

Reconciling ambition and implementation: International development finance and Kenya's national priorities

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Meeting the 2030 Agenda, its Sustainable Development Goals and the objectives of the Paris Climate Agreement requires an unprecedented mobilization of investment. Yet affordable long-term financing remains out of reach for most developing economies (UNCTAD, 2025). While development finance institutions (DFIs) and multilateral development banks (MDBs) remain major providers of long-term public finance, discussions at global level focus on their impact at country level and as a system, in a context of shrinking aid budgets and geopolitical competition reshaping development finance.

Far less attention has been paid to national contexts. This *Study* addresses the case of Kenya, a country facing financing gaps despite attracting many development partners and being active in international reform debates, yet struggling to substantially transform its trajectory. It examines how Kenyan priorities are financed, how the main DFIs respond to identified needs, and what institutional set-up ensures coordination and long-term sustainability.

This *Study* provides insights for DFIs and their shareholders, for Kenyan authorities and relevant actors across the country, and for those reforming the international financial architecture.

KEY MESSAGES

Kenya's sustainable development ambition still requires a significant share of external financing which is shifting toward multilateral loans. Concessional loans and other official flows reached 64% of external disbursements to Kenya in 2024, while debt service absorbed close to 70% of of the country's ordinary revenues.

The connection between planning strategies, financial instruments and institutional arrangements remains underspecified to truly deliver. Kenya's strategies remain insufficient to connect to sources of finance, and a siloed approach hampers implementation, down to the lowest level.

Stated alignment with national priorities masks conflicted approaches that also include donor driven practices. Sector selection often responds to the priorities of donor governments and DFI shareholders as well as to, or instead of, Kenya's stated needs, a dynamic likely to intensify under the G7's renewed narrative of "mutually beneficial partnerships".

Climate ambition is creating a new dynamic but is not yet matched by the financing instruments at hand. 81% of Kenya's Nationally-Determined Contribution estimated cost is conditional on international support, while renewable energy receives the smallest share of DFI financing.

Coordination among DFIs remains the exception and predominantly informational. No shared framework tracks the collective impact of DFI interventions on Kenya's stated priorities.

Kenyan governance mechanisms for long-term monitoring and impact remain scattered. Beyond mobilizing financing volumes, Kenyan authorities are seeking to improve internal coordination, across sectors and units of intervention to better drive external support and investment and to monitor impact down to county level.

Impact does not yet fully reach the subnational and county-level, where access to affordable long-term financing remains limited despite the central place of counties in the Bottom-up Economic Transformation Agenda.

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KEY FINDINGS & RECOMMENDATIONS

Kenya's high ambition still requires a significant share of external financing which is shifting toward multilateral loans. Concessional loans and other official flows totalled \$3.2 billion (or nearly 64% of total external disbursements) in 2024, up from \$1.4 billion (or 46% of total external disbursements) in 2015. Over the years, two multilateral institutions, namely the World Bank and the African Development Bank, have provided the largest share. With the evolving financial landscape in the country, DFIs tend to play an increasing role. But the shift towards loans faces limits when debt service obligations absorbed close to 70% of ordinary revenues in 2024, demonstrating the current financing model is not sustainable. Crucially, this gap is not a temporary imbalance: lower middle-income graduation (since 2014) has reduced access to grants without producing alternative financial instruments calibrated to Kenya's transformation needs, despite Kenya being in a relatively good position with options at hand.

The connection between planning strategies, financial instruments and institutional arrangements remains underspecified to truly deliver. While Kenya has developed a wide array of comprehensive strategies, their level of details remains insufficient to be usefully connected to sources of finance; and siloed approach to development objectives hampers an impactful implementation, down to the lowest level.

Stated alignment with national priorities masks conflicted approaches that also include donor driven practices. All DFIs operating in Kenya formally reference Vision 2030, MTP IV and BETA in their country strategies. In practice, sector selection often also responds to the priorities of donor governments and DFI shareholders rather than or in addition

to Kenya's stated needs. This dynamic is likely to intensify under the renewed narrative of "mutually beneficial partnerships" promoted by the G7. This partly drove Kenya to seek alternatives, be it through domestic institutions or alternative partners, but these tend to come at higher (economic or political) costs. Taken together, these alternatives broaden Kenya's options without yet providing financing that is cheaper, better aligned, or more sustainable than what traditional DFIs offer.

Climate ambition is creating a new dynamic but is not yet matched by the financing instruments at hand. Kenya's second NDC sets a 35% mitigation target by 2035, with an estimated cost of \$22.5 billion for mitigation (2031–2035) and \$17.7 billion for adaptation, 81% of which is conditional on international support. Yet renewable energy receives the smallest share of DFI financing among the sectors analysed in this paper. Climate finance is treated as an add-on to existing development pipelines rather than as a structural component of the country's financing architecture, and access to vertical climate funds is hampered by accreditation procedures that disadvantage smaller projects and subnational entities.

Coordination among DFIs remains the exception and predominantly informational. Existing platforms—the Development Partners Group, Heads of Cooperation, sector-specific working groups—function mainly as forums for information exchange. Co-financing arrangements such as the EIB-KfW Kwa-Jomvu corridor or the IDA-KfW FLLoCA programme remain the exception rather than the norm. No shared monitoring framework exists to track the collective impact of DFI interventions on Kenya's stated priorities. Coordination gains are therefore largely opportunistic, dependent on individual project configurations rather than systemic alignment. This leaves little room for deeper coordination between actors at various levels of intervention (from Multilateral Development Banks (MDBs), to regional and national actors).

Kenyan governance mechanisms for long term monitoring and impact remain scattered. Beyond their ability to mobilize volumes of sustainable development financing, it emerged from this study that Kenyan authorities are also seeking new ways of improving internal coordination, across sectors and units of intervention to better drive external financial support and investments, while also being in a position to monitor impact down to county level.

Impact does not fully reach Subnational and county-level yet. Several Kenyan interviewees pointed to the difficulty for counties and local public entities to access affordable long-term financing, both from traditional DFIs and through vertical climate funds, where accreditation procedures tend to disadvantage smaller projects. This sits in tension with the BETA agenda, which explicitly places lower levels of governance at the heart of development objectives. Counties tend to have the necessary regulations in place but fail to receive a portion of the national budget that would provide them with the required means for implementation. The dynamics at this level were beyond the scope of this study and would warrant dedicated investigation, but the convergence of testimonies suggests a financing and governance gap that current instruments and mechanisms are not well-equipped to address.

RECOMMENDATIONS

Make the "DFIs as a system" agenda operational at country level. The reform discussions calling for multilateral banks to function better as a system are typically framed at the global level. Kenya, where two MDBs concentrate most of the external financing, offers a concrete testing ground. This could include explicit articulation with bilateral development finance institutions and the regional banks (TDB, Afreximbank) that Kenya is increasingly mobilizing, as well as local private sector and entities operating at a subnational level. Demonstrating that system-level coordination can work in a single country would be of direct relevance to the broader reform agenda.

Re-anchor DFI engagement to national and subnational long-term planning and budget cycles by clarifying allocation processes and associated trade-offs. The tension between donors' interests and country needs is likely to amplify given the current reconfigurations of international cooperation. To remain relevant however, international partners should move from project-by-project pipelines to multi-year sectoral envelopes explicitly aligned with the MTEF process and MTP IV priorities, and adjust their negotiation and disbursement calendars to Kenya's budget cycle rather than expecting the reverse. This is a precondition for predictable financing and for DFI alignment to translate into operational practice. Given the centrality of devolution in Kenya's development model, the current limited engagement of DFIs with counties and local public entities deserves further examination. Pooled risk facilities, technical assistance for project preparation, or dedicated guarantee mechanisms could be explored as ways to reach this level of intervention, where impact on Kenyan citizens' lives is most direct.

Treat climate finance as integral to development financing, not as a parallel stream. DFI sectoral allocation decisions should explicitly reflect NDC priorities, with renewable energy and adaptation receiving shares commensurate with their identified needs. Vertical fund accreditation procedures should be simplified to allow subnational entities and smaller projects to access them directly.

Address the gap between traditional DFIs and alternative development finance partners. Part of Kenya's diversification toward alternative partners reflects the time required to negotiate and disburse concessional financing from traditional DFIs. Bilateral and multilateral institutions—particularly European DFIs offering the most concessional terms—would benefit from examining how their internal procedures affect the practical accessibility of the financing they offer. Kenyan authorities would also gain from developing a comprehensive overview of the long-term impact of partners diversification.

Put in place a clearer structure for effective institutional monitoring of financial flows and national objectives. While Kenya still benefits from an attractive profile and includes a wide array of active financial actors on its territory, its authorities would greatly benefit from an effective platform aimed at coordinating and monitoring efforts to ensure financing is timely and that it also goes where most needed and reaches full impact.

INTRODUCTION

Global landscape and gaps

The transformation of domestic economies towards their national plan, and in line with the sustainable development goals (SDGs) by 2030 and the long-term objectives of the Paris Climate Agreement entail an unprecedented mobilization of investment, estimated by the UN at \$4 trillion per year.¹ The funding of this annual SDG financing gap requires a massive mobilization of both public and private capital, with a focus on reforming international financial architecture to unlock resources that have become rare in a period of budget cuts. Access to affordable long-term financing which is necessary for stability and efficient planning remains challenging to most developing economies as compared to higher income countries (UNDESA, 2023). Developing economies have shorter maturities than advanced economies (Soledad et al., 2018), and the fact that their capital markets—bond and stock markets are less developed reduces their likelihood of accessing them. As these countries resort to international financing, their average interest cost on external borrowing is three times higher than that of developed economies (UNCTAD, 2025). This disparity forces developing economies to dedicate a larger proportion of their limited domestic revenue to interest payments.² Under-provision of long-term development financing delays the required shift and traps these countries in business-as-usual or incremental changes through costly borrowings rolling over years at the expense of effective in-country transformations.

Role of Multilateral Development Banks (MDBs) and financial institutions

Central to the provision of long-term financing are development finance institutions,³ and multilateral development banks (MDBs) in particular. In recent years, MDBs have become dominant suppliers of long term public finance, and as competition for resources has gotten tighter, calls have multiplied for them to have greater impact at country level and better function as a system including with national and subnational banks and other sustainable development finance institutions.⁴ These institutions have indeed been on the radar of the international reform agenda, with the triple objective to develop “bigger, better and bolder” banks,⁵ highlighting their limited transformative impact so far on developing economies. Discussions on reforming the

international financial architecture (IFA) revealed a consensus on the need for change. Divergent views, however, emerged on the objectives to be achieved, the form these changes should take, and the means and tools to achieve them.⁶ At a time when MDBs and other financial players are expected to mobilize more funds for developing economies, there is no guarantee that these countries will come knocking at the door of these institutions if the orientations are not shared. Although current discussions focus on the global scale (G20 roadmap; Gallagher et al., 2023; Battacharya et al., 2024), the effectiveness of the proposed reforms cannot be achieved without strengthening the link and coordination between the different levels of intervention—international, regional, and national.

Focusing mostly on supply-side constraints and on the distortive effects of corrective measures involving the direct supply of the missing capital by governments and development banks, the literature and ongoing discussions often overlook the national context in which these financing operations take place. In particular, the processes involved in defining and connecting national development and financing plans remains a blind spot. A second blind spot encompasses long-term financing which is different—and with a way lower ticket size—from large infrastructure projects which are still the lens through which long term financing is scrutinized (Songwe, Stern, Bhattacharya, 2022). However, smaller investment with long maturity is critical to transform national economies and meet the SDGs in specific sectors such as agriculture, land use and conservation, sanitation or health; and these involve a different range of actors and instruments. A final blind spot lies in the decision process and institutional set up required at country level to ensure that financing goes where it is most needed and remains so over the years.

Problem statement, sources and methods – The need to focus on country level: Kenya as a case study

While several proposals for progress have been put forward, particularly MDBs (G20, IHLEG⁷), too little attention has been paid to how these reforms address the needs of developing economies, whose realities have evolved considerably in recent years in terms of debt burden, limited access to financing, shifting priorities, and potentially more diversified strategic political choices with regards to international partners. One of the key challenges is to support the specific needs of developing economies and to facilitate their access to financing that is low-cost, sustainable, and long-term.

¹ UN Financing for Sustainable Development Report 2024.

² According to UNCTAD (2025), “3.4 billion people live in countries that spend more on debt repayment than on health and education.” <https://unctad.org/news/global-public-debt-hit-record-102-trillion-2024-striking-developing-countries-hardest>

³ Development finance institutions (DFIs) are used in this study as a broad category encompassing a wide range of development banks, from multilateral to regional, national and subnational levels.

⁴ <https://financing.desa.un.org/sites/default/files/2025-11/Improving%20Access%20To%20Concessional%20Financing%20From%20MDBs.pdf>

⁵ G20 roadmap towards better, bigger and more effective MDBs, October 2024.

⁶ Bhattacharya A, Songwe V, Soubeyran E and Stern N (2024). Raising Ambition and Accelerating Delivery of Climate Finance. London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science; 2023 Report of the Independent Expert Group: Strengthening MDBs, the Triple Agenda.

⁷ <https://g20sfwg.org/wp-content/uploads/2024/10/G20-IHLEG-VCEF-Review.pdf>

This paper focuses on Kenya, a country with significant development finance needs, attracting a wide range of development finance actors, active on the international scene pushing for reforms, and yet struggling to truly transform its trajectory and achieve its objectives. This study asks how Kenya's development priorities are planned, matched, or not, by the financing provided by the most active development finance institutions in the country, and monitored for effective impact. This is part of a broader project aimed at identifying the needs of developing economies, including the necessary changes at the international, regional, and national levels to ensure the scaling and effective financing of sustainable economic transformation in these countries. Additionally, the project seeks to shed light on how international processes related to sustainable development can align with national development objectives, reframing financial discussions within a broader socio-environmental and governance context. The study examines the role played by a subset of DFIs in supporting Kenya to achieve its development objectives and sustainable transition, taking into account the country's development plans and capacity to mobilize financing, as well as differences between the main DFIs in terms of their operations and capacities. Specifically, we address the following three questions: (1) how are plans for socio-economic and political transformation being prioritized and financed? (2) how are the main active development finance providers in Kenya responding to identified financial needs for a transition in the country? and (3) what institutional set up exists to ensure effective coordination, implementation and long term sustainability?

Kenya also hosts a long-standing ecosystem of national development finance institutions, from ICDC (1954) and the Development Bank of Kenya (1964) to the Kenya Development Corporation, created in 2020 from the merger of three of them. Their trajectory, documented elsewhere (Muriu & Murinde, 2024), is not the focus of this paper, which examines the international institutions supplying the bulk of long-term public finance to the country.

To answer all questions, we explore a mix of methods, ranging from the OECD's creditor reporting system data, covering the period from 2015 to 2024 (the latest complete OECD dataset available at the time this analysis was conducted). We also use data from the annual External Estimate Handbook produced by the Kenyan National Treasury, from 2018 onwards encompassing the country's third Medium-term Plan (2018-2022) and part of the fourth Medium-term Plan (2023 onward).⁸ This is complemented by the examination of various

public sources from the academic and grey literature, examining Kenyan and DFIs plans, processes and financial projections (see bibliography). In addition, we conducted a series of semi-guided interviews with representatives of selected DFIs operating in Kenya and Kenyan policymakers (see Annex 1 and 2). This exercise enables us to complement the data and to identify the key sectoral priorities and the available funding options, as well as getting a better understanding of the processes involved to plan, allocate and monitor funding.

This Study is organized as follows. Section 1 sets out Kenya's development priorities and the financing they require. Section 2 examines the international financing landscape and its shift towards multilateral, loan-based instruments. Section 3 turns to the processes connecting planning and financing, and the gaps between them. Section 4 addresses coordination among financing actors and its limits. The conclusion draws out the implications for Kenya and for the broader debate on making development finance work as a system.

⁸ Two complementary datasets are used, each with a distinct scope. The OECD Creditor Reporting System (CRS) covers all reported flows of ODA grants, concessional loans and Other Official Flows (OOF) from DAC members, a number of non-DAC providers and multilateral institutions to Kenya as a whole, including financing channelled through non-state actors (NGOs, UN agencies, vertical funds). It is used in this paper to capture the overall structure and evolution of external financing to Kenya, as well as the relative position of individual donors at the international level (Figure 1, Table 1). Coverage of non-DAC providers in the CRS remains partial—several bilateral partners active in Kenya, including Gulf states, do not report their financing systematically—which may lead to an underestimation of their contribution.

The Kenya National Treasury External Resources Estimates, published annually as part of the Budget Estimates (Vol. I, Tables VI and VII), record estimated disbursements channelled directly to the Government of Kenya—that is, government-to-government financing, whether via the national budget, sectoral ministries or state-owned entities. It excludes aid disbursed through non-state actors. It is used in this paper to compare the structure of external financing to government across MTP III and MTP IV (Tables 1.a and 1.b). The two datasets are not directly reconcilable: they cover different perimeters (Kenya as a whole vs. Government of Kenya), use different classifications and currencies, and rely on different fiscal year conventions (calendar year for OECD, July–June for the National Treasury). Differences between the two should therefore be read as reflecting these methodological distinctions rather than inconsistencies. Where relevant, this is signalled in the text.

1. KENYA'S DEVELOPMENT PRIORITIES AND FINANCING NEEDS

1.1. Planning for ambition – The role of Medium-Term Plans (MTPs)

Kenya's long-term development blueprint (Kenya Vision 2030) aims to "re-position the economy on a steady, inclusive and sustainable growth trajectory" and transform Kenya into "a newly-industrialized, middle-income country providing a high quality of life to all its citizens in a clean and secure environment".⁹ To achieve this ambitious goal, the government sets up five-year medium-term plans (MTPs) that outline priority programmes and projects and serve as a bridge between short-term operational plans and the long-term national vision. Officially, the plans are aligned with numerous global and regional initiatives including the East Africa Community (EAC) Vision 2050, Africa Union (AU) Agenda 2063 and the 2030 United Nations Sustainable Development Goals. The MTP programmes and projects are delivered through the Medium-Term Expenditure Framework (MTEF), an annual three-year rolling budget and planning process.

Kenya's Vision 2030 has been implemented through four successive five-year Medium-Term Plans (MTPs) since 2008, each serving as a bridge between short-term operational plans and the long-term national vision. MTP III (2018–2022) centred on a "Big Four" agenda—Manufacturing, Affordable Housing, Universal Health Coverage, and Food Security—but fell short of its 7% growth target, averaging 4.5% growth over the period, partly due to the COVID-19 shock. Kenya's current development priorities are defined by MTP IV (2023–2027) which retains the emphasis on the three Pillars defined by Vision 2030. The MTP IV has further identified 9 priority value chains, namely: Leather and Leather Products; Dairy; Tea; Rice; Edible Oils; Textile and Apparel; Blue Economy; Minerals and Forestry; and construction/Building Materials.¹⁰ It includes specific targets such as: The Finance and Production Sector is projected to grow from 3.4% in 2022 to 8.2% in 2027, the Environment and Natural Resources sector will grow from 7.9% in 2023 to 8.9% in 2027. The plan will also take on previously unfinished and continuing MTPs planned projects and programmes, including BETA which represent the current administration's manifesto. BETA is premised on 5 pillars overarching key sectors of the economy defined under MTP IV 2024 (P98-99): 1) Agriculture; 2) Micro, small and medium enterprise economy; 3) Housing and settlement; 4) Healthcare; and 5) Digital superhighway and creative economy.

1.2. The quest for matching financing

Financial requirements for national priorities under Kenya Vision 2030 are broadly indicated in the five-year Medium-Term Plans (MTPs) which aligns planned spending with sectoral government priorities. Funding combines government, public-private partnerships (PPPs), development partner support. Resources for the implementation of the current MTP IV for the period 2023/24 to 2027/28 stand at about KSh16 trillion (US\$124 billion), as indicated in **Table 1**¹¹ up from an estimated budget of KSh11,538 billion for MTP III.

In comparison to MTP III, MTP IV is expected to see a greater share of domestic financing in total financing—through a mix of public revenue mobilization, domestic borrowing, and reallocation of public spending—but this objective is yet to face numerous internal and external challenges. Approximately 83% are projected to be funded by the Government of Kenya, 12% funded through PPPs, 1% funded through development partners, while 4% will be funded jointly by Government of Kenya and development partners (National Treasury and Economic Planning – MTP IV Summary, Slide 38, Table 2.9.). PPPs are presented as the second main source of financing and have the support of some key international actors such as the World Bank. MTP IV requires that over 30% of total infrastructure-related projects be funded through PPPs (Table 2). But progress so far on that front remains limited: only eight projects have been carried through financial close. Support from the WB-IFC in particular makes it easier to access other types of financial actors such as commercial banks, pension funds and private equity firms, but the process remains slow—even in Kenya, which is among the leading developing economies in terms of tapping such resources. Beyond procedural slowness, interviewees highlighted the cost of accessing this type of financing: "the cost of actually accessing finance is not always worth it, given that the concessional rate might not be that much by comparison with commercial rates. (...) The benefit isn't that much to warrant that effort."

Interviewees pointed to several structural barriers to private capital mobilization in Kenya: high transaction costs relative to the size of most projects, regulatory uncertainty around revenue collection in unsolicited proposals, limited institutional capacity to structure complex contracts, and difficulties in aligning project preparation timelines with both investor and DFI expectations. Kenyan authorities also mentioned their difficulty to access some alternatives, such as vertical green funds. They managed to accredit some counties and local entities such as the KCB, but the procedure remained cumbersome and tends to disenfranchise smaller projects and initiatives.¹² In that context, the role of long term accessible and sustainable financing remains essential.

⁹ <https://vision2030.go.ke/>

¹⁰ <https://newsite.treasury.go.ke/sites/default/files/Budget%20Process/KEY-HIGHLIGHTS-OF-MTP-IV-PRESENTATION-for-PS-2024-25-MTEF-Budget-Launch-REV-17-08-2023-2023hrs.pdf>

¹¹ <https://www.planning.go.ke/wp-content/uploads/2024/03/MTP-IV-2023-2027.pdf>

¹² Interviews 2 & 8.

TABLE 1. MTP IV sectors financial requirements (KSh million)

MTP IV SECTOR	2023/24	2024/25	2025/26	2026/27	2027/28	TOTAL
Finance and Production	182,947.70	218,237.60	218,205.60	170,925.10	152,758.90	943,074.90
Infrastructure	1,301,336.30	1,874,399.35	1,546,007.29	1,731,791.85	1,334,690.70	7,788,225.49
Social	946,372.30	1,092,374.90	1,063,926.60	1,039,849.60	1,062,062.20	5,204,585.60
Environment	124,193.30	129,570.50	141,348.00	156,722.30	105,141.80	656,975.90
Governance	194,550.00	360,206.40	337,110.10	331,844.60	319,761.40	1,543,472.50
TOTAL	2,749,399.60	3,674,788.75	3,306,597.59	3,431,133.45	2,974,415.00	16,136,334.39
US\$	21,149.23	28,267.61	25,435.37	26,393.33	22,880.12	124,125.65

Source : The National Treasury and Economic Planning (2024) FOURTH MEDIUM TERM PLAN 2023 – 2027 "Bottom-Up Economic Transformation Agenda for Inclusive Growth" Table 4.1 P199

TABLE 2. Financial requirements of MTP IV by source of funding (million)

MTP IV SECTOR	GOK	DONOR FUNDED	PPP	JOINT FUNDING (GOK AND DONORS)	TOTAL
Finance and Production	832,350.71	40,433.53	110,935.87	15,400.00	999,120.11
Infrastructure	3,715,485.45	328,450.30	2,104,325.40	734,017.84	6,882,278.99
Social	5,865,282.00	158,105.30	37,000.00	711,312.00	6,771,699.30
Environment	421,035.31	88,778.64	17,320.00		527,133.95
Governance	945,789.04	288.00	2,835.00	7,190.00	956,102.04
TOTAL	11,779,942.51	616,055.77	2,272,416.27	1,467,919.84	16,136,334.39
US\$	90,614.94	4,738.89	17,480.13	11,291.69	124,125.65

Source : The National Treasury and Economic Planning (2024) FOURTH MEDIUM TERM PLAN 2023 – 2027 "Bottom-Up Economic Transformation Agenda for Inclusive Growth" Table 4.1 P199

Furthermore, a breakdown of funding by source shows that the two main sectors requiring funding by donors are infrastructure and the social sector, which account for 53% and 25% of funding respectively. Total financial flows to the budget are expected to double over the 10 years moving from KSh2.5 trillion to KSh5 trillion.

In the budgeting process, priorities in each cycle are derived from Vision 2030, its current MTP Phase priorities (MTP IV and BETA in the current period) and emerging priorities, as identified in Budget cycle as discussed in the Ministerial Sector Working Groups that link planning and budgeting in the MTEF Budget Framework. To ensure a clear line of sight, a Budget circular is produced by the Ministry of Finance (Principal Secretary) to guide the prioritization process each year, with a calendar, for both the National Government and the Counties. The priorities are then converted to action budgets using the Medium-Term Expenditure Framework (MTEF). The MTEF is a three-year rolling plan that aligns spending with government priorities down to the County Integrated Development Plan (CIDP).¹³ Important to this process are the Budget Policy Statement (BPS)¹⁴ at the national

level and a County Fiscal Strategy Paper (CFSP)¹⁵ at the county level, which set the overall budget ceiling before ministries and departments develop detailed budgets. The MTEF is organized around 10 sectors,¹⁶ namely; Agriculture, Rural and Urban Development (ARUD); Energy, Infrastructure and ICT; General Economic and Commercial Affairs (GECA); Health; Education; Governance, Justice, Law and Order (GJLO); Public Administration & International Relations (PAIR); National Security; Social Protection, Culture and Recreation; and Environmental Protection, Water, and Natural Resources.

Such plans set the Kenyan government's ambition; flags where financial support should come from but remains partially aspirational since domestic financing is not at scale, even in Kenya. Beyond volumes, such plans tend to remain too broad to be fully operational and make useful connections between planning and financing exercises. While these provide meaningful broad orientations, further details and clarifications are needed on prioritization and potential tradeoffs to better guide financial actors and seek complementarities between them.

¹³ <https://countydevelopmentplan.com/>

¹⁴ <https://www.treasury.go.ke/budget-policy-statement>

¹⁵ <https://www.nyeri.go.ke/wp-content/uploads/2026/02/DRAFT-CFSP-2026.pdf>

¹⁶ <https://www.treasury.go.ke/sector-budget-proposal-reports/#1707894304579-71c50ad4-917a>

2. INTERNATIONAL FINANCING IN KENYA

This section provides an overview of the international financing landscape in Kenya, focusing on the nature and evolution of external development finance. It examines how the structure of financing has shifted toward multilateral and loan-based instruments, how key development finance institutions (DFIs) operate and interact within Kenya, and the extent to which their interventions align with national priorities and coordination mechanisms. The analysis highlights both structural and institutional dynamics that shape Kenya's access to, and use of, international development finance.

2.1. A wide range of financial options but structural shift towards external multilateral financing and loan-based instruments

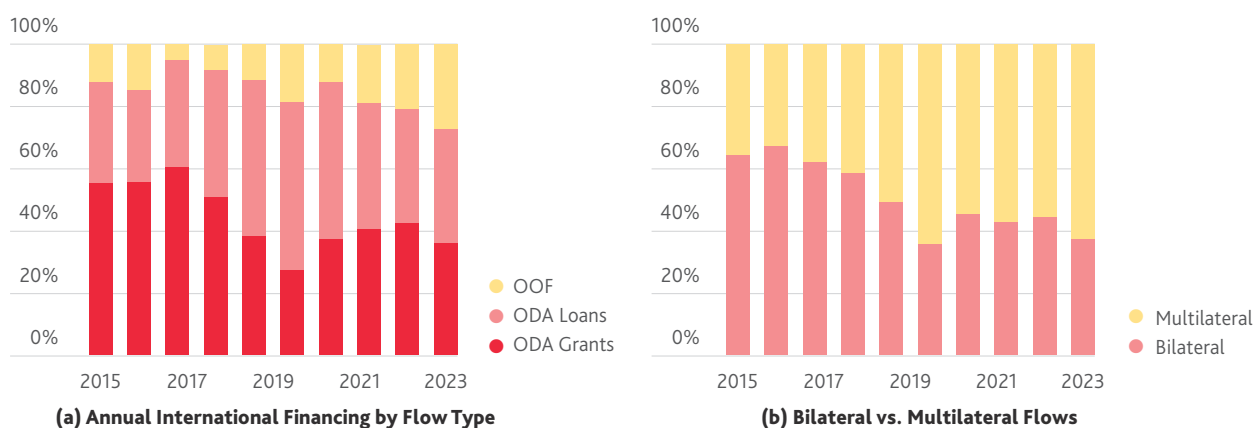
As a country with growing needs, external development finance in Kenya remains critical to bridge the investment gap and to realize national and international priorities with regards to sustainable development. The nature of external financing is, however, shifting and development banks (multilateral and bilateral ones) play a key and growing role. The ability of Kenya to attract a wide range of development partners remains an important asset but structural issues regarding debt management and the cost of capital impede its potential.

slow but steady increase until 2020 and remains higher today than in 2015. Concessional loans and OOF totalled \$3.2 billion (or nearly 64% of total external disbursements) in 2024, up from \$1.4 billion (or 46% of total external disbursements) in 2015. Panel (b) also shows that Kenya's development financing landscape is shifting from bilateral to multilateral flows, with the former becoming less dominant since around 2019. This is coherent since multilateral development banks and other DFIs have played an increasing role in Kenya in providing loans at different concessional terms. This reflects several converging dynamics. Following Kenya's graduation to lower-middle-income status in 2014, access to bilateral grants and concessional windows narrowed, while multilateral institutions, and IDA in particular, remained able to extend concessional loans at a scale bilateral partners could not match. The trend has been reinforced more recently by the contraction of traditional bilateral aid budgets, including the freezing or scaling back of USAID and FCDO programmes, leaving multilateral development banks as some of the main providers of external public finance to the country. Complementary estimates from the Kenyan National Treasury's External Resources—which cover only financing channelled through government systems—point in the same direction: over the first three years of MTP IV, the two main multilateral institutions, the World Bank and the African Development Bank, together account for a growing share of financing to the Government of Kenya, up markedly from the previous plan period.¹⁷

Using the same data source, AFD (France) stands out as the leading bilateral partner under MTP IV, its share of financing to the Government of Kenya rising appreciably since 2023, alongside larger contributions from KfW and the EIB.

FIGURE 1. Disbursement Trends for Key international Financial Flows to Kenya, 2015-2024

(% of Total Disbursements US\$ million, constant prices)



Source: Authors' calculations based on data from OECD CRS International Development Statistics (2025).

ODA grants and loans, as well as other official flows (OOFs), are the primary sources of external financing, accounting for more than 90% of these flows in Kenya. However, the landscape and balance of instruments have changed over time. As evidenced in Figure 1, after 2015, the date by which Kenya graduated to lower income status, the share of concessional loans and OOFs showed a

¹⁷ Note that these figures remain estimates and could not be verified. They may also reflect the type of information Kenyan authorities are in a position to collect or access, which may remain partial.

TABLE 3. Breakdown of financing instruments by donor (% total financing), 2019-2023

DONOR	SHARE (%) OF GRANTS IN TOTAL FINANCING	SHARE (%) OF LOANS IN TOTAL FINANCING	SHARE (%) OF OOF IN TOTAL FINANCING
The World Bank Group	0.31	85.52	14.16
United States	99.20	0.00	0.80
The African Development Bank Group	0.23	16.29	83.48
The IMF	0.00	100.00	0.00
Japan	24.97	75.03	0.00
EU Institutions	71.98	12.88	15.14
Global Fund	100.00	0.00	0.00
United Kingdom	71.94	0.00	28.06
France	9.72	81.25	9.04
Germany	52.33	25.47	22.20
Denmark	94.98	0.00	5.02
Sweden	94.47	0.00	5.53
Canada	100.00	0.00	0.00
Korea	76.26	23.74	0.00
Global Alliance for Vaccines and Immunization	100.00	0.00	0.00

Source: Authors' calculations based on data from OECD International Development Statistics (2025). Notes: total financing is based on the sum of grants, loans, and OOF

This has specific implications for Kenya:

The provision of grants funding is increasingly constrained and likely to remain so in the near term

This is especially true since Kenya became a lower middle-income country. Donors (EIB, AFD, KfW) highlighted how they have limited grants capacity in Kenya given the status of the country, which is also a testament to the economic progression of Kenya over the years. Yet, the situation remains problematic, especially given the recent reductions in aid budgets. This inevitably contributed to transforming the financial landscape and raises questions on whether and how gaps may be filled, leading to new prioritization and potential trade-offs. Efforts have also been made to increase Kenya's net domestic financing. In nominal terms, the country's domestic revenue registered a clear upward trend in the past five years.¹⁸ But Kenya remains dependent on donor funding to support development expenditure.

¹⁸ Figures from the Kenya Revenue Authority (KRA) suggest consistent performance in domestic revenue mobilization, with performance rates approximating or exceeding 100% (KRA, 2025).

The shift to loans financing weighs on an already complex debt situation

IDA delivered almost 100% of its financing to Kenya in the form of concessional loans. This is followed by other key institutions in the country such as the AfDB and the EIB, as well as bilateral development finance institutions such as the AFD and KfW. All provide a diverse range of concessional loans, with long maturity and below market interest rates. In the current global context of reductions in aid budgets, and considering the challenge of raising more tax-based income, Kenya's dependence on external financing is likely to persist. While revenue mobilization efforts are ongoing, available resources remain insufficient to match rising expenditure needs. As a result, the government increasingly relies on borrowing to finance development priorities. This helps explain the "implementation gap": even with strong policy commitments, limited fiscal space constrains the ability to fund public services and investment at scale (BPO p. 5-7). Debt service obligations have also increased sharply and now absorb a very large share of government revenues, creating significant liquidity pressures, reducing budget flexibility and crowding out priority spending. This limits the resources available for key sectors such as health, education, and infrastructure, and directly affects the implementation capacity of government programs, including those under the BETA agenda (BPO p. 9-13).

However, in addition to these operational realities, domestic macroeconomic constraints, including the high debt level, limit Kenya's ability to take on new external debt.¹⁹ In FY 2024/25, debt service absorbed approximately 71.2% of national government ordinary revenue, amounting to KSh1.72 trillion in debt service payments (National Treasury, 2025). This highlights the significant fiscal burden imposed by public debt servicing and the resulting constraints on budgetary space. In response to these pressures, the Government of Kenya has engaged in successive fiscal consolidation efforts, supported by the IMF and the World Bank, but faced strong resistance from citizens who took the streets and forced the government to withdraw and review its Finance Bill.

With limited capacity to take on new debt, major DFIs are also limited in their capacity to sign new loan agreements with the Kenyan authorities until the debt situation becomes easier. As of June 2024, multilateral institutions accounted for 53.9% of Kenya's external debt, while bilateral debt represented only 21.1% (National Treasury, 2025: 3). The shift of external debt from bilateral to multilateral lenders can trap the country in a recurring cycle of debt, especially in the context of rising servicing costs. In 2024, Kenya faced a looming June deadline to repay a 6.8%, \$2 billion Eurobond issued in 2014. The IMF stepped in with a \$941 million loan in January, bringing the organization's

¹⁹ Kenya's gross public debt-to-GDP ratio increased from 45% in 2015 to more than 67% in June 2025. This increase can be attributed to several factors, including high cost of capital, spending on large infrastructure projects that was financed through debt, and the global economic impact of the COVID-19 pandemic (which exacerbated the government's failure to achieve its revenue targets, causing the country's share of concessional borrowing from multilateral institutions to increase significantly) (BPO, 2022-2024).

total exposure to Kenya to \$4.4 billion.²⁰ To refinance existing debt and cover the rest of its shortfall Kenya issued an international bond of \$1.5 billion, with an interest rate of 10.4%. This implied taking a loan to repay another loan. This acted as a strong signal of structural issues and was one of the triggers for widespread public dissatisfaction.²¹ As an official put it, "Multilateral institutions need to rethink the restructuring mechanisms that they may want [recipient] countries to go through...The kind of mechanism that [they] have for debt restructuring is very disruptive."²² The ability of DFIs to mobilize funds is directly tied to a country's credit rating. A lower rating (induced by defaulting for example) makes it more challenging to deploy capital for new projects, underscoring the critical importance of prudent debt management for the Kenyan government to attract and secure the necessary capital for its development agenda.

Kenya remains dependent on external financing while being active on seeking alternatives

Kenyan authorities are also well aware of a certain level of over-reliance on some of these institutions and have sought alternatives, as well as a review to more prudent credit rating system. "There's a limit of the access, resources you can access at any given time, every given financial year so that is why we explore other options" as an interviewee put it.²³ Kenya shows traction for other international partners such as the UAE or China.²⁴ Such type of financing may be accessible quicker but is not necessarily cheaper nor always directly contributing to national and international sustainable development goals. As another DFI representative remarked, "[...] We see how quickly a huge loan is taken from the UAE, from other partners, for very, very high interest rates. And it just takes us such a long time to sign a contract for 1.5%, for example, an SME financing line."²⁵ The main frustration of European DFIs is that, to them, the Kenyan government appears quick to take up more expensive loans from its other partners, while it tends to delay negotiations with European DFIs offering loans that are more concessional. These moves however highlight a shift in terms of partners, and suggest other interests at play. To remain relevant in this evolving environment, DFIs themselves have to adapt and better connect to the country needs.

2.2. DFIs financing of Kenya's development priorities

The provision of long-term financing varies from one institution to the other, reflecting different business models, but also suggesting different perceptions of the country's realities and needs. Differences in perception between MDBs and their borrowing partners exist on the importance of certain sectors to be prioritized and financed (Prizzon et al., 2022) which has direct implications on the design and financing of a country's trajectory. In this subsection, we discuss the roles and practices of key DFIs in Kenya and the decision-making process involved.

Figure 2 uses data estimates from 2018 to 2025 to show how selected DFIs differ in their disbursements of key development sectors in Kenya. Panel (a) shows that two sectors (Energy, infrastructure and ICT, and Environmental Protection, Water, and Natural Resources) accounted for more than 80% of the AfDB's total estimated disbursements during the period corresponding to MTP III (2018-2022) and over 70% in the first three years of MTP IV (2023-2025). Over 80% of KfW's estimated disbursements were allocated to energy, infrastructure and ICT—with particular emphasis on infrastructure and renewable energy). Similar to KfW, the EIB shows a clear focus on the energy, infrastructure and ICT, dedicating over 82% and 87% to this sector during 2018-2022 and 2023-2025, respectively. Panel (b) shows that the environmental protection, water, and natural resources sector—including water and sanitation, irrigation, environment and climate resilience, forestry, wildlife, and mining—also attract substantial estimated funding from all five selected DFIs, making it the second most funded sector—for instance, AFD dedicated a significant portion of its total disbursements to water and sanitation (nearly 19%). Panel (b) also suggests AFD's strategic shift toward renewable energy under MTP IV, evidenced by more substantial funding compared to the previous MTP period. Note also that the World Bank's (IDA) portfolio of funded sectors is the most diversified among the selected DFIs.

²⁰ <https://www.reuters.com/world/africa/kenya-wins-941-million-imf-loan-boost-easing-financial-pressure-2024-01-17/>

²¹ <https://www.africanews.com/2024/06/26/kenyas-finance-bill-this-is-what-led-to-the-protest/>

²² Interview 2.

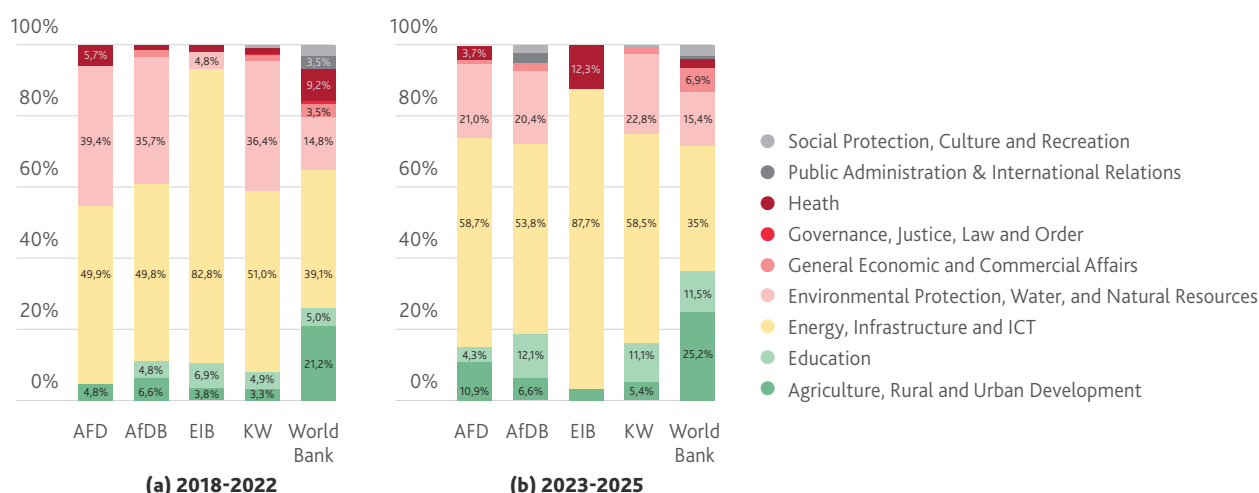
²³ Interview 2.

²⁴ See speech in China <https://mfa.go.ke/deepening-relations-with-the-gulf> <https://allafrica.com/stories/20251110328.html>

²⁵ Interviews 6 & 7.

FIGURE 2. Distribution by Selected DFIs' Estimated Funding Across MTEF Sectors

(% of Total Disbursements), 2018-2022 vs. 2023 onward



Notes: National Security is not included due to lack of funding from the five selected DFIs.

Source: Authors' calculations based on data from Kenya's External Resources Estimates Handbooks (2018-2023), available at <https://www.treasury.go.ke/external-resources-estimates-handbook>.

BOX 1. KENYA'S CLIMATE AMBITION: A TIGHTROPE BETWEEN INTERNATIONAL OPPORTUNITIES AND DOMESTIC RISKS

Kenya's second NDC, submitted ahead of COP30 in Belém, raises both the country's mitigation ambition and the share of effort it commits to financing domestically. The mitigation target is set at a 35% reduction in greenhouse gas emissions by 2035.

The financing requirements set out in the NDC are substantial. Mitigation activities for the period 2031–2035 are estimated at \$22.5 billion, of which \$4.28 billion (19%) is to be mobilized domestically and \$18.34 billion (81%) is expected from international sources. Adaptation needs are estimated at \$17.7 billion, with the same 19%–81% split. The NDC also points to the macroeconomic stakes of climate inaction, citing projected annual GDP losses of 3.61% by 2035 and 7.25% by 2050 in the absence of additional measures, with disproportionate effects on poorer households whose livelihoods are most exposed to climate shocks (CCDR, p. 4).

These figures are larger than, and partly distinct from, those captured in the MTP IV financing requirements, which underlines the limits of treating climate finance as separable from broader development financing. Yet the NDC stops short of indicating how this funding would be allocated across sectors, or which specific transformations capacity-building and technology transfer support are intended to enable. This absence of sectoral and operational detail mirrors a pattern observed throughout this paper: ambition is set at a high level, while the connection to the financial instruments and institutional arrangements that would deliver it remains underspecified.

Kenya has however been on the leading front on the international scene to seize opportunities and be part of initiatives aimed at identifying new mechanisms or sources for sustainable development funding. In 2023, Kenya came along Colombia and France to launch the global expert review on debt, nature and climate to examine sovereign debt impacts and the ability of developing economies to adapt to climate change. In 2025, Kenya became one of the co-chairs of the Global Solidarity Levies Taskforce, along with Barbados and France, to identify new sources of funding for sustainable development. President Ruto was appointed AU Champion on Institutional Reform in February 2024 at the 37th Assembly. In 2026, he also became the chair of high-level group to reform the African Union, one of the objectives being for the continent to better manage its own resources and access to external ones. Kenya has also been invited to three. Different G summits since 2017, Climate-related and reform-minded discussions offered numerous opportunities for Kenya to appear as a broker between international financial actors and the African continent, voicing some of the impacts of developing economies' exposure to global socio-economic and environmental imbalances. Yet, Kenya's domestic foundations remain shaky, and multiple episodes of protests highlighted the struggle to translate some of the international initiatives (such as taxation) at the domestic level. Structural conditions, some linked to the imbalances of the international financial architecture, still constrain its domestic choices and fail to respond to the aspiration of its citizens, especially younger generations.

3. CONNECTING PLANNING AND FINANCING EXERCISES: A PROCESSUAL ANALYSIS

3.1 A comprehensive set of national strategies and plans but implementation hampered by a siloed approach

To meet Kenya's development objectives, the requirements of MTP IV have to be funded and yet, the connection between identification of priorities and sources of funding remains difficult.

On the Kenyan side, MTPs are prepared through consultations involving the Sector Working Groups, County Consultative Forums, and National Stakeholders Forum under the overall guidance of the National Steering Committee. The National Stakeholders Forum provides a platform for consultation between the Government and Non-State Actors. The National Treasury overseeing development and evaluation by assessing national priorities (e.g., infrastructure, health, jobs) analyzes revenue potential (MTRS), and leverages private investment (PPPs) to bridge funding gaps, ensuring plans support Vision 2030's goals for transformation and middle-income status. Finalizing the financial requirements involved stakeholder consultations with broad input from internal government bodies (National Treasury, ministries) and external stakeholders to ensure relevance and buy-in. Ministries develop detailed plans (e.g., for financial services) aligned with the MTP, identifying projects, funding needs, and linking to broader strategies. The Medium-Term Revenue Strategy (MTRS) details tax reforms and revenue-raising goals (e.g., increasing tax-to-GDP ratio) to finance MTP needs, reducing fiscal deficits.

Yet, despite the profusion of strategic and guiding plans, interviewees have highlighted how the information remains siloed. As of today, the weaknesses in the implementation of MTEF processes leads to challenges in the identification of the list of projects for which adequate sources of funding may be available.²⁶ As a result, data included in MTP is viewed as requiring more details to be properly financed; while at the same time recognizing that a gap will always exist since such plans are also a mirror of the political ambition of the ongoing government.²⁷ Nevertheless, priorities established through MTPs appear to be the most useful ones to engage with potential financiers. On the contrary, some deem that "sector reports, that are submitted to us as the basis for budget requests, have wish lists, they have more than what is even in the medium-term plan. And sometimes that may not be realistic. So, if we are assessing a plan, so I would not look at that document, I would then look at what is in the medium-term plan and how are we planning".²⁸

Interviewees further explained that "the fiscal framework which is a plan on the revenues that we intend to raise and the expenditures that we intend to spend, there will be a deficit [which will form the basis on which we approach] development finance institutions [and] we determine as the maximum debt that we can have".²⁹ Hence, the importance to also look at the type of financing available to finance Kenya's priorities without adding to an already problematic debt situation. Other services highlighted the need to prioritize "budget support rather than project specific support because the former allows more flexibility to the Kenyan authorities to allocate funds where they deem it necessary. But international actors also have limitations on budget support provision and current practices weigh more towards project financing".³⁰

On the Kenyan side, prioritization appears to be mostly done through the national budget process with involvement from the Parliament.³¹ Following the "zero-budgeting" process, ministries and departments now must "justify spending and requests every year".³² Sectoral discussions are led by Principal Secretaries and the Ministry of Finance, with the National Treasury and State Development planning acting as co-conveners. It is then that each ministry examines financing priorities based on the ceilings that have been allocated to them, balancing short term priorities against longer term impact. When it comes to mobilizing resources, the roles are enshrined in the Public Finance Management Act which gives a key role to the cabinet secretary and the National Treasury. Interviewees across the board were clear: no state agency can contract a financial deal without their approval. Line ministries and other departments may initiate discussions with DFIs to finance some of their projects but only up to project preparation. When it comes to signing, National Treasury must be involved.³³ A recent evolution also saw the establishment of an economic council, close to the President which do set the priorities while still regularly interacting with staff at a more technical level. Such high level and relatively concentrated process may also reflect the strategic importance and political sensitivity of financing related issues in Kenya.

3.2 DFIs' conflicted approach to needs-based financing

While DFIs will claim and try to be fully aligned with the country's priorities they will also seek long term impact but there are multiple dynamics at play. Currently, there is no standardization across DFIs in the assessment of needs as a basis for finance eligibility, even less so from a perspective of impact at country level.

First, DFIs highlighted the importance of priorities identified by their own institution and their shareholders/supervisory

²⁶ Interview 2.

²⁷ Interview 3.

²⁸ Interview 4.

²⁹ ibid

³⁰ Interview 2.

³¹ BPO. (2025). Building Economic Resilience. Budget Watch for 2024/25 and the Medium Term. Nairobi: Parliamentary Budget Office.

³² Interview 4.

³³ Interviews 2, 3, 4.

body. Bilateral institutions with offices in Kenya highlighted how they “are not entirely free to decide in which sectors [they] are working since the government provides the main strategic orientations”, highlighting the top-down fashion in which some of these decisions are made. This is especially key given the changing landscape on development finance and announced cuts which suggest upcoming reprioritization. Some of it tends to be framed in a more transactional way where “what Europe is getting back” needs to be clearer, even if it implies sidelining country needs, as the EU auditors report already mentioned that “the reasoning behind sector selection in Kenya is insufficiently clear”.³⁴ The African Development Bank's intervention in Kenya is primarily guided by its Country Strategy Paper (CSP) 2024-2028, which focuses on two key pillars: supporting private sector productivity and competitiveness and fostering employment and economic resilience. According to the AfDB 2024-2028 country strategy paper, the AfDB preparation of the strategy involves a participatory process with the government, civil society, the private sector and development partners.³⁵ The exercise is led by the country office since the decentralization process of the Bank launched in 2016 (75% of the portfolio operations are managed by project managers based in Nairobi). The exercise also includes mapping other development partners' sectoral activities and how they interact with the bank's pillars.

This also has implications for Kenya in terms of accessing funds and the type of financing made available. Not only is there a shift towards loan financing but also more caution regarding risk taking. Development banks, in particular when governments are providing guarantees (KfW for example holds only 20% of the default risk, while the remaining 80% is guaranteed by the German federal government) keep a close eye on credit rating and risks levels since the situation is tense in Kenya. Such a setting can also push donors to innovate. The KfW provides concessional loans and, to a lesser extent, grants for feasibility studies, such as environmental and social impact assessments. But faced with shrinking budgets from Germany and a difficult debt situation in Kenya, it is exploring compensation from their own market funds. Similarly, the AFD stressed the difficulty with providing grants to Kenya and highlighted a gradual change of practice through the provision of sustainable bonds as well as budget financing “to give Kenya's flexibility in the use of funds”. In both KfW and AFD cases, reductions in government grants are likely to increase the cost of financing in Kenya unless they are compensated with other financial mechanisms and options adapted to Kenyan needs. While still using traditional project-based lending, the World Bank has increasingly utilized Development Policy Operations (DPOs) to promote fiscal management and structural reforms. Although DPO design formally incorporates Poverty and Social Impact Analyses (PSIAs) intended to assess distributional effects, the social

acceptability of some of the reforms supported by recent DPOs has been challenged, as illustrated by the withdrawal of the 2024 Finance Bill following widespread public mobilization. This points to the difficulty of calibrating prior actions in politically sensitive contexts, beyond the technical safeguards embedded in DPO design. The previous CPS development outcome was rated Moderately Satisfactory (Annex 2), in part due to systemic issues that continue to challenge World Bank project implementation. The most critical are: (i) misalignment between budget allocations and project work programs; (ii) delayed transfers to national ministries and county agencies.

Most if not all DFIs refer in their planning documents to key strategic orientations set by the Kenyan government, mostly referring to the ongoing Medium-Term Plan, as well as the Bottom-Up Economic Transformation Agenda (BETA), and dedicated sectoral plans. Some mentioned that these references to Kenyan plans need to be explicit so that DFIs get a request for financing from the Kenyan authorities. But others also regretted that these remain too broad to get a sense of what can be done with the government to meet identified needs, and that the traction some donors had in the past has reduced. Financing sustainable development goes beyond borrowing money to also include negotiating powers. Some regretted they may have been deprioritized at the expense of other, potentially more costly, partners. Kenya may also be betting on upping the activities of African institutions such as TDB and Afrexim.³⁶

Such approach has led to mismatches in terms of financing and underlines repeated calls not only for greater volumes of long-term financing but also better quality, implying improvements in developing a more coherent and coordinated approach to financing Kenya's objectives.

4. COORDINATING FOR IMPROVED COHERENCE AND LASTING IMPACT

4.1. A recurrent challenge among DFIs

It is well-documented that DFIs often operate in silos, focusing on their own projects and using their own financing frameworks (ETTG, 2022; Forster et al., 2023; CGD, 2025). Following up on planning, at the implementation stage, DFIs coordination between themselves remains incomplete, fragmented, and leaves room for more coherence. This is especially important in Kenya where such actors are particularly numerous; and even more so, at a time of budget cuts, constraints on and shifting landscape of international financing, which should lead to more cooperation for impact. This fragmentation could lead to a less coherent and less impactful development strategy for Kenya.

³⁴ European Court of Auditors (2020). Special Report 14/2020: EU development aid to Kenya. Luxembourg. <https://www.eca.europa.eu/en/publications?did=54267>

³⁵ AfDB REPUBLIC OF KENYA - COUNTRY STRATEGY PAPER (CSP) 2024-2028.

³⁶ https://www.theeastafrican.co.ke/tea/business-tech/kenya-injects-150m-more-in-tdb-afreximbank-5223990#google_vignette ; interview 2.

In Kenya, as in other countries, formal and informal groups for coordination between DFIs, and international stakeholders more broadly, exist. Interviews and existing public documentation reveal however that, to date, they have a limited impact on efforts to better support country needs and drive transformation accordingly on the ground. The Development Partners Group and Heads of Cooperation (DPG HOCs) is the overarching group, uniting heads of cooperation from embassies based in Kenya and other key stakeholders including DFIs.³⁷ The involvement of stakeholders in these groups varies, and does not always include “new” donors. Some have also mentioned the importance of the relative weight of some of these institutions in these group discussions, based on their potentially more direct access to Kenyan authorities: “[...] It's very interesting when the IMF meets us and we have an update on what's happening or when the World Bank is giving us some updates on their assessments....”.³⁸ More informal gatherings are organized, for example on a monthly basis, between different branches of the same organization, also as an opportunity to reflect on the overall political direction and impact on their operations in Kenya of foreign policy interests from their own government.³⁹ But beyond some level of information sharing, which remains at a relatively high level, especially in a multilateral setting, the transformational aspect of these coordination groups is left wanting.

From a more practical perspective, enhancing coordination among DFIs can be achieved through various financing instruments and approaches. Co-financing, for instance, can bring together many financiers and leverage their comparative advantages. This can be opportunistic as in some of these instance DFIs need to cooperate from a financial perspective, either in reference to their business model which requires a financial partner or because of the pressure to disburse funds in a given timeline but it can also lead to better results from a country perspective. Some DFIs such as the EIB have it built into their business model where they can only finance up to 50% of a project. In Kenya for example, it led the institution to partner with the KfW for the €140 million Kwa-Jomvu to Mariakani project. Each contributed €50 million (about KSh6.8 billion) in the form of concessional loans (EIB, 2025). Another example is Kenya's Financing Locally Led Climate Action (FLLoCA) program which received \$150 million from IDA and over \$62 million of concessional financing from KfW and other bilateral donors (World Bank, 2024). Such pooled resources, when matched to identified country needs, unleash capacities in Kenya to reach their own objectives. But they also may require changes in the operational models of some of these institutions. In the context of Germany for example, coordination across different branches, from the KfW and GIZ, can be complicated by “very different timelines and project cycles. You know, when GIZ gets money

for a certain project, they start implementing. When we get money for a certain project, hopefully we have already started planning, but we're doing a feasibility study. We have to do an evaluation, an appraisal of the project. We write a report to our ministry, we negotiate the contract, and then afterwards we start kind of tendering the consulting services. So, I mean, it takes a much longer time.”⁴⁰

Overall, limited coordination and coherence among DFIs (and financing actors in general) can hinder, or at the very least not foster, alignment of available financing with Kenya's development and climate objectives. Effective mechanisms of monitoring of funds across DFIs have been barely mentioned in the context of this work. Each institution has its own process in theory, often focusing on quantitative indicators and broad reporting mechanisms. But it remains unclear how impact is followed at the collective level - ensuring that funds, from the planning to allocation and implementation stages, actually reach sectors, groups and locations that have been identified as in need of financing. Such blind spots necessarily impact the ability of a country like Kenya to achieve its transformation and to identify mechanisms that work and could be better leveraged, including through the mobilization of its own finance and actors. But it also impedes broader coordination across the spectrum of intervention of DFIs, at a time when topics of development, climate, trade, or foreign affairs appear to be increasingly interwoven yet not always in a coherent fashion.

The operational fragmentation highlighted above suggests that cooperation among DFIs in Kenya is far from non-existent but requires improvement. The variety of actors present in the country represents a key asset which should be better leveraged. In particular, MDBs, NDBs and national financial institutions would gain to better function as a system; both from a strategic and operational perspective. Sharing more detailed information, and integrated approaches linking more explicitly planning based on country needs and financing options and instruments at hand, would make a step towards a much-needed transformation.

4.2. Causing persistent tensions between national alignment and institutional constraints

Despite existing opportunities, multiple administrative levels involved in the process, and a wide range development finance actors in the country, Kenya appears to still lack a performing collective form of coordination that involves all parties. Attempts by the Kenyan government to pool resources in one basket have not been fruitful so far, as donors prefer a sectoral approach. Pooling resources, in a context of competition for access to markets and pressure to disburse funds, may seem counter intuitive. It requires a change of approach, one that promotes long term planning and transformation through collective action.

³⁷ Interview 1.

³⁸ Interview 7.

³⁹ Interview 1, 6 & 7.

⁴⁰ Interview 1.

Discussions and negotiations instead tend to still be conducted on a bilateral basis. From the DFIs side, each institution tends to have direct negotiations processes with the Kenyan government: "we have government negotiations that take place twice a year. So we only work directly with the government. or with government agencies or with public companies; the dialogue is led by the Ministry but gathers all parties including DFIs, and Kenya is represented by the National Treasury".⁴¹ The Kenyan official explained that a major challenge to alignment is the difficulty to navigate different development partners' financing frameworks. Typically, the National Treasury tries to direct its funding requests to DFIs' areas of focus. "[...] Generally what has happened in the past is we know the areas that those particular institutions focus on and whenever we are going for financing, we align our request to their specific area for support".⁴²

Such bilateral approach may also negatively impact the time required to lead those negotiations. From Kenyan officials' standpoint, the length of negotiations and the limit to the extent to which Kenya can access financing from these partners is problematic. Lengthy negotiations, on one hand, result in "scaling down planned expenditures, which tends to be disruptive to government programs".⁴³ Kenyan authorities are also dependent on DFIs' own financial calendar which may not always match Kenya's. Another Kenyan interviewee mentioned that "one key lesson is that alignment gaps still exist between planning and financing for instance. Our donor priority or multilateral timelines are rarely synchronized with Kenya's budget cycles or project pipelines".⁴⁴ When resources do not come in the same financial year, adjustments on the Kenyan side are required, adding time to other difficulties such as being perceived as a risky borrower.

On the other hand, DFIs have limits for what they can provide in terms of financing and processes. Some mentioned that they spent several months negotiating a grant, and had to start from scratch due to a personnel change at the ministry, which led the DFI to redirect the funds to other countries in West Africa.⁴⁵ Similarly, several loan projects risk being cancelled due to administrative delays which, a DFI described as "very difficult to understand".⁴⁶ In some cases, DFIs reported the Kenyan government insisted on signing contracts under Kenyan law which these institutions were unable to satisfy. This is an illustration of the differential perspectives between the Kenyan government and its international partners on issues relating to risk management and legal predictability which are also causing long delays in contract negotiations. This highlights that project delays are not always a result of a lack of funding but can be caused by lengthy and complex internal processes.

The fragmentation described above is not confined to international actors. Kenya's own development finance institutions have historically suffered from duplicated mandates and layered decision-making processes requiring clearance across several ministries, while relying on the same external financiers, including the EIB, the AfDB, the World Bank and KfW, that operate in the country today (Muriu & Murinde, 2024). Connecting the international and domestic tiers of the system is therefore not only a question of coordination among donors; it requires an effective governance structure and mechanism to match national development priorities, a need identified for Kenya's national institutions as much as for its international partners.

Recently, there has been more attention paid to the need for more coherent internal processes and improved coordination between all stakeholders (national, international, public and private) in Kenya. The new dynamic seems to come from the climate sphere where President Ruto has also been very active at the international level, trying to find new partners and sources of financing. A Kenyan official explained that the administration is "developing a climate finance tracking system to monitor inflows and impacts, ensuring transparency and alignment with national priorities",⁴⁷ while a "Climate Change Fund is being operationalized to pool domestic and international resources"⁴⁸ with a view to mainstream climate action into all levels of government as established by the Climate Change Act of 2022. And even more broadly, the need to better coordinate across units of the government appears as a priority: "we want to champion an innovative platform that we are calling the country platform that can bring together all these plans into one home. Bring all government ministries, a government led, a government designed tool".⁴⁹ Along with the more general discussion on country platforms, this "home" is supported by some international philanthropies and designed to also bring in international partners for an integrated approach to financing Kenya's objectives. "... We are rethinking the model from project-by-project financing or funding to a country platform and system-based investment that integrates public, private, philanthropic capital and, of course, around the national priority that we have already mapped."⁵⁰ This would add value and quality to the process of defining needs and matching financial sources to those needs. Anchoring such mechanism to existing national processes such as budget negotiations would also ensure they are fully integrated into the country's own functioning and have more chances to last in time (as opposed to more ad hoc external processes).

Another important challenge in the relation between DFIs and the Kenyan authorities relates to limited availability of counterparts, especially in a tense political context. This highlights

⁴¹ Interview 1.

⁴² Interview 4.

⁴³ Interview 2.

⁴⁴ Interview 10.

⁴⁵ Interview 6.

⁴⁶ Interview 1.

⁴⁷ Interview 10.

⁴⁸ Ibid.

⁴⁹ Interview 10.

⁵⁰ Ibid.

the need to take a broad view and consider all socio-economic impacts of the decisions at hand. A DFI described their engagement with the Kenyan government as frustrating due to local political circumstances and expressed their difficulties in determining what the Kenyan government wants. As they put it, "[...] It is a pity the government is not prioritizing development projects. That's maybe to put it bluntly. And you know, maybe for good reasons. Maybe they have their hands full with other issues at the moment."⁵¹ Silent diplomacy with some external partners may also be a way to express disagreement or differences in perspective, especially when engagement with other partners continues and is made visible.⁵² At a collective level, the Development Partners group is meant to meet on a regular basis with the Deputy President. But following changes in the holder of this Office in Kenya, "There has been no meeting yet with the new Deputy President. Also maybe to defend the government, there are many issues in the country [...]. I guess we're not top priority".⁵³

The priority indeed has been to reinstitute a peaceful dialogue with Kenyan citizens on their future, and how financial decisions taken at the international level can also benefit their situation at the national and local levels, beyond big cities only. Kenyan youth strongly expressed its dissatisfaction with the existing international architecture and its impact on their livelihoods, as well as the handling of the financial situation by the Government. Some interviewees echoed the difficulty to juggle between short term priorities affecting citizens lives, and longer-term transformations required to adjust some inequalities which require more time, and inevitably, access to external sources, at least temporarily.⁵⁴ The rejection of the 2024 finance bill by Generation Z and the refusal by some Kenyan citizens to bear the cost of tax increases also highlights existing differences of perspectives on needs and priorities between Kenyan authorities, some international partners, and Kenyan citizens. Additionally, the BETA strategy aims to put lower levels of governance at the heart of its development objectives. Yet, some interviewees highlighted how difficult it remains for some Kenyan counties to even access affordable financing, as it is perceived as being too risky, costly and small to invest at such scale of intervention, especially for social sectors. It is however precisely where impact can be transformative and primarily affect the lives of Kenyan citizens.

CONCLUSION

The Kenyan case offers a useful entry point for ongoing debates on ways to better connect international and national actors for sustainable development finance at country level. Kenya combines several of the conditions often associated with effective access to development finance: a relatively well-developed planning system articulated around Vision 2030 and successive Medium-Term Plans, an active voice in international diplomacy, a diversified set of development partners present in the country, and a reform-minded administration. Despite these conditions, translating ambition into delivery has proven difficult. Sectoral allocations do not always reflect stated priorities, coordination remains insufficient, and impact struggles to reach citizens and lower levels of governance.

These tensions are not unique to Kenya, and they illustrate a partial mismatch between the way development finance is currently configured—organized largely around individual institutions and some of their interests, instruments and project pipelines—and the kind of long-term, sustained, country-led financing that socio-economic and ecological transformations are likely to require.

The central challenge in Kenya is not the absence of development-finance actors or national plans, but the weak institutional connection between planning, financing, implementation and accountability. Planning remains relatively comprehensive, yet coordination among DFIs and monitoring of collective impact remain fragmented. Coordination should therefore be anchored in existing Kenyan planning and accountability processes—particularly the MTEF and budget cycle, with National Treasury playing a central role—rather than in a new, parallel donor-facing mechanism.

This institutional gap has a domestic political-economy dimension. Financing priorities are shaped not only by formal plans and DFI strategies but by fiscal constraints, political priorities and shifting short-term pressures—a reality that recommendations for predictable, multi-year financing must reckon with. Centralized decision-making can widen the gap between national and international financing choices and citizens' own priorities, as the 2024 Gen Z protests against the Finance Bill starkly illustrated: less a political rupture than a further sign of institutional weakness in connecting fiscal choices to public priorities.

The Kenyan evidence also sharpens the wider argument for treating DFIs as a system. Better coordination among international DFIs is necessary but not sufficient: what is missing is a Kenyan-owned mechanism able to connect external financing to national priorities, budget processes and implementation, and to hold financing actors collectively accountable for results. Kenya therefore does not only illustrate the global reform agenda—its experience can help reshape it, showing that supply-side reform of international institutions needs to be matched by stronger country-level institutions.

This study has direct implications for current reform discussions. The conversations underway at the G20, and within DFIs themselves rightly emphasise the need for "bigger,

⁵¹ Interview 6.

⁵² Interview 6.

⁵³ Interview 6.

⁵⁴ Interview 4.

better, bolder" institutions. The Kenyan experience suggests that scaling up financing, while necessary, may not on its own resolve the dynamics observed in this study. Greater attention to the conditions under which international finance becomes genuinely useful at country level could usefully complement the volume-focused reform agenda, closer alignment between financing flows and national budget cycles and plans, coordination mechanisms more firmly anchored in country priorities and by national actors, and renewed attention to subnational and sectoral arenas where transformation often takes place.

Beyond Kenya, this study suggests the potential value of country-level analyses that bring together quantitative flow data, institutional fieldwork, and the perspectives of those who plan, negotiate and implement development finance. Such analyses can usefully complement global reform debates, and remain comparatively uncommon. Further work could explore similar questions in other contexts, examine subnational financing dynamics in greater depth, explore stronger coordination between various levels of interventions (from MDBs to NDBs and private sector entities for example).

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ANNEX

Institutions selected for interviews

These DFIs, ranging from multilateral, regional to bilateral institutions, were selected since they are among the main ones operating in Kenya, having an office in country, and using a varied mix of instruments.

TABLE 4. Institutions selected for interviews

DEVELOPMENT FINANCE INSTITUTIONS	GOVERNMENT INSTITUTIONS
• World Bank (declined interview but written comments have been sent)	• Debt Management Office (PDMO)
• African Development Bank (AfDB) (did not respond to requests)	• Directorate of Budget, Fiscal & Economic Affairs (DFEA)
• European Investment Bank (EIB)	• Public Private Partnerships Directorate (PPP)
• French Development Agency (AFD)	• Public Benefit Organizations Regulatory Authority (PBO)
• German KfW banking group (KfW)	• Kenya Climate Change Working Group.

List of interviews

Semi-direct interviews were conducted online, in English, between June and October 2025. Some initial informal discussions were held in Nairobi in February 2025.

In brackets is specified the number of interviewees from the same institution when more than 1.

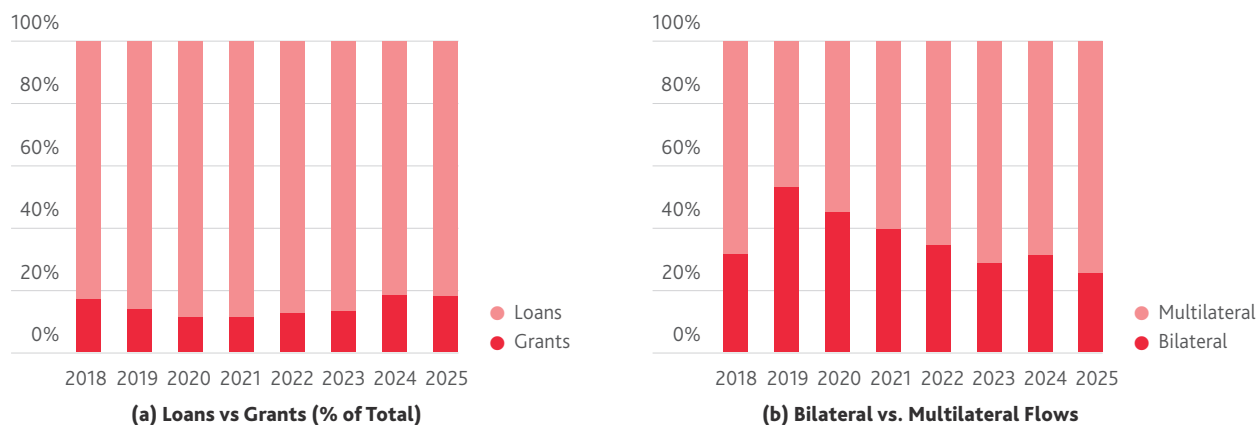
TABLE 5. Interviewees

Interview 1	Bilateral DFI - country office	Director level
Interview 2 (4)	Kenyan Government - Public Debt Management Office	Director and officer levels
Interview 3 (3)	Kenyan government - Public Private Partnership Directorate	Head of unit and technical levels
Interview 4 (2)	Kenyan government - National Treasury, Fiscal and Economic affairs	Director and officer levels
Interview 5	Kenyan civil society	Director
Interview 6 (2)	Regional DFI - country office	Director and officer levels
Interview 7	Bilateral DFI - country office	Director
Interview 8	Kenyan civil society	Coordinator
Interview 9	Kenyan civil society	Coordinator
Interview 10	Kenyan government - Executive Office	Special envoy

Analysis based on data from Kenya's National Treasury

FIGURE 3. Disbursement trends for key international financial flows to Kenya, 2018-2025

(% of total disbursements in KSh)



Notes:

Grants and loans include flows from all donors (bilateral and multilateral);

Multilateral flows include all multilateral organisations (MDBs, Vertical Funds, and UN institutions) providing development finance to the government of Kenya.

Source: Authors' calculations based on data from Kenya's External Resources Estimates Handbooks (2018-2025), available at <https://www.treasury.go.ke/external-resources-estimates-handbook>

TABLE 6. Total External Resources by MTEF Sector, MTP III (2018-2022) vs. MTP IV (2023 onward)

Sector	2018-2022		2023-ONWARD	
	Disbursements (Billion KSh)	% of Total Disbursements	Disbursements (Billion KSh)	% of Total Disbursements
Agriculture, Rural & Urban Development	99,10	6,91	89,86	10,57
Energy, Infrastructure And ICT	763,03	53,17	346,44	40,76
General Economic and Commercial Affairs	9,79	0,68	9,92	1,17
Health	93,33	6,50	57,08	6,72
Education	48,98	3,41	61,50	7,23
Governance, Justice, Law and Order	11,97	0,83	0,26	0,03
Public Administration And International Relations	126,63	8,82	117,56	13,83
National Security	30,31	2,11	4,40	0,52
Social Protection, Culture and Recreation	22,57	1,57	13,70	1,61
Environment Protection, Water And Natural Resources	213,54	14,88	138,05	16,24

Source: Authors' calculations based on data from Kenya's External Resources Estimates Handbooks (2018-2026), available at <https://www.treasury.go.ke/external-resources-estimates-handbook>

Reconciling ambition and implementation: International development finance and Kenya's national priorities

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The Institute for Sustainable Development and International Relations (IDDRI) is an independent think tank that facilitates the transition towards sustainable development. It was founded in 2001. To achieve this, IDDRI identifies the conditions and proposes the tools for integrating sustainable development into policies. It takes action at different levels, from international cooperation to that of national and sub-national governments and private companies, with each level informing the other. As a research institute and a dialogue platform, IDDRI creates the conditions for a shared analysis and expertise between stakeholders. It connects them in a transparent, collaborative manner, based on leading interdisciplinary research. IDDRI then makes its analyses and proposals available to all. Four issues are central to the institute's activities: climate, biodiversity and ecosystems, oceans, and sustainable development governance.

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