

Executive Summary

Budget Adaptation?

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

Kipkorir Biegon, Cuba Houghton, John Kinuthia, Jason Lakin and Bright Wekesa

Bajeti Hub¹ and Institute of Public Finance

¹ Bajeti Hub was formerly known as the International Budget Partnership Kenya.



Executive Summary

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.¹ 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.² 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.³

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.⁴ This will mean growing costs for adaptation over time. Climate change mitigation is also important, but financing for adaptation has been relatively neglected.⁵ The government has also committed, in its own 2020 Nationally Determined Contribution (NDC) under the Paris Agreement, to rebalance funding toward climate adaptation.⁶

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.africaclimatesummit.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.⁷ 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."⁸ 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.⁹

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.¹⁰

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.¹¹ 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 in the main paper section “What we did.”

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.

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 strategy¹²

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.

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.

9. Nearly 95 percent of the resources on 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:

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.¹³ 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.

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.

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 programs 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

Bajeti Hub

Kilimani Business Centre, Office 9, Kirichwa Road
P.O. Box 21868-00505 Nairobi- Kenya
+254 791 183 600
info@bajetihub.org



Bajeti Hub



Bajeti_Hub



Bajeti Hub



Bajeti Hub

Institute of Public Finance Global

Office: Rosami Court. Fourth Floor, Office Number 8
P.O. Box 21868-00505 Nairobi- Kenya
+254 758 728 882
info@ipfglobal.or.ke



Institute of Public Finance



@ipf_global



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