



Green Finance in Kenya



May 2022



Green Finance Opportunity in Kenya

Green Finance Opportunity

- Leverage green finance as a **key source of finance** that can play a role in recovering from Covid-19 and as a finance source for Kenya's **development priorities** as articulated in Vision 2030.
- 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.
- Structure a **green finance ecosystem**, infrastructure and vehicles that enable Kenya to attract, deploy, monitor, and retain green finance **consistently at scale**.

Key Players in Green Finance in Kenya

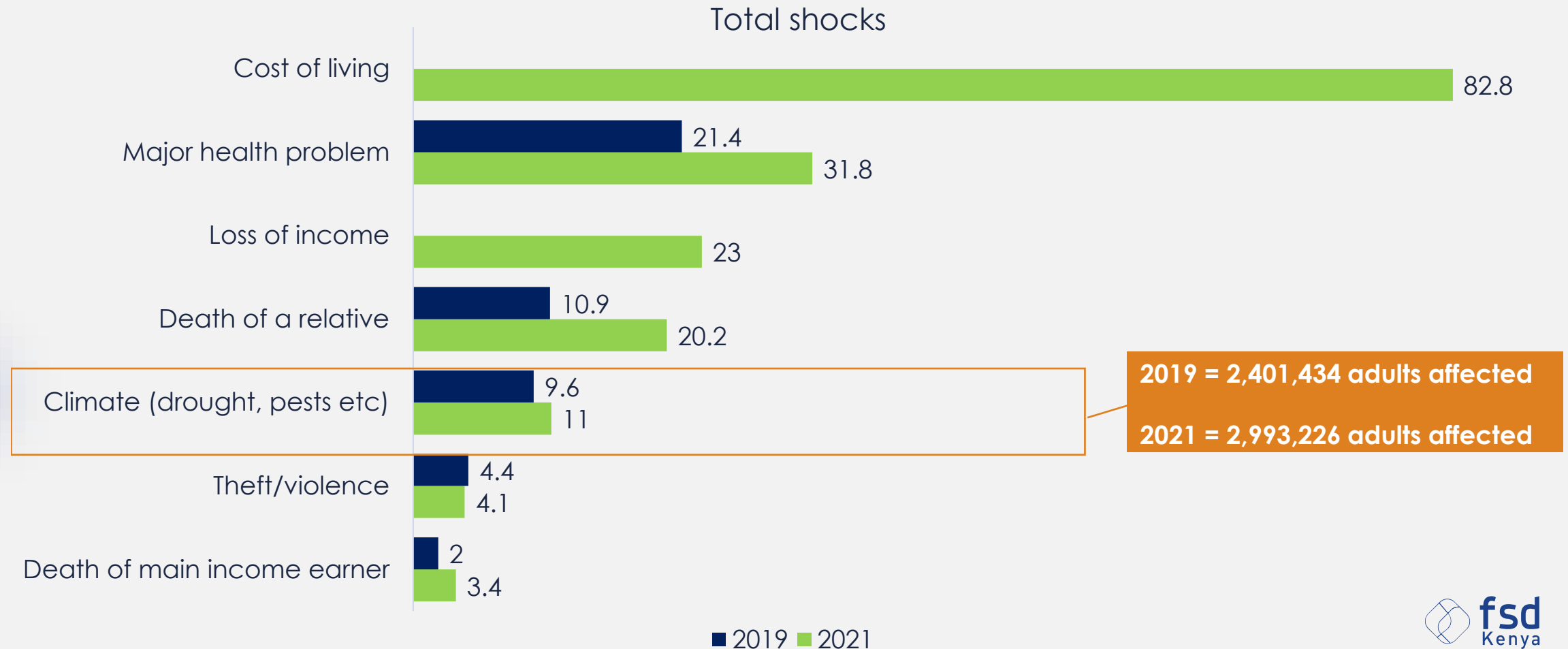
- **Government**
 - Public Finance: National Treasury, Financial regulators and authorities, County public finance (CCCCFs)
 - Line Ministries: For priority sectors i.e. environment; agriculture, fisheries and forestry; infrastructure; water & sanitation etc
- **Private Sector:** Corporate companies, Capital Markets, and SMEs
- **Development Partners and Finance Institutions:** Local, Regional, African and International
- **Civil Society and Community-Focused Institutions:** International, National, and sub-national

State of Green Financial Flows in Kenya

- In Kenya, sources of green finance are mainly from external loans and grants from **international public institutions**. However, the **national government** also disburses billions of shillings from own revenue to climate and/or green related projects.
- Analysis of national budget data show that for the fiscal year 2017/18 and 2019/20 the government disbursed **KES 414.23 billion and KES 427.24 billion to climate change sectors**, respectively.
- On average, **40% of these funds were raised locally and 60% from international sources**. Out of these funds, the actual investment into green projects was KES 103 billion in 2017/2018 and KES 120 billion in 2018/2019.
- The extent of **private sector contributions** to green finance is not known but is conservatively estimated at an average of **KES 100 billion per year**. Out of this investment it is estimated that KES 30 billion is sourced domestically and KES 70 billion is from international organisations.
- However, despite an emphasis in the country's climate plans and strategies on climate adaptation, the actual investment flows are **focused on mitigation activities**.
- For instance, in 2018 total climate-related financial flows (from both private and public sectors) indicated that **79% (KES 192.2 billion) of the funds was applied to mitigation**, 12% (KES 29.2 billion) to adaptation and 9% (KES 21.9 billion) to cross cutting actions.
- This indicates that despite an increase in green finance available, the **adaptation finance gap** is stark.

FinAccess 2021 Green Finance highlights: Climate-related events as a source of income shocks

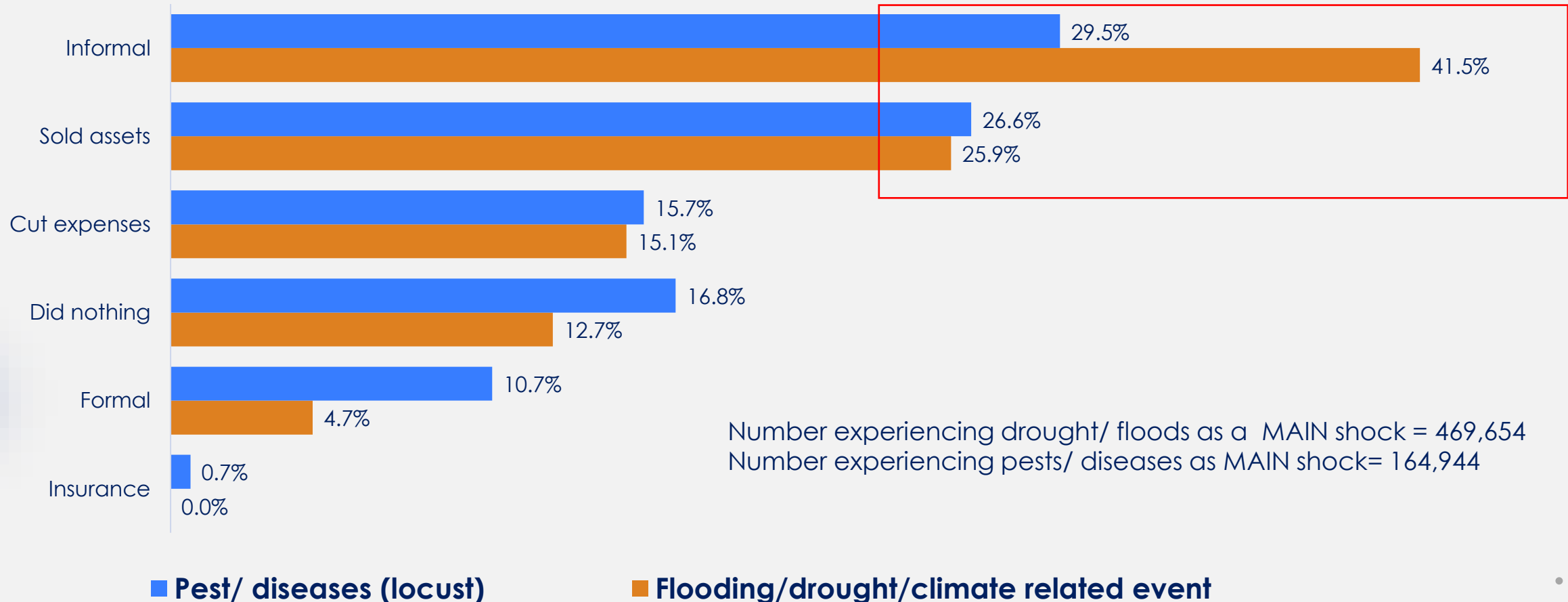
Slight **increase** in the number of reports of climate-related shocks from 2019 to 2021. About 3m adults experienced such shocks in 2021 compared to 2.4m in 2019.



FinAccess 2021 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

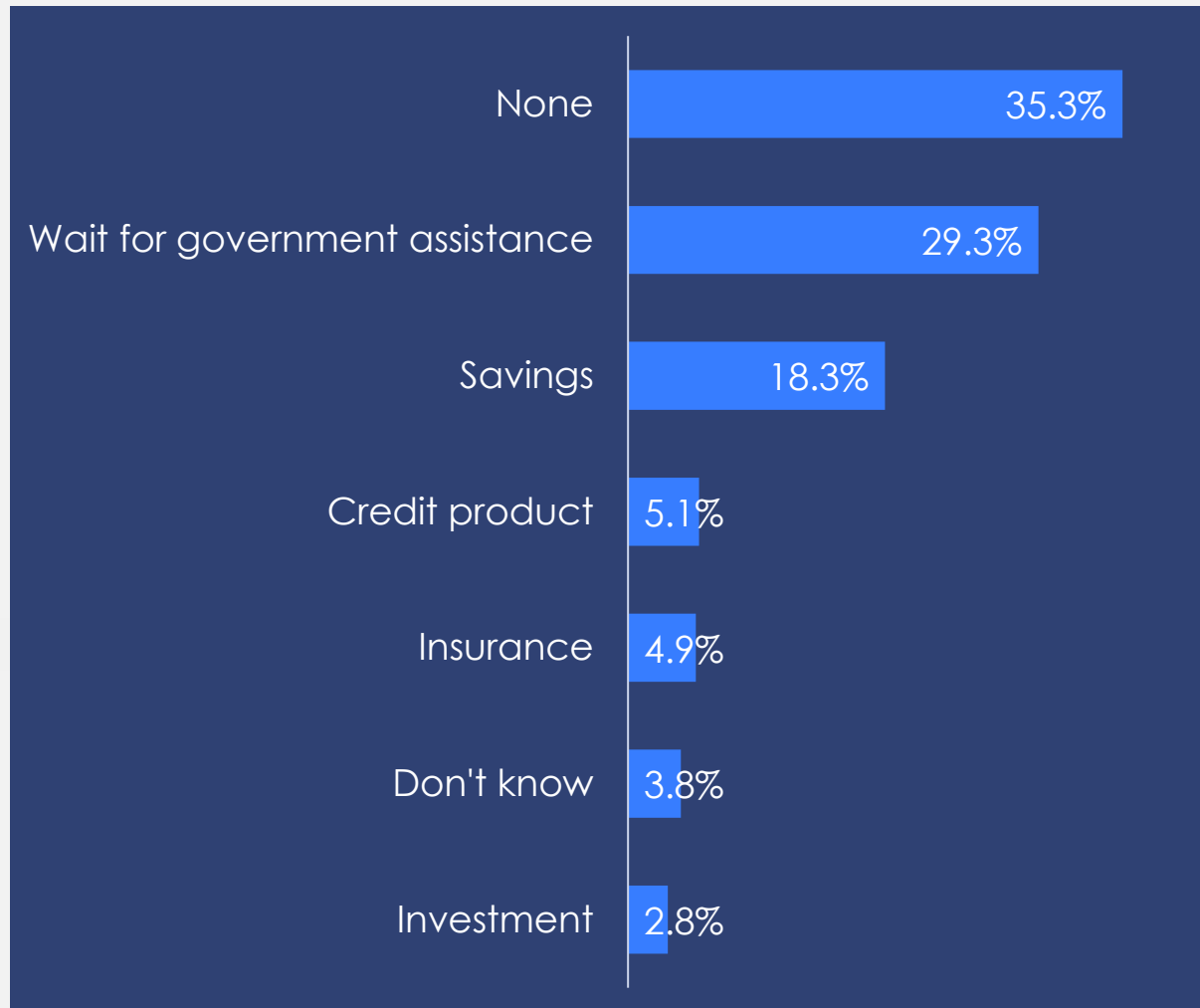
FinAccess 2021 Green Finance highlights: Drivers for green financial solution uptake

Convenience, ease of use and trust are key drivers for the choice of solution when dealing with shocks. For drought/flooding, reliability is key, while for pests/diseases a solution that suits the farmer and is recommended are key drivers.

Drivers of the choice of solution	Total shocks experience	Experienced flooding/drought/climate related event	Pest/ diseases (locust)
Convenient/Fast /Easy to access/use	28.8%	39.1%	38.6%
This was the only option I had/no other choice	42.6%	32.7%	28.4%
Cheap / affordable / lowest fees	4.9%	2.5%	0.0%
Feels most comfortable / trust	11.2%	11.4%	10.4%
Privacy	2.8%	0.9%	1.6%
Less paperwork / documents required	0.6%	0.0%	0.0%
Reliable / I knew funds will be available	6.3%	11.0%	7.6%
Trying to build my credit history	0.0%	0.0%	0.0%
Need to keep the option open for future	0.0%	0.0%	0.0%
The features suited my needs	1.1%	1.8%	8.5%
Offers longer repayment period	0.4%	0.0%	0.0%
Skilled/Experienced in it	0.7%	0.0%	0.0%
Recommended to me	0.6%	0.7%	4.9%

FinAccess Green Finance highlights: Type of products preferred for addressing climate shocks

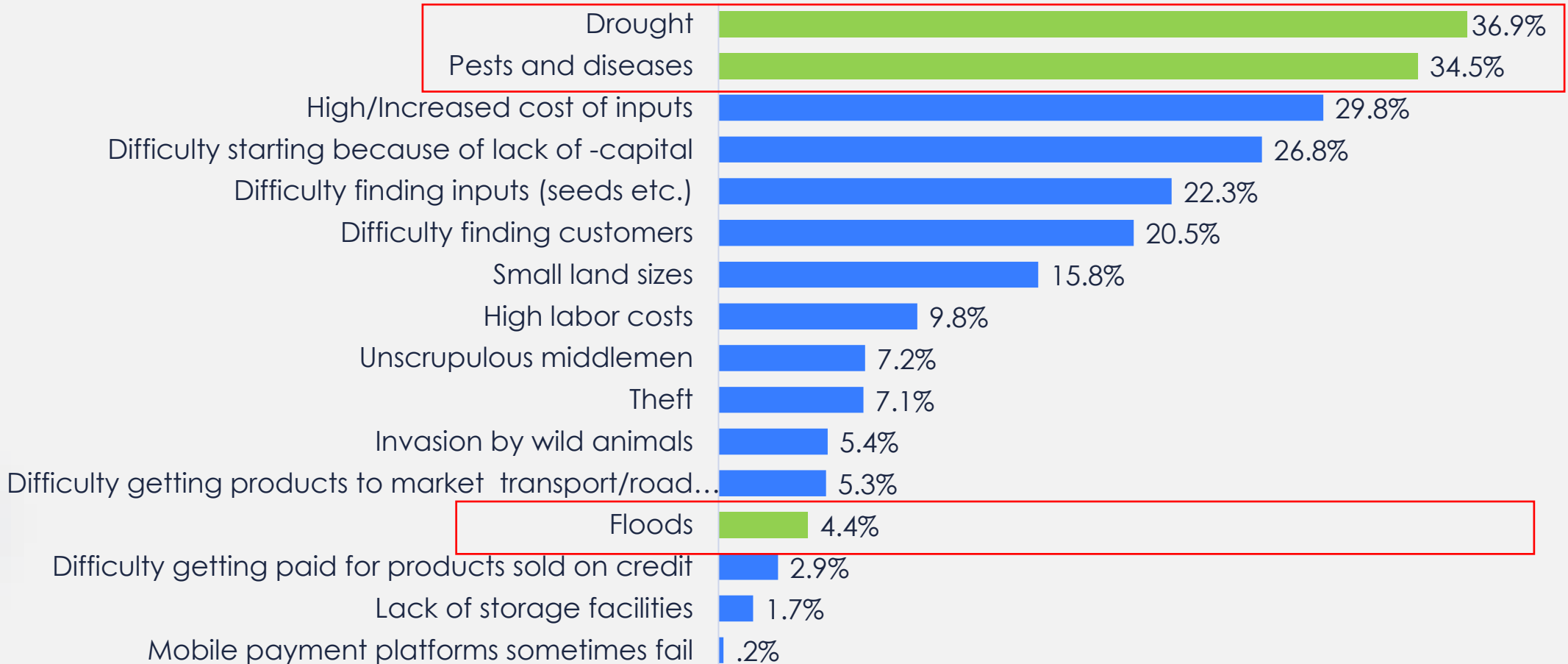
Types of financial product Kenyans are MOST willing to take-up to protect family and assets against climate-related events such as flooding and drought



- Despite experiencing climate related shocks, majority of those affected have **not considered the use of any solutions** to deal with similar future occurrences.
- Only the richest 20% and those below 25 years would prefer saving to deal with climate-related shocks.
- Women, the least educated, and the poorest tend to prefer **waiting for the government** to help.
- Women and older Kenyans are also the ones who **do not seem to have any knowledge** about what they can do to help them deal with such shocks.

FinAccess 2021 Green Finance highlights: Effect of climate change on income in farming

Challenges farmers faced in 2021



FinAccess 2021 Green Finance highlights: Who has financed green agriculture?

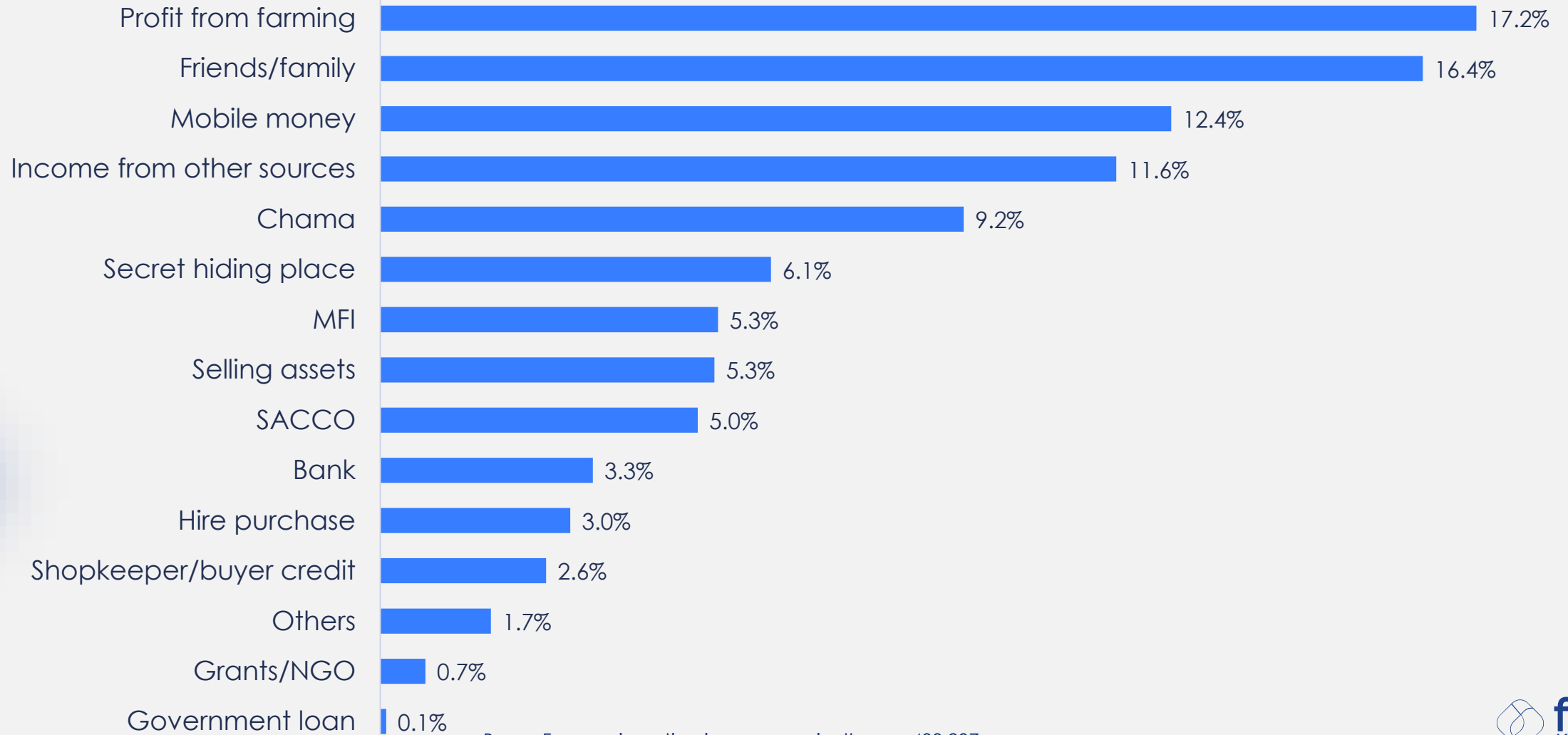
Less than half a million farmers have mentioned investing in green agriculture methods such as irrigation equipment/terracing/ water harvesting/solar powered equipment-- **6.2% of farmers**.

Those investing tend to be richer, more educated and are likely to be formally included.

	Segment	Farmers who have invested in green energy within segment	Total number of farmers	% of farmers in the segment invested
Total	Overall farmers	433,207	6,957,542	6.2%
Wealth	Poorest 60%	276,525	5,445,523	5.1%
	Richest 40%	156,682	1,512,019	10.4%
Education	None	38,682	1,419,299	2.7%
	Primary	188,364	3,107,538	6.1%
	Secondary	147,600	1,891,235	7.8%
	Tertiary	58,561	536,153	10.9%
Inclusion level	Formally included	396,557	5,929,960	6.7%
	Informal only included	20,360	459,103	4.4%
	Excluded	16,290	568,479	2.9%

FinAccess 2021 Green Finance highlights: Main source of financing green agriculture

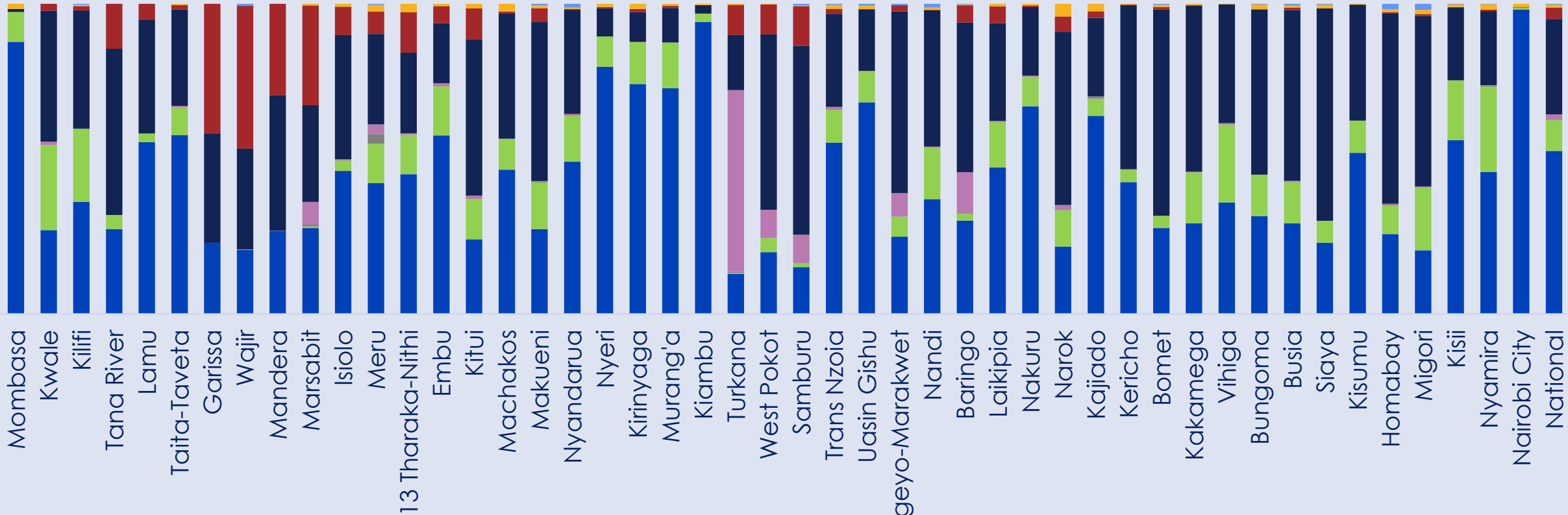
Source of finance for investing in green agriculture



Base: Farmers investing in green agriculture = 433,207

FinAccess2021 Green Finance highlights: Source of lighting

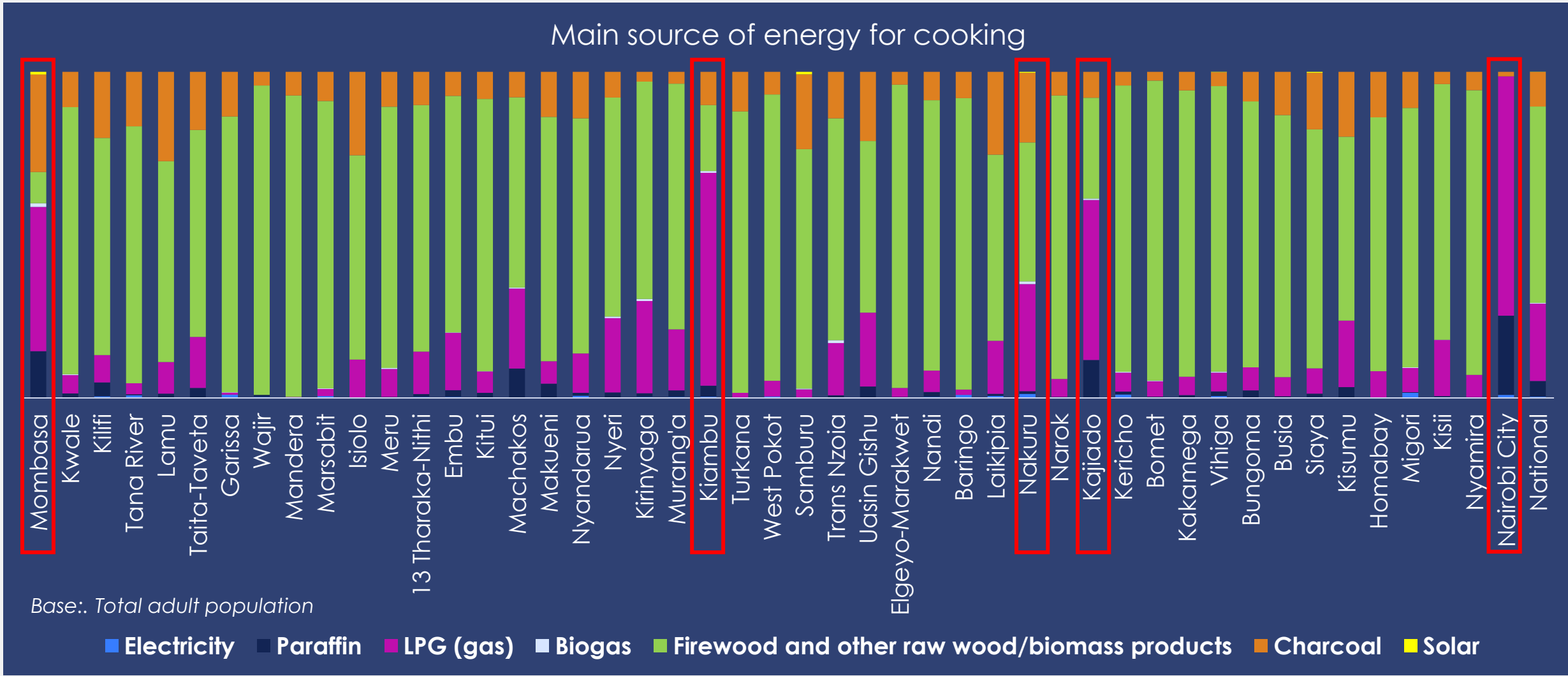
Main source of energy for lighting



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

FinAccess 2021 Green Finance highlights: Firewood/ biomass is the main energy source of cooking

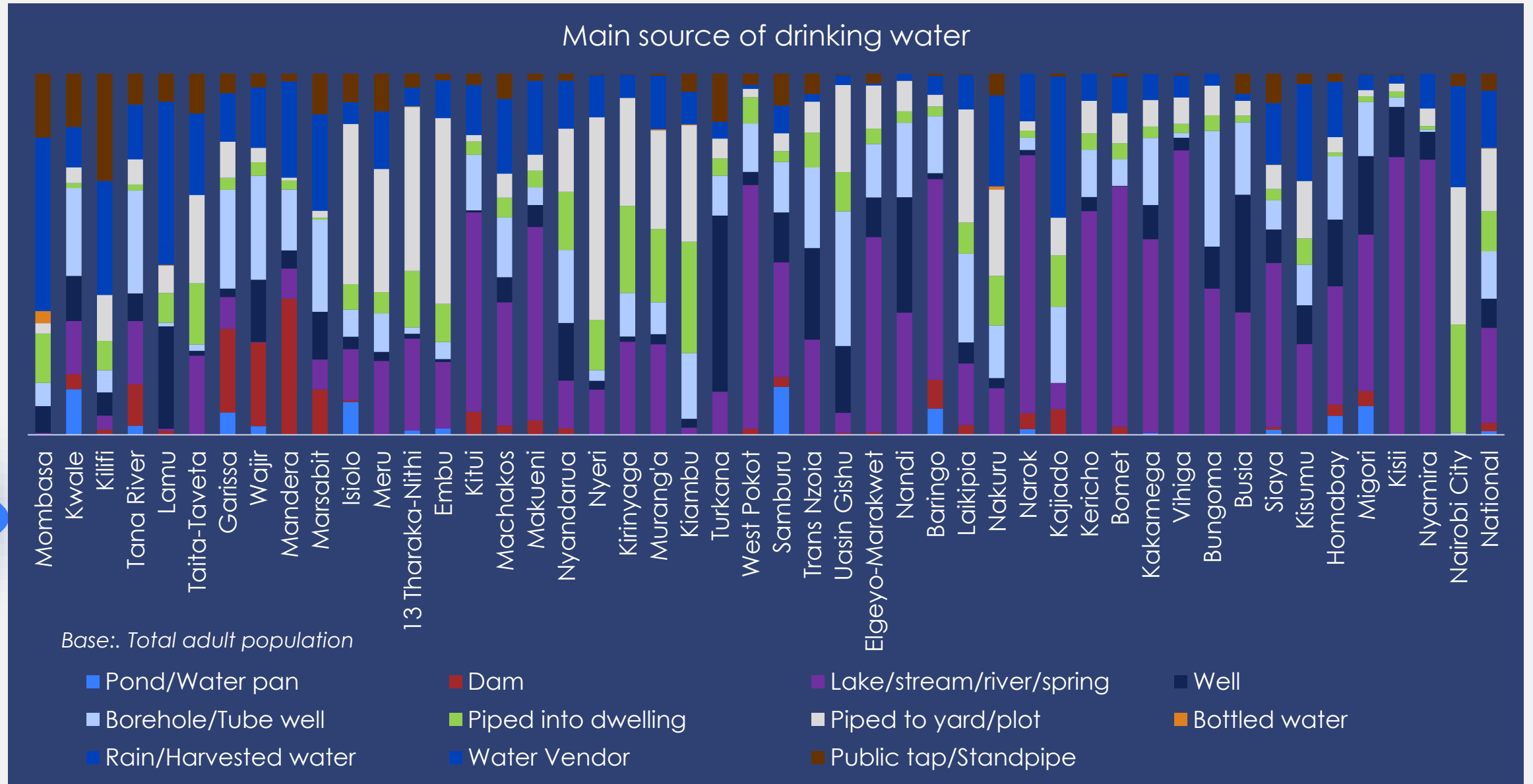
Main source of energy for cooking



Base.: Total adult population

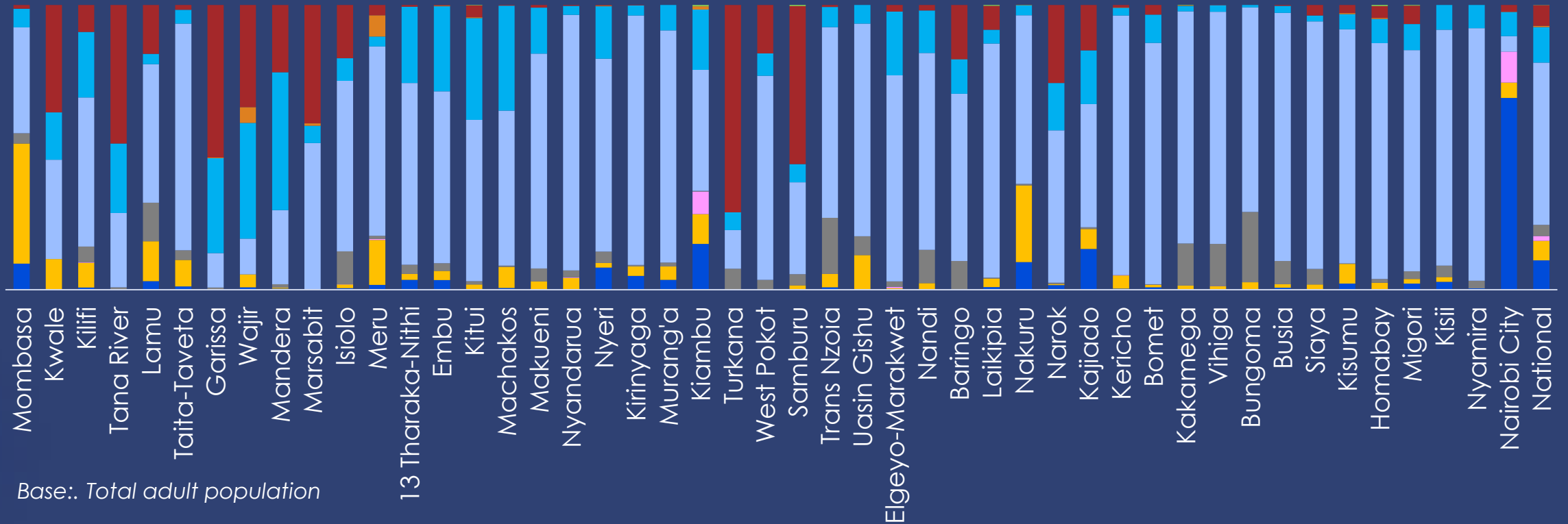
■ Electricity
 ■ Paraffin
 ■ LPG (gas)
 ■ Biogas
 ■ Firewood and other raw wood/biomass products
 ■ Charcoal
 ■ Solar

FinAccess 2021 Green Finance highlights: Main Source of Drinking Water



FinAccess 2021 Green Finance highlights: Pit latrines (covered and uncovered) dominate in human waste disposal

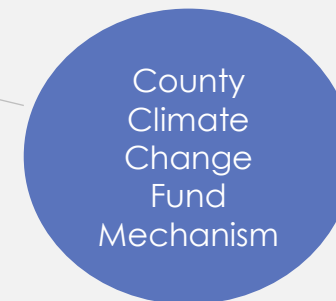
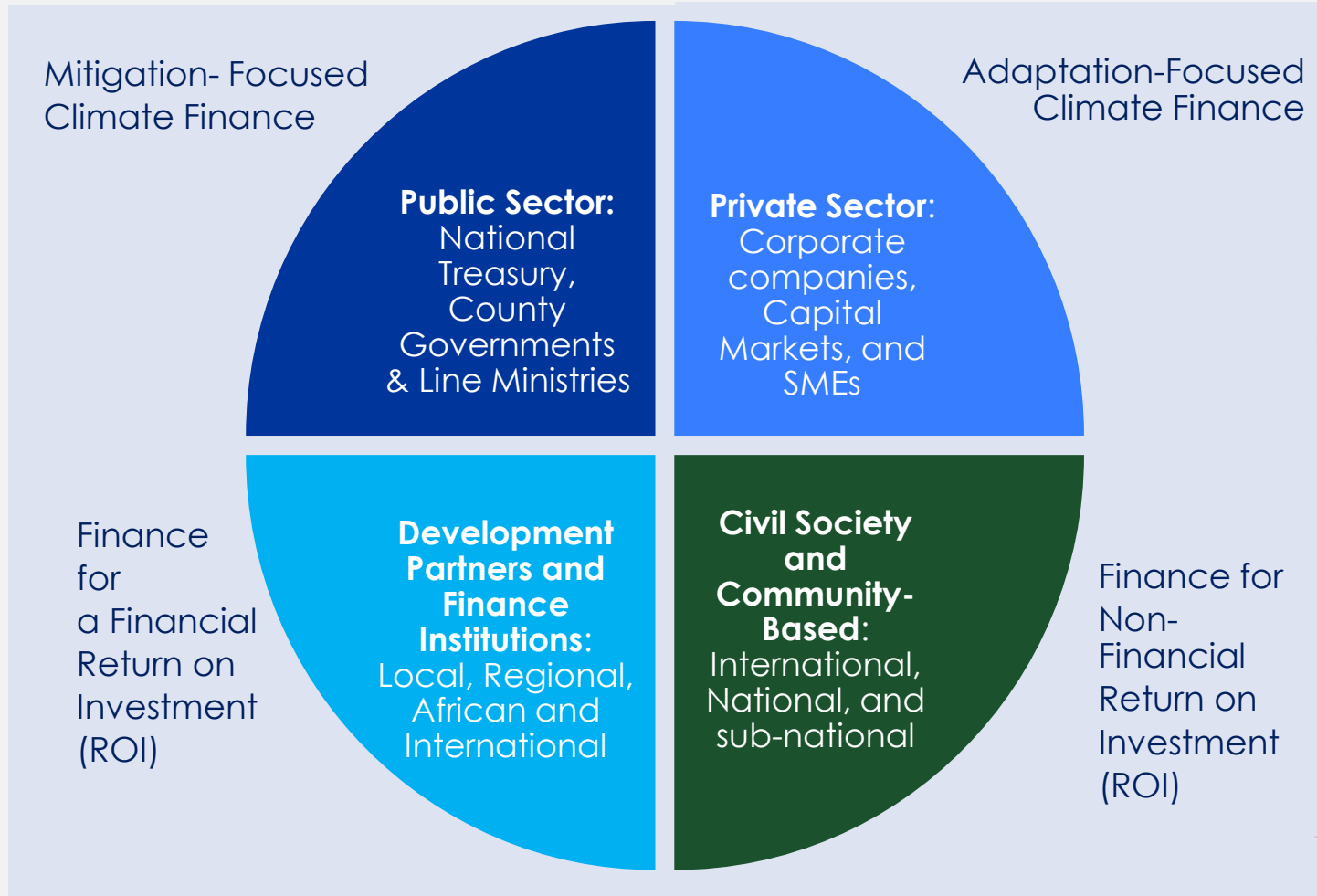
Human waste disposal



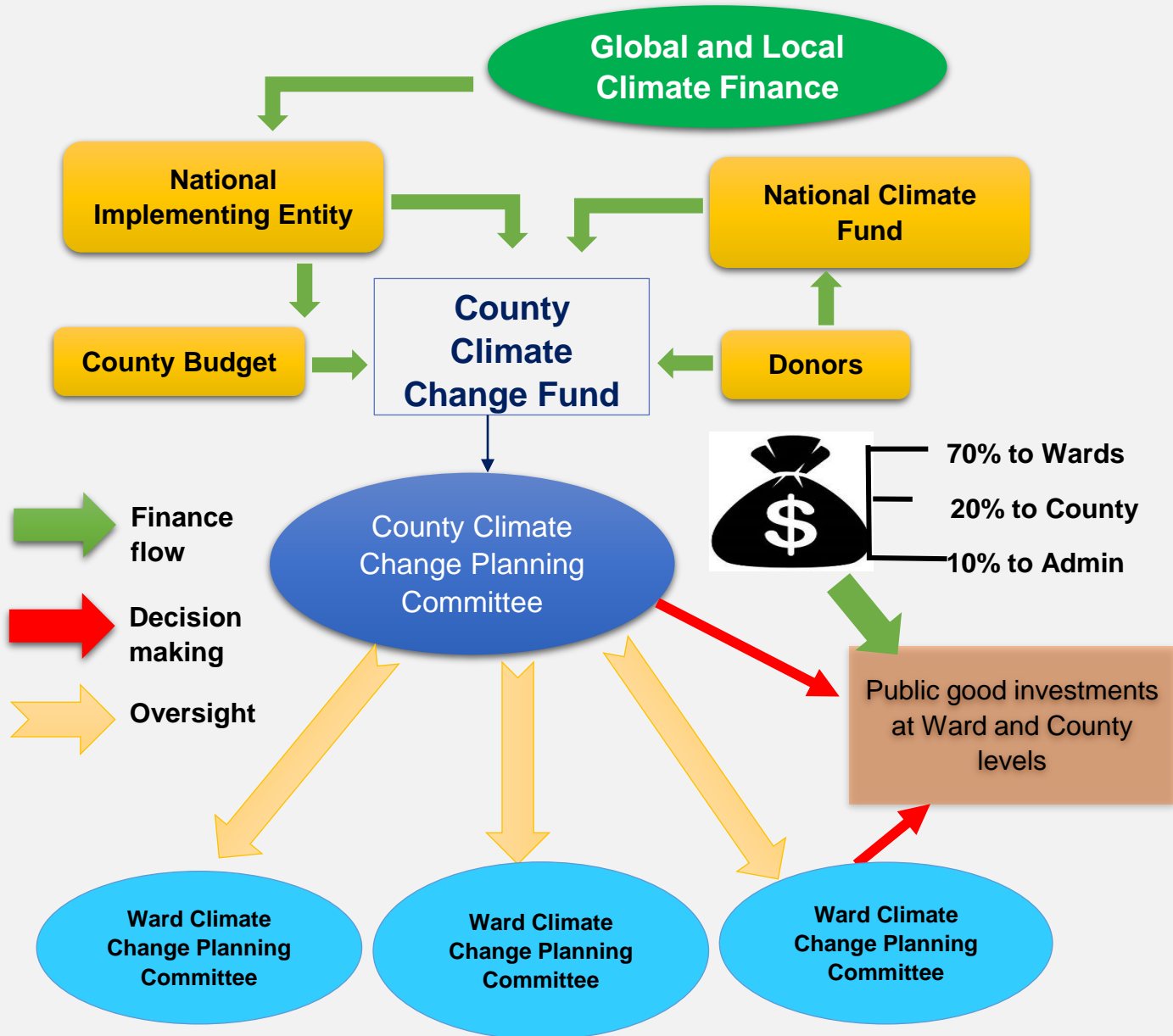
Base: Total adult population

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

Key Green Finance Stakeholders and Systems in Kenya



County Green Finance – County Climate Change Funds (CCCCF)



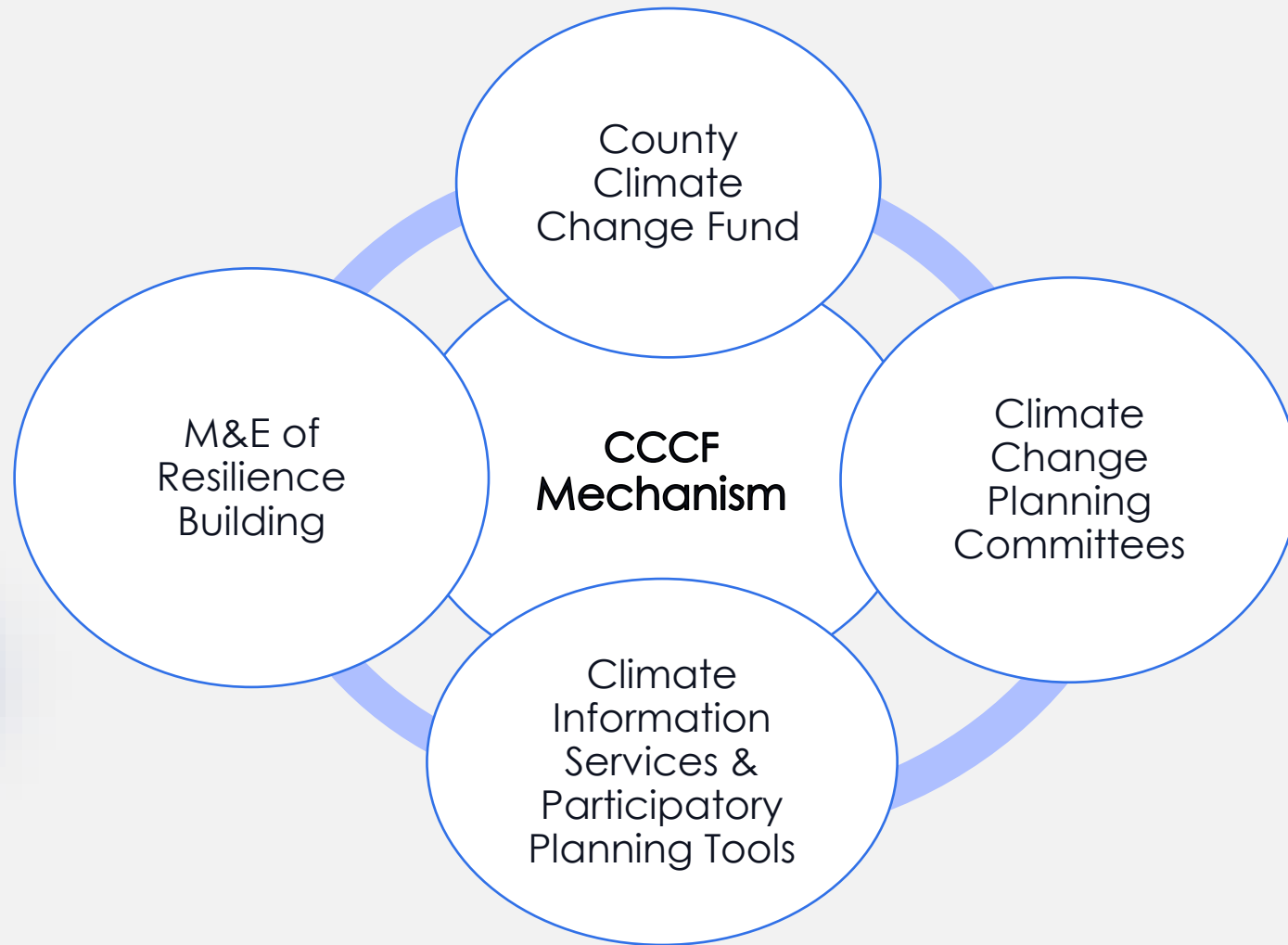
County Climate Change Funds operational in 33 counties in Kenya

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

CCCF's Mechanism Components



- Components work together to create a **participatory, inclusive** planning approach
- Decision making devolved to **local actors**– elected ward committees
- Committees lead public consultation, integration of **local knowledge**
- **Climate Information** integrated into planning from Kenya Meteorological Department
- Communities participate in **M&E** processes

Opportunities in Green Finance

The main areas of need that can be addressed through green finance are:

- **Agriculture**
 - Finance for the recovery from climate-related shocks
 - Finance for climate-smart and climate-resilient agriculture
- **Energy for cooking**
 - Finance for priority transition/ renewable energy development and related infrastructure
 - Finance for reforestation due to use of biomass and wood fuel
- **Water**
 - Finance for water conservation and water-source protection
 - Finance for sustainable water infrastructure for urban centres
- **Sanitation**
 - Finance for expanding/rehabilitating/ updating existing sanitation infrastructure
 - Finance for new sanitation infrastructure development

Types of financial vehicles and tools that can be used:

