CLIMATE ACTION WHY IT MATTERS

REPUBLIC OF KENYA | THE NATIONAL TREASURY AND PLANNING

How Treasury is supporting climate action

Hon. (Amb.) Ukur Yatani, EGH
Cabinet Secretary, National Treasury & Planning

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 Big Four Agenda; the National Climate Change Response Strategy, 2010; the National Climate Change Action Plans (NCCAPs); Updated National Determined Contributions (uNDC); National Climate Change Framework Policy; the National Policy on Climate Finance; the Green Economy Strategy and Implementation Plan; the Climate Change Act, 2016; the draft Green Fiscal Incentives Framework Policy; the Green Bonds Framework; and the Government Financing Locally–Led Climate Action Programme (G-FLLoCA); and COVID-19 Pandemic Recovery Strategy, which prioritised-Green and Resilient Recovery.

> Addressing climate change impacts requires us to transform our economy by integrating climate change into development policies and actions across multiple sectors.

They provide a legislative and regulatory framework for an enhanced response to climate change and mechanisms and measures to achieve low-carbon, climate-resilient green economy development path. Further, they enable Kenya to established enhanced mechanisms for mobilising additional, predictable and adequate green finances, coding, tracking and reporting on climate finance under the framework of **"no village Kenyan should be left behind on climate change response agenda by 2050"**.

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 impacts 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.

Climate finance is an important enabling aspect of our efforts to address climate change. The Paris Agreement sets a goal of mobilising $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 – means of implementation: capacity building, technology transfer and enhanced climate finance.

Julius Muia, PhD, CBS
Principal Secretary, The National Treasury

In Kenya, the economic impacts of climate change – and its effect on development and growth – are already significant. Climate-related disasters and shocks, such as droughts and floods, are estimated to create an economic liability of 2-2.8 percent of its gross domestic product every year. This is largely due to the climate-sensitive nature of Kenya's economy, with the agriculture, water, energy, tourism, and wildlife sectors being of upmost importance. And, in the past year, these challenges have been exacerbated by the COVID-19 pandemic.

Kenya has over time put in place strategic intervention to code, plan, budget, track, monitor and report climate – flows of climate/green finances and related expenditures. Climate finance coding, tracking and reporting will not only enhance coordination and effectiveness of climate change mitigation, adaptation and resilience building efforts, but also promote robust transparency in accordance with The Paris Agreement.

Kenya has pledged to reduce its greenhouse gas emissions by 32 percent by 2030, relative to the business-as-usual scenario, and its leaders are dedicated to making sure this happens. Also, there are clear and actionable solutions as committed in the upgraded National Determined Contributions (NDC).

Increased financing for mitigation and adaptation in Kenya, particularly in the transport, forestry and biodiversity, water, land use, and waste sectors, could create jobs for millions of people and lead the way to a greener, more resilient future. Though to achieve this, both public and private climate finance need to be scaled-up significantly.

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At the forefront of mobilising resources for green projects

CLIMATE FINANCING IN KENYA

The National Treasury and Planning has been at the forefront of mobilising and allocating climate finance to implement green projects, including renewable energy, climate-smart agriculture, building resilience of infrastructure, etc. As such, it has committed to mobilise resources to meet approximately 13 percent of the total budget (Ksh800 billion) as well as enacted legal and policy instruments such as the Public Finance Management Act (PFM) 2012 and the National Policy on Climate Finance (Sessional Paper No. 3 of 2017) to guide mobilisation of both domestic and international climate finances to fund Kenya's updated NDC by 2030.

Further, it has established a Climate Finance and Green Economy Unit to coordinate climate finance-related actions in the country. The Unit works in close collaboration with relevant stakeholders, mainly the Ministry of Environment and Forestry and Council of Governors, in ensuring that the Kenya climate change and finance agenda is realised. The unit is also the focal point for the UNFCCC-based main financial mechanism, the Green Climate Fund (GCF) National Designated Authority (NDA) in Kenya. **To ensure that climate finance is directed to those most in need,** the National Treasury, in collaboration with the World Bank, DANIDA and SIDA, launched the ***Financing Locally Led Climate Action (FLLoCA)*** programme in 2020, and is fast-tracking its implementation to channel finances to local climate actions at the county and community levels through devolved climate financing systems by establishing and capitalising County Climate Change Funds (CCCFs) linked to the National Climate Change Fund.

In addition, the National Treasury has developed PFM (Climate Change Fund) Regulations 2021, to operationalise the National Climate Change Fund that is provided for in the National Policy of Climate Finance and Climate Change Act, 2016. Once operational, the Fund will mobilise climate finances from multiple local and international financiers to support climate projects in Kenya.

In the international space, the National Treasury has supported 15 projects (including four readiness and preparatory support projects) with a value of over $149.6 million that have been approved for funding by the **Green Climate Fund (GCF)** ***(see https://www.greenclimate.fund/countries/kenya)***.

The National Treasury is the National Designated Authority (NDA) for the GCF in Kenya and has launched a 2020-2025 GCF Strategy to enhance mobilisation of finance through supporting the development and submission of more bankable proposals by local entities. The GCF projects approved for Kenya have GHG abatement potential of 1,215 MTCO2 Eq.

One of the GCF supported projects is the TWENDE Project (Towards Ending Drought Emergencies: Ecosystem-based Adaptation in Kenya's arid and semi-arid rangelands), a Ksh3.45 billion projects to be implemented in nine arid and semi-arid counties, a project launched in January 2021.

In the Capital Markets space, Kenya developed and launched the 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. The framework enabled the cross-listing of the first corporate Green Bond that raised $43 million. The National Treasury is planning on issuing Kenya's first sovereign green bond in FY 2021/22.

Other ongoing actions include the development of a National Green Fiscal Incentives Policy Framework to provide for incentives and unlock private sector financing of climate change response actions.

The National Treasury and Planning, a leader in matters of climate/green and sustainable finance is a founder member of Coalition for Finances Ministers in Climate Action – a convener of Helsinki Principle 5 an International Platform on Sustainable Finance (IPSF). It is also a founder member of Africa Green Climate Fund-National Designated Authorities Network (Africa Coalition of Green, a Partnership between UK-Government through FSD-Africa, Cambridge University, the East and Southern Management Institute (ESAMI) and the International Institute for Environment and Development (IIED) to build capacity on accessing climate finance for Sub Saharan Africa and a peer review mechanism for climate finance in Africa – the Africa Green Finance Coalition (AGREFICO).

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REPUBLIC OF KENYA

THE NATIONAL TREASURY AND PLANNING

The Landscape of Climate Finance in Kenya

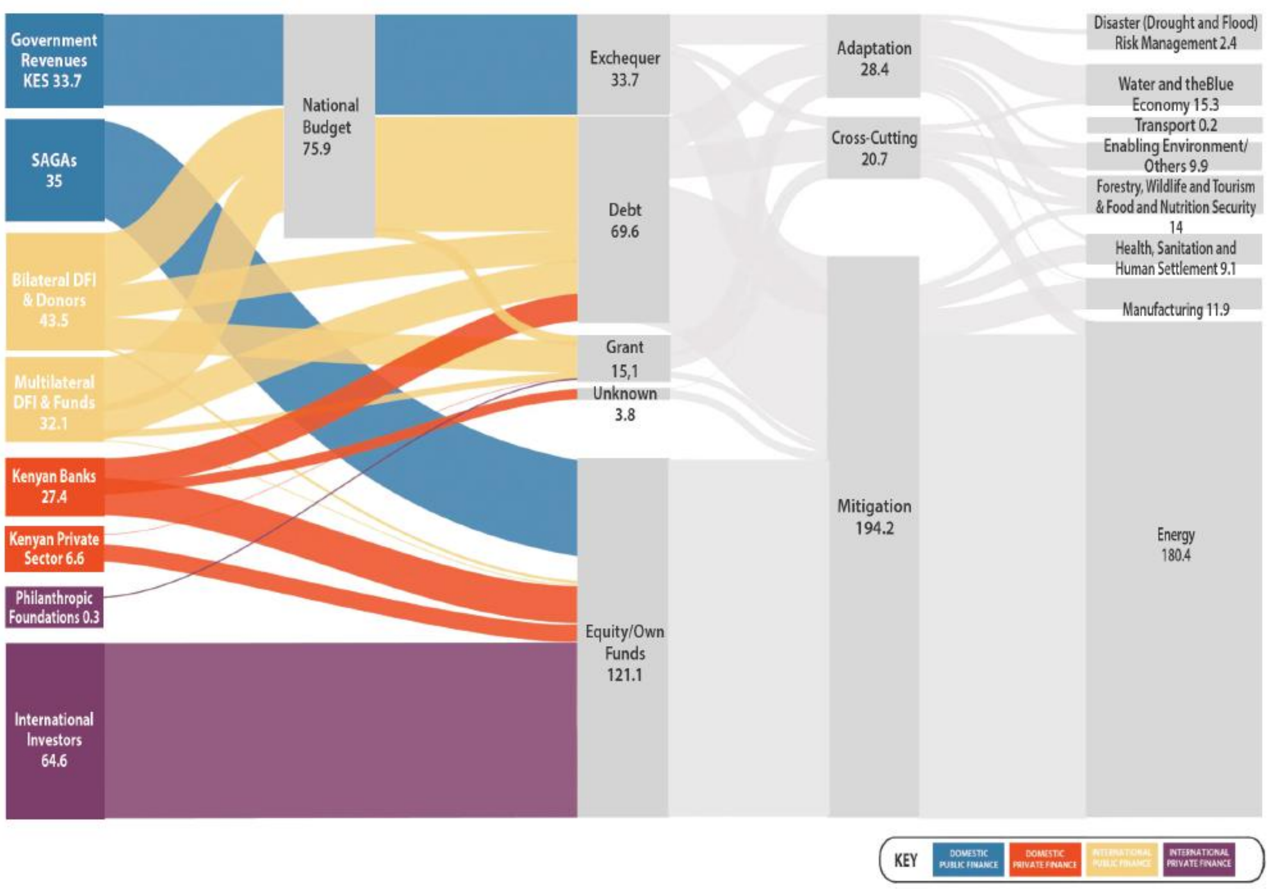
The Landscape of Climate Finance in Kenya report is based on a study commissioned by the National Treasury to map both public and private sector ffinancing in the country by identifying the sources, intermediaries, instruments, disbursement channels, and utilisation.

The study undertaken in collaboration with the Climate Policy Initiative (CPI) and the Kenya Climate Innovation Centre (KCIC) is the first attempt to track the climate finance flows in the country since the Paris Climate Agreement of 2015. The study focused on finance flows for 2017 and 2018.

The report finds that Ksh243.3 billion ($2.4 billion) flowed to climate-related investments in 2018, under half of finance needed annually. Overall, public investment totalled Ksh144.3 billion (59.4 percent), while investment from the private sector totalled Ksh98.9 billion (40.7 percent). The Kenyan government disbursed Ksh76 billion ($752.4 million) in climate-related development expenditures in the fiscal year 2017/18. This amount included Ksh42 billion (55 percent) of external resources from international partners channelled into the national budget, while Ksh34 billion (45 percent) was from domestic public resources.

The report recommended increased financing for adaptation actions, particularly in the water, disaster risk management, and forestry sectors, and scaling-up of investment in most of the key mitigation sectors; transport and forestry. The report further recommends implementation of incentives and subsidies to create an enabling environment for private investment in the transport, forestry, water, land use, and waste sectors.

LANDSCAPE OF CLIMATE FINANCE IN KENYA 2028 KES 243.3 bn



Public finance mostly refer to the fiscal year 2017/18, private finance refers to the calendar year 2018. All figures are in billion Kenya Shillings (1 KES = 0.0099 USD, average 2018 exchange rate). SAGAs = Semi-Autonomous Government Agencies. NCCAP = National Climate Change Action Plan. More details available in the report's Methodology.

Financing Locally-Led Climate Action (FLLoCA) Programme

Mr. Peter Odhengo
Head of the Green Economy Unit and Programme Coordinator, FLLoCA

The overall goal of the programme is to support Kenya's transition to a low carbon climate resilient development pathway. Specifically, the programme seeks to strengthen local resilience to the impact of climate change, natural hazards, and other shocks/stressors by building capacity to code, plan, budget, implement, monitor and report climate finance aimed at financing climate resilience-green investments in partnership with 47 County Governments and communities.

The specific objectives of the Programme are to:

1. Support the development and strengthen policy, legal and regulatory frameworks at national and county levels for accelerated access to climate financing for building resilience at local levels;
2. Strengthen the capacity of national and county level institutions and stakeholders to accelerate climate financing at local level;
3. Increase access to climate finance to support investments in climate resilience and low carbon emissions at local level (urban and rural);
4. To support community led local initiatives for enhanced community resilience and enhance sustainable development;
5. To increase access to green/environmentally friendly technologies to deliver low carbon climate resilient development at national and local levels;
6. Enhance transparency and accountability on support provided and actions implemented.
7. To establish pro-active response mechanisms for climate related emerging issues.

This programme is organised into the following components:

Component 1: Policy, legal and regulatory framework for climate change.
Component 2: Capacity building.
Component 3: Decentralised Financing.
Component 4: Community Led Actions.
Component 5: Technology and Innovation.
Component 6: Measuring Climate Results (MRV+).
Component 7: Climate related emerging issues.

These priority climate change actions will be achieved primarily in two ways:

i. At national level, in development planning through the work carried out in various Ministries, Departments and Agencies (MDAs);
ii. At county level, through the mainstreaming of climate change in various sectors through the CIDPs and other county development plans as well as through Community Led local actions.

PROGRAMME MANAGEMENT TEAM

CPA Dr. Maurice Pedo, Ph.D. - Manager, Finance & Strategy

Mr. Malik Aman - Manager, National Coordination

Mr. Molu Ibrae - Manager, County Coordination

Ms. Tumpeyo Baari - Communication Specialist

Mr. Moses Lusih- Monitoring & Evaluation Specialist

Mr. Molu Huqa - Environmental Safeguards Specialist

Ms. Rhoda Agnes Kima Nyambori - Procurement Specialist

CPA Mbui Ann Lydia Wanjiku - Program Accountant

Ms. Esther Kivuva Mumo - Senior Administrator