

# Budget Adaptation?

What we know about how Kenya's budget is evolving to tackle climate adaptation

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# 1. Introduction and Summary Findings

In 2023, the Kenyan government vocally asserted its leadership in global climate debates at the Africa Climate Summit in Nairobi. In this and other forums, President Ruto called on the world to do more to support Africa's response to climate change.<sup>1</sup> This is right and just.

However, domestic climate action is also crucial. In recent years, the Kenyan government has made domestic commitments to tackle climate change across most sectors of government, ranging from agriculture to health.<sup>2</sup> As Kenya continues to make the case for global support, citizens must also hold the government to account for its domestic commitments through government budgets. If climate change is truly a domestic priority, we should see growing financing for climate in the government's budget.

This paper sheds light on recent government commitments to finance climate-related activities using publicly available budget data at the national government level. As civil society actors, we want to know both how transparent the government is, and how much it is committing and spending for climate action, particularly on climate adaptation. It is possible that the government is allocating funds for climate in ways that are not visible in the budget, but we focus on what ordinary people can see and learn about through publicly available documents. Our analysis therefore focuses on publicly available budget information from FY 2018/19 to 2022/23, and attempts to analyze the government's commitments on that basis.<sup>3</sup>

The focus of this paper is exclusively on budget allocations for climate adaptation. We emphasize adaptation because, while Kenya is a relatively small contributor to climate change, its population will be significantly affected by it.<sup>4</sup> This will mean growing costs for adaptation over time. Climate change mitigation is also important, but financing for adaptation has been relatively neglected.<sup>5</sup> The government has also committed, in its own 2020 Nationally Determined Contribution (NDC) under the Paris Agreement, to re-balance funding toward climate adaptation.<sup>6</sup>

We ask a basic question in this paper: how much money has the national government committed in the national budget to climate adaptation from both internal and external sources over the past five years? While this is a straightforward question, it is not simple to answer. Due to a lack of transparency in climate financing, we need to make some assumptions about what should count as climate adaptation. We describe these assumptions further below. While we focus only on the national government's adaptation spending here, we will extend our analysis to include county government spending and overall climate financing, including mitigation, in the future.

1 <https://media.africacimatesummit.org/Final+declaration+1709-English.pdf?request-content-type=%22application/force-download>

2 <https://www.health.go.ke/index.php/kenya-climate-change-and-health-strategy-2023-2027-unveiled-cop28uae>

3 A previous landscaping study by the National Treasury and the Climate Policy Initiative based on 2017/18 data was based on both public and internal government documents, and provided a more comprehensive picture, but it was produced with the government and had less to say about transparency. See The National Treasury, et al, "The Landscape of Climate Finance in Kenya: On the road to implementing Kenya's NDC," 2021 at <https://www.climatepolicyinitiative.org/publication/the-landscape-of-climate-finance-in-kenya/>

4 In 2022, Kenya contributed less than 0.1 percent of global fossil fuel emissions, based on data from The Global Carbon Budget 2023 (Friedlingstein et al., 2023b, ESSD). On Notre Dame's index of climate vulnerability, Kenya ranked among the 50 most vulnerable countries in the world in 2021. See <https://gain-new.crc.nd.edu/ranking/vulnerability>.

5 The National Treasury, et al, "The Landscape of Climate Finance in Kenya," 2021.

6 See Ministry of Environment and Forestry, "Submission of Kenya's Updated Nationally Determined Contribution," December 24, 2020. Available at: <https://unfccc.int/sites/default/files/NDC/2022-06/Kenya%27s%20First%20%20NDC%20%28updated%20version%29.pdf>



The following are the key findings from the study:

**1. It is difficult to track climate financing in Kenya's budget due to the lack of a clear framework for tagging such allocations, and variation between Kenya's classification of spending and global tagging methods.**

At the global level, the OECD Rio Markers provide a framework for classifying and tagging climate financing across sectors.<sup>7</sup> While these markers are useful in Kenya, the organization of the budget does not fully align with the international categories. Since Kenya has not yet domesticated the Rio Markers through its own classification system, it is challenging to track climate adaptation funds.

Other countries have made more robust efforts to classify and track climate financing, such as Bangladesh, which has developed a system of weighing climate-related funding across all government sectors by climate "relevance."<sup>8</sup> However, in Kenya, the government's plans and policies related to climate do not describe climate finances in a manner that is consistent with the budget.

**2. Annual financing for climate adaptation in the national budget (from both domestic revenue and external partners) has risen over the period, but it has fallen short by nearly 40 percent of the annualized targets in the 2020 Nationally Determined Contribution under the Paris Agreement.<sup>9</sup>**

NDC targets are set in US dollars, so they are affected by exchange rates. At the time that the agreement was signed, based on

the exchange rate in December 2020, the total decade-long national government commitment to climate adaptation was Ksh. 469 billion by 2030, or an annual investment of nearly Ksh. 47 billion.<sup>10</sup>

**3. Given depreciation, however, this underestimates the gap going forward: in order to meet its 2030 target for adaptation, the government will need to allocate Ksh. 71 billion per year, more than 2.4 times the allocation in 2022/23.**

In light of the depreciation of the Kenyan shilling since December 2020, the balance needed between July 2023 and December 2030 to meet the NDC targets for adaptation has grown to Ksh. 534 billion.<sup>11</sup> This is almost 14 percent higher than what would have been needed when the Nationally Defined Contribution was set in December 2020 (Ksh. 469 billion for the ten year period, as mentioned above). This growing gap will limit support to communities affected by climate disasters, as well as investments in water, sanitation, health and infrastructure to reduce the risk of such disasters in the future.

**4. Climate adaptation financing has risen modestly in nominal terms since 2018/19, but it has declined as a share of the economy.**

As a share of GDP, climate adaptation is less than ½ of one percent, but it has either fallen by roughly 19 percent (excluding our

7 OECD DAC, "Rio Markers for Climate Handbook" available at <https://www.oecd.org/dac/environment-development/rioconventions.htm>

8 See this guidance note on budget tagging from the UNDP: <https://www.undp.org/sites/g/files/zskgke326/files/publications/RBAP-DG-2019-Climate-Budget-Tagging-Guidance-Note.pdf>

9 The figure for 2022/23 is between Ksh. 28 and 29 billion, depending on what we include. Our methodology is described further below.

10 This is calculated using the exchange rate in December 2020 of 1 USD = Ksh. 106.40.

11 We calculated the annualized target figure by taking the average annual requirement over ten years to meet the NDC goals for 2020-2030. That figure is in U.S. dollars, so our figure is affected by exchange rate changes. The value of the Ksh. has declined significantly relative to the U.S. dollar since the NDC submission in December 2020, falling from an average annual rate of 1 USD = Ksh. 106.40 in December 2020, to 1 USD = Ksh. 108.74 for the first half of 2021 to 1 USD = Ksh. 144.10 by FY 2023/24.



estimates of climate-related spending in health and transport) or declined by more than 30 percent (including health and transport). As a share of the budget, the trend is similar: a drop from 1.36 percent of MDA budgets to 1.31 percent (excluding health and transport), and a drop from 1.67 to 1.37 percent (including health and transport). We explain our estimates of climate-related spending in health and transport below in the section “What we did.”

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**5. In inflation-adjusted terms, climate adaptation allocations have also dropped by 10 percent when health and transport sectors are excluded, and by nearly a quarter (24 percent) when they are included.**

While declines in support for health have driven the latter results, the figures suggest that overall, the budget for core adaptation activities related to agriculture, rural development, and the environment have not kept pace with inflation.

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**6. Financing for climate adaptation from external partners in the budget has been erratic but has overall fallen during the period by nearly half in nominal terms, even amid calls for greater climate support from richer countries.**

When funding to the health and transport sectors is excluded, the drop is 44 percent; when it is included the drop is 57 percent. An increased domestic share in climate adaptation finance is a positive sign of more country ownership, but external resources will remain critical to meet climate finance targets in Kenya. Ideally, we should see both external and domestic resources for climate adaptation rising over time as the country tries to raise the USD 44 billion needed for its 2020-2030 adaptation strategy.<sup>12</sup>

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**7. These overall trends do not fully capture the volatility of climate adaptation spending, which peaked**

**in the middle of the period (2020/21) before falling back.**

The climate adaptation budget fell in 2019/20, then grew rapidly in 2020/21 before falling again in 2021/22 and 2022/23. Climate adaptation allocations in nominal terms were between 40 percent (excluding health and transport) and 60 percent (including health and transport) higher in 2020/21 than in 2018/19. But adaptation finance then dropped by nearly 30 percent between 2020/21 and 2022/23. This is only a five year period, of course, and past performance cannot predict future trends.

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**8. Two-thirds of climate adaptation allocations go toward readiness activities, which prepare for future climate challenges, as opposed to climate policy or immediate responsiveness to climate impacts.**

This is appropriate, but unlike responsiveness spending, which goes to support areas and people affected by climate change now, it is harder to track the value and effectiveness of allocations to readiness (or policy) until an adverse event occurs. This suggests a need for heightened government transparency, and robust monitoring and reporting by government and civil society.

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**9. Nearly 95 percent of the resources allocated to climate adaptation financing are classified as development spending, though our analysis suggests that much of this spending is actually recurrent in nature.**

For example, a large share of climate adaptation development spending goes to the Kenya Hunger Safety Net Programme, which consists of recurrent transfers, rather than capital expenditure. This reflects a broader tendency in the Kenyan budget to misclassify recurrent spending as development, though there have been some recent attempts to partly address this challenge.



**Based on these findings, we make the following recommendations:**

**1. Government should further develop and implement a tailored climate finance tagging system.**

Such a system will allow all funded government activities that contribute to climate mitigation and adaptation to be monitored both internally and by the public. Ideally, this would be aligned to a larger climate finance taxonomy (such as that used in the European Union or South Africa) that classifies all economic activity, public or private, that relates to the climate.<sup>13</sup> A climate tagging framework would build on and operationalize international standards and Segment 8 of Kenya's IFMIS system, by clarifying the manner in which the IFMIS climate coding system should be applied to government activities.

**2. Climate budget tagging should be linked to an updated National Climate Change Action Plan, developed with robust public engagement, as required under Kenya's Climate Change Act 2016.**

The last plan lapsed in 2022, and despite an announcement that the plan was being launched at the Africa Climate Summit 2023, there is as of August 2024 no plan. Progress has also stalled toward the creation of a Climate Change Fund, which was also envisioned in the 2016 law. While climate finance does not require such a fund, its establishment is a signal that climate financing is a priority and that the government wants to adopt a more coherent framework for tackling climate change. We believe that such a fund should be operationalized as part of a renewed government focus on financing climate adaptation.

**3. Government should follow through on existing commitments to mobilize USD 44 billion for climate adaptation by 2030, including USD 4.4 billion from domestic sources through the budget.**

The government's commitments are laid out in the 2020 Nationally Determined Contribution under the Paris Agreement. These financial commitments are necessary to address the impact of climate change on people's lives, through programmes that protect farmers, ensure access to water, reduce the impacts of floods, fight malaria and support vulnerable groups.

13 See this comparison of the EU and South Africa taxonomies: [https://sustainablefinanceinitiative.org.za/wp-content/uploads/2022/11/EU-SA\\_greentaxonomy\\_2022.pdf](https://sustainablefinanceinitiative.org.za/wp-content/uploads/2022/11/EU-SA_greentaxonomy_2022.pdf)

## 2. Why Study Domestic Resources for Climate Adaptation?

Climate change has profound implications for public finances. Costs for both mitigation (reducing the pace of climate change) and adaptation (helping communities adjust to climate change impacts) are enormous. Economic damages, including from loss of life, associated with recent climate-related disasters are estimated to be on the order of more than USD 140 billion per year globally.<sup>14</sup> In 2020, the Government of Kenya estimated the country's own total costs for climate change over the next decade at USD 62 billion, with roughly 70 percent of this required for adaptation to the impacts of climate change on the Kenyan population.<sup>15</sup>

When it comes to adaptation, the impact of climate change is wide-ranging, including potential damage to public infrastructure and agriculture, negative impacts on tourism revenues, and escalating costs for public health due to increased disease prevalence and emergence of new pathogens. Each of these areas of impact can put pressure on public budgets in the form of augmented expenditures on readiness (such as early warning systems and enhanced disease surveillance) or the need to respond to shocks (such as repair and rehabilitation of physical infrastructure and safety net transfers for affected populations). They may also lead to a loss of tax revenue and foreign exchange from reduced economic activity.

Who will bear these costs? Recent global discourse has focused, fairly, on the role of rich countries in financing climate change expenditures, particularly those related to climate adaptation. This is also reflected in Kenya's updated NDC of 2020 which indicates that the Kenyan government will support only 13 percent of the total cost of USD 62 billion, while expecting the balance from international actors.<sup>16</sup> The Africa Climate Summit's Nairobi Declaration followed this trend, focusing mainly on demands for greater global coordination and more financial support from the international community.<sup>17</sup>

While international resources are critical, **we must not lose sight of the role of low and middle-income governments in creating and financing domestic institutions to address climate change.**

But while international resources are critical, we must not lose sight of the role of low and middle-income governments in creating and financing domestic institutions to address climate change. Even if international partners were to meet their climate finance obligations, which is by no means assured, domestic institutions and resources would be central to the use of these resources. Waiting until international funds materialize in order to create institutions and programmes to manage those funds is a recipe for waste. Attempting to manage public policy while relying on a single form of financing is also risky; even when international resources flow to development, experience suggests that such resources are volatile and will not always arrive in a timely fashion.<sup>18</sup> In any case, across sectors, international financing is often tied to domestic counterpart contributions.

Leadership on climate is not just about global discourse, but about the policy commitments and investments countries are making in their own budgets. If climate change is a national priority in Kenya, then it demands at least some national resources, just as health, agriculture and education do. In short, there is no free lunch: if countries wish to maximize international financing for climate change policies, they will need to commit domestic resources as well.

14 See Newman, R. & Noy, I., "The global costs of extreme weather that are attributable to climate change," Nature, 2023. Available at: <https://www.nature.com/articles/s41467-023-41888-1>

15 "Submission of Kenya's Updated Nationally Determined Contribution," December 24, 2020.

16 Ibid.

17 See The\_african\_leaders\_nairobi\_declaration\_on\_climate\_change-rev-eng.pdf (afdb.org)

18 On this point, see <https://www.sciencedirect.com/science/article/abs/pii/S0264999320312979>



The impacts of climate change are with us now, as present as other social ills like poverty or stunting, and as pernicious for equity as poor educational systems or lack of infrastructure. Among many competing priorities, governments that are serious about social welfare must commit resources to climate adaptation: not just private or international resources, but their own as well. Moreover, this obligation does not end at the national level: subnational governments also have an important role to play. And indeed, Kenyan counties have taken some steps to create institutions and mobilize more resources for climate change, though here too, there is heavy reliance on international funds.<sup>19</sup> Future work will examine counties more closely.

### 3. What We Did

Because the government currently has no national climate tagging system in use, it is not possible to easily or accurately track spending commitments (or actual expenditure) in the climate sector. Nevertheless, public budgets provide a window into climate finance allocations. In order to use them, we needed to make some decisions about how to classify the various items in the budget. Further details on our method are provided in a technical note, along with the underlying data, but we provide a summary here.

Our study focused on climate adaptation. In the climate change field, most activities are classified either as climate mitigation or climate adaptation. Mitigation activities attempt to reduce or prevent emissions, while adaptation activities attempt to reduce the impact of climate change on welfare. The most widely used approach to classifying activities as either mitigation, adaptation or both are the OECD Rio Markers, which were originally adopted by the OECD in 1998 with a focus on mitigation. The markers were expanded to include climate adaptation in 2010.<sup>20</sup>

While the Rio Markers' handbook provides a description of activities that may be classified as climate adaptation, those descriptions do not align perfectly with the Kenyan budget (or, we presume, with many budgets). Therefore, we attempted to align budgeted items in the Kenyan programme and line-item budgets with the Rio Markers.

The primary unit of analysis in our assessment is the so-called **“Delivery Unit” in Kenya’s programme-based budget, which uniquely identifies budget activities.**

The primary unit of analysis in our assessment is the so-called “Delivery Unit” in Kenya’s programme-based budget, which uniquely identifies budget activities. Kenya’s programme budget consists of programmes, which are broken down into sub-programmes and then further into Delivery Units. We reviewed Delivery Units across various sectors of the budget in search of those that aligned with Rio Markers for climate adaptation, with a focus on the

environment, social protection and ASALs, agriculture, rural and urban development (ARUD), health, and transport and energy.

In theory, climate adaptation actions, and the budget for those actions, might occur across the full budget, and not only in sectors with an obvious link to climate, like the environment, or rural development. Indeed, the Nationally Determined Contribution suggests that by 2030, climate adaptation should involve activities across 50 programmes over 13 sectors. The National Adaptation Plan also envisions climate action across a wide range of sectors: 19 sectors are mentioned explicitly in the plan.<sup>21</sup>

<sup>19</sup> See <https://www.iied.org/sites/default/files/pdfs/migrate/G04415.pdf>

<sup>20</sup> OECD DAC, “Rio Markers for Climate Handbook” available at <https://www.oecd.org/dac/environment-development/rioconventions.htm>

<sup>21</sup> [https://www4.unfccc.int/sites/NAPC/Documents%20NAP/Kenya\\_NAP\\_Final.pdf](https://www4.unfccc.int/sites/NAPC/Documents%20NAP/Kenya_NAP_Final.pdf)

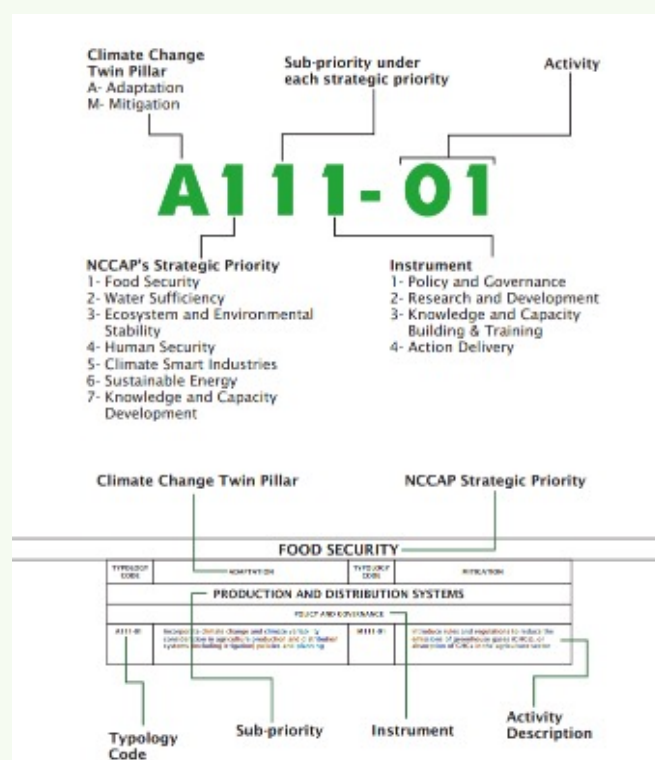


However, it should be noted that Kenya's various plans and policies are not organized in a uniform manner, and do not follow a consistent classification that can be linked to the budget. This is evident in the fact that there are just 10 medium-Term Expenditure Framework (MTEF) sectors in the budget, but as mentioned above, there are 13 sectors in the NDC and 19 in the NAP. Furthermore, the 50 “programmes” mentioned in the NDC are not budget programmes. Some of them are not even “programmes,” but rather activities or indicators, such as the “greening of 14,000 hectares of infrastructure which includes roads, railway and dams.” Therefore, there is no easy way to link the DUs in the budget to the various structures described in the NDC or other government plans.

Our review of the budget suggests that spending that is explicitly described as climate-related in some way is concentrated in just a few sectors: ARUD, environment, and social protection. It is difficult to find examples of the kinds of cross-sectoral commitments mentioned in the NDC or NAP. It is possible that such allocations exist, and are simply not tagged as such, but if so, that is further evidence of a transparency gap.

The kind of climate tagging we are describing here, which illuminates climate-related finance across all government sectors, is used in other countries. For example, the Philippines has unique climate tags for each sector as can be seen in the health sector example below (Figure 1).<sup>22</sup> The tags are aligned to different functions of each sector, such as policy, research, capacity and service delivery. The tagging system is similar to a typical chart of accounts, where the different segments of the code have specific meanings tied to strategic objectives in climate (see Figure 1). For example, the code in Figure 1 tells us that this activity is related to adaptation (A), food security (1), action delivery (4)) and is the first activity in the sector (01).

**Figure 1: Programme tagging code system in the Philippines**



Source: *Climate Change Expenditure Tagging, Climate Change Commission, Philippines*<sup>23</sup>

22 [https://niccdies.climate.gov.ph/files/documents/2021\\_Local%20CET%20Guide.pdf](https://niccdies.climate.gov.ph/files/documents/2021_Local%20CET%20Guide.pdf)

23 See The Philippines Department of Management and Budget, “National Climate Change Expenditure Tagging Typology Code Manual.” Available at: Typology Code Manual.pdf (climate.gov.ph)



Kenya's budget does not do this, but we describe next our own attempt to create a “functional” classification among climate adaptation activities. Our review suggested that within climate adaptation, there are various types of activities that are somewhat related to each other, so we introduced a second layer of classification for adaptation allocations.

We classified all of these as part of one of three functional areas—readiness, responsiveness or policy—and we allowed for some allocations to be classified using more than one of these tags. Policy budgets are for the development of frameworks, legislation or regulations. Readiness refers to the setting up of systems, such as early warning systems, that can prepare citizens for future shocks. Responsiveness refers to direct support, such as cash transfers, to those impacted by climate now. Finally, we used the budget books to estimate the share of domestic versus external financing in the budget. This information is contained in the line-item budget.

**Policy budgets** are for the development of frameworks, legislation or regulations. **Readiness** refers to the setting up of systems, such as early warning systems, that can prepare citizens for future shocks. **Responsiveness** refers to direct support, such as cash transfers, to those impacted by climate now.

Our method is simple, but we encountered some challenges while implementing it. As is always the case when reviewing budget documents across years, we discovered changes over time in the coding and naming of programmes and projects, requiring reclassification. Since the Kenyan budget does not break down Delivery Units into activities, we were forced to deduce programme activities from the DU descriptions and related KPIs. This is imperfect, though we do not believe it had a substantial impact on our overall figures.

It is important to clarify terminology around “domestic,” “external,” and “international” funding. In this paper, we treat any financing that is in the national government's budget as part of its domestic commitment. Although we report separately on domestic and external funds within the budget, we do not treat donor financing that is on-budget as part of external finance. This is in line with Kenya's statement at the end of its December 2020 revised NDC that it will consider “any climate finance in terms of loans as part of its domestic contribution.”

In essence, if the government is able to apply financing from external partners, through either loans or grants, to the budget, we consider these to be part of its domestic commitment toward climate adaptation spending. This decision overstates the domestic resources that are funding climate change, but we think that this is closest to what the government intended in its NDC commitment. By this logic, other resources contributing to climate change are “international” and “off-budget.”

As our focus was on the budget, **we did not comprehensively assess off-budget, international climate adaptation financing, but some such funding almost certainly exists.**

As our focus was on the budget, we did not comprehensively assess off-budget, international climate adaptation financing, but some such funding almost certainly exists (we discuss this further below). Finally, because our analysis is at the DU level, we cannot analyze expenditure, as there are no government expenditure reports at this level. In all likelihood, the allocations we analyzed put an upper bound on expenditure (as the government typically underspends its budget), but we also triangulated our findings with sector and MDA-level expenditure figures to establish rough expenditure estimates.



The government commitments for climate change in the 2020 NDC are mostly given in US dollars, while the budget is in Kenyan shillings. Due to considerable exchange rate volatility over this period, the choice of exchange rate has a significant impact on the analysis. To address this challenge we used the average annual exchange rate for the year when certain decisions or allocations were made. For example, if the NDC was published in 2020 and indicates the resource requirement was USD 62 billion, we used an average annual exchange rate for the year 2020 to estimate what that commitment was in Kenyan shillings at that point. However, when we look at what the government must still contribute today toward U.S. dollar targets for climate change expenditure going forward, we need to use an updated exchange rate. For example, when estimating the resources that the government needs to invest going forward as of July 1, 2023, we use the average annual exchange rate for the year 2023/24.

Another challenge that we faced was how to allocate financing for activities that are not climate-related, but that may be exacerbated by climate change. Malaria is an example: malaria has long been a challenge in Kenya and expenditure on malaria as a whole is clearly not climate change adaptation financing. However, the changing climate may exacerbate malaria, meaning that some increment in the budget for malaria should be treated as related to climate adaptation.

It is very difficult to estimate the true share of malaria spending that should be considered climate-related. Studies show that climate change is likely to increase malaria incidences, but it can also cause malaria incidence to fall as it negatively impacts mosquito breeding.<sup>24</sup> Current models and data simply do not provide a clear picture of the net impact. Even if they did, we would have to translate changes in incidence into changes in malaria expenditure, which would also require many questionable assumptions.

For this paper, we took a simple approach: we created a range. **On the low end, we assume that no budgeted malaria spending is climate-related, while on the high end we assume that up to 30 percent of malaria spending is climate-related.**

For this paper, we took a simple approach: we created a range. On the low end, we assume that no budgeted malaria spending is climate-related, while on the high end we assume that up to 30 percent of malaria spending is climate-related. This proportion borrows from experiences in other countries that have estimated the climate-relevant share of their sector budgets. For example, Bangladesh assigns weights for climate relevance to a range of activities. These weights range from 0 to 100 percent, with 100 percent assigned to explicit climate activities.

Bangladesh estimates that 20 percent of “social protection and health” spending should be considered climate-related.<sup>25</sup> In light of this, our maximum weight of 30 percent appears generous but not unreasonable. It is unlikely that we have under-estimated climate adaptation spending for malaria on the high end of our range. We do something similar for other activities that are well-understood to exist apart from climate change, but that may be impacted by it, such as those related to infrastructure (where climate-proofing of roads, for example, adds extra costs to ordinary road construction costs).

<sup>24</sup> For a discussion of the various pathways in a study of the Kenyan coast, see <https://journals.plos.org/plosone/article/file?id=10.1371/journal.pone.0211258&type=printable>

<sup>25</sup> See the budget tagging note prepared by the UNDP. Available at: <https://www.undp.org/sites/g/files/zsk-gke326/files/publications/RBAP-DG-2019-Climate-Budget-Tagging-Guidance-Note.pdf> (Page 84)



## 4. What We Found: Modest Increases, Volatility, and Major Gaps

This section describes our overall findings. For reference, Kenya's Nationally Determined Contribution (NDC) calls for total adaptation financing over ten years of USD 44 billion, which works out to roughly USD 4.4 billion a year, or Ksh. 468.5 billion per year (based on the exchange rate in 2020). The NDC expects 90 percent of total climate resources for adaptation to come from outside of the government, while GOK takes responsibility for only 10 percent of total climate financing.

This would translate to government spending on adaptation of USD 440 million a year, or Ksh. 46.9 billion (exchange rate in 2020, 1 USD = Ksh. 106.5). Unfortunately, as a result of exchange rate depreciation over this period, the annual value of reaching the USD target over the period has continued to rise.

We note here that the NDC puts heavier reliance on international funding for adaptation than mitigation. While mitigation is to be funded 21 percent domestically, just 10 percent of adaptation is set to rely on domestic finance. This is somewhat surprising: both public and private actors tend to have more interest in funding mitigation than adaptation. Mitigation is the primary focus of richer countries, as they attempt to slow or halt climate change. Private investors are also likely to focus on mitigation; from an investment perspective, the return on investments in infrastructure change is clearer than that on cash transfers to those hurt by climate disasters. According to OECD data, for example, the share of private investment in climate mitigation was six times larger than adaptation in 2018-20.<sup>26</sup> This trend is likely to continue, given that mitigation remains more profitable for private investors than adaptation.

If it is harder to attract international funding for climate adaptation than mitigation, then the expectation that 90 percent of the NDC adaptation target will be financed internationally is likely unachievable. In that case, the gap between what the government is allocating and what is needed for adaptation is even higher, rendering our estimates of the adaptation climate financing gap conservative.

Table 1 presents total climate adaptation spending by year for the period from FY 2018/19 to 2022/23. The total is divided between GOK allocations and those from external partners. We present this data across the range we adopted (described above) for climate-related spending on malaria and other programmes, so there are two figures: one assuming that no such spending is climate-related, and another assuming that 30 percent of that spending is climate-related.

26 See <https://www.oecd.org/dac/2023-private-finance-odfi.pdf>



**Table 1: Climate adaptation spending between FY 2018/19 and 2022/23, modest growth in domestic funding, large drops in external**

Climate Adaptation Spending, Excluding Health and Transport Estimates					
FY	GOK Allocation (Ksh. Billions)	External Partners (Ksh. Billions)	Total Spending (Ksh. Billions)	Share of GOK	Share of External
2018/19	11.1	12.7	23.8	46.6%	53.4%
2019/20	16.9	5.2	22.2	76.4%	23.6%
2020/21	14.1	24.6	38.7	36.5%	63.5%
2021/22	13.1	17.1	30.2	43.5%	56.5%
2022/23	20.8	7.1	27.8	74.7%	25.3%
<b>TOTAL</b>	<b>76.0</b>	<b>66.6</b>	<b>142.7</b>	<b>53.3%</b>	<b>46.7%</b>
Climate Adaptation Spending, Including Health and Transport Estimates (@ 30%)					
FY	GOK Allocation (Ksh. Billions)	External Partners (Ksh. Billions)	Total Spending (Ksh. Billions)	GOK Allocation	External Partners
2018/19	11.6	17.6	29.2	39.7%	60.3%
2019/20	17.1	6.1	23.2	73.7%	26.3%
2020/21	15.1	25.6	40.7	37.0%	63.0%
2021/22	13.6	17.6	31.3	43.6%	56.4%
2022/23	21.3	7.6	28.9	73.8%	26.2%
<b>TOTAL</b>	<b>78.8</b>	<b>74.6</b>	<b>153.3</b>	<b>51.4%</b>	<b>48.6%</b>

Source: Programme Based Budget Analysis FY 2018/19-2022/23

The figures show that total adaptation financing in the budget was between roughly Ksh. 28 and 29 billion in 2022/23. There is relatively little difference in our estimates when we include or exclude health and transport. The GOK share is between roughly 73 and 75 percent (with and without health and transport included).

The overall 2022/23 figure represents limited progress over the period: total adaptation funding in nominal terms increased by 17 percent from 2018/19 when we exclude health and transport. When they are included, nominal allocations fell slightly, by about one percent. A 17 percent increase over five years is an increase of approximately 4 percent per year.

**Over the period, there has been an important shift from external to local funding.**

Domestic financing saw considerable growth during this period: 87 percent when health and transport are excluded, and 84 percent when they are included.

Over the period, there has been an important shift from external to local funding. Domestic financing saw considerable growth during this period: 87 percent when health and transport are excluded, and 84 percent when they are included. At the beginning of the period, domestic financing was between 40 and 47 percent of the total, while by 2022/23 it was over 70 percent. Under normal circumstances, we might consider this a success story; the overall picture is one of Kenya modestly increasing its climate adaptation spending as donor financing reduces, something that we often have as a goal in other sectors.

Clearly, however, climate adaptation spending needs to grow significantly and rapidly. Domestic resources are not growing fast enough. The total government allocation (including health and transport) for the period since the new NDC was submitted in 2020 until the end of the 2022/23 financial year was USD 0.69 billion (Table 2). This is approximately 16 percent of the nearly USD 4.4



billion required over the 10 year period. Therefore, the government has to allocate an additional USD 3.71 billion, which is equivalent to an annual allocation of Ksh. 71.2 billion to meet its adaptation target.

**Table 2: Outstanding commitments are growing: budget allocations to 2022/23 and the balance needed to meet the NDC spending goals by 2030**

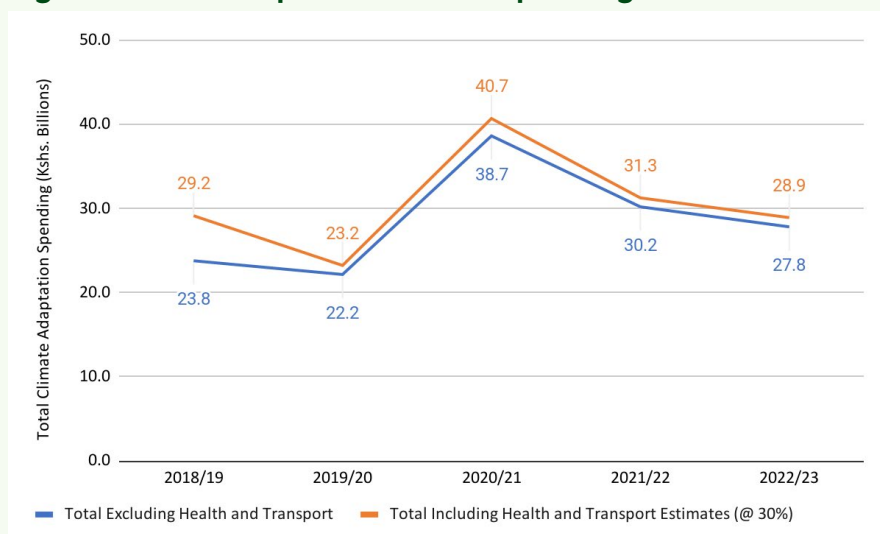
FY	GOK Allocation (Ksh. Billions)	External Partners (Ksh. Billions)	Total Spending (Ksh. Billions)	Exchange Rate Ksh.=USD*	Total Spending (USD) (Billions)
2020/21	7.5	12.8	20.4	108.74	0.19
2021/22	13.6	17.6	31.3	112.80	0.28
2022/23	21.3	7.6	28.9	126.21	0.23
<b>TOTAL</b>	<b>42.5</b>	<b>38.1</b>	<b>80.6</b>		<b>0.69</b>
<b>NDC Commitments (GoK Contribution) 2020-2030</b>			<b>634.03</b>	<b>144.10</b>	<b>4.4</b>
<b>Balance as of July 1, 2023</b>			<b>534.05</b>	<b>144.10</b>	<b>3.71</b>
<b>Annual Balance from July 1, 2023 to December 31, 2030</b>			<b>71.21</b>		<b>0.49</b>

\* Exchange rates are average rates for the full financial years with the exception of 2020/21 which was for the 6 months of Jan -June 2021. The balance calculation uses the FY 2023/24 rate.

While domestic financing is a key focus of this paper, it remains the case that both external funding and international financing have a critical role to play. Considering the magnitude of financing required to meet Kenya's NDC targets by 2030, declining external support for climate adaptation cannot be seen as a success. Nonetheless, more research is needed to form a full picture of trends in international funding, which is (by definition) mostly off-budget. We discuss this further below.

It must also be noted that the trend for the period is not linear: total spending fell, rose and fell again, ending somewhat above 2018/19 levels (or slightly below, depending on whether we include health and transport or not). There is not a clear trend towards increased allocations, either from domestic or external sources.

**Figure 2: Total adaptation climate spending shows inconsistent trends**



Source: Programme Based Budget Analysis FY 2018/19-2022/23

Furthermore, although domestic allocations grew rapidly over the period, the domestic FY 2022/23 allocations still fell short of the government's annual domestic adaptation financing target by 40 percent. As a share of the economy, climate adaptation funding has also stagnated or fallen. Climate adaptation spending represents less than one half of one percent of GDP to begin with, so the changes in such small numbers are also small. But as a share of GDP, adaptation allocations fell from 0.25 percent of GDP to 0.2 percent (excluding health/transport), or from 0.30 to 0.21 percent (including health/transport). The same pattern can be observed if we look at the share of the MDA budget: this fell from 1.36 to 1.31 percent (excluding health/transport), and from 1.67 to 1.37 percent (including health/transport).

Climate adaptation spending has also fallen in real terms since 2018/19. Real allocations for climate adaptation fell by roughly 10 percent, when health and transport are excluded. When they are included, real spending fell by nearly a quarter, though this was driven mainly by a decline in health spending.

## 5. Breaking it Down: Economic, Functional and Sector Analysis

### 5.1 Economic and Functional Analysis: Heavy on Readiness, Light on Recurrent

Looking further at the data, we can see that the vast majority of adaptation financing is for development: nearly 95 percent for the full period, though it has been declining over time. Even 84 percent of what we have classified as policy expenditure is development. In some cases, this may be because the spending was considered to have more than one function: 38 percent of the policy financing we found was also classified as climate readiness financing. Of the remaining climate policy financing that is considered "development," much of it is associated with the Global Fund support for health in 2018/19. Outside of this, most policy funding is actually recurrent in nature, as one might expect.

What is perhaps more surprising is the characterization of responsiveness financing. Figure 3.3 shows that 96 percent of responsiveness is for development. But responsiveness is most often about responding to shocks, and that often involves recurrent expenditure. To be sure, reconstruction of damaged public infrastructure might be included in this category, and that would be capital in nature. But much social protection spending should also be here, which is generally recurrent in nature.

In fact, the vast majority of the development spending under responsiveness comes from the Kenya Hunger Safety Net Programme (HSNP). This programme mainly provides cash transfers to poor households and is recurrent in nature, so this is clearly misclassified.<sup>27</sup> Some of the Global Fund's malaria response funding is also considered development in the budget, but is likely recurrent in nature as well.

Taken together, this analysis suggests that the budget for climate adaptation is far more recurrent in nature than the overall figures seem to suggest.

<sup>27</sup> It should be noted that HSNP appears to have been reclassified as recurrent spending in the 2023/24, though this falls outside of the period analyzed here.

**Table 3: Trends in climate adaptation spending by economic classification FY 2018/19 to 2022/23: mainly for development?**

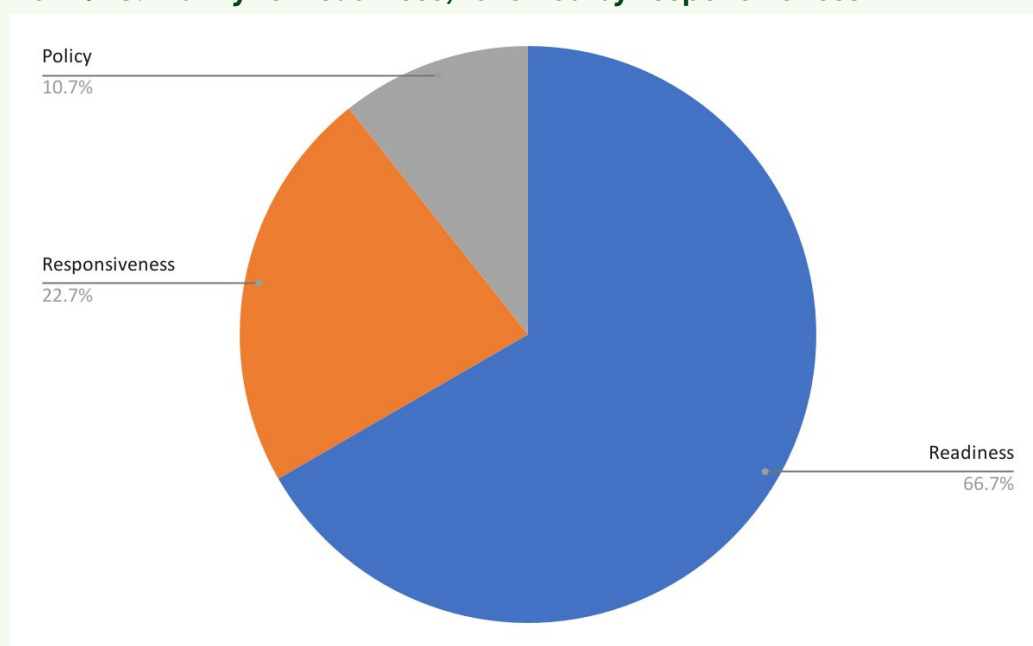
Climate Adaptation Spending, Excluding Health and Transport Estimates					
Financial Year	Recurrent (Ksh. Billion)	Development (Ksh. Billion)	Total	Share of Recurrent	Share of Development
2018/19	0.7	23.1	23.8	3.1%	96.9%
2019/20	0.8	21.5	22.2	3.7%	96.8%
2020/21	2.5	36.2	38.7	6.4%	93.6%
2021/22	2.0	28.2	30.2	6.8%	93.2%
2022/23	2.0	25.8	27.8	7.2%	92.8%
<b>TOTAL</b>	<b>8.1</b>	<b>134.7</b>	<b>142.7</b>	<b>5.7%</b>	<b>94.4%</b>
Climate Adaptation Spending, Including Health and Transport Estimates					
Financial Year	Recurrent (Ksh. Billion)	Development (Ksh. Billion)	Total	Share of Recurrent	Share of Development
2018/19	0.8	28.0	28.9	2.9%	97.1%
2019/20	0.9	22.5	23.2	3.7%	96.8%
2020/21	2.6	37.0	39.6	6.5%	93.5%
2021/22	2.2	29.1	31.3	6.9%	93.1%
2022/23	2.0	26.9	28.9	7.1%	92.9%
<b>TOTAL</b>	<b>8.5</b>	<b>143.6</b>	<b>151.9</b>	<b>5.6%</b>	<b>94.5%</b>

Source: Programme Based Budget Analysis FY 2018/19-2022/23

Figure 3.1 to 3.3 look at climate adaptation allocations by our three functions: **readiness**, **responsiveness**, and **policy**. The results show that readiness is the dominant form of investment, which makes sense. Pure policy allocations should be the lowest share, and we should expect to be investing most of our resources in preparing better for future shocks. However, when money is spent on readiness, robust monitoring is crucial. Responsiveness spending responds to climate challenges as they occur, and it is relatively easy to see whether that is being achieved or not. But investments in responsiveness will only be stress-tested when a crisis hits.

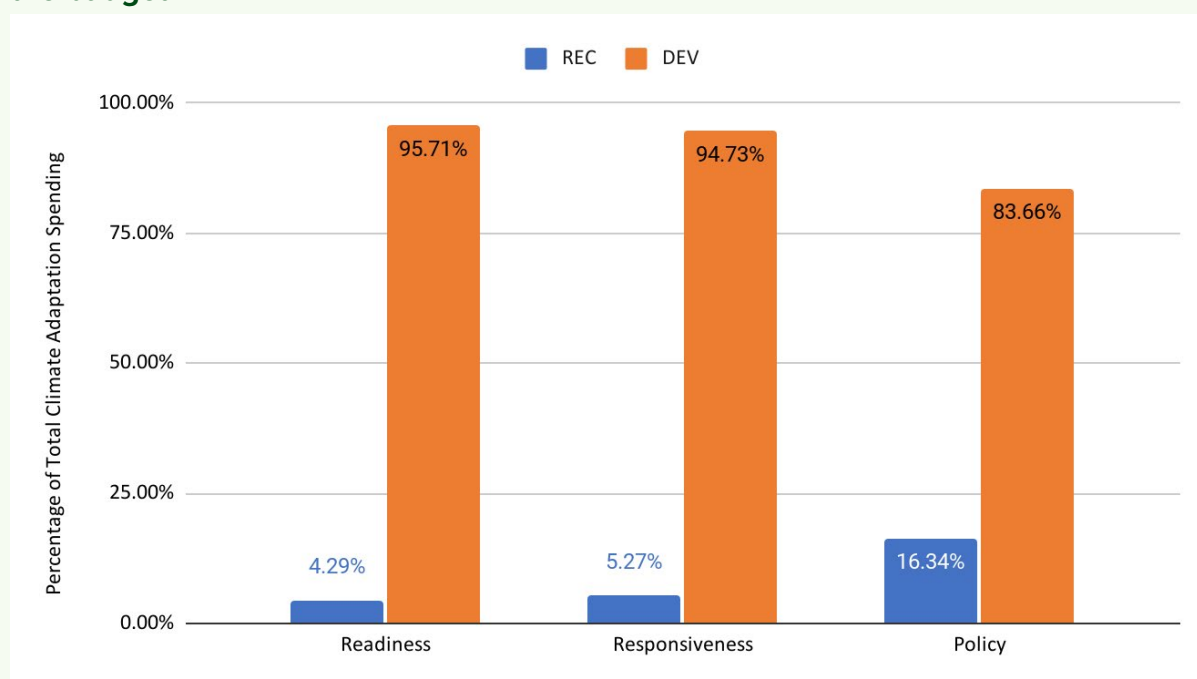


**Figure 3.1: Functional classification of climate adaptation spending FY 2018/19- FY 2022/23: Mainly for readiness, followed by responsiveness**



Source: Author analysis of Programme Based Budget FY 2018/19-2022/23

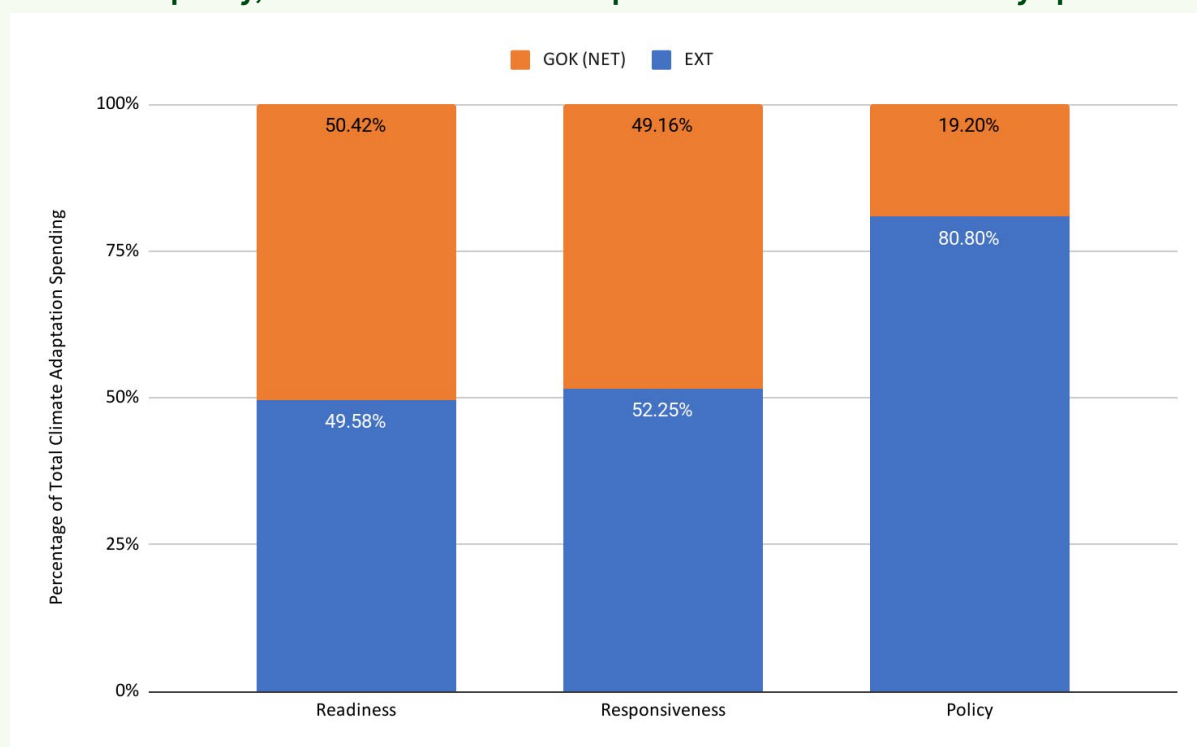
**Figure 3.2: Functional classification of climate adaptation spending by source of funds: development dominates all functions, but this may reflect poor classification in the budget**



Source: Author analysis of Programme Based Budget FY 2018/19-2022/23



**Figure 3.3: Functional classification of climate adaptation spending by economic classification (including health and transport at 30 percent): domestic funding dominates policy, while readiness and responsiveness are more evenly split**

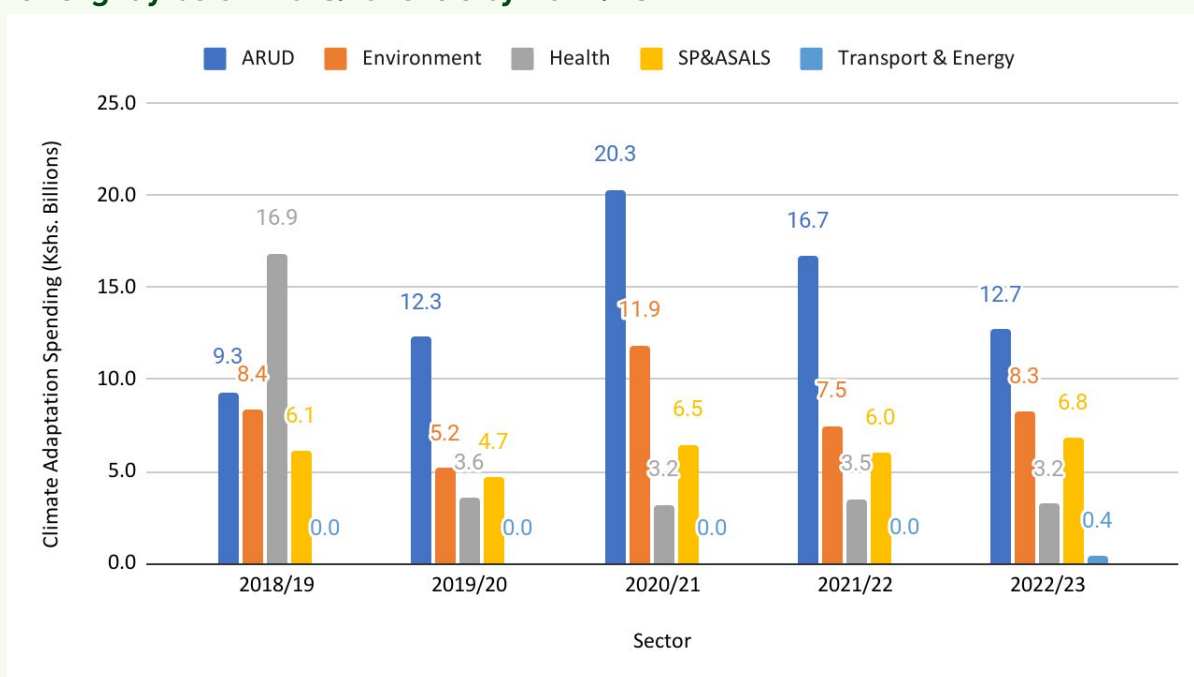


Source: Programme Based Budget Analysis FY 2018/19-2022/23

## 5.2. Sector Analysis: ARUD and Environment Drive Overall Trends

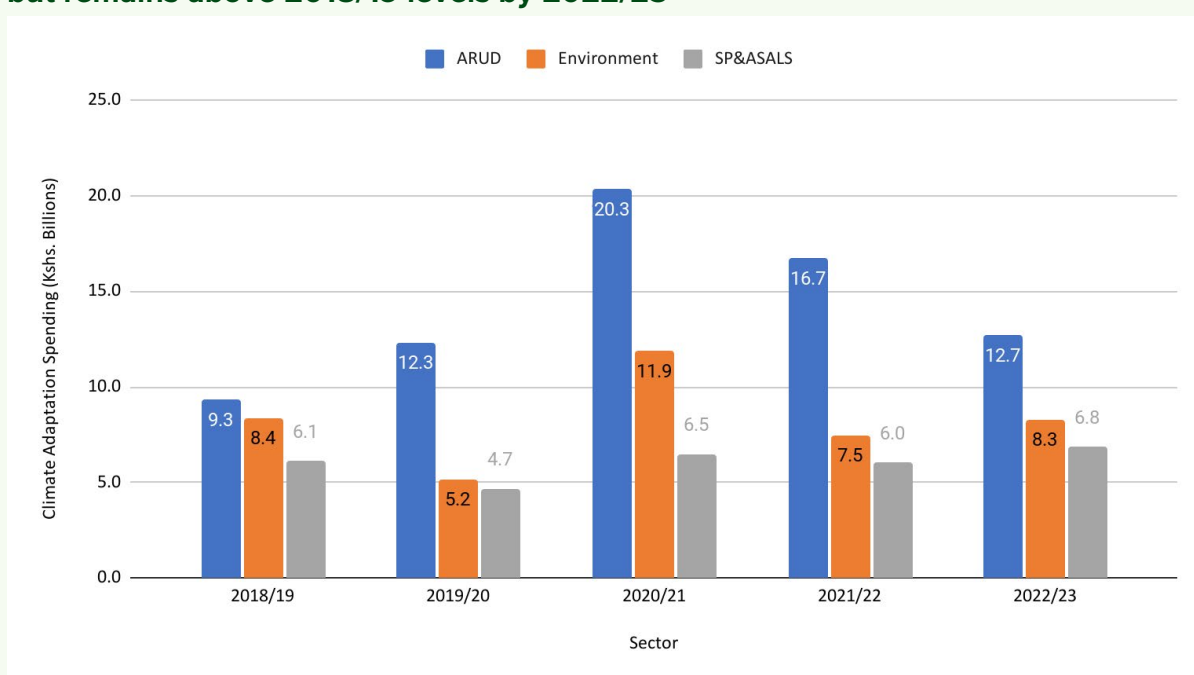
This section identifies budgeted allocations by sector. Over the five-year period, the ARUD and Environment sectors accounted for over 70 percent of total external climate adaptation spending. For most of this period, the ARUD sector had the largest budget, except for 2018/19 when Health was dominant. Even then, ARUD had a higher adaptation budget than the environment sector.

**Figure 4.1: Climate spending including health and transport peaked in 2020/21, and fell slightly below 2018/19 levels by 2022/23**



Source: Programme Based Budget Analysis FY 2018/19-2022/23

**Figure 4.2: Climate spending excluding Health and Transport also peaked in 2020/21, but remains above 2018/19 levels by 2022/23**



Source: Programme Based Budget Analysis FY 2018/19-2022/23

Table 4 shows volatility in external funding, but the trend toward lower external support is consistent across sectors for the five year-period. It appears most stark, however, for ARUD and Social Protection. Given the volatility and the relatively short time period covered by our analysis, we cannot be certain that this trend will hold going forward.



**Table 4: Volatile, but declining overall: external support for adaptation is volatile across sectors**

Share of external climate adaptation spending by sector						
	2018/19	2019/20	2020/21	2021/22	2022/23	Average
ARUD	64%	13%	86%	80%	26%	58%
Environment	49%	48% <sup>28</sup>	59%	37%	36%	47%
Health	91%	82%	52%	53%	55%	76%
SP&ASALS	42%	23%	2%	17%	11%	18%
Transport & Energy	-	-	0%	0%	0%	0%
<b>Total Average excluding Health and Transport estimates</b>	<b>53%</b>	<b>24%</b>	<b>64%</b>	<b>57%</b>	<b>25%</b>	<b>47%</b>
<b>Total Average including Health and Transport estimates (@30%)</b>	<b>60%</b>	<b>26%</b>	<b>63%</b>	<b>56%</b>	<b>26%</b>	<b>49%</b>

Source: Programme Based Budget Analysis FY 2018/19-2022/23

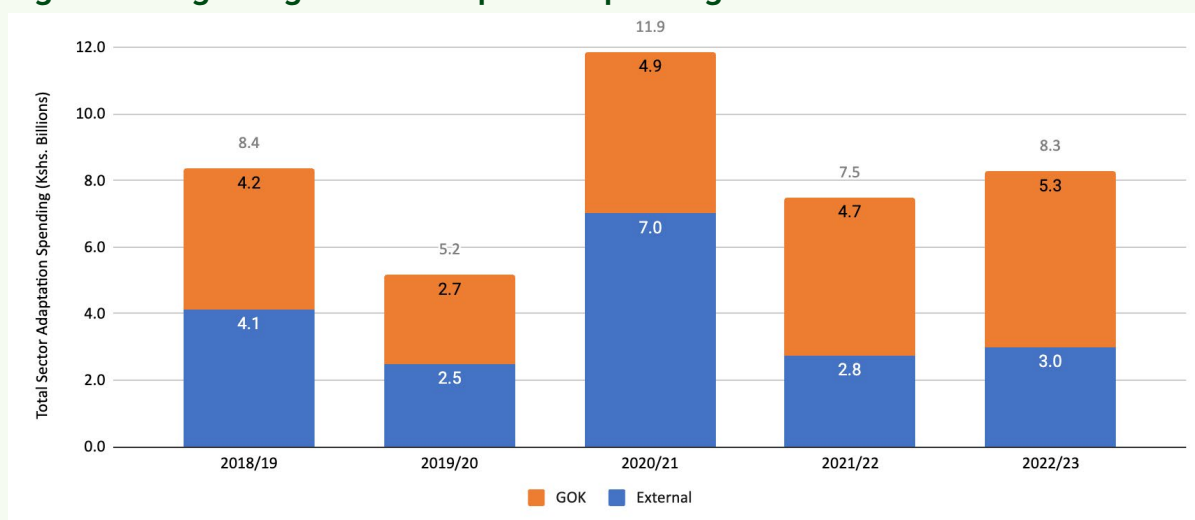
For ARUD, climate adaptation 2022/23 allocations increased over the period by 37 percent. Funding for the ARUD sector has shifted from external to domestic overall, but with considerable volatility. Comparing the endpoints, external funding accounted for 64 percent of climate adaptation allocations in 2018/19, but just 26 percent in 2022/23. However, just one year earlier, in 2021/22, donor funding was at 80 percent of climate adaptation allocations, suggesting that there is not a clear trend line toward more domestic financing in this sector.

Social Protection allocations have risen by nearly 12 percent over the period. If we look at the breakdown by GOK and external funding, we find that GOK funding grew by nearly 70 percent, while external funding in 2022/23 fell from over 40 to just 11 percent of climate adaptation allocations in the SP & ASAL sector.

The Environment sector is the only one of our sectors that has actually seen its budget fall over the period, though marginally. GOK allocations have grown by nearly 25 percent, but the donor share fell from roughly half to just 36 percent, leading to a slight decline. While the overall decline is not substantial, it is fair to ask why the budget for climate change adaptation in the Environment sector is not rising rapidly, rather than stagnating.

<sup>28</sup> The figure for external funding used here is the approved figure as indicated in the Supplementary I FY 2019/20 Development budget book II. The Approved Development III budget book which covered allocations under the Ministry of Water and Sanitation was not available on the National Treasury website at the time of publishing.



**Figure 5: Stagnating climate adaptation spending in the environment sector**

Source: Programme Based Budget Analysis FY 2018/19-2022/23

When it comes to Health, we focused on malaria allocations. It is well-known that Kenya depends on the Global Fund for support to finance malaria, among other diseases. Earlier, we noted that we would count somewhere between zero and 30 percent of what we find toward climate adaptation. In addition to the Global Fund, we included a small budget from Metropolitan Health Services in our analysis, as it also contained some funding for malaria. If we first look at the raw figures, they show a massive drop in malaria allocations between FY 2018/19 and 2022/23, by 82 percent. This reflects a decline in external funding by 89 percent, most of which occurred in 2019/20. GOK funding also decreased by just over 7 percent over the period.

For transport and infrastructure, we looked at two items: rural roads in ASAL areas, and a small climate change unit. The first point that must be made is that climate change in transport and infrastructure is often about mitigation: how infrastructure investments can reduce emissions. Given this, only a fraction of a “climate change unit” might be related to adaptation. For rural roads, building such roads is itself not evidence of adaptation, but the existence of climate-proofed roads can contribute to adaptation in the event of increased flooding. To account for this, we followed the practice with malaria and took 30 percent of this funding, which we again believe is generous.

According to our calculations, transport adaptation grew slightly over the period, as there was no allocation in 2018/19, but roughly Ksh. 400 million in 2022/23. These funds came entirely from GOK, with no donor financing in any year. Clearly, they account for a very small part of adaptation financing overall.

## 6. Does the Budget Reflect a Coherent Approach to Climate Policy?

The figures above suggest that the climate adaptation budget is volatile, which raises concerns about policy consistency and impact. We have also seen that the climate adaptation budget is highly concentrated, which is at odds with the policy documents we reviewed earlier. As we saw, both the Nationally Determined Contribution and the National Adaptation Plan envision a whole of government approach to climate adaptation, but we find budgets for climate in just a few sectors.

When budgets are not clearly aligned to policy, we must question whether there is a coherent approach to a given area of policy, in this case, climate financing. The fact that the government has not yet operationalized the Climate Change Fund, legally established in 2016 to consolidate



climate financing, also suggests a lack of clear policy direction.

On the other hand, the concentration of financing in just a couple of sectors can also be understood as a form of coherence. We found that within the sectors we looked at, four large programmes accounted for more than 70 percent of climate adaptation spending in 2020/21.

Nonetheless, our review of the budget leaves us with a set of questions that require further investigation:

- **While the bulk of climate adaptation spending is accounted for by just four programmes, these DUs account for just six percent of all the DUs involved in climate adaptation.** This means that there are a large number of DUs with smaller budgets (the median non-zero budget for DUs in our sample was Ksh. 270 million). Is this a strategic response to a wide range of policy concerns, or does it indicate a lack of policy coherence?
- **We also raise concerns about the fact that some DUs saw their funding start and stop during the period we reviewed.** Given the ongoing nature of the climate crisis, there is no obvious policy reason for many of these programmes to have ended. For example, one of the DUs that ceased to receive funding during the period was for sustainable land management in agro-pastoral lands. It is unlikely that this need was filled during the period, so why did the funding cease in 2020? A programme on flood management in the Environment sector seems to have been funded only every other year. An initiative on climate resilient development ended after a single year in our data.

Some of this stop-start funding may reflect donor dependence in the sector, an important source of volatility as discussed above. Nevertheless, a “projectized” approach to climate, which may be encouraged by donor finance, is potentially problematic, when the nature of the problem is long-term and escalating with time, rather than reducing.

## 7. Implementation: Actual Expenditure on Climate Adaptation was Lower than Budgeted, Especially in the Environment Sector

Our analysis in this paper focuses on budget allocations, because that is the only data we have at the Delivery Unit level. However, because climate adaptation funding is concentrated in a few sectors, we can look at the average execution rates for these sectors to formulate a range into which climate adaptation execution likely falls. We take the budgeted figures and weight them by the average sector execution rate in each year to calculate these figures. Of course, within sector variation rates may vary considerably, so this is an imperfect method. But crediting that 100 percent of budgeted figures was spent is also imperfect.

The table 5 below shows that in 2020/21 when climate adaptation budgets peaked, absorption hit a low point. Overall absorption dipped further in 2021/22 and then rebounded in 2022/23. Generally, this pattern suggests that higher budgets are associated with lower absorption, a somewhat unfortunate pattern. Average absorption across the full period has fallen from about 87 to about 80 percent, when health and transport are included. When they are excluded, the drop is somewhat less dramatic, from 84 to 81 percent.

**Table 5: Annual sector total budget absorption rates FY 2019-2022**

	2018/19	2019/20	2020/21	2021/22	2022/23
ARUD	97%	85%	78%	65%	92%
Environment	66%	80%	53%	50%	64%
Health	85%	111%	82%	75%	71%
SP & ASALS	97%	85%	73%	92%	98%
Transport & Energy	97%	85%	78%	65%	92%
<b>Overall</b>	<b>87%</b>	<b>90%</b>	<b>72%</b>	<b>69%</b>	<b>80%</b>
<b>Overall (excluding Health &amp; Transport)</b>	<b>84%</b>	<b>83%</b>	<b>65%</b>	<b>67%</b>	<b>81%</b>

Source: Programme Based Budget Analysis FY 2018/19-2022/23

If we apply the sector absorption rates to the climate adaptation budget in each sector, overall spending on climate change in nominal terms is obviously lower than budgeted finance. Total finance in 2022/23 falls from Ksh. 28 or 29 billion (without or with health and transport) to about Ksh. 24 billion in either case when spent. Across the 5 year period, Ksh. 33 or 35 billion (without or with health and transport) of the budget for climate adaptation was not actually spent, comprising roughly 23percent of budgeted expenditure across all sectors.

Overall, estimating absorption in this way demonstrates what we would have expected, which is that any increases in financing over time are at least somewhat exaggerated if we look at actual spending instead of only budgeted figures. Based on these very rough estimates, however, the level of exaggeration in the aggregate is not excessive.

However, if we look specifically at the Environment sector, which has the lowest absorption rates, and also shows a pattern of a stagnant budget over the period, the picture looks worse. Taking into account absorption rates, the Environment sector's climate adaptation spending fell by nearly four percent over the period in nominal terms, compared to a decline of just one percent when we look at the decline in the budgeted figures.

**Taking into account absorption rates, the Environment sector's climate adaptation spending fell by nearly four percent over the period in nominal terms,** compared to a decline of just one percent when we look at the decline in the budgeted figures.

Our analysis also finds that there are frequent changes to climate adaptation financing through supplementary budgets. Taking the Social Protection and ASALs sector for example, 13 of the 17 DUs had their budgets adjusted at least once mid-year between FY 2018/19 and FY 2022/23. The law mandates that supplementary budgets should respond to unforeseen events, such as floods and drought, so some changes are to be expected. However, a number of DUs have also been introduced mid year. In the FY 2021/22, three new DUs in the Social Protection and ASALs sector were introduced in the Supplementary I and allocated a total of Ksh. 536 million. This suggests lack of proper planning, rather than responsiveness to crisis.



## 8. The Elephant Outside of the Room: Estimating Off-Budget Resources is Challenging

This paper focuses on budgeted allocations. But there are also off-budget, international funds for climate, and in any discussion about total climate change costs, private sector flows should also be considered. Private sector funding is beyond the scope of this paper and would require a very different type of analysis. Ideally, all public sector climate financing should flow through the budget, but we know this is not the case. This section briefly reviews some of the off-budget expenditure that we are aware of and presents some indication of its magnitude.

**Ideally, all public sector climate financing should flow through the budget, but we know this is not the case.**

This section briefly reviews some of the off-budget expenditure that we are aware of and presents some indication of its magnitude.

We were able to identify a small set of programmes that are related to climate adaptation and receive international funding through internet search. The table 6 below captures these projects, with an estimated annual figure for each one, based on available documentation. A couple of the projects listed here do not appear to have started by FY 2022/23, so we do not include them in the total annual budget estimate. It should be noted that this is just an estimated average annual figure; the actual flow of funds from year to year is likely different.

With those caveats, the total annual off-budget funding identified in this table is roughly Ksh. 4.73 billion. That is not insignificant: if we compare it to the on-budget adaptation allocation, it would amount to around 16-17 percent of our most recent year figures from FY 2022/23.



**Table 6: Off-budget resources for climate change mitigation and adaptation<sup>29</sup>**

Programme	Funder	Years	Initial budget information, if any	Ksh. Value	Annual budget estimate	Mitigation/ Adaptation
Partnership for resilience and economic growth (PREG) <sup>30</sup>	USAID	2013-24	Estimated value of \$400 million over the period	Ksh. 34.45 billion (exchange rate in 2013, 86.1 Ksh.= 1 USD)	Ksh. 2.87 billion	Adaptation
Reversing the Flow <sup>31</sup>	Netherlands Enterprise Agency	2022-2026	Euros 1.08 million	Ksh. 134 million (Exchange rate in 2022, 124.2 Ksh. to 1 Euro)	Ksh. 26.8 million	Adaptation
Catchment 2 Tap Project <sup>32</sup>	Netherlands Embassy/WWF	5 years (unclear start)	Ksh. 161 million	Ksh. 161 million	Ksh. 32.2 million	Adaptation/ hygiene
Enhancing Community Resilience And Water Security In The Upper Athi Project <sup>33</sup>	GCF/WRA/KMD	2024-28	10 million USD	Ksh. 1.44 billion (Exchange rate in 2023/24 Ksh. 144.1 to 1 USD)	Funding starts after 2022/23	Adaptation
Horn of Africa-Groundwater for Resilience Project (HoAGW4R)	World Bank	2020-27	136 million USD	Ksh. 14.48 billion (Exchange rate in 2022 Ksh. 106.5 to 1 USD)	Ksh. 1.8 billion	Adaptation
FAO Country Programming Framework <sup>34</sup>	FAO. Unknown what projects precisely are underway and with which funders.	2022-2026	No figures provided			Mostly adaptation
Dryland Climate Action for Community Drought Resilience (DCADR) Project <sup>35</sup>	EU and NDMA	2023-2026	Ksh. 2.35 billion		Funding after 2022/23	Adaptation
<b>Totals</b>					<b>Ksh. 4.73 billion</b>	

In addition to the figures above, we were able to find a small amount of additional data from the transport sector. There is no systematic source of data on climate funding in the sector, but the

<sup>29</sup> The annual and exchange rate calculations in this table use a calendar year timeframe, unlike the financial year basis used for government spending sections of the paper.

<sup>30</sup> [https://www.usaid.gov/sites/default/files/2022-05/PREG\\_Activity\\_fact\\_sheet\\_.pdf](https://www.usaid.gov/sites/default/files/2022-05/PREG_Activity_fact_sheet_.pdf)

<sup>31</sup> <https://english.rvo.nl/subsidies-financing/rtf>; <https://projects.rvo.nl/projects/nl-kvk-27378529-rtf22ke01s>

<sup>32</sup> <https://wra.go.ke/catchment-to-tap-c2t-nexus-project/>

<sup>33</sup> <https://www.greenclimate.fund/project/fp175>

<sup>34</sup> <https://www.fao.org/kenya/programmes-and-projects/project-list/en/>

<sup>35</sup> <https://www.kenyanews.go.ke/ndma-launches-the-2023-2026-dryland-climate-action-for-community-drought-resilience-project/>



**Transport Sector Climate Change Annual Report<sup>36</sup>** provides some data on funding for climate change projects in the sector. However, the report is only available for FY 2018/2019 and FY 2021/22. Furthermore, only the FY 2018/19 report provides information about ongoing projects related to climate and their respective budgets, reported below in Table 7. The 2021/22 edition contains no financial data. The data we have is also not divided clearly into support for adaptation or mitigation, though it appears that most of the projects identified are for climate mitigation.

**Table 7: Off-budget climate finance in the transport sector is mainly focused on mitigation**

MDA/ Institution	Programme	Source of funding	Period of the project	Amount	Annual average (Ksh.)	Purpose	Adaptation/ Mitigation
State Department of Transport	The Advancing Transport and Climate Strategies Project	German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety's International Climate Initiative (IKI).	2017 - 2021	900,000 Euros	21,011,700 (116.7 Ksh. to 1 EUR)	A technical assistance on advancing transport climate strategies. The project promotes the development of local expertise in measuring emissions and standardised data collection.	Mainly mitigation
KURA	Annual environmental sustainability project.	GoK	Annually	15,000,000 Ksh.	15,000,000	Annual environmental sustainability project. Through this project, KURA employs technology to reduce paper consumption, use of LED lighting to cut on power consumption, and invest in renewable energy sources.	Mainly mitigation
Cross-cutting fund	Capacity Building Initiative for Transparency.	Not mentioned	2018-2019	1,000,000 USD	50,650,417 (101.3 Ksh. to 1 USD)	Capacity Building Initiative for Transparency. The project deals with transparency and accountability by providing relevant tools, training, and assistance towards meeting transparency requirements of the Paris Agreement.	May be both mitigation and adaptation
<b>Total</b>					<b>Ksh. 86,662,117</b>		

The figures above from the transport sector do not significantly change the picture we have formed, as they account annually for less than a hundred million Kenyan shillings rather than the billions of Kenyan shillings that would be needed to impact our overall assessment. In addition,

36 pdf The report 2019: [https://changing-transport.org/wp-content/uploads/Kenya-transport-annual-report\\_Jan-2021](https://changing-transport.org/wp-content/uploads/Kenya-transport-annual-report_Jan-2021).

most of this funding appears likely to be for mitigation rather than adaptation.

While the projects in both tables above may affect our understanding of total expenditure on climate adaptation, they are by and large funded internationally, which is why they are off-budget. They should not have a significant impact on our estimate of domestic resources, as even counterpart funding required for these off-budget projects should be on-budget. But we cannot be certain.

If there is substantial off-budget funding for climate adaptation, and if that is not visible in budget documents, then the transparency problem is even more severe than we have already mentioned.

## 9. Conclusion

Leadership on climate financing requires transparency. If the Government of Kenya wants to not only be seen as a climate leader, but to actually lead, then more information is needed about how it is deploying its resources to address climate. This paper finds that climate budget transparency remains low, and that available tools, such as IFMIS climate tagging, are not being used.

We also find that while climate adaptation spending has been increasingly financed domestically, it remains far below committed levels. Fragmentation in reporting also suggests fragmentation in planning and programming, which may indicate a lack of clarity about what the government wants to achieve with available funds.

This paper argues that domestic spending on climate change matters. Climate financing is not the only thing that matters in tackling climate change: plans and policies also matter, and regulations and systems are crucial, too. But domestic action on climate change in these other areas has lagged. For example, Kenya's five-year National Climate Change Action Plan (NCCAP) lapsed in 2022. A new plan was "launched" at the African Climate summit, but more than eight months later, there is still no new plan. Although legislation was introduced to create a Climate Change Fund back in 2016, the fund does not exist and climate expenditures across the budget are hard to identify and track. A new segment in IFMIS was introduced several years ago which is supposed to allow for climate tagging of expenditures, but it is yet to be rolled out, breaching the target date of 2023 in the last NCCAP.<sup>37</sup>

This paper finds that climate budget transparency remains low, and that available tools, such as IFMIS climate tagging, are not being used. **We also find that while climate adaptation spending has been increasingly financed domestically, it remains far below committed levels.**

We have assessed publicly available information to see if Kenya is showing domestic leadership when it comes to the budget, even as policy lags. We find a decidedly mixed picture. On the one hand, recent years have seen the government increase financing for climate adaptation in nominal terms. The data also show that the government is funding more of its climate adaptation budget from domestic resources and relying less on donor funding. Unfortunately, lack of transparency makes it difficult to be sure how much is really allocated for climate adaptation, or how much is actually spent.

From what we can see, domestic climate adaptation financing has been far below the government's own commitment in its Paris Club submission, and the gap is rising due to depreciation. Climate adaptation financing is also volatile, changing significantly from year to year. While climate change funding has risen modestly in the last five years, it is not keeping pace with the economy or the budget, yet ultimately the health of the whole economy will depend heavily on

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<https://www.climatepolicyinitiative.org/publication/the-landscape-of-climate-finance-in-kenya/>



climate adaptation.

We call on the government to further develop and operationalize a tailored climate tagging system immediately and begin to produce regular reports on total climate change allocations and expenditures. These reports should clearly demarcate different functions of spending, such as mitigation and adaptation, and different sectoral contributions to the overall funding basket. In addition, the government must finalize and publish the NCCAP, and this plan should include a clear roadmap to get to the NDC commitments for climate finance over the rest of this decade.

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