Climate Change Financing and Aid Effectiveness

Kenya Case Study

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Acronyms

AAA	Accra Agenda for Action
AEG	Aid Effectiveness Group
AES	Aid Effectiveness Secretariat
AFD	Agence Françoise de Developpement
AIA	Appropriation in aid
CCU	Environment and Climate Change Unit
CCP	Copenhagen Conferences of Parties
CDF	Constituency Development Fund
CDM	Clean Development Mechanism
CIDA	Canadian International Development Agency
CIF	Climate Investment Funds
CRS	Creditor Reporting System
CSO	Civil Society Organisation
DANIDA	Danish International Development Agency
DFID	Department for International Development (UK)
DPF	Development Partner Forum
EAC	East African Community
ENVIRONET	Environmetnt and Development Network (OECD DAC)
GDP	Gross Domestic Product
GEF	Global Environment Facility
GoK	Government of Kenya
IFMIS	Integrated Financial Management Information System
JICA	Japan International Cooperation Agency
KARI	Kenyan Agriculture Research Institute
KCCWG	Kenya Climate Change Working Group
KFS	Kenya Forest Service
KJAS	Kenya Joint Assistance Strategy
KRA	Key Result Area
LTWP	Lake Turkana Wind Power
M & E	Monitoring and Evaluation
MDG	Millennium Development Goal
MEMR	Ministry of Environment and Mineral Resources
MRV	Measurable, reportable and verifiable
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NCCACC	National Climate Change Activities Coordinated Committee
NCCRS	National Climate Change Response Strategy
NGO	Non-governmental Organisation
ODS	Ozone Depleting Substance
OECD DAC	Organisation for Economic Cooperation and Development - Development Assistance Committee
OPM	Office of the Prime Minister
PBA	Programme Based Approaches
PD	Paris Declaration
PDE	Paris Declaration Evaluation
PFM	Public Finance Management
PIU	Parallel Implementation Units
REDD	Reducing Emissions from Deforestation and Forest Degradation in Developing

	Countries
SEI	Stockholm Environment Institute
SIDA	Swedish International Development Cooperation Agency
SPS	Sector Performance Standards
SREP	Scaling up Renewable Energy in Low Income Countries
SWG	Sector Working Group
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
WP-EFF	OECD-DAC's Working Party on Aid Effectiveness

Executive Summary

This work

This report is one of a series of brief country studies that have been commissioned by the OECD/DAC and the African Development bank (AfDB) as part of a regional study on climate change finance[1]. It follows from (and is coordinated with) a similar set of case studies undertaken in Asia, initiated by the Bangkok-based Centre for Development for Development Effectiveness (CDDE) facility[2] of UNDP, and in collaboration with OECD/DAC. The work seeks to strengthen the management of funding for climate change using the framework of the internationally agreed Aid Effectiveness principles. It provides a rapid assessment of Kenya's existing mechanisms for climate change financing in the light of such principles.

The analysis is based upon a review of literature and data, supported by a number of stakeholder interviews in country, with government officials, donors, civil society and the private sector. This was, however, a rapid exercise, and is not a comprehensive study. It can only begin to raise key issues and is meant to be a prompt for discussion. As well as setting out the current position, it identifies challenges and makes recommendations.

It and the other African country assessments will be brought together into a synthesis report that will seek to stimulate debate in the region and internationally in order to strengthen how the continent responds to the opportunities and challenges posed by climate change financing. Findings from the country studies will be discussed in a workshop to be held in September 2011, with a view to influencing the country and regional response.

Background

Kenya's recovery from the political turmoil it experienced in 2007 has been hampered by the global economic downturn, the slow pace of ongoing governance reforms, and unpredictable rainfall leading to incidents of prolonged flooding and drought. Whilst its GDP appears to be growing at 4%[3], Kenya will remain in transition for the foreseeable future. Its newly agreed constitution only takes full effect after elections planned for August 2012, and the country's development challenges remain great (most MDGs are off track).

Kenya is also highly vulnerable to the impact of climate change, particularly its main economic sectors. The Stockholm Environment Unit (SEI) estimates that the costs of climate change in the country could be equivalent to a loss of almost 3% of GDP by 2030[4], impacting negatively on long-term growth. However, set against a background of political transition and ongoing governance and development challenges, climate change is not yet a driving force for development in Kenya.

Kenya is a signatory to the UNFCCC and the Kyoto Protocol. The country has been an active participant in the Conferences of the Parties (COP) and associated itself with the Copenhagen Accord in 2010. Kenya is already benefitting from some external climate change finance from

[1] Others commissioned to date are Cameroon, Ghana, Morocco, South Africa, Tanzania.
[2] Supported by the Asian Development Bank, Government of Korea, Government of Japan, Swedish SIDA. More information can be found www.aideffectiveness.org
[3] World Bank, 2011
[4] Stockholm Environment Institute, Economy of Climate Change in Kenya, 2009

both global climate funds and bi-lateral agreements, although there is considerable potential for this funding to be scaled up given the likely impact of climate change and identified needs. Successful governance reforms to address deep rooted corruption will, however, be critical to the flow of future climate financing.

In 2007 Kenya formalised its commitment to Aid Effectiveness and the 2005 Paris Declaration through a Joint Assistance Strategy (KJAS) signed by the government and 17 development partners. KJAS was updated in 2010 and implementation will be coordinated by a joint donor and government Aid Effectiveness Group (AEG) and managed by the Aid Effectiveness Secretariat (AES).

The Role of Government

To date there has been limited (though increasing) understanding of climate change in Government, with priority being given to supporting the development of clean energy as Kenya seeks to diversify its energy production and reduce costs. As a result, Kenya has developed a close engagement with the international carbon market, whilst moving much more slowly on responding to its needs for adaptation.

Climate change does not feature in Kenya's current long-term development plan, the Vision 2030 nor its Medium-Term Plan for delivery (MTP 2008-2012). Plans are underway to embed climate change within the Vision 2030 post the 2012 elections. The next MTP (2013 - 2017) also provides an opportunity to mainstream climate change adaptation across the government's priority projects.

In 2010 Kenya launched its National Climate Change Response Strategy (NCCRS). The strategy recognises the threat climate change poses to sustainable development and advocates the need to integrate climate change information into national government policy. Terms of reference have been developed by the government and donors to draw up a national implementation plan for the NCCRS. This 'action plan' is expected to drive the mainstreaming of climate change across all line ministries. An exercise to identify requirements within each line ministry is currently underway, although there are concerns that the government lacks the capacity and systems to do this well.

No national framework for reporting on climate change is in place at this time. The majority of climate change financing is not yet sufficiently earmarked as such nor is it captured in the government's budget. It is therefore difficult to track and monitor. Financial reforms are currently underway to strengthen public financial management (PFM) systems and to allow more detailed project reporting in the future. A number of donors supporting PFM are also engaging in climate change (for example Sweden, CIDA and DFID); it is hoped that climate change financing will be a part of this process.

The national focal point for the UNFCCC is the Ministry of Environment and Natural Resources (MEMR). However, overarching coordination for climate change policy sits with the Office of the Prime Minister (OPM), which has a mandate to hold ministries to account for delivery of commitments. MEMR is responsible for coordinating climate change at the ministry level and has recently established a Climate Change Secretariat. The secretariat is responsible for the technical implementation of the NCCRS.

Outside of MEMR and the OPM there is growing awareness of climate change within the Ministry of Finance and the Ministry of Energy, largely linked to interests in low carbon growth and clean development. The Kenya Agriculture Research Institute (KARI), a semi-autonomous government institution, also established a climate change research unit in 2010. This unit is expected to increase climate change awareness within the Ministry of Agriculture, particularly in relation to food security and adaptation where some projects have already begun to focus. Other line ministries have been slower to engage. Encouraging them to do so is likely to require a more consistent political commitment than is currently apparent, which will be difficult to achieve given the current constitutional transition underway in Kenya.

The Role of Donors

Donors are coordinating with the government on climate change through a joint Sector Working Group (SWG) on climate change. There is no formal donor group for climate change coordination although informal relationships between donors are relatively strong and informal divisions of labour have already begun to emerge. Efforts to coordinate climate change financing are currently conducted through the joint SWG and informal discussion between donors.

External finance for climate change is provided both bi-laterally and through global funding mechanisms and is delivered as grants, loans, and technical assistance to projects and government departments at the sector level. Officials within MEMR have expressed a desire for donors to use the NCCRS as the national framework behind which to align all climate change financing. However, there is no formal government position on this at present.

There is also no formal commitment from donors to align their climate change support behind government priorities, although individual donors acknowledge the importance of the NCCRS as a basis for such alignment. Current plans to embed climate change within the Vision 2030 and to develop an action plan for delivering the NCCRS are expected to strengthen harmonisation at all levels. PFM reforms will also make it easier for donor commitments on climate change to be recorded and monitored through national systems.

The Nature of Climate Change Financing

It is arguable that the focus of Kenya's activities to date has not been in the area of funding adaptation to the potential impacts of climate change, but rather the opportunities that new international financing streams bring in the context of the country's need for increased diversity in its energy supply and reduced costs. Notably, the Ministry of Finance has recently established a carbon trading unit to explore the potential of attracting additional funding through the clean development mechanism. Some of the planned investments are considerable, for example the Lake Turkana Wind Power (LTWP) project.

Participation in international fora such as COP 15, and the more recent COP 16 in Cancun, has improved the awareness (by specialists and some national officials) of international funding for climate change. Increased interest within government has emerged most strongly in the OPM, MEMR, and more recently in the Ministry of Finance and the Ministry of Energy. Awareness of climate change within the Ministry of Agriculture has also begun to grow as adaptation needs are highlighted. However, domestic knowledge on the amount of global funding available and how it can be accessed remains limited.

Recent attempts to mainstream climate change within broader sector programmes, without sufficient earmarking of such funding, has made it difficult to identify the total amount of money coming into Kenya for climate change. This has been exacerbated by challenges in identifying additionality. The government is therefore unable to track the proportion of ODA (and other funds) being provided for climate change. The OCED Creditor Reporting System (CRS) currently tracks all ODA and has developed markers for reporting on climate change adaptation and mitigation. This indicates that information on climate change does exist for Kenya but is not yet being captured through national systems.

Whilst ongoing PFM reforms are expected to improve financial tracking systems in Kenya, the government might also wish to consider the use of climate change markers within the national budget. The above mentioned OECD Creditor Reporting System provides a good model on which this could be based. It is unlikely that donors will increase the volume of support channelled through national systems and budgets until improved financial tracking mechanisms for climate change are in place.

Where Kenya has accessed global funds, for example through the Reducing Emissions from Deforestation and Forest Degradation in Developing Countries programme (REDD) and the Global Environment Facility (GEF), development partners have played an important role in supporting Kenya's applications and in a number of cases managing these funds on behalf of the government. Efforts to build knowledge around global financing within government are currently driven by a small number of individuals and departments that have realised the potential for increased revenues.

It remains unclear how future climate change financing for Kenya will flow through the Ministry of Finance, although recent discussions on adaptation financing have touched on the need for a single pooled financing mechanism. The details for how such a mechanism might be managed are yet to be agreed. However, it is clear that GoK, and in particular the Ministry of Finance, will need to work with development partners to strengthen financial management systems for future climate change financing.

Conclusions

Kenya has begun to access climate change financing for mitigation and adaptation activities but the country will need to scale up its response massively if it is to fully address the challenge of climate change. National coordination structures for climate change are already in place and are set to be strengthened in 2011 through the new Climate Change Secretariat in MEMR, the NCCRS action plan, and emerging opportunities for increased donor alignment behind national priorities. However, political transition and the forthcoming Presidential elections in 2012 could destabilise these structures, and an improved understanding of roles and leadership for responding to climate change and managing external finance will therefore be needed.

At the very least Kenya's politics over the next couple of years areis expected to overshadow 'business as usual', thus limiting opportunities to drive the climate change agenda. Those stakeholders currently raising awareness and interest around climate change will need to work collectively and in a focused way around shared plans to ensure a strong foundation for climate change activities and financing is in place before, and after, the 2012 election.

1. Introduction

Climate change financing has emerged in response to the need for 'adequate, predictable and sustainable'[5] financing to address climate related issues, particularly in developing countries[6]. Since 2002 more than 20 global funds have been established, with donor partners pledging around US $30 billion at the Copenhagen Conferences of Parties (COP) 15 for 2010-2012 as a Fast Start programme, and US$ 100 billion annually by 2020 as long-term finance. Making the most of these resources will require increased capacity globally for coordination, implementation and monitoring. Putting in place effective country-level governance arrangements to properly manage these resources will be critical.

The OECD/DAC and African Development Bank (AFDB) has commissioned a number of country level studies in Africa (Kenya, Tanzania, Cameroon, South Africa, Ghana and Morocco). This work follows from (and is coordinated with) a similar set of case studies undertaken in Asia, initiated by the Bangkok-based Centre for Development for Development Effectiveness (CDDE) facility[7] of UNDP, and in collaboration with OECD/DAC. Together these Africa reports provide a preliminary assessment of existing mechanisms for climate change financing. Each report provides an analysis of existing national arrangements and sets out country specific recommendations. Individual country reports will be brought together into a synthesis report which will provide an overview of the enabling environment for climate change financing across the continent.

We have learnt much over the last decades about what makes external financing for development work better, and what inhibits it from doing so. This report places climate change financing within the wider development context, and in particular in relation to the Aid Effectiveness principles articulated in the Paris Declaration (PD) and the Accra Agenda for Action (AAA). In doing so it looks at existing climate change financing mechanisms in Kenya and assesses the extent to which principles of aid effectiveness are being applied.

The analysis for this report is based upon a number of stakeholder interviews in country, including government officials, donors, civil society and the private sector. Interviews were further supported by a review of related literature and data available in country.

2. Country Context

What development challenges is Kenya facing?

Since gaining independence in 1963 Kenya has pursued a path of economic development that, despite setbacks in the early 1990s, has helped the country to emerge as the largest economy in East Africa. Whilst Kenya remains a low-income country it has successfully developed as a regional hub for transport, business and finance.

However, political turmoil continues to underlie economic advancement and some degree of violence has accompanied all elections in Kenya since 1992. This was particularly notable during the 2007 post-election crisis in which over 1,000 people tragically lost their lives. Kenya's

[5] UNFCC 2007, Bali Action Plan
[6] OECD 2009, Climate Change and Development: Key Principles to Inform Climate Change Financing
[7] Supported by the Asian Development Bank, Government of Korea, Government of Japan, Swedish SIDA. More information can be found www.aideffectiveness.org

recovery from these events has been hampered by the global economic downturn, the slow pace of ongoing governance reforms, and unpredictable rainfall that has led to incidents of prolonged flooding and drought. Despite these constraints, the World Bank reported GDP growth at 4%[8] in 2010 with similar growth predicted for 2011. The approval of a new constitution in August 2010 has also helped to renew political appetite for reform and will introduce new governance structures that seek to make government more accountable to its citizens. However, these systems will take time to bed in and Kenya will remain in transition for the foreseeable future.

Poverty and inequality remain key obstacles to Kenya's development despite recent political and economic gains. Population rates have risen by almost 35% over the last decade, with the total population reaching 38.6 million in 2009[9]. This is placing increased stress on the country's natural resources, environment, and developing infrastructure systems, including access to basic social services. Latest figures indicate that 46% of the population live at or below the national poverty line[10].

On its current trajectory, with the exception of achieving the goal for universal primary education, Kenya will struggle to meet the Millennium Development Goals (MDGs).

Achievement of the Millennium Development Goals in Kenya

MDG 1: Eradicate extreme poverty and hunger
The proportion of undernourished underweight children under 5 has fallen only marginally from 22% in 1994 to 21% in 2006 while the total proportion of the population that is undernourished remained static at 30%. Income poverty has increased over the same period from 40% below the national poverty line in 1994 to 46% in 2006, despite a focus on economic growth.

MDG 2: Achieve universal primary education:
Primary school enrolment rose from 63% in 1999 to 82% in 2008.

MDG 3: Promote gender equality and empower women
The enrolment of girls into primary school education has remained slightly above that of boys, although primary completion rates are higher for boys. The proportion of seats held by women in parliament has increased from 3% in 1997 to 9.8% in 2010.

MDG 4: Reduce child mortality
Child mortality has risen from 68 deaths per 1,000 live births in 1990 to 81 in 2008, although this rate has stabilized somewhat since the late 1990s.

MDG 5: Improve maternal health
Maternal mortality rates have fluctuated since 1990 but remain relatively high at 530 deaths per 100,000 live births in 2008.

MDG 6: Combat HIV/AIDS, malaria and other diseases
The proportion of people living with HIV/AIDS has reduced from 7.7% in 2001 to 4.9% in 2007.

MDG 7: Ensure environmental sustainability
Access to an improved drinking water source has risen from 43% in 1990 to 59%. In 2008 31% of the population had access to an improved sanitation facility, a moderate increase on 26% in 1990.

[8] World Bank, 2011
[9] Kenya Official Population Census, 2009
[10] World Bank, 2011

MDG 8: Develop a global partnership for development
The number of internet users in Kenya has risen from 1 in every 100 people in 2002 to almost 9 users per 100 in 2008. Mobile phone subscriptions have risen rapidly from almost 2% in 2001 to 42% in 2008.
UN Statistics March 2011

One factor hampering achievement of such goals is climate change.

What climate change is Kenya experiencing?

Average annual temperatures in Kenya increased by 1.0°C between 1960 and 2003 and the country has experienced both prolonged droughts and intense flooding every year since 2000. As well as an increase in such extreme weather events, permanent impacts are also becoming evident; for example the glaciers around Mount Kenya have disappeared, leading to the drying up of river streams in its watershed. Observations also tell us that the sea level rose on average 1 mm per year at Mombasa and Lamu between 1986 and 2004[9] and climate change has now been shown as the dominant cause of coral loss in the Western Indian Ocean off Kenya[11]. Such changes have already led to harvest losses and food shortages, a loss of biodiversity, landslides, and soil degradation. The range of pests for humans, plants and animals are increasing and a reduction in the number of cold days and nights is also contributing to a wider range for malaria across the country. Diminishing water sources and decreasing and sometimes erratic rainfalls have also reduced the availability of water.

What will be the expected future change?

The UNDP estimates that under current projections Kenya's average annual temperature will rise by between 1°C (the lowest estimate) and 5°C (the highest estimate) during the next century.[12] This is in comparison to an estimated 2°C rise in global temperatures by 2100. The 5°C increase would mean global temperatures were at levels not seen for more than 30 million years[13]. Up to 2100, the period of the rains in Kenya is likely to remain the same as now (both the short and long seasons) but each rainy season will become wetter, particularly the short rains (October to December). Global Climate Models predict an increase of 40% in rainfall in northern Kenya by the end of the century, whilst a regional model suggests that there may be greater rainfall in the West of the country. Model simulations show wide disagreements in projected changes in the amplitude of future El Niño events (which has an implication in particular for drought events) but these effects will occur in addition to the underlying global warming impacts.

All models show that by 2100 there will be more intense rains during the wet seasons. Floods will be more common and severe. The frequency of droughts is likely to be the same as now, but again will be more severe due to the rise in overall temperatures. This will reduce crop volumes and diversity and impact on livestock[14]. The 2007 Fourth Assessment Report of the Inter-Governmental Panel on Climate Change[15] notes that a 2°C rise globally will result in a sea-

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[11] Emily S. Darling, Timothy R. McClanahan, Isabelle M. Côté "Combined effects of two stressors on Kenyan coral reefs are additive or antagonistic, not synergistic", Conservation Letters,Volume 3, Issue 2, pages 122–130, April 2010

[12] Using the mean of a series of models for a range of possible emissions scenarios (low to high growth), Projections developed by the School of Geography and the Environment at Oxford University for UNDP. See here http://country-profiles.geog.ox.ac.uk/#documentation for details.

[13] See Nicholas Stern, "Climate: What you need to know" June 24 2010, New York Review of Books,

[14] Fighting Climate Change: Human Solidarity in a Divided World: Human Development Report 2007-2008, UNDP 2007

[15] IPCC, *Climate Change 2007: The Physical Science Basis* (eds Solomon, S. *et al.*) (Cambridge Univ. Press, Cambridge, UK, and New York, 2007), also here http://www.ipcc.ch/publications_and_data/ar4/wg2/en/contents.html

level rise of between 69cm and 1m (depending on location) across the world. However, the consensus of subsequent modelling is that sea level rise is likely to be higher[16].

What Social and Economic Impacts of Climate Change can we expect?

Kenya's high population growth rate is already putting the country's natural resources under pressure. UNEP estimates that land per citizen will reduce from 9.6 hectares in 1950 to 0.3 hectares per citizen by 2050[17]. UNEP also notes that "Kenya's high dependence on natural resources, its poverty levels and low capacity to adapt, and the existence of other significant environmental stress make it highly vulnerable to climate change."

The rural poor are the most vulnerable to climate change impacts. They are increasingly faced with displacement, loss of earnings, increased vulnerability to infectious diseases, and the interruption of access to basic services such as education and health care. Changing agricultural cycles and reduced productivity is most notable in Northern Kenya where food insecurity has been linked to malnutrition and cross-border conflict. Such vulnerability has a high economic cost. The 2009 Kenya study produced by the Stockholm Environmental Institute (SEI), commissioned by DFID, estimated that the costs of climate change in the country could be equivalent to a loss of almost 3% of GDP each year by 2030[18].

Economic costs of flooding and drought

Drought in 1998-2000 is estimated to have had economic costs of $2.8bn from loss of crops and livestock, forest fires, damage to fisheries, reduced hydro-power generation, reduced industrial production and reduced water supply. Similarly, droughts in 2004 and 2005 affected millions of people and the recent 2009 drought led to major economic costs from restrictions on water and energy.

Floods in 1997 and 1998 affected almost 1 million people and are estimated to have had total economic costs of $0.8 to $1.2 billion arising from damage to infrastructure (roads buildings and communications), public health effects (including fatalities), and loss of crops. The more recent 2006 flooding affected over 723,000 people.

The continued annual burden of events such as flooding and drought will lead to large economic costs (possibly as much as $0.5b per year, equivalent to around 2 % of GDP) and will negatively impact on Kenya's long-term growth.

Stockholm Environment Institute, Economy of Climate Change in Kenya, 2009

Current predictions indicate that climate change could increase the rural population at risk of malaria in Kenya by more than a third to 89% by the 2050s (affecting an extra 2.9 to 6.9 million people). SEI estimates the direct economic costs of this rise alone at between $45 to $99 million annually, rising to $144 - $185 million if full economic costs are considered.

Infrastructure will also be directly affected; sea level rise around Mombasa will cause the salination of coastal agricultural land, increase flooding, and put an estimated 440,000 people at

[16] *Stefan Rahmstorf "A New View on sea level Rise" Nature Reports Climate Change*, Published online: 6 April 2010 | doi:10.1038/climate.2010.29
[17] *Kenya Atlas of our Changing Environmental* UNEP, 2009
[18] Stockholm Environment Institute, Economy of Climate Change in Kenya, 2009

significant risk. A 2009 study suggested the economic impact on Mombasa city alone could be as high as $18 billion[19] by 2100[20].

"We have seen climate change in intermittent rainfall patterns, extended drought and very high temperatures," said Joseph Kimemia, director of research at Kenya's Coffee Research Foundation (CRF).

Coffee operates within a very narrow temperature range of 19-25 degrees (Celsius). When you start getting temperatures above that, it affects photosynthesis and in some cases, trees wilt and dry up. We have seen trees drying up in some marginal coffee areas."

Reuters, Mombasa Kenya February 11th 2010

Kenya's principal exports (coffee, tea, horticulture and tourism) are directly at risk. For instance, the range of Kenya's tea production will dramatically reduce. In the case of tourism, a study released by ILRI[21] in 2010 has associated widespread and substantial declines in the number of animals in the Masai Mara with climate change.

The total costs of addressing the impacts of climate change in Kenya, taking into account both immediate and future needs, have been estimated by SEI at $500m per year for 2012 onwards. Adaptation costs will increase by 2030 and SEI gives an upper estimate of between $1 and $2billion per year.

What is the context for making the most of external finance in Kenya?

In 2007 the government and 17 development partners signed the Kenya Joint Assistance Strategy (KJAS) in formal recognition of the 2005 Paris Declaration on Aid Effectiveness.

The Principles of the Paris Declaration

Ownership

Ownership is the foundational principle of the Paris Declaration. Development is something that must be done by developing countries, not to them. Policies and institutional reforms will be effective only so far as they emerge out of genuinely country-led processes. External assistance must be tailored towards helping developing countries achieve their own development objectives, leaving donors in a supporting role.

Alignment

Under the Paris Declaration, the principle of alignment refers to two important changes to aid practice. The first is that donors should base their support on the partner country's development priorities, policies and strategies ('policy alignment'). The second is that aid should be delivered as far as possible using country systems for managing development activities, rather than through stand-alone project structures ('systems alignment').

Harmonisation

Harmonisation refers to cooperation between donors to improve the efficiency of aid delivery. Donors are aware that multiple initiatives by different donors, each with their rules and procedures, can be very

[19] Kebede, Hanson, Nicholls and Mockrech (2009) *"Impacts of climate change and sea-level rise; A case study of Mombasa, Kenya"* School of Engineering and the Environment, University of Southampton

[20] *Kenya Atlas of Our Changing Environment,* produced Feb 2009 - initiative of GoK and UNEP, highlights environmental challenges and issues facing K, and depicts major environmental hotspots in the country.

[21] ILRI, press release, April 2010

draining for developing country administrations. To reduce the transaction costs of aid, donors have been developing a range of new approaches, including programme-based approaches, pooled funding arrangements, joint country plans and other common arrangements.

Managing for Results
Managing for results is a general principle of management that involves using information about results systematically to improve decision-making and strengthen performance. In the development field, it means ensuring that all development activities are orientated towards achieving the maximum benefits for poor men and women. It means ensuring that all initiatives, from individual aid projects through to national development strategies, are designed so as to generate performance information and use it for continuous improvement.

Mutual accountability
Mutual accountability is perhaps the most controversial of the Paris principles, and the most difficult to put into practice. It suggests that, in a true development partnership, there are commitments on both sides of the relationship, and both donors and partner countries should be accountable to each other ('mutual' accountability) for meeting those commitments. However, there are also many other accountability relationships involved in the development process that need to be taken into account.

One of the innovative aspects of the Paris Declaration is that commitments are reciprocal in nature, applying both to donors and to developing countries. This is an advance on its predecessor, the Rome Declaration, where the commitments were all on the donor side, and to traditional aid practices where the obligations were mostly on recipients. Reciprocal commitments create for the first time the possibility of mutual accountability.

KJAS was reviewed in 2010 and has subsequently been updated to ensure alignment with Kenya's long-term development plan, the Vision 2030 (launched in 2008), and the Medium-Term Plan for delivery (MTP 2008-2012). The updated KJAS places increased emphasis on aid effectiveness as a process with ongoing activities and updates to be coordinated through the Aid Effectiveness Group (AEG) and managed by the Aid Effectiveness Secretariat (AES). Successful implementation of the KJAS will depend on the AES having sufficient capacity to do so.

Kenya participated in the 2006 and 2008 Paris Declaration Surveys with 16 and 21 donor respondents respectively, and is currently participating in the final monitoring survey scheduled for completion by the end of March 2011. The results of the 2006 and 2008 surveys indicate mixed progress on aid effectiveness since 2005, not helped by the political and social upheavals following the disputed 2007 Presidential elections[22]. Recommendations from the 2008 Kenya Survey were focused on building political stability, exercising stronger leadership, and improving joint government and donor working to deliver progress on aid effectiveness and development results.

At a global level the 2008 Paris Declaration Monitoring Survey found that progress being made on aid effectiveness was insufficient to meet international commitments and targets by 2010. Recommendations focused on strengthening country ownership and capacity, increasing accountability over development resources, more cost effective aid management, for example through Programme-Based Approaches (PBAs), and a stronger division of labour (DoL)[23]. It is important to draw on this evolving policy direction when considering recommendations for

[22] OECD 2008 Survey on Monitoring the Paris Declaration
[23] OECD 2008 Survey on Monitoring the Paris Declaration

strengthening the governance arrangements of climate change financing[24] (see below). The following principles have been developed by the OECD/DAC to encourage lesson learning from previous development experience and ensure complementarity between development and climate change objectives in the future[25].

OECD DAC Key Principles to Inform Climate Change Financing	
Ownership	*Activities in response to climate change should be country-driven and be based on needs, views and priorities of partner countries. National sustainable development strategies and climate change policies should be taken into account where they exist. Recipient countries should lead in establishing and implementing their climate change strategies in a broad consultative process ensuring full integration into policies, plans and programmes in all relevant sectors*
Alignment	*Climate change financing needs to be integrated into countries' own planning and budgeting mechanisms to ensure genuine ownership. Where possible, new and additional climate change financing is*
Capacity Development	*Capacity development is critical to ensure that recipient countries have the sufficient capacity to absorb and manage climate change financing*
Harmonisation	*To reduce administrative costs, it is important that the international community coordinates their actions, simplify procedures and share information to avoid proliferation and duplication of funding mechanisms. A shift to programmatic approaches can help.*
Managing for Development Results	*The Bali Action Plan acknowledged the challenge of yielding actual results on the ground and stressed the need for actions to be undertaken by Parties to implement the convention to be "measurable, reportable and verifiable (MRV)"*

The following considers Kenya's current activities in the light of these principles.

What has been the government's response to climate change?

It is arguable that the focus of Kenya's climate change activities to date has not been in the area of funding adaptation to the potential impacts of climate change. Rather Kenya has focused on the opportunities that new international financing streams bring in the context of the country's need for increased diversity in its energy supply and for reducing costs. Kenya is currently dependent on unreliable hydropower production and imports all of its oil. Existing government plans include the generation of up to 50% green energy in order to diversify electricity production, and measures such as requiring all petrol to contain at least 10% ethanol content. Efforts to build interest around global financing for climate change within government have thus, to date, been driven by a small number of individuals and departments that are interested in funding this diversification and have identified the opportunity for Kenya to benefit from increased revenues. Other policy changes have also supported this move to cleaner energy, for example the liberalisation of the regional sugar market and the privatisation of energy production.

Many of Kenya's emerging projects in the power and energy sector are thus jointly funded through international finance mechanisms for climate change, most notably through the sale of carbon credits. The Ministry of Finance has recently established a carbon-trading unit to explore

[24] See for comparison Nigel Thornton 2010, Climate Change Financing and Aid Effectiveness: Cambodia Country Analysis
[25] Climate Change and Development: Key Principles to Inform Climate Financing, OECD DAC, 2009

the potential of attracting additional funding through clean development. Some of the planned investments are considerable, for example the Lake Turkana Wind Power (LTWP) project, set to be the largest wind energy farm in Africa.

Beyond the very limited number of technical specialists engaged with the international carbon market, participation in international fora such as COP 15, and the more recent COP 16 in Cancun, has improved awareness (by specialists and some national officials) of the broader international funding available for climate change. Within government increased awareness has emerged in the Office of the Prime Minister (OPM), the Ministry of Environment and Mineral Resources (MEMR), and over the last year within the Ministry of Finance and the Ministry of Energy. It is notable that Kenya's Minister for the Environment and Natural Resources has recently been active in articulating the need for external donors to provide additional funding for adaptation costs (although these have yet to be fully quantified by government). However, domestic knowledge on the amount of global funding available and how it can be accessed remains limited to a few individuals

It is unclear how future climate change financing for Kenya will flow through the Ministry of Finance, although recent discussions on adaptation financing have touched on the need for a single pooled financing mechanism. The details for how such a mechanism might be managed have yet to be agreed. It is also uncertain what impact the constitutional changes that will take place in 2012 will have on the government's capacity to engage with external funders on this issue. However, it is clear that GoK, and in particular the Ministry of Finance, will need to work with development partners to strengthen financial management systems for future climate change financing. This will require strong coordination with the Ministry of Planning and other line ministries, and continued oversight from either the Office of the Prime Minister, its successor body, or the Office of the President.

3. Ownership

The 2008 Paris Declaration Monitoring Survey states explicitly that aid is 'most effective when it supports a country owned approach to development'. Given the timing of this survey, shortly after the 2007 election crisis, its recommendations highlighted the need for Kenya to rebuild political stability and reassert ownership over the national development agenda.

In 2010 Kenya committed to implementing the Copenhagen Accord, building on its existing commitments as a signatory to both the UNFCCC and the Kyoto protocol. However, despite high level global commitments on climate change, political commitment for driving this agenda at the national level remains limited. While Kenya is largely believed to have one of the highest levels of domestic capacity for analysis and policy-making around climate change in Africa, only a limited amount of this capacity is currently within government. Knowledge and understanding of climate change within government rests with only a small number of individuals, although there are signs that this is beginning to change.

Since 2008 the Prime Minister has taken a strong lead on climate change, particularly around low carbon and green energy agendas. National leadership for climate change has subsequently been anchored in the Office of the Prime Minister (OPM) and is coordinated through an Environment and Climate Change Unit (ECCU), staffed by externally funded technical advisors. The unit provides strategic oversight for climate change across government and enforces

Ministerial coordination and delivery through a National Climate Change Committee. However, a lack of reference to climate change in national development policies continues to challenge this oversight function.

Kenya's long-term development plan, the Vision 2030 (launched in 2008), fails to adequately document the impacts of climate change on national development. This is reflected in the current Medium Term Plan (MTP 2008-2012) and Vision 2030 flagship projects, both of which largely overlook climate change within development activities. Plans are underway to embed climate change within a sessional paper to parliament on the longevity of the Vision 2030 post the 2012 elections. The next MTP (2013 - 2017) also provides an opportunity to mainstream climate change adaptation in the Vision 2030 flagship projects, although this will require much stronger political commitment than currently appears to exist.

Outside of central government the majority of local MPs and individuals in Kenya are not yet concerned with 'climate change' as a specific issue, although increasing occurrences of drought and flooding in recent years have raised people's awareness on environmental issues. Many Kenyans are unfamiliar with the concepts of climate change and global warming. They believe the term "climate change" refers to changes in the weather or seasons and have little knowledge of its global context or the greenhouse effect[26]. Knowledge is therefore not sufficiently embedded across Kenyan society and climate change as a development activity continues to be an externally led agenda.

The OPM, in collaboration with MEMR, has been undertaking a series of climate change hearings across Kenya to strengthen local awareness and leadership around climate related issues. In 2011 hearings are scheduled to take place in Garissa, Narok, Kisumu, and Turkana and will engage MPs, civil society and local residents on the climate related issues prominent in their local areas. Where opportunity presents OPM is also beginning to link hearings to other scheduled events, for example the Turkana marathon, to ensure maximum participation and information sharing amongst local stakeholders.

In 2010 the Government of Kenya launched its first climate change strategy; the National Climate Change Response Strategy (NCCRS). This was developed by MEMR in consultation with local stakeholders from across the country. The strategy recognises the threat climate change poses to sustainable development and advocates the need to integrate climate information into national government policy. A broad spectrum of specialist climate change issues are covered under the strategy, including:

- Evidence and impacts of climate change
- Response, adaptation and mitigation interventions
- Communication, education and awareness
- Vulnerability assessments
- Research, technology development and transfer
- Policy, legislation and the institutional framework

Terms of reference for an 'action plan' for implementation of the NCCRS have been developed and a final plan is expected to be launched no later than June this year (2011). The action plan will provide a framework for government to take a stronger domestic lead on climate change activities.

[26] Kenya Talks Climate 2009: findings of BBC World Service Trust

As the coordinating ministry for all environmental issues MEMR is responsible for coordinating climate change at the *ministry* level. A Climate Change Secretariat has recently been established within the ministry to strengthen this function and to oversee the technical development and implementation of the NCCRS action plan. However, policy and overall accountability for climate change will continue to be driven by OPM, much as it has done since 2008.

The majority of line ministries are not yet familiar with the NCCRS or their role in its delivery. Few ministries recognise the potential impacts of climate change on their programmes and budgets, both in terms of costs and opportunities, i.e. through increased adaptation funding. A notable exception is the Ministry of Northern Kenya which is taking a lead on adaption, largely related to its geographical positioning. Climate change "desks" have been established in each ministry but these have yet to impact much on climate awareness at the sector level. Desk officers are rarely trained on climate change issues and are usually administrators with limited opportunity to influence sector strategies.

A clear vision for how climate change financing should be managed and coordinated in the future has yet to emerge. Increased clarity will be critical for the NCCRS to successfully mainstream climate change across government. Officials within MEMR are advocating for the NCCRS to provide an investment framework through which external financing for climate change can be identified, tracked and disbursed to each line ministry. However, concerns around the comprehensiveness and technical accuracy of the NCCRS could undermine its viability as a national investment framework. A lack of capacity within government to identify additionality needs at the sector and national levels will also impact the planning and management of climate change resources.

Additionality

1. In Kyoto project-based mechanisms (i.e. Clean Development Mechanism and Joint Implementation projects) *additionality* describes that a carbon dioxide reduction project would not have occurred had it not been for concern for the mitigation of climate change. It is thus beyond "business as usual" project. To qualify funding, a project has to demonstrate additionality.

1. *Additionality* for climate change financing can also refer to donors providing funds beyond "business as usual" ODA levels, in order to enable communities and countries to adapt to climate change impacts. This means identifying the additional cost to development programmes and projects that adapting to climate change will require. It is also an area of considerable international debate, since developing countries argue, as they did at COP15 in Copenhagen, that this financing should not be classified as ODA.

Where global funds have been accessed in Kenya, for example through Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD) and the Global Environment Facility (GEF), development partners have played an important role in supporting Kenya's applications. In a number of cases development partners have also managed those funds received on behalf of the government.

Strengthening country ownership for climate change in Kenya is unlikely to be a priority issue over the coming years as the country focuses its attention on political transition and Presidential elections in 2012. Embedding climate change within national development is likely to require a gradual process that works simultaneously at national and local levels to build awareness and demand for government action around climate change. In the meantime climate change is likely to remain predominantly driven by external agendas, thus limiting local demand for strengthened policies and accountability.

Challenges to government and country ownership

- Climate change in Kenya remains an internationally driven agenda
- Limited government awareness of the impacts of climate change on sector programmes
- No nationally agreed mechanism for managing future climate change financing
- Forthcoming political transition and 2012 Presidential elections expected to overshadow 'business as usual'

Opportunities to government and country ownership

- Launch of first national climate change strategy (NCCRS) in 2010 and forthcoming action plan for implementation
- High level 'championing' of climate change through OPM
- Strong domestic capacity for analysis and policy making around climate change (although not currently represented in government)
- Increasing domestic awareness of climate related issues, i.e. flooding and drought and associated impacts on agriculture and food security.

4. Alignment

Alignment takes a two-pronged approach to aid effectiveness. It focuses on how well external funders are channelling their aid in response to the government's development priorities and on how they are helping to strengthen and increase their use of national systems, for example for budgeting, procurement and reporting. It is notable that the 2008 Paris Declaration Monitoring Survey identified weak information systems within the Kenyan government as one of the largest challenges to increased use of local systems.

External funding to Kenya is provided either as revenue to be managed through Treasury or as Appropriation in Aid (AIA), the latter of which is agreed with government before being channelled directly to service providers. Funding is reflected in the budget at project level, listed both by donor and by sector. Where climate change financing is mainstreamed within larger sector programmes, for example in water and agriculture, the budget does not earmark or disaggregate climate change components. A small number of donors are also reported to provide off-budget funding for climate change. It is therefore difficult to track and measure the volume of climate change financing for Kenya and no overall summary of total climate change financing exists. The introduction of climate change markers within national budgeting systems could help to address this, strengthening financial tracking and encouraging increased donor use of government systems for climate change finance.

Donor efforts to align climate change financing behind national development priorities have been stalled by a lack of reference to climate change in Kenya's Vision 2030 and flagship projects. Increased opportunity for alignment has only recently emerged with the launch of the NCCRS in 2010, although this is not yet articulated into action plans. The NCCRS provides a platform for increased joint working between the government and donors on the targeting and delivery of climate change finance in Kenya; an important first step towards climate change becoming more nationally driven. Initial synergies are most likely to be found in those sectors in which GoK and donors are already active around environment and climate related issues, for example in energy, agriculture and water.

Prior to the launch of the NCCRS an informal division of labour had already begun to emerge amongst some of Kenya's larger climate change donors, namely AFD, Denmark, DFID, JICA and Sweden. The NCCRS and forthcoming action plan will help to strengthen this existing coordination in line with clearly identified government priorities. Government is expected to use the action plan as a basis from which to take a more active lead in channelling donor support. The initial costings for climate change financing, estimated within the NCCRS, will begin to make it easier for donors and government to identify financing gaps as existing resources are mapped against the strategy. However, estimates will need to be considerably strengthened before this type of resource mapping can be done with much accuracy.

A joint government and donor sector working group (SWG) on climate change meets monthly and is currently co-chaired by MEMR and DFID. Meetings are open to all interested line ministries although challenges have been noted in ensuring climate change is seen as more than an environmental problem. Government attendance beyond MEMR has therefore not been consistent. The SWG provides a forum for strategic level discussion and coordination for climate change, although a number of respondents indicated that recent meetings had focused too heavily on technical implementation issues. Efforts to revitalize the SWG are ongoing and meetings are expected to resume their strategic focus in 2011. A first step has been the creation of a new Climate Change Secretariat within MEMR that is responsible for technical implementation and oversight of the NCCRS. The secretariat could also facilitate increased government attendance at SWG meetings, particularly from those ministries already showing interest in climate change, for example the Ministries of Finance and Energy.

Strong informal relationships have developed between the main climate change donors in Kenya with bi-lateral discussions taking place in an ad hoc fashion dependent on need. Joint scoping missions for climate change support have also been undertaken by AFD, DFID and JICA in March 2010 and by AFD and JICA in September 2010. These missions have underlined the strong donor interest in climate change that exists in Kenya and set out recommendations for increased joint working with government. There is currently no formal donor coordination group for climate change in Kenya, in part due to the effectiveness of informal coordination mechanisms. However, there is awareness amongst donors that such a group would help to formalise relationships and strengthen engagement with government through a more effective contribution to the SWG.

At the national level the alignment of coordination structures for climate change is somewhat complicated by internationally driven mechanisms and requirements for accessing global funds. National focal points have been identified and are currently operational for the UNFCCC, REDD and CDM, all of which sit under MEMR but in different departments. The focal point for REDD for example is housed in the Kenya Forest Service (KFS), a government parastatal agency, whilst the CDM focal point sits in the National Environmental Management Agency

(NEMA). Potential exists for these different functions to be mapped and opportunities sought for increased synergy between international requirements and emerging national systems for climate change coordination.

Kenya is largely dependent on external support for accessing climate change financing, whether through bi-lateral agreements or the relatively small amounts received to date through global funds such as REDD and GEF. However, the predictability of this funding relies upon international commitments and funders' priorities, both of which are subject to change. Most bi-lateral donors are required to reapply for their programme budgets on an annual basis, the results of which are usually determined by a remote headquarters office rather than by technical experts in country.

Scaling up Renewable Energy Programme (SREP) pilot

Kenya is currently preparing its application for SREP funding as part of the World Bank's Climate Investment Funds (CIF).

Kenya's initial 2009 application to CIF's Clean Technology Fund was turned down on the grounds that Kenya's Carbon emissions were not enough to allow it to qualify for funding under this window. This was in spite of vocal advocacy on Kenya's behalf by bilateral funders of the CIF. Kenya was instead chosen as one of six pilot countries for the Scaling up Renewable Energy Programme (SREP), despite not having applied to this funding pot. Government was informed of the move to SREP, and the process was not negotiated.

At best this is an example of poor communication between the provider and recipient of funds. Government officials are less generous, saying (in their opinion) that there has been a lack of transparency in the administration of this application by the World Bank. This has fed scepticism about international commitments to support domestic processes that seek to respond to climate change, and the desire of international institutions to align behind national plans. Indeed, prominent decision-makers remain dubious whether the international community is serious in its intention to support domestic priorities for climate change at all, saying (in terms) "We'll believe it when we see it".

It is notable that the 2008 Paris Declaration Monitoring Survey for Kenya highlighted the need for donors need to get better at informing the Ministry of Finance about their commitments, to improve predictability, and for government and donors to jointly agree on mechanisms for future disbursements[27].

While a number of mechanisms exist for tracking various elements of international climate change financing at global and national levels, there is currently no comprehensive tracking system able to capture external climate change finance in Kenya. The government budget currently records external financing at the project level by sector and by donor. Where climate change funding is integrated into wider sector projects, for example in water or agriculture, it is currently not possible to disaggregate funding allocated for climate change activities. Only where a project is specifically focused on climate change are these funds reflected.

Example of current commitments by global funds in Kenya

[27] OECD DAC Paris Survey, 2008

Project	Fund	Amount ($US m)	Approved (year)	Amount dispersed ($US m)	Focus
Readiness preparation formulation grant	Forest Carbon Partnership Facility	$0.20	2009	$0.17	Mitigation – REDD
Market transformation for efficient biomass stoves	GEF 4	$0.98		$0.98	Mitigation – general
Development and implementation of a standards labelling programme	GEF 4	$2.00		$2.00	Mitigation - general
Adaptation to climate change in arid lands (KACCAL)	Special climate change fund	$6.50	2009	$6.50	Adaptation
Scaling up renewable energy pilot	SREP	$25 - $50m	2010 ongoing	$0	Adaptation

www.climatefundsupdate.org

The introduction of the Medium-Term Expenditure Framework (MTEF) in Kenya has strengthened the link between national planning and budgeting processes, although implementation bottlenecks, off-budget expenditure and in-year budget reallocations remain a challenge to the effective use of these systems[28]. Ongoing public financial management (PFM) reforms are expected to overcome some of these problems with plans already underway to introduce a new Integrated Financial Management Information System (IFMIS) and an Electronic Projects Monitoring System (e-PROMIS) for capturing more 'comprehensive and structured project information'[29]. The e-PROMIS will allow disbursements to be tracked at the sub-project level, thus making it easier to identify climate change finance, even where mainstreamed through sector programmes. As mentioned above it might also be useful for the government to introduce climate change markers for mitigation and adaptation financing within the national budgeting system[30].

The government is currently unable to adequately identify and capture additionality within sector strategies, programmes and projects. A recent exercise to do so during the development of the NCCRS highlighted a lack of technical capacity in government for undertaking this type of budgeting. MEMR has since requested the exercise be repeated to produce more robust costings for additionality, although no subsequent training or capacity development has since been undertaken within line ministries.

Donors will also need to consider the absorptive capacity of line ministries and their individual abilities to identify and scale up activities in response to scaled up adaptation financing in the future. In this regard donors may first want to support investment in comprehensive climate change expenditure reviews and the tracking of climate change expenditure in national budgets.

Financial reform processes are ongoing but are technically complex and will take time to become properly functional. It will be important that future climate change financing does not overburden new government systems before they have had time to become institutionalised. The government and donors should therefore consider establishing a pooled funding mechanism

[28] OECD DAC Paris Survey, 2008
[29] PS Kinyua, Ministry of Finance, 2011
[30] The Rio Markers for ODA recorded in the DAC's Creditor Reporting System (CSR) could provide a good example.

for climate change finance that could initially be managed externally, but with clear steps and processes in place to support ongoing financial reforms and hand over control to government once systems have been proven to work effectively.

Outside funding of large-scale energy-related projects, the potential for private sector financing of the response to climate change has yet to be properly explored by the government, partly due to the lack of a clear response for climate change prior to the NCCRS. The private sector is also yet to mobilize itself around climate change (rather than energy diversification) and no collective attempts have been made to align emerging interests in the energy, agriculture and horticulture sectors to the NCCRS. Private sector participation in climate change is meant to be coordinated through the National Climate Change Activities Coordination Committee (NCCACC) but this forum is not yet meeting regularly.

Challenges to alignment

- Multiple coordination mechanisms and focal points for climate change currently exist within government
- No comprehensive tracking system to identify and monitor all (ODA, FDI, other) climate change financing to Kenya
- Lack of climate change mitigation or adaptation markers within the national budget to indicate spending on climate change limiting potential for budget or sector support
- Perceived disconnect between international pledges and national realities

Opportunities for increased alignment

- Potential for ongoing financial reforms to enhance tracking of climate financing and make it easier to identify funding needs
- Active SWG for joint donor and government coordination on climate change
- Coordination mechanism already exists for private sector engagement through the NCCACC, but this forum still needs to be properly activated

5. Harmonisation

The 2008 Paris Declaration Monitoring Survey for Kenya notes how the poor coordination of aid can increase costs for both government and donors and significantly reduces the overall value of aid. Whilst the Survey reported improvements in the level of joint donor working it reported negatively on the use of programme based approaches (PBAs), indicating capacity constraints within some ministries as a key factor.

Joint scoping missions by AFD, DFID and JICA in 2010 reinforce the Paris Survey findings on improved joint working and indicate a strong commitment from these donors to coordinate future climate change financing for Kenya. However, to date there is no official mechanism or agreement for wider donor coordination either in the form of a heads of mission statement or through the establishment of a formal donor group for climate change coordination. Instead, coordination has emerged naturally through the climate change SWG and the informal division of labour that has become evident between the larger bi-lateral donors.

Division of labour 2011

AFD has committed to supporting agriculture and energy, Japan forestry and water, Finland and the World Bank forestry through REDD, and Sida support to strengthen civil society engagement around climate change issues. Danida and JICA are also providing technical assistance to the OPM's Environment and Climate Change Unit, and AFD are supporting the National Climate Change Committee in MEMR. DFID is currently finalising a 'business case' for support to climate change which is expected to take a broad brush approach to strengthening climate change at a number of different levels, from engagement at the local level to support to regional programmes across East Africa.

Building upon this emerging division of labour to further strengthen coordination should be a top priority for donors over the next couple of years.

Despite informal divisions of labour, there has been little effort, until recently, to keep track of the volume of funds being provided by each donor in their relevant areas of interest. An initial donor matrix for tracking climate change financing was developed during the first ever SWG meeting in March 2008 but this was not updated regularly and subsequently became an ineffective coordination tool. A scoping mission by Sida in 2010 and the joint AFD, DFID and JICA missions have more recently inspired the matrix below. To be useful this tool will require regular updating through the SWG and more thought should be given around how to manage inconsistencies in data collection and reporting, for example between different currencies and timelines. There is further potential for a standardised matrix to track climate change financing by country across the African continent, and even globally. This could build upon an existing mechanism such as the Climate Funds Update website.

Joint donor funding matrix for climate change in Kenya

Donor/ fund	Programme/ project	Themes	Funding
AFD, JICS, DFID	Climate Change Programme	Quick start projects to be identified, includes TA to OPM and MEMR	EUR 70,000 to OPM
Danida	Natural Resource Management (NRM) Programme	Sub-component on climate change policy and coordination	USD 1m to OPM (out of total NRM budget of USD 70m)
Danida	Denmark's fast-start funding for climate change	Programme in preparation	Global commitment of DKK 1.2b
Danida, DFID	Innovation and Piloting Green Energy in Business Sector Development Programme	Support to Africa Enterprise Challenge Fund (AECF) and Renewable Energy & Adaptation Climate Technologies (REACT)	DKK 50m and GBP 15m
DFID	Climate Change Programme	Policy, institutions and financing, low carbon/ mitigation, climate debate and voice	Between GBP 18.5m and GBP 40m (including GBP 9m for ASALs)
EU, UNDP	Climate Change Capacity Building Programme	Public sector capacity development: NAMA and MVR systems	EUR 5m to be split between 6 countries
Multi-donor (WB as administrator)	Forest Carbon Partnership Facility (FCPF)	REDD Readiness implementation plan	USD 3.4m (funding gap of USD 7m)

Joint donor funding matrix for climate change in Kenya			
Donor/ fund	Programme/ project	Themes	Funding
IFC	Climate Change Investment Programme for Africa	Advisory services and investments in renewable energy	USD 100m over 5 years
JICA	Africa Adaptation Programme	Long-term planning, capacity development and risk management	EUR 4.2m over 2 years (2011-13)
Nordic Development Fund (NDF)	Climate Change Facility	Innovative climate change projects	EUR 2m
Sida	Environment and Climate Programme Support	Mainstreaming climate change in country programmes	SEK 100m over 5 years
UNDP	Climate Risk Management Project	Implemented by International Institute for Sustainable Development (IISD)	
UNEP	UNFCCC and GEF	Technology needs assessment for climate change	
Special Climate Change Fund (SCCF), World Bank, UNDP	Adaptation to Climate Change in Arid Lands (KACCAL)	Adaptation	Integrated with ALRMP project – total USD 6.5m

Embassy of Sweden Scoping Study, November 2010

The recent KJAS update has initiated a process in which stronger guidance will be sought from GoK on where the government would like to see donors concentrating their support. The climate change SWG will be required to feed into this process with up to date information on funding commitments and projects in order to justify its continued existence as a sub-sector working group. This will be particularly relevant given recent emphasis on mainstreaming climate change mitigation and adaptation activities into wider sector programmes.

Insufficient engagement currently takes place on climate change with civil society and interested members of the private sector. Coordination could be strengthened by the inclusion of these groups within SWG meetings. An invitation for the Kenya Climate Change Working Group (KCCWG) to attend the SWG is a positive start, although the role they will play in this forum remains unclear.

International donors to Kenya have different capacities for managing and implementing climate change projects in the country. A number of bi-lateral donors expressed concern that global financing mechanisms are often managed by headquarters outside of Kenya and thus struggle to deliver expected results on the ground. There is a need for strengthened coordination between international funding mechanisms such as GEF, REDD and CDM to ensure global funds work in consideration of one another at the strategic and implementation levels. Bi-lateral donors have acknowledged the need for increased harmonisation between different funding channels, although multiple international requirements and processes have continued to undermine their efforts. An example is Kenya's REDD programme which needs €10m to be fully implemented. To date only $3.4m has been provided by the World Bank. AFD, JICA and Sida, all of whom have offices in Nairobi, are aware of these financial needs and have expressed interest in providing some of the additional support required.

A harmonised donor approach to capturing and reporting on additionality does not yet exist amongst Kenya's climate change donors. Sweden for example, is working to embed climate change into all sector programmes and although individual programme components are focused on climate change these are not recorded or reported separately to wider programmes. DFID on the other hand is required to capture additionality in order to report to their new Global Climate Fund board in London, mandated to monitor all climate change investments in each country DFID is active. One of the key objectives of this board is to separate out fast-track funding from all other climate financing mechanisms in order to report on the UK's international pledges for climate change.

Challenges to harmonisation

- Standardised requirements for global funds – no flexibility for harmonisation with individual country systems
- Different approaches to identifying and capturing additionality evident between donors
- Limited engagement with civil society and private sector on climate change activities

Opportunities for increased harmonisation

- Updated donor matrix on climate change commitments provides new opportunities for joint funding and streamlining of bi-lateral funding
- Climate Change Secretariat in MEMR
- New opportunity for engagement with CSOs through the SWG

6. Managing for Development Results

The 2008 Paris Declaration Monitoring Survey reiterates the need for donors and partner countries to make a joint commitment to managing resources to achieve desired national results. Results from the 2008 Kenya Survey recognise achievements in putting plans in place to improve quality and access to information but counter this with weaknesses around turning plans into action[31].

There is no national results framework for measuring the impact of externally provided climate change finance in Kenya. National level reporting on climate change currently takes place only where required by external financing mechanisms or bi-lateral donors. At the wider development level there is ongoing debate around which of two national results frameworks should be used for monitoring progress towards the Vision 2030; the National Indicators Handbook launched by the Ministry of Planning in 2009 or the Sector Performance Standards (SPS) launched in 2010 by the OPM. The KJAS update tried to seek agreement around which document is currently in use but clarity has yet to come from the government. Climate change stakeholders are unable to align their project reporting to national results until the government reaches agreement on which of these documents is in use.

[31] OECD/DAC Paris Declaration Monitoring Survey, Kenya, 2008

National climate change results

The ***Indicators Handbook*** includes a National Monitoring Framework for Flagship Monitoring which measures progress against three climate change projects under the water and sanitation sector:

- Establishment of three climate change databases to be coordinated by MEMR, NEMA and KMD
- Piloting of five adaptation programmes on climate change and desertification
- Development of five new CDM projects

The ***Sector Performance Standards*** also recognises climate change under the MTEF sector of 'environment, water and sanitation'. Indicators include:

- Reduction in air emissions per capita to the environment (including greenhouse gasses)
- Level of compliance of ratified Multilateral Environmental Agreements/ Protocols – in line with UNFCCC Kyoto Protocol which requires 100% compliance
- Reduction in carbon emissions (in metric tonnes) per capita
- Reduction in ozone depleting substances (ODSs)
- Number of CDM projects validated and registered per annum (aiming for 28 in 2010 and 50 in 2012).

The NCCRS sets out plans for the development of a new Monitoring and Evaluation (M&E) division for climate change which would include representation from the Interdepartmental Committee of Experts on M&E, external M&E experts, internal and external auditors, and the OPM. MEMR is working with development partners to draw up terms of reference for such a unit within the Climate Change Secretariat, specifically focused on the monitoring, reporting and verification of results (MRV). This is linked to UNFCCC requirements for a national reporting framework on climate change and is expected to be clearly articulated in the forthcoming NCCRS action plan.

The OPM is also working to make "climate-proofing" of all activities a requirement in each ministry, embedded into performance contracting through the SPS. This would increase local demand and incentive for reporting on climate change across government, thus decreasing the emphasis on climate change reporting as an externally imposed obligation. Furthermore, embedding climate change into performance contracting will reinforce climate financing as a cross-cutting issue and encourage bottom up reporting from the ministry level, including on additionality. It is therefore critical that investments are made to increase government capacity for reporting on climate change, particularly at the individual ministry level.

A more fundamental challenge the government must address in reporting on climate change is the lack of information being provided by development partners who are providing 'off-budget' financing. The government is not always aware of the external financing coming into Kenya for climate change activities and will need to become better informed for national reporting to portray accurate results and challenges. The development of a government report card for donors on climate change finance and aid effectiveness could help to encourage improved information management systems between the government and donors in the future.

Regional climate change programmes are also likely to pose a challenge to national level reporting on results as activities will not be confined to country borders. However, the opening up of the East African Community (EAC) and regular joint analytical work by the African Union could equally provide increased opportunities for tracking and reporting on climate change finance.

Challenges to management for development results

- No agreed national framework for tracking and monitoring development results
- Reporting on climate change remains externally driven
- Some donors continue to provide climate change financing off-budget

Opportunities for management for development results

- Action plan for implementing NCCRS will provide a framework for reporting against
- Opportunity for climate change to become embedded into performance contracting
- Terms or reference drafted for monitoring, reporting and verification of results in MEMR
- Opportunities for regional discussion and lesson learning on climate change results
- Potential to develop a government score card on climate change finance and aid effectiveness

7. Mutual Accountability

The Paris Declaration recognises that "aid is more effective when both partner governments and development partners are accountable, both to their respective publics and to each other, on the use and management of resources to achieve development results". During the 2008 Paris Survey Kenya had yet to develop a mutual accountability mechanism. This has since been addressed by the development of a mutual accountability framework (MAF) during the 2010 KJAS update. However, the government and development partners have yet to agree upon a final version of the MAF.

Considering the ongoing debate around priorities for mutual accountability at the national development level, little focus has been given to mutual accountability for climate change. Much needs to be done to ensure donors and government become increasingly accountable to each other and their respective citizens in this area.

A lack of predictable financing for climate change is but one example of where international donors should be seeking to strengthen their accountability. The government has flagged predictability of donor financing as a priority issue to be addressed through the KJAS but no feasible solution has yet been developed.

In reality the limited awareness of climate change amongst the Kenyan citizenry has meant there is little domestic demand for delivery on climate change activities. To a large extent this has sheltered both donors and government from the need to be fully accountable for their climate change activities in Kenya. It has been suggested that external donors are currently more accountable to tax payers in their home countries for their actions than they are to the local

Kenyans they are intending to help. This imbalance is reinforced by externally driven reporting mechanisms and a lack of procedure for domestic accountability.

The identification of a national results framework and targeted indicators against which success and/ or failure can be measured is expected to provide a mechanism for strengthening government accountability. The Indicators Handbook and the SPS both provide opportunities for civil society to hold government accountable on delivery, although until the government declares which of these national frameworks is formally in use the opportunity for evasion persists.

A parliamentary network on climate change under MEMR has enabled a number of individual parliamentarians to become increasingly vocal on climate related issues. A Committee on Environment and Climate Change, although not yet formalised, has begun to drive awareness around the NCCRS within parliament. However, forthcoming elections in 2012 and political restructuring pose a threat to the progress made on climate and environmental issues within parliament thus far.

While the majority of citizens are not yet informed about 'climate change' per se, there is growing awareness around the climate related issues that affect people at a personal level. The OPM and MEMR are building on this emerging knowledge through their climate change hearings in different parts of the country. These hearings are expected to increase local citizen awareness of climate related issues and encourage bottom up demand for government action and delivery.

Civil society in Kenya is well established and has repeatedly demonstrated its strength around human rights and anti-corruption issues. CSOs have been slower to unite around climate change although the establishment of the KCCWG in April 2009 has provided a platform for over 210 organisations to unite around climate related issues. The invitation for the KCCWG to attend the climate change SWG is expected to increase opportunity for direct CSO engagement with government and external donors on climate change. The KCCWG is particularly focused on creating awareness around climate change in order to educate the public and create demand driven legislation. The highly publicised new constitution has also raised citizen awareness and expectations for increased transparency and accountability post 2012.

Kenya's media is also well established and reaches a large proportion of the population. Journalists have the power to place issues firmly on the national agenda and keep them there, although headliner issues are usually politically focused. The launch of the NCCRS received a notable amount of media attention, appearing on numerous occasions in the independent newspaper The Daily Nation, and also being discussed on Capital FM radio. Recent articles have focused on the impacts of climate change in relation to food insecurity and also on the potential for progress on sustainable energy. Journalist capacity to report on climate change issues remains weak however. Donors should explore opportunities for strengthening media channels to increase local demand for government accountability around climate change.

Constraints to developing mutual accountability for climate change exist on both sides and development partners and government should reflect honestly on their individual and collective approaches to mutual accountability. The KJAS update and the 2008 Paris Survey both indicate the need for mutual accountability to be driven by strong leadership at all levels.

Opportunities for strengthening mutual accountability

- Increased dialogue between government, donors and civil society
- Potential to build local demand for action based on increased environmental awareness at amongst local Kenyans
- Kenya's first MAF to be finalised soon – potential for principles and best practice to filter down

Challenges for strengthening mutual accountability

- Lack of a joint monitoring framework for climate change and for national development
- External financers often more accountable to citizens in home countries
- Political transitions and 2012 Presidential elections could erode new found parliamentary support

8. Conclusion

Climate change financing in Kenya will need to be dramatically scaled up if the country is to respond effectively to the challenge of climate change. Current commitments and programmes are not enough, and it questionable whether the priority given to clean energy over adaptation finance has been the right one. However, the national coordination structures required to scale up climate change financing are already in place and are likely to be strengthened further in 2011. Government systems are not yet ready to manage this financing without support from external financers.

Kenya has had mixed experiences in accessing global funding for climate change, not helped by the standardised global requirements and processes. Bi-lateral relationships appear to be working well although there is joint realisation by government and bi-lateral donors that access to global funding needs to be increased if Kenya is to attract the volume of funding it needs to properly address mitigation and adaptation needs.

Away from the specialists engaged to date, climate change is not a political priority for Kenya and there is a danger that recent progress in building up climate change drive and awareness will be undermined by political transitions and the Presidential elections in 2012. Equally, if elections go well, the implementation of a new constitution and devolution of power down to County levels could provide a new opportunity for demand led action around climate related issues. There is an opportunity over the next six months, possibly longer, for existing climate change champions within government to work towards building lasting technical capacity and networks around climate change that can be reformed one way or another within the next government. A large number of respondents believe the current technical capacity that exists within key offices such as the OPM and MEMR will not be lost in the next government, just re-formatted. However, it remains uncertain where exactly this capacity will sit in future.

It is unlikely that any formal mechanism for climate change financing will be agreed prior to the 2012 elections. Interested stakeholders, including government, donors, CSOs and the private sector, should therefore use the next eighteen months strategically to ensure climate change is recognised in the Vision 2030 and the next Medium-Term Plan and becomes embedded into national development priorities before the elections. All parties should then be prepared to build on the climate change architecture currently in place to strengthen the drive for mainstreaming climate change across each sector and to prepare line ministries for increased absorption of funds. However, action is still possible in the interim. Donors should also formalise their commitment to climate change in Kenya, possibly through a heads of mission statement, to provide government with a degree of security in building this agenda up. Similarly, further clarity could be developed on harmonisation arrangements (particularly firming up external funder's division of labour) and the mechanisms of mutual accountability for financing.

END

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