

Green finance ecosystem in Kenya

Kenya's green finance ecosystem has been thriving in recent years.

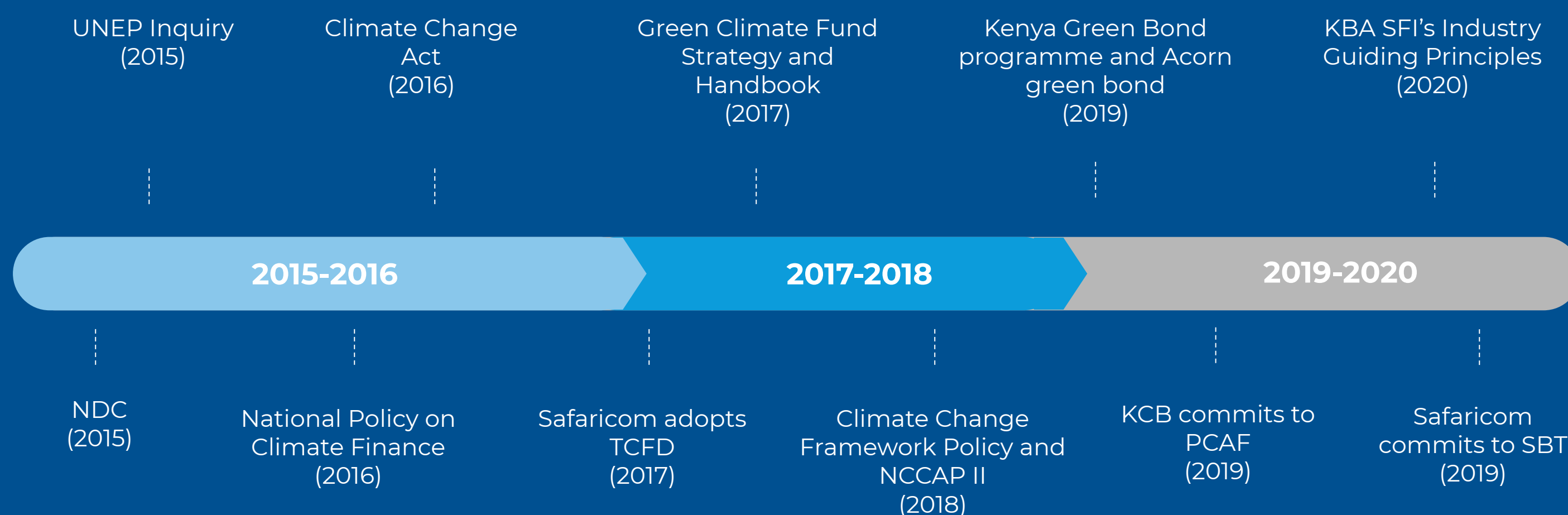
At the core of this evolution is the Kenyan NDC, **compatible with a 2°C trajectory**, positioning the country as a climate leader on the international stage.

This growing momentum is illustrated by:

- The publication of the Kenyan Banker Association's Sustainable Finance Initiative (KBA SFI) **guiding principles**
- Acorn issuing the country's first green bond for **USD 40 million** in 2019
- KCB Group becoming the **first Kenyan bank to be accredited by the Green Climate Fund** and to disclose its financed emissions to **PCAF** in 2019.

A total of **USD 2.4 billion** of climate finance was channelled into Kenya in 2018 (the latest figure available since the Paris Agreement). However, this represents only **1/3** of the country's needs.

Kenya's ambition of green finance growth is driven partly by the Capital Markets Authority's work on a **mandatory ESG framework** for listed public equities, and partly by the National Treasury's work on reorienting the fiscal system in favour of renewable energy and other green activities.



Development finance institutions and international organisations currently represent the bulk of green finance. Traditional financial institutions' C-suite executives and financial experts have had limited exposure to green finance.

Within the corporate and financial sectors, GHG accounting of operational and investment emissions remain rare, with the country allegedly facing a bottleneck of GHG and climate finance experts.

Internationally recognised frameworks such as **PCAF, TCFD and SBT** have remained Europe- and US-centric, with only a small fraction of their signatories coming from Kenya and African countries.

Five areas of work for green finance in Kenya



Build capacity on green finance



Coordinate local action



Drive innovation in local sustainable and climate finance



Advocate for mandatory climate disclosure



Financially incentivize green finance (e.g. carbon pricing)

Adaptation

Kenya ranked **152** out of 182 countries in terms of climate vulnerability and readiness according to the ND-Gain index.

In its updated NDC, which prioritises adaptation, Kenya estimated its cumulative costs to be up to **USD 44 billion** until 2030.

Digitalisation

1/3 of the adult population went from "unbanked" to "banked" within three years.

Digitalisation helps to strengthen the financial system by favouring the creation of savings accounts and to support sustainable initiatives like **M-Kopa** and **solar PAYG**.

Covid-19

Kenya entered a recession for the first time in at least **20 years** in the third quarter of 2020.

This has slowed down green finance efforts, redirecting finance flows towards priority sectors like healthcare.

Mapping the **green finance ecosystem** in Kenya helps to understand that it is made up of various actors such as regulators, international initiatives, or independent NGOs.

At the heart of this ecosystem should be the **local financial institutions** like KCB, Absa and Stanbic.



Regulators and public institutions

Regulators (CBK, CMA, etc.) can build capacity in international frameworks and make them mandatory, invest in green projects, and incentivise green finance (e.g. carbon pricing and tax rebates)



International frameworks and standards

International frameworks allow for comparability and a minimum level of disclosure throughout the financial sector. They could provide a reference for local Kenyan initiatives, guidance for voluntary sustainability leadership and inspiration for regulators and public institutions



Independent NGOs

NGOs can advocate for more stringent green finance regulations, promote leadership and criticise greenwashing



Consultancies

Climate finance and GHG experts are necessary for their expertise



Local financial institutions

The local financial sector should be at the heart of Kenyan green finance, following the leadership of financial institutions like KCB



Education

Universities and others can help build capacity and train tomorrow's leaders



Private sector charities

Charities founded by for-profits like the Stanbic Foundation can help funnel finance into green projects



Corporations

They can be at the forefront of climate action and through their ESG/CSR teams can drive green finance and disclosure forwards. MSMEs also have a strong potential to play a role, as they represent >40% of the country's GDP



Private sector local initiatives

Local financial institutions and corporations can set voluntary guidelines for use throughout the private sector and can align them with international guidelines to help mainstream the greening of the financial sector



Private development institutions

Can complement the funds from DFIs and enable a transition to private funding



DFIs and international cooperation

International cooperation remains the bulk of climate and green finance activities in Kenya which is consistent with the objective of receiving 87% (USD 54bn) of its NDC implementation funding from international cooperation. Organisations like FC4S or the UN Global Compact are also helping to mainstream ESG and climate disclosure