Briefing Paper Climate change

August 2014: Establishing Climate Change Adaptation Funding Mechanisms at the County-level in Kenya

Multi-billion dollar opportunity for county-level public investment

Adaptation Consortium through funding from DFID support county governments in Kitui, Makueni, Wajir, Garissa and Isiolo to mainstream climate adaptation and set up mechanisms to access climate finance (from global, national and private sources) for adaptation investments prioritised by local communities.

Policy Pointers

- The current Constitutional and legal framework provides structures by which local climate change adaptation planning and funding can be institutionalised at the county level.
- County government mechanisms for adaptation planning and financing can help improve coordination of climate change interventions at county level
- The Constitution of Kenya (2010) and Public Finance Management Act, 2012 (PFMA) provide sufficient legal provisions by which county governments could set up and raise revenues for their own public funds, including for climate change adaptation funding.

The establishment of the UN's Green Climate Fund (GCF) offers the potential for county and national governments to access significant financial resources to support investments in adaptation and mitigation. The GCF will come online in 2015, and aims to be running at full capacity by 2020, with resources of $100bn per year. 50% of these funds will be earmarked specifically for adaptation projects. The GCF will function in addition to pre-existing multilateral and bilateral climate funds.

At present, operational funds for adaptation in Kenya include the UN Adaptation Fund, due to begin direct disbursements to Kenyan implementers in the near future, DFID's International Climate Fund ($13.5m), and the World Bank's Special Climate Change Fund ($6.5m). The projects have a broad focus, including spending on disaster risk reduction, water infrastructure, and arid lands development.

From 2007-2013, Kenya was the second largest recipient of climate finance in Sub Saharan Africa, having been allocated $457.8m, most of which was dedicated to development of the national energy grid. So far, $42.12m has been earmarked specifically for adaptation projects. This represents 1.23% of the $3.4bn allocated for adaptation worldwide.

If Kenya were to maintain this level of access to international climate finance when the Green Climate Fund reaches full capacity, it stands to receive $615m in finance for climate adaptation each year. If it were to double its level of access, it could stand to gain $1.2bn each year. Pre-established county level funds could prove to be versatile mechanisms through which to channel this funding to support community driven development and resilience building priorities.

Their devolved nature could also make them preferred mechanisms for direct access to fund disbursements, supporting the country-driven focus of the fund.

Access to such funds would be in accordance with the Kenyan Constitution (2010), which grants county governments authority and responsibility for developing the social and economic aspects of their county according to local priorities.

The Adaptation Consortium, under the leadership of the National Drought Management Authority (NDMA), with technical support provided by Christian Aid, the Met Office (UK), Kenya Meteorological Service and the International Institute for Environment and Development, is implementing a £6.5 million accountable grant (2013-16) by the UK Department for International Development (DfID) to support county governments in Kitui, Makueni, Wajir, Garissa and Isiolo to mainstream climate adaptation and set up mechanisms to access climate finance (from global, national and private sources) for adaptation investments prioritised by local communities. The initial funding from DFID includes seed money to provide initial capital for these county government mechanisms.

The Adaptation Consortium commissioned Global Economic Investments and Financial Consultancy (GEIFIC) Ltd to investigate with the county governments, relevant national government institutions, donors, private sector and CSOs opportunities for such mechanisms which would complement existing county finance frameworks and national and county public finance laws and policies. GEIFIC has now delivered its final report, which identifies major opportunities for county governments to set up their own County Public Funds to receive climate change adaptation funding.
The full report is available on http://adaconsortium.org/images/publications/CAF-FINAL-Report.pdf. See summary of opportunities in the next section.

Legal mandate for county government climate change adaptation planning and funding

The current Constitutional and legal framework provides structures by which local climate change adaptation planning and funding can be institutionalised at the county level.

The need for climate change adaptation is recognised in several national and county level policies and documents including the National Climate Change Response Strategy (NCCRS) 2010, the National Climate Change Action Plan (NCCAP) 2013 and the Second Medium Term Plan (MTP) 2013-2017. The MTP II further recognises that, according the Constitution and the County Government Act (2012), county governments are required to prepare County Integrated Development Plans (CIDPs) as the basis for developing their budgets. The inclusion of climate change adaptation planning and funding in county CIDPs is thus clearly mandated.

Key role for county governments in climate change interventions in Kenya

There are several government actors involved in climate change interventions (see Box 1 below) and county government mechanisms for adaptation planning and financing can help to improve coordination.

At the national level, the proposed National Climate Change Council (NCCC) in the Office of the President oversees the integration of climate change into national processes, while the National Climate Change Secretariat (NCCS) in the Ministry of Environment, Water and Natural Resources (MEW&NR) is the lead technical agency on climate change issues. MEW&NR also contains the National Environment Management Authority (NEMA), which is the National Implementation Entity (NIE) for the global UNFCCC Adaptation Fund. The study advices that the NCCS and climate change Desk Officers are expected to improve coordination between actors at

Box 1. Government actors involved in climate change interventions

The Presidency

Ministry of Environment, Water and Natural Resources

- National Climate Change Secretariat
- National Environment Management Authority
- Kenya Meteorological Department

Ministry of Devolution and Planning

- National Drought Management Authority
- National Economic and Social Council
- County Governments

Climate Change/Unit Desk Offices in Ministries/departments e.g:

- Ministry of Agriculture, Livestock and Fisheries Department
- Ministry of Energy and Petroleum
- The National Treasury
- National Council for Science and Technology

national level, and suggest that county government mechanisms for adaptation planning and finance could provide a critical linkage with the NIE, the proposed National Climate Fund (NCF) and other national initiatives.

Legal mandate for county-level climate change adaptation funds

The Constitution of Kenya (2010) and Public Finance Management Act, 2012 (PFMA) provide sufficient legal provisions by which county governments could set up and raise revenues for their own public funds, including for climate change adaptation funding.

Articles 207, 209 and 212 of the Constitution provide that county governments can establish their own funds through an Act of Parliament, raise revenues and spend money on climate change adaptation.

Sections 109, 116 and 126 of the PFMA provide that the County Executive Member in charge of finance can, with the approval of the County Executive Committee and County Assembly, establish county-level funds to be funded from county revenues, and that, where climate adaptation and resilience programmes are included in the the CIDP, such activities can be funded from the county budget.

Opportunity and next steps for the establishment of County Public Funds for climate change adaptation

Following consultations with national and county governments, donors, private sectors and CSOs, the CAF study recommend the establishment by county governments of County Public Funds for climate change adaptation, as permitted under Section 116 of the PFMA. The county assembly would enact appropriate laws to guide operation of such funds. The study suggests that County Government would take responsibility for management and control of this fund just like any other Public Fund, and that such a fund should be flexible enough to attract direct funding from diverse global, national and local sources, including county and national governments, development partners, public benefit organisations and the private sector.

The terms for the management of funds are likely to vary depending on the source. For example, some funds could be managed in the form of ring-fenced pool funding, where funds from different sources are combined in the fund but protected from re-allocation outside of the fund, or non-pool funding where funds have conditions attached are allocated to specific activities or interventions.

In the case of ring-fencing, the study advises that the enabling laws and regulations for the Public Funds should use sections 109 and 116 of the PFMA to ring-fence the funds so that unspent balances cannot be returned to national or county treasuries, but retained for investment in adaptation in subsequent years. Funds from development partners would be subject to certain conditions and the Public Fund should be flexible enough to accommodate these conditions.

The study advises the following steps for the establishment of such County Public Funds:

1. The technical staff in the County Ministry of Finance, in consultation with stakeholders, to prepare a concept paper for establishment of the Public Fund;
2. The County Ministry of Finance submits the agreed concept paper to the County Executive Committee by member in charge of Finance and Economic Planning (the County Treasurer) for consideration and approval;
3. The County Treasurer submits the Concept Paper to the County Assembly for approval;
4. After approval by the County Assembly, the CEC Finance establishes the fund.
5. Under Section 116(2) of PFMA 2012, the CEC Member in charge of Finance designates a Fund Administrator who will be responsible for administering the Fund.

Most of the counties are already faced with climate related challenges and these will worsen unless adequate measures are put in place to address them. County Governments can benefit from working with National Level Institutions, NGOs and existing programs on climate adaptation to address these challenges.

The Green Climate Fund (GCF) was adopted as a financial mechanism of the UN Framework Convention on Climate Change (UNFCCC) at the end of 2011. It aims to make an ambitious contribution to attaining the mitigation and adaptation goals of the international community. Over time it is expected to become the main multilateral financing mechanism to support climate action in developing countries.

http://www.climatefundsupdate.org/listing/green-climate-fund

For more information on the UN Green Climate Fund see:

http://unfccc.int/cooperation_and_support/financial_mechanism/green_climate_fund/items/5869.php

http://www.adaconsortium.org / info@adaconsortium.org

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