Scaling Kenya's Green Economy: Financial Institutions at the Heart of the Transition

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To Mobilize at Scale, Kenya Must Illuminate the Pathways of Green Finance

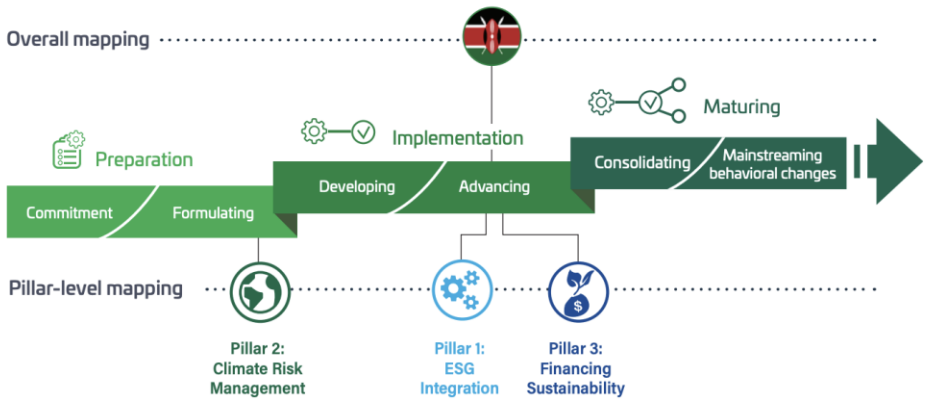
Context:

- Kenya's green economy requires significant financing across sectors (energy, transport, agriculture, industry)
  - NDC 2025: Total financing needs updated and estimated at **$40.2 Billion** ($22.5 Billion for mitigation $17.7 Billion for adaptation and addressing loss and damage)
- Domestic (public & private) and international capital are expected to meet these needs – and some capital has already been mobilised ($2B as of 2018 – NIMES/CIMES tracked)
  - Of which, Kenya aims to mobilise **19%** of financing domestically, while remaining **81%** to come from international support

Problem Statement:

In spite of Kenya's 'advanced' stage of the IFC's Sustainable Banking and Finance Network (SBFN) Progression Matrix,
Major blind spots remain in the **understanding, flows, and effectiveness** of green finance, particularly through the private sector

Figure 3: Mapping of overall country progress and individual pillar progress



The Research:

Constitute a focused working group, key informant interviews with banks & financial institutions to understand practical challenges

- Foresight Paper
- Knowledge Dissemination
- Policy Guidance note

A Brief Landscape Analysis

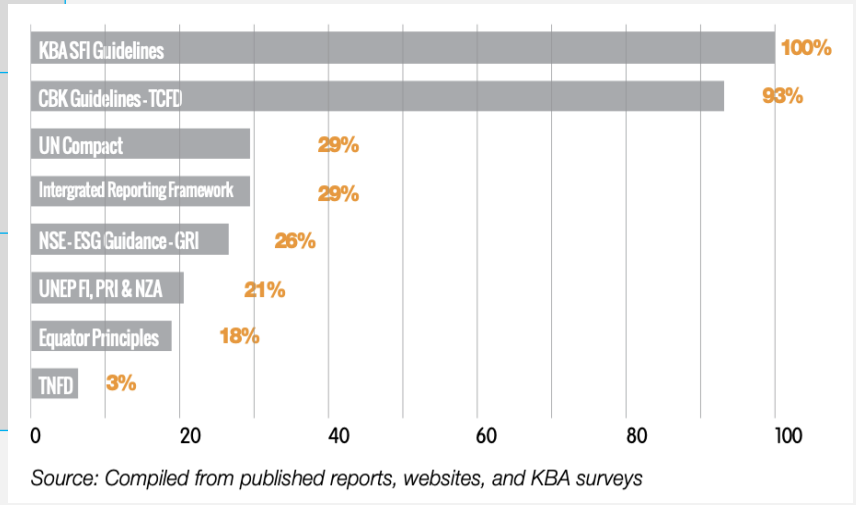
Drivers

- Kenya's urgent development and climate priorities, which require large-scale financing to implement - Kenya SDG indicator analysis: Out of 168 indicators – 60% positive progress, 12% stalled/stagnated, 17% regressing with 11% not discernible due to lack of comparable data
- National development vision, policy goals, climate action targets, sectoral strategies, and social equity ambitions geared towards solving the nation's pressing development challenges.
- Financial sector-specific initiatives that embed sustainability principles into mainstream finance (CBK, NSE, ICPAK)
- Demonstrated viability of sustainable finance projects
- Kenya's financial health - growing vulnerability within the population & strong latent demand for financial solutions that can offer safety nets against climate shocks

Actors

Bank	Green Share ('25)
KCB	15.5%
EQUITY	3.1%
absa	19%
Stanbic	2.2%
NCBA	2.6%

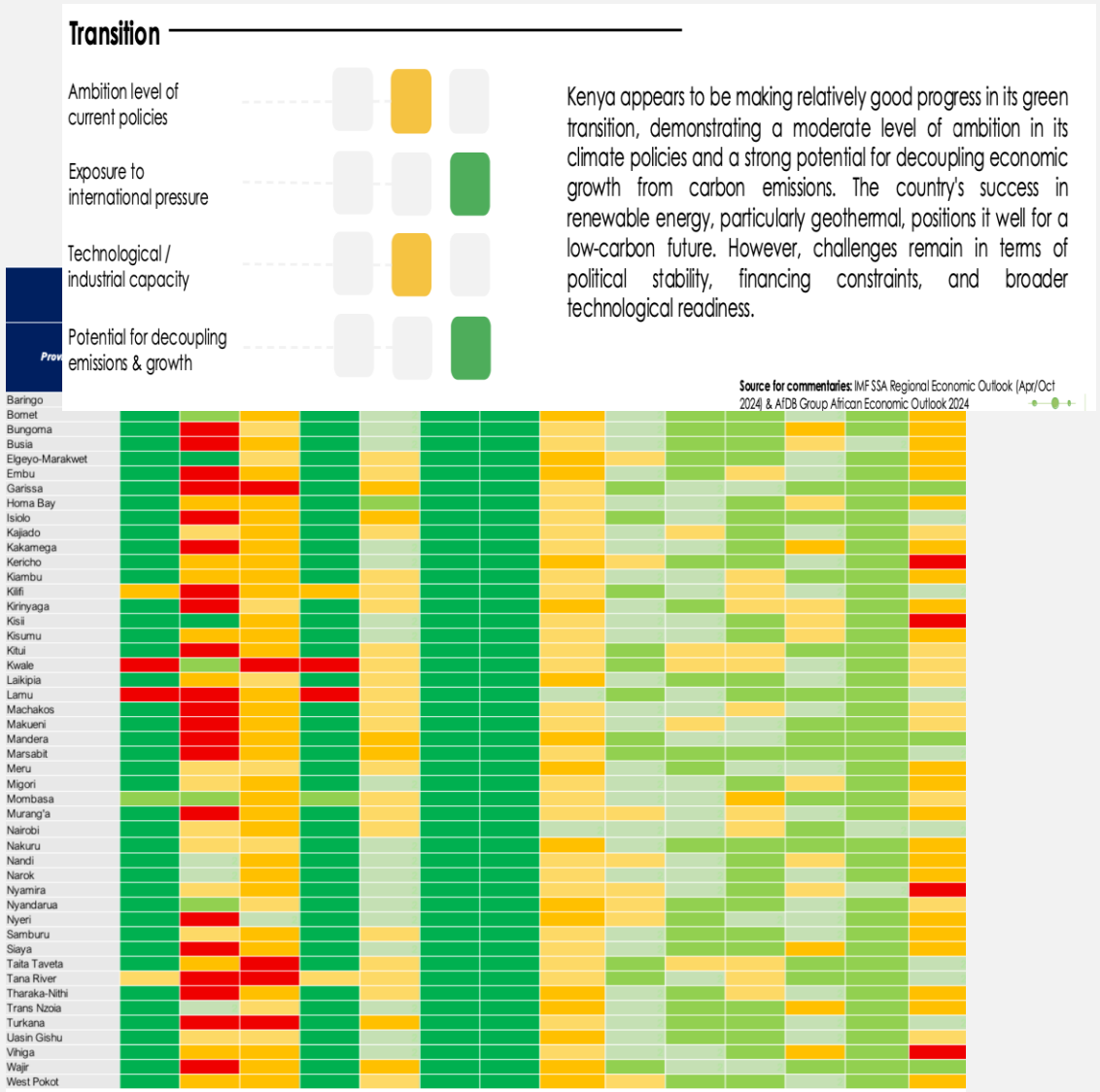
- 100% of commercial banks have adopted sustainable finance principles.
- 83% use TCFD-aligned disclosure templates; 73% comply with CBK's climate risk guidelines.
- However, **climate-aligned lending** remains a small fraction of total bank portfolios, and **pipeline development** for bankable projects is still weak



Source: Compiled from published reports, websites, and KBA surveys

Understanding Financial Institutions Green Finance Needs

Kenya faces **moderate** physical & transition risks due to its overall prioritisation of a shift towards a low-carbon economy



Three Risk Lenses

1 Stranded Asset Risk (Physical + Transition)

- ✓ **Exposure**: % of portfolio in sectors vulnerable to carbon policy, market shifts, or climate damage
- ✓ **By 2030**: Carbon pricing or fuel bans (affects cost structures or asset values). Potential for write-downs / reduced collateral values
- ✓ Net Zero Commitments/ SBTIs

2 Climate-Linked Credit Risk

- ✓ **Our NPLs:** research into the % of non-performing loans linked to E&S and climate impacts (e.g., flooding, drought, commodity volatility)
- ✓ **By 2030:** higher probability of default → increased provisioning → lower profitability

3 Competitive & Regulatory Risk

- ✓ Scope III emissions disclosure mandatory under IFRS S2 from 2029
- ✓ Growth of green share across banks
- ✓ Risk of being a follower v. market leader in green finance
- ✓ Faster movers capture export (CBAM, EUDR) infrastructure (large projects requiring green finance eligibility), and renewable energy segments first
- ✓ Lower green share limits access to lower-cost capital pools
- ✓ Regulatory tailwinds: Kenya Green Finance Taxonomy, CBAM, EUDR

To Scale Green Finance in Kenya, We Must Address Core Systemic Gaps

Strategy & Roadmap

- Lack of a clear national roadmap to guide sector-level sustainable finance priorities (vs. SA, Uruguay, Mongolia)
- Unverified assumptions on demand-side needs, innovation capacity, and bank incentives for green lending.
- Undefined sustainable finance CVP limiting product development and market positioning
- Weak alignment between lending practices and Kenya's NDC/NCCAP priorities.

Data, Transparency & Reporting

- Private sector finance flows inadequately captured in national tracking.
- Limited transparency on the pricing of green vs. conventional finance.
- Inconsistent disclosure standards across CBK, CMA, NSE, and IFRS frameworks.
- Weak regulatory feedback loops—limited evidence that disclosures influence policy or supervision.

Market Alignment & Inclusivity

- Fragmented mapping of sector-specific finance needs, creating disconnects with national climate goals.
- Global standards biased toward mitigation; critical adaptation sectors underfunded.
- Formal, structured financial products misaligned with Kenya's SME- and informal-driven economy