



Insights on Policy Leadership in Green and Climate Finance

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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

Below are insights on approaches that foster meaningful and fruitful 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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