



OPPORTUNITIES AND PRACTICE OF GREEN FINANCE IN KENYA

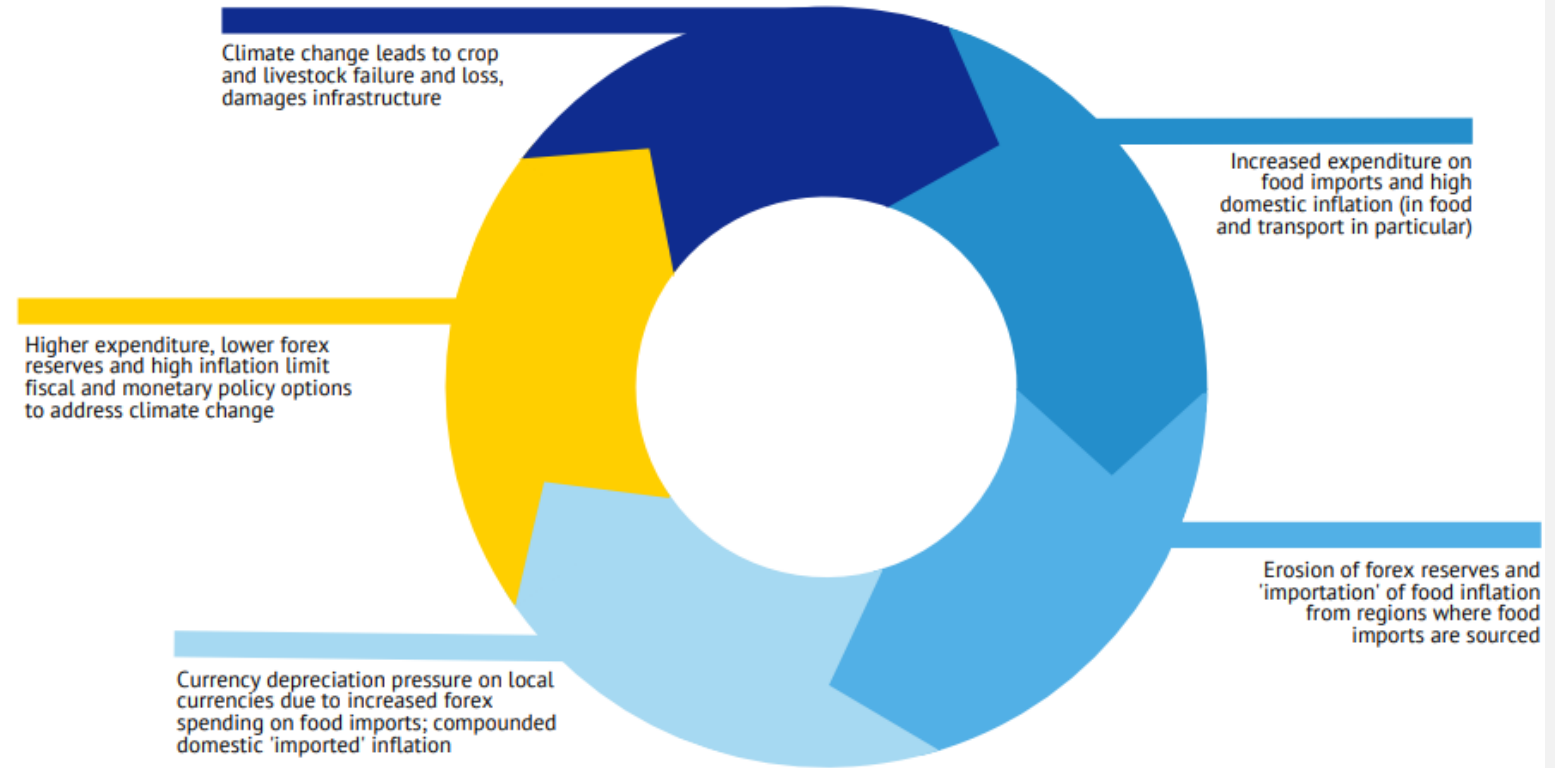
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How Climate Change Interferes with Economic Opportunity

Macroeconomic Effects

- Lost and **lowered economic growth** and activity
- Lost **fiscal strength and space**, Lower revenue, higher expenditure and compromised debt sustainability.
- Food and transport **inflation** due to extreme weather events, eroded foreign reserves which weigh on **exchange rates**.

Figure 1: The Fiscal and Monetary Policy Impacts of Climate Change



Source: Were 2023.

Read '[How climate finance can address the layered economic impacts of climate change in Africa](#)', Anzette Were for British International Investment, May 2023

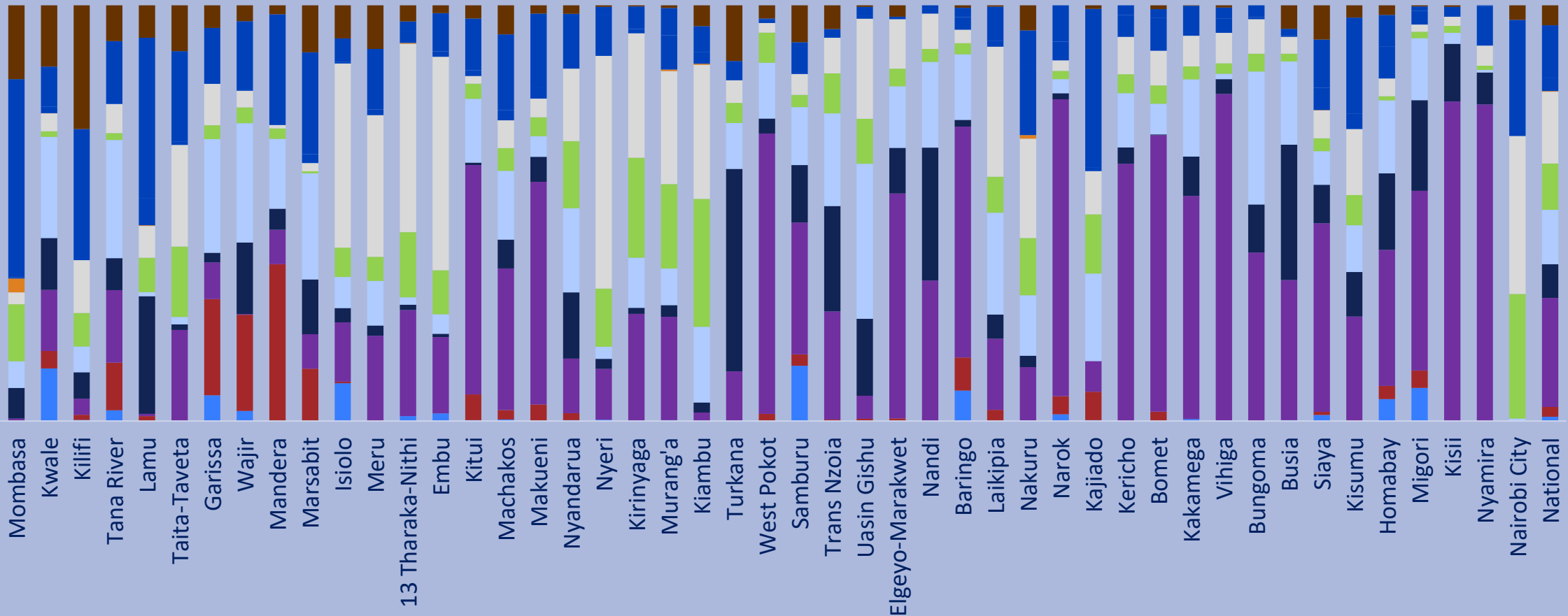
Sectoral Impacts

- **Agriculture:** Climate change threaten a key source of livelihood and increase **malnutrition**.
- **Water:** Increases in water insecurity, water stress and sectors reliant on water.
- **Tourism:** Kenya's tourism is natural-asset dependent; rainfall variability, extreme heat and drought lower animal mobility and alter wildlife migrations, affecting tourist visits.
- **Health:** Increased **disease burden** due to the expansion of malaria-prone areas; increases in diarrheal diseases, cardio-respiratory issue, and the severe mental health effects caused by extreme weather events.



FinAccess Green Finance highlights: For drinking water is lakes/ stream/ rivers/ springs are important

Main source of drinking water

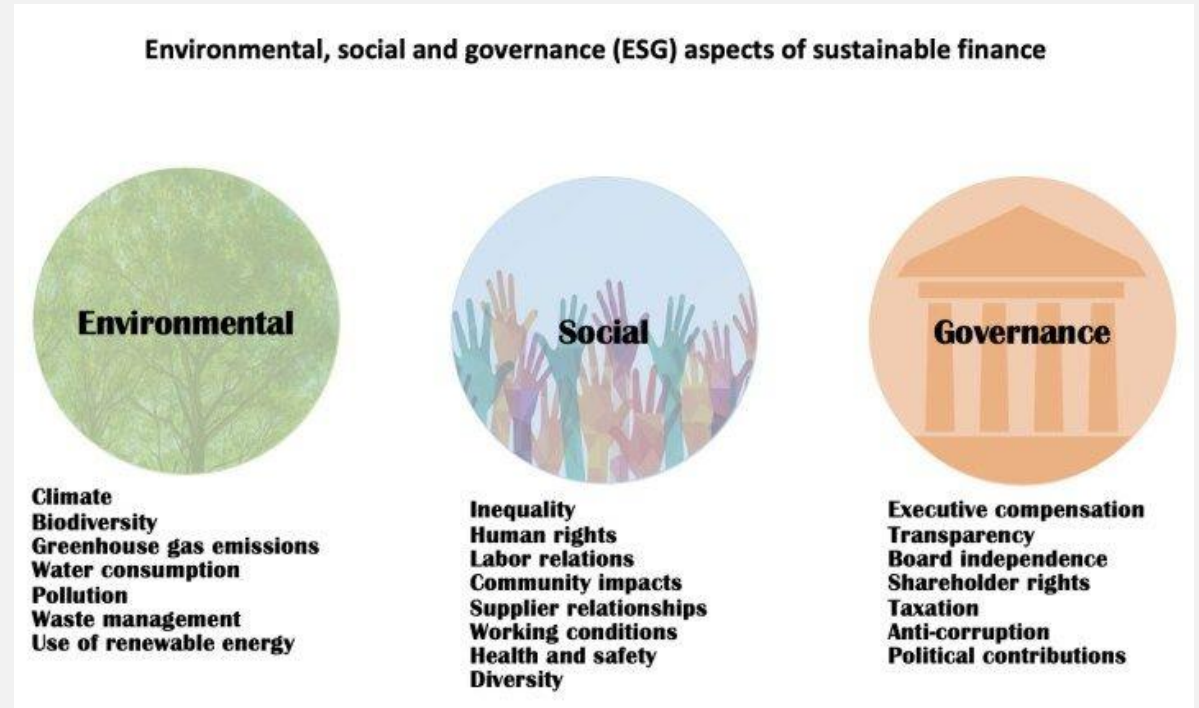


Base: Total adult population

- Pond/Water pan
- Dam
- Lake/stream/river/spring
- Borehole/Tube well
- Piped into dwelling
- Piped to yard/plot
- Well
- Rain/Harvested water
- Water Vendor
- Public tap/Standpipe
- Bottled water

Definitions

- **Sustainable finance** takes **environmental, social and governance (ESG) considerations** into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and projects.
- **Environmental considerations** can include climate change mitigation and adaptation, as well as the environment more broadly, for instance the preservation of biodiversity, pollution prevention and the circular economy.
- **Social considerations** refer to issues of inequality, inclusiveness, labour relations, investment in human capital and communities, and human rights issues.
- **Governance considerations** in management structures, employee relations and executive remuneration in ensuring the inclusion of social and environmental considerations into decision-making.



Source: [Sustainable finance 101](#), Global Landscapes Forum

Examples: Gender Bonds, Sustainability-Linked Loans and Bonds, Social Bonds, Sustainable investment funds, Social venture capital.

Definitions



- **Green finance:** Structured financial activity created to ensure a better environmental outcome.
- Green finance activities aim to increase level of financial flows from the public, private and not-for-profit sectors to green development priorities.
- **Green finance includes climate finance** but is not limited to it as it encompasses a wider range of other environmental objectives, such as industrial pollution control, water sanitation, biodiversity protection and environmental benefits.
- **Examples:** Green Bonds, eco-tourism investment, green insurance, green mortgages, finance for green infrastructure and buildings.

- **Climate Finance** supports mitigation and adaptation actions that will address climate change.
- **Mitigation finance** directs resources to interventions that reduce and avoid GHG emissions, or to maintain/ enhance the sinks of emissions and reservoirs.
 - **Examples:** Investments in renewable energy, energy efficiency, e-mobility; solar bonds, carbon finance; removal of fossil fuel subsidies.
- **Adaptation finance** directs resources to activities aimed at reducing the vulnerability of human or natural systems to the impacts of climate change and climate-related risks.
 - **Examples:** Finance to protect & restore forests, drought-tolerant crops, disaster risk management; investments in water infrastructure.

Framing of the Green Finance Opportunity for Kenya

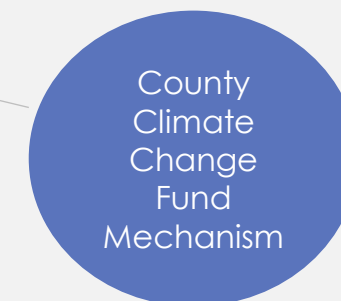
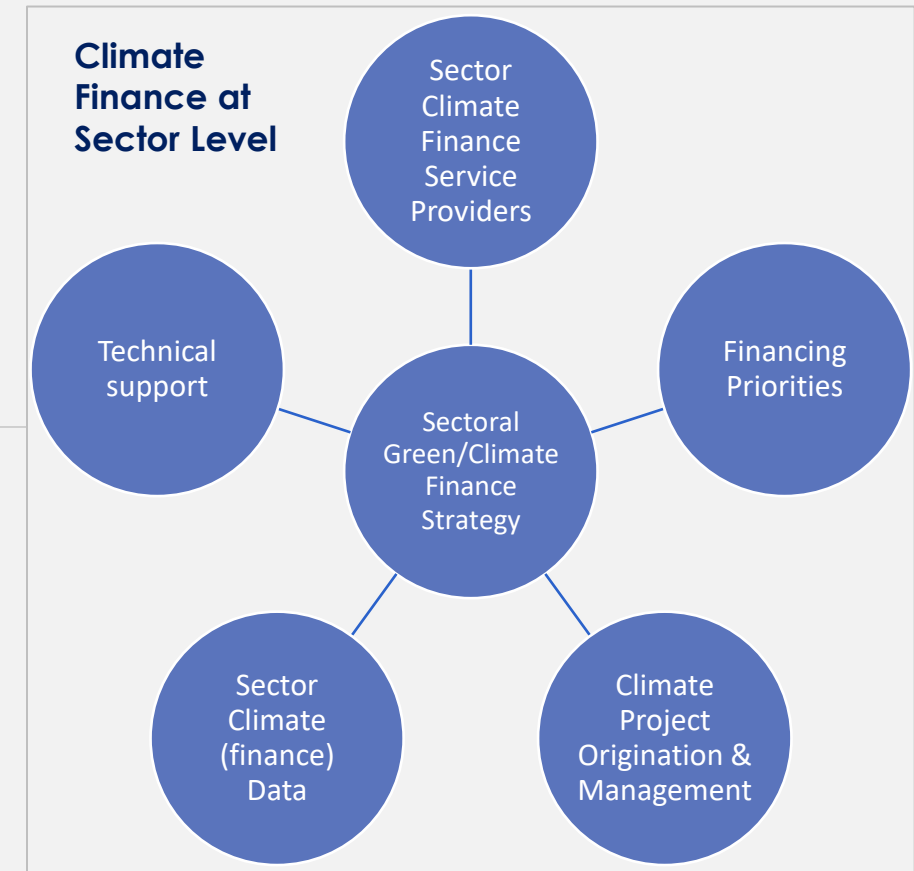
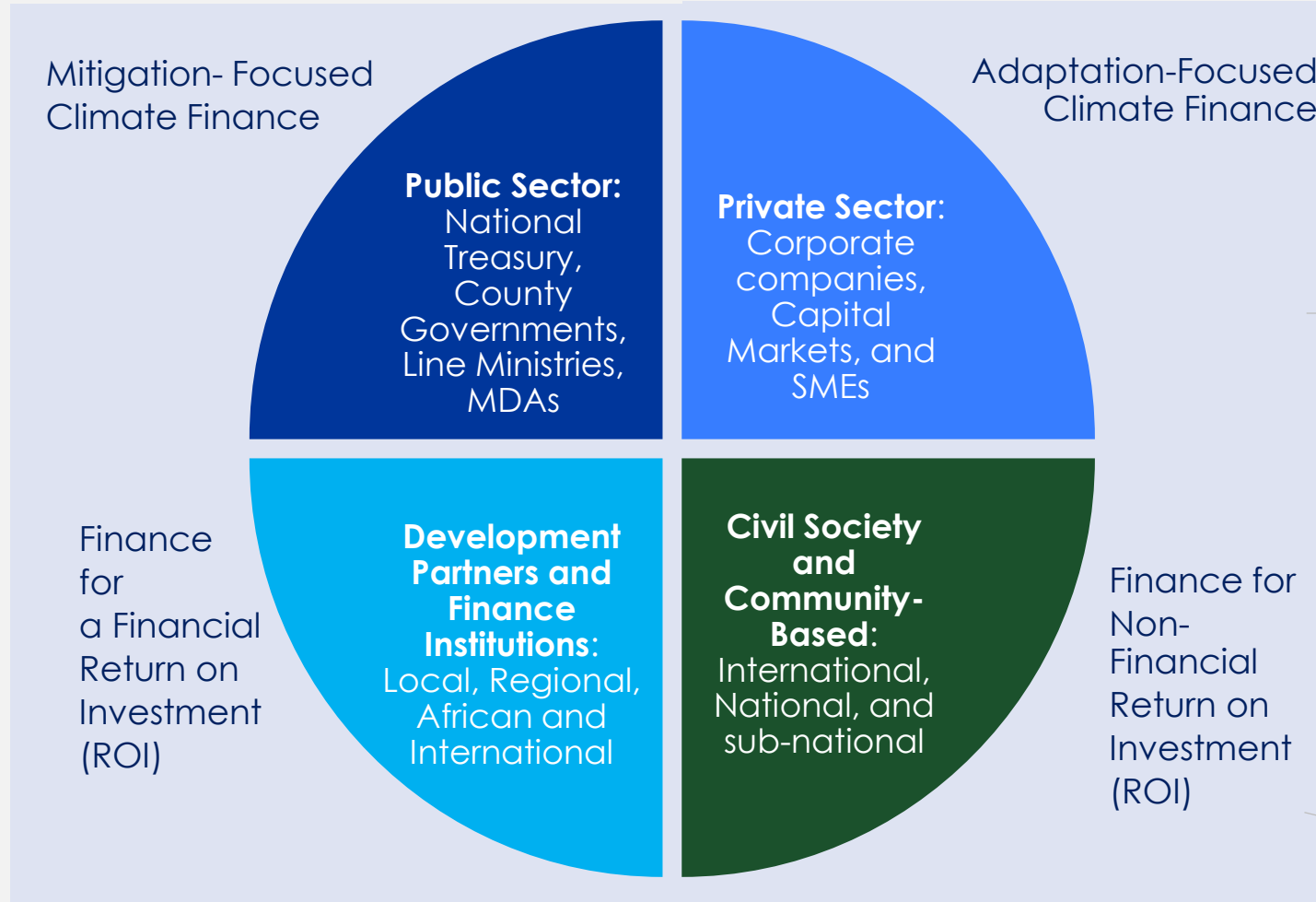
Green Finance Opportunity

- Support the creation of a **green economy** that is low carbon, resilient to climatic and other environmental shocks, resource efficient and generates green investment, employment and income generation opportunities for Kenyans.
- Green finance as a **key source of finance** that be a significant source of finance for Kenya's **development priorities**.

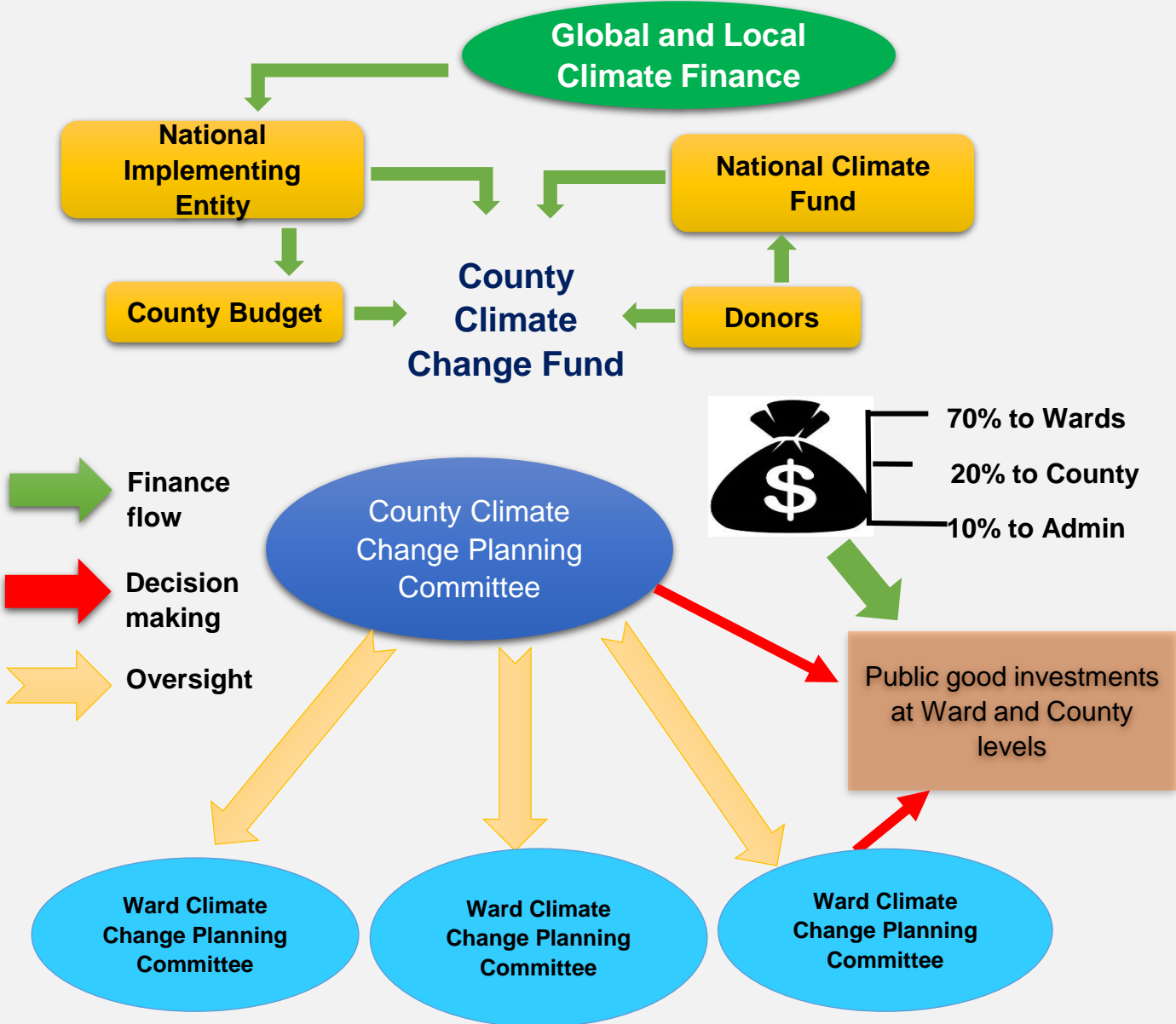
Green Finance Actions

- Leverage green finance to address and adapt to the **economic and sectoral impacts of climate change**, from the macro to micro-economy.
- Target sectors both affected by climate change to **foster resilience** and **mitigate** the impact of sectors that contribute to climate change (transport, energy for cooking etc.)
- Dedicate strategy and resources focused on support to **households and firms**.
- Focus on enablers for **global and private sector** and non-state actors as both funders and implementation players in green finance (e.g. Green Fiscal Incentives Framework; Green Bond Framework)
- Identify and coordinate the **key policy levers** under the mandates of different MDAs.
- Structure a **green finance ecosystem**, infrastructure and vehicles that enable Kenya to attract, deploy, monitor, and retain green finance **consistently at scale**.

Key Green and Climate Finance Stakeholders and Systems in Kenya



Example of a Green Finance Structure: County Climate Change Funds (CCCF)



Public sector mechanism using the architecture of devolution. Funds use public financial management systems to channel funds to counties and wards.

Focus has largely been on poor and rural areas dominated by farmers and livestock keepers.

Local actors engaged through govt-planning processes – participatory planning tools.

Pillars for a Conducive Environment for Green Finance Mobilisation

Government Roles: Access, Efficiency and Stability

Government Policy Coordination

Green-related Legislation, Law and Reform

Green Financial and Fiscal Incentives

Government Green Finance and Sector Technical Capacity Building and Upskilling

Enablers

Awareness Raising: Supply and Demand Side

Green Finance and Sector Specific Data Infrastructure

Deepen Local Green Financiers, Capital Markets and Institutions

Scaling and Retaining Green Finance

Institutions for Green Project Origination and Preparation

Green Finance Professional Service Providers (Green Verifiers, Legal Services, Standards/ Accreditors, Monitoring & Reporting, Green Finance Data etc.)

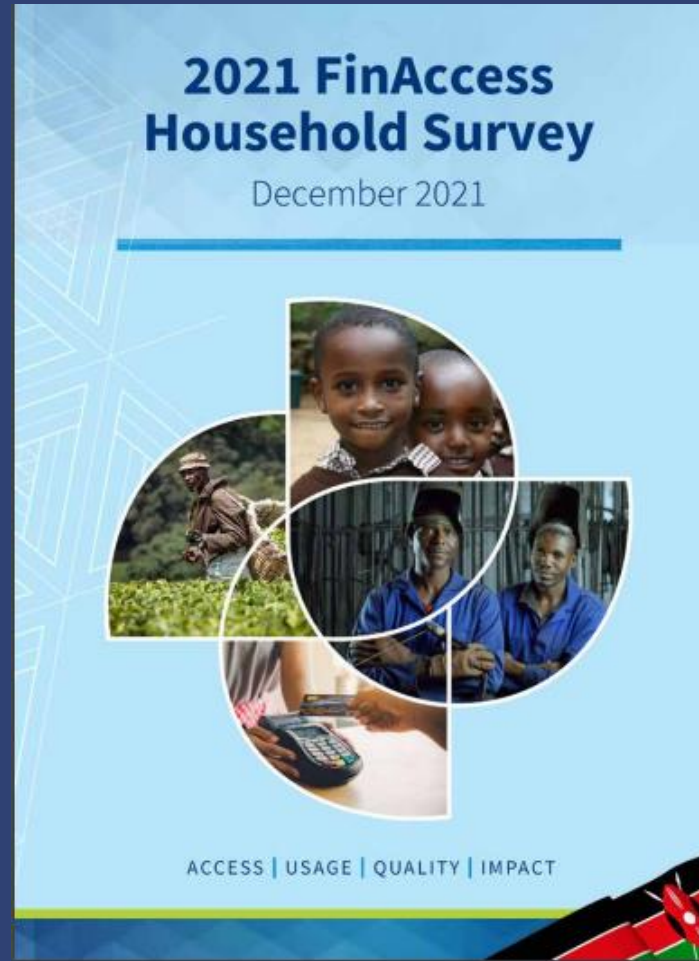
Blended Finance at Institution and Transaction level

Useful links

- [What does Climate Risk really mean for African economies?](#), by Anzetse Were
- [Promoting the uptake of solar irrigation through innovative carbon financing](#), by Jared Ochieng, Duncan Oyaro and Tanguy Boussard
- [How climate finance can address the layered economic impacts of climate change in Africa](#), by Anzetse Were
- [Empowering local communities to utilise climate data for effective adaptation](#), by Milkah Chebii
- [Innovative lending product improves access to water and sanitation in Nairobi's Mukuru informal settlement](#), by Seeta Shah
- [Creating an enabling environment for a voluntary carbon market in Kenya](#), by Anzetse Were
- [The Impacts of Climate Change on Fiscal and Monetary Policy in Africa](#), by Anzetse Were
- [How to develop a green project pipeline in Africa](#), by Anzetse Were
- [Climate Finance: Four ways Africa can secure this new wave of financing](#), by Anzetse Were
- [How Africa can benefit from the private sector's growing interest in climate finance](#), by Anzetse Were
- [Green Finance in Kenya Report](#), co-authored by Anzetse Were
- [Financing affordable and climate resilient feeds for dairy farmers in Kenya](#), by Jared Ochieng and Duncan Oyaro

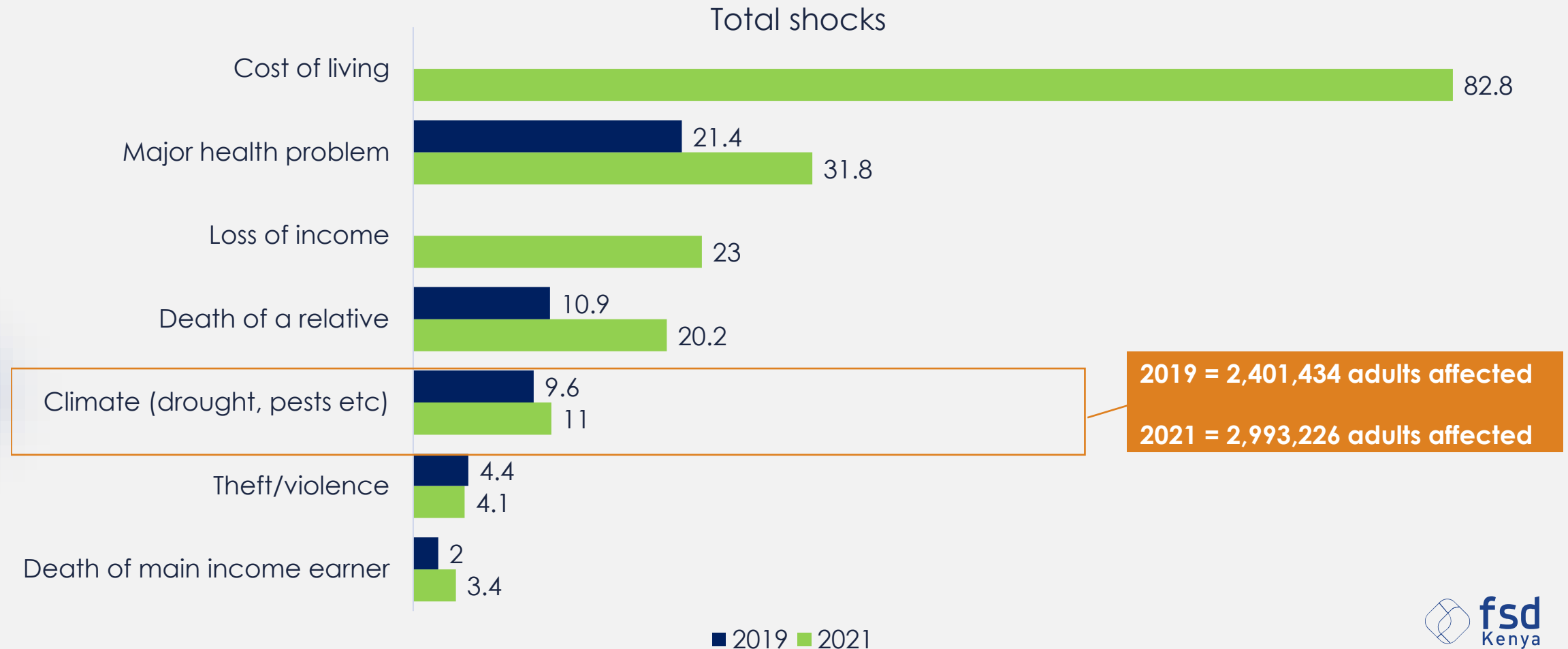


ANNEX: Green Finance Insights from 2021 FinAccess Household Survey



FinAccess Green Finance highlights: Climate-related events as a source of income shocks

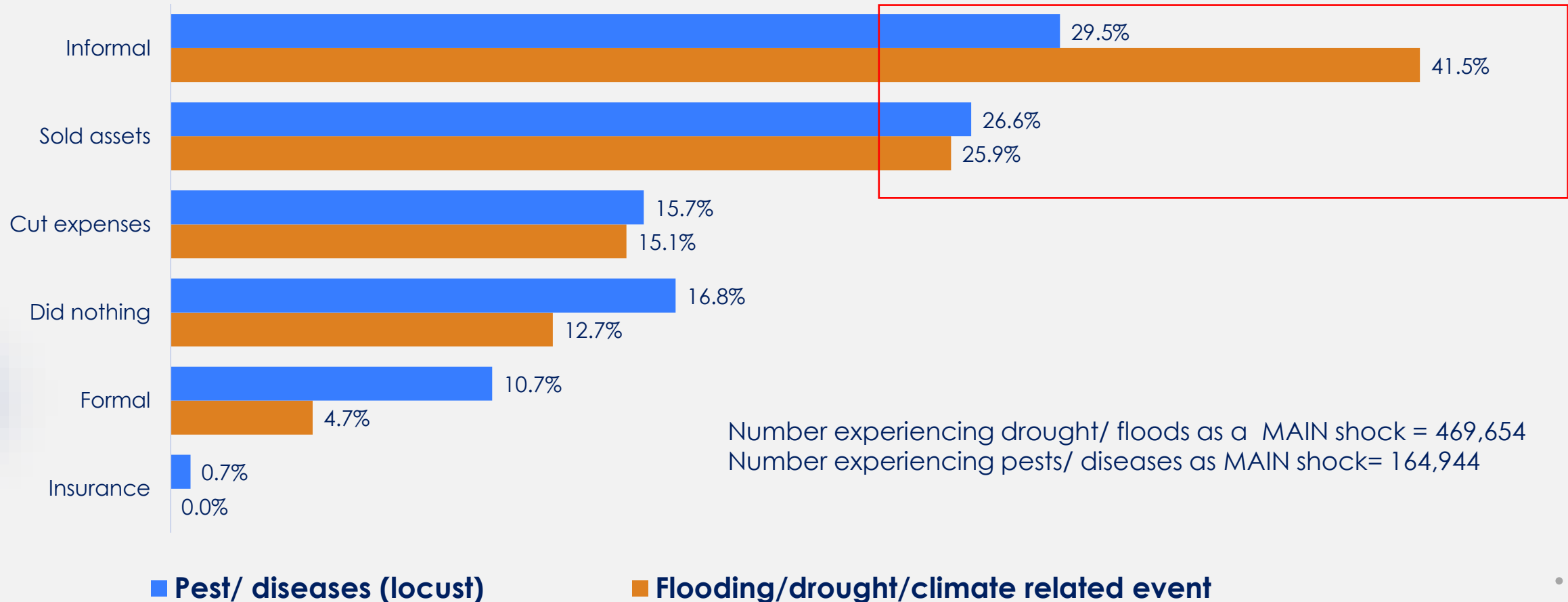
Slight **increase** in the number of reports of climate-related shocks from 2019 to 2021. About 3m adults experienced such shocks in 2021 compared to 2.4m in 2019.



FinAccess Green Finance highlights: How coping with climate-related shocks is financed

Addressing climate-related shocks is financed mainly through informal solutions; formal including insurance are not playing a significant role in supporting Kenyans in dealing with climate-related shocks.

How climate related shocks are financed

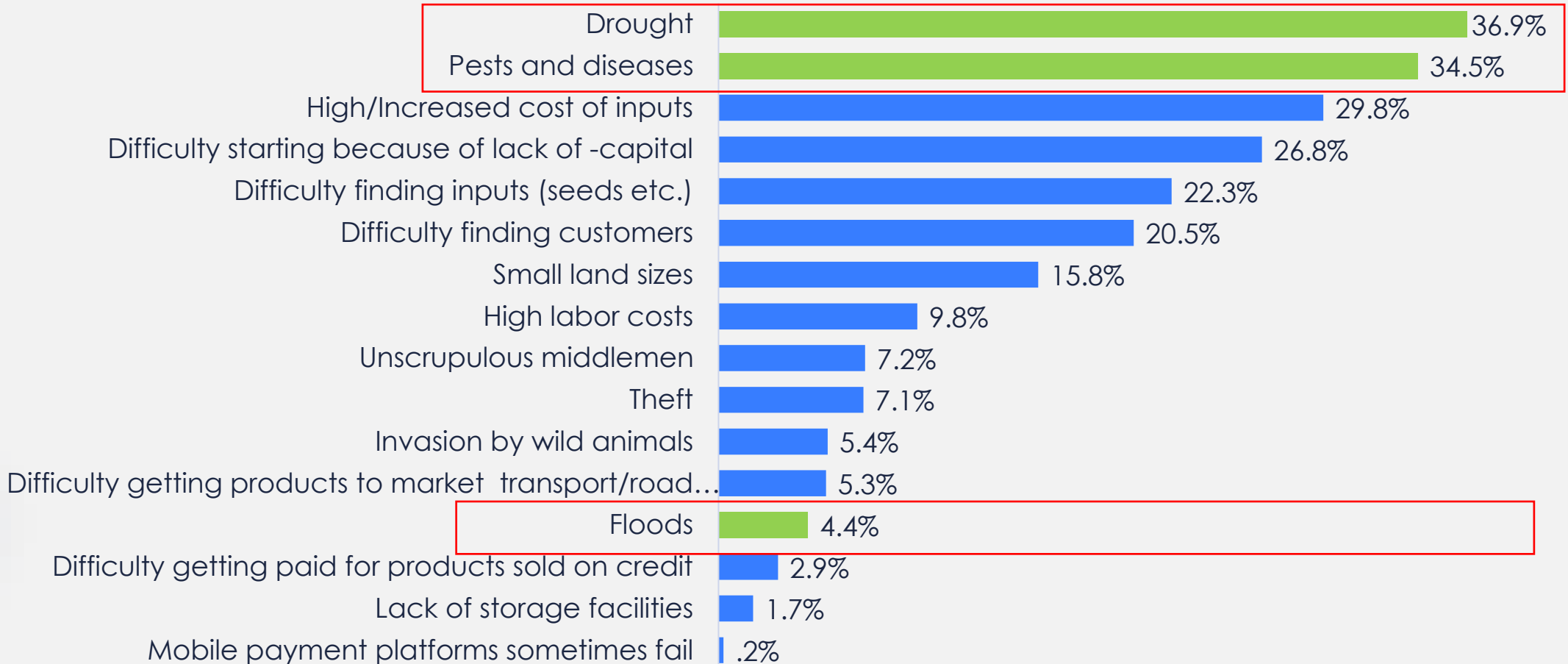


Number experiencing drought/ floods as a MAIN shock = 469,654
 Number experiencing pests/ diseases as MAIN shock = 164,944

Base: Kenyans who mention experience climate related shocks as MAIN shocks and device used

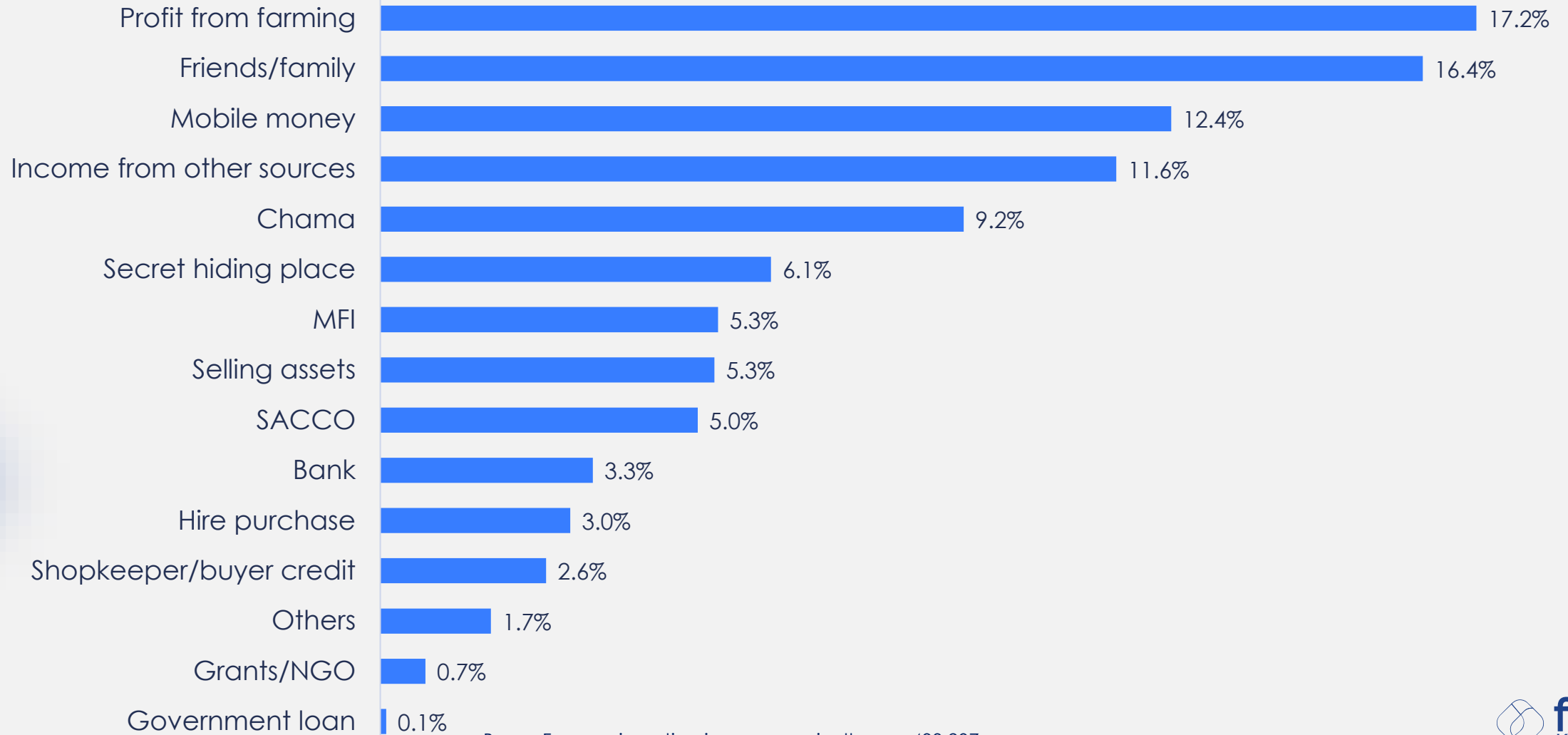
FinAccess Green Finance highlights: Effect of climate change on income in farming

Challenges farmers faced in 2021



FinAccess Green Finance highlights: Main source of financing green agriculture

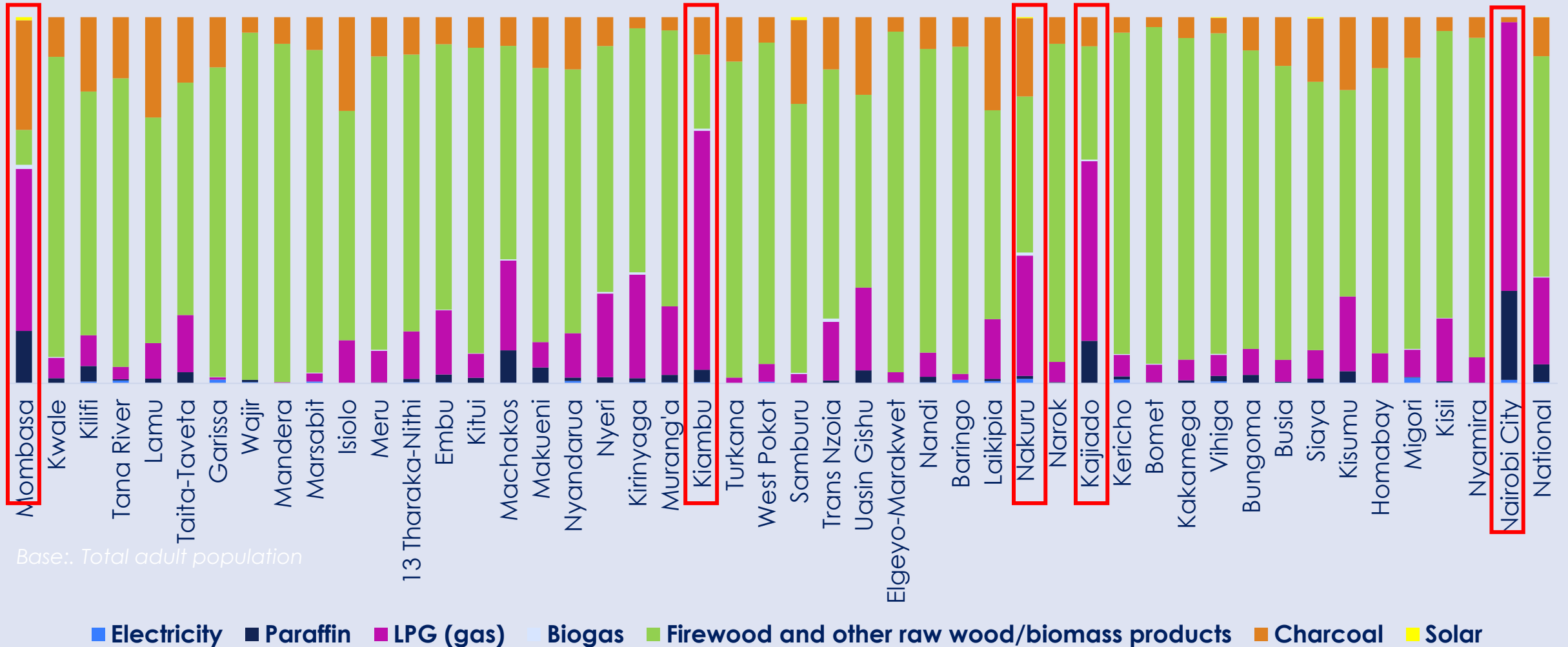
Source of finance for investing in green agriculture



Base: Farmers investing in green agriculture = 433,207

FinAccess Green Finance highlights: Firewood/ biomass is the main energy source of cooking

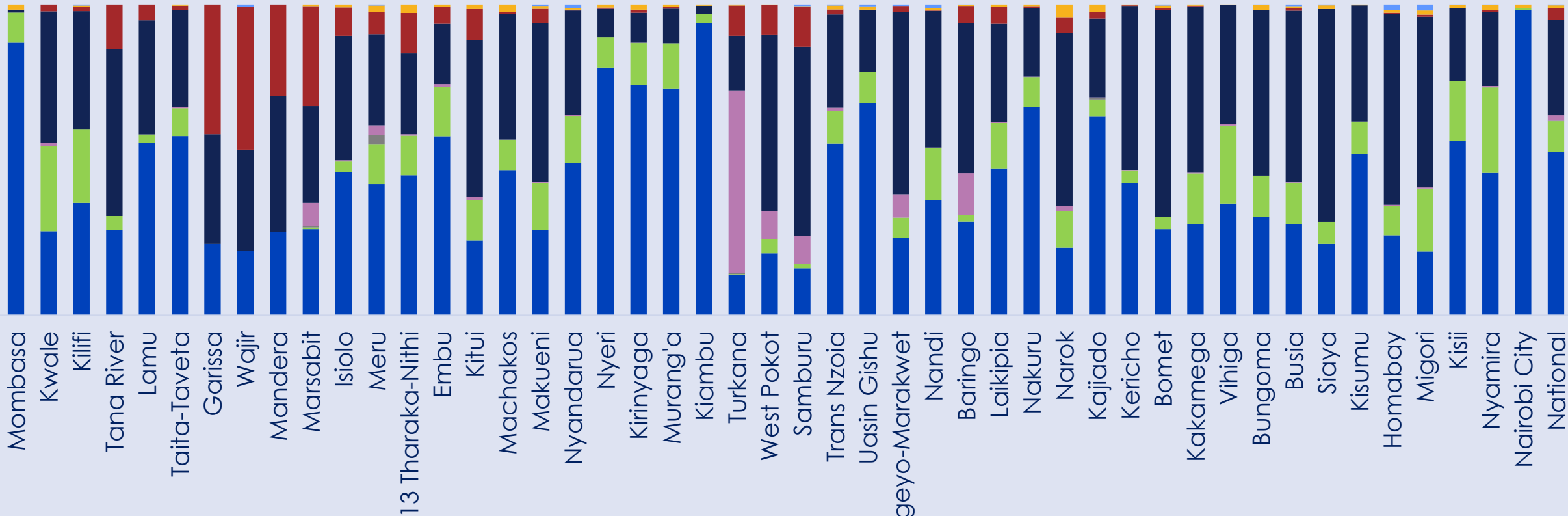
Main source of energy for cooking



Base: Total adult population

FinAccess Green Finance highlights: Source of lighting

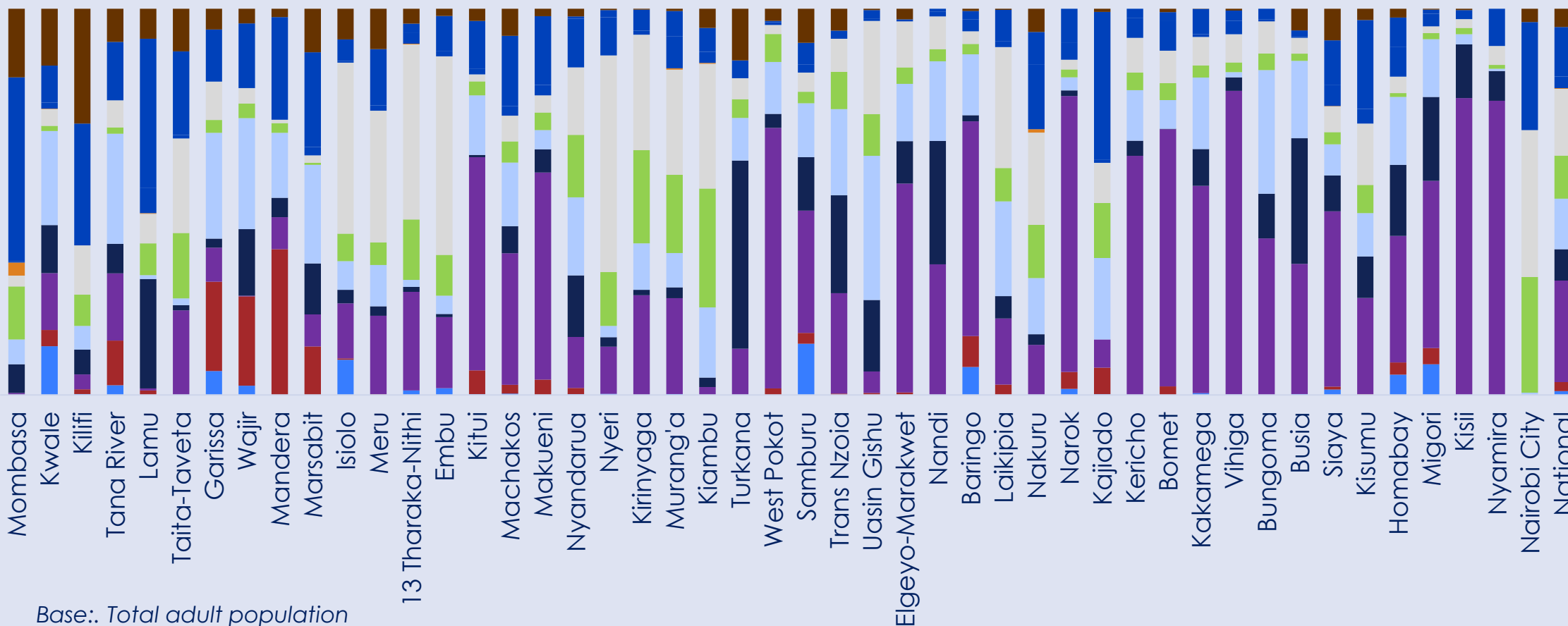
Main source of energy for lighting



- Main Electricity
- Paraffin
- Gas Lamp
- Wood
- Solar
- Torch/Spot light-Dry cells
- Candle
- Others(dry cells/ candle/car charger/generator/biogas)

FinAccess Green Finance highlights: Main Source of Drinking water- lakes/stream/rivers/springs are important

Main source of drinking water

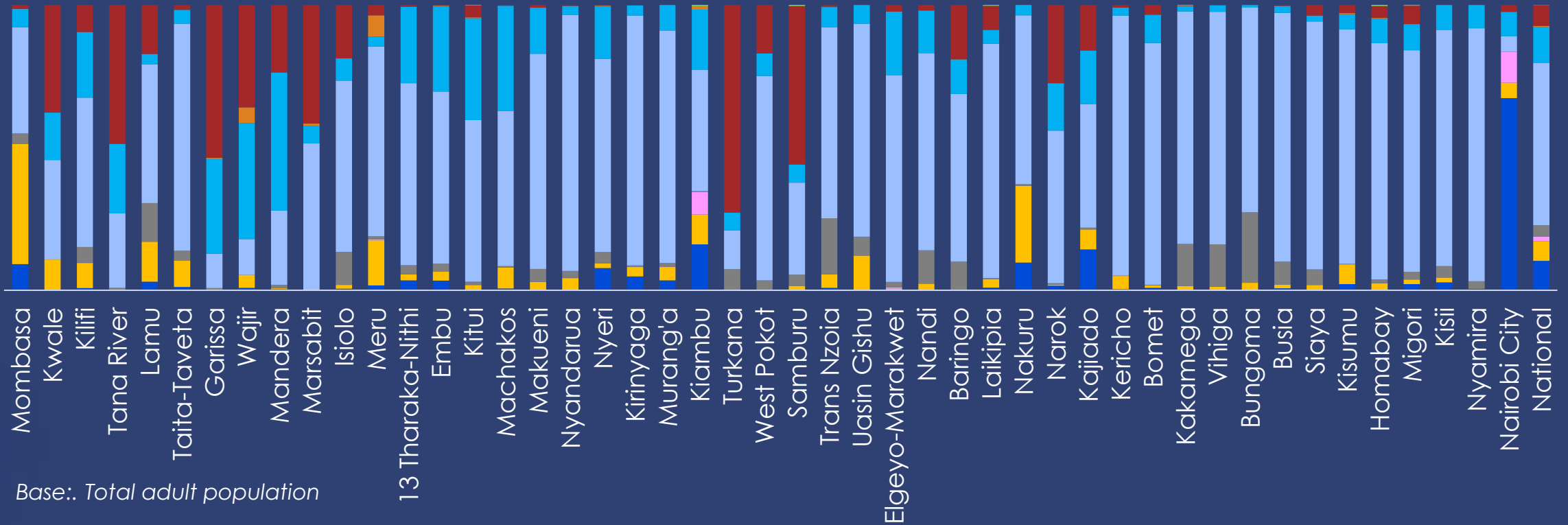


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FinAccess Green Finance highlights: Pit latrines (covered and uncovered) dominate in human waste disposal

Human waste disposal



Base.: Total adult population

- Main Sewer
- Septic tank
- Cess pool
- Ventilated Improved Pit Latrine
- Pit latrine covered
- Pit Latrine uncovered
- Bucket latrine
- Open
- Bio-septic tank/Biodigester