



STATUS OF CLIMATE FINANCE LANDSCAPE IN KENYA

A Presentation During A Breakfast Meeting on
Climate Change in East Africa organized by the French Embassy

BY

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The National Treasury

Outline

- ▶ Climate Change Policy and Regulatory Frameworks
- ▶ National Policy on Climate Finance
- ▶ Financial Mechanisms
- ▶ Kenya Climate Change Fund
- ▶ Climate Finance Coding, Tracking, Monitoring & Reporting
- ▶ Green Bonds
- ▶ FLLoCA-World Bank

Policy and Regulatory Frameworks

- ▶ Constitution, 2010,
- ▶ MTEF/MTPIII-2018-22
- ▶ PFMA, 2012
- ▶ National Climate Change Response Strategy (NCCRS), 2010
- ▶ Climate Change Act, 2016
- ▶ National Climate Change Action Plan (NCCAP 2018-2022)
- ▶ National Adaptation Plan (NAP), 2015-2030
- ▶ Green Economy Strategy and Implementation Plan (GESIP 2016-2030)
- ▶ **National Policy on Climate Finance, 2018, Sessional Paper No. 003 of 2017**
- ▶ **The Big 4 Agenda and Climate Finance**

National Policy on Climate Finance

- ▶ The Policy seeks to increase the country's adaptive capacity and build resilience to climate change while promoting low carbon sustainable development path...the Green Economy.
- ▶ **Policy Goals:** 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** thro technology transfer,
 - **Enhanced benefit** sharing from climate change **proceeds** in the country

**The Policy adopted by the National Assembly on 23rd February 2018 as
Sessional Paper No. 003 of 2017**

Financial Mechanisms-Green Climate Fund (GCF)

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- ▶ The GCF was launched in Dec. 2013 as an operating entity of **financial mechanism to the Convention**.
- ▶ GCF is recognized as the key finance mechanism in the Paris Agreement
- ▶ The World Bank serves as the interim trustee of the GCF
- ▶ The **National Treasury** was confirmed as the **National Designated Authority (NDA)** to the GCF for Kenya in July 2014.
- ▶ Others are GEF, Adaptation Fund



Basic Facts on the Fund

NAME	GREEN CLIMATE FUND
TYPE	Financial Mechanism of the Convention - UNFCCC
ESTABLISHED	11 December 2010 in Cancun, Mexico
STAKEHOLDERS	194 Countries Signatories to the UNFCCC
GOVERNANCE	Board + Secretariat + Independent Accountability Units Equal Board members from developing and developed countries
MANDATE	To promote low-emission and climate-resilient development in developing countries
HEADQUARTERS	Songdo, Republic of Korea

Approved Kenya GCF projects (1)



FP103 **MITIGATION**

Promotion of climate-friendly cooking: Kenya and Senegal



FP099 **MITIGATION**

Climate Investor One



FP095 **MITIGATION**
ADAPTATION

Transforming Financial Systems for Climate



FP038 **MITIGATION**

Geeref Next



FP027 **MITIGATION**

Universal Green Energy Access Programme



FP005 **MITIGATION**
ADAPTATION

KawiSafi Ventures Fund in East Africa

Project Pipeline in Kenya GCF (2)

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Project Name	Accredited Entity	Executing Entity	Project Amount (USD)	Status
GCF NAP Readiness Programme	FAO	Min. of Environment & Forestry; The National Treasury	3	Approved; Disbursed
Global Energy Efficiency and Renewable Energy Fund (GEERF) NeXt	European Investment Bank	Ministry of Energy	765	Approved
KawiSafi Ventures Fund	Acumen Fun Inc	Acumen Capital Partners LLC.	110	35% Disbursed
The Universal Green Energy Access Program (UGEAP)	Deutsche Bank	Ministry of Energy	301.6	Approved
Climate Investor One (CIO)	FMO	Ministry of Energy	821.5	Approved in Nov 2018
Transforming Financial Systems for Climate (TFSC)	AFD	Ministry of Energy /KAM	745	Approved in Nov 2018
Promotion of Climate-Friendly Cooking	GIZ	Ministry of Energy	58.8	Approved in Feb 2019

Others-Carbon Credit Funds and

- ▶ **USD 55 M:** Emission Reductions Purchase Agreement (ERPA) by the World Bank-Carbon Initiative for Development (Ci-Dev) trust fund support to Kenya Tea Development Agency Power Company Ltd (KTDA Power) will generate CERs of over **400,000 tons of CO2** equivalent by 2025.
- ▶ **USD 3.8 M: REDD+ Forest Carbon Preparatory Facility (FCPF)** Grant for Kenya,
- ▶ **USD 10.0 M:** Adaptation Fund AE-NEMA
- ▶ **USD 3.8 M:** UNEP/NK. Tana River and Lamu Counties

Cont'..

- ▶ **USD 0.7 M: AfDB/NETFUND**
- ▶ **USD 20.0 M:** Wildlife Works Ltd
- ▶ **USD 150.0 M:** World Bank/REA, 23 Counties
- ▶ **USD 10.0 M:** GCF-NEMA
- ▶ **USD 250.0 M:** World Bank/Min of Ag Kenya Climate Smart Agriculture, 23 Counties,
- ▶ **USD 8.9 M:** GIZ/GNIPlus
- ▶ **USD 1.05 B:** G-FLLoCA (10 YRS)
- ▶ **USD 200 M: FLLoCA** -World Bank, SIDA, DANIDA, GOK, COUNTIES Mobilised, signed and committed

Climate Finance Data in Kenya FY 2017/18

Public Sector

- In the fiscal Year 2017/18 GOK disbursed **USD 752.4 Million (KES 76 billion)** to climate related development expenditures (**KES 42 b (55%) - external** and **KES 34 b (45%) - domestic**)
- Less than 60 %** of the CF came from **international** public and private sources
- Implementing upgraded **Kenyan NDC require that international partners will contribute 87% of the cost by 2030**
- 79% of Inter. Finance – Mitigation activities

Private Sector

- Investment totaled USD 979 M (**KES 98.9 b**)
- 34.4 %** from Domestic co. and **65.6 %** from international co
- Approximately **41 %** was directed to the **energy sector**
- Foreign Private sector contributed **USD 643 M** to finance climate related **capital-99.7 %** in renewable energy
- Philanthropic organizations** are the **only actors** that invested in climate change **adaptation**, health, and water projects

Uses and Sectors

- Appx. 79% of CF in Kenya was directed to **mitigation** measures in contrast to Kenya's **adaptation** NDC priority
- Only 11.7 %** of climate finance was directed to **adaptation**
- Domestic Climate Finance –
 - Public-28.3 %**
 - Private- 14.0 %**
- International Climate finance:-
 - Public-31.1 %**
 - Private- 26.7 %**

Kenya's GCF Project Pipeline (1)

- ▶ In total, Kenya has a pipeline of about 25 GCF proposals and concept notes at different levels of development.
- ▶ The following organizations (both AEs and EEs) have GCF project proposals/concepts under development;
 - ❖ NEMA, KfW, afd, FAO-Kenya, IFC, World Bank, UNEP, Conservation International, IUCN, IFAD, Deutsche Bank, UNDP Kenya, Kenya Red Cross, GIZ, AfDB, KenGEN, Kenya Water Towers Agency (KWTA), Water Sector Trust Fund (WSTF), Makueni County, ICRAF, State Dept. of Housing, among others

Kenya GCF Project Pipeline (2)

Title of Project	Accredited Entity (AE)	Lead Executing Entity (EE)	Total Project Cost (million USD)	Project Area	Status
Transforming Landscapes of Livelihoods in Kenya through a Water-Agriculture-Energy Nexus Approach	FAO	Ministry of Agriculture and Irrigation- State Department of Livestock (SDL)	250	Athi, Tana and Lake Basins	Full proposal
TWENDE-Towards Ending Drought Emergencies: Ecosystem based Adaptation through Rangeland and Forest Landscape Restoration for Resilient Communities, Land, Water and Infrastructure in Frontier Counties of Kenya	International Union for Conservation of Nature (IUCN)	Ministry of Agriculture and Irrigation- State Department of Livestock (SDL); NDMA	100	Mandera, Wajir, Isiolo, Lamu, Marsabit, Garissa, Tana River, Makueni, Kajiado,	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		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

Kenya GCF Project Pipeline (3)

Title of Project	Accredited Entity (AE)	Lead Executing Entity (EE)	Total Project Cost (million USD)	Project Area	Status
Greening Kenya's Special Economic Zones (SEZ): Achieving the Competitiveness in the Face of Resource Scarcity and Changing Climate Regime	UN Environment	KIRDI	25		Concept Note
Africa Green Financing Facility (AGFF)	AfDB			Multiple Countries	Concept Note
Electric Mobility - Introduction of Electric Motorcycles	UN Environment		84	Kenya, Ethiopia, Rwanda, Uganda	Concept Note
Low-emission and Climate Resilient Dairy Development Project in Kenya (Kenya Dairy NAMA)	IFAD	Ministry of Agriculture and Irrigation-SDL; Kenya Dairy Board (KDB)	287.7		Concept Note
Smallholder Farmer Value Chain Network in Kenya	TBD	One Acre Fund			Concept Note
The Green Bond Cornerstone Program	IFC-World Bank Kenya	NSE; KBA	2,000	Multiple Countries	Concept Note
Kenya Off-Grid Solar Access Project (KOSAP) for Underserved Counties: Clean Cooking Solutions for Households Component	World Bank	Ministry of Energy	8		Concept Note
GeoFutures Facility	South African Development Bank	Camco Ltd	73.04	Kenya, Ethiopia	Concept Note
Reduction of Impacts of Climate Change in Slums and Informal Settlements	TBD	State Dept of Housing and Urban Devt	307.7		Concept Note
Enhanced Access to Financing for Green Water and Sanitation Technologies in Kenya	AfDB	Water Sector Trust Fund (WSTF)	150		Concept Note

Kenya Climate Change Fund (KCCF) Establishment

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- ❑ Provided for in the Climate Change Act, 2016 and the National Policy of Climate Finance
- ❑ **Purpose of the Fund** – financing mechanisms to priority climate change actions and interventions in Kenya,
- ❑ Climate Change Fund Taskforce established by the National Treasury and Planning:
 - Deliverables:
 - **Public Finance Management (Climate Change Fund) Regulations, 2019;**
 - Resource Mobilization Strategy (RMS); and
 - Monitoring Evaluation Reporting and Verification (MERV) Framework
 - Kshs 500 M seed money approved by CS/NTP

NOTE: The Regulations is ready for submission to the Cabinet

Fund's Highlights

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3/21/2022
National Treasury

Objects of the Fund –

- ❑ Provide **grants, loans or equity** for:
 - ❑ climate change research and innovation in the following fields — *industrial research; technological research; policy formulation; academic research; and development in green technologies;*
 - ❑ businesses, industry, civil societies, academia and other stakeholders for *development of innovative actions that benefit climate change responses in Kenya;*
- ❑ Implementation of climate change **adaptation** and **mitigation actions;**
- ❑ Provision of *technical assistance to county governments;* and
- ❑ **Training and capacity building** on climate change actions

Climate Finance Coding, Tracking and Reporting

Rationale for Tracking

- Ensure that development programs are climate proofed/resilience and, lower in carbon emissions
- The **demand for transparency** over climate change **public spending** in non-Annex I (developing) countries as required under the Paris Agreement.
- Coding, Tracking and Reporting-CTR 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, enables government to make informed climate policy decisions.

Tracking of Climate Finance ..cont'd

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Activities to date

- ❑ Climate Change Budget Coding(CCBC) Report of 2015
- ❑ **A New segment 8 'Tracking Segment' developed** in the SCOA
- ❑ **Training Handbook on 'climate finance budgeting and tracking' developed**

Tracking of Climate Finance...cont'd

Introduction of a new segment in the IFMIS

- ❑ A new analytical/tracking segment introduced in the Governments Standard Chart of Accounts (SCOA) for tracking of climate relevant expenditures within the IFMIS

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	Geographical Location (new)	Analytical/ Tracking
1 digit	4 digits	10 digits	8 digits	10 digits	7 digits	8 digits	4 digits

GREEN FINANCE-PRIVATE SECTOR

In partnership with NSE, CMA, Kenya Bankers Association, developed:

- ❑ **listing rules, guidelines and Manual for Green and Blue Bonds listing at the NSE.**
- ❑ Trainings potential issuers, verifiers and other stakeholders undertaken
- ❑ Market scoping reports done
- ❑ Developed **Green Bond** market and frame working to enable Kenya access green finances through the stock markets.

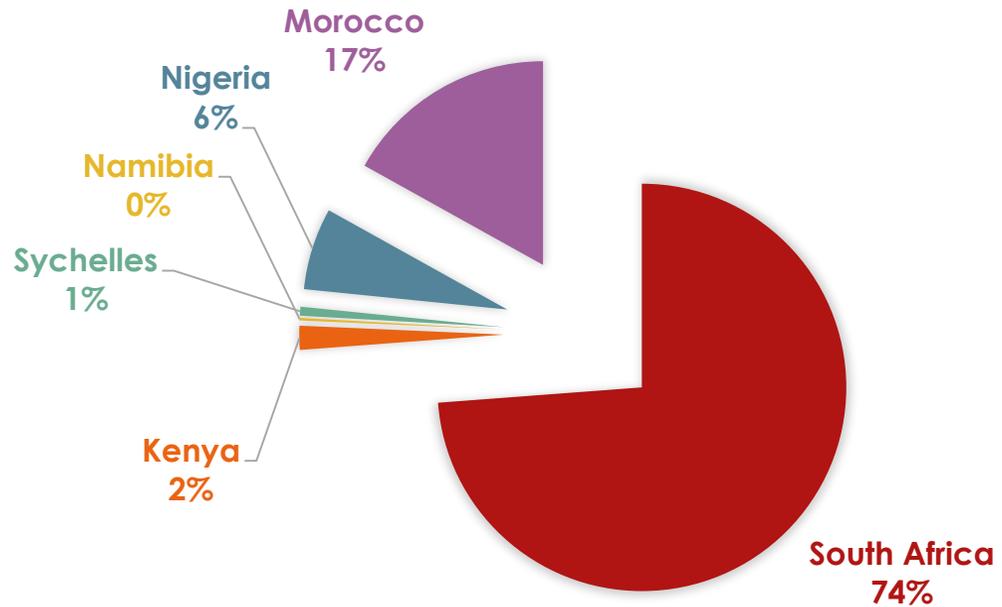
Green Bond Status in Kenya and Africa

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National Treasury

- ▶ Kenya's long-term and medium-term policies underpin a **pathway to sustainable and resilient economic** growth characterized by a clean and healthy environment.
- ▶ Transitioning to a low-carbon, and climate resilient economy - requires **significant green investments** and consequently **green financing**
- ▶ **Green Bonds** offer an attractive mechanism to tap into impact/non-traditional investors and allocate capital to **green, low carbon and climate-resilient infrastructure**.
- ▶ The global green bond market has grown exponentially over the past 5 years, reaching approximately USD1 trillion issuance in 2020 - **opportunity**

COMPOSITION OF GREEN BOND ISSUANCE BY COUNTRY (AFRICA)



In the Pipeline for Issuance

- Rwanda
- Zambia

Standard benchmark financing

USD 500M – USD 1B

- Implementation of the Kenya Green Bonds Program in collaboration with Kenya Bankers Association
- Kenya Sovereign Green Bond framework developed
- NSE listing rules and guidelines developed, approved by CBK & CMA
- Eligible Green Projects Screening Template developed and approved
- List of potential Green Eligible projects from the line ministries developed
- Development of the Green Assets Registry – In progress

Progress cont'd: Green Bond Framework

- ▶ The framework is a set of guidelines on the characteristics of the Sovereign Green Bond
- ▶ Kenya's framework has been developed to fit into the broader government's roadmap for sustainable financing
- ▶ It ensures that the **Sovereign green bonds**, not only has a balance of environmental, social and economic objectives, but is also aligned with Green Bond Principles (GBP)
- ▶ CICERO shades of Green – **Second party opinion** on the robustness of the Kenya **Sovereign Green Bond Framework, Governance Structure, National Policies and legislative framework, Project pipeline, etc**
 - ▶ The framework received a **MEDIUM GREEN Rating!**

- De-risking plans for the Sovereign Green Bond:
 - EU indicated willingness to set-up **green fund** to co-guarantee the Kenyan sovereign bond
 - Exploring the GCF to co-guarantee the Sovereign Green Bond
 - UK-Funds also willing to co-guarantee
- Plan to have a tranche of other bonds (**Blue, social, resilience bonds**) within the **bigger "green bond"**.
- Priority will be given to already budgeted (**Re-financing**) projects that are green and preferably **bankable**.

Financing Locally Led Climate Action Program (FLLoCA)-

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Two grants to incentivise the performance areas

I County Climate Institutional Support (CCIS) grant

- USD 100,000 per county per year for 3 years starting FY 2021/22
- A provision for county governments notably to
- Put institutional arrangements for County Climate Action in place
- Meet the Access conditions and score well on the performance measures for the, much larger, County Climate Resilience Investment grant

II County Climate Resilience Investment (CCRI) grant

- Also for 3 years, starting FY 2022/23 (starts one year after start of CCIS)
- On average USD 1.25 million per qualifying county government per year –
- Allocated amounts based on (i) formula and (ii) performance scores; hence actual amounts per county vary (from USD 600K to 2.1M +/- impact scores)
- CCRI Grant to fund implementation of the County Climate Action Plans whilst triggering enhanced own county funding for its County Climate Change Fund and mainstreaming of climate action
- **Changing attitudes and behavior, instilling institutional processes whilst delivering climate action**

Thank You!

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