POLICY BRIEF

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Better Never Ends

UNLOCKING CLIMATE FINANCE FOR EFFECTIVE YOUTH CLIMATE ACTION.

REPUBLIC OF KENYA
MINISTRY OF YOUTH AFFAIRS, CREATIVE ECONOMY AND SPORTS

State Department for Youth Affairs

NATIONAL YOUTH COUNCIL KENYA
Amplifying the Youth Voice

SPORTS, ARTS & SOCIAL DEVELOPMENT FUND

Unlocking Climate Finance for Effective Youth Climate Action.

Key Highlights

The youth are particularly susceptible to the adverse effects of climate change, however there are little or no existing adaptation finance schemes that are focused on financing or scaling up youth-led or youth-focused adaptation. (National Climate Change Action Plan 2023 - 2027). While the National Policy on Climate Finance 2016 highlights the country's strategy to effectively manage and track predictable climate finance, it does not outline clearly how the youth in climate action will be able to effectively access, benefit and utilize the finances. This policy brief highlights the need to unlock climate finance for youth in climate action to effectively operate as we celebrate the International Youth Day ON 12th August, 2024. The key highlights include;

a.
The Youth in Climate Action needs to be formalized to access appropriate platforms and mobilize climate finance. Considering the effectiveness of institutional networks in their consideration for climate finance, it is important for its institutionalization. Developing a governance and institutional framework for the Youth in Climate Action that is responsive to the local and institutional climate finance architecture.

b.
Climate finance frameworks and processes require information and skills on allocation, application and access to the financial resources. The Paris Agreement highlights capacity building and climate finance as some of the means of implementation for climate action. This is further stressed in the National Youth Climate Action Strategy and the National Climate Change Action Plan (NCCAP 2023 - 2027) on the need to enhance targeted capacity building programs for the youth.

Introduction

Climate change remains to be the greatest challenge that the globe is facing with Africa being the most Affected albeit contributing 3.8% of Greenhouse Gasses (GHGs). Compared to the rest of the world Africa resilience is low exposing it to serious climate shocks to the rest of the world.[https://research-portal.st-andrews.ac.uk/en/publications/africa-in-climate-change-2022-impacts-adaptation-and-vulnerabilit] Kenya has adversely been affected by climate change with the frequency and severity of drought cases increasing, floods too have been wreaking havoc among different communities especially among pastoral communities. Climate change response planning needs proper financing with the climate disasters being expensive to deal with considering competing interests from other projects in Kenya.

Youth form the majority of Kenya's population and needs to be actively engaged in the climate action response. The stumbling block that has been blocking young people from engaging in climate change work has been their limited access to climate finance for the existing climate finance instruments are not enough nor are the youth considered anywhere. Addressing climate change impacts entails both human and financial resources that act as key drivers towards supporting mitigation and adaptation both at the national and subnational levels. Financing climate related activities remains crucial for strengthening resilience and adaptation capacity for communities. For a long period of time climate finance commitments have been made in various multilateral agreements without having clear structures to finance the youth-led initiatives in climate action.

The challenges the youth face while applying or accessing climate finance are a huge impediment to their participation in this important matter. As we celebrate the International Youth Day 2024, this policy brief is geared towards highlighting some of these challenges and policy solutions. These challenges includes; complex application process, insufficient partnerships, regulatory and institutional barriers, perception of risk, insufficient financial literacy skills, limited funding mechanisms towards the youth initiatives by funding agencies

Policy issues affecting youth climate financing

Financial inclusion can be broadly described as all initiatives that make formal financial services available, accessible and affordable to all segments of the population. A just future demands not only financial commitments but also strategic and inclusive approaches and frameworks that consider the needs of the present and future alike.

1. Insufficient literacy skills among the youth.

Youth knowledge on climate change financing is limited. Report by Climate Africa shows that although over 70% of Kenyan youth are aware of climate change, only 15% have understanding of climate finance mechanisms (Climate Action Africa, 2021). Youth-led organizations and institutions have successfully worked towards their meaningful inclusion and spot in decision making spaces. However, knowledge gaps keep being a burden in their engagement, especially in areas like climate finance (African Development Bank Group, 2024). In other cases, youth do not find the support and opportunities that allow them to thrive in their communities while some are limited by social norms.

While youth are willing and able to act, in many cases, there is still a need for relevant education, training and access to information that are sector-specific (National Climate Youth Strategy, 2021 - 2030). There is a need to involve the youth in developing climate action plans to access climate finance and enabling actions for climate action. For instance, only 20% of young entrepreneurs are familiar with climate finance concepts (Kenya Climate Innovation Center , 2024). Thus, access to information that explains how to access finance is often limited, particularly in rural areas resulting in missed opportunities in their engagement.

Strengthening youth awareness, knowledge, skills and engagement on climate change is effective in developing clear and strategic approaches (Ministry of Environment, Climate Change and Forestry, 2023). Implementation of educational programs and access to information ensures youth are equipped with skills on climate finance.

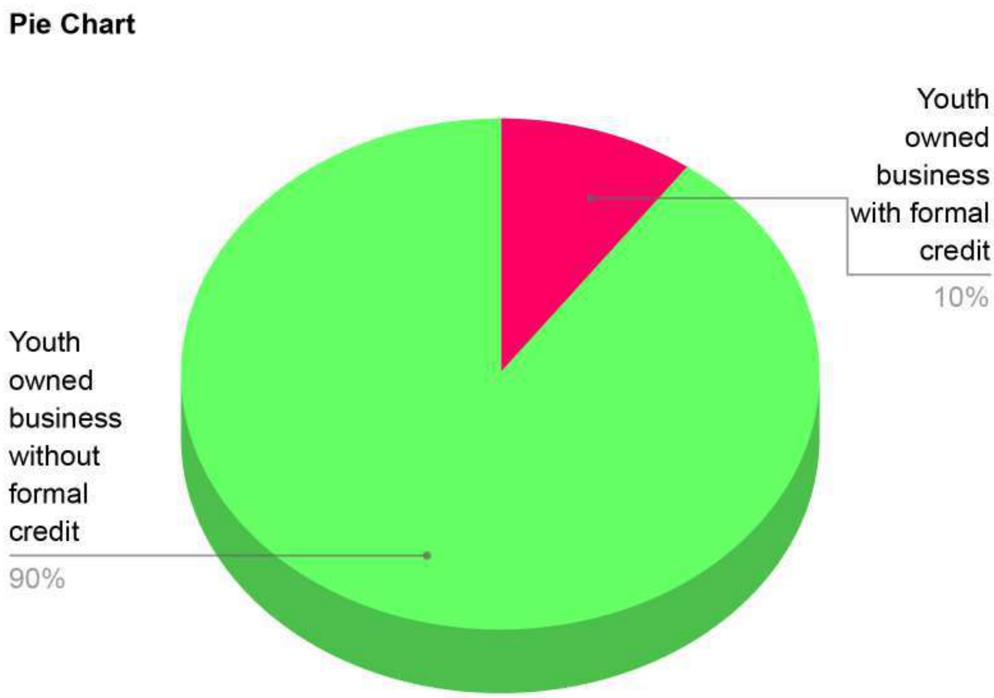
2. Limited funding mechanisms to the youth-led initiatives.

One of the driving forces behind the push for intergenerational equity is active participation of youths. Youths are merely beneficiaries of decisions but active stakeholders in shaping policies and practices that will determine the future. Recognizing the agency of youth in climate finance is paramount for creating a fair and sustainable future. Climate finance should be utilized effectively and equitably to increase its impact. This will require improved coordination between stakeholders at all levels (Kenya Landscape for Climate Finance, 2021). The process of allocating finances for climate action deliberation and decision-making appears distant from the reach of young people (ECOSOC, 2024). Overall, projects have not had a strategic approach to involving youth, specifically, as active agents in climate change adaptation (Adaptation Fund, 2022).

Supporting climate finance in high potential value chains has been highlighted in the Kenya Youth Development Policy 2019, however, there is no clear strategy of the sectors that are of high potential for financing. Unclear sectoral funding mechanisms hinders the participation and implementation of projects by the youth.

3. Making Financial services tailored to Youth needs

Finance plays a key role in unlocking the potential for growth and development in the youth-led initiatives. As of the 2021 FinAccess Household survey, approximately 82.9 percent of Kenyans had access to formal financial services. However, the level of financial inclusion among the youth (ages 18-35) is generally lower. According to a 2020 report by the world bank approximately 10 percent of youth -owned businesses in Kenya have access to formal credit. (World Bank Group, 2020). The attributing factors to these are lack of collateral, high interest rates.



Source: World Bank Group, 2020

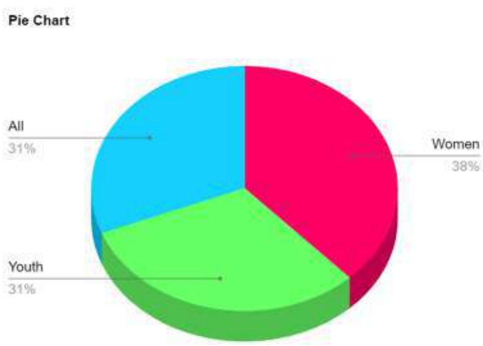
4. Leveraging on Technology

Technology is a key component in day-to-day operations. A 2022 report by Hootsuite and We are Social indicated that approximately 11 million Kenyans were active social media users, with a significant portion being young people that form 75 per cent of the population. Since the majority of climate funding comes in concessional finance (financial resources that are provided on more generous terms than market loans), more emphasis needs to be placed on advancing favorable technological innovations that favor young people.

Digital fundraising platforms such as M-Changa in Africa and Go Fund Me have created huge opportunities for the young people initiatives. The platform has provided an efficient funding alternative to conventional funding systems (Battisti et al., 2021). In Indonesia crowdfunding has increased along with increase in fintech adoption since 2016, which reached 78 per cent (Arifah & Dalimunthe, 2021).

5. Insufficient Partnerships
Financing of climate related projects calls for collective responsibility and partnerships. Majority of the funding from the developed countries require a consortium of other organizations to win donor trust to fund projects. Youthful organizations often compete for funding, grants, and donations which can create a sense of rivalry rather than collaboration. Even with 69% of the allocation of financing from bilateral climate finance projects to women and others there still exists huge financial disparity among the youth-led initiatives (31%) as illustrated below in figure 1 hence competition rather than synergy.

Figure 1. Bilateral Climate Finance Projects in Kenya.



Limited Communication and Networking: Without effective communication channels and networking opportunities, organizations may struggle to connect with potential partners and share information about their programs. Communication will depend on majorly two factors that is group size and period of operation. For instance, recent findings on the role of communication in the disbursement of youth enterprise development fund revealed that the more the number of members the easier it becomes to access opportunities and funding to finance their activities (Mburu & Ngugi, 2023) (Mburu & Ngugi, 2023). Furthermore, it is easier to get funding opportunities based on the period of operation for the youth serving organizations. This results in funding disparities among the youth-led initiatives. The pie chart below highlights the percentage access of finances by youths, donors tend to build trust with entities that have been in existence for a long time since the entities keep track of their finances and build financial trust from various donor agencies.

6) Regulatory and Institutional barriers

Funding agencies both locally and internationally exhibit stringent regulatory requirements for the young people when it comes to the application and access of funds for their initiatives. The young people have to overcome the barriers below while applying for funds:

Compliance requirements: Strict compliance with laws and regulations can require significant resources from the young people to fit in the system. The youth in Kenya have limited access to financial services and products. Only 21 percent of the youth in the agri-finance had access to formal prudential and non-formal prudential services, specifically 59 per cent in the rural areas and 36 per cent in the urban areas. Additionally, out of the 20 projects under the GCF with KCB as the accredited entity, none of them directly had youth involvement[https://www.greenclimate.fund/countries/kenya)

RECOMMENDATIONS:

1) Capacity build youth on Climate finance literacy

There is need to invest in climate finance education and training programs through the informal and formal co-curricular activities to improve youth understanding and engagement in climate finance. This can be done through workshops, online courses, and mentorship programs focusing on financial literacy, proposal writing, and project management in the context of climate action, facilitated by educational institutions, Public Benefit Organizations, government agencies, and private sector partners.

2) Mainstream youth climate finance by establishing frameworks in relevant authorities for effective climate finance

This will be achieved by establishing frameworks in relevant agencies which will provide a roadmap for allocation and recognizing youth as crucial decision makers in climate finance. This will enable effective and equitable climate finance and increase youth climate action.

3) Simplify the access to climate finance by tailoring the funding to youth initiative needs.

Simplifying the access to climate finance can be achieved by facilitating application processes for these funds through developing user-friendly platforms, reducing bureaucratic obstacles, and providing clear guidelines, alongside introducing a fast-track process for youth-led projects.

4) Maximize investment in Information, Communication and Technology.

Since the majority of the young people in Kenya are active in social media platforms, there is a need to advance technological innovations that favor young people accessing the concessional climate finance.

5) Foster partnerships within Youth in Climate Action Network.

This can be achieved by encouraging collaborations between youth-led organizations in the climate space through networking events, online platforms, and consortiums that include youth organizations to facilitate access to larger funding pools.

6) Streamline registration process and regulatory compliance.

There is a need for a lenient registration and compliance process for youth-led climate initiatives from regulatory authorities and funding organizations both locally and at international level. The government and the development partners in consultation with youth serving organizations to form a formidable umbrella that facilitates youth registration, access and viability for climate financial services.

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