

# Coordinating climate finance in Kenya: technical measures or political change?



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## Key messages

- The climate finance landscape in Kenya is highly complex due to a wide range of funding priorities and sources, as well as overlaps between climate finance and development assistance.
- The effectiveness of Kenya's climate finance coordination mechanisms is limited by technical and political barriers. Technical barriers include capacity gaps, a fragmented funding landscape, and a lack of harmonized standards. Political barriers include a lack of political will and diverging agendas between government and development actors.
- Bilateral donors deliver the vast majority of climate finance in Kenya, but the government puts more emphasis on attracting multilateral finance, hampering coordination.
- To enhance climate finance coordination, the government could make climate finance a greater priority at higher political levels and emphasize coordination with bilateral development partners.

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Climate finance has long been an integral component of the international response to climate change. Developed countries have committed to mobilizing US\$100 billion a year in climate finance by 2020, thereby assisting low-income countries in pursuing low-carbon and climate-resilient pathways to development (UNFCCC 2015).

While this mobilization involves new sources of funding, it also overlaps with existing sources, including official development assistance (ODA) and other funding that targets the development needs of low-income countries (Amerasinghe et al. 2017). As such, an emerging literature calls for the *coordination* of climate finance, in order to increase efficiency and reduce duplication in the use of funds, and to ensure that mobilization is in line with and contributes to achieving development objectives in low-income countries (Pickering et al. 2017; Smith et al. 2011).

The climate finance landscape is complex, and a lack of coordination – on everything from process to priorities – can make it difficult for governments to identify financing needs and improve the institutional structures for attracting increased finance. In this policy brief, we analyse how climate finance is being coordinated in Kenya, focusing on current efforts as well as the barriers and challenges hindering further effectiveness of climate finance coordination mechanisms.

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As such, the Kenyan finance landscape is characterized by a wide range of finance sources, funding priorities, and responsible ministries and agencies – and by overlaps between climate and development finance actors. Climate mitigation and adaptation projects are funded through various bilateral and multilateral sources, resulting in multiple overlapping streams of activity that are not always aligned (Norrington-Davies and Thornton 2011). Resolving these coordination challenges requires a system of well-functioning climate finance coordination mechanisms.

Kenya also has an additional layer of complexity in its “devolved” model of governance, as mandated in the 2010 Constitution of Kenya. This switch to devolution – with greater autonomy given to county governments – came after decades of centralized political and economic power. Devolution reconfigures the power balance by transferring decision-making and implementation powers, functions, responsibilities and resources from the national government to 47 elected county governments (USAID, 2019). The implications of this on climate finance coordination makes Kenya a particularly interesting case to study.

We assessed Kenya’s climate finance coordination through a combination of policy analysis and interviews with key stakeholders within the country’s climate finance landscape. The interviews were conducted in August and September 2019 and included government actors, bilateral and multilateral development partners, international organizations, civil society organizations and private sector actors.

## The climate finance coordination landscape in Kenya

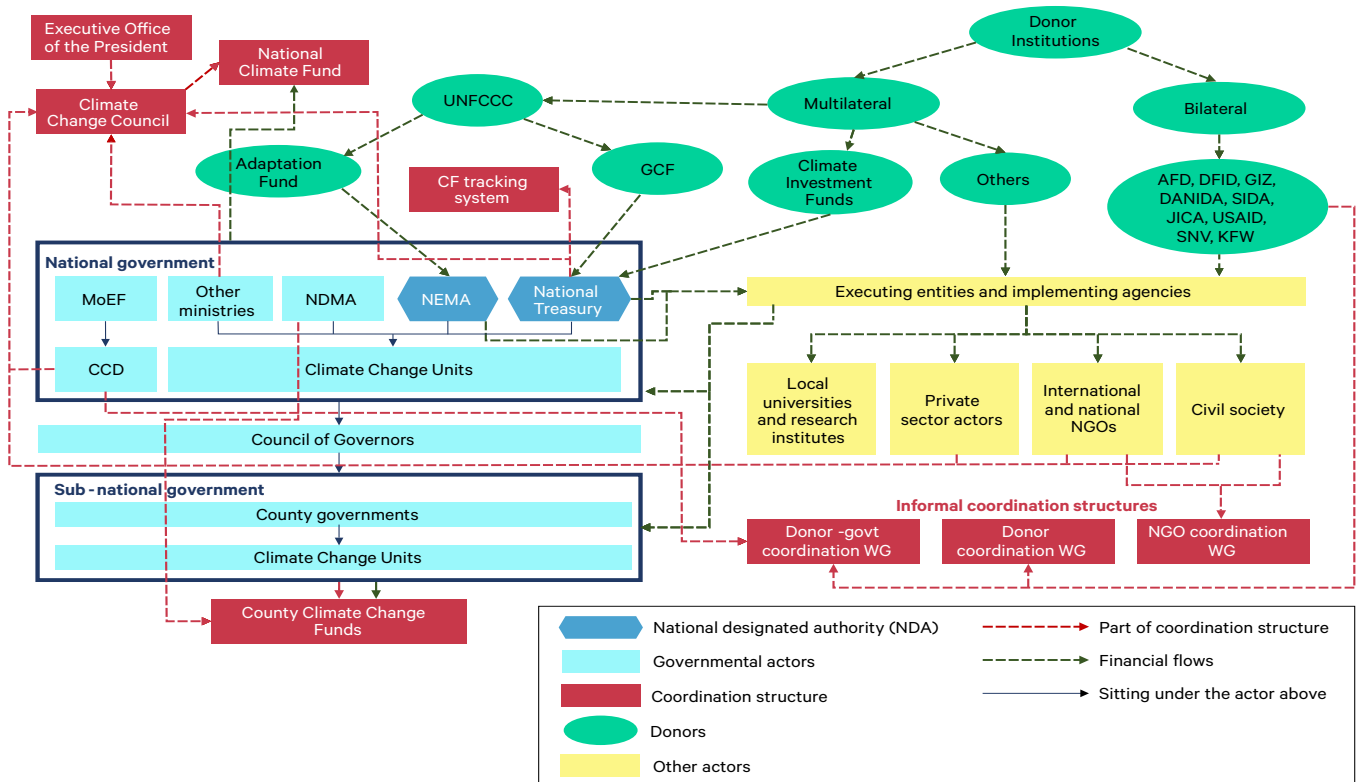
Kenya has developed and implemented a number of mechanisms to coordinate its complex climate finance landscape. The National Treasury is the key government body mandated with coordinating climate finance: it is the National Designated Authority for both the Green Climate Fund and the Climate Investment Funds, and includes a specialized Climate Finance Unit responsible for coordination. In parallel, the National Environment Management Authority (NEMA) is the National Designated Authority for the Adaptation Fund. The Climate Change Directorate (CCD), within the Ministry of Environment and Forestry (MoEF), has a mandate to coordinate all climate change activities in the country. Furthermore, the 2016 Climate Change Act mandates the establishment of Climate Change Units in all counties and ministries to mainstream climate change activities within planning and budgeting. Informal donor and sector coordination working groups have also been established to facilitate coordination between and within the government, development partners and civil society. The purpose of these structures is to ensure transparency and the efficient use of resources by avoiding duplication in how various actors and funding sources use climate finance.

When it comes to more specific coordination mechanisms, the Climate Change Act mandates the establishment of a National Climate Change Fund at both the national and county level to coordinate climate finance flows and mainstream both public and private funds. This Fund, once established, would be managed by the Climate Change Council, which is chaired by the President and sits under the National Treasury. The Fund would involve government departments and ministries setting aside a proportion of their budget for climate change activities. County Climate Change Funds have also been piloted in five counties, where counties are expected to set aside a proportion of their budget for climate change activities, with development partners also co-investing in the funds. Furthermore, the 2017 Climate Finance Policy requires the Treasury to establish an electronic projects monitoring and tracking system (e-PROMIS) for all climate finance flows within the country.

Figure 1 provides a mapping of the climate finance coordination landscape in Kenya, including both relevant stakeholders and current coordination structures. Multilateral sources – such as the Green Climate Fund, Adaptation Fund and Climate Investment Funds – are not the

only origin of climate finance. Bilateral donors are also key actors within this landscape, such as the Japan International Cooperation Agency, the Swedish International Development Agency, the Danish International Development Agency and the Department for International Development. Funds from multilateral sources flow through the National Designated Authority to the accredited entities, who access and disseminate the funds. Funds from bilateral sources go primarily to projects, through executing entities and implementing agencies, such as civil society organizations, consultancies and private sector actors. However, a number of bilateral actors do provide financial support to governmental bodies such as the CCD. At the sub-national level, the Council of Governors acts as the intermediary body responsible for coordination between the national and county governments.

Figure 1. Institutional landscape of stakeholders and coordination mechanisms in Kenya



## Why do coordination challenges persist?

The climate finance landscape in Kenya is well-established, and the country has made serious efforts to impose a strong regulatory system in the form of legislation and policy documents mandating coordination. In spite of this, our study indicates that Kenya has made only incremental progress toward effective climate finance coordination. In this section, we highlight the barriers and challenges hindering climate finance coordination in the country, focusing on two categories: technical and political.

### Technical barriers

Ministries and agencies suffer from capacity gaps in both financial resources and in personnel, which prevents them from fulfilling their mandates. For example, the CCD is forced to receive most of its support from development partners and NGOs; this limits the degree to which it can perform coordination activities, due to limited funding for staff and poor facilities. Capacity is also an issue at the sub-national level, where County Climate Change Funds are hindered by a lack of expertise in and awareness of climate change. This hampers the ability of government departments and ministries to effectively engage with

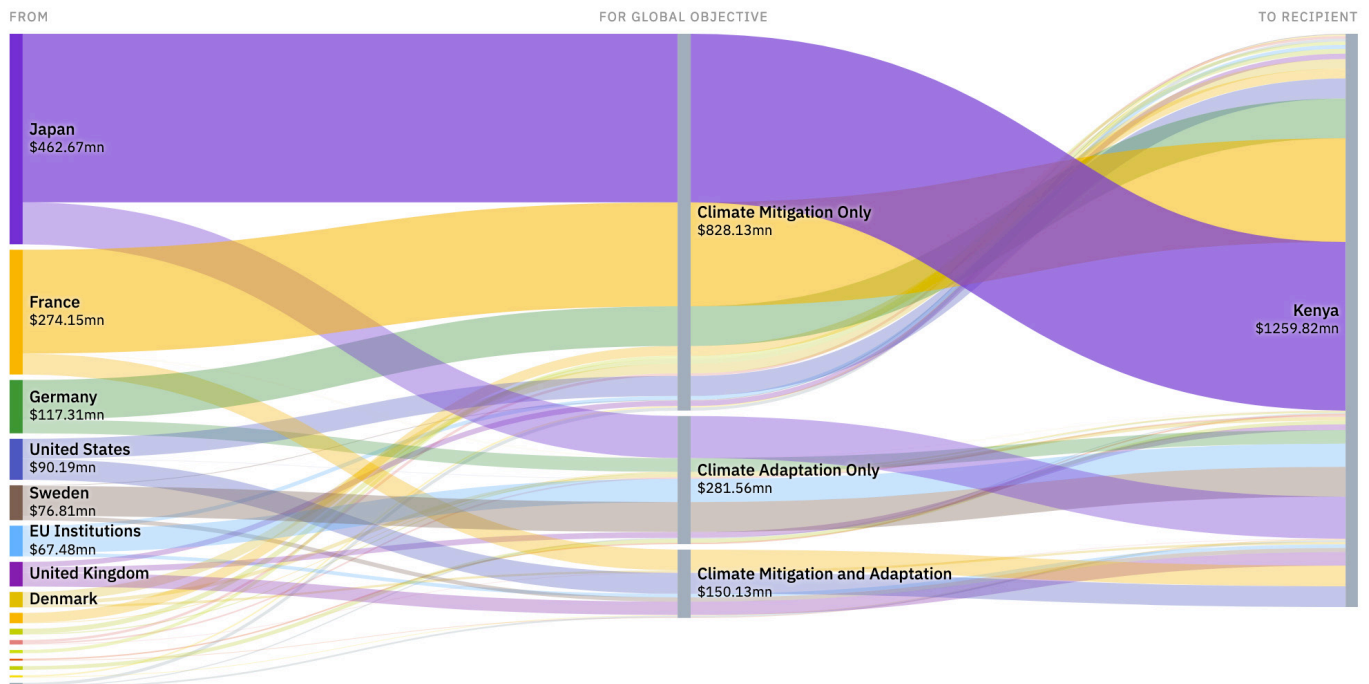
and utilize the coordination mechanisms in place; it also raises difficulties in obtaining buy-in from governmental bodies within existing coordination structures.

Another barrier is the fragmented climate finance landscape. Between 2010 and 2018, bilateral donors accounted for an overwhelming majority of climate finance for both mitigation and adaptation (Figure 2). This is not surprising; Kenya has a long history of bilateral development assistance, with well-established systems that disperse funds from a multitude of development partners. Multilateral climate funds, on the other hand, are a recent introduction into the financial system, and have their own coordination systems and processes in place. This has created a fragmented climate finance landscape, demanding greater capacity within government agencies and ministries to coordinate across all these funding sources, activity streams and priorities. As an additional layer, the Kenyan government emphasizes multilateral funds over bilateral development partners, perhaps due to promises of large amounts of multilateral climate finance. However, this level of funding has not yet materialized and the majority of climate finance in the country still comes from bilateral donors. Despite this, coordination with bilateral donors and civil society organizations is often overlooked, highlighting a discrepancy between funding sources and national priorities.

This has led to several gaps in coordination. For example, the National Treasury has established a climate finance tracking system, but it does not cover funding from development partners and NGOs. This leaves a gap in funding transparency that results in challenges for funding coordination. Furthermore, in interviews, several bilateral development partners indicated that a coordination-focused climate finance working group – established to connect development partners with the government – has not met in several years.<sup>1</sup>

Another coordination barrier arises from the lack of harmonized rules and standards across multilateral funding sources. Several interviewees highlighted the fact that each fund has different procedures and requirements, making coordination difficult. For example, finance from the Green Climate Fund can only be accessed through the National Treasury, but

Figure 2. Disbursed climate finance in Kenya from 2010 to 2018 (source: SEI Aid Atlas)<sup>1</sup>



<sup>1</sup> The figure shows data from the OECD DAC CRS database. It covers the two Rio markers on “adaptation” and “mitigation” policy objectives and shows only finance that has been tagged as “principally” targeting those. For more information, please see <https://aid-atlas.org/about>.

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finance from the Global Environment Facility and the Adaptation Fund is accessed through NEMA. Overall, coordination challenges arise not only through multilateral funding sources entering a system with multiple actors and other existing funding sources, but also through these different funds having different governance and execution systems in place.

### **Political barriers**

A second set of barriers is more *political* in nature. First, there is no clear definition for what “climate finance” actually constitutes, how it is different from development assistance, and whether the two should be coordinated separately or together. Ultimately, the government’s interpretation of climate finance tends to exclude funding from development partners and NGOs, which prevents effective climate finance coordination, thereby leading to duplication and reduced efficiency. As a result, much of the discourse around climate finance in Kenya emphasizes multilateral over bilateral finance sources, despite the overwhelmingly larger proportion of bilateral funding (as seen in Figure 2).

Second, the agendas and interests of development partners often don’t align with government objectives or expected outcomes, meaning that the government is often less willing to engage with them. Government bodies perceive development partners as having their own separate objectives; for example, the CCD has stated that development partners “already come in with a fixed mindset of what they are going to do”, making it difficult for individual departments and ministries to demonstrate progress on government-set objectives. Ultimately, this leads to two parallel processes of coordination – one for multilateral funds and one for bilateral development partners – with limited alignment between them.

Lastly, the lack of interest in climate change at the highest levels of the Kenyan government, such as within the Executive Office of the President, means that climate finance coordination is given less priority than other development issues. For example, the Climate Change Council – chaired by the President – has not yet met to sign off on the establishment of the National Climate Fund, as mandated by the Climate Change Act. This barrier has also resulted in the limited utilization of existing working groups for coordination between government actors, development partners and civil society organizations. Furthermore, the cross-sectoral nature of climate change means that several departments, ministries and other non-state actors are involved in its governance, each with their own interests and agendas that may not always align, thereby hampering coordination. Finally, with devolution being relatively new, problems around its inefficiency also arise in practice, making it difficult to coordinate climate finance across governance levels.

## **Reflections: are technical measures enough?**

Kenya has already put in place structures and mechanisms for coordination that could make climate change a greater priority, improve resource mobilization, and increase political will for coordination with development partners. The country’s shift to devolved government could also help make climate finance a priority at the county level; the establishment of the County Climate Change Funds, for example, could build capacity and expertise at local levels.

Plans for a National Climate Fund and Climate Change Council are also positive signals – but their use has been hampered by political barriers. As of October 2019, the Climate Change Council has not yet met, and as a result, the National Climate Fund has not been established. But in the future, these mechanisms could help break the very political barriers that hinder them. If the Council became active, for example, it could become a key authority on the topic of climate finance and obtain buy-in from the highest levels of government. The National Treasury – as both the manager of the National Climate Fund and the National Designated Authority of the Green Climate Fund and Climate Investment Funds – could also lead to greater alignment between national and multilateral activities.

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Technical changes to enhance coordination – such as building capacity, raising awareness and adding additional coordination mechanisms – are necessary, but they will be insufficient unless the political barriers are also addressed in parallel. Capacity building, for example, is a good enabler for facilitating increased coordination, but only if that coordination isn't hampered first by political barriers. Changing political priorities must start at the highest levels of the government and not only be left to civil servants.

More radical change is also needed to address underlying discourses, perceptions and priorities; ultimately, the views around bilateral funding in the country need to shift. In addition, development partners could emphasize the on-the-ground, tangible impacts of climate finance in Kenya to demonstrate their value. Finance is a means to an end, and often its purpose tends to be forgotten.

## Policy Recommendations

1. Climate change and climate finance should be made a priority at higher political levels to ensure that the existing coordination structures are applied and enforced.
2. Development partners in Kenya should ensure that their actions are in line with the priorities of the government and reflect national needs. This could be done through development partners engaging with governmental actors in the conception stages of project development and implementation.
3. The Kenyan government needs to equally prioritize bilateral and multilateral climate finance, such as through ensuring that bilateral finance is tracked and utilizing existing coordination working groups in.
4. As coordination barriers are inherently political, improving coordination will inevitably mean that most actors will have to compromise on some of their priorities.

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