KENYA'S NATIONALLY DETERMINED CONTRIBUTION (NDC) & LTS

'The National Treasury's Role, Challenges & Opportunities'

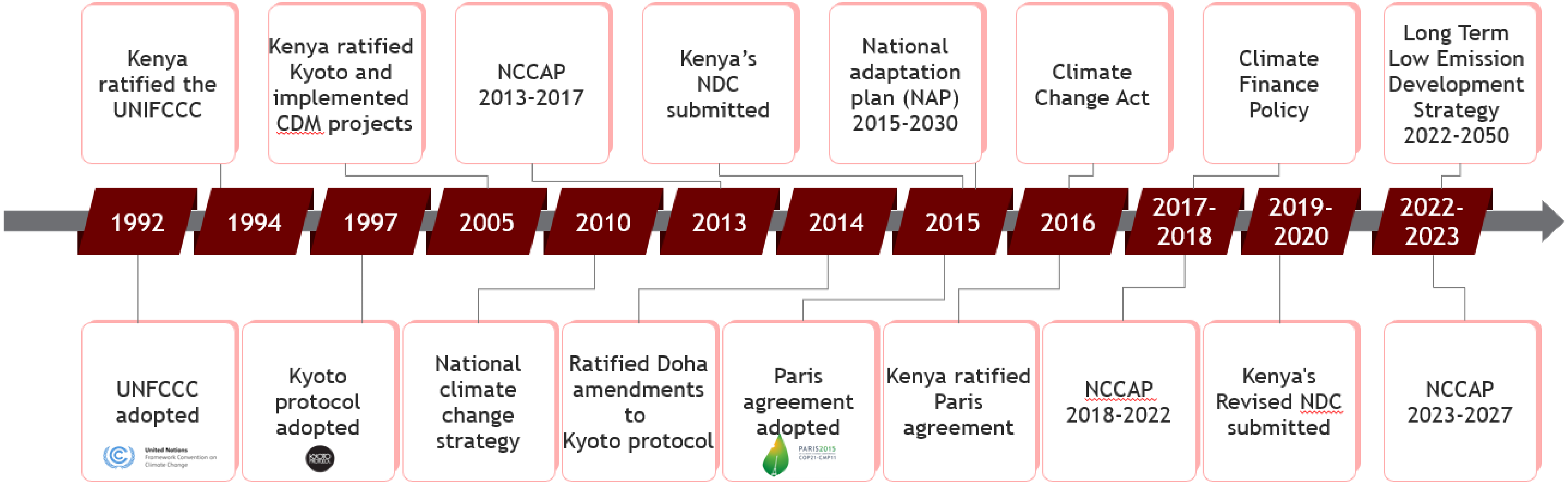
A presentation during the Coalition of Finance Ministers for Climate Action workshop on 'Empowering Climate Action: MoF's Role in NDCs and LTS Implementation', 12th September 2023

Hillary Korir, The National Treasury

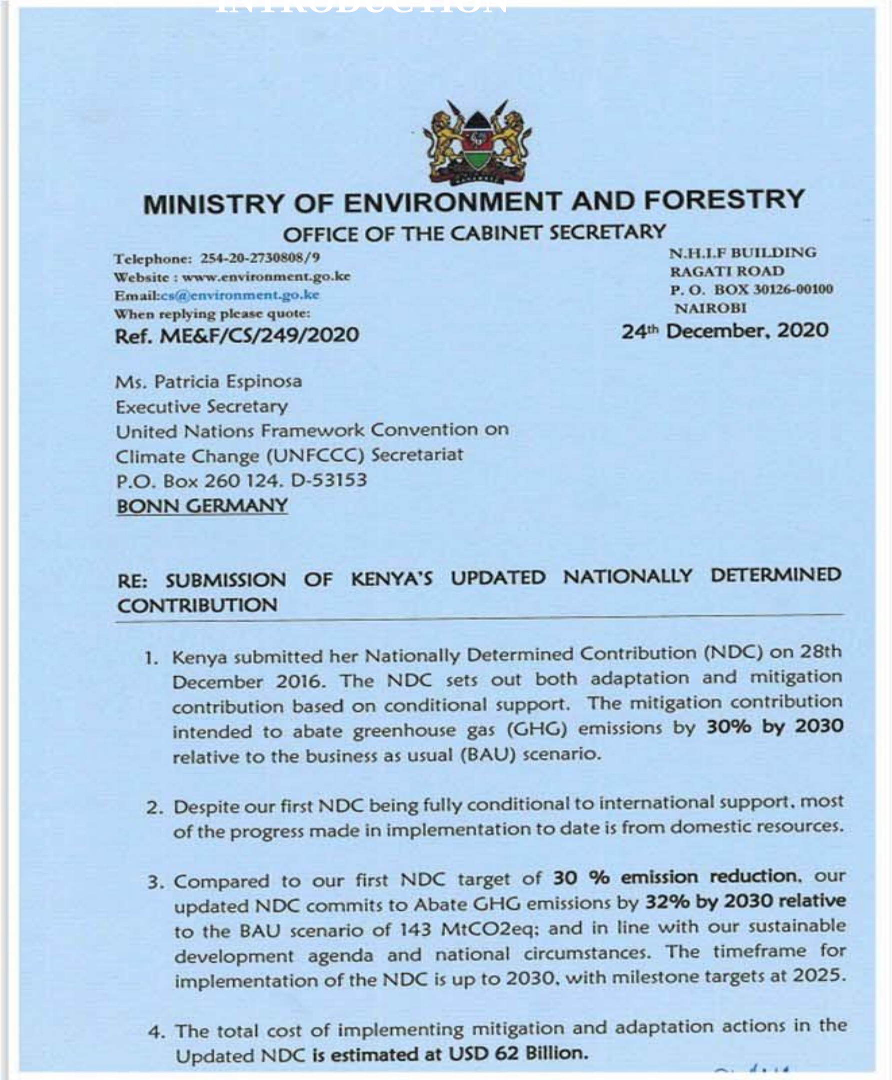
Introduction: National Context

- Kenya's successive climate change impacts over the past 10 years have resulted to socio-economic losses estimated at 3 – 5% of the GDP annually despite having negligible global GHG emissions (<0.1% in 2018). This has an impedance to realization of Kenya's Vision 2030.

- Kenya has put up ambitious policies and measures to pursue her low emission climate resilient development pathway to realise Vision 2030.



Introduction: Kenya’s NDC



MINISTRY OF ENVIRONMENT AND FORESTRY

OFFICE OF THE CABINET SECRETARY

Telephone: 254-20-2730808/9
Website : www.environment.go.ke
Email:cs@environment.go.ke
When replying please quote:
Ref. ME&F/CS/249/2020

N.H.I.F BUILDING
RAGATI ROAD
P. O. BOX 30126-00100
NAIROBI

24^{th} December, 2020

Ms. Patricia Espinosa
Executive Secretary
United Nations Framework Convention on
Climate Change (UNFCCC) Secretariat
P.O. Box 260 124. D-53153
BONN GERMANY

RE: SUBMISSION OF KENYA'S UPDATED NATIONALLY DETERMINED CONTRIBUTION

1. Kenya submitted her Nationally Determined Contribution (NDC) on 28th December 2016. The NDC sets out both adaptation and mitigation contribution based on conditional support. The mitigation contribution intended to abate greenhouse gas (GHG) emissions by **30% by 2030** relative to the business as usual (BAU) scenario.
2. Despite our first NDC being fully conditional to international support, most of the progress made in implementation to date is from domestic resources.
3. Compared to our first NDC target of **30 % emission reduction**, our updated NDC commits to Abate GHG emissions by **32% by 2030 relative** to the BAU scenario of 143 MtCO2eq; and in line with our sustainable development agenda and national circumstances. The timeframe for implementation of the NDC is up to 2030, with milestone targets at 2025.
4. The total cost of implementing mitigation and adaptation actions in the Updated NDC **is estimated at USD 62 Billion.**

Signing and Ratification to the Paris Agreement

- Kenya submitted her INDC 23^{rd} July 2015
- Signed the Paris Agreement on 22^{nd} April 2016
- Ratification was approved by Cabinet on 13^{th} October 2016 and ratified on 28^{th} December 2016 and it came into effect on 27^{th} January 2017
- Kenya submitted her updated NDC on 28^{th} December 2020.

Kenya's NDC: Mitigation Contribution

- Abate GHG emissions by 32% by 2030 relative to the BAU scenario of 143 $MtCO_{2eq}$; in line with our sustainable development agenda and national circumstances.
- The Total Emission Reduction Potential is **86 *MtCO2e*** by 2030 compared to the INDC target of **43MtCO2e**.
  - ✓ Out of the ***86MtCO2e***, the energy sector has an ERP of 48MtCO2e.
  - ✓ Out of the ***86MtCO2e potential***, Kenya committed ***46MtCO2e*** to NDC target, hence 32% of the original BAU.
- The remaining **40MtCO2e** is secured for carbon credits/ trading. All sectors have been allocated percentages for potential trading.

Sectors	Emission Reduction Potential (MtC02e)		
	2022	**2025**	**2030**
Energy	23.2	33	48.1
Transport	1.9	3	4.7
Forestry	10.4	14.3	20.8
Agriculture	2.7	5.3	9.7
IPPU	0.8	1.4	2.4
Waste	0.7	0.7	0.8
Total	**39.7**	**57.7**	**86.5**

Kenya's NDC: Adaptation Contribution

- Kenya aims to ensure an enhanced resilience to climate change towards the attainment of Vision 2030 by mainstreaming climate change adaptation into the Medium-Term Plans (MTPs) and County Integrated Development Plans (CIDPs) and implementing adaptation actions.

- Kenya is committed to enhancing its adaptation ambition by committing to bridging the implementation gaps which include;
  - ✓ Enhance uptake of adaptation technology especially among women, youth and other vulnerable groups, while incorporating scientific and indigenous knowledge;
  - ✓ Strengthening tools for adaptation monitoring, evaluation and learning at the national and county levels, including non-state actors;
  - ✓ Enhance generation, packaging and widespread uptake and use of climate information in decision making and planning across sectors and county level with robust early warning systems;
  - ✓ Exploring innovative livelihood strategies for enhancing climate resilience of local communities through financing of locally-led climate change actions, etc.

- These will be achieved across activities targeting **early warning systems**, **climate proofing infrastructure**, **reducing flood and drought risks** and **protecting natural assets** such as forests, mangroves, seagrass and coral ecosystems. Some of these programmes have mitigation co-benefits.

Kenya's NDC Financing by 2030

- Total NDC Implementation cost = **USD 62Billion** (Adaption **71%** & Mitigation **29%**)

Mitigation

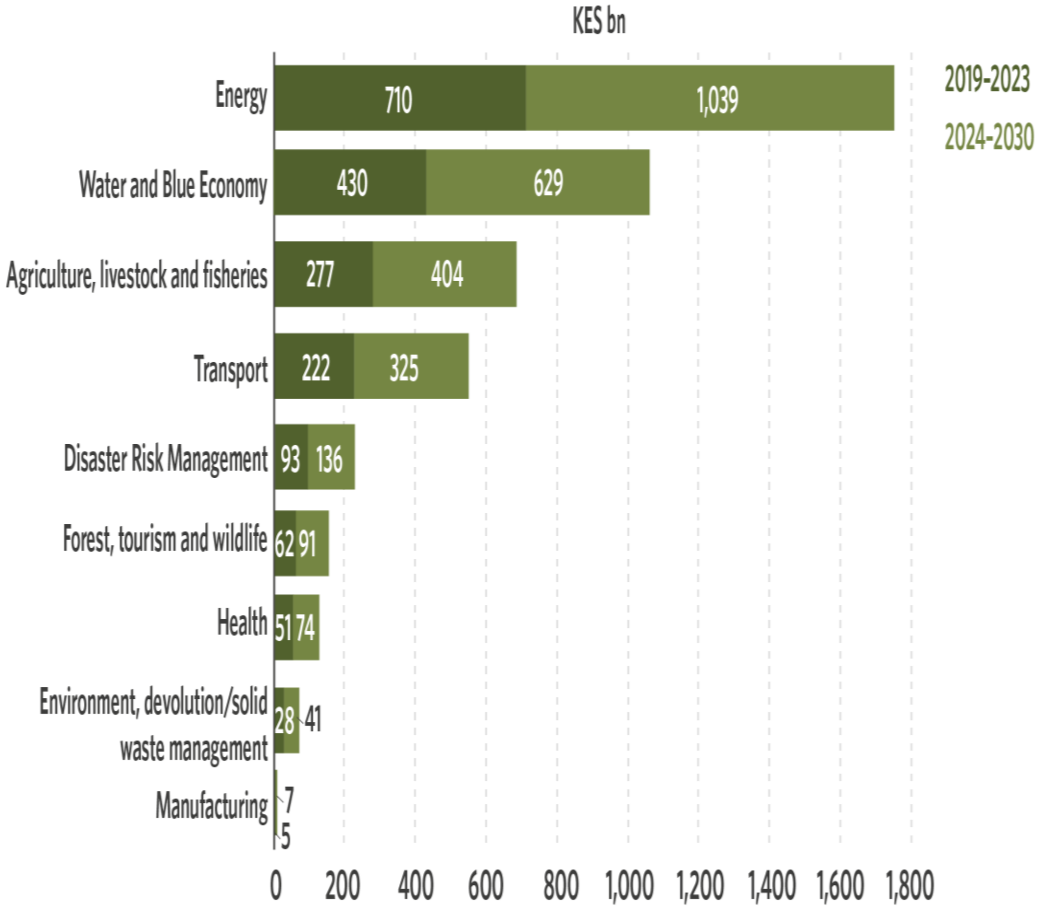
- Total estimated mitigation cost is **USD 17, 725 M** between 2020 and 2030.

- Kenya commits to bear 21% (equivalent to USD 3,725 M) of the mitigation costs from domestic sources, while 79% (equivalent to USD 14,000 M) of this is subject to international support in the form of finance, investment, technology development and transfer, and capacity building.

Adaptation

- The total estimated cost of adaptation actions up to 2030 is **USD 43,927 Million**.

- 90% of the adaptation cost will require international support in form of finance, investment, technology development and transfer, and capacity building support, while 10% will be from domestic sources.



Source: KLCF Report, 2021

Role of the National Treasury in NDC, LTS

- Planning and budgeting
- National Designated Authority (NDA) for the Green Climate Fund (GCF);
- Convener, Inter-ministerial Technical Committee on Climate Finance
- Lead Climate Finance negotiations
- Coordinate Tracking and reporting of climate finance flows
- Conduct capacity building and awareness on matters related to climate finance

✓ The National Treasury established the Climate Finance & Green Economy (CF&GE) Unit in 2016 to support coordination of Climate Finance at the National Treasury.

National Climate change Action Plan (NCCAP)

- The Climate Change Act 2016 provides for effective mainstreaming of climate change in the development process both at the national and county governments
- The NCCAP serves as the key planning document to mainstream and implement climate change actions outlined in the NDC.
- The NCCAP has been aligned with the Medium-Term Plan (MTP). The NCCAP outlines seven priority climate action areas over a 5-year period.
- Climate Change Thematic Working Group established to help in mainstreaming of climate actions in the MTP.

Role of the National Treasury in NDC, LTS & Achievements

Enabling Actions	Results Achieved
Identifying and implementing policy and fiscal incentives that promote climate action	- The National Treasury has developed a National Green Fiscal Incentives Policy
Support County Governments to establish County climate change fund regulations in line with the provisions of PFM.	- Counties supported to establish and allocate finances to the Climate Funds. 45 out of 47 counties have established the CCCFs
Operationalise the National Climate Change Fund (NCCF)	- Fund not operational. Draft PFM (Climate Change Fund) Regulations developed
Mobilization of finances through GCF	- Seventeen (17) projects and programmes approved and funded by the GCF valued at approximately USD 256 Million. Two standalone and country specific GCF adaptation related funding proposals approved valued at USD 62.1 million - Five (5) Readiness Support Projects approved and funded valued at USD 4.5 million
Develop a climate finance resource mobilisation strategy that includes domestic allocations, international climate finance, access to carbon credits and markets, allocations from the private sector, and Public-Private Partnerships.	- Th National Treasury in the process of developing the Climate Finance Mobilization Strategy this FY23/24. - Inter-Agency Task Force established

Role of the National Treasury in NDC, LTS & Achievements

	Enabling Actions	Results Achieved by June 2023
	Build the capacity of national institutions to gain accreditation for international finance mechanisms, and to develop bankable proposals	- KCB Bank Kenya Ltd accredited by the GCF in 2020 bringing the total AEs in Kenya to 3 including NEMA, Acumen Fund. Six more entities nominated for accreditation by the National Treasury
	Report on domestic and international climate finance flows through an improved tracking system	- Climate change budget coding tool developed and incorporated in the revised Standard Chart of Accounts (SCOA) for tracking climate expenditures in IFMIS. - Circular No. 13/2020 issued by Cabinet Secretary National Treasury mandating all entities to report on their climate spending. - The Landscape of Climate Finance in Kenya Report, 2021 established baseline information on climate finance in Kenya.
F5	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 National Treasury developed a Sovereign Green Bond Framework - Green Bond Listing Rules were approved by the Capital Markets Authority

Challenges in Financing the NDC

- *Overall, climate finance flows in Kenya still fall short of what is needed to achieve the NDC, and this gap is mostly in the adaptation sector.*

Challenges

1. **Significant resource requirement** –
   - ✓ Kenya has an ambitious NDC which require significant amounts of funding (Mitigation = **USD17,725M** & Adaptation = **USD 43,927M)**
   - ✓ No dedicated budget for climate change
2. **Imbalance of climate finance flows**
   - ✓ Kenya has attracted significant finance for mitigation esp. renewable energy as opposed to adaptation. However, there is a need for more finance in all other mitigation sectors, with a particular need for increasing finance for forestry.
   - ✓ Unfavorable financing instruments esp. for adaptation
3. **Lack of climate finance strategies and investment plans** esp. a financing framework for adaptation
   - ✓ National Policy on Climate Finance is in place but there'd no a strategy or investment plan
4. **Mainstreaming of climate change into public investment management and expenditure framework**
   - ✓ The GoK spend approx. 3% of the budget (10% of development expenditure) on climate-related activities. The financing still remains below what is required to achieve the climate targets and with the opportunity cost of not investing in climate-resilient infrastructure being so high, more work needs to be done
   - ✓ No indicators for climate change – to help in mainstreaming & accounting for climate change adaptation

Challenges in Financing the NDC

4. **Weak climate finance tracking and reporting mechanisms**
   - ✓ Lack of unified approach for tracking & reporting of climate finance flows.

5. **Capacities to originate and design innovate climate change related proposals**
   - ✓ There is need for capacity support to enable the development of a pipeline of green projects

6. **Lack of dedicated investment vehicles**
   - ✓ National Climate Change Fund not operational
   - ✓ Green Investment Facility/Bank proposed. Not operational

Case Study: Locally led Initiative in Kenya

What is FLLoCA?

Pioneering the first national model of decentralizing funds to counties and devolving decisions to the local communities to have greater influence investments and solutions

Emerged out of pilots on County Climate Change Funds and WB technical assistance on devolution

Supports devolution and deepens community participation and citizen engagement below county level to reach wards and villages

Platform for GoK multi-sector and multi-donor engagement to step up and translate Kenya’s climate ambitions into action on the ground. (NCCAP)

Objectives and Scope of Program

- **PDO**

  Deliver locally-led climate resilience actions and strengthen National and County Governments' capacities to manage climate risk

- Implementation led by The National Treasury in collaboration with Ministry of Environment, relevant Ministries, Council of Governors and Counties.
- **Multi Donor Funding – Total $295 million** contributed by World Bank, Denmark, Sweden, Netherlands, KfW, County Governments, National Government

FLLoCA – 3 levels of action to strengthen vertical and horizontal collaboration

1. **National**
    - Strengthened capacity to operationalize National climate policies and commitments
    - Enhanced coordination across govt agencies (NT, ENV, CoG)
    - Support for counties to access/manage climate funds
    - SRM component with St.Dpt of SP to institutionalize social risk management

2. **County**
    - Enhanced capacity to work with communities and to report on climate action to national level
    - County Climate Resilience investments with incentives for county budget contribution – at least 1.5% of County Development Budget
    - Coordinated County assessments built on existing mechanisms

3. **Community**
    - Community-level risk mapping and participatory planning for investments

The End

Thank you for Listening….

Email: hillary.korir@treasury.go.ke