



The green finance Kenya 2025 roundtable

Green and sustainable housing

September 2025

Presented By
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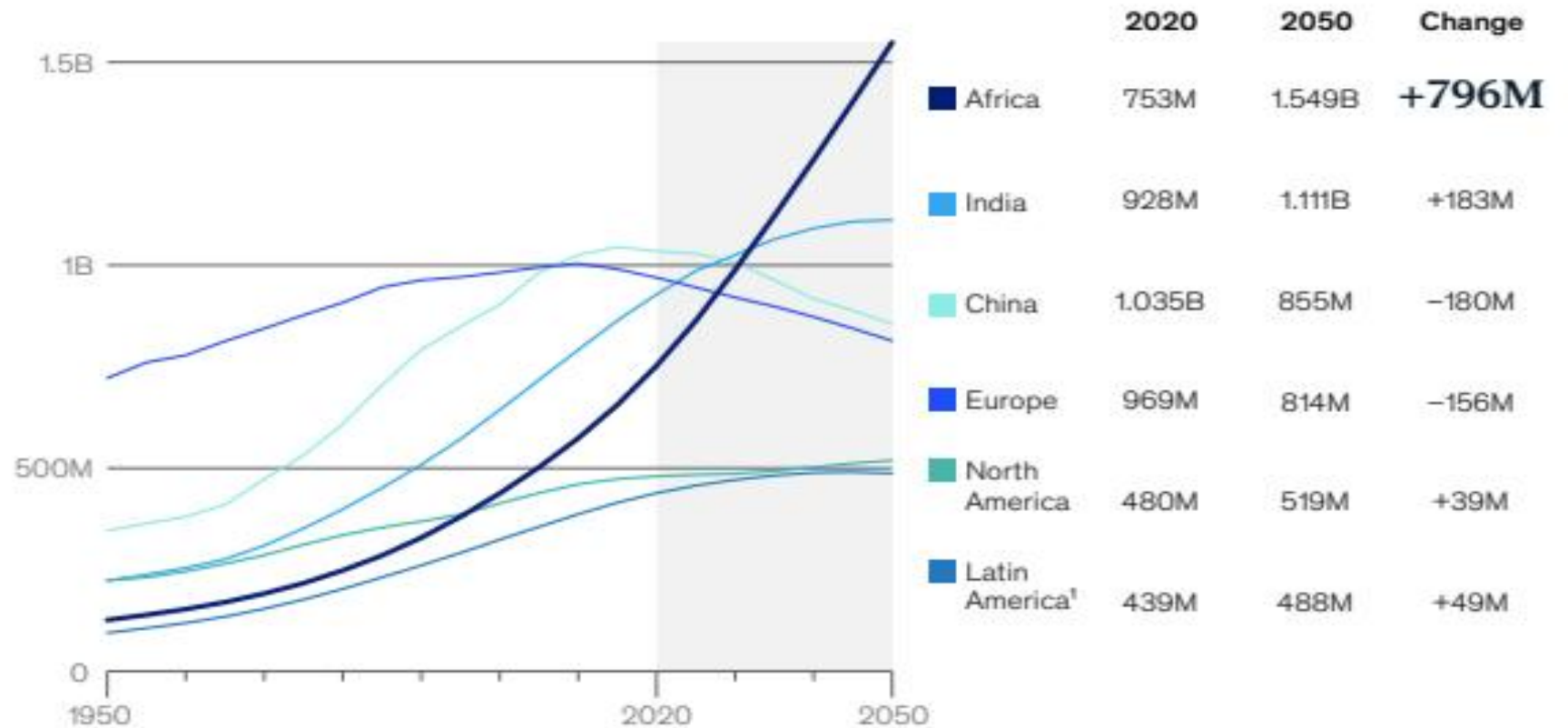
Materials credited to: Prof Marja Hoek- Smit, Emeritus Professor at The Wharton School,
Founder of Housing Finance Information Network HOFINET and International Housing Finance
Program



Africa and India will have fastest increase in working age population; # of households

- **Africa** will have the largest and youngest population by 2050
- Africa will add 796 million pp to the global workforce
- **India** is distant second with 183million
- Workforce growth can be **big boost to economic growth**

Working-age (15–64) population



[†]Includes the Caribbean.
Note: Data for 2020–50 are projected using medium variant scenario.
Sources: UN Population Prospects 2022; McKinsey Global Institute analysis

• Housing sector offers major economic opportunity

From household perspective: largest part of savings, wealth (50% to 90%), source of debt, household consumption (10-30%), and critical in household and community well-being

From a macro-economic perspective:

- Large part of GDP - (consumption ~11% -13% and investment ~4-6%)
- Gross fixed capital formation 4.5 to > 9.4 percent of GDP in past 45 years in OECD countries
- Large source of employment (5% to 10% in building industry + spill-overs)
- Major component of CPI (complex transmission impact for inflation mitigation measures by CBs)
- Prone to bubble and burst cycles linked to credit; impact on banking/financial sector

Large resource for local government revenue

- Property tax channel

And from a sustainability perspective

- Prone to disasters as largest part of the built environment
- Energy intensive; Emitter of GHG

- **Increase in frequency, volatility, scale and costs of disasters + global warming, impact housing disproportionately**

Droughts and heatwaves sources of risk + **floods**

Inflict growing **economic costs**

And human suffering

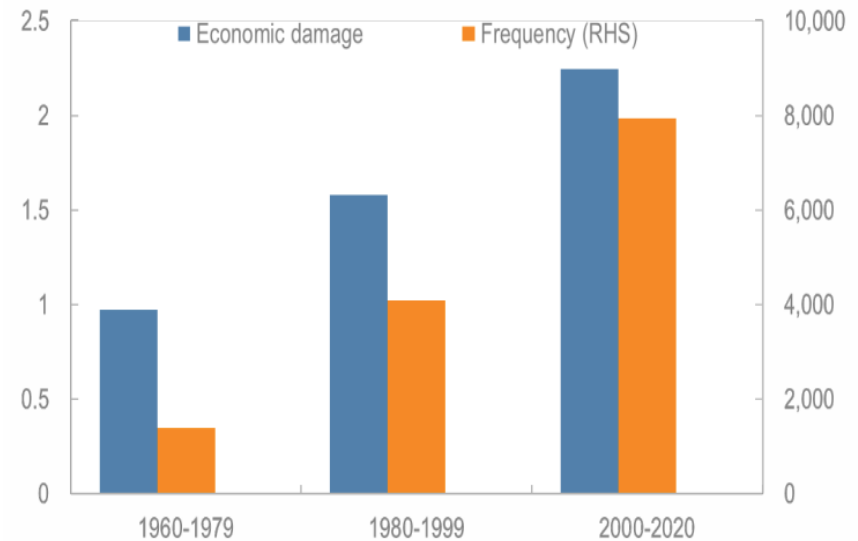
Global warming causes increasing population displacement; health effects (see Santamouris' work)

Need for large-scale housing /climate infrastructure investments (est. 9% of global)

Need focus on EMDEs – will require subsidies

Climate-related Disasters

(Economic damage in percent of countries GDP (simple average), frequency in total number recorded)



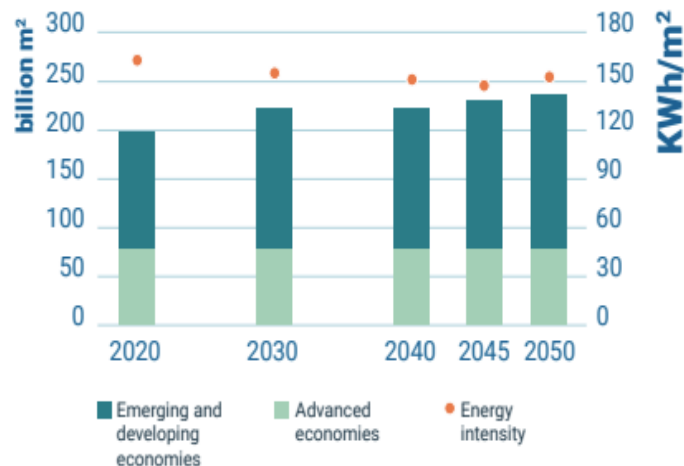
Sources: Our World in Data based on raw disaster data published by EM-DAT, CRED / UCLouvain, Brussels, Belgium – www.emdat.be (D. Guha-Sapir).

Residential buildings are energy intensive & contribute to carbon/ghg emission

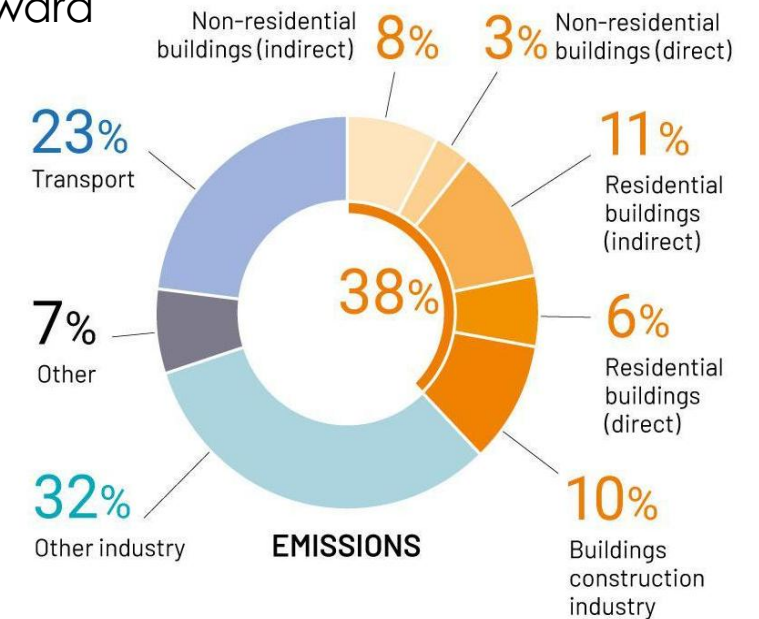
Buildings contribute ~39% of global energy consumption

Residential buildings are largest part of total buildings – use 28% of total energy consumption and 17% of total CO2 emissions (OECD)

Because of population size, growth and urbanisation, emerging markets floor area increases more than advanced economies => increasing contribution to climate risk going forward



Source: IEA 2021. All rights reserved. Adapted from "Tracking Clean Energy Progress" (IEA 2021c).



• Housing finance sector as catalyst to develop • a green affordable housing market

1. Standardised guidelines for green construction are **foundation**

- ICMA, EDGE, LEED, others have issued global guidelines for green, social, sustainable construction/housing – role of ISSB
- But green standards alone do not create a market; green standards tied to finance & investment do

2. Create virtuous cycle: **green construction**  **green financing**

3. New Green Standardized Investment Products for primary and secondary housing finance market: Energy Efficient Mortgages (EMF initiative started in 2018), green mortgages or social mortgages (mostly for affordable housing)

3. Secondary market instruments:

- green, social and sustainable covered bonds (ECBC product with approved standards)
- Sustainable securitizations: important in bringing funding to smaller sustainable projects – opening up pool of investors

Adoption of ISSB disclosure standards in major jurisdictions – voluntary and expanding



Open consultations with different institutions in the following countries:

- Chile
- Switzerland
- Uganda
- South Korea
- Japan
- Brazil
- China
- Canada
- India
- Singapore
- Malaysia
- Nigeria
- Australia, Pakistan, Philippines
- UK
- South Africa
- HK
- EU

Data as of October 2023. Source: MSCI ESG Research

• Disclosure/reporting requirements for • Green/Sustainable Labelling Evolving --

Private capital requires clarity on **disclosure and reporting requirements**

Regulators are creating global standards – current set back in reaching consensus!

Specific national/regional requirements differ ...

- EU applies “principle adverse impact” indicators (PAI) (do no significant harm)
- US SEC less prescriptive for now in “fund name” & disclosure rules (political backlash)
- Negative effect on # of ESG named funds
- EMDC Companies more often fail to meet PAI criteria => effectively ineligible for investor portfolios

Transparency and disclosure by financial institutions are critical drivers to guard against greenwashing – regulated

EDGE: Excellence in design efficiencies

Reduction in energy consumption, water use and embodied energy of materials

EDGE Basic / Advanced: 20% / 40% reduction compared to base

FSD sponsored Kwangu Kwako, a local alternative building manufacturer and affordable housing developer to pursue EDGE certification. Obtained EDGE Advanced

Insights from certification journey:

- Smaller units and higher densities in affordable housing – no additional credit
- Occupiers use public transport, no car parking, no washing machines / cooling etc
- Baseline country uses renewable energy in national grid – more efficient than onsite renewable energy
- Costs and time of certification for small projects

EDGE ADVANCED

Exemplifying achievement in the following areas:

41%

Energy Savings

49%

Water Savings

65%

Less Embodied Carbon in Materials

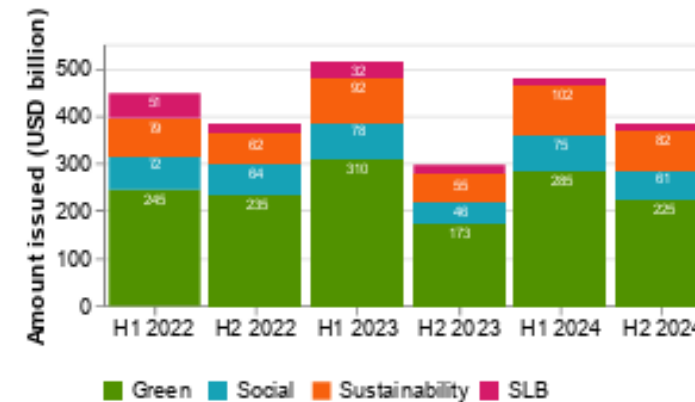
0.36 tCO₂/unit/year
Operational CO₂ Emissions

13.37 tCO₂/unit/year
Operational CO₂ Savings



Growing interest by investors

- Green bonds remain most frequent issued label ;
 - 56% of outstanding principle
 - 59% of all labelled funds issued in 2024
- Green, Social, Sustainable all use-of-proceeds bonds
- New Sustainability-linked bond (SLB) label requires issuer sustainability performance indicators (KPI) – least issued
- Predominantly issued by AE, China and some large EM
- Social Bonds, which are mostly for affordable housing, were only 16% of bonds issued and grew the least



Data as of Dec. 31, 2024. Source: FactSet, MSCI ESG Research



Issuance Trends and Market Breakdown by Label – Labelled Bond Market; MSCI, April 2025



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