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Following the Climate Shilling: Governance of County Climate Finance in Kenya

What four years of audit, assessment and oversight evidence says about FLLoCA, and how counties can close the gaps before the World Bank-supported phase ends on 31 December 2026

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28% → 57%	Kshs 5.5 billion	31 Dec 2026
Share of FLLoCA allocations counties spent, 2023/24 to 2024/25	Unspent in 2024/25, of Kshs 12.9 billion allocated to 41 counties	Closing date of the World Bank-supported phase

Why now?

Kenya has built one of Africa's most ambitious channels for getting climate money to the ward. Through the Financing Locally-Led Climate Action (FLLoCA) programme, the National Treasury reports an average county performance score of 87 per cent[14]. The Auditor-General's own 2025/26 assessment gave Makueni a perfect score of 100 for programme implementation[22]. Those are real achievements.

The audit reports of the Office of the Auditor-General (OAG) tell a harder story. Counties spent about 28 per cent of their FLLoCA allocations in 2023/24, rising to 57 per cent in 2024/25, which still left roughly Kshs 5.5 billion unspent[1][2]. Overspending against allocations appears in both years, which may mean spending beyond the authority set by appropriations or approved workplans. The reports also record breaches of the ring-fence around programme funds, late financial and non-financial reporting, weak safeguards, and projects chosen outside the participatory process required by FLLoCA and the public participation principles of the Constitution of Kenya, 2010. These weaknesses recur across OAG reports, Treasury reviews, World Bank missions, Senate committees and civil-society audits.

The timing makes intervention urgent. The World Bank-supported phase of FLLoCA closes on **31 December 2026**, a date the 2026 additional financing of USD 30 million left unchanged[7][8]. Counties have weeks, not years, to reconcile, complete and hand over what they have built.

I write as someone who has sat on both sides of the table. I spent eight years at the Office of the Auditor-General and more than twelve years in senior finance roles in a county government, including as accounting officer for a World Bank performance-based grant programme. From that seat, climate finance is an old public finance problem in new clothes: earmarked money, conditional transfers, several accountability lines and a citizen who expects visible results.

How the money reaches the ward

FLLoCA is the first operation under a ten-year Government programme covering 2020 to 2030[9]. The World Bank-supported phase became effective in February 2022 and is co-financed by Denmark,

Sweden and the Netherlands, with parallel German financing through KfW. It pays counties through two grants. The County Climate Institutional Support (CCIS) grant builds capacity. The County Climate Resilience Investment (CCRI) grant funds ward-level adaptation projects on a performance basis.

To qualify, a county must meet minimum conditions. These include a climate change law passed by the county assembly, a County Climate Change Fund (CCCF), an adequately staffed County Climate Change Unit (CCCU), a participatory climate risk assessment (PCRA) at ward level, an action plan, and a co-financing allocation of at least 1.5 per cent of the development budget[3][10]. The conditions have teeth: Nairobi City and Mombasa failed to qualify in either 2023/24 or 2024/25[1][2].

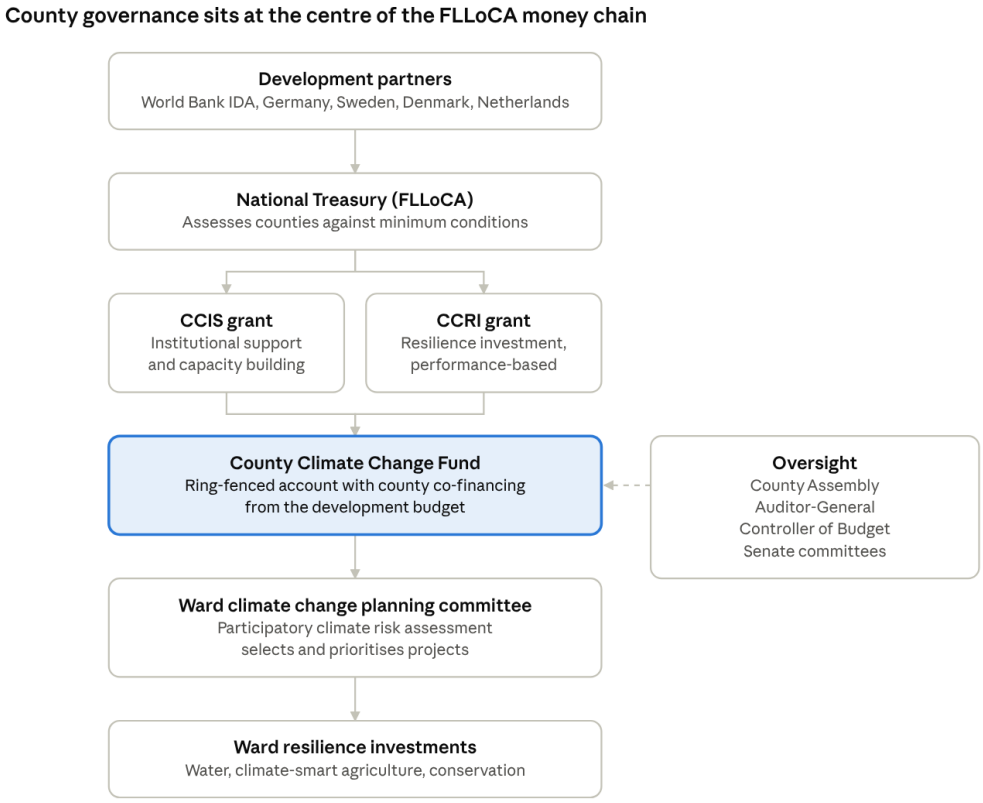


Figure 1. The FLLoCA money chain. Every shilling passes through the County Climate Change Fund, so its controls decide whether the system works.

What the evidence says: eight recurring findings

I reviewed the OAG summary reports for 2023/24 and 2024/25, the OAG county reports, the OAG's FLLoCA Annual Performance Assessment (APA) results, World Bank supervision reports, a Treasury mid-term review, Senate committee proceedings and two civil-society assessments. Eight findings recur. Table 1 summarises them, and the discussion follows.

#	Recurring finding	Where it appears	Trend
1	Low and uneven absorption	OAG summary reports 2023/24 and 2024/25; social audit (Kilifi)	Improving (28% to 57%), but large balances persist and repeat (Migori)
2	Spending above allocation	OAG summary reports, both years	Persisting; new counties each year
3	Ring-fence and transfer failures	Treasury mid-term review; Senate CPAC (Bungoma); Senate LENR (Siaya); PIU	Persisting into 2026
4	Co-financing and allocation conditions missed	OAG APA 2024/25; Treasury review (Kakamega)	Persisting
5	Projects chosen outside the PCRA and action plan	Treasury mid-term review; Natural Justice 2025; social audit	Persisting
6	Safeguards, value for money and land tenure	OAG APA; PIU; social audit; Senate (Kisumu)	Persisting
7	Late reporting and weak grievance systems	OAG 2022/23 (Tana River); OAG APA; World Bank ISR	Persisting
8	Institutional gaps in some counties	OAG 2024/25 (Mombasa; Mandera, Trans Nzoia, Nandi, Bomet)	Newly reported in 2024/25

Table 1. Recurring findings across sources, 2022/23 to 2026. Full references are in the Sources list.

1. Money arrives faster than it is spent

In 2023/24 the FLLoCA allocation was Kshs 10.08 billion across 45 counties, of which Kshs 2.99 billion was spent. Migori left Kshs 764 million unspent, Bungoma Kshs 391 million and Turkana Kshs 363 million[1]. In 2024/25 the allocation rose to Kshs 12.89 billion across 41 counties and spending to Kshs 7.37 billion. Kakamega (Kshs 505 million), Homa Bay (Kshs 475 million) and Migori (Kshs 374 million) held the largest balances[2]. A pilot social audit in March 2025 reported that Kilifi had not begun using Kshs 220 million two years after receiving it[12].

Unspent climate money is not saved money. It is resilience not built during the seasons it was meant for, and services not reaching the citizens they were intended for. A balance that repeats in the same county, as in Migori, points to a planning or procurement failure, not a funding issue.

2. Spending above the allocation

The same reports record the reverse problem. Tana River and Vihiga spent above their allocations in 2023/24; Uasin Gishu (Kshs 181 million), Embu (Kshs 72 million) and Laikipia did so in 2024/25. The Auditor-General reads overspending as a sign of possible financial mismanagement or underestimated costs[1][2]. Either way, the budget control on the fund did not hold. This raises the question of where the additional funds came from, and which programmes were cut to accommodate them.

3. The ring-fence leaks

A Treasury mid-term review, as reported by The Standard, found that Kakamega had paid about Sh60 million from its FLLoCA account for works not procured under the programme, and had not deposited its Sh109 million counterpart contribution[11]. The county was later reported to have been required to return Sh283 million[13]. In Bungoma, Kshs 11 million received into the County Revenue Fund had not reached the climate fund by year-end[6]. The PIU lists moving money from the County Revenue Fund to

the climate fund's special purpose account among its implementation challenges[21], and in September 2026 senators were still questioning Siaya about delayed transfers and stalled projects[19].

In my experience, part of the delay is structural. The County Governments Additional Allocations Act is often passed late in the financial year. Donor funds cannot move until it is enacted, and each withdrawal from the County Revenue Fund to the project special purpose account then needs the approval of the Controller of Budget. Late law-making therefore becomes late spending.

4. Co-financing and allocation conditions are missed

The OAG, which now carries out the FLLoCA Annual Performance Assessment, reports that some counties did not allocate at least 1.5 per cent of their net development budget to the climate fund, did not commit at least 95 per cent of the CCRI budget to resilience investments, and did not absorb the fund as budgeted[3]. Co-financing is the county's own stake in the programme. When it is late or diverted, local ownership exists only on paper.

5. Projects drift from community priorities

The Treasury review found projects that were climate-related but did not appear in the county climate action plan and had not passed through the PCRA[11]. Natural Justice's 2025 study of five counties found that vulnerable groups identified in PCRAs were not consistently reflected in funded CCRI investments, and that community participation was often seen as tokenistic[16]. In Nyandarua, residents told social auditors they would have chosen a borehole over the water tanks they received, had they been asked[12]. This calls into question how projects are identified and prioritised for implementation.

6. Safeguards, value for money and land

The OAG asks counties to complete environmental and social impact assessments and obtain licences before works start[3], and the PIU reports that some counties were not screening climate investments at all[21]. The social audit reported an inflated item price in Busia, materials delivered below the bills of quantities, and projects in Kilifi and Busia built on private land with no clear arrangement for public access[12]. In May 2026 the Senate Finance and Budget Committee raised implementation, spending and environmental concerns over Kshs 373 million of FLLoCA projects in Kisumu[18].

7. Reporting and grievance systems lag

Tana River's climate fund submitted its 2022/23 financial statements five months after year-end, outside its own regulations[5]. The OAG asks counties to submit financial, grievance, monitoring and safeguards reports to the PIU on time[3]. The World Bank's December 2024 supervision report rated fiduciary risk Substantial, said more support was needed to make all county grievance mechanisms operational, and recorded delays in the second APA cycle and in grant disbursements[7]. Civil-society monitors reported that some residents could not tell FLLoCA projects apart from ordinary county projects[11]. This points to weak project visibility on the ground and weak separation of FLLoCA assets in county records, which in turn affects how they are presented in the financial statements.

8. Institutional gaps in some counties

The 2024/25 county audit of Mombasa found no approved climate mitigation and adaptation policy, no specific budget for climate action and no structured environmental governance framework[4]. The OAG

also reports that Mandera, Trans Nzoia, Nandi and Bomet had not established or operationalised required statutory funds, a category that includes climate change funds[2].

A reconciliation problem in plain sight

Public figures on FLLoCA do not reconcile. For 2024/25 the OAG reports allocations to 41 counties[2]; the Treasury announced a second CCRI tranche of Kshs 6.97 billion to 42 counties[15] and, elsewhere, Sh12.6 billion to 45 counties[13]. The OAG puts cumulative climate allocations at about Kshs 21.7 billion[3], while the Treasury figure reported in the press is Sh23.9 billion invested[14]. The differences may well be explained by timing, grant type or the inclusion of county co-financing. But when national, audit and programme figures for the same money differ, citizens and oversight committees cannot tell what was received, spent or left over. That is itself a finding.

Why the recurrence?

Most of these weaknesses are not specific to climate. They are familiar public finance failures that a new earmark exposes more sharply. In my view, five structural causes explain why the same findings repeat.

1. **The ring-fence is administrative, not physical.** Where the climate fund shares approval chains and procurement plans with the general development budget, money can be redirected or delayed with little scrutiny.
2. **Qualifying is mistaken for performing.** The assessment rewards laws, funds, plans and allocations. Those prove readiness, not results. A county can score well and still deliver a borehole that fails within two years, because no sustainability plan is agreed before the project is handed over.
3. **Nobody owns maintenance.** Recurrent costs of operating ward assets rarely appear in the county budget, and there is no plan for what happens after the donor-supported phase closes. It reflects a bias towards launching new projects over making existing ones work for their beneficiaries.
4. **Reporting runs upward, not outward.** Counties report to the Treasury and partners. Ward committees and county assemblies see far less, so those closest to the project have the weakest view of its money. Limited civic education on how projects are funded and delivered means communities rarely have the information to trigger social audits.
5. **The audit trail is built after the fact.** Climate spending is rarely tagged at the point of budgeting, and findings are answered one by one rather than tracked to verified closure. The same issue then returns the following year.

The 31 December 2026 close-out risk

With the World Bank-supported phase closing on 31 December 2026, and senators already calling for an extension[20], counties carrying large balances face a practical problem. Contracts must be completed, certified, paid and reconciled; uncommitted balances must be identified; assets must be handed to someone who will run them. How uncommitted balances will be treated at closing is a matter for the financing agreement and the PIU, and counties should seek that guidance in writing now rather than assume an extension. In the next eight weeks every participating county should, at a minimum:

- reconcile CCIS and CCRI receipts, county co-financing transfers, the climate fund bank account and IFMIS, and clear every variance;

- list every CCRI project with contract value, certified works, payments, physical status and its PCRA or action-plan reference;
- confirm environmental screening, licences and land or access rights for every asset;
- hand over completed assets with a named operator and a costed maintenance line in the 2027/28 budget;
- publish a ward-by-ward statement of allocation, payment and physical status.

Recommendations

None of the following needs a new law. Each can be done within the Public Finance Management Act, 2012, the county climate change laws and the FLLoCA grants manual. They are ordered by urgency, and the decisions rest with the stakeholders named.

For county governments (CEC Finance, Chief Officer Finance, CCCU, Fund Administrator, Internal Audit)

1. **Track every finding to verified closure (immediately).** Adopt a single findings register for the climate fund, covering OAG, APA, Senate, assembly, World Bank and social-audit findings, with an owner, a date, evidence and the OAG verification reference. A finding is closed when the Auditor-General confirms it, not when management responds.
2. **Transfer co-financing by standing instruction (next budget cycle).** Require the county co-financing to move to the climate fund special purpose account within an agreed number of days of each exchequer release, and reconcile the fund with the County Revenue Fund monthly.
3. **Give the fund real walls.** Keep a separate approval line for climate fund payments. Any reallocation should require an explicit assembly resolution, not a line in a supplementary budget.
4. **Tag climate spending in the budget, not after it.** Apply a climate tag at programme and item level in the budget and IFMIS, so that climate expenditure is a standard report rather than a forensic exercise. Separate administrative heads in IFMIS for the climate fund would prevent commingling with other funds.
5. **No works without screening, licence and land.** Make environmental screening, any required licence and proof of land or access rights conditions for issuing a contract, in line with public investment management requirements.
6. **Budget for the life of the asset.** Every approved ward investment should carry an operation and maintenance plan, a costed recurrent line, an owner and a handover date.
7. **Report sideways and downwards.** Publish a quarterly climate expenditure statement by ward, covering allocation, commitment, payment and physical progress, and give it to ward committees and the county assembly at the same time as the Treasury.
8. **Staff the CCCU for the money it manages.** An adequately staffed unit is a minimum condition. Assign a dedicated accountant, procurement officer and safeguards officer to the climate fund, and plan for staff turnover with documented procedures. The proposed single project management units under Phase 2 of the Kenya Devolution Support Programme offer one route to do this.

For the National Treasury (FLLoCA PIU and Climate Finance and Green Economy Unit)

- Publish one reconciled FLLoCA data set each quarter: allocations, transfers, county co-financing, expenditure and balances by county and grant, agreed with the OAG and the Controller of Budget.
- Issue a close-out circular and guidelines to counties now, covering commitment cut-off, treatment of balances and asset handover.
- Shift future assessment weight from the existence of laws and plans towards functioning assets, verified community benefit and closure of prior findings.
- Work with Parliament to enact the County Governments Additional Allocations Act early in the financial year, so that donor funds reach counties in time to be spent.

For the Office of the Auditor-General and the Controller of Budget

- OAG: report the status of prior-year climate fund findings explicitly in each county fund report, and schedule a performance audit of completed FLLoCA assets one to two years after handover.
- Controller of Budget: report FLLoCA allocations, county co-financing and absorption separately, and consistently, in each county budget implementation review.

For the Senate, county assemblies and audit committees

- Require the quarterly ward-level climate statement and review it in the budget and public accounts committees, not only when a project fails.
- Ask for the findings register at every audit session and follow up any finding reported twice.
- County audit committees should table climate fund findings at every quarterly meeting.

For development partners and civil society

- Development partners: make reconciliation and verified closure of audit findings part of any extension or successor programme, and fund maintenance transition, not only new investment.
- Civil society: institutionalise social audits on a common method and share results with county assemblies and the OAG, so community evidence enters the formal accountability chain.
- Professional bodies (ICPAK, the Institute of Internal Auditors Kenya): build climate finance accounting and audit into continuing professional development for county finance and audit staff.

Tracking findings to verified closure

Counties already answer audit queries. What most lack is a way to prove that a finding has been fixed and stays fixed. Spreadsheets and email chains lose ownership, evidence and history between one audit cycle and the next, which is why the same findings return. Whatever system a county uses, it should do six things:

- **One register.** Every finding from the OAG, the APA, Senate and assembly committees, World Bank missions, internal audit and social audits in one place, searchable by year, department, category and status.
- **A named owner and a date.** Each finding is assigned to a responsible officer with a due date and an agreed action addressing the root cause, not the symptom.

- **Evidence attached to the finding.** Bank statements, reconciliations, contracts, licences and handover certificates filed against the finding they answer.
- **Independent review.** Internal audit or a supervisor reviews each response before it is treated as resolved; final closure is the Auditor-General's confirmation in the next audit.
- **Repeat and overdue flags.** Findings that recur, or pass their due date, are flagged and escalated to the accounting officer, the audit committee and then the county assembly.
- **Reports for oversight.** Status reports for management, audit committees and Senate or assembly hearings generated from the register, with a record of every change.

From readiness to results

Kenya's devolved climate finance model has done the hard first step. Counties have laws, funds, units, plans and ward committees, and money is reaching communities; the Senate has commended Vihiga's management of its funds[17]. The next step is less visible and harder: every shilling traced, every finding closed and verified, every asset maintained, and every citizen able to see what was done in their ward.

Supreme audit institutions elsewhere have warned against reporting climate spending as success whether or not it achieved results[23]. Kenya can avoid that trap. It is a public finance management task before it is a climate task, and county finance officers, accountants, internal auditors and assembly committees already hold most of the tools.

I would welcome views from county finance teams, CCCU and project coordination staff, development partners and oversight practitioners on which of these reforms is most urgent in their context.

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