Recommendations for Strengthening Access to Climate Financing for Counties

Activate and facilitate access to subnational climate fund (SCF), a global facility that invests in mid-sized infrastructure projects including sustainable energy, waste and sanitation, regenerative agriculture and nature-based climate solutions in developing countries. The facility works collaboratively with subnational governments and authorities in identifying and implementing projects, financed with a blend of concessional and conventional capital, along

Activate and facilitate access to subnational climate fund (SCF), a global facility that invests in mid-sized infrastructure projects including sustainable energy, waste and sanitation, regenerative agriculture and nature-based climate solutions in developing countries. The facility works collaboratively with subnational governments and authorities in identifying and implementing projects, financed with a blend of concessional and conventional capital, along with technical assistance grants that help mitigate risk and ensure achievement of financial and environmental goals and asprations. This is a greate opportunity for Kenyan county governments to explore and strengthen finacing their climate action.

Enhance capacities for public financial and investment management. This will go along way in helping counties to effectively identify, appraise and prioritize quality and bankable projects, as well as to manage relevant fiscal risks. Climate-friendly public financial management and investment management promote accountability, tacking progress, transparency and effective spending on climate action.

Promote evidence and data driven climate action and financing. County climate ambitions and priorities should be grounded in robust evidence with targets that are achievable while delivering the necessary cuts. Evidence-based planning builds credibility with stakeholders, including public, national government and private investors, whose support and contributions are key. It also facilitates forward-thinking solutions, enables prioritization of the limited resources and helps to buld confidence, track progress and promote transparency and accountability.

Encourage innovative financial mechanisms including de-risking mechanisms. The potential investors and private sector are faced with high upfront costs and long timeframes associated with climate investments, lack of liquid markets, foreign exchange risk, and scarcity of well-planned and scalable projects. Overcoming these obstacles requires county governments to create enabling environment, be more flexible and revamp the financial architecture so more private finance is pulled towards climate projects. Adopting programmatic approaches in implementing priority action is thus very necessary for county governments. It is necessary for county governments to explore and enhance synergies sand partnerships with private sector for projects with high upfront costs and long-term returns.

Blended finance can play an important role to crowd in public and private sector investors. Public sector, including national governments and multilateral development banks, could provide first-loss investments, equity capital or credit enhancements. In this context, there are various climate funding opportunities that county governments should strategically explore including: the World Bank climate funding, Green Climate Fund Sub-National Climate Fund Global and Local Commercial Banks among others.

Create an enabling environment through effective and suitable policy and legal frameworks that will attract international funding and catalyze private investments

Promote collaborative and inter-county climate action and resource mobilization. The cross-border and cascading impacts of climate change strongly justifies the need for broad-based and regional climate actions. County governments need to strengthen climate change scope of their regional blocs or formulate regional climate strategies and use them as strategic tools for mobilizing large financing for regional climate adaptation projects.

Conclusions

Counties are key in realizing Kenya's climate action and ambitions, but inadequate access to climate financing is a leading limiting factor to their capacities to implement, accelerate, sustain and scale up climate solutions and best practices. Innovative mechanisms for unlocking climate financing, including strengthening blended and locally driven financing approaches are key. Using public finance to de-risk and attract private sector investments as well as revamping financial architecture will potentially attract private finance for climate projects. These should be supported by programmatic approaches, better institutional and technical support systems, and enhanced multi-stakeholder mechanisms and cross county coordination in formulating their climate programs that will enhance their ability to implement broader and long-term climate solutions and natural resource governance.

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9. subnational-leadership-and-net-zero.pdf (ice.org.uk)

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Strengthening Access to Climate Financing for Counties in Kenya

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Overview



Figure : Photo credit: The Green Belt Movement

Availability and access to climate financing are standing prerequisite for enabling climate action and building long-term climate resilient development across counties and communities in Kenya. This is critical considering that climate-sensitive natural resources and other sectors such as agriculture are directly key for local livelihoods and economies in Kenya. In broad sense, natural resources contribute approximately 42% to Kenya's Gross Domestic Product (GDP) and provide livelihoods for about 70% of the population, particularly through agriculture and related activities.

However, the country has increasingly experienced extreme weather events characterized by severe droughts, floods and associated challenges such as deforestation, water scarcity and land degradation. These have had far-reaching socio-economic and environmental impacts and have compromised country's efforts towards sustainable development. The country, for instance, recorded a loss of 3 to 5% of total GDP annually between 2010 and 2020 as a result of climate change. Climate projections are clear that agriculture, biodiversity and broader natural resources will become more vulnerable with further economic challenges. In this relation, county governments have continued to appreciate their needed efforts in building climate resilient livelihoods, local economies and natural resources. Through their development plans, strategies and frameworks, counties have recognized climate change as a key development agenda and have since identified county specific priority actions, and formulated implementation strategies and financing mechanisms. However, the implementation and realization of those aspirations have faced various challenges, with financial constraints as a leading and cross-cutting limitation. This technical brief provides insights and innovative strategies for enhancing access to climate finance as an enabler for effective and scalable climate response and natural resource governance among counties in Kenya.

Climate Action Among Counties in Kenya

Devolution puts the 47 county governments at the center of climate action in Kenya. The county governments are well-positioned to identify unique needs of local communities and priorities for addressing climate change. Their localized efforts and approaches allow for more responsive and effective climate solutions. Key responsibilities for the counties include formulating and implementing laws, policies, strategies, programs and financial mechanisms related to climate adaptation, resilience and mitigation. Their direct involvement in shaping and executing climate-related initiatives ensures alignment with local needs and contributes to national goals. They also act as key stakeholders in unpacking, contextualizing and operationalizing national-level climate plans and legal frameworks. This is important considering that counties operate within the framework of key national tools such as Kenya Climate Change Act (CCA), National Climate Change Action Plan, National Adaptation Plan and Nationally Determined Contributions. The CCA particularly mandates the integration of climate change into the five-year County Integrated Development Plan (CIDP) and other county development plans. The CCA guides development, management, implementation and reporting on climate actions. Importantly, various county governments have formulated their County Climate Change Action Plans, through which they have identified sectoral priorities, adaptation needs, key implementing strategies, partners and costs needs. Below are some of the major indicators of the growing efforts by county governments in introducing and scaling-up innovative mechanisms and programs on climate change:

County Climate Change Fund (CCCF) Mechanism

Mechanism that aims to enable counties to create, mainstream and devolve climate finance for prioritized climate action at community level. The mechanism is structured to blend financial resources from international climate finance, multilateral development banks, the private sector and government revenue. The Mechanism was piloted in Isiolo, Garissa, Kitui, Makueni and Wajir counties, and has since been embraced and scaled out in other counties, for instance Bomet, Kakamega, Kisii, Kisumu, Nandi, Vihiga, Machakos, Narok and Kwale counties. Considering the need for enhanced knowledge on climate finance for the counties, the Kenya School of Government in partnership with Adaptation Consortium developed CCCF Mechanism Curriculum. The curriculum targets to build technical capacity on financial resource management for climate action, with target beneficiaries being county and national government officers and civil society. Importantly, it has a particular attention to equip lower level officers at the counties with requisite skills and bring into practice key components of CCCF Mechanism for effective realization of community-led climate action.

County Climate Action Plans

Many counties including Kitui, Makueni and Machakos have established Climate Action Plans with short to medium term priorities and goals. The action plans are essential in enabling the counties to establish their roles and prioritize activities across sectors, as well as guide in community involvement in the actions for building climate resilience, enhancing adaptive capacity and contributing to emission reduction targets of the country. Beyond this, Makueni County has also established Ward Action Plans on climate change, with the county government allocating Sh66 million for implementing climate action plans during the 2023/2024 financial year. County governments are also working with a range of development partners in implementing various climate change programs and initiatives, for instance to build technical and institutional capacities, strengthen community livelihood resilience and climate smart agriculture and livestock systems, strengthen natural resource governance, afforestation and reforestation.

Financing Locally-Led Climate Action (FLLoCA) Program

has reenergized climate ambitions at the counties and is targeted to enhance collaboration between county and national governments in scaling climate action for communities across the country. FLLoCA works to strengthen local climate resilience by building county level capacities for planning, budgeting and implementing locally-effective climate response. FLLoCA, valued at USD297 million, substantively capitalizes national and county climate change funds. Counties are required to establish county climate finance institutions such as a County Climate Change Fund and a County Climate Change Unit, conduct a Participatory Climate Risk Assessment and Action Planning at the ward level as well as allocate 1.5% of their development budgets towards County Climate Change Fund. This has seen counties allocating Sh877 million for climate change initiatives. The fact that 44 out of 47 counties having met these requirements is a clear indication of the progress and growing commitments by county governments to enhance climate response at the sub-national levels.

Despite these substantive efforts to address climate change, county governments are still faced with some common challenges with far-reaching implications including:

- **Huge funding gaps:** While there are appreciable efforts to increase access to financing for county climate action, further financial needs to affectively and adequately implement and scale up prioritized climate actions remain huge.
- **Gaps in legal frameworks:** Many counties experience gaps and overlaps in legal frameworks and policies, affecting the clarity and enforceability of climate initiatives and actions.
- **Inadequate institutional capacities:** Inadequate institutional capacities in some counties do not only compromise execution of climate-related programs but also mobilization of climate finance.
- **Weak and insufficient cross-county coordination mechanisms:** Mechanisms for coordinating climate actions across counties are often insufficient, hindering collective efforts and scalability.
- **Perceived risks:** High perceived risks in climate investments that are partly attributable to a lack of technical capacities. This hinders counties from attracting private financing.
- **Long-term revenue stream unpredictability:** Inability to predict long-term revenue streams becomes a major deterrent to private financing, limiting sustainable climate
- **Data and information gaps:** Huge gaps in reliable and adequate climate data and information compromise ability to prove and justify finance needs and potential benefits of climate projects.

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