CLIMATE FINANCE SERIES: FACT SHEET 2

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Climate Finance Readiness

Kenya

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KENYA

Kenya has made significant climate finance readiness (CFR) progress, due to an enabling environment for attracting climate finance and a coherent approach to tackling climate change, with comparatively high success rates in accessing climate finance.

The Republic of Kenya is classified as a low-income country and large populations in vulnerable areas of the country continue to live below the poverty line. The majority of livelihoods, and thus the economy, is reliant on rain-fed agriculture; however, Kenya comprises 83% arid and semi-arid land, which is vulnerable to extreme droughts exacerbated by climate change and variability. Climate variability has resulted in significant economic shocks that have had severe consequences to human security, livelihoods and ecosystem services. Yearly variations in climatic conditions have cost the national economy approximately US$500 million in damages by negatively impacting food security and hydropower supply.

UNDP CFR PILLAR	CLIMATE FINANCE READINESS COUNTRY ASSESSMENT
Financial Planning	• Kenya has made significant progress on its climate change strategic planning, through the development of the National Climate Change Response Strategy (NCCRS) and the National Climate Change Action Plan (NCCAP). However, the recommendations included in the NCCAP still need to be formalised, notably in the finalisation of the Climate Change Bill. • Importantly, the NCCRS includes a high-level resource mobilisation plan. • Kenya has a number of coordination mechanisms and working groups focused on climate change, including the Kenya Climate Change Working Group (KCCWG). However, as a result of ineffective coordination between ministries, Kenya has had limited success in developing programmatic, cross-sectoral proposals which are important for the Adaptation Fund (AF) and other multilateral funding mechanisms. • Kenya recently established a devolved government system and county-level governance structure. Some counties have started preparing their own adaptation plans and have participated in adaptation pilot projects.
Accessing Finance	• Kenya has an accredited National Implementing Entity (NIE), but has not yet utilised their direct access modality in accessing funding from the AF. • Kenya does not currently have a National Climate Fund, although it has been proposed as part of the NCCAP. • Kenya has managed to access a multitude of funds, both bilateral and multilateral. In the group of case study countries investigated, it has attracted the highest magnitude of funds, yet more will be required to effectively tackle climate change challenges, particularly in adaptation financing.
Delivering Finance	• The AfDB has contributed to projects in Kenya focused on renewable energy, as well as water management. The East African Development Bank has yet to participate in climate financing. • Kenya has focused a number of incentives on attracting private sector climate finance, and private sector engagement is well advanced in the renewable energy space.
Monitor, Report & Verify (MRV)	• The National Performance and Benefit Measurement Framework is being established as part of the NCCAP. This is critical as there is currently no national framework for the M&E of climate change projects. This will become more important as delivery becomes localised. • Kenya is currently initiating a Climate Public Expenditure and Budgetary Review (CPEBR) process that includes an assessment of existing institutional structures and frameworks.

Conclusions and Recommendations

Kenya has made significant progress in developing an enabling environment for attracting climate finance and has a coherent approach to tackling climate change. This is reflected in the comparatively high rates of climate finance accessed. In order to further increase access to funds, the following is recommended:

- Capacity development for project design and proposal development needs to be built in order to ensure a pipeline of bankable projects that can feed into a programmatic approach.
- The establishment of a National Climate Fund in order to more effectively blend and combine finances, provide more effective coordination and focus financing efforts on nationally relevant priorities. The Fund should take special cognisance of MRV requirements at a national level under an increasingly devolved system of access and delivery.
- Measures and processes need to be put in place to improve accountability at all levels of government. This includes establishing tracking and reporting systems to ensure effective management of climate finance.

This supplementary report forms part of research undertaken for UNDP's Regional Bureau of Africa Regional Environment Project on the Management of Environmental Service and Financing for Sustainable Development. The study and project provided support targeted at building the capacity of regional economic communities (RECs), governments, UNDP country offices and other stakeholders on sustainable ways to restore and manage natural ecosystems, while establishing enabling conditions for countries to access environmental finance from emerging carbon/environmental finance markets and mechanisms at the same time. This study was conducted between October 2013 and November 2014. The fieldwork behind the study was concluded in July 2014, and thus every attempt has been made to ensure the data referenced is factual up until this date.