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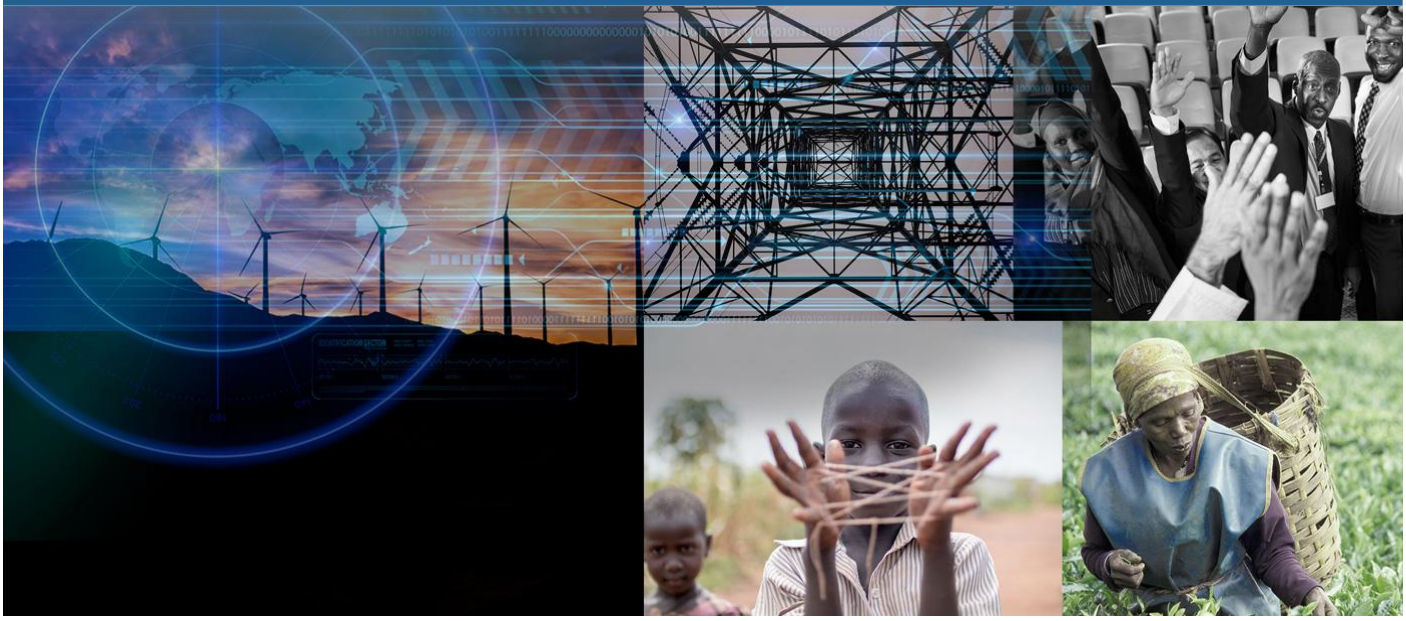

INTRODUCTORY POLITICAL ECONOMY ANALYSIS OF THE CLIMATE PHILANTHROPY SPACE IN KENYA

For ClimateWorks Foundation

Prepared by Africa Practice

17 November 2021

1 INTRODUCTION

While Africa is not currently a significant producer of greenhouse gases (GHGs) at a global level, it has the potential to be in the future, and there is an opportunity to prevent large future emissions if the problem is addressed now. With a view to informing decision-making in this space, Africa Practice conducted a tailored, high-level political economy analysis of six countries – Kenya, Ethiopia, South Africa, Nigeria, Ghana and Senegal – to serve as an introductory resource for philanthropic organisations seeking to understand foundational climate change issues and opportunities across these countries.

The bespoke political economy analysis framework was designed to help identify and understand feasible entry points into the countries, as well as tangible opportunities for philanthropic engagement and potential partnerships. The bespoke framework developed for this analysis can be replicated and will enable philanthropy to build robust strategies for investment and engagement across the whole continent. The report below summarises our findings on Kenya.

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3 METHODOLOGY

We developed a bespoke framework of assessment, rooted in political economy analysis, but also focusing on Kenya's specificities vis-à-vis the five main structural transformations that drive emissions on the continent:

- **Urbanisation**, taking into account the housing demand for 900 million more urban residents by 2050. By then, Kenya alone is projected to have an urban population of 40 million. That represents an increase of over 25 million – the country's most recent census, conducted in 2019, reported that 27.8% of the population or 14,975,059 people reside in urban areas.

- **Land use changes**, with agriculture set to feed a growing population and cause up to 84% of deforestation across Africa.

- **Industrialisation**, which constitutes the backbone of many African governments' development strategies over the next decade. Across the continent, manufacturing is growing faster than anywhere else in the world.

- **Electrification**, on which industrialisation itself is heavily premised. It is estimated that 1.6 TW of power generation would be needed in Africa by 2030 and 600 million people would require access.

- **Oil and gas,** with governments balancing international pressure to adopt more rigorous environmental standards against the imperative to exploit discovered resources in order to boost energy security.

Africa Practice has long-standing offices in Kenya (Nairobi). We used our consultants' deep contextual knowledge, as well as intelligence from expert sources, to inform and triangulate our **qualitative research programme**, which comprised a review of:

- **Statistics and risk indices compiled by national governments, multilateral institutions, NGOs and think tanks.** These covered: data from the Kenya National Bureau of Statistics; World Bank (climate change) data and indices such as Ease of Doing Business and Governance; Yale University's Environmental Performance Index (EPI); UNEP climate change data (CDF, REDD+) and UNFCCC data; the Climate Change Performance Index (CCPI); IMF data and bilateral consultation reports; summary data from the Extractive Industries Transparency Initiative and local chapters; Transparency International Corruption Perceptions Index; Mo Ibrahim Index; KPMG Africa Fiscal Guides; OECD Failed States Index; and the World Economic Forum's Global Competitiveness Report and Global Human Capital Report.

- **Other relevant grey literature.** This included, among others, recent reports by international donors, multilateral organisations, and European and North American state departments, as well as materials published by various government agencies focusing on climate change and relevant fields.

- **Media sources.** We examined open-access and subscription-based articles in English and Kiswahili, related to recent and historical developments of relevance to the countries in question, both local and international.

4 EXECUTIVE SUMMARY

Kenya has a clearly articulated environmental policy and regulatory framework and has made a moderate political commitment to mainstream climate change across all sectors and at all levels of government. However, this commitment has been overshadowed by other priorities – such as infrastructure development – which tend to be more popular with the electorate and are likely to continue being so. Over the next year, climate change will not be a primary political priority; it does not explicitly feature in President Uhuru Kenyatta's flagship Big Four Agenda (B4A) for economic growth, although it does overlay the affordable housing and industrialisation pillars. Climate change is also set to be overshadowed by politicking as the August 2022 election approaches.

The enactment of the Climate Change Act in 2016 prompted an uptick in reformist climate-related, as well as associated sectoral, policies. These have not been matched by a commensurate increase in budgetary allocation to climate change-relevant priority areas. Planned expenditure in such areas over the 2017-2020 period has remained flat or declining, with geothermal generation being the only sub-programme seeing a significant increase in its allocation. Implementation of priority adaptation and mitigation interventions has been slow – hindered by a lack of capacity, insufficient funding and technological constraints.

Overall, the Kenyan government's climate action is characterised primarily by policy signalling and the elaboration of respective instruments without genuine investment in effective coordination, capacity building or strategy implementation.

Meanwhile, corruption remains a major risk that shows no signs of abating. The corruption risks faced by organisations advocating on climate change policy and their international partners are numerous, encompassing procurement and tendering, financial mismanagement and misappropriation, invoicing fraud, bribery, and grantee or partner fraud. Philanthropic organisations looking to engage should develop a comprehensive risk framework to identify and mitigate against such risks.

Other persistent challenges concern institutional capacity, coordination and leadership. The progress in the country's two National Climate Change Action Plans (NCCAPs) has shown that Kenya's capacity – both in terms of mobilising the necessary financial resources and implementing programmes and projects – falls short of what is needed to execute the country's climate aspirations. Existing bodies lack the capacity to coordinate effectively, while the National Climate Change Council (NCCC) is yet to become operational. There is significant scope for improvement in Kenya's climate finance coordination function; however, line ministries lack the leadership required to push forward the reforms enshrined in the country's policy framework.

These issues have been compounded by the COVID-19 pandemic, which has significantly affected Kenya's economic growth trajectory. The reduction in economic activity has upended the public finances, particularly Kenya's ability to service public debt and mobilise resources for its developmental and climate change priorities. Against this backdrop, climate action will continue to be secondary to more pressing issues, including shoring up the healthcare system, ensuring food security and safeguarding businesses.

On the international stage, Kenya stands out as a leader in advocating for climate change action. It has successfully used the environmental agenda as a pillar of its foreign policy, as well as as an instrument to attract donor and development partner funding. For instance, Kenya was the top recipient of philanthropic climate funding in 2016-2017 in Africa, securing USD 15 million in commitments. The government has largely been receptive to input from non-government actors.

Out of the five sectors that were assessed, electrification presents the strongest set of opportunities in Kenya, thanks to the country's renewable potential. We also identified more modest opportunities in urbanisation, and oil and gas, which is at a critical juncture.

5 ASSESSMENT MATRIX

CATEGORY	ASSESSMENT*	FINDINGS
POLITICAL		
Instability, conflict and insecurity		Strong enabling context with some limitations from structural sources of instability. No potential for government collapse or insecurity to undermine climate spending.
Government change		Expected government change in 2-3 year horizon, through elections or successive cabinet reshuffles, likelihood of disruption as a result.
Environmental policy and commitment		Strong enabling context as a result of environmental policy representing a government priority, although secondary to others (e.g. infrastructure).
International influence		Major opportunity due to Kenya's responsiveness to pressure from international environment-focused bodies such as UNEP.
INSTITUTIONAL		
Governance and corruption		Weak enabling context due to governance issues and corruption's deep impact on climate change leadership, as well as their repercussions on development partners' involvement.
Environmental leadership		Moderate enabling context due to the calibre, vision and empowerment of the Minister of Environment and other key officials, including but not limited to permanent secretaries, directors and heads of environmental agencies.
Reform commitment and budgetary prioritisation		Moderate opportunity as a result of prioritisation of climate change reforms and management, which has not translated into increased budgetary spend.
Structural capacity		Moderate institutional capacity to support climate interventions and achieve sustainable outcomes.
Donor and development partners' support		High levels of support from donors and development partners for climate interventions; demonstrated ability of the government to attract funds.
Dialogue with non-government actors		High appetite and receptiveness by government institutions to consult actors from the private sector, the development community, academia and civil society more broadly.
COVID-19 impact		COVID-19 has dramatically shifted priorities and budget availability, particularly vis-à-vis climate change.
SECTORAL		
Urbanisation		Moderate opportunities thanks to the emphasis on affordable housing and the CITIC Africa construction platform.
Electrification		Notable opportunities given the prioritisation of wind and geothermal power.
Industrialisation		Limited opportunities in this segment owing to operational inefficiencies, and a shortage of skilled labour and capital.
Land use change		Opportunities in this segment thanks to new agricultural and livestock policies, but limited by poor governance and corruption.
Oil and gas		Kenya's future as an oil exporter remains in the balance, creating an opportunity for climate advocacy ahead of the 2022 election.

*Assessment key:

1	Very strong enabling context for climate-spend impact with negligible limitations
2	Strong enabling context for climate-spend impact with some limitations
3	Moderate enabling context for climate-spend impact with several limitations
4	Weak enabling context for climate-spend impact with notable limitations
5	Challenging context for climate-spend impact with major limitations

6 KENYA

6.1 Political

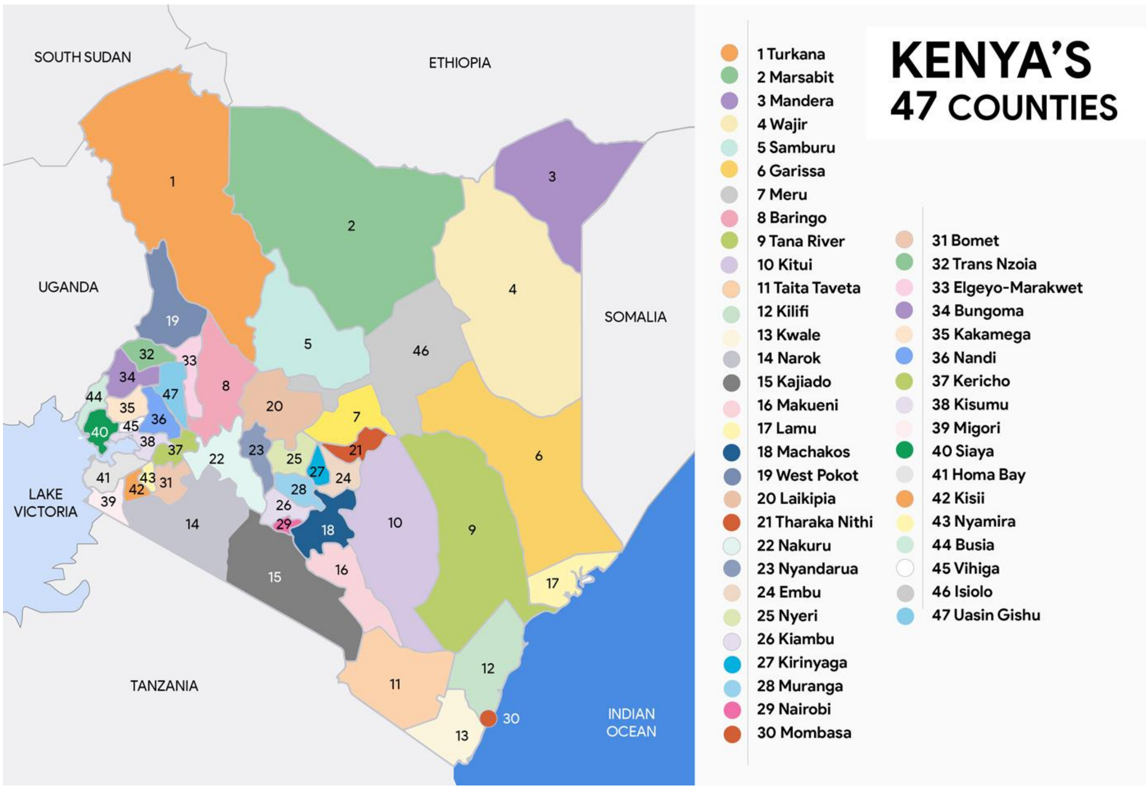
6.1.1 Instability, conflict and insecurity (strong)

Kenya is broadly politically stable despite recurring periods of tension, particularly around electoral cycles. The country has a legacy of ethnic and political strife, and a latent moderate terrorism threat; climate priorities could be delayed if these risks were to develop into protracted crises that threaten the state's ability to mobilise and spend revenue. We assess the likelihood of such scenarios developing as low. Kenya currently ranks 185 of 211 jurisdictions on the World Bank's Political Stability and Absence of Violence/Terrorism Index.

Kenya's political system remains heavily reliant on mobilising ethnic blocks of voters and forming (shifting) political alliances. This system is inherently prone to instability as coalitions fracture and electoral pacts are violated by leaders with shifting agendas and allegiances. These competitive dynamics are typically prevented from escalating into full-blown crises by "widening the tent" and accommodating opposition leaders or dissidents into the ruling coalition.

Localised inter-communal tensions, typically revolving around land issues, persist in a handful of counties but have a limited impact on national politics and the elaboration of development priorities. As many of the communities experiencing such periods of tensions, and even violence, are in marginalised areas. These include arid regions (counties 1-9 and 46 on the map below) and semi-arid regions (counties 10-20), which are disproportionately affected by climate change.

Beyond the threat of domestic political instability during electoral periods, Kenya faces a significant security challenge linked to its military presence in Somalia as part of an African Union (AU) mission. Over the last decade, al-Shabaab has attacked Kenya at least 30 times, killing over 600 Kenyan citizens. While the AU mission is set to withdraw its troops gradually and complete withdrawal by



December 2021, Kenya has insisted troops will remain until the country witnesses stability. Kenya's expected ongoing presence will likely lead to further attacks, despite significant improvements in the country's security apparatus in recent years.

6.1.2 Government change (challenging)

As Kenya exits the COVID-19 crisis, politicking ahead of the 2022 elections is likely to dominate the public sphere. While the outcome of the electoral process is difficult to predict at this stage, President Uhuru Kenyatta will have to see a successor take his position. The contenders are also yet to crystalize, but existing tensions within the ruling Jubilee party point towards not only a hotly contested poll, but a forthcoming rupture with the current structure.

Deputy President William Ruto, who has substantially distanced himself from the current head of state, has declared his presidential candidacy. Ruto has been propagating a "class-war" narrative focusing mainly on the families that have been in power since independence. Referring to them as "dynasties" who have led Kenya through a "trickle down economic model" and in turn advocating for a "bottom up economic approach." While it is unclear what his actions may be if he is elected, there is fear amongst the ruling elite about a possible upset to the status quo. Meanwhile, in a decisive move on 22 June 2020, Kenyatta removed key Ruto allies from leadership positions within parliament, including that of majority leader. In the coming weeks and months, we expect further changes in the party and government, with a potential wholesale cabinet reshuffle. Ruto responded firmly to his sidelining by the president, opening an alternative Jubilee Asili[1] party office, indicating an upcoming splintering.

The Building Bridges Initiative

Kenya is also facing the eventuality of holding a referendum to reconfigure its political system prior to the 2022 polls. Prompted by Kenyatta's 2018 rapprochement with perennial opposition leader Raila Odinga in the aftermath of the country's past, fraught elections, the government undertook the Building Bridges Initiative (BBI). BBI entails a broad-based consultative process to determine the best mode of organising the country's typically fractious political sphere. One of the initiative's stipulations so far is the establishment of a prime ministerial post to ensure power sharing; such a significant change in Kenya's political system requires a referendum.

Kenyatta's critics view the BBI as an attempt to influence who will become the country's next leader, by creating a post for himself in the position of prime minister. Critics also see the plan as part of Kenyatta's strategy to derail Ruto's plans to secure the top job after Kenyatta steps down. More broadly, sceptics say the BBI will undermine the judiciary's independence, sideline sparsely populated communities and increase the size of the government, all as the treasury struggles to reduce costs and narrow the budget deficit.

In May 2021, in a landmark ruling, the High Court in Nairobi overturned President Kenyatta's plans for the BBI, claiming the initiative was unconstitutional. The judges were heavily critical of Kenyatta, claiming he had no authority to reshape the constitution without broader consultation with parliament and society. In June 2021, Kenyatta and his legal teams appealed against this decision, but in August 2021, the Nairobi Court of Appeal rejected the case once again, reiterating that Kenyatta is not permitted to make profound alterations to the constitution.

[1] Original in Kiswahili.

The attorney general and the BBI proponents filed an appeal to the Supreme Court soon after, challenging three findings by the Court of Appeal judges, including the applicability of the basic structure doctrine, presidential immunity, and the remit of a constitutional amendment by popular initiative. The status conference for the BBI appeal at the Supreme Court took place on 9 November. The court will hear the BBI appeal case for three days from 18 January 2022. The likelihood of the Supreme Court overturning the decisions by the lower court is low, with the most significant impact of the ruling being the increased possibility of a presidential run-off in the next general election in 2022.[2] This is mainly due to the coalition possibilities that the BBI had to offer. In its absence, there is an increase in the number of candidates willing to take on the election on their own rather than in a coalition.

6.1.3 Environmental policy and commitment (strong)

Kenya's environmental roadmap is detailed in the Second National Climate Change Action Plan (NCCAP), which covers the 2018-2022 period and follows the first plan of 2013-2017. The NCCAP seeks to:

- Align climate change action with the government's Third Medium-Term Plan[3]
- Provide a framework to deliver the country's Nationally Determined Contributions (NDCs)
- Mainstream climate change in all sectors and at all government levels

The implementation of the NCCAP is based on several policy and strategy documents, including: the National Climate Change Response Strategy (2010), one of the first such documents adopted in sub-Saharan Africa; the National Adaptation Plan (2015-2030); and the National Climate Finance Policy (2017). In 2017, Kenya also launched the Green Economy Strategy and Implementation Plan (GESIP) (2016-2030) as a blueprint for achieving low-carbon, resource efficient, equitable and inclusive economic transformation. In addition, the government has enacted multiple sectoral climate change policies and initiatives covering agriculture, forests, water and droughts, energy and petroleum, transport, and waste management, as well as a climate finance policy.

Kenya has a clearly articulated enabling policy and regulatory framework and has made a moderate political commitment to mainstream climate change in all sectors and at all levels of government. This commitment has been overshadowed by other priority areas – such as infrastructure development – that generate more tangible and immediate benefits likely to resonate with voters.

As a result, climate change is not a priority within the national political agenda and does not form a core part of President Kenyatta's Big Four Agenda (B4A)[4] for economic growth, though it is highlighted as a key thematic area. The main reason for this is the president's prioritisation of more visible, and often climate change-incompatible, infrastructure and energy projects whose magnitude can resonate with the broad electorate. Case in point is the highly publicised oil and gas exploration in the remote Turkana County, as well as the Nairobi-Mombasa standard gauge railway (SGR). Despite having made several high-level commitments to climate change action, Kenyatta has also sought to push ahead with the development of the 1,050 MW

[2] The case has yet to make it to the certification stage, complicating an assessment of timelines.

[3] The main priorities in the Third Medium Term Plan are to grow manufacturing to 15% of GDP; guarantee food security; provide Universal Health Coverage, and construct 500,000 affordable housing units by 2022. Other priorities include the SDGs and the African Union's Agenda 2063.

[4] The Big Four Agenda focuses on affordable housing, food security, manufacturing and universal health coverage.

Lamu Coal Power Station[5] – Kenya and East Africa's first such project – despite announcing plans to transition to 100% green energy. This illustrates the de facto divergence between Kenya's climate ambitions and commitments, and the country's actual progress, especially when it comes to fulfilling its most basic energy security needs.

While Kenya's 47 counties have a key role to play in implementing national climate change policy, there is significant variation in their commitment to climate change action. Overall, implementation of priority adaptation and mitigation interventions have been slow – hindered by a lack of capacity, insufficient funding and technological constraints.

The establishment of County Climate Change Funds in five pilot counties under the first NCCAP – to be rolled out to a further ten counties by 2022 – has gone some way in addressing local climate change investment needs. Despite this, there is still significant variation between counties' commitments to invest in climate change interventions. For example, Makueni is mandated to invest 1% of its annual development budget, while Wajir is expected to allocate a minimum of 2% of its revenue from national government, development partners and climate finance sources.

The Kenyan government has made several high profile announcements in 2021 relating to the climate agenda. The government has updated its NDC, which now calls for a reduction of GHG emissions of 32% by 2030. The government has also pledged to spend USD 8 billion on climate adaptation measures in the next ten years, in line with international commitments. The funds will support initiatives in the fields of transport, water, energy and infrastructure. The funds will also be used for forest preservation and waste management.

6.1.4 International influence (very strong)

Kenya has been a leader in advocating for climate change action at the international level and was the first in Africa to enact climate change legislation with its 2016 Climate Change Act. The government has actively used environmental diplomacy as a pillar of its foreign policy through extensive engagement via bilateral and multilateral channels. Kenya made climate change a core part of its successful bid in June 2020 to obtain a non-permanent seat on the UN's Security Council and is an active member of the Climate Vulnerable Forum, as well as a founding member of the Vulnerable Twenty group, which represents developing nations most at risk from climate change.

The country maintains strong and positive relations with the United Nations Environment Programme (UNEP), which is hosted in Nairobi. As a result, Nairobi has emerged as a key convening point for international environmental summits, with the city hosting the UN Environment Assembly every two years. Under President Mwai Kibaki (2002-2013), Kenya lobbied for the strengthening and upgrading of UNEP, successfully pushing for it to secure regular and predictable funding from the UN budget. Despite this, Kenya's commitment to the deep integration of climate issues into its development agenda remains fickle as it can lag behind other political agendas (see section 6.2.3).

Kenya was one of the first two African countries (the other being Ghana) to deposit its instruments of ratification for the AfCFTA in 2018, demonstrating the country's leadership and commitment to the agreement. Kenya began developing its National AfCFTA Implementation strategy in 2019, which was

[5] The project has been put on hold after an environmental court determined the developer had failed to adequately consult the public and undertake a thorough impact assessment.

finalised in April 2021 with support from UNECA. In many ways, Kenya has been pioneering reforms for the eventual implementation of the agreement; the government has sought to position itself as a regional transport and logistics hub to facilitate regional trade, and is taking steps to diversify its energy mix to meet expected increased demand resulting from enhanced regional trade.

However, Kenya's ongoing efforts to secure a bilateral trade deal with the US have undermined its position as a driver of regional integration. Kenya is hoping to secure a bilateral trade deal with the US, as its benefits under the African Growth and Opportunity Act are due to expire in 2025. Regional partners and AfCFTA members argue this would discourage intra-regional trade, and that this trade model will run counter to regional economic interests. However, the Biden administration's decision to review all trade negotiations initiated under President Trump may throw these long-running negotiations into disarray.

6.2 Institutional

6.2.1 Governance and corruption (weak)

Kenya continues to grapple with corruption as an entrenched feature of its informal power dynamics, despite successive attempts to improve governance, transparency and accountability. The country currently ranks 137th out of 179 countries in Transparency International's Corruption Perceptions Index[6] and has seen little improvement in its ranking over the last decade. Likewise, the World Bank's Worldwide Governance Indicators find that there has been negligible progress since the early 2000s. Development partners consistently highlight the enduring impact of corruption on outcomes in what is perceived as an otherwise relatively progressive sub-Saharan African jurisdiction; this has implications in the climate change field too.

Kenya's poor track record on corruption has in the past led to the suspension of donor support. In 2016, the Ministry of Health was implicated in a scandal pertaining to the misappropriation of funds and irregular awarding of tenders. A total of approximately USD 50 million was suspected to have been misdirected or paid to dubious companies, one of which had familial links to the presidency. The US government subsequently suspended USD 21 million in aid to the ministry. Donors have avoided providing direct budget support to Kenya, preferring instead to channel support to specific projects and programmes which allow for closer monitoring and scrutiny of financial flows.[7]

Corruption represents a direct concern for organisations advocating on climate policy in Kenya in the form of political, reputational, integrity and operational risks. The corruption risks faced by climate philanthropists and development partners encompass procurement and tendering, financial mismanagement and misappropriation, invoicing fraud, bribery, and grantee or partner fraud. ClimateWorks Foundation should develop a comprehensive risk framework that is aligned with its operational approach to identify specific risks and devise associated risk mitigation strategies.

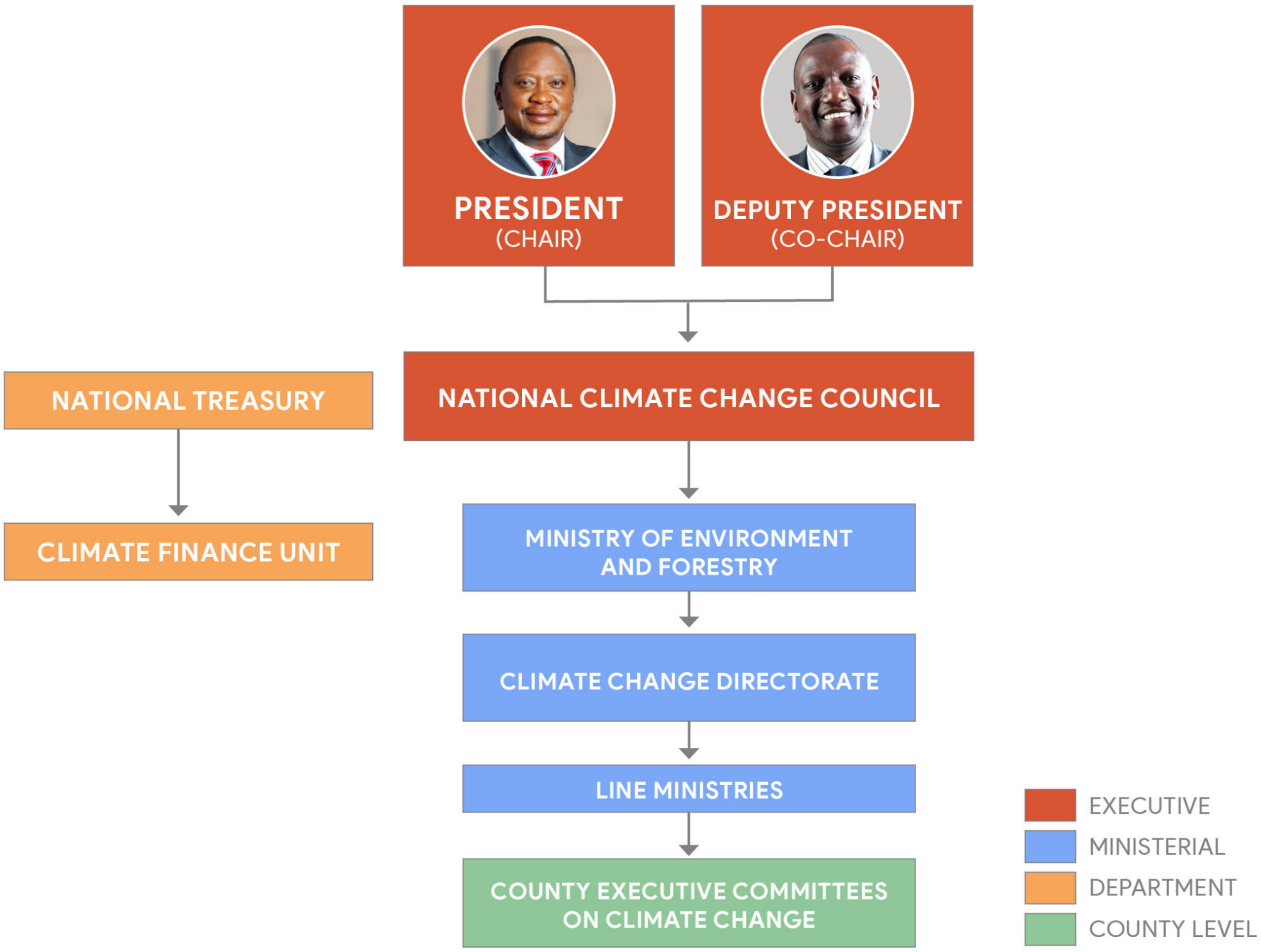
6.2.2 Environmental leadership (moderate)

With a long history of global environmental thought leadership,[8] Kenya is expected to maintain high standards for the key government stakeholders in this field. Despite this, the main government bodies charged with

[6] Number 1 denoting the country perceived to be the least corrupt.
[7] The World Bank approved a USD 1 billion direct loan to support Kenya's budget in May 2020 to shore up government finances in the context of COVID-19. This represents an exception with regard to the type of donor support.
[8] Prominent environmentalist Wangari Maathai was the first African woman to become a Nobel Peace Prize laureate.

environmental affairs have suffered from poor management and leadership in the recent past, and have also been affected by the endemic levels of corruption outlined above. Where the right leadership expertise might exist, it is likely to be constrained by the institutional environment.

The Ministry of Environment and Forestry (MEF) and the National Environment Management Authority (NEMA) house most of the stakeholders of potential relevance to ClimateWorks Foundation. Illegal logging and unregulated commercial developments are among the corruption and mismanagement issues that have recently raised concerns around the scope of the ministry's authority, as well as that of other relevant bodies such as NEMA.



- **Keriako Tobiko.** The current cabinet secretary (CS) at MEF, Tobiko is a respected leader who previously served as director of public prosecutions (DPP), one of the most highly regarded positions in Kenya's civil service. Nicknamed "the gentle moran",[9] he shied away from the limelight during his time as DPP, but sources with knowledge of the institution agreed that he was hard-working and productive in his position. A member of the Maasai community, Tobiko is known to be personally close to President Kenyatta. He is the one credited with helping swing the Maasai community vote in the 2017 election after the passing of veteran Maasai political leader William Ole Ntimama. As a result, Tobiko is highly likely to survive any cabinet reshuffles that might take place up until the end of the Kenyatta

[9] A young, unmarried Maasai warrior.

administration. After the 2022 elections, he is expected to vie for the Narok gubernatorial position in the Maasai heartland. The CS has a hostile relationship with Deputy President Ruto, and these tensions might play out in a potential post-2022 Ruto presidency.

Tobiko was appointed CS in a bid to resolve human-wildlife land issues that had caused friction between the Maasai community and authorities. While he might have had relative success in doing so, he has failed to address other pressing concerns, such as the encroachment of private developers on national parks. Together with Tourism CS Najib Balala, he is perceived as not having performed well in addressing some of the mismanagement issues in his docket so far; this has cost him a degree of broader political influence.

- **Chris Kiptoo.** The ministry's permanent secretary (PS) belongs to Kenya's most elite political pedigree – his father was close to former President Daniel arap Moi (1978-2002). An economist, Kiptoo is seen as internationally astute and capable, having previously worked for the Central Bank of Kenya (CBK) and served as a PS in the Ministry of Trade. He is committed to various development projects in Kenya, while also serving as the chair of the Kenya's National Trade Negotiations Committee (NTNC), where he leads government negotiations on various platforms. These include the Tripartite Free Trade Area (TFTA) and the recently concluded African Continental Free Trade Area (AfCFTA), among others. Before his current appointment, Kiptoo worked for three years at TradeMark East Africa – a regional development partner-funded trade facilitation organisation – as the Kenya country director. His main responsibility was to manage and monitor regional trade, infrastructure development, modern customs systems, and institutional development of government agencies.

- **Pacifica Ogola.** The current director in the climate change department of MEF, Ogola is a respected technocrat who has been in this position for four years. Prior to that, she spent a decade at the Kenya Electricity Generating Company (KenGen). There, she was in charge of climate change mitigation and renewable energy projects, with a specific focus on hydropower and geothermal energy. She holds a PhD in Environmental Science from the University of Iceland.

- **Mamo Mamo.** Following a highly publicised scandal involving NEMA's former head, Geoffrey Wahun,[10] in July 2019, the body appointed Mamo as its acting director general. He was later confirmed as director general by the Board in August 2020. A technocrat who has spent most of his career at NEMA, Mamo was previously the agency's deputy director in charge of environmental education and public participation. Upon his appointment at the helm of the agency, he led a few campaigns against non-compliant businesses, but his clout does not appear to have increased since. The temporary nature of his position precludes the immediate consolidation of his authority; at this stage it is unclear whether his appointment will be confirmed.

6.2.3 Reform commitment and budgetary prioritisation (moderate)

The enactment of Kenya's Climate Change Act in 2016 after years of political negotiation – and a veto by former President Kibaki in 2013 despite parliament voting in its favour – was widely seen as a game changer. There has been a significant uptick in the number of climate-related, as well as associated sectoral, policies

[10] Wahungu is facing charges in the KES 63 billion (USD 600 million) dams scandal that saw the former Treasury CS, Henry Rotich, step down. Specifically, Wahungu is accused of having overseen the irregular issuance of environmental assessment approvals without the requisite feasibility study for the Kimwarer dam.

that have been launched or revised over the course of the last five years, providing clear evidence of the government's reform commitment.

This has not been matched with a commensurate increase in budgetary allocation to climate change-relevant priority areas. The sub-programmes in the 2017-2019 programme-based budget[11] that were identified as playing a major role in contributing to Kenya's implementation of its NDC commitment were: forest conservation and management; geothermal generation; rural electrification; lands and crop development; urban development and planning, among others. Planned expenditure in these areas over the 2017-2020 period was largely flat or declining slightly, with geothermal generation being the only sub-programme seeing a significant increase in its allocation.

The current NCCAP is budgeted to cost USD 17 billion over the 2018-2023 period. Historically, Kenya has suffered from low budget execution rates. While the first NCCAP was estimated to cost USD 12.7 billion over the 2013-2017 period, Kenya only spent USD 528 million as climate-relevant expenditure in the three years between 2011-2014, according to the most recent Climate Public Expenditure and Budget Review from 2016.

While the two NCCAPs have provided ambitious frameworks for the country's climate-smart development, Kenya's capacity – both in terms of mobilising the necessary financial resources and implementing programmes and projects – falls short of what is needed to execute the country's climate aspirations. In addition, the current levels of climate financing fall short of what is needed to effectively address the country's climate risks. As outlined in Kenya's NDC to the UNFCCC, an estimated USD 40 billion is required for mitigation and adaptation actions across sectors between 2015 and 2030.

6.2.4 Structural capacity (moderate)

At a national level, the MEF and its Climate Change Directorate, as well as the National Climate Change Council (NCCC), are the key institutions responsible for coordinating and delivering climate change action as defined by the NCCAP. The National Treasury also plays a key role with regard to climate finance, an increasingly important area.

Our assessment is that their capacity to coordinate effectively is lacking, while the NCCC is yet to become operational. There is also significant scope for improvement in Kenya's climate finance coordination function. The National Treasury's climate finance tracking system, for instance, does not include funds from development partners or NGOs, leading to coordination gaps. Likewise, some multilateral support is channelled via the National Treasury, while NEMA is the focus point for other sources, with this leading to a duplication of efforts and reduced efficiency.

- **National Climate Change Council (NCCC)**. The NCCC is chaired by the president and co-chaired by the deputy president – two actors who are currently hostile to each other on the broader political stage. Despite its formalisation in 2016 and appointment of its members, the NCCC is yet to be operationalised and the body has not yet been convened due to political barriers. Our sources agree that the NCCC is not a priority for President Kenyatta, with a result that the Council lacks high-level leadership, particularly with regard to the implementation of the NCCAP and the launch of the Climate Change Fund.[12]

[11] Covering the 2017/18 to 2019/20 phase.
[12] Once established, government departments and ministries would allocate a portion of their budget to the fund for climate change activities.

- **Climate Change Directorate (CCD)**. The CCD sits under the MEF and is responsible for coordinating the implementation of the NCCAP, including coordination of climate change actions and related measurement, monitoring and reporting. The directorate is also responsible for coordinating Kenya's adherence to international obligations that include reporting on NDCs and the country's GHC inventory. As outlined in the Climate Change Act, the CCD acts as the secretariat to the NCCC, also providing technical support to other stakeholders, including ministries, government agencies and county governments. Despite its wide-ranging mandate and central role, the CCD faces significant capacity constraints in terms of human resources and facilities, relying largely on support from development partners. Our research indicates that the CCD has not had a strong impact on decision-making within the government.

- **National Treasury**. The National Treasury is designated by the Climate Change Act as the lead body coordinating climate finance activities and as the National Designated Authority for the Green Climate Fund[13] and Climate Investment Funds. The ministry includes a specialised Climate Finance Unit established in 2018, a key step in ensuring the transparency and accountability of climate funds drawn from international and domestic sources. The unit is seen as being capable, having made progress in several key areas, including draft regulations for the Climate Change Fund and the development of a green bond framework, as well as mobilised funds from the GCF amounting to USD 500 million between 2016 and 2019.

- **Ministries, departments and agencies (MDAs)**. Kenya's climate change legislation stipulates that state bodies should establish dedicated climate change units to mainstream climate change action. While the vast majority of institutions have complied with these requirements, the influence of climate change units and their appointed heads tends to be limited, with decision-making power residing elsewhere. Moreover, while the CCD is mandated to provide technical support to MDAs and counties, the directorates' own structural and capacity constraints have largely prevented it from fulfilling this role at scale.

- **Sub-national level**. At the sub-national level, counties are the main implementing agents for many of the priority actions identified under the NCCAP, principally in terms of adaptation (largely focused on disaster management, food and nutrition security, and water), but also in terms of mitigation (most notably in the forestry, manufacturing, and energy and transport sectors). County governments have a key role to play in mainstreaming climate change action. Their capacity to implement these interventions is variable but tends to be limited due to the fact that Kenya's devolution exercise is still in progress, in addition to scarce resources at county level and more pressing priorities such as food security. Similarly, counties also face major technical barriers in establishing County Climate Finance Units and County Climate Change Funds. As such, strengthening the capacity of County Executive Committee members responsible for climate change and officials assigned to each county's climate change unit is a key priority under the current NCCAP.

[13] NEMA has been accredited as the implementing entity to the GCF and the Adaptation Fund.

6.2.5 Donor and development partners' support (very strong)

The Kenyan government has been successful in using climate policy reforms to signal to potential donors the country's priorities in order to attract funding. Kenya was the top recipient of philanthropic climate funding in 2016-2017 in Africa, securing USD 15 million in commitments.

Development partners have proven highly receptive to Kenya's efforts to mainstream climate action, disbursing significant climate finance over the last decade. Between 2010 and 2018, the country mobilised USD 1.26 billion in climate finance from bilateral donors, led by Japan, France and Germany – USD 828 million for mitigation only, USD 281 million for adaptation only and USD 150 million for mitigation and adaptation.

Kenya has also proven adept at securing commitments from multilateral donors for adaptation (led by IFAD with a USD 73 million commitment over this period) and mitigation (led by Climate Investment Funds and GEF with USD 38 million and USD 11 million commitments, respectively). The World Bank has also provided substantial support, most recently with a USD 200 million credit to assist the country in managing the impact of climate and disaster risks. During COP26, the World Bank approved an additional USD 150 million credit for climate projects specifically targeted at boosting resilience against climate change in rural communities.

Kenya is also well positioned to mobilise climate finance from international capital markets, following the successful close of the country's first corporate green bond in October 2019. The launch of the USD 42.5 million bond, used by a Kenyan property developer to build environmentally-friendly student housing in Nairobi, has cemented the country's reputation as a financial innovator and will bolster its chances of issuing its first green sovereign bond in this financial year.

Public spending that flows through the government system should be captured in the national budget, which operates a centralised system (IFMIS). We found that xpenditure that is allocated through other channels is not consistently captured.

International influencers

The UK has historically been Kenya's closest trading partner. The UK is now seeking to consolidate its commercial ties in Kenya and in August 2021, launched the Nairobi International Financial Centre to help channel increased investment from the UK to Kenya. However, UK-Kenya relations have taken a sour turn since incumbent President Kenyatta was sworn in. The UK has accused Kenya of seeking out trade, loan and infrastructure deals with China, and of cosying up to the US, without consulting its UK partners. This dynamic is driving a wedge between UK and Kenyan decision makers, with the latter accusing the former of neocolonial meddling.

In truth, the US and China are now gradually displacing the UK's historical influence in Kenya. The US is becoming increasingly embedded in the country as it supports the fight against al-Shabaab and invests in the healthcare and development spheres. President Biden is also in talks with Kenya over a bilateral trade deal. In April 2021, China also pledged to enhance bilateral relations with Kenya around infrastructure and agricultural exports. Kenya is also home to a sizable Indian diaspora, which is serving as the basis for deepening bilateral ties. India is now seeking to push a more transparent and inclusive development model on the continent, and views Kenya as a key gateway to expansion in Africa.

Historically, trade relations between Kenya and the UK were guided under the framework of EU Market Access Regulation, with negotiations underway to formalise an Economic Partnership Agreement between the

East African Community Partner States and the European Community and its Member States (EAC-EU EPA). The promised EPA has not materialised; however, Kenya has been afforded duty-free and quota-free access for trade in goods to European markets under the everything-but-arms scheme. Brexit threatened to disrupt trade with the UK, but a bilateral trade agreement was signed to roll over existing terms, ensuring that the UK remains a key trading partner.

6.2.6 Dialogue with non-government actors (very strong)

Kenya's government has largely been receptive to input from non-government actors. The climate change actions detailed in the current NCCAP were identified following extensive, iterative consultations with over 1,000 stakeholders from across government, civil society, the private sector and development partners. The Kenya Climate Change Working Group – a network of civil society organisations and development partners – has been a particularly well organised and influential advocacy platform with a strong influence on policy. In the business sphere, the prominent Kenya Private Sector Alliance (KEPSA) has played a key role in disseminating information to its members and seeking their input during government consultations.

Stakeholder engagement in certain sectors and related to specific projects has been haphazard and tends to privilege vested interests. In the energy sector, for instance, the government has clearly favoured private sector interests – seen most prominently through its approach to the controversial Lamu Coal Power Station – while sidelining the concerns of civil society organisations and/or local communities, particularly in instances of large developments that require resettlement. In turn, these actors have launched grassroots mobilisation campaigns and threatened legal action, particularly to voice opposition to specific projects.

Kenya is heavily dependent on rain-fed agriculture and therefore there is general awareness of changes in weather patterns. Studies have shown that Kenyans are generally unaware of the global climate change discourse but are concerned about food insecurity and recurrent droughts and floods in the country.

6.2.7 Non-government influencers

Kenya Climate Change Working Group (KCCWG)

KCCWG is a consortium of over 300 climate change-oriented organisations which aims to advocate for climate-friendly policies and initiatives in Kenya and broader East Africa. Formed in 2009, KCCWG convenes key climate change stakeholders within the region and internationally to identify key policy gaps and develop recommendations for improved climate frameworks. Specifically, KCCWG aims to enhance advocacy efforts in the region by identifying synergies among these stakeholders and forming a united front in approaching decision makers. KCCWG's National Steering Committee in Kenya is in charge of all fundraising activities, and coordinates all advocacy efforts, liaising directly with government stakeholders and international donors.

KCCWG is considered one of the most influential climate-related non-governmental bodies in Kenya, and is deeply involved in advocacy work. The consortium regularly holds "Climate Hearings", which convene local communities, grassroots organisations and local and central government representatives, to discuss policy formulation. KCCWG can be approached directly via its National Steering Committee.

Kenyan Institute for Public Policy Research and Analysis (KIPPRA)

KIPPRA is an autonomous think tank that was established in May 1997. KIPPRA aims to provide high-quality public policy advice to the Kenyan government and key stakeholders on a variety of public policy issues by conducting expert research. KIPPRA has historically been closely involved in several climate-related projects in Kenya, including advising on the Menengai Development Geothermal Project, and on the Scaling Up Renewable Energy in Low-Income Countries Programme (SREP). For the latter, KIPPRA provided crucial contextual information on Kenya's energy consumption, the support for renewable energy across the population and the challenges faced in the renewables market as part of the process of designing the SREP national investment plan.

KIPPRA has also served as part of a government-CSO joint consultative group in Kenya which has advised the ministry of energy in Kenya on the adoption of renewable energy – this group comprised KIPPRA, the National Environment Management Authority, KEPSA, and the National Task Force on Accelerated Development of Clean Energy. KIPPRA therefore has considerable clout to influence government thinking on climate issues.

Institute for Law and Environmental Governance (ILEG)

ILEG is an independent, non-profit public interest law and policy organisation focused on promoting sustainable development. Established in 2002, ILEG works primarily in Kenya and broader East Africa, but the organisation has global reach, working closely with key international climate stakeholders. ILEG works closely with local communities, national and county governments, the private sector and civil society to promote fair and sustainable development policies. It achieves this through a combination of research, capacity building, policy advocacy and litigation.

ILEG has developed strong ties with key decision makers in the Kenyan government and judiciary. The organisation has developed a series of training courses for Kenyan judges and magistrates on the issue of land management and other environmental matters, and has served as the key implementing partner in Kenya for the German-funded Vertical Integration and Learning for Low Emission Development in Africa and Asia project (V-LED). As part of the project, ILEG has hosted a series of good practice workshops on local climate action, which convened county governments and CSOs.

6.2.8 COVID-19 impact (challenging)

The COVID-19 pandemic has interrupted the strong economic growth trajectory Kenya has enjoyed since 2010. Kenya posted 5.4% GDP growth in 2019, but experienced a 0.1% contraction in 2020, according to the IMF, which expects Kenya's economy to rebound with 7.6% growth this year, slowing to 5.7% in 2022. Nevertheless, the pandemic-induced economic slowdown has major implications for Kenya's public finances, notably in terms of its ability to service public debt and mobilise resources towards developmental and climate change priorities. Indeed, mounting debt and constrained fiscal space forced the government to request support from the IMF, with Kenya securing a USD 2.34 billion three-year programme in April 2021. This will help to address balance of payments challenges, but will require the Kenyan authorities to reduce expenditure, raise taxes and reform state-owned enterprises under the supervision of the Fund.

The National Treasury has put forward a 2020/2021 budget worth KES 2.79 trillion (USD 26.2 billion) in response to the pandemic – an overly optimistic one that does not sufficiently take into account global macroeconomic realities. Kenya will face difficult choices as to how it prioritises declining resources at a time of growing need. Against this backdrop, climate action will continue to be secondary relative to more pressing issues, including shoring up the healthcare system, ensuring food security and protecting the private sector.

Climate change was barely addressed in the 2020/21 budget speech,[14] with the CS only highlighting Kenya's planned issuance of a sovereign green bond, the Kenya Climate Smart Agriculture Project and the programme to launch climate finance at the sub-national level.[15] Similarly, climate change does not feature in the KES 53.7 billion (USD 503 million) stimulus package that was announced in late May 2020. In June 2020, the government also proposed revoking tax exemptions on specialised equipment and raw materials for the solar and wind power industry, partly as a means of raising revenue, but also following pressure from the IMF, which has taken aim at Kenya's generous tax exemptions.

6.3 Sectoral

KENYA
SECTOR OPPORTUNITIES & RISKS

Sector	Opportunities	Risks
Urbanisation	• Affordable housing part of President Kenyatta's flagship Big Four Agenda (B4A) • Green Economy Strategy • Promotion of eco-friendly building certificates • First green bond issued in January 2020 • CITIC Africa construction platform	• Patchy B4A implementation • Shortfall in revenues • Construction sector hit heavily by COVID-19
Electrification	• 2019 Energy and Kenya National Electrification Strategy • Emphasis on wind and geothermal • USD 1.4 billion investment in clean energy sector	• Last mile connectivity poor • KPLC inefficiencies • Sector-specific theft and corruption remain commonplace
Industrialisation	• Manufacturing part of the B4A, priority area for the NCCAP • KAM's Centre of Energy Efficiency and Conservation • Special economic zones, Greening Kenya Industrial Zones	• High tax burden • Lack of access to capital, automation and technology • Shortage of skilled labour • Operational inefficiencies • Little progress in last 20 years
Land use change	• Climate Smart Agriculture Strategy co-funded by the World Bank • Draft National Livestock Policy • Droughts, floods, locust invasions highlight importance of mitigation • Forestry sub-sector mitigation potential	• Lack of coordination between national and local government • Politicisation of land and corruption in land management • Over-reliance on woodfuel • Weak forest governance
Oil and gas	• Lokichar project appears to have stalled	• Heated pipeline from Lokichar to Mombasa would raise emissions

6.3.1 Urbanisation (moderate)

The pace of urbanisation in Kenya, coupled with the country's young population, is putting significant pressure on housing. With approximately 75% of the population under 35 years of age, Kenya is urbanising at a rate of 4.3% annually. Almost a third of the country's residents live in urban areas and this figure is set to double by 2050. Cities are thus facing a pronounced housing shortage, estimated to be around 200,000 units annually and set to rise by 50% per year; meanwhile, only 50,000 new residential units are constructed every year. With a cumulative housing deficit of 2 million units, 61% of urban households are in informal settlements.

[14] The 30 page speech makes only six references to climate change.
[15] With initial funding of KES 100 million (USD 1 million).

To address this, Kenya's Vision 2030 agenda and its Green Economy Strategy and Implementation Plan support the use of green building materials, presenting an opportunity for low-carbon construction. The current administration's B4A also provides for the construction of 500,000 low-income household units by 2022, an objective aligned with both Vision 2030 and the SDGs. Its implementation so far – as detailed in the image overleaf – has been patchy.

Kenya's Green Building Society is also promoting Edge, LEED and other eco-friendly certifications, while in January 2020, UK real estate developer Acorn Holdings and PE fund Helios issued the country's aforementioned first green bond, raising KES 4.3 billion (USD 40.4 million). The bond will finance sustainable and climate-resilient student accommodation – the target is to build 3,800 student hostel units in Nairobi.

Another potential opportunity can be found in the newly established CITIC Africa construction platform. In May 2020, the International Finance Corporation (IFC) and China's CITIC Construction launched a USD 300 million investment platform – CITIC Africa. It will look for partnerships with local housing developers in Kenya, Rwanda and Nigeria, and provide long-term capital to develop 30,000 homes over the next five years.

Despite these advancements, the construction and real estate sectors – which contribute 12.4% of Kenya's GDP and are estimated to grow at approximately 9% annually – have been heavily hit by COVID-19. The housing pillar of B4A in particular is set to suffer following a shortfall in revenue collections by USD 658 million, alongside significantly increased spending in the healthcare sector. Even prior to COVID-19, there were concerns around the feasibility of the government's objectives under the affordable housing pillar.

6.3.2 Electrification (very strong)

Electrification could represent a tangible opportunity in Kenya, which has established an enabling environment to promote clean power and has accelerated its clean energy transition. The 2019 Energy Act[16] aims for Kenya to achieve its goal of universal access to electricity by 2022[17] and energy by 2030, while reducing carbon emissions. Kenya has made great progress and has increased electricity access over the last few years, from 2.3 million connections in 2013 to 8.2 million by the end of April 2021, thereby achieving an electricity access rate of over 75%. In addition to the act, the Kenya National Electrification Strategy, jointly developed with the World Bank, provides a roadmap to achieving universal electricity access by 2022. The energy security imperative, in addition to decarbonisation, is a driving factor behind these commitments.

Kenya has made some progress in terms of expanding access to clean electricity. It is home to the Lake Turkana Wind Power Station – Africa's largest wind power facility – which produces over 300MW of low-cost renewable energy for Kenya's national grid, equivalent to 17% of the country's installed capacity. Kenya has also emerged as a global powerhouse in geothermal generation. Its current developed capacity stands at 860 MWe, while the country has a potential of about 10,000 MWe. Kenya is seeking to increase its capacity to 5,530 MWe as part of its Vision 2030 long-term development blueprint. This number is unlikely to be feasible – an estimate of approximately 2,000 MWe is more realistic, according to our research.[18]

[16] The act created clarity by delineating the functions of the national and devolved levels of government. It also saw the formation of the Rural Electrification and Renewable Energy Corporation (REREC), which has an expanded mandate to increase rural electrification and promote renewable energy, as well as to take part in policy formulation and R&D.
[17] Up from 75% currently.
[18] Refer, for example, to the Least Cost Power Development Plan 2017-2037.

This significant potential in the renewables sector, combined with a relatively stable political and operating environment, has meant that the country has successfully mobilised international investment to develop the sector. In 2018, Kenya was the top destination in Africa – and among the top 10 globally – after attracting USD 1.4 billion in investments in the clean energy sector. The majority of this financing has come with the support of development finance institutions or international guarantees to improve the risk profile of investments. The country is ranked fifth globally in Bloomberg New Energy Finance's Climatescope index, which measures investments and opportunities in clean energy, and is likely to reach its target of 100% clean energy by 2030, with geothermal making a growing contribution to the energy mix.

Despite this, the government's commitment to clean energy can waver, mostly as a result of vested interests. For example, even though the Energy and Petroleum Regulatory Authority (EPRA) concluded in 2019 that the aforementioned Lamu coal plant would be "grossly underutilised should demand grow moderately" and cause electricity prices to "rise rapidly to reach KES 16.86/kWh by the year 2024," the project was greenlighted. In 2018, a Kenyan court suspended the project, sending the dispute back to an environmental tribunal. The project is still in limbo with the court ruling to revoke the environmental licence in September 2021. In addition to this, the financiers of the project recently issued a new lending policy that severely restricts their participation in coal energy ventures following the agreements made during the United Nations Climate Change Conference (COP26).

Kenya has also been gradually rolling back its reliance on thermal power by allowing power purchase agreements to lapse as they expire. National power utility KenGen is studying the feasibility of reconfiguring existing thermal power plants in order to replace polluting heavy fuel oil with cleaner Liquefied Natural Gas (LNG). Thermal facilities currently account for about 7% of Kenya's grid load, according to the energy ministry.

Kenya also faces major challenges in terms of last-mile connectivity, grid system vitality, cost recovery, blackouts, as well as long-standing issues at Kenya Power and Lighting Company (KPLC), the state-owned utility company which transmits, distributes and retails electricity to customers. We understand a number of power purchase agreements (PPAs) signed between independent power producers and Kenya Power are in the process of being renegotiated in light of COVID-19 and owing to cash-flow issues. KPLC suffers from major operational inefficiencies and is seeking to adjust the PPAs to buy only the power it sells, as opposed to all power generated.

The sector has also been plagued by widespread theft and corruption, leading to losses and extra costs which push up the price of power and are borne by consumers. In 2018, prosecutors launched a major anti-corruption crackdown targeting the utility's leadership, including the then CEO who was charged alongside his predecessor and 19 officials with abuse of office.

6.3.3 Industrialisation (weak)

Manufacturing also features as a priority area in the NCCAP, specifically in terms of improving energy and resource efficiency. It has been a government priority since President Moi's 1995 Industrial Transformation Strategy. While President Kenyatta has made manufacturing a core pillar of the B4A (see overleaf),[19] the sector has suffered from major setbacks and there has been little progress over the last 20 years.

[19] Kenya aims to grow the share of its manufacturing sector from 8.4% to 15% between 2018 and 2022.

On top of a lack of access to capital, automation and technology, as well as a shortage of skilled labour, the sector has been hampered by a high tax burden, high energy costs and an unreliable supply of electricity. As a result of these dynamics, manufacturers have largely adopted short-term views, and have under-invested in modern, high-cost, climate-smart technologies, instead focusing their efforts on remaining profitable. Additionally, frequent droughts in recent years have had a strong impact on the supply of raw agricultural materials needed to achieve value-add transformation. The sector also suffers from operational inefficiencies, with close to half of manufacturing companies operating at half capacity and only a fifth at full capacity.

Government intervention to support the development of the manufacturing sector has focused on reducing the cost of business through targeted tax interventions – for instance, by reducing fees on imported raw materials and increasing duty on manufactured goods imports. While the current NCCAP contains several priority actions related to improved energy, water and resource efficiency, as well as optimised manufacturing production processes, the government has done little to incentivise progress in these areas.

Companies are thus driven by minimum compliance requirements and are expected to take voluntary initiative. The Kenya Association of Manufacturers (KAM), a private sector group, has played a key role in this regard by championing energy efficiency initiatives among its members, notably by establishing the Centre of Energy Efficiency and Conservation.

Kenya's planned special economic zones and industrial parks – which have been in the pipeline for several years – will have an important role to play in growing the manufacturing sector and accelerating its transition to low-carbon and climate-resilient development. The government has recognised that its industrial zones strategy does not adequately reflect the need to build climate change considerations into investment decisions and has identified key political, institutional, technical and operational barriers as part of the Greening Kenya Industrial Zones project it submitted to the Green Climate Fund (GCF) in 2017. The proposed project seeks to establish the enabling environment and facilitate ongoing investment for low carbon and climate resilient industrialisation focusing on waste, energy, transport and water. As of September 2021, the USD 45 million project – of which the GCF would provide USD 25 million – is awaiting consideration by the GCF board.

6.3.4 Land use change (strong)

Agriculture[20] is the largest source of greenhouse gas emissions in Kenya, driven primarily by livestock emissions, which account for approximately 90% of agriculture emissions and 40% of total national emissions in 2015, up from 30% in 2010. The implementation of the Climate Smart Agriculture Strategy (2017-2026) is the main tool to achieve Kenya's NDC contribution for the agriculture sector, focusing on building resilience, minimising greenhouse gas emissions and enhancing food security. The Draft National Livestock Policy (2019) also aims for climate-resilient and lower-emitting livestock.

- **Livestock sub-sector.** To date, there has been relatively little research on or adoption of climate-smart techniques to reduce emissions in the livestock sub-sector, with the majority of programmes and projects led by the Ministry of Agriculture, Livestock and Fisheries having focused on ensuring short-term food security by buying maize, supporting small-holder farmers, subsidising inputs and improving irrigation. Likewise, the Kenya Climate Smart Agriculture Strategy, co-funded by the World

[20] The sector is central to Kenya's economy, accounting for approximately 30% of GDP and 75% of overall employment, supporting over 80% of households in rural areas..

Bank, has primarily focused on building resilience in the sector, with the main drive being towards adaptation rather than mitigation. This has been compounded by a strong focus on diverting resources to alleviate the impact of droughts, floods or locust invasions. Additionally, mitigation action in the livestock sub-sector has suffered from a lack of coordination between various actors operating at the national and devolved levels.

- **Forestry sub-sector.** This sub-sector also has significant potential to help Kenya meet its mitigation NDC. According to the current NCCAP, the sub-sector represents the single largest mitigation potential, specifically in terms of reforesting degraded and deforested lands. Agroforestry is also identified as having significant mitigation potential. Increasing forest cover to 10% of total land area – up from 7.6% currently – is a goal detailed in Kenya's constitution and the country has made gradual progress towards this as part of its ambition to plant 1.8 billion trees between 2018 and 2022.[21]

  Increasing forest cover, by improving distribution and affordability of seeds and seedlings and protecting existing forests, requires greater collaboration and coordination between relevant institutions, including the Kenya Forestry Service, county governments and forestry research institutes. Greater participation at the local level and by the private sector could also be harnessed to accelerate forest cover. Progress in the sub-sector is also hampered by an overreliance on woodfuel – associated with deforestation and forest degradation – and a lack of investment in alternative sources of energy for cooking and lighting. Weak forest governance and poor management of community, public and private forests are also persistent challenges.

In November 2021, Kenya joined 132 other nations participating in the COP26 conference in signing the Glasgow Leaders' Declaration on Forests and Land Use, indicating continued commitment to address these issues.[22]

6.3.5 Oil and gas (moderate)

Kenya briefly became a petroleum exporter in August 2019 as a result of Tullow's Early Oil Pilot scheme, which trucked crude from onshore fields in Lokichar to the Port of Mombasa. Tullow suspended the scheme in Q4 2019, in the face of financial difficulties, after having exported only one cargo of 240,000 barrels of crude. The company subsequently declared force majeure on its Kenyan operations in May 2020 following the onset of the COVID-19 pandemic.

Tullow and its joint venture partners TotalEnergies and Africa Oil have redesigned the project in the light of the pandemic and are seeking USD 3.4 billion of investment to exploit some 585 million barrels of oil. Of this sum, USD 1.4 billion will go towards the construction of a crude oil pipeline, running from Lokichar to the Port of Lamu. The "waxy" nature of Kenyan crude means that the 821km pipeline would need to be continually heated and pumped en route to the coast. This would require energy to be expended, likely generating additional emissions by burning gas – although Tullow has not ruled out connecting to Kenya's national grid. The means by which power is provided to the pipeline offers scope for engagement by organisations advocating on climate policy.

[21] As detailed in the 2019 National Strategy for Achieving and Maintaining Over 10% Tree Cover by 2022.
[22] Glasgow Leaders' Declaration on Forest and Land Use 2021

Environmental and social impact assessments will need to be undertaken before the pipeline can be built. Officials have given Tullow and its partners until 31 December 2021 to submit a full field development plan. However, both Tullow and TotalEnergies are looking to materially dilute their stakes in the project, requiring the joint venture to find a new strategic partner. Meanwhile, the state-owned national oil company is planning to issue USD 1 billion of debt to finance its own participation in the project, reflecting the government's continued desire to establish Kenya as an oil producer.

The main point of interest on the political front has been a tussle over revenue sharing. This concerns how revenue will be distributed between the national government and Turkana County. The latest agreement is that Turkana accepted a 5% share for the locals (down from a proposed 10% share) and 20% for the County government. The remaining 75% is to go to the National Treasury. This deal provides the project with greater local backing. Political support for the project, both at a national level and the county level is unlikely to change given its potential economic benefits. President Kenyatta has been a key supporter of the project and it is highly unlikely that his successor would deviate from these plans.

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