FROM CLIMATE RISK RECOGNITION TO FINANCED PRIORITIES

Annual National Shadow Budget 2027/2028

IPF
INSTITUTE OF PUBLIC FINANCE

Turning Kenya's climate risks into clear budget priorities

A. Background and Context

Kenya's climate commitments sit within a layered framework:

- The Paris Agreement (2015),
- NDC (Dec. 2020),
- Climate Change Act, 2016
- National Adaptation Plan (NAP) 2015–2030.

Implementation Needs Exceed **USD 62 Billion** 2020–2030, **71%** of it for adaptation and resilience.

The Costs Are Real:

records **64** flood events since **1964**

2,647 deaths

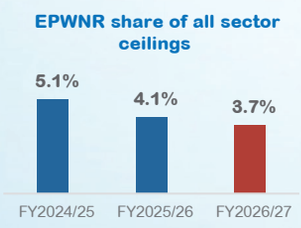
USD 710.5 M in damage

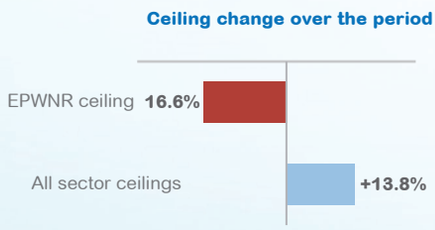
El Niño rains are forecast into early **2027**

B. Findings

i. Priority in the budget

EPWNR's share of the budget is shrinking even as climate risk is recognised. The ceiling fell 16.6% between FY2024/25 and FY2026/27 while the total of sector ceilings grew 13.8%. In FY2025/26 it was cut 21.8% from Treasury's provisional figure.

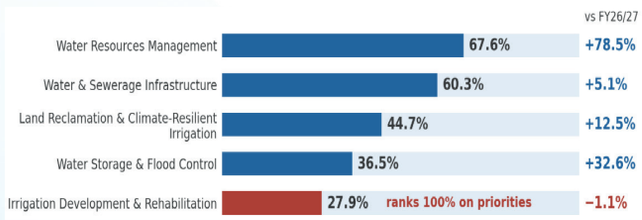




Source: Budget Policy Statements, final sector ceilings FY2024/25 FY2026/27. Shares are of the total of sector ceilings.

ii. Rankings and allocations

Climate scores shape programme rankings, but the budget does not show how rankings shape funding. Climate carries 15% of ranking scores. Irrigation ranks 100%, yet its proposed allocation falls 1.1% and covers 27.9% of its KSh 34.3bn requirement.



Source: EPWNR Sector Report, FY2027/28 submission.

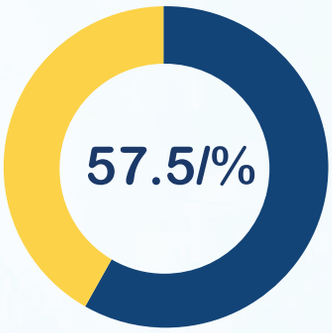
iii. The Funding Gap

Proposed funding covers about half of what the sector says it needs and depends on partners.

KSh 134.4bn
Proposed

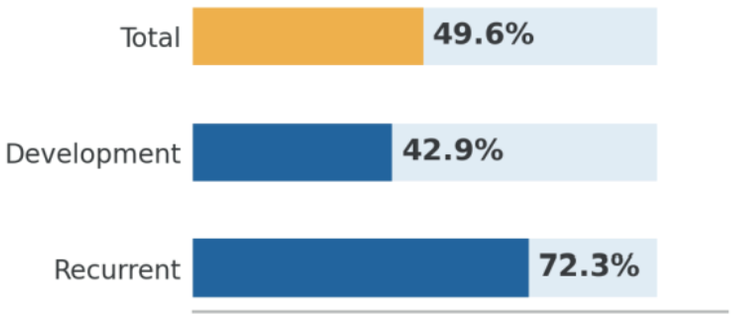
VS

KSh 271.0bn
Required

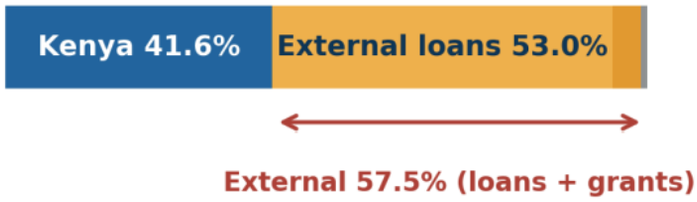


External loans and grants provide 57.5% of the development budget, so delivery depends on timely disbursement and Kenya's own counterpart funding.

Requirement funded, FY2027/28



Development budget: who pays

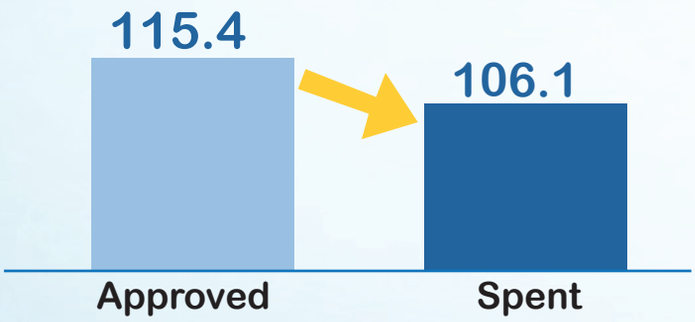


Source: EPWNR Sector Report, FY2027/28 submission; Budget Review and Outlook Paper 2026.

iv. Capacity to Deliver

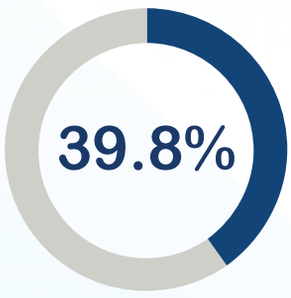
The sector can spend and deliver, but some projects stall for reasons money cannot fix.

Approved VS Spent (KSh Billion)



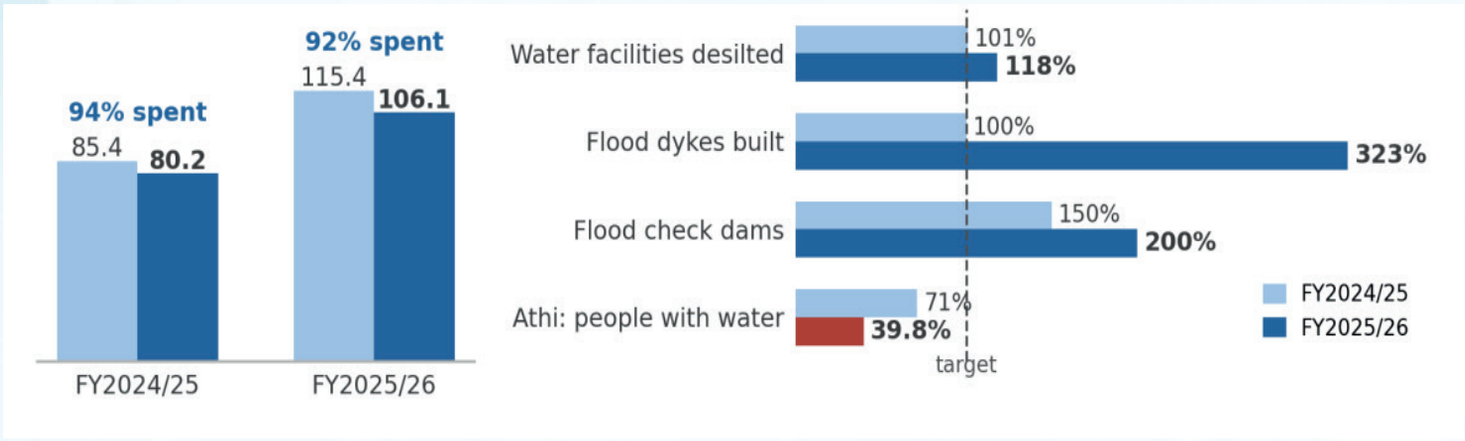
Approved vs spent, **KSh bn**

Athi Programme Water-Access Target



of target reached

Achieved as % of annual target



Source: EPWNR Sector Report. Athi = Kenya Towns Programme, people accessing water. Absorption is the share of the approved bu

C. Policy recommendations

To link climate risk to financing

1. EPWNR

With the FY2027/28 submission, include a risk-to-financing schedule linking each prioritised intervention, starting with irrigation, storage and flood control, to its climate ranking, justified cost, allocation and expected output, and naming what is unfunded or deferred. Treasury Circular No. 10/2026 already asks Sector Working Groups to weigh climate adaptation when allocating resources.

2. National Treasury

In the final BPS 2027, explain how climate risk, rankings, costs and performance shaped EPWNR's ceiling and justify material cuts such as the 21.8% in FY2025/26. Add resources where justified costs show priority responses cannot be delivered, separating recurrent costs that keep resilient infrastructure working from spending with no clear climate link, and state which outputs will be delayed.

To Strengthen Oversight

3. Parliament

Through the Budget and Appropriations Committee and the relevant departmental committees, require Treasury and EPWNR to show which outputs are forgone, which climate risks remain and how disbursement delays and implementation constraints will be resolved, before approving BPS 2027.

Conclusion

Kenya recognises drought, floods and water insecurity as threats to its economy and public finances, but the link between that recognition, budget decisions and results is not demonstrated. EPWNR has shown it can spend and deliver. What is missing is a clear account of how risk, cost and ranking become allocations, and what is forgone where funding falls short.

Recognition should lead to financed action, or to an explicit account of the consequences of withholding it.