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REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY
THIRTEENTH PARLIAMENT – FOURTH SESSION – 2025

DIRECTORATE OF DEPARTMENTAL COMMITTEES

DEPARTMENTAL COMMITTEE ON ENVIRONMENT, FORESTRY AND MINING

....

REPORT ON

CONSIDERATION OF SESSIONAL PAPER NO. 5 OF 2024

ON

THE NATIONAL GREEN FISCAL INCENTIVES POLICY FRAMEWORK

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 30 SEP 2025 DAY. TUESDAY
TABLED BY: HON. VINCENT MUSYOKA (CHAIRPERSON)
CLERK-AT THE-TABLE: INZOFU MWALE

NATIONAL ASSEMBLY
RECEIVED
30 SEP 2025
SPEAKER'S OFFICE
P. O. Box 41842, NAIROBI.

DIRECTORATE OF DEPARTMENTAL COMMITTEES,
CLERK'S CHAMBERS,
PARLIAMENT BUILDINGS,
NAIROBI.

SEPTEMBER, 2025

TABLE OF CONTENTS

LIST OF ABBREVIATIONS AND ACRONYMS

CIDPs	-	County Integrated Development Plans
FLLoCA	-	Financing Locally-Led Climate Action
GFIPF	-	Green Fiscal Incentives Policy Framework
GHG	-	Greenhouse Gases
KUP	-	Kenya Union Party
MSMEs	-	Micro, Small and Medium Enterprises
MTPs	-	Medium-Term Plans
NCCAPs	-	National Climate Change Action Plans
NDC	-	Nationally Determined Contribution
ODM	-	Orange Democratic Movement
PES	-	Payment for ecosystem services
PPP	-	Polluter Pays Principle
UDA	-	United Democratic Alliance
UPIA	-	United Party of Independent Alliance
WDP	-	Wiper Democratic Party

LIST OF ANNEXURES

1. Report adoption Schedule
2. Minutes
3. Copy of the Newspaper Advertisement on Public Participation
4. Letter inviting stakeholders for meetings with the Committee
5. Stakeholder submissions

CHAIRPERSON'S FOREWORD

The Sessional Paper No. 5 of 2024 on the National Green Fiscal Incentives Policy Framework was laid on the Table of the House by the Leader of the Majority Party on 6th November 2024 and thereafter stood committed to the Departmental Committee on Environment, Forest and Mining.

The Paper seeks to steer Kenya's economy onto a desired low-carbon, climate-resilient green development pathway through a variety of fiscal and economic mechanisms.

The Paper contains five chapters. Chapter One gives a background on the threats posed by climate and other environmental challenges, and Chapter Two highlights the policy goals and the guiding principles underpinning the policy. Chapter three provides the situational analysis of the various sectors, including disaster risk management, water and the blue economy, health and sanitation, food, agriculture, electricity, clean cooking, manufacturing, transport and waste management. Chapter four outlines a series of green fiscal policy actions of particular interest to the government of Kenya. Lastly, Chapter Five contains a policy implementation matrix which gives the policy/fiscal action, key performance indicators, and lead actors.

Following the placement of advertisements in the print media on **6th December 2024**, seeking public and stakeholder views on the Sessional Paper pursuant to Article 118(1) (b) of the Constitution and Standing Order 127(3), the Committee did not receive any memorandum.

The Committee also invited Ministries, Department Agencies (MDAs) vide letters, **REF: NA/DDC/ EF&M/2025/41, REF: NA/DDC/ EF&M/2025/42** dated **30th July 2025, REF: NA/DDC/ EF&M/2025/46,** dated **29th July 2025,** for a meeting. The Committee received submissions from the following MDAs:

i) The National Treasury.
ii) Ministry of Environment, Forestry and Climate Change.
iii) The State Department for Forestry.
iv) The Attorney General.

The Committee, having considered the Sessional Paper No. 5 of 2024 on the National Green Fiscal Incentives Policy Framework, unanimously resolved that it be adopted.

The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. Finally, I wish to express my appreciation to the Honorable Members of the Committee and Secretariat who made useful contributions towards the consideration and production of this report.

On behalf of the Departmental Committee on Environment, Forestry and Mining and pursuant to provisions of Standing Order 127 (4), it is my pleasure and honour to present to this House the Report of the Committee on its consideration of the Sessional Paper No. 5 of 2024 on the National Green Fiscal Incentives Policy Framework.

HON. VINCENT MUSYOKA MUSAU, CBS, MP
CHAIRPERSON, DEPARTMENTAL COMMITTEE ON ENVIRONMENT, FORESTRY AND MINING

PART ONE

1.0 PREFACE

1.1 ESTABLISHMENT OF THE COMMITTEE

1. The Departmental Committee on Environment, Forestry and Mining is one of the twenty Departmental Committees of the National Assembly established under **Standing Order 216,** whose mandate pursuant to the **Standing Order 216 (5)** is as follows:

    i. *To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;*
    ii. *To study the programme and policy objectives of Ministries and departments and the effectiveness of their implementation;*
    iii. *On a quarterly basis, monitor and report on the implementation of the national budget in respect of its mandate;*
    iv. *To study and review all the legislation referred to it;*
    v. *To study, assess and analyse the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;*
    vi. *To investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;*
    vii. *To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on appointments);*
    viii. *To examine treaties, agreements and conventions;*
    ix. *To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;*
    x. *To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and*
    xi. *To examine any questions raised by Members on a matter within its mandate.*

1.2 MANDATE OF THE COMMITTEE

2. In accordance with the Second Schedule to the Standing Orders, the Committee is mandated to consider matters related to climate change, environment management and conservation, forestry, mining and natural resources, pollution and waste management.

3. In executing its mandate, the Committee oversees the Ministry of Environment, Climate Change and Forestry and the State Department for Mining.

1.3 COMMITTEE MEMBERSHIP

4. The Departmental Committee on Environment, Forestry and Mining was constituted by the House on 27th October 2022 and on 5th March 2025 and comprises the following Members:

Chairperson
Hon. (Eng.) Vincent Musyoka Musau, MP
Mwala Constituency
UDA Party

Vice-Chairperson
Hon. Charles Kamuren, MP
Baringo South Constituency
UDA Party

Members

Hon. Mbalu Jessica Nduku Kiko, CBS, MP
Kibwezi East Constituency
WDP Party

Hon. Mwanyanje Gertrude Mbeyu, MP
Kilifi County
ODM Party

Hon. Hiribae Said Buya, MP
Galole Constituency
ODM Party

Hon. Salim Feisal Bader, MP
Msambweni Constituency
UDA Party

Hon. Emathe Joseph Namuar, MP
Turkana Central Constituency
UDA Party

Hon. Joseph Wainaina Iraya, MP
Nominated
UDA Party

Hon. Kemei Beatrice Chepngeno, MP
Kericho County
UDA Party

Hon. Charity Kathambi Chepkwony, MP
Njoro Constituency
UDA Party

Hon. Mohamed Ali Mohamed, MP
Nyali Constituency
UDA Party

Hon. Masito Fatuma Hamisi, MP
Kwale County
ODM Party

Hon. Titus Lotee, MP
Kacheliba Constituency
KUP Party

Hon. Mohamed Tubi Bidu, MP
Isiolo South Constituency
Jubilee Party

Hon. Yakub Adow Kuno, MP
Bura Constituency
UPIA Party

1.4 COMMITTEE SECRETARIAT

5. The Committee is facilitated by the following staff:

Ms. Hellen Ekadeli
Senior Clerk Assistant/Head of Secretariat

Ms. Mercy Wanyonyi
Senior Legal Counsel

Dr. Joseph Kuria
Research Officer III

Mr. Stephen Otieno
Senior Sergeant-At-Arms

Mr. Eric Ogola
Public Communications Officer III

Mr. Hamdi Hassan Mohamed
Clerk Assistant III

Ms. Nancy Chamunga
Fiscal Analyst II

Mr. Kevin Obilo
Media Relations Officer III

PART TWO

2.0 CONSIDERATION OF SESSIONAL PAPER NO. 5 OF 2024 ON THE NATIONAL GREEN FISCAL INCENTIVES POLICY FRAMEWORK

2.1 BACKGROUND INFORMATION

6. Kenya has made significant progress in moving toward a green and blue development pathway, as sustainable natural resource utilization, including marine and aquatic resources, is embedded in the Constitution. The Green economy has been mainstreamed in the MTPs and County Integrated Development Plans (CIDPs).

7. Under the Climate Change Act 2016, the government is required to develop five-year NCCAPs to guide the mainstreaming of adaptation and mitigation actions into the sector functions of the national and county governments. The NCCAP, covering the period 2018 to 2022, identifies a series of actions for government and other stakeholders, with a particular focus on adaptation. The NCCA, covering 2023 to 2027, has the main goal of promoting Kenya's sustainable development by providing mechanisms and measures to achieve low-carbon, climate-resilient development. The Action Plan identifies the following eight priority areas, where actions and targeted measures need to be implemented: disaster risk management; food and nutrition security; water, fisheries and blue economy; forestry, wildlife and tourism; health, sanitation and human settlements; manufacturing; energy and transport; children and youth.

8. The National Policy on Climate Finance (2018), provided a clear direction on mechanisms for enhanced mobilization of climate finance from all sources: private, public, multilateral Agencies, bilateral, philanthropic, etc., to finance Kenya's updated NDC and NCCAPs. The policy recommended the development of green fiscal incentive policies to catalyze the private sector to finance the transition to a low-carbon and climate-resilient development path.

9. There is a range of further specific policies that provide for green growth and sustainable natural resource management, including the Environmental Management and Coordination Act, 1999 and the Sustainable Waste Management Policy and Sustainable Waste Management Act, 2022.

2.2 POLICY GOALS AND GUIDING PRINCIPLES

10. The goal of this policy is to identify and prioritize the implementation of a coherent suite of green fiscal actions that will enable Kenya to exploit the opportunities for accelerating the transition to a low-emissions development pathway while enhancing climate resilience and ensuring environmental sustainability.

11. The specific objectives of the policy are to:
    i) Direct government planning, budgeting and spending/procurement toward green production and consumption.
    ii) Provide a framework for fiscal incentives to attract private sector investment into a low-carbon emission, climate-resilient and environmentally sustainable economy.
    iii) Provide a framework for generating additional revenue streams for the government.

12. In seeking to achieve this goal, nine principles have informed the development of the policy to date and will guide the implementation of the specific actions this policy framework identifies:

i) **Predictability:** The policy will provide greater certainty in government policy to encourage higher private sector investment in green growth. Sunset clauses for phasing out incentive schemes will be developed to provide certainty for the investors.
ii) **Cost-effectiveness:** The policy will promote fiscal measures that maximize value for money while ensuring sustainable growth.
iii) **Polluter-pays:** The policy will provide ways of allocating the costs of pollution prevention and control to polluters to encourage the rational use of scarce environmental resources by evoking the Polluter Pays Principle (PPP).
iv) **Coherence:** The individual actions developed under this policy will be additional. There will be a focus on both ensuring that all policies are aligned to achieve the same objective and on avoiding unnecessary policy duplication or overlap.
v) **Consultative:** The policy and its individual actions are developed in a consultative manner, drawing on the full range of expertise within Kenya and internationally, allowing those who will be both positively and negatively affected by potential changes to express their perspective and to have an opportunity to suggest improvements.
vi) **Inclusiveness:** The policy and its actions will promote the participation of private investors and communities, including small-, medium- and large-scale enterprises. This will, in turn, support the government's employment and wealth-creation initiatives. This is consistent with the BETA, which lays emphasis on leaving no one behind.
vii) **Transparency and accountability:** Spending on green fiscal policies and any revenues raised will be managed in line with the provisions of the Constitution of Kenya and the Public Finance Management (PFM) Act (2012) on sound public expenditure management.
viii) **Equity:** The policy and its individual actions will promote reallocation and redistribution of resources while taking cognizance of the needs of the most vulnerable sectors and members of society.
ix) **Sustainability:** The Policy will provide an opportunity to meet economic, environmental and social needs of the present without compromising the ability of future generations to meet their own needs.

2.3 THEMATIC POLICY AREAS IN THE NATIONAL GREEN FISCAL INCENTIVES POLICY FRAMEWORK

13. The policy areas in the framework include: Disaster risk management; Water and the blue economy; Health and sanitation; Food, agriculture and nutrition security; Forests, wildlife and tourism; Human settlements and infrastructure; Electricity; Clean cooking; Manufacturing; Transport and Waste management.

14. The following are policy actions in the eleven (11) sectors.

2.3.1 Disaster Risk Management

15. The national and county governments will pursue the following actions to reduce the devastating impact of climate-related disasters in Kenya.
    i) **Flood control measures:** To address the problem of perennial floods and related risks, the government will put in place measures to increase funding and strategically implement preventative resilience measures for flood control projects such as dikes, dams, catchment and riparian reserves.
    ii) **Promote crop and livestock insurance:** To cushion farmers from loss of crops and livestock, the government, in collaboration with insurance providers, will put in place

measures to scale up climate-oriented insurance programs. This will include a consideration of whether to provide additional subsidies to reduce the cost of insurance for farmers without discouraging appropriate risk-reduction behavior. It will also include options for the design of innovative weather-based insurance products. The government will also consider options for increasing awareness, education and training around the role and value of crop and livestock insurance, especially in the provision of agricultural extension services at the county level.

iii) **Disaster risk financing:** To ensure that it has sufficient funds to respond to inevitable disasters, the government will promote the use of innovative disaster risk-financing instruments like catastrophe (CAT) bonds, risk pools and contingency bonds as well as sovereign and subnational level disaster management funds. This will be complemented by the Kenya Sovereign Green Bond Framework, which provides a clear set of protocols for identifying the responsibilities of different stakeholders in relation to the use of such financing in the event of a disaster.

iv) **Climate information services:** To enhance climate information services, the national and county governments will increase funding for meteorological services and Early Warning Systems (EWS) and climate information systems, including the dissemination of weather information, and provision of tax incentives for early warning equipment.

v) **Compensation fund for climate impacts:** To cushion vulnerable and marginalized communities from the effects of extreme weather and climate-related events, the government will increase funding for resilience-building and safety net programs.

2.3.2 Water and the Blue Economy

16. To both reduce the risks that climate change poses to the country's water resources and to exploit its huge blue economy potential, the national and county governments will undertake the following actions.

i) **Enhance water harvesting and storage:** To address water shortages, the national and county governments will implement fiscal measures to enhance acquisition, affordability and access of equipment used for water harvesting and storage including roof catchment, water storage tanks, ensure strict quality controls on water storage tanks, construction of underground tanks, dikes and gabions in flood-prone areas.

ii) **Promote water use efficiency:** To ensure sustainable use of the available water resources, the national and county governments will institute fiscal measures for innovations and equipment that promote water saving, efficient use, and industrial wastewater recycling and treatment. The governments will also explore the current system of water charging, with the intention of developing a set of water tariffs that provide the right incentives for water use efficiency.

iii) **Elimination of invasive species:** The national and county governments will support research, technology and innovations in the sustainable management of invasive species such as water hyacinth.

iv) **Promote sustainable fishing and restoration of coastal and freshwater ecosystems:** To address the challenge caused by uncontrolled and unsustainable fishing, the government will impose tax measures on large-scale fishing companies and trawlers. Additionally, the government will introduce fishing quotas to establish quantitative upper limits for fishing catches, with quota rights either being non-tradable or tradable. In addition, along, the government will put in place fiscal measures for the restoration of shallow coastal water ecosystems, such as mangroves, tidal marshes and seagrass beds. Second, the government will promote sustainable fishing along the Kenyan coast. Quotas would establish quantitative upper limits for fishing catches, with quota rights either being non-tradable (as is the case in Namibia) or tradable (as is the case in Iceland). Quota policies would be budget-neutral if distributed for free, or a source of government revenue if auctioned. Similar measures will be instituted on the freshwater lakes such as Victoria, Naivasha, L. Baringo, L. Turkana, among others.

v) **Restore degraded deltas and wetlands:** Wetlands are essential life-support systems and play a vital role in controlling water cycles. However, a growing population, together with the need for increased agricultural production, has led to substantial pressure on the deltas and wetlands. In view of this, the government will develop fiscal instruments such as PES to promote private sector participation in the restoration of degraded deltas and wetlands.

vi) **Protect riparian land in arid and semi-arid areas:** In order to promote sand storage dams and water pans for livestock and small-scale cultivation, the government will provide an enabling environment through incentives towards these adaptation programs.

vii) **Provide green shore power as a viable alternative to contribute to emissions reductions at Kenya's seaports:** In order to promote investment in cold ironing as an alternative marine power to cover the energy demands of ships calling at the ports, the government will consider providing incentives to investors in green shore power supply

viii) **Provision of appropriate reception facilities for the control of emissions from ships:** To control GHG emissions from the anticipated increase in the number of vessels coming to Kenya due to the expansion of the Port of Mombasa and the construction of the Lamu Port, the government will promote the establishment of vessel reception facilities that will ensure ozone depleting substances and vessel equipment containing such are handled and disposed appropriately.

2.3.3 Health and Sanitation

17. Recognizing the threats that climate change and other environmental risks pose to the health of Kenyans, the government will undertake the following actions.

i) **Combat increased incidence of malaria and other vector-borne diseases:** Climate change has resulted in an increase in the number of cases of malaria. The national and county governments will provide funding for research and innovation to control mosquitoes in an environmentally friendly manner, to help combat the increased malaria incidence.

ii) **Handling & disposal of hazardous & toxic waste:** Hazardous waste poses a threat to both human health and the environment when handled improperly. The national government, working with county governments, will put in place and/or implement more financially punitive measures for improper handling of hazardous materials such as mercury, cyanide and lead.

iii) **Promote energy efficiency in health facilities:** Energy is a prerequisite to quality healthcare, given that most life-saving medical equipment requires power to operate. Having energy-efficient medical equipment will help improve access and availability of quality and affordable healthcare. The government will provide fiscal incentives for the importation of energy-efficient medical equipment. Additionally, the national and county governments will support the installation of renewable energy standalone mini off-grid systems in health facilities.

iv) **Promote use of organic pesticides:** The excessive use of inorganic/harmful pesticides poses a threat to human health and the environment, especially with prolonged use and exposure. In addition, using such pesticides contributes to an increase in acute respiratory infections from the resulting air pollution. Promoting the use of environmentally friendly, bio-degradable pesticides will help reduce the effects of inorganic/harmful pesticides. The national and county governments will therefore provide fiscal incentives to promote production, preferential procurement and use of organic pesticides such as pyrethrum-based (pyrethrin).

v) **Support surveillance of climate-related health risks:** The effects of climate change will lead to increased emergence and re-emergence of disease outbreaks such as Malaria, Rift Valley Fever and the East Coast Fever. In response, the national and county governments will provide financial support by allocating funds to the surveillance of climate-related health risks.

2.3.4 Agriculture, Food, and Nutrition Security

18. The agriculture sector is both exceptionally sensitive to climate change, which in turn threatens the food security of Kenya's vulnerable population, and a significant source of GHG emissions. It is also a source of, and is exposed to, a range of further environmental risks. The government will therefore explore a range of fiscal policy response measures, as follows:

i) **Water-saving irrigation systems and strategies.** Overreliance on rain-fed agriculture and outdated non-water-saving irrigation technologies hampers adaptability to climate change for farmers. The Government will support innovations in the development of water harvesting and irrigation infrastructure, including drip irrigation systems and strategies like deficit irrigation and partial root zone drying are technologies with potential for saving water, which will be beneficial compared with the sprinkler irrigation system currently used by farmers. The government will therefore provide incentives to promote technologies for water-efficient irrigation systems.

ii) **Reduction of post-harvest losses:** To reduce post-harvest losses, the government will promote agro-processing and provide incentives that are aimed at increasing adoption of post-harvest storage technologies and equipment such as cooling plants, on-farm storage technologies, such as hermetic bags.

iii) **Green technology in crop production.** The full potential of arable land productivity in Kenya has not yet been realized. Moreover, it is rare across Kenya to apply and utilize green technologies and strategies to promote sustainable productivity, even though these measures would improve food security. The government will incentivize the use of green technology and the application of sustainable strategies in agricultural production. In particular, the policy will promote, through fiscal policy interventions the use of integrated crop management technology, organic farming and the use of low-carbon emission equipment for cultivation

iv) **Livestock production.** The government will explore opportunities and fiscal incentives to promote the adoption of improved adaptive and resilience technologies to increase livestock production and productivity by 2030. Additionally, the PES, will also have a strong impact on the land-use decisions and practices of farmers across the country.

v) **Cooperative development and climate-smart agricultural practices:** This policy will incentivize cooperative development and prudential management through the provision of performance-based cooperative grants and concessional loans. This will support advancements, including land consolidation and mechanization and, hence, promote large-scale crop, livestock and fisheries production and value addition.

vi) **Degraded land rehabilitation:** The government will also explore and introduce opportunities for government programs to protect and rehabilitate degraded lands, such as the degraded landscape restoration deal scheme (DELARES), so that they can be used for sustainable agriculture.

2.3.5 Forestry, Wildlife and Tourism

19. Forestry, wildlife and tourism are at the forefront of both Kenya's mitigation and adaptation efforts. The proposed fiscal actions for the forestry sector include the following:

    i) **Incentivize tree growing and management.** The government will promote tree growing, management and protection of gazetted forests to increase forest cover to 10%. This would also restore and conserve water towers. The government recommends planting on both public and private land.

    ii) **Ecological Fiscal Transfers (EFTs):** The National Treasury and the Ministry of Environment and Forestry will work with the Commission on Revenue Allocation (CRA) to come up with an EFT parameter in the revenue sharing formula for allocating more resources to strengthen the capacity of the counties in preserving environmental and ecological functions.

    iii) **Payment for Ecosystem Services (PES)**: The Government shall promote responsible for environmental and ecosystem matters in collaboration with relevant sector ministries will fast track the development of PES schemes to incentivize scaling up of conservation and restoration programs.

    iv) **Integrate afforestation and reforestation into the Reducing Emissions from Deforestation and Forest Degradation (REDD+) and Carbon trading design**. As part of the design proposals for a carbon tax scheme, the government will consider opportunities for companies to reduce their tax liability by purchasing offsets from forestry projects.

    v) **Concessions and Public Private Partnerships:** The government will provide incentives and long-term concessions for promoting tree planting and growing on public and private lands; improve saw milling technologies, production of high-quality seedlings and mass timber technologies.

    vi) **Commercial Forestry:** The government will provide incentives to spur investments in commercial forestry and the importation of sustainable timber.

2.3.6 Human Settlements and Infrastructure.

20. The fiscal policy and other measures that the government will pursue to ensure that these infrastructure and buildings support low-carbon, climate-resilient development are as follows.

    i) **Enhance the climate resilience of roads:** To climate-proof the road network, the National Treasury will include climate-resilience criteria within Public Investment Management (PIM) Guidelines for funding infrastructure projects and enhance the incorporation of the concept of 'roads for water' in the design and construction of roads.

    ii) **Integrate the circular economy into infrastructure development:** To realize the sustainable development benefits, the government will provide fiscal incentives in the use of recycled materials in infrastructure development.

    iii) **Support green building development:** The government will provide incentives to developers who meet the requirements for green building specifications/codes.

    iv) **Supporting Adoption of Water and Energy-Efficient Infrastructure:** The government will incentivize the construction of water and energy-efficient buildings. Additionally, all new public building designs will incorporate water and energy-efficient measures into their construction and operation.

2.3.7 Renewable Energy

21. To promote Renewable energy production and deployment and increase consumer connectivity, the government will:

i) **Phase out fossil-fuel-based thermal electricity:** The government will provide fiscal incentives needed to lower the cost of renewable energy relative to fossil-fuel-intensive energy sources.
ii) **Accelerate geothermal development:** The government will provide targeted incentives for private investment in geothermal electricity generation and other productive uses. The fiscal incentives envisage concessional funding and public support for early-stage investments in geothermal resource assessments, which will enable private investment where geothermal is most promising.
iii) **Expand off-grid electricity solutions:** The government will incentivize off-grid renewable energy options to enable access in areas far from the national grid. Tax exemptions and credits will be considered.
iv) **Incentives for electricity connection:** The government will provide consumer-level incentives to enable more households and MSMEs to afford electricity connectivity through enhancing initiatives such as the last-mile connectivity.
v) **Continue to implement Feed-in-Tariff projects**: These are projects below 20 MW capacity for all technologies except solar and wind. The latter are targeted to be procured through renewable energy auctions. The feed-in-tariff projects are incentivized by pre-set tariff and expedited procedures.

2.3.8 Clean Cooking

22. In response to various existing global and local commitments such as Sustainable Development Goals (SDGs), Sustainable Energy for All (SEforALL) and the NDC, the government of Kenya commits to accelerate actions in clean cooking, targeting to achieve Universal Access to Modern Energy Cooking Services by 2028. A range of incentives are desired to unlock and accelerate the transition to modern and clean cooking. The options that will be considered include:

i) **Incentives for clean cooking fuels and technologies:** The government will incentivize and encourage the production, access and use of clean cooking fuels and technologies. This will include targeted incentives across the clean cooking supply and demand value chains.
ii) **Enabling Markets for clean cooking services:** To ensure a sustainable and inclusive market system for clean cooking solutions, there is need to develop standards, establish stove testing infrastructure across the country to support voluntary labelling and certification system and regulations to incentivize local production of cooking products and curb the proliferation of counterfeit imported products.
iii) **Investment in Research and Development (R&D) of renewable energy**: The Government will support investment in Research, Development and innovation on renewable energy as a means to close inherent information gaps and embrace informed policy and decision making. This will also include incentive options for the private sector to conduct R&D.
iv) **Integration of cooking into national electrification programs:** To support the mainstreaming of electric cooking, it is imperative that cooking is embedded into electrification programs to leverage from successes in both on and off-grid electrification. The government will consider duty exemptions and Value Added Tax (VAT) zero-rating for energy-efficient e-cooking appliances (such as electric pressure cookers) and establishment of dedicated e-cooking tariffs.

2.3.9 Manufacturing

23. The following fiscal incentives will be considered:
    i) **Promote efficient management of production systems.** The government will provide fiscal incentives to the private sector for innovative production, acquisition and use of efficient machinery to optimize the use of energy, materials and reduce waste.
    ii) **Develop eco-labelling schemes.** An eco-label identifies products or services that meet prescribed environmental criteria. The government will prioritize the procurement of products and services that are eco-labeled.

2.3.10 Transport

24. The Kenyan government aims to use fiscal policy to promote sustainable transportation, both public and private. The following are fiscal incentives to green the transportation sector:

    i) **Promote mass rapid transit**: The government will develop a national transitional plan to e-mobility as well as other green transport systems. This will include shifting public expenditure in the transport sector toward sustainable mass rapid transport infrastructure.
    ii) **Incentives for electric vehicles.** The government will provide incentives for import, manufacture and assembly of electric and hybrid motor vehicles, electric motorcycles, spare parts and Electric Vehicle (EV) batteries. This will be necessary to support the transition toward low-emission and clean transport systems. Options include tax incentives for electric vehicles and the operationalization of a feebate system. The Government will shift to the procurement of electric vehicles over the medium term.
    iii) **Expansion of e-mobility infrastructure.** The government will put in place fiscal measures to develop and expand infrastructure across the country to support e-mobility and non-motorized transport.
    iv) **Congestion charging.** The government will explore the development of a congestion charging scheme in the cities.
    v) **Development of alternative transport fuels**. Incentivize production of alternative transport fuel sources such as biofuels (biogas, bioethanol, bio-Liquefied Petroleum Gas (LPG), biodiesel) and green hydrogen.

2.3.11 Waste Management

25. The government's actions in greening the waste management value chain will be consistent with the Sustainable Waste Management Policy of 2021 and the **Sustainable Waste Management Policy Act, 2022**. The government will provide the following fiscal actions:
    i) **Development of Material Recovery Facilities (MRF)**: Provide incentives for waste recovery facilities, the circular economy, incentivize sanitary landfills and disincentivize dumpsites
    ii) **Incentives for private sector engagement in waste management:** The government will provide incentives to promote private sector involvement in the waste management sector, including tax incentives, removal of investment barriers, creation of a conducive investment climate, and incentivize access to finance.
    iii) **Encouraging circular business models**: The government is keen on providing a range of incentives to promote circular business models. These include incentivizing adoption of EPR regulations, encouraging recycling, offering preferential use of recovered materials over

virgin materials, and promote the procurement and use of recycled goods. Support innovative waste-to-energy technologies.

2.2.2 Enhanced green financial intermediation actions:

i) **Green investment bank:** The government will develop a green investment bank that will provide a range of funding instruments and associated incentives to support the public and private sector in overcoming barriers to making green investments at scale. The institution will help address the perception and/or reality that the capital costs and risks of green investments are too high, and the returns too low. It would provide a range of financial instruments which could potentially include *credit guarantees, risk-reduction facilities, debt equity and blended finance*.

ii) **Carbon tax:** Recognizing the ability of carbon taxes to both cost-efficiently reduce GHG emissions and also to provide a revenue stream that can be used to meet broader government objectives, the government will explore the viability and design of a carbon tax in Kenya.

PART FOUR

4.0 PUBLIC PARTICIPATION/STAKEHOLDERS CONSULTATION

26. Following the call for memoranda from the public through placement of adverts in the print media on **6th December 2024** and vide letters **REF: NA/DDC/ EF&M/2025/41, REF: NA/DDC/ EF&M/2025/42** dated **30th July 2025, REF: NA/DDC/ EF&M/2025/46,** dated **29th July 2025,** inviting stakeholders for a meeting, the Committee received submissions from the following stakeholders:
    i) The National Treasury
    ii) Ministry of Environment, Forestry and Climate Change
    iii) The State Department for Forestry
    iv) The Attorney General.

4.1 SUBMISSIONS BY THE NATIONAL TREASURY

27. In a meeting with the Committee held on **Friday, 8th August 2025, Mr. Peter Odhengo,** Head of the Climate Finance and Green Economy Unit at the National Treasury, on behalf of the Principal Secretary, made the following submissions:

Background

28. The Green Fiscal Incentives Policy Framework seeks to steer Kenya's economy onto a desired low-carbon, climate-resilient green development pathway through a variety of fiscal and economic mechanisms. Green fiscal reforms can help shift consumption patterns, generate additional revenue, and drive private investment in projects and programs that adopt climate-friendly production mechanisms.

29. The policy sets out how the government Ministries, Departments and Agencies can enhance mobilization of climate Finance from all sources: private, public, multi-lateral agencies, bilateral, philanthropic, etc. to finance Kenya's updated NDC and NCCAPs.

30. The Policy Framework considers green fiscal reforms as mechanisms that have been used by governments to correct environmental externalities, support national climate change goals, and promote clean energy investments.

31. The mechanisms range from tax policies, subsidies and expenditure programs, and regulatory instruments with fiscal components all of which have revenue implications. As such: government taxes can be used to stimulate a shift in production, consumption and investment in low-carbon climate-resilient and environmentally sustainable practices; concessional loans, guarantees and interest rate subsidies can be effective tools in overcoming investment barriers and leveraging private sector green investments; and government spending can directly target the delivery of environmental outcomes that the private sector might otherwise ignore.

Policy Context

32. Recognizing the threats posed by climate change and other environmental challenges, the world is now taking more rapid action. Investors are rapidly shifting from dirty to clean assets, and key technologies needed for environmental sustainability are experiencing rapid cost reductions.

33. The world's largest emitter, China, in 2020 pledged to reduce carbon dioxide (CO_2) emissions to net zero by 2060. The United Nations Call for Action on Adaptation and Resilience spelled an urgent need for enhanced resilience and also recently adopted a landmark framework that considers the contribution of nature when measuring economic prosperity and human wellbeing.

34. In accordance with the updated NDCs that build on national policies, plans and legal frameworks, it is essential for Kenya to play a full and active part in this global transition to a low-carbon climate resilience development path.

35. A development path characterized by continued low emissions, enhanced climate resilience and environmental sustainability.

36. Formulation of this Policy was initiated within the framework of the Climate Change Act, 2016 and the National Climate Change Action Plans whose objective is to encourage low carbon climate climate-resilient development through implementation of the National Climate Change Response Strategy, 2010.

Goals and Objectives of the Policy

37. He noted that the goal of this policy is to identify and prioritize the implementation of a coherent suite of green fiscal actions that will allow Kenya to exploit the opportunities of accelerating the transition to a low-emissions development pathway while enhancing climate resilience and ensuring environmental sustainability. In doing this, the policy will:
    i) Direct government planning, budgeting and spending/procurement toward green and consumption.
    ii) Provide a framework for fiscal incentives to attract private sector investment into a low-carbon emission, climate-resilient and environmentally sustainable economy.
    iii) Provide a framework for generating additional revenue streams for the government.

Benefits of the Policy to Kenya

38. The Policy is an important part of accelerating the implementation of the Constitution of Kenya, 2010, where a clean and healthy environment (Articles 42, 69 and 70) are fundamental right.

39. The policy will encourage private sector participation in climate-relevant financing opportunities.

40. The policy will enhance resilience to climate change and other shocks.

41. The policy is essential for Kenya to manage transition risks. Failure to align with global low-emissions trends may lead to international marginalization, impacting trade and capital flows

42. The policy will provide for the Establishment of the Kenya Green Investment Bank that will provide a range of funding instruments and associated incentives to support climate action.

4.2 SUBMISSIONS BY THE MINISTRY OF ENVIRONMENT, CLIMATE CHANGE, AND FORESTRY

43. In a meeting with the Committee held on **Friday, 8th August 2025**, the **Cabinet Secretary, Dr. Beborah Barasa,** highlighted the following:

    i) The development of the National Green Fiscal Incentives Policy Framework, 2022, was led by an Interagency Taskforce under the leadership of the National Treasury and Economic Planning.
    ii) The framework is a critical policy tool to support Kenya's climate agenda, including the implementation of the Nationally Determined Contribution (NDC).
    iii) The framework proposes a balanced mix of incentives to encourage investment in green, low-carbon, and climate-resilient initiatives, as well as disincentives aimed at phasing out environmentally harmful and unsustainable practices.
    iv) That similar green fiscal approaches have been successfully implemented in developed countries and economies in transition.
    v) Given the far-reaching implications of this policy, the National Treasury, as the custodian of fiscal policy, needs to undertake a comprehensive financial assessment of the proposed measures. This will ensure that the incentives and disincentives are not only aligned with national development priorities but are also fiscally sustainable and effective in delivering the desired environmental and climate outcomes.

4.3 SUBMISSIONS BY THE STATE DEPARTMENT FOR FORESTRY

44. In a meeting with the Committee held on **Friday, 8th August 2025**, the **Principal Secretary, Mr. Gitonga Mugambi,** submitted as follows:

45. The Green Fiscal Incentives Framework Policy (GFIPF) recognizes forestry as a critical sector for driving Kenya's transition to a low-carbon, climate-resilient economy. It acknowledges forests' role in regulating water resources, supporting biodiversity, sequestering carbon, and sustaining livelihoods. Deforestation, forest degradation and desertification are significant challenges, primarily driven by poverty, agricultural expansion, unsustainable exploitation, and climate change effects.

46. The Policy supports tree growing through a Tree Growing Guarantee Scheme, allowable tax deductions for costs related to nursery establishment and planting on public land. Tradable carbon credits for tree planting on private land, and Concessionary loans and government grants to growers. This aligns with the national forest policy's goal to incentivize forest-based livelihoods and commercial forestry.

47. He noted that the Policy aligns with the Kenya Industrial Wood Sector Vision 2020 through the following key areas:
    i) **Private Sector Investment:** The GFIPF aims to provide a framework for fiscal incentives to attract private sector investment into a low-carbon, climate-resilient economy. This directly supports the Vision's need for significant private investment to expand production and upgrade processing capacity.
    ii) **Enhanced Productivity and Sustainable Management:** The GFIPF proposes measures to incentivize the efficient management of production systems, including the use of innovative and efficient machinery. This aligns with the Vision's objective to increase productivity per

unit area through innovative silvicultural practices and improve wood processing systems for better efficiency and higher recovery rates.

iii) **Carbon Sequestration:** The GFIPF's focus on a low-carbon and climate-resilient pathway that is supported by the Vision's environmental goals.

48. The GFIPF does not explicitly mention agroforestry, but the provisions on Carbon credits for diversified trees on private land (up to 50% land cover), Grants for commercial plantations, Promotion of clean cooking to reduce forest pressure, could be extended to support agroforestry systems. However, the lack of explicit agroforestry is a gap, considering its policy prominence.

49. The GFIPF proposes the Degraded Landscape Restoration Deal Scheme (DELARES), Ecological Fiscal Transfers (EFTs) to counties based on restoration efforts, and Payment for Ecosystem Services (PES) schemes. These fiscal tools align with the National Landscape and Ecosystem Restoration Strategy (NLERS's) call for innovative financing and incentivizing subnational governments and communities.

50. The GFIPF seeks to steer Kenya's economy onto a desired low-carbon, climate-resilient green development pathway. It recognizes forests as critical carbon sinks for the country and recommends the development of PES schemes to incentivize the scaling up of conservation and restoration programs.

51. The Reducing Emissions from Deforestation and Forest Degradation (REDD+) strategy describes the approach for achieving low emissions development through REDD+, which is an international framework to mitigate climate change by incentivizing developing countries that address the problem of deforestation and forest degradation and those that promote conservation, sustainable forest management and afforestation and reforestation.

52. He noted that the Policy outlines several positive impacts in the forestry sector, including:

i) **Afforestation/Reforestation:** Promotion of direct government investment in large-scale tree planting and land rehabilitation.

ii) **Carbon Sequestration Incentives:** Opportunity to use carbon offsets from afforestation/reforestation under emissions trading or carbon tax.

iii) **Payments for Ecosystem Services (PES)**: Adoption of international models like Ecuador's Socio Bosque program or India's ecological fiscal transfers (EFTs) that reward conservation efforts with fiscal transfers to communities or counties.

iv) **Revenue Generation:** Introduction of green bonds and fiscal tools to mobilize private sector and donor investments for forest restoration.

v) **Incentivized Private Participation:** Carbon credits, concessional loans, and tax incentives encourage private sector and farmer investment in tree growing.

vi)) **Subnational Empowerment:** EFTs linked to environmental outcomes empower counties to invest in restoration and sustainable forest management.

vii) **Restoration Financing:** Instruments like DELARES and PES provide new avenues for funding landscape restoration.

viii) **Diversification of Forest Products:** Support for commercial plantations may boost wood value chains and relieve pressure on natural forests.

53. He also highlighted the following are some of the gaps relating to the forest sector:

i) **Insufficient Focus on Community Forest Associations (CFAs):** The role of CFAs in conserving and managing forests under the Forest Conservation and Management Act (2016) is not emphasized in the incentives design.
ii) **No Direct Incentives for Agroforestry:** Although mentioned under agriculture, there is limited focus on integrating forestry into farming landscapes to improve land productivity and tree cover.
iii) **Tourism Linkages Underexplored:** While tourism is discussed, there's no concrete proposal to tie fiscal incentives for wildlife and ecotourism directly to forest conservation outcomes.
iv) **Tree seed systems and certification:** Though nursery registration is mentioned, broader support for quality seed systems is absent, which is key for landscape-scale restoration.
v) **Forestry contribution to Gross Domestic Product (GDP):** under-valuation of the forestry contribution to the GDP. Forestry plays a critical role in Kenya's economy and environmental sustainability. However, its contribution to GDP is grossly undervalued in official statistics, typically reported as less than 1.6% of GDP. This figure fails to reflect the full economic, social, and ecological value of forests and forest-related activities.

54. To bridge the forest valuation gap and reflect its real contribution to the economy, he proposed the following fiscal and policy measures:
    i) Institutionalize Forest Natural Capital Accounting (NCA) to capture both market and non-market forest benefits, including: Carbon storage and offsets, Hydrological regulation, Soil protection and erosion control, and Biodiversity services.
    ii) Broaden GDP Metrics to include Ecosystem Services by promoting the adoption of "Green GDP" or adjusted indicators that reflect natural capital and ecosystem services. Use these metrics to guide national budget allocations and performance monitoring.
    iii) Create a Forest Ecosystem Services Valuation Framework by establishing a standard methodology for valuing forest ecosystem services (e.g., through contingent valuation, cost-benefit analysis, or replacement cost methods). This can be linked to fiscal planning tools such as Medium-Term Expenditure Frameworks (MTEF).
    iv) Development of a Forest Sector Satellite Account in Kenya National Bureau of Statistics (KNBS) to capture informal sector forestry employment, Household-level fuelwood and Non-Timber Forest Products (NTFP) use, Community Forest association (CFA) contributions, and Forest-based tourism revenues.
    v) Link Forest Valuation to Climate Finance by leveraging accurate forest valuation to mobilize climate and biodiversity finance, including REDD+, carbon markets, and ecosystem payment schemes.
    vi) Incentivize private sector and community investments. Once true forest value is known, it can justify: Tax credits for private reforestation, Subsidies for community forest enterprises, and tie PES schemes to forest protection and restoration.
    vii) Integrate valuation into planning and budgeting. Mandate that all forest-related projects and policies undergo economic valuation to inform cost-benefit and policy design.
    viii) Include forests in Public Investment Management (PIM) systems and climate budget tagging frameworks.
    ix) Strengthen the monitoring and evaluation framework by generating specific metrics or baselines for forest cover, biodiversity health, or restoration success.

55. To enhance the forestry component on the Green Fiscal Incentives Policy Framework and align it with national development and environmental goals, he made the following recommendations:
    i) **Develop Forest-Specific Fiscal Instruments:** Introduce targeted fiscal tools such as reforestation tax reliefs or rebates, Payments for Ecosystem Services (PES) schemes, and

green insurance products specifically tailored for forest-based enterprises. These instruments would help de-risk investment and encourage sustainable forest management practices.

ii) **Strengthen Community-Based Forest Management (CBFM)**: Provide dedicated fiscal support including grants and subsidies to Community Forest Associations (CFAs) to enhance their capacity in nursery development, forest conservation, and implementation of benefit-sharing mechanisms, in line with the Forest Conservation and Management Act, 2016.

iii) **Promote Agroforestry through Targeted Incentives:** Institutionalize agroforestry within the policy by offering specific incentives such as input subsidies, access to extension services, and eligibility for carbon credits. This will support the integration of trees into farming systems, contributing to increased tree cover and income diversification as well as food security.

iv) **Implement Ecological Fiscal Transfers (EFTS):** Design and pilot EFT mechanisms that allocate fiscal resources to counties based on measurable environmental outcomes such as forest and tree cover retention, restoration efforts, and biodiversity conservation. This will encourage county governments to invest in sustainable landscape management.

v) **Support Tree Seed Germplasm Systems:** Expand fiscal support for the certification of tree seed sources, establishment of seed banks, integrate research in the development of climate resilient seedlings and development of a national Centre of Excellence for tree seed systems. Strengthening the seed supply chain is vital for achieving landscape-scale restoration and maintaining genetic diversity.

vi) **Revitalize the Industrial Wood Sector:** Introduce fiscal incentives to promote domestic industrial forestry by offering VAT/duty exemptions on imported machinery and equipment for wood processing. Additionally, provide income tax exemptions for investors establishing industrial wood plantations to stimulate value addition and job creation.

vii) **Facilitate Private Sector Participation in Public Forest Management:** Promote concessions in public forests to allow responsible private sector involvement. This will leverage private capital and technical expertise to enhance the productivity, protection, and sustainability of state-managed forest resources.

viii) **Re-Evaluate Forestry's Contribution to GDP**: Institutionalize natural capital accounting to ensure accurate valuation of forest ecosystem services, such as carbon sequestration, water regulation, and biodiversity conservation. These values should be integrated into national GDP computation to reflect forestry's true economic contribution.

ix) **Introduce Incentives for Green Construction and Public Procurement.**: Encourage the use of sustainably sourced wood in construction by offering duty exemptions for certified timber products and green building materials. Public procurement policies should prioritize environmentally friendly building practices to promote demand for forest products.

x) **Establish a Robust Monitoring, Reporting, and Verification (MRV) Framework.**: Develop a comprehensive MRV system incorporating satellite imagery, forest inventories, and carbon accounting methodologies. This framework will be essential for tracking the effectiveness of fiscal incentives, measuring forest cover changes, and ensuring transparency and accountability in policy implementation.

4.4 SUBMISSION BY THE ATTORNEY GENERAL

56. In a meeting with the Committee held on **Friday, 8th August 2025, Ms. Olivia Simiyu,** representative of the Solicitor General, submitted that the development of the National Green Fiscal Incentives Policy Framework, 2022, was led by an Interagency Taskforce under the leadership of the National Treasury and Economic Planning and the Office of the Attorney General was fully involved.

PART FIVE

5.0 COMMITTEE OBSERVATIONS

57. Upon studying the Sessional Paper No. 5 of 2024 on the National Green Fiscal Incentives Policy Framework, the Committee made the following observations:

   i) The goal of this policy is to identify and prioritize the implementation of a coherent suite of green fiscal actions that will enable Kenya to exploit the opportunities for accelerating the transition to a low-emissions development pathway while enhancing climate resilience and ensuring environmental sustainability.
   ii) The framework identifies sector-specific fiscal measures covering areas such as disaster risk management, agriculture, renewable energy, transport, waste management, and forestry, thereby ensuring a comprehensive approach to climate action.
   iii) The policy proposes a balanced mix of incentives to encourage investment in green, low-carbon, and climate-resilient initiatives, while introducing disincentives aimed at phasing out environmentally harmful and unsustainable practices.
   iv) The policy will encourage private sector participation in climate-relevant financing mechanisms, including green bonds, Payment for Ecosystem Services (PES), and Ecological Fiscal Transfers (EFTs)that will enhance resilience to climate change and other shocks; and
   v) The policy is essential for Kenya to manage transition risks, where failure to align with global low-emissions trends may lead to international marginalization, impacting trade and capital flows.
   vi) The establishment of a Kenya Green Investment Bank will de-risk green investments, making them more attractive to the private sector through blended finance, guarantees, and concessional funding.

PART SIX

6.0 COMMITTEE RECOMMENDATION

58. The Committee recommends that-
    i) **The House adopts this Report on Sessional Paper No. 5 of 2024 on the National Green Fiscal Incentives Policy Framework;**
    ii) **Following the adoption of this Policy, all proposed legislation and regulations to be guided by the provisions of the National Green Fiscal Incentives Policy Framework.**

SIGNED……………………………………………… **DATE**…25/09/2025…

HON. VINCENT MUSYOKA MUSAU, CBS, M.P.
CHAIRPERSON,
DEPARTMENTAL COMMITTEE ON ENVIRONMENT, FORESTRY AND MINING.