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Thinking Policy Together

Financing Youth Activities in Climate Action

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Introduction

Accessing climate finance is a challenge among youth-led organizations despite there being several initiatives at the global, regional, and national levels. The Global Youth Climate Action Fund (GYCA), for instance, is a first of its kind that is dedicated to financing youth-led climate action around the world. At the local level, the County Climate Change Fund (CCCF) finances local-led initiatives towards tackling the climate crisis. However, the youth have a challenge in accessing these funds due to limited institutional capacity to mobilize funds, limited skills on grant proposal writing, weak organizational structures in youth-led organizations, legal restrictions and inadequate knowledge on financial instruments and their structures.

Deliberations from COP26 clearly show that youth projects face a challenge in competing with large established organizations for funds.[1] Youth inclusion represents one of the most effective tools to combat the destructive potential effects of climate change and cultivate an international understanding among members of the next generation, since it is a long-term process that will impact an infinite number of future generations. This also entails financial inclusion, capacity building through mentorship and partnerships.

Facilitating Youth Access to Climate Change Finances

Youth in climate action require access to appropriate financing to effectively finance their activities. In this regard, the following issues need to be addressed.

(i) **Knowledge on financial instruments and their structures**

Youth have limited knowledge on climate finance instruments, their structures and how to access them. To access the required scale of funding, it is prudent for them to consider the full spectrum of the sources of funding, their requirements and different mechanisms available from these sources. Climate finance sources include international, national, public, and private finance, green bonds, grants, concessional loans, non-concessional loans, budget-allocation, organization-based funding mechanisms and household-level initiatives. The multilateral financial instruments are governed by several national government entities and include Green Climate Fund (GCF), Climate Investment Funds (CIFs) and Global Environment Facility (GEF). For instance, The Global Youth Climate Action Fund (GYCAF) is available to youth-led organizations. The GYCAF focuses on sustainable agriculture; clean energy; capacity building; technology and innovation. The funding criteria of GYCAF gives priority to those conducting grassroots advocacy in their community, youths seeking grants to kick-start or support already existing initiatives, and projects with clear environment and socio-economic impacts of the project/initiative.

Kenya is a beneficiary to the Green Climate Fund and has so far received Ksh 229 million for 15 projects. The Green Climate Fund (GCF) was established by UNFCCC to respond to climate change by investing in low-emission and climate-resilient development. In addition, six youth-led agribusinesses were awarded their share of US$ 45,000 in October 2022 by the African Development Bank Group under Leveraging Energy Access Finance (LEAF) programme to invest in the growth of their ventures, including automated crop disease detectors, agri-fintech solutions for smallholder farmers, digitizing of community seed banks, and market linkages combined with climate-smart training and satellite yield mapping. At the national level, African countries have developed national and sub-national institutions to facilitate and enhance access to international funds. Though youths have brilliant innovations and ideas, they lack information on how to apply and access such funds at both local and national levels. Therefore, it becomes a challenge to implement their initiatives even at the local level due to lack of finances.

In Kenya, funding mechanisms have been established at both national and county levels. At the national level, the Climate Change Fund (CCF) was established in 2018 within the National Treasury to be a link between the global funding mechanisms and national processes. The National Climate Change Fund applies a variety of financial instruments including loans, grants or equity for climate change research and innovation in climate-relevant areas such as industrial research, technological research, policy formulation, academic research and development in green technologies. Additionally, these funds are disbursed to various agencies such as businesses, civil societies such as youth, for the purposes of implementing mitigation and adaptation actions.

At the county level, there exists the County Climate Change Fund (CCCF), which is a financing framework that strengthens capacity and channels money from international and national sources to community-driven climate action priorities. The lack of critical information such as requirements needed to be fulfilled to access the CCCF may limit youths in trying to advance and implement their initiatives. Some of the requirements to access funds include: (a) The project must benefit many people; (b) It must support the economy, livelihoods, or important services on which many people depend; (c) It must be relevant to building resilience to climate change; (d) It must have been developed after consultation with all potential stakeholders; (e) It must be viable, achievable and sustainable; (f) It must be cost-effective; and (g) It must give value for money.

These resources are needed for mitigation, adaptation and resilience building activities such as research, capacity building and education, and provision of climate services and ensuring future developments such as new infrastructure in climate resilience. Examples of financial instruments and the projects funded are shown in Table 1.

Although there exists global, national and county level financial mechanisms, there are challenges in accessing funding among the youth due to inadequate information on their structures, how to access them and their requirements.

Table 1: Financial instruments and the projects funded

Finance option	Example	Advantages	Disadvantages	Projects funded
Private finance		• It covers financing shortfalls of public financing	• There is a bias towards mitigation projects rather than adaptation projects due to their bankability. • Varying requirements and standards for every project.	• Mostly mitigation initiatives which usually provide a return of investments. These include projects such as production of briquettes and biodiesel production.
Grants	• Global Youth Climate Action Fund • ABSA Bank Award	• No equity is required • They are essentials free money • Once you have been awarded one grant, you are more likely to receive others.	• Fierce competition. Around 2,700 grant proposals are submitted daily and fewer than 200 receive funding. • Most grants are short-term and cannot fund the whole project. • Good proposal writing skills are required. • It needs a lot of research and requires one to fill in a lot of paperwork.	• In Sierra Leone, Africa, Concerned Generation Network Organization conducted a project on briquettes production and enterprising. • The organization received US$ 750. • Isiolo-based Kinna Green Ambassadors youth group won Ksh 2.9 million ABSA Bank award for their environment conservation initiatives in April 2020. The group's objective is to plant trees along water catchment areas, schools, private entities and hospitals.
Budgetary allocation	• County Climate Change Fund	• Available to youths at county level	• Projects must satisfy stringent requirements to access funds; i.e., must benefit many people; must support the economy, livelihoods or important services on which many people depend; must be relevant to building resilience to climate change; must have been developed after consultation with all potential stakeholders; must be viable, achievable and sustainable; must be cost-effective and give value for money.	• Are channeled towards community-based initiatives, involving youths.

(ii) Informality of youth-led organizations

Most youth-led organizations are informal. Youth climate action organizations are constantly being established and are often as informal as a WhatsApp group or relatively formalized.[2] These networks help improve coordination and advocacy, strengthen the perceived legitimacy of policy inputs, and facilitate meaningful participation of the youth. Despite the increasing number of youth organizations, only a few are legally registered by relevant authorities, making the interface with financiers difficult and limiting their access to finance mechanisms. Such informal youth outfits are often characterized by lack of governance and legal structures and are operated in semi-permanent structures resulting in characterization as illegal. Also, climate finance mechanisms are formal and structured. These investor types have varying risk-return expectations and investment horizons and, therefore, require bankability and creditworthiness of the youth projects/initiatives.

Some of the available funds targeting youth empowerment in Kenya include the National Government Affirmative Action Fund (NGAAF), Uwezo Fund, and the Youth Enterprise Development Fund (YEDF), which are regulated by the Public Finance Management Act, 2012. Despite the availability of these funds, there are formality conditions set to be met to qualify for financing, such as having a certificate of incorporation, which many youth organizations may lack.

(iii) Capacity to mobilize funds

Youth-led organizations lack the capacity to mobilize funds. This challenge emanates from poor understanding of market information, finding it difficult to understand what projects donors fund, and how they can reach them and the lack of good grant proposal writing skills. Most project proposals developed by youth-led organizations do not outline clear environment and socio-economic effects of the project/initiative. In addition, most youth project proposals fail to demonstrate how their projects will ensure sustainability. The proposals may not demonstrate a well-planned project, with well-developed strategy, timeline, budget, and team composition. This ultimately affects accessibility and mobilization of funds. On the other hand, well written and structured proposals are more convincing and attractive to financiers. Financiers and donors seek sustainability plans for the projects funded.

Yearly, more than 8,000 youth-led organizations apply for the UN-Habitat Urban Youth Fund. However, only 30 organizations are selected to receive a grant of up to US$ 25,000 and capacity building support throughout the duration of the project. The organizations are selected after evaluation of grant proposals and relevance of initiatives. These organizations span from various sectors such as climate change innovations and agricultural technology. This demonstrates the competitiveness of the fundraising and indicates the importance of good proposal writing skills.

Several institutions offer capacity building opportunities for youth organizations through training in fundraising and investor readiness, business operations certifications and turnaround. These institutions include Kenya Climate Innovation Centre (KCIC), and Kenya Export Promotion and Brand Kenya Agency (KEPROBA). They harness the youth's engagement in the Green Economy Youth Activation Programme (GrEYAP). However, most of these programmes targeting the scaling of youth-led organizations are not being fully exploited.

(iv) Accountability and tracking mechanisms

There are inadequate tracking systems to determine the amount of funds and how funds are allocated to local youth-led initiatives in climate action. A comprehensive analysis of the climate finance flows is critical to ensuring the effective and productive use of available financial resources. Therefore, there is a considerable need to track and report financial flows that support climate change initiatives, to build trust and accountability regarding climate finance commitments. This helps to monitor trends and progress in climate-related investment.

To improve the ability to mobilize and effectively manage and track adequate and predictable climate change finance from public and private sources, the Ministry of Environment and Forestry in collaboration with The National Treasury developed a training programme on Climate Finance, Tracking and Climate Change Budget Coding (CCBC) within the Integrated Financial Management Information System (IFMIS) targeting staff in the finance departments of the National and County governments. At the county level, a financing strategy was established to improve the ability to mobilize and effectively manage and track adequate and predictable climate change finance under the National Policy on Climate Finance 2016. The main objective of this assignment was to prepare costing details for climate priority actions considering the funding available through government sources, assess funding gaps that require international and private sector support and identify opportunities to address those gaps.

Monitoring climate finance beyond the implementing agency is a critical first step for evaluating the effectiveness of climate finance. Efforts to achieve greater harmonization and reporting of financial figures across institutions can help reduce the risks of misinterpretation and inconsistency of data. These efforts should seek to increase standards of transparency, accountability, and the completeness of disclosure.

(v) Access to climate finances

Access to finances is a key factor in the quest to empower the youth to make their own economic decisions and make meaningful impact in countering the effects of climate change. COP21 introduced a new era for climate finance, policies, and markets.[3] Article 9 of the Paris Agreement of the UNFCCC clearly stipulates that developed country parties should provide financial resources to assist developing country parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention.[4] Although developed nations collectively agreed to the US$ 100-billion goal, they made no formal deal on what each should pay. Instead, countries announce pledges in the hope that others will follow. This has led to a deficit and negative effect on the funds that receive this money, such as the Green Climate Fund. The Article also stipulates that financial resources should aim to achieve a balance between mitigation and adaptation. However, according to the global climate finance flows of 2019/2020, of the US$ 632 billion raised, US$ 571 billion was directed to mitigation finance while adaptation finance commitments totalled US$ 46 billion. This imbalance limits finances for adaptation initiatives towards combating the effects of climate change and influences the youth towards undertaking mitigation activities since there are more funds in the programme.

The finance flows at the national level are far from the ideal state of a long-term, inclusive and accessible channel. According to the FinAccess Survey Report, young people in the age group 18-25 years are the most excluded in accessing financial services and/or products of any form.[5] The exclusion rate rose from 18.2% in 2019 to 22.5% in 2021 (Table 2). Despite increasing amounts of climate financing, access is limited due to inadequate information on resources, inadequate accountability and tracking mechanisms.

Table 2: Access to financial products and services by age

	Formal Access (%)	Informal Access (%)	Excluded (%)
>55 years	78.9	6.2	14.9
46-55 years	89.9	3.7	6.5
36-45 years	91.1	3.7	5.3
26-35 years	90.8	3.9	5.2

18-25 years	71.8	5.7	22.5

Kenya is making progress in establishing policies and institutions to mobilize funds for climate financing, such as the National Climate Change Policy (2016), which focuses on building partnerships, collaboration and synergies among various private and public stakeholders including women and youth[6] to enhance adaptive capacity and resilience to climate change and promote low carbon development for the sustainable development of Kenya. Additionally, the Kenya Youth Development Policy (KYDP) 2019 promotes holistic empowerment through financial inclusion, participation, and representation of youth at the national level.[7] This is, however, yet to be achieved through realization of partnerships between financiers and the youth due to inadequate platforms for youth in climate action to interact and build synergies with both private and public stakeholders. Further, the implementation of the KYDP policy, especially on financial inclusion has not been achieved. There is limited data showing how finances are channelled towards youth-led initiatives, especially those in climate action.

Recommendations/Policy Implications

(i) Promote climate finance instruments and sensitize the youth on them. This will be achieved by creating a platform with information on all the applicable instruments, their accessibility requirements, success factors, resource envelope, etc. Opportunities should be availed to the youth to engage in local and international climate meetings such as the COP27 and the youth symposium to enable them display and share innovations on climate change. This will offer platforms to engage with potential financiers.

(ii) Youth start-ups need to be duly registered by relevant authorities to give them a competitive edge for financing. There is need to establish an umbrella body to oversee and coordinate youth-led organizations focusing on climate change actions.

(iii) Provide capacity building for youth to access climate finance. Capacity building can be achieved by equipping the youth with skills and competencies to write better proposals to request for funds and knowledge to come up with innovative ideas that stand out from the rest.

(iv) Improve tracking mechanisms of climate sensitive expenditure in the national budget. This will help policy makers assess the cost of addressing climate change and the efficiency of targeted investments.

(v) Ensure that youth are engaged in climate policy making and planning to address their needs. This will enable youth to take charge in implementation of the National Climate Change Response Policy, particularly the development of the adaptation plan.

Endnotes

1. https://ukcop26.org/
2. Youth Climate Advocacy © 2020 South African Institute of International Affairs
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