



# Insights on Policy Leadership in Green and Climate Finance

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September 2024



## Context of the Green Finance Project

- The Financial Sector Deepening Kenya (FSD Kenya) is an independent trust dedicated to the achievement of a financial system that delivers value for a **green and inclusive digital economy**, while improving the financial health and capabilities of women, and micro and small enterprises.
- FSD Kenya has a Green Finance Project dedicated to supporting the development of a **green finance ecosystem** and a greener real economy that is resilient to climatic and other environmental shocks, resource efficient and generates green investment, employment, and income generation opportunities for low-income Kenyans.



# The context and rise of FSD Kenya's Green Finance Policy Leadership

- FSD Kenya's Green Finance Project has three focus areas: i) Policy and Regulation; ii) Market-Driven Engagement; and iii) Knowledge, Research, and Thought Leadership.
- When FSD Kenya started the activities of the Green Finance Project in 2021, the organisation had limited gravitas in green and climate finance policy.
- In under three years, the FSD Kenya Green Finance Project has become a **trusted advisor and technical partner** to national and county governments, private sector, and development actors on green, climate and carbon finance policy and strategy.



# Strategic Partnerships with the National Government

## The National Treasury and Economic Planning, Climate Finance and Green Economy Unit

- This is the anchor partnership with The National Treasury situated in the Climate Finance & Green Economy Unit which is charged to provide technical support to The National Treasury on climate finance and green growth.
- The partnership includes collaboration on green finance activities in the Medium Term Plan IV of Vision 2030.
- This policy engagement incorporates targeted technical and financial assistance in shared activities and objectives focused on green, climate and carbon finance policy.
- This includes support and advisory to the National Treasury on sovereign green transactions and facilities with multilateral organisations.

## The Office of the Special Climate Envoy in the Executive Office of the President

- FSD Kenya partners with The Office of the Climate Envoy on green, climate and carbon finance policy.
- The project partners with The Office to identify and execute priority green, climate and carbon policy action.
- The partnership includes technical and financial assistance focused on carbon markets, carbon trading, carbon finance and related developments.

# Strategic Partnerships with the National Government

## The Capital Markets Authority (CMA)

- FSD Kenya developed a [technical and financial assistance agreement](#) with the CMA to strengthen the ESG policy and regulatory framework within the capital markets.
- The partnership is focused on fostering greener capital markets, enhanced sustainability disclosures by capital market actors, and support on carbon markets and trading.
- The CMA is the regulatory partner in the FSD Kenya County Green Finance Assessment and Green Project Preparation Facility.

## The Central Bank of Kenya (CBK)

- FSD Kenya partnered with the CBK and the Kenya Bankers Association (KBA) to enhance the banking sector's understanding of the CBK's [Guidance on Climate-related Risk Management](#).
- The guidance is focused on banks developing aptitude to manage potential disruptions to operations by climate change and other environmental challenges.
- Banks supported in this partnership submitted their climate risk management plans to CBK, as stipulated.

# Strategic Partnerships with County Governments

## County Climate Change Fund (CCCF) Mechanism

- FSD Kenya partnered with the Adaptation Consortium (ADA) from 2020 to scale out the County Climate Change Fund (CCCF) mechanism.
- The CCCF is a policy mechanism to deliver climate finance to county governments, and a prerequisite to accessing the [Financing Locally-Led Climate Action Program \(FLLoCA\)](#).
- FSD Kenya supported the development of the CCCF mechanism in 20 of Kenya's 47 counties.

## County Green Finance Assessment

- FSD Kenya deepened county green finance policy reach and knowledge through the [assessment of the potential for 10 counties to access the green finance market](#).
- The assessment was done with the approval of The National Treasury and Economic Planning, in partnership with Augusto & Co., the Nairobi Securities Exchange, the Capital Markets Authority, the Council of Governors and ADA Consortium.

## County Green Project Preparation Facility

- FSD Kenya created the facility to turn the opportunities unearthed during the green finance assessment into green deals and transactions.
- PwC Kenya was selected to manage the facility and prepare priority green projects.
- The facility will also deepen the sophistication of national and county green and climate policy instruments and capabilities.

# Insights and Lessons on Policy Leadership

These insights, developed by the Green Finance Project, have proven effective when developing policy approaches in a manner that fosters deep collaboration with government partners.

- **Act quickly when needed:** Sometimes there is an urgent request for support. It is important to have the ability for a quick turnaround on issues and support.
- **Exercise discretion:** Don't 'show off' the content, concerns and inside knowledge policymakers have shared in confidence. Build and maintain trust.
- **Offer value no one else can:** This often means centring the view of policymakers and avoiding prescriptive engagement.



# Insights and Lessons on Policy Leadership

- **Identify points of passion and pain:** Listen to what is not being said to unearth key issues of concern/tension. Learn what excites policymakers and integrate that into activities where feasible.
- **Adaptive delegation:** The requirements of activities with different parts of government evolve and change. Be willing to change what is delegated and who leads it.
- **Be clear on risks** and differentiate between those that can be managed within the organisational mandate those outside this remit. Plan and act with this in mind.
- **Be flexible:** Often requests and opportunities for strategic engagement occur outside working hours. It is important to be willing to work as required and engage during personal time when needed.





# Picture Gallery

- Top Left: Joint Official COP 28 Side event by FSD Kenya and The National Treasury and Economic Planning (Dec 2023).
- Top Right: Inclusive Green Finance Roundtable during the visit of Her Majesty Queen Máxima of the Netherlands to Kenya (Oct 2023).
- Middle Left: FSD Kenya meeting with Permanent Secretary of The National Treasury and Economic Planning, Dr. Chris Kiptoo.
- Middle Right: Launch of the County Green Finance Assessment (April 2024).
- Bottom Left: The Africa Green Climate Finance National Designated Authorities Network High Level Forum (September 2024).
- Bottom Right: Signing Ceremony for the grant agreement between FSD Kenya and the Capital Markets Authority (Jan 2024).



# Green Finance Thought Leadership Highlights

## Recent Events

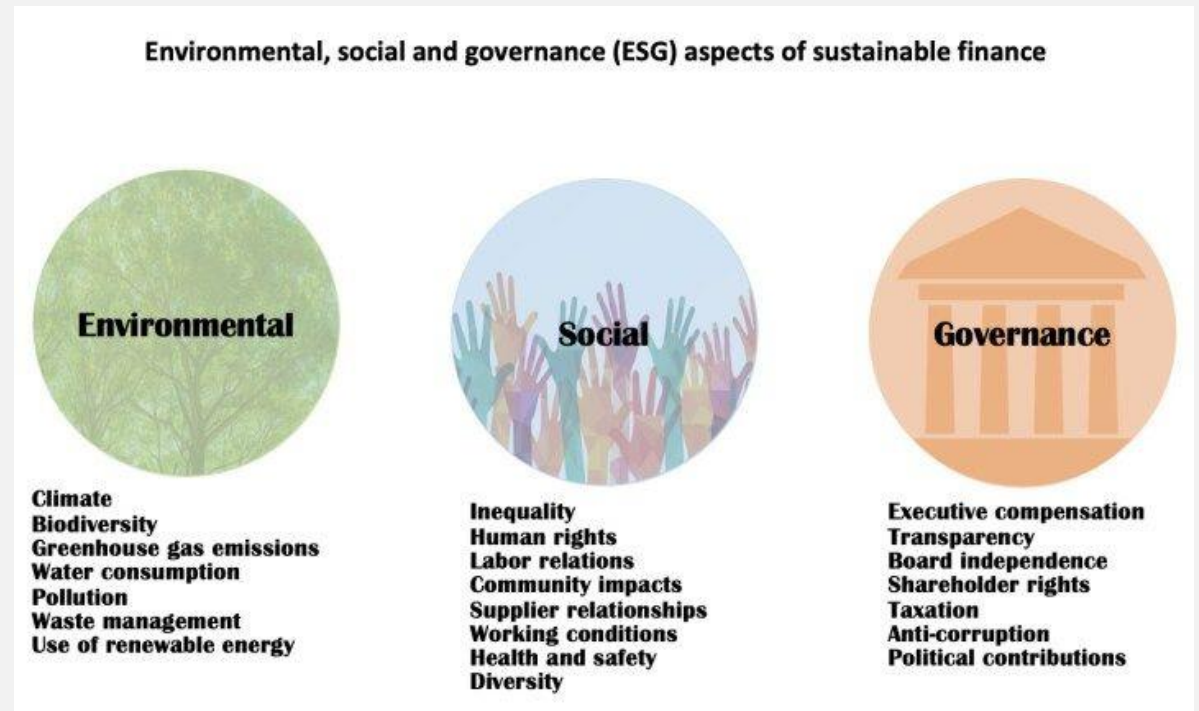
- [The Africa Green Climate Finance National Designated Authorities Network High Level Forum](#), with the National Treasury, August 2024.
- Launch of the [County Green Finance Assessments](#) with the National Treasury, Capital Markets Authority, the Nairobi Securities Exchange, Council of Governors and County Governments, April 2024.
- [The International Sustainability Standards Board Conference in Kenya](#) with the Capital Markets Authority, March 2024.
- **Scaling Up Green Financing Opportunities for Kenya** organised at the Kenya Pavilion during **COP28**, Dec 2023.
- Moderation of the Inclusive Green Finance Panel, Visit of the United Nations Secretary General's Special Advocate for Inclusive Finance for Development, **Her Majesty Queen Máxima** of the Netherlands to Kenya, October 2023.
- [The Green Bond Opportunity'](#), Official side event co-hosted with The National Treasury during the **Africa Climate Summit**, Sept 2023.

## Recent Articles and Reports

- [Opportunities and Practice of Green Finance in Kenya](#) for the Inter-Agency Taskforce on the development of the National Climate Finance Mobilisation Strategy for Kenya, February 2024
- [Africa's Inconvenient Truth: Debt Distress and Climate-Resilient Development in Africa](#), DRGR, August 2023
- [What does Climate Risk really mean for African economies?](#), OECD Development, July 2023
- [How climate finance can address the layered economic impacts of climate change in Africa](#), British International Investment, May 2023
- [How the County Climate Change Fund mechanism is empowering Kenyan communities to adapt to climate change](#), FSD Kenya, May 2023
- [The Impacts of Climate Change on Fiscal and Monetary Policy in Africa](#), Illuminem, April 2023
- [Green Finance in Kenya](#), FSD Kenya, May 2022

# Annex: 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, Sustainable investment funds, Social venture capital.

# Annex: 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.

Creating Value through Financial Inclusion  
FSD Kenya.



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