



The Green Bond Opportunity at County Level

An initiative of FSD Kenya

September 2023

Project Objectives

- **Sub-national Government Green Bond Sensitization:** Support sub-national governments (counties) to learn about their green assets and potential, and their creditworthiness.
- **Green Bond Market Information:** Provide credible and actionable information on the potential that counties hold in terms of green bonds and related credibility.
- **Green Bond Use Case Development:** Develop concrete use cases on how sub-national green assets can be leveraged in the green bond market by both sub-national and national government.

Project Components

- **Economic and fiscal assessment:** County fiscal performance, strengths, challenges, and ability to take on (additional) debt including the consideration of potential revenue generation sources.
- **Credit risk assessment:** Estimate the county government's relative likelihood of defaulting on its obligations from the listing- Shadow credit rating
- **Green asset and activity assessment:** Availability of green investment opportunities and assets in the selected counties.
- **Green finance capability assessment:** County government skills and ability to manage green financial instruments (with a focus on green bonds) and related projects.

Project Partners and Roles

- **FSD Kenya: Project Originator, Leader and Funder**

- This project contributes to FSD Kenya's mission to support the development of an **inclusive green finance ecosystem** in Kenya (Green Finance Project).

- **Agusto & Co: Lead Consultant**

- Registered credit rating agency in Kenya, Nigeria and Rwanda and Approved Verifier by the **Climate Bond Standards Board** (as the first company of African origin) to perform verification of green bonds, projects, and assets in Africa.

- **Nairobi Securities Exchange: Private Sector Partner**

- NSE is home to Kenya's first green bond issuance by Acorn (\$41mn). This project contributes to NSE's green finance strategy to support the development of a pipeline of green investments and facilitate engagement with potential issuers & investors.

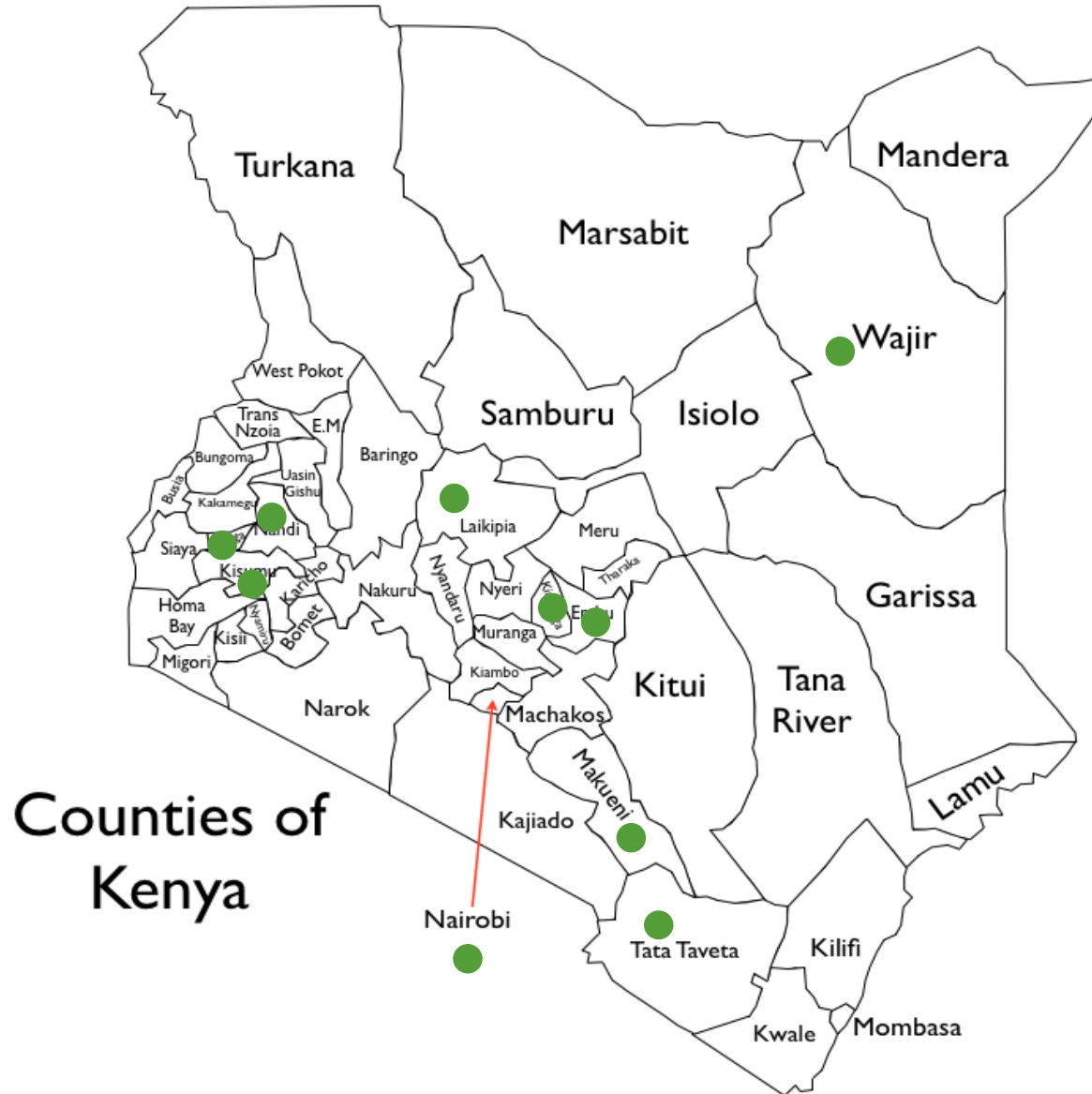
- **Capital Markets Authority: Regulatory Partner**

- **ADA Consortium: Project Mobiliser**

- ADA consortium engages sub-national government and stakeholders to provide on-site coordination, site visit and meeting arrangements.

Counties of focus

● Counties in ongoing assessment



Selected counties	Rationale for selection
<ul style="list-style-type: none"> ○ Embu ○ Kirinyaga ○ Kisumu ○ Laikipia ○ Makueni ○ Nairobi ○ Nandi ○ Taita-Taveta ○ Vihiga ○ Wajir 	<ul style="list-style-type: none"> - On-going green and climate-related initiatives and activities. - Existing relationships with strategic partners. - Implementation of the County Climate Change Fund (CCCCF) mechanism. - Expressed interest in issuing bonds, including green bonds. - Representation from each region and regional bloc.

County Engagement Methodology

Day 1

- Hold capacity building workshop with County Government officials including from the seven sectors related to climate change, and the Finance & Budget Departments
- Conduct Green Assets Identification and Assessment as well as measure County's Capabilities to access Green Bond Market

Day 2

- Hold capacity building workshop with Civil Society Organisations (CSOs), Community Based Organisations (CBOs) and Private Sector actors related to climate change
- Conduct Green Assets Identification and Assessment as well as measure Capabilities to support access to the Green Bond Market

Day 3

- Site visits to selected green assets for spot assessment of potentials to qualify for Green Bond financing

Day 4

- Additional site visits if required
- Debrief session with County Governor and Senior County officials on findings and next steps

Use Cases for Green Bond Issuances

Green Bonds Issued by County Governments or Designated Authorities

- Standalone green bond issues by creditworthy **designated authorities** owned by county governments with viable projects. E.g. [NAWASCO Green Bond](#).
- County green bonds issued through **SPVs** and constituting different projects within the county.

Multi-County Green Bonds or Green Asset-Backed Securities

- **Sector specific** Green Bonds constituting projects from different counties e.g. WASH Bond; also good for joint green assets shared across counties.
- **Multi-Sector** Green Bonds from different counties in different sectors- Good for sharing risk and piloting small counties in an aggregate manner.

Projects for a Kenya Sovereign Green Bond

- Some green assets identified by county are still under the authority and jurisdiction of **National Government bodies** (i.e. KFS, KWS etc).
- Opportunity to **delineate** between green assets, carbon assets, blue assets etc applicable to a green/climate/blue sovereign bond.

Debt-Climate Swap Projects

- **Aggregation of the value** of these projects to materially inform the scale of a possible debt climate swap.
- Projects could be **swapped out** for applicable public debt with relevant green/ climate KPIs.
- Draw on momentum behind debt-climate swaps; **learn from examples** especially Gabon and Seychelles

Guarantee: Funds from DFIs, Guarantee funds or multilaterals to guarantee new green bond issuance for credit enhancement.

Useful links

- [What does Climate Risk really mean for African economies?](#)
- [How climate finance can address the layered economic impacts of climate change in Africa](#)
- [How the County Climate Change Fund mechanism is empowering Kenyan communities to adapt to climate change](#)
- [Innovative lending product improves access to water and sanitation in Nairobi's Mukuru informal settlement](#)
- [Creating an enabling environment for a voluntary carbon market in Kenya](#)
- [The Impacts of Climate Change on Fiscal and Monetary Policy in Africa](#)
- [How to develop a green project pipeline in Africa](#)
- [Climate Finance: Four ways Africa can secure this new wave of financing](#)
- [How Africa can benefit from the private sector's growing interest in climate finance](#)
- [Green Finance in Kenya Report](#)
- [Environmental risk exposure in the Kenyan banking sector](#)
- [Financing affordable and climate resilient feeds for dairy farmers in Kenya](#)
- [Climate risk and finance: The banking industry's sensitisation on climate-related risk management](#)
- [Is the Task Force on Climate-related Financial Disclosures \(TCFD\) the right climate risk reporting standard for Kenya?](#)
- [Climate action in Africa: Pathways towards resilient sustainable cities](#)
- [Institutionalising County Climate Change Fund \(CCCF\): An opportunity for county governments to attract climate finance](#)



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