

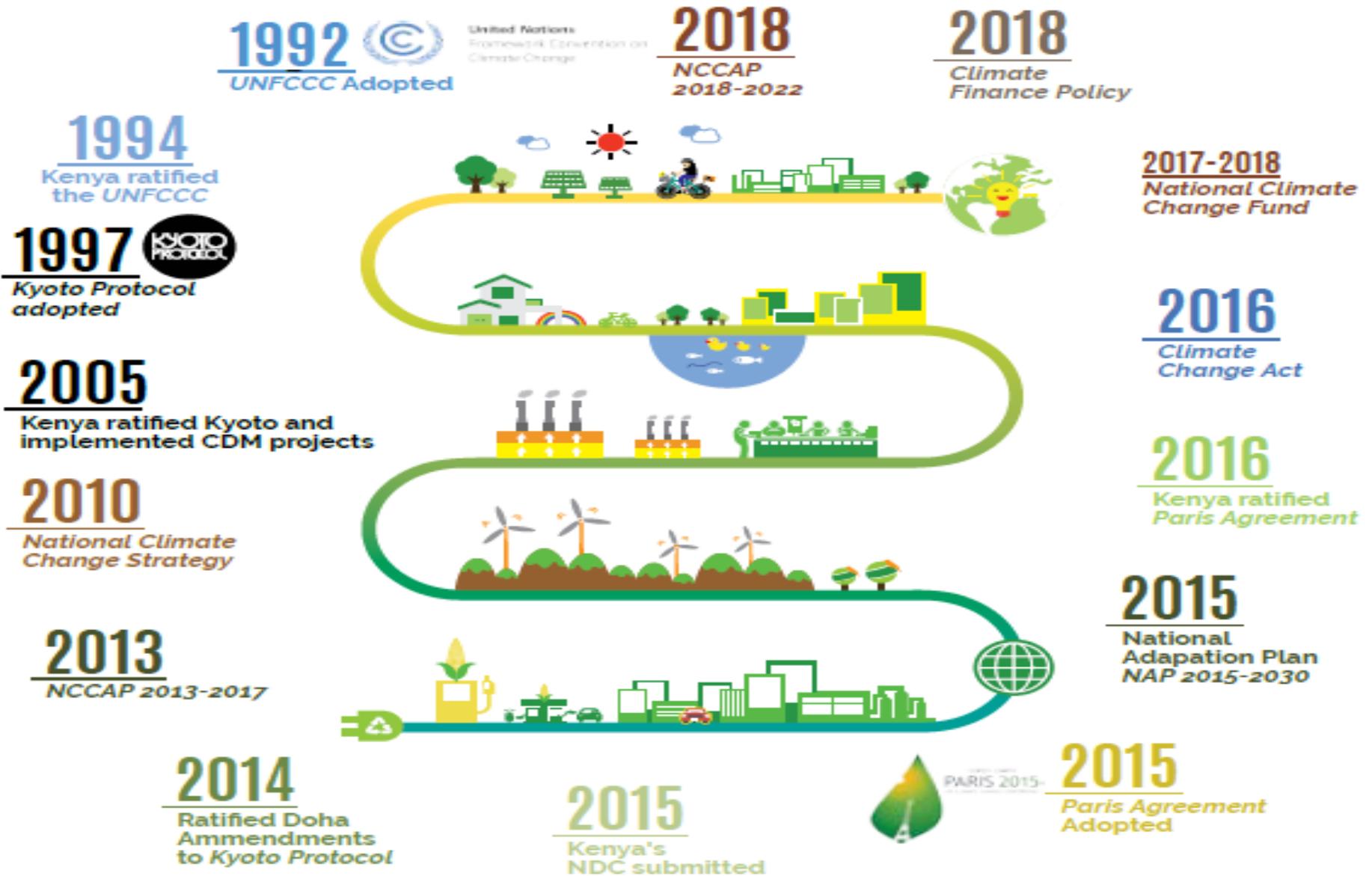
# Tracking and Reporting of Climate Finance in Kenya

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**The National Treasury**



# Kenya's Journey in Climate Action



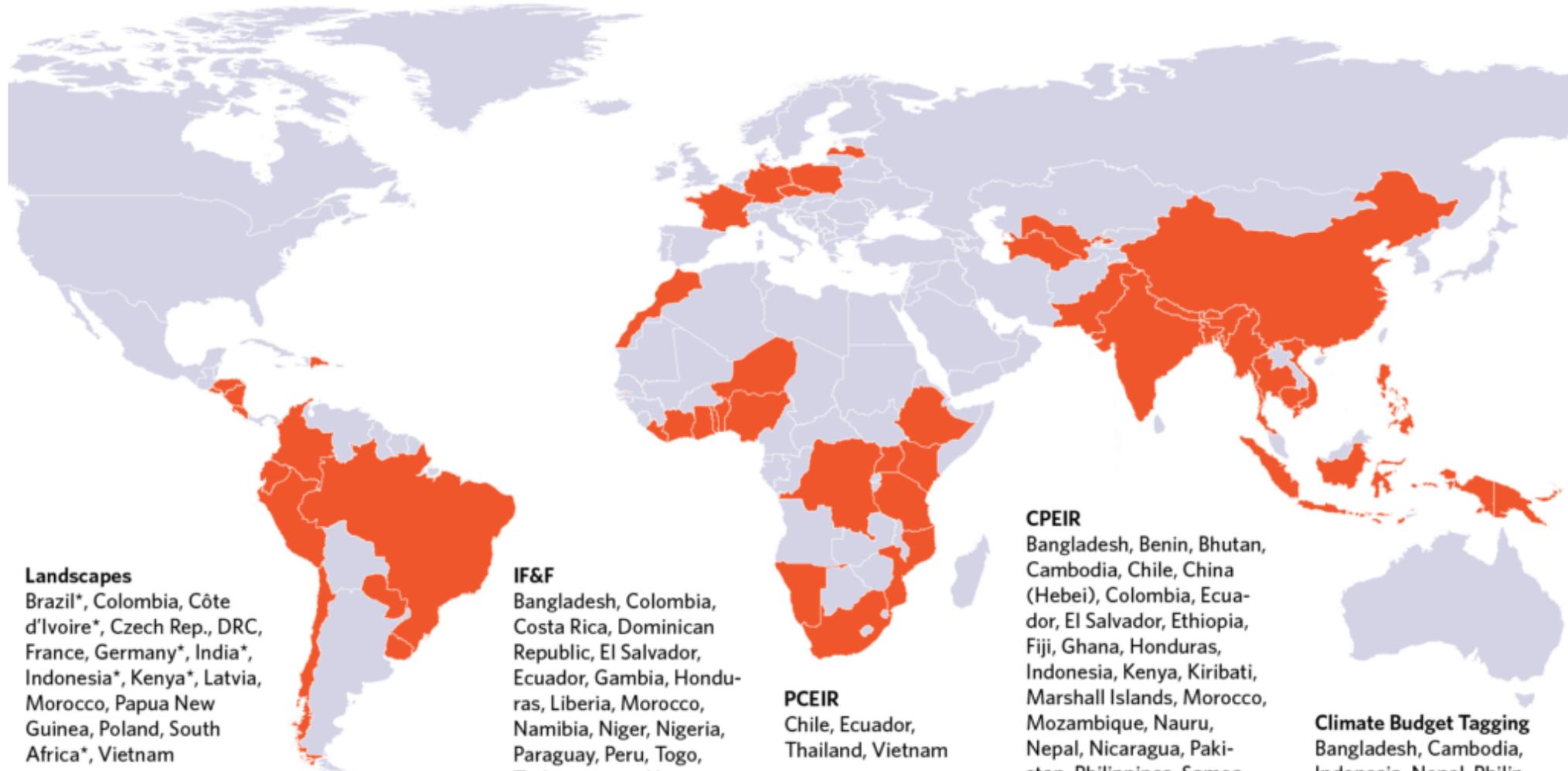


## Introduction

- Kenya's economy is **highly dependent on climate-sensitive sectors** such as agriculture, water, energy, tourism and wildlife base - more than 50% of the country's GDP
- The GDP growth in **2017 was negatively impacted by droughts and floods**
- **Economic cost** of climate change is **2 – 2.4 % of GDP** each year
  - ✓ Floods – 5.5 % of GDP every 7 years,
  - ✓ Droughts – 8 % of GDP every 5 years.
- This threatens the **long term vision** of being *“a newly-industrializing, middle-income country providing a high quality of life to all its citizens in a clean and secure environment by 2030”*
- The Government of Kenya estimates that USD 62 billion is required to implement Kenya's NDC (mitigation and adaptation actions) in 2020-2030. The resource requirement for adaptation actions alone is up to 2030 is USD 43.9 billion.



# Tracking initiatives around the world





## Tracking Climate Finance – “The Why?”

- The **demand for transparency** over climate change public spending in non-Annex I (developing) countries
  - **Paris Climate Agreement 2015 – Article. 13** - Developing country Parties should provide information on financial, technology transfer and capacity-building support needed and received
  - **Climate Change Act, 2016 - sec 25(9)** and **National Policy on Climate Finance** also provides for tracking and reporting of climate spending
- Tracking helps to provide comprehensive data on climate change relevant budgeting and spending, **enables government to make informed development and climate policy decisions.**
- Alongside other climate data such as the GHG inventory and vulnerability studies, climate finance data will serve as a **cornerstone of data-driven decisions on climate investments**



## Tracking Climate Finance – “The Why?”

- tracking climate finance flows serves as a readiness tool for the country to access climate finance, both globally and locally.
- Tracking encourages project development with a climate lens
- most climate change funding is usually integrated into wider national planning sectors. Thus, disaggregation is difficult without CRE coding and tracking.
- many and different sources of climate change funding in the country involve an ever-growing number of institutions working on climate-related activities.



## Tracking & Reporting - *Kenya's Journey*

- **Climate Change Budget Coding (CCBC) Report of 2015**
- **Climate Public Expenditure and Budget Review (CPEBR) Report of 2016**
- **Codes for tracking climate change expenditures** incorporated in the revised Government Standard Chart of Accounts (SCOA)
- **Training handbook** on coding, tracking and reporting developed in 2019
- **Circular No. 13/2020** on Tracking and Reporting of Climate Finance
- **'Climate Finance Landscape for Kenya'** Report of 2021 published
- **Climate Finance Information System (CFIS)** – *concept note stage*



# National Treasury Circular 13/2020

All government entities and non-state actors to report on climate spending effective FY2020/21

**Table 1: Reporting of Climate Relevant Expenditures**

Name of the Ministry, County or Agency .....

Telephone Number .....

Email Address .....

Name of Accounting Officer.....

Name and contact details of contact person (in case of any clarifications) .....

PROJECT NAME	PROJECT DESCRIPTION	PROJECT OBJECTIVES	PROJECT ACTIVITIES	ACTUAL EXPENDITURE (KES)				SOURCE OF FUNDS	IMPLEMENTING ENTITIES
				Q1	Q2	Q3	Q4		



REPUBLIC OF KENYA

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NATIONAL TREASURY CIRCULAR NO. 13/2020

TO: ALL CABINET SECRETARIES  
 ALL ACCOUNTING OFFICERS/PRINCIPAL SECRETARIES  
 ALL COUNTY GOVERNORS  
 ALL CHIEF EXECUTIVE OFFICERS OF STATE CORPORATIONS

TRACKING AND REPORTING OF CLIMATE FINANCE FLOWS AND CLIMATE CHANGE RELATED EXPENDITURES



## Facilitating Tracking – “The What ?”

- To facilitate **budgeting**, subsequent **tracking** and **reporting** of funds channelled to fund climate-related activities,
  - ✓ 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** will confirm the existence of those co-benefits and will become useful in determining their estimate costs.



## Facilitating Tracking – “The How ?”

- ❑ **Rio markers** are used to flag the relevance of expenditure in relation to climate to facilitate **budgeting** and **tracking/tagging** 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 – Significant

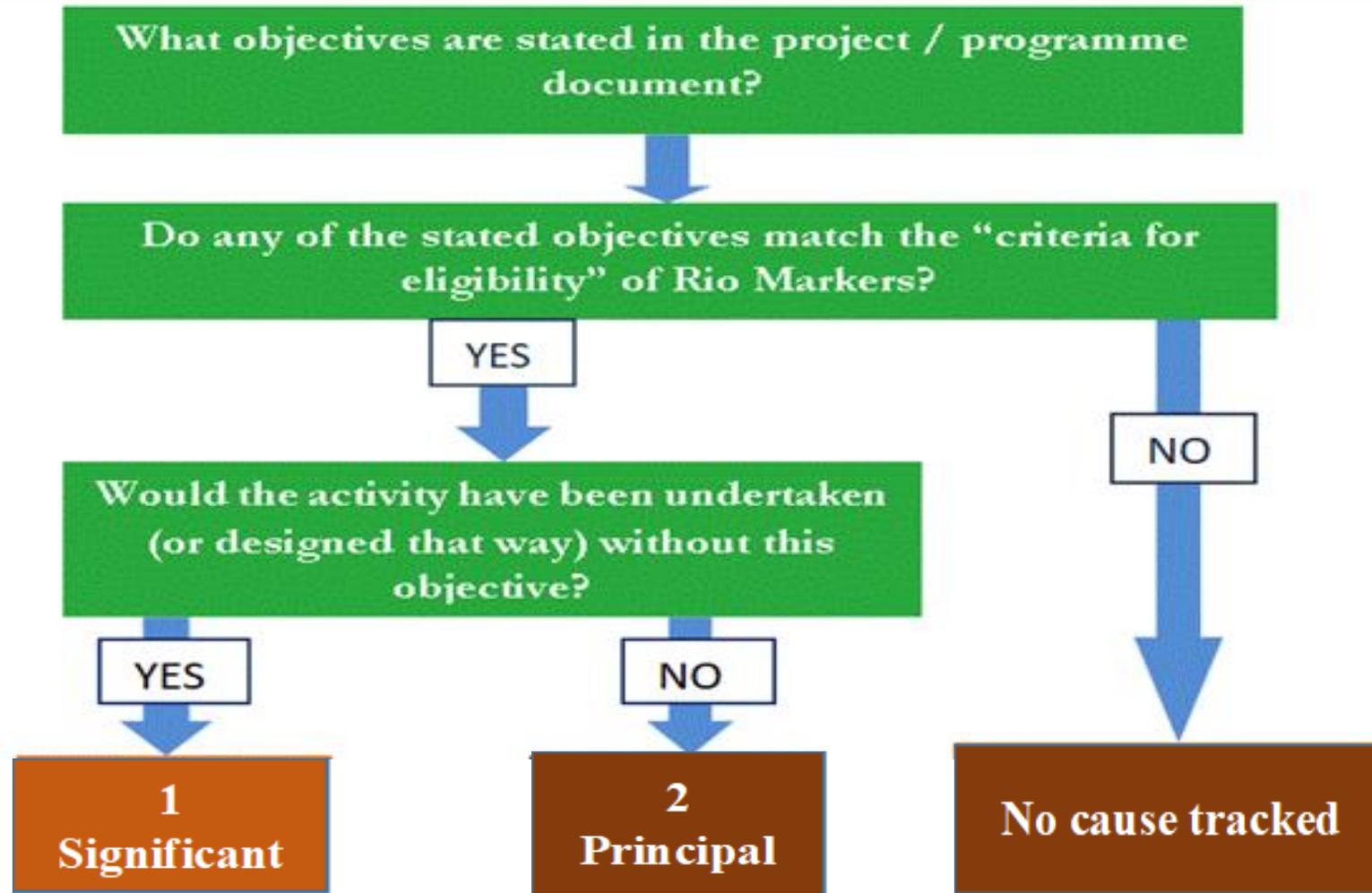
The “significant” marker (flag 1) identifies the presence of climate co-benefits in an expenditure initiative even though its objective may not be climate-relevant.

### 2 – Principal

The “principal” marker (flag 2) is used to indicate the deliberate relevance of the expenditure initiative to climate change.



# Climate relevance screening tool





## Costing CRE

Fraction of Budget Allocated to Climate Change Related Activities	Relevance of the Activity to Climate Change	Code to be used
If more than <b>65 percent</b> of the programme budget is allocated to climate change activities.	Principal	2
If <b>25 to 65 percent</b> of the programme budget is allocated to climate change activities.	Significant	1
If <b>less than 25 percent</b> of the programme budget is allocated to climate change activities, or if the programme is not related to climate change activities.	None	0



## **Unit 3: Capturing CRE in the IFMIS**



## The Standard Chart of Accounts (SCOA)

- The PFM Act 2012 defines chart of accounts as a structured list of accounts used to classify and record budget revenue and expenditure transactions as well as government assets and liabilities on a standard budget classifications system.
- **The SCOA** – an organized and coded listing of all the individual accounts that are used to record transactions and make up the ledger system of MDAs and Counties.
  - SCOA is embedded in the IFMIS.
- Redesigned in 2012 as part of the wider public finance management reforms that involved the re-engineering of the IFMIS
- SCOA is the ***base of the Government's PFM systems and processes*** and serves as a key tool to meet its information requirements



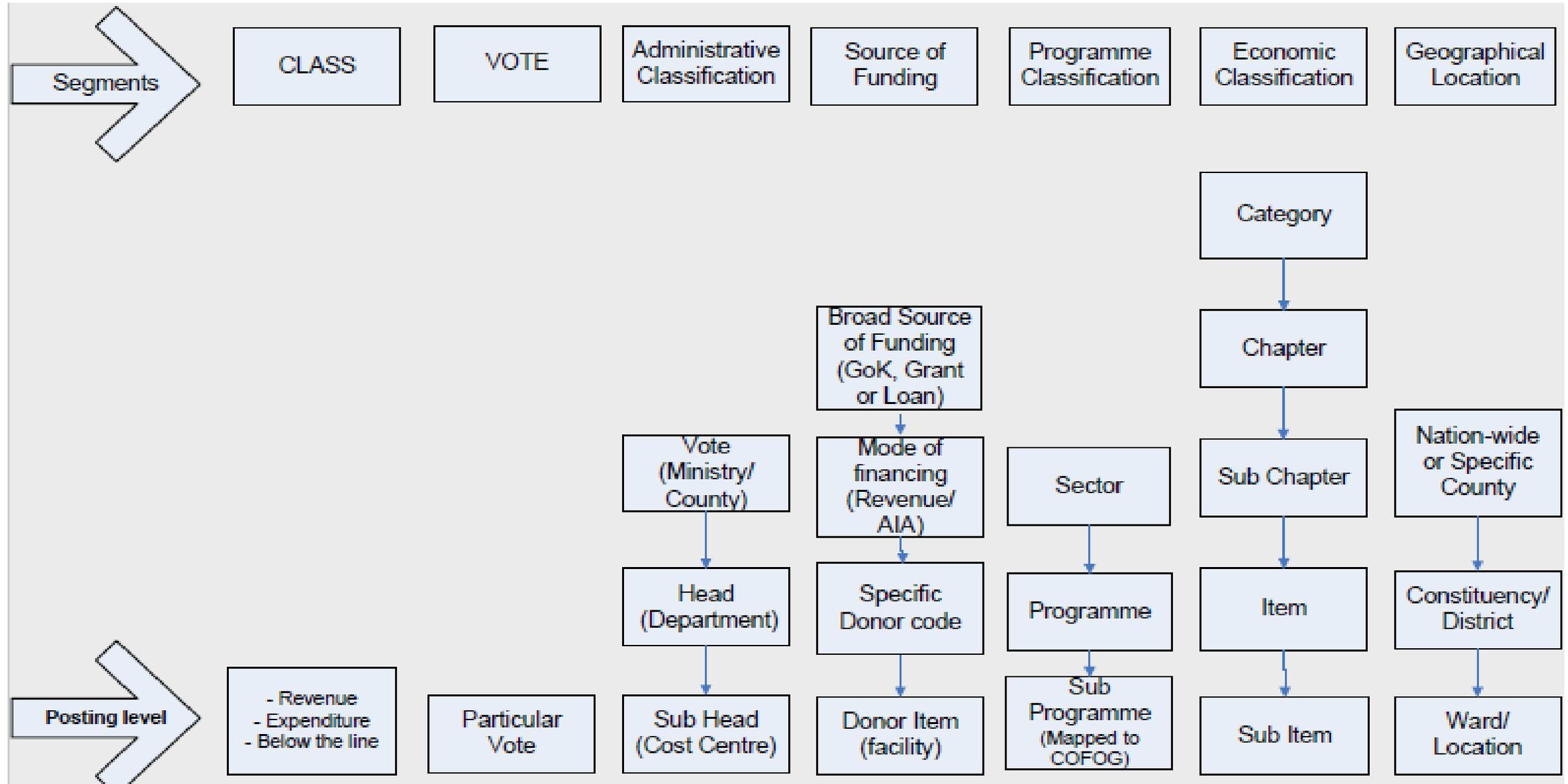
## Current Structure of SCOA

- The SCOA is currently comprised of 7 Segments as shown below
- 48 digits in total

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)	Spare
1 digit	4 digits	10 digits	8 digits	10 digits	7 digits	8 digits	3 digits



# SCOA structure – cont'd





# SCOA Structure cont'd... – *data capture illustration*

GOK\_ACCOUNTING\_FLEX

Class	1	Development Expenditure
Vote	1165	State Department for Crop Development
Administrative	1165105301	Kenya Climate Smart Agriculture Project (KCSAP)
Source of Funding	00001001	Exchequer ( GOK )
Programme	0105034810	Kenya Climate Smart Agriculture programme
Economic Item	3111301	Purchase of Certified Crop Seed
Geographical Location	34600406	Laisamis
Future	000	Future

OK Cancel Clear Help



## Introducing the ‘new Segment 8’

- The **Climate Change Budget Code Report** of 2015 proposed a broad criterion to identify and tag climate finance and related climate change expenditures by creating a new “Segment 8” within the SCOA.
- The Report proposed the introduction of 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	4 digits

- The ongoing revision of SCOA has incorporated the proposed **analytical segment** under extended reporting



# The New SCOA segments

SEGMENT ONE	SEGMENT TWO	SEGMENT THREE	SEGMENT FOUR	SEGMENT FIVE	Linked	SEGMENT SIX	SEGMENT SEVEN	SEGMENT EIGHT	SEGMENT NINE	SEGMENT TEN	EXTENDED REPORTING
Vote	Administrative Classification	Sources of Fund	Budget type	Programme	COFOG - Functional Classification	Economic classification	Geographic Location	Projects			
Vote (5)	Cost Centre (10) → Head (Existing projects) (8) → Vote (5)	Donor facility (8) → Specific source (5) → Financing mode (2) → Broad Source (1)	Budget Category (1)	Indicators (8) → Sub-Programme (6) → Programme (4) → Sector (2)	Group (4) → Division (2)	Sub-Item (7) → Item (GFS) (5) → Sub-Chapter (GFS) (3) → Chapter (GFS) (2) → Accounting category (GFS) (1)	Ward (8) → Constituency/District (6) → Nationwide/County (4)	Component (9) → Project (6) → Financial Year (2)	Spare (8)	Spare (8)	Area (4) → Division (3) → Cause (2)



# Unpacking the Proposed 'Analytical Segment'

□ The reporting hierarchy comprises of 3 levels and 4 digits:

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

Shows the main cause/ subject of tracking e.g. Climate Change

Level 1

Shows the major divisions in the cause e.g. Adaptation, Mitigation, Cross-cutting, Enablers

Level 2

Defines specific areas under the divisions e.g. Principal, Significant

Level 3



# Segment 8: Tracking (Illustration)

Level 1	Level 2	Level 3	Full Code	Description
Cause	Division/ Focus	Area		
2 digits	1 digits	1 digits	4 digits	
00	0	0	0000	No Cause Tracked
00	0	1	0001	No Cause Tracked
01	0	0	0100	Climate Change
01	1	0	0110	Adaptation
01	1	1	0111	Significant Adaptation
01	1	2	0112	Principal Adaptation
01	2	0	0120	Mitigation
01	2	1	0121	Significant Mitigation
01	2	2	0122	Principal Mitigation
01	3	0	0130	Cross-cutting <i>(both mitigation and adaptation)</i>
01	3	1	0131	Significant Cross-cutting
01	3	2	0132	Principal Cross-cutting
01	4	0	0140	Enablers (e.g. legislations, building)
02	0	0	0200	Cause 2 (Example –Gender)
02	1	0	0210	Division 1
02	1	1	0211	Area 1
02	1	2	0212	Area 2
02	1	3	0213	Area 3



# Kenya Landscape of Climate Finance (KLCF, 2021) Report



# LANDSCAPE OF CLIMATE FINANCE IN KENYA 2018

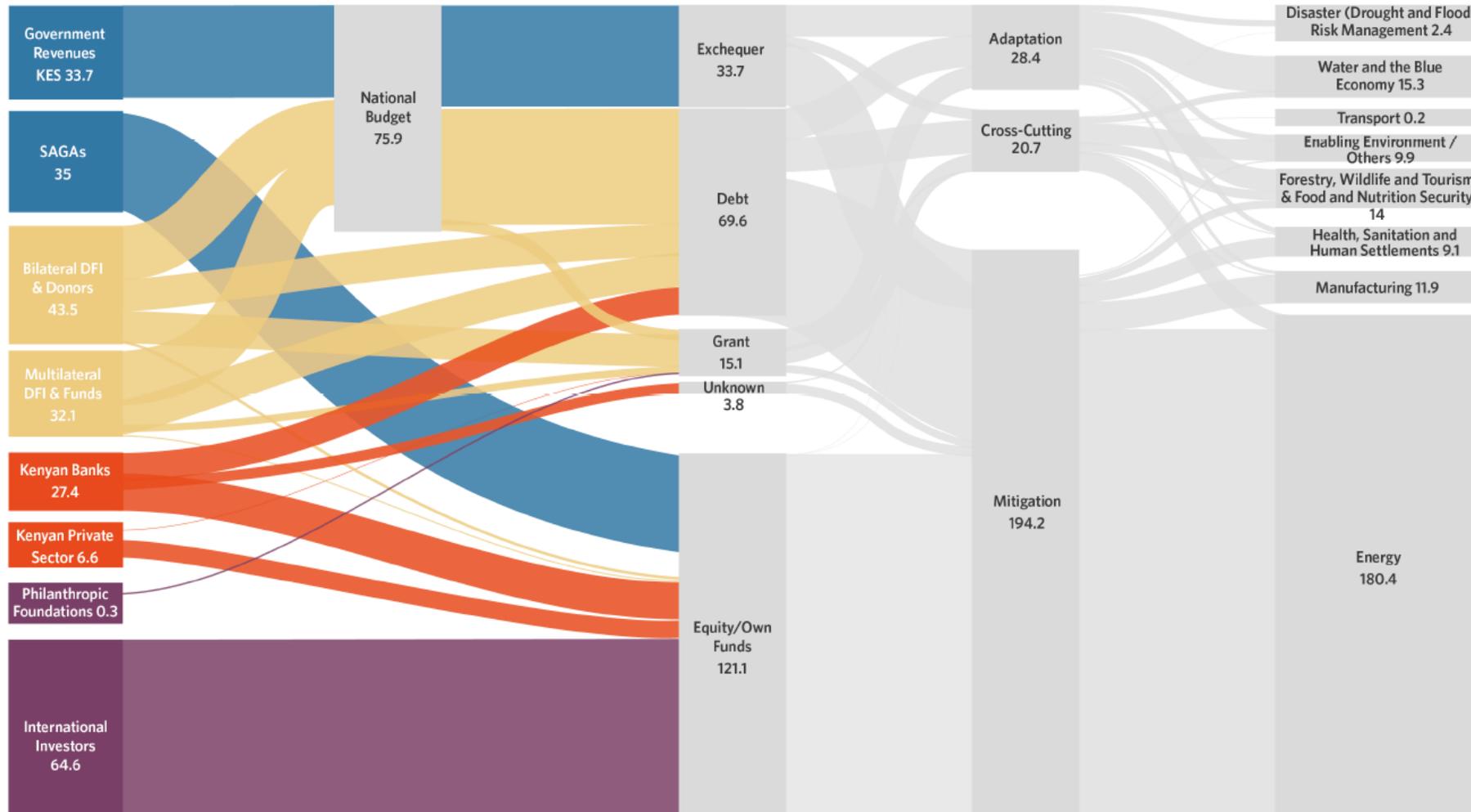
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## SOURCES AND INTERMEDIARIES

## INSTRUMENTS

## CLIMATE USES

## NCCAP SECTORS



Source: KLCF Report, 2021



# Challenges



## Challenges

- Tracking and reporting through IFMIS system yet to be operational.
- Data limitation - availability, completeness, and robustness especially from the private sectors
- Manual identification of climate-relevant expenditures may lead to over or under reporting due to inadequate information.
  - ✓ Sufficient descriptive details are needed to properly assess climate relevance and extent (attributable climate expenditure percentage).
- Some expenditures were classified as “significantly” contributing to the climate-objective and counted for 40% of their value, while the effective climate component might have been much lower.
- Capacity – technical and institutional



**Thank You!**