do not contradict the provisions of the Public Private Partnership (PPP) Act, 2013.



EXERCISE

Identify 10 ongoing or recently completed green projects in Kenya.

ENTRY POINTS FOR MAINSTREAMING CLIMATE FINANCING IN THE BUDGETING PROCESS

Climate financing can be integrated in the budgeting process in two stages: as part of policy and planning and during resource allocation.

Policy and planning

i. **The Constitution**

The Constitution of Kenya provides a legal and policy basis for mainstreaming climate financing. Article 42 of the constitution states, "Every person has the right to a clean and healthy environment, which includes the right to have the environment protected for the benefit of present and future generations". Article 69 specifies the obligations of the State in ensuring sustainable exploitation, utilization, management and conservation of the environment and natural resources.

ii. **Kenya Vision 2030, Medium Term Plans (MTPs), Strategic Plans, County Sector Development Plans, County Integrated Development Plans (CIDPs) and Annual Development Plans (ADPs)**

The MTPs are a series of successive five-year plans to implement Kenya Vision 2030. The plans detail how the flagship projects identified under Vision 2030, as well as other key policies and programs, will be implemented over five years.

Similarly, the CIDP is an overall county development framework covering a five-year period. The National Treasury and Planning issues guidelines for development of CIDPs and provides an opportunity to integrate climate financing by requiring counties to include climate actions as program components or as separate programs.

Section 19 of the Climate Change Act, 2016 requires the national government to integrate climate change in the planning process and county governments to mainstream climate change actions and interventions in their CIDPs. Annual Development Plans are developed to implement the CIDPs. A Technical Working Group (TWG) on Climate Change was formed during development of MTP 3 (2018-2022) to ensure that climate change adaptation and mitigation interventions are included in the plan.

Finance officers involved in developing the plans are therefore legally required to integrate climate change actions in them. This creates a basis for financing the projects, as budgeting and financing is aligned to the plans.



EXERCISE

Identify climate-related projects that have been proposed in the following development plans and classify them as adaptation or mitigation:

a. MTP III

b. CIDPs of five counties

Resource allocation stage

i. **National Treasury Circular (Budget)**
At the start of every financial year, the National Treasury issues circulars that provide guidelines for preparing and submitting annual budgets. The guidelines relate to: (i) strategic focus and priority areas aligned to current government priorities, which include climate change related actions; (ii) revenue and expenditure estimates; and, (iii) formats and presentation annual budgets and costing of programmes. The circular also provides instructions on costing of adaptation, mitigation and other climate-related actions.

ii. **Budget Review and Outlook Paper (BROP)**
The BROP is prepared in accordance with Section 26 of the Public Finance Management (PFM) Act, 2012. It provides the proposed expenditure limits for the national government, including Parliament and the judiciary and indicative transfers to county governments.

In setting expenditure limits, the National Treasury is aware of any additional financing required to climate proof projects in vulnerable sectors.

iii. **Sector Working Groups (SWGs)**
The budget Sector Working Groups submit sector reports to the National Treasury, based on the budget sector ceilings in the BROP, which include printed estimates for the current and forthcoming financial year.

Departments and agencies within each sector negotiate over priorities in the SWGs. The SWGs provide an opportunity to integrate climate change activities in the budgets, as entities have an opportunity to negotiate which activities to include as financing priorities. This process is as follows;

a. The sectors submit budget requests that integrate climate change across their programs. Overall budget formulation explicitly includes climate change investment;

b. Line ministries at both levels of government establish climate-related key performance indicators that allow them to account for the performance of climate expenditure;

c. Both levels' treasuries use public finance management systems, such as IFMIS, so that climate expenditures can be tracked; and,

d. Budget expenditure reports address climate expenditures and impacts; these are presented to Parliament and fed into planning and budgeting processes.

iv. **Budget Policy Statement (BPS) and County Fiscal Strategy Paper (C-FSP)**
The fiscal framework in the BPS contains the expenditure policy, including: expenditure priorities; aggregate expenditure intentions for counties and national government budgets; expenditure ceilings; and other targets or limits required by the fiscal responsibility principles. The BPS and C-FSP set out the broad strategic priorities and policy goals that will guide the national and county governments, respectively, in preparing their budgets both for the following financial year and over the medium term.

In developing expenditure priorities and ceilings, financing should take into account the additional cost of climate-proofing projects that are vulnerable to effects of climate change.

v. **Budget preparation for ministries, counties, departments and agencies (MCDAs)**

The National Treasury issues guidelines for budget preparation by MCDAs. They then prepare and submit budgets to the National Treasury for review, consolidation and submission to Cabinet. The counties follow a similar process, by which the Executive Committee member for Finance submits the estimates to the County Executive Committee.

Financing of climate change interventions could be integrated through the guidelines issued, thus requiring MCDAs to submit budgets that have mainstreamed climate financing, pursuant to the Climate Change Act, 2016. The programs and projects indicated in the budgets should include climate change adaptation and/or mitigation components.

This unit introduces the concept of climate costing in relation to adaptation and mitigation activities. Climate relevant expenditure (CRE) is a concept used to define the cost of adaptation and mitigation interventions. It is based on the Climate Change Budget Code (CCBC) report and the Organization for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) Rio Markers.

Climate finance costing refers specifically to the additional or incremental amount needed to climate proof projects and programmes. The incremental cost associated with projects is based on the cost of capital for the incremental investment in and the change in operating and maintenance costs of a mitigation or adaptation project compared to a reference project. It may be calculated as the difference in the net present values of the two projects.



EXERCISE

i. Review the FY 2018/19 budget and identify a climate change project that was included through the budgeting process.

ii. Explain how the project identified in (i) moved through the budget process.

UNIT THREE

3.3 COSTING OF CLIMATE CHANGE ACTIVITIES

CLIMATE RELEVANT EXPENDITURE (CRE)

The term, 'climate relevant expenditure' is used to denote costs invested (capital, labour and related) in programmes and sub-programmes where actual and specific climate change activities may or may not be budgeted exclusively as climate related. Sector technical and finance officers must agree on the criteria for defining CRE and provide guidelines on how to calculate CRE. For an activity to fall into the CRE category, funds incurred or invested must:

a. address one or all of the climate change risk mitigation or climate-proofing categories, e.g. adaptation, mitigation or enabling environment (climate awareness, training, policy and capacity building) as per the OECD definition;

b. allocate more than 25 percent of funding to one or all the above climate risk mitigation or climate-proofing categories;

c. demonstrate that incremental or additional financing has been used for a) above; and,

d. show that the outcome/output increased resilience, reduced emissions or increased awareness of climate change.

ISSUES TO NOTE WHEN COSTING CLIMATE CHANGE ACTIONS

The extent of budget and expenditure breakdowns in the IFMIS is currently limited to program and sub-program levels and does not capture the cost of each separate action/activity under each sub-program. This absence of activity-level expenditure and work plan information makes it difficult to determine the actual amount spent on the type of climate activity. That poses problems, in turn, in assessing additional and incremental climate finance and, hence, to classify CRE as adaptation, mitigation or enabling environment. Module IV will highlight how this challenge has been addressed.

Climate finance costing should promote inclusivity, thus reducing the burden of climate change on vulnerable groups. This can be done using two methodologies to calculate financing needs: i) unit costing, whereby the total cost of climate intervention is based on the unit cost of individual climate activity; and, ii) impact costing, whereby climate-related monetary costs to individuals, families, economy and businesses and the cost of the government's failure to address gender inequality in climate financing are calculated.

MODULE FOUR

Coding and Tracking

OVERVIEW

This module focuses on the methodology for tracking climate-relevant expenditures using climate budget codes embedded in the IFMIS and other financial management systems.

MAIN OBJECTIVE

To enable learners to understand the criterion for identifying and coding climate-relevant activities and expenditures and to track such activities.

SPECIFIC OBJECTIVES

By the end of the training, learners should understand:

a. the need and justification for climate finance coding, tracking and reporting;

b. the financial reporting systems and how climate finance is reported; and,

c. how to code, track and report climate finance flows.

UNIT ONE

4.1 INTRODUCTION TO CODING AND TRACKING

DEFINITION OF TERMS

The following terms are useful in understanding the concepts presented in this module.

Budget coding refers to the process of tagging climate-change related activities within budget items and assigning specific codes to programmes and projects so that CRE can be tracked (OECD, 2012).

Tracking is a systematic way to trace and link budgetary allocations to their respective expenditures and outputs in climate-relevant activities within the IFMIS.

CONTEXT OF AND RATIONALE FOR CLIMATE FINANCE CODING AND TRACKING

Tracking and reporting climate finance flows has become a central concern for development and economic policy. Tracking helps to provide comprehensive data on climate change-relevant budgeting and spending, enabling the government to make informed climate policy decisions. Alongside other climate data, such as GHG inventories and vulnerability studies, climate finance data will serve as a cornerstone of data-driven decisions on climate investments in the country. Climate finance tracking is therefore essential to provide a standardized guide to identify climate-related projects and track the public climate finance that the country receives.

The main challenge posed by the absence of CRE coding and tracking is that most climate change funding is usually integrated into wider national planning sectors, such as energy, water or agriculture, rather than in specific climate-related sector and programmes. Thus, disaggregation may not be feasible in light of potential cross-sectoral policy conflicts. In addition, the many and different sources of climate change funding in the country involve an ever-growing number of institutions working on climate-related activities.

As outlined in Module 2, public climate change funds in developing countries may come from a number of sources. The most significant in terms of public climate finances are domestically-sourced funds and international public finance. The latter may be categorized further as originating in dedicated climate funds (e.g. the Green Climate Fund, the Adaptation Fund and Climate Investment Funds) or through bilateral and multilateral agencies, most often in the form of ODA.

Domestic funds flow through the normal government processes, as presented in Module 3. On the other hand, the ability to capture international funds (either ex-ante in budget appropriation or ex-post in reporting) varies based on the nature of the funding received and the channel of funding adopted. International climate finance is disbursed through two national channels:

1	This channel follows normal government financial flows. These funds are fully captured in the budget, so they can be monitored using the national budget system. The funds may be disbursed either through the National Treasury as revenue or as Appropriation-In-Aid (AIA).
2	The second channel involves the transfer, by development partners, of funds directly to projects and programmes operating outside government structures. This type of 'off-budget' expenditure is common with development partners who perceive governance structures to be weak, which means that a significant source of funding is neither readily visible nor reported by government systems.

Public spending that flows through the government system and is captured in the national budget operates within a unitary system that uses standardized coding in IFMIS. However, expenditure that passes through the second channel is not adequately captured with the same level of consistency. This poses a risk of double counting of expenditures and makes the monitoring of such flows problematic. Thus, this channel of funding is not captured adequately in many climate change public expenditure analyses to date, creating an analytic gap as projects funded in this way may not necessarily respond to the spending priorities established through the National Climate Change Action Plan. This channel does not comply with the PFM Act of 2012 and the Paris Agreement, Article 13.

The key pillars of climate finance tracking and reporting are as follows:

1	**Evidence-based climate change policy formulation and the associated resource allocation across sectors**	Climate public expenditure and budget analyses are important to establish evidence-based resource allocation for climate change-related actions, ensuring a balance between adaptation and mitigation actions. Kenya addresses this through five-year National Climate Change Action Plans. With goals and targets identified, it is necessary to understand the resource requirements for the implementation of public programmes that will allow these goals to be met. This will assist further policy development and international climate policy negotiations.
2	**Accountability and transparency of public spending**	The Constitution requires accountability to citizens regarding all public spending. In addition, it requires public participation in the budget-making process and information on public spending. This calls for enhanced public awareness and transparency in climate change expenditures. Because climate finance is a relatively new policy concern, the availability of financial information about actions enables oversight bodies to make evidence-based decisions on policies, projects and programmes.
3	**Efficient and effective systems to track climate budgets and expenditures**	Financial management systems can be strengthened to ensure that public programmes are delivered more effectively. This includes augmenting the existing information management and reporting systems with climate change-specific budget codes and indicators.
4	**Climate finance reporting and verification**	Information regarding international flows will ensure that the international support received can be verified. Kenya conducted a Climate Public Budget and Expenditure Review (CPEBR) in 2016. To ensure that current information on climate budget and expenditures is available, a CPEBR will be conducted biennially to ensure that evidence is used in decision-making.

TRANSPARENT AND ACCOUNTABLE SPENDING ON CLIMATE CHANGE

The demand for accountability and transparency in public spending in developing countries has increased tremendously over the past decade. Disaggregation of public spending in different categories - such as SDGs, gender, climate change and human rights - has become important. International agreements and obligations require timely and accurate reporting, including of financial information.

The Paris Agreement requires developing countries to provide information regularly through the Biennial Transparency Reports (BTR) on financial support needed and received for climate action. Developed countries must provide developing countries with adequate and predictable financial resources for climate action. The Agreement also requires developed countries to provide information regularly on financial support mobilized and provided to developing countries for climate action.

In terms of increasing the transparency of international climate finance flows into the national systems of recipient countries, a national monitoring and verification system provides an opportunity exists to increase both transparency and accountability of such funds. Such a system allows funds that developing countries receive from international sources to be tracked for reporting consistency at the international and national levels.

The National Treasury has developed a Climate Change Budget Code (CCBC), as provided under Section 25(g) of the Climate Change Act, 2016, to track and report climate finance flows within the IFMIS for both national and county budgeting processes. This is part of the implementation of the CCBC Report of 2016, which proposed a broad criterion to identify and tag climate finance and related climate change expenditures by creating a new "Segment 8" within the Standard Chart of Accounts (SCOA).

The identification and tracking of climate finance through IFMIS and any other financial management system will allow Kenya to account for national and county governments' climate-related expenditures. In addition, tracking climate finance flows serves as a readiness tool for the country to access climate finance, both globally and locally, climate proof investments and promote an enabling environment for low-carbon, climate-resilient development. Further, it encourages project development with a climate lens throughout the entire project cycle, thus promoting transparency and accountability in climate change spending by the government, development partners and other non-state actors.

COUNTRIES THAT HAVE DEVELOPED CLIMATE CHANGE CODING AND TRACKING SYSTEMS

Countries that have developed climate change coding systems include:

i. **Indonesia - Low Emission Budget Tagging and Scoring System**
In 2014, Indonesia introduced mitigation budget tagging (Low Emission Budget Tagging and Scoring System, LESS) in key ministries to track resources spent to achieve the national emission reduction target of 26 percent by 2020. LESS aims to identify the total amount of budget allocation and actual expenditure on climate mitigation and to assess the contribution per unit of budget to achieve emission reduction targets.

ii. **Nepal – Climate Budget Tagging**
The Government of Nepal is one of the first countries to adopt climate budget tagging. In 2012, it incorporated the climate tag into the budget system at programme level, classifying expenditures by level of climate relevance.

iii. **Bangladesh – Climate Expenditure Tracking Framework**
The Government of Bangladesh adopted a Climate Fiscal Framework (CFF) in 2014, under which a climate expenditure tracking framework (CETF) would be applied to all line ministries' budget submissions and on-budget ODA would be tagged. The proposed CETF would weigh climate relevance and tag expenditure based on the six thematic priorities under the Bangladesh Climate Change Strategy and Action Plan (BCCSAP) 2009.

iv. **Philippines – Climate Budget Tagging**
The Philippines developed Climate Budget Tagging (CBT) as a tool to monitor and track climate-related expenditures in the national budget system. Starting in 2015, the Philippines mandated CBT in national budget submissions for all government entities. CBT provides comprehensive data on climate change-relevant spending, enabling government to make informed decisions and prioritize climate investments. The Philippines also piloted its CBT tool in the Annual Investment Plan for local government units (LGU) before scaling up to all LGUs in 2016.

v. **Ghana – Climate Change Finance Tracking Tool (CLIMATRONIC)**
The Government of Ghana established a Natural Resources, Environment and Climate Change (NRECC) Unit within the Ministry of Finance and developed two sets of climate change finance tracking tools to track both domestic and external financial resources generated for climate change actions. The first, the Climate Change Finance Tracking Tool, was designed to track CRE using the national budget codes to isolate climate-relevant public expenditure on climate change and international inflows. This tool proposed an architecture to monitor and report climate finance flows and, based on the structure, showed how to use the budget code system to identify and report the CRE.

The second tool, MRV of finance guidance, was also developed to track Ghana's climate finance, verify data completeness and help demonstrate transparency of support and climate action. The guidance document was the first attempt to conceptualize, design, operationalize and tailor MRV of finance to suit Ghana's financial administration structure. The tool provides a dashboard for tracking climate specific funds, a major step in identifying the source of additional funding. This tool focuses primarily on tracking/ monitoring financial inflows from international sources and establishes four main steps to track, verify and report on climate change financing: 1) identify climate finance sources and recipients; (2) verify completeness, (3) align with national budget code as a single mirror; and (4) report.

Table 2: How countries have implemented climate change budget coding and tracking systems
Source: RPLN, 2016

	PHILIPPINES	INDONESIA	NEPAL	BANGLADESH
DEFINITION AND CRITERIA OF CLIMATE RELATED EXPENDITURE	• Adaptation and mitigation definitions • Use of policy areas in NCCAP in definitions to guide screening of climate related expenditure	• Mitigation only - direct and indirect actions • Use of RAN-GRK priorities as basis but also recognise non-RAN GRK areas	• Not split between mitigation and adaptation • Based on a short-list of climate related thematic areas, covering all economic sectors	Adaptation and mitigation based on OECD Rio-Markers definitions
CLASSIFICATION/ CLIMATE CHANGE TYPOLOGY	Typology based on NCCAP 8 priority areas • 4 level typology covering: NCCAP priority area, sector and sub-sector level to activity level	There is no explicit typology, climate change related expenditure is tagged by themes	There is no typology	Use of six thematic areas in BCCSAP in tagging
WEIGHING CLIMATE RELEVANCE	The proportion of the expenditure that is climate relevant is subjectively estimated by policy managers	The scoring system has not yet been developed	Adopting a criteria system: • Highly Relevant – over 60% allocated to climate activities • Relevant – 20-60% • Neutral – below 20%	The climate proportion is determined by CPEIR-relevance index approach but assigning more specific percentages
DESIGNING OF TAGGING PROCEDURES				
ENTRY POINT	Budget proposal	Budget proposal	Budget proposal	Budget proposal
LEVEL OF INFORMATION TO BE TAGGED	-Tag at activity level -tagging across economic classification also	Tag at activity level	Tag at programme level	Tag at operational unit level across economic classification
BUDGET INFORMATION SYSTEM	• Fully online and computerised • Integrated to the existing information system which is already incorporates other tags	• Partly integrated computer based and party manually tagged by MOF • Retrofitted to the existing information system (use of the existing field to add climate change themes	• Initially manually done • Incorporated climate tag to the budget information system • Limited to budget allocations only (no information on actual expenditures)	A parallel module linked to an integrated budget information system
LEAD INSTITUTIONS	Both Department of Budget Management (DBM) and climate change commission	Fiscal Policy Agency (MOF)	National Planning Commission	Finance Division (Ministry of Finance)

UNIT TWO

4.2 CAPTURING CRE IN THE IFMIS AND OTHER FINANCIAL REPORTING SYSTEMS

4.2.1 STRUCTURE OF SCOA IN THE IFMIS

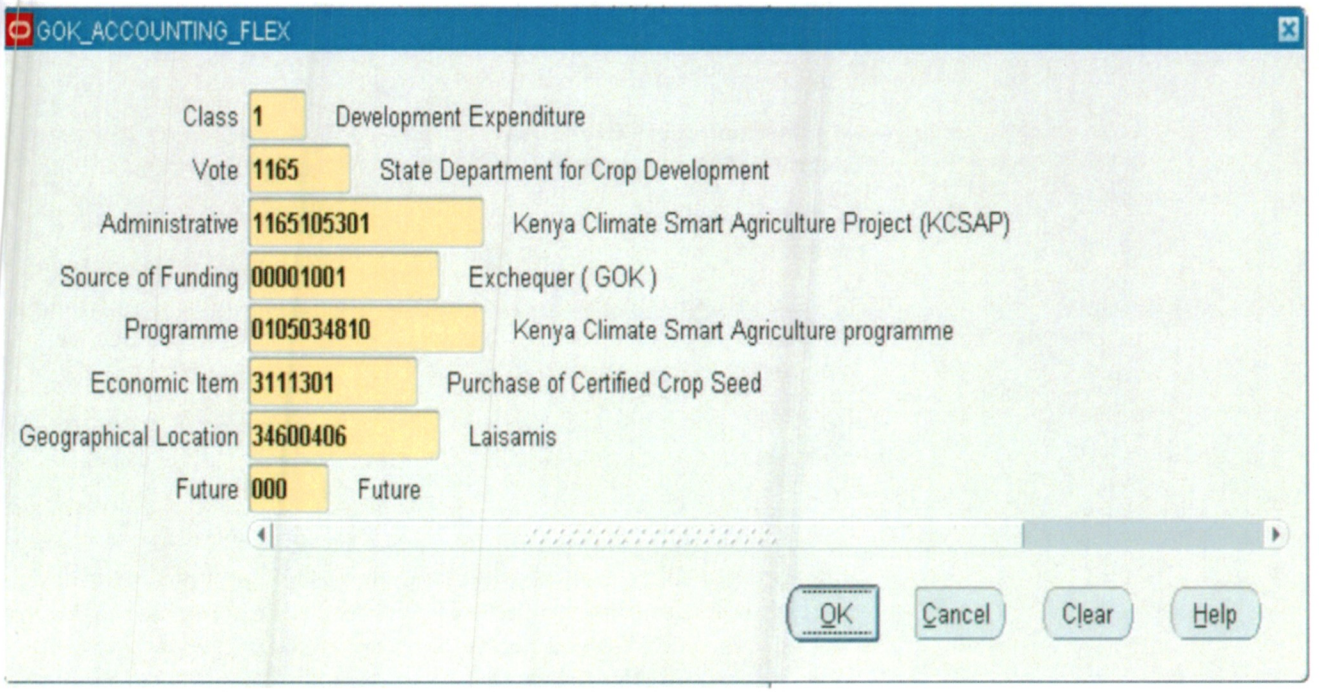
The Standard Chart of Accounts (SCOA) coding structure is the system by which national budgets and government financial transactions are coded for recording in IFMIS (see Table 2). It is central to coding and tracking all Government of Kenya (GoK) appropriations, whether funded from domestic or external resources, and maps all national MTEF sectors, programmes and sub-programmes defined for national budgeting purposes. It was redesigned in 2012 as part of the wider public finance management reforms that involved the re-engineering of the IFMIS. As currently structured, SCOA contains various segments, which include those listed in Table 3.

Table 3: IFMIS Standard Chart of Accounts – Segments and digits descriptions
Source: CPEBR, 2016

CODE SEGMENT	SEGMENT DESCRIPTION
SEGMENT 1 Class (1 digit, 1 level)	This segment identifies the budget and below-the-line item categories. It is used to identify appropriated and non-appropriated items and is very important for budget reporting. It allows for categorization as revenue budget; recurrent budget; and deposits and development budget, as per the GoK printed estimates. Level 1: X
SEGMENT 2 Vote (4 digits, 1 level)	This segment represents the votes against which the budget is appropriated. It indicates the highest level of the organizational structure of a particular government entity entitled to a vote in the budget. Level 1: XXXX
SEGMENT 3 Administrative (10 digits, 3 levels)	This segment represents the cost centre; that is, the lower level of the organizational structure of a particular government entity (Vote). The lowest level indicates the head or cost/revenue centre. Thus, the code string runs as follows: Ministry>Department (Head)>Cost Centre (Sub-head). Level 1: XXXX: Vote Level 2: XXXX: Head (Department) Level 3: XX: Sub-Head (Cost Centre) Projects and Special Funds have been designated at departmental level and should be able to prepare separate financial statements on need basis. These could also be consolidated at the Vote level, especially during the preparation of annual financial statements.
SEGMENT 4 Funding source (8 digits, 4 levels)	This segment allows for analysis of revenues and payments by funding source. It identifies the broad, as well as specific, source of funding. At the broad level, it categorizes revenues as either GoK (domestic) or external (grant or loan). At the lower level, it drills down to a particular source. e.g. a particular donor, such as the World Bank. Donor funding is further identified by donor items (donor facilities), as each donor normally commits funding under a specific funding programme or agreement, and expects accounting on the same basis. The levels and number of digits under this segment are as follows: Level 1: X: Broad source funding (GoK, grant or loan) Level 2: X: Mode of financing (revenue or AIA) Level 3: XXX: Specific donor code e.g. Danida Level 4: XXX: Donor item (e.g. Support for Public Financial Management)

SEGMENT 5 **Programme** **(10 digits, 4 levels)**	This segment provides for a programmatic reporting structure. All expenditures are categorized by programme/sub-programme to support performance- or programme-based budgeting. The reporting hierarchy comprises: Sector>Programme>Sub-Programme Level 1: XX: Sector Level 2: XX: Programme Level 3: XX: Sub-programme Level 4: XXXX: Activity
SEGMENT 6 **Economic** **(7 digits, 5 levels)**	This segment analyses the nature of receipts, payments, assets, liabilities and funding flows. The coding structure has been aligned to the IMF Government Financial Statistics Manual 2001 (GFSM 2001). The reporting hierarchy comprises: Category>Chapter >Sub- Chapter>Item>Sub-Item Level 1: X: Category Level 2: X: Chapter Level 3: X: Sub-Chapter Level 4: XX: Item Level 5: XX: Sub-Item The Economic segment is very important for budget control and financial reporting.
SEGMENT 7 **Geographic location** **(8 digits, 3 levels)**	This segment enables payments to be tracked to the benefiting locations. The reporting hierarchy comprises: County>Constituency>Ward. Level 1: XXXX: National or specific county Level 2: XX: Constituency Level 3: XX: Ward

Figure 7: IFMIS screenshot showing the seven segments



EXERCISE

Discuss your organization's financial information system and show how climate finance has been or can be tracked and reported by using the system.

UNIT THREE

4.3 FACILITATING THE CLIMATE FINANCE TRACKING PROCESS

IDENTIFYING AND DEFINING WHAT TO TRACK

To facilitate budgeting and subsequent tracking of funds channelled to fund a climate-related initiative (a cause), it is important to have additional information on the objectives and outputs/outcomes of the activities enabled by the budget. Objectives provide information on whether the activity was intended for climate mitigation or adaptation and can suggest whether climate co-benefits may exist. Outputs/outcomes will confirm the existence of those co-benefits and will become useful in determining their estimate costs.

APPLYING THE RIO MARKERS TO TRACK CLIMATE FINANCE FLOWS IN IFMIS

The OECD database provides a detailed platform for disaggregating finance data (domestic, ODA and bilateral climate finance) tracked using Rio markers. This tool is necessary to ensure greater consistency and transparency in climate finance reporting. Rio markers are standardized global reporting codes that can be used to compare climate-related expenditures across different countries.

Rio markers are used to flag the relevance of climate-related expenditures to facilitate budgeting and tracking of funds channelled to a fund or programs/projects. The three-tiered scoring system is as follows:

- **0 – Not applicable/No cause tracked:** used by default to indicate expenses not related to climate or any specific analytical cause;
- **1 – Principle:** this marker (and flag 1) is used to indicate the deliberate relevance of the expenditure initiative to climate change; or,
- **2 – Significant:** this marker (and flag 2) identifies the presence of climate co-benefits in an expenditure initiative, although though its objective may not be climate-relevant.

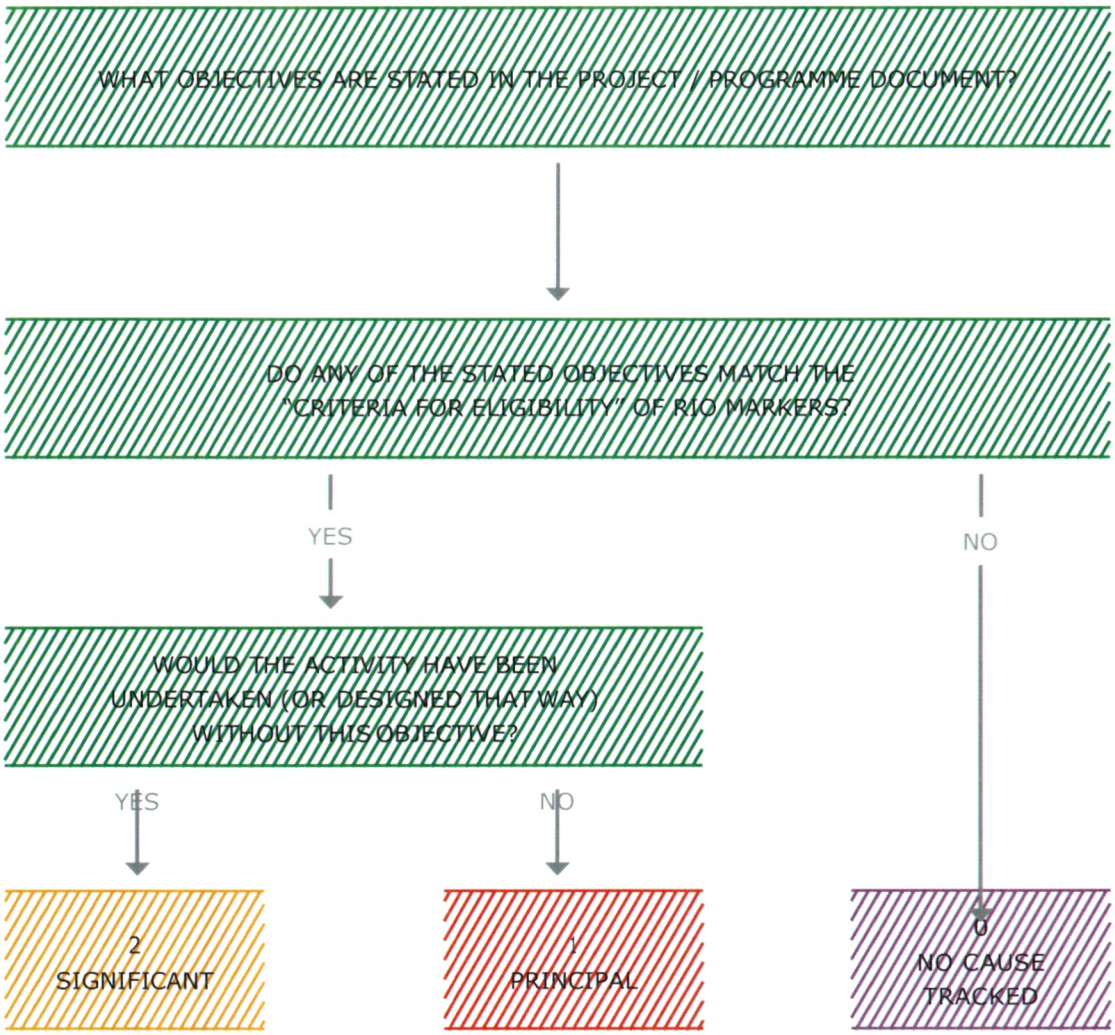
These marks indicate the policy objectives of the projects or programs being developed and implemented at various administrative levels (see Table 3).

i. An activity may be marked principal when the objective (climate change mitigation or adaptation) is explicitly stated as fundamental in the design of, or the motivation for, the activity. Promoting the objective will thus be stated in the activity documentation as one of the principal reasons to undertake it. In other words, the activity would not have been funded (or designed that way) but for that objective.

ii. An activity may be marked significant when the objective (climate change mitigation or adaptation) is explicitly stated but it is not the fundamental driver or motivation. Instead, the activity has other prime objectives, but has been formulated or adjusted to help meet relevant climate concerns.

iii. An activity may be marked not applicable/no cause to be tracked when the activity does not target the objective (climate change mitigation or adaptation) in any significant way.

Figure 8: Climate relevance screening tool
Source: OECD DAC Rio Makers for Climate - Handbook



INCLUDING SEGMENT 8 IN SCOA

Climate change budget tracking is the last analytical segment within IFMIS, as illustrated below:

Table 4: SCOA Segment 8

SEGMENT 1	SEGMENT 2	SEGMENT 3	SEGMENT 4	SEGMENT 5	SEGMENT 6	SEGMENT 7	SEGMENT 8
Class	Vote	Administrative	Source of funding	Programmes	Economic items	Geographic location	Analytical/ tracking (new)
1 digit	4 digits	10 digits	8 digits	10 digits	7 digits	8 digits	4 digits

UNPACKING SEGMENT 8 (TRACKING)

This segment enables CRE to be tracked to the benefiting causes. The reporting hierarchy includes three levels and four digits:

Table 5: Segment 8 unpacked

LEVEL 1	LEVEL 2	LEVEL 3	FULL CODE	DESCRIPTION
Cause	Division	Area		
2 digits	1 digit	1 digit	4 digits	

- Level 1 (Cause) – Shows the main cause/subject of tracking, e.g. Climate Change
- Level 2 (Division) – Shows the major divisions in the cause, e.g. Adaptation
- Level 3 (Area) – Defines specific areas under the divisions, e.g. Principle

Table 6: Detailed coding schematic for typical analysis subjects

LEVEL 1	LEVEL 2	LEVEL 3	FULL CODE	DESCRIPTION
Cause	Division / Focus	Area		
2 digits	1 digit	1 digit	4 digits	
00	0	0	0000	No Cause Tracked
00	0	1	0001	No Cause Tracked
01	0	0	0100	Climate Change
01	1	0	0110	Adaptation
01	1	1	0111	Principle Adaptation
01	1	2	0112	Significant Adaptation
01	2	0	0120	Mitigation
01	2	1	0121	Principle Mitigation
01	2	2	0122	Significant Mitigation
01	3	0	0130	Cross-cutting
01	3	1	0131	(both mitigation and adaptation)
01	3	2	0132	Principle Cross-cutting
01	4	0	0140	Significant Cross-cutting
02	0	0	0200	Enablers (e.g. legislation, capacity building)
02	1	0	0210	Cause 2 (Example –Gender)
02	1	1	0211	Division 1
02	1	2	0212	Area 1
02	1	3	0213	Area 2
				Area 3

Examples of adaptation projects:

1. Kenya Climate Smart Agriculture
2. Kenya Agricultural Insurance and Risk Management Programme
3. Kenya Livestock Insurance Programme
4. Galana Kulalu Food Security Project

Examples of mitigation projects

1. Reducing Emissions from Deforestation and Forest Degradation Plus (REDD+)
2. Lake Turkana Wind Power Project
3. Standard Gauge Railway Project

Table 7: Classification of adaptation and mitigation projects/programs as principal or significant

S/No.	1	2	3
PROJECT / PROGRAM	Kenya Climate Smart Agriculture Project	Kenya Agriculture and Risk Management Program	REDD+ Readiness Project
OBJECTIVE	To increase agricultural productivity and build resilience to climate change risks in targeted smallholder farming and pastoral communities in Kenya	To manage risks and losses amongst smallholder farmers, increase productivity in agriculture, improve access to credit and higher-yielding technology, such as seeds and fertilizers, and support the transition from subsistence to commercially-oriented farming	To put in place mechanisms to enable Kenya to reach its overall REDD+ goal to improve livelihoods and well-being, conserve biodiversity, contribute to the national aspiration of attaining a minimum of 10 percent forest cover and mitigate climate change for sustainable development
ADAPTATION			
Principal (1)	0		
Significant (2)		0	
MIGRATION			
Principal (1)			0
Significant (2)			
CROSSCUTTING			
Principal (1)			
Significant (2)			
ENABLERS			
NOT APPLICABLE			
No Cause Tracked (0)			
IFMIS SEGMENT 8			
Full Code	0111	0112	0121

S/No.	4	5
PROJECT / PROGRAM	Lake Turkana Wind Power Project	Rehabilitation of degraded sites and promotion of appropriate land use management systems to improve quality of ecosystem services of livelihoods in Nandi County
OBJECTIVE	To provide 310MW of reliable, low cost energy to Kenya's national grid (i.e. approximately 15 percent of the country's installed capacity), which will be bought at a fixed price by Kenya Power & Lighting Company Ltd (KPLC) over a 20-year period, in accordance with the Power Purchase Agreement.	To enhance productivity of natural resources and community resilience to climate change leading to environmental well-being and poverty reduction
ADAPTATION		
Principal (1)		0
Significant (2)		
MIGRATION		
Principal (1)		
Significant (2)	0	
CROSSCUTTING		
Principal (1)		
Significant (2)		
ENABLERS		
NOT APPLICABLE		
No Cause Tracked (0)		
IFMIS SEGMENT 8		
Full Code	0122	0111

NB: Learners should note that regardless of the sector where they work, opportunities exist to ensure that each of their programs and projects are climate proofed from the design stage.



DISCUSSION

Based on the above, discuss examples of projects/programs in your respective sectors and:

1. classify them as either adaptation or mitigation; and
2. classify them as either principal/significant adaptation or mitigation based on the objectives/description.

FURTHER READING

1. Climate Change Budget Coding Report (2015)
2. Climate Public Expenditure and Budget Review (CPEBR), 2016
3. OECD DAC Rio Markers for Climate Hand Book
4. Climate Budget Tagging: Experience from Asia, 2016
5. Government Standard Chart of Accounts (SCOAs) manual

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UNIT FOUR

4.4 REPORTING ON CLIMATE FINANCE

CLIMATE FINANCE COMMUNICATION AND REPORTING REQUIREMENT

Under the UNFCCC Transparency Framework (Paris Agreement Article. 13), Parties are expected to report on financial support needs and support received. In this regard, identifying and tracking climate-related expenditure in the national budgetary system enables Kenya to monitor and report on financial support needs and support received. This ensures that national policy targets are being achieved and that resources are being spent effectively and efficiently.

The Constitution of Kenya, 2010 also underscores the need for Minimum Efficiency Reporting Value (MERV) to enhance transparency, accountability, integrity and access to information. Further, monitoring and evaluation is a legal requirement for projects and programmes as provided for by the PFM Act, 2012 and associated regulations. The PFM regulations require accounting officers to create measures to monitor and report financial and non-financial performance of entities and projects.

The SCOA used in IFMIS is the central feature of budget coding and tracking of public expenditures. To ensure effective tracking, climate-relevant initiatives are flagged and assigned appropriate budget tracking codes. The codes within SCOA (Segment 8) are then used to track and analyse climate-related expenditures in national budget systems. The climate-relevant expenditure is reported as adaptation, mitigation or enabling environment.

CLIMATE FINANCE REPORTING REQUIREMENTS

The following key questions provide guidance on the reporting requirements:

i. i. Who to report to?

- The public and financiers and actors under Kenya's international reporting obligations.

ii. When to report?

- Nationally (quarterly, annually)
- Internationally (biennially)

iii. What to report?
According to the Paris Agreement, the report should include:

- Title (activity, programme or project)
- Programme/project description
- Channel
- Recipient entity
- Implementing entity
- Amount received (in domestic currency and United States dollars)

- Time frame
- Financial instrument (grant, concessional loan, non-concessional loan, equity,
- guarantee or other)
- Status (committed or received)
- Sector and subsector
- Type of support (mitigation, adaptation or cross-cutting)
- Whether the activity has contributed to technology development and transfer and/or capacity-building
- Status of activity (planned, ongoing or completed)
- Use, impact and estimated results.

The data and information generated through IFMIS facilitates the analysis and review of CRE. The information generated for reporting will include the following:

i. Class of budget (recurrent, development, revenue or deposits)

ii. Vote head (MCDAs)

iii. Administrative unit (vote head, cost centre)

iv. Source of funding (domestic or external (grants &loans), channel)

v. Programme (sector, sub-programme/project, activity)

vi. Economic item (expense, investment on asset, liability)

vii. Geographic location (county, sub-county, ward)

viii. Analytical/tracking (climate change adaptation, mitigation or cross cutting).

The climate-relevant expenditure reports generated through IFMIS will enhance reporting to the UNFCCC. The additional information below will be required to meet the UNFCCC reporting requirements:

i. The financial instruments, including equity and guarantees;

ii. Whether the activity, project or programme will contribute to technology development and transfer and/or capacity building if relevant;

iii. Status of the activity, project or programme; and,

iv. The project's or programme's use, impact and estimated results.

CLIMATE FINANCE REPORTING CAPACITY NEEDS

The Paris Agreement implementation work programme requires the GEF to continue providing support for reporting under the Transparency Framework. GEF will also continue to support the Capacity-Building Initiative for Transparency (CBIT) as a priority reporting-related need. Public climate finance flows should be reported at the national level, rather than by individual MCDAs and SAGAs. This may require boosting institutional capacity and creates a need for concerted dialogue among government departments and finance institutions within the GoK and with development partners. In some cases, it may require new expertise, as well as new arrangements for institutional cooperation.

ANNEXURES

ANNEX 1: NATIONAL GOVERNMENT BUDGET CALENDAR

ACTIVITY	RESPONSIBILITY	TIMELINE (DEADLINE)
Develop MTEF guidelines	National Treasury & Planning	15th - 30th August
Issue budget circulars and launch Sector Working Group	National Treasury & Planning	30th August
Hold public sector hearings	National Treasury & Planning	1st September - 15th February
Conduct programme performance review	MDAs	15th September - 30th September
Submit Budget Review and Outlook Paper (BROP) to Cabinet	Macro Working Group	30th September
Approve BROP	Cabinet	7 days after submission
Submit approved BROP to Parliament	National Treasury & Planning	14 days after approval
Submit first Quarterly Economic & Budgetary Review" (QEBR) to the National Assembly	National Treasury & Planning	15th November
Release audit reports for the previous fiscal year	Office of the Auditor General	31st December
Submit second Quarterly Economic & Budgetary Review" (QEBR) to the National Assembly	National Treasury & Planning	15th February
Submit BPS, Division of Revenue Bill (DORB) and County Allocation Revenue Bill (CARB) to Parliament for approval	National Treasury & Planning	15th February
Approve BPS	Parliament	28th February
Submit Debt Management Strategy to the Commission on Revenue Allocation and the Intergovernmental Budget and Economic Council	National Treasury & Planning	28th February
Publish and publicize the Approved BPS	National Treasury & Planning	1st March
Approve Division of Revenue and County Allocation of Revenue Bills	Parliament	15th March
Submit budget estimates to Parliament	National Treasury & Planning	30th April
Submit third Quarterly Economic & Budgetary Review" (QEBR) to the National Assembly	National Treasury & Planning	15th May
Present the Budget Statement to Parliament	National Treasury & Planning	1st June - 15th June
Pass appropriation bill	Parliament	30th June
Finance bill passed	Parliament	Within 90 days after passing the appropriation bill

ANNEX 2: COUNTY GOVERNMENTS' BUDGET CALENDAR

ACTIVITY	RESPONSIBILITY	RELEVANT LEGISLATION	TARGET DATE
Issue County Budget Circular	Issued by CEC-MF from each county	PFMA (2012) Section 128 (2)	30th August
Submit County Annual Development Plan (ADP) to the County Assembly (CA) for approval	CEC-MP	PFMA (2012) Section 126 (3)	1st September
Submit C-BROP to CEC	County Treasury (CT)	PFMA (2012) Section 118	30th September
Recommend revenue sharing (vertical and horizontal)	CRA makes recommendations on revenue sharing (vertical and horizontal)	PFMA (2012) Section 190	31st December
Submit C-FSP to CA	County Treasury	PFMA (2012) Section 117 (1), (6), (8)	28th February
Submit county Debt Management Strategy to the CA	County Treasury	PFMA (2012) Section 123 (1), (3)	28th February
Submit budget estimates to the CEC	CEC-MF	PFMA (2012) Section 129, (1), (2), (3), (4)	30th April
Submit Annual Procurement Plan (APP) to the Controller of Budget	County Treasury		31st May
Submit annual cash flow projections for the county to the Controller of the Budget with copies to the Intergovernment Budget and Economic Council and NT	CG	PFMA (2012) Section 127 (1)	15th June
Approve budget estimates	County Assembly	PFMA (2012) Section 131 (1)	30th June
	CA approves budget estimates and passes the Appropriation Bill	PFM 2012, 131(5)	30th June
	With CEC approval, the CEC-MF submits the County Finance Bill to the CA	PFMA (2012) Section 133	Within 90 days of approval of Appropriation Bill
Develop supplementary estimates	County Executives to the Cabinet Secretary for Finance	PFMA (2012) Section 135	On an 'as needed' basis

ANNEX 3: DEFINITION OF TERMS

THE FOLLOWING DEFINITIONS SHALL APPLY IN THIS TRAINING HANDBOOK:

Accredited entity: an entity that is accredited by the GCF Board in accordance with the Governing Instrument and relevant Board Decisions. The role of an accredited entity relates to project implementation management and oversight, which includes originating and preparing a funding proposal and, subsequently, managing the necessary stages of the implementation process until its conclusion (project management) on behalf of the provider of funds, and reporting obligations.

Activities: For the purposes of this training handbook and unless otherwise specified, refers to programmes, projects and subprojects.

Adaptation: the adjustment in natural or human systems in response to actual, expected climatic stimuli or their effects, which moderates harm, or exploits beneficial opportunities.

Budget coding: the process of tagging climate change-related activities within the budget items and assigning specific codes to programmes and projects to enable budget tracking of climate relevant expenditure (OECD, 2012).

Climate finance: monies available for or mobilized by government or non-government entities to finance climate change mitigation and adaptation actions and interventions.

Climate change: a change in the climate system caused by significant changes in the concentration of greenhouse gases as a consequence of human activities and that is in addition to natural climate change that has been observed during a considerable period.

Conference of the Parties (COP): the formal meeting of the UNFCCC parties to assess progress in dealing with climate change and to negotiate to establish legally-binding obligations for developed countries to reduce their greenhouse gas emissions.

Climate Relevant Expenditure (CRE): costs invested (capital, labour and related) in programmes and sub-programmes, where actual and specific climate change activities may or may not be budgeted exclusively as climate related.

Climate change resilience: the capability to maintain competent function and return to some normal range of function even when faced with adverse impacts of climate change.

Executing entity: any entity through which climate finances is channelled or used for a funded activity and/or any entity that executes, carries out or implements a funded activity.

Environmental and social risk: a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an occurrence.

Emissions: In relation to a greenhouse gas, emissions of that gas into the atmosphere where the emissions are attributable to human activity.

Fund: The Climate Change Fund established under section 25 of Kenya's Climate Change Act, 2016.

Mitigation: efforts that seek to prevent or slow the increase of atmospheric greenhouse gas concentrations by limiting current or future emissions and enhancing potential sinks for greenhouse gases.

Greenhouse gases (GHGs): substances that are able to trap heat in the atmosphere and thus keep the earth's surface warmer than it would otherwise be. The main GHG are carbon dioxide (CO2), methane (CH4) and nitrous oxide (NOx). Others include hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and indirect gases. The resultant effect is global warming, which refers to the increase of Earth's average surface temperature and of the temperature of the atmosphere and oceans.

Mainstreaming: the integration of climate change actions into decision-making and implementation of functions by the sector ministries, state corporations and county governments.

Rio markers: standardized global reporting codes that can be used to compare climate-related expenditures from different countries. Rio markers are used to flag the relevance of expenditure in relation to climate to facilitate budgeting and tracking of funds channelled to a fund or programs/projects.

Stakeholders: individuals or groups, communities, governments who: (a) are affected or likely to be affected by the activities; and (b) may have an interest in the activities (other interested parties). The stakeholders of an activity will vary depending on the details of the activity and may include local communities, national and local authorities, including neighbouring governments, neighbouring projects, and nongovernmental organizations.

Standard Chart of Accounts (SCOA) coding structure: a system by which national budgets and government financial transactions are coded for recording in IFMIS.

Tracking: a systematic way to trace and link budgetary allocations to their respective expenditures and outputs in climate-relevant activities within the IFMIS.

REFERENCES

https://unfccc.int/topics/climate-finance/the-big-picture/introduction-to-climate-finance

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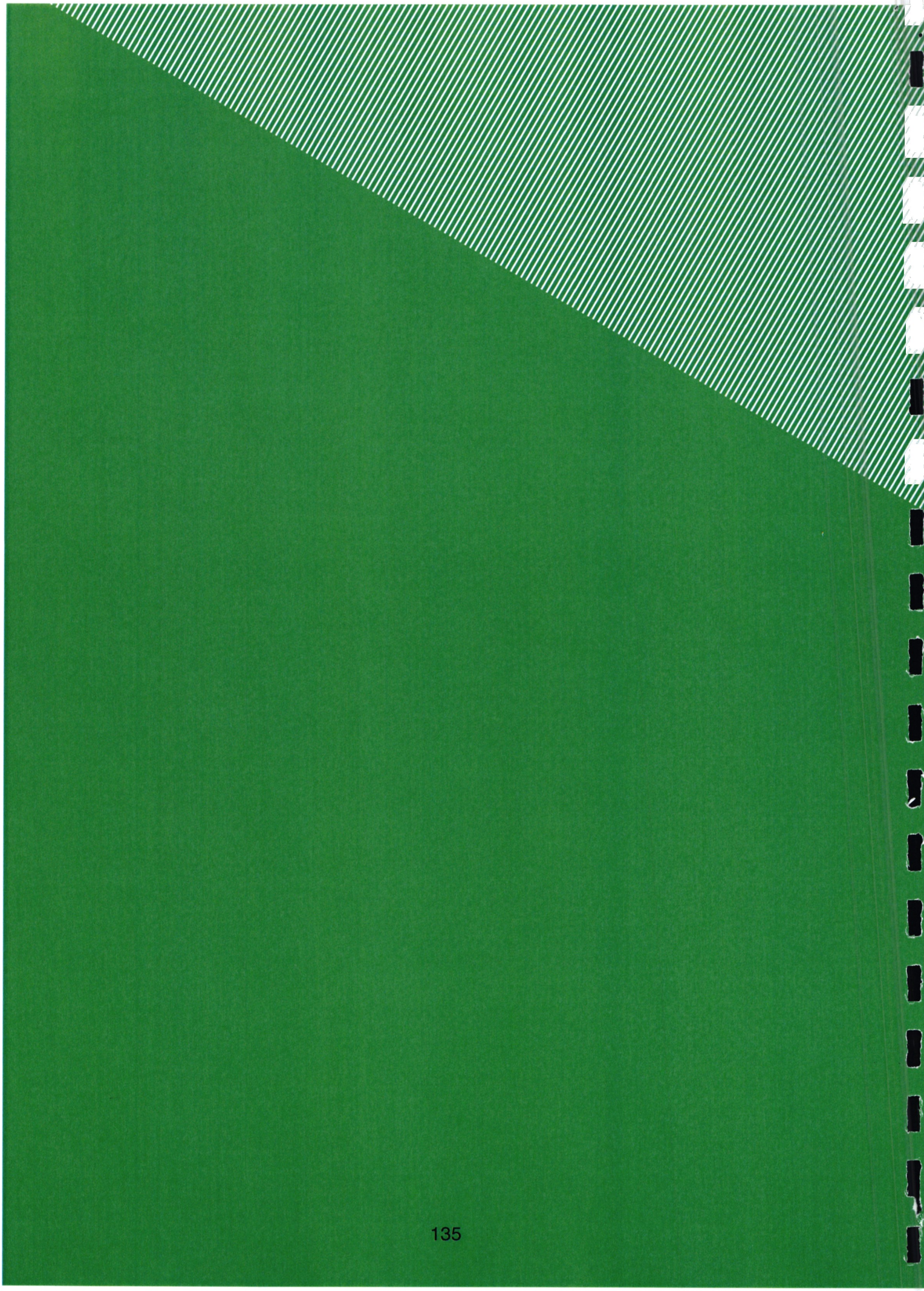
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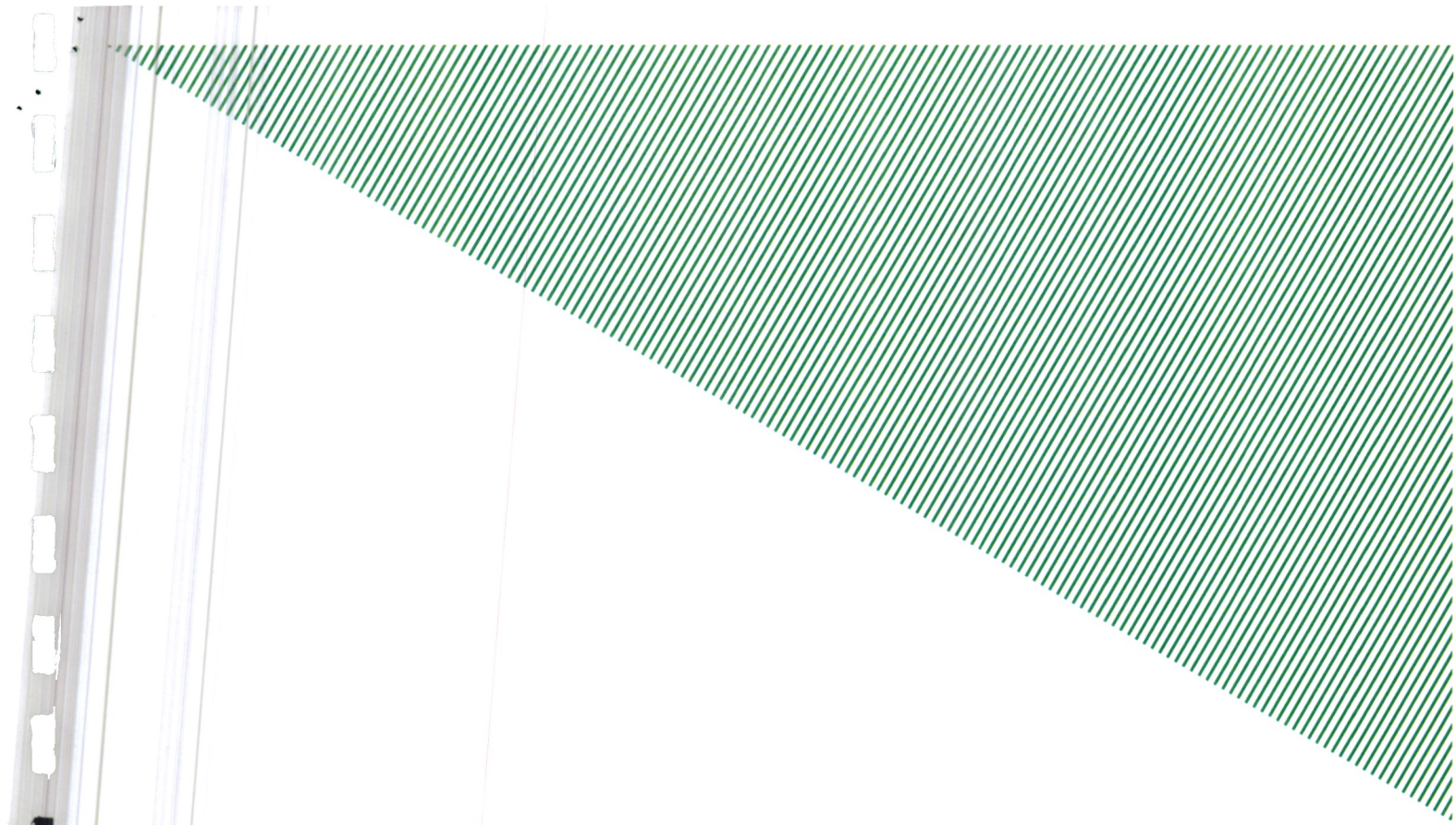
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Annex 6: Climate Finance training in partnership with Cambridge University, FSD Africa, ESAMI & Kentatta University (KU)

PROJECT BRIEF: CLIMATE FINANCE TRAINING INITIATIVE

Partner(s):	Initial partners include the Ministry of Finance and Planning, Kenya through the Greening Kenya Initiative Trust	**Programme Period:**	April 2020 to May 2023
Programme Summary and Objectives:	• Establishment of climate finance training programme with regional content to develop the capacity of local and regional policy makers, academia, regulators and financial market participants • Establish a twinning arrangement between UK and regional academic institutions in the provision of climate finance training.	**Potential Implementing Partners:**	UK universities/training institutions such as King's College, London, University of Oxford, Imperial College London, Cambridge University and the International Institute for Environment Development. The UK institutions should have an executive and/or academic course offering on climate finance Tertiary education institutions such as University of Nairobi, Kenyatta University, Strathmore, Kenya School of Monetary Studies and the Eastern and Southern African Management Institute (ESAMI) as part of a possible twining arrangement with the UK institutions
Countries:	Sub Saharan Africa - regional scope	**Financial Contribution Type:**	Grant
Impact:	• Capacity of policy makers, academia, regulators, training service providers and financial sector professionals on climate finance developed • Increased investments into climate resilient projects, which lead to sustainable economic growth and employment creation • Creation of a centre of excellence in green finance in the region	**Funding Partners:**	To be explored with interested donors

1. Background

1.1 Global Context

Human activities are estimated to have caused about 1.0°C of global warming above pre-industrial levels. Global warming is likely to reach 1.5°C between 2030 and 2052, according to the Intergovernmental Panel on Climate Change (IPCC). The impacts of these climatic changes are severe, which would include loss of up to 18% of insect species and 16% of plant species. It is estimated that

there will be an estimated 150 million environmental refugees by 2050. Africa, being a poor and resource intensive continent in the tropics is expected to suffer the greatest consequences of climate change which also include climate-related risks to health, livelihood, food security, water supply, human security and economic growth.

Limiting global warming to 1.5°C as anticipated in the Paris Agreement requires rapid and far-reaching transitions in energy, land, urban and infrastructure (including transport and buildings), and industrial systems. OECD estimates annual investment needs of US$6.9 trillion up to 2030 to meet climate objectives. This requires mobilization of private and public funds and government policies that reduce the risk of climate-friendly investments and the mobilization of private funds.

Channeling of climate finance to emerging markets and in Sub-Saharan Africa in particular needs to happen at a much more rapid and focused rate to mitigate the effects of climate change. This is particularly critical as the continent pursues infrastructure development at a larger scale in coming years. In addition, there are opportunities for financing smart agriculture, renewable energy, transport systems, water infrastructure and energy-efficient buildings in the continent.

The bond markets through Green, Social and Sustainability Bonds can play an essential role in attracting private capital for climate finance. According to the 2018 Climate Bonds Report by the Climate Bonds Initiative, 2018 labelled green bond issuances totalled USD167.6bn (up from USD162.1bn in 2017). The market share for these bonds is: USA 20%, China 18%, France 8%, Germany 5% and Netherlands 4%. Funds deployed from these issuances are deployed largely to developed markets and climate finance flows to or within Sub-Saharan Africa is quite limited. Furthermore, there are significant opportunities for climate finance in the banking sector and aggregation mechanisms that would pool smaller investments to facilitate issuances of securities.

One of the main barriers to climate finance identified by the IFC and UNEP (2015) study[1] as well as the Kenya National Policy on Climate Finance is a lack of experience and expertise that limits the ability of financial institutions to structure new investment vehicles that can form a pipeline of inclusive green projects. To address this challenge, the need to raise awareness and technical training in climate finance across the financial services sector is recommended.

2. Programme Summary

The objective of this project is to identify, provide and deliver capacity building initiatives to develop capacity of financial sector stakeholders, policy makers and regulators in climate finance. (At present there is no provider of this kind of bespoke climate finance training programme in the region).

The project will identify a reputable UK academic training provider to develop the content and train local trainers from collaborating universities and/or other training service providers to ensure local training capacity is available at the end of the project. At this stage, the project has not concluded discussions and agreed with all the potential UK and local partners.

Key partnerships

To ensure international recognition, the training programme will be developed by an internationally recognized training provider. (Preliminary discussions are currently being pursued with some UK institutions as well as potential local and regional host institutions such as King's College, London, University of London, Imperial College London, Cambridge University and the International Institute for Environment Development). An independent consultant will first undertake a training needs analysis before developing tailored training courses that are relevant for local market needs.

Local partnerships have been explored with local universities such as Nairobi University, Kenyatta University, Kenya School of Monetary Studies, Strathmore University. However, it is considered that a regional training institute such as East and Southern Africa Management Institute (ESAMI) is best suited to host the training in order to reach a wider group of decision makers from Sub Saharan Africa. Also, it is imperative to ensure long-term sustainability and cost-effectiveness.

The architecture of collaboration will be such that the international partner will be responsible for long-term curating of curriculum content and updating to ensure it remains relevant to the market. To ensure sustainable supply of future trainees, some level of recognition/mandating by regulators and industry associations will be pursued. In addition, the project will explore how future trainings can be funded through scholarships issued by national, development partners and county government budget allocation for public servants as well from global climate change funds. We envision the short course described below as a 'quick-win' aimed at sensitising and raising market awareness, whereas at the core is the masters programme the of which the design and implementation is likely to take a longer duration.

The approach described above supports FSD Africa in its market facilitation objective to both build capacity and support the delivery of projects that achieve a long-lasting significant impact on newly emerging innovative green financial markets. There is potential for this project to be regionalised either through collaboration with other Ministries of Finance or various financial sector stakeholders in the region through a 'hub and spoke' approach where Nairobi remains the regional and global centre for climate finance training delivering for short and long courses on climate finance or 'exporting' training to other countries.

Indicative curriculum

The project will be implemented in two phases:

Phase 1- Short-course: Certificate in Climate Finance (5days)

This is course is aimed at policy/decision- makers, regulators and operations staff of financial institutions as well as other relevant economic sectors. It is aims to act as a primer for the masters programme and will be run, at a minimum, quarterly.

Module 1: General Introduction to climate change

This topic is aimed at equipping the trainees with basic or general understanding on environmental and climate change components in respect to local, national, regional and global context. It will provide the requisite link between environment, climate change, development and financing.

Module 2: Introduction to climate finance policies, strategies and regulations

This topic/course is aimed at policy makers, regulators and decision makers and aimed at ensuring participants have the relevant policy and regulatory know-how to perform their jobs more effectively. It will draw on international best practice but locally relevant conventions, transparency systems, policies and regulations, including design of appropriate inclusive green fiscal regulatory frameworks.

Module 3: Introduction to climate finance mechanisms and operations

This topic/course is aimed at operations staff of financial institutions and county governments who are responsible for implementation of climate-smart products and services. It targets mainly finance, procurement officers, accountants, auditors, it will have some high-level aspects on policy and regulation. Similarly, it will introduce participants to international best practice but locally relevant know-what and know-how climate financing products and processes.

Phase 2 - Global Climate Fund accreditation training

Few institutions in Africa have been accredited to receive GCF funding. One component of this climate finance training is to train institutions on how to obtain GCF accreditation and follow through with project preparation support to ensure actual funding is obtained for channelling to climate resilient projects within sub Saharan Africa

Phase 3- Masters programme

This phase is at the core of the project and is aimed at students wanting to enhance their career prospects in climate finance, senior policy makers and regulators as well as managers of financial institutions and other relevant economic sectors. It will aim at promoting research and future modelling on climate finance.

It is our vision that the selected collaborating UK University will be able to develop both the short course and the masters programme. However, a situation may arise where one institution delivers the short course while another the masters programme. Where the later is the case, there is need for close collaboration between the two institutions to ensure continuity or some mutual recognition between the short course and the masters programme. The nature of (classroom, e-learning etc) and pace (3,6 months) of learning will be determined during the curriculum development stage.

3. **Project Impact**

The long-term impact of this programme is to:

- Develop the local capacity of future practitioners, policy makers, regulators, training service providers and financial sector professionals on climate finance to spur the level of investments into climate resilient projects, which will eventually lead to sustainable economic growth and employment creation
- Enhance climate finance capacity of regulators, policy makers and market players which is required to raise awareness for the development of appropriate policies and financial products to reduce the cost and impact of adverse climate change in the region
- Inspire investor confidence in climate smart projects by ensuring availability of locally trained professionals to champion delivery of appropriate climate finance products
- Creation of a centre of excellence in climate finance in the region

The National Treasury

National Drought Management Authority
NDMA

ADA consortium

Discussion Paper
August 2019



Climate Finance in Kenya: Review and Future Outlook

Peter Odhengo, Joanes Atela, Paul Steele, Victor Orindi and Fiona Imbali

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African Centre for Technology Studies
ACTS
Knowledge for Better Livelihoods

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Abbreviations

AF	Adaptation Fund
ACCF	Africa Climate Change Fund
ASAP	Adaptation for Smallholder Agriculture Programme
ASALs	Arid and Semi-Arid Lands
AREI	Africa Renewable Energy Initiative
CCA	Climate Change Act, 2016 (CCA 2016)
CCF	Climate Change Fund
CIF	Climate Investment Funds
COP	Conference of Parties
FAO	Food and Agriculture Organisation
FCPF	Forest Carbon Partnership Facility
GCF	Green Climate Fund
GCPF	Global Climate Partnership Fund
GDP	Gross Domestic Product
GEEREF	Global Energy Efficiency and Renewable Energy Fund
GEF	Global Environment Facility
GHG	Greenhouse Gas Emissions
IFAD	International Fund for Agriculture and Development
ICF	International Climate Fund
IPCC	Intergovernmental Panel on Climate Change
LDCF	Least Developed Countries Fund
LULUCF	Land use, land-use change, and forestry
MDBs	Multilateral Development Banks
MRV	Monitoring, Reporting and Verification
NAMA	Nationally Appropriate Mitigation Actions
NAP	National Adaptation Plan
NCCC	National Climate Change Council
NCCRS	National Climate Change Response Strategy
NCCAP	National Climate Change Action Plan
NDA	National Designated Authority
NDC	Nationally Determined Contributions
NEMA	National Environment Management Authority
NIE	National Implementing Entities
REDD+	Reducing Emissions from Deforestation and Degradation
REM	REDD+ Early Movers Programme
SCCF	Special Climate Change Fund
SCF	Strategic Climate Fund
UNFCCC	United Nations Framework Convention on Climate Change
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme

Executive Summary

Introduction

Climate Finance is critical to Kenya's full realisation of the policy goals as set out in the Sustainable Development Goals (SDGs), the 2015 Paris Agreement and the African Union Agenda 2063. For developing countries, such as Kenya, where impacts of climate change are severe, climate finance remains critical to catalyse actions through mitigation and adaptation. Kenya is one of the most vulnerable countries in Africa, experiencing vast, interlinked and widely documented impacts of climate change. The country has low but growing levels of greenhouse gas emissions, although Africa only produces 5% of global emissions.

An effective response to the challenge of climate change requires robust financial mechanisms that include systems, initiatives and programmes supporting mitigation and adaptation measures. As global implementation of climate policy progresses under the Paris Agreement, there has been an increased realisation that developing African countries, such as Kenya, will require effective and enabling financial and technical support. This should build on lessons from the Kyoto Protocol, where more than 80% of international climate funds mobilised through the Clean Development Mechanism went to middle income countries such as China and about 18% percent to developing regions in South America and Middle East, while certain low income regions such as Africa received less than one percent. This gap in climate change financing has been attributed to lack of an attractive host investment context as well as bureaucratic procedures that did not match existing systems of many developing countries such as Kenya. The new era of climate change under the Paris Agreement has strived to correct this by establishing more flexible funding windows such as the Green Climate Fund (GCF) to integrate needs of all developing countries in the funding process. Countries also have the opportunity to draw from additional emerging funding windows outside the United Nations Framework Convention on Climate Change, including bilateral grants and loans, green bonds and climate change trust funds at national and subnational level.

Based on experiences and achievements so far, Kenya has a huge opportunity to build a more robust climate finance mechanism, taking advantage of its global networks and linkages, ensuring political success and lessons on what has been achieved so far. This discussion paper aims to inform future climate financing strategies for Kenya based on the country's experiences to date.

Policy Setting

Kenya has a sophisticated climate finance policy setting underpinned by the Kenya's Climate Change Act 2016, the National Climate Finance Policy, 2018 and the National Climate Change Action Plan 2013–2022. The progressive development of these policies and corresponding regulatory mechanisms point towards a strong political will to support climate action and mobilise adequate finances. To enhance progress, the National Climate Change Action Plan has set a number of targets for the 2019–2022 period. Therefore, it can be seen that whereas Kenya's policy setting on climate finance is progressive, it will require strict adherence to set targets and continuous learning and improvement. Most importantly, stronger collaboration between various government agencies responsible for these policies would help deliver optimal outcomes for climate financing.

National Climate Finance Institutional Arrangements

Mainstreaming climate finance with the National Treasury (NT) and other specific departments provides a suitable institutional framework for managing climate change financing. Functions of the NT are core to the climate financing requirements and management at both international, national and sub-national levels. The creation of the NT's Climate Finance Unit is a step towards enabling and integrating climate finance management. For instance, financial management systems are key in ensuring transparency and accountability of climate funds drawn from various windows. Further, the NT provides established systems for mobilising, allocating and tracking climate funds. Despite these key strategic strengths of the NT, establishing strong ties with other technical and policy arms of the state as well as with non-state actors could help develop a more coordinated and integrated climate finance management system.

While this institutional setup provides a framework for tapping into diverse funding sources, especially with regard to enabling tracking flows from global to national and sub-national levels, internal mechanisms and flow of funds could be enhanced through stronger synergies between various policies and institutions for an integrated financial mechanism that is technically, financially and politically sound. There is also a need to enhance links with broader non-state actors including NGOs, the private sector, and other stakeholders, so as to tap into various opportunities, including learning, capacity building and best practices. The open and transparent dialogue between national and county governments on one side, and business, long-term investors, microfinance, banking and development institutions on the other, needs to be further strengthened.

Further, there is need for key institutions to engage in clear communication on progress and regular updates for accountability purposes as required by the National Climate Finance Policy Sessional Paper No. 3 of 2017. The national and county governments, private sector, knowledge-based institutions, professional bodies such Environment Society of Kenya (ESOK) and civil society have a large enough reach to channel climate finance. However, the potential implementing and executing entities have limited capacity to deal with eligibility criteria and modalities of the various international climate funds.

Devolution of Climate Funds

Devolution of climate funds remains a major priority for climate financing in Kenya because it will help ensure that resources reach where they are needed most. County governments provide a good opportunity to create institutional linkages for devolving funds from the national to local. Counties have established County Climate Change Funds (CCCFs) but the linkage between these funds and the national system is still currently relatively underdeveloped. There is need to enhance institutional connection between national and sub-national government levels as this currently remains weak. However the Ministry of Devolution and Arid and Semi-Arid Lands (ASALs) have developed a scale-out strategy for CCCFs to be implemented by the National Drought Management Authority (NDMA). This requires clear structural linkages between the National Climate Finance Unit and CCCFs. This will require establishing County Climate Finance Units (CCFUs) based at county treasury offices across the 47 counties, and strengthening the units with adequate technical and financial capacity, while creating strong linkages with national systems, for instance through a liaison office. The National Treasury Climate Finance Unit (NCFU) has already made efforts to build counties' capacity and this should be strengthened further.

Monitoring, Verification and Reporting Climate Finance

Kenya has made progress in setting arrangements for monitoring, coding and tracking climate change expenditures to enhance accountability and transparency in line with the Paris Agreement. However, the process is still developing and requires concerted efforts for accurate and measureable indicators of both mitigation and adaptation, which remain weak. Currently, there are no agreed adaptation indicators internationally to aid tracking and accurate reporting. The country has made progress under National Climate Change Action Plan (NCCAP); NAP - National Adaptation Plan, GESIP - Green Economy Strategy and Implementation Plan, and the MTP III - Medium Term Plan to identify relevant and appropriate indicators to track progress on adaptation and building resilience. However, these still need to be refined and agreed upon by various stakeholders. Mechanisms to identify sources and track how finance has been utilized have still not been fully actualised, yet these are international standards required in climate finance and may prevent the country from accessing some international funds. Again there are many other variables that feed into the process such as setting the duration and scale of outputs and outcomes. Furthermore, the skillsets needed for tracking climate finance remain a challenge as the exercise requires integrated skills encompassing both climate and accounting to effectively implement and develop this capacity within the National Treasury, the climate change directorate, Council of Governors, climate-relevant ministries, agencies, departments, companies, NGOs and all 47 counties .

Climate Finance Windows for Kenya

There are a number of climate financing mechanisms and windows available to Kenya. These windows include those under the UNFCCC framework such as multilateral funds including the Green Climate Fund (GCF), Global Environment Facility (GEF) and Adaptation Funds; and those outside the UNFCCC framework including a host of bilateral funds. There are also important domestic sources of climate finance such as national budget allocations and private investments. As a way of consolidating and disbursing the funds, Kenya is establishing a National Climate Fund with an independent secretariat under the supervision of the National Treasury as provided for under the Public Finance Management Act, 2012.

To date, the country has attracted an estimated USD4.6 billion for projects and programmes in various sectors, the bulk of which (40%) has been linked to the energy sector.[1] However, it is widely viewed that the climate funds attracted currently below the annual target of USD3.2 billion. In other words, while Kenya appears to be making progress in establishing policies and institutions to tap into various international funds, the country is yet to fully utilise available funding windows, especially in the private sector.

The relatively modest performance is not commensurate with the institutional preparedness and focus the country has made, raising the question on how to enhance effectiveness of existing institutions to tap fully into various funding opportunities and meet targeted financing as provided for under the NCCAP 2018-22 and MPTIII 2018-22 among others. Institutional coordination and capacity to design funding programs competently are key areas weakening the country's potential to accelerate access to match the ambitions as provided for under the policy. The country has made good investment in development of software such as enactment of enabling policies but there are still clear gaps relating to hardware aspects such as developing technology systems and associated capabilities and innovations, including the competency to develop innovative fundable and bankable initiatives; and these need to be addressed.

1 https://www.undp.org/content/dam/kenya/docs/energy_and_environment/2016%20CPEBR%20Report.pdf

Efforts by the National Treasury through the Climate Finance Unit to build capacity of line ministries, agencies, CSOs, private sector and counties are indications of good progress, but these could technically be strengthened so that such trainings can transition from creation of general awareness to more detailed procedural and applied capability building. The capacity gap also manifests as lack of adequate investment in research and development (R&D), product development and all other aspects of the innovation critical to propelling the climate change agenda forward. The African Union is currently preparing a Green Innovation Framework, which will guide countries on how to develop both hard and soft competencies for climate financing, and Kenya could benefit from this.

Conclusion

Overall, the experience with the climate finance mechanism in Kenya shows that the country has made progress but there is huge opportunity to develop a robust system and be a regional leader in climate financing. So far, the country has made good progress in setting up policies and institutional arrangements to help mobilise, allocate and monitor climate finance. The various policy instruments set out by the government to enhance processes of climate financing paint a progressive future. The National Policy on Climate Finance seeks to position the country to better access climate finance through a variety of well-thought-out strategies to be executed through public–private partnerships.

Continuous research and innovation in climate adaptation and mitigation and diffusion of local technologies requires an enabling investment context with incentives from both the public and private sectors. Research and innovation will play a key role in climate change adaptation and mitigation strategies and interventions. The complex and dynamic nature of climate change and its impacts requires Kenya to expand and maintain systems for targeted and continuous innovation, including development of locally contextualized technologies. Capacity building for both national and county entities and other stakeholders in climate finance is critical if progress is to be actualised.

1. Introduction

Climate finance is critical to the full realisation of the sustainable development goals, the 2015 Paris Agreement and the African Union Agenda 2063. Climate finance is defined as: additional or incremental investment made in activities aimed to climate-proof programmes and projects against climate change impacts.[2] This includes both climate finance for mitigation by deliberately reducing greenhouse gas (GHG) emissions, and climate finance for adaptation to cover additional costs incurred or invested in an activity to make it resilient to climate change. These may be Climate Change Adaptation (CCA) or Climate Change Mitigation (CCM) activities, capacity building or costs for creating the framework for climate change enabling environment (CCEE) such as development of strategy, policy and international negotiations on climate change. Climate Finance in the Kenyan context is about enhancing the localised adaptive and low emissions green economy development agenda and the full cost of managing effects of climate change in the economy.[3]

For developing countries, such as Kenya, where impacts of climate change are severe,[4] climate change finance remains one of the most critical tools for addressing impacts through mitigation and adaptation measures. Kenya is one of the most vulnerable countries and experiences vast, interlinked and widely documented impacts of climate change. The Intergovernmental Panel on Climate Change (IPCC)'s vulnerability assessment techniques indicate that more than 85% of Kenyan land mass is extremely susceptible to climate change impacts.[5,6] Climate extremities are estimated to cost the country approximately USD500 million annually, which is equivalent to 2.6% of the country's GDP.[7] The country's vulnerability is driven by the fact that the economy is largely dependent on climate-sensitive sectors such as agriculture, tourism and energy yet the country's low-income status impedes its ability to tackle associated impacts of climate change.[8]

Effective responses to the challenge of climate change require effective financial mechanisms to put in place systems, initiatives and programmes supportive to mitigation and adaptation measures. As global climate policy implementation progresses under the Paris Agreement, there has been increased awareness and realisation that developing countries such as Kenya will require effective and enabling financial support. This builds from the lessons learnt from the Kyoto Protocol where more than 80% of climate funds mobilised through the Clean Development Mechanism went to middle-income countries such as China, while certain low-income regions such as Africa host less than 1% of such activities and funds.[9] This gap in climate change financing has been attributed to a lack of attractive host country context and bureaucratic procedures that do not match existing systems of most developing countries such as Kenya. The new era of climate change under the Paris Agreement has strived to correct this by establishing more flexible funding windows such as the Green Climate Fund (GCF) to integrate needs of developing countries in the funding process.

2 UNDP (2016)
3 UNDP (2016)
4 Africa continues to be the worst hit continent by the impacts of climate change despite contributing less than 5 per cent of the greenhouse gas emissions (GHG).
5 IPCC (2013)
6 UNDP (2015)
7 NCCAP (2013-2017)
8 Morton (2007)
9 Christman (2014)

The Paris Agreement set a goal of mobilising USD100 billion per year by 2020, partly channelled through the GCF, to support mitigation and adaptation programmes in developing countries such as Kenya. The GCF has, for instance, committed 50% of its share to finance adaptation — a key need in most African countries. At the regional level, the AU-Agenda 2063 has committed to mobilising a number of funding streams to support member countries in addressing climate change. Regional financial bodies such as the African Development Bank (AfDB), East Africa Development Bank, etc play a key role in championing these continental policy ambitions by financing focal areas of sustainable management of natural assets, financing sustainable infrastructures and building resilient livelihoods. The African Development Bank (AfDB) has developed a framework to promote the Bank's engagement in fostering climate action and a transition to green growth in Africa.[10]

These global and regional processes provide Kenya with the opportunity to put in place an effective climate finance mechanism with technical and institutional frameworks geared towards achieving its commitment to the Paris Agreement and its development vision for broader sustainable development. Indeed, the country has taken several steps towards developing such a climate finance mechanism. The country has integrated the climate finance agenda in various policy instruments in a manner that enables the country to tap into global and regional public and private finance as well as state and non-state financing facilities. Kenya's National Climate Change Action Plan 2013-18;[11] the Climate Change Act 2016; and the National Climate Finance Policy, 2018 among others outline a need to mobilise both financial and technical resources from various streams. For example, the Climate Change Act 2016[12] provides for the development of a regulatory framework that not only supports mobilisation of funds from international and domestic sources, but also sets structures for devolving these funds to the county level. Again, Kenya first submitted its Intended Nationally Determined Contributions with an ambitious goal of mitigation that seeks to reduce Greenhouse Gas (GHG) emissions by 30% by the year 2030, supported through robust financial public and private financial streams drawn from global, regional and national levels.[13] Kenya's Mid Term Sector Plan for Climate Finance 2018–2022 equally sets climate finance ambitions for the country's development blueprint,- Vision 2030. All these show that Kenya is enjoying tremendous political support for climate action.

Based on experiences from the achievements so far, Kenya has a huge opportunity to build a more robust climate finance mechanism taking advantage of its global networks and linkages and ensuing political will. This ambition requires that lessons are drawn from what has been done so far and that these lessons are used to identify opportunities for building an innovative and adaptive climate finance mechanism for the country.

The aim of this paper is to inform new climate financing strategies for Kenya based on the country's experiences so far. The paper specifically seeks to:

1) Understand Kenya's climate finance landscape

2) Highlight the key achievement of Kenya's climate finance experience

3) Highlight lessons and good practices that need to be upscaled

4) Make recommendations on options for enhancing the country's future climate finance ambitions and process.

10 AfDB (2014)

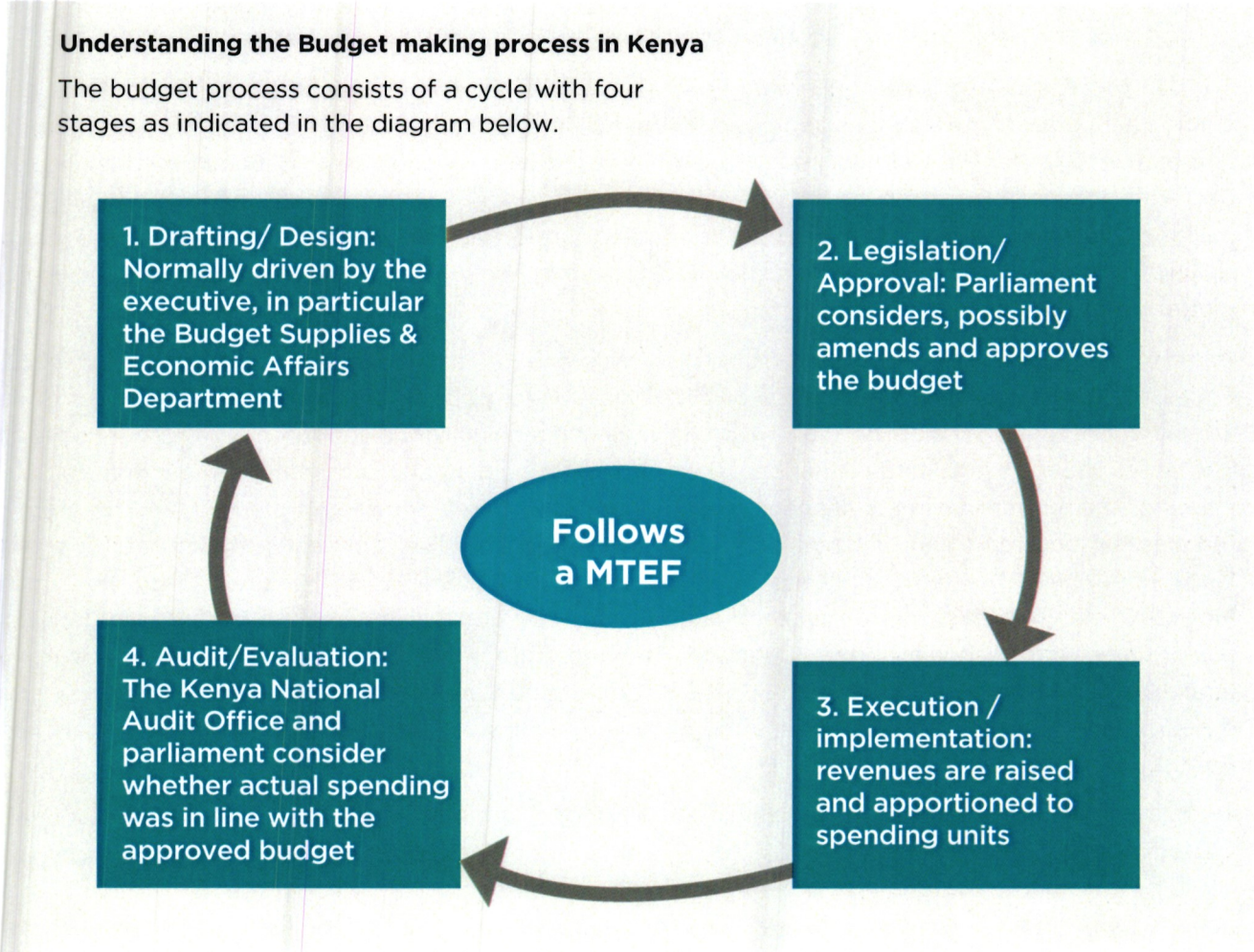
11 Republic of Kenya (2018)

12 Climate Change Act (2016)

13 Rojas-Downing, M.et al., (2017)

More specifically, through this paper we analyse the various climate finance objectives within the public budget process. The budget is the most important economic policy instrument for governments. It reflects a government's social and economic policy priorities more than any other document; translating policies, political commitments and goals into decisions on where funds should be spent and how funds should be collected.[14] The budget has two key components - revenue, whose sources vary from country to country; and expenditure which is determined by how much revenue is available. On the expenditure front, the government allocates funds to various functions such as healthcare, education, infrastructure, agriculture, justice, defence and many others. The budget has four key stages as shown in the figure: drafting/design; legislation/approval; execution and audit/evaluation.

Figure 1: Understanding budget making process in Kenya. Source (IEA, 2011).



14 IEC (2011)

2. Climate Finance Policy Setting in Kenya

Governance remains a key component of an effective climate finance mechanism. This requires a strong policy mechanism and enabling conditions for effective management and delivery. Kenya has established a relatively robust climate finance policy framework.

At the global level, the country has ratified the Paris Agreement and committed its goals through the Nationally Determined Contributions (NDCs) and National Adaptation Plan (NAP). The commitment to the Paris Agreement is enshrined in the country's recent Climate Change Act, 2016 (CCA 2016). The Act provides a regulatory framework for an enhanced response to climate change and provides mechanisms for establishing effective institutional arrangements for climate action including climate financing. A key element of the Act is that it mandates the national and county governments to mobilise and manage public funds and other financial resources transparently for climate change response.

The Act establishes the National Climate Fund as a finance mechanism for supporting priority climate change actions and interventions approved by the National Climate Change Council. This fund is vested and managed under the National Treasury, administered by the council and managed by the Principal Secretary responsible for climate change affairs, climate-resilient development. Approximately USD3.2 million annually is required each year for five years to support operationalisation of the Climate Finance Policy. This will include hiring experts to develop bankable pilot climate projects, support climate finance platforms and the Climate Change Fund.[15]

As an outcome of the Act, Kenya's National Assembly enacted a National Policy on Climate Finance in February 2018 as Sessional Paper No. 3 of 2017. This pioneer policy is seen as a critical catalyser to the attainment of Kenya's Vision 2030 and aligning climate financing to the country's development agenda. The policy provides legal and institutional frameworks for guiding and promoting climate finance flows in Kenya and reporting climate finance through budget tracking. For effective planning and budgeting, the tracking and reporting of funds channelled to climate activities is critical in the climate financing landscape. The National Treasury has been mandated to implement the National Policy on Climate Finance in Kenya.[16] This means that the mandate of the National Treasury goes beyond just financial management into technical support functions. It is therefore imperative that the National Treasury be empowered technically to perform the dual function of financial and technical support of course, with the strategic coordination with other arms of government such as the Ministry of Environment and Forestry's Climate Change Directorate.

As part of formulating actions to be financed, the National Climate Change Action Plans, the Nationally Determined Contributions and the NAP, outline a number of adaptation and mitigation actions that could be considered for funding in line with Kenya's commitment to the Paris Agreement. In addition to actions to be taken, the NCCAP 2018–2022 explicitly relies on resource mobilisation actions expected through the National Climate Finance Policy, 2018 with emphasis on *developing a climate finance and resource mobilisation strategy, piloting the issuance of Green Bonds, improving access modalities and efficiency of climate finance, and ensuring that climate finance is available for actions in key sectors, including the Big Four agenda.*[17] These actions are also being pursued under the National Treasury Climate Finance Unit thus raising the need and/or opportunity to have close coordination and a working relationship with the Climate Change Directorate (responsible for NCCAPs).

15 The National Treasury (2016)

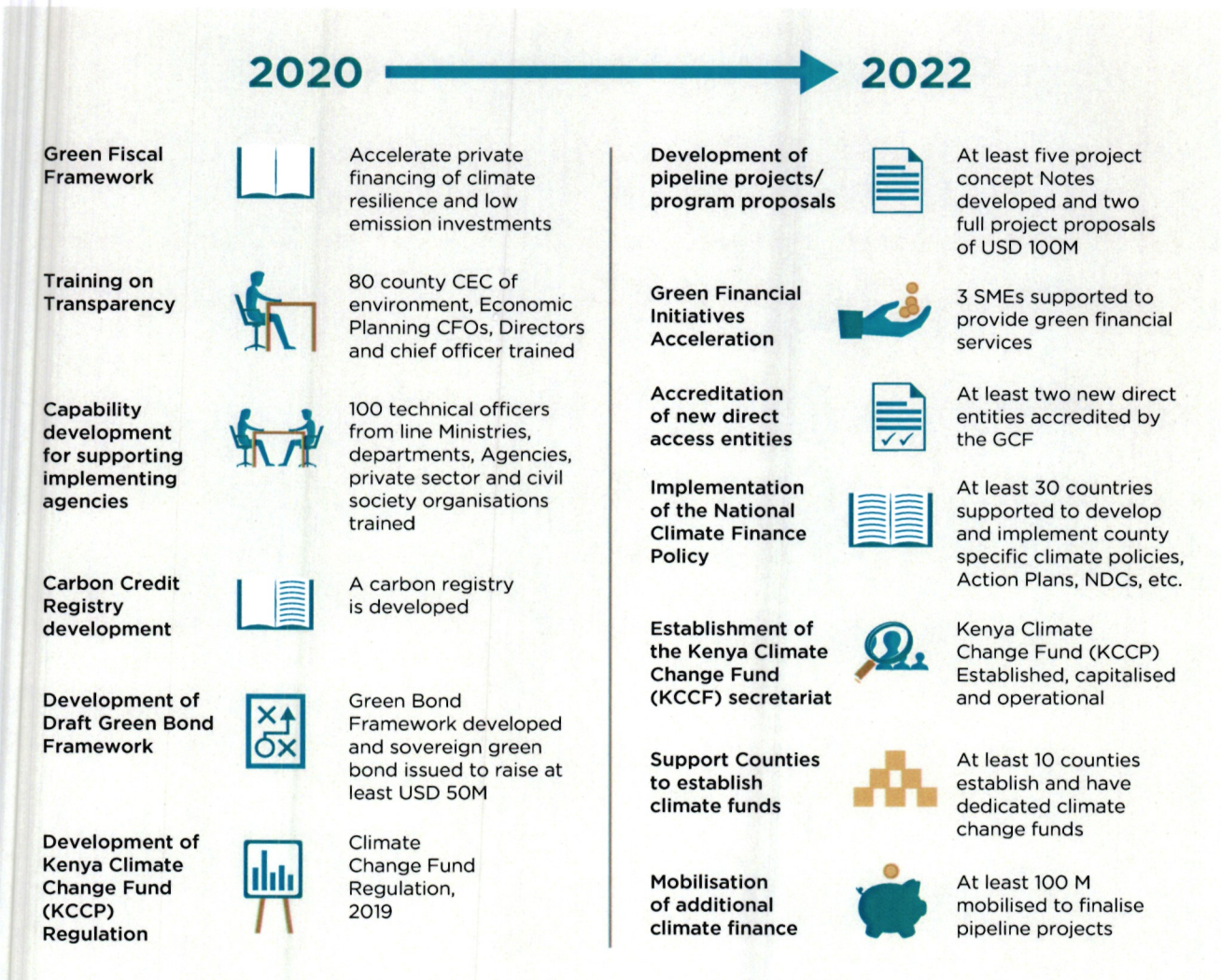
16 The National Treasury (2016)

17 Current Development focus areas of the Government of Kenya. Includes: affordable housing, manufacturing, health and food security.

Other priority actions listed in the NCCAP in relation to climate finance include: supporting the link between the national fund with County Climate Change Funds; building capacity of the National Treasury and Planning as the National Designated Authority (NDA) to the Green Climate Fund (GCF) among others.[18]

The foregoing policy setting demonstrates a set of arrangements on one side to deal with financial mobilisation through the National Treasury and policy, and technical mobilisation through the Ministry of Environment and Forestry's Climate Change Directorate, on the other. However a key requirement for climate financing is prescribing mitigation and adaptation measures, based on the Paris Agreement. Various actions outlined for financing in Kenya's Public Finance Management Act, 2012, provide a framework for tracking public expenditures, including those of climate finance. These include tracking and reporting on climate finance, an alignment of climate finance (tracked by National Treasury) and adaptation and mitigation results (tracked by CCD). In other words, this Act essentially helps to identify climate actions that provide value for money including determining how much climate finance reaches those most in need (such as women, youth and marginalised and minority communities), and the impact of that finance. It is however worth noting that progress in tracking has been slow and requires a mass of integrated capacity (both technical and economic skills) to do so. Growing such skills for climate financing is critical moving forward.

Figure 2: Target policy actions under the climate finance unit at the National Treasury



18 NCCAP (2018-2022)

Overall, Kenya's Climate Change Act 2016, the National Climate Finance Policy, 2018 and the NCCAP 2013–2022 are policies set out to enhance processes of climate finance in Kenya. The progressive development of these policies and regulatory mechanisms point to strong political will to support climate action and mobilise adequate finances. To enhance progress, the NCCAP has set several targets to be achieved between 2019–2022 (see Figure). Therefore, it can be seen that Kenya's policy setting on climate finance is progressive but that it will require strict adherence to these set targets, capacity enhancement and continuous learning and improvement. Most importantly, strengthened collaboration between various government agencies, privates sector operative, CSOs and the academia responsible for these policies. This is particularly between the National Treasury and the Ministry of Environment and Forestry to help deliver optimal outcomes for climate financing.

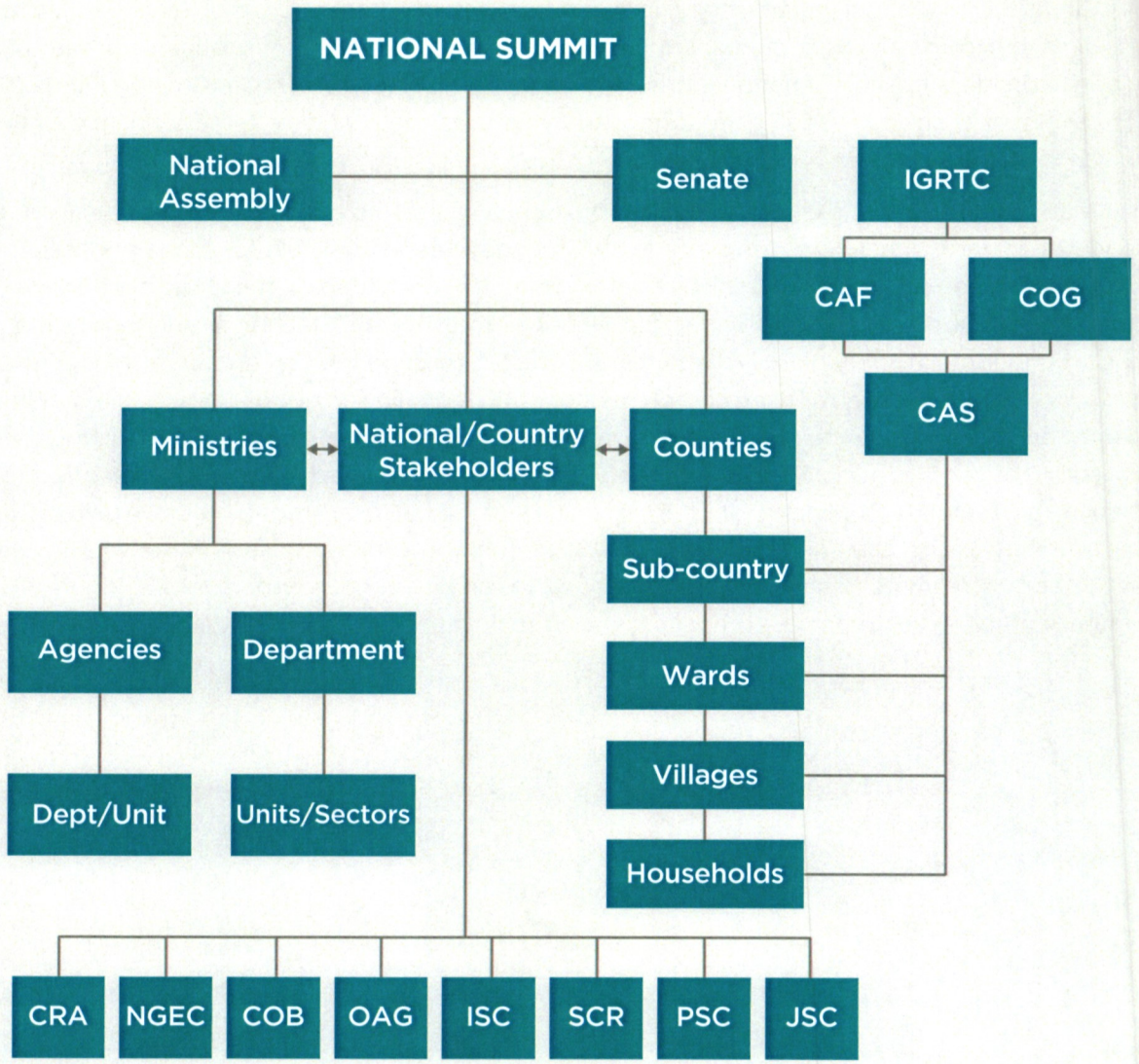
3. Climate Finance Policy Implementation – Institutional Arrangements

The Climate Change Act establishes the National Climate Change Council (NCCC), chaired by the President to provide an overarching national climate change coordination mechanism, and this includes guidance on identification of national priorities as well as overseeing Climate Change Funds (CCF). This high-level responsibility is seen as an opportunity to raise the profile of climate finance to the highest political office in the land.

As already highlighted in the foregoing section, Kenya has set up a number of agencies with particular mandates towards managing climate finance. The agencies responsible for managing Kenya's climate finance have been set along two complementary roles: a finance management and support role, bringing together a number of agencies under the National Treasury and technical and policy management support under the Ministry of Environment and Forestry, through the Climate Change Directorate. These roles in some cases overlap and are complementary thus signaling an opportunity for greater institutional integration and coordination for delivery. In addition, there are a number of other ministries and sectors with some responsibility in policy (e.g. Ministry of Foreign Affairs), technology (eg Ministry for Education, Science and Technology, Ministry of Energy, Ministry of Agriculture) among others. Again, these provide opportunities for greater multi-stakeholder engagement in climate finance in Kenya and the need to have integrated climate finance mechanisms so as to tap into various opportunities. Figure 3 provides a summary of the mainstream institutions/agencies in climate finance.

Figure 3: Climate Finance Governance structure in Kenya

The Climate Finance Governance Structure in Kenya



NOTE:

IGRTC	Intergovernmental Relations Technical Committee
CRA	Commission for Revenue Allocation.
NGEC	National Gender Equality Commission
COB	Controller of Budget
OAG	Officer of Auditor General
ISC	Inspectorate of State Corporations
SCR	Salaries and Remuneration Commission
PSC	Public Service Commission
JSC	Judicial Service Commission
CAF	County Assemblies Forum
COG	Council of Governors
CAS	Chief Administrative Secretary

3.1. Financial Mobilisation and Support

3.1.1 The National Treasury and Planning

The National Treasury (NT) department, domiciled in the National Treasury and Planning Ministry has been mandated under the Climate Change Act to manage the National Climate Change Fund. This mandate emanates from the NT's general mandate around managing financial obligations of the national government including composition of national public debt and national guarantees. The NT is also expected to formulate, implement and monitor macroeconomic policies involving expenditure and revenue. Most importantly, the NT is expected to mobilise domestic and external resources for financing national and county government budgetary requirements and design effective management and tracking systems for the funds. Central to these functions is to prepare the National Budget and execute/ implement and control the approved budgetary resources to Ministries/Department and Agencies (MDAs).

The NT has several departments within which climate finance is managed: the Directorate of Public Debt Management, the Directorate of Portfolio Management and the Directorate of Accounting Services and Quality Assurance. The climate finance elements are enshrined within the Financial and Sectorial Affairs Department under the Directorate of Budget and Fiscal and Economic Affairs. The directorate prepares, formulates, implements and monitors macroeconomic, fiscal and financial policies and regulations. The department also assists with supporting development of financial devolution systems including enhancing capacity to assist county governments to develop their capacity for efficient, effective and transparent financial management in consultation with the NT. A key function of the department is to promote innovative financing such as sustainable finance, green transparency, effective management and accountability with regard to public finances including tracking climate finance expenditures.

Overall, the mainstreaming of climate finance within the NT and the specific departments provides a suitable institutional framework for managing climate change financing. These functions of the NT are core to climate financing requirements and management at both international and national level. For instance the financial management systems are key in ensuring the transparency and accountability of climate funds drawn from various windows. Despite these key strategic strengths of the NT in managing the climate funds, strengthening ties with other technical and policy arms of state as well as non-state actors could help develop coordinated and integrated climate finance management systems. Creation of the climate finance unit is a step towards enabling and integrating climate finance management.

3.1.2 The Climate Finance Unit at the National Treasury

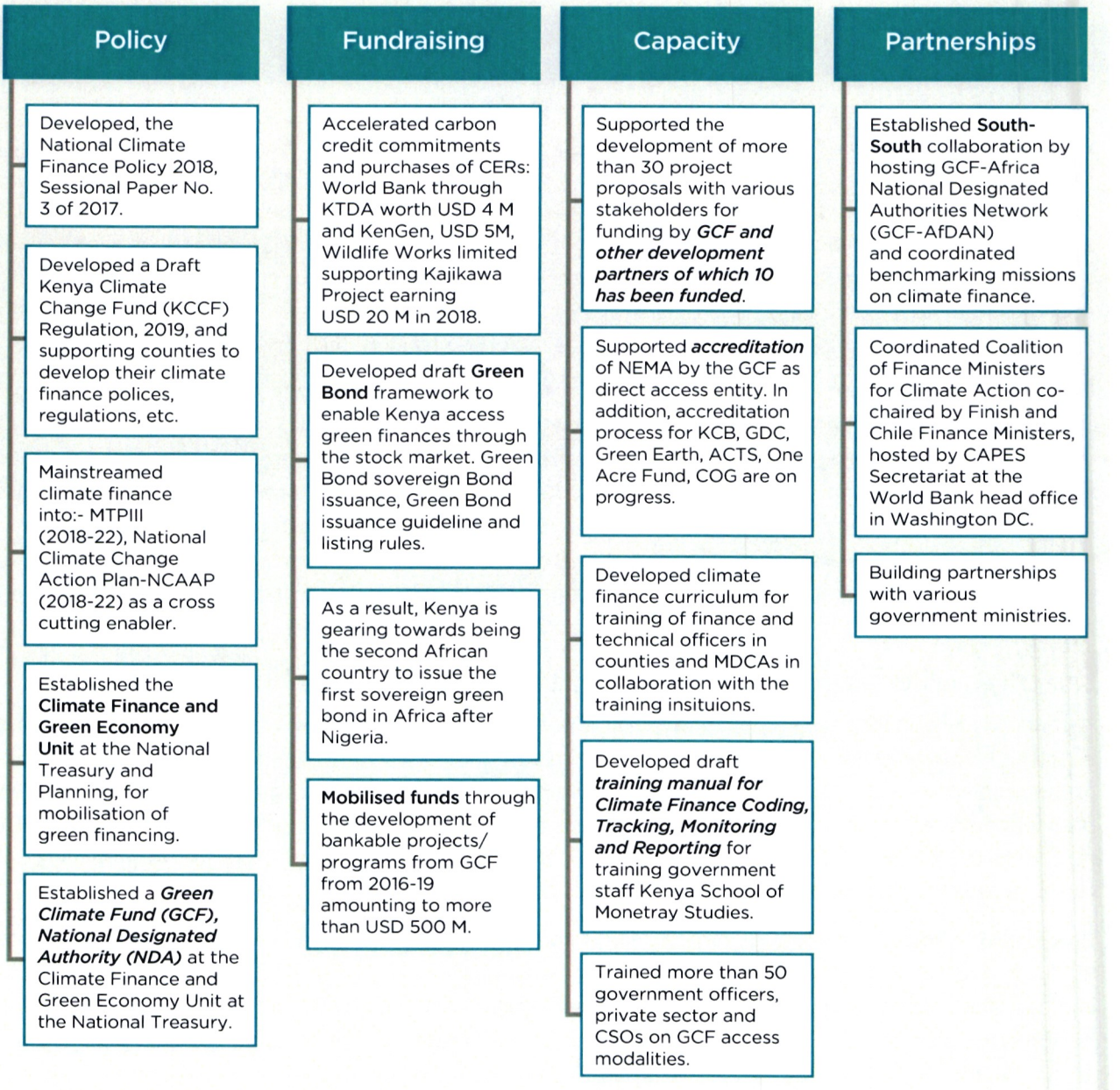
As part of the enhancement of management of international and domestic climate finances, in 2013 the National Treasury established the Climate Finance and Green Economy Unit to provide technical support to line ministries, county governments, the private sector, civil society organisations and development partners on matters pertaining to climate finance in order to enhance and accelerate its accessibility and flows into the country. This followed nomination of the National Treasury to be the National Designated Authority (NDA) for the Green Climate Fund in 2014.

A key role of the climate change finance unit is to create linkages between the climate finance mechanism at the Treasury and other state and non-state organisations. The unit currently works closely with various line ministries, departments, agencies, civil society organisations, private sector, academia, counties and particularly, the Ministry of Environment and Forestry-Climate Change Directorate on matters related to technical and policy support. The NT Climate Finance Unit also works with a number of ministries with climate-relevant mandates including the Ministry of Foreign Affairs, which is responsible for supporting UNFCCC/negotiations; the Ministry of Agriculture, Livestock and Fisheries Climate Change Unit; the Ministry of Energy-Renewable Energy Dept; the Ministry of Transport; the Ministry of Devolution and the

ASAL-Ending Drought Emergencies in the Ministry of Water and Irrigation etc. These relevant ministries play a key role in promoting climate actions through various fiscal and non-fiscal incentives. For instance, Kenya's Energy Act (2006) and the Renewable Energy Feed-in Tariff Policy (2008, revised in 2010) provide incentives including tax exemptions for climate-relevant technologies thus facilitating technology transfer and investments.[19]

To date, the Climate Finance Unit has delivered on a number of strategic climate change areas that continue to open up integrated climate finance mechanisms. These achievements are illustrated in Figure 4 but key among them are: fundraising by supporting development of proposals; policy support through the formulation of climate finance policies; and procedures and capacity building through training various government departments, CSOs and county governments on climate finance mechanisms.

Figure 4: Achievements of the Climate Finance Unit



19 IIED (2014) - Climate Change finacing in Kenya. Briefing Note

3.1.3 Central Bank of Kenya

The policy goals of the Central Bank of Kenya (CBK) can be broadly grouped into several roles: maintaining financial and price stability and supporting wider economic objectives. Arguably, even when environmental and sustainability objectives are not part of a central bank's explicit mandate, the instrumental incorporation of sustainability dynamics may be pertinent to achieving price stability as well as safeguarding financial stability.

Central banks are viewed as powerful in developing countries as they can exert or influence private investments. Their market expertise as well as transnational networks can help promote best practice reforms in the financial sector. CBK is mandated to ensure financial and macroeconomic stability. It therefore has an obligation to address climate-related and environmental risks. Implicitly, through its regulatory oversight over money, credit and financial systems, the CBK is in a powerful position to support development of green finance models whilst administering acceptable pricing on environmental and carbon risk by financial institutions.

For instance, since 2009, CBK has issued seven long-term infrastructure bonds whose proceeds have been utilised in funding sustainable infrastructural solutions that include clean and renewable energy plants such as geothermal power generation which ideally serves as a benchmark for the private sector in its project appraisals.

To incentivise green lending, CBK may utilise variations of traditional monetary policy tools and these may include differentiated rediscount rates and capital or reserve requirements. Furthermore, CBK can use its convening power to encourage financial institutions to consider climate and environmental risks in their procedures. Others have argued that if banks accept carbon certificates as part of legal reserves, this could enable companies with low-carbon projects access to concessional loans. This would ideally reduce capital costs for low-carbon projects and make them attractive to markets. Critical questions however arise regarding CBK's mandate and accountability with regards to potential conflicts between such goals vis-à-vis institutional independence. The bank's credibility may be questioned if it incorporates additional goals and then fail to achieve them. Central banks are likely to encounter challenges if they have too many objectives and too few tools and instruments.

3.2. Policy and Technical Support

3.2.1 Ministry of Environment and Forestry for Technical Support

The Ministry of Environment is mandated to provide technical advice and services on climate change to the National Climate Change Council (NCCC) and the National Treasury as well as the Technical Advisory Committee. Their mandates largely involve conservation and management of the environment and natural resources for current and future generations. Moreover, the Ministry co-ordinates the country's climate change responses.[20]

The Ministry has several departments and institutions that play a critical role in climate change responses such as the National Environment Management Authority (NEMA); the Directorate of Environment (DoE); the Kenya Meteorological Department (KMD); the Mines and Geology Department; the Department of Resource Surveys and Remote Sensing as well as the National Climate Change Secretariat (NCCS), which is mandated to lead development and implementation of climate change policies, strategies and action plans. These include the NCCAP (2013–2017; 2018–2022).[21]

20 Government of Kenya (2017).

21 NCCAP (2013-2017) and (2018-2022)

Furthermore, the Ministry is the national focal point for the UNFCCC. The Inter-Ministerial Climate Finance Technical Advisory Committee, under the Ministry of Environment and Forestry is responsible for working with the climate finance mechanism (Climate Change Fund) to offer advisory services to the government as well as the NCCC on climate finance. Its representatives include those from line ministries, the chairperson of the Council of Governors (CoG); the private sector and civil society as well as academia. This committee's role may overlap with that of the Climate Finance Unit at the Treasury and thus needs to build closer synergies and complementarity.

3.2.2 The Climate Change Directorate of the Ministry of Environment and Forestry

The Ministry of Environment and Forestry, through the Climate Change Directorate (CCD), is responsible for the overall coordination and implementation of the NCCAP 2018–2022 which includes coordination and reporting on the implementation of climate actions by partners. The Climate Change Act 2016 provides guidance on the role of the CCD which includes providing analytical support on climate change for various ministries and the county governments as well as provision of technical assistance to county governments.

Furthermore, the CCD is responsible for coordinating the country's adherence to international obligations that include reporting on NDCs; developing national communications and updates on biennial reports and Kenya's GHG inventory as well as representing the country in international negotiations. The CCD also coordinates the implementation of the gender and intergenerational plans eg the youth climate programmes at the national and county government levels; co-ordinates actions linked to climate finance; identifies low-carbon development strategies as well as optimising Kenya's opportunities to mobilise climate finance.

3.3. Devolving Climate Finance in Kenya

The devolution of climate finance to ensure that financial resources reach the grassroots to support vulnerable communities is critical. While the climate finance mechanism appears to be well institutionalised at the national level, the key is translating these institutional processes to a sub-national level where the resources are needed.

The Kenyan Constitution (2010)[22] established 47 autonomous county governments with defined spheres of power and functions. The Climate Change Act 2016 identifies counties as one of the main pathways for devolving funds from the national to local levels. The Act emphasises the need to mainstream climate change actions into county government functions that incorporate the NCCAPs into various sectors of the counties. The Act further requires that counties develop and update the County Integrated Development Plans (CIDPs) and County Sectoral Plans, taking into consideration the need to mainstream and implement the NCCAPs. The governor is mandated to designate a County Executive Committee (CEC) member to coordinate climate change affairs and report yearly progress of the implementation of climate actions to the County Assembly.[23]

County Integrated Development Plans (CIDPs) present an opportunity to identify climate change priorities and actions at the county level, and to integrate these actions into programmes and initiatives. The CIDPs are the primary planning tools for implementing climate interventions at the county level. They are required to set up resource mobilisation and management structures which ideally present opportunities to identify climate priorities and needs and integrate them into programmes. Today most of the CIDPs developed in the 47 counties identify climate change as a major developmental challenge, with impacts experienced and observed in the counties including: an increase in temperatures resulting in prolonged dry spells and drought; erratic rainfall; flooding and unpredictable weather patterns.

22 Government of Kenya (2010)

23 Climate Change Act (2016)

As part of implementing the NCCAPs, counties need strategies that are appropriate and distinctive to the local populations. Responses to key areas such as food and nutrition security' disaster risk management, water and the blue economy, forestry, wildlife and tourism energy, and health and sanitation policies should incorporate climate proofing in their strategies. The CIDPs have recorded how impacts of climate change have affected economic activities that lead to food insecurity, water scarcity, increased spread of diseases as well as human and wildlife conflicts. Responses to these threats vary across different counties. The two main climate change issues across the board that require urgent actions are: droughts and flooding.

The devolution of climate funds through counties takes various forms including Country Climate Change Funds (see below).

3.3.1 County Climate Change Funds

A number of counties have now established County Climate Change Funds (CCCFs) as a consolidated way of mobilising climate financing from various sources to finance local climate actions.[24] The establishment of CCCFs is one of the priorities of the National Climate Change Action Plan (2018–2022). By the year 2019, five counties had established CCCFs. These are: Makueni (2015), Wajir (2016) and Garissa, Isiolo and Kitui (2018). The Makueni County Climate Change Fund Regulations were established in 2015 to provide funds for identified climate actions in the county. The regulations obligate the county to set aside one percent of its annual development budget to combat climate change. In 2016, Wajir County also established the Climate Change Fund Act (No. 3 of 2016) to ensure proper coordination of finance to community-led adaptation and mitigation projects. It further sets aside 2% of its annual development budget to combat climate change. The Garissa County Climate Change Fund Act (2018) mandates the county to budget for 2% of its annual development budget for climate change adaptation in the county. These county climate funds amounted to approximately Ksh 85 million in the 2017/18 fiscal year for Wajir and Ksh 75 million for Makueni.[25]

Most of the CCCFs help to identify, prioritise and finance investments that seek to reduce climate risks while achieving adaptation priorities. These funds have adopted institutional structures that connect local communities to the fund through ward-level planning committees charged with responsibility of identifying adaptation needs. In other words, CCCFs are designed in such a way that they seek to encourage public participation in the management of these funds for resilience on climate change.[26] CCCF investments have largely been used to build resilience focused on livestock, water, natural resource governance and climate information services. Furthermore, CCCFs work through the government's established planning and budgeting systems and are structured to blend resources from international climate finance development partners and the private sector as well as the national and county government budgets[27]. In some of the counties, CCCFs build on past climate funding platforms while in others, the fund is established as a new venture. For instance, in Isiolo, the CCCF was initially piloted as a Climate Adaptation Fund (CAF).

24 Crick et al (2019) https://www.adaconsortium.org/index.php/component/k2/item/396-delivering-climate-finance-at-the-local-level-to-support-adaptation

25 Apgar, M. et al., (2017)

26 Apgar, M. et al., (2017)

27 NCCAP (2018-2022)

The functioning of a CCCF is grounded on three key things. First, the fund's priority areas and operations are closely linked to the county development priorities through the CIDPs. This means that these funds are expected to serve the purpose of integrated climate-compatible development. Secondly, the funds are aligned to local priorities. In this way, the funds embrace very strong participatory planning and locally driven action areas through the use of community resource mapping and participatory vulnerability resilience assessments, as well as community monitoring systems, in order to track how adaptation builds resilience and strengthens economic development. These participatory tools enhance counties' prioritisation of investments on public goods that enhance communities' resilience. Thirdly, the CCCF embraces social inclusion and public accountability. The implementation process is driven by ward-level adaptation committees known as Ward County Climate Planning Committees (WCCPCs). This has enhanced accountability, as the WCCCPCs keenly monitor contractors. CCCFs have enabled officials to integrate climate change concerns into planning and budgeting while county-level Climate Information Services (CIS) have been developed through CCCFs, although these are yet to be utilised for investment designs.[28]

In terms of the strengths of CCCFs, while not many counties currently have them, experience thus far shows that the they have great potential to catalyse climate resilience and inclusive economic development. More importantly, the funds, through their linkages to the local communities have enabled marginalised groups such as women and youth to benefit.[29] Women have benefited tremendously from CCCF investments. For example they are now using time that they previously used to fetch water to engage in activities that contribute to wellness of their families, such as setting up small business and supporting their children to do homework. Generally the CCCF mechanism has led to commendable adaptation benefits for communities while contributing to institutional reforms at the county level, as voices of vulnerable groups are included in decision making. Importantly the CCCFs are integrated into regular government planning systems as opposed to being stand-alone parallel processes.

Evidence shows that CCCFs have led to over 100 community-prioritised public goods investments across the five counties that have so far reached more than 500,000 direct beneficiaries. Studies on the CCCFs show valuable impacts at the household and community level.[30] Large-scale household surveys performed in Wajir, Isiolo and Makueni in 2018 showed that respondents reported 100% greater access to water for households and livestock as people saved approximately two hours each day,(which equals 700 hours annually) and thus provided direct benefits of more than KES 400 million (USD3.6 million) each year in the counties. This translated to annual benefits of Ksh 14,170 (USD130.8) per household and an 8% increase in the annual household income. This has meant tremendous benefits to communities from enhanced livelihoods, better economic opportunities, and reduced conflicts within households as well as the strengthening of customary natural resource institutions.

Furthermore, CCCFs have enhanced local institutions championing climate resilience. Indeed, scholars argue that CCCFs provide a great example of how global climate finance can reach the most vulnerable communities as climate-resilient development as well as effective adaptation as set out in the Paris Agreement.[31]

28 Apgar, M. et al., (2017)

29 MacGregor 2019 https://www.adaconsortium.org/index.php/component/k2/item/381-assessing-the-effectiveness-of-the-cccf-mechanism-on-rural-livelihoods-and-institutions-in-kenya

30 Crick, F. et al., (2019)

31 Crick, F. et al., (2019)

3.3.2 Challenges to Climate Finance Devolution in Kenya

While there has been focus on the inclusion aspect of community participation as being key, in the transition from pilot to project phase embedded in government processes, challenges remain for institutional sustainability of these investments as well as integration of climate information into the design of investments, while ensuring that the most vulnerable benefit from the climate information. Research is yet to be done to show CCCF approaches for measuring resilience.

Institutional strengthening for effective climate finance is key, as this enables institutions to effectively engage on climate resilience. Limitations have been identified in formal planning systems in the Arid and Semi-Arid Lands (ASALs). There is evident disconnect between government and community planning, with traditional community-based institutions rarely consulted and absent from formal planning process. The lack of grasp on community planning processes by the government is therefore a challenge.

There have been complaints regarding procurement processes and delivery of investments perceived as slow, with little community oversight. Communities may not be in a position to develop proposals that are aligned to government structures and systems and thus need climate information support.

Climate information is also not properly integrated into government planning. Moreover, in most instances centrally set budget guidelines limit sub-national governments' ability to support local priorities, particularly within the annual budget cycle.

4. Climate Finance Tracking, Monitoring and Reporting

Operating climate finance in a developing country context such as Kenya requires effective monitoring systems to ensure that climate change action and spending on climate change leads to real results. For mitigation, this means demonstrating that GHG emissions are lower than the projected baseline and that Kenya is delivering on its NDC. For adaptation, this means demonstrating that people can cope with climate change better. As an example, in the agriculture sector this means that production is maintained or increased as climate changes; for infrastructure this means that capital investments are not damaged by extreme weather events (flooding, sea level rise and storm surges) and maintain their value over time. Consequently, Climate Finance monitoring, verification and reporting takes place on two levels: budgetary monitoring and technical monitoring. While budgetary monitoring takes place within the National Treasury, the technical monitoring falls within the remit of the Climate Change Directorate of the Ministry of Environment and Forestry.

4.1. Budget Expenditure Tracking: Methodology and Progress

The Paris Agreement requires reporting transparency on financial flows and transactions and ensuring that finance is directed to countries in need. Article 13 of the agreement establishes a transparency framework designed to provide clarity on support provided as well as support received by individual parties.[32]

Kenya is part of the transparency framework and is expected to provide frequent information (at least biennially) on the support required and needed under Articles 9 (Finance for mitigation and adaptation) and technology development (10) and transfer (11) capacity building. Parties to the Paris Agreement are also required to participate in facilitative, multilateral processes to consider progress on efforts to finance mitigation and adaptation in a balanced manner.

The Climate Finance Policy requires seed funding of Ksh 500 million (USD5 mllion) as initial capitalisation to enable the climate finance mechanism (Climate Change Fund) to start financing activities and roles in coordinating and tracking of climate finance. The Kenya Climate Change Fund (KCCF) is mandated to develop a resource mobilisation strategy as well as a monitoring, evaluation, reporting and verification framework for climate finance. For enhanced transparency learning from implementation, facilitating and effective tracking of climate finance, it is important that objectives and outputs/outcomes of activities planned should be clear on budget lines as this helps to differentiate between adaptation and mitigation activities and evaluate if co-benefits do exist. Outputs/outcomes will confirm the existence of those co-benefits and these are informative for the coding and tracking process.

Kenya has made useful strides in developing a climate finance monitoring system. The State Department for Planning coordinates implementation of the National Integrated Monitoring and Evaluation System (NIMES) whose institutional framework comprises of Ministries, Departments and Agencies (MDAs) while at the county level there is the County Integrated Monitoring and Evaluation System (CIMES). Under NIMES, the State Department of Planning has developed the national indicator handbook for MTP implementation and a CIDP indicator handbook for the counties. Within these frameworks, the country has developed a climate expenditure budget codes training handbook for training of all actors in climate change agenda to help track climate expenditures.[33]

32 Omedi M. (2018)

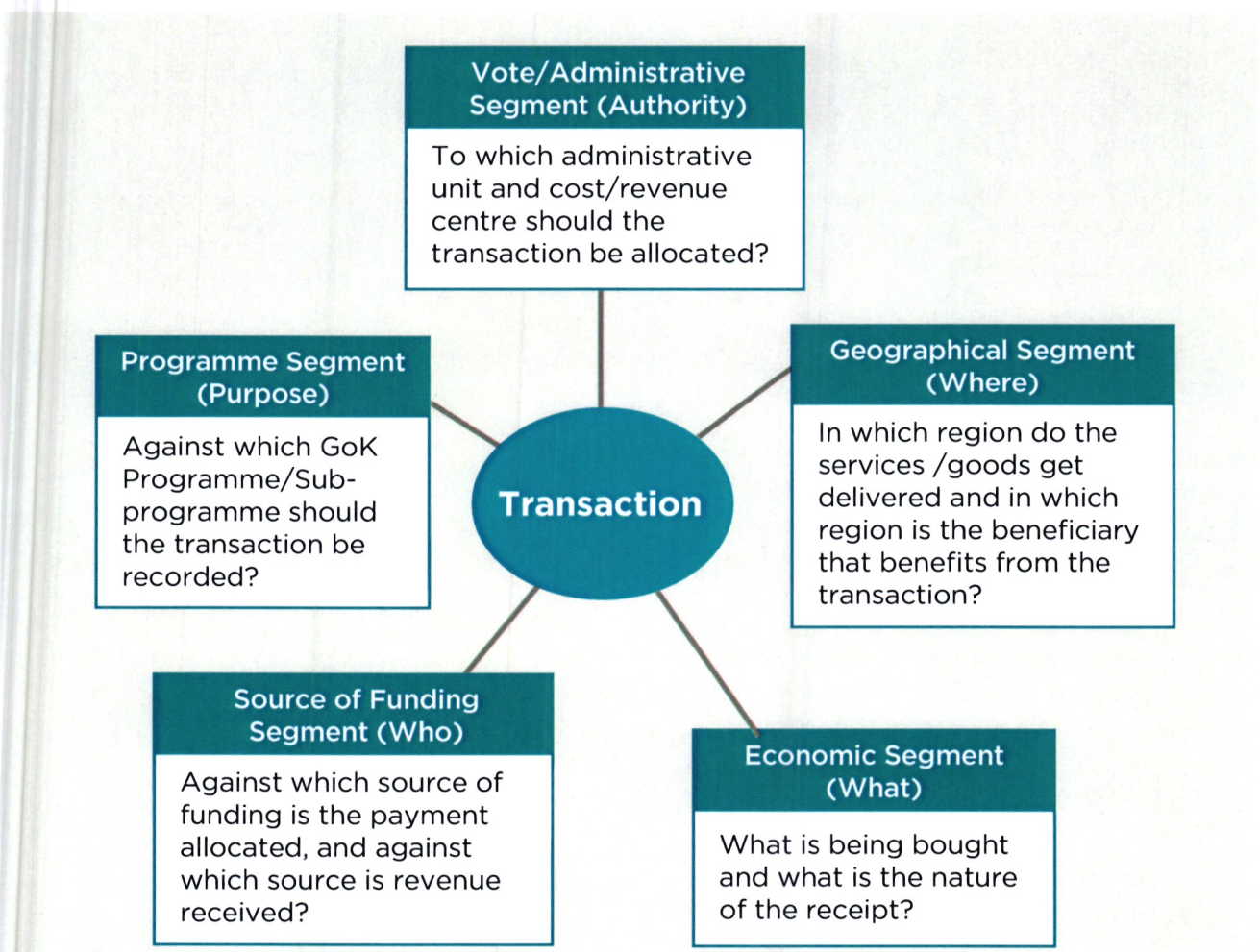
33 UNDP (2014). Development of Climate Change Budget Codes for the National Treasury. UNDP

Climate expenditure budget codes build on Programme Based Budgeting (PBB) which was established within the remit of the Public Financial Management (PFM) Act (2012) with an aim of ensuring accountability and results-based financing of programmes under various ministries. Based on about ten national planning sectors and past reviews (e.g. the review of the financial year 2013/2014), National Treasury identified four primary climate-relevant sectors with climate change-related budgets, including: Agriculture and Rural Development (ARD); energy, infrastructure and ICT; General Economic and Labor Affairs and Environmental Protection, Water and Housing. These are the primary sectors with climate change-related programmes. It was however observed that most of the programmes, while listed as climate related, were not directly addressing climate change issues, and hence no clear performance targets had been formulated.

Henceforth, the development of budget coding has built on the PBB and utilises the Standard Chart of Accounts (SCOA) coding structure to code and record climate expenditures in the IFMIS, for both international and domestic climate funds. The SCOA maps budget data and associated programmes and sub-programmes to the required degree of detail including budget source and transaction reason. The figure shows the SCOA mapping segments, i.e elements that are used to define budget codes for climate and other expenditures. Each segment is used to define budget data and transactions. It is within these segments that particular climate-related indicators are developed and aligned.

The figure below provides an illustration of the different dimensions of the Chart of Accounts.

Figure 5: SCOA mapping chart for budget expenditures. Source UNDP, 2014



Text box 1: Case example of budget coding: Adopted from UNDP 2014

The GoK Standard Chart of Accounts (SCOA) has a total of 7 segments and 41 digits and is structured as follows:

Assume that in the FY 2014/15, the "Environment, Water and Housing" Sector through the Ministry of Environment and Mineral Resources (MENR) plans to map water towers, wetlands basins, and dams in the Coastal and Eastern regions under the MENR's "Environment Management and Protection" programme. The activity will be carried out by the Catchments and Natural Forest Conservation Department at the MENR and is estimated to cost a total of Ksh 5 million funded on a 50/50 basis by the MENR and UNDP (as revenue). GOK's contribution will be financed from Exploration and Mining License Fees collected by the MENR as local Appropriations-In-Aid, AiA. UNDP's funding will be provided under its Africa Adaptation Project (AAP) Programme. The monies will be spent on travel, accommodation and consultancy costs. 75% of this amount was to be transferred to three counties for implementation of specific programme activities.

A. Upon receipt of all GoK and UNDP contributions, the MENR records the transaction in IFMIS as follows

			GOK	UNDP
Segment 1	Class	1 digit	2 (Revenue)	2 (Revenue)
Segment 2	Vote	3 digits	121 (MENR)	121 (MENR)
Segment 3	Administrative	9 digits	121001000 (Catchments and Natural Forest Conservation)	121001000 (Catchments and Natural Forest Conservation)
Segment 4	Source of Funding	8 digits	00002001 (Domestic Revenues collected as AIA (Local AIA))	11517063 (UNDP's Africa Adaptation Project (AAP)) – External Resources-Grants, Revenue, Bilateral Development Partners
Segment 5	Programmes (new)	6 digits	100700 (Environment Management and Protection)	100700 (Environment Management and Protection)
Segment 6	Economic Items	7 digits	1140509 (Exploration and Mining Licence Fees)	1320101 (Current Grants from International Organisations)
Segment 7	Geographical Location (new)	7 digits	0000000 (Nation-Wide)	0000000 (Nation-Wide)
Full Code			2-121-121001000-00002001-100700-1140509-0000000	2-121-121001000 -11517063-100700-1320101- -0000000

While the SCOA and IFMIS provides a good step towards tracking climate finance including some climate change-related indicators; they are inadequate to fully track climate actions for a number of reasons. Currently, there are no agreed adaptation indicators at the international level. Kenya is still seeking to create an effective monitoring tool within the existing Integrated Financial Management Information Monitoring System (IFMIS) and the National Integrated Monitoring System (NIMES) as a requirement of the climate finance policy. In addition, a significant amount of climate finance does not pass through the National Treasury's IFMIS system e.g. funds for CSOs, private sector, development partners etc. Concurrently, specialised government agencies including some parastatals such as Teachers Service Commission (TSC), KenGen, Kenya Power and Lighting Ltd, among many others use other accounting system different from IFMIS, hence, the need for more integration of tracking tools.

The country made progress under NCCAP 2013–2017 and the NAP to identify relevant and appropriate indicators to track progress on adaptation and building resilience. However these still need to be refined and agreed upon by various stakeholders, given that different groups perceive and experience adaptation differently depending on the context. Again there are many other variables playing into this process such as duration and scale. Furthermore, the skillsets needed for tracking and coding climate finance remain a challenge as the exercise requires integrated skills encompassing both climate and accounting. So to effectively implement and develop this capacity within both Planning Ministry and the National Treasury and the Climate Change Directorate is key.

4.2. Technical Monitoring, Reporting and Verification (MRV) of Climate Finance

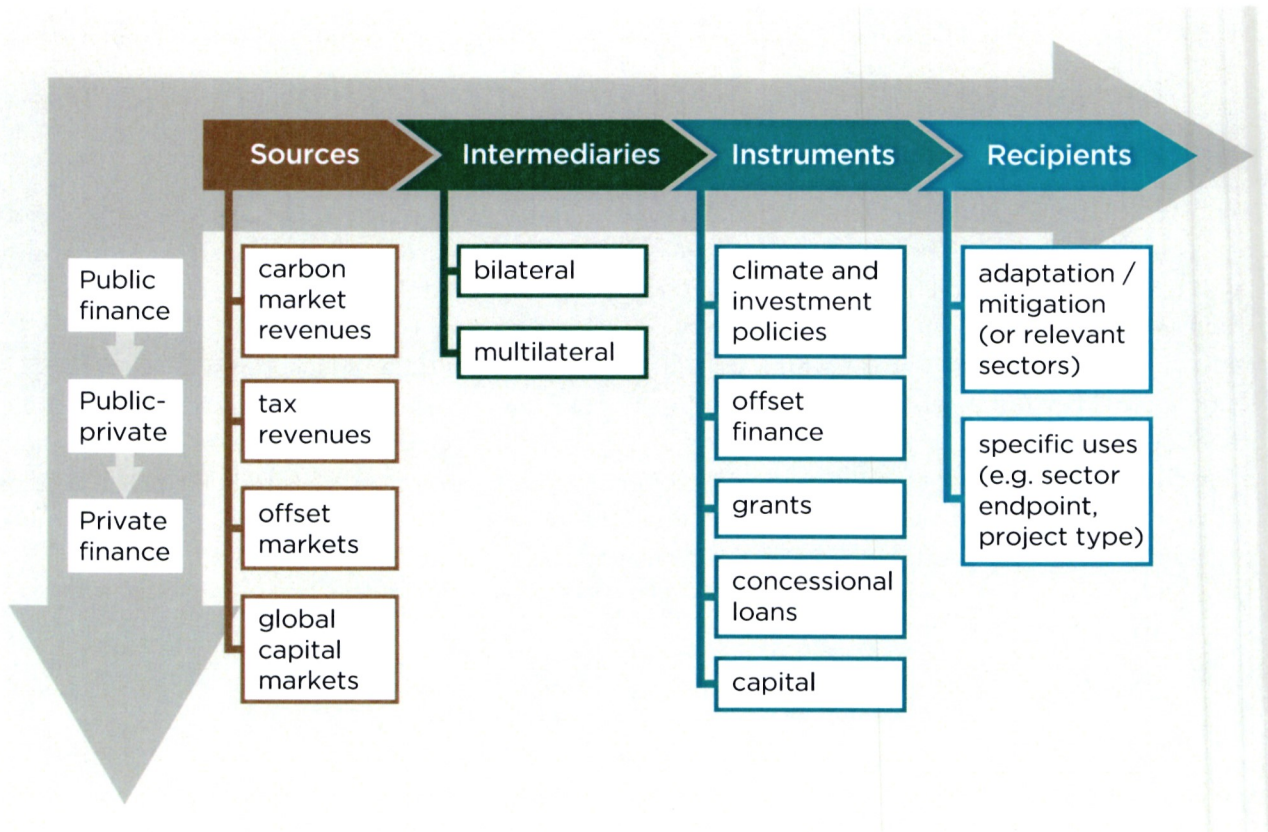
Technical MRV is a key component of climate financing given that much of climate funding is linked to carbon credits achieved through reduced GHG emissions. Financial tracking goes hand in hand with Kenya's MRV+ system which will be developed in a phased approach over the 2018-2022 period. Initial action will improve measurement of adaptation outcomes including identification of indicators to measure climate-related impacts and collection of baseline data. Measurement, Reporting and Verification (MRV) is a term used to describe all measures which countries use to collect data on greenhouse gas emissions, mitigation actions and support; to compile this information in reports and inventories, and to subject these to some form of international review or analysis. The NCCAP proposed an integrated MRV+ framework for Kenya to measure, report on and verify the results and impacts of mitigation, adaptation and climate finance actions and the synergies between them.

5. Climate Finance Windows in Kenya

Between 2005 and 2015 the Government of Kenya (GoK) committed approximately Ksh 37 billion (USD438 million) while development partners committed Ksh 194 billion (USD2.29 billion) to programmes deemed to have a significant climate change component.[34] A multiplicity of climate finance windows exist in Kenya. The country has been drawing funding from both global multilateral and bilateral funds as well as domestic sources such as national budgets, private sector investors and various non-state actors.

There are more than 40 multilateral and bilateral climate funds and programmes that are active in the sub-Saharan region. Monitoring flows of climate finance continues to pose challenges, as there is no agreed definition of what constitutes climate finance or consistent accounting rules. The wide range of climate finance mechanisms continues to challenge coordination. But efforts to increase inclusiveness and complementarity as well as to simplify access continue earnestly. Kenya will need to leverage more funds from both multilateral and other bilateral sources, including new donor countries such as China, Saudi Arabia, Brazil and India.[35]

Figure 6: Climate finance windows accessible to Kenya (Source: Buchner et al., 2011)



34 NCCAP (2018-2022)
35 NCCAP (2018-2022)

5.1. UNFCCC Funding Windows - Global multilateral funds

5.1.1 The Green Climate Fund

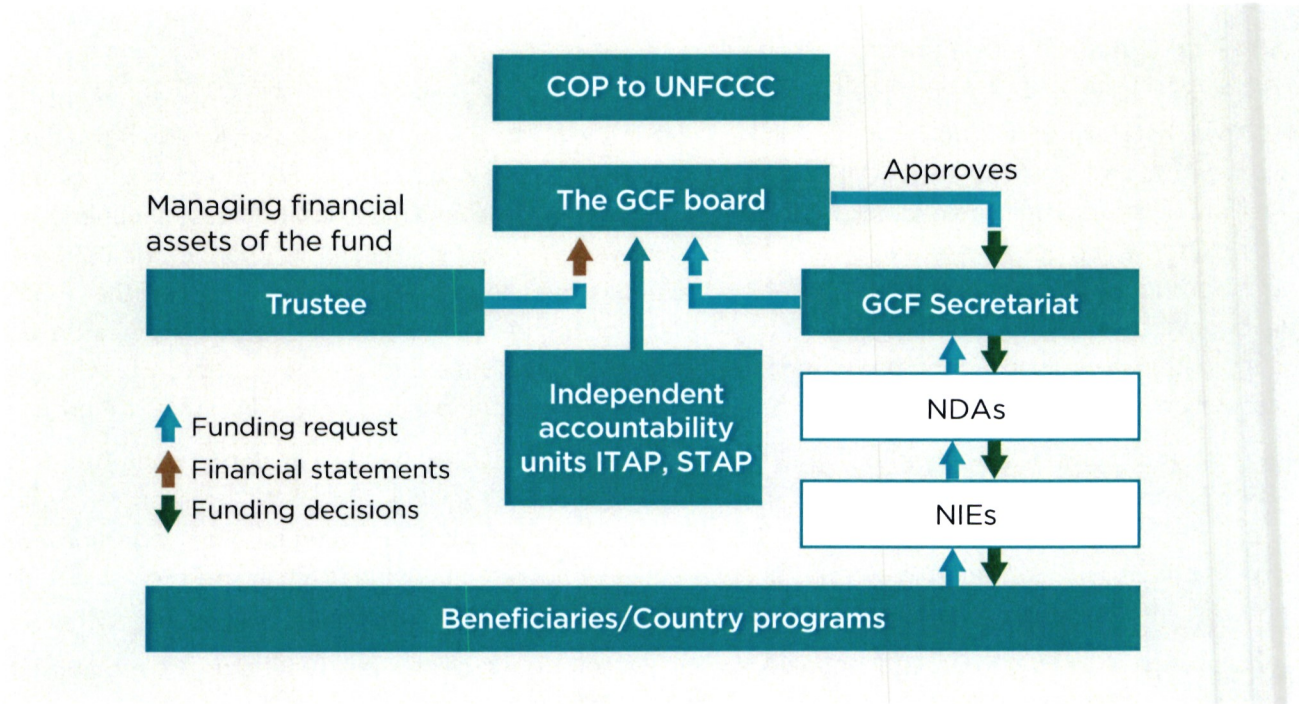
The Green Climate Fund (GCF) is the main financial climate window under the Paris Agreement. The GCF was established in 2010 in Cancun, Mexico as a financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC). The fund's main goal is to promote low emission and climate-resilient development in developing countries. Kenya is among the few countries that are first beneficiaries of the GCF which became operational in 2013. However, nine years since establishment of the GCF, most of the African counties including Kenya are yet to access it as envisaged. It has been argued that the low level of access to the GCF are largely due to lack of technical and institutional capabilities on best practices that could enhance the writing of competitive proposals and their execution, whilst lessons learnt from the Clean Development Mechanism (CDM) are not being incorporated into the GCF projects.

Currently the fund has received USD10.3 billion in pledges and USD9.9 billion in signed contributions. It has also set aside a readiness support fund for up to USD50 million and USD40 million for project preparation. The fund allocation is split 50/50 between adaptation and mitigation but also considers geographical balance. The fund can also finance a diversity of other activities such as pre-project planning and capacity building and this is a good opportunity for Kenya to tap into and develop its systems.

Ideally, engagement with the GCF entails a number of well-defined processes that begin with establishing national systems and submission of proposals in line with set procedures. Figure 7 shows the framework involved in accessing GCF funding. A country is first expected to be a signatory to the Paris Agreement and should establish a National Designated Authority (NDA) which in Kenya's case is the National Treasury. The NDA's main roles include recommending funding proposals to the GCF board, facilitating the communication and nomination of national accredited/implementing entities (NIEs) to support the funding procedure and ensuring that activities within a country are aligned to national development visions. Beneficiaries interested in the GCF, including businesses, NGOs, and industry among others submits their proposals through the Accredited Entities (AEs). The AEs undertake initial technical assessments of proposals which are then submitted to the GCF Board for a decision. Designing competitive and bankable proposals require consideration of best practice and a diversity of expertise. Bankable proposals should incorporate the six GCF investment criteria: impact potential; paradigm shift potential; sustainable development potential; responsiveness to recipient's needs; the ability to promote the country's ownership and to show efficiency and effectiveness. These proposals further require political commitment as well as availability of funding resources for project preparation.

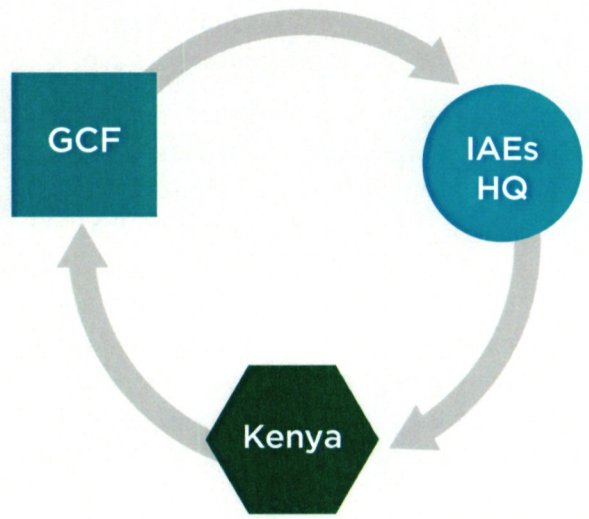
The AEs are expected to receive these proposals, assess them based on established procedures and submit to the GCF board which makes decisions based on the assessments by other independent bodies. The GCF board either approves the proposals or provides an approval that is conditional on modifications to project design, or is subject to availability of funding, or it rejects the proposal. The decision and next steps are communicated to the AE or intermediary and the NDA or focal point. Rejected proposals can be appealed or re-submitted. The GCF board itself comprises of 24 members, equally drawn from developing and developed countries. In addition, there are special representatives from regional UN groupings, such as SIDS and LDCs. Decisions on proposals are made based on consensus with a one-third quorum. The overall GCF process is therefore fairly long and subject to bureaucratic and politically sensitive procedures.

Figure 7: GCF funding assessment procedures. Source: Developed by Authors



There remain major concerns around this very slow GCF process that has impeded countries such as Kenya from fully accessing the funds. For example the jurisdiction under which indirectly accredited entities work need to be re-looked at as it is already creating duplication and bureaucracy as well as interfering with smooth flow of funds under the GCF arrangement. For instance, funds meant to implement activities in developing countries such as Kenya is first transferred to the headquarters of the indirect access entity and then re-routed to the country as shown in figure below.

Figure 8: Flow of funds under the GCF arrangement



Nonetheless, to date, Kenya has made significant progress in the GCF journey. The country has already established a functioning NDA based at the National Treasury and through which two entities have been accredited: NEMA; Acumen Fund Inc.; and Kenya Commercial Bank (KCB) is at stage three. NEMA has been granted direct access accreditation based on its experiences and systems in managing the Adaptation Fund. A number of other agencies have also been nominated and are currently undergoing GCF assessment: Geothermal Development Company (GDC); Cooperative Bank of Kenya; Green Earth Trust; KIRDI; African Centre of Technology Studies (ACTS); One Acre Fund; East African Development Bank (EADB); Kenya Red Cross and the Council of Governors.[36]

The country currently has eight approved GCF projects worth USD2.839 billion, but many are multi-country. Two are readiness projects, one is an institutional readiness for the adaptation plan and the other is financial readiness led by the AfDB and operates in multiple countries (see Table). The rest of the projects are mitigation and adaptation projects spanning regional, national and sub-national scales. While these projects have been approved, a number of them still have to go through due diligence, meaning these funds are yet to be released. The country also has many projects in the pipeline (see Annex 1).

36 Other global accredited entities include: UNEP, UNDP, WWF, KfW, World Bank, FAO among others

Table 1 Approved GCF projects in Kenya[37]

Project Name	Accredited Entity	Executing Entity	Project Size (million 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 (TWENDE)	IUCN	Ministry of Agriculture & Irrigation; NDMA	34.5	Kenya	Approved in July 2019
GCF/GIZ Readiness Support	UNDP/WRI/ UNEP	NDA	1.35	Kenya	2015
ARAF	Acumen	Acumen	58.7	Kenya, Nigeria	2018
GCF/PPF	NEMA		0.339	Kenya	2018

37 https://www.greenclimate.fund/countries/kenya

Kenya has so far received funds from the GCF that are second only to Egypt in comparison with other African countries. This performance can be enhanced by coordination and capacity to competently design funding programmes. Indeed the recommended investments in software, including policies and institutional arrangements, is commendable but clear gaps still exist in the hardware, including technical capacity and competency in developing innovative funding initiatives that need to be addressed. The African Union is currently preparing a Green Innovation Framework which will guide countries on how to develop both hard and soft competencies for climate financing and Kenya could benefit from this.

There are also various institutions that have played a critical role in the climate change architecture with regards to the technology mechanism of the GCF that links NDCs to technology and finance. For instance, innovations that seek to enhance development of bankable proposals to the GCF have been developed using the Climate Relevant Innovation System-Builders (CRIBS).[38] The African Centre for Technology Studies (ACTS), a pioneering pan-African intergovernmental organisation, together with its development partners, the Africa Sustainability Hub and the University of Sussex, developed the CRIBS mechanism. It is a systems-based model that provides for a network of actors, capabilities and systems that support incubation, implementation, scalability and sustainability of project initiatives while incorporating the theory of change in its engagements with various actors to develop bankable proposals to the GCF. CRIBS further seek to enhance collaborations and capabilities and allow professionals and policymakers within the climate change sphere to develop viable funding proposals.

5.1.2 UNFCCC Financing Mechanism: the GEF

The Global Environment Facility (GEF) was established on the eve of the 1992 Rio Earth Summit. Since then, the GEF has provided USD14.5 billion in grants and mobilised USD75.4 billion in additional financing for almost 4,000 projects. The GEF also serves as financial mechanism for several conventions including the Convention on Biological Diversity (CBD), the Stockholm Convention on Persistent Organic Pollutants (POPS), the UN Convention to Combat Desertification (UNCCD) and the Minamata Convention on Mercury. A key element of the GEF is that it focuses on supporting environmental projects but with clear climate change outputs.

The types of climate finance available vary from grants and concessional loans to guarantees and private equity. The GEF has a long track record in environmental funding. As of March 2017, the GEF's cumulative funding approval amounted to USD4.7 billion. The GEF also administers the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF) under the guidance of the UNFCCC Conference of Parties (COP). By October 2017, the LDCF and SCCF had made cash transfers to projects of USD493 million and USD201 million, respectively. To date, Kenya has drawn considerable funding from the GEF (see Figure 5).

5.1.3 UNFCCC Financing Mechanism: the Adaptation Fund

The Adaptation Fund (AF) finances projects and programmes that help vulnerable communities in developing countries adapt to climate change. Initiatives are based on country needs, views and priorities. The AF was established under the Kyoto Protocol of the UNFCCC and has committed USD354.9 million in 61 countries since 2010. NEMA was accredited as the AF implementing entity for Kenya and was approved for funding to the tune of USD10 million. Linked to the UNFCCC, the AF had awarded total cash transfers to projects of USD237 million by the end of 2017.

38 Ockwell, D., & Byrne, R (2015)

The AF also operates under a similar structure as the GCF and GEF by requiring recipient countries to access the fund through national implementing entities (NIEs). Since 2010, The fund has committed USD338.5 million to support 61 countries, including 22 LDCs and 13 Small Island Developing States. The Adaptation Fund Board and Adaptation Fund Committee are responsible for managing the receipt and disbursement of funds to various adaptation initiatives. Following a similar model as the GEF, interested institutions send proposals to the NIEs using project proposals based on guidelines developed by the NIEs. The NIEs then make the decisions as to who receives the funds. The transactional costs of applying for these funds have, however, often been too high for local communities that are strained in resources and technical capacity. Through the Adaptation Fund, Kenya has prepared national adaptation and local adaptation plans through which funds are drawn from the global source and disbursed to local communities.

It is worth noting that the opportunities for accessing multilateral funds, which Kenya can take advantage of have been significantly enhanced under the UNFCCC through specific provisions of the Paris Agreement. Some of the provisions include:"Shared responsibility"where all countries establish mitigation and adaptation targets with developing countries such as Kenya now having established NDCs as instruments for meeting the targets. The NDCs help define innovative programmes and areas that could attract funding from these sources. Diverse funding windows - eg the GCF can finance pre-project preparation, capacity building and project implementation thus providing a diverse range of choices. There is also a capacity building provision under the Paris Committee on Capacity Building to understand and support capacity needs for developing countries including how to develop competitive bankable projects. Most importantly, Kenya can also leverage on the technology opportunities and skill development agenda of the new climate change policy. Under the Paris Agreement, the Technology Executive Committee (TEC) of the UNFCCC has established a work stream on "strengthening innovation systems (IS) for climate technology transfer (TT) and development." These and other complimentary initiatives represent a significant opportunity for Kenya to leverage support via the UNFCCC and other development agencies to strengthen their capabilities around climate technologies in ways that will underpin effective design, lobby for and implementation of technological decisions that resonate with Kenya's circumstances.

5.2. Non-UNFCCC Mechanisms

There also independent funding windows, ie non-UNFCCC funds designed either for multilateral or bilateral arrangements. The multilateral non-UNFCCC funds are mainly designed by international development agencies such as the World Bank's Forest Carbon Facility and the UNDP (USD3.8 million). These are mobilised from various sources including governments and the private sector. Within the non-UNFCCC window, a number of developed countries have established bilateral funds designed to support both climate change and development actions in specified developing countries.

5.2.1 Multilateral Development Banks

Multilateral Development Banks (MDBs) play a prominent role in delivering multilateral climate finance, with global climate finance commitments of USD27.4 billion made in 2016 alone. Many have incorporated climate change considerations into their core lending and operations, and most MDBs now also administer climate finance initiatives with a regional or thematic scope. The World Bank's Carbon Finance Unit has established the Forest Carbon Partnership Facility (FCPF) to explore how carbon market revenues might be harnessed to reduce emissions from deforestation and forest degradation; forest conservation; sustainable forest management and enhancement of forest carbon stocks (REDD+). The African Development Bank also finances enhanced climate finance readiness in African countries through the German-funded Africa Climate Change Fund (ACCF), whose first projects were approved in 2015. The African Development Bank is also the trustee for the Africa Renewable Energy Initiative (AREI) and will house the AREI Trust Fund with an expected USD10 billion in resources.

Both MDBs and UN agencies act as implementing entities for the GEF, SCCF, LDCF, AF and the GCF. The UN-REDD programme, made operational in 2008, brings together UNDP, UNEP and the FAO to support REDD+ activities. The International Fund for Agriculture and Development (IFAD) administers the Adaptation for Smallholder Agriculture Programme, which supports smallholder farmers in scaling up climate change adaptation in rural development programmes.

A substantial volume of climate finance has been channelled through institutions that are not directly under the guidance of the UNFCCC COP. The Climate Investment Funds (CIFs) established in 2008 are administered by the World Bank but operate in partnership with regional development banks including the African Development Bank (AfDB). The CIFs include a Clean Technology Fund with USD2.75 billion in cash transfers to projects by October 2017, and a Strategic Climate Fund (SCF), with USD856 million in cash transfers to projects as of October 2017. Kenya is currently implementing various projects under this remit including a climate-smart agriculture programme supported by the World Bank and the UN-REDD+ programme.[39]

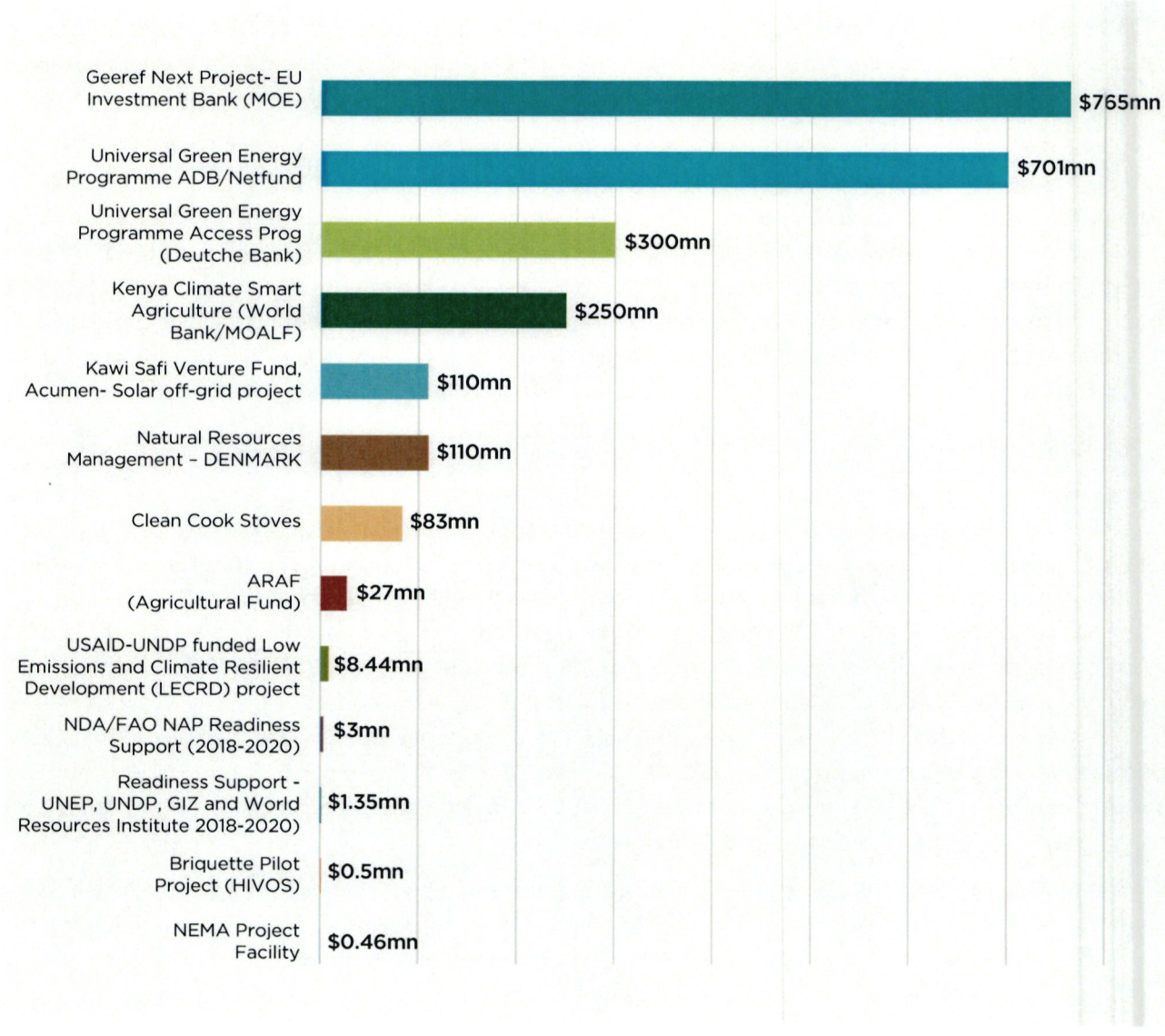
5.2.2 Bilateral Funds

There are a number of bilateral funds established by developed countries to help finance developing countries in line with the Paris Agreement commitments. As of April 2017, Germany's International Climate Initiative had provided USD2.7 billion for more than 500 mitigation, adaptation and REDD+ projects since its establishment in 2008. The UK government has committed USD12.7 billion to its International Climate Fund (ICF) through to 2021, and so far, has channelled a substantial share of ICF money through dedicated multilateral funds, including the CIFs and the GCF. Together with Germany, Denmark and the EC, the UK also contributes to the Nationally Appropriate Mitigation Actions (NAMA) facility. Germany, the UK and Denmark also support the Global Climate Partnership Fund (GCPF). Germany and the UK also support the USD141 million REDD+ Early Movers Programme (REM). Norway's International Forest Climate Initiative has pledged USD377 million each year since 2008 through bilateral partnerships, multilateral channels and Civil Society.

While the wide range of funding channels increases options and possibilities for Kenya to access climate finance, it nonetheless makes the process more complicated. Improving access to climate finance from the various sources requires a robust and efficient legal and institutional framework as set out in the Climate Finance Policy. Each component of the national finance system, such as budgeting, institutions and policy, has a role to play in the creation of an enabling environment for climate finance. In addition, Kenya needs to develop expertise and capacity to know where to target efforts to access climate finance.

39 Atela et al. 2016

Figure 9: Bilateral climate finance projects in Kenya



5.3. Private Sector Funding

To improve the financial flow for Kenya's climate finance, private sector involvement is central. Kenya strives to promote programmes that unleash private sector finance. In comparison with a number of countries, Kenya is better placed for private sector investments on low carbon due to its high GDP; energy demand and growth; excellent renewable energy resources; high energy-efficiency potential and favourable and well-developed regulatory context. Estimates indicate that both domestic and international investments in the private sector in renewable energy in the country are estimated to be over USD2.8 billion.[40] More specifically, the private sector is investing heavily in geothermal activity, biomass, solar and small hydroelectric projects and is increasingly engaged in providing financial and insurance services.

40 NCCAP (2018)

The unlocking of private sector investment in Kenya has been encouraged through various fiscal incentives. For example, importing, constructing and selling photovoltaic cells are exempted from duty and tax, and the government has given ten-year tax holidays for small-scale solar projects. The government can consider additional economic and financial instruments to leverage private sector investments into low-carbon and climate-resilient initiatives. These include guarantees to enable small- and medium-sized enterprises to access funds from financial institutions; and guarantees, insurance and concessional loans to address barriers associated with risky investments and upfront costs.

Despite enormous capability of the private sector, the country still faces difficulties in accessing finance from domestic banks whose risk aversion and limited understanding of low-carbon opportunities result in high interest rates as well as high collateral requirements while equity funds are scarce. Moreover, limited technical capabilities in Kenyan firms, especially the smaller ones, mean that they experience challenges when it comes to conducting feasibility studies as well as limited understanding of financing models. The GoK has been undertaking reforms to ameliorate policy and regulatory environments for renewable energy and energy efficiency, which has led to enactment of the Energy Act 2018.

While carbon markets remain an opportunity in which to explore private sector investment, future carbon market conditions appear to be unstable for Kenya due to a combination of unfavourable demand and supply balances globally which have already led to low carbon credit prices. The prospect of the carbon credits from Kenya being excluded from the European Union Emissions Trading Schemes (EU ETS) for projects registered after 2013 is likely to make the context challenging and requires urgent government involvement to rectify this.[41,42] A primary carbon trading platform would be more appropriate for Kenya's needs in the current market context as this facilitates the origination of carbon credits from individual projects, as opposed to a secondary platform that allows trading on a larger scale, while treating carbon credits as a uniform commodity. To improve overall market conditions for Kenyan carbon market projects, there need to be strategic negotiations with the European Union with regards to the eligibility for credits from EU Emissions Trading Scheme for Kenyan projects registered after 2012 and discussions with Japan on its bilateral offset credit scheme.

It is important for Kenya to be well positioned to act on emerging carbon market opportunities and to benefit from results-based payment mechanisms. Measures have been put in place to support engagements in the development of new market mechanisms under the UNFCCC as well as to develop clarity on the treatment of emission reductions in Kenya.[43]

More broadly, Kenya has an opportunity to tap into emerging private sector initiatives at the global level. Notable is the adoption of the Enhanced Direct Access (EDA) model of the GCF, which builds upon and advances the Direct Access (DA) model of the Adaptation Fund. The EDA seeks not only to devolve access, but also decision making on financing climate projects by the National Implementing Entities. In 2011/2012, the UNFCCC Secretariat launched the Adaptation Private Sector Initiative (PSI) database, a new online tool that showcases how businesses and communities can adapt to the inevitable aspects of climate change (see Figure 10). The PSI features good practices and profitable climate change adaptation activities being undertaken by private companies (sometimes in partnership with Non-Governmental Organisations [NGOs] or the public sector) from a wide range of regions and sectors. The database lists over 100 case studies on private sector engagement in climate change adaptation from developed and developing countries. The adaptation activities

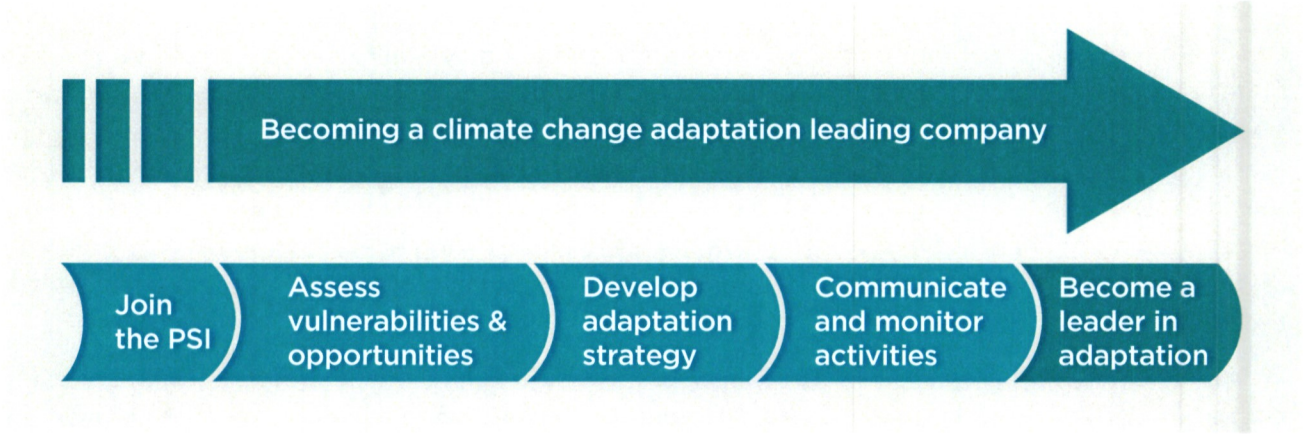
41 NCCAP 2013-2017

42 The high standards requires for results based funding and MRV systems for Kenya as well as oversupply of credits could create still completion.

43 NCCAP (2018-2022)

listed include: those that ensure access to safe and clean water; building resilience of business operations to disasters; provision of technologies or services that assist in the adaptation in vulnerable communities; increase of agriculture yields in climate-vulnerable areas; the development of climate-friendly goods and services and climate proofing the supply chains of companies.

Figure 10: UNFCCC Private Sector Initiative (PSI) platform for businesses Source: http://unfccc.int/adaptation/workstreams/nairobi_work_programme/items/4623.php



Although Corporate Social Responsibility (CSR) is becoming more prevalent across the world, few companies are devising comprehensive CSR strategies to guide proactive contributions to national development goals and sustainable development, and to tackle development challenges such as vulnerability to climate change. Many companies in Kenya report significant expenditure on communities or CSR programmes, and present case studies of some of their programmes. Companies have made community investment initiatives a long-term strategy. Through their products and services, policies, and practices, companies seek to make a positive impact based on a sound understanding of development priorities of the people living in those communities. However these CSR activities are an opportunity for funding climate change in Kenya.

5.4. Green Bonds

Kenya has established systems to tap into the global green bond market which has grown tremendously in recent years, with issuances totaling USD155.5 billion in 2017 and an estimated USD250-$300 billion in 2018.[44] Green bonds are regular bonds[45] which generate proceeds that are earmarked exclusively for projects with environmental benefits, including climate change mitigation or adaptation, but also natural resources depletion, loss of biodiversity, and air, water or soil pollution. The Green Bond initiative was launched in Kenya in March 2017 and builds on the policy framework under the Kenya Green Economy Strategy and Implementation Plan (GESIP) 2016–2030 which has committed to invest USD23.5 billion in Kenya's green growth path. Through the Green Bonds Programme Kenya, the National Treasury has indicated that its debut sovereign green bond will be issued during the fiscal year 2019/20, making Kenya the first country in East and Central Africa to issue a green bond. Kenya plans to reinvest the proceeds from green bond in green projects and their related expenditures, such as R&D.[46]

44 Government of Kenya (2017): https://www.nse.co.ke/products-services/debt-securities/the-green-bond.html

45 Bond, also known as a fixed-income security, is a debt instrument created for the purpose of raising capital - essentially loan agreements between the bond issuer and an investor

46 Government of Kenya (2018) https://www.nse.co.ke/products-services/debt-securities/the-green-bond.html

5.5. Domestic Public Funds

5.5.1 National Climate Fund

At the national level, countries have developed national and sub-national institutions to facilitate and enhance access to international funds. The Kenya Climate Change Fund (KCCF) has been established within the National Treasury to be a link between the global funding mechanisms and national processes. The National Climate Change Fund applies a variety of financial instruments including loans, grants or equity for climate change research and innovation, in climate-relevant areas such as industrial research, technological research, policy formulation, academic research and development in green technologies. Additionally, these funds are disbursed to various agencies such as businesses, civil society and industry among others for the purposes of implementing mitigation and adaptation actions. In addition, the fund is spent in capacity building and technical assistance to county government and other stakeholders.

The Kenya Climate Change Fund and seed money of Ksh 500 million from the National Budget has been factored in to the 2019/20 financial year. Additionally, Ksh 200 million has been allocated annually for a period of five years to operationalise the National Policy in Climate Finance, to promote green economy low-emission investment and build the country's adaptive capacity within the line ministries, county governments and local communities. According to the Climate Finance Policy, all 47 counties will be required to develop a county-based Climate Finance Policy and establish a County Climate Change Fund.

Overall, there are a number of climate financing mechanisms and windows available to Kenya including the GCF, GEF and a host of other international funds outside the UNFCCC, in addition to domestic sources such as national budgetary allocation. While Kenya appears to be making progress in establishing policies and institutions to tap into some of these funds, especially the GCF, the country is yet to fully explore and utilise some of the funds. This is due to a number of reasons, but most prominently limited technical capacity to develop relevant projects. The need to enhance such capability is critical for Kenya even as the country embarks on implementation of various policy frameworks. Efforts by the National Treasury through the Climate Finance Unit to build capacity of counties are indications of good progress but these could be strengthened technically so that such trainings can transition from being more awareness of creation to long-term integrated competency and hands-on capability building. The capacity gap within counties, ministries, companies and CSOs also manifests as lack of adequate investment in research and development, product development and all other aspects of innovation critical for propelling the climate change agenda forward.

During a meeting/training of AU Member States in Abuja in 2018, most NDAs expressed concerns that capacity building for climate finance has been ad hoc, uncoordinated and short-term in nature. Therefore, moving forward in the longterm, in a five to ten-year programme, targeted trainings are required on different components of GCF and other climate funds to support member states throughout the GCF process, from readiness to project development and implementation. Furthermore, Kenya could gain from development of information-sharing platforms (both digital and physical) for sharing GCF and other climate financing information, best practices, success factors, etc. Kenya could further benefit from establishing an enhanced Expert Registry to provide pathways for harnessing local competence in various aspects of climate financing. However, there are emerging centres of excellence and institutions for capacity building such as universities, but these will need to be tailored for specific competencies.

6. Conclusions and Recommendations: Future of Climate Finance in Kenya

The experience with Kenya's finance mechanism show that the country has a huge opportunity to develop a robust climate system and become a regional leader in climate financing. So far, the country has made good progress in terms of setting up policies and institutional arrangements to help mobilise, allocate and monitor climate finance. The various policy instruments set out by the government to enhance processes of climate financing paints a picture of a progressive future. The National Policy on Climate Finance seeks to position the country to better access climate finance through a variety of well-thought-out strategies and action plans to be implemented through public-private partnerships.

While this institutional setup provides a framework for tapping into diverse funding sources, especially enabling flow from the global to national, internal mechanisms and flow of funds could be enhanced through stronger synergy between various policies and institutions so as to build and integrate a financial mechanism that is technically, financially and politically sound. There is also a need to enhance linkages with the broader non-state actors including NGOs and other stakeholders so as to tap into various opportunities including learning and best practices. Open and transparent dialogue between national and county governments, business, long-term investors, and microfinance, banking and development institutions will be important to address.

Despite the relatively well-established national systems, the country still faces some challenges in managing diverse sources of climate finance. More specifically, monitoring, evaluation implementation and the impact of climate change interventions remains weak. Mechanisms to identify the sources and track how the finance has been utilised have still not been actualised, yet these are international standards required in climate finance and this may prevent the country from accessing some funds. The NACCP 2018–2022 sets out when these mechanisms should be developed but this is still a long way off and requires sufficient political funding to actualize. Enhanced political will is needed to ensure that these goals are not pushed to the next climate action plan. Improved tracking of climate change-related inflows and expenditures should be integrated into national budgetary processes, including identification and coding of climate change expenditure.

Furthermore, despite a robust national institutional framework, there is need for key institutions to engage in clear communication on progress and give regular updates for accountability purposes such as Office of the Auditor General, Ethics and Anti-Corruption Commission etc. The national and county governments, the private sector, academia and civil society have a large enough reach to channel climate finance initiatives. However, potential implementing and executing entities have limited capacity to deal with eligibility criteria and modalities of various funds.

Devolution of climate funds remains a major component of climate financing because this will help ensure that resources reach where they are needed most. However, there is a need to enhance the institutional connection between national government and sub-national level as this currently remains weak. While county governments provide a good opportunity to create institutional linkages for devolving funds from the national to local, there are no clear linkages between national climate financial mechanisms and county ones. There is a need to create clear structural linkages between the National Climate Finance Unit and the county climate change funds at county treasuries. Currently the Ministry of Devolution and Arid and Semi-Arid Lands (ASALs) has developed a scale-out strategy for CCCF to be implemented by the National Drought Management Authority. This strategy has been signed off by the Ada Technical Committee and is now awaiting final sign off by the Cabinet Secretary of the Ministry of Devolution and ASALs prior to its formal launch and issuance of a government circular.

This should include upscaling the county climate finance units across the 47 counties and appointing a county liaison officer to support the linkages. In addition, capacity building and awareness programmes for counties are still critical to help them understand available funding opportunities. Already the National Climate Finance Unit has been making efforts towards these actions and this should be strengthened further by enhancing its mandate for crosscutting oversight. It is possible that this linkage could catalyse broader opportunities for international climate financing to reach local institutions, such as in the case of the County Climate Change Funds (CCCFs), which provides an important opportunity to build capacities of these local institutions. This includes enhancing capacity of local institutions to manage climate funds and related projects, which is key to enabling local communities to access a wider variety of funds and funding instruments.

Access to private capital flows, which account for a significant proportion of international and domestic climate finance flows, is crucial for Kenya. The private sector is risk averse and the country requires an enabling environment that minimises any real or perceived risks. In addition, Kenya needs policies and programmes that use public climate funds to leverage large investment from the private sector, and sound institutional processes and investor promotion activities need to play a central role in successfully attracting funding. The National Treasury and line ministries have a tremendous role to play to ensure capacities of responsible institutions and stakeholders are developed to ensure the country benefits from the private investments. Most importantly financial markets and instruments, and organisations that interface local communities with such markets and instruments can provide an important source of investments in devolved systems. However, these need to be undertaken in tandem with safeguards to protect local communities from risks inherent in such markets and instruments, and by enhancing the capacity of the local communities to effectively engage in these partnerships.

NIE accreditation such as that required by the GCF requires adherence to strict fiduciary standards and environmental safeguards, including greater transparency of financial management systems, more robust risk management systems, and more regular reporting requirements. Extensive capacity building is required, particularly in fiduciary management skills, to enable institutions to disburse, absorb, report and manage large projects and large funds in a transparent and accountable manner as well as ensuring that more NIEs are accredited.

While carbon markets are currently weak, much private sector investment is expected to eventually flow through carbon market-based mechanisms such as REDD+ and any new mechanism that may be agreed upon under the UNFCCC Article 6 is welcomed. This requires that Kenya be an active participant in the international negotiations on climate finance and new market mechanisms to remain informed and well positioned to act on opportunities as they arise. Efforts to incentivise carbon-voluntary market projects should be considered, as these projects can serve as a source of experimentation and innovation to prepare for future mandatory carbon market mechanisms. The viability of compliance and voluntary carbon market activities will depend on the security of property rights surrounding the assets, the taxation regime and financial services arrangement of the transactions, and costs involved in complying with additional regulation, such as environmental approvals and project approval processes.

Continuous research and innovation into climate adaptation and mitigation and the diffusion of local technologies requires an enabling investment environment which climate finance can support and this requires incentives from both public and private sectors. Research and innovation will play a key role in climate change adaptation and mitigation strategies and interventions. Training and deployment of green champions as citizens watchdogs at sub-national and local level will be key in ensuring local level accountability and transparency. The complex and dynamic nature of climate change and its impacts requires Kenya to expand and maintain systems for targeted and continuous innovation, including development of locally contextualised technologies. Capacity building in both short-term and long-term for both national and county entities and other stakeholders in climate finance is critical if progress is to be actualized and accelerated in line with the future ambitions.

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Annex 1: GCF projects in the pipeline

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
Enhancing the Resilience of Smallholder Farmers in Kenya by Promoting CSA along Value Chains in Targeted Counties	NEMA	KALRO	10		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		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

Title of Project	Accredited Entity (AE)	lead Executing Entity (EE)	Project Size (million USD)	Project Area	Status
Electric Mobility - Introduction of Electric Motorcycles	UN Environment		84	Kenya, Ethiopia, Rwanda, Uganda	Concept Note (CN)
Low-emission and Climate Resilient Dairy Development Project in Kenya (Kenya Dairy NAMA)	World Bank	Min. of Agriculture; Kenya Dairy Board	287.7		CN
Kenya Off-Grid Solar Access Project (KOSAP) for Undeserved Counties: Clean Cooking Solutions for Households Component	World Bank	Ministry of Energy	8		CN
Reduction of Impacts of Climate Change in Slums and Informal Settlements		State Dept of Housing	307.7		CN
Enhanced Access to Financing for Green Water and Sanitation Technologies in Kenya	AfDB	Water Sector Trust Fund (WSTF)	150		CN
National Seed Collections for Climate Resilient-Agriculture in Africa (Seeds4Resilience)	KfW	Crop Trust; KALRO	107.9	Multiple countries	CN
Building Sustainable Community Resilience Against Climate Change		Kenya Red Cross		TBD	CN
140 MW Olkaria PPP Geothermal Power Project		KENGEN	630		CN
40 MW Seven Forks Solar Project		KENGEN	57	Embu	CN

The County Climate Change Fund (CCCF) mechanism is supporting county governments to mainstream climate change in planning and budgeting, prepare them to access climate finance from different sources and strengthen public participation in the management and use of those funds. The CCCF mechanism has been piloted successfully in five Kenyan counties — Isiolo, Garissa, Kitui, Makueni and Wajir — and is now being scaled out nationwide. The scale-out is funded by the Republic of Kenya, the Embassy of Sweden - Nairobi, UKaid, IFAD and the World Bank.

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Cover image: CTA ACP-EU Credit: Fredrick Omondi, Marsabit County, Kenya

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Annex 8: Financing Locally Led Climate Actions Program (FLLCoA)

Background

In 2016 the Government of Kenya put in place the Climate Change Act, (2016) and the public finance management (Climate Change Fund) Regulations (2016) under the Public Finance Management Act (2012), in recognition of the fact that all the forty-seven (47) counties in Kenya are highly exposed to the potential impacts of climate change. The climate change impacts have grave implications for poverty reduction efforts, water availability, food security, and health among other challenges. Extreme events are already having serious impacts on poor communities and the Country's development. Over the past ten (10) years, droughts have brought suffering and losses amounting to over US$12 billion. Kenya is chronically water scarce with one for the most degraded areas in the region; about 70% of the population lives in small share (about 12%) of Kenya's total land area that has agricultural potential.

The Country's Climate Change Directorate (CCD), is the coordinating agency for climate change plans and actions and serves as the national centre for coordinating actors, capacity building, and collating, verifying, refining and disseminating knowledge and information on climate change. Within the National Treasury (NT), Kenya has established a Climate Finance Unit to mobilize and manage climate change financing. Functions of the NT are core to the climate financing requirements and management at both international, national and sub-national levels. The NT is responsible for funds and instruments with ties to climate change adaptation, such as the National Drought Contingency Fund, Arid and Semi-Arid Lands Drought Contingency Fund, Africa Risk Capacity, Kenya Livestock Insurance Program, and the Kenya Crop Insurance Program. NT is the National Designated Authority for the Green Climate Fund, and the 2016 Climate Change Act created a national level Climate Change Fund, which is vested in the Treasury. The creation of the NT's Climate Finance Unit is key to ensuring transparency and accountability of climate funds drawn from various sources by providing systems for mobilizing, allocating and tracking climate funds. Despite these key strategic strengths of the NT, establishing strong ties with other technical and policy arms of the state as well as with non-state actors could help develop a more coordinated and integrated climate finance management system. Other key players at the national level include the National Drought Management Authority (NDMA), which sits within the Ministry of Devolution and Planning. With drought being a key risk in Kenya, the NDMA coordinates and supervises drought management efforts throughout the country and is increasingly taking an active role in the implementation of adaptation actions, particularly in the ASALs. While responsibility for overall development policy formulation and planning sits at the national level, both the National Climate Change Action Plan (NCCAP) and Climate Change Act place substantial

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responsibility on county governments to implement climate action on the ground. Kenya's Nationally Determined Contribution (NDC) emphasizes a focus on adaptation to climate change, and lists devolution and mainstreaming climate change into County Integrated Development Plans (CIDPs) as a priority climate action. The NCCAP calls for systematic local actions coordinated between the national and county governments, as identified in the CIDPs.

The World Bank is currently providing support to strengthening national and county level institutions through two main programs: the Kenya Accountable Devolution Program (KADP) and the Kenya Devolution Support Program (KDSP). KADP is a Bank-managed multi-donor trust fund that has mobilized financial, technical and partnership support for initiatives to develop stronger institutions, enhance service delivery and increase citizen engagement in governance. Through KADP, the Bank has supported activities on devolved climate finance and participatory climate risk management through county governments.

KADP started in 2012 to support the devolution process in Kenya. In 2015, climate change was incorporated into KADP a cross-cutting issue. The activity on Devolution and Locally-Led Climate and Disaster Risk Management was initiated in 2017 under KADP II to strengthen county capacity to address climate and disaster risk management with a focus on integrating climate into local development planning and facilitating partnerships between communities and local/county governments to collaborate on strengthening resilience in a socially inclusive and sustainable manner.

The initiative targeted 4 counties (Kwale, Makueni, Narok and Siaya) and worked with a broad set of government and non-governmental partners at national and local levels, including the National Treasury, the Climate Change Directorate, the Council of Governors, Kenya Red Cross, Ada Consortium (IIED), Kenya School of Government, Maarifa Center, etc. While the project had a short implementation timeframe (less than one year), important milestones were achieved in the 4 pilot counties, including:

- Buy-in from county leadership and establishment of technical teams
- Capacity building and draft Integrated Climate Risk Management (ICRM) action plans developed in the target counties to help identify gaps and key actions to be taken
- Introduction of the County Climate Change Fund mechanism
- Engagement with National Treasury and gap analysis completed to support the Council of Governors for accreditation to Green Climate Fund
- Linkage of county technical officers with KMD partners and development of Climate Information Services (CIS) plans for Kwale, Narok and Makueni.
- Launch of mobile-based early warning system for recurrent flash floods in Narok County with Kenya Red Cross Society, KMD, the Communication Authority and telecommunication companies.

The activities undertaken under KADP II were shared with a larger set of counties and have generated large demand for similar types of support. Bank support under KADP II was key to convening a broad set of actors and to promoting productive dialogue across government agencies to collaborate on advancing the climate change adaptation agenda.

This proposed program will build on the learning and momentum gained under KAPD II. The Bank is uniquely placed to support technical, financial, and governance aspects of the climate change agenda in Kenya. The program will build on existing structures, data and institutions. Under KADP II, a substantial amount of information and data was collected, and productive dialogue/coordination among relevant stakeholders was initiated. The program will therefore build upon the momentum gained under KADP II.

County Climate Change Fund (CCCF) Mechanism

The CCCF mechanism is designed to enable county governments access climate finance from accredited National Implementing Entities (NIE) of the Green Climate Fund (GCF) or other funding sources (e.g. Kenya's National Climate Fund, budgetary allocation, private sector) to fund investments in public goods prioritized by local communities that build climate resilience. The mechanism, in enabling county governments to institutionalize a decision-making process that puts communities in control of their adaptation priorities, also contributes to the objectives of the Constitution (2010), the County Governments Act (2012) and Climate Change Act (2016) that obliges county governments to ensure citizen-led approaches to the planning and prioritization and climate proofing of public funding for development

Components of the County Climate Change Fund

The mechanism consists of four interrelated components – see Figure 1 below.

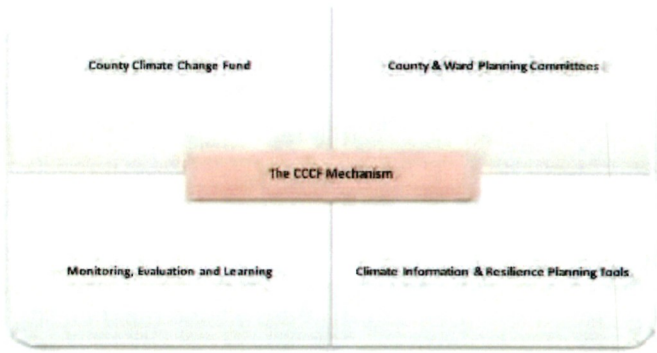


Figure 1: Four components of the CCCF mechanism

a. County Climate Change Fund. The CCCF is a public fund under the discretionary management of the county government, with the necessary fiduciary mechanisms to ensure accountability and transparency (refer to CCCF financial management procedures manual). The fiduciary mechanisms are consistent with public finance policy and law and complement the counties' existing finance systems. As public funds, the CCCFs can be capitalised from various sources, such as county development budgets, national climate funds or in-country bilateral and multilateral development partners. It is anticipated that the counties will be able to draw down resources from these global climate funds. Wajir and Makueni

counties have passed legislation formalising the CCCFs and committing themselves to capitalise them with a minimum of 2% and 1% of their development budget. Draft CCCF legislation is before the Members of the Assembly in the other three counties.

b. County and Ward-level Climate Change Planning Committees. Representative Ward Climate Change Planning Committees (WCCPCs) are responsible for the identification and prioritization of investments in local public goods that strengthen the adaptive capacities of communities. WCCPCs conduct participatory assessments of a community's resilience to climate hazards and future climate change. These assessments are used by WCCPCs through a community consultation process to prioritise investments in public goods whose costs fall within their budget envelope and which meet the funding criteria that promote climate resilient growth and adaptive livelihoods. Each WCCPC is allocated a set budget in advance of their planning that represents an equal share of the overall budget allocation earmarked for ward-or inter ward level investments. Committee members consider options and weigh up the costs and benefits of different investments against the CCCF funding criteria and arrive at a consensual decision. The prioritized investments are submitted for review to the County Climate Change Planning Committee (CCCPC) composed of representatives from the ward committees, local government and other stakeholders. The CCCPC does not have authority to reject WCCPC prioritised proposals if the first five proposal criteria are met . They are expected to provide additional technical support to the WCCPCs, and work together to ensure the proposals meet the last two criteria. Once approved, WCCPCs led the procurement process and the chair of the CCCPC sign contracts with service providers guided by the Public Finance Management Act 2012.

c. Climate information and resilience planning tools. Climate information provided by the Kenya Meteorological Department (KMD) is integrated into the participatory resilience assessments or resource mapping carried out by WCCPCs to ensure that prioritised investments take into account current and future climate variability and hazards. County directors of meteorology (CDMs) play a key role in institutionalising climate information services (CIS) at county level. They are standing members of key decision-making fora such as the CCCPCs responsible for ensuring WCCPCs proposals specifically addressing climate change and uncertainty. They are also responsible for the development of county CIS plans and facilitating the two-way communication of weather and climate information between the Meteorological Department and county and community actors. Resilience Assessments (RA) and participatory digital Resource Mapping (RM). These participatory tools enable more informed discussion between communities and county government planners on the factors that strengthen or weaken local livelihood systems in the face of climate variability and change, differentiated by production system, gender and age. The tools complement the CIDP process by empowering local people to explain to those external to their community, such as government planners or NGO staff, the logic of their adaptation strategies in the

face of climate variability and change. It provides an opportunity for county governments and communities to discuss how local livelihoods function andinteract, the factors that constrain their resilience to the impacts of climate change, and practical ways to build adaptive capacity and long-term resilience.

d. Tracking Adaptation and Measuring Development. TAMD is a 'twin-track' framework that evaluates the extent and quality of climate risk management (CRM) processes and actions on the one hand (Track 1), and the associated development and adaptation outcomes (and their longerterm impacts) 'on the ground' on the other hand (Track 2). The TAMD framework was tested in Isiolo and Kitui counties where the focus was on two fronts – first, helping WCCPCs develop theories of change and relevant M&E indicators for public goods investments; second, strengthening the existing M&E systems at county government to better support climate risk management.

CCCF design features

The funding criteria

1) Must benefit many people.
2) Must support the economy, livelihoods or important services on which many people depend.
3) Must be relevant to building resilience to climate change.
4) Must encourage harmony, and build relations, understanding and trust.
5) Must have been developed after consultation with all potential stakeholders.
6) Must be viable, achievable and sustainable.
7) Must be cost effective and give value for money

The CCCF mechanism introduces several features designed to strengthen the capacity of county government, communities and their institutions, particularly for the management of natural resources, to plan and prepare for climate induced hazards and opportunities. A key premise of the CCCF mechanism is that county government support for community-identified and driven adaptation, often building on existing livelihood strategies for managing climate variability and extreme events, is more sustainable, benefits more people and leads to transformative adaptation to address future climate change. This central premise needs to be assessed.

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Table 26 Key design features and premises underpinning CCCF mechanism

CCCF component	Design feature	Premise
The Fund	90% of fund allocated for investments of which 70% prioritised by WCCPCs and 20% by CCCPCs.	70%-20% split random. Learning to establish optimal distribution of funds between ward and county-level investments. But premise is adaptation needs to be tailored to local context. Elected, representative WCCPCs are better placed than county-level actors to identify community-prioritised investments that build climate resilient development, are more sustainable, benefit more people & lead to transformative adaptation to address future climate change.
	10% of fund allocated for operational costs of WCCPCs and CCCPCs to administer fund.	10% allocation random. Learning to establish nature of management costs to be legitimately covered and the minimum operational budget for the management of CCCF and full project cycle.
	Funds are divided equally among wards, rather than according to population density or vulnerability; and ward committees expected to consult each other to identify cross-ward investments as a "landscape" level.	In ASAL environments, characterised by climate and natural resource variability, communities typically access local public goods such as water or forest resources as well as social services (e.g. health) across different ecological & administrative boundaries. For example: resilience of pastoralists in Garissa dependent on access to pastures, water, etc. in Isiolo at certain times of the year. Cross-ward consultation designed to overcome limitations of using administrative units of wards as planning frameworks and promote landscape-level/ecosystem-based approaches to planning.
	WCCPCs and CCCPCs informed of their budgets in advance of planning.	Planning against known guaranteed budgets encourages a more effective, participatory, transparent & accountable planning process that delivers high priority investments that benefit the vulnerable with good value for money.
Planning Process	WCCPCs composed of elected community members through public vetting against criteria of integrity, commitment, leadership, knowledge rather than academic qualifications.	Public vetting reduces risk of political manipulation and exclusion of vulnerable, builds consensus on those selected to serve on & public commitment by those selected to be accountable. Criteria of integrity, leadership & local knowledge of greater importance than academic qualifications when WCCPCs can access technical assistance from county-level actors, and receive training on project cycle & financial management, climate change and committee governance. In Isiolo, inclusion of customary leaders (*dedha*) builds legitimacy of local institutions and provides "bridge" between customary and statutory institutions.
	WCCPCs provided with operational fund to cover costs of managing project cycle (consultation, proposal design, tendering, M&E).	Enables WCCPCs to function independently & ensure better quality consultation & accountability; identification of more effective investments that meet local priorities and funding criteria; better value for money in design & implementation of investments; more effective M&E. Also builds capacities (skills, confidence) of WCCPCs to participate more effectively in wider local governance & planning processes; creation of effective local institutions for success of devolution, maintenance of peace.
	WCCPCs manage tendering process with support from CCCPCs.	Reduces the risk of political and economic abuse of power and builds capacity of WCCPCs to ensure and account for the good use of their budget allocation of CCCF; builds accountability and transparency.
	Design of resilience planning tools (resource mapping, resilience assessments) to align community planning with county government planning	Enables communities to articulate their knowledge of critical resources and resilient livelihood strategies in manner that county planners can understand, appreciate and support; builds dialogue, understanding and respect between government actors and citizens central to success of devolution agenda; identifies practical and cost-effective ways in which county planning can strengthen local adaptive strategies & build longer-term resilience to climate change.
	Design of County CIS plans	Enables the institutionalisation of CIS in all development planning and budgeting at county level; identification of investments that better prepare counties and communities to respond to and recover from climate induced hazards.

	CCCPCs not authorised to veto, but strengthen as necessary, WCCPCs investments priorities IF in line with funding criteria.	WCCPCs remain in control of their adaptation priorities in planning process in line with provisions of the Constitution and the County Governments Act. Reduces risks of political interference and builds greater accountability of WCCPCs to local community.
	Mainstreaming of TAMD framework into CIDP	Build capacity of CIDP M&E systems to assess outputs, outcomes & impacts of climate adaptation & climate resilient development.

The Proposed P for R program

The proposed P-for-R program will support the local action and coordination aspects of Kenya's program for addressing climate change, which is rooted in the following key policy and legal frameworks. These include:

- The **National Adaptation Plan** (NAP, 2015-2030) establishes the country's adaptation objectives and identifies priority actions in 19 planning sectors for the national and county governments (including devolution).

- The **Climate Change Act** (2016) provides an overarching framework and calls for a climate change mainstreaming approach that includes the integration of climate change considerations into development planning, budgeting and implementation in all sectors and at all levels of government. The Act requires county governments to integrate and mainstream climate change actions, interventions and duties, including mainstreaming the NCCAP into County Integrated Development Plans. The Act also establishes the National Climate Change Fund (National and County) as the mechanisms for funding priority climate change actions and interventions. The Fund is intended to be the key mechanism by which international and domestic resources will be managed and channeled towards the country's climate change priorities.

- Kenya's **Nationally Determined Contribution** (NDC) establishes adaptation as Kenya's priority response to climate change and sets a goal of mainstreaming adaptation actions in the five-year development plans of Kenya Vision 2030, the country's long-term development strategy.

- **National Climate Change Action Plan** (NCCAP) sets out priority actions for each five-year period. The current NCCAP (2018-2022) describes the short, medium and long-term actions for counties to take to support adaptation:

Short-term actions	• Conduct participatory county level climate risk and vulnerability assessments • Increase awareness of climate change impacts to communities in counties • Build the capacity of county governments on climate change adaptation

Medium-term actions	• Develop county adaptation plans • Develop county climate financing mechanisms for adaptation. • Develop appropriate climate adaptation financing tracking systems
Long-term actions	• Implement county adaptation plans • Upscale successful adaptation actions

The programs to achieve the NCCAP are laid out in the Kenya's Third Medium-Term Plan (MTP III) 2018-2022, which is the second MTP to be prepared under the devolved system of governance. The MTP III is aligned with the Constitution, Kenya's Vision 2030, and includes a focus on delivering the "Big Four" initiative. It provides a financing framework to deliver the Government's Programs and Projects.

Given that Kenya has robust legal and policy frameworks and institutions, and a number of ongoing programs in place to address climate change, the PforR instrument has been deemed more appropriate than an IPF or DPF. Kenya continues to demonstrate strong commitment to integrating climate change into national development planning and investment programs, and is seeking support to strengthen the institutions, coordination mechanisms, and to build capacity at the local level where the impacts of climate change are being felt. Moreover, GoK is experienced in implementing PforRs in support of the devolution program, and the Bank has seen positive results with these programs, including the Kenya Devolution Support Program (KDSP) and the Kenya Urban Support Program (KUSP).

The Program Development Objective (PDO) is to strengthen county governments' capacity to plan, implement and monitor resilience investments in partnership with communities.

The proposed program aims to strengthen local resilience to the impacts of climate change, natural hazards, and other shocks/stressors by building counties' capacity to plan, implement and monitor resilience investments in partnership with communities. It would emphasize the governance, social inclusion and citizen participation aspects of climate and disaster risk management, and support resilience investments identified by counties in partnership with communities. The program will be national in scale, linking local level action to national level coordination and planning, and would be designed to build the capacities and systems for understanding, planning, administering climate resilience investments while at the same time funding the investments themselves.

The program funds would be provided through Disbursement Linked Indicators (DLIs) aligned to the expenditure areas as follows:

Component 1 : Support County readiness for supporting locally-led climate action (USD20 million): This area will cover activities to put in place the mechanisms, policies, regulations, and capacities at the county level for participatory climate risk planning, implementation and monitoring. The capacities, policies and institutions of county

governments to understand, address and support climate action at the local level varies greatly. A few counties are more advanced, having passed laws on climate and disaster risk management and established County Climate Change Funds (CCCFs). Others, however, have extremely low capacity – many of these also have very high vulnerability to the impacts of climate change, and are also facing risks of conflict and violence. Agreement will be made to identify minimum conditions to access readiness grants (e.g., establishment of CCCF, establishment of Climate Change Unit), and priority will be given to capacity building of those counties to build capacity on integrating climate change considerations into County Integrated Development Plans and annual work plans; participatory approaches to assessing risk and developing Integrative Climate Risk Management action plans, establishing or strengthening the necessary policies, procedures, and capacities for climate risk management.

Possible DLIs linked to this component: The proposed DLI for this area would be for county governments to meet a bare minimum standard to receive a readiness grant. More detailed results and indicators will be identified to monitors year-to-year capacity (e.g., maintenance of county climate change teams, inclusion of climate resilience activities in annual work plans, etc.)

Component 2 : Locally-led climate action grants (USD 230.0 million): The bulk of the funding would be channeled through this expenditure area to support local actions and adaptation activities in the counties as prioritized by communities and counties. The establishment of County Climate Change Funds (CCCFs) is one of the priorities of the National Climate Change Action Plan (2018–2022). Thus far, only five counties had established CCCFs: Makueni (2015), Wajir (2016), and Garissa, Isiolo and Kitui (2018).

The CCCFs will finance investments that reduce climate and disaster risk while supporting communities to adapt to future climate scenarios. Communities will work with their local authorities through ward-level planning committees to identify risk reduction and adaptation needs. The CCCFs will be set up in a way to support citizen engagement in the management of the funds. CCCF investments could be used, for example, to support resilience focused on livelihoods, livestock, water, natural resource governance, climate information services, etc. They will be structured to work through the government's established planning and budgeting systems and will be able to blend resources from international climate finance development partners and the private sector as well as the national and county government budgets.

Possible DLIs linked to this component: The proposed DLI for this area would be that counties have prepared an Integrated Climate Risk Management (ICRM) action plans based on participatory methodologies. Grants can be provided on an annual basis to support updated plans.

Component 3 : Building cross-government team to support local climate action and capacity for coordination and reporting (USD 20 million): Support would be provided to strengthen linkages between the Climate Change Directorate (CCD), the Council of Governors, the National Disaster Management Authority (NDMA), KMD, KSG, and other

actors who play key roles in coordinating, monitoring, and reporting on climate change and disaster risk management activities in the country.

As the Climate Change Directorate (CCD) serves as the national knowledge and information management center for collating, verifying, refining, and disseminating knowledge and information on climate change, they will play a key role. The CCD will establish an intergovernmental committee comprised of members of CCD, CoG, NDMA and chaired by the CECM Natural Resource Management to oversee the functioning and reporting from established county climate change implementation committees and units; provide guidance and technical support on climate change interventions as needed; monitor progress of implementation of National Climate Change Action Plan and Climate Change Act; promote resource mobilize for meeting and activities; and facilitate networking and knowledge sharing across counties and agencies.

The Council of Governors will also be supported in their function to consult County Governments, share information, facilitate capacity building, and coordinate reporting on climate action from counties. They will establish a dedicated team on Climate Change that can liaise with the county governments, and with national partners.

Possible DLIs linked to this component: The proposed DLIs for this area include: (i) for CCD, the establishment of the intergovernmental committee for climate change, and strengthened capacity to work with partners on climate change planning, action, and learning; and, (ii) for the CoG, strengthened capacity for supporting counties in the area of climate change and liaising with national stakeholders. For county governments to meet a bare minimum standard to receive a readiness grant. More detailed results and indicators will be identified to monitors year-to-year capacity (e.g., maintenance of county climate change teams, inclusion of climate resilience activities in annual work plans, etc.)

1. ***Effective climate finance management and program coordination (USD 30.0 million):*** This area of expenditure would support the costs of the Project Implementation Unit within the National Treasury to carry out all fiduciary aspects of implementation of the program, including financial management, procurement, environmental and social safeguards, M&E, sector coordination of investment targeting and policy harmonization, and donor coordination.

   Possible DLIs linked to this component: The proposed DLI for this area would be that National Treasury has provided effective coordination and management of climate finance. Annual results and indicators will be agreed upon with GOK.

Annex 9: THE NATIONAL POLICY ON CLIMATE FINANCE



REPUBLIC OF KENYA

THE NATIONAL TREASURY

SESSIONAL PAPER NO. 3 OF 2017

ON

THE NATIONAL POLICY ON CLIMATE FINANCE

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ABBREVIATIONS AND ACRONYMS

AFD	Agence Française de Développement (French Development Agency)
CDM	Clean Development Mechanism
CIDP	County Integrated Development Plan
CIF	Climate Investment Funds
COP	Conference of the Parties to the UNFCCC
DANIDA	Danish International Development Agency
DFID	Department for International Development (United Kingdom)
DNA	Designated National Authority
EMCA	Environmental Management Coordination Act
E-ProMIS	Electronic Project Management Information System
FCPF	Forest Carbon Partnership Facility
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHG	Greenhouse Gas
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (German international development agency)
IFMIS	Integrated Financial Management Information System
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau (Germany's government-owned development bank
MRV	Monitoring, Reporting and Verification
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NAMA	Nationally Appropriate Mitigation Action
NCCAP	National Climate Change Action Plan
NCCRS	National Climate Change Response Strategy
NDA	National Designated Authority
NDC	Nationally Determined Contribution
NIE	National Implementing Entity

PFM	Public Finance Management
REDD +	Reducing Emissions from Deforestation and forest Degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries
SCF	Standing Committee on Finance (UNFCCC)
SIDA	Swedish International Development Cooperation Agency
UNFCCC	United Nations Framework Convention on Climate Change

FOREWORD

Kenya's economy is highly dependent on its natural resource base. This makes our country highly vulnerable to climate change, and threatens our Vision 2030 goal of creating a globally competitive and prosperous nation with a high quality of life. Addressing climate change requires that we transform our economy by integrating climate change into development policies and actions across multiple sectors. This will lower greenhouse gas emissions, reduce our vulnerability to climate shocks and deliver poverty reduction gains because taking action to adapt to and mitigate climate change is in our national interest.

Globally, Kenya is a party to the United Nations Framework Convention on Climate Change, the Kyoto Protocol, and the Paris Agreement. Over the past five years, considerable efforts have been made to integrate climate change considerations into the country's policies and programmes, including the Climate Change Act, 2016 that provides for a regulatory framework for an enhanced response to climate change and provides for mechanisms and measures to achieve low carbon climate resilient development.

The National Climate Change Response Strategy and its associated National Climate Change Action Plan lay the groundwork for Kenya's Nationally Determined Contribution under the Paris Agreement. Actions to address climate change include tree planting programmes, protection and conservation of the five water towers (Mau forest complex, Aberdares, Mt. Kenya, Cherangani Hills and Mt. Elgon) as well as geothermal development, energy efficiency programmes and drought management. Kenya has also gained experience in the carbon market through the development of mitigation projects under the Clean Development Mechanism and voluntary carbon market, including in the areas of renewable energy, energy efficiency and restoration of degraded lands.

Climate finance is an important enabling aspect of our efforts to address climate change. The Paris Agreement sets a goal of mobilising USD 100 billion per year by 2020 to support mitigation and adaptation activities in developing countries. Significant financial resources from the public and private sectors are expected to be channelled towards climate activities. In order for our country to take advantage of these opportunities, the right institutional and financial mechanisms must be in place so that resources are directed efficiently toward national climate and development priorities. It is against this background that we have developed this National Policy on Climate Finance.

The purpose of this National Policy on Climate Finance is to improve our ability to mobilise and effectively manage and track adequate and predictable climate change finance. This policy sets out a guiding framework to enhance our national financial

systems and institutional capacity to effectively access, disburse, absorb, manage, monitor and report on climate finance in a transparent and accountable manner. This policy is Kenya's initial step towards a coordinated effort to identify, attract and use climate finance to further climate change and national sustainable development goals.

HENRY K. ROTICH, EGH
CABINET SECRETARY
THE NATIONAL TREASURY

ACKNOWLEDGEMENT

The National Policy on Climate Finance (NPCF) seeks to position Kenya to better access climate finances from a variety of mechanisms and sources. The formulation of this policy was in response to the requirement of National Climate Change Action Plan (NCAAP, 2013-2017) whose main objective was to enable Kenya transit to a low carbon climate resilient development path. The policy has been aligned to the Paris Climate Agreement. The guiding principles of the policy are based on the Constitution of Kenya, 2010, *Kenya Vision 2030*, Climate Change Act, 2016, and the Public Financial Management Act, 2012 (as amended 2014).

The main objective of the Policy is to enhance the country's adaptive capacity and resilience to climate change while promoting sustainable development. In addition, the policy will help Kenya mobilize additional financial resources from both public and private sectors to address challenges of climate change.

A wide range of individuals and institutions have facilitated and participated in the development of this Policy and I would like to recognize their efforts. The development of the Policy was guided by the technical input from a multi-stakeholder team comprising of representatives from National and County Governments, private sector, academia and civil society organizations. In particular, I recognize efforts of staff, directorates and departments of the National Treasury who diligently coordinated and ensured that the process was successful, as well as other government representatives and stakeholders in the development of the Policy, are also appreciated.

Reaching this significant milestone in Kenya's response to climate change would not have been possible without the generous support and Technical Assistance (TA) from Department for International Development (DFID) of the UK Government through the Strengthening Adaptation and Resilience to Climate Change in Kenya Plus (StARCK+) program, United States Agency for International Development (USAID) and United Nations Development Program (UNDP). I sincerely thank you all and look forward to your continued support and collaborative cooperation in future.

DR. KAMAU THUGGE, CBS
PRINCIPAL SECRETARY
THE NATIONAL TREASURY

EXECUTIVE SUMMARY

This policy document is organised into six chapters, with the first chapter providing the Policy overview, context and goal. The second chapter provides a situational analysis of climate finance, and chapter three identifies the scope for climate finance in Kenya. Chapter four sets out the strategic interventions that work toward the achievement of the Policy's goals and objectives. The fifth chapter provides an overview of the governance structures to implement the policy, and chapter six deals with financial requirements. The appendix provides a list of definitions.

This National Policy on Climate Finance seeks to position Kenya to better access climate finance through a variety of mechanisms. Climate finance can help advance the *Kenya Vision 2030* agenda by increasing the country's adaptive capacity and resilience to climate change while promoting low carbon sustainable development. The policy sets out how the National Treasury, other government departments and agencies, and county governments will deliver on the climate finance aspects of the Climate Change Act, 2016, and Kenya's obligations under the Paris Agreement including its Nationally Determined Contribution (NDC).

In line with the UNFCCC Standing Committee on Finance's (SCF) recommended operational definition, this report considers climate finance to include all finance that specifically targets low-carbon or climate-resilient development. As such, climate finance includes domestic budget allocations, public grants and loans from bilateral and multilateral agencies, and private sector investment. The government has tools to generate carbon finance, including encouraging the generation and sale of carbon credits, putting a price on carbon, and establishing an emissions trading system (such as a domestic cap and trade system which is not likely in the foreseeable future).

Evidence of climate change in Kenya includes rising temperatures, irregular and unpredictable rainfall patterns resulting in droughts and floods, and rising sea levels. The negative impacts of these changing climatic patterns include: reduced agricultural production leading to increased food insecurity, loss of biodiversity and ecosystem services, damage to infrastructure, increased health costs, and declines in the quality and quantity of water resources. The cost of managing climate change impacts is increasing in Kenya. Frequent droughts and floods have led to loss of life and damaged property, and exerted pressure on public finances – which can slow down Kenya's growth prospects. Climate change is reversing progress on poverty alleviation, economic growth and stability, and putting at risk Kenya's sustainable development goals.

Accessing and mobilising climate finance will be important for national and county governments to achieve economic development goals while addressing the impacts of climate change. Developed countries have committed to mobilise USD 100 billion dollars a year by 2020 to address the needs of developing countries, as part of the

Paris Agreement. Kenya requires readiness to access this funding, as well as to identify and prioritise strategic domestic climate expenditure.

This Policy establishes the legal, institutional and reporting frameworks to access and manage climate finance, consistent with the institutional structures and framework set out in the Climate Change Act, 2016. The goal of the Policy is to further Kenya's national development goals through enhanced mobilisation of climate finance that contributes to low carbon climate resilient development goals. The objectives of the policy are to:

1. Enhance the implementation of public finance management in relation to climate financing;
2. Establish mechanisms to mobilise internal and external climate finance;
3. Track, monitor, evaluate and report on sources, applications and impacts of climate finance;
4. Enhance the capacity of the country to mobilise climate change finance to support sustainable development; and
5. Encourage private sector participation in climate relevant finance financing opportunities.

The Policy sets out a number of strategic interventions that can encourage the mobilisation of climate finance and increase financial flows. These interventions include the establishment of a national climate finance platform (a Climate Change Fund) that can support the mobilization, coordination and tracking of climate finance in Kenya including both domestic and international resources. This will improve transparency and accountability. The policy encourages building capacity to develop bankable projects and effectively manage and implement those projects. Improved fiduciary standards and management, and application of environmental and social safeguards will encourage participation in climate finance investments and benefits sharing. Capacity building will help national and county governments to implement the Policy; and assist civil society and the private sector to be strong partners in implementation. Active participation in the international negotiations on climate finance and new market mechanisms will enable Kenya to remain informed and well positioned to act on opportunities that arise through the carbon market, development partners and international climate funds.

Strategic interventions that work toward the achievement of the Policy's goal and objectives are set out in five areas:

1. Establish a clear and flexible **legal and regulatory framework** for climate finance that is responsive to developments in Kenya and in the international climate change regime.

2. Develop a **governance and institutional framework** that maximises the opportunities for climate finance mobilisation and investment in the various sectors of the economy.
3. Facilitate the **implementation of initiatives** that enhance climate resilience, reduce greenhouse emissions, and generate carbon credits through the compliance and voluntary markets; as well as contribute to Kenya's social, economic and environmental development.
4. **Attract climate finance and promote climate investment** through financial and economic instruments and cooperative approaches/market-based instruments in which benefits and risks are distributed equitably.
5. Establish a national **Monitoring, Reporting and Verification framework** to provide a clear overview of domestic and international climate financial flows, trends, sources and purposes.

The National Treasury will lead and facilitate the implementation of this Policy, working with partners to mobilise adequate resources and develop required laws and regulations. The strategic interventions will be operationalised by the National Treasury and its partners, including the county governments, through the incorporation of specific actions in their strategic and operational plans. Capacity development for relevant stakeholders, including county governments, will be a critical element of implementation. A continuous programme for monitoring and evaluation will be developed; and the Policy shall be reviewed within three years to assess its effectiveness and relevance in dealing with national and global climate finance issues.

1.0 POLICY OVERVIEW AND CONTEXT

1.1 POLICY OVERVIEW

This National Policy on Climate Finance (hereinafter referred to as the 'Policy') seeks to position Kenya to better access climate finance through a variety of mechanisms. Climate finance can help advance the Kenya Vision 2030 agenda by increasing the country's adaptive capacity and resilience to climate change while promoting low carbon sustainable development. In addition, this Policy contributes to the implementation of the Constitution of Kenya, where a clean and healthy environment (Articles 42, 69 and 70) is a fundamental right under the Bill of Rights.

The development of this Policy has been informed by the 2010 Constitution of Kenya, which introduced a new system of public administration that vests governance authority in the national government and 47 county governments. The responsibility for successful climate change responses and interventions therefore lies with these governments, distinctively and collectively, as they exercise climate change functions that are interdependent, and at times concurrent. The Policy therefore respects that it is often optimal for different levels and sectors of governments to implement interventions in respective spheres of influence. The national government will provide an overarching guidance framework for climate finance, including putting in place a system of national coordination. All sectors and levels of government will be responsible to integrate, where appropriate, climate finance considerations in their plans and programmes. The Policy elaborates on the climate finance aspects of the Climate Change Act, 2016.

1.2 POLICY CONTEXT

This Policy is an important part of accelerating Kenya's development aspirations. *Kenya Vision 2030*, the country's long-term plan for social and economic development, aims to transform Kenya into a globally competitive, middle-income country through substantially higher growth rates and more balanced development. However, climate change if left unattended to will impede this vision.

Globally, climate change is expected to have severe consequences over the short to medium term across such sectors as Agriculture, Industry, Energy, Water, Trade and Tourism. The Fifth Assessment Report of the Intergovernmental Panel on Climate Change classified Kenya as one of the 20 countries and regions most at risk. Evidence of climate change in Kenya includes rising temperatures, irregular and unpredictable rainfall patterns resulting in droughts and floods, and rising sea levels. The negative impacts of these changing climatic patterns include: reduced agricultural production leading to increased food insecurity, loss of biodiversity and ecosystem services, damage to infrastructure, increased health costs, and declines in the quality and quality of water resources. The Horn of Africa drought crisis in 2010-2011

demonstrated Kenya's vulnerability to climate change. The country's high dependence on climate-sensitive natural resources for livelihoods increases its vulnerability to climate change.

The cost of managing climate change impacts is increasing in Kenya. Recent climate variability has had significant social and economic costs. Frequent floods and droughts have led to loss of life and damaged property, and exerted pressure on public finances – all of which can slow down Kenya's growth prospects. Private economic activities and infrastructure are being damaged by extreme climate events. The cost of insurance where available is increasing, and many businesses have to divert financial resources to cover the additional costs of adapting to climate change impacts, thereby reducing more productive sector investments. Similarly, the government is forced to spend public resources on new or improved infrastructure, on efforts to seek alternative sources of food and water, and on relocation of communities and recovery operations from natural disasters. Climate change is reversing progress on poverty alleviation, economic growth and stability across Kenya, and putting at risk the sustainable development goals of the country.

This National Policy on Climate Finance comes following the adoption of the Paris Agreement by all Parties to the UNFCCC in December 2015. The Policy will help Kenya to mobilise additional domestic and international climate finance resources to address its climate change and national development agenda, including the goals and objectives set out in its NDC. Formulation of this Policy was initiated within the framework of the Climate Change Act, 2016 and the National Climate Change Action Plan (NCCAP, 2013-2017) whose objective is to encourage low carbon climate resilient development through implementation of the National Climate Change Response Strategy, 2010.

1.3 GOAL, OBJECTIVES AND PRINCIPLES

1.3.1 Policy Goal

To further Kenya's national development goals through enhanced mobilisation of climate finance that contributes to low-carbon climate resilient development goals. This policy provides a legal and institutional framework to guide and promote: climate finance flows, tracking of climate finance, engagement with county governments, private sector participation, technology transfer, and equitable benefit sharing from climate change interventions in the country.

1.3.2 Policy Objectives

This National Policy on Climate Finance aims to:

a. Enhance and streamline the implementation of public finance management in relation to climate financing;

b. Establish mechanisms to mobilise internal and external climate finance;

c. Track, monitor, account for, evaluate and report on sources, applications and impacts of climate finance;

d. Enhance the capacity of the country to mobilise climate change finance to support sustainable development; and

e. Encourage and facilitate private sector participation in climate relevant financing opportunities.

1.3.3 Policy Guiding Principles

The guiding principles of this Policy are based on the Constitution of Kenya, *Kenya Vision 2030* and its Medium Term Plans (MTPs), Climate Change Act, 2016, Public Finance Management (PFM) Act, 2012, (as amended 2014), various sectoral policies, and international treaties and obligations. The guiding principles are:

Transparency and accountability: To ensure the country has clear definitions and systems that allow for tracking and evaluation of the climate financing flows. These systems should track necessary information that provides valuable feedback for future policy, planning and resource mobilisation efforts.

Inclusiveness: To create business opportunities for private investors and communities, including small-, medium- and large-scale enterprises, to fully participate in national development and climate change mitigation, adaptation and green growth. This will in turn support the government's employment and wealth creation initiatives.

Equitable access to finance: To facilitate access to appropriate resources for transformational change through large-scale investment and support to small- and medium-scale enterprises. The finance strategy will focus on enhancing the role of key financiers involved in both large- and small-scale financing, including commercial and development banks as well as civil society and microfinance institutions.

Effectiveness: To mobilise the appropriate national and international resources to eliminate or significantly reduce financial barriers associated with implementation of low carbon climate resilient development plans. A key element is ensuring that climate finance addresses the most pressing and urgent needs, thus enabling transformational change by supporting a sustainable transition to a green and inclusive economy.

Predictability: To secure resources from different sources to support long-term implementation and a transition to a low carbon climate resilient economy. This means Kenya will have certainty of the availability of sustainable financial resources

over a defined time horizon, and a clearly defined role for public finances to promote and catalyse investment to support the transition.

Equitable benefits sharing: To facilitate full participation in climate finance investments and benefits sharing by and among all stakeholders, including the marginalised, disadvantaged and vulnerable groups.

Environmental and social protection: To provide a mechanism that enhances environmental and social safeguards and benefits from climate finance, and addresses negative climate impacts.

Enshrine a culture for the pursuit of sustainable development: To encourage investments that enable sustained and rapid growth within a low carbon climate resilient development pathway.

Special needs and circumstances: To prioritise the special needs and circumstances of people and geographic areas that are particularly vulnerable to the adverse effects of climate change in the implementation of this policy. This includes, but is not limited to, vulnerable groups such as women, children, the elderly and persons with disabilities.

1.3.4 Policies and Laws Informing this Policy

Various laws and policies make reference to climate change and the need to reduce greenhouse gas (GHG) emissions and increase climate resilience, and will therefore inform and affect the implementation of this Policy.

The Constitution of Kenya, 2010 – Article 10 sets out the National Values and Principles of Governance that are binding in all aspects of public administration and include: rule of law, social justice, good governance, integrity, transparency and accountability, and sustainable development. The Bill of Rights, through Article 42, establishes that a clean and healthy environment is a fundamental right, and Article 43 furthers this with provision for socio-economic rights whose realisation is key to an equitable society, and subject to availability of finances. These rights, which include the human right to water, food and health, require climate finance investments because they intersect with adaptation and mitigation needs. Chapter 12, Article 201 includes provisions and principles pertaining to public finance management, which in turn guide the management of climate finance. These provisions include: openness and accountability; effective public participation in financial matters; prudent and responsible use of public resources; equity amongst generations in sharing the burdens and benefits of resource use; and responsible financial management with clear fiscal reporting.

The Climate Change Act, 2016 – provides for a regulatory framework for an enhanced response to climate change, and provides for mechanisms and measures to achieve low carbon climate resilient development. The Act establishes the National Climate Change Council that is chaired by the President. The role of the Council is to provide an overarching national climate change coordination mechanism, including guidance on the identification of national priorities. The Council has the mandate to manage the Climate Change Fund, which is established under this law, as a climate finance mechanism to support priority climate change actions and interventions. In the new law, National Climate Change Action Plans are the basis for implementing climate change activities every five-year period. The County Integrated Development Plans, required by law as primary planning tools, are the mechanisms for implementing climate change actions and interventions at the County Government level. The Act sets out provisions for public consultation, and provides incentives and obligations for the private sector contribution to low carbon climate resilient development. The Act provides for setting greenhouse gas emission reduction targets, and sets out obligations for measuring reporting and verification of emissions.

Public Finance Management Act, 2012 (as amended in 2014) – regulates the financial management of national and county governments, and ensures that all revenue, expenditure, assets and liabilities of the governments are managed efficiently and effectively. The Act regulates the budget process, public borrowing and debt management, financial reporting and accounting, and enforcement of fiduciary responsibility of public officers.

Kenya Vision 2030 and its Medium Term Plans – presents opportunities to identify climate-related actions and priorities. The Second MTP (2013-2017) notes the importance of climate change, viewing it as an emerging issue that threatens Kenya's economic growth. The MTP identifies actions to address climate change, including implementation of the National Climate Change Action Plan (NCCAP), formulation of a climate change bill and policy, and establishment of a national climate change fund.

Medium Term Expenditure Framework (MTEF) – translates policies and priorities into expenditure and action, including budget making and allocations for climate change actions. The MTEF links policy, planning and budgeting through a three-year rolling budget plan. The MTEF entrenches programme and project prioritisation in the budget preparation process, and predictability in planning and resource utilisation. This in turn enhances transparency and accountability in the allocation and expenditure of public resources.

National Climate Change Response Strategy (NCCRS), 2010 – presents an overarching strategy and vision for a prosperous and climate resilient Kenya. The strategy provides recommendations on low carbon and climate resilient actions, and the enabling environment to encourage these actions. The strategy is a first plan to put

in place robust measures needed to address the challenges posed by climate variability and change in Kenya.

National Climate Change Action Plan, 2013-2017 – sets out a low carbon climate resilient development pathway and actions to operationalise the NCCRS. The plan provides an analysis of mitigation and adaptation options and actions; recommends an enabling policy and regulatory framework; and sets out next steps for knowledge management and capacity development, technology requirements, and a national performance and benefit measurement system. The finance actions include creating a national climate change fund, improving the absorptive capacity of the Kenya public sector, and improving the investment climate for climate finance investment.

County Integrated Development Plans (CIDPs) – present an opportunity to identify climate change priorities and actions at the county level, and to integrate these actions in programmes and initiatives. Under the County Governments Act (2012), CIDPs must have clear outcomes, monitoring and evaluation, and reporting mechanisms. In addition, CIDPs must set out a resource mobilisation and management structure. The mandatory requirement for development of sectoral plans allows room for detailed analysis of climate change priorities and investment needs at the county level

The **Environmental Management and Co-ordination Act, 1999 (EMCA), as amended through EMCA (Amendment Act) 2015** – is framework environmental legislation that establishes appropriate legal and institutional mechanisms for the management of the environment. EMCA is granted statutory superiority over other laws on matters relating to environmental management. Key among the mechanisms established by EMCA is the extensive provision for environmental assessment of investments that includes: strategic environmental assessments, environmental impact assessments, environmental audit, monitoring and inspections. Environmental assessment extends broadly to many areas of socio-economic development and has integrated public consultations into the decision making process on suitability of projects. The amendment Act strengthens provisions for access to information, encourages conservation, improves standards and monitoring, establishes County Executive Committees, and calls for national and county environmental action plans to be developed every five years. Section 56(A) of the revised Act indicates that the Cabinet Secretary shall, in consultation with relevant lead agencies, issue guidelines and prescribe measures on climate change.

The Forests Act, 2005 – underscores the importance of sustainable forest management in recognition of the role forests play in poverty reduction and development. This law sets out the government's role in sustainable land use and forest management with mechanisms that lay the foundation for reforestation, afforestation and REDD+ (Reducing Emissions from Deforestation and forest Degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries) programmes in support

of climate change goals. In addition, the act makes provision for the participation of forest communities in participatory forest management, including rules of access as well as benefit sharing of revenues derived from forest management activities.

The Energy Act, 2006 – promotes mitigation of climate change through energy efficiency and renewable energy, and provides explicitly for the Ministry in charge of energy to use the Clean Development Mechanism (CDM) and carbon trading to promote renewable energy programmes. The act establishes an institutional arrangement with a national regulator, the Energy Regulatory Commission, which exercises oversight on the wide range of economic activities in the energy sector, and promotes stakeholder compliance with established rules.

Property Rights – are important to the activities and investments that are necessary for low carbon climate resilient development, The Constitution provides protection for property rights as a fundamental right, including a right to own and hold property of any kind anywhere in Kenya. Multiple laws further govern property in land. **The Land Act (2012)** regulates processes for allocation of public land for various uses, including investment activities, and requires consideration of local community benefit when such investment activities are approved. The same law also regulates transactions involving private property, including mortgages (charges) and leases. **The Land Registration Act (2012)** is responsible for ensuring integrity in the registration system of land and aspects important to land reforms in Kenya. This law defines the content of land tenure rights and creates a land registry. It also sets out the mechanism of land searches, through which people can verify the ownership details of any land.

Physical planning and development control – are integral parts of land administration, and regulate the nature of socio-economic activities that can be undertaken in various parts of the country. The **Physical Planning Act (Cap 286)** provides for the development of physical plans for urban and rural areas. In addition, it provides for the exercise of a development control function of approving specific land uses, a role now undertaken by county governments.

Intellectual property – such as patent protection, is pertinent to climate finance and the national objective of attaining low carbon climate resilient development. The **Industrial Property Act (Cap 509)** regulates the promotion of inventive and innovative activities, and facilitates the acquisition of technology through the granting, regulation and protection of patents. This law clarifies that an invention is only patentable if it is new, involves an inventive step, is industrially applicable, or is a new use to technology. The statute also sets out what is to be excluded from patent protection.

The Standards Act (Cap 496) – establishes the institutional and legal mechanisms for quality specifications and standards for goods that are manufactured, and/or sold

in Kenya. This includes the establishment of standards of quality, specifications and calibrations, as well as testing of various things to ensure compliance with the rules. The standards mechanism is important for providing standardised solutions required in pursuit of sustainable development through low carbon climate resilient development.

Taxation laws – provide a basis through which the government can raise revenues, as well as provide incentives and disincentives to industry and commerce. **Income Tax Act (Cap 470)** legal tools, such as withholding tax for professional services and taxes on company revenues are complemented by various incentives provided under the same law. The **Value Added Tax Act (2013)** further provides for levying of taxes on certain goods and services, and relates closely with investments in production of goods and services that maybe necessary as climate change interventions.

Investment promotion legislation – is central to entry of structured foreign and domestic investments into Kenya. The **Investment Promotion Act (Cap 485B)** establishes the Kenya Investments Authority, and prescribes a definition of foreign and domestic investors for purposes of minimum capital, facilitation and incentives. This law operates through provision of investment certificates to qualified investors on the principal consideration of whether the investment in question is beneficial to Kenya. This test of benefit to Kenya is based on analysis of how the investment plans satisfy prescribed conditions, including: creation of employment for Kenyans; acquisition of new skills or technology for Kenyans; transfer of technology; utilisation of raw materials, supplies and services; adoption of value addition; and contribution to government revenues.

Treaty Making and Ratification Act (No. 45 of 2012) – is relevant because a significant part of climate change law is international and climate finance sources can be external to Kenya. This law provides rules for the structuring and undertaking of international negotiations with respect to multilateral and bilateral treaties. It requires that a relevant State department responsible for specific negotiations analyses whether prescribed considerations are fulfilled, and obtains advance approval from the Cabinet before joining negotiations. The treaties law further provides a two-step process of approval, first by Cabinet, and a second and final approval by both houses of Parliament.

2.0 SITUATIONAL ANALYSIS OF CLIMATE FINANCE

In line with the United Nations Framework Convention on Climate Change (UNFCCC) Standing Committee on Finance's (SCF) recommended operational definition, this report considers climate finance to include all finance that specifically targets low-carbon or climate-resilient development. As such, climate finance includes domestic budget allocations, public grants and loans from bilateral and multilateral agencies, including from specialised climate change funds. It also includes all private sector investments that support the transition to a low-carbon economy and/or help build the resilience of communities, ecosystems and economies to climate change risks.

2.1 UNFCCC FRAMEWORK FOR CLIMATE FINANCE

Kenya has shown commitment in the fight against climate change for the benefit of the present and future generations by supporting the UNFCCC, the Kyoto Protocol, the Copenhagen Accord, and the Paris Agreement. The UNFCCC sets the overall framework for intergovernmental efforts to stabilise the concentrations of GHGs in the atmosphere at a level that would prevent dangerous man-made interference with the climate system. The Paris Agreement reached in December 2015 forms the basis of the future international climate policy and includes reference to the need to keep global temperature rise below 2°C above pre-industrial levels, in part through Nationally Determined Contributions (NDCs). Countries, including Kenya, will submit NDCs representing the mitigation actions they will take to contribute to the achievement of the global greenhouse gas emission reduction goal. The provision of support to developing countries is a focal point of the agreement reflecting that both developed and developing countries are expected to make mitigation contributions. The Paris Agreement includes a renewed recognition of the need of developing countries to adapt to climate change. Support under the Paris Agreement takes the form of climate finance, technology development and transfer, and capacity building.

2.1.1 Provision and Mobilisation of Climate Finance

Under Article 9 of the Paris Agreement, developed countries reiterate their commitment to provide financial support to developing countries as per their obligations under the Convention. These climate finance commitments aim to support developing countries such as Kenya to realise their mitigation and adaptation goals. The Agreement states that *"Parties to the Paris Agreement shall set a new collective quantified goal from a floor of USD 100 billion per year, taking into account the needs and priorities of developing countries."* This USD 100 billion per year represents expected international financing to support climate change action in developing countries. Kenya will seek access these funds to support domestic actions to achieve Kenya's climate change goals, as expressed in the Climate Change Bill,

2016, National Climate Change Action Plan, and National Adaptation Plan. Kenya's NDC is based on these national climate change plans and Vision 2030.

Finance mobilisation will require coordination of support from public and private, and bilateral and multilateral sources, including principally the Green Climate Fund (GCF) and the Global Environment Facility (GEF), which are the entities entrusted with the operation of the Financial Mechanism of the UNFCCC. The GCF is the largest specialised climate fund globally and is expected to catalyse public and private finance at the international and national levels. The GCF is expected to play a key role in channelling new, additional, adequate and predictable financial resources to developing countries. The GCF will provide simplified and improved access to funding, including direct access through accredited Implementing Entities.

Other funds under the UNFCCC include the Special Climate Change Fund and Least Developed Countries Fund, both managed by the GEF, and the Adaptation Fund under the Kyoto Protocol. The GEF also has a climate change focal area to deliver on its role as a financial mechanism of the UNFCCC.

The REDD+ mechanism was agreed under the UNFCCC to mobilise funding to reduce emissions from deforestation and forest degradation. REDD+ and other forest actions are expanded on in Article 5 of the Paris Agreement that "*recognizes the importance of adequate and predictable financial resources, including for results-based payments, for the implementation of policy approaches and positive incentives.*"

Nationally Appropriate Mitigation Actions (NAMAs) are another avenue for developing countries to make formal submissions to the UNFCCC to seek funding for actions to meet greenhouse gas emission reduction targets included in their NDCs.

2.1.2 Tracking and Reporting of Climate Finance

The Paris Agreement stipulates that structures and guidelines for the reporting of financial resources will be developed. These structures and guidelines will help to ensure that finance flows and transactions are clear and transparent, that progress is being made toward the USD 100 billion goal, and that finance is being effectively directed to countries in need. To that end, Article 13 of the Paris Agreement establishes a Transparency Framework designed to provide clarity on support provided and received by individual parties. In addition, the framework is expected to provide a full overview of aggregate financial support in line with tracking achievement toward the overall global climate change goal.

As part of this Transparency Framework, Kenya is expected to provide information no less frequently than biennially on support needed and received under Articles 9 (finance for mitigation and adaptation), 10 (technology development and transfer) and

11 (capacity building). Parties to the Paris Agreement shall participate in a facilitative, multilateral process to consider progress on efforts to finance mitigation and adaptation. Developed countries are also expected to communicate biennially on their efforts to mobilise these funds, including their provision of public funds for climate action.

2.1.3 Market-based Approaches

Market-based approaches represent another source of finance for developing countries. The Clean Development Mechanism (CDM) created under the Kyoto Protocol allows greenhouse gas emitters in developed countries to purchase carbon credits (or offsets) from emission reduction activities in developing countries. Despite a strong initial promise to generate financing for emission reduction projects, the CDM has a limited role in 2015, especially in countries that are not Least Developed Countries. An oversupply of credits combined with a lack of demand for such credits in developed countries has significantly reduced the scale of financing for developing countries through the CDM.

Article 6 of the Paris Agreement creates two market-based approaches. The first is the voluntary international transfer of mitigation outcomes, which aims to provide flexibility in the achievement of NDCs. This would allow any county to purchase or sell mitigation outcomes as it strives to achieve its NDC. To preserve environmental integrity, any mitigation outcome sold would not count towards the selling party's NDC.

The Agreement also creates a new mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development. This mechanism allows the sale of emission reductions internationally to other countries that can use the reductions to achieve their NDC. This offers the opportunity for countries such as Kenya to secure finance from a purchasing country for mitigation actions implemented within domestic borders.

The market-based approaches under the Paris Agreement must be carefully considered. Kenya's NDC has its own mitigation target that will require emissions reductions. Transferring mitigation outcomes or trading emission reductions under the new mechanism may limit options for Kenya to count domestic emissions reductions towards the achievement of its own NDC GHG emissions reductions. If this is not managed carefully, it may leave only higher cost mitigation options for the government to pursue.

2.1.4 The Mechanism for Technology Transfer and Capacity Building

The Technology Mechanism established under Article 10 of the Paris Agreement is dedicated to promoting and facilitating enhanced action on technology development

and transfer. Both the Technology Mechanism and the Financial Mechanism will support, accelerate, encourage and enable innovation. Specifically, financial support shall be provided to developing countries to support the technology transfer required to reduce greenhouse gas emissions and increase resilience to climate change.

The Technology Mechanism of the UNFCCC is strengthened in the Paris Agreement. It is focused on the undertaking and updating of technology needs assessments, as well as the implementation of their results through the development of bankable projects that are prioritised for financing. This Mechanism will address barriers and enhance enabling environments and technologies that are ready for transfer.

Capacity building is highlighted in Article 11 of the Paris Agreement. It focuses on country-driven actions that respond to needs and foster country ownership. A capacity-building initiative will be established to support developing countries pre- and post-2020.

Readiness support is a key part of the Paris Agreement. This support ensures that developing countries have access to simplified and efficient application and approval processes, and develop the required national, country-driven capacity to access financial support.

2.2 INTERNATIONAL CLIMATE FINANCE LANDSCAPE

Climate change activities are funded through bilateral, regional and multilateral channels. The types of climate finance available through these channels vary from grants and concessional loans, to guarantees and private equity. The climate finance architecture is complex with various modalities, objectives and governance structures. The United Nations Development Programme estimates there are more than 50 international public funds, 45 carbon markets and 6,000 private equity funds across a wide variety of climate change-related themes. Each of these bilateral, multilateral and private sources offers opportunities for developing countries such as Kenya to address their climate and development needs concurrently.

Multilateral funds include the Climate Investment Funds under the World Bank, which include the Clean Technology Fund and the Scaling-Up Renewable Energy Program. The Nordic Development Fund, the joint development finance institution of the five Nordic counties, facilitates climate change investment. At the bilateral level, initiatives such as the United Kingdom's International Climate Fund, Japan's Fast Start Finance and Germany's International Climate Initiative have been at the forefront of scaled-up climate finance.

REDD+ finance flows through multilateral and bilateral channels. The UN-REDD programme and the World Bank's Forest Carbon Partnership Facility (FCPF) are the

main multilateral funds. Bilateral funders of REDD+ programmes include Norway's International Climate and Forest Initiative, and Australia's International Forest Carbon Initiative.

Private sector actors are increasingly involved in low carbon and climate resilient investments, with private climate finance flows comprising a large proportion of global climate finance, particularly in the clean energy sector. The International Energy Agency has estimated that about 80 per cent of global climate investment will come from private actors by 2020. Additionally, the insurance sector is scaling up its efforts to respond to climate impacts.

The Organisation for Economic Cooperation and Development is establishing methodologies to track publicly-mobilised private climate finance, or private sector finance that has been mobilised by bilateral and multilateral climate interventions funded by developed countries. This private finance would be considered as a contribution toward the goal of USD 100 billion of climate finance per year by 2020 to support climate change actions in developing countries. For example, the Danish Climate Investment Fund – a public-private partnership between the Danish state and private parties – has provided a route for institutional investment in renewable energy and adaptation projects in developed and developing economies.

Private sector actors are the main drivers of the Voluntary Carbon Market, mainly for reasons of corporate social responsibility. Carbon credit purchases are made voluntarily in this market, which is different from the CDM market where buyers purchase credits to comply with their obligations under the Kyoto Protocol.

2.3 THE CLIMATE FINANCE LANDSCAPE IN KENYA

Kenya has a generally positive investment climate that will help it attract climate finance. Kenya's investment climate is characterised by stable monetary and fiscal conditions and a legal environment that makes few distinctions between foreign and domestic investment. Key macroeconomic fundamentals are strong and Kenya is becoming a favoured business hub.

Kenya has been successful in accessing international climate finance. At least 15 different public agencies support climate change activities within the country, including those with resources from climate finance. Multilateral institutions, such as the World Bank and African Development Bank (AfDB), are key players providing, for example, low-carbon infrastructure investment in the renewable energy sector.

Kenya is also looking at opportunities to secure funding from the Green Climate Fund and has to that end nominated the National Treasury to act as Kenya's National Designated Authority (NDA) to the GCF. Further the National Environment

Management Authority (NEMA) has secured accreditation as a National Implementing Entity (NIE) to the GCF. This will enable Kenya to secure funds from the GCF through direct access, as well as through regional and international implementing entities. The Government of Kenya will receive support from the GCF Readiness Programme to better prepare for accessing and managing GCF funding. This support includes:

- Capacity strengthening for the NDA in the areas of stakeholder engagement, outreach, and project and programme identification;
- Institutional capacity building for national Accredited Entities and Executing Entities;
- Preparation of country programmes and project pipelines for Green Climate Fund support.

Kenya has recently received support on climate finance readiness from the Africa Climate Change Fund (ACCF) of the AfDB to support the development of project concept notes and proposals to advance low-carbon, climate-resilient development in the forestry, agro-forestry and agriculture sectors. These proposals are to be presented to domestic and international funding sources for consideration.

Major bilateral financial partners supporting climate change activities in Kenya include the United Kingdom's Department for International Development (DFID), French Development Agency (AFD), Danish International Development Agency (Danida), German international development agency (GIZ), Japan International Cooperation Agency (JICA), Swedish International Development Cooperation Agency (SIDA), and the German government-owned development bank (KfW).

Kenya is also a UN-REDD Programme partner country and a participant of the Forest Carbon Partnership Facility. Bilateral development partners also support REDD+ initiatives.

The cumulative public expenditure commitment in Kenya from development partners over 2005-2015 is estimated to be USD 2.29 billion.

The Public Finance Management Act, 2012 sets the rules for how government can raise and spend money, including funding from bilateral and multilateral agencies, through which much climate finance is expected to flow. The Cabinet Secretary for Finance must approve any grant or donation that goes to any national government entity; the grant must be accounted for using national financial accounting systems; and the grants are to be consistent with the national development plan, Vision 2030. Counties can also receive funding from loans or grants from donors and face the same rules as the national level, except that the approval must be given by the County Executive member for finance.

Carbon markets have incentivised international private sector investment in mitigation activities. Kenya has hosted several innovative projects through the CDM and the voluntary carbon market. Many voluntary market projects focus on cookstoves to improve household energy efficiency and forestry sector projects. While the CDM has played an important role in Kenya in encouraging private sector investment, evidence suggests this market holds very little promise to generate investments before 2020 because of a decline in demand and uncertainty around the functioning of new market-based mechanisms created under the Paris Agreement. Market readiness activities and a strong engagement in UNFCCC negotiations on markets are of great importance.

The private sector is investing heavily in geothermal activity, biomass, solar and small hydroelectric projects; and is increasingly engaged in providing financial and insurance services. The unlocking of private sector investment has been encouraged through various fiscal incentives. For example, importing, constructing and selling photovoltaic cells are exempted from duty and tax, and the government has given ten-year tax holidays for small-scale solar projects. The government can consider additional economic and financial instruments to leverage private sector investments into low carbon and climate resilient initiatives. These include guarantees to enable small- and medium-sized enterprises to access funds from financial institutions; and guarantees, insurance and concessional loans to address the barriers associated with risky investments and up-front investment costs.

2.4 KEY ISSUES, CHALLENGES AND OPPORTUNITIES

The climate finance landscape is complex. A multitude of funding channels increases the options and possibilities for Kenya to access climate finance, but they also make the process more complicated. Improving access to climate finance from the various sources requires a robust and efficient legal and institutional framework as set out in this Policy. Each component of the national finance system, such as budgeting, institutions and policy, have a role to play in the creation of an enabling environment for climate finance. In addition, Kenya needs to develop expertise and capacity to know where to target efforts to access climate finance.

Kenya's climate change challenges require both mitigation and adaptation interventions. Prudent management of resources requires a balance in the allocation of mobilised resources to both mitigation and adaptation to address the climate change needs of the country. Criteria are needed to identify an appropriate allocation of resources in a manner that proportionately responds to both climate resilience and low carbon priority needs.

The enabling environment includes the establishment of a financing mechanism (a national climate change fund), which will streamline climate finance mobilisation at

the national level and link to funds at the sectoral and county levels – such as county adaptation funds and a REDD+ fund. The fund is envisioned to provide a platform that facilitates the mobilisation, coordination and tracking of climate finance flows, including both domestic and international resources.

Strengthening the national and county financing systems for climate finance is essential because the current systems do not easily identify and track climate finance. The diversity in sources of climate finance introduces challenges in monitoring and evaluating the implementation and impact of climate change interventions. Mechanisms to identify the sources and track how the finance has been utilised are needed to optimise the application of climate finance. These mechanisms will assess the disbursement, absorption and management of funds in a transparent and accountable manner. A framework for tracking climate finance should incorporate finance sources derived from the broad spectrum of actors, including international and domestic, public, private and civil society. Improved tracking of climate change-related inflows and expenditures should be integrated into national budgetary processes, including identification and coding of climate change expenditure.

Kenya's institutions – central government, county governments, the private sector and civil society – have a large enough reach to channel climate finance. However, potential implementing and executing entities have limited capacity to deal with eligibility criteria and modalities of the various funds. Barriers include: limited awareness of existing funds; limited technical capabilities to evaluate, and screen projects or programmes; limited capacity to develop innovative finance packaging and a bankable project pipeline; lack of experience in using innovative financial instruments such as green bonds; and limited monitoring and reporting capabilities.

Potential implementing and executing institutions have delivered some climate-related programmes that have leveraged private finance, but capacity to deliver more complex projects involving multiple financing instruments and institutions is limited. Kenya has limited experience in delivering 'direct access' type functions. NIE accreditation such as that required by the GCF requires adherence to strict fiduciary standards and environmental safeguards, including greater transparency of financial management systems, more robust risk management systems, and more regular reporting requirements. Extensive capacity building is required, particularly in fiduciary management skills, to enable institutions to to disburse, absorb and manage large projects and large funds in a transparent and accountable manner. Transparency and accountability need to be strengthened, and necessary steps taken to prevent corrupt practices in climate finance resource allocations.

Better coordination across agencies and stakeholders is essential for investment to be directed towards low carbon climate resilient development. Open and transparent dialogue between national and county governments, business, long-term investors, and microfinance, banking and development institutions will be important to address

financing challenges and position Kenya to attract funding. Efforts to coordinate climate financing can build on the Joint Sector Working Group and discussions with development partners.

Access to private capital flows, which account for a significant proportion of international climate finance flows, is crucial for Kenya. The private sector is risk averse and Kenya requires an enabling environment that minimises any real or perceived risks. In addition, Kenya needs policies and programmes that use public climate funds to leverage large investment from the private sector, and sound institutional processes and investor promotion activities need to play a central role in successfully attracting funding.

While carbon markets are currently weak, much private sector investment is expected to eventually flow through carbon market-based mechanisms such as the CDM and any new mechanism that may be agreed under the UNFCCC. This requires that Kenya be an active participant in the international negotiations on climate finance and new market mechanisms to remain informed and well positioned to act on opportunities as they arise. Efforts to incentivise voluntary market projects could be considered, as these projects can serve as a source of experimentation and innovation to prepare for future carbon market mechanisms. The viability of compliance and voluntary carbon market activities will depend on the security of property rights surrounding the assets, the taxation regime and financial services arrangement of the transactions, and the costs involved in complying with additional regulation, such as environmental approvals and project approval processes.

Equitable sharing of benefits that result from climate finance and carbon markets is a constitutional requirement. A robust international agreement with new market mechanisms could revive carbon market opportunities in Kenya. Any benefits that might accrue from carbon market activities and transactions, such as fees or taxation-related income, would need to be shared between the national government, county governments and local communities.

Strong national and county systems will optimise the accessing and application of climate finance, and offer prudent mechanisms to identify sources and track how the finance has been utilised. A robust policy framework that establishes an enabling environment for private sector investment and growth will also assist in attracting, disbursing, managing and reporting on climate finance in a transparent and accountable manner. This Policy seeks to strengthen Kenya's national and county systems and build an enabling environment that will help scale-up climate finance and direct public and private funding toward pro-poor low carbon climate resilient development (green economy).

3. SCOPE FOR CLIMATE FINANCE POLICY IN KENYA AND TARGET SECTORS

Mobilising adequate and predictable financial resources is vital to achieve Kenya's low carbon climate resilient goals, including the goals articulated in the Climate Change Act, 2016. Climate finance has the potential to support priority activities and investment strategies in key sectors as described below. These sectors make significant contributions to Kenya's broader development goals, and investments in these sectors can help Kenya transition toward a low carbon climate resilient development pathway. The Government of Kenya has demonstrated commitment to address climate change; with the NCCAP estimating that climate change expenditure in Kenya from 2005 to 2015 was approximately Ksh 37.23 billion.

International climate finance offers the opportunity to support priority actions in these sectors at the national and county level. The county governments will be critical implementers of low-carbon and climate resilient initiatives, being responsible for agriculture, health services, public amenities, and county planning and development among other services.

3.1 AGRICULTURE, LIVESTOCK AND FISHERIES

The agriculture, livestock and fisheries sector contributes significantly to economic growth and employment. This climate-sensitive sector is both a sink and a source of GHG emissions, and is negatively impacted by climate change. Agricultural systems will need to adapt to climate change impacts and shocks in order to ensure adequate provision of food for a growing population while increasing export crop production to generate foreign exchange earnings. At the same time, the sector is a large and growing GHG emitter, responsible for about 30 per cent of Kenya's emissions in 2010, with about 90 per cent of the emissions generated by the livestock sector. The agriculture sector offers great potential for synergies among the objectives of food security, poverty reduction, adaptation and mitigation. Hence, the sector should be prioritised to develop climate smart agricultural practices that reduce climate vulnerability and increase climate resilience, while also reducing emissions and improving agricultural production potential. Examples of climate friendly actions requiring increased investment include:

- Mainstreaming of climate change into agricultural extension systems;
- Establishment and maintenance of climate change related information pools or centres for crops, livestock and fisheries;
- Promotion of Climate Smart Agriculture, including, for example, drought tolerant high value and alternative crops; water harvesting for crop production; efficient irrigation systems; index-based weather insurance; conservation

agriculture: agroforestry; soil management; animal breeding; and integrated farming systems including aquaculture;

- Price stabilisation schemes for livestock and crop farmers;
- Post-harvest management of crop, livestock and fisheries products; and,
- Protection and conservation of fish critical habitats and breeding grounds, and re-stocking as required.

3.2 FORESTRY

Increasing tree cover to a minimum target of 10 per cent of total land area is a stated goal of Kenya's Constitution and Vision 2030. Actions to increase forest cover have both climate resilience and low carbon benefits. Forests help to increase resilience by preventing flooding and landslides, and reducing erosion and sediment discharge into rivers. The forestry and other land use sector are responsible for an estimated 32 per cent of GHG emissions in Kenya. Planting trees and protecting forest ecosystems are important elements of Kenya's climate change response by building resilience and increasing carbon sinks. In addition, the government is developing a national REDD+ strategy and implementation framework that emphasises conservation and sustainable management of forests. The forestry sector is a key sector for delivering national climate change mitigation and adaptation goals, and climate investment can support such actions as:

- Reduction of deforestation and forest degradation;
- Conservation and sustainable management of forest areas;
- Conservation and protection of water towers;
- Increased afforestation and reforestation activities, such as restoration of dry and arid land forests and reforestation of degraded forests; and
- Development of sustainable fuel wood plantations.

3.3 ENERGY

The energy sector is an enabler of economic growth and development. Improved, expanded, effective and reliable national energy infrastructure can lower the cost of doing business and increase Kenya's competitiveness. Climate change threatens energy infrastructure, and lower annual rainfall has reduced the electricity generating capacity of hydroelectric dams, which provided over 50 per cent of Kenya's electricity in 2013. The energy sector is a large and growing emitter of GHG emissions, accounting for an estimated 16 per cent of GHG emissions in 2010. Fossil fuel-based electricity generation and consumption of fossil fuels in the transport sector contribute significantly to GHG emissions. Energy use in the form of fuel wood and charcoal by the majority of the Kenyan population increases emissions

through deforestation and forest degradation. The recent discovery of commercially viable deposits of oil and coal will likely contribute to increased emissions. Mobilisation of climate finance can help the government provide incentives to attract and catalyse investments in the following areas:

- Expansion of renewable energy such as geothermal, solar, wind and biomass electricity generation;
- Energy efficiency in public buildings;
- Energy efficient household products, including solar lighting and improved charcoal and gas cookstoves;
- Climate-proofing energy infrastructure, which refers to the integration of climate change risks and opportunities in the design, operation and management of infrastructure; and
- Exploration of the allocation of royalties from the extractives sector to a fund to support climate resilient and low carbon actions.

3.4 TRANSPORT

The transport sector is a key pillar and critical enabler for achieving Kenya Vision 2030. Transport infrastructure – such as port facilities, railways, bridges and roads – will need to be constructed in a manner that accounts for rising sea levels and the increased occurrence of extreme weather events such as storms and flooding. The road sub-sector has shown significant growth, with the number of road vehicles estimated to have more than doubled over the past decade. The transport sector was responsible for 10 per cent of Kenya's total GHG emissions in 2013, and the emissions are expected to triple by 2030, along with increases in local air pollutants. Water and rail transport are currently not advanced sub-sectors although both are growing in significance because of the construction of the standard gauge railway line and improvements to Kenyan ports including building a new Lamu port. Climate finance provides opportunities and incentives for the transport sector to considerably reduce GHG emissions and increase resilience. Priority actions include:

- Low-emitting clean energy sources such as bio-fuels, Liquefied Petroleum Gas or Liquefied Natural Gas;
- Fuel switching, for example switching from a fossil fuel-driven railway to clean electricity;
- Mass rapid transit system for Nairobi such as bus rapid transit with light rail transit corridors;
- Improvements in heavy duty and passenger vehicle efficiency through improved fuel economy, motor vehicle labelling and feebate systems; and
- Climate-proofing transport infrastructure.

3.5 TRADE

The trade and commerce sector is exposed to the impacts of climate change primarily because of effects on goods that are traded, but also directly through the transportation of goods. Extreme weather events can disrupt water and power supply, and damage transportation infrastructure. The trade sector depends on products and services developed by other sectors of the economy, and therefore any adverse climate change impacts of such sectors will likely impact trade. The agriculture, manufacturing and transportation sectors, which are key cogs for internal and international trade, are highly vulnerable to climate variability and extreme weather events. A successful trade sector will therefore require building resilience across the entire economy of Kenya. Trade could also be impacted by carbon taxes, obligations for emission reduction and the uncertain flow of products, raw materials and labour. Development of low-emission products. Climate finance can support:

- Promotion of low-carbon and green commodities and goods that are produced in a environmentally friendly, socially responsible and equitable way; and
- Climate proofing transport infrastructure, including storage facilities.

3.6 TOURISM

The tourism sector, which accounts for about 10 per cent of GDP, is important for human development in Kenya because of its potential to reduce poverty and create employment. However, climate variability is causing negative impacts that could inhibit the positive contribution of tourism to Kenya. Increasingly warmer temperatures are reducing plant and vegetation productivity in semi-arid environments, affecting wildlife diversity and distribution. This results in wildlife competing with domestic livestock and human beings for both food and water. Kenya's coastline and beaches are prime attractions for tourists, especially during the northern hemisphere winter months. However, the main coastal areas are susceptible to sea level rise due to low altitude, high temperatures and high humidity levels. Realising the Vision 2030 objective of developing Kenya as a major tourism destination globally will require consideration of climate change impacts and commencement of appropriate response and intervention measures. Climate finance can help to build resilience and promote low-carbon actions through:

- Promotion of Kenya as a low-carbon footprint destination through a programme on greening the sector, for example energy efficiency in the sector through such actions as solar water heating and lighting and efficient passenger transport; and
- Research to understand the vulnerabilities of wildlife populations and the potential impacts of tourism.

3.7 MANUFACTURING / INDUSTRY

Industry is a key pillar of wealth creation in Kenya, and expansion of this sector is a significant development strategy. The industrial sector comprises the manufacturing, construction, mining and quarrying sub-sectors. Manufacturing accounts for approximately two-thirds of the sector's activities, and Kenya has one of the largest manufacturing sectors in Sub-Saharan Africa. GHG emissions are still relatively low compared to other sectors, with emissions coming from electricity and fuel use in industry as well as from industrial processes, mainly from cement and charcoal production. Cement manufacturing is highly energy and emissions intensive because of the extreme heat required for production; and many cement manufacturers in Kenya plan to turn to coal as a reliable and cheap fuel source, which will lead to increased GHG emissions. The extractives sub-sector is a potentially high contributor to economic growth in Kenya because high value resources such as oil, gas, coal and other mineral resources have been discovered. Natural resource extraction utilises large quantities of water and energy, and contributes to GHG emissions. In addition, the industry sector is vulnerable to climate change because it relies on infrastructure and services such as water, energy and transport, and therefore is vulnerable to disruptions caused by droughts and heavy rains. The exposure of sensitive infrastructure, such as pipelines, to extreme weather events such as drought and flooding could result in disasters with significant adverse impacts on the Kenyan environment, economy, people and their property. Infrastructure investments need to internalise climate proofing. Climate finance can support low carbon and climate resilient actions in the industrial sector, including:

- Promotion of clean technologies, such as replacing clinker in the cement mix with alternative materials to reduce emissions;
- Energy efficiency in industry;
- Industrial-scale cogeneration using biogas produced from agricultural residues to generate electricity and heat;
- Development of green industrial zones, such as a geothermal industrial zone; and
- Climate-proofing of industrial facilities.

3.8 WATER AND SANITATION

Water is a basic need and critical resource that is impacted by climate change. Increased scarcity of water resources will negatively affect energy production and agricultural systems, make resource management more difficult, and increase the likelihood of conflict. Potential impacts include declining forest coverage, higher costs to provide water to communities (many county governments rely on costly electricity-driven pumps), reduced water quality and quantity for domestic and industrial use, high water pricing and increases in waterborne diseases. Water scarcity, due to increased temperatures, has also been linked to an increase in the incidence of

diarrheal diseases, such as cholera, where sanitation facilities are poor. Increased precipitation may accelerate the spread of these diseases by overflow of sewage from latrines and run-off into water sources causing contamination. Priority actions are closely linked to other sectors, such as agriculture and forestry, and include:

- Integration of climate change information in water modelling and forecasting;
- Enhanced water storage capacity to facilitate an increase in irrigated land;
- Promotion of energy efficient technologies in water supply projects;
- Conservation of water towers; and
- Improved water management and water conservation, including rainwater harvesting, recycling and reuse of water, water conservation awareness campaigns, technology for water conservation in water services and supply, and improved watershed management.

3.9 DISASTER RISK MANAGEMENT AND ENDING DROUGHT EMERGENCIES

Drought is a natural hazard in Kenya, and climate change is expected to increase the magnitude, severity and frequency of drought episodes. The government's intention to end drought emergencies by 2022 could be jeopardised by climate change. Drought has destroyed livelihoods and caused hunger, disease and even death; particularly so in the arid and semi-arid lands that are most vulnerable to the impact of droughts. Of the USD 12.1 billion of drought-related damages and losses recorded in 2008-2011, USD 11.3 billion was attributed to lost income flows across all sectors of the economy. Drought incidences cannot be avoided, but drought need not become a disaster if adequate and appropriate resilience measures are put in place. Appropriate responses to emerging drought and actions to develop long-term resilience to drought could save lives and enhance Kenya's overall economic and social development, and improve livelihoods in some of the poorest regions of the country.

Disaster risk management also responds to flooding, a climate hazard that occurs relatively frequently. Riverine floods are the most dominant and ASALs are particularly vulnerable to flash flooding. Urban flooding is becoming more frequent with rapid urbanisation, poor planning and loss of green spaces. The National Climate Change Action Plan reports that flooding results in losses of 5.5 per cent of GDP every seven years; and flood-related fatalities in the country constitute 60 per cent of disaster victims. Floods cause soil erosion and increase runoff from farms and agricultural enterprises; and increase infrastructure costs because of damage to water, drainage and sewerage systems; transport systems, such as roads and bridges; and power systems, including generation and transmission. Flood events often cause an upsurge in waterborne or sanitation-related diseases, such as typhoid, cholera, malaria and diarrhoeal diseases.

Climate finance can support actions to build climate resilience and reduce vulnerability to drought and flooding, such as:

- Monitoring systems – Quality, credible early warning and food security monitoring systems that make effective use of advances in meteorological monitoring information technology;
- Multi-year food and cash mechanisms – Based on early warning and food security data;
- Water management – Effective and environmentally appropriate systems of water harvesting, management and irrigation, and emergency water supply;
- Climate-proofing of infrastructure – Infrastructure development (water and sewerage, transport, electricity) with improved climate-resilient standards; and
- Livelihoods diversification – Investment in community-based livestock systems, crop farming (both irrigated and rain fed), dryland forestry and forest products, fisheries and other alternative livelihoods.

3.10 RESEARCH AND INNOVATION

Research and innovation will play a key role in climate change adaptation and mitigation strategies and interventions. The complex and dynamic nature of climate change and its impacts requires Kenya to expand and maintain systems for targeted and continuous research and innovation, including development of technologies for the national or local context. Despite considerable effort, further research inputs are required to determine how climate change will impact various economic sectors, ecosystems and vulnerable groups. Empirical evidence is required to support policy, legislative, technological and other interventions. The development and diffusion of local technologies requires an enabling investment environment. Climate finance can support such actions as:

- Incentives for the private sector and institutions of higher learning to undertake research and innovation to develop affordable and locally appropriate adaptation and mitigation technologies;
- Establishment of mechanisms to encourage and facilitate locally appropriate climate change technology development; and
- Linking government, private sector, academic and civil society organisations with global climate change innovation institutions.

4.0 STRATEGIC INTERVENTIONS

The strategic interventions set out priority action areas to deliver on the Policy's goal and objectives. These interventions are based on the principles, challenges and opportunities set out in the earlier sections of this Policy.

4.1 LEGAL AND REGULATORY FRAMEWORK

Policy Statement:

The Government will establish a clear and flexible legal and regulatory framework for climate finance that is responsive to developments in Kenya, including delivering on the climate finance elements of the Climate Change Act, 2016, and climate finance elements required under the international climate change regime.

Interventions:

a) Establish a national climate finance mechanism (a Climate Change Fund) within the legal framework established in the Climate Change Act, 2016 to support the funding of activities

b) Augment the mandate of the National Climate Change Council to provide an overarching national climate change coordination mechanism, through development and setting up of an integrated platform to support the mobilization, coordination, access to, and tracking of climate finance in Kenya, including both domestic and international sources.

c) Work with the National Climate Change Council and the ministry responsible for climate change affairs to develop regulations for duties relating to climate change, within the legal framework established in the Climate Change Act, 2016.

d) Foster strong national and county financial systems for climate finance building upon principles of the Public Finance Management Act, 2012 (as Amended 2014) while identifying and coding climate change expenditure within the national budget to aid in transparency and accountability of climate finance.

e) Develop laws and regulations for tracking climate finance mobilisation and application, in line with guidelines to comply with reporting requirements of the Paris Agreement on financial, technology transfer capacity building support received by developing countries.

f) Develop new legislative instruments to govern the terms and type of involvement of entities in GHG emission reduction initiatives and carbon market initiatives. New instruments will be designed to facilitate GHG emission reduction initiatives and carbon market engagement.

g) Identify and implement fiscal, taxation and other policy options (such as green bonds) in priority areas with high GHG emission abatement potential or high climate resilience benefits.

h) Identify legal and regulatory barriers that discourage private sector and financial sector low-carbon and climate resilient investment, and suggest solutions.

i) Promote an enabling policy framework for investment and create business-friendly regulatory environments to encourage investment of climate finance in key areas such as renewable energy, efficient transport, clean manufacturing. sustainable agriculture and drought management.

j) Use policies, laws and regulations to develop market-based and non-market-based mechanisms.

k) Establish rules to determine the responsibility for paying costs and liability for taxes.

l) Establish rules for the treatment of events in case of non-performance or disputes.

4.2 GOVERNANCE AND INSTITUTIONAL FRAMEWORK

Policy Statement:

The Government will develop a governance and institutional framework that maximises the opportunities for climate finance mobilisation in the various sectors of the economy.

Interventions:

a) Mainstream low carbon growth and climate resilience options into the planning and budgeting processes and functions of the national and county governments.

b) Strengthen the capacity of priority institutions at the national and county levels to access, disburse, absorb and manage climate funds in a transparent and accountable manner.

c) Strengthen the capacity of priority institutions at the national and county levels on matters related to fiduciary standards and management, and environmental and social safeguards. Adopt and implement sector specific anti-corruption, transparency, accountability and integrity mechanisms to safeguard prudent management of climate finance.

d) Provide advice to county governments on priority actions and strategies related to climate change that should be in integrated into functions and budgets of department and entities of county governments.

e) Establish a capacity building programme at national and county levels to assist priority government institutions, financial institutions, project developers, and civil society in developing bankable projects.

f) Develop a capacity building programme to help national and local financial institutions assess the risks of new climate-related technologies and design innovative financial schemes to support industry in adopting them.

g) Augment existing coordination committees under the National Climate Change Council, such as the informal Joint Sector Working Group and the Inter-Ministerial Climate Finance Technical Advisory Committee with the new climate finance mechanism (Climate Change Fund) to track and coordinate climate finance and harmonise at the national and county levels.

h) Facilitate information dissemination and knowledge flow on climate finance.

4.3 FRAMEWORK FOR THE IMPLEMENTATION OF LOW CARBON AND CLIMATE RESILIENT INITIATIVES

Policy Statement:

The Government will mobilise climate finance to facilitate the implementation of initiatives that enhance climate resilience and reduce GHG emissions, as well as contribute to Kenya's social, economic and environmental development.

Interventions:

a) Inform the National Climate Change Council on economic and fiscal impacts related to climate change; in particular the likely impact of implementation of the climate change action plan on the economy, the competiveness of particular sectors, small- and medium-sized enterprises, employment opportunities, and the socio-economic well-being of any segment or part of the population.

i) Integrate knowledge on climate finance, and the economic and fiscal impacts of climate change, into policy and decision-making processes.

b) Develop a climate investment framework linked to Kenya's NDC that clearly highlights reforms needed to create the enabling conditions and sets out priority investment opportunities to transition Kenya to a low-carbon climate resilient economy.

c) Facilitate accelerated analysis and prioritisation of bankable projects and programmes in key sectors, including Agriculture, Water, Forestry, Energy, Industry, Transport and Drought Management.

d) Develop and improve the portfolio of projects eligible for consideration by actors providing climate finance.

e) Pursue project development under programmatic and other relevant schemes to help small-scale projects access investment funding.

f) Develop mechanisms that encourage and facilitate inter-industry collaboration and co-financing of climate change projects.

g) Establish a government-industry/financial sector roundtable to identify actions to encourage the implementation of climate change mitigation and adaptation actions by the private sector.

h) Encourage investments in and mobilise climate finance for research and innovation, including the promotion of public-private research partnerships, increased domestic and international collaboration; and enhanced development of locally appropriate climate change technologies.

4.4 FRAMEWORK TO ATTRACT AND PROMOTE CLIMATE FINANCE

Policy statement:

The Government will attract climate finance and promote climate investment through financial and economic instruments, and cooperative approaches/market-based mechanisms in which benefits and risks are distributed equitably.

Interventions:

a) Working through the climate finance mechanism (Climate Change Fund), develop a strategy to identify sources of climate finance. The strategy will explore possible avenues to attract internal and external climate finance, including through foreign direct investment and other multilateral or bilateral funding.

b) Put in place a mechanism and criteria to achieve a balance in the allocation of mobilised climate finance to adaptation and mitigation actions.

c) Supported by the climate finance mechanism (Climate Change Fund), foster scale up of climate finance through targeted strategic partnerships with bilateral and multilateral partners.

d) Encourage "direct access" to climate funds through awareness raising and capacity building to improve fiduciary standards, project management and environmental and social safeguards within priority institutions

e) Develop robust and flexible public financial instruments to support and leverage private sector investments in low carbon and climate resilient activities.

f) Promote investor confidence and participation in market-based mechanisms, focusing on the voluntary carbon market over the short term, while preparing for the mechanisms created under the Paris Agreement.

g) Facilitate Kenyan participation in the design and implementation of cooperative approaches and market-based mechanisms.

h) Enhance the generation, management and issuance of emission reduction credits and trading of carbon credits. Enhance Kenyan capacity to engage in carbon asset activities, strengthen the viability of domestic carbon asset production and increase access to international carbon markets.

i) Improve capacity to develop, implement and report on initiatives supported through results-based finance, particularly in relation to forestry projects.

j) Establish innovative mechanisms for additional resource mobilisation, such as green bonds.

4.5 MONITORING, REPORTING AND VERIFICATION FRAMEWORK

Policy statement:

The Government will establish a national Monitoring, Reporting and Verification (MRV) framework to provide a clear overview of domestic and international climate financial flows, trends, sources and purposes.

Interventions:

a) Develop a strategy and make regulations setting out procedures and powers to monitor financial, technology transfer, and capacity building support received to comply with the Paris Transparency Framework.

b) Develop a strategy to monitor and track uses of climate finance by various national, county, non-state and private sector actors, to enhance integrity and to eliminate corrupt practices.

c) With the support of the climate finance mechanism (Climate Change Fund), establish a climate finance tracking system, including development of required subsidiary legislation, taking into account international best practices and the Paris Transparency Framework requirements.

d) Prioritise and enhance the use of existing MRV processes, data collection and information management systems (such as the Integrated Financial Management Information System [IFMIS], National Integrated Monitoring and Evaluation System [NIMES] and Electronic Project Management Information System [E-ProMIS]) for completeness, transparency, comparability, accuracy and efficiency in regard to climate finance.

e) Integrate the climate finance tracking system with performance, outcomes and benefits sharing and reporting.

f) Ensure that the climate finance MRV system is transparently linked with national and county sustainable development planning, budgeting and monitoring systems.

g) Publish and disseminated update information on climate finance, and provide necessary inputs to international reporting obligations on climate finance.

h) Support capacity building of the NDA, NIEs and other climate finance actors to monitor the climate change and sustainable development impacts of projects under implementation, and report on climate change programmes to policymakers and donor agencies.

j) Build capacities of national and county entities to participate in the MRV process and systems, including tracking the flow of financial, technology transfer and capacity building support received; and tracking national and sustainable development impacts resulting from activities.

k) Develop institutional capacity to undertake baseline calculations in the major GHG-emitting entities in order to facilitate GHG emission monitoring and reporting that will enable MRV of results-based finance.

5.0 GOVERNANCE

5.1 IMPLEMENTATION

The National Treasury will lead and facilitate the implementation of this Policy. The National Treasury shall mobilise adequate resources for the successful implementation of the Policy and develop required laws and regulation.

The strategic interventions identified in Section 4 will be operationalised by the National Treasury and its partners, including county governments, through the incorporation of specific actions in their strategic and operational plans. These plans will provide detailed information on specific actions to be undertaken, the implementing agencies and partners, timelines and costs.

5.2 INSTITUTIONS

The main government institutions and stakeholders engaged in the delivery of this Policy are described below.

5.2.1 Oversight, Implementation and Monitoring

The main government institutions engaged in the oversight, implementation and monitoring of this Policy are described below.

a) The National Climate Change Council, established under the Climate Change Act, 2016 and chaired by the President, will guide the implementation of this Policy and receive at least bi-annual reports on the implementation of this Policy. The council's mandate is to provide legislative and policy direction, supervision, oversight and guidance on climate change across all levels of government. The Council will administer the climate finance mechanism (Climate Change Fund), including approving requests for funding, making funding allocation decisions, and improving the tracking and coordination of climate finance.

b) The National Treasury is the primary custodian for all matters of climate finance and shall be responsible for the overall implementation of this policy. The National Treasury will set up an office dedicated to climate finance, and will coordinate and facilitate activities related to climate finance, including the activities of the climate finance mechanism (Climate Change Fund) and the Inter-Ministerial Climate Finance Technical Advisory Committee (discussed below). The National Treasury is Kenya's NDA for the Green Climate Fund.

c) The Ministry responsible for climate change affairs shall provide technical advice and services on climate change to the National Climate Council, National Treasury and the Technical Advisory Committee.

d) The Inter-Ministerial Climate Finance Technical Advisory Committee, working as appropriate, with the climate finance mechanism (Climate Change Fund), shall

offer advisory services to the Government, including the National Climate Council, on climate finance and the means to generate climate finance. The Committee shall be comprised of representatives from relevant line ministries, the Chairperson of the Council of Governors, and representatives from the private sector, civil society and academia.

5.2.2 County Government, and Other Government Ministries, Departments and Agencies

Other government ministries and agencies that play important roles in the implementation of this Policy are described below.

a) The Ministry in charge of energy shall provide support on all matters related to energy within this Policy.

b) The Ministry in charge of agriculture shall provide support on all matters related to agriculture, livestock and fisheries within this Policy.

c) The Council of Governors shall be the primary conduit for all matters of climate finance for the counties.

d) County governments shall consider climate finance in their efforts to mainstream climate change in County Integrated Development Plans, taking into account national and county priorities.

e) The Ministry or agency that manages the National REDD+ Programme shall provide technical support on matters related to REDD+ climate finance.

f) The agency responsible for drought management and disaster risk reduction shall ensure climate finance issues are mainstreamed within drought management plans and that the impacts of climate change are sufficiently addressed in funding programmes so as to ensure climate proofing.

g) The National Treasury, in its role as the NDA to the GCF, shall develop and implement a procedure to review project and programme proposals for the GCF in order to issue the required No-Objection Letter as well as a procedure to nominate potential Implementing Entities to the GCF.

h) The agency recognised as the Designated National Authority to the UNFCCC for the CDM and the NIE for the Adaptation Fund shall continue to facilitate project proposal approvals for the CDM and project proposal development and delivery under the Adaptation Fund.

i) The agency in charge of standards and labelling shall provide standardisation solutions for sustainable development.

j) The agency in charge of investments will play an indirect role in facilitating climate investments in Kenya for both domestic and foreign investors, and shall specifically promote the underlying assets of CDM and REDD+ projects in Kenya.

5.2.3 Other Stakeholders

Civil society, academia and the private sector are critical stakeholders for the implementation and oversight of this policy.

a) Research institutions and universities will play a key role in research, education, capacity building and establishment of centres for excellence on clean technology, climate financing and emissions trading.

b) Civil society will play an important role in awareness creation, monitoring and oversight, and will be encouraged to access climate finance to implement low carbon and climate resilient initiatives.

c) The private sector will play a critical role in implementing actions and investing in low carbon climate resilient technologies.

5.3 CAPACITY BUILDING

The capacity in the areas of climate finance and fiduciary management is currently inadequate. The Government will endeavour to build this capacity over time. In this respect the Government will:

a) Provide training in areas related to climate finance, particularly for matters related to fiduciary management, and environmental and social safeguards.

b) Establish strong linkages between local and international organisations dealing with climate finance.

c) Provide adequate budgetary pre-event preparation, event and post-event support of the Kenyan team that participates in international negotiations and discussions on climate finance and other aspects of climate change.

5.4 MONITORING AND EVALUATION

The National Treasury shall be responsible for monitoring and evaluation (M&E), and shall develop a continuous programme for M&E of the Policy. The programme shall be conducted by relevant stakeholders from public and private sectors, and undertaken in a manner that ensures the vision, mission, objectives and strategies of this policy are appropriately implemented.

This Policy shall be reviewed every three years to assess its effectiveness and relevance in dealing with emerging national and global climate financial issues.

6.0 FINANCIAL REQUIREMENTS

To meet the stated objectives in this Policy and its related laws and regulations approximately Ksh. 200 million annually will be required over five years to support operationalisation of the policy. The National Treasury requires funding to mobilise short- and long-term experts to prepare and develop bankable pilot climate projects; support the functioning of the climate finance platform and its Climate Change Fund, Inter-ministerial Climate Finance Technical Advisory Committee; undertake research and piloting of climate resilient and low carbon technologies; participate in international discussions and negotiations on climate finance; act in its capacity as the NDA for the Green Climate Fund; build capacity of national government ministries and departments, county governments and other stakeholders; and develop regulations and guidelines.

In addition, seed funding of Ksh. 500 million will be required to allow the climate finance mechanism (Climate Change Fund) to financially support activities, as well as support any role it may play to coordinate and track climate finance. This seed fund is expected to support technical advisory, capacity building, research and feasibility studies in the 2016/2017 financial year; moving toward support of low carbon and climate resilience activities in later financial years.

APPENDIX I: DEFINITIONS AND TERMINOLOGY

Adaptation: Adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities.

Adaptation Fund: A fund under the UNFCCC generated by charging an adaptation levy on CDM projects. The purpose of the fund is to help vulnerable developing countries meet the costs of adapting to a changing climate.

Adaptive Capacity: The ability or potential of a system to respond successfully to climate variability and change, and includes adjustments in both behaviour and in resources and technologies.

Capacity Building: The process of developing the technical skills and institutional capability to effectively address climate finance within mandates and responsibilities.

Carbon Credits: A financial unit of measurement that represents the removal of one tonne of carbon dioxide equivalent from the atmosphere. Carbon credits are generated by projects that deliver measurable reductions in greenhouse gas emissions, and can be sold or traded through carbon markets.

Carbon Market: A trading system through which countries or other entities may buy or sell units of greenhouse gas emissions in an effort to meet their national limits on emissions, either under the Kyoto Protocol or under other agreements such as that among member states of the European Union.

Carbon Sequestration: The process of removing carbon from the atmosphere and depositing it in a reservoir or "sink", such as soil or trees.

Clean Development Mechanism (CDM): A Kyoto Protocol initiative under which greenhouse gas emission reduction projects in developing countries generate tradable carbon credits called Certified Emission Reduction. These credits can be used by developed nations to offset their carbon emissions and meet their Kyoto reduction targets. Kenyan CDM projects include renewable energy generation, improved cookstoves and reforestation. Despite a strong initial promise to generate financing for emission reduction projects, the CDM has a limited role since 2013. An oversupply of credits combined with a lack of demand for such credits in developed countries has significantly reduced the scale of financing for developing countries through the CDM.

Climate Change: Changes in global or regional climate patterns, including changes in temperature, wind patterns and rainfall. In particular, climate change refers to a change apparent from the mid to late 20th century onwards and attributed largely to human activities that increase levels of greenhouse gas emissions, especially atmospheric carbon dioxide produced by the use of fossil fuels. Climate change is sometimes referred to as global warming, which specifically refers to the long-term trend of a rising average global temperature.

Climate Finance: While climate finance is not clearly defined in the international climate change regime, in this policy it means the flow of funds (both domestic and foreign sources) toward activities that reduce greenhouse gas emissions or build climate resilience. Climate finance comprises both public and private sources. Public finance includes United Nations and global climate funds; funds through bilateral and multilateral partners; and domestic government funds allocated to climate change actions. Private finance includes funding provided by for-profit and non-governmental organisations; philanthropic foundations; and public and individual charities.

Climate Proofing: Assessing current and future climate risks and impacts, and adjusting investment and business decisions to account for anticipated harm and losses as well as opportunities.

Climate Resilience: Closely linked to adaptation, building climate resilience includes reducing vulnerability to climate change, making sure that the impacts of climate change are avoided or cushioned, and enabling people to respond to climate risks.

Conference of the Parties (COP): The supreme governing body of the UNFCCC, which meets once a year to review the Convention's progress. The word "conference" is not used here in the sense of "meeting", but rather of "association".

Cooperative Mechanisms: The Paris Agreement avoids direct reference to market-based approaches, but establishes cooperative approaches that will allow for the transfer of emission reductions and removals. The first is the voluntary international transfer of mitigation outcomes, which allows any county to purchase or sell mitigation outcomes as it strives to achieve its NDC. The second is a sustainable development mechanism that allows the sale of emission reductions internationally to other countries that can use the reductions to achieve their NDC. The rules for these cooperative mechanisms need to be drawn up in a process that could take several years.

Direct Access: A funding stream where the recipient country can access finance directly from a fund without going through a third-party intermediary.

Designated National Authority (DNA): An authority designated by a national government for the Clean Development Mechanism to review and approve CDM activities. The National Environment Management Authority is Kenya's DNA to the Clean Development Mechanism.

Emissions Trading: One form of carbon pricing creating a market-based system for regulating the emissions of greenhouse gases. The quantity of emissions is controlled and the price is allowed to vary by the issuing of tradable emissions permits. These rights to emit can be traded in a commercial market under an emissions trading scheme.

Enabling Environment: Robust national policy and institutional frameworks to effectively plan, access, disburse, absorb and manage climate funds in a transparent and accountable manner.

Executing Entities: Organisations that execute eligible activities supported by the GCF under the oversight of accredited NIE.

Green Climate Fund (GCF): A fund within the framework of the UNFCCC that aims to assist developing countries address climate change. It is intended to be the centrepiece of efforts to raise climate finance of $100 billion a year by 2020, and the main multilateral financing mechanism to support mitigation and adaptation action in developing countries.

Greenhouse Gas (GHG): Any gas that absorbs infrared radiation in the atmosphere. Greenhouse gases include, but are not limited to, water vapour, carbon dioxide, methane, nitrous oxide, chlorofluorocarbons, hydro fluorocarbons, hydro chlorofluorocarbons, ozone, per fluorocarbons and sulphur hexafluoride.

Intergovernmental Panel on Climate Change (IPCC): Established in 1988 by the World Meteorological Organization and the UN Environment Programme, the Intergovernmental Panel on Climate Change surveys worldwide scientific and technical literature and publishes assessment reports that are widely recognised as the most credible existing sources of information on climate change. It is a scientific body under the auspices of the United Nations that reviews and assesses the most recent scientific, technical and socio-economic information produced worldwide relevant to the understanding of climate change.

Kyoto Protocol: The agreement reached in Kyoto in 1997 under the UNFCCC that commits developed countries and countries making the transition to a market economy (Annex I counties) to achieve quantified targets for decreasing their greenhouse gas emissions.

Low Carbon Development Pathway: A national development plan or strategy that encompasses low-emission economic growth. Transitioning to this pathway means taking actions, where possible, to encourage greenhouse gas emissions that are lower than business-as-usual practice; and reducing the human causes of emissions by moving toward a resource efficient economy that is as low-carbon as possible and enhancing carbon sinks.

Measurement, Reporting and Verification (MRV): A term used to describe all measures which countries take to collect data on greenhouse gas emissions, mitigation actions and support, to compile this information in reports and inventories, and to subject these to some form of international review or analysis. The NCCAP proposed an integrated MRV+ framework for Kenya to measure, report on and verify the results and impacts of mitigation, adaptation and climate finance actions, and the synergies between them.

Mitigation: In the context of climate change, a human intervention to reduce the sources or enhance the sinks of greenhouse gases. Examples include using fossil fuels more efficiently for industrial processes or electricity generation, switching to solar energy or wind power, improving building insulation, and expanding forests and other "sinks" to remove greater amounts of carbon dioxide from the atmosphere.

National Designated Authority (NDA): An authority designated by a national government for the Green Climate Fund, to recommend to the Board funding proposals in the context of national climate strategies and plans. The National Treasury is Kenya's NDA to the Green Climate Fund.

National Implementing Entity (NIE): A national legal entity that has been accredited by the GCF Board as meeting its criteria to access funding for the implementation of eligible activities approved by the GCF. NEMA is approved as an NIE for Kenya, accredited to have direct access for GCF funding of up to USD 10 million.

Nationally Appropriate Mitigation Action (NAMA): An action that reduces emissions in developing countries and is prepared under the umbrella of a national governmental initiative. They can be policies directed at transformational change within an economic sector, or actions across sectors. NAMAs emphasise support from developed countries to developing countries in the form of technology, financing and capacity building. NAMAs can be formal submissions to the UNFCCC by developing countries seeking support.

Nationally Determined Contribution (NDC): Upon ratification of the Paris Agreement, countries will submit their NDCs, or their national contribution to achieve the global goal of the Paris Agreement. Most NDCs include a GHG emission reduction target and an adaptation goal. Kenya's NDC is based on its NCCAP and

National Adaptation Plan, and thus consistent with Vision 2030 and sustainable development goals.

Offset: Carbon offsets are credits issued in return for a reduction of atmospheric carbon emissions through projects. By paying for such emission reducing activities, individuals and organisations can use the resulting credits to offset their own emissions, either voluntarily or under the rules of most emissions trading schemes. Once offset, their credit equates to an emissions reduction of one tonne of carbon dioxide.

Paris Agreement: An agreement within the framework of the UNFCCC adopted by 195 counties in December 2015 to deal with mitigation, adaptation and climate finance. The agreement aims to reach global peaking of greenhouse gas emissions as soon as possible; to increase ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development; and to make finance flows consistent with a pathway towards low greenhouse gas emissions. The Paris Agreement is due to enter into force in 2020, but will come into effect and be legally binding only after at least 55 countries representing at least 55 per cent of the total GHG gases ratify the Agreement.

Public Finance Mechanism: Financial commitments made by the public sector that alter the risk-reward balance of private sector investments, with the aim of mobilising investment in climate change activities.

Public Private Partnerships: Public Private Partnerships are an association between government and private sector through which private financing is utilised to perform a public function, at a profit to the private sector.

Reducing Emissions from Deforestation and forest Degradation plus the role of conservation, sustainable management of forests and enhancement of forest carbon stocks (REDD+): A mechanism under the UNFCCC designed to create a financial value for the carbon stored in forests, offering incentives for developing countries to reduce emissions by not clearing forested lands.

Results-based Financing: A modality of disbursing finance for payments for projects or interventions conditional to the achievement of previously agreed results. Similar to the CDM, whereby payment is made contingent delivery of verified emission reductions. Results-based finance for REDD+ links payments to both GHG emission reductions and enhancements in forest carbon stocks.

Reforestation: The direct human-induced conversion of non-forested land to forested land through planting, seeding and/or the human-induced promotion of natural seed sources, on land that was forested but that has been converted to non-forested land.

Sustainable Development: Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Technology Transfer: A broad set of processes covering the flows of know-how, experience and equipment for reducing greenhouse gas emissions and adapting to climate change.

United Nations Framework Convention on Climate Change (UNFCCC): The international agreement for action on climate change that aims to stabilise greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous human interference with the climate system. The UNFCCC entered into force in 1994 and has 192 signatory parties.

Voluntary Carbon Market: The market created through carbon credit purchases that are made voluntarily (and outside the compliance market created under the Kyoto Protocol where countries are legally obligated to reduce emissions). This market is driven by the private sector for corporate social responsibility reasons.

Vulnerability: The degree to which a system is susceptible to, or unable to cope with, adverse effects of climate change, including climate variability and extremes. Vulnerability is a function of the character, magnitude and rate of climate variation to which a system is exposed.

Annex 10: Sovereign Green Bond Program

KENYA SOVEREIGN GREEN BOND BRIEF

1. Background of Green Bond Development in Kenya.

- In 2014, The National Treasury and Planning initiated the Kenya Green Bond Agenda which it subsequently highlighted in the Green Economy and Implementation Strategy (GESIP, 2016), National Policy on Climate Finance, 2018 Budget Policy Statement, and Debt Management Strategy (2019).

2. Importance of the Green Bond.

A. Strategic coordination

- A sovereign green bond signals the country's commitment to its sustainable, low-carbon growth strategies, which have a positive impact on the private sector investment case for green sectors.

- Internal collaboration between different stakeholders is one of the positive spill-overs of issuing a sovereign green bond. Inter-ministerial collaboration and Private Sector support is key to the implementation of the country's long-term low-carbon growth strategy.

B. New and diverse investors

- Green bonds attracts new socially responsible investors and asset managers with green investment mandates.

- For emerging economies, increasing and diversifying the investor base could be a key benefit, especially in the case of offshore sovereign green bond issuances.

C. Pricing advantages

- Driven by high demand and increasingly diversified investor base, several treasuries have reported better pricing of their green bonds compared to vanilla bonds. For instance, the French sovereign bond is reported to have closed at 13bp over a comparable non-green OAT.3

- A recent pricing study conducted by the Climate Bonds Initiative in partnership with the IFC, Pax, Obvion and Rabobank, shows that not all green bonds carry new issue premiums, and some are even issued at a discount.

D. Visibility

- Reputational benefits is one of the gains issuers look for in a green bond issuance.

- The government can use the green bond issuance as a promotional tool, to reinforce its sustainability agenda, or signal a policy shift towards a more diversified economy and the future development of low-carbon climate-resilient sectors.

E. Green Bond market creation

- Given their benchmark role in the in domestic debt markets, sovereign green bonds support the market's further development. They provide a nascent green bond market with the scale and liquidity it needs to encourage trading and facilitate price discovery.

- A sovereign issuance will also automatically raise the profile of green bonds with other potential issuers (cooperate green bond issuers) and indirectly set good practice issuance processes and standards for the whole market.

- Issuance of sovereign green bonds also opens the green bond market to a large share of institutional investors' portfolios allocated to sovereign debt.

- Sovereign green bond issuance also help boost National Financial Centers that are looking to position themselves as 'green financial hubs' in the region.

F. Capital mobilization

- Research has shown that public funds will not be enough to cover the challenges posed by climate change and infrastructure demand over the next 15 years. Mobilizing private capital towards the "right" investments is therefore paramount.

- Growing green bond markets globally contribute to the new paradigm shift in mobilizing private capital to be invested in infrastructure projects, connecting green projects with investor demand, and raising awareness around green project pipelines.

- Further, sovereign green bond can include financial incentives such as tax reliefs and subsidies for the development of low-carbon assets to crowd-in private investments in priority sectors such as agriculture, transport, water and energy.

G. International leadership

- Issuance of sovereign green bond in Kenya will provide a unique way for the government to tap into a large pool of green finance globally and engage in cross-border collaborations.

- An active Kenya green bond market will help reduce the cost of debt by enabling the refinancing of bank loans for infrastructure projects once the projects enter the operational phase and become less risky.

- Recycling debt to the capital markets also enables banks to generate fresh loan portfolios, allowing them to continue lending within their capital constraints.

3.Progress/Activities undertaken within the Kenyan Sovereign Green Bond Landscape

A. Green Bond Programme – Kenya Project Plan

- In March 2017, National Treasury and Planning in collaboration with Kenya Bankers Association (KBA), Nairobi Securities Exchange (NSE), Climate Bonds Initiative (CBI), Financial Sector Deepening Africa (FSD Africa), Green Bond Programme Kenya, Dutch Development Bank (FMO) and the International Finance Corporation (IFC) launched the Green Bond Programme Kenya (GBPK) Project Plan.

- The Green Bond Programme Kenya Plan aims to promote financial sector innovation by developing a vibrant green bond market. The objectives of the plan are:
    - ✓ Researching on the potential of green bond issuance in Kenya
    - ✓ Developing a pipeline of green investments and engaging with local and international investors
    - ✓ Supporting demonstration green bond issuance from leading banks and corporates
    - ✓ Developing a pool of Kenya-based licensed verifiers
    - ✓ Leveraging the Kenya experience to catalyze similar programs across East Africa Community

B. Green Bond Stakeholder Consultation Forum on the Development of the Green Bond Market in Kenya

- In May 2018, National Treasury and Planning in collaboration with Green Bond Program Kenya, Nairobi Securities Exchange (NSE), Sustainable Finance Initiative (SFI), Kenya Bankers Association (KBA), Climate Bonds Initiative (CBI), FSD Africa and Dutch Development Bank "FMO" hosted the Green Bond Stakeholder Consultation Forum on the Development of the Green Bond Market in Kenya

- The Forum which was Chaired by Dr. Geoffrey Mwau (EBS), Senior Economic Advisor and officially opened by PS, National Treasury aimed at:
    - ✓ Creating awareness of investment opportunities and potential Green Bond projects in Kenya.
    - ✓ Exchanging information and experience on the challenges and barriers in the development of the Green Bond market in Kenya.
    - ✓ Identifying capacity gaps in the Green Bonds market in Kenya.

- ✓ Understanding the modalities of issuance of Sovereign and Corporate Green Bonds in Kenya.
- ✓ Understanding Green Bonds market, Institutional frameworks and the roles of different stakeholders.
- ✓ Developing an ambitious road map and actionable recommendations geared towards issuance of the Sovereign Green Bond in Kenya.

- The forum agreed that the 5 key areas that will inform the way forward are:
- ✓ Support pilot issuance of Kenya's first sovereign green bond
- ✓ Establish incentives (fiscal and regulatory frameworks for Green Bond market in Kenya)
- ✓ Develop innovative structures to enable the participation of MSMEs in the Green Bond Market
- ✓ Capacity building and new business models
- ✓ Establish a Steering Committee to oversee the Sovereign Green Bond implementation and allocation process as per the Sovereign Green Bond Framework.

C. Green Bond Portfolio Review Training

- In June 2018, in partnership with Kenya Bankers Association (KBA), Climate Bonds Initiative (CBI), Financial Sector Deepening Africa (FSD Africa) and Green Bond Programme Kenya; National Treasury and Planning Officers from the Climate Finance and Green Economy Unit were trained on Green Bond Portfolio Review.

- The training provided the necessary skills to undertake a green portfolio review, identify and effectively assess the green eligibility of assets and projects against the Green Bond Standard/Principles. Specifically, the training covered:

  - ✓ CBI (Climate Bond Initiative) Taxonomy
  - ✓ Green Bond certification scheme
  - ✓ Climate Bonds Standard - Green definitions and criteria
  - ✓ How to develop a National Green Bond Framework – Asset Identification

- ✓ How to develop an assurance report – Verification System

D. Selection of Potential Eligible Specific Projects and Assets from 2018/19 FY Budget List of Projects by Programmes.

- Following a meeting convened at the PS office and attended by Dr. Geoffrey Mwau (EBS), Mrs. Felister Kivisi and Mr. Peter Odhengo on 28th June 2018; the PS, National Treasury and Planning directed the team to commence selection of Potential Eligible Specific Projects and Assets from the 2018/19 budget to be used as a pilot for the Green Bond. Follow-up meetings with the Debt Department concurred with the list of Potential Eligible Specific Projects selected.

- All identified eligible projects and assets selected fulfilled the pre-set Green Bond Principles and Climate Bonds Standards on low carbon emissions, use of green technologies, mitigation of greenhouse gases (GHG) emissions consistent Paris Climate Agreement and adaptation to the impacts of climate change.

E. Kenya's Sovereign Green Bond Issuance Framework Development

- In August 2018, National Treasury and Planning- Climate Finance and Green Economy Unit developed the Sovereign Green Bond Framework (attached). According to the Green Bond Principles and Climate Bonds Standards, the framework is a written set of guidelines by which GoK communicates about the characteristics of its Sovereign Green Bond to investors on:

  - ✓ Use of the Proceeds
  - ✓ Process for Project Selection and Evaluation
  - ✓ Management of Proceeds
  - ✓ Reporting Mechanism

F. Green Bond Workshop for Select Parliamentary Committees

- In November 2018, the Sovereign Green Bond Partners organized a workshop for Members of Parliament to provide them with an in-depth understanding on importance of issuance of a sovereign green bond and development of green incentives for the green bond market.

- Cabinet Secretary/National Treasury and Planning was represented by Chief Administrative Secretary/The National Treasury and Planning. CAS/NT&P reiterated the importance of Green bonds as a source of cheaper alternative funding to finance green investments in Kenya.

- The workshop recommended that:

    - ✓ There is an urgent need to undertake a legislative review process, through the relevant regulator in order to have the tax exemption proposals tabled for review by the relevant parliamentary Committee.
    - ✓ CS/NT&P to develop a Cabinet Paper on tax exemption to be presented to the Cabinet.

- Following that the Section 77 of the PFM Act provides that The CS/TNT&P may waive a national tax, a fee or charge imposed by the National Government and its entities; The Climate Finance Unit is keen on following through this recommendation and has commenced development of a draft Cabinet Paper on tax exemption.

- The implementation of the recommendations will:
    - ✓ Create an enabling environment for the nascent green bond market by providing the scale and liquidity needed to encourage trading and facilitate price discovery.
    - ✓ Make Kenya comparatively more attractive to international investors' thus increasing and diversifying the investor base
    - ✓ Assists the GoK to bridge its budget deficit through cheaper alternative finance for green investments in Kenya
    - ✓ Reinforce Kenya's sustainability agenda and signal a policy shift towards a low-carbon climate-resilient development pathway.

G. An Assessment of Green Investment Opportunities in Kenya

- In December 2018, the Kenya Bankers Association conducted a study to: quantify green investment opportunities (in agriculture, manufacturing and transport sector) in Kenya, identify barriers and propose solutions for creating bankable projects.

- Below are the study findings:

AGRICULTURE			
Sub-sector	**Immediate to Short Term (next 1-2 years) annual requirement**	**Medium to long term (5-10 years) annual requirement**	**Opportunities identified**
Forestry	$2.5 million	$7 million	-Tree nurseries -Tree management services
Livestock	$11 million	$75 million	-Hay farming -Production of climate smart animal feed industry. -Sustainable aquaculture. - Insurance
Agro-Inputs	$6 million	$50 million	-Manufacture and sell organic pesticides -Improved seeds. -Marketing and distribution of these products (DEMO farms, agro vets etc.) -Insurance -Storage and distribution
Energy	$13 million	$ 45 million	-Distribution of biogas fertiliser -Other organic fertilisers.
Irrigation	$3 million	$5 million	-Smallholder investments in drip irrigation.
Total	$35.5 million	$182 million	

TRANSPORT			
Segment	**Immediate to Short Term (next 1-2 years) annual requirement**	**Medium to long term (5-10 years) annual requirement**	**Investment opportunity**
Mode Shift		$140 million	City rail Nairobi
Smart Transportation		$350 million	BRT model Nairobi and Mombasa
	$1-$3 million		Ride sharing /car pooling
		$10 million	Ride hailing
Green Freight	$2million	$3-$5 million	Freight matching services
	$2-$3 million	$3-$4 million	Vehicle trailer modification
Fuel Economy. Energy efficiency	$5 million	$15 million	Logistics management technologies/services
		$30 -$40 million	Electric vehicle charging station
		$5-$10 million	Cleaner Fuels – Production of Bio Fuels
Total	$8 million	$610million	

MANUFACTURING			
Segment	**Immediate to Short Term (next 1-2 years) annual requirement**	**Medium to long term (5-10 years) annual requirement**	**Investment Opportunity**
Renewable Energy	$ 3.2 million	$ 8 million	-Solar systems -Small scale hydro-power plants
Energy Efficiency	$ 5 million	$ 10 million	-Replacement of energy intensive equipment's -Modernization of lighting system
Waste Management	$ 5 million	$ 15 million	-Energy recovery -Collection, separation and processing

Agro-processing	$ 25 million	$ 60 million	-New greenfield projects -Biomass combustion system for heat/power generation
Product Innovation	$ 3 million	$ 10 million	-Various product lines using eco-friendly materials
Total	$41.2 million	$103 million	

H. Review and updating of Nairobi Securities Exchange (NSE) Listing Rules

- In February 2019, the NSE launched the NSE Listing Rules (attached). The amended Listing Rules introduced Green Bonds in the Capital Market.

- The Rules set out the operational and procedural rules issued by the Nairobi Securities Exchange Limited for the purpose of ensuring orderliness, efficiency of the market in the initial admission of securities to the Official list of the Exchange, the listing of additional shares, and the continuing listing obligations in compliance with the Capital Markets Act and the Regulations and Guidelines issued thereunder.

- In addition to the aforementioned, the Rules spelt out:
  - ✓ Procedure for admission to listing for Green Bonds
  - ✓ Appointment of an Independent Verifier
  - ✓ Submission of the Information Memorandum
  - ✓ Continuing Obligations for Issuers of Green Bonds
  - ✓ Consequences for breach of greenness requirement for Green Bonds

I. Review and updating of Kenya Green Bond Market Issuers Guide

- In February 2019, the NSE launched the Green Bond Market Issuers Guide (attached). The guide provide issuers and investors with information on:
  - ✓ What is a Green Bond
  - ✓ Green bond issuance benefits for both issuers and investors
  - ✓ Importance of green bond guidelines

- ✓ State of the market
- ✓ Cost and timeline for issuance
- ✓ Submission of applications to CMA and NSE
- ✓ Climate Bonds Taxonomy
- ✓ Eligible green sectors and projects as per the scope on National Policy on Climate Finance.

J. Review and Updating of CMA Policy Guidance Note (PGN) on the operational regulatory environment on Green Bonds in Kenya

- In February 2019, the CMA launched the Policy Guidance Note (PGN) on the operational regulatory environment on Green Bonds in Kenya (attached). The PGN provides for the following guiding principles for the issuance of Green Bonds:

  - ✓ Procedure for Issuance of a Green Bond
  - ✓ Procedure for Listing a Green Bond
  - ✓ Eligibility as an Independent Verifier
  - ✓ Disclosure and Continuous Reporting Obligations
  - ✓ Project Selection Process
  - ✓ Use and Management of Proceeds
  - ✓ Consequences for Breach of Green Requirements by an Issuer of Unlisted and listed Green Bonds
  - ✓ Suspension of a Green Bond

K. CMA Memorandum of Policy Proposals for the Capital Markets Industry (FY 2019/2020) to the National Treasury and Planning.

- In the February 2019, CMA forwarded a Memorandum of Policy Proposals for the Capital Markets Industry (FY 2018/2019) to the National Treasury & Planning. The key policy proposals were:

- ✓ In Kenya, infrastructure bonds are tax-exempt; the same condition could be extended to green bonds, in particular in terms of a waiver of Withholding Tax on interest income from Green bonds.
- ✓ The current tax incentive on infrastructure bonds reads "Interest income from infrastructure & social services bonds with at least a maturity of 3 years is tax exempt". To encourage issuance of green bonds the Government should amend the First Schedule Part 1 Paragraph 51 of the Income Tax Act Cap 470 to insert as underlined; "Interest income from infrastructure, **green bonds** & social services bonds with at least a maturity of 3 years is tax exempt".

- On 18th April 2019, CMA was invited by the National Treasury Budget Department to discuss the proposals and make clarification as appropriate. The Budget Department appreciated the need to put in place measures to have a tax neutral and attractive environment to promote issuance of Green Bonds. Additionally, the Budget team advised that for harmonization of both National Treasury and CMA approaches to green finance, CMA engages the NT-Climate Finance and Green Economy Unit (CF&GEU).

- On 30th April 2019, CF&GEU met with CMA and the two teams converged in the key issues below:
  - ✓ Infrastructure bonds and social services with more than 3 years tenure are tax exempt on interest income
  - ✓ Though most green bonds fall under the classification of infrastructure bonds, new trends in green finance have brought to the fore pro-green climate projects that may not necessarily fall under the definition of infrastructure e.g. re-afforestation, water re-use initiatives, biomass exploitation, bamboo farming and solar panels.
  - ✓ There is need to accord green bonds equivalent tax status as infrastructure and social service bonds to attract issuance of the same.

CF&GEU advised CMA to formally forward to PS/NT the proposals on tax neutrality measures for considerations in the 2019/2020 FY.

L. Internal Consultations between the Debt Department and Climate Finance & Green Economy Unit (CF&GEU)

In April, September and November 2019, the CF&GEU met with the Debt Department and briefed them in detail on the developments of requisite structures to tap into the green bond market. The Debt Department appreciated the efforts made by the CF&GEU and reiterated that the Kenya 2019 Medium Term Debt Management Strategy identifies Green Bonds as part of the government's plan to secure alternative, innovative and non-traditional funding options to increase green investments, and also reduce the fiscal deficit. The Debt Department also advised the CF&GEU to commence the project selection from the 2019/2020 FY.

M. Draft Sovereign Green Bond Framework Stakeholders Consultation Forum

In April 2019, National Treasury and Planning in collaboration with Green Bond Program Kenya, Nairobi Securities Exchange (NSE), Sustainable Finance Initiative (SFI), Kenya Bankers Association (KBA), Climate Bonds Initiative (CBI), FSD Africa and Dutch Development Bank "FMO" hosted the Sovereign Green Framework Stakeholder Consultation Forum.

The forum which was officially opened and chaired by Mr. Albert Mwenda (HSC), Ag. DG/BFEA, National Treasury aimed at receiving inputs that will inform further refinement of the framework.

The forum agreed that the 5 key areas that will inform the way forward are:

- ✓ Revision of the draft framework to incorporate comments from stakeholders.
- ✓ Commencement of identification eligible green projects from the 2019/2020 FY.
- ✓ Training of MDA's of green bond portfolio review
- ✓ Pursuit of tax neutrality measures to promote attractiveness of green bonds.

N. World Bank Technical Assistance to the National Treasury on the Sovereign Green Bond Issuance.

In June 2019, the World Bank wrote to the National Treasury offering Technical Assistance in the following areas:

- Fine-tuning (through review and feedback) the Kenya Green Bond Framework to ensure alignment with international best practice.
- Identifying eligible projects to ensure they contribute to a low carbon and climate resilient future
- Developing a communication strategy
- Developing a post-issuance green bond impact report based on World Bank guidelines and international best practices
- Sharing lessons learnt with potential issuers in Kenya and other countries, as appropriate

The National Treasury positively responds to the TA on 24th September 2019.

O. PS/NT Approves the Sovereign Green Bond Framework.

Following concurrence between PDMO and BFEA on the Sovereign Green Bond Framework (SGBF), on 24th September 2019, the PS/NT approved the SGBF and World Bank Technical Assistance on the Issuance of the SGBF.

P. The National Assembly amends Finance Bill 2019 to take into consideration CMA Memorandum of Policy Proposals for the Capital Markets Industry

The CMA proposed amendment were adopted in 25th September 2019. Clause 12 of the Bill was amended in the proposed amendment to Part I of the First Schedule to the Income Tax Act by inserting the following new items immediately after item 58—

60. Interest income accruing from all listed bonds, notes or other similar securities used to raise funds for infrastructure, projects and assets defined under Green Bonds Standards and Guidelines, and other social services. Provided that such bonds, notes or securities shall have a maturity of at least three years.

Q. Kenya's 1st Corporate Green Bond Issuance.

On October 3, 2019, Nairobi-based property developer Acorn Holdings issued a green bond seeking to raise Sh5 billion to finance sustainable and climate-resilient student accommodation.

The issuance was structured as a "restricted public offer", targeting sophisticated investors who received a 50 per cent guarantee from credit guarantees provider Guarantco on both their investments and the interest. Over-the-counter trading will be allowed. The issuance attained 85 percent subscription, raising Sh4.3 billion of the targeted Sh5 billion.

Cabinet Secretary/National Treasury and Planning was represented by Principal Secretary/The National Treasury. PS/NT reiterated that the mainstream economic sectors are at risk from climate change related hazards and it is upon this background that the National Treasury is leading in the development and building of requisite structures, policy guidelines and framework to tap into the newly emerging Green Bond Market.

R. PS/NT constitutes Kenya Sovereign Green Bond Steering Committee.

In November 2019, PS/NT constitutes the Kenya Sovereign Green Bond Steering Committee. The committee which comprises of Senior Technical Officers from National Treasury and Key Line Ministries will be responsible for analysis of assets eligibility including:

a) Ensuring selected projects are in line with Kenya's priorities, Big 4 Agenda and Vision 2030.
b) Ensuring observance of legal, regulatory and investment guidelines and policies.
c) Aligning selected projects to specific sector criteria and ensuring that selected projects are compliant with the eligibility criteria under the Framework.
d) Establishing the key impact indicators for the eligible projects and ensure availability of relevant baseline.
e) Confirming and reporting on allocation of capital and project status
f) Identifying and assessing environmental, social and governance (ESG) costs in the course of evaluating and monitoring investments

g) On a semi-annual basis, or when required due to changes in the project-portfolio review the selected eligible projects and address: cash flow projections; costs associated with implementation; portfolio quality; market feedback and concerns; overall market sentiment with respect to selected green projects; overall sovereign green bond and general global environment.

h) Assessing budget commitments, ensuring they are not double counted.

i) Reporting on compliance with the Framework's requirements.

4. Legal Framework for approval of the Sovereign Green Bond Framework

- Public Finance Management Act, 2012.
  - ✓ Section 53 (2) provides that the CS/TNT&P may issue national government securities on behalf of the national government for money borrowed by the national government in accordance with criteria prescribed by regulations approved by Parliament for the purpose of this subsection.
  - ✓ Section 53 (2) provides that the authority of the Cabinet Secretary to borrow money includes the authority to borrow money by issuing national government securities.

- National Policy on Climate Finance
  - ✓ The Legal and Regulatory Framework of the Policy provides for strategic intervention in the form of Identification and implementation of fiscal, taxation and other policy options (such as green bonds) in priority areas with high GHG emission abatement potential or high climate resilience benefits.

Readiness Proposal

with The National Treasury

for Republic of Kenya

30 December 2019 | NDA Strengthening & Country Programming

GREEN CLIMATE FUND

Readiness and Preparatory Support Proposal Template

Programme title:	**Kenya NDA Capacity Strengthening and Country Programming**
Country:	Kenya
National designated authority:	The National Treasury
Implementing Institution:	NDA
Date of first submission:	30 May 2018
Date of current submission / version number	19 November 2019 V.5

GREEN CLIMATE FUND

How to complete this document?

i. Please visit the Empowering Countries page of the GCF website to download the Readiness Guidebook and learn how to access funding under the GCF Readiness and Preparatory Support Programme.

ii. This document should be completed by National Designated Authorities (NDA) or focal points with support from their Delivery Partners where relevant. Once completed, this document should be submitted to the GCF by the NDA or focal point to countries@gcfund.org.

iii. Please be concise. If you need to include any additional information, please attach it to the proposal.

iv. If the Delivery Partner implementing the Readiness support is not a GCF Accredited Entity for project Funding Proposals, please complete the Financial Management Capacity Assessment (FMCA) questionnaire and submit it prior to or with this Readiness proposal. The FMCA is available for download at the Library page of the GCF website.

Where to get support?

i. If you are not sure how to complete this document, or require support, please send an e-mail to countries@gcfund.org.

ii. You can also complete as much of this document as you can and then send it to countries@gcfund.org, copying both the Readiness Delivery Partner and the relevant GCF Country Dialogue Specialist and Regional Advisor. Please refer to the Country Profiles page of the GCF website to identify the relevant GCF Country Dialogue Specialist and Regional Advisor.

iii. We will get back to you within five (5) working days to acknowledge receipt of your submission and discuss the way forward.

Note: Environmental and Social Safeguards and Gender

Throughout this document, when answering questions and providing details, please make sure to pay special attention to environmental, social and gender issues, particularly to the situation of vulnerable populations, including women and men. Please be specific about proposed actions to address these issues. Consult Annex IV of the Readiness Guidebook for more information.

Please submit the completed form to:

countries@gcfund.org

Please use the following naming convention for the file name:

"GCF Readiness Proposal-[Country]-[yymmdd]"

1. SUMMARY

Country submitting the proposal	Country name: Name of institution representing NDA or Focal Point: Name of contact person: Contact person's position: Telephone number: Email: Full office address: Additional email addresses that need to be copied on correspondences:	Kenya The National Treasury and Planning Dr. Julius M. Muia, EBS Principal Secretary +254 20 2252299 ps@treasury.go.ke Treasury Building, Harambee Avenue P.O. Box 30007-00100 Nairobi, Kenya odhengo@gmail.com; korirhc@gmail.com	
Date of initial submission	30 May 2018		
Last date of resubmission	17 November 2019	**Version number**	V.5
Which institution will implement the Readiness and Preparatory Support project?	☒ National designated authority ☐ Accredited entity ☐ Delivery partner Please provide contact information if the implementing partner is not the NDA/focal point Name of institution: Name of official: Position: Telephone number: Email: Full office address: Additional email addresses that need to be copied on correspondences:		
Title of the Readiness support proposal	**Kenya NDA Capacity Strengthening and Preparation of a Country Programme**		
Type of Readiness support sought	Please select the relevant GCF Readiness activity area below (click on the box): ☒ I. Country capacity for engagement with GCF ☒ II. Country programming process ☒ III. Direct access to climate finance ☒ IV. Climate finance accessed ☐ V. Formulation of national adaptation planning and/or other adaptation planning processes		

Brief summary of the request	Please include a brief description of the current status of needs in the country and the general readiness context (including non GCF initiatives); specific readiness challenge in the context of climate change; solution/outcome identified. Please also explain how GCF Readiness support activities will advance this solution in the context of climate change; how it will add value to national processes and how this change will be visible over time. (200 words maximum) Kenya, being an emerging economy, is one of the countries most vulnerable to impact of climate change. The country is classified among the countries and regions most at risk to effects climate change, with severe consequences expected over the short to medium term across such sectors as Agriculture, Industry, Energy, Water, Trade and Tourism (IPCC, 2014). According to the recent national statistics, the economic cost of climate change in Kenya is 2 – 2.4 % of GDP each year (KNBS, 2018). Floods alone are estimated to cost 5.5 % of GDP every 7 years, while droughts account for 8 % of GDP every 5 years. To address these impacts, Kenya has developed a significant number of overarching, as well as sector specific, policies, plans, strategies and acts which are relevant to climate actions in Kenya. The priorities elaborated in these documents *(highlighted in Section 2 below)* guide the readiness actions to ensure that Kenya's progress towards climate change finance is aligned with national development priorities and mainstreamed within critical process and institutions dealing with low-carbon and climate-resilient issues. Kenya faces challenges in mobilizing climate finances both locally and externally. Locally, there is low awareness of the impacts and opportunities. Kenya has not mobilized private sector finance adequately, and only this year was the first corporate green bond issued in the country. Externally, many entities lack adequate capacity to fulfill the requirements of global financing. This includes financial and skill capacity to develop bankable project proposals to attract financing, and attaining fiduciary standards that are required. In order for Kenya to take advantage of the opportunities to address climate change, it is imperative to take conscious steps aimed at building capacities and developing clear coordination mechanisms for climate financing including GCF access. It is against this background that the National Treasury, as the NDA for GCF in Kenya, mooted development of this Readiness proposal. The most immediate actions include leveraging private sector financing through creating awareness and removing fiscal barriers to green technology proliferation. Additionally, Kenya proposes to develop GCF country programme aligned with the current national development strategies and goals (NCCAP 2018 – 2022; MTP III), and the GCF priority areas w to boost Kenya's ability to access financing from GCF. is the readiness support will be applied to bolster Kenya's readiness to access and report on climate financing. The readiness support will also support accreditation of direct access entities, enhance the institutional capacity of the NDA to effectively coordinate with line ministries, counties, private sector, civil society organizations and development partners, and facilitate effective stakeholder engagement processes.

Total requested amount and currency	USD 845,670	**Anticipated duration**	36 months

Has the country received or is expecting to receive other Readiness and Preparatory Support funding allocations (including adaptation planning) from GCF or other donors?	☒ Yes ☐ No If yes, please describe the scope of work and the scope of support provided or expected to be provided by the GCF and/or other institutions (100 words). Kenya has in 2016/17 been recipient of readiness support through the UNEP/UNDP/WRI Readiness programme funded by the International Climate Initiative (IKI) of the Germany. This support was applied in setting up NDA offices, initial stakeholder awareness creation and engagement, and accreditation support for 2 entities. A GCF NAP Readiness support for Kenya was also approved in January 2018, to be implemented by FAO. The support will help achieve the following expected results: technical and institutional capacities for adaptation planning in key institutions; Knowledge base for NAPs strengthened; evidence-based results for NAPs improved and integrated in subsequent adaptation plans; and private sector actively engaged and investing in the adaptation process.

2. BACKGROUND

The Fifth Assessment Report of the IPCC classified Kenya as one of the 20 countries and regions most at risk from impact of climate change. The National Climate Change Response Strategy (NCCRS, 2010) was the first national policy document to acknowledge the reality of climate change in Kenya. To implement the NCCRS, Kenya developed the National Climate Change Action Plan 2013-2017 (NCCAP), which set out a vision for a low carbon climate resilient development pathway. Kenya has now developed a second Action Plan on climate change, NCCAP 2018-2022[1]. This plan builds on the first Action Plan (2013-2017) and provides a framework for Kenya to deliver on its Nationally Determined Contribution (NDC). The plan is aligned to the 'new' Government's Big Four Agenda, and the Sustainable Development Goals (SDGs). In addition, Kenya recently launched the third Medium Term Plan (MTP III 2018 - 2022[2]). These climate change actions have been mainstreamed in MTP III, and a highlight of financial resource requirements for the actions provided in the plan. NCCAP 2018-2022 will thus further the achievement of Kenya's development goals by providing mechanisms to realize low carbon climate resilient development. It emphasizes sustainability, while prioritizing adaptation and enhanced climate resilience for vulnerable groups, including women, youth, persons with disabilities, The Action Plan will help further Kenya's development aspirations, and seeks to: align climate change actions with the Government's development agenda; encourage participation of the private sector, civil society, women, youth, people with disabilities, and marginalized and minority groups; serve as the implementation plan for Kenya's NDC and Kenya's NAP 2015-2030 NAP for the five-year period 2018-2022; and provide a framework for mainstreaming climate change into sector functions at the national and county level.

To implement the NCCAP 2018 – 2022, national government ministries and agencies as well as County governments and their agencies are required to mainstream the actions within their development and strategic plans. Some of the actions

[1] Government of Kenya (2018). National Climate Change Action Plan (Kenya) 2018-2022. Ministry of Environment and Forestry, Nairobi, Kenya.
[2] Government of the Republic of Kenya (2018). Third Medium Term Plan 2018 – 2022. Transforming Lives: Advancing socio-economic development through the "Big Four". The National Treasury and Planning, Nairobi, Kenya.

are already mainstreamed in the Third Medium Term Plan (MTP III), and will be mainstreamed in subsequent County Integrated Development Plans (CIDPs), to ensure that they are taken up in Counties and in all sectors in the country. The National Treasury is required to implement the following NCCAP 2018-2022 actions:

i. Mainstream low carbon growth and climate resilience options into the planning and budgeting processes and functions of the national and county governments;
ii. Identify and develop policy and fiscal incentives to promote uptake of climate-friendly technologies;
iii. develop a Strategy for Mobilization of Climate Finances;
iv. Operationalize the Kenya Climate Change Fund (KCCF) through Regulations, and supporting the Fund to foster and scale up climate finance flows through targeted strategic partnerships with multilateral and bilateral partners;
v. Mobilize and manage climate finances, including the management of, access to and tracking of international climate finances;
vi. Build the capacity of the County governments, private sector, civil society organizations and the marginalized groups to access, effectively use and report on climate finance;
vii. Promote investor confidence and participation in market-based mechanisms;
viii. Identify legal and regulatory barriers that discourage private sector and financial sector low-carbon and climate resilient investment, and suggest solutions; and
ix. Pilot the issuance of Green Bonds. Through these bonds, the funds will be earmarked for green projects, many of which will have climate change benefits.

The proposed actions/activities in this proposal are aligned to the NCCAP 2018 – 2022, thus implementation will contribute to achievement of Kenya's climate change aspirations. In addition to the NCCAP, the National Treasury has developed a National Policy on Climate Finance to enhance mobilization of resources for adaptation and mitigation. Other policy and regulatory documents include; National Adaptation Plan, (2016-2030), National Climate Change Policy and Climate Change Act, 2016.

Since establishment of the GCF, the Government of Kenya through the NDA has undertaken the following to establish and operationalize its work with the GCF.

a. Establishment of an Inter-Ministerial Technical Steering Committee (IMTC) chaired by the PS-National Treasury/Focal Point for GCF to oversee and coordinate GCF related decisions.
b. Establishment of the Climate Finance and Green Economy Unit (CF&GE) to coordinate NDA activities within the National Treasury. The Unit provides technical support to the National Treasury on all matters relating to climate finance, including on GCF. It is within the Directorate of Budget, Fiscal and Economic Affairs, Financial and Sectoral Affairs Department. The Unit has reasonable institutional capacity, which includes 5 dedicated staff, who are regularly supported by officers from other departments on need basis. However, some relevant policies, operational guidelines, and strategies to guide the unit in undertaking the NDA mandate on GCF are still lack. These are proposed for development in this proposal.

Since establishment, the CF&GE Unit has been able to undertake the following;

i. Developed the National Policy on Climate Finance which was adopted by Parliament in 2018. The Unit is coordinating implementation of the policy. Immediate proposed actions that require financing include development of a Climate finance strategy, setting up of a National Climate Change Fund and development of a Green Incentive Policy.
ii. Reviewed and issued No Objection Letters for 25 GCF projects. The review process includes holding stakeholder consultation forums with beneficiaries and affected communities.
iii. Issued nomination letters for accreditation of 9 entities
iv. Undertaken various stakeholder consultation and awareness forums with support from the government and UNEP/UNDP/WRI Readiness programme that lapsed in 2018.
v. Developed a draft National GCF Coordination Strategy for Kenya, which requires revision to align to NCCAP 2018 – 2022 and MTP III before validation and roll out.

In 2016/17, Kenya was a beneficiary of readiness support through the UNEP/UNDP/WRI Readiness programme. This support was applied in setting up and equipping the NDA offices, supporting development of 2 proposals, financing initial stakeholder awareness creation and engagement, and accreditation support for 2 entities. The readiness support has so far lapsed, which has stalled progress of some of the activities, as well as planned activities.

Public financing by the government is hardly sufficient to address current gaps. These gaps, if not addressed may hinder achievement of NCCAP 2018-2022 objectives and limit Kenya's access to GCF resources. Some of the immediate actions proposed herein to address the gaps include the following:

i. Development of a GCF Country Programme, which is vital for identifying country priorities;
Kenya has no Country Programme to guide engagement with the GCF. This has led to unstructured engagement and planning/prioritization of GCF activities such as proposal pipeline and nominations for accreditation. The GCF Secretariat has on more than one occasions implored on the NDA to properly prioritize proposals submitted and accreditation nominations. The GCF Country Programme will be aligned to the NCCAP 2018-2022, with a focus on GCF as a potential source of funding for some of the projects identified under the action plan.

ii. Support for accreditation of direct access entities;
The National Environment Management Authority (NEMA) is the only entity accredited for direct access of GCF resources in Kenya. The NDA aims to support accreditation of 2 direct access entities that will be determined through the country programming process. This is expected to boost proposal pipeline development[3].

iii. Revision and finalization of the GCF Coordination strategy to align it with NCCAP 2018-2022 and MTP III, and development of NDA operational guidelines.
The NDA with support from UNEP/UNDP/WRI Readiness developed a draft National GCF Coordination Strategy in 2017. The Strategy was not validated neither was it rolled out. The draft is partly overtaken by

[3] Climate Finance in Kenya: Review and Future Outlook. Discussion paper (2019)

events, as since then, Kenya has developed the NCCAP 2018-2022 and MTP III while the GCF itself has made numerous changes to procedures. The NDA proposes to revise the Strategy to align it to the NCCAP 2018 – 2022, MTP III and current GCF procedures/guidelines before validation and roll out.

iv. Building the knowledge and skills capacity of the NDA staff to effectively carry out its mandate;

Building the capacity of the NDA staff is identified as a priority action in the National Policy on Climate Finance and NCCAP 2018-2022. Capacity is needed to track and report on sources, applications, and impacts of climate finance. Besides that, there is need to train NDA staff on development of bankable project proposals for GCF will improve the quality of proposals submitted from Kenya, and thus better approval rate by the GCF. This activity will be implemented through training and study visits to other countries within the African continent that have been successful in mobilization and application of climate finances. Through a proposed visit to Rwanda, NDA staff expect to learn about practical experiences on optimal structure of climate change Fund, and effective methods of using the Fund as a vehicle to mobilize and apply climate finance.

v. Development of green incentive policy;

The National Treasury has identified the development of a green fiscal and incentives policy to promote green technologies and investments for enhanced NDC implementation as one of the priority actions for the Medium Term. The policy will complement the National Policy on Climate Finance in attracting investment in green technologies by removing fiscal hurdles faced by investors and SMEs. The NCCAP 2018 – 2022 and the National Policy on Climate Finance that identify fiscal incentives as a potential driver of green technology. This action has been assigned to National Treasury for implementation under the NCCAP (pp. 105, 118 NCCAP 2018 – 2022). Through this policy, the National Treasury hopes to leverage private sector financing for green investments and promote proliferation of green technologies.

vi. Capacity building at sub-national level;

Kenya has a devolved system of government with a national government 47 and County governments that are legally autonomous. The County Governments receive funding from the National government, but are also mandated to mobilize resources to implement projects within their areas of jurisdiction. In addition, the County governments legislate through their County Assemblies on matters related to their functions. Although the National government has taken the lead in developing climate policies, County governments will be crucial as they are uniquely positioned to identify opportunities for mitigation and the need for adaptation. Additionally, some of the key sectors for climate action, i.e. agriculture, transport, control of air pollution, among others are devolved functions. Consequently, the NDA i proposes to raise awareness and build the capacity of County governments to identify areas of adaptation and mitigation areas, mobilize resources to finance climate actions, and develop and/or domesticate policies and legislations that are sensitive to the climate needs in collaboration with the lead ministries. This activity will focus on both the County executives as well as County Assemblies.

vii. Development of a tool for tracking climate finance flows among non-state actors;

The National Treasury is in the process of implementing a tracking system within the Integrated Financial Management Information System (IFMIS) to code, track and report public expenditure on climate actions. This is based on the Climate Change Budget Coding Report (CCBC) report of 2015[4]. A big proportion of climate finances however flow through off budget channels to non-state actors. The NDA proposes to develop a mechanism to track and report these finances, thus enhancing transparency and accountability.

viii. Private sector engagement to enhance private sector investment in climate actions;

The National Treasury has been engaging the private sector to encourage participation in financing of climate actions. The National Treasury has developed a Green Bond Framework in preparation of issuance of a sovereign green bond, and has in collaboration with the Capital Markets Authority developed Green Bond listing rules for corporates. This action has led to issuance of the first corporate green bond by Nairobi-based property developer Acorn Holdings, which raised 4.3 billion shillings ($41.45 million) to build environmentally-friendly student accommodation[5][6].Going forward, the NDA proposes collaborate with the Kenya Private Sector Alliance (KEPSA), Kenya Association of Manufacturers (KAM) and Capital Markets

[4] The National Treasury, Republic of Kenya. Developing Climate Change Budget Codes for National Planning and Budgeting. Final Report – March 2015

Authority (CMA) to create awareness of opportunities available for private sector to finance climate friendly investments.

ix. Proposal pipeline development.
The Simplified Approval Process (SAP) is a good opportunity for developing countries to quickly access and apply GCF resources. However, Only one SAP proposal has been submitted to the GCF by Kenyan entities, in addition, most of the GCF proposals submitted from Kenya are multi country and by international entities. The NDA intends to support national entities to develop and submit bankable proposals to the GCF, with a focus on proposals in the SAP category. This process is expected to enhance the capacity of national entities in access and application of GCF resources

The NDA had already submitted a Readiness Support proposal in 2015 which was approved by GCF. The disbursement however delayed, and some of the activities identified in the proposal were undertaken through the above-mentioned UNEP/UNDP/WRI Readiness support and government financing. This necessitated a review of the earlier proposal as advised by GCF.

The proposed readiness request therefore, seeks to compliment the work done under the above UNEP/UNDP/WRI Readiness programme and public financing support from the government. The support from the GCF is extremely important for implementation of priority NCCAP 2018 – 2022 and National Policy on Climate Finance actions on Climate Change adaptation and mitigation activities, and to enhance GCF access. The requested support is for a period of 3 years. This is necessitated by the fact that some of the proposed actions will require a longer period to implement, and the need for long term planning of GCF activities in the country. In addition, the proposed activities and disbursements are staggered over the 3-year period. Further, the proposal development and approval process is long, thus it would require a lot of time and resources to repeat the process every 1 or 2 years.

The key outcomes of this readiness support include:

i) Institutional capacity and coordination mechanisms in place to govern and coordinate climate action and finance
ii) Country Programming process enhanced
iii) Direct access realized; and
iv) Climate finance strategies and project pipeline strengthened

[5] https://www.nse.co.ke/products-services/debt-securities/the-green-bond.html
[6] https://www.cma.or.ke/index.php?option=com_content&view=article&id=591:press-release-cma-approves-kenya-s-first-green-bond&catid=12:press-center&Itemid=207

3. LOGICAL FRAMEWORK AND IMPLEMENTATION SCHEDULE

Outcomes		Baseline[7]	Targets	Activities[8] (brief description and deliverables)	Anticipated duration: 36 months Monthly implementation plan of activities[9]																	
					1-2	3-4	5-6	7-8	9-10	11-12	13-14	15-16	17-18	19-20	21-22	23-24	25-26	27-28	29-30	31-32	33-34	35-36
Outcome 1: **Institutional capacity and coordination mechanisms in place to govern and coordinate climate action and finance**	**Sub-Outcome 1.1: NDA lead effective inter-institutional coordination mechanism**	1 The NDA has reasonable institutional capacity, which includes 5 dedicated staff and fairly well equipped offices. There is an established Climate Finance and Green Economy unit which provides technical support to the National Treasury on climate finance, including on GCF. However, the staff have not been adequately trained on GCF processes, access and modalities, including development of bankable project proposals.	2	**Activity 1.1.1:** Develop operational guidelines/ manuals for the functioning of the NDA **Deliverable 1.1.1** Manual for NDA operation and coordination of activities developed			X														
				Activity 1.1.2: Revise and validate the draft National GCF Coordination Strategy. **Deliverable 1.1.2** National GCF Coordination Strategy finalized and validated			X														
				Activity 1.1.4: Support NDA staff as well as staff from key ministries such as Ministry of Environment, Ministry of Energy and Ministry of Agriculture, NEMA and academic institutions to attend 1 capacity building training programmes on climate finance access, procedures, investment criteria, M&E rules, proposal development, track and report on sources, applications and impacts of climate finance as identified gap in NCCAP. The trained staff will be responsible for training other state and non-state stakeholders on climate finance access and modalities. The activity will include hiring consultant trainers to facilitate the training. **Deliverable 1.1.4:** Capacity and knowledge of the NDA, line ministries staff and academia representatives strengthened on coordination mechanisms of climate action and GCF activities						X							X						

[7] For baselines rated at 1 or 2, please shortly elaborate on current baselines on which the proposed activities can be built on, processes that are in place that the current Readiness proposal can strengthen, or any gaps that the proposed activities would fill in. If more space is needed, please elaborate this in Section 2.

[8] Please include tangible and specific deliverables for each activity proposed, and the timeframe (month number) in which it will be delivered to GCF. Please note that during implementation all deliverables should be included within the implementation reports for GCF consideration.

[9] If the duration of the proposal is longer than 24 months, please change the monthly columns to indicate 2 or 3 months each (e.g. change month "1" to month "1-2' or "1-3").

		Operational guidelines to guide the unit in undertaking the NDA mandate on GCF have not been developed.		in Kenya. The knowledge acquired will be used to support other stakeholders in advancing GCF and climate change activities in the country																	
				Activity 1.1.5: Study visit/ knowledge exchange by 4 NDA staff and 2 non- NDA staff with other countries on the coordination of climate change and GCF activities. <u>Countries and justification:</u> (i)Rwanda-successful in catalyzing climate financing through local Climate Change Fund (FONERWA). Kenya is in the process of setting up the National Climate Change Fund, and the Rwanda case study will provide lessons for operationalization of Kenya's Fund. The Kenya Climate Change Fund is expected to catalyze local co-financing for GCF projects. Through the study visit, NDA staff expect to learn about practical experiences on optimal structure of the Fund institution, and effective methods of using the Fund as a vehicle to mobilize and apply climate finance. **Deliverable 1.1.5:** Enhanced staff capacity and knowledge in climate finance mobilization, and efficient coordination for improved access to resources. This is expected to lead to increased mobilization of funds for Kenya Climate Change Fund. The staff will also develop a proposed design and structure for the Fund with recommendation on the appropriate institution to host and potential sources of finances. A report on best practices on operationalization of the Fund will be developed.		X															

	Sub-Outcome 1.2: No objection procedure for funding proposals and PPF applications established and implemented	1 The NDA has a draft no-objection procedure. This procedure has however not been validated and aligned with the recent country policies and new developments in the GCF	2	**Activity 1.2.1:** Revise and align the no objection procedure with the recent policy developments such as NCCAP and National Climate Finance Policy. **Deliverable 1.2.1:** No objection procedure reviewed and approved								X									
	Sub-Outcome 1.3: Bilateral agreements on privileges and immunities between the country and the GCF executed	0 Kenya has not signed the Privileges and Immunities Agreement with the GCF	2	**Activity 1.3.1:** Bilateral agreement on Privileges and Immunities negotiation between Kenya and the GCF **Deliverable 1.3.1:** Facilitated conversation with Ministry of Foreign Affairs (MoFA) and the Attorney General's office with a view of signing the Privileges and Immunities Agreement			X														
	Sub-Outcome 1.4: Monitoring and verification systems for climate finance flows in the Country enhanced	1 The National Treasury has developed a tool for tracking and reporting climate finances within the IFMIS for state actors. However, users have not been trained on use of the tool. There is no tool or framework for supporting tracking of climate finance flows among non-state actors	2	**Activity 1.4.1:** Training of Ministries, Counties, Departments, Agencies (MCDA) on the use of the coding, tracking and reporting tool (CTRT)already developed within the IFMIS as per the recommendations of the Climate Change Budget Coding (CCBC) Report of 2016 and NCCAP 2018-2022 **Deliverable 1.4.1:** CTRT tool operationalized; At least 2 finance officers in each MCDA trained to use the tool					X												
				Activity 1.4.2: Develop a tool for off-budget (non-state) coding tracking and reporting climate finance for development partners and private sector **Deliverable 1.4.2:** Climate Finance CTRT for off-budget tracking developed.								X									
				Activity 1.4.3: Train Trainers of Trainers (ToTs) on off-budget (non-state) CTRT													X				

				Deliverable 1.4.3: one trainer of trainer workshop held to train non-state actors															
	Sub-Outcome 1.5: Effective coordination mechanism between NDA and National Designated Entity (NDE) for the UNFCCC Technology Mechanism and other climate finance focal points	0	2	**Activity 1.5.1:** Engage with the Kenya's NDE, (Kenya Industrial Research and Development Institute (KIRDI)), National Environment Trust Fund (NETFUND)and other climate change focal points to identify innovative green technologies, and capacity-building needs, which are in line with national development and climate strategies, and technology needs assessments **Deliverable 1.5.1:** Coordination between NDA, NDE and other climate change focal points enhanced; 1 consultative workshop held; two projects identified for incubation and expansion																X
				Activity 1.5.2: Support incubation of innovative green technologies and business models through Kenya's NDE (KIRDI), NETFUND and Kenya Climate Innovation Centre (KCIC). The incubation will include provision of working space and required supplies such as furniture and computers. A local consultant firm, which has experience in incubating start-ups in green technologies will be hired guide the activity **Deliverable 1.5.2:** Business models taken through training, and at least two innovative green technologies or business models supported to full operations																X
Outcome 2: Country Programming process enhanced	**Sub-Outcome 2.1: Stakeholders engaged in consultative processes through in-country training and awareness creation**	1 The NDA has conducted 2 rounds of in-country training for sub national stakeholders in 2017 and 2019. Given the nature of the devolved system of government in Kenya, many of the	2	**Activity 2.1.1:** Conduct in-country training for national and sub-national (Counties) stakeholders on GCF procedures, access and modalities, and including other climate financing opportunities. The trainings will focus on the GCF processes and Kenya's climate change priorities as outlined in the NCCAP 2018-2022 and will aim to trigger bottom-up project pipeline development and will include development of 3 concept notes.						X					X					X

		sub national government stakeholders are yet to be trained on GCF processes, access and modalities. Most of climate change relevant sectors such as agriculture, water and natural resources are devolved, thus implemented at sub national levels		Further development to full proposal to be supported in activity 4.3.1 **Deliverable 2.1.1:** three training workshops on GCF procedures, access and modalities held; three concept ideas identified for further development to concept notes																	
				Activity 2.1.2: Prepare, publish and disseminate brochures and other publications to provide and raise awareness on climate related opportunities **Deliverable 2.1.2**: Quarterly newsletters on climate finance and GCF developed		X		X		X		X		X		X		X		X		X
				Activity 2.1.3: Continuous GCF engagement with NDA and Kenya GCF stakeholders: organize forums for private, public and civil society forums for awareness creation, stakeholders to provide feedback on actions and review country programme, and GCF training for stakeholders. The NDA proposes to invite officers from the GCF to participate in the forums. • Identification of roles of prospective public and private sector entities, and civil society organizations that will be involved in implementing Kenya's climate priorities, Activity to be implemented together with Activity 2.1.1 **Deliverable 2.1.3**: GCF engagement with NDA and Kenya GCF stakeholders enhanced; Missions for trainers from GCF Secretariat to support in-country trainings in Kenya organized					X					X						X
		1 There is no online platform tor information dissemination The National Treasury developed a climate finance website in 2017.	2	**Activity 2.1.4:** Establish and regularly update online platforms (website and social media) to facilitate NDA's communication with stakeholders on matters related to the Fund. **Deliverable 2.1.4:** Online platforms established and hosted; Climate finance webpage maintained and regularly updated;				X													

		There are challenges in hosting the website, at the same time, the Unit doesn't have an IT officer to perform regular updates.																			
	Sub-Outcome 2.2: Country programme for climate finance developed across the climate finance landscape	0 Kenya does not have a GCF Country Programme. There are many national strategies and programmes e.g. NCCAP 2018-22, NAP 2015-30, MTP 2018-2022 that can provide context to this exercise.	2	**Activity 2.2.1:** Development a Country programme aligned with the NCCAP 2018-22, NAP 2015-2030, National Policy on Climate Finance and GCF priorities, including a procedure on revision and update of the Programme. The country programme will contain prioritization of projects for proposal development and submission, including projected financing requirements for specific projects and responsible entities **Deliverable 2.2.1:** Kenya Climate Finance Country programme developed and validated			X															
	Sub-Outcome 2.3: Periodic participatory review and updating of the climate finance Country Programme	0	2	**Activity 2.3.1:** One consultative workshop to review the country programme, audit GCF progress, identify challenges, gaps and discuss opportunities. **Deliverable 2.3.1:** 1 national consultative meeting held														X				
	Sub-Outcome 2.4: Gender issues considered in climate finance programming	0	2	**Activity 2.4.1:** Continuously involve the National Gender and Equality Commission (NGEC) and the Ministry of Public Service, Youth and Gender Affairs in climate finance programming **Deliverable 2.4.1:** Gender Issues incorporated in the country climate finance programming processes																		X
Outcome 3: Direct access realized	**Sub-Outcome 3.1: Accreditation of Direct Access Entities already identified and**	1 Kenya has only one accredited direct access entity (NEMA), 8 entities	2	**Activity 3.1.1:** Support institutional gap analysis of nominated entities against the fiduciary standards and ESS and Gender								X									

	nominated for accreditation	have been nominated for accreditation The UNEP/UNDP/WRI readiness programme supported 2 entities to undertake gap analysis and development of necessary policies.		**Deliverable 3.1.1:** Two nominated entities supported to undertake institutional gap analysis																	
Outcome 4: Climate finance strategies and project pipeline strengthened	**Sub-Outcome 4.1: Climate finance strategy and green incentive policy developed**	0 Kenya doesn't have a policy to guide the incentivization and promotion of green technologies and private sector investments	2	**Activity 4.1.1:** Develop a national climate finance strategy to guide the implementation of the National Policy on Climate Finance. The process will include reviewing the National Policy on Climate Finance to develop an accompanying strategy that includes the Policy implementation plan, work plans and budgetary projections. **Deliverable 4.1.1:** Strategy document developed and validated															X			
				Activity 4.1.2: Develop a Policy on provision of incentives for green technologies and services to promote uptake climate-friendly technologies. The activity will include review of the current local and global policies on incentives with a focus on green technologies; scenario analysis studies to determine the best alternatives and potential impacts of policy actions; provide recommendations on suitable actions for Kenya; and assist in developing a policy to guide incentive actions for Kenya. **Deliverable 4.1.2:** Policy document developed and validated						X												
	Sub-Outcome 4.2 Crowding-in private sector investments	0 The NDA has engaged some	2	**Activity 4.2.1**: Explore implementation of green projects by the private sector and through the PPP model and develop financial products and approaches that accelerate uptake of climate -																		X

		private sector entities through the Kenya Private Sector Alliance and Kenya Bankers Association to explore ways of increasing private sector investment in climate change projects There is however no structured engagement process Previous engagement with the Capital Markets Authority (CMA) developed NSE listing rules for green bonds Further, there is no comprehensive private sector stakeholder map which adequately identifies all the key private sector actors who need to be involved in the process		smart technologies and crowding in of private finance to invest in green projects To be done in collaboration with Public Private Partnerships (PPP) Unit, Nairobi International Financial Center, Financial division, and financial sector players such as the Capital Markets Authority (CMA) and Nairobi Securities Exchange (NSE). **Deliverable 4.2.1**: An enabling environment created through review of current policies to remove bottlenecks and encourage private sector participation; Private sector stakeholders mapped. Recommendations to improve current policies developed and submitted to the relevant authorities/entities.																
	Sub-Outcome 4.3 Project pipeline development	1 Only one Simplified Approval Process (SAP) proposal has been submitted to the GCF by Kenyan entities	2	**Activity 4.3.1** Support development of 3 proposals, 2 being SAP proposals for submission to the GCF. This activity is implemented together with Activity 2.1.1, where three (3) concept ideas are identified **Deliverable 4.3.1:** Three (3) bankable proposals developed and submitted to the GCF						X					X					X

4. ADDITIONAL INFORMATION (ONLY FOR ADAPTATION PLANNING SUPPORT)

This section is only to be completed when seeking support for formulation of national adaptation plans and/or other adaptation planning processes. Please see Part 3 Section 4 in the Readiness Guidebook and please limit to maximum of 500 words.

5. BUDGET, PROCUREMENT, IMPLEMENTATION, AND DISBURSEMENT

5.1 Budget plan

Please complete the Budget Plan in Excel using the template available in the Library page of the GCF website.

5.2 Procurement plan

Please complete the Procurement Plan in Excel using the template available in the Library page of the GCF website. For goods, services, and consultancies to be procured, please list the items, descriptions in relation to the activities in section 2, estimated cost, procurement method, relevant threshold, and the estimated dates. Please include the procurement plan for at least the first tranche of disbursement requested below and provide a full procurement plan for the entire duration of the implementation period if available at this stage.

5.3 Disbursement schedule

Please specify the proposed schedule for requesting disbursements from the GCF. For periodicity, specify whether it's quarterly, bi-annually or annually only.

Please choose one option among the two below and delete the one that does not apply to you. Please fill in information under brackets:

☐ **Readiness Proposal that falls within a Framework Agreement with the GCF**

Disbursements will be made in accordance to *[Clause xx]* *"Disbursement of Grants"* and *[Clause xx]* *"Use of Grant Proceeds by the Delivery Partner"* of the Framework Readiness and Preparatory Support Grant Agreement entered into between GCF and *[Delivery partner name]* on *Click or tap to enter a date*. The Delivery Partner is entitled to submit *[number]* request*(s)* for disbursement each year.

☒ **Readiness Proposal that requires a bilateral Grant Agreement to be signed with the GCF** (please add more disbursement as needed)

- The first disbursement *amounting* ***USD 496,000*** will be transferred upon approval of the readiness request and effectiveness of the Grant Agreement;
- The second disbursement *amounting* ***USD 300,000*** will be transferred upon submission of an interim progress report [and audited financial report][10], in form and substance acceptable to the Fund, [including an audited expenditure statement]; and
- The third disbursement *amounting* ***USD 49,000*** will be made upon submission of a completion report and financial report, in form and substance acceptable to the Fund, including an audited expenditure statement.

Please include an indicative disbursement table showing the expected amounts to be requested and keep to multiples of USD 5,000.

[10] For second disbursement, audited financial report and audited expenditure statement are only required for readiness and preparatory support proposals expected to last over 12 months.

6. IMPLEMENTATION ARRANGEMENTS AND OTHER INFORMATION

6.1 Implementation map

Please describe how funds will be managed by the NDA and/or the Readiness Delivery Partner.

Please describe the differing responsibilities of the NDA and their Delivery Partner for the management of the grant, procurement, implementation of activities, project oversight, monitoring, and reporting. If applicable, please also describe any delegation of responsibility from the Delivery Partner to another Executing Entity.

The National Treasury, which is the GCF NDA will directly implement the readiness programme through its Climate Finance Unit. The Unit is the technical arm of the National Treasury on climate finance matters, including its role as the NDA, and reports to the Principal Secretary of the National Treasury who is the NDA Focal person for Kenya. There will be five (5) staff dedicated for the project, including the project officer and the intern. Additional staff will be provided to support implementation of the project on need basis.

The NDA has requisite fiduciary management procedures and capacity in place, and will be applied in conformity with the requirements of the GCF.

For the purpose of this grant, a special GCF-NDA Project Account already opened will facilitate accounting and avoid co-mingling of funds. The signatories for the requests for disbursement for payments by the Fund have also been identified and shared with the GCF.

The FMCA questionnaire that had been submitted to the Fund following the submission of the first Readiness proposal by the NDA will be revised and shared with the GCF

A Project Steering Committee (PSC) will be constituted drawn from the Inter-Ministerial Technical Committee (IMTC). The members of the PSC will include representatives from NDA, State Department of Planning, Ministry of Environment and Forestry (Climate Change Directorate), Private sector and CSO.

The roles of PSC will be:

- Providing guidance and policy directions on the implementation of the project
- Monitoring timelines and quality of the activities under implementation
- Providing advice (and sometimes make decisions) about changes to the project
- Selecting and/or hiring consultants for the project

6.2 Risks, monitoring and evaluation (M&E), and other relevant information

Please include a set of identified risks and mitigation actions for each, monitoring plan, and any other relevant information you wish to bring to the attention of the GCF Secretariat but has not been included in the sections above.

Risks	Risk Assessment	Mitigation Measures
Trained persons are transferred from the NDA	Low	Train a cadre of persons at the National Treasury on GCF procedures
Delay in recruiting national and international expert	Low	Upon endorsement of the workplan, procurement will be facilitated by the NDA to promptly recruit national and international experts having experiences in high quality advisory services in readiness capacity building in line with GCF requirements. The recruitment will be advertised widely

Delay in execution of activities due to lengthy government procedures	Low	Proper project planning will be ensured by the Project Technical Committee. Monitoring of will also be done through regular progress reports.

Monitoring Plan

Monitoring of the project implementation will be undertaken by the PSC. Quarterly financial and non-financial project progress reports will be prepared and submitted to the PSC with a copy to the GCF. The PSC will monitor implementation in regard to the specifications of the approved work plan (including deliverables and timeline) and budget.

The NDA will use the requisite templates to provide Interim and final reports on progress of agreed schedule, against the work plan, budget, and agreed targets. The interim report will contain proposals on potential revisions to future implementation plans.

The NDA will prepare and submit to the GCF Secretariat annual financial statements in accordance with consistently applied accounting standards, and engage reputable independent auditors to audit expenditures. A copy of the financial statements will be provided to the Auditor General in line with the Public Finance Management Act, 2012.

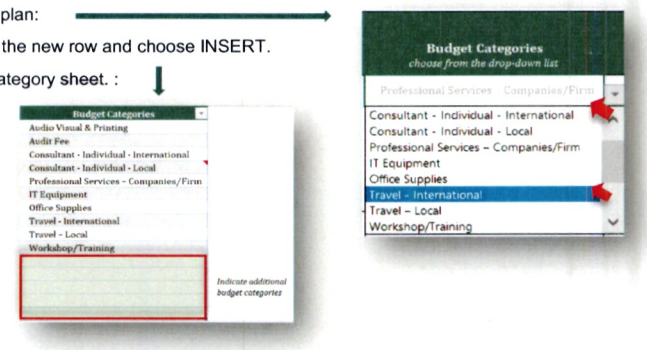
GREEN CLIMATE FUND

Readiness and Preparatory Support Budget and Procurement Plan

Readiness Grant Budget Preparation Guidelines

The following considerations are important when completing the budget:

1. Before preparing the Readiness and PPF budget, please read the full guidance on our website (https://www.greenclimate.fund/how-we-work/empowering-countries).
2. You can select the appropriate budget categories from the dropdown list in the budget plan:
3. To insert additional rows, right click on the row number below where you wish to insert the new row and choose INSERT.
4. Additional budget categories may be added by manually typing them on the Budget Category sheet. :



Project Management Cost:

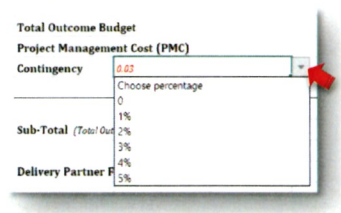
Project management costs (PMC) are the direct administrative costs incurred to execute a project. They should cover only incremental costs incurred due to the GCF contribution. In most cases, these costs are directly related to the support of a dedicated project management unit (PMU) which manages the day to day execution related activities of the project.

General Principles for PMC costs:

1. The percentage of PMC financed by GCF should not be more than the percentage share of the overall budget financed by GCF
2. PMC budget thresholds: Up to 7.5 per cent of total activity budget.
   - > PMC exceeding 7.5 per cent for the readiness (including NAPs) proposals, and PPF proposals, up to $ 3 million will require detailed documentation and justification supporting the entire PMC budget.
   - > The PMC should be shown as a separate component in the project budget. A detailed breakdown of PMC should be provided by budget category.
   - > Indicative list of eligible project management costs:
     - > **Project staffing and consultants:** Project manager, Project Assistant, Procurement personnel, Finance personnel & Support/admin. Personnel
     - > **Other direct costs:** Office equipment, Mission related travel cost of the PMU, Project management systems and information technology, Office supplies, Audit cost

Contingency :

1. Select the appropriate % of Contingency Budget from the dropdown list :



2. Contingency budget for unforeseen costs arising during the project implementation should not be included in the outcome budget separately.
3. Contingency budget must be used for any unforeseen programme (output level) cost that is unrelated to implementation/service fee.
4. Any use of contingency must be reported to and agreed by the GCF Secretariat in writing in advance provided with justifications that are acceptable to the GCF
5. If you get to the end of the project and you haven't spent Contingency, you can't increase the scope of the project or buy some more equipment to use it up.

6. The Budget Notes sheet should be used to record explanations, further details or cost breakdowns for individual lines

If you are unsure about how to complete the budget template, please send your query to: countries@gcfund.org

5.1 Budget Plan

Please add rows for Outcomes, Outputs and Cost Categories as required. Additional budget categories may be added by manually typing them on the Budget Category sheet.

Outcomes		Detailed Budget (in US$)						Total Budget (per outcome)	Disbursement Plan					
		Budget Categories (choose from the drop-down list)	Unit	# of Unit	Unit Cost	Total Budget (per budget category)	Total Budget (per sub-outcome)		6m	12m	18m	24m	30m	36m
1: Institutional capacity and coordination mechanisms in place to govern and coordinate climate action and finance	1.1 NDA lead effective inter-institutional coordination mechanism	Consultant - Individual - Local	W/Day	20	300.0	6,000.00	79,500.00	298,900.00	6,000.00					
		Professional Services – Companies/Firm	newspaper advert	1	1,000.0	1,000.00			1,000.00					
		Workshop/Training	workshop	2	15,000.0	30,000.00				15,000.00		15,000.00		
		Consultant - Individual - International	W/day	10	500.0	5,000.00				2,500.00		2,500.00		
		Travel - International	trip	2	2,000.0	4,000.00				2,000.00		2,000.00		
		Travel - International	trip	1	24,000.0	24,000.00			24,000.00					
		Workshop/Training	conference facility	1	2,500.0	2,500.00			2,500.00					
		Travel – Local	workshop	1	4,000.0	4,000.00			4,000.00					
		Audio Visual & Printing	copies	300	10.0	3,000.00			3,000.00					
	1.2 No objection procedure for funding proposals and PPF applications established and implemented	Hospitality - boardroom meeting expenses (catering services)	meetings	3	600.0	1,800.00	4,300.00		1,200.00		600.00			
		Workshop/Training	conference facility	1	2,500.0	2,500.00					2,500.00			
	1.3 Bilateral agreements on privileges and immunities between the country and the GCF executed	Hospitality - boardroom meeting expenses (catering services)	meetings	2	600.0	1,200.00	1,200.00		1,200.00					
	1.4 Monitoring and verification system of climate finance flows in the Country enhanced	Workshop/Training	training	2	30,000.0	60,000.00	120,500.00		60,000.00					
		Travel – Local	trip	2	5,000.0	10,000.00			10,000.00					
		Workshop/Training	training	1	15,000.0	15,000.0							15,000.00	
		Travel – Local	trip	1	3,000.0	3,000.0							3,000.00	
		Consultant - Individual - International	W/day	30	500.0	15,000.00				15,000.00				
		Consultant - Individual - Local	W/day	30	300.0	9,000.00				9,000.00				
		IT Equipment	laptops	3	1,500.0	4,500.00			4,500.00					
		IT Equipment	printers	2	1,500.0	3,000.00			3,000.00					
		Professional Services – Companies/Firm	newspaper advert	1	1,000.0	1,000.00				1,000.00				
	1.5: Effective coordination mechanism between NDA and National Designated Entity (NDE) for the UNFCCC Technology Mechanism and other climate finance focal points	Hospitality - boardroom meeting expenses (catering services)	meetings	4	600.0	2,400.00	93,400.00				2,400.00			
		Workshop/Training	Workshop	1	15,000.0	15,000.00							15,000.00	
		Professional Services – Companies/Firm	Advert	1	1,000.0	1,000.00					1,000.00			
		Working space & supplies	Space & supplies		45,000.0	45,000.00						45,000.00		
		Consultant - Firm - Local	W/day	60	500.0	30,000.00							30,000.00	
2. Country Programming process enhanced	2.1Stakeholders engaged in consultative processes through in-country training and awareness creation	Audio Visual & Printing	copies	4000	2.0	8,000.00	112,000.00	190,500.00	4,000.00			4,000.00		
		Workshop/Training	training workshop	3	30,000.0	90,000.00				30,000.00		30,000.00	30,000.00	
		Travel – Local	trip	3	4,000.0	12,000.00				4,000.00		4,000.00	4,000.00	
		Professional Services – Companies/Firm	IT services	1	2,000.0	2,000.00				2,000.0				
	2.2 Country programme developed and continuously updated	Consultant - Individual - International	W/days	30	500.0	15,000.00	38,500.00		15,000.00					
		Professional Services – Companies/Firm	newspaper advert	1	1,000.0	1,000.00			1,000.00					
		Workshop/Training	workshop	1	15,000.0	15,000.00			15,000.00					
		Workshop/Training	conference facility	1	2,500.0	2,500.00			2,500.00					
		Travel – Local	trip	1	5,000.0	5,000.00			5,000.00					
	2.3 Annual participatory review of GCF portfolio in the country organized	Workshop/Training	workshop	1	30,000.0	30,000.00	40,000.00					30,000.00		
		Travel – Local	trip	1	10,000.0	10,000.00						10,000.00		
3. Direct access realized	3.1 Accreditation of Direct Access Entities already identified and nominated for accreditation	Consultant - Individual - International	W/days	60	500.0	30,000.00	44,500.00	44,500.00		30,000.00				
		Consultant - Individual - Local	W/days	45	300.0	13,500.00				13,500.00				
		Professional Services – Companies/Firm	newspaper advert	1	1,000.0	1,000.00				1,000.00				
		Consultant - Individual - International	W/days	45	500.0	22,500.00			22,500.00					
		Consultant - Individual - Local	W/days	45	300.0	13,500.00						13,500.00		

4. Climate finance strategies and project pipeline strengthened	4.1 Climate finance strategy and green incentive policy developed project	Professional Services – Companies/Firm	newspaper advert	2	1,000.0	2,000.00	93,500.00	215,000.00	1,000.00			1,000.00		
		Workshop/Training	workshop	2	15,000.0	30,000.00			30,000.00					
		Workshop/Training	conference facility	3	2,500.0	7,500.00			5,000.00			2,500.00		
		Travel – Local	trip	3	5,000.0	15,000.00			10,000.00			5,000.00		
		Audio Visual & Printing	copies	200	15.0	3,000.00			1,500.00			1,500.00		
	4.2 Crowding-in private sector investments	Workshop/Training	workshop	2	15,000.0	30,000.00	121,500.00			15,000.00	15,000.00			
		Travel – Local	local travel	2	3,000.0	6,000.00				3,000.00	3,000.00			
	4.3 Project pipeline development	Consultant - Individual - Local	W/days	135	300.0	40,500.00			13,500.00		13,500.00		13,500.00	
		Consultant - Individual - International	W/days	90	500.0	45,000.00			10,000.00		10,000.00		10,000.00	
Total Outcome Budget								**748,900.00**	256,400.00	143,000.00	24,500.00	166,000.00	97,000.00	-
Project Management Cost (PMC) Up to 7.5% of Total Activity Budget		Intern officers	Month	30	300.0	9,000.00	56,500.00	Percentage of PMC requested: **7.5%**						
		Audit Fee	Lumpsum	2	4,750.0	9,500.00								
		Project officer	month	36	1,000.0	36,000.00								
		Office Supplies	Workstations	2	1,000.0	2,000.00								

FOR GREEN CLIMATE FUND SECRETARIAT'S USE ONLY

Breakdown (per budget category)	Total (per budget category)
Audio Visual & Printing	14,000.00
Audit Fee	9,500.00
Consultant - Individual - International	132,500.00
Consultant - Individual - Local	82,500.00
Professional Services – Companies/Firm	9,000.00
IT Equipment	7,500.00
Office Supplies	2,000.00
Travel - International	28,000.00
Travel – Local	65,000.00
Workshop/Training	330,000.00
Hospitality - boardroom meeting expenses (catering services)	5,400.00
Intern officers	9,000.00
Project officer	36,000.00
Consultant - Firm - Local	30,000.00
Working space & supplies	45,000.00
	-
Total Outcome Budget + PMC	**805,400.00**

FOR GREEN CLIMATE FUND SECRETARIAT'S USE ONLY

Total Outcome Budget		**748,900.00**
Project Management Cost (PMC)	7.5% requested	**56,500.00**
Contingency	5% requested	**40,270.00**
Sub-Total (Total Outcome Budget + Contingency + PMC)		**845,670.00**
Delivery Partner Fee (DP) - Up to 8.5% of the Sub-Total		
Total Project Budget (Total Activity Budget + Contingency + PMC + DP)	**$**	**845,670.00**

Budget Note	Detailed Description
1.1 NDA/focal point lead effective coordination mechanism	One Local Consultant to develop operational guidelines/ manuals for the functioning of the NDA for activity 1.1.1
	Two incountry training workshops for training for NDA staff 5 NDA, line ministries staff and academia representatives @ $15,000 per workshop in activity 1.1.4
	One international consultant per training workshop working for 5 working days/workshop to train NDA, line ministries and academia in Kenya @ $500 perday for activity 1.1.4
	Travel expenses for two international consultants @ $2,000 per training workshop for activity 1.1.4. The expenses include airtickets and ground transport costs
	One study visit to Rwanda (for 4 NDA staff and 2 non-NDA staff) @ $24,000 ($4,000 per person) for activity 1.1.5. The costs include airtickets and accomodation expenses.
	One workshop held in Nairobi for validation of revised National GCF Coordination Strategy @ $2500 for activity 1.1.2
	Local travel for delegates attending the National GCF Coordination Strategy Validation workshop @ $4000 for activity 1.1.2
	Audio Visual & Printing of 300 copies of operational guidelines/ manuals for the functioning of the NDA @ $10 per copy for activity 1.1.1
1.2 No objection procedure established and implemented	Hospitality - boardroom meeting expenses (catering services) for 3 meetings with the Key stakeholders @ $600 per meeting for activity 1.2.1.
	One half day workshop held within Nairobi for the validation of revised no-objection procedure @ $2500 for activity 1.2.1. The cost is for conference facility procurement
1.3 Bilateral agreements on privileges and immunities between the country and the GCF executed	Hospitality - boardroom meeting expenses (catering services) for 2 meetings @ $600 per meeting for activity 1.3.1
1.4 Monitoring, oversight and streamlining of climate finance flows in the Country	Two interministerial and intergovernmental workshops @ $30,000 per workshop of 50 delegates for activity 1.4.1
	Local travel for delegates attending two workshops @ $5000 per travel for activity 1.4.1
	One International Consultant working for 30 working days @ $500 perday for activity 1.4.2
	One Local Consultant working for 30 working days @ $300 perday for activity 1.4.2
	Professional Services- newspaper advert calling out for applications from consultants @$1000 for activity 1.4.2
	IT equipment for personnel to support activity tracking, coding and reporting of climate finance
	one workshop 30 delegates for non state actors on off budget coding @ $15000 for activity 1.4.2 and 1.4.3
	Local travel for non government delegates attending one workshop @ $3000 per travel for activity 1.4.2
1.5: Effective coordination mechanism between NDA and National Designated Entity (NDE) for the UNFCCC Technology Mechanism and other climate finance focal points	One consultative workshop held to identify projects for incubations @ $15000 per workshop for activity 1.5.1
	Hospitality - boardroom meeting expenses (catering services) for 4 meetings @ $600 per meeting for activity 1.5.1
	Work space and necessary supplies procured for incubation and piloting of the innovative green technologies/business models @30,000 for activity 1.5.2. The items to be procured include working space and required supplies such as furniture and computers/ laptops.
	Professional Services- newspaper advert calling out for proposals for the business models @$1000 for activity 1.5.2
	One consultancy firm working for 60 w/days @ $500 per day for activity 1.5.2 to support incubation of innovative green technologies and business models

2.1 In-country training for national and sub-national (Counties) stakeholders on GCF procedures, access and modalities conducted	Quartely newsletter on climate finance designed, printed and distributed for activity 2.1.2
	Three in-country training workshops for national and sub-national (Counties) stakeholders @ 30,000 per workshop of 50 delegates/participants for activity 2.1.1.
	Local travel for delegates attending the three (3) in-country training workshops @ 4000 per workshop for 50 deleges for activity 2.1.1. Travel expenses for the GCF Secretariat mission team to assist in facilitating not included (to be covered by the GCF)
	Professional Services- updating of the Kenya Climate Finance website and development of the other online (social media) platforms to facilitate NDA's communication with stakeholders @ $2000 for activity 2.1.4
2.2 Country programme developed and continuously updated	One International Consultant working for 30 working days @ $500 perday for activity 2.2.1
	Professional Services- newspaper advert calling out for applications from consultant @$1000
	One Workshop for 30 delegates (government and non government) for Development a Country programme @ $15000 for activity 2.2.1
	Conference facility for one Workshop for validation of GCF Country programme @ $2500 for activity 2.2.1
	Local travel for 50 delegates attending GCF Country programme validation workshopp @ $5000 for activity 2.2.1
2.3 Participatory review of GCF portfolio in the country organized	One national (all stakeholders) consultative workshop for 100 delegates each @ $30000 for activity 2.3.1
	Local travel for delegates attending consultative workshop @ $10000 for activity 2.3.1
3.1 Accreditation of Entities already identified and nominated for accreditation	One International Consultant working for 60 working days @ $500 perday for activity 3.3.1
	One Local Consultant working for 40 working days @ $300 perday for activity 3.3.1
	Professional Services- newspaper advert calling out for applications from consultants @$1000 for activity 3.3.1
4.1 Climate finance strategy and green incentive policy developed project	One International Consultant working for 45 working days @ $500 perday for activity 4.1.1
	One Local Consultant working for 45 working days @ $300 perday for activity 4.1.2
	Professional Services- newspaper advert calling out for applications from consultants @$1000 for activity 4.4.1
	Two interministerial Workshops for 30 delegates @$15000 per workshop for activity 4.1.1 and 4.1.2
	One interministerial Workshops for 30 delegates for validation @$2500 for activity 4.1.1 and 4.1.2
	Local travel for delegates for the four workshops @ $5000 per travel for activity 4.1.1 and 4.1.2
	Audio Visual & Printing of 200 copies of Climate finance strategy and green incentive policy @ $15 per copy for activity 4.1.1 and 4.1.2
4.2 Crowding-in private sector investments	Engage with National Treasury's PPP Unit to develop a mechanism of implementation of green projects through the PPP model, and Nairobi International Financial Center, Financial division, and financial sector regulators to develop financial products and approaches that accelerate uptake of climate -smart technologies
	Two consultative workshops for private sector entities such as KEPSA, KBA, CMA, CBK, PPP Unit, Financial Division, NIFCA @$15000 per workshop for activity 4.2.1
	Local travel for delegates for the two workshops @ $3000 per travel for activity 4.2.1
4.3 Project pipeline development	One International Consultant **per proposal** working for 30 working days @ $500 perday for activity 4.3.1
	One Local Consultant **per proposa**l working for 45 working days @ $300 perday for activity 4.3.1.

Budget Categories
Audio Visual & Printing
Audit Fee
Consultant - Individual - International
Consultant - Individual - Local
Professional Services – Companies/Firm
IT Equipment
Office Supplies
Travel - International
Travel – Local
Workshop/Training
Hospitality - boardroom meeting expenses (catering services)
Intern officers
Project officer
Consultant - Firm - Local
Working space & supplies

Indicate additional budget categories

5.2 Procurement Plan

For goods, services, and consultancies to be procured, please list the items, descriptions in relation to the activities in Section 3, estimated cost, procurement method, relevant threshold, and the estimated dates. Please include the procurement plan for at least the first tranche of disbursement requested below and provide a full procurement plan for the entire duration of the implementation period if available at this stage.

Item	Item Description	Estimated Cost (US$)	Procurement Method	Thresholds (Min-Max monetary value for which indicated procurement method must be used)	Estimated Start Date	Projected Contracting Date
Goods and Non-Consulting Services						
Advertising services	5 newspaper adverts	5,000.00	direct procurement		1-Jan-2020	15-Dec-2019
Workshops	conference facility for workshops	7,500.00	open tender		1-Jan-2020	15-Dec-2019
IT equipment	3 laptops	4,500.00	open tender		1-Jan-2020	15-Dec-2019
IT equipment	2 printers	3,000.00	open tender		1-Jan-2020	15-Dec-2019
Hospitality	catering services for boardroom meetings	7,200.00	open tender		1-Jan-2020	15-Dec-2019
international travel	airtickets	44,000.00	direct procurement		1-Jun-2020	15-Jun-2020
Printing	printing firm and printing supplies	14,000.00	open tender		1-Jan-2020	15-Dec-2019
	Sub-Total (US$)	$ 85,200.00				
Consultancy Services						
International consultant	Climate Change & policy Specialist	15,000.00	International RFP		1-Jun-2020	1-May-2020
International consultant	Climate Change & policy Specialist	15,000.00	International RFP		1-Jan-2020	1-Dec-2019
International consultant	Climate Change & policy Specialist	30,000.00	International RFP		1-Jun-2020	1-May-2020
International consultant	Climate Change & policy Specialist	22,500.00	International RFP		1-Jan-2020	15-Dec-2019
International consultant	Climate Change & policy Specialist	10,000.00	International RFP		1-Jan-2020	15-Dec-2019
International consultant	Climate Change & policy Specialist	10,000.00	International RFP		1-Jan-2021	15-Dec-2020
International consultant	Climate Change & policy Specialist	10,000.00	International RFP		1-Jan-2022	15-Dec-2021
Local consultant	Climate Change & policy Specialist	13,500.00	Local RFP		1-Jan-2020	15-Dec-2019
Local consultant	Climate Change & policy Specialist	13,500.00	Local RFP		1-Jan-2021	15-Dec-2020
Local consultant	Climate Change & policy Specialist	13,500.00	Local RFP		1-Jan-2022	15-Dec-2021
Local consultant	Climate Change & policy Specialist	6,000.00	Local RFP		1-Feb-2020	15-Jan-2020
Local consultant	Climate Change & policy Specialist	9,000.00	Local RFP		1-Jun-2020	15-May-2020
Local consultant	Climate Change & policy Specialist	30,000.00	Local RFP		1-Jun-2022	1-May-2021
Local consultant	Climate Change & policy Specialist	13,500.00	Local RFP		1-Jun-2020	1-May-2020
Local consultant	Climate Change & policy Specialist	13,500.00	Local RFP		1-Jun-2021	1-May-2021
Project officer	Climate Change/economics/statistics policy graduate	36,000.00	open call for applications		1-Jan-2020	15-Dec-2019
Intern officers	Climate Change/economics/statistics policy graduate	7,200.00	open call for applications		1-Jan-2020	15-Dec-2019
	Sub-Total (US$)	$ 268,200.00				