

THE GREEN FINANCE CONFERENCE

**KEY NOTE ADDRESS BY MR. HENRY ROTICH, EGH,
CABINET SECRETARY, THE NATIONAL TREASURY**

21st June 2017 at Intercontinental Hotel at 9.00 a.m

Ms. Arancha Gonzales Executive Director,

International Trade Centre;

Mr. Felix Bikpo CEO, Africa Guarantee Fund (AGF);

Mr. Pasi Hellman, Managing Director, Nordic

Development Fund;

Mr. Habil Olaka CEO, Kenya Bankers Association;

Distinguished Guests;

Ladies and Gentlemen:

Good morning;

1. I am pleased to join you on this important occasion which provides a platform to discuss the financing of investments that generate environmental benefits as part of the broader strategy to achieve inclusive, resilient and sustainable development.

2. **Ladies and gentlemen;** you may recall that in 2012, Kenya joined the global community in celebrating the twentieth anniversary of the United Nations Conference on Sustainable Development (**also dubbed the Rio+20**) in Rio in Brazil, where a renewal of political commitment and a common vision for a new economic paradigm defined as **Green Economy Development Growth Path** was adopted.

3. This was strengthened by the adoption of **Sustainable Development Goals (SDGs)** and the **long-term Climate Change framework agreement -Paris Agreement in 2015**. The Paris Agreement recognizes the urgent need to **enhance the provision of climate finance flow, technology transfer and capacity-building support by developed countries**, in a predictable and sustainable manner, to enable enhanced adaptation and mitigation actions by developing countries.

4. **Ladies and gentlemen,** turning to our local environment, developing economies, such as Kenya are among the most vulnerable to climate change impacts. For instance, analysis from the Intergovernmental Panel on Climate Change (IPCC) portal has shown that climate change is taking place in various parts of the country and

will only become more severe in the future if no measures are taken.

5. Our economy, like many others around the world, is still highly dependent on natural resources and remains profoundly vulnerable to the effects of climate change. Our mainstream economic sectors such as agriculture, tourism, energy, and infrastructure are at risk from climate change related hazards such as droughts, storm surges, flooding, and sea level rises along our coastline.

6. Furthermore, the financial services sector has also been experiencing unprecedented challenges, impacting not only the regulatory framework, but also the associated environmental, social and economic factors. These effects are already being felt across the country. We have been affected by 12 serious droughts since 1990, with each drought reducing our Gross Domestic Product by an average of 3.3 percent. Based on the Kenya Post-Disaster Needs Assessment undertaken during 2008-2011 in collaboration with key development partners, the average annual cost of the damages is estimated at **\$ US 1.25 billion**¹ to reinforce this message, another report by the IFC and UNEP has estimated that drastic climatic incidents, such as environmental pollution or epidemics, could cost

our country up to **\$ US 500 million** a year and have a serious impact on the health of the population².

7. Moreover, the insurance industry estimates the potential economic damage, caused by the impacts of climate change, to be hundreds of billions of dollars each year and expected to continue rising annually through to 2050 if the global temperature remains above 2 degrees Celsius, hence, the urgent need for financial institutions to act quickly and decisively to mitigate the adverse effects.

¹ Source: Kenya Post-Disaster Needs Assessment (PDNA) 2008-2011 Drought, Country Report

². Source: Aligning Kenya's Financial System with Inclusive Green Investment, UNEP Inquiry and IFC Report, 2015

8. **Ladies and gentlemen**, the Government recognises the critical importance of green economic growth and investment. Our Constitution, the Vision 2030, the 2016 Climate Change Act and the 2017 National Policy on Climate Finance all express clearly our ambition to become a fast mover in relation to climate change objectives. In fact, our 2030 Agenda for Sustainable Development, in particular, goal 13, emphasizes the urgent need to address the significant financial gap from public and private sources

to finance adaptation and mitigation measures in a balanced manner.

9. Through the Sustainable Banking Network, created by the International Finance Corporation (IFC), we joined a community of financial sector regulators and banking associations committed to advancing sustainable finance in line with international best practices.

10. It is therefore important to engage the financial service sector, especially banks, to support micro and small enterprises (MSEs) in “**adaptation-financing**” early on to build resilient societies by mainstreaming climate change as an integral part of our business model.

11. **Ladies and gentlemen**, the Government of Kenya, has been on the fore front in joining forces with associations, networks, groups, financial institutions, the private sector, civil society organizations and business communities to innovate, upscale and support climate resilient investments aimed at accelerating uptake of green finance flow in the country to advance the green economy development agenda.

12. Towards this end, we have developed various policies, strategies and legislative frameworks, for instance, the

National Climate Change Response Strategy-2009; Nationally Determined Contributions (NDC)-2016; the Green Economy Strategy and Implementation Plan 2015 to 2030 (GESIP-2016); the National Climate Change Action Plan 2013-2017; National Climate Finance Policy 2017; the Water Sector Investment Plan 2008-2030 (WSIP) and the Greening Kenya Initiative 2011 among policies and strategies.

13. This has led to our energy sector being the greenest in the region, more than 70% of the energy being sourced from sustainable sources such as geothermal, wind, solar, biogas and hydro power.

14. **Ladies and gentlemen;** allow me now to highlight some specific green finance interventions undertaken by the National Treasury.

15. In our effort to find new sources of long-term sustainable investment, the National Treasury established the Kenya Green Bond Programme, which aims at drawing on the significant private sector demand for investment in environmental projects.

16. The Public Finance Management Act, 2014, empowers the National Treasury to mobilize domestic and external

resources for financing national and county budgetary requirements. As a result, the National Treasury in 2013 established the Carbon Credit/Climate Finance Unit to coordinate and mobilise various types of climate finances such as, the Green Climate Fund and the Africa Climate Change Fund.

17. In 2014, the National Treasury was among the first institutions to be accepted by the Green Climate Fund (GCF) Board based in South Korea as the National Designated Authority (NDA) for GCF. In March 2015, the country was among the first (7) seven countries in the world whose institutions were accredited by the GCF Board for direct access of resources from the Fund.

18. We've developed our National Climate Change Budget Codes for tracking the climate finance flows and expenditure in respect to climate change mitigation and adaptation financing in the country.

19. In addition, the National Treasury spearheaded Kenya Climate Public Expenditure and Budget Review (CPEBR) whose main role was to conduct an analysis of the county's processes for budgeting and public expenditure and provide guidance on how to strengthen the efficiency and

effectiveness for delivering green finance in national and county public financial management (PFM) systems.

20. **Ladies and gentlemen**, I wish to affirm the Government of Kenya's unwavering commitment and support to the aspirations of this important conference and the trainings starting tomorrow which serve as the start of action aimed at addressing some of the challenges faced by the financial system in facilitating green finance for MSEs.

21. I would like to assure you that the Government of Kenya will continue playing its role in ensuring that a conducive environment is in place to foster sustainable Green finance for the MSEs which are the backbone of our economy.

22. As you embark on your deliberations shortly, I urge you to provide greater clarity on the following:

- i. What would be the best way for public finance to catalyse and leverage change, and support "responsible investors" to favour "productive" or "quality" investments in an environment where development finance has been declining?

- ii. What possible new regulations and policies may be required to accelerate support for investments that are likely to generate significant development benefit?

23. **As I conclude Ladies and gentlemen,** I wish to thank the International Trade Centre, the African Guarantee Fund and the Nordic Development Fund for organising this all-important conference and the specialized Green Finance trainings in our country. Your hosting of these events is a clear demonstration of your desire to support developing countries to achieve the Sustainable Development goals (SDGs) and advancement of the Paris Climate Agreement. I am confident that the deliberations that follow will assist our country in realizing her obligations in delivering climate resilient economic development.

24. **With these few remarks, Ladies and Gentlemen, it is now my pleasure to declare the Green Finance Conference officially open and wish you successful deliberations!**

Thank You/Asante!

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