



**MAPPING CLIMATE ADAPTATION FINANCE
IN KENYA'S DEVOLVED GOVERNANCE
SYSTEM: A CASE OF MAKUENI COUNTY**

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ABSTRACT

This paper analyses the four main types of expenditures of both national and international sources of public funds by the Kenyan ministries based on both Kenyan national budget data and the most relevant disbursement for financing climate activities. Kenya is among the first countries to develop policies, strategies and institutional frameworks for climate action, creating a policy and legal environment to advance an effective climate change response, similarly, Makueni County (in Kenya) has also enacted county-level regulation on climate change as part of the implementation of the national agenda on climate change.

The climate-related expenditures that were tracked represent 18% of total government development expenditures for the fiscal year 2017/18. The research team uses the case of Makueni County to understand levels of devolution by analysing the streams of income from the national budget to the county budget that are channelled towards climate-related activities at the county level. Preliminary analysis shows a strong correlation between climate-friendly policies and the flow of funds for climate change at the county level. Other factors include the establishment of a local climate change fund through the County Climate Change Fund mechanism (CCCF). These factors have enabled the counties to create, access and use climate finance to build communities' resilience and reduce vulnerabilities to climate change in a coordinated way.

This analysis is an initial step of the four-year comparative research programme, GAP, looking at the governance of climate change adaptation finance in the Kenya compared to Tanzania. The working paper serves to lay a foundation for further in- depth research.

INTRODUCTION

Background

This paper is an initial outcome of the four-year research programme (2021-2025) Governing Adaptation Finance for Transformation (GAP) involving collaborating research institutions in Denmark, Kenya, and Tanzania.¹

Adaptation to climate change has been defined as the initiatives and actions taken to reduce the vulnerability of natural and human systems to the actual or expected impacts of climate change (IPCC, 2007). In Marrakech in 2001, at the United Nations Framework Convention on Climate Change (UNFCCC) seventh session of the Conference of the Parties (COP 7), adaptation was introduced as an essential intervention for addressing the effects of climate change. In 2007, adaptation became prominent as part of the Bali Road Map, where the road map called for technical assistance and improving access to appropriate, predictable, and sustainable financial resources for adaptation. The road map was followed by the Copenhagen Agreement in 2009, which provided the first concrete dollar pledge from developed countries to developing countries towards adaptation and mitigation. The accord promised USD 30 billion in 'fast start' funding between 2010 and 2012 and promised to 'scale up' to USD 100 billion annually by 2020.

Despite the promising evolution of adaptation, Cipler et al. (2013) recognise an existing puzzle around its financing, particularly in the governance, transparency and accounting of adaptation funds. Over the years, this garnered support from the UN Climate Conferences, which focused on the inadequacy of financial support for adaptation and recently on the implementation process. Similarly, countries are coming up with policies, laws and regulations aimed at directing mitigation and adaptation measures and mobilising finances to fund the adaptation response measures. It is, therefore, imperative that these finances, among others, are mapped out to track the patterns of funds available, adaptation measures to attract financing, kinds of financing and sources, and whether the available funds are meeting their objectives.

In Kenya, as a priority to both the *Kenyan* government, its development partners, and the private sector, adaptive financing to climate change has been tagged as financing to meet adaptation goals. Kenya is among the first countries to develop policies, strategies and institutional frameworks for climate action, creating a policy and legal environment to advance an effective climate change response. Kenya has a devolved system of government and, in the recent past, has witnessed some counties, like Makueni County, applying funds and enacting county-level laws as part of the implementation of the national agenda on climate change.

¹ <https://www.diis.dk/en/projects/governing-adaptation-finance-transformation-gap>

Therefore, recognising the need to track climate adaptation finance. This would generate information useful for among others; monitoring and evaluation of climate projects, creating awareness and aiding in planning and budgeting for climate change activities, and can also aid in identification and setting of priority needs for resource mobilisation.

This study seeks to map out the multiple sources and instruments of climate change adaptation finance within the context of the devolved system of governance in Kenya and with a specific focus on Makueni County. The study was based on a desktop review of the secondary data that is publicly available. In addition, we reviewed various databases, such as the National Government of Kenya and Makueni County financing databases and relevant statutory documents.

The outline includes: an introduction as section 1 which covers background information, frameworks, policies, and strategies for climate change in Kenya, how climate change adaptation finances is devolved, and how climate change adaptation financing functions in Makueni County. Section 2 includes a mapping, and an analysis and discussion. The final section concludes on the findings and lessons learned from following these structures down to the county level in Makueni.

Climate change frameworks, policies, and strategies in Kenya

The National Climate Change Response Strategy (GoK, 2010) was the first national policy document on climate change. It sought to advance the integration of climate change adaptation and mitigation into all government planning, budgeting and development objectives. The policy was reinforced by two National Climate Change Action Plans for 2013-2017 and 2018-2022 that guide Kenya in prioritising adaptation and mitigation of climate change actions. Other climate change policies, plans and legislation include the Climate Change Act of 2016, the National Adaptation Plan 2015-2030, the Nationally Determined Contribution 2015-2030, the Green Economy Strategy and Implementation Plan 2016-2030, the National Climate Change Framework Policy 2018 and the National Climate Finance Policy 2018 (GoK, 2016a, GoK, 2016b). Kenya is implementing the second action plan (NCCAP 2018-2022).

Devolution of climate change adaptation finances

The Constitution of Kenya of 2010 was the institutional response to long-standing grievances over the centralisation of state powers and public sector resources, as well as regional disparities in service delivery and development outcomes. (Muwonge et al., 2022). Article 6 of the Constitution of Kenya (GoK, 2010) divides the country into 47 county governments, with Articles 174-200 of Chapter 11 providing for devolved government.

The county governments are autonomous, but has an interdependent relationship with the national government in terms of power and revenue sharing in the delivery of services to Kenyans (CLGF, 2017; Muwonge et al., 2022). This

relationship is not exceptional to climate adaptation funds as the national government has primarily driven climate change legislation, policy and funding.

According to the Climate Policy Initiative (CPI, 2021), the Kenyan government provided KES 76 billion (USD 752.4 million) in climate-related development expenditures in the fiscal year 2017/18. This amount included KES 42 billion (55%) of external resources from international partners channelled into the national budget, while KES 34 billion (45%) was from domestic public resources. Guided by the County Allocation and Revenue Bill, the Kenyan parliament is empowered to equitably allocate revenue raised nationally among the county governments for each fiscal year. Each equitable allocation is disbursed to the county government in alignment with the County Integrated Development Plans (CIDPs) in alignment with the Public Finance Management Act 2012 (GoK, 2012). In addition, the counties' funding must be aligned with the Climate Change Act (2016), which provided a clear and robust climate mandate to county governments through the County Climate Change Funds. These County Climate Change Funds were developed to work through the government's established planning and budgeting systems and linked with the Climate Change Fund established by the Climate Change Act.

Climate adaptation financing in Makueni

Makueni is one of the forty-seven counties in eastern Kenya's arid and semi-arid regions. Administratively, the county is divided into six (6) sub-counties, 30 wards, and 90 sub-wards. Makueni County was the first in Kenya to have a County Climate Change Fund (CCCF²) legislation in Africa. Apart from the County Integrated Development Plans (CIDPs), the county has established: Makueni County Climate Change Board, Makueni County Climate Change Board Fund, and Makueni County Climate Change Board Fund regulations, including the policy and bill which align with the Public Finance Management Act. These institutional and regulatory structures have enabled the county government to set aside 2% of its annual development budget for the climate change fund (CGM, 2021).

In response to the existing context on governance, accountability and transparency of adaptation funds (Ciplet et al., 2013), the county government of Makueni has embraced the participatory budgeting approach in its climate change tracking and implementation. Although Cohen (2014) discusses the difficulties that local governments may face in engaging citizens about climate change, the county government of Makueni has been seen to effectively set up structures that aim to ensure that decision-making on climate adaptation projects are people centred. This includes open forums for climate-relevant discussions on public media, such as local radio stations. While these are largely informal forums, they serve the purpose of public sensitisation and create awareness of priority climate sectors in

² **County Climate Change Fund** is a mechanism through which counties can create, access and use climate finance from different sources to build community resilience and reduce vulnerabilities to a changing climate in a more coordinated manner.

the county. Ideally, participatory budgeting in the county aims to decentralise decision-making by giving village members a voice on climate adaptation matters and in the allocation of budgets.

Participatory budgeting in Makueni has also been seen to reinforce the operationalisation of the County Climate Change Fund. Different decisions and subsequent evaluations depend on participation at various levels. There are various forms of public participation, for instance, the involvement of the Ward Climate Change Planning Committees. These committee members are elected by communities and work closely with village council members, community-based organisations and representatives of vulnerable groups to identify local development priorities and propose projects for funding. This process receives support from county government officials and civil society actors to align local priorities with national strategies, identify synergies and opportunities to upscale projects, and strengthen the proposals and projects with locally relevant climate data and technical expertise.

The County Climate Change Planning Committee, which serves a facilitative role, is tasked with evaluating and approving project proposals based on established criteria by the county government of Makueni. The committee is involved in strengthening proposals for climate action resulting from participatory local planning, identifying synergies and opportunities across wards, and aligning local proposals with national climate and development strategies.

MAPPING, ANALYSIS, AND DISCUSSIONS

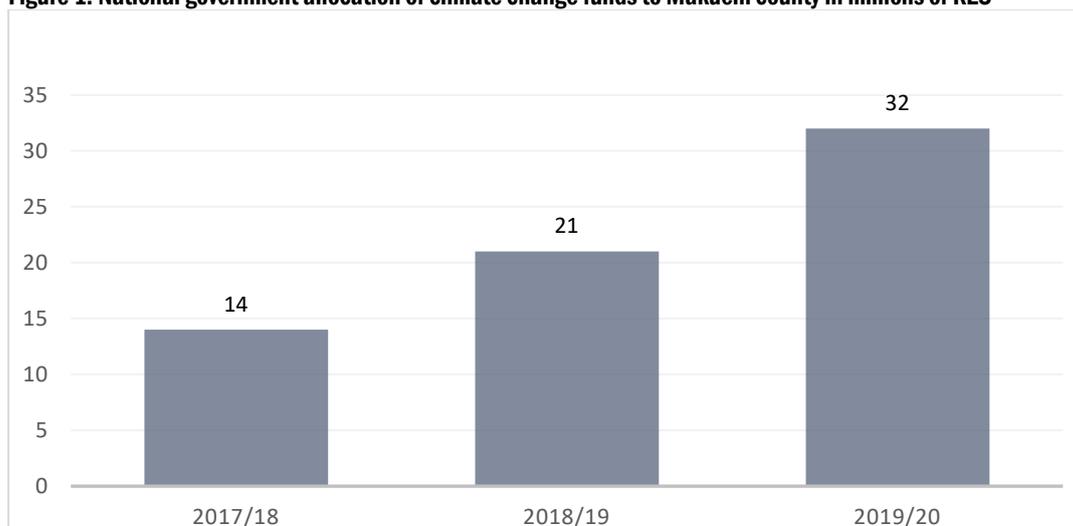
This section showcases the various sources of climate adaptation financing and subsequently matches the financing to the priority sectors in Makueni County. The discussed sources of financing and priority sectors are in alignment with the County Integrated Development Plans (CIDPs) and the priorities stipulated by the Ward Committees within the county on climate adaptation.

Sources of climate adaptation finance

National government allocation

The National Government of Kenya enacted a climate change law in 2016. With the subsequent implementation of the stipulations of the law, alongside other climate change action plans, the national government has allocated funds to the county governments to address climate change. In the fiscal year 2017/18, the national government allocated around KES 14 million to Makueni County, followed by an allocation of KES 21 million for the fiscal year 2018/19 and KES 32 million for the year 2019/20, as shown in Figure 1 below.

Figure 1. National government allocation of climate change funds to Makueni county in millions of KES

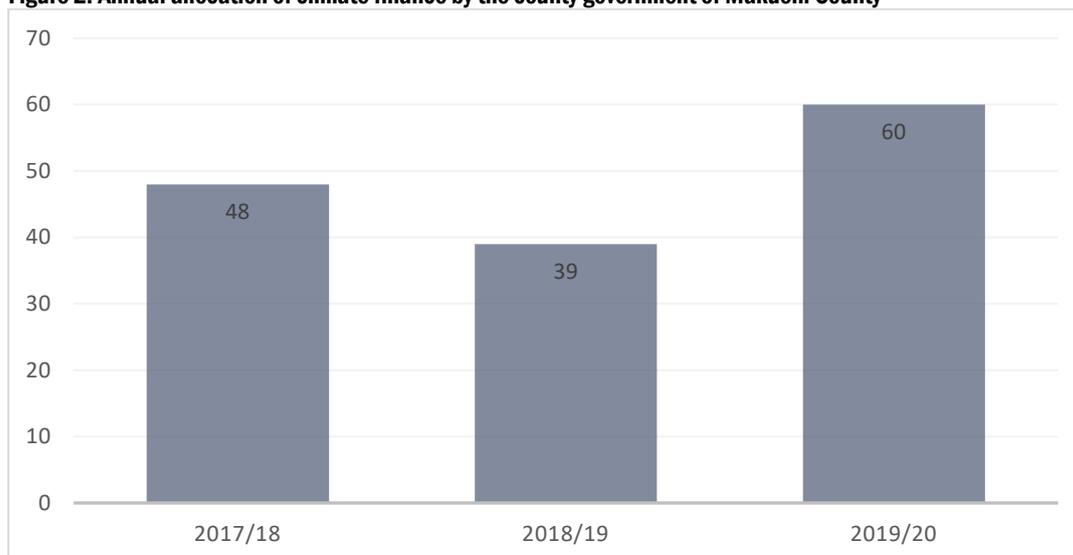


Source: Mulwa’s computation based on OECD DAC reporting (OECD 2021)

Makueni County government climate finance allocation

The climate finance allocation for Makueni County government includes financing from the national government, donors and stakeholders. In 2015, the county government of Makueni enacted its County Climate Change Fund, which stipulated that the county would allocate 1% of its annual budget to addressing climate change. The allocation was further revised upwards to 2% of the annual budget in 2021. The county has consistently implemented the law by allocating KES 48 million from the fiscal year 2017/18 (from the total budgetary allocation of KES 2.67 billion), KES 39 million from the 2018/19 budgetary allocation of KES 1.71 billion, and KES 60 million from the 2019/20 budgetary allocation of KES 1.58 billion, as shown in Figure 2.

Figure 2. Annual allocation of climate finance by the county government of Makueni County

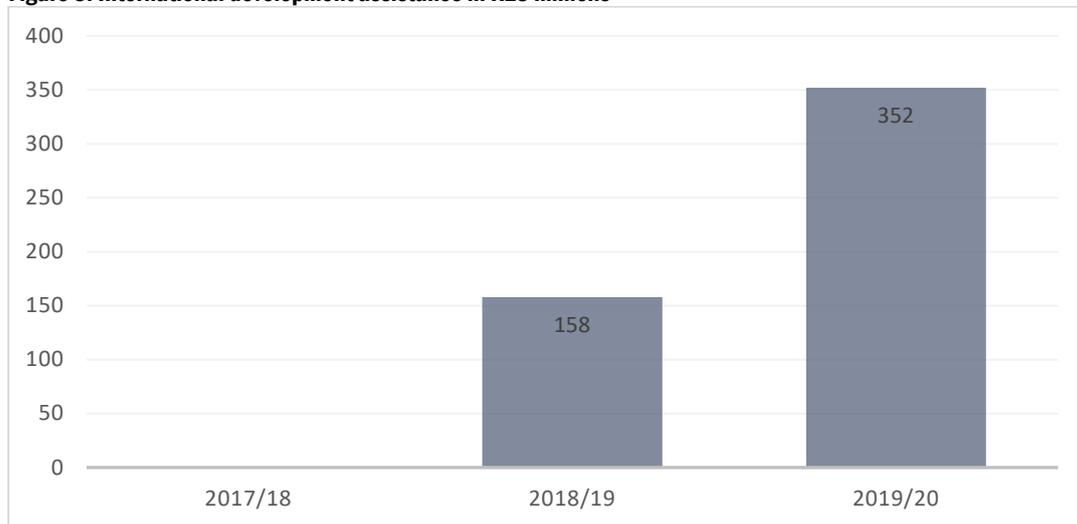


Source: Mulwa’s own computation based on Government expenditure reports (Makueni County 2019; 2020a; 2020b)

International development assistance

Makueni County was also a beneficiary of climate funds from international sources known as international development assistance. The international development assistance funds that trickled down to Makueni was a representative of financing from the World Bank's financing arm of the International Development Associations (IDAs), which form part of the development partners, played a significant role in providing climate adaptation funding in Makueni County. In 2017/2018, Makueni County did not receive any climate adaptation funding from IDAs whilst in 2018/2019, a total of KES 158 million was channelled to Makueni County. The amount more than doubled to KES 352 million for the fiscal year 2019/20, as shown in Figure 3.

Figure 3. International development assistance in KES millions



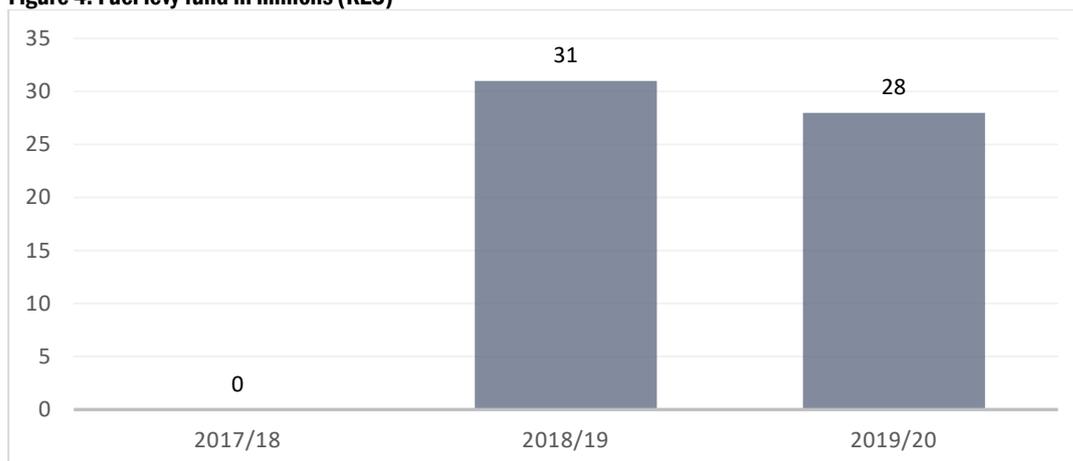
Source: Mulwa's own computation based on Government expenditure reports (Makueni County 2019; 2020a; 2020b)

Fuel levy fund

With no allocation of the fuel levy fund in 2017/18 fiscal year, climate finance data on the fuel levy fund was available for 2018/19 and 2019/2020, including KES 31 million and KES 28 million, respectively. The fuel levy was primarily used for infrastructure projects such as roads and bridges, including drifts³ within Makueni County. KES 31 million was allocated for Makueni County in the 2018/19 fiscal year and KES 28 million for the 2019/20 fiscal year, as shown in Figure 4.

³ Drifts provide good opportunities to retain water from ephemeral rivers because they act as sand dams.

Figure 4. Fuel levy fund in millions (KES)

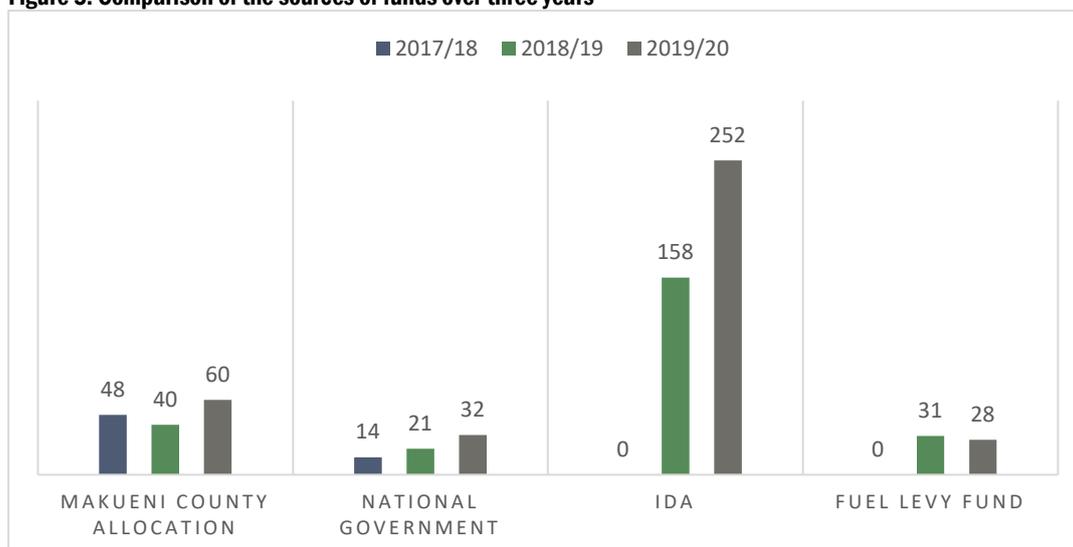


Source: Mulwa’s own computation based on Government expenditure reports (Makueni County 2019; 2020a; 2020b)

Comparison of the sources of funds over three years

From 2017-2020, a total of KES 684 million was channelled to Makueni County’s climate adaptation projects. International Development Association was the largest source of climate finance in Makueni County, contributing more than 60% of the total climate adaptation funding for the three years. The county government allocation accounted for 22% of the total funding, while the national government funding accounted for 10% of the total. The county government allocation bettered the national government allocation to the county to address climate change which can be attributed mainly to the existing governance mechanisms towards climate change.

Figure 5. Comparison of the sources of funds over three years



Source: Mulwa’s own computation based on Government expenditure reports (Makueni County 2019; 2020a; 2020b)

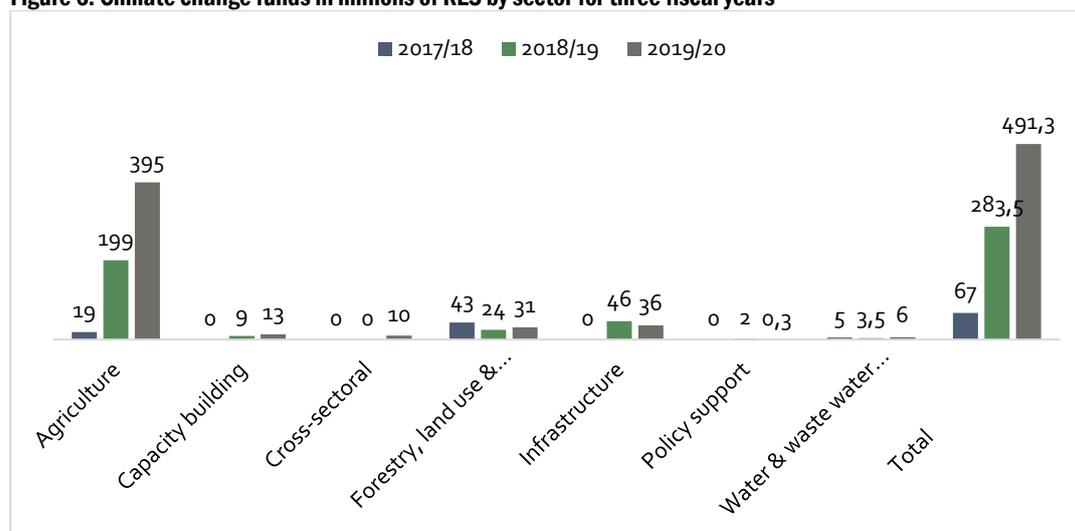
Sectors for climate adaptation finance

A total of ninety-two projects were mapped out for Makueni County for three fiscal years, 2017/18 to 2019/20. In the 2017/18 fiscal year, the total climate finance

for adaptation available for Makueni County was KES 67 million, from which priority sectors were financed, including forestry, land use and natural resource management. More than 64% of the funds were allocated to agriculture and 28% to the water sector.

In the fiscal year 2018/19, the total climate change funds available for the county was around KES 283.5 million, and the priority sector of agriculture received 70% of the total funds, followed by infrastructure at 16%, and forestry, land use and natural resources at 8.5 % as seen in figure 5.

Figure 6. Climate change funds in millions of KES by sector for three fiscal years



Source: Mulwa's own computation based on Government expenditure reports (Makueni County 2019; 2020a; 2020b)

CONCLUSION

The Makueni county government and its partners have made significant efforts to build the capacity to integrate climate information into CIDPs and apply it to resilience planning and budgeting processes. Doing so, Makueni County has been able to attract climate finance in the recent past. The integration of climate financing in the budgetary processes and allocation is an important example that other counties and governance institutions should embrace to attract climate financing and to ensure that impact of the financing is felt at community level.

Due to the suitability of the structures in Makueni County, more and more funding is being channelled to the county, enabling thousands of poor and vulnerable people to access adaptation projects which in turn improves their livelihoods. Makueni County currently stands as a model for other Kenyan counties on how to improve fund management locally by aligning fiscal policies with national-level policies to reduce administrative challenges and create a solid foundation for delivering on adaptation deeds. While the initiatives in Makueni County stand in high regard nationwide, there are many dynamics around governance, transparency of fund management and institutional collaboration that are not included in this study. A full understanding of Makueni County as a model for effective devolved climate financing is therefore pending further in-depth research.

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