

**REPUBLIC OF KENYA**



**MINISTRY OF ENVIRONMENT AND MINERAL RESOURCES**

**REQUEST FOR TECHNICAL AND FINANCIAL PROPOSALS**

**NATIONAL CLIMATE CHANGE RESPONSE STRATEGY – ACTION PLAN**

**SUBCOMPONENT 8:  
IN RESPECT OF THE PROVISION OF CONSULTANCY SERVICES  
FOR DESIGNING A NATIONAL CLIMATE CHANGE FINANCIAL MECHANISM**

**February 2011**

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## TERMS OF REFERENCE

### 1 Background

Climate change impacts threaten to adversely affect economic growth in Kenya, and endanger Kenya becoming a prosperous country with a high quality of life for all its citizens. The cumulative impacts of climate change over the next two or three decades have the potential to reverse much of the progress made towards the attainment of the Millennium Development Goals (MDGs) and Vision 2030.

Climate change poses a serious challenge to Kenya's social and economic development. This change will lead to major challenges in the economy, human life and on the environment. Kenya is most vulnerable to climate change since the key drivers of the economy (agriculture, livestock, tourism, forestry, and fisheries) are climate-sensitive. Coupled with the country's low adaptive capacity to climate change, the country experiences a high level of vulnerability.

In order to enhance investment that aims to reduce vulnerability and build resilience of the society, and in line with the provisions of the United Nations Framework Convention on Climate Change (UNFCCC) and its implementing instrument – the Kyoto Protocol, the Government of Kenya launched the National Climate Change Response Strategy (NCCRS).

The Government of Kenya with support from the Common Market for Eastern and Southern Africa (COMESA), Climate and Development Knowledge Network (CDKN), The UK Department for International Development (DFID), The French Development Agency (AFD) and other development partners is desirous of putting in place mechanisms to enhance the implementation of the NCCRS. In this regard, GoK intends to develop a comprehensive Climate Change Action Plan.

The Action Plan has eight subcomponents which are not only distinct but are also closely linked and interrelated. The subcomponents are:

- (i) **Subcomponent 1: Long-term National Low Carbon Development Pathway.** This is designed to facilitate reflection and/or mainstreaming of climate change aspects in the country's Vision 2030 and its Medium Term Plans (MTP). It also seeks to identify key elements of the country's low-carbon and climate resilient growth.
- (ii) **Subcomponent 2: Enabling Policy and Regulatory Framework.** This aims to review international, regional and national policy and legislative instruments relating to climate change with a view of developing a policy and /or legislative framework that promotes coherence, coordination and cooperative governance of climate change issues at the national and county levels.
- (iii) **Subcomponent 3: National Adaptation Plan.** Recognizing that adaptation is a priority, this sub-component aims to identify priority immediate, medium and long-term adaptation actions in order to develop a National Adaptation Plan.
- (iv) **Subcomponent 4: Nationally Appropriate Mitigations Actions (NAMAs).** On the understanding that NAMAs are to be undertaken in the context of sustainable development, this sub-component is designed to identify and prioritize NAMAs that need to be internationally supported and enabled through technology development and transfer, financing and capacity building. In addition, the protection of forests is essential for reducing emissions from deforestation, this sub component

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will also address reduced emissions from deforestation and forest degradation – plus (REDD+) readiness activities as well as opportunities presented by compliance and voluntary markets.

- (v) **Subcomponent 5: Research and Development and Technology Transfer.** It is widely recognized that technology development and transfer is essential to support adaptation and mitigation efforts. This subcomponent focuses on facilitating technology needs assessment with a view of developing a National Technology Plan that incorporates setting-up of technology innovation centres.
- (vi) **Subcomponent 6: National Performance and Benefit Measurement.** The target is to develop national climate change monitoring, reporting and verification guidelines and performance indicators.
- (vii) **Subcomponent 7: Knowledge Management and Capacity Development.** Information on climate is critical in informing the design of appropriate adaptation and mitigation actions, support planning and choice of strategies including assessment of risk and early warning systems. Capacity development of institutions involved in the planning and management of responses in vulnerable sectors is one of the most pressing climate change need in the country. This subcomponent will address issues relating to institutional and technical capacity strengths and needs of the various actors ranging from government, private sector, civil society and communities. It also encompasses education, training, public awareness and networking.
- (viii) **Subcomponent 8: Finance.** This subcomponent aims to position the country to access finances from the various sources by developing an innovative financial mechanism that includes a climate fund, investment strategy/framework and carbon trading platform. Also, identify tools and incentives that would enhance private sector investments in opportunities associated with climate change.

Each of these subcomponents will be undertaken as separate consultancies within the broad framework of developing a Coherent Comprehensive National Climate Change Action Plan **coordinated by the Ministry of Environment and Mineral Resources working in collaboration with the relevant line ministries.** In this regard, the Ministry of Environment and Mineral Resources which is mandated to coordinate overall climate change issues will be the lead agency supported by an Inter-ministerial Task Force comprising of Office of the Prime Minister, Ministry of Finance, Ministry of National Planning and Vision 2030, Ministry of Northern Kenya and ASALs, Ministry of Agriculture and Vision 2030 Delivery Secretariat. At the technical level, there will be 9 thematic working groups based on MTEF to provide the technical support to the process. Therefore, these terms of reference are in respect of **Subcomponent 8: Finance.**

## 2 Objectives of the Assignment

The main objective of the consultancy is to design an innovative national climate change financial mechanism. The resultant financial mechanism must cover the following key elements:

- (i) Fund set-up and management
- (ii) Investment strategy/framework
- (iii) Eligibility criteria
- (iv) Co-ordinated carbon trading platform
- (v) Capacity development and resource mobilization plan

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### 3. Scope of Work

The consultancy will follow a two-stage approach: Stage 1 will involve reviews and the development of a framework for Kenya's Climate Change Financial Mechanism. Stage 2 will have a specific focus on the design of the financial mechanism with a focus at national with recommendations as to how it will deliver at the county levels.

#### ***Stage 1: Tasks to be performed under Stage 1***

The tasks to be performed under stage 1 include:

- (i) Drawing together global and Kenya expertise on national fund management to develop a strong team of experts to support the design and operationalization of Kenya's financial mechanism.
- (ii) A summary of existing and potential sources of climate-related finance applicable to Kenya, including eligibility criteria, guidelines and country-level requirements. Identify priorities for Kenya, based on eligibility and links with priorities in the NCCRS. Determine the implications for a range of processes, including Monitoring, Reporting and Verification (MRV).
- (iii) An assessment of fund disbursement mechanisms that are planned or in place for climate funds at the international, regional and/or national level and what these mean for Kenya. Make recommendations how these will inform the way in which funds are disbursed and managed in Kenya.
- (iv) Review of existing non-climate-focused models of finance and fund management in Kenya or elsewhere, highlighting strengths and weaknesses relative to the climate finance context in Kenya. Document lessons learnt from other finance and fund management programmes.
- (v) Review of existing or potential models of climate funds, highlighting strengths and weaknesses relative to the context in Kenya. Suggest best working options
- (vi) Review of options for better national co-ordination of carbon markets and related mechanisms (e.g. compliance markets; voluntary markets; REDD+ and other land use and forestry carbon markets).
- (vii) Explore the relevant policies, legal, institutional and regulatory frameworks in relation to carbon trading, the role of the private sector and review existing carbon trading platforms, to inform subsequent design.
- (viii) Review of the current institutional absorptive capacity to develop and manage climate finance, identifying strengths and any areas for improvement. Make recommendations to inform the design.
- (ix) Consideration of the relevant roles and opportunities for the government and private sector in further developing and implementing the design of the financial mechanism.
- (x) A stakeholder engagement strategy to ensure that decision-makers and actors in Kenya and beyond, who will be key to the success of the financial mechanism are on board with the design process. Also, establish a strong and collaborative cross-ministerial leadership.

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## **Stage 2: Tasks to be performed under Stage 2:**

The actual design of the financial mechanism (including policy and regulatory framework), based on outcomes of Stage 1. This will be a more detailed design phase for the Kenya climate change financial mechanism. It is expected to include the following elements:

- (i) Fund set-up and management
- (ii) Investment strategy/framework
- (iii) Eligibility criteria
- (iv) Co-ordinated carbon trading platform
- (v) Capacity development and resource mobilization plan

## **4 Expected Output**

The expected output of this Consultancy is a well designed financial mechanism that has a Fund, investment strategy/framework and a coordinated carbon trading platform.

## **5 Procurement and evaluation**

The procurement process will be managed by the Climate & Development Knowledge Network (CDKN). Please refer to the Call for Expressions of Interest for details of the procurement and evaluation process. With respect to this specific subcomponent, the following criteria are likely to be important:

- Evidence of suitably-qualified and experienced team members – with relevant policy and financial expertise, preferably appropriate to the Kenyan context.
- Ability to commence and deliver the work in a timely manner.
- Ability to work closely with the Ministry of Finance team to access information and produce outputs that meet their needs.
- Extent to which project is designed in a way that develops local institutional capacity in Kenya.
- Proficiency in English. Knowledge of Kiswahili would be an advantage.
- Value for money of the proposal.