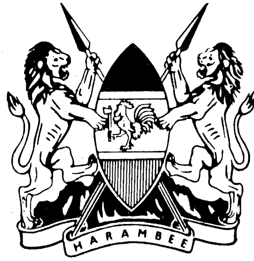

REPUBLIC OF KENYA

THE NATIONAL TREASURY

NATIONAL POLICY ON CLIMATE FINANCE

DECEMBER, 2016

This June 2016 version of the policy include revisions that: incorporate input provided at the August 2015 national validation workshop; link the policy to the Climate Change Act, 2016; update information on climate finance to include issues arising from the Paris Agreement, and include input to address comments provided at April 2016 county consultations and discussions with the private sector in May 2016. Revisions in the policy should be read in conjunction with *Draft National Climate Finance Policy – Post-Validation Workshop Review of Draft Policy: Matrix for Action taken on Comments*. The revisions in the policy are draft and have not been approved by the National Treasury or the Climate Finance Policy Working Group.

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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 ROTICH
CABINET 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 2ºC 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.