

**Investigating Institutional, Policy and Project Financing Barriers Impeding Clean
Development Mechanism (CDM) Implementation in Kenya**

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ABSTRACT

The Clean development mechanism (CDM) is a new tool for promoting sustainable development in developing countries. It was established by the Kyoto Protocol under the United Nations Framework Convention on Climate Change (UNFCCC). It promises developed countries certified emission reductions (CERs) if they comply with their quantified emission targets and developing countries sustainable development benefits if they participate and invest in clean renewable technologies. Energy development through investments in clean technology transfer can contribute to sustainable development. However, sustainable development will only be achieved if current barriers and gaps facing CDM project implementation in Kenya are mitigated or removed altogether paving way for the development of more CDM projects in Kenya.

It is realistic that Africa can expect and attract CDM projects, but only those countries that offer favorable investment environments will reap maximum benefits. Of the total 2944 projects in pipeline, Asia- Pacific has the highest number of CDM projects numbering 2137 which accounts for 74% of global CDM projects. Latin America is second with (635) projects accounting for 22%, North Africa and Middle-East with (43) projects accounting for 1.5% and Sub –Saharan Africa with (38) projects accounting for 1.3% of global CDM projects. Out of the 38 CDM projects in pipeline, South Africa has 23 projects, Egypt 7 projects, Morocco 5 projects, Kenya 4 projects, Tanzania 2 projects, while Uganda and Botswana have one each. Kenya lags behind in the implementation of CDM Projects with only 4 projects developed so far reaching the validation stage. A review and analysis of documentation on these projects reveals that it is not a coincidence but that the level of preparedness and deliberate removal of prior-existing barriers has played a critical role in increasing the number of CDM projects developed per region. The objective of this study was to identify barriers and gaps impeding effective CDM implementation

in Kenya and propose a road-map towards effective harnessing of sustainable development potential inherent in the CDM process in Kenya. This investigative process included establishing and reviewing current status of CDM project implementation in Kenya, identifying institutional, policy and other barriers impeding CDM projects in Kenya and ultimately proposing interventions that may accelerate development of CDM projects. The sample population was 30 respondents. Data analysis of categories, themes and patterns matched the majority of views of respondents. 65% percent of respondents identified various barriers facing CDM projects in Kenya. 80%, 40% and 70% of respondents observed presence of institutional, policy and project financing barriers respectively. 60% of respondents in the public sector pointed out that lack of willingness by private sector to embrace CDM as a key impediment. It was identified that policy and legislative gaps in the energy policy, forestry policy, and related acts have played a role in slowing the uptake of CDM. A poor profile of Kenya as a host country has made project financing a challenge for CDM investors and project developers. This is mainly attributed to the high CDM-specific risks, investment risks and regulatory risks. Overall, Kenya has a high potential to accelerate development of CDM projects. However, there is need to move away from the status quo if Kenya is to benefit more from clean development mechanism (CDM).