

# EMBEDDING CLIMATE CHANGE INTO NATIONAL PLANNING AND BUDGETING

Peter O. Odhengo,

Senior Policy Analyst, Climate Finance, National Treasury and Planning, (Ministry  
of Finance) Kenya

During the the Coalition of Finance Ministers for Climate Action Sharpa Meeting In  
Helsinki Finland

# PRESENTATION OUTLINE

- Background to Kenya's Climate change Agenda
- Climate change policies and legislative frameworks
- National Planning and Budgeting processes
- Climate change financing landscape
- Mainstreaming of climate financing into planning and budget processes
- Coding, budgeting, tracking and transparency of reporting
- Opportunities and challenges
- Recommendations and conclusion

# BACKGROUND TO KENYA'S CLIMATE CHANGE ACTIONS

- Kenya's Constitution provides the basis for action on climate change by guaranteeing citizens a clean and healthy environment, which is a fundamental right under the Bill of Rights.
- The country's climate change governance structure has been informed by global, regional commitments and national obligations, such as:
  - UNFCCC, Africa's African Climate Change Strategy (2011) and East Africa's Climate Change Policy, Strategy and Master Plan (2011), Paris Agreement (2015)
  - Vision 2030,
  - Climate Change act (2016), National Climate finance Policy (2018), Green Economy Strategy and Implementation Plan (2016), climate budget coding,
  - Nationally Determined Contribution, 2015(NDC),
  - National Adaptation Plan 2015-30

# EFFECTS OF CLIMATE CHANGE IN KENYA

- Climate change has increased the frequency and magnitude of extreme weather events in Kenya causing:-
  - loss of lives, diminished livelihoods, reduced crop and livestock production, damaged infrastructure, among other adverse impacts.
- It's impacts is negatively affecting the achievement of:-
  - *Kenya Vision 2030* – the long- term development blueprint ,
  - The Government's Big Four agenda for 2018-2022 that focuses on ensuring food and nutrition security, affordable and decent housing, increased manufacturing and affordable healthcare.

# CONT'..

- *Agricultural Sector Development Strategy*
- *Draft Kenya Climate Smart Agriculture Framework Programme 2015-2030*
- *REDD+ Readiness*: a strategy for developing REDD+ in Kenya
- *Renewable energy policy Incentives*: 0% import duties and Value-added tax exemption on renewable energy materials, equipment and accessories; feed-in tariffs
- *Energy regulations*: on solar water heating, energy management and solar photovoltaic systems were passed in 2012.

# CLIMATE CHANGE POLICIES, LEGISLATIONS AND STRATEGIES IN KENYA

- Kenya takes climate change seriously, as demonstrated by the enactment and development of various policies and strategies such as:
  - The Kenya Constitution 2010
  - Vision 2030 blue print, 2007
  - Environment and Coordination Act, 1999 (amended 2015)
  - Water Resources Management Act, 2016
  - Climate Change Act ( 2016),
  - Climate Change Framework Policy, 2016
  - Disaster Risk Management Policy
  - The National Climate Finance Policy, sessional Paper No. 3 of 2018,
  - National Adaptation Plan, NAP 2015-2030
  - Green Economy Strategy and Implementation Plan (GESIP) ,2016
  - National Determined Contribution, 2015-2030
  - Kenya Climate Smart Agricultural Strategy, 2017-30

# MAINSTREAMING OF CLIMATE CHANGE INTO NATIONAL PLANNING AND BUDGETING PROCESSES

- In Kenya, embedding climate change actions into national planning and budgeting processes is guided by
- ***Second Medium Term Plan of Vision 2030***: Mainstreaming of climate change in national planning, by identifying actions to address climate change, many of them recommended in the NCCAP
- ***County Integrated Development Plans (CIDPs)***: County governments are addressing climate change in their policy, planning and budgeting policies, including the CIDPs that outline development priorities

# CONT'..

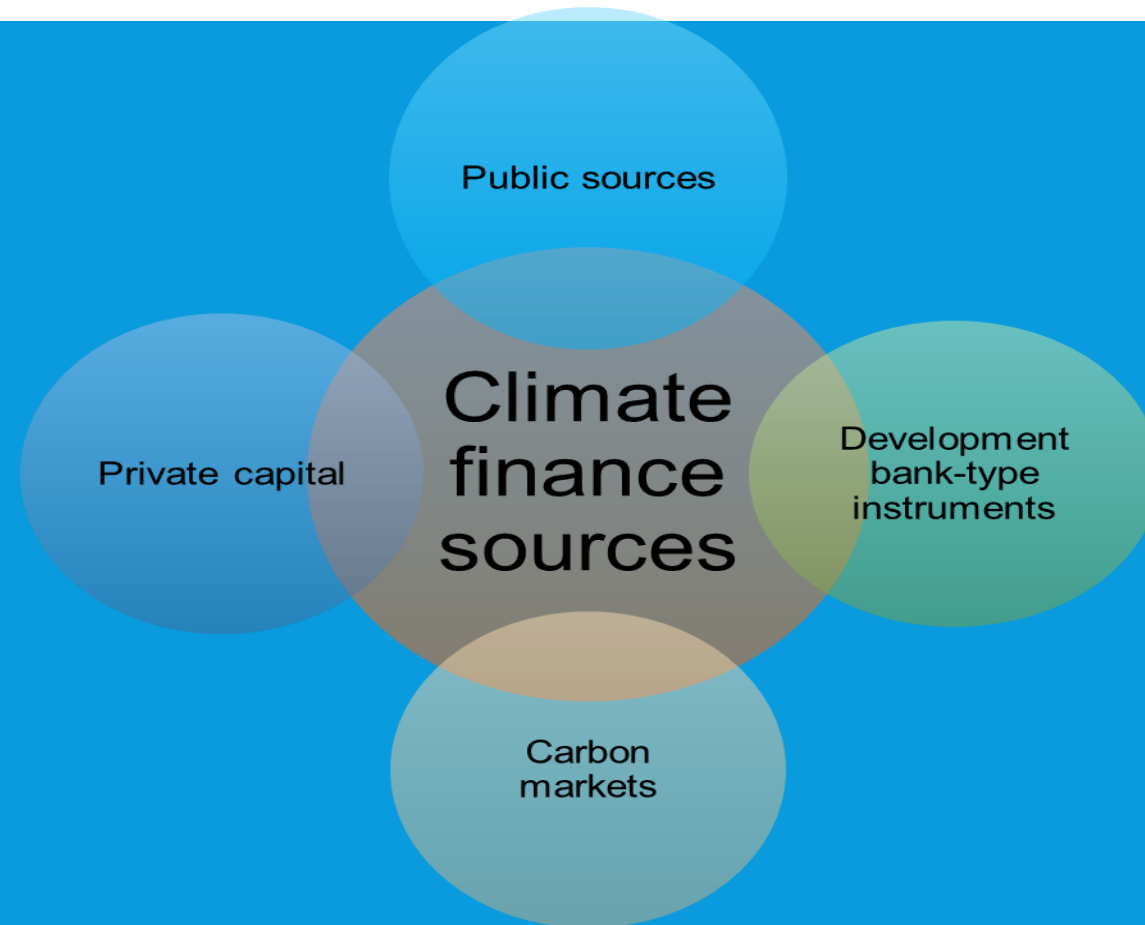
- ***Climate change Act 2016***: requires establishment of a National Climate Change Council, mainstreaming climate change in national and county budgets, plans and programs
- **Climate Change Fund for Kenya**: financing of adaptation and mitigation actions
- ***The National Climate Finance Policy 2018***: aims to further Kenya's national development goals through **enhanced mobilization** of climate finance
- ***National Climate Change Response Strategy, 2010***: the first national strategy document on climate change –provided improved understanding of climate change impacts and responses
- ***National Adaptation Plan***: consolidates the country's vision on adaptation on macro-level actions and sub-national level vulnerabilities, enhance long term resilience and local adaptive capacity,



# CONT'...

- *Green Economy Strategy and Implementation Plan*: sets out a framework for shifting towards a green economy development
- *National Climate Change Action Plans*: sets out priority adaptation and mitigation actions to enable Kenya move toward a **low carbon climate resilient development pathway**.

# CLIMATE CHANGE FINANCING LANDSCAPE



# MAINSTREAMING OF CLIMATE FINANCING INTO PLANNING AND BUDGET PROCESSES

- The National Climate Finance Policy provides an institutional framework to guide and promote:
  - **Tracking of climate finance through budget coding,**
  - Enhanced private sector participation,
- **Enhance public budgeting, increased ex chequer allocation to climate sensitive sector financing;**
- Mechanisms to increase internal allocation and enhance **mobilisation** external resources to finance climate interventions;
- **Track, monitor, evaluate and report on sources, applications and impacts of climate finance;**
- **Provide incentivise** to the **private sector** participation in climate financing opportunities

# CONT'..

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

# SCOA STRUCTURE

Segment	Groups/Hierarchy	Comments
1. Class	(1 digit; one level) X	Identifies the categories of budget and also 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 YY	County - Constituency – Ward County - District - Sub District

# TRACKING OF CLIMATE BUDGET IN THE IFMIS-*HOW?*

- Globally *Rio Markers* are used to flag the relevance of expenditure in relation to climate change to facilitate **coding**, 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 (**flag 1**) is used to indicate the deliberate/main objective is relevant *to climate change*.
  - **2 – Significant.** This marker (**flag 2**) identifies the presence of *climate co-benefits in an expenditure* initiative even though its main objective may not be climate-relevant.

# CONT'..

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

# INTRODUCING SEGMENT 8

- The climate budget code introduced an eighth analytical segment as illustrated below

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

- This segment is being implemented as a side-mapping table



# SEGMENT 8 – TRACKING CLIMATE EXPENDITURE

- This segment, enables *payments to be tracked to the benefiting causes.*
- The reporting hierarchy comprises of 3 levels and 5 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**

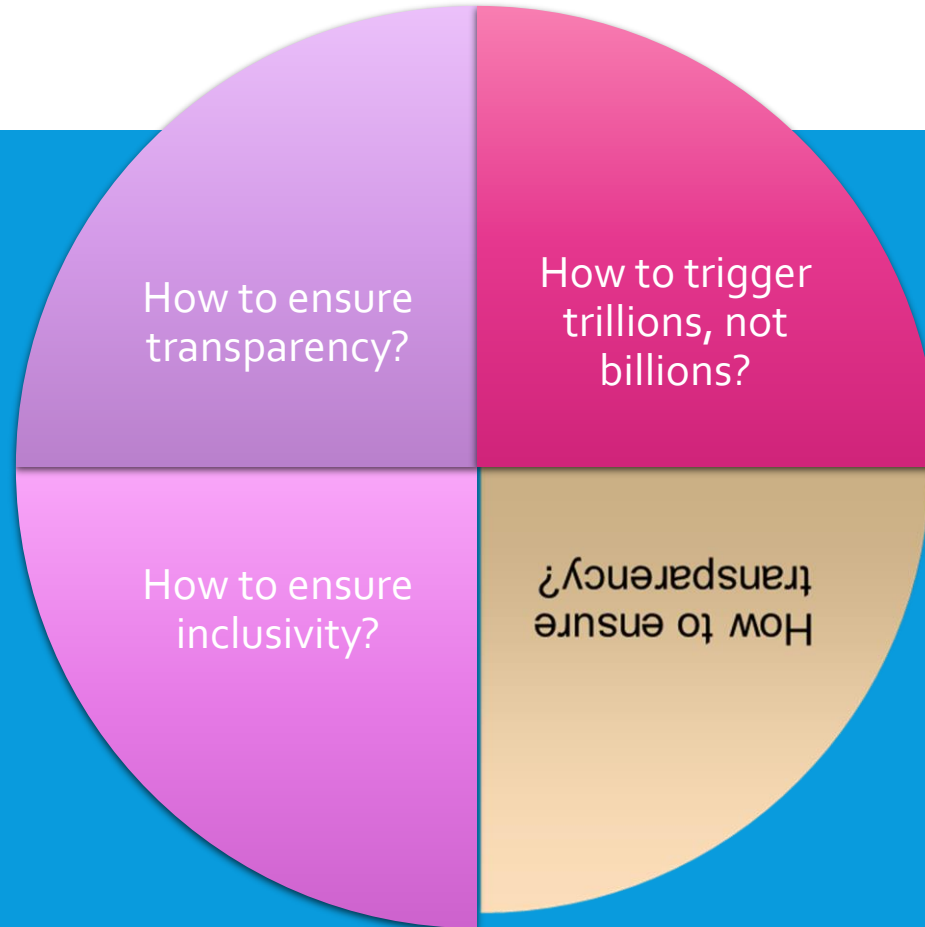
# SEGMENT 8: TRACKING (KNOW HOW)

Level 1	Level 2	Level 3	Full Code	Description
<b>Cause</b>	<b>Division/ Focus</b>	<b>Area</b>		
<b>2 digits</b>	<b>1 digits</b>	<b>1 digits</b>	<b>4 digits</b>	
<b>00</b>	<b>0</b>	<b>0</b>	<b>0000</b>	<b>No Cause Tracked</b>
00	0	1	0001	No Cause Tracked
<b>01</b>	<b>0</b>	<b>0</b>	<b>0100</b>	<b>Climate Change</b>
01	1	0	0110	<b>Adaptation</b>
01	1	1	0111	Principle Adaptation
01	1	2	0112	Significant Adaptation
01	2	0	0120	<b>Mitigation</b>
01	2	1	0121	Principle Mitigation
01	2	2	0122	Significant Mitigation
<b>02</b>	<b>0</b>	<b>0</b>	<b>0200</b>	<b>Cause 2</b>
02	1	0	<b>0210</b>	<b>Division 1</b>
02	1	1	0211	Area 1
02	1	2	0212	Area 2
02	1	3	0213	Area 3

# EXPERIENCES ON EMBEDDING CLIMATE BUDGETING AND TRACKING IN KENYA

- The main **challenge** in successful implementation of the **climate budget code lies in linking budgets to activities or work plans**
- Change from **Project Based** budgeting to **Program Based Budgeting (PBB)**
- MDACs are required to prepare their **work and cash flow plans** EARLY to enable **better-linked plans and budgets**
- Coding has been adopted in the IFMIS to facilitate analytical reporting and M&E- ***"Climate fiancé accountability"***.

# KEY QUESTIONS AND CHALLENGES



# CONCLUSION

- Embedding climate actions the national and sub-national planning and budgeting process ensures scarce resources are directed to the most climate sensitive sector such as-
  - agriculture, water, transport, energy, etc.
- Both state and non state actors should be included in tracking to ensure effective climate governance
- Need for:-
  - elaborate institutional and human capacity building at national and sub-national levels, across ministries and regions,
  - ensuring **enforcement** and **compliance** in adopting coding, tracking and reporting to ensure transparency and accountability
  - Ministries of finance should take a leading role on climate financing actions