REPUBLIC OF KENYA

KENYA CLIMATE PUBLIC EXPENDITURE AND BUDGET REVIEW

Final Report. October 2016

UKaid
from the British people

UNDP

Table of contents

LIST OF FIGURES

LIST OF TABLES

LIST OF TEXT BOXES

ACKNOWLEDGEMENTS

The Climate Public Expenditure Budget Review (CPEBR) was conducted under the advice and guidance of a Technical Advisory Committee (TAC), composed of officers from the National Treasury (TNT), the Ministry of Environment and Natural Resources (MENR); the Ministry of Devolution and Planning (MoDP); National Environment Management Authority (NEMA); National Drought Management Authority (NDMA); and the Council of County Governors.

The CPEBR report is based on outcomes of stakeholder consultations carried out nationally and in select Counties. It therefore captures the aspirations of Kenyans as far as the need for mainstreaming climate change in the budget, is concerned. The document has also benefitted from financial data collected from three MTEF Sector Working Group.

The Government would like, therefore, to acknowledge and thank all the officers in the national and county government who participated in this study by providing information and data that was direly needed to make it successful. Special thanks go to the financial and accounts officers who took time out from their busy schedule and to the County Governors of Bungoma, Isiolo and Laikipia Counties, who set aside valuable time to understand how national government is dealing with issues of tracking climate financing in the planning and budget process.

The National Treasury is proud to present this report, which serves as an indication of the importance that GoK places on the need to ensure that the budgetary process is climate proofed. It is hoped that the document will be found useful by Ministries, Departments and Agencies (MDAs) especially technical and financial officers involved in the planning and the budget process, who have often grappled with the need how to provide budgets for climate change activities.

Development of a document of this kind would be impossible without technical and financial resources. Government's gratitude goes to the United Kingdom Government who provided finance support through the StARCK programme. In addition, the UNDP who managed finances as well as supervised the stakeholder consultation process across the country. Finally, UNEP Poverty and Environment Initiative who provided much needed quality assurance of the report.

The study was carried out by an expert team led by Stephen Mutimba of Camco Advisory Services Ltd., Dennis Masinde, an IFMIS TNT Consultant and Peter Odhengo from the Climate Finance Unit of TNT, Stephen Kinguyu of MENR, David Kiboi of MoDP backed by technical, financial and accounts officers drawn from the Ministries and Departments representing the three MTEF Sectors **Agriculture, Rural and Urban Development (ARUD); Energy, Infrastructure and ICT (EII); and, Environment Protection, Water and Natural Resources (EPW)**

PREFACE

To effectively mainstream climate change in the development process, as required under the Climate Change Act 2016, deliberate efforts need to be taken to ensure that climate change considerations inform the budgeting, planning and finance processes. Mainstreaming of climate change within the development process is expected to bolster the efforts towards achieving low carbon development pathways. It is also expected to enhance climate finance accountability at the local and global levels. The budgeting processes at both the national and county processes provide useful opportunities for integrating climate resilient planning, and need to be aggressively pursued.

Kenya's first Climate Public and Budget Review processes has provided some critical lessons, experiences, findings on the budgeting and expenditure frameworks, and where more opportunities for climate mainstreaming exist. The nexus between CPEBR findings and the Budget Coding work, within the Integrated Financial Management Systems (IFMIS) offers Kenya ample opportunities for sustained efforts in this regard. In defining climate finance for Kenya's landscape, the CPEBR has evolved three key climate finance concepts, which are summarized as Climate Relevant Expenditure (CRE) and include: i) Climate Change Adaptation (CCA) ii) Climate Change Mitigation (CCM) and iii) Climate Change Enabling Environment (CCEE) -

Between 2011 and 2014, the country spent approximately **52.768 Billion (USD 527.680 Million) as Climate Relevant Expenditure** in only three MTEF Sectors: **Agriculture, Rural and Urban Development (ARUD); Energy, Infrastructure and ICT (EII); and, Environment Protection, Water and Natural Resources (EPW).** This is equivalent to about 8% of the total external funds (**Ksh 650** Billion) invested in the entire budget during the same period.

The CPEBR process has also helped generate a new Segment 8, within the IFMIS SCOA which will be enhanced as a sustainable mechanism to track climate relevant expenditure. The National Treasury will continue improving the IFMIS system, to ensure climate change is effectively mainstreamed. There is also a critical need to ensure that all of government's budgeting resources are released through the IFMIS. This will avoid the current scenario where over 40% of the budgetary allocations to Semi-Autonomous Agencies (SAGAs) and parastatals are released from Treasury as transfers, without being tracked by the IFMIS. Still, we acknowledge the need for continued capacity building of key government staff to ensure that the quality of the data inputs into the system continues to grow. Notwithstanding data availability, it is crucial to acknowledge that the methodology advanced under this CPEBR process, was a significant improvement on the conventional CPEIR methodologies utilised within other jurisdictions. More efforts need to be taken to avail the requisite data, in the required form to improve the findings in future.

Most of the other climate finance that is provided by development partners to non-state actors is also unaccounted for, since there is no mechanism currently that enforces reporting on such resources, yet we all are aware that significant funds are provided to Kenya as grants to support various efforts of climate change adaptation and mitigation through these avenues. The system for national accounting for climate related budgets and expenditures needs to be bolstered to effectively account for all such resources. Kenya looks forward to continued engagement in the process of expanding our abilities to effectively track the climate finance flows, from domestic resources and from external support within the economy.

Signed **Kamau Thuge, Permanent Secretary** **The National Treasury**	**Signed** **Charles Sunkuli, Permanent Secretary** **Ministry of Environment and Natural Resources**

ACRONYMS

AFD	French Development Agency (Agence Française de Développement)
ADB	African Development Bank
ADF	Africa Development Fund
AfDB	Africa Development Bank
A-I-A	Appropriation In Aid
ARD	Agriculture and Rural Development
ARUD	Agriculture, Rural, and Urban Development
BPS	Budget Policy Statement
BROP	Budget Review Outlook Paper
CAPC	County Adaptation Planning Committee
CBD	Convention on Biodiversity
CBK	Central Bank of Kenya
CBROP	County Budget Review Outlook Paper
CCBC	Climate Change Budget Code
CF	Climate Finance
CFTC	Climate Finance Technical Committee
CIDP	County Integrated Development Plan
CIDP	County Integrated Development Plans
CoB	Controller of Budget
CPEBR	Climate Public Expenditure and Budget Review
CPI	Climate Policy Initiative
CRE	Climate Relevant Expenditure
CSO	Civil Society Organizations
DRR	Disaster Risk Reduction
EIA	Environmental Impact assessment
EII	Energy, Infrastructure and ICT
EPW	Environmental Protection and Water
FY	Financial Year
GCF	Green Climate Fund
GECLA	General Economic, Commercial and Labour Affairs
GIZ	German Cooperation for International Development (Deutsche Gesellschaft für Internationale Zusammenarbeit)
GJLOS	Governance, Justice, Law & Order
GoK	Government of Kenya
ICAF	Isiolo County Adaptation Fund
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
KCCWG	Kenya Climate Change Working Group
KEPSA	Kenya Private Sector Alliance
KFW	Kreditanstalt für Wiederaufbau (Reconstruction Credit Institute)
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KMD	Kenya Meteorological Department
KPI	Key Performance Indicator
KRA	Kenya Revenue Authority
MCS	Monitoring, Control and Surveillance
MDAs	Ministries, Departments and Agencies
MENR	Ministry of Environment and Natural Resources
MEWNR	Ministry of Environment, Water and Natural resources
MoDP	Ministry of Devolution and Planning
MoLHUD	Ministry of Lands, Housing and Urban Development
MoTI	Ministry of Transport and Infrastructure
MRV	Monitoring, Reporting and Verification
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NAMAs	Nationally Appropriate Mitigation Actions
NCCAP	National Climate Change Action Plan

NCCRS	National Climate Change Response Strategy
NCCD	National Climate Change Secretariat
NCSA	National Capacity Needs Self-Assessment
NDA	National Designated Authority
NEMA	National Environment Management Authority
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OPV	Offshore Patrol Vessel
PAIR	Public Administration & International Relations National Security
PBB	Program Based Budgeting
PFM	Public Finance Management
REDD	Reduced Emission from Deforestation and Forest degradation
SCOA	Standard Chart of Accounts
SEA	Social Economic Assessment
SPCR	Social Protection, Culture and Recreation
SWGs	Sector Working Groups
TNT	The National Treasury
UNCCD	UN Convention to Combat Desertification
UNFCCC	United Nations Framework Convention on Climate Change
WAPC	Ward Adaptation Planning Committee

EXECUTIVE SUMMARY

Kenya continues to make significant strides in mainstreaming climate change across its planning, budgeting and finance processes, and in specifically delivering on the National Climate Change Action Plan (NCCAP) 2015 – 2017. On the policy front, the promulgation of the Climate Change Act 2016 heralds a major milestone in this endeavour, since the Act provides the legal basis for mainstreaming climate change within the development processes at both the county and national level. For the country to effectively track climate finance flows, The National Treasury (TNT), in collaboration with the Ministry of Environment and Natural Resources (MENR) through the Climate Change Directorate undertook Kenya's first Climate Public Expenditure and Budget Review (CPEBR). This process was resourced under the UN Joint Project on Climate Change, supported by the UK's DFID through UNDP. The objective of the Climate Public Expenditure and Budget Review (CPEBR) was to conduct **an analysis of Kenya's Climate Public Expenditure and Budgeting processes and provide guidance to strengthen efficiency and effectiveness of climate finance in public financial management systems.** The goal was to strengthen climate finance in Kenya's public financial management systems and in the Medium-Term Expenditure Framework (MTEF) processes to: 1) maximise budgetary allocation of public sector resources to climate change adaptation and mitigation efforts; 2) enable the tracking of public sector expenditure and its effectiveness against policies and plans; and, 3) contribute to strengthened monitoring and reporting of CC adaptation and mitigation efforts.

This report presents an analysis of the country's budgeting and planning processes, as a first step to understanding how to strengthen the efficiency and effectiveness of climate finance in national and county Public Financial Management (PFM) systems. Three core aspects of the national budget cycle related to climate change actions are reviewed and these included: i) the integration of climate change in the budgeting process, as part of budget planning, implementation, expenditure management and financing; ii) National legal framework on financial management and budgeting; and, iii) County legal framework on financial management and process of formulating budgeting including key stakeholders.

The methodology employed involved research on the Climate Public Expenditure and Institutional Review (CPEIR) experiences in other countries which have carried out such a study. Using emerging generic CPEIR methodology, the analysis looked at the core aspects of planning and budgeting cycle processes. It examined core aspects of the national budget cycle that relate to climate change, planning, budgeting and the extent to which these strategies and policies are coherent with national development, poverty reduction and low emission inclusive green economic growth strategies. In addition, a review of institutional arrangements for promoting the integration of climate change policy in the budget planning, implementation, expenditure management and financing was carried out.

At the national level, financial (budget and expenditure) data was collected from three MTEF Sectors: **Agriculture, Rural and Urban Development (ARUD); Energy, Infrastructure and ICT (EII); and, Environment Protection, Water and Natural Resources (EPW) for three financial years: July 2011 to June 2012; July 2012 to June 2013; and July 2013 to June 2014.**These sectors contribute significantly to the socio-economic development of the country but are also vulnerable and key drivers to climate change.

County level data was collected from Laikipia, Isiolo and Bungoma Counties for the financial year (FY) 2013/ 2014 only as this corresponds to the first year that County Governments were operational for a full financial year. Projected county budgets and plans for the FY 2014/2015 were also included in the analysis. These counties were selected based on three criteria;

climate change vulnerability index, on-going climate change activities and level of advancement in terms of financial framework development, and representation of Kenya's ecosystems and local economies.

The study proposed a definition of Climate Finance (CF) in the Kenya context that enhances a localised understanding of climate activities and the full cost of managing the effects of climate change in the economy. This definition is to be used in future once a climate code is functional in the IFMIS and budgeting process. Once the CF definition is functional, it is recommended that all sources of funds (i.e. domestic and external, public and private) spent be considered in tracking of climate related costs. Based on this study, *CF is defined as additional or incremental investment made in activities aimed to climate proof programs and projects against climate change impacts including deliberately reducing greenhouse gas (GHG) emissions. CF is therefore additional costs incurred or additional funds invested in an activity to make it resilient to climate risks otherwise called climate change adaptation (CCA) activities, or costs for causing greenhouse gas (GHG) emissions' reduction and/or climate change mitigation (CCM) and costs for or invested in climate change enabling environment (CCEE) activities such as strategy, policy development, international negotiations on climate change and other cross-sectoral issues. Or simply additional or incremental investment made in activities that aim to: i) climate proof programs and projects against climate change impacts, and/or ii) reduce greenhouse gas (GHG) emissions.* The criteria for defining climate finance in the context of Kenya's public expenditure have been adopted from the Climate Change Budget Code (CCBC) report and the OECD DAC Rio Markers. The CF definition is specific to additional or incremental amount needed to climate proof projects and can be applied in the future once the climate change budget code is fully functional.

Since budget coding was not in place, CF was not used in the study. Instead Climate Relevant Expenditure (CRE) was used to denote costs incurred or invested (capital, labour and related) in programmes and sub-programmes where actual or specific costs of climate change activities may not be specifically shown. For an activity to qualify to be categorized as CRE, funds incurred or invested must:

a. address one or all the climate change risk mitigation or proofing category e.g. adaptation, mitigation or enabling environment (climate awareness, training, policy and capacity building) as per the definition given by OECD
b. more than 25% of the funding must go to one or all the above climate risk mitigation or proofing category
c. Actual incremental or additional financing need not be demonstrated but there must be certainty that funds have been used for a) above.
d. Outcome/output must be increased resilience, reduced emissions or more awareness on climate change
e. technical and finance officer must agree on the above
f. each sector should have some guidelines on how to arrive at CRE and CF

The figures provided in the findings are more Climate Relevant Expenditure (CRE) which denote costs invested (capital, labour and related) in programmes and sub-programmes where specific amounts for climate change activities are not clearly shown. This was done in consultation with a technical officer and finance or accounts officer from the relevant ministries representing the MTEF sectors studied. Not included in the study are funds that the National Treasury transfers to Semi-Autonomous Agencies (SAGAs), i.e. parastatals; for instance, during the 2014/2015 financial year an estimated KES 565 billion was transferred to various SAGAs responsible for budget implementation but there is no clear way to track their expenditure, as SAGAs have different budget systems compared to the central Government and are not obliged to use IFMIS.

The CF definition is specific to additional or incremental amount needed to climate proof projects, whilst the term Climate Relevant Expenditure (CRE) is used to denote costs invested (capital, labour and related) in programmes and sub-programmes where actual and specific climate change activities are not shown. The criteria for defining climate finance and CRE in the context of Kenya's public expenditure have been adopted from the Climate Change Budget Code (CCBC) report and the OECD DAC Rio Markers. Using this definition and bearing CRE in mind, the study analysed government spending at the national and the county level.

The challenges that the CPEBR faced included inconsistent accuracy of official financial information where slight differences between published figures and actual financial records. This was addressed by agreeing to use the actual financial records held by the Integrated Financial Management System (IFMIS) unit of the National Treasury (TNT). Second challenge was that the depth of budget and expenditure breakdown in the IFMIS is currently limited at program and sub-program levels, and does not capture the cost of each separate action/activity under each sub-program. This absence of activity level expenditure and work-plan information made it difficult to get clarity on the actual amount spent on the type of climate activity, making it difficult to assess additionality and incrementality of climate finance, and hence to classify climate relevant expenditure (CRE) as either adaptation, mitigation or enabling environment.

To overcome these two challenges, the appropriation accounts for the period under review, were examined and for those sectors such as ARUD and EPW whose programs contained actions that were deemed as significant to adaptation or mitigation or enabling environment in the sub-programme, were categorized as so. It should be noted that whilst there was no adequate information to assess additionality and incrementality, the figures for climate finance include the entire amount allocated to a sub-program and qualify as climate relevant expenditure.

KEY FINDINGS EMANATING FROM THE STUDY

NATIONAL GOVERNMENT BUDGET AND PLANNING PROCESSES

I. AGRICULTURE, RURAL AND URBAN DEVELOPMENT (ARUD)

1. Despite the sector being very vulnerable, CPEBR analysis has shown that little funding has been spent to climate proof the sector. Climate relevant expenditure (CRE) was found to be insignificant in the sector over the three financial periods, compared to the money invested in business as usual. Most of the CRE amount was spent on climate change enabling environment (CCEE) activities such as policy development, training and capacity development. In 2012**/13 KSh. 1.470 billion was spent on CCEE activities representing 3.10%** of total expenditure; in **2013/2014 KSh. 2.588 billion** was also spent on CCEE activities representing 5.10% of the total expenditure and in 2013/14 **KSh. 4.473 billion** was spent on Climate Change Adaptation (CCA) activities, **285 million** on CCEE and **67 million** climate mitigation (CCM) activities. Activities that account for climate adaptation related include Food security and management programme njaa marufuku Kenya; crops development and management services as well as livestock development

2. Trend-wise CRE **increased a bit significantly from 3.10% of the total in 2011/12 to 5.10% in 2012/13 and 9.21% in 2013/14.**

3. **T**otal External financial resources contribution to the ARUD Sector was Ksh. 7.760 billion (16%) in 2011/12; 10.04 billion (19.9%) in 2012/13; and KSh 15.530 billion (29.6%) in 2013/14 of the total ARUD budget.
4. The table below shows the percentage ratio for each financial year of the CRE amount in relation to the external resource. ARUD spent about 26.65% of the total amount received from external resources on climate related activities during the three financial years.

Year	2011/2012	2012/13	2013/14	Total in Ksh billion
External Resources	7.760	10.040	15.530	33.330
Total CRE	1.470	2.588	4.825	8.883
Percentage of CRE to External Resources	18.94	25.78	31.07	26.65

II. ENERGY, INFRASTRUCTURE AND ICT (EII)

5. EII sector budget increased gradually from KSh 182 billion in the 2011/12 financial year to KSh 216.6 billion in the 2012/13 financial year to KSh 217 billion in the 2013/14 financial year. The gradual increase in the approved budget was due to the financing of the power generation and transmission; the Nairobi - Thika super highway; and the Konza Techno City developments. Most funding has been channeled to the Infrastructure Subsector with an allocation of 56%, 50%, and 46% in the financial years 2011/12, 2012/13 and 2013/14, respectively. This is closely followed by the Energy and Petroleum Subsector at 31%, 38% and 33% over the review period. The Transport Subsector was allocated 10% in 2011/12, 2% in 2012/13 and 16% in 2013/14. The ICT sub sector has had a gradual increase from 2% to 4% and 5% allocation of the total budget in 2011/12, 2012/13 and 2013/14 respectively
6. However, EII Climate Relevant Expenditure was found to be very insignificant compared to ARUD. This is partly because a lot of data was missing from the Ministry of Energy and Petroleum (MOEP), as such no expenditure was shown as being made in climate mitigation (CCM) and enabling environment (CCEE) in the three financial years. In 2011/ 2012, about 890 million was spent on climate change adaptation, in 2012/ 2013 600 million and in 2013/ 2014, 510 million. Records show that the Government has invested in mitigation type activity such as energy investment programs, geothermal development; national grid system; rural electrification; alternative energy technologies. The amounts are not captured since the implementing agencies, mostly parastatals, under the MOEP are not subject to IFMIS.

III. ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES (EPW)

7. With respect to the EPW sector, thirteen programmes were implemented in the review period 2011 to 2014 which had CRE investment estimated at KSh. 11.4 billion, KSh. 12.41 billion and KSh. 13.58 billion respectively. With most of the money being spent on supporting a strengthened climate change enabling policy and institutional environment.
8. The then State Department of Environment and Natural Resources (now Ministry of Environment and Natural Resources (MENR) spent large amounts of money on CCEE activities, such as, policy/strategy development, awareness-raising, and capacity building. Under the Forests Conservation and Management sub-programme, activities such as the provision of forestry extension services and support to community farming initiatives qualify as enabling environment, while other activities in the sub- program

such as the restoration of natural water towers and the rehabilitation of natural forests qualify as mitigation activities.

9. Climate Relevant Expenditure in the then Ministry of Environment, Water and Natural Resources (now split into two – Ministry of Environment and Natural Resources and Ministry of Water and Irrigation) was largely on mitigation, and on programmes such as the protection of water sources, and catchment areas. The Water Resources Conservation and Protection sub-program includes the Upper Tana Natural Resource Management activities such as increasing forest cover (mitigation) as well as the promotion of water rights (enabling environment). Enabling environment activities include programmes on water ethics, water resource information centres, water resource management activities such as monitoring stations on surface water and the promotion of rain water harvesting technologies.
10. External resources contributed approximately 67%, 56% and 66%, of the total EPW budget for 2011/ 2012, 2012/ 2013 and 2013/ 2014. Some of the projects that were directly funded by external resources include: Low emission capacity building project (KSh. 28 million) and the Water security and climate resilience (KSh. 88 million) among others.

IV. COUNTY LEVEL FINDINGS

11. In line with the national data collection, at the county level, the three sectors–ARUD, EII and EPW were represented by: Agriculture, Livestock/Pastoralism, Fisheries and Water Development; Tourism, Forestry, Environment, Natural Resources; and Energy ICT, Roads, Public Works and Trade and Industrialization.
12. In the arid and semi-arid Counties, migration of people and animals caused by climate variability, particularly drought, to areas with water and pasture was a major cause of concern to the County official, especially for destination Counties such as Isiolo whose budget allocation does not take into consideration such climate migrations. Thus, the quality of service to the population in the county is diluted due to this increased population

V. EXTERNAL RESOURCES AND INVESTMENT IN THE THREE SECTOR WORKING GROUPS

13. The three sector working groups (ARUD, EII and EPW) under review received a large proportion of external resources. The allocations by sector and by financial year are shown in the figure below. The combined allocation for the three sectors in 2011/ 2012 amounted to KSh 122 billion out of the total economy-wide external funds allocation of KSh 183 billion. This translates to 67% of the total external funds. In 2012/2013, the allocation increased to 70%, with a combined amount of KSh 158 billion for the three sectors out of a total economy-wide allocation of KSh 225.9 billion; while in the year 2013/2014, the three sectors received KSh 176 billion out of the allocated KSh 240 billion (73% of the total external resources).

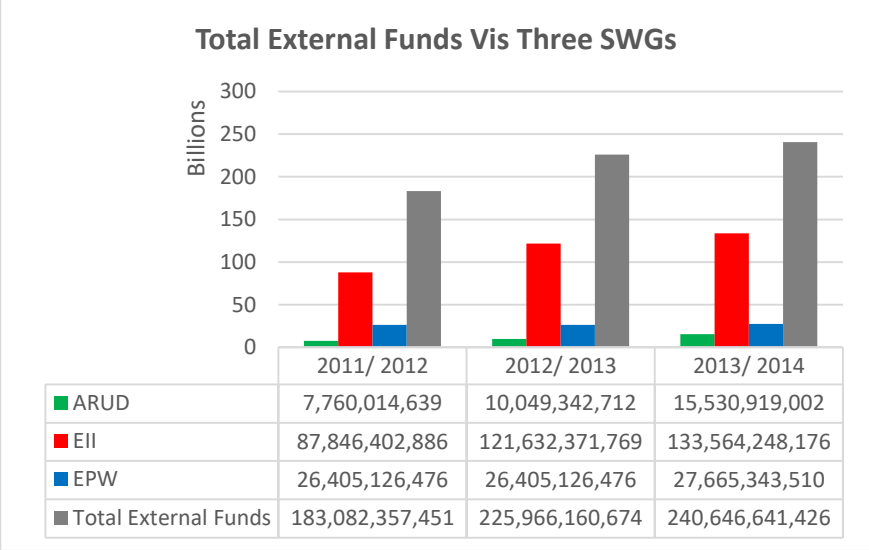


Figure 1: Sector funding from the Total External Resources (Ksh)

14. External funds shown above are largely in the form of loans allocated for infrastructure projects in water and transport. It has not been possible to ascertain how much of the external funding constitute climate finance, however, the amount for CRE is inadequate to climate proof investments in Kenya.
15. External resources made up approximately 58%, 73% and 79% of the total EII budget for 2011/ 2012, 2012/ 2013 and 2013/ 2014 financial years. Projects that could be considered climate relevant include: Menengai Geothermal Development Project-Strategic Climate Fund (KSh. 42.5 million);
16. The total contribution by development partners (loans and grants) is **significantly** higher than the total CRE in the three sectors during the three financial years under review. The ratio of CRE to External Resources received is 8.29% in 2011/12; 7.61% in 2012/13 and 8.48% in 2013/14. EPW has the highest Climate Relevant Expenditure at 6.45% of the total external resources, on the other hand, ARUD CRE was 1.37 % of the total external resources whereas EII's ratio of CRE to total ER was 0.31%. If most CRE is received from external resources, then EPW has received the most CRE and EII the least.

Table 1: Total External Resources versus Total CRE and Ratio of CRE to External Resources

Year	**2011/12**	**2012/13**	**2013/14**	**Grand Total**	**% CRE of ER**
Total Ext Resources (ER)	183,083	225,966	240,647	**649,696**	
Total ARUD CRE	1470	2588	4825	8883	1.37
Total EII CRE	893	595	515	2003	0.31
Total EPW CRE	12807	14008	15067	41882	6.45
Total CRE in 3 SWGs	15,170.00	17,191	20,407	52,768	8.12
% Ratio of CRE to External	8.29	7.61	8.48	8.12	

17. CPEBR study findings have revealed that Climate Relevant Expenditure in the ARUD, EII and EPW sectors over a three-year period between 2011 and 2014 was **Ksh 52.768 Billion (USD 527.68 million)**. This is equivalent to 8.12% of the total external funds invested in the entire budget, which was **Ksh. 649.696** Billion over three years.

CONCLUSION

- ***COUNTY GOVERNMENT BUDGETING AND PLANNING PROCESSES***

18. At the County level, there is need to consider vulnerability to climate change as a criterion for revenue allocation. This is because of climate migration from very vulnerable counties caused by drought to well managed pastures such as those in Isiolo and Laikipia, given the traditionally good pasture management by the inhabitants of Isiolo and ranchers in Laikipia. Such migration results in conflicts between humans on one hand and human and wildlife on the other. These resource conflicts tremendously increase costs to County governments. The Commission on Revenue Allocation (CRA) in allocating funding to the Counties only considers the following criteria; population; the poverty gap parameter; land area; basic equal share parameter and; fiscal responsibility. However, it is time to consider vulnerability to climate change and increase budget in accordance to projected climate migration.

- ***CLIMATE CHANGE BUDGET CODING AND IFMIS***

19. The study has contributed to the finalization of a climate coding and tracking methodology designed for use by financial officers in the National Treasury, and eventually by other government ministries, departments and agencies (MDAs) as it would allow the GoK to record and analyse climate spending in the national budget per three climate finance categories: climate change adaptation (CCA), climate change mitigation (CCM) and climate change enabling environment (CCEE).

20. A step-wise illustration of how climate change flows and expenditure can be coded and tracked in the Integrated Financial Management System (IFMIS) is provided. It is proposed that the configuration of IFMIS should incorporate activity-level coding and tracking for a more enhanced and comprehensive basis of recording, monitoring and reporting on climate change expenditures. Crucial in enabling the integration / tracking of climate change initiatives across all sectors in GoK's planning and budgeting processes is the application of budget coding system for all Government budgets and expenditure under Programme Based Budget (PBB) approach and the IFMIS Standard Chart of Accounts (SCOA)

21. By providing climate definition and coding, the study has elaborated means and measures to efficiently and effectively track funds dedicated to climate change adaptation, mitigation and related activities, with a view to maximizing its mobilization locally and from external sources. It has also demonstrated how monitoring and reporting of climate change adaptation and mitigation expenditure can be carried out.

22. The ability to adopt the IFMIS system of the GoK to report effectively on transactions made against funds designated as climate relevant with minimal customization is useful to both manage the costs of mainstreaming climate change in the GoK PFM practices as well as lessen change management issues associated with the transition to mainstreaming. This guiding principle is strongly recommended in the designing of data flagging and reporting templates on the budget system

RECOMMENDATIONS AND WAY FORWARD

MAINSTREAMING CLIMATE CHANGE INTO PLANS AND BUDGETS

For climate change to be integrated in the planning and budgeting especially for the period 2017/2018 and 2018/2019 going forward, there is need to:

23. Create, as a matter of urgency, enough awareness on the CPEBR study findings and recommendations, so that line ministries and agencies can plan, have the incentives to do so, and have better information on which to base the development and effective implementation of a comprehensive MTEF.
24. In the meantime, climate budget coding needs to be implemented in the IFMIS to aid in the tracking of climate finance.
25. The study has also generated information and guidance to support GoK in achieving the National Climate Change Action Plan (NCCAP), towards strengthening the integration into planning (MTP, annual work-plans and budgets (MTEF), and monitoring and reporting. However, the IFMIS system uses MTEF sectors since they are linked to classification of functions of government as described in the Government Financial Statistics (GFS) manual 2001 for international benchmarking. The MTP sectors that are linked to Vision 2030 and used by the Ministry of Devolution and Planning (MoDP) are different than the 10 MTEF sectors used by Treasury. The National Treasury (TNT) is in the process of developing a mapping between MTP and MTEF sectors on the IFMIs system to provide clear linkages between them. Similarly, the NT is also developing a platform for work-planning on budgeting modules of IFMIS.
26. MTEF process, that is integrated policy, planning and budgeting, is fundamentally about having expenditure programs that are driven by policy priorities and disciplined by budget realities. Defining and implementing a sectoral MTEF involves preparing estimates of overall resource availability, reviewing financing mechanisms, and preparing prioritized government spending plans. This is clearly not a one-off process. Rather it is iterative and must consider, changes in sectoral needs and priorities and changes in the overall resource envelope, on a periodic basis.
27. There is an opportunity for CPEBR findings to be incorporated in the 2017/2018 and 2018/19 budget cycle. As is the tradition, the National Treasury has sent out the MTEF Budget circular to all Cabinet Secretaries and Accounting officers whose purpose is to provide guidance on the processes and procedures to be followed when preparing the Medium-Term Budget for 2016/17. It is therefore late for CPEBR to be implemented during this budget year. It must wait till the next budget year 2017/2018. The guidelines are issued in accordance with Section 36 (2) of the PFM Act, 2012 and apply to all Ministries, Departments, and Agencies(MDAs). The guidelines provide the following information:
    - Key policies guiding the preparation of the Medium-Term Budget;
    - Process of undertaking Programme Performance Reviews (PPRs);
    - Documents, form and content of the Budget
    - Guidance on programmes and projects to be funded;
    - Guidance on public participation in the budget process; and
    - Key timelines and deadlines for activities in the budget process

    1. The National Climate Change Directorate (NCCD) through representation in all SWGs could ensure that programmes and projects are climate proofed by giving guidance on some of the climate change activities that can be included in the programmes budget after the MTEF sectors are launched in the coming year.

    2. The Budget Review Outlook Paper (BROP) will ensure that climate related issues/activities and budget are well articulated.

3. Sector Working Groups are normally convened around October of every year. The Climate Change Directorate (CCD) could ensure participation in these working groups to ensure that NCCAP recommendations, and their required financing are well captured in the sectoral budget submissions.

1 INTRODUCTION

1.1 Background and Rationale

The analysis of Kenya's expenditure on climate was conducted to give deeper insights into Kenya's climate change policy, paying attention to the link between expenditure, national strategies and development plans, sectoral plans and action plans, and county level plans and budgets. The role and responsibilities of institutions involved in managing the response in terms of budget planning and their interaction with the National Treasury is provided as a first step in the quantification of climate change related expenditure. In addition to the national budget, other funding channels such as the external resources provided by development partners, is analysed - providing a baseline for future analysis.

The background and rationale of the study is that Kenya is a resource dependent economy and therefore vulnerable to climate change risks, and could lose up to 3% of the annual GDP by 2030 due to climate related risks (SEI 2009)[1]. To tackle climate change challenges in a systematic manner, the Kenya National Climate Change Action Plan (NCCAP) was developed in 2013 to operationalize Kenya's National Climate Change Response Strategy (NCCRS), which was published in 2010. The NCCAP estimated that operationalising the NCCAP would require an estimated KSh. 10.85 trillion (USD 1.085 billion) between 2013 and 2017.

Between 2005 and 2015, the GoK had committed approximately KSh 37 billion while development partners had committed KSh 194 billion to programmes that they classified as having a 'significant' or 'principal' climate change component. The NCCAP is in line with both Vision 2030 as well as the Medium-Term Plan (MTP).

Implementation of the Kenya Vision 2030 is being undertaken through using a series of 5-year Medium Term Plans (MTP). Consequently, annual budgets and action plans are based on these MTPs. Additionally, the Government has been making significant investments in infrastructure, energy, water, and agriculture. Recent extreme occurrences like the floods in May- June 2015; the frostbites over the tea zones in central Kenya; and the prolonged droughts experienced in recent years, among others, have demonstrated that these investments could be at risk due to extreme weather events whose frequencies and intensities are likely to increase in the future. This has the potential to undermine the Government's development plans, compromise gains made over the years, and reduce returns on investments.

Prioritization of scarce resources is therefore crucial in the budget making process, which is embedded on a Medium-Term Expenditure Frame-work (MTEF) and is coordinated by the National Treasury. The expectation that, the CPEBR will:

- inform on measures that can be used to increasing allocations for climate financing funds dedicated to climate change adaptation and mitigation
- enable tracking of public expenditure against national policy priorities and plans
- contribute to strengthening monitoring and reporting of climate change adaptation and mitigation efforts
- contribute to Kenya's efforts to position itself to access dedicated climate finance resources such as the Green Climate Fund (GCF), and
- Enrich future Government-led stakeholder dialogue and learning

The objective of the CPEBR is to conduct an analysis of Kenya's Climate Public Expenditure and budgeting processes and provide guidance to strengthen efficiency and effectiveness of

[1] *SEI 2009: The Economics of Climate Change in Kenya:*

climate finance in public financial management systems. (Full Terms of Reference are in Annex 1)

This report presents an analysis of the country's processes for budgeting, tracking and reporting on climate change related public expenditure and provides guidance to strengthen the efficiency and effectiveness of climate finance in national and county Public Financial Management (PFM) systems.
Three core aspects of the national budget cycle related to climate change actions were reviewed, viz:

- The integration of climate change in the budgeting process, as part of budget planning, implementation, expenditure management and financing;
- Existing policy priorities and strategies relating to climate change, planning, budgeting, and the extent to which the strategies and policies are coherent with national development, poverty reduction and inclusive green economic growth strategies;
- Institutional arrangements that promote the integration of climate change policy priorities into national budgeting and public expenditure management.

The CPEBR has developed procedures and codes for budgetary allocations, tested those procedures by retrofitting the model in the MENR and is ready to pilot these as the budgetary process of 2016/2017 gets underway. The CPEBR has also developed Guidance Notes to inform MTEF sector working groups on planning, budgeting and tracking NCCAP priorities in MTEF process and; a draft GoK notification on the budgetary coding to assist in the adoption of climate expenditure tracking in the upcoming financial year. (Full documents can be found in annex 7 and 8.)

1.2 Policy and Institutional Framework for Climate Change

Climate change policy mainstreaming is the integration of priority climate change adaptation and mitigation responses into development, to reduce potential development risks and take advantage of opportunities. The objective is for these measures to be implemented "as part of a broader suite of measures within existing development processes and decision cycles" (OECD 2009, p. 60).

Mainstreaming (or integrating) climate change in planning and decision-making processes is a crucial tool to ensure climate change adaptation and socio-economic development initiatives are implemented together. This approach involves considering at all stages of policy, planning and budget allocation stages, the risks and opportunities while putting in place adaptation measures that are attuned to the long-term vision of development. Although uncertain, climate change risks are real and need to be better understood, planned and mitigation measures properly financed to avoid unwanted consequences. Responding effectively to climate change risks requires the government to consider the potential costs and benefits of various actions as well as inaction. It is even more important to consider the costs and the benefits of climate change policies because all resources—human, physical, and natural—are scarce. Policymakers must consider the benefits not obtained when resources are devoted to reducing climate change risks, just as they must consider the climate change risks incurred or avoided from different kinds and degrees of policy response.

There are several policy instruments that have been put in place to address climate change impacts in Kenya. These include the 2010 National Climate Change Response Strategy (NCCRS) which was developed to further understand the risks and required responses and guide low carbon path. The NCCRS gave rise to the National Climate Change Action Plan (NCCAP 2013-2017) developed to operationalize the NCCRS and address climate change in

Kenya. Other policies include the National Environment Policy (2013) and the draft Climate Finance Policy. There is an important intersection between climate change policy and development in that they both aim to address the root causes of vulnerability. Mainstreaming of climate change financing in development activities is one way to engage directly at this intersection.

Different sectors have policies relevant to climate change, including; the Agriculture Sector Development Strategy Policy (2004); National Energy Policy (2012, which is under revision); National Policy for the Sustainable Development of Arid and Semi-Arid Lands (2004); Integrated National Transport Policy (2010); Feed in Tariffs (FiTs) policy (revised 2012); National Disaster Management Policy (2012); Renewable Energy Policy (2014) and; the Kenya Forestry Master Plan (1995-2020). The cost of implementing these policies need to be understood as well as budgetary allocations. Benefits and costs matter, for both efficiency and equity reasons, and that benefits and costs must and can be considered in the context of the uncertainties that surround climate change.

As already intimated above on scarcity of resources, good climate change policies and plans should therefore reflect the inherent trade-off between the stringency of a target (however defined) and the flexibility to meet this goal. Different policy tools can inflate or attenuate the costs of hitting any given target. Inflexible policies or inefficient plans inflate costs without additional reductions in climate risk, while well-designed policies can facilitate lowering the cost of achieving targets and thereby make more stringent targets affordable. Climate change policies and financing strategies therefore need to be based on evidence based on data on the ground.

The NCCAP estimated in 2012 that the cumulative climate change budget commitments provided by the Government of Kenya was US$ 438 million and that of development partners as US$ 2.3 billion over the years 2005-2015. Analysing the costs of climate change mitigation requires understanding the budget cycle.

The Climate Change Directorate (CCD)[2] under the State Department of Environment, is the Government's lead agency for overall coordination of climate change activities in Kenya (Ministry of Environment and Natural Resources, 2016). The CCD replaced the National Climate Change Secretariat (NCCD). The CCD was established under Section 9 of the Climate Change Act 2016. The Act stipulates that the CCD shall be headed by a Climate Change Director who will report to the Cabinet Secretary. The Directorate has the following departments:

- Mitigation
- Adaptation
- Knowledge Management and Capacity Building
- Negotiation and Climate Finance

The Climate Change Act (2016) proposes establishment of a climate change unit under the CCD. The CCD is also Kenya's focal point for UNFCCC (MENR,2016). In-addition, The CCD is responsible for coordinating implementation of the National Climate Change Action Plan (MENR, 2016)**)** (Ministry of Environment and Natural Resources, 2016)**.**

Currently, MENR has prepared Kenya's Intended Nationally Determined Contributions (INDC) and National Adaptation plan (NAP) (2015/2030) in the run up to the Paris Climate Summit in December 2015. The Ministry has also formulated the National Climate Change Act (2016). This Act provides a legal and institutional framework for climate change mitigation and

[2] CCD was previously known as The National Climate Change Secretariat (NCCD)

adaptation efforts in Kenya. Section 9 of this Act establishes the Climate Change Directorate (CCD). The CCD is the Government's lead agency for overall coordination of climate change activities in Kenya. In addition, there is also the National Climate Change Action Plan (NCCAP) (2015/2017). The NCCAP notes that finance, technology and capacity building support can help fill information and capacity gaps and overcome financial, regulatory and policy barriers impeding adaptation and mitigation efforts. Initiatives that can achieve the targeted mitigation potential include: institutional strengthening, improved information systems, and mainstreaming climate change across policies and programmes.

Notably, Kenya also has a Draft Climate Finance Policy which provides legal and institutional framework to guide and promote: climate finance flows, tracking of climate finance, private sector participation, technology transfer, and equitable benefit sharing from climate change interventions in the country. It seeks to Enhance the implementation of public finance management in relation to climate financing; Establish mechanisms to mobilise internal and external climate finance (including a National Climate Change Fund); Track, monitor, evaluate and report on sources, applications and impacts of climate finance; Enhance the capacity of the country to mobilize climate change finance to support sustainable development; and Encourage private sector participation in climate relevant financing opportunities. The Draft policy focuses on the agriculture, livestock and fisheries (for example climate smart agriculture); forestry (increasing forest cover to 10%); energy (expansion of renewable energy and energy efficiency); transport (low-emitting clean energy sources such as bio-fuels and mass rapid transit system for Nairobi) and; industry (clean technology, cogeneration of power) sectors of the economy.

Kenya has also developed the Green Economy Strategy and Implementation Plan (GESIP). The strategy focuses on four strategic objectives, namely, (i) sustainable infrastructure development, (ii) natural resource management, (iii) building resilience to climate change, and (iv) promoting resource efficiency. Further, several Nationally Appropriate Mitigation Actions (NAMAs) are at different stages of development (Waste NAMA, Charcoal NAMA, Geothermal NAMA the most advanced among them having been submitted to the UNFCCC NAMA Registry in in July 2014 to seek for implementation support.

These initiatives and future ones are likely to have an impact on climate finance priorities.

Other key Government actors under MENR that are important in addressing climate change are the Kenya Meteorological Department (KMD), which is the custodian of perhaps the most comprehensive national climate database in addition to being the national IPCC focal point; and the National Environment Management Authority (NEMA) that is the National Implementing Entity (NIE) under the Adaptation Fund. NEMA has also been accredited as the NIE for the Green Climate Fund (GCF), and is currently rolling out some projects utilizing GCF funds. Climate change coordinating units have been established in other line Ministries, Departments and Agencies such as the Water, Energy, Agriculture, Livestock and Health ministries, the Kenya Agricultural and Livestock Research Organization (KALRO) and the Kenya Forest Service (KFS), among others.

The National Treasury, through the Department of Economic Affairs, which is the National Designated Authority (NDA) for Green Climate Fund (GCF) as well as the proposed Climate Change Fund, currently has a Climate Finance Unit that is in the process of setting up the necessary structures and has already undertaken work on Climate Change Budget Codes (CCBC) for tracking the flows of climate finance into the country aimed at enhancing national planning and budgeting as provided for under the Public Finance Management Act, 2012.

In addition, the National Treasury has been spearheading the following:

- Revision of a draft Climate Finance Policy to include all aspects of Climate Finance;
- Fiscal support to low-carbon-climate resilient development focusing on infrastructure (renewable energy, agriculture, transport, water, etc.)
- Development of a National Carbon Registry for fast-tracking investments in low-carbon emission projects in the country
- Removal of fiscal barriers hindering the shift to green economy

With regards to the implementation of climate change actions, almost all sectoral ministries are involved. The key ministries include:

- Ministry of Agriculture, Livestock and Fisheries as well as the Ministry Land, Housing and Urban Development (clustered in the Agriculture, Rural and Urban Development Sector)
- Ministry of Information, Communications and Technology, the Ministry of Energy and Petroleum and the Ministry of Transport and Infrastructure (classified as the Energy, Infrastructure and ICT sector)
- Ministry of Environment and the Ministry of Water (clustered in the Environment and Water Protection sector)

1.2.1 Avenues for institutionalizing Climate Change financing in the MTEF Budgetary Process

For accurate definition and realization of public expenditure policy, it is necessary to consider program requirements over the medium-term perspective. In the case of climate change financing, however, the need for predictability of expected developments in the macroeconomic environment and the scope of available budgetary resources in the medium and longer term, is important. Improvement of efficiency of the public expenditure management system is the main objective of the Medium Term Public Expenditure Framework (MTEF).

The MTEF defines a three-year rolling macroeconomic framework which outlines overall resources and forms the basis for setting of national priorities and expenditure prioritization. The MTEF budget process is preceded by a National Development plan that spells out the broad macroeconomic policies. The Macro Economic Work Group (MWG) prepares a medium term fiscal strategy that sets out (i) the optimal levels of aggregate revenue and expenditures and (ii) Financing deficits.
The Treasury then issues budget guidelines to the various accounting officers. These guidelines include:

- The composition of the SWG's;
- The MTEF calendar;
- The fiscal strategy over the medium term;
- The sectoral resource ceilings;
- Other budget preparation information;

This is meant for the ministries and government agencies to effectively participate in the budget process through their respective sectoral work groups. The SWGs prepare sector reviews and come up with reports outlining: Their overall missions, objectives and strategies in a prioritized format. Then the sectoral ceilings which take to consideration the following factors are issued:

- The overall available resources:
- The national objectives (often revolving around):
- Economic growth;
- Historical resource allocation
- On-going project commitments;

- Donor commitments
- Government contribution to Donor funded projects.

Upon receipt of proposals from the SWGs, the MTEF secretariat organizes sectoral hearings whereby the SWGs present their respective sector reports and receive comments from the public. This then enables the Treasury to come up with a Medium-Term Expenditure Framework to facilitate inter-sectoral allocations. The sectoral resource ceilings are then confirmed and are presented to the cabinet for discussion. They are then forwarded to the ministries to prepare itemized budgets which are forwarded to Treasury for consolidation and submission to parliament for approval through the traditional budget process.

The likelihood of realizing the objectives of climate change policies and the efficiency of the public expenditure management system in the allocation of resources to the appropriate sectors can be assessed by the following two stages, which can also form the avenues for identification of appropriate intervention stages.

- **Stage 1. Overall fiscal discipline**, determined by the cabinet as a policy issue in the Budget Review and Outlook Paper (BROP). The budget resources package as contained in the BOP should be clearly defined and comprehensively formulated to include climate change interventions; it should be formed prior to the allocation of expenditures and substantiated by medium-term macroeconomic forecasts. Allocation of expenditure should be accurately implemented within the framework of agreed budget resources, and their further execution should be carried out within the limits of budgetary allocations envisaged for the programs selected in accordance with the defined expenditure priorities which should prioritize climate related expenditures or mainstream the same within programs but with a level of clarity to allow for distinctions. BROP for financial year 2016 and 2017 is expected to be released by October 2015.
- **Stage II: Planning and budgeting** to ensure efficiency of allocation – Public expenditure towards climate change related initiatives and the wider economy should be consistent with the stated policy priorities, and the system makes it possible the inter-sectoral and intra-sectoral redistribution of resources from lower priorities to higher ones and from less efficient programs to highly efficient ones. Technical (productive) efficiency – Sectoral ministries (departments) shall ensure the maximum attainable level of efficiency, which should be comparable with the corresponding indexes of the private sector. As a tool for aligning policy, planning and budgeting, the MTEF therefore provides an avenue for mainstreaming climate change financing as well as a solution of the following expenditure allocation problems:
    - (i) Improvement of macroeconomic balance, through formation of a realistic and comprehensive package of resources;
    - (ii) Promotion of efficient inter-sectoral and intra-sectoral redistribution of budget allocations from the state financial resources per prioritized areas;
    - (iii) Reduction of existing uncertainties between policies and their financing at the possible extent to contribute to the improvement of the quality of projects elaboration process;
    - (iv) Establishment of robust budget ceilings by sectors, thus creating conditions and incentives for the line ministries (departments) to carry out targeted and efficient use of available resources;

2 CPEBR STUDY APPROACH AND METHODOLOGY

Building on the experiences in other countries, and using emerging generic Climate Public Expenditure and Institutional Review (CPEIR) methodology, the analysis looked at the core aspects of the planning and budgeting cycle processes outlined above vis-a-vis climate finance. A schematic drawing showing the approach and methodology is in Annex 3.

The methodology was designed to examine three core aspects of the national budget cycle that relate to climate change climate change, planning, budgeting and the extent to which these strategies and policies are coherent with national development, poverty reduction and inclusive green economic growth strategies ; a review of institutional arrangements for promoting the integration of climate change policy and; a review of the integration of climate change objectives within the budgeting process, including as part of budget planning, implementation, expenditure management and financing.

The study proposed a definition of climate change expenditure based on previous work; developed a guide on how to mainstream climate change in the budgetary process; established a monitoring and evaluation as well as a tracking system with the MoDP proposing a set of climate change finance related indicators that for inclusion at the national, sector and county levels for monitoring and evaluation.

The study consisted of a literature review and analysis; key respondent interviews; national and county level stakeholder consultations; case study analysis; retrofitting climate codes at national level ministries and; piloting the CPEBR at county levels. The section below briefly describes steps undertaken.

2.1 Literature review and analysis

An analysis of Kenya's existing national policies, strategies, legislations, development reports and standards in relation to the promotion of climate change mainstreaming in budgetary planning, climate resilience and green economic growth in Kenya was carried out at the beginning of the project. The literature review was conducted to give an overview of laws pertinent to Kenya's financial management, devolved government as well as climate change mainstreaming, and informed recommendations of a climate expenditure definition in Kenya proposed in the CPEBR, as well as strategic interventions, policy actions and options for effective climate public expenditure systems.

2.2 Key respondent interviews using survey instruments

Key informant interviews were carried out with officers from the National Treasury to advice on Kenya's complex budgetary process; officers from the MoDP on current monitoring and evaluation systems; officers from NCCD of MENR on the status of the NCCAP and; technical and financial officers from the relevant sectors at the national and county levels.

2.3 Consultative Workshops

Defining climate expenditure for Kenya required a wide range of stakeholder input as it is still a new concept. Consequently, several national level stakeholder consultations were carried out at each stage of the project – inception and mid-term report presentation; SWG consultations; county data collection and; national final report validation. Full workshop reports can be found in the Annexes.

2.4 Data Collection

A guided questionnaire was used at the national and county level to extract the relevant information from three sectors, that is, Agriculture, Rural and Urban Development (ARUD); Energy, Infrastructure and ICT (EII); as well as Environment Protection, Water and Natural Resources (EPW) sectors. Financial data was supplemented with the MTEF and the Programme Based Budget (PBB) for the 2011/12, 2012/13, 2013/14 and the 2014/15 financial years and the 2015 Budget Policy Statement. At the County level, the following documents, where available were collected; the County Budget Review and Outlook Papers (CBROP), the County Programme Based Budgets (CPBB), county budgets, the County Integrated Development Plans (CIDP), the County Budget Outlook Papers (CBOP), and, the County Medium Term Expenditure Framework Budget Estimates.

2.5 Data analysis

The following coding and numbering system was used to highlight climate expenditure based on climate change adaptation and mitigation activities as defined by the OECD/ DAC Rio Markers; adaptation (1), with colour code green; mitigation (2), with colour code yellow; capacity building/ enabling environment (3), with colour code blue; None of the above; blank.

2.6 Challenges in Data Gathering and Analysis

The following challenges were encountered:

- **Depth of budget breakdown:** the national budget captures expenditure at the programme and sub-programme level. It would be more accurate to identify the cost of each separate line of action/activity under each sub-program
- **Definition of climate expenditure:** climate finance expenditure definitions remain subjective at the programme and sub-programme level, the decision as to whether costs incurred was climate relevant would have been better informed by the type of project and activity. Additionally, teasing out climate expenditure was a challenge given that the planning and budgeting documents had not been developed with explicit climate change considerations.
- **Inadequate financial information:** some documents at the county level were unavailable. For example, Isiolo County did not have a PBB for the 2013/2014 financial year, therefore expenditure information was sourced from Controller of Budget reports.

The challenges that the CPEBR faced included accuracy of official financial information where slight differences between published figures and actual financial records were encountered. This was addressed by agreeing to use the actual financial records held by the Integrated Financial Management System (IFMIS) unit of the National Treasury (TNT). In addition, the depth of budget and expenditure breakdown is currently limited at program and sub-program levels, and does not capture the cost of each separate action/activity under each sub-program. This makes it difficult to estimate the amount of money that was spent on climate relevant activity in a sub-programme. Also, the absence of activity level expenditure and work-plan made it difficult to assess additionality and incrementality of climate finance.

To overcome these two challenges, the appropriation accounts for the period under review, were examined and for those sectors such as ARUD and EPW whose programs contained actions that were deemed as significant to adaptation or mitigation or enabling environment in the sub-programme, were categorized as so. It should be noted that in some cases where there was no adequate information to assess additionality and incrementality, the figures for climate finance include the entire amount allocated to a sub-program and qualified as climate relevant expenditure. It is for this reason that a thorough study needs to be undertaken focusing on one SWG to come up with actual amount of climate finance.

3 DEFINITION OF CLIMATE FINANCE IN THE KENYAN CONTEXT

3.1 Definitions

3.1.1 What is Climate Finance?

Broadly, climate finance (CF) refers to the flow of funds toward activities that reduce greenhouse gas emissions (mitigation) or help society adapt to climate change impacts (adaptation) [13]. It refers to all flows channelled by national, regional and international entities for climate change projects and programmes and includes all incremental investments/ commitments beyond business-as-usual activities that are aimed at increasing the community's resilience against climate change effects or limiting GHG emissions.

In its Global Landscape of Climate Finance studies, the Climate Policy Initiative (CPI)[4] applies a definition of climate finance which counts public and private investment costs plus public framework expenditures but excludes revenue support. The CPI does not include policy-induced revenues such as those generated by feed-in tariffs and carbon credits. The definition of CF in the Kenyan context presented in section 3.2.1 comprises both project and enabling costs such as feed-in tariffs and carbon credits.

3.1.2 Types of Climate Finance

Climate Finance can be tailored for adaptation, mitigation or cross-cutting activities, depending on the nature of its intended use. Mitigation can include renewable energy, energy efficiency and fuel switching, forestry and land use, urban transport and carbon sequestration projects, as well as technical assistance and capacity building to address climate change. Adaptation includes projects that are partly or wholly dedicated to addressing the impacts of climate change, such as water scarcity, agricultural resilience and infrastructure to withstand floods and other extreme weather, and capacity building[2].

Climate Finance can also be national/ domestic (domestic funding of climate related programmes) or international financial flows from *developed (Annex I)* to *developing (Non-Annex I)* countries for climate change mitigation/adaptation activities if viewed in terms of direction of capital flow.

It can be private (where capital to fund climate related projects is provided by the private sector) or public (in cases that the capital is raised through government revenue streams for climate change projects, whether international or domestic). Climate finance perspectives can be narrowed to gross flows and net flows[5] that shed light on the level of mobilized international investments and the net contribution of recipient countries.

The 'gross' and 'net' approaches serve different purposes, and there are different perspectives on whether finance should be measured on a gross or net basis, particularly regarding private and non-concessional flows. The on-going controversies make it difficult to recommend a specific choice, but suggest that both ways should be considered depending on the specific finance flow taken into consideration. It will therefore be important to clarify what metrics will be used when tracking climate finance flows in Kenya, to avoid a mixture of both which would lead to inconsistent aggregate results.

[3] http://www.wri.org/blog/2013/04/why-climate-finance-so-hard-define

[4] *http://ecreee.wikischolars.columbia.edu/file/view/Buchner+2014+-+The+Landscape+of+Climate+Finance.pdf)*

[5] 3, 4 Buchner B., et al, The Landscape of Climate Finance, (2011).

Generally, where incremental data is available, the net approach should be adopted since it gives a more accurate estimation of the climate costs and the resulting benefit to Kenya. However, comparative analysis between gross and net costs may not be available for some projects and the gross cost will be adopted. Similarly, projects funded by concessional funding agreements may adopt a gross rather than net perspective if the facility is conditional and has a grant element of at least 30%. A net view may be adopted if the focus is on cost of the funding facility only. Climate finance can also be reckoned as the incremental cost or investment capital[4] to apportion a sum against climate specific costs of an investment. An understanding of the incremental cost can help identify where flows come from, while ultimately it is the investment cost that forms the greatest portion of expenditures.

OECD- DAC Definition of Climate Change Mitigation

Mitigation: An activity should be classified as climate change (mitigation) related if it contributes to the objective of stabilization of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration. The activity contributes to:

- The mitigation of climate change by limiting anthropogenic emissions of GHGs, including gases regulated by the Montreal Protocol; or
- The protection and/or enhancement of GHG sinks and reservoirs; or
- The integration of climate change concerns with the recipient countries' development objectives through institution building, capacity development, strengthening the regulatory and policy framework, or research; or
- Developing countries' efforts to meet their obligations under the (UNFCCC) Convention.

Incremental cost refers to financial resources provided to cover the difference – or "increment" – between a less costly, more polluting option and a costlier, more environmentally-friendly and/or climate-resilient one (GEF, 2010). Incremental costs are like revenues to recipients.

Investment capital, on the other hand, refers to tangible investment in mitigation or adaptation projects which needs to be paid back. Incremental costs often make the difference in the final investment decision, and are generally covered by public climate finance resources.

3.2 Kenya Climate Finance Definition and Use of Rio Markers

The CPEBR study has proposed a definition of Climate Finance (CF) in the Kenya context that enhances a localised understanding of climate change activities for national planning and budgeting purpose and provides a useful insight for climate finance tracking, mobilization and scale up. The definition also considers the fact that GOK is interested in understanding the full cost of managing the effects of climate change in the economy. This means that all sources of funds (i.e. domestic and external, public and private) used to manage these effects will be considered in tracking of climate related costs.

The study proposed a definition of Climate Finance (CF) in the Kenya context that enhances a localised understanding of climate activities and the full cost of managing the effects of climate change in the economy. This definition is to be used in future once a climate code is functional in IFMIS and in the budgeting process. Once the CF definition is functional, it is recommended that all sources of funds (i.e. domestic and external, public and private) spent be considered in

tracking of climate related costs. Based on this study, *CF is defined as additional or incremental investment made in activities aimed to climate proof programs and projects against climate change impacts including deliberately reducing greenhouse gas (GHG) emissions. CF is therefore additional costs incurred or additional funds invested in an activity to make it resilient to climate risks otherwise called climate change adaptation (CCA) activities, or costs for causing greenhouse gas (GHG) emissions' reduction and/or climate change mitigation (CCM) and costs for or invested in climate change enabling environment (CCEE) activities such as strategy, policy development, international negotiations on climate change and other cross-sectoral issues. Or simply additional or incremental investment made in activities that aim to: i) climate proof programs and projects against climate change impacts, and/or ii) reduce greenhouse gas (GHG) emissions.* The criteria for defining climate finance in the context of Kenya's public expenditure have been adopted from the Climate Change Budget Code (CCBC) report and the OECD DAC Rio Markers. The CF definition is specific to additional or incremental amount needed to climate proof projects and will only to effect once the climate change budget code is fully functional.

3.2.1 Climate Relevant Expenditure

Since budget coding was not in place, Climate Relevant Expenditure (CRE) was used to denote costs invested (capital, labour and related) in programmes and sub-programmes where specific costs of climate change activities may not be specifically shown. For an activity to qualify to be categorized as CRE, funds incurred or invested must:

g. address one or all the climate change risk mitigation or proofing category e.g. adaptation, mitigation or enabling environment (climate awareness, training, policy and capacity building) as per the definition given by OECD
h. more than 25% of the funding must go to one or all the above climate risk mitigation or proofing category
i. Actual incremental or additional financing need not be demonstrated but there must be certainty that funds have been used for a) above.
j. Outcome/output must be increased resilience, reduced emissions or more awareness on climate change
k. technical and finance officer must agree on the above
l. each sector should have some guidelines on how to arrive at CRE and CF

In instances where it was not possible to accurately determine climate change activities from the programmes and sub-programmes, the figures provided in the findings are more Climate Relevant Expenditure (CRE)which denote costs invested (capital, labour and related) in programmes and sub-programmes where specific amounts for climate change activities are not clearly shown. This was done in consultation with a technical officer and finance or accounts officer. Not included in the study is money that the National Treasury transfers to Semi-Autonomous Agencies (SAGAs); for instance, during the 2014/2015 financial year an estimated KES 565 billion was transferred to various SAGAs responsible for budget implementation but there is no clear way to track the expenditure, as SAGAs have different budget systems and are not obliged to use IFMIS. Also, it was learned that only Parliament could recommend that direct transfers include activity descriptions of the breakdown of funds being transferred to SAGAs.

The CF definition is specific to additional or incremental amount needed to climate proof projects, whilst the term Climate Relevant Expenditure (CRE) is used to denote costs invested (capital, labour and related) in programmes and sub-programmes where actual and specific climate change activities are not shown. The criteria for defining climate finance and CRE in the context of Kenya's public expenditure have been adopted from the Climate Change Budget

Code (CCBC) report and the OECD DAC Rio Markers. Using this definition and bearing CRE in mind, the study analysed government spending at the national and the county level

The document used Rio markers to develop an approach for identifying and tracking climate finances based on interrogation of actual / planned activities of an MDA for relevance to climate change. "Relevance" was hinged on OECD's definition for principality or significance in relation to the purpose of undertaking the activities/ projects. The flexibility provided for by the approach used in the CCBC report in tagging and subsequent tracking of climate finances allows for all kinds of conventional definitions of climate finance (adaptation, mitigation or cross-cutting issues, which in our definition such activities are now categorized under the Climate change enabling environment (CCEE). These definitions are in line with the NCCAP and provides for revisions or updates where necessary by linking with MTEF sectors and associated programmes, such as the programme-based budget

Below are the OECD- DAC Rio Markers on climate change adaptation (which also *includes climate change enabling environment) and climate change mitigation.*

Text Box 1: Climate Relevant Spending from the MTEF

1. Examples of Mitigation activities in Kenya from MTEF

- **EII:** Alternative energy technologies: (generating renewable sources of energy) **EPW:** Water resource management and water storage (Increasing forest cover in the Upper Tana River area)

2. Examples of Adaptation activities in Kenya from MTEF

- **ARUD:** Livestock production and management (water harvesting for pastoral communities)
- **EII:** Rehabilitation of roads and bridges
- **EPW:** Integrated basin based development (irrigation schemes in rural areas established)

3. Examples of Enabling Environment activities in Kenya from MTEF

- **ARUD:** Agricultural planning and financial management (capacity building for farmers)
- EII: Infrastructure connectivity (migration to analogue to digital TV broadcast)

Adaptation Activities (OECD DAC Rio Markers)

Adaptation: An activity is classified as adaptation if it intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience. Some adaptation activities include:

- Supporting the integration of climate change adaptation into national and international policy, plans and programmes.
- Improving regulations and legislation to provide incentives to adapt.
- Education, training and public awareness raising related to the causes and impacts of climate change and the role of adaptation.
- Adaptation-related climate research including meteorological, hydrological observation and forecasting, impact and vulnerability assessments, early warning systems, etc.

4 NATIONAL LEVEL ANALYSIS

4.1 Analysis of Sector Climate Relevant Expenditure

Data collected from three sectors, namely, **Agriculture, Rural and Urban Development and Housing (ARUD); Energy, Infrastructure and ICT (EII);** and**, Environment Protection, Water and Natural Resources (EPW),** were analysed**.** These sectors are prioritized in both the first (2008 – 2012) and the second Medium Term Plans (MTP) (2013 - 2017) as those with the greatest impact to the socio-economic and environmental development of the country. ARUD is one of the economic pillars with a huge budget to increase investment in irrigation to reduce the country's dependence on rain-fed agriculture, mechanize agriculture, and emphasize on value addition in the production and supply chain. With regards to EII, the two MTPs (2008 – 2012 and 2013- 2017) emphasize investment in cheaper and adequate electricity; local and regional rail and road networks that provide safe, efficient and cost-effective transport; adequate water for households and industry and affordable quality housing for sustainable environmental management.

Results and findings below are based on data collected on the investments that have been made on the sectoral programs in the three sectors.

In this section, findings on how much government has spent on projects in three SWGs (ARUD, EII and EPW) is analysed as well as climate relevant expenditure (CRE) in the last three financial years (2011/12; 2012/13 and 2013/14) is shown. The term Climate Relevant Expenditure (CRE) has been coined to refer to costs incurred, funds disbursed and/or investments made to train, capacity build, create awareness on climate change or to put in place measures that would climate-proof or avert climate risks. This definition, also allow for data on projects and programs domestically funded by the GoK and with relevance to climate change adaptation (including enabling environment and capacity building) and mitigation to be included in the analysis.

The analysis firstly shows the expenditure against the total approved budget, then goes further to isolate CRE, that is, funds invested or costs incurred in implementing activities that qualify under of the three categories – climate change adaptation (CCA), climate change mitigation (CCM) and enabling environment (CCEE). CCEE is a cluster category comprising capacity building, policy and strategy development, and general climate awareness raising.

4.2 Agriculture, Rural and Urban Development Sector (ARUD)

The ARUD sector comprises of three sub-sectors, namely; Agriculture, Livestock and Fisheries; Land, Housing and Urban Development; and the National Land Commission. It also includes research organisations, state owned commercial enterprises, regulatory bodies, statutory boards, training institutions and service organisations related to agriculture, housing, rural and urban development.

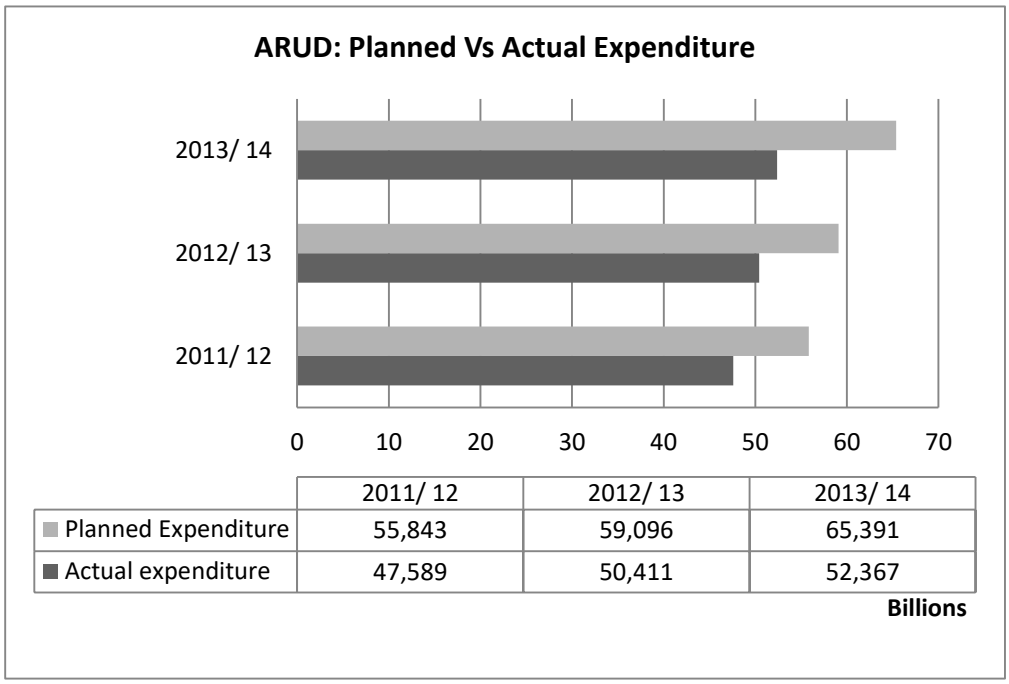
Agriculture is the mainstay of Kenya's economy, and per the 2014 MTEF sector report the agricultural sector directly contributes 25.3% of the GDP valued at KSh 961 billion. Through linkages with the manufacturing, distribution and other service related sectors, agriculture contributes approximately 27% to the GDP. It further accounts for about 65% of Kenya's total exports, and 18% and 60% of the formal and total employment, respectively (Economic Survey 2014). The goal of the sector is to attain food security, sustainable land management, affordable housing and sustainable urban infrastructure development.

The key policy goals raising agricultural productivity through value addition; increasing market access and adoption of technologies; exploiting irrigation potential; increased commercialization of the sector activities; exploiting the potential of Exclusive Economic Zone (EEZ); creating an enabling policy and legal framework; improving efficiency and effectiveness of sector institutions; effective administration and management of land and land based resources; enhancing urban development; development of decent and affordable housing, and sustainable management of resources in the sector.

The Government of Kenya recognizes the importance of agriculture in Kenya, and consequently the ARUD sector has been identified as one of the six sectors aimed at delivering the 10% economic growth rate under the Vision 2030.

4.2.1 ARUD Actual Expenditure Compared to the Approved Expenditure

The ARUD planned budget for the year 2011/2012 was KSh 55.84 billion. The money spent during the same period was, however, 47.59 billion, representing 85% of the planned budget. In the 2012/2013 financial year, 50. 4 billion was spent against an allocation of KSh 59.09 billion, representing an absorption rate of 85%. In the financial year of 2013/2014, the sector's absorptive capacity rate was even lower at 80%, having spent KSh 52 billion of the allocated 65 billion. This could be attributed to the fact that 2013 was an election year and the impending changes from a central government to a devolved system, meant that programme budget is put to a halt. Despite the low expenditure there was a steady rise in allocated funds, from KSh 55,843 billion in 2011/12 to KSh 65 billion in 2013/2014. Figure 2 illustrates the sector's approved budget versus the actual expenditure.



	2011/ 12	2012/ 13	2013/ 14
Planned Expenditure	55,843	59,096	65,391
Actual expenditure	47,589	50,411	52,367

Figure 2: ARUD actual expenditure compared to the approved budget

4.2.2 ARUD Climate Relevant Expenditure on Mitigation, Adaptation and Enabling Environment

Climate Relevant Expenditure (CRE) refers to costs incurred or investment made in climate change adaptation activities, climate mitigation or greenhouse gas emissions reductions and activities to achieve climate enabling environment. This definition also allows for data on

projects and programmes domestically funded by the GoK that have relevance to climate change adaptation and mitigation to be included in the analysis. The definition of climate relevant projects is based on the mitigation and adaptation definitions put forth by the OECD DAC. Nonetheless it still relies on human judgement on classification as climate relevant or not as was the case during the collection and analysis of this data.

Sectoral reports and related documents attest to the fact that the ARUD sector is vulnerable to climate change as exhibited through the effects of extreme climate and weather events like frequent and prolonged droughts, frost, floods, and sea level rise. There are also indications of the emergence of new pests and diseases which impact negatively on sustainability of ARUD sector activities.

Another key issue in this sector is the rapid rate of urbanisation witnessed since independence, leading to land-use changes from agriculture to the built environment and fragmentation of the existing land for Agriculture. Kenya's Vision 2030 projects that 60% of the population will be living in urban centres by 2030, from the estimated 34% captured in the 2009 census. This rapid urbanisation is placing a strain on urban infrastructure, resulting in growing informal settlements, inadequate water, sanitation and electricity supply. Urban planning is also a concern considering extreme climate and weather events, and flooding and heavy rainfall. Recent flooding in some parts of Nairobi attests to this. Climate change may, however, also present opportunities to the sector players in identifying potential programmes for implementation. Figure 3 below illustrates ARUDs Panned Budget, Expenditure and Climate Relevant Expenditure – CCA Adaptation, CCM- Mitigation and CCE -Enabling Environment.

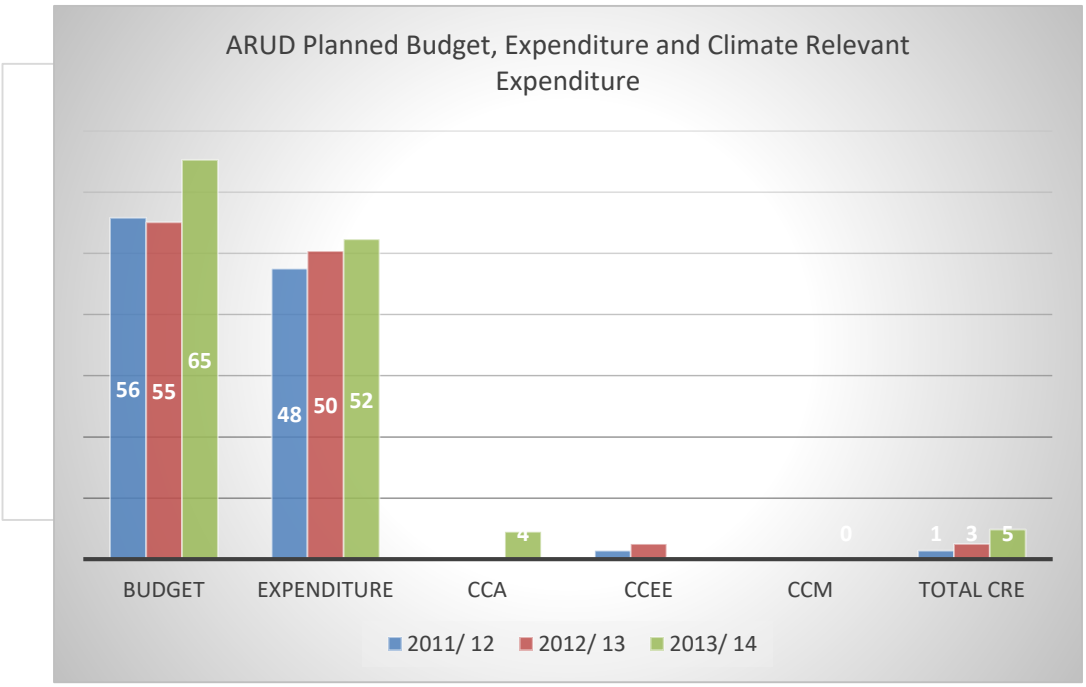


Figure 3: ARUD Planned Budget, Total Expenditure and Climate Relevant Expenditure on Mitigation, Adaptation and Enabling Environment

The Key to Figure 3 above is provided below

	2011/ 12	2012/ 13	2013/ 14	Grand Total
Planned Budget	55,843.00	59,096.00	65,391.0	180,330.00
Expenditure	47,589.00	50,411.00	52,367.00	150,367.00
CCA	0.00	0.00	4,473.00	4,473.00
CCEE	1,470.00	2,588.00	285.00	4,343.00
CCM	0.00	0.00	67.00	67.00
Total CRE	1,470.00	2,588.00	4,825.00	8,883.00

4.2.3 ARUD Climate Relevant Expenditure

Despite the sector being vulnerable, CPBER analysis has shown that climate relevant expenditure has been insignificant in the sector over the three financial periods. Activities that count as climate adaptation related projects received KSh 4,473 billion in 2013/14, which went towards Food security and management programme njaa marufuku Kenya; crops development and management services. Similarly, a total of 4.343 billion was spent on activities under CCEE, that is capacity building, training, awareness creation and climate related policy development. No expenditure was incurred on CCM, that is, mitigation activities.

The total amount spent on climate related activities in the sector during the three financial years was as follows 1.47 billion in 2011/12; 2.588 billion in 2012/13 and 4.825 billion in 2013/14 bringing to a total of 8.8 billion shillings. Percentage wise this works out as 3.10%; 5.10% and 9.21% of the total expenditure for the respective years and only an average of about 5.91% for the three-year period. ***However, there is a trend showing that CRE has increased a bit significantly from 3.10% of the total in 2011/12 to 5.10% in 2012/13 and 9.21% in 2013/14.*** The ARUD climate relevant projects included in the analysis are annexed as a spreadsheet.

4.3 Energy, Infrastructure and ICT Sector (EII)

The EII SWG consists of three sub-sectors, namely, Energy and Petroleum; Transport and Infrastructure; and Information, Communications and Technology. Vision 2030 recognises Energy, Petroleum, Infrastructure and Information, Communication and Technology (EII) sector as a key enabler for sustained economic growth, development and poverty reduction. The sector aims at sustaining and expanding physical infrastructure to support the rapidly-growing economy.

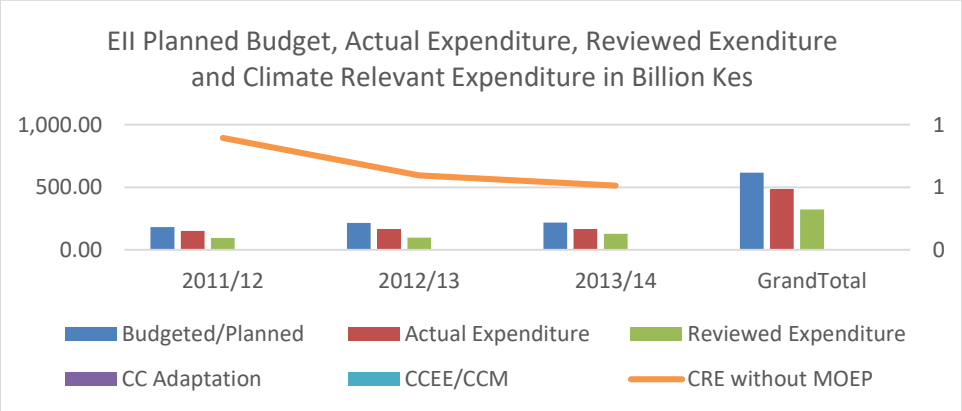
4.3.1 EII Actual Expenditure Compared to the Approved Budget

Per the 2014 MTEF report, the approved budget for the EII sector has been increasing gradually as the government invests more in the development of infrastructure and petroleum. The sector budget increased gradually from KSh 182 billion in the 2011/12 financial year to KSh 216.6 billion in the 2012/13 financial year and up again to KSh 217 billion in the 2013/14 financial year. The gradual increase in the approved budget was due to the financing of the power generation and transmission; the Nairobi - Thika super highway; and the Konza Techno City developments. Most funding has been channelled to the Infrastructure Subsector with an allocation of 56%, 50%, and 46% in the financial years 2011/12, 2012/13 and 2013/14, respectively. This is closely followed by the Energy and Petroleum Subsector at 31%, 38% and 33% over the review period. The Transport Subsector was allocated 10% in 2011/12, 2% in 2012/13 and 16% in 2013/14. The ICT sub sector has had a gradual increase from 2% to 4% and 5% allocation of the total budget in 2011/12, 2012/13 and 2013/14 respectively.

The trends in expenditure analysis indicate that the absorption rate for development expenditure is low. The sector utilization of approved funds was at 83% in 2011/12, 77% in 2012/13 and 80% in 2013/14. The underutilisation is attributed to procurement challenges, particularly for donor funded projects; inadequate counterpart funding which affects the expenditure on the donor component; and delayed/inadequate exchequer releases and disbursement of funds from development partners.

4.3.2 EII Climate Relevant Expenditure on Mitigation, Adaptation and Capacity Building

EII Climate Relevant Expenditure was found to be very insignificant compared to ARUD. This is partly because a lot of data was missing from the Ministry of Energy and Petroleum (MOEP), as such no expenditure was shown as being made in climate mitigation (CCM) and enabling environment (CCEE) in the three financial years, which is very strange. In 2011/ 2012, about 890 million was spent on climate change adaptation, in 2012/ 2013 600 million and in 2013/ 2014, 510 million. Records shown that the Government has invested in mitigation type activity such as energy investment programs, geothermal development; national grid system; rural electrification; alternative energy technologies. The amount is not captured since the implementing agencies, mostly parastatal, of MOEP are not subject to IFMIS. Fig 4 below shows Planned budget, actual expenditure as per literature and reviewed expenditure based on MTEF and programme based budget (PBB) for the EII sector.



	2011/12	2012/13	2013/14	Grand Total
Budgeted/Planned	182.40	216.60	217.00	616.00
Actual Expenditure	151.20	167.40	168.10	486.70
Reviewed Expenditure	96.50	98.60	128.30	323.40
CC Adaptation	0.89	0.60	0.51	2.00
CCEE/CCM	0	0	0	
CRE without MOEP	1	1	1	2

Figure 4: Planned budget, actual expenditure as per literature and reviewed expenditure based on MTEF and programme based budget (PBB) for the EII sector

** Financial data was obtained from MTEF and the Programme Based Budget (PBB) for the 2011/12, 2012/13, 2013/14 and the 2014/15 financial years and the 2015 Budget Policy Statement.

4.4 Environmental Protection, Water and Natural Resources Sector (EPW)

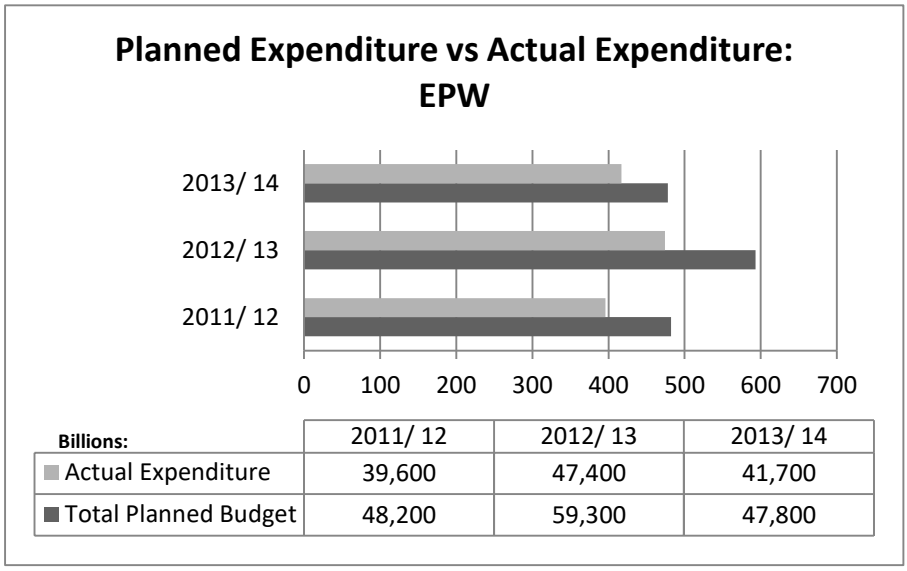
Per the MTP 2013 – 2017, the overall objective of this sector is to attain 'clean, secure and sustainable environment' by 2030. The sector forms critical linkages with the main productive sectors, namely, agriculture, manufacturing and energy, which exploit natural resources. It is also linked to other sectors of the economy such as development planning, population dynamics, finance, public health and sanitation, and trade. The EPW sector comprises three sub-sectors, namely, Environment and Natural Resources; Water and Regional Authorities; and Mining. The sub-sectors are respectively coordinated by the State Department of Environment and Natural Resources, State Department of Water and Regional Authorities and Ministry of Mining. The Sector also includes twenty-eight (24 operational and 4 proposed) Semi-Autonomous Government Agencies (SAGAs) and three (3) other institutions related to environment and water. Per the 2014 Economic Survey, about 42% of the country's Gross Domestic Product (GDP) is derived from natural resources-based sectors. ARUD; EII; General Economic and Commercial Affairs; Health, Social Protection and; Culture and Recreation sectors all heavily depend on the sustainable management of the environment and the prudent exploitation of the natural resources.

The sector's vision is "Sustainable development in a secure environment", and the mission is "To promote sustainable utilization and management of the environment and natural resources for socio-economic development".

The EPW is the lead sector in environmental protection, and consequently is focused on addressing the following challenges: an inadequate legal and policy framework, given that many laws and policies have not been aligned to the Kenya 2010 Constitution; the link between poaching, terrorism and general insecurity; high poverty levels that result in environmental degradation; climate change, in particular, the effects of flooding and drought on water and natural resources; water supply, housing access, livestock production and general livelihoods support; dependence of rural populations on land resources for livelihoods has led to increased demand for fuel wood, pressure to convert forest land to other uses, wildlife poaching, charcoal burning, forest/wild fires, and livestock incursion into forests; limited value addition and product diversification, resulting in low prices for raw materials; inadequate funding; low youth participation; scarcity of information on the status of natural resources, among others.

4.4.1 EPW Planned Budget, Actual Expenditure compared to Climate Relevant Expenditure

The EPW sector budget increased from KSh 48.2 billion in 2011/ 2012 by 23% to KSh 59.3 billion in 2012/ 2013, and then dropping by 19.3% in 2013/ 2014 to KSh 47.8 billion. Overall, the EPW sector has an absorption rate of about 80%. In 2011/ 2012, the actual expenditure was KSh 39,6 billion (82% of total expenditure), in 2012/ 2013 it was KSh 47,4 billion (80%) and in 2013/ 2014 it was KSh 41,7 billion (87%). Unlike the other two SWGs, EPW spending increased in the 2013/2014 period. The reason for the variation in absorption rates was due to low and slow disbursement of donor funds and lengthy procurement procedures. The sector's expenditure trends are presented in Figure 5 below



Billions:	2011/ 12	2012/ 13	2013/ 14
Actual Expenditure	39,600	47,400	41,700
Total Planned Budget	48,200	59,300	47,800

Figure 5: EPW Planned Vs Actual Expenditure

In terms of resource allocation by programme, the State Department of Water and Regional Authorities takes the largest share of the Sector budget, mainly directed towards the construction of multi-purpose dams. For instance, 67%, 68% and 61% was allocated, respectfully, for the three financial years over the review period (2011/12 – 2013/14) to the State Department of Water. Details of the expenditures are given under each programme as discussed in the following section. The EPW has clear priorities in protecting the environment and water supply. Consequently, the sector aims to take leadership in the review and harmonization of the sector acts, statutes, policies, rules and regulations, increase tree cover, explore the country's minerals, rehabilitate degraded areas, recover illegally acquired forest land, increase access to clean water, reduce poaching incidences and human-wildlife conflict, provide enhanced meteorological information and services, waste management and pollution control, integrated regional development and natural resources mapping. The sector's climate relevant expenditure in comparison with the planned and actual expenditure is illustrated in Figure 6 below

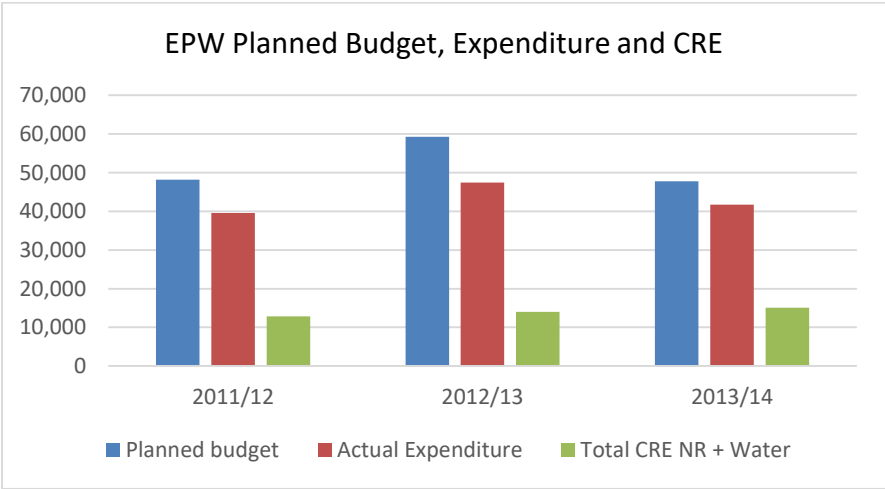


Figure 6: EPW Planned Vs Actual Expenditure

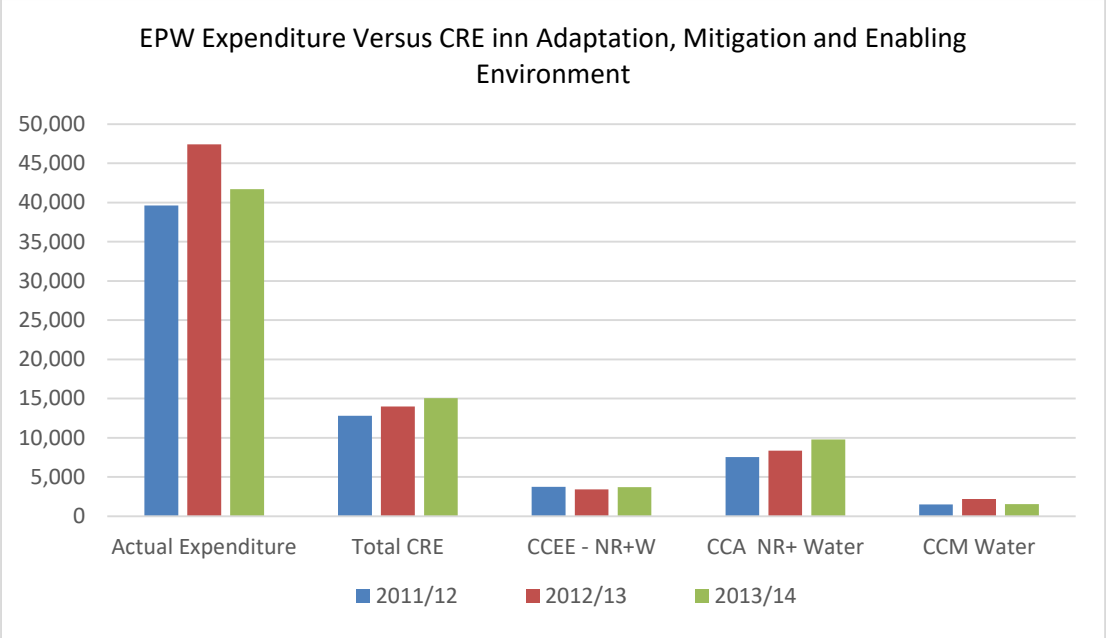
EPW (MENR +Water)			
Year	2011/12	2012/13	2013/14
Planned budget	48,200	59,300	47,800
Actual Expenditure	39,600	47,400	41,700
Total CRE NR + Water	12,807	14,008	15,067

4.4.2 EPW Climate Relevant Expenditure on Mitigation, Adaptation and Capacity Building

The Sector implemented thirteen programmes in the review period 2011/12, 2012/ 2013 and 2013/2014. These programmes are: Environment Policy Development and Coordination; Meteorological Services; Forestry Development, Research and Management; Wildlife Conservation and Management; Forestry and Wildlife Policy Regulations and Coordination; Water Policy and Management; Water Supply Services; Water Resources Management and Water Storage; Drainage Infrastructure; Integrated Regional Development; Mineral Resources Management; and Environment Management and Protection which was implemented independently in the 2013/14 Financial Year by both Mining sub-sector and Environment and Natural Resources sub-sector . These programmes are presented in the appendices. The Sector's expenditure is depicted in Figure 7 below shows climate relevant expenditure in the; general administration, mining related expenditure and mineral resource management are some of the activities carried out in the EPW that are not classified as climate relevant.

The State Department of Environment and Natural Resources spends large amounts money on climate change enabling activities, such as, policy/strategy development, awareness-raising, and capacity building. For example, under the Forests Conservation and Management sub-programme, activities such as the provision of forestry extension services and support to community farming initiatives qualify as enabling environment, while other activities in the sub-program such as the restoration of natural water towers and the rehabilitation of natural forests qualify as mitigation activities.

Climate relevant expenditure in the water sector is largely on mitigation, and on programmes such as the protection of water sources, and catchment areas. For example, the Water Resources Conservation and Protection sub-program includes the Upper Tana Natural Resource Management activities such as increasing forest cover (mitigation) as well as the promotion of water rights (enabling environment). Enabling environment activities include programmes on water ethics, water resource information centres, water resource management activities such as monitoring stations on surface water and the promotion of rain water harvesting technologies.



Year	2011/12	2012/13	2013/14
Actual Expenditure	39,600	47,400	41,700
Total CRE	12,807	14,008	15,067
CCEE - NR+W	3,741	3,431	3,715
CCA NR+ Water	7,564	8,363	9,805
CCM Water	1,502	2,214	1,547

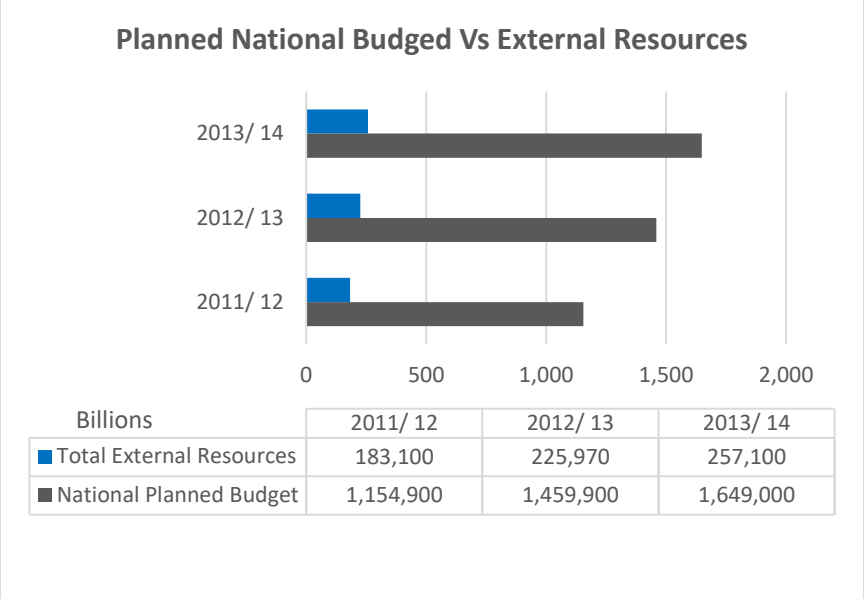
Figure 7: EPW Actual Expenditure Versus CRE on Adaptation, Mitigation and Enabling Environment

4.5 National Budget and Development Partner Contribution

The following section compares Kenya's external resources channelled through the National Government to the national domestic budget for the 2011/ 2012, 2012/ 2013 and 2014/ 2014 financial years. The analysis does not include funds channelled into the country through non-state actors.

4.5.1 Analysis of the National Budget & External Resources

The total funds earmarked for development expenditure in 2011/ 2012 were estimated at KSh 398.6 billion. Development partners contributed a total of 183.1 billion (45%) in loans and grants. Out of 183.1 billion, 54% (98.874 billion) were earmarked to finance capital expenditure and the rest (84.22 billion) were grants. The budget trends for the financial years 2011/2012, 2012/2013, and 2013/2014 are presented in figure 8



Billions	2011/ 12	2012/ 13	2013/ 14
Total External Resources	183,100	225,970	257,100
National Planned Budget	1,154,900	1,459,900	1,649,000

Figure 8: Planned National Budget Vs External Resources

In 2012/ 2013, the development budget increased to KSh 453 billion, with development partners contributing KSh 225.97 billion (50%) in loans and grants. About 59% of external funding (133.3223 billion) were earmarked for capital projects and the rest (92.6477 billion) were grants. In 2013/ 2014, the development expenditure increased to an estimated KSh 446.7 billion, of which development partners contributed KSh. 257.1 billion (57.5%) in loans and grants. Out of the KSh 257 billion, KSh 189.74 billion (68.7%) was in the form of loans, while KSh 67.35 billion was in the form of grants.

External financing of development projects in Kenya through bilateral and multilateral loan agreements increased from 98.874 billion in 2011 to 189.74 billion in 2014. Since these funds were largely infrastructure projects in agriculture, roads, water and energy, they have climate finance implication.

Kenya receives significant financing through loans from multilateral and bilateral partners as indicated in Figure 9. In 2011/ 202, loans made up 78% of external funding at 142 billion, while in 2012/ 2013, loans made up 75% of funding at 169 billion and in the 2013/ 2014 financial year, they made up 74%, at 189 billion. China, Japan, France, the International Development Agency (IDA), and the Africa Development Bank (AfDB) are Kenya's largest creditors. The loans shown here include recurrent expenditure.

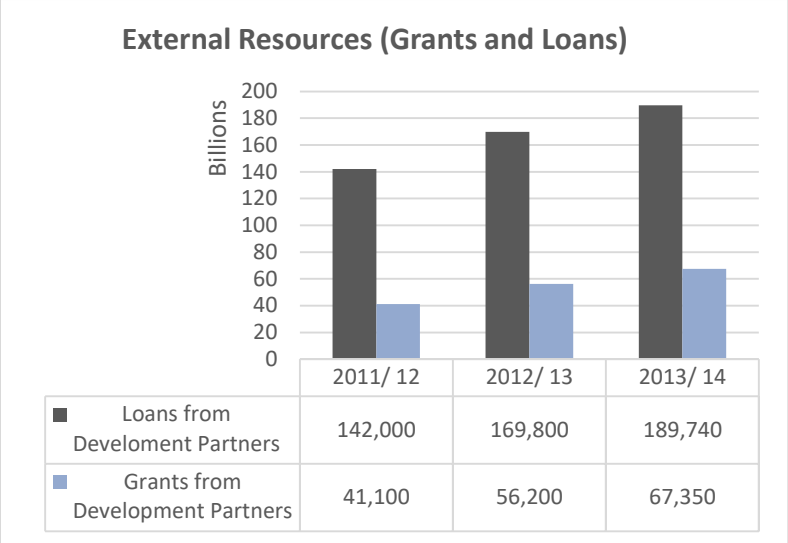


Figure 9: **External Resources (Grants and Loans)**

4.5.2 Sources of Funding

As indicated in Figure 10, China, France (AFD) and Japan are the largest bilateral contributors to Kenya's budget. China gave KSh 28 billion worth of loans 2011/ 2012, which increased to KSh 28 billion in 2012/ 2013 and remained steady with another KSh 27 billion in the 2013/2014 financial year. AFD (France) provided KSh 17.7 billion in 2011/ 2012, KSh 11.8 billion in 2012/ 2013 and KSh 9.6 billion in 2013/ 2014. Japan's loans rose from KSh 6.8 billion in 201/ 2012, to KSh 8 billion in 2012/ 2013 and KSh14 billion in 2013/ 2014.

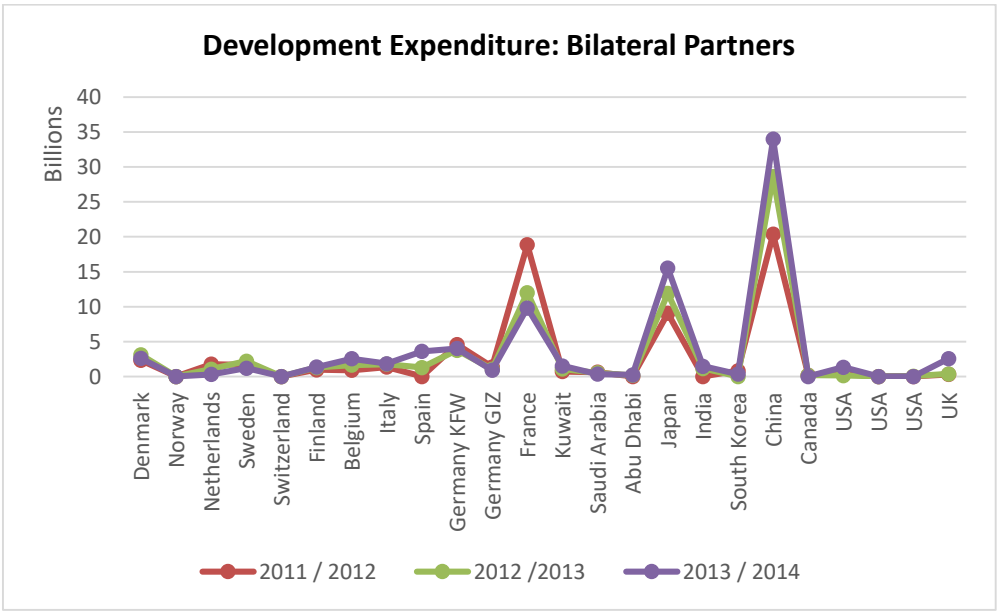


Figure 10: Development Expenditure (Bilateral Partners)

In 2011/ 2012, Danida, KfW (Germany) and Japan gave the largest grants, at KSh 2.3 billion, KSh 1.9 billion and KSh 2.2 billion, respectively. In 2012/2013, Danida contributed KSh 3.1 billion, KFW KSh 2.5 billion and Japan KSh 3.7 billion. In 2013/ 2014, Danida disbursed KSh 2.6 billion, KfW KSh 3.3 billion and Japan disbursed KSh 734 million. In that year, another large contributor was China, which disbursed grants worth KSh 6 billion.

The largest multilateral partners were the International Development Agency (IDA), which provided loans worth KSh 53 billion in 2011/ 2012, KSh 62 billion in 2012/ 2013 and KSh 80 billion in 2013/ 2014. The African Development Fund (ADF) provided loans worth KSh 45 billion in 2012/ 2013 and KSh 32 billion in 2013/ 2014. The Global Fund provided loans worth KSh 6 billion in 2011/ 2012, KSh 11 billion in the next financial year and KSh 15 billion in 2013/ 2014.

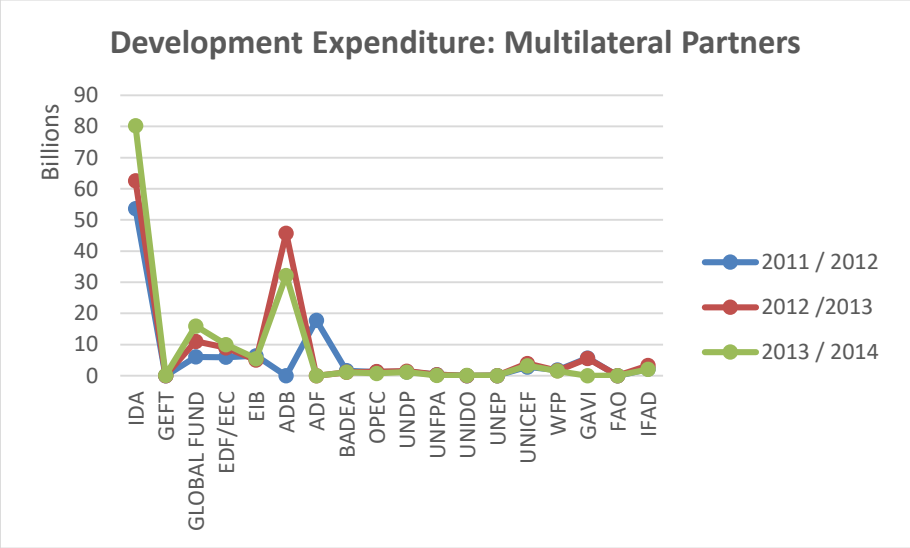


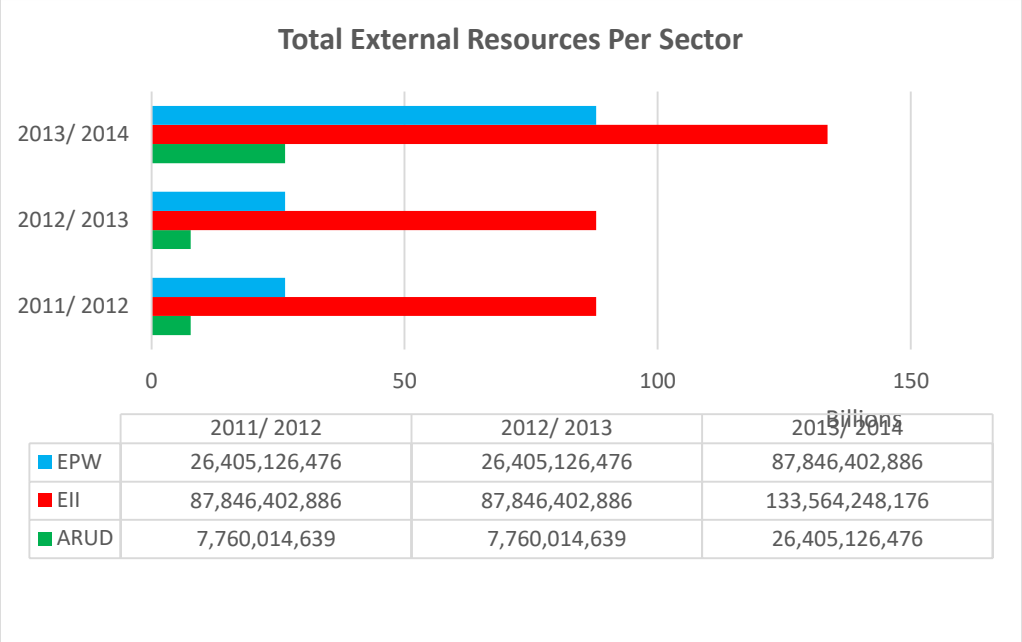
Figure 11: Development Expenditure (Multilateral Partners)

In the financial year 2011/12, UNDP (KSh 1.9 billion), UNICEF (KSh 1.3 billion), the World Food Programme (KSh1.7 billion), and the European Development Fund (EDF) (KSh 5.7 billion) were the biggest multilateral sources of grants. In the following financial year (2012/13), the Global Fund (11 billion), EDF (8.9 billion), ADB (2.9 billion) and the Global Alliance Vaccine Initiative (5.5 billion) made the largest contribution, while in the 2013/ 2014 financial year, the Global Fund provided KSh 15.9 billion, EDF provided KSh 9.9 billion and UNICEF KSh 3 billion in grants.

4.5.3 External Resources in Sectors

Figure 12 below shows development expenditure from partners and the national government in the ARUD, EPW and EII sectors. Funds from development partners have been on the increase for all three sectors. The EII sector has received the greatest amount of external funding, followed by the EPW sector, with ARUD receiving the smallest amount.

In 2011/ 2012, the EPW sector received KSh 26.4 billion, which more than tripled to KSh 87.8 billion in 2013/ 2014, reflective of a growth rate of 232% within the review period. The EII sector received 87.8 billion in the 2011/2012 Financial Year, which increased significantly to 133.6 billion in the 2013/2014 Financial Year, registering a growth rate of 52.1% during the period under review. The ARUD sector received the lowest amount KSh 7.7 billion in 2011/ 2012, which increased to KSh 26 billion in 2013/ 2014. The disbursement to the sector, however, registered a significant growth rate of 242% during the period under review.



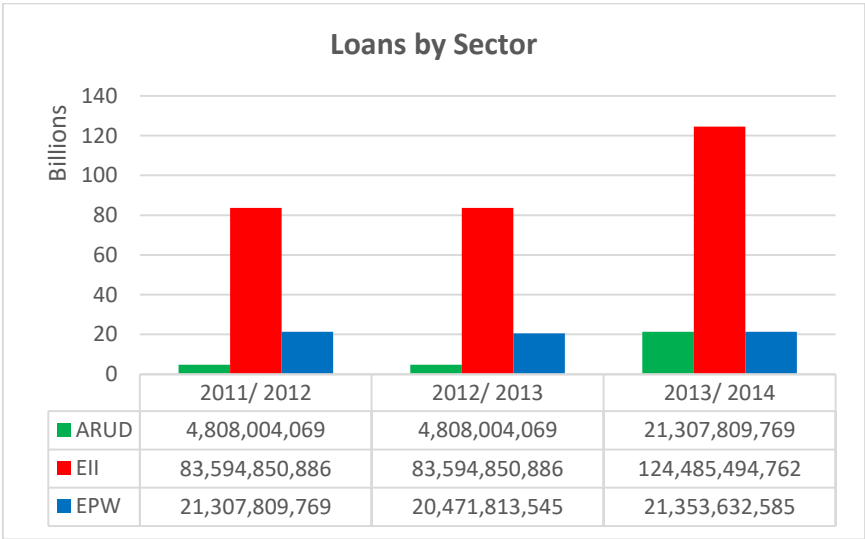
	2011/ 2012	2012/ 2013	2013/ 2014
EPW	26,405,126,476	26,405,126,476	87,846,402,886
EII	87,846,402,886	87,846,402,886	133,564,248,176
ARUD	7,760,014,639	7,760,014,639	26,405,126,476

Figure 12: Total External Resources by Sector

4.5.4 Loans by Sector

Figure 13 shows that all the three sectors received significant amounts of loans. The ARUD sector received KSh 4.8 billion in the financial years 2011/2012 and 2012/2013, and KSh 21.3 billion in 2013/2014. These loans were used to finance projects in the year 2013/ 2014 such as:

- Kenya Coastal Development Project (KSh 20.9 million)
- Kenya Informal Settlements Improvement Project (KSh2.9 billion)
- Mwea Irrigation Development Project (KSh 400 million)
- Regional Pastoral Livelihood Resilience Project (KSh 60 million)



	2011/ 2012	2012/ 2013	2013/ 2014
ARUD	4,808,004,069	4,808,004,069	21,307,809,769
EII	83,594,850,886	83,594,850,886	124,485,494,762
EPW	21,307,809,769	20,471,813,545	21,353,632,585

Figure 13: Loans by Sector

The EII sector received KSh 83 billion in 2011/ 2012 and 2012/ 2013, and KSh 124 billion in 2013/ 2014. These funds were used in infrastructure and energy projects for the year 2013/ 2014 such as:

- Ngong Hills Wind Turbines Project (KSh 750 million)
- KETRACO Transmission Lines (KSh 1.48 billion)
- Mombasa Port Development Project (KSh 10.8 billion)
- Energy Sector Recovery Programme (KSh 5 million)

The Environment Protection and Water (EPW) Sector received KSh 21 billion in 2011/ 2012, KSh 20 billion in 2012/ 2013 and KSh 21 billion in 2013/ 2014. These funds were largely used in water and sanitation infrastructure in 2013/ 2014, such as:

- Nairobi Rivers Basin Restoration Programme Sewerage Improvement Project (KSh1.89 billion)
- Ewaso Nyiro North Natural Resources Conservation Project (KSh 180 million)
- Water and Sanitation Services Improvement Project –Coast (KSh 3.2 billion)
- Water Security and Climate Resilience (KSh 88 million)

4.5.5 Comparison between total budget and external resources budget

External resources contributed 16%, 19.9% and 29.6% of the total ARUD budget in 2011/ 2012, 2012/ 2013 and 2013/ 2014 respectively. The contributions from the domestic budget and external resources are shown in Figure 14. Projects that could be considered climate relevant in 2013/ 2014 include:

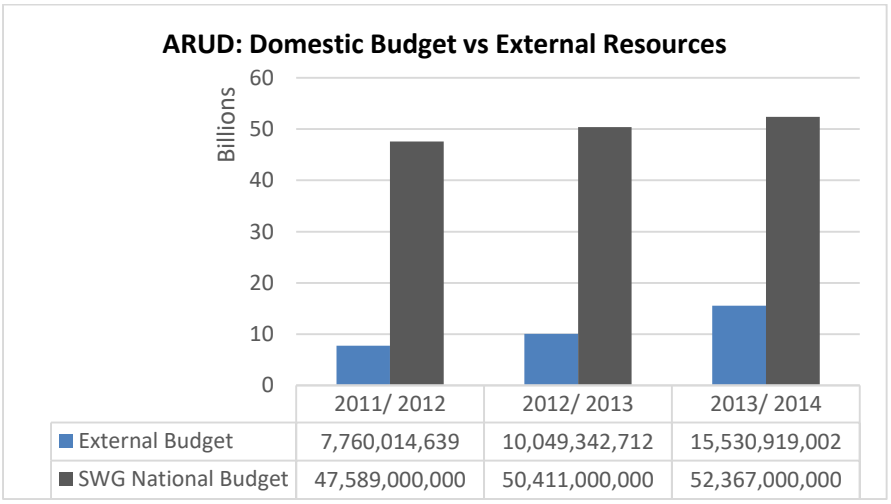


Figure 14: Comparison between Total Budget and External Resources

- Risk management strategies to adopt to climate change in the Kenyan highlands (KSh 62.4million)
- Adaptation to climate change (KSh 246 million)
- Mainstreaming sustainable land management (SLM) in agro-pastoral production systems (KSh 21.3 million)

As shown in figure 15, external resources made up approximately 58%, 73% and 79% of the total EII budget for 2011/ 2012, 2012/ 2013 and 2013/ 2014 financial years. Projects that could be considered climate relevant in the 2013/ 2014 financial year include the

- Solar Energy- Health Centres and Primary Schools (KSh 800 million)
- Support for the development of renewable energy (KSh 249. 3 million)

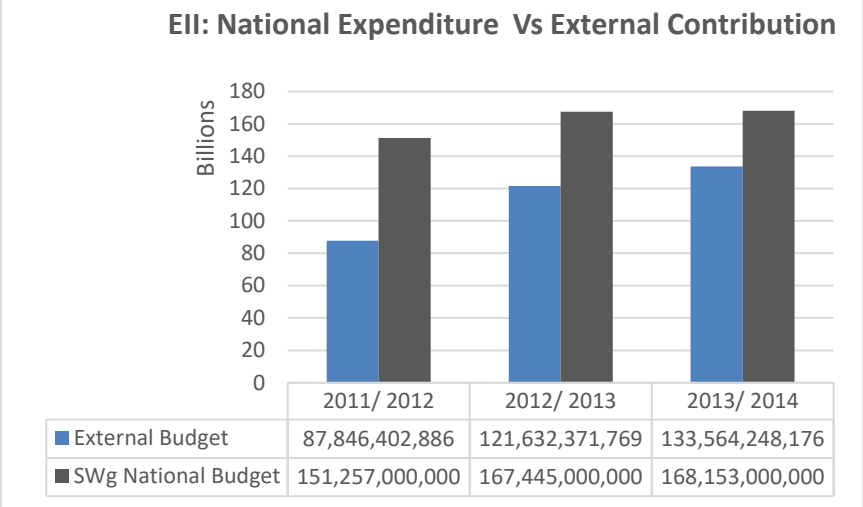


Figure 15: Domestic Budget compared to External Contribution in EII sector Expenditure

As illustrated in Figure 16, external resources contributed approximately 67%, 56% and 66%, of the total EPW budget for 2011/ 2012, 2012/ 2013 and 2013/ 2014. Projects that could be considered climate relevant in 2013/ 2014 include:

- Miti Mingi Maisha Bora (KSh 465 million)
- Support to Community Based Farm Forestry Enterprises in Semi-Arid Areas (KSh 23.5 million)

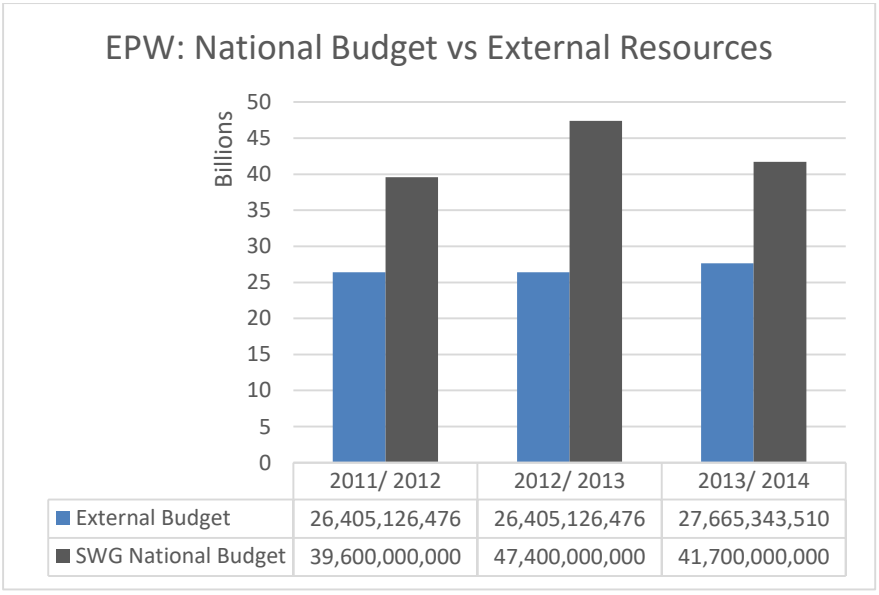
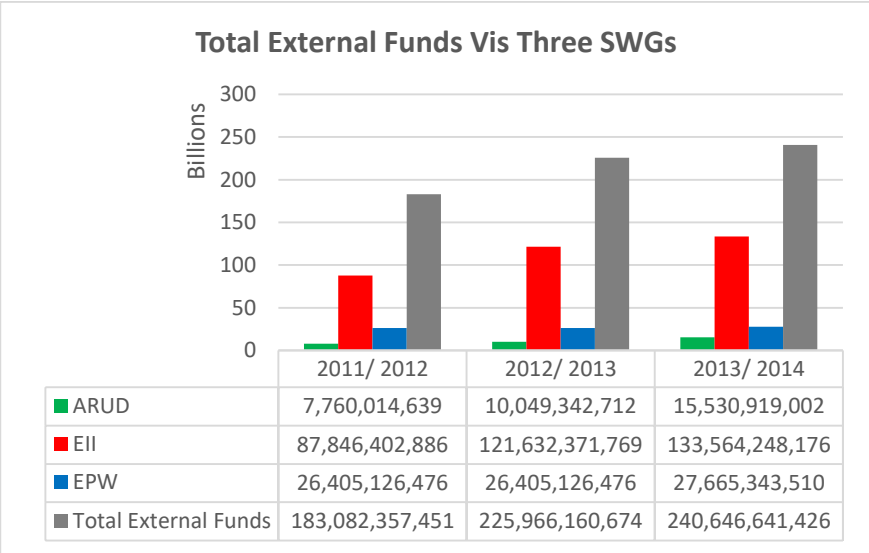


Figure 16: National Budget vs External Resources contribution to EPW

4.5.6 Government Expenditure in ARUD, EII and EPW in Relation to Available External Resources

The three climate relevant sectors under review received a large proportion of external resources. The allocations by sector and by financial year are shown in Figure 17 and Table 2 The combined allocation for the three sectors in 2011/ 2012 amounted to KSh 122 billion out of the total economy-wide external funds allocation of KSh 183 billion. This translates to 67% of the total external funds. In 2012/2013, the allocation increased to 70%, with a combined amount of KSh 158 billion for the three sectors out of a total economy-wide allocation of KSh 225.9

billion; while in the year 2013/2014, the three sectors received KSh 176 billion out of the allocated KSh 240 billion (73% of the total external resources).



	2011/ 2012	2012/ 2013	2013/ 2014
ARUD	7,760,014,639	10,049,342,712	15,530,919,002
EII	87,846,402,886	121,632,371,769	133,564,248,176
EPW	26,405,126,476	26,405,126,476	27,665,343,510
Total External Funds	183,082,357,451	225,966,160,674	240,646,641,426

Figure 17: SWG funding from External Resources

It should, however, be noted that these funds are largely in the form of loans allocated for infrastructure projects in water and transport.

4.5.7 External Resources and Climate Relevant expenditure in Three Sectors

The total contribution by development partners (loans and grants) is **significantly** higher than the total CRE in the three sectors during the three financial years under review. The ratio of CRE to External Resources received is 8.29% in 2011/12; 7.61% in 2012/13 and 8.48% in 2013/14. EPW has the highest Climate Relevant Expenditure at 6.45% of the total external resources, on the other hand, ARUD CRE was 1.37 % of the total external resources whereas EII's ratio of CRE to total ER was 0.31%. If most CRE is received from external resources, then EPW has received the most CRE and EII the least.

Table 2: Total External Resources versus Total CRE and Ratio of CRE to External Resources

Year	2011/12	2012/13	2013/14	Grand Total	% CRE of ER
Total Ext Resources (ER)	183,083	225,966	240,647	649,696	
Total ARUD CRE	1470	2588	4825	8883	1.37
Total EII CRE	893	595	515	2003	0.31
Total EPW CRE	12807	14008	15067	41882	6.45
Total CRE in 3 SWGs	15,170.00	17,191.00	20,407.00	52,768.00	8.12
% Ratio of CRE to External	8.29	7.61	8.48	8.12	

5 COUNTY LEVEL FINDINGS

5.1 County Budget Planning and Formulation Process

This CPEBR work was piloted in three counties, namely, Bungoma, Laikipia, and Isiolo. County selection was based on a set of criteria agreed with the technical committee, namely; vulnerability index; diversity (i.e., ASAL, highly productive region and the Lake Victoria Basin) and; the presence of robust county financial management framework and on-going projects in climate change adaptation and mitigation.

5.2 Bungoma County Budget Analysis

Bungoma County was selected because of, among other reasons, its significant small-scale agricultural farming community which is increasingly becoming vulnerable to climate change. Furthermore, the County is located on the Southern slopes of Mt. Elgon, which also forms the apex of the County and a water tower linking to the lake Basin.

Bungoma County Government is divided into twelve sectors, namely; Agriculture, Livestock, Fisheries and Co-operative Development; Tourism, Forestry, Environment, Natural Resources and Water; Education, Science and ICT; Health and Sanitation; Roads, Public Works and Housing; Trade, Energy and Industrialization; Gender, Culture, Youth and Sports; Land, Urban and Physical Planning; County Public Service Board; Governor's Office and; County Administration.

5.2.1 Bungoma Agriculture Sector

Bungoma is in the process of implementing an agriculture strategic plan that focuses on improving the county's agriculture value chain to increase earnings. Eighty per-cent of the county residents rely on agriculture for their incomes, yet there is little value addition done to agricultural products in the county. The agriculture strategy seeks to improve agricultural productivity; enhance access to agricultural markets; enhanced adoption of agricultural technologies; improved access to affordable inputs such as fertiliser and tractors; improved enabling environment for investments and; enhancing the agriculture subsector performance. The agriculture strategy will therefore take the value chain approach as well as factor in land degradation and climate change impacts on agriculture in Bungoma to improve food security and income generation. They include investments in coffee, tea, banana and high value garden vegetable production, as well as dairy and poultry farming. The programs are funded by the County Government, with support from partners in infrastructure development.

5.2.2 Bungoma Water Sector

Bungoma County faces an acute shortage of clean and safe water; hence the sector is working to improve access to water by constructing water treatment plants and constructing water infrastructure in each ward. Up to 450 projects have been implanted and completed in the last financial year. Below are highlights in the Bungoma water sector:

- The county government seeks to improve access to clean water at the ward level, and thus constructed and protected 10 water springs, (and shallow wells where water springs were not viable) and; 50 m^3 water storage reservoirs in each ward.
- Five roof catchment water projects in institutions in each ward and capacity building on management of projects handed over to communities in each ward was conducted.
- At least 2 water projects in each of the 9 sub counties which had a minimum value of KSh 5 million were planned

- The national government contributed KSh 100 million to expand pipework and storage facilities from Cheptais sub county to Malakisi

However, Bungoma faces challenges due to encroachment on catchment areas and upstream destruction which causes erosion and turbidity of rivers/water; vandalism of pipelines; poor roads and; inadequate funding.

Financial performance 2014/ 2015: Per the Controller of Budget Implementation Review Half Year Report of 2014/ 2015, the Bungoma County Estimates for the financial year of 2014/15 amounted to KSh 8.27 billion comprising of KSh 4.11 billion (49.7 %) for recurrent expenditure and KSh 4.16 billion (50.3 %) for development expenditure. This budget will be financed by the national equitable share of KSh 7.19 billion (70.9 %), local revenue of KSh 475 million (4.7 %), KSh 599 million (5.9 %) from Appropriation-In-Aid (A-I-A) and KSh 1.87 billion (18.5 %) as projected cash balance from 2013/14. The County Government's sources of revenue are shown in Figure 18

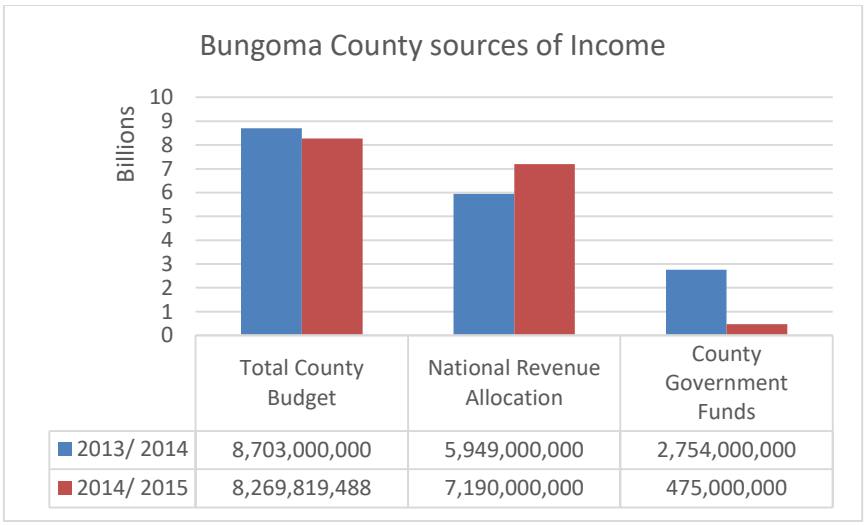
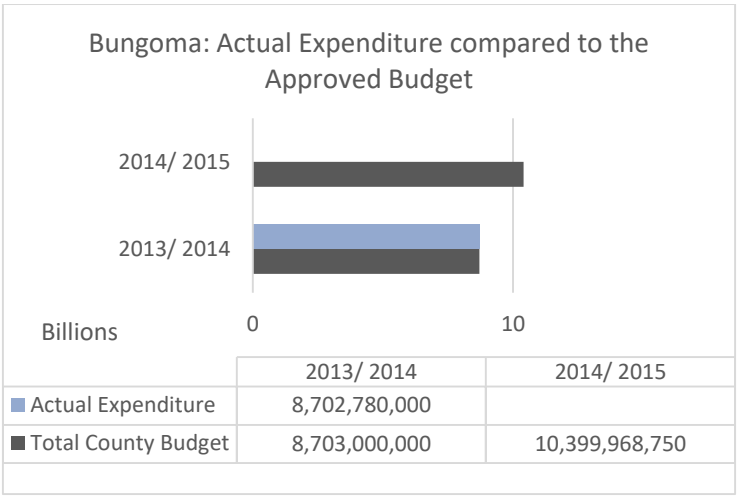


Figure 18: Actual Expenditure compared to the Approved Budget for Bungoma

5.2.3 Bungoma's Actual Expenditure Planned Compared the Approved Budget

Figure 19 shows Bungoma's Actual Expenditure compared to the Approved Budget. In 2013/ 2014, Bungoma spent KSh 7.6 billion of the allocated KSh 8.703 billion budget, representing an 88% absorption rate. The shortfall was attributed to slower disbursements from the exchequer and procurement delays.

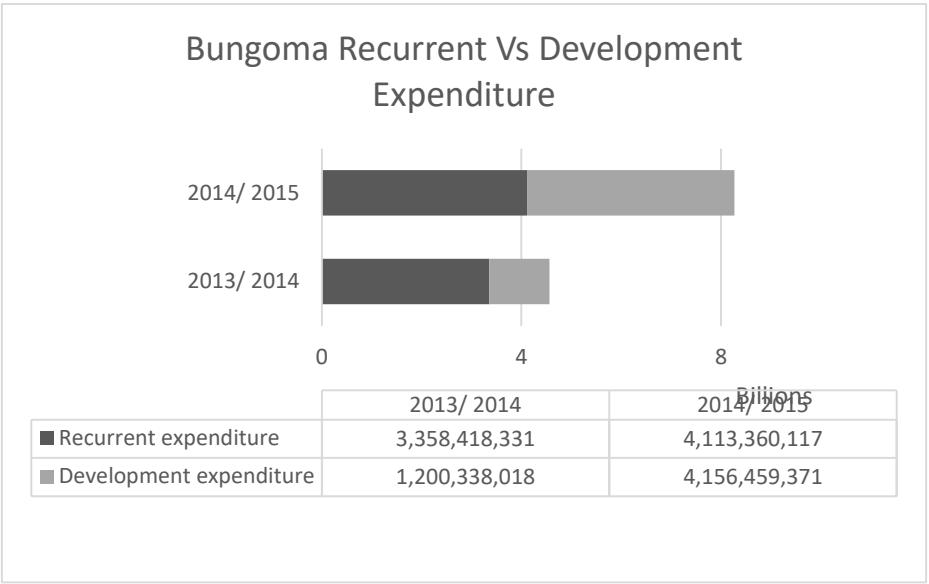


	2013/ 2014	2014/ 2015
Actual Expenditure	8,702,780,000	
Total County Budget	8,703,000,000	10,399,968,750

Figure 19: Actual Expenditure compared to the Approved Budget for Bungoma

5.2.4 Bungoma County Recurrent and Actual Expenditure

Bungoma spent 33% of its allocated development expenditure, spending KSh 1.2 billion of the allocated KSh 3.6 billion in 2014/2015. During the 2014/2015 financial year, the county plans to spend KSh 4.1billion on development expenditure, which is approximately 40% of the total budget.



	2013/ 2014	2014/ 2015
Recurrent expenditure	3,358,418,331	4,113,360,117
Development expenditure	1,200,338,018	4,156,459,371

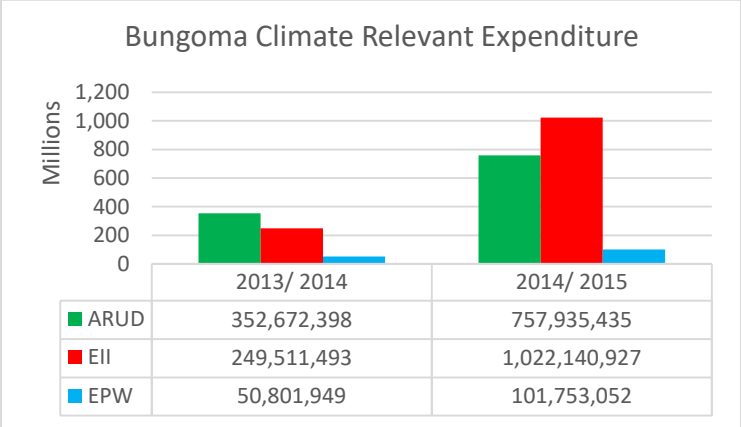
Figure 20: Bungoma Recurrent Vs Development Expenditure

5.2.5 Bungoma Expenditure on Climate Relevant Sectors

In line with the national data collection, Agriculture, Livestock, Fisheries and Co-Operative Development; Tourism, Forestry, Environment, Natural Resources and Water; Education, Science, ICT, and Statistics; Roads, Public Works and Housing; and Trade, Energy and Industrialization; were the main areas of interest as they, at the county level, represented the three sectors–ARUD, EII and EPW.

5.2.6 ARUD Sector Agriculture Strategy

Figure 21 illustrates Climate Relevant Expenditure in Bungoma. The Agriculture, Livestock, Fisheries and Cooperative Development sector mirror the national ARUD sector. In 2013/2014, the sector spent KSh 352 million and in the 2014/ 2015 financial year was allocated KSh 757.9 million.



	2013/ 2014	2014/ 2015
ARUD	352,672,398	757,935,435
EII	249,511,493	1,022,140,927
EPW	50,801,949	101,753,052

Figure 21: **Bungoma Climate Relevant Expenditure**

Bungoma is a highly productive agricultural area, and the county seeks to improve agricultural productivity; enhance access to agricultural markets; promote the adoption of agricultural technologies; improve access to inputs such as fertilizer and the purchase of machinery such as tractors; create enabling environment for investments and; enhance agriculture subsector performance and capacity. The County Government has been investing in tea, coffee and horticultural production, as well as the rearing of indigenous poultry, fisheries and the promotion of dairy cattle. Below are some highlights of the agricultural strategy.

- Improving productivity of tea, bananas, coffee, tomatoes, onions, oil palm, sunflower, rice and sweet potatoes.
- Improving the availability of planting material for crops such as potatoes, and a nursery to improve banana farming in partnership with Jomo Kenyatta University of Agriculture and Technology (JKUAT) - more than 150 thousand seedlings to date.
- Introduction of greenhouse farming with youth and women's' groups, as well as plans to construct 2 coffee processing mills to improve the value chain of agricultural produce in Bungoma.
- Promotion of agroforestry: the county will encourage farmers to cultivate trees on boundaries and terraces so that they can benefit more from their land
- Livestock and fisheries: the strategy identifies dairy production, aquaculture and improved poultry processing to boost productivity and efficiency of the sector. The county is therefore investing in setting up artificial insemination schemes to improve dairy productivity and a poultry processing plant to make poultry rearing more efficient.
- The county government is also cognizant of the impacts of climate change, and has hence installed 4 weather stations which will enhance the data collection network to improve weather predictions and early warning systems.
- Improving soil productivity: the county has acquired 3 soil laboratories to help farmers understand their soil resources better, and improve production.

5.2.7 EII Sector– Trade, Energy and Industrialization

The Trade, Energy and Industrialization, together with the Roads, Public Works and Housing sectors correspond to the EII sector at the national level. The sector spent a total amount of

KSh 249.5 million, with the trade and energy budget being KSh 70 million and the Roads and Public Works budget being KSh 179.3 million. In 2014/2015, the sector was allocated a total of KSh 1.02 billion, with KSh 829 million going to roads and public works and KSh 193 million to the energy sector. The mission of the Trade, Energy and Industrialization sector is to create an enabling business environment for trade and investment through fair trade practices, consumer protection, and provision of affordable energy for sustainable socio-economic development. The trade aspect is dominant, and the sector is in the process of creating a conducive business environment through the provision of lighting at markets and constructing a county industrial business park. In addition, the County has budgeted KSh 20 million for a rural electrification and development of alternative sources of energy, and KSh 7.7 million for research and development, innovation and technology transfer in 2014/ 2015.

5.2.8 EPW Sector–Tourism and Natural Resource Management

The Tourism, Forestry, Environment and Natural Resources sector is responsible for environment protection in Bungoma County, and its mission is to ensure sustainable development through fostering effective, efficient utilization of County resources to promote the tourism industry. It is composed of the forestry, tourism, environment and natural resources sub sectors.

In 2013/2014, the sector's expenditure was KSh 50.8 million as opposed to an allocated budget of KSh 101.7 million. During the same period, the sector undertook programmes that built capacity on afforestation and the benefits of Community Forest Associations in several wards; increased tree cover; improved the collection of solid waste through the purchase of garbage trucks and; and trained enforcement officers on environmental legal frameworks. In the year 2014/2015, the sector plans to undertake the construction of an entry gate at Kaberwa in Mt. Elgon National Park; continue with the planting of trees to increase forest cover; establish tree nurseries in each of the 45 wards, including one major county nursery and; the develop a solid waste management plan through Public Private Partnership (PPP).

5.2.9 Climate Relevant Expenditure compared to the Total County Expenditure

Figure 22 shows total climate relevant expenditure in Bungoma compared to total expenditure form 2013/2014 and planned expenditure for 2014/2015. Both the total expenditure and climate relevant expenditure registered a growth during the two financial years 2013/2014 and 2014/2015. The proportion of climate relevant expenditure as a fraction of the total expenditure, however, declined from just above 40% in 2013/2014 to about 3% in 2014/2015.

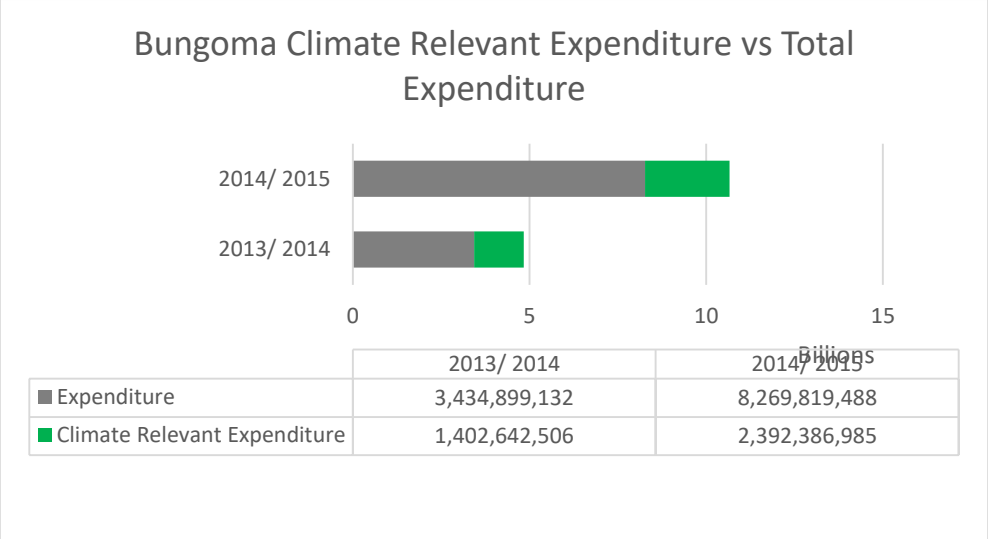


Figure 22: Bungoma CRE compared to the Total Expenditure

5.3 Laikipia County Budget Analysis

In Laikipia County, environmental degradation has contributed to reduced productivity of land, reduced quality and quantity of water sources, high levels of both air and water pollution, constraining of effluent and solid waste disposal facilities especially in the urban areas. Increased farming activities in forests are also a threat to the county's rich biodiversity.

Environmental degradation in Laikipia is rampant and is driven by population pressure on limited land resources and the growth of towns like Nanyuki, Nyahururu, Rumuruti, Wiyumiririe and other shopping centres, straining the provision of social amenities. Growing informal settlements around Nyahururu and Nanyuki towns have resulted to high levels of pollution, poor sanitation and unsustainable disposal of waste. In addition, farming in riparian areas, sand harvesting and other quarrying activities in in Laikipia, have exacerbated the process of land degradation - resulting in high instances of poverty within the county. Other factors contributing to environmental degradation include; overgrazing, cutting down of trees for charcoal burning and farming along the river banks.

Climate: Agricultural productivity is limited by poor weather conditions characterized by frequent dry spells and poor rainfall distribution. The annual average rainfall varies between 400 mm and 750 mm. Laikipia is prone to extreme climate events, with major droughts recurring after every 4-5 years. This leads to famine where communities are forced to depend entirely on relief food.

The County Ministry of Environment has developed a draft Climate Change Bill, which will enable the county to take a systematic approach to climate change mainstreaming and disaster risk reduction, improve synergy with other ministries, set up a climate change adaptation fund, introduce a levy component for the adaptation fund, conduct risk assessments, and establish a climate change unit to guide the climate change mainstreaming in Laikipia. The ensuing Act will also clarify the link between biodiversity and climate change, which is necessary as Laikipia is rich in biodiversity.

Laikipia Financial Planning: For the 2013/ 2014 financial year, the county's budget was KSh 3.3 billion of which KSh 2.7 billion (83%) was allocation from the national government and KSh 348 million was county revenue funds. This figure increased to KSh 3.6 billion in 2014/ 2015,

with KSh 2.9 billion (80%) from the national government and an expected KSh 400 million collected by the county government.

The Controller of Budget report on Laikipia identified, among others, the county's challenge in local revenue collection. The report recommends that the County establish adequate measures and controls to ensure planned activities are implemented within the financial year and; enact the Finance and Revenue Bills and; build the capacity of revenue collection officers to optimize revenue collection and reduce revenue leakages to collect higher amounts in the County.

5.3.1 Laikipia County Sources of Income

For the 2013/ 2014 financial year, the county's budget was KSh 3.3 billion, of which KSh 2.7 billion (83%) was allocation from the national government and KSh 348 million was county revenue funds. This figure increased to KSh 3.6 billion in 2014/ 2015, with KSh 2.9 billion (80%) from the national government and an expected KSh 400 million collected by the county government. During the 2014/ 2015 period, other sources of income included a balance brought forward of KSh 351 million from the previous financial year, donor support amounting to KSh 9 million, appropriation in aid worth KSh 13 million as well as KSh 97 million from the rural electrification fund, KSh 211 million in conditional grants and KSh 160 million from the Health Sector Services Fund (HSSF).

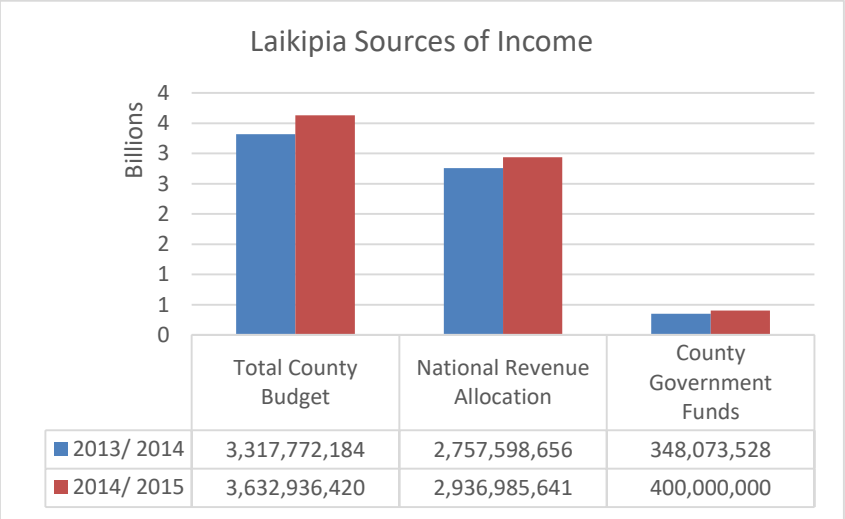


Figure 23: Laikipia Sources of Income

5.4 Laikipia Actual Expenditure compared to the approved budget

As indicated in Figure 24, Laikipia County spent KSh 2.6 billion out of a total of KSh 3.3 billion in 2013/2014, representing an absorption rate of 79%. Because Laikipia did not spent a large portion of its development expenditure funds.

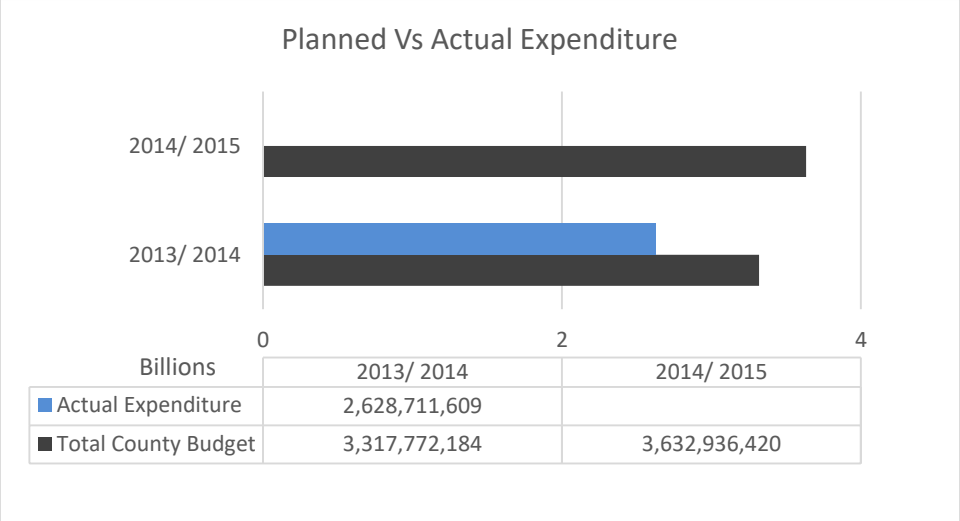


Figure 24: Laikipia Actual Expenditure compared to the approved budget

5.4.1 County Recurrent and Actual Expenditure

In 2013/ 2014, Laikipia spent 8% of its budget on development expenditure. Out of approximately KSh 1 billion marked for development, the county spent KSh 214 million. Some of the development projects that the County implemented during the period under review included the improvement of education facilities at KSh11.0 million, and purchase of milk coolants at KSh12.0 million. About 92% of the budget (KSh 2.4 billion) went to recurrent expenditure, out of the county's total expenditure of KSh 2.6 billion.

In the 2014/ 2015 financial year, the county government plans to spend KSh 1.19 billion on development, bringing the percentage up from 8% to 32%. Sixty-seven per-cent of its budget, or 2.4 billion has been set aside for recurrent expenditure.

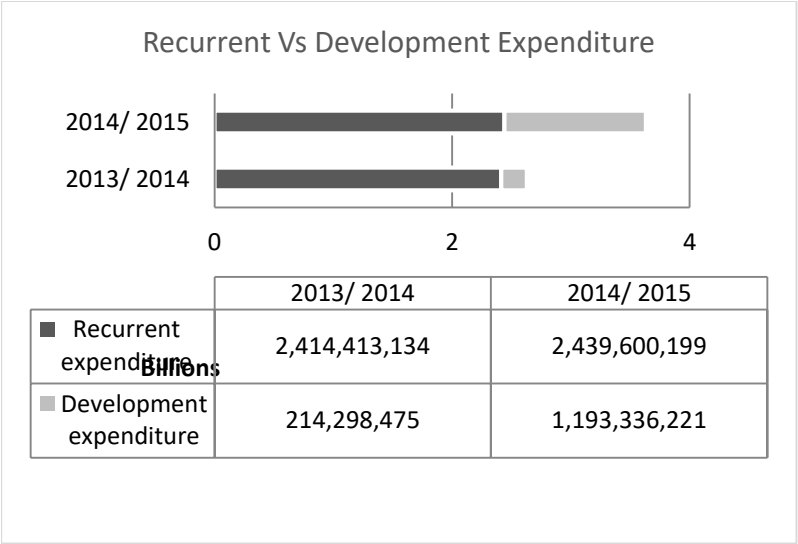
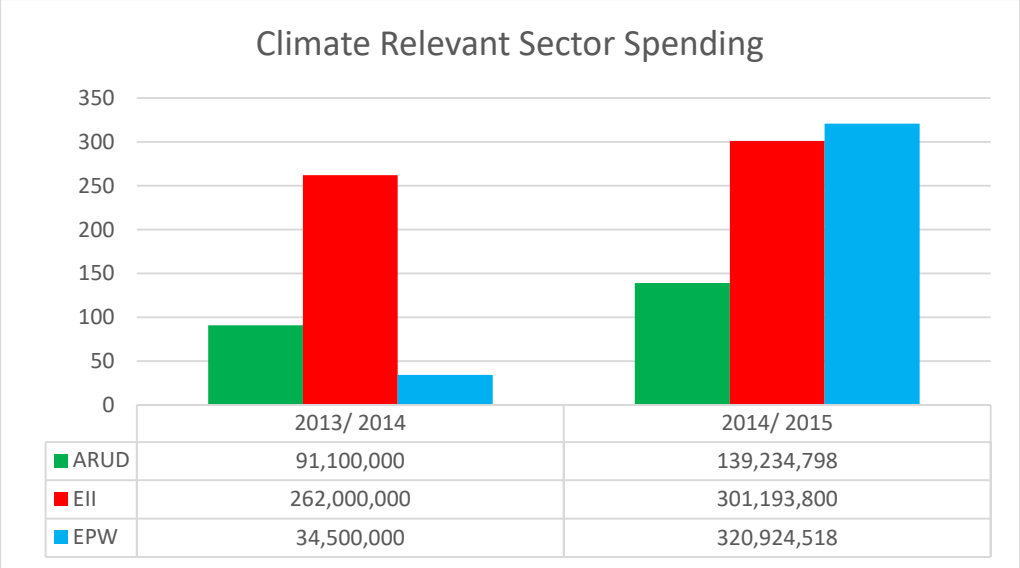


Figure 25: Laikipia Recurrent and Development Expenditure

5.4.2 Expenditure on Climate Relevant Sectors

Laikipia County is organised under several sectors, namely, County Assembly; office of the Governor, County Administration, public service, special programme, security, disaster

management, cohesion and intergovernmental relations; infrastructure; agriculture, livestock, fisheries and natural resources; finance, planning and county development; education, technology and ICT; gender, social affairs, children and sports development; industrialization and enterprise development, health and sanitation; water and; tourism and trade. Reflecting the national data analysis, sectors dealing with energy, environment, water, agriculture and infrastructure were selected as being climate relevant.



	2013/ 2014	2014/ 2015
ARUD	91,100,000	139,234,798
EII	262,000,000	301,193,800
EPW	34,500,000	320,924,518

Figure 26: Laikipia Climate Relevant Expenditure

5.4.3 ARUD Sector

In the case of Laikipia Country, the ARUD sector consisted of the agriculture, livestock, fisheries and natural resources sub-sectors, which spent KSh 91.1 million during financial year 2013/2014 and was allocated KSh 139.2million for the following financial year. The sector is structured into various programmes, namely; agricultural productivity improvement; livestock improvement; fisheries improvement; disease control and prevention; market access improvement; livestock services; human animal conflict mitigation; irrigation infrastructural development, as well as administration, and monitoring and evaluation units. The County 2013/2014 budget shows that funds were spent on the promotion of fish farming; infrastructure such as cattle dips, livestock yards and slaughterhouses; irrigation and greenhouses and; tree planting. For the 2014/2015 financial year, funds have been put aside for investments in conservation agriculture, fish pond farming water reservoirs and drought mitigation development in line with the county's PBB.

5.4.4 EII Sector

The EII sector consists of the infrastructure sub-sector, which spent KSh 262 million in 2013/2014 and is budgeting to spend KSh 301 million in the 2014/ 2015 financial year. The sector consists of physical planning; housing; public works and roads subsectors. In the 2013/ 2014 period, KSh 207 million was spent on grading murram roads and KSh 12 million was spent on rural electrification. In the 2014/2015 financial year, the sector aims to increase the number of tarmacked roads, improve public infrastructure and housing, improve urban planning and develop updated topographical maps of the county.

5.4.5 EPW Sector

Laikipia County does not have an Environment Protection and Water sector, but classifies natural resources with agriculture and places the water sector as a stand-alone sub-sector. Consequently, the water sector spent KSh 34 million in 2013/ 2014 and it is estimated it would need KSh 320 million in 2014/2015 to implement its programmes. The water sector is concerned with water supply management, sanitation and human animal conflict mitigation. In 2013/2014, the sector spent funds on constructing dams and water pans, as well as the development of water projects in Marmanet and Segera. The 2014/2015 PBB outlines the development of water reservoirs and drought mitigation development, laying a pipeline network and improving public sanitation as priorities in the sector.

5.4.6 Total Climate Relevant Sectors Expenditure compared to the Total County Expenditure for 2014/15

Figure 27 shows that, in 2013/ 2014, Laikipia spent KSh 387 million on sectors considered to be climate relevant, namely in infrastructure; agriculture, livestock, fisheries and natural resources and; water. The CRE budget for the 2014/2015 financial year was KSh 761 million, raising the proportion of CRE in the total budget to 20%.

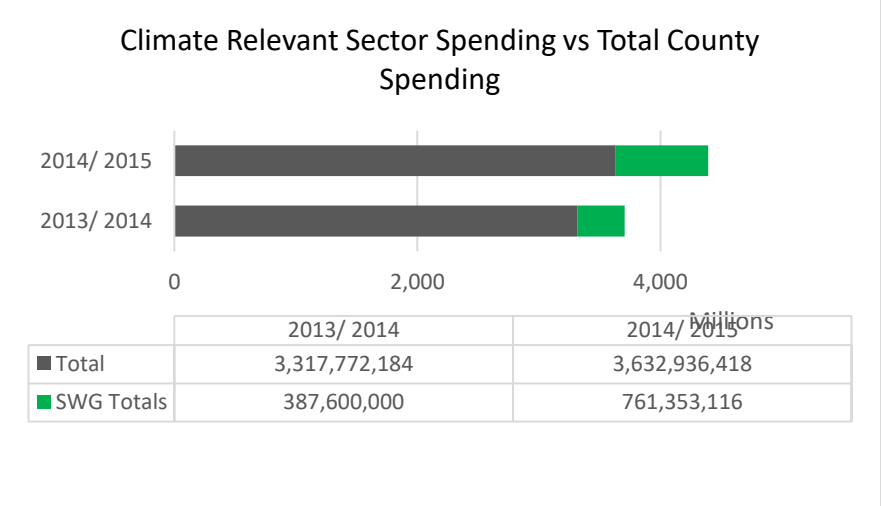


Figure 27: Laikipia CRE compared to the Total Expenditure

5.5 Isiolo County Budget Analysis

Economic Activities and Population: Isiolo County is in the lower eastern region of Kenya, covers an area of approximately 25,700 km^2, and is partitioned into three sub-counties. It is considered the 'gateway' to Northern Kenya. Investments in tourism, animal product processing industries, mineral prospecting, infrastructure projects and Isiolo's status as a resort city promise to improve its prospects. The population was 143,294 in the 2009 Census and is projected to rise rapidly in the future, per the CIDP. More than 70% of the population lives in poverty and the main activities are pastoralism and small-scale trading. Population density is low, with 6 people per square kilometre. About 40% is urbanised, concentrated in Isiolo town. Poverty, sanitation, water, literacy, and insecurity are the main challenges.

Infrastructure: Majority of the roads are gravel and earth surface and are impassable during the wet season. The previous administration began work to upgrade Isiolo to a resort city, launched the construction of the Isiolo international Airport and the LAPSSET (Lamu Port Southern Sudan Ethiopia Transport) Corridor project. The County has 92% mobile phone coverage.

Text Box 2: Isiolo County Adaptation Fund (ICAF)

In collaboration with the National Drought Management Authority, the UK Department for International Development financed resilience building projects initiated and managed by local communities through a County Adaptation Fund (ICAF) in Isiolo, disbursed £500,000 (KSh 68.5 million) used to build resilience against climate change impacts. ICAF is organised at the ward and county level. At the ward level, a Ward Adaptation Planning Committee (WAPC), consisting of 11 members with representation for women and youth as well as technical officers from the ministry of environment is responsible for prequalifying proposals submitted to the fund. Committee members are selected by community members and are publicly vetted. At the county level, the County Adaptation Planning Committee (CAPC) consisting of representatives from ministries and ward committees approves projects that have been put forward by the WAPC. Selected projects are then contracted to external parties and are managed by the communities through the structures put in place. During the first round of funding, investments were made in improving water availability, pasture management and livestock health. Communities work with technical officers in managing and implementing the projects, and investments were made in improving water availability, pasture management, livestock health, community natural resource management institutions governance and; community radio (in collaboration with Kenya Meteorological Services).

ICAF has proven to be successful, and it received a second round of investment of the initial amount. The climate resilience building activities and projects identified by the County and ward adaptation planning committees are being used to inform Isiolo's CIDP and the County Livestock Strategy. The objective for 2014 – 2015 is to fully integrate the ICAF into the county's planning and finance systems to enable the finance system to access climate finance to complement their development budgets. Furthermore, the model is being tested in other ASALs, namely Garissa, Kitui, Kitui, Makueni and Wajir.

Environment, Climate and Energy: Isiolo has three ecological zones, namely semi-arid, arid and very arid, with large areas falling under the very arid zone. Rainfall is scarce and unreliable, averaging at 580.2 mm per year. Temperatures range from 12°C to 28°C. Strong winds blow throughout the year.

Isiolo's conditions make it very vulnerable to climate change. Likely impacts will be drought and erratic rainfall, floods, spread of water and vector-borne diseases, deforestation and loss of wetland ecosystems, land degradation, desertification and scarcity of potable water. Flash floods in some areas will result in sediment pollution, loss of fertility, landslides, erosion, and disruption of hydropower systems and destruction of physical infrastructure. Isiolo County has been experiencing increased conflict between farmers and pastoralists, as well as influxes of residents from neighbouring counties seeking to access Isiolo's pasture lands, increasing costs to the Isiolo County Government and causing resource conflicts.

More than 70%of the population relies on fire wood for fuel. Only 19% of the population has access to electricity, and majority of trading centres, schools and health facilities are not connected to the power grid. Per the CIDP, the County Government can tackle environmental and economic challenges by exploring alternative source of energy, promoting eco-tourism, forestation and afforestation programs, encouraging community based adaptation and

environmental management, and developing policy on bio-degradable materials. Other measures include strengthening the early warning system, and community sensitization on Disaster Risk Reduction, Early Recovery and management of livestock (restocking, destocking and vaccination.)

Land use: Much of the land (80%) is communally owned and is under the trusteeship of the county government. Most of Isiolo is not suitable for agriculture, and is used for ranching, grazing or as a wildlife conservancy. Majority of pastoralism is nomadic, though dairy farming exists. Agro-pastoralism is practised in some areas. Subsistence agriculture is practiced in areas bordering Meru and Laikipia Counties, while fruit and horticultural crops are produced in small scale, private irrigated farm along rivers. Forests provide poles, dyes, fuel, resin and gum which are traded on a small scale.

Water and sanitation: Three perennial rivers, the Ewaso Ngiro, Isiolo, and Bisanadi flow through the county. Domestic water is sourced from boreholes and pans, though only 36% are functional in the dry season. The rural population lacks access to safe, easily available water. As much as 81% of the households in the county have pit latrines although more than half of those are uncovered.

5.5.1 Isiolo County Sources of Income

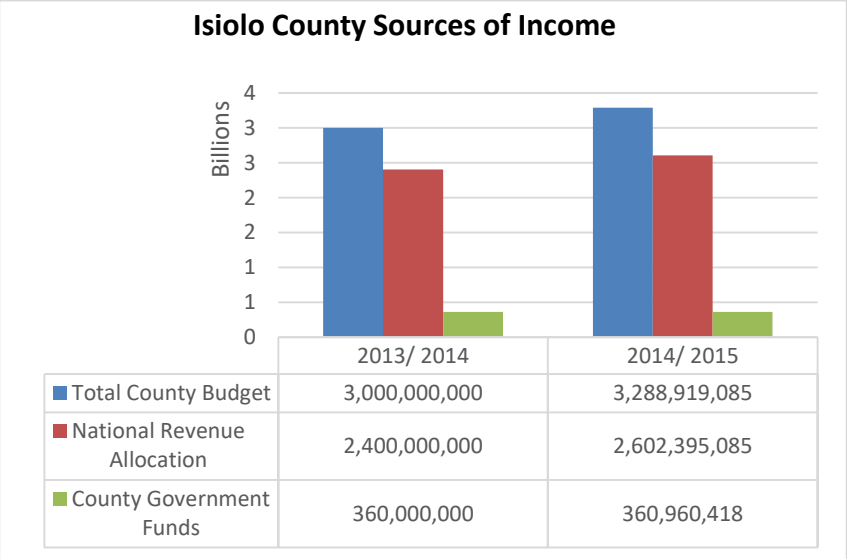


Figure 28: Isiolo Sources of Income

Isiolo County Performance 2014/ 2015: Per the Controller of Budget Report for 2014/ 2015, Isiolo faces the following challenges in budget planning and implementation: low revenue collection, coupled with unrealistic revenue targets; inadequate staff capacity, which affects execution of budgeted activities and; low absorption of development funds. The report further recommends that Isiolo County should set realistic revenue targets and enhance revenue collection by automation and sealing all revenue leakages; the County Public Service Board should conduct a human resource audit to identify the skills gap in the County, address the issue and where possible seek staff from the National Government and; the County should expedite implementation of development projects.

Isiolo's total budget for the year 2013/ 2014 was KSh 3 billion and KSh 3.28 billion in 2014/ 2015. However, the budget was revised to KSh 2.7 billion in the supplementary budget. The national government funded KSh 2.4 billion, or 80% of the county's budget in 2013/2014 and the ratio remained the same, with the government funding KSh 2.6 billion in 2014/ 2015. County

government funds were intended to be KSh 360 million, but the Isiolo government collected revenues worth KSh 125 million. This was due to revenue leakages, a ban on land transactions and sand harvesting and low tourism numbers due to insecurity. The County set a more realistic target KSh 360 million in 2014/ 2015.

During the 2014/ 2015 period, other sources of income included a balance brought forward of KSh 319 million and donor contributions worth KSh 5.5 million.

5.5.2 Planned Vs Actual Expenditure

The initial planned budget for Isiolo in 2013/ 2014 was KSh 3 billion, but this was later revised to KSh 2.8 billion.

However, the actual expenditure for that financial year was KSh 2.06 billion, representing an absorption rate of 74%. This was attributed to delays by the National Treasury in releasing funds and lengthy procurement processes that delayed payments.

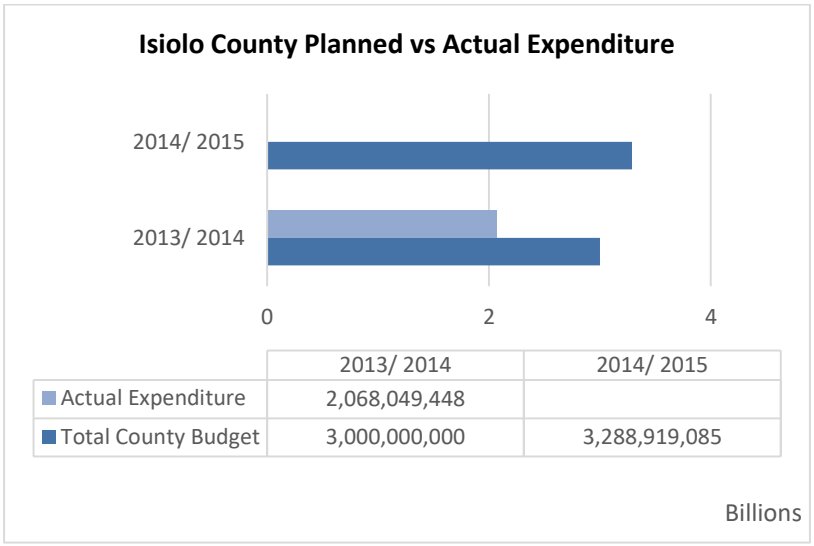


Figure 29: Isiolo County Planned Vs Actual Expenditure

5.5.3 Isiolo County Recurrent Vs Actual Expenditure

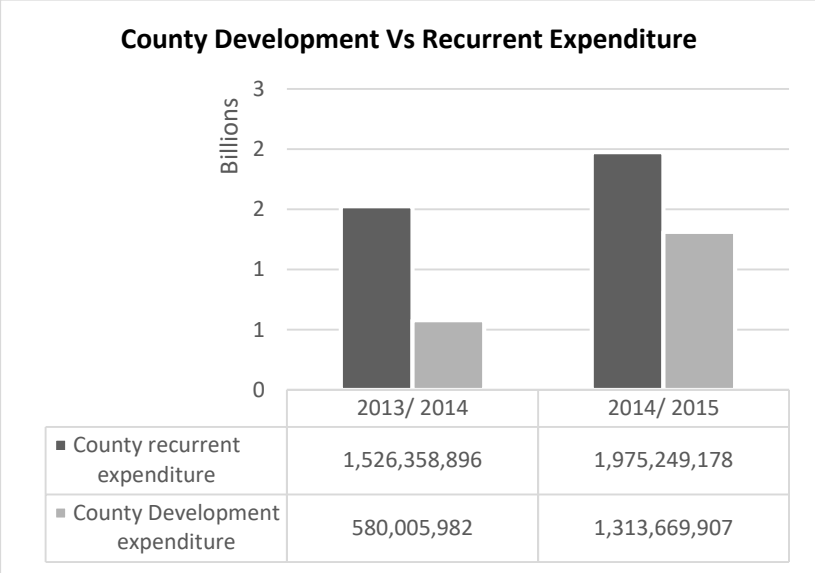


Figure 30: Isiolo County Recurrent Vs Actual Expenditure

In 2013/ 2014, Isiolo spent KSh 1.5 billion on recurrent expenditure, against a target of KSh 1.7 billion. In that year, the county spent KSh 580 million on development expenditure, against a target of KSh 856 million. These shortfalls are explained by the overall underspending of the county budget due to delays in procurement and funds from the National Treasury.

Development expenditure in 2013/ 2014 represents 28% of the total county budget. In 2014/ 2015, the development expenditure allocation has been increased to KSh 1.3 billion, or 39.9% of the budget.

5.5.4 Expenditure on Climate Relevant Sectors

For the year 2014/ 2015, Isiolo County is divided into several sectors, namely, County Assembly, Governor's Office, Finance & Economic Planning, Roads, Housing and Public Works, Agriculture, Land and Physical planning, Livestock, Veterinary and Fisheries, County Cohesion, Intergovernmental relations and Enterprise Development, Education, sports, Youth and Culture, Trade, tourism and industry, Public Service Management & ICT, Water, Environment and Natural Resources, and, Health Services.

Reflecting on the national data analysis, the Roads, Housing and Public Works, Agriculture, Land & Physical planning, Livestock, Veterinary and Fisheries, and, Water, Environment and Natural Resources were climate relevant.

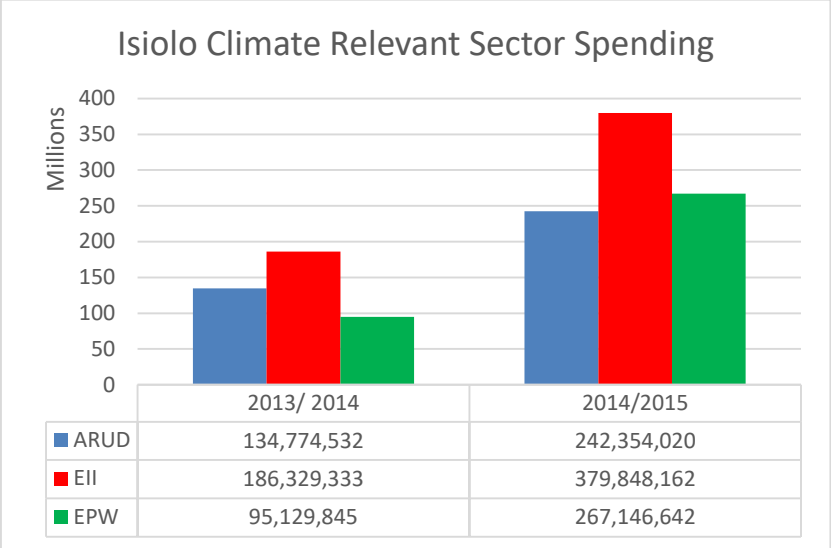


Figure 31: Isiolo Climate Relevant Sector Spending

5.5.5 ARUD Working Group

In the case of Isiolo County, the ARUD sector consists of the Agriculture, Land & Physical planning, and, the Livestock, Veterinary and Fisheries sectors. In 2013/ 2014, the sector spent KSh 134.7 million and was allocated KSh 242.3 million in the 2014/ 2015 financial year. Of this, Livestock, Veterinary and Fisheries was allocated KSh 128 million, while the agriculture sub-sector was allocated KSh 82 million. During the 2013/ 2014 financial year, the County government put in place infrastructure to improve livestock management, such as; 2 holding grounds in the county to do reseeding; cattle kraals in 3 wards; one laboratory with two more under construction; 2 livestock markets and; construction of fisheries ponds is underway. While the county economy is biased towards livestock because there is little arable land in Isiolo, the CIDP still makes provisions to improve agriculture, mainly on increasing area under agriculture, mechanization and the subsidization of farmers by providing them with seed and pesticides.

Key issues in the land use sector include how Isiolo will prepare for the Lamu Port Southern Sudan-Ethiopia Transport (LAPSSET) Corridor, which will upgrade Lamu to a resort city. Issues that need to be addressed include land use planning and land tenure, given that Kenya has no communal land policy, whereas majority of land in Isiolo is held in trust.

5.5.6 EII Working Group

In Isiolo County the EII sector most closely resembles the Roads, Housing and Public Works sector. ICT is not included and is grouped with the Public Services Management sub-sector. In 2013/ 2014, Isiolo disbursed KSh 186 million towards investments in infrastructure development. In the 2014/ 2015 financial year, there are plans to invest in programs to upgrade urban and rural roads, improve housing and invest in street lighting.

5.5.7 EPW Working Group

The EPW sector consists of the Water, Environment and Natural Resources sector in Isiolo County. In 2013/ 2014, the sector spent KSh 95 million on activities, focusing on the improvement of access to water, tree planting as well as the rehabilitation of gullies and sand harvesting pits.

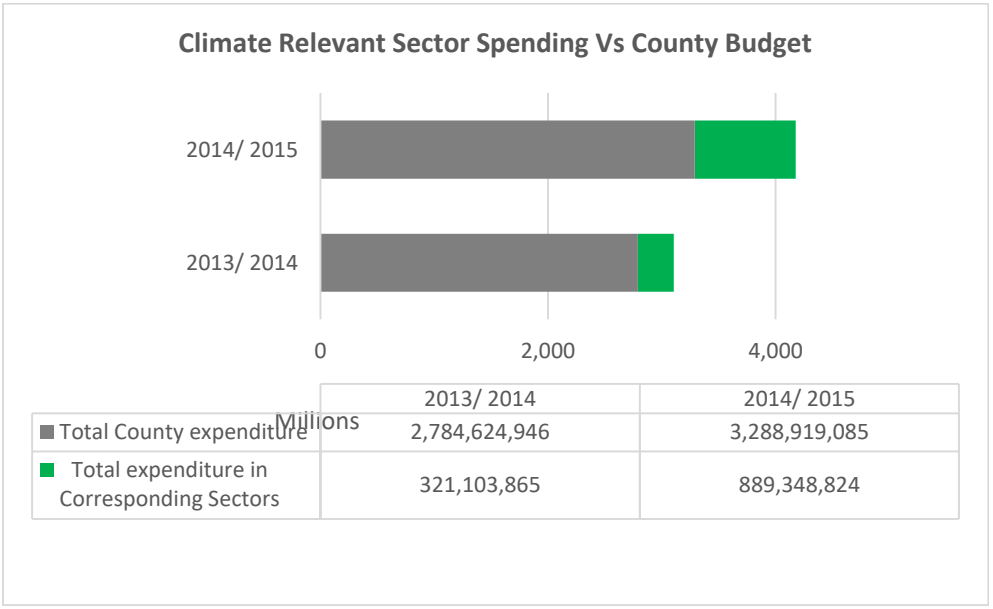
In 2013/ 2014, sector invested in promoting green energy, particularly in institutions such as schools, as well as to pump water from community water points. So far, 16 of the 100 water points have been fitted with solar technology to reduce operating costs, and the sector has been allocated KSh 60 million to continue the conversion in the next financial year.

The environment sector is focused on improving access to green energy; Wetland protection; Invasive species (mathenge); the protection of river banks, especially in flood prone areas; school greening programs; rehabilitation of degraded areas and; afforestation. The ministry is also spearheading the passing of the climate change fund bill as well as the setting up of the climate change adaptation fund bill.

In 2014/ 2015, the sector plans to spend KSh 267 billion, which is the third highest sector allocation after the County Assembly and Health Services. The county will make investments in irrigation programmes, with the aim of increasing land under irrigation from the initial 3 000 acres to reach 30 000 as indicated in the CIDP. Currently, the county has added 1 500 acres under irrigation. This will improve access to water, boost food security and improve overall water infrastructure.

5.5.8 Total County Expenditure vs. Total Climate Relevant Sectors Expenditure

Below is a graph showing overall spending on climate relevant sectors as compared to the total budget.
The graph shows that in 2013/ 2014, 12% of the budget – KSh 321 million out of KSh 2.7 billion was spent on climate relevant sectors, while in 2014/ 2015, 27% of the budget – KSh 889 million out of KSh 3.2 billion was earmarked for climate relevant sectors.



	2013/ 2014	2014/ 2015
Total County expenditure	2,784,624,946	3,288,919,085
Total expenditure in Corresponding Sectors	321,103,865	889,348,824

Figure 32: Isiolo County Expenditure Vs Climate Relevant Expenditure

6 TRACKING CLIMATE FINANCE IN THE BUDGETARY PROCESS

6.1 Mainstreaming Climate change into budgetary process

A key output of the CPEBR was developing a clear and effective set of guidelines on how the GoK could go about mainstreaming climate change into the budgetary process. Sections below outline how climate change can be mainstreamed in the planning and budgetary process. This is in line with experiences of Nepal, Bangladesh and Rwanda that have undertaken such measures, the main difference being that the Kenya process focused on budget not institution review. Kenya's study is also based on the OECD-DAC climate change adaptation and mitigation markers.

The CPEBR methodology is designed to assist technical and financial officers in government ministries, departments and agencies (MDAs) to record, track and eventually analyses climate spending in the national budget per three climate finance categories, namely, climate change adaptation (CCA), climate change mitigation (CCM) and climate change enabling environment (CCEE). The total investment in the three categories is termed, in this report, as climate relevant expenditure (CRE).

To ensure that the approach and methodology can be followed, a guidance note on climate change mainstreaming in the budgetary process was drafted. Also, as part of the deliverables, the notifications within The National Treasury on climate change mainstreaming occasioned by the project were considered and documented. The sections below elaborate this.

6.2 Guidance Notes on Climate Change Mainstreaming in the Budgetary Process

Guidance Notes on defining and tracking climate expenditure builds on the draft report on developing climate change budget codes for national planning and budgeting proposed approach and criteria (Undertaken by TNT, MEWNR and UNDP)[6]. This study has contributed enormously to the quest for identification and tracking of climate-related flows and expenditure in national budgetary systems through a clear approach which, will allow Kenya to monitor and evaluate climate-related spending, help determine if national policy targets are being met and if resources are being spent properly.

The Guidance Note contains a set of instructions on how mainstreaming can be achieved through the inclusion of climate awareness in designing government programmes and; how budgeting and expenditure tracking will be achieved.

Inferences were drawn from previous such works in other countries or multilateral development partners, but adapted to suit realities in the Republic of Kenya. The local challenges advocate for an immediate way of implementing recommendations made in this document through piloting with a small team of technical staff guiding a few MDAs; and a medium to longer term strategy to bring the rest of government on board.

Adaptation and mitigation markers adapted from the OECD provide a concise way of determining and explaining the purpose of the funds and thereby enabling tracking climate finance in IFMIS. The OECD markers provide a concise way of determining and explaining the

[6] Government of Kenya & UNDP (2014) **Development of Climate Change Budget Codes for the National Treasury**: National Treasury

purpose of funds. The markers are therefore suitable for simplified communication of the tracking approach to planning and budgeting officers. They also provide a quick (system-ready) template/ framework for generating reports that potential development partners collaborating with the GoK in climate change issues can handily relate with without the need for customization. The markers also have the added advantage in that they can be configured in the IFMIS system as a side-table to facilitate climate change reporting. When using them (purpose codes), emphasis is laid on identifying the specific economic or social development areas that the funds seek to foster.

Figure 33 shows the recommended steps in identifying climate expenditure.

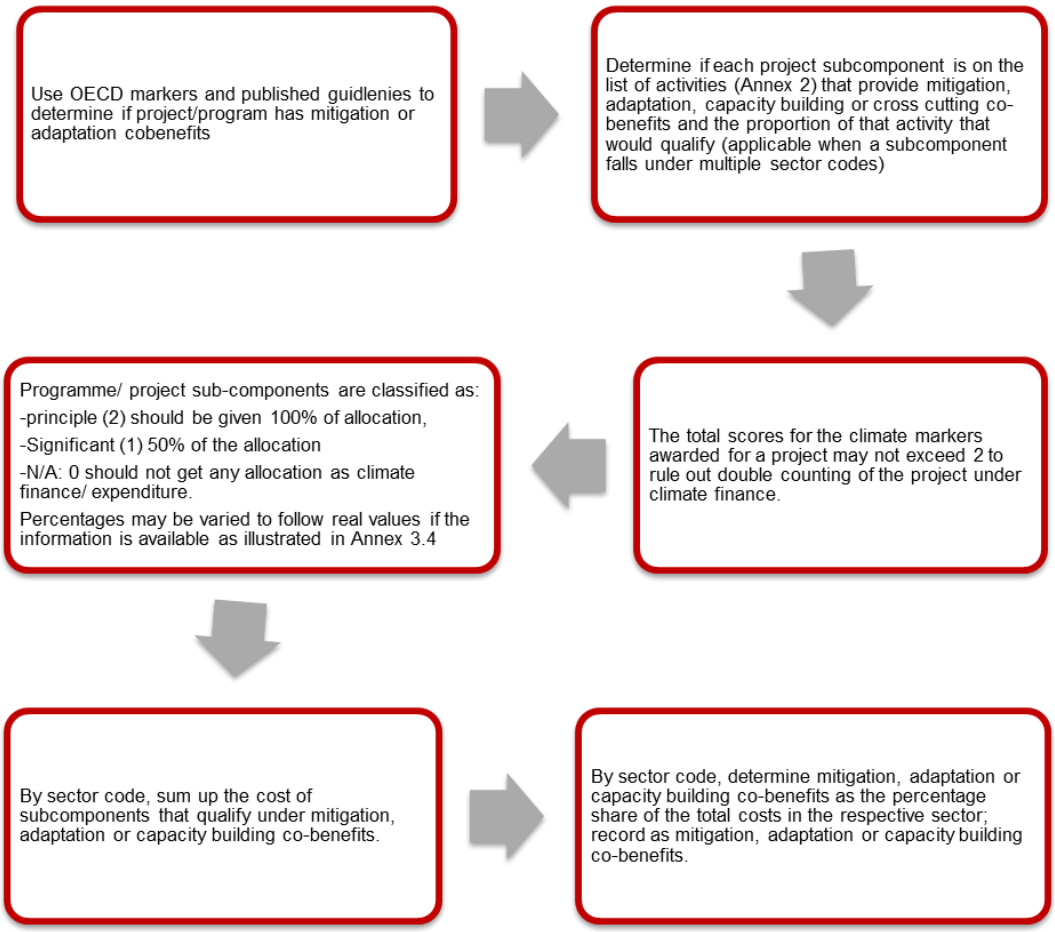


Figure 33: Stepwise Guide to Climate Coding on IFMIS

During the initial phase, a review/ interrogation of the activities of MDAs and Counties will be performed by a committee composed of finance/accountants and technical experts who understand the intricacies of climate finance/ expenditure while the government builds capacity of the planning and budgeting officers and makes the necessary modifications on the IFMIS system to be able to effectively track climate related expenses.

Once the relevant government officers have been trained, the evaluation of planning priorities for climate relevance will be done by Sector Working Groups (SWG). These groups currently review the planning priorities of MDAs and are better placed to make evaluations on climate relevance since they also determine the funding of MDA activities through budgetary resource allocation. They can therefore interrogate programmes for and inculcate awareness of climate in them by recommending and overseeing the inclusion the climate agenda in their design. It is therefore necessary that they perform the review tasks with a better understanding of climate

finance concepts. Thus, in the short term, climate budgeting and expenditure tracking will be facilitated by the technical committee recommended in the CCBC document but in the medium to long term, SWGs will provide that input.

6.3 Draft GoK Notifications on Climate Finance

GoK notifications are used for internal official communication within the Government, and they communicate officially sanctioned instructions and information on courses of action to be taken. The National Treasury has developed notifications on climate finance definitions climate budget codes useful for tracking climate finance for circulation to relevant departments. These notifications were important because defining what counts as climate expenditure is complex because of the multitude of policies and sectors impacting on climate adaptation and mitigation; and the overlapping nature of the production of environmental goods and services and varying definitions of climate-related sectors. Existing definitional approaches in IFMIS have been designed with differing functions, but no single categorisation can be directly applied to assess climate-related expenditure in national budgetary systems.

It is for this reason that in section 3.3 we generally defined climate finance from a Kenyan context but within the confines of Rio-markers. It is important to bear this in mind as part of the approach for integrating climate-related activities in the Government's IFMIS. Some of the challenges include the fact that most climate change funding is integrated into wider national planning sectors such as energy, water or agriculture instead of specific climate related sector and programmes and disaggregation is difficult feasible considering potential cross-sectoral policy conflicts. There are many and different sources of climate change funding in the country involving an ever-growing number of institutions involved in climate related activities.

Based on the National Climate Change Action Plan recommendations, the existing budget coding such as gender and HIV for other sectors were reviewed to identify lessons for climate change coding. The study then worked on parameters to define climate change cost based on intended use of funds which would be indicated by the budget head, fund utilization, users, or the intended results or outcomes of the expense incurred.

6.4 Stepwise Approach to Capturing Climate Expenditure in IFMIS

As part of guidance notes, the CPEBR was intended, among other objectives, to develop guidelines on how climate finance would be coded and tracked in IFMIS. The Climate Budget Code report (CCBC)[7] laid the groundwork necessary for establishing a framework for tracking climate related expenditure in GoK public finances system. It recommended that Rio Markers be used as flags on all financial entries made considered to be climate relevant and expounded on the conception made in the CCBC document by placing it in a typical budgeting setting of the government.

This section builds on these establishments and goes further to describe the nature of data/ information that the system will maintain for purposes of tracking and reviewing allocations and expenditures against climate related activities. A step-wise illustration of how climate change flows and expenditure can be coded and tracked in IFMIS is provided in text box six below. It is proposed that the configuration of IFMIS should incorporate activity-level coding and tracking of spending for a more enhanced and comprehensive basis of recording, monitoring and reporting on climate change expenditures. Crucial in enabling the mainstreaming of climate change initiatives in GOK's planning and budgeting processes are the budget coding system

applied for all Government expenditure under Programme Based Budget (PBB) approach and the IFMIS SCoA, categorised on the following basis:

- Sectors involving in climate-related activities;
- Programmes and Sub-Programmes involving climate-related activities; and
- Climate-related Activities.

6.4.1 Standard Chart of Accounts

The **Standard Chart of Accounts** (SCoA) is a tool used in the management of financial information, it defines the way the Government requests for financial information from sectors, then sets out account numbers, names and definitions for the line items on which certain services might be required to report on funding from governments at the international level. The GoK SCoA structure has 7 segments and allows for 48 digits in total as shown in the adjacent table.

Table 3: GoK Standard Chart of Accounts

Segment	Groups/Hierarchy	Comments
1. Class	(1 digit; one level) X	Identifies the categories of budget and below the line items
2.Vote	(4 digits; 1 level) XXXX	Represents the Votes against which budget is appropriated
3. Administrative	(10 digits; 3 levels) XXXX.XXXX.XX	Vote – Head (Dept/Project) - Sub Head (Cost Centre)
4. Source of Funding	(8 digits; 4 levels) X.X.XXX.XXX	Identifies the broad source as well as specific source of funding
5.Programmes	(10 digits; 4 levels) XX.XX.XX.XXXX	Sector –Programme –Sub-Programme - Activities
6. Economic Items	(7 digits; 5 levels) X.X.X.XX.XX	Category – Chapter - Sub Chapter – Item - Sub Item
7. Geographical Location	(8 digits; 3 levels) XXXX.XX.XX	County - Constituency – Ward County - District – Sub-District

Data is captured as shown below:

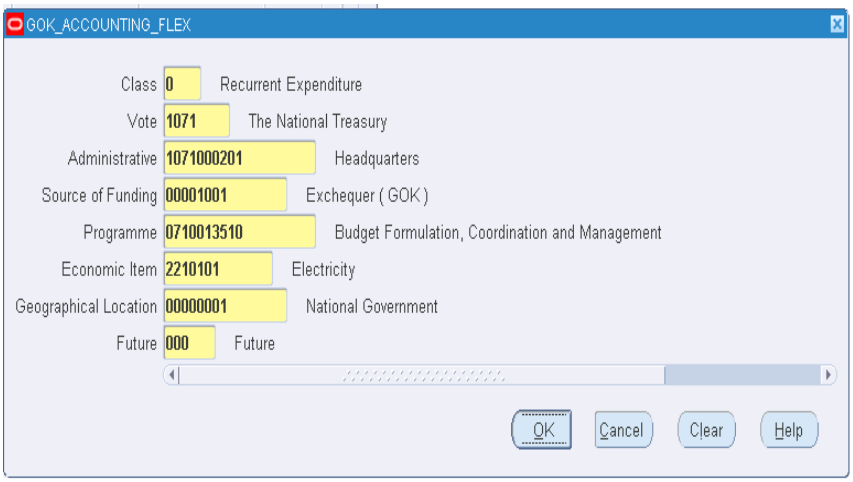


Figure 34: Data Capturing on the Standard Chart of Accounts

What to track

To facilitate budgeting and subsequent tracking of funds channelled to fund a climate-related initiative (*a cause*), it is important to have additional information on the *objectives* and outputs/ outcomes of the activities enabled by the budget. Objectives provide information on whether the activity was intended for climate mitigation or adaptation and can give a hint on whether there may exist climate co-benefits.

Outputs/ outcomes, on the other hand, will confirm the existence of those co-benefits and will become useful in determining their estimate costs.

How to Track

Rio markers were proposed to flag the relevance of expenditure in relation to climate to facilitate budgeting and tracking of funds channelled to fund a climate-related initiative viz:

- 0 – Not applicable. Used by default to indicate expenses not related to climate or any specific analytical cause.
- 1 – Principle. The “principle” marker (and flag 1) is used to indicate the deliberate relevance of the expenditure initiative to climate change.
- 2 – Significant. This marker (and flag 2) identifies the presence of climate co-benefits in an expenditure initiative even though its objective may not be climate-relevant.

Facilitating tracking in the budget

The principle/ basic segments in programme-based budget preparation are highlighted below.

Table 4: Segments in Programme Based Budgeting

Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6	Segment 7
Class	Vote	Administrative	Source of Funding	Programmes	Economic Items	Geographical Location (new)
1 digit	4 digits	10 digits	8 digits	10 digits	7 digits	8 digits

Any of the highlighted segments can be flagged to indicate their relevance to climate. The rest of the segments are analytical and provide tracking of funds against the relevant dimension

Actual tracking is done by segment shown below which enables payments to be tracked to the benefiting causes. The reporting hierarchy comprises of 3 levels and 4 digits:

- Level 1 – Shows the main cause/ subject of tracking e.g. Climate Change
- Level 2 – Shows the major divisions in the cause e.g. Adaptation
- Level 3 – Defines specific areas under the divisions e.g. Principle

Table 5: Levels in the Programme Based Budget

• Level 1	• Level 2	• Level 3	• Full Code	• Description
• Cause	• Division	• Area		
• 2 digits	• 1 digit	• 1 digit	• 4 digits	

Segment 8: Climate Change Budget (CCBC) for GoK will be coded 01 in the tracking segment. Principal descriptors will award 100% of the tagged data intersection. Significant descriptors will award 50%. Room is provided in the system to capture the actual amount or other percentage deemed more accurate. Table 6.4 helps to explain Illustration of Actual Tracking. The climate change budget code which is 1 in segment 8, and has an eight-digit number as shown in the blue shaded section as 01000100, in table 1 above.

Table 6: Embedding the Climate Change Budget Code

Level 1	Level 2	Level 3	Full Code	Description
Cause	Division/ Focus	Area		
2 digits	1 digits	1 digits	4 digits	
000	0	0	00000	No Cause Tracked
000	0	1	00001	No Cause Tracked
001	0	0	00100	Climate Change
001	1	0	00110	Adaptation
001	1	1	00111	Principle Adaptation
001	1	2	00112	Significant Adaptation
001	2	0	00120	Mitigation
001	2	1	00121	Principle Mitigation
001	2	2	00122	Significant Mitigation
002	0	0	00200	Cause 2
002	1	0	00210	Division 1
002	1	1	00211	Area 1
002	1	2	00212	Area 2
002	1	3	00213	Area 3

Text Box 3: Stepwise Approach to Capturing Climate Expenditure in IFMIS

Step 1:

MDAs to formulate a list of climate relevant projects during SWGs and forward to NCCD for review and classification using agreed climate finance benchmarks. NCCD to summarize the eligible projects in a list (refer to chapter three on definition on

Step 2:

Use prescribed NCCD list to determine whether a project/programme has mitigation or adaptation co-benefits. {Where is the prescribe}

Step 3:

a) Determine if each project subcomponent is on the list of activities that provide mitigation, adaptation, capacity building or cross cutting co-benefits and the proportion of that activity that would qualify (applicable when a subcomponent falls under multiple sector codes)

For determining proportions that qualify, note that:

- Programme with adaptation/ mitigation marker 2 ("principal objective") should cover adaptation dimension explicitly in the objective… or should have most of the activities (and the budget) as adaptation/ mitigation-related.
- Programme with adaptation/ mitigation marker 1 ("significant objective") should specify adaptation/ mitigation dimension as a secondary objective (of a programme module) or at least one indicator on activity or outcome level.

b) Total scores for the climate markers awarded for a project may not exceed 2 to rule out double counting of the project under climate finance: a project that has “mitigation of greenhouse gases” as its principal objective (score of 2) cannot have “adaptation to climate change" as a secondary objective (score of 1).

c) Programme/ project sub-components that qualify as:

- Principle (2) should be given 100% of the allocation,
- Significant (1) 50% of the allocation
- No CRE (0) - not allocated any climate finance/ expenditure.

d) Percentages may be varied to follow real values if the information is available

Step 4:

- By sector code, sum up the cost of subcomponents that qualify under mitigation, adaptation or capacity building co-benefits.
- By sector code, determine mitigation, adaptation or capacity building co-benefits as the percentage share of the total costs in the respective sector
- Record as mitigation, adaptation or capacity building co-benefits.

The main challenge in the implementation of the climate budget code lies in linking budgets to activities contained in work plans.

There are efforts by parliament to put more emphasis on PBBs. For instance, PFM Act 2012 requires that the PBB is submitted to parliament rather the itemized budget. This implies that auditing will be based on the PBB. This will strengthen PBBs and work planning.

Furthermore, the National Treasury is also developing a platform for planning in the budgeting module of IFMIS to link budgets with work plans and cash flow and procurement plans.

Once endorsed, the code will be adopted in the IFMIS to facilitate analytical reporting and M&E.

7 RECOMMENDATIONS ON MONITORING AND EVALUATION MECHANISMS

7.1 Overview

This section contains the guiding documents that were developed during the CPEBR, namely; recommendations on the GoK Monitoring and Evaluation for thematic budgets; Guidelines on Adapting climate change related efforts to models; system reporting and analysis templates for climate change related budgets and expenditure; recommendations on the need for a database of climate related parameters in the budget or annual work plans.

The CPEBR study analysed the country's processes for budgeting, tracking and reporting on climate change related public expenditure with the intention of providing guidance to strengthen the efficiency and effectiveness of climate finance in national and county Public Financial Management (PFM) systems. Through providing definition and coding, it has elaborated means and measures to efficiently and effectively track funds dedicated to climate change adaptation, mitigation and related activities, with a view to maximizing its mobilization locally and from external sources. It has also contributed to tracking of public expenditure against national policy priorities and plans, thus strengthening monitoring and reporting of climate change adaptation and mitigation efforts and enriched future Government-led stakeholder dialogue and learning.

7.1.1 Monitoring, Reporting and Verification Framework

Per the SEI Policy report[8], climate finance is complex, flows through multiple channels and gets delivered to developing countries in multiple forms. These flows include both new instruments to address climate change and shifts in core development aid towards mitigation and adaptation in developing countries. Therefore, ensuring transparency and accountability is very crucial, but challenging. The accountability system envisioned by Parties to the United Nations Framework Convention on Climate Change (UNFCCC) involves three elements:

- **Measurement** – defining the scope of financial flows to be tracked and data to collect; starts with defining "climate finance": what kinds of projects and activities are covered, and what portion of a project with multiple objectives targets climate objectives. This is a political process; a technical process then follows, identifying the specific data to be collected.
- **Reporting** – by both donors and recipients; *Reporting* refers to the ways in which data from finance providers (and optimally, also recipients) are made available to external parties, ideally the public; and
- **Verification** – has two main components, the first is evaluating the reported data to ensure accuracy and avoid errors such as double-counting. The second is evaluating how the funds were used, to ensure the original plan was followed and gauge whether the stated objectives were met.

A Government MRV framework should collect and process the necessary data and present it in a manner that is understood by all stakeholders - donors as well as aid planners in assessing the effectiveness of the flows and interventions they finance in meeting climate change objectives. The measurement, reporting and verification of climate finance even though linked are separate processes. Each element can be developed individually to maximize efforts. Each element of the framework involves different stakeholders though some degree of coordination and communication between the three elements is necessary.

[8] Source: SEI Policy Brief (2012) Monitoring, Reporting and Verifying Climate Finance

Tables 7.1 and 7.2 summarise the crucial components of an MRV framework that are critical for objective assessment of Climate Finance. These components are distilled from the review of international practices and form the baseline of information gathering from stakeholders during consultation with them.

MEASUREMENT OF CLIMATE FINANCE

Table 7: Elements of a Measuring, Reporting and Verification Framework

Three discrete components	**Required concrete actions by NCCD**
1. Decisions about eligibility and accounting of finance.	Clarity on the following areas is necessary: What contributions should be counted as "climate finance"? What is "new and additional"? When a project has multiple objectives, how much of the total finance is accounted as climate finance? How should the distinction between gross and net finance be made? *Attempts have been made to address these in chapter three where the Climate Finance Definition is given but requires more consultation to arrive at acceptable definition by the government*
2. Defining what data to collect.	Different types of data and metrics are available: Monetary – i.e. quantified financial support, disaggregated by use/purpose. Non-monetary – some description of the delivery of "in-kind" support, technical advice or expertise, and other non-monetary forms of support. Measurement should also include the number of projects and programs induced through climate finance, disaggregated by objectives/purpose.
3. Processes for collecting the relevant data.	Develop a data collection system for public finance to fit GoK's domestic needs (*IFMIS?*). Data collection may also involve multilateral institutions, since these are responsible for directing a significant portion of climate finance. The process for collecting data on private finance is unclear at present, and some or all the data might conceivably be collected by international institutions.
Private climate finance	**Required actions**
Definition of flows of that may be eligible to be counted as private "climate finance".	To develop components of private climate finance including clarity on the following areas: Carbon market flows, possibly including CDM and/or voluntary markets though these are declining; NAMAs and New Market Mechanism? Foreign direct investment (FDI) flows, for instance investments in clean energy or activities that have a clear adaptation benefit; Philanthropic contributions; Risk guarantee and insurance services. Such private flows might be privately initiated or publicly leveraged.

REPORTING ON CLIMATE FINANCE

Table 8: Elements of Reporting on Climate Finance

Basic requirements	**Capacity needs**
Standardised reporting format – to suit local planning and review analyses and enable comparison among UNFCCC Parties. Consistent methodologies to collect and analyse data.	Concerted effort and dialogue among technical government departments and finance institutions within GoK and between GoK and Development Partners and international agencies
Reporting elements	**General notes on required actions and capacity needs**
Key questions include: 1. Who needs to report (i.e. county and national governments, international institutions)? 2. Where do they report (i.e. through which channels or fora)? 3. How often do they report? 4. What forms of finance are covered (e.g. grants, concessional lending, non-concessional lending, equity)? 5. What data are reported? • Purpose: mitigation (including or excluding REDD+), adaptation, etc. • Specific sectors and/or activities supported. • Geographic distribution • Disbursed funds only, or also pledged funds? • Private financing leveraged by public funds.	Public flows should be reported at the national level, rather than by individual MDAs and SAGAs. This may require boosting institutional capacity, and creates a need for concerted dialogue among government departments and finance institutions within GoK and between GoK and international agencies. In some cases, it may require new expertise, as well as new arrangements for institutional cooperation. **UNFCCC National Communications** are an appropriate venue for reporting on financial support. However, it is necessary to ensure greater consistency between GoK and Development Partners. **The OECD CRS database** provides a detailed platform for disaggregating finance data (ODA, bilateral climate finance tracked through Rio Markers). However, it would need to be expanded to include non-ODA flows, improve the reporting categories and provide clear guidance on the interpretation of the markers locally to form a basis for MRV for the GoK.

Table 9: Verification of Climate Finance

Validating reported data to ensure transparency and facilitate independent review and analysis	**Required actions and capacity needs**
Verify scale of support (i.e. of financial flows themselves) by comparing data from contributors and the GoK.	Introduce process for review by independent, non-political technical finance experts - e.g. from the National Treasury and NCCD.
Verify effectiveness of support –the actual achievement of climate-related outcomes (e.g. GHG emission reductions) and consistency with national priorities. Verify cost-benefit of adaptation activities, or the wider benefits of low-carbon development.	Consider scope for ex-ante quantitative assessment of social, economic and environmental impacts (e.g. through use of carbon footprint tools). Assess supported actions against expressed domestic priorities in recipient countries, such as priorities identified in National/ County Development plans and the Millennium Development Goals.

7.2 Guidelines to Establishing of a Database of climate related parameters in the budget

In summary, the proposed database will comprise of:

1. Typical budget allocations and expenditure by programmes across MTEF years. These includes:
    a. all delivery units/ heads/ cost centres involved in the execution of the activities/ programmes and
    b. all associated line items (economic items). These can also be filtered to just reflect what is guided by the NCCD as the relevant input items.
    c. All PBB Key Performance Indicators (KPIs), Targets, Outputs and Outcomes associated with the allocated programmes/ sub-programmes as the performance metrics for evaluating the allocated programmes.
2. Footnotes or other guidance notes that the NCCD forwards to the National Treasury on each project, activity or programme across all sectors featured in the budget.

With these elements of data, and along with the actual flagging of allocations captured in the general budget to delineate climate related ones, outputs described in the section below (on designing and developing system reporting and analysis templates for climate related budgets) can be derived without much rework of the IFMIS system.

7.3 IFMIS Reporting and Analysis Templates for Climate Related Allocations and Expenditure

As stated above, the ability to adopt the IFMIS system of the GoK to report effectively on transactions made against funds designated as climate related with minimal customization is useful to both manage the costs of mainstreaming climate change in the GoK PFM practices as well as lessen change management issues associated with the transition to mainstreaming. This guiding principle is strongly recommended in the designing of data flagging and reporting templates on the budget system.

The following sample GoK budget and expenditure reports are proposed for the exercise:

1. Summary of Climate Related Funds by Entity (i.e. administrative units). Ideally, with the system capability, the report can be designed to drill up and down to report at both the global GoK as well as drill down to the cost centre. Its variants would include:
    a. Summary by entity and Climate Change Type (i.e. Adaptation, Mitigation, etc.)
    b. Summary by programme and entity
    c. Summary by programme and Climate Change type
    d. Summary by programme, entity and climate change type.
2. Reports by programme, entity and climate change type in any of combination of the three or their drill ups/downs detailed by economic items.
3. Allocation/ Expenditure by climate-related activity*, project or programme against the budgeted KPIs, targets or outputs. A variant of this report would include one with the specific notes /footnotes from NCCD
4. Summary of Climate related allocations compared year on year or against total allocations.
5. Summary or details of the reports in 1 to 4 by definition i.e. climate related or climate finance.
6. Comparative views in 4 above on bar or pie graphs.

7.4 Recommendations on Short to Medium Term Guidelines on Capturing Allocations and Tracking Expenditure

- NCCD should send representatives to relevant SWGS to work with officers as each sector formulates their programmes, projects and activities as usual through the MTEF Sector Working Groups (SWGs). This interaction should introduce the climate change budget codes and what would be considered as climate relevant expenditure in the budget.
- MDAs will submit their final list of activities or projects to the NCCD for further review and documentation during the SWGs. This provides the NCCD with a clear view of the nature and anticipated value of the projects the Government will be rolling out within the next financial year.
- NCCD will then assist MDAs and Sectors in formulating PROGRAMMES and PROJECTS that deal with Climate Related Issues.
    - Review Climate Related projects/ proposals for alignment with climate finance objectives.
    - Review funding sources in conjunction with the National Treasury for Climate Funding.
    - Generate final lists of Climate financed projects/ activities to be tracked in the budget.
    - Review actual expenditure for alignment with Climate Change objectives
- The National Treasury will effect / assist MDAs effect the flagging of allocations/ expenditure on the IFMIS system and generate reports on Climate Change.

8 CONCLUSIONS

This report has elaborated means and measures to efficiently and effectively track funds dedicated to climate change adaptation, mitigation and related activities, with a view to maximizing its mobilization locally and from external sources. It has recommended guidelines that will strengthen monitoring and reporting of investments made on the same, and hopefully by doing so, enriched future Government-led stakeholder dialogue and learning. The country's budgeting and planning processes, as a first step to understanding how to strengthen the efficiency and effectiveness of climate finance in national and county Public Financial Management (PFM) systems, has been outlined. Three core aspects of the national financial planning which are: i) the integration of climate change in the budgeting process, as part of budget planning, implementation, expenditure management and financing ii) National legal framework on financial management and budgeting iii) County legal framework on financial management and process of formulating budgeting including key stakeholders, have been highlighted.

Operationalization of the climate finance definition and budget coding will go a long way in ensuring efficiency and effectiveness in planning, spending and tracking climate finance.

The above is in line and validates the NCCAP which recommended that "in the context of the MTP 2013 – 2017, the MTEF 2013-2017 and the 2013/2014 budget, GOK could create a specific code within the IFMIS to allow climate change budgets to be tracked and reported. At present, the absence of such a code inhibits monitoring of climate change related expenditures, which is important both for effective internal government processes as well as for the reporting to the UNFCC"

CPEBR study has also generated information and guidance to support GoK in achieving objectives of the NCCAP – towards strengthening the integration of planning (MTP and annual work plans), budgeting (MTEF), monitoring and reporting. However, the IFMIS system uses MTEF sectors since they are linked to classification of functions of government as described in the Government Financial Statistics (GFS) manual 2001 for international benchmarking. The MTP sectors are linked to Vision 2030. The NT is in the process of developing a mapping between MTP and MTEF sectors on the IFMIs system to provide clear linkages between them. Similarly, the NT is also developing a platform for work-planning on budgeting modules of IFMIS.

MTEF process, that is integrated policy, planning and budgeting, is fundamentally about having expenditure programs that are driven by policy priorities and disciplined by budget realities. Defining and implementing a sectoral MTEF involves preparing estimates of overall resource availability, reviewing financing mechanisms, and preparing prioritized government spending plans. This is clearly not a one-off process. Rather it is iterative and must consider, on a periodic basis, changes in sectoral needs and priorities and changes in the overall resource envelope.

The three sectors (ARUD, EII and EPW) under review received a large proportion of external resources. The combined allocation for the three sectors in 2011/ 2012 amounted to KSh 122 billion out of the total economy-wide external funds allocation of KSh 183 billion, which translates to 67% of the total external funds. In 2012/2013, the allocation increased to 70%, with a combined amount of KSh 158 billion for the three sectors out of a total economy-wide allocation of KSh 225.9 billion; while in the year 2013/2014, the three sectors received KSh 176 billion out of the allocated KSh 240 billion (73% of the total external resources).

The total contribution by development partners (loans and grants) is **significantly** higher than the total CRE in the three sectors during the three financial years under review. The ratio of CRE to External Resources received is 8.29% in 2011/12; 7.61% in 2012/13 and 8.48% in 2013/14. EPW has the highest Climate Relevant Expenditure at 6.45% of the total external resources, on the other hand, ARUD CRE was 1.37 % of the total external resources whereas EII's ratio of CRE to total ER was 0.31%. If most CRE is received from external resources, then EPW has received the most CRE and EII the least.

CPEBR study findings have revealed that Climate Relevant Expenditure in the ARUD, EII and EPW sectors over a three-year period between 2011 and 2014 was **Ksh. 52.768 Billion (USD 527.68 Million)**.

For climate change to be integrated in the planning and budgeting going forward, and especially for the period 2017/2018 and 2018/2019 going forward, the requirement, is to create, as a matter of urgency, enough awareness on the CPEBR study findings and recommendations, so that line ministries and agencies can plan, have the incentives to do so, and have better information on which to base the development and effective implementation of a comprehensive MTEF.

In terms of the next steps for carrying forward the proposed work plan for institutionalizing and implementing CPEBR deliverables for the forthcoming 2016-2017 budget cycle. The following activities have taken place:

1. The NT has sent out the MTEF Budget circular (15/2015) to all Cabinet Secretaries and Accounting officers. To quote the circular, which is a public document, "the purpose of this Circular is to provide guidance on the processes and procedures to be followed when preparing the Medium-Term Budget for 2016/17 – 2018/19. The guidelines are issued in accordance with Section 36 (2) of the Public Finance Management Act, 2012 and apply to all Ministries, Departments, and Agencies(MDAs). The guidelines provide the following information:"
    a) Key policies guiding the preparation of the Medium-Term Budget;
    b) Process of undertaking Programme Performance Reviews (PPRs);
    c) Documents, form and content of the Budget
    d) Guidance on programmes and projects to be funded;
    e) Guidance on public participation in the budget process; and
    f) Key timelines and deadlines for activities in the budget process
2. The MTEF sectors have been launched and as recommended above, the NCCD should grab this opportunity to ensure that they are represented in all SWGs to give guidance on climate change budget.
3. The Program performance reviews for the last financial year are being finalized and are due anytime this month
4. The Budget Review Outlook Paper (BROP) need to ensure climate related issues and budget are well articulated.
5. Sector Working Groups are good avenues for supporting climate proofing of Annual Budgets as part of the MTEF cycles, NCCD should participate in this to ensure that Climate issues and need for budgets are well captured.

How to Strengthen CPBER findings to ensure their mainstreaming in the 2017/2018 and 2018/2019 financial years.

- Given that by the end of the CPEBR study, climate finance flows and sources were not adequately assessed due to difficulties in obtaining data on time, this should be

prioritized in the next phase by ensuring that NCCD works closely with the relevant financial and accounting officers and TNT to categorize these flows.

- Related to the above, there is need for a comprehensive study on the incremental climate change costs, analysis of SAGAs budget and expenditure to identify concessional loans and how these relates to climate finance.
- Given that the financial year has already begun, NCCD should initiate a discussion with MDAs on climate relevant project so that by the time the SWG process is underway, the idea of climate relevant expenditure and projects has been introduced as an entry point.
- NCCD can also draft a circular, which will be sent out through the National Treasury that requests SWGs to be conscious of the climate finance initiatives that will be embedded in the budget process

9 REFERENCES

1. Angela Falconer & Martin Stadelmann 2014: **What is climate finance? Definitions to improve tracking and scale up climate finance**. A Climate Public Initiative (CPI) Report
2. Duarte, M. (2013) **Climate Finance Tracking. Energy, Environment and Climate Change Department** (African Development Bank)
3. Falzon, J. Pols, D, King'uyu, S & Wang'ombe,E (2014) Inside stories on Climate Compatible Development (CDKN)
4. Government of Kenya & UNDP (2014) **Development of Climate Change Budget Codes for the National Treasury**: National Treasury
5. Government of Kenya (1999) **Environmental Management and Coordination Act (EMCA):** Ministry of Environment, Water and Natural Resources
6. Government of Kenya (2003) **Constituencies Development Fund Act**
7. Government of Kenya (2013) **Comprehensive Public Expenditure Review: Eye On Budget: Spending For Results**
8. Government of Kenya (2007) **Kenya Vision 2030:** National Council for Law Reporting with the Authority of the Attorney-General
9. Government of Kenya (2010) **National Climate Change Response Strategy:** Ministry of Environment, Water and Natural Resources
10. Government of Kenya (2010) **The Constitution of Kenya:** National Council for Law Reporting with the Authority of the Attorney-General
11. Government of Kenya (2012) **County Governments Act:** Ministry of Planning and Devolution
12. Government of Kenya (2012) **Draft National Environmental Policy:** Ministry of Environment, Water and Natural Resources
13. Government of Kenya (2013) **Budget Review and Outlook Paper:** The National Treasury
14. Government of Kenya (2013) **County Governments Public Finance Management Transition Act:** The National Treasury
15. Government of Kenya (2013) **Kenya Vision 2030, Medium Term Plan (2013 - 2017)**
16. Government of Kenya (2013) **National Climate Change Action Plan:** Ministry of Environment, Water and Natural Resources
17. Government of Kenya (2013) **Public financial Management Act:** The National Treasury
18. Government of Kenya (2013/2014) **County Integrated Development Plans (CIDP):** County Government
19. Government of Kenya (2014) **Draft Climate Change Bill:** Ministry of Environment, Water and Natural Resources
20. Government of Kenya (2014) **Draft National Climate Change Framework Policy:** Ministry of Environment, Water and Natural Resources
21. Government of Kenya (2015) **Budget Policy Statement: Enhancing economic transformation for a shared prosperity in Kenya**
22. Government of Kenya (2014) **County Governments: Annual Budget Implementation Review Report Fy 2013/2014**
23. Government of Kenya (2014) **Medium Term Expenditure Framework 2015/16-2017/18: Agriculture, Rural and Urban Development Sector**: Republic of Kenya
24. Government of Kenya (2014) **Medium Term Expenditure Framework 2015/16-2017/18: Energy, Infrastructure and Information Communication Technology Sector:** Republic of Kenya

25. Government of Kenya (2014) **Environment Protection, Water and Natural Resources Sector Report Medium Term Expenditure Framework (MTEF) Budget for the Period 2015/16-2017/18:** Government of Kenya
26. Government of Kenya (2014) **Programme Based Budget of the National Government of Kenya for the Year Ending 30th June, 2015**: Republic of Kenya
27. Institute of Economic Affairs (2014) **Handbook on County Planning, County Budgeting and Social Accountability**
28. County Government of Bungoma (2014) **County Government of Bungoma: Ministry Of Finance Budget Outlook Paper 2014/2015 – 2016/2017:** Republic of Kenya
29. County Government of Bungoma (2014) **Bungoma County Integrated Development Plan 2013 – 2017:** Republic of Kenya
30. County Government of Bungoma (2014) **Programme Based Budget for Bungoma County Government for the Year Ending 30th June, 2015**: Republic of Kenya
31. County Government of Bungoma (2014) **Ministry Of Finance and Economic Planning: County Budget Review and Outlook Paper 2014:** Republic of Kenya
32. Kenya National Drought Management Authority (2014) **Isiolo County Adaptation Fund: Activities, Costs and Impacts After The1st Investment Round, Project Report, June 2014**: Newsletter Bible Society of Kenya
33. County Government of Isiolo: **Revised County Integrated Development Plan: 2013-2017**: Republic of Kenya
34. County Government of Isiolo: **County Treasury Supplementary Budget Estimates 2014 Medium Term Expenditure Framework 2014/15 – 2016/17**: Republic of Kenya
35. County Government of Isiolo (2014) **Isiolo County Budget Review and Outlook Paper 2014**: Ministry of Finance and Economic Planning: Republic of Kenya
36. County Government of Laikipia (2014): **Department Of Finance And Economic Planning County Budget Review Outlook Paper**: Republic of Kenya
37. County Government of Laikipia (2014) **First County Integrated Development Plan: 2013-2017:** Republic of Kenya
38. County Government of Laikipia (2014) **Supplementary Budget Estimates of Recurrent and Development Expenditure for The Year Ending 30th June, 2015:** Republic of Kenya
39. Hongo, T. **Definition and reporting system of Climate Finance** (Second Meeting of Experts on Long-term Finance August, Bonn)
40. http://www.wri.org/blog/2013/04/why-climate-finance-so-hard-define
41. Institute of Economic Affairs (2011) **The Citizen's Handbook on the Budget: A Guide to the Budget Process in Kenya:** Nairobi, Kenya
42. Miller, M. (2012) **Climate Public Expenditure and Institutional Reviews (CPEIRs) in the Asia-Pacific Region: What have We Learnt? (**UNDP &CDDE**)**
43. Mutimba, S & Wanyoike, R. (2013) **Towards A Coherent And Cost-Effective Policy Response To Climate Change In Kenya: Country Report :** Heinrich Böll Stiftung, East and Horn of Africa
44. OECD& DAC (2011) **Handbook on the OECD-DAC Climate Markers**
45. Touchette, J (2012) **Tracking Climate Finance: The OECD DAC Reporting Framework:** Statistics and Monitoring Division Development Co-operation Directorate (OECD)
46. World Bank (2014) **Climate Change Public Expenditure Review Sourcebook**
47. www.oecd.org/dac/stats/crs/directives