

# Kenya's Institutional Readiness to Access and Equitably Deliver Loss and Damage Fund Resources: A Political Economy Analysis of Fiduciary Capacity, Community Participation, and ASAL Resilience (2024–2026)

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## ABSTRACT

*The operationalization of the Fund for responding to Loss and Damage (FRLD) has moved the debate on climate-induced loss and damage from diplomatic principle to institutional practice. For countries such as Kenya, the central question is no longer whether finance will exist, but whether domestic institutions can access it competitively and deliver it equitably to the communities that bear the heaviest losses, particularly in the Arid and Semi-Arid Lands (ASALs). This article frames Kenya's readiness as a political economy problem rather than a purely technical one. Drawing on political settlements theory, principal-agent accountability, and the procedural justice logic of locally led adaptation, it develops an integrated analytical lens, termed the Settlement-Mediated Readiness Framework (SMRF), to examine three readiness dimensions: fiduciary capacity, community participation, and ASAL resilience. Using qualitative document analysis of FRLD decisions, Kenyan fiscal and climate policy instruments, and programme evidence from 2024 to 2026, the article argues that Kenya possesses unusually strong formal architecture for devolved climate finance, yet faces a fiduciary-participation trade-off in which safeguards demanded by international funders pull decision-making upward, while equity demands pull it downward. The article contributes a reconceptualization of readiness as a negotiated distribution of authority, four testable propositions for future empirical work, and policy recommendations for a nested loss and damage delivery system.*

## KEYWORDS

*Loss and damage, climate finance, political settlements, fiduciary capacity, locally led adaptation, ASALs, devolution, Kenya*

## I. INTRODUCTION

The agreement at COP27 to establish new funding arrangements for loss and damage, and the subsequent operationalization decision at COP28, represented a normative breakthrough for climate-vulnerable countries. Loss and damage reframes climate harm as a question of justice and responsibility rather than charity, and it extends the scope of climate finance beyond adaptation to losses that cannot be avoided, including non-economic harms such as displacement, loss of cultural heritage, and erosion of identity.

The Fund's start-up phase has now translated this principle into operational rules. At its fifth meeting, the FRLD Board established the Barbados Implementation Modalities (BIM) as a first set of interventions covering 2025 and 2026, setting aside USD 250 million with a commitment to review further allocation subject to available resources (FRLD, 2025). Individual activities, projects, or programmes may receive between USD 5 and 20 million, and the first call for funding requests was launched at COP30 in Belém in November 2025, with requests accepted over a six-month submission window. Demand has vastly exceeded supply. The first call attracted nearly 180 submissions seeking roughly USD 2.8 billion against the USD 250 million available, and the Board, while agreeing to release an additional USD 100 million, deferred its first project approvals to its December 2026 meeting. This scarcity transforms readiness into a competitive and distributive question: which countries, which institutions, and ultimately which communities will capture the first flows of loss and damage finance?

Kenya presents a particularly instructive case. It has experienced consecutive climate extremes, including the prolonged 2020–2023 drought that devastated pastoral livelihoods in the ASALs, followed by severe flooding in 2024. At the same time, Kenya has built one of Africa's most elaborate devolved climate finance systems through the Financing Locally-Led Climate Action (FLLoCA) programme and County Climate Change Funds. The country has also begun positioning itself for FRLD access: in December 2025, the Climate Change Directorate convened a technical workshop in Naivasha to prepare Kenya's first-ever funding request to the FRLD, focused on rising lake levels in the Rift Valley and Lake Victoria basin.

Yet formal architecture is not the same as readiness. This article asks how the distribution of political power, fiduciary authority, and participatory voice within Kenya's institutions shapes the country's ability to access FRLD resources and deliver them equitably to ASAL communities.

## **II. THE RESEARCH PROBLEM**

The literature on climate finance readiness has largely treated readiness as a technical checklist: accreditation status, project pipeline quality, financial management systems, and safeguard compliance. This framing is incomplete in three important ways.

First, it overlooks the political economy of intermediation. International climate funds rely on national and multilateral intermediaries whose incentives do not necessarily align with those of the most vulnerable. Evidence from the Green Climate Fund shows that its access and fiduciary architecture has structurally favoured large intermediaries and has struggled to deliver finance to the local level. There is a real risk that the FRLD reproduces this pattern.

Second, the technical framing ignores the distinctive character of loss and damage. Unlike adaptation, loss and damage finance often responds to harm that has already occurred, which creates pressure for rapid disbursement. Speed and fiduciary rigour are in tension, and how that tension is resolved is fundamentally a question of who is trusted with money and who is not.

Third, the framing is blind to Kenya's specific distributive fault lines. The ASALs cover the majority of Kenya's land area and are home to pastoralist communities who have historically

been marginalised in national resource allocation. The architecture of the BIM also matters: the modalities set a minimum allocation floor of 50 percent for Small Island Developing States and Least Developed Countries (FRLD, 2025), meaning Kenya, which falls into neither category, competes for the residual share. Its proposals must therefore be exceptionally strong on country ownership, fiduciary credibility, and demonstrable impact.

The research problem can therefore be stated as follows: Kenya's formal institutional readiness for loss and damage finance is well developed, but it is unclear whether the political settlement governing the flow of climate finance enables equitable delivery to ASAL communities, or whether fiduciary safeguards and elite bargaining will recentralise control and reproduce historical marginalisation. This problem generates three research questions. How does Kenya's fiduciary architecture shape its competitiveness for FRLD access? To what extent do existing participation mechanisms confer genuine decision-making authority on affected communities? And how do these dynamics shape the prospects for ASAL resilience within an emerging loss and damage regime?

### **III. THEORETICAL FRAMEWORK**

#### *A. Political settlements theory*

Political settlements theory holds that institutions perform according to the underlying distribution of power among organised groups, not merely according to their formal design (Khan, 2018). Where formal rules conflict with the holding power of influential actors, the rules tend to be bent, selectively enforced, or captured. Applied to climate finance, this implies that identical fiduciary systems may produce very different distributive outcomes depending on which actors control budget execution, procurement, and project selection. In Kenya's devolved system, relevant actors include the National Treasury, line ministries, county executives, county assemblies, members of the national legislature, and organised pastoralist and civil society constituencies.

#### *B. Principal-agent accountability and fiduciary delegation*

Climate finance delivery involves layered chains of delegation, from contributors to the Fund, from the Fund to national or accredited entities, from national to county governments, and from counties to communities. Each link creates information asymmetries and opportunities for leakage. Fiduciary standards are the principal's response to this risk. However, strict fiduciary controls tend to concentrate authority in the actors best able to satisfy them, typically central treasuries and multilateral intermediaries, which lengthens the delegation chain and distances communities from decisions.

#### *C. Procedural justice and locally led adaptation*

The locally led adaptation literature argues that devolving decision-making power, not just funds, is essential for effective and just climate responses. Rahman et al. (2023) caution, however, that the label "local" is frequently invoked rhetorically while power remains concentrated, and that participatory structures can be captured by local elites. Loss and damage raises the stakes further because recognition of non-economic harms, such as loss

of grazing heritage, sacred sites, and livelihood identity, depends on affected people defining what has been lost.

#### *D. The Settlement-Mediated Readiness Framework (SMRF)*

Integrating these three strands, this article proposes the Settlement-Mediated Readiness Framework. The framework defines institutional readiness as the capacity of a national system to satisfy external fiduciary expectations while preserving a credible transfer of decision-making authority to affected communities, as mediated by the domestic distribution of political power.

The SMRF identifies three interacting readiness dimensions. Fiduciary readiness refers to the credibility of public financial management, audit, and safeguard systems in the eyes of the Fund. Participatory readiness refers to the depth of community authority over the identification, prioritisation, and oversight of loss and damage responses. Resilience readiness refers to the capacity to convert finance into durable outcomes for the most exposed populations, in this case ASAL communities. The political settlement acts as the mediating variable that determines whether gains in one dimension reinforce or undermine the others. The core theoretical claim is the existence of a fiduciary-participation trade-off: as international funders raise fiduciary requirements, domestic authority migrates toward central actors who can meet them, reducing participatory depth unless deliberate institutional counterweights exist.

## **IV. METHODOLOGY**

The study adopts a qualitative, interpretive political economy design based on systematic document analysis covering January 2024 to September 2026. The documentary corpus comprises FRLD Board decisions and BIM operational guidance; UNFCCC decisions on loss and damage; Kenyan legal and policy instruments, including the Climate Change Act (as amended in 2023), the Public Finance Management Act, and the National Treasury's Disaster Risk Financing Strategy 2026–2030; FLLoCA programme documentation and partner evaluations; and credible media reporting on the FRLD pipeline and Kenya's funding request preparation.

Documents were coded deductively against the three SMRF dimensions and inductively for emergent themes relating to authority, control of funds, and exclusion. The analysis is interpretive and generates propositions for empirical testing rather than causal claims. The main limitation is the absence of primary interview and survey data; this is addressed in Section 7 through a proposed empirical agenda

## **V. ANALYSIS AND FINDINGS**

#### *A. Fiduciary readiness: strong architecture, constrained credibility*

Kenya's access options under the BIM are shaped by the Fund's reliance on existing accreditation. The BIM allows direct budget support through national governments, but the modalities for that route were still under development, and requests using it could only be approved once the Board adopted the relevant decisions (FRLD, 2025). In practice, this

pushes countries toward entities already accredited to the Adaptation Fund, the Global Environment Facility, or the Green Climate Fund. Kenya's National Environment Management Authority, as an existing direct access entity, gives the country a pathway many peers lack. At the fiscal policy level, Kenya has also strengthened its risk financing posture. The Disaster Risk Financing Strategy 2026–2030 seeks to end reliance on emergency donor appeals and ad hoc budget reallocations, establishing a proactive framework for national and county governments (Government of Kenya, 2026). This provides a coherent policy home into which loss and damage finance can be layered alongside insurance, contingency funds, and social protection.

However, formal systems do not automatically generate fiduciary credibility. Kenya's recurring audit findings on county expenditure, pending bills, and delayed exchequer releases, together with the tight fiscal environment following the 2024 Finance Bill protests and high debt service obligations, signal to funders that money routed through the Consolidated Fund may be delayed or diverted. The political settlement matters here: exchequer releases to counties are a site of intense bargaining between the National Treasury and county governments, and loss and damage finance routed through the national budget would enter this contested terrain.

The finding is that Kenya's fiduciary readiness is high on paper but discounted in practice by predictability risks. This strengthens the incentive to route FRLD money through ring-fenced special purpose accounts or multilateral intermediaries, which is precisely the mechanism through which the fiduciary–participation trade-off operates.

*B. Participatory readiness: institutionalised voice, contested authority*

Kenya's participatory infrastructure is among the most developed in the Global South. FLLoCA requires counties to enact climate change legislation, establish County Climate Change Funds and climate units, and constitute Ward Climate Change Planning Committees that conduct participatory climate risk assessments. This offers the FRLD a ready-made channel for bottom-up, country-led delivery, which aligns closely with the BIM funding criteria.

The evidence, however, reveals the limits of formal participation. A Danish partner review of FLLoCA found that counties required rigorous project screening support partly to keep community priorities intact and prevent undue influence from the county political class, and observed that many county action plans were shallow and followed a business-as-usual approach (Ministry of Foreign Affairs of Denmark, 2025). This is consistent with political settlements theory: ward committees can be captured by patronage networks, and projects may be steered toward visible infrastructure with electoral value rather than toward the most severe losses.

The FRLD's own design raises a second concern. National focal points originate and endorse funding requests, which gives central ministries gatekeeping power over which losses and which regions are prioritised. Kenya's first request illustrates this. The focus on rising lake levels is a legitimate and urgent priority; government assessments indicate the phenomenon has displaced more than 75,000 households and submerged roads, schools, and health facilities. Nonetheless, the selection process reveals how agenda-setting occurs at the national level, and how slow-onset drought losses in pastoral ASALs, which are less visible

and harder to quantify, may struggle to compete for attention against acute, highly visible disasters. The finding is that Kenya has institutionalised participation in planning but not yet in the prioritisation of loss and damage claims at the national level, where FRLD access decisions are made.

*C. ASAL resilience readiness: the problem of slow-onset and non-economic loss*

The ASALs present the sharpest test of equitable delivery. Losses there are dominated by slow-onset processes, including recurrent drought, rangeland degradation, livestock mortality, and the erosion of mobile pastoral livelihoods. These losses are cumulative, diffuse, and often non-economic, involving loss of social identity, customary institutions, and intergenerational knowledge.

Three structural features disadvantage ASAL communities in the emerging regime. First, loss quantification systems are designed for asset-based economies; livestock and customary rangeland rights are poorly captured in damage assessments that favour infrastructure. Second, ASAL counties, despite improvements, often face weaker administrative capacity, making it harder to prepare competitive proposals within a six-month window. Third, pastoralist mobility sits uneasily with territorially bounded county and ward structures, meaning cross-county losses may fall between administrative jurisdictions. At the same time, the ASALs have genuine assets that could make them strong candidates for loss and damage finance. The County Climate Change Fund model was piloted in ASAL counties before being scaled nationally, and the National Drought Management Authority operates early warning and contingency financing systems that could be adapted to support rapid loss and damage disbursement. The challenge is therefore not the absence of capacity, but the translation of existing ASAL institutions into forms the FRLD can recognise and fund.

*D. Synthesis: the fiduciary-participation trade-off in practice*

Taken together, the analysis confirms the SMRF's central claim. Kenya's readiness is constrained less by missing institutions than by how authority is distributed across them. The Fund's fiduciary expectations favour central and multilateral channels; the national endorsement requirement concentrates agenda-setting power; and scarce, competitive funding rewards visible, quantifiable losses. Each of these pressures pulls decision-making away from the ASAL communities whose losses are most severe and least visible. Without deliberate counterweights, loss and damage finance risks becoming another channel through which the historical marginalisation of the ASALs is reproduced under the language of justice.

## **VI. CONTRIBUTION TO THE BODY OF KNOWLEDGE**

*A. This article makes four contributions.*

The first is conceptual. It reconceptualises institutional readiness for loss and damage finance as a negotiated distribution of authority rather than a checklist of technical capacities. This shifts the analytical focus from whether systems exist to who controls them and in whose interests they operate.

The second is theoretical. By integrating political settlements theory, principal-agent accountability, and procedural justice, the Settlement-Mediated Readiness Framework offers a transferable lens for studying loss and damage delivery in other devolved or federal systems. It names and specifies the fiduciary-participation trade-off, a dynamic that has been implicit in critiques of adaptation finance but not theorised for loss and damage.

The third is empirical and contextual. The article provides one of the first political economy analyses of a Global South country's positioning during the FRLD's start-up phase, and it foregrounds the ASALs and slow-onset loss, which remain underrepresented in loss and damage scholarship dominated by island states and acute disasters.

The fourth is methodological. The article generates four testable propositions to guide future empirical research:

- The more FRLD finance is routed through central or multilateral intermediaries, the lower the share of resources directed to community-prioritised interventions.
- Counties with independent ward-level oversight and published climate fund expenditure data will deliver loss and damage resources more equitably than counties without such mechanisms.
- Slow-onset and non-economic losses will be systematically underrepresented in national funding requests relative to their share of total loss burden.
- Pre-agreed allocation rules, set before disasters occur, will reduce elite capture relative to discretionary post-disaster allocation.

## **VII. POLICY IMPLICATIONS AND RESEARCH AGENDA**

For the Government of Kenya, the analysis suggests the need for a nested loss and damage delivery system that combines central fiduciary assurance with guaranteed community authority. This could include a dedicated loss and damage window within the County Climate Change Fund architecture; a transparent, formula-based allocation rule that weights slow-onset and non-economic losses, protecting ASAL counties from being crowded out; and statutory recognition of pastoralist and customary institutions in loss assessment.

For the FRLD Board, as it designs the Fund's long-term operating model, the findings support devolved access pathways, a small grants window reaching community organisations, and assessment frameworks that credibly measure non-economic loss. The Board's own emphasis on learning from the BIM phase creates an opportunity to evaluate whether early grants actually reach affected communities.

For researchers, priorities include primary fieldwork in selected ASAL counties (for example, Turkana, Marsabit, Garissa, Isiolo, and Baringo), interviews with national focal point officials, county climate units, and ward committees, and a tracking study following the first FRLD disbursements to Kenya, if approved, to test the four propositions.

## **VIII. CONCLUSION**

Kenya enters the loss and damage finance era with more institutional preparation than most vulnerable countries. Its devolved climate finance model, new disaster risk financing

strategy, and early engagement with the FRLD position it well in a highly competitive funding environment. Yet the analysis shows that institutional readiness is ultimately political. Fiduciary safeguards, national endorsement powers, and scarce funds all tend to concentrate authority, while justice for ASAL communities requires authority to be shared. Whether loss and damage finance becomes an instrument of climate justice in Kenya will depend less on the existence of institutions than on whether the political settlement allows affected communities to decide what they have lost and how it should be repaired.

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