

## Bridging Horizons

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# Navigating the Climate Finance Frontier in East Africa

February 2024





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Their unwavering commitment to advancing climate-resilient initiatives and sustainable development in the region has been instrumental in shaping the discourse surrounding climate finance and catalyzing positive change. We deeply appreciate their willingness to share their knowledge and experiences, which have undoubtedly enriched our collective understanding of climate finance dynamics in East Africa.

We are profoundly grateful for their pivotal role played in fostering innovation, resilience, and sustainability across East Africa. Amidst the urgent call for climate action initiatives, particularly in Africa where the need is profound, their collective endeavors serve as a beacon of hope. They inspire us towards a future defined by robust environmental stewardship, heightened social equity, and sustained economic prosperity.

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# ABOUT US



Fie Consult LLP, is a leading Transaction Advisory & Management Consulting firm dedicated to fostering sustainable growth in Africa's entrepreneurship and development sector. Specializing in high-growth businesses, NGOs, investors, and government agencies, Fie Consult provides a comprehensive suite of services, including Transaction Advisory, Strategy Consulting, Operations Consulting, Climate Action Advisory, International Trade Consulting, and International Tax Advisory. With a successful track record of advising and structuring over USD 500 million in investment deals, the firm facilitates fundraising and investment transactions, develops customer-centric growth strategies, and streamlines organizational operations. Operating from its offices in Kenya and Rwanda, Fie Consult has completed over 210 engagements across 15 sectors in 12 countries within Sub-Saharan Africa. These engagements have empowered businesses and development organizations to access funding, implement growth strategies, and streamline operations. Fie Consult's decade-long commitment to excellence and sustainability positions it as a trusted partner in driving economic transformation across the continent.



EAVCA is a business membership organization that serves as the voice of private capital investors in East Africa. The Association was formed in 2013 to promote partnership between capital providers and business in the region, while at the same time showcasing the opportunities for investment in East Africa. Today, EAVCA serves as the interlinking platform for public stakeholders, local businesses, and private investors, building on dialogue and industry insights to create a sustainable, informed eco-system that advances economic growth, social and environmental welfare and wealth creation in the region. With offices in Kenya and a regional office in Uganda, EAVCA's membership comprises financing institutions such as: development finance institutions, private equity and venture capital funds, impact funds, family offices and intermediary advisory companies.

# Foreword



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**Christine Maina**  
CEO  
EAVCA

I am delighted to present this insightful report on the **Navigating the Climate Finance Frontier in East Africa**. As we navigate the challenges posed by climate change, this report serves as a valuable guide, highlighting the urgent need for strategic investments in climate resilience.

In the face of rapid urbanization, expanding infrastructure, and increasing energy-access demands, East Africa presents significant opportunities for sustainable development. This report not only sheds light on the region's vulnerabilities but also emphasizes the potential returns from investments in climate-resilient infrastructure and renewable energy. I encourage all stakeholders to delve into the findings of this report, as we collectively work towards building a resilient and sustainable future for East Africa.



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**Jeremy Riro**  
Managing Partner  
Fie Consult

This report on climate finance in East Africa marks a significant milestone in our commitment to address climate change challenges. At Fie Consult, we emphasize the importance of climate finance in driving positive change. The report showcases progress in the region and our role in facilitating access to climate financing for our clients.

Through partnerships and innovative approaches, we've supported organizations and businesses, contributing to resilience against climate change. This report serves as an inspiration for renewed dedication to climate finance and sustainability, urging stakeholders to mobilize resources and invest in the future of East Africa. We extend our gratitude to all contributors and hope this report sparks continued collaboration for a more sustainable future.



# Aim & Methodology

This report, a collaborative undertaking between **Fie Consult and the East Africa Venture Capital Association (EAVCA)**, offers a comprehensive analysis of the evolving financial dynamics in the region in response to climate change. By blending local insights with global expertise, the report uncovers critical challenges, promising opportunities, and emerging trends shaping climate finance in East Africa.

The report underscores the pivotal role of climate finance in facilitating the transition towards a low-carbon and resilient economy across East Africa. Leveraging deep-rooted knowledge of regional economies and business environments, coupled with extensive global networks, the report provides actionable insights for stakeholders seeking to navigate the complex intersection of finance and sustainability.

In leveraging insights from select investor members of the East African Venture Capital Association (EAVCA), we fortified the report with firsthand perspectives on the regional investment landscape. This strategic collaboration not only deepens our understanding of investor priorities but also sheds light on innovative strategies aimed at advancing sustainable and climate-resilient initiatives across East Africa.



# Executive Summary

In the broader context of climate change effects, the urgent need for climate adaptation and mitigation in East Africa is further emphasized by the region's rapid urbanization, expanding infrastructure, and increasing energy-access demands, which present significant investment opportunities.

Despite East Africa being part of a continent still considered economically disadvantaged by global standards, it is experiencing profound transformations. With hundreds of millions of individuals facing challenges such as food insecurity, water stress, and limited access to electricity, the imperative for critical infrastructure and energy enhancements becomes even more pressing.

The unique vulnerabilities of East Africa's weather system, influenced by the temperature gradients of the Pacific and Indian Oceans, underscore the region's susceptibility to climate impacts. As East Africa confronts the adverse effects of climate change, investing in climate resilience, sustainable infrastructure, and renewable energy emerges as a critical imperative.

These investments not only contribute to the region's adaptation and mitigation efforts but also align with the broader economic shifts underway across East Africa.

Investing in climate-resilient infrastructure and renewable energy holds vast potential returns for East Africa. Early investors stand to unlock billions of dollars in returns, with emerging sectors like sustainable agribusiness and fintech outpacing traditional industries.

This dual strategy addresses climate vulnerabilities while seizing transformative investments, emphasizing the link between climate resilience and economic development in the region. It emphasizes the need for sustainable growth strategies that tackle climate challenges and harness emerging opportunities for prosperity and resilience in the region.

**As climate change continues to exert profound impacts on the region's socio-economic fabric, the insights presented in this report serve as a catalyst for informed decision-making, fostering collaborative efforts towards building a more sustainable and resilient future for East Africa**



# East Africa Economic Overview

East Africa experienced a decline in real GDP growth, dropping from 4.7% in 2021 to 4.4% in 2022. However, this figure surpassed Africa's average of 3.8%, only trailing behind Central Africa's growth of 5.0%. The deceleration in growth resulted from various factors, including the global economic slowdown, increased consumer prices, adverse weather conditions, and a rising public debt.

The majority of East Africa's real GDP growth stemmed from the services sector, contributing almost half of the economic growth in 2022. This sector contributed 2.0 percentage points to GDP growth, although it was slightly lower than the 2.5 percentage points averaged during the period from 2015 to 2021.

The region's natural and cultural attractions attract tourists globally, creating demand for services such as accommodation, food, and entertainment.



# Integration Progress in East Africa Community

Against this economic backdrop, the EAC has been a driving force in regional integration since its inception in 2000. The fully operational **East African Customs Union Protocol**, since 2010, marked the beginning of the integration journey, reducing non-tariff barriers and enhancing the business environment.

The **Common Market Protocol**, effective from July 2010, further deepened cooperation among partner states, facilitating the free movement of goods, services, people, labor, and capital. Notably, the inclusion of the Democratic Republic of the Congo in 2022 expanded the EAC's combined GDP by around 22%, demonstrating the community's increasing economic strength and competitiveness.

The journey towards a **Monetary Union**, outlined in the 2013 protocol, has seen notable progress, with the establishment of the East African Financial Services Commission (EAFSC) in December 2022. However, the anticipated timeline for a single common currency has been extended to 2031, showcasing the complexities involved.

The **Political Federation** remains the ultimate goal of EAC integration, aiming to unify member states into a cohesive political authority capable of addressing shared political, social, and economic challenges through coordinated policies.<sup>1</sup>



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<sup>1</sup> East Africa Macroeconomic Outlook, Deloitte



# Climate Commitments in East Africa

With only \$29.5 billion committed for climate finance to Africa against \$250 billion needed, East Africa in 2020 received a mere \$10 billion against an estimated requirement of \$82 billion per year.<sup>2</sup> East African countries submitted their revised Nationally Determined Contributions (NDCs) between 2020 and 2022, with Uganda being the most recent to update its NDC in September 2022. According to the updated NDCs, these countries aim to reduce Greenhouse Gas emissions (GHG) by an average of 37% by 2030, compared to the business-as-usual scenario.<sup>3</sup> This marks a notable increase in mitigation ambition from the 32% average in 2020.



The reduction will be achieved through both unconditional and conditional measures, relying on international support for means of implementation, including finance, investment, technology development and transfer, as well as cooperative approaches under Article 6 of the Paris Agreement.

**The regional NDCs estimate that approximately USD 394.2 billion will be required for mitigation and adaptation actions across all sectors and countries until 2030. Most East African countries explicitly express their interest in utilizing international market-based mechanisms to fulfill their NDCs.<sup>4</sup>**

Ethiopia for example, indicates that it will require 80% primarily from international climate finance sources<sup>5</sup> - while Kenya has indicated it will need 87% of funding from these international climate finance sources further adding that it will consider any finance which comes as a loan to be part of its own domestic resources.<sup>6</sup>

**\$72 billion funding gap  
threatens climate action  
despite renewed  
commitments**

<sup>2</sup> Priming private sector investment in climate adaptation innovations in East Africa

<sup>3</sup> Paris Agreement National NDC Submissions

<sup>4</sup> Eastern Africa Alliance On Carbon Markets And Climate Finance

<sup>5</sup> Ethiopia Updated Nationally Determined Contributions (2021)

<sup>6</sup> Kenya Updated Nationally Determined Contributions (2021)



# Climate Vulnerabilities and Financing Landscape in Africa

Africa's rapid urbanization, expanding infrastructure, and energy-access needs present substantial investment prospects. Despite the continent still being considered poor by global standards, it is undergoing significant transformations. The presence of hundreds of millions of individuals facing challenges such as food insecurity, water stress, and limited access to electricity heightens the urgency for infrastructure and energy enhancements. Investing in these sectors holds the potential to unlock huge returns for early entrants, with new value chains—ranging from sustainable agribusiness to fintech—outperforming traditional sectors like extractive industries.<sup>7</sup>

Simultaneously, Africa's abundant mineral reserves, crucial for clean power technologies, position it as a pivotal player in the global energy transition. With an improved governance framework and favorable investment conditions, coupled with an expanding middle-class consumer base, both private and public investors stand poised to swiftly capitalize on these opportunities.

However, Africa is confronted with substantial vulnerabilities arising from the intensifying impacts of the climate crisis. In 2020, the continent experienced an escalation in extreme weather events, with 9 out of the 10 most affected countries globally being African.

The ensuing years saw an annual average of 16.5 million people affected by droughts and floods, jeopardizing food security and disrupting vital agricultural and livestock systems.<sup>8</sup> Additionally, coastal communities faced escalating challenges, including land area reduction, coastal flooding, and intensified storm surges due to rising sea levels.

African nations have demonstrated commendable National Determined Contributions (NDCs) to combat climate change, surpassing the global average. However, translating these goals into reality calls for substantial climate finance support.

**The estimated funding required for African countries' NDCs from 2020 to 2030 is approximately \$2.8 trillion, constituting over 93% of Africa's GDP**

Source: Climate Finance Needs of African Countries

Countries have enhanced their updated NDCs through an inclusive process of collecting climate information and consulting a variety of stakeholders in their implementation strategies.<sup>9</sup>

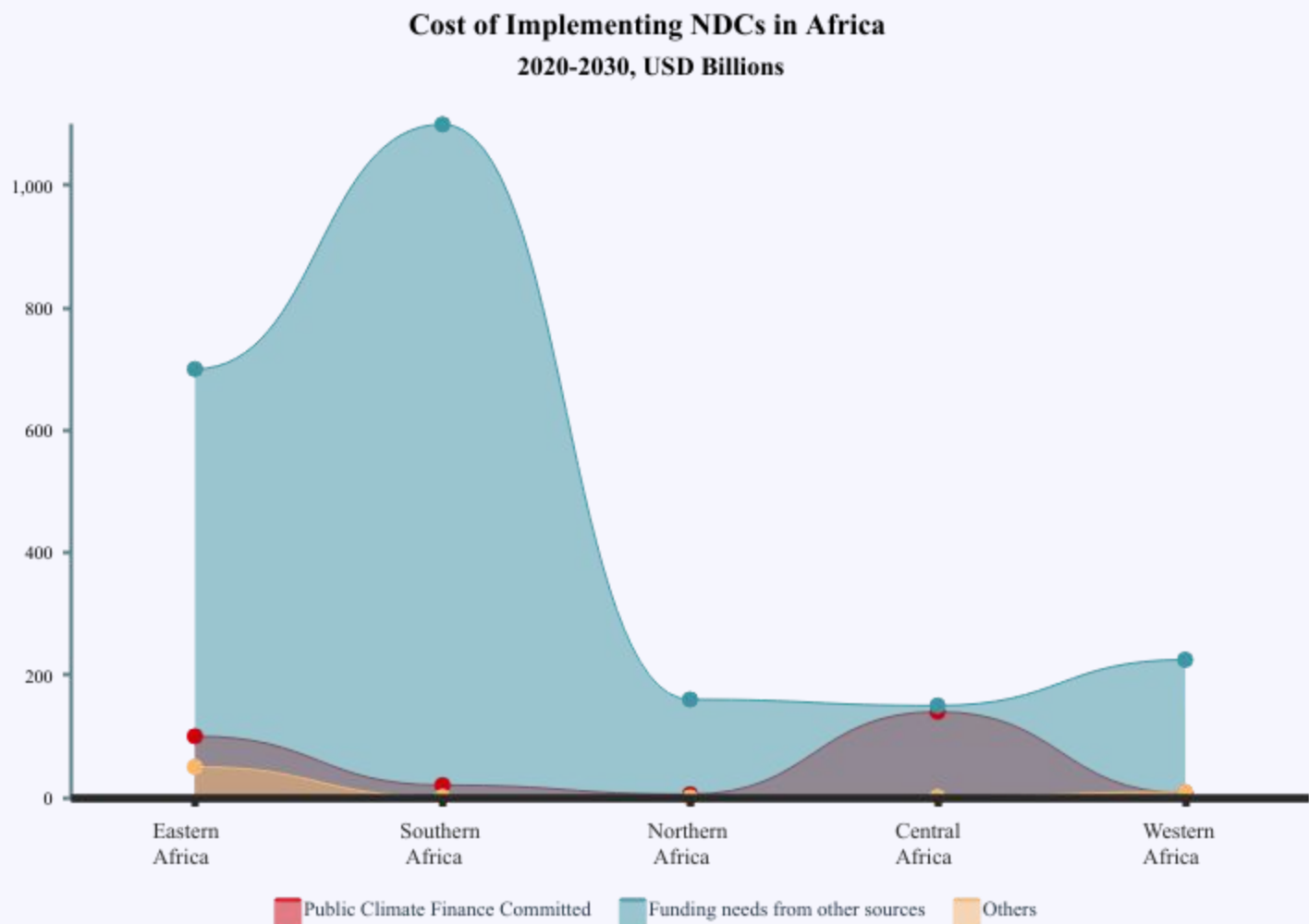
<sup>7</sup> EY-Why Africa is becoming a bigger player in the global economy

<sup>8</sup> State and Trends in Adaptation 2022 Report: Africa (Volume 2)-GCA

<sup>9</sup> Africa's NDC journey and the imperative for climate finance innovation

Consequently, there has been an augmentation of transparency in modeling, planning approaches, and underlying assumptions in climate assessment and climate action. Moreover, a significant number of updated NDCs underscore the participation of diverse stakeholders in the revision process, including consultants at the sectoral level and working groups at the local level and the involvement of youth and women in climate action. According to a report by the Climate Initiative Policy, Africa is attracting only 12% of the

USD 250 billion required annually to meet its NDCs. Of the USD 29.5 billion climate finance committed in 2020, 85% came from the public sector; while the private sector contributed the remaining 15%. With most governments in Africa facing a shrinking fiscal space occasioned by rising debt to GDP ratios, rising inflation and local currencies depreciation; private investments become the go to alternative to bridge the huge climate funding gap in the continent.



# Synopsis of Climate Finance In Africa

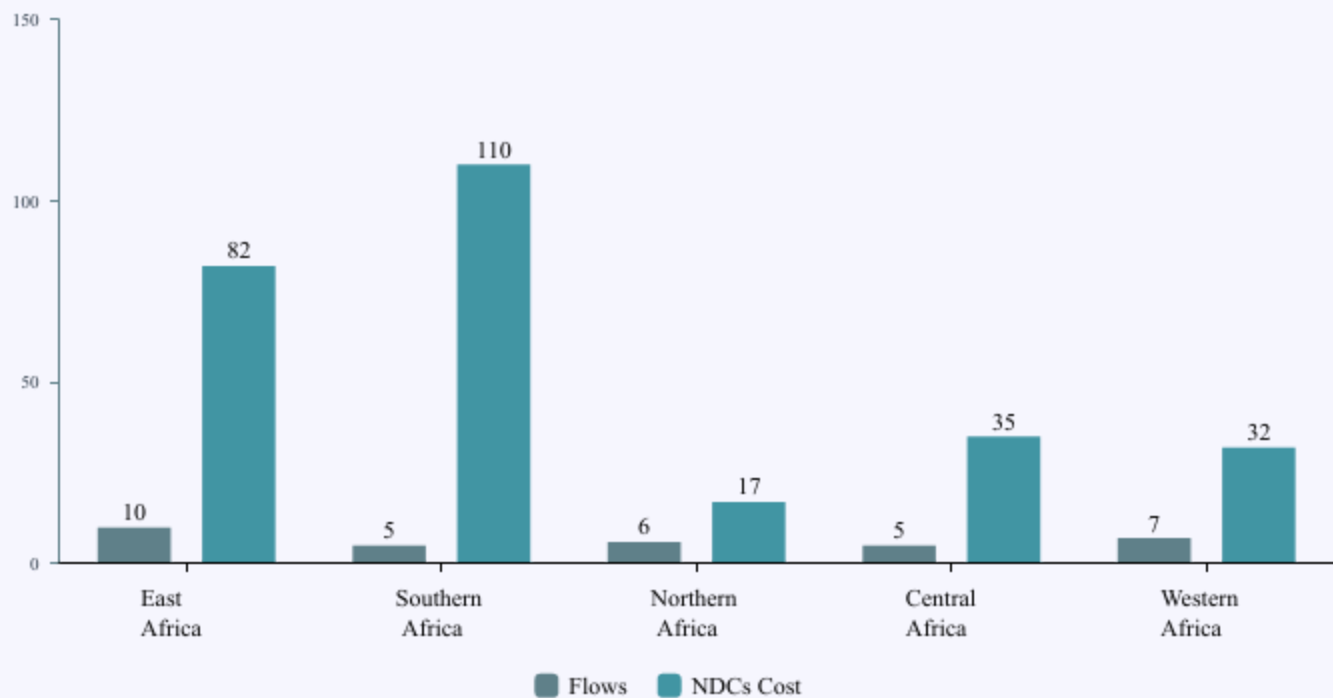
African nations contribute a relatively small proportion to the global climate finance landscape. The predominant players in global climate flows are East Asia and the Pacific, primarily due to China's substantial presence in the region, followed by Western Europe and North America.

In the context of the Middle East and North Africa, climate finance amounted to \$32.6 billion during 2019/2020, constituting 2% of the global total.

In sub-Saharan Africa, climate investment reached \$43.8 billion, representing 3% of the global total. Notably, within Africa, a significant portion of climate finance gravitates towards the largest economies, with approximately one-third directed to five major markets: Morocco (7%), Nigeria (7%), Kenya (7%), Ethiopia (6%), and South Africa (5%).<sup>10</sup>

In 2019/20, Sub-Saharan Africa receives \$43.8 billion in climate investment, with a significant portion directed to major economies like Morocco, Nigeria, Kenya, Ethiopia, and South Africa

Climate finance flows and needs in Africa  
USD Billions, Annual Average



10 Landscape of Climate Finance in Africa - CPI



The dynamics of climate financial flows in Africa exhibit distinct features compared to other regions. One notable characteristic is Africa's heavy reliance on foreign funding, which constitutes nearly 90% of total investments. This reliance is, in part, shaped by the substantial involvement of multilateral development banks, responsible for financing 45% of climate investment in 2020.

Additionally, foreign governments and bilateral development finance institutions (DFIs) play significant roles as funding sources. This contrast between local and foreign funding is mirrored in the divergence between private and public financing of climate investment in Africa, with only 14% sourced from private entities in 2020. In contrast, other developing regions witness a more balanced distribution, with private finance accounting for 35%-50% of climate finance.

Enhancing the inflow of private sector debt emerges as a crucial policy imperative to empower African nations in their fight against climate change.<sup>11</sup> **Southern Africa reports the highest costs, totaling almost USD 1.1 trillion,** yet plans to allocate less than 1% from national public budgets. Central Africa stands out, intending to finance over 34% through national public resources. Northern Africa, identified as highly vulnerable by the Intergovernmental Panel on Climate Change (IPCC), is the only

subregion where adaptation and mitigation needs are almost evenly distributed.<sup>12</sup>

Africa stands out with a more equitable approach, striking a balance between adaptation and mitigation compared to other regions. Specifically, in Africa, 49% (USD 14.6 billion) of climate finance flows are designated for mitigation, while 39% (USD 11.4 billion) is allocated to adaptation, and 12% (USD 3.5 billion) for dual benefits.

This diverges from the prevailing global pattern where adaptation typically makes up only 7%–16% of the overall climate finance. Despite this encouraging trend, given Africa's heightened vulnerability to climate change, there is an urgent need to amplify funding for both adaptation and mitigation. (CPI 2022).

**African economies, to enable economic recovery and SDG progress, should fully explore innovative financing by the private sector, raise investment to 35-40 per cent of GDP, enhance competitiveness and support regional integration**

*Source: Innovative finance for private sector development in Africa*

<sup>11</sup> European Investment Bank - Finance in Africa Report

<sup>12</sup> The State of Climate Finance in Africa: Climate Finance Needs of African Countries

# Financial Instruments and Sector Contributions

In Africa, project debt serves as the primary financial instrument for climate finance due to the prevalent project-level operations of development finance institutions. Consequently, funding is commonly sourced through either market-rate or low-cost project debt.

At an aggregate level, funding volumes for these financial instruments exhibit broad similarities. However, the distribution of financing by multilateral development banks differs, with a predominant use of market-rate debt, followed by low-cost debt and grants. Conversely, bilateral development finance institutions heavily depend on low-cost debt.

Notably, adaptation finance relies heavily on public sources, with over half originating from multilateral development banks and another quarter from governments (with 90% foreign).

Public institutions, particularly multilateral development banks, play a substantial role in financing sustainable projects through instruments like grants and low-cost project debt which are infrequently utilized by the private sector.

While financial institutions contribute approximately one-third of private sector climate finance in Africa, the private sector's overall contribution stands at only 4% of total climate funding.

Between 2019 and 2020, African climate finance experienced a 5.6% growth, primarily driven by an over 8% increase in public sector funding. Conversely, private sector funding saw a nearly 9% decrease, largely influenced by a nearly 30% decline in corporate climate investment.

This decline was attributed to the impact of the pandemic on firms' climate investment volumes. Nevertheless, the financial sector has shown increased activity in climate financing.

Despite the drop in corporate climate investment, financial institutions almost doubled their climate financing between 2019 and 2020, demonstrating resilience in a challenging operating environment.



**Concessional climate finance in sub-Saharan Africa, comprising grants or concessional loans, is predominantly sourced from major bilateral donors, multilateral development banks (MDBs), and multilateral climate funds. In 2020, the concessional climate flows received by the region totaled \$15.7 billion. While this falls short of the region's needs, it still constitutes a significant 70% of the total climate flows, representing an almost fourfold increase from a decade ago.<sup>13</sup> It is crucial to emphasize that concessional climate finance should complement current aid flows rather than replace them.**

However, it is acknowledged that concessional finance alone is unlikely to meet the extensive requirements for the region's transition and adaptation, given the immense amounts needed. Nonetheless, concessional funding can play a crucial role in enhancing access to private sector capital. For instance, it can expedite high-priority projects, unlocking subsequent private investment, or facilitate risk-sharing arrangements to address concerns of risk-averse investors.



<sup>13</sup> International Monetary Fund: Closing the Gap: Concessional Climate Finance and Sub-Saharan Africa





**Climate funds**, though constituting only a small part of sub-Saharan Africa's overall funding mix, represent an underutilized source of finance, especially in the face of increasing spending and investment needs. Until now, climate funds have accumulated more deposits than disbursed funds.

Since their inception, worldwide deposits in climate funds have reached \$35 billion from \$43 billion in pledges. **Out of this, only \$28 billion has been earmarked for approved projects, with less than \$11 billion disbursed.**

Sub-Saharan Africa is potentially underrepresented in these outflows, with approved funds totaling \$7 billion and disbursements of less than \$3 billion.<sup>14</sup> Consequently, a significant backlog of unused deposited funds remains, awaiting suitable project matches.

Heterogeneity across climate funds remains a notable challenge. These funds operate with significant differences, with some directly providing project financing to accredited recipient governments or subnational entities. However, about 90% of disbursements from climate funds in sub-Saharan Africa are indirectly provided through regional or international implementing partners.

The process for individual countries to qualify for direct financing can be challenging, varying from one fund to another. Additionally, criteria for project selection and evaluation differ, hindering a country's ability to engage directly with more than one climate fund simultaneously. For example, the Green Climate Fund (GCF), the largest climate fund globally, has relatively low accreditation rates and slow disbursements, reflecting intricate and prolonged processes.<sup>15</sup>

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<sup>14</sup> Climate Funds Update

<sup>15</sup> IMF: Unlocking Access To Climate Finance For Pacific Island Countries

# Role of Key Actors in Unlocking Climate Finance

Both public and private actors committed USD 29.5 billion of climate finance annually to Africa in 2019/2020, falling far short of the estimated USD 250 billion annual needed.<sup>16</sup> Climate finance needs to be both scaled-up and distributed more effectively. To make this happen, all actors have a role to play to ensure funding is deployed to where it can have the most significant impact.

<b>Domestic governments</b>	<p>While challenges in data availability limit a comprehensive analysis of climate expenditure by national and local governments, they remain pivotal in climate action. Steps that national governments could take include:</p> <ul style="list-style-type: none"><li>• Aligning fiscal policies with decarbonization priorities, utilizing tools such as carbon pricing and green budgeting.<sup>17</sup></li><li>• Implementing a 'whole-of-government' approach to facilitate climate investment at sub-national levels, enhancing local initiatives.</li><li>• Developing policies and regulations to encourage domestic financial sectors to engage in climate action, with Kenya's Green Fiscal Incentives Framework Policy as an example.</li></ul>
<b>Development Partners (DFIs, International Governments, and Agencies)</b>	<p>Multilateral Development Finance Institutions (DFIs) and bilateral partners contributed 71% of climate finance in Africa, primarily focusing on adaptation. To enhance their impact:</p> <ul style="list-style-type: none"><li>• Target higher leverage ratios through blended financing structures, employing risk-mitigation instruments to mobilize private capital.</li><li>• Increase grants and concessional support for under-funded sectors, shifting focus to less mature technologies and vulnerable areas.</li><li>• Tailor strategies to address the current and future vulnerabilities of African economies.</li></ul>

16 The State Of Climate Finance In Africa: Climate Finance Needs Of African Countries  
17 OECD: Green Budgeting And Tax Policy Tools To Support A Green Recovery

<b>Multilateral Climate Funds (MCFs)</b>	MCFs can significantly contribute to climate-related innovation and resilience by extending capacity-building support and adopting targeted private sector engagement policies.
<b>Sub-Regional and National DFIs</b>	<p>These institutions, despite being well-positioned, often lack significant impact. To address this, they need to:</p> <ul style="list-style-type: none"> <li>• Act as a channel for mobilizing international climate finance by seeking accreditation or raising green bonds.</li> <li>• Assist in building capacity in local financial institutions and expand product offerings with climate-specific goals.<sup>18</sup></li> </ul>
<b>Private sector players</b>	<p>The private sector can mobilize substantial climate finance through innovation, alignment, and collaboration:</p> <ul style="list-style-type: none"> <li>• Utilize innovative financing vehicles such as green bonds and infrastructure investment funds.</li> <li>• Align finance with climate opportunities, shifting away from carbon-intensive investments.</li> <li>• Foster coordination and collaboration among domestic and international banks, insurers, and asset managers to promote green alternatives and support climate-resilient portfolios.<sup>19</sup></li> </ul>

<sup>18</sup> A Guidebook For National Development Banks On Climate Risk

<sup>19</sup> BCG: Insurers Take Up The Climate Fight



# Powering Up Climate Finance with Data

The strategic use of data is pivotal in translating NDCs into practical frameworks for climate finance, fostering the creation of effective solutions, and guiding investors in making informed decisions. Nonetheless, significant data gaps persist among diverse stakeholders and sectors. This section offers a non-exhaustive overview of critical areas for enhancement to guarantee the availability of comprehensive, coherent, and timely climate finance data.

## 1. Development Finance Institution (DFI) Data:

### Transparency and Reporting:

- *Recommendation:* DFIs should improve transparency and reporting on impact outcomes.
- *Implementation:* Suggest standardizing approaches for project-level reporting to streamline efforts, prevent double counting, and identify impactful investment opportunities.

## 2. Private Sector Data

### Standardized Reporting:

- *Recommendation:* Private sector entities should standardize reporting on disclosures and frameworks for climate investments.
- *Implementation:* Encourage alignment with existing frameworks and standards such as SASB, TCFD, GRI, and the EU Sustainable Finance Taxonomy.

## 3. Domestic Government Data

### Centralized Agency Establishment:

- *Recommendation:* Advocate for domestic

governments to institute a centralized agency for standardizing and tracking climate-tagged data.

- *Implementation:* Propose housing the agency within an institution with a robust climate mandate and budgeting power (e.g., Ministry of Finance or Environment).

### Capacity Building and Coordination:

- *Recommendation:* Governments should build institutional and technical capacity to refine and promote definitions, methodologies, and processes.
- *Implementation:* Encourage coordination and training to ensure flexibility for thematic and cross-sectoral reporting.

### Equity-Responsive Budget Tagging:

- *Recommendation:* Governments should ensure climate budget tagging reflects equity concerns.
- *Implementation:* Propose combining equity-responsive budget tagging with climate budget tagging to enhance reporting efficiency and address the opaque representation of gender and vulnerable groups.

### Adaptation Risk Analysis:

- *Recommendation:* Strengthen adaptation risk analysis at both upstream and downstream levels.
- *Implementation:* Encourage national governments to boost their capacity by incorporating climate information and analytics for localized risk and vulnerability data.

# Investor Insights on Climate Finance in East Africa

Our interaction with climate finance investors operating in East Africa has provided us with a comprehensive understanding of the region's investment landscape, offering valuable insights into both opportunities and challenges. This report delves into East Africa's dynamic climate finance landscape, drawing insights from primary data collection and interviews with key investors. East Africa finds itself at a critical crossroads, grappling with the interconnected challenges of climate change and sustainable development. Within this landscape, climate finance emerges as a potent tool for driving transformative change.

The socio-economic fabric of East Africa is intricately connected with sectors such as agriculture, energy, and urban development, all profoundly affected by climate change. The region's vulnerability to climate change is compounded by its socio-economic dynamics, characterized by heavy reliance on agriculture, limited infrastructure, and expanding urbanization. The imperative for resilient infrastructure, access to clean energy, and sustainable water management becomes increasingly urgent in the face of climate change.

Against this backdrop, climate finance plays a pivotal role in catalyzing investments that address climate vulnerabilities while fostering economic growth and social equity.

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It encompasses a range of financial mechanisms, from grants and concessional loans to equity investments and blended finance solutions.

These instruments aim to mobilize capital towards climate-resilient projects and initiatives that mitigate greenhouse gas emissions, enhance adaptation, and promote sustainable livelihoods. Recognizing the urgent need for sustainable solutions, a number of climate finance funds have emerged, each with its unique approach and mandate. This report offers a detailed understanding to some of these funds, shedding light on their investment strategies, successes, challenges, and the broader implications for East Africa's sustainable future.

## 1. Diverse Investment Focus

Investors including **ARAF**, **E3 Capital**, **Equator VC** and **EXEO Capital** underscored the importance of diversifying investment portfolios across sectors such as agriculture, renewable energy, and climate-smart technologies. This multifaceted approach not only reflects the region's rich potential but also underscores the necessity of addressing various climate-related challenges, including food security, energy access, and environmental sustainability. By embracing a diversified investment strategy, stakeholders can effectively leverage the region's diverse resources and opportunities to drive impactful change and foster sustainable development.

## 2. Challenges in Policy and Regulation

Investors highlighted policy uncertainties, taxation dynamics, and regulatory hurdles as challenges in the region. The lack of clear and consistent regulatory frameworks poses significant barriers to investment scalability, often deterring investor confidence and hindering the implementation of sustainable solutions. Addressing these challenges requires proactive engagement with policymakers and stakeholders to advocate for supportive policies conducive to long-term investment growth. By fostering dialogue and collaboration, stakeholders can work towards creating an enabling environment that fosters innovation, investment, and sustainable development

## 3. Need for Innovative Financing Models

**Factor[e] Ventures** and **Novastar Ventures** highlighted innovative financing models designed to address funding gaps and promote sustainable growth. However, challenges such as currency fluctuations and limited access to debt financing underscore the importance of developing adaptive financing mechanisms tailored to the region's unique dynamics. Exploring blended finance options and leveraging institutional debt instruments can facilitate the mobilization of capital towards climate-resilient initiatives, fostering financial inclusion and sustainability. By embracing innovative financing models, stakeholders can unlock new avenues for investment and drive positive change in the region.

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## 4. Focus on Social and Environmental Impact

**Norfund**, **Pearl Capital Partners**, and **Refugee Investment Network** emphasized the importance of measuring social and environmental impact metrics to gauge the effectiveness of investments. This emphasis on purpose-driven investments reflects a growing trend towards sustainable development goals, highlighting the significance of investing in initiatives that deliver tangible social and environmental benefits. By integrating impact measurement frameworks into investment strategies, stakeholders can ensure accountability, transparency, and meaningful contributions to local communities and ecosystems.

## 5. Opportunities for Collaboration and Advocacy

Collaborative efforts and advocacy initiatives emerged as key themes throughout our discussions, underscoring the importance of partnership building and collective action in driving positive change. Engaging with governments, regulatory bodies, and local communities presents invaluable opportunities for aligning investment priorities with broader development objectives and fostering an enabling environment for climate finance. By advocating for supportive policies and fostering cross-sectoral collaboration, stakeholders can unlock new avenues for innovation, investment, and sustainable development.



## 6. Adaptive Strategies for Resilience

**KawiSafi Ventures** and **EXEO Capital** highlighted the importance of adopting adaptive strategies tailored to regional dynamics to navigate uncertainties and mitigate risks effectively. In a rapidly evolving market landscape, flexibility and innovation are paramount for building resilience and seizing emerging opportunities. Strategic investments in climate-smart technologies, capacity building, and ecosystem resilience can enhance adaptive capabilities and contribute to long-term sustainability and prosperity.

### Charting The Path Forward

Comprehensive insights from discussions with prominent investors and organizations engaged in climate finance in East Africa unveil a dynamic landscape poised at the intersection of sustainability, innovation, and resilience. The region is witnessing a pivotal moment in its journey towards mitigating and adapting to climate change, marked by a surge in dedicated funds and strategic initiatives.

From ARAF's pioneering efforts in supporting agribusinesses to E3 Capital's ventures into less-explored regions, and Equator VC's commitment to reducing carbon emissions, the collective commitment to addressing climate challenges is evident. These efforts extend into the mid-market with EXEO Capital, Factor[e]'s technology-driven approach, and KawiSafi's focus on renewable energy solutions. Norfund's localized strategies and Pearl Capital Partners'

dedication to agriculture in the face of climate change underscore a nuanced understanding of the unique needs of East Africa. Moreover, the engagement of the Refugee Investment Network (RIN) highlights the intersectionality of climate finance with social impact, as it actively works towards integrating refugees into the formal economy. This not only fosters economic empowerment but also recognizes the potential of these marginalized communities as contributors to sustainable development. The conclusion drawn is one of optimism but not without challenges. Regulatory uncertainties, political risks, and the need for increased collaboration pose hurdles, emphasizing the importance of streamlined frameworks and cohesive efforts. However, the collective dedication to scaling up investments, advocating for supportive policies, and fostering innovative solutions showcases a region ready to embrace transformative change.

As East Africa charts its course in climate finance, the insights gathered underscore a shared vision – one that sees investment not only as a financial endeavor but as a catalyst for positive environmental and social change. The next steps involve harnessing this momentum, amplifying collaboration, and navigating challenges to unlock the full potential of climate finance in East Africa. The journey towards a resilient, sustainable, and climate-smart future for the region is well underway, and the insights presented herein serve as a compass guiding these transformative efforts.

# Innovative Climate Finance Solutions in East Africa

To overcome barriers to climate investments, financial and non-financial innovative solutions are being introduced into the African investment landscape. Among the innovative instruments being deployed in the continent to increase climate finance flows include: **results-based financing, blended finance, carbon credits, capital market instruments, risk mitigation instruments, structured finance mechanisms and non-financial tools** such as capacity building.

Some of these instruments such as the non-tradeable financial instruments including debt and equity are not innovative by themselves. However, they can be deployed in an innovative manner through combinations with other sources of capital in order to target high-risk climate related projects.

Attracting private capital to fund climate mitigation and adaptation in Africa has however been a perennial challenge. This is as a result of the investment risks associated with the continent – both real and perceived. Top risks in the African investment landscape as identified by private investors include currency instability, regulatory & governance problems, lack of bankable project pipelines, counter-party risks, information asymmetries as well as lack of technical capacity, transparency and accountability mechanisms.

**"Investment is key to  
build infrastructure and  
foster innovation in  
Africa"**



## 1. Results-based Financing

Results-based financing (RBF) instruments deployed in climate finance are structured in such a manner that funding is pegged on the achievement of specific climate outcomes by the project being funded.<sup>20</sup> The instruments within this category of innovative climate finance vary in nature but they all are founded on the same principle of making financing contingent on project performance. Some of the specific instruments used under RBF include carbon finance, environmental impact bonds and KPI-linked funding.

Under carbon finance, the avoided carbon emissions are monetized to raise funding to deliver nature positive projects in sectors such as energy, transport or agriculture. KPI-linked or conditional funding on the other hand takes the approach of linking financing terms to the ultimate delivery of pre-determined results. Conditional funding has been deployed successfully in supporting the mass distribution and adoption of clean cooking solutions and solar home systems across Africa.

### Case Study

In 2021, Fie-Consult was contracted by BUIM, a solar home systems distributor in Rwanda to support them in raising bridge finance to import and distribute solar home systems to rural communities in Rwanda through the PAYGO model. BUIM was one of the distributors under a solar home systems subsidy programme by the government

of Rwanda and the World Bank. The subsidy from the World Bank was only payable after the actual distribution of a specified number of solar home systems to rural households; hence falling under the KPI-linked funding model.

## 2. Innovative Capital Market Instruments

Innovative capital markets instruments are an alternative avenue to mobilize climate finance in Africa; although they have not been mainstreamed due to the different development levels of capital markets in Africa. However, a few market leaders are diving into the green and sustainability linked bonds market. The goal of these early adopters of green bonds is to finance projects that promote environmental sustainability, such as renewable energy, energy efficiency, clean transportation, sustainable agriculture, and waste management.

### Case Study

In September 2023, Development Bank of Rwanda (BRD) became the first development bank regionally to launch a local currency Sustainability Linked Bond worth USD 24.8 million at the Rwanda Stock Exchange.<sup>21</sup> At 110% subscription rate, this inaugural sustainability linked bond in Rwanda was a huge success and it sent a market signal for high appetite to the sustainability agenda. BRD seeks to deploy the funds raised to mainstream environmental, social, and governance (ESG) for partner financial institutions, increase women-led business loans as well as finance affordable housing.

<sup>20</sup> Energypedia-result based financing

<sup>21</sup> World Bank: How Rwanda's inaugural Sustainability-Linked Bond broke new ground in leveraging private capital



### 3. Blended Finance Models

Unlisted financial instruments including debt, equity and grants can also be combined in an innovative way in order to overcome barriers to climate finance. In the blended finance models, grants are used to de-risk the projects by investing in the high-risk early stages of a project; before commercial capital can be deployed.

Concessional debt or equity mostly deployed by development finance institutions (DFIs); also play the same catalytic role as grants, by creating tailwinds for market rate debt and equity investments from purely commercial private debt and equity investors.

#### Case Study

In Kenya, Fie-Consult was contracted by OFGEN a leading C&I solar power EPC contractor & PPA developer as the exclusive transaction advisor for their equity fundraise.

The goal was to raise equity funding to strengthen their balance sheet, before they could access larger ticket size debt funding to scale their PPA portfolio. After a successful strategic equity investment by CFAO for a 35% shareholding, OFGEN then went to the market to raise debt funding. Back then, local currency debt funding from local banks for large ticket sizes in the renewables sector was still nascent and challenging.

On the other hand, hard currency debt from foreign lenders was unfavorable due to the significant forex risk exposure from the volatility of the Kenyan shilling.

Fie-Consult then had to structure a concessional debt facility of USD 7.5 million from a DFI to one of the local banks in Kenya; who then advanced debt funding to OFGEN at favorable interest rates. OFGEN is back in the market again; this time round raising USD nine figure tickets in debt and equity from private investors who are interested in its new AssetCo model that it is scaling across Africa.

This is a case of innovating around conventional funding instruments by combining equity and debt; while sequentially deploying them alongside concessional debt from the DFIs. The end result was an optimum funding structure that maximized the client's IRR while mitigating inherent balance sheet size and forex risks for the project promoters and investors.<sup>22</sup>

**Innovative blending of financial instruments not only bridges the gap between risk and opportunity but also paves the way for sustainable development in challenging environments**

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<sup>22</sup> Fie-Consult

#### 4. Structured Finance Mechanisms

Structured finance mechanisms are still new concepts in African financial markets which are yet to be widely adopted. Specifically, within the climate finance space, the use of structured finance has been experimented since 2015 by securitizing receivables under the PAYGO business model for off-grid solar companies in Africa.<sup>23</sup>

##### Case Study

Bboxx was the pioneer in the space with a USD 500,000 off balance sheet facility (OBS facility) structured together with Oikocredit. The OBS facility was later decommissioned due to its small size which lacked economic feasibility. A couple of other securitization deals have been structured since then in different countries across the continent.

Fast forward in May 2023, Sun King and Citi closed a USD 130 million securitization transaction that is entirely Kenya-shilling denominated, hence shielding the originator from forex risks. Under this innovative financing model, receivables from solar products sold on credit to Sun King end customers shall be securitized and funded by investors.

Traditionally, development finance organizations have been the primary investors in the Special Purpose Vehicles (SPVs) created to purchase the receivables from the originators in Sub Saharan Africa. However, in the Sun King transactions, both commercial banks and DFIs participated as

investors; which signifies an increasing openness to innovative climate financing solutions by local commercial lenders. The investors that participated in the Sun King securitization deal are ABSA Kenya, British International Investment, Citi, FMO, Norfund, Standard Bank Kenya and the Trade and Development Bank.<sup>24</sup>

#### 5. Non-Financial Strategies

Non-financial strategies used to increase access to climate finance in Africa are majorly focused on capacity building and training programmes. These initiatives aim to enhance technical expertise and knowledge in project development; and they encompass diverse activities like workshops for contractors, education on innovative agriculture, and training on eco-friendly technologies. They also focus on mitigating technology risks by promoting awareness of emerging technologies such as electric vehicles and improving understanding of regulatory frameworks for smoother administrative processes.

Training programs are pivotal in creating environments conducive to third-party climate finance investments, whether as standalone initiatives or integrated into broader financial structures, especially in the realms of climate finance and impact investing. Capacity building among local banks is crucial to meet the stringent requirements set by international financiers for monitoring and evaluating impact metrics.

<sup>23</sup> USAID - Power Africa: Demystifying Securitization for solar Pay-As-You-Go Companies

<sup>24</sup> Eastern and Southern African Trade and Development Bank (TDB)

Additionally, various data tools and platforms, ranging from market and financial data analysis to climate risk assessments and resource evaluation models, play a vital role in overcoming information barriers in climate entrepreneurship. These platforms facilitate knowledge sharing among entrepreneurs and innovators, enabling the dissemination of best practices and insights from successful projects.

## 6. Carbon Markets

In East Africa, the potential for carbon sequestration and emissions reduction is immense, particularly through initiatives such as REDD+ (forest conservation), renewable energy, and climate-smart agriculture. However, traditional funding sources often fall short in supporting these projects. Carbon markets emerge as a promising solution, offering innovative financing avenues to address climate change challenges in the region. They empower local communities to engage in climate action and sustainable practices, generating income and fostering ownership.

Moreover, leveraging the existing mobile money ecosystem in East Africa, such as Mpesa, facilitates efficient and transparent carbon credit transactions, overcoming traditional financial barriers. Despite these opportunities, challenges such as market access, fairness, price volatility, capacity building, data availability, and limited infrastructure persist. Recent developments, including The Africa Carbon Markets Initiative (ACMI) launched at COP27, aim to unlock the potential of voluntary carbon markets for Africa.

The initiative focuses on scaling up credit production, creating jobs, and attracting investment and scaling up carbon credit production in East Africa.

### Case Study

Climate change and unpredictable rainfall result in limited access to water and lower yields for African smallholder farmers, who must resort to cheap fuel pumps, thus perpetuating climate change further. SunCulture breaks the current vicious circle by introducing solar irrigation. The purchase of carbon credits helps to enable this by lowering the cost of solar irrigation to a price below existing diesel and petrol water pumps.

Their participation in pilot programs like the \$2.6 million investment from BII and Shell Foundation is crucial for scaling aims to scale its solar irrigation systems to 9,000 farmers. This project lays the groundwork for future carbon credit generation through avoided deforestation and improved land management practices. *(Shell Foundation)*

SunCulture showcases how private companies in East Africa can strategically engage with carbon markets, even if immediate financial gains are still evolving. Their proactive approach, focus on community involvement, and collaboration with key players make them a valuable case study for others exploring this pathway.



## 7. Risk Mitigation Instruments

Risk mitigation instruments for climate finance are primarily focused on credit enhancement for the projects being funded through various mechanisms. With forex risk being top of the list for most investors assessing climate related investment opportunities in Africa, currency hedging becomes a priority as a risk mitigation measure. However, hedging is not the magic wand for currency risk due to its high cost, as well as the short-term nature of the hedging products available in the market; vs the long-term debt tenure for most climate related projects in Africa.

Guarantees are often issued by DFIs and structured to overcome specific barriers to climate finance for projects in different parts of the continent. Guarantees enhance the credit worthiness of risky climate investments by covering political and counter-party risks among others.

### Case Study

In January 2024, Swedish International Development Cooperation Agency (Sida) signed an innovative portfolio guarantee agreement with I&M Bank Rwanda; which will cover up to 70% of the amounts borrowed by Micro, Small, and Medium Enterprises (MSMEs) in Rwanda. Through this partnership which shall be overseen by Access Finance Rwanda, I&M Bank Rwanda will unlock USD 5 million for lending to eligible MSMEs.

Priority sectors for lending include: agriculture, environmentally sustainable ventures, renewable energy and circular economy among others.<sup>25</sup> The other common risk mitigation mechanism for climate investments is insurance. Combined with guarantees, insurance products improve the overall quality and structure of investments, hence making them more attractive to private investors.

Insurance offerings encompass protection against various risks, including those stemming from war, terrorism, or civil unrest (political risk insurance), as well as coverage for property loss or theft (property insurance).

Additionally, insurance policies safeguard against losses to crops due to natural occurrences and climate-related hazards like hailstorms, droughts, floods, and insect infestations (crop insurance). PULA & the Agriculture and Climate Risk Enterprise (ACRE Africa) are the leading providers of climate risk insurance products for agriculture in East Africa. Both companies utilize technology to deploy micro-insurance products that cover dispersed small holder farmers against climate related risks for their crops and livestock.

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<sup>25</sup> I&M Bank: I&M Bank, Swedish Embassy sign guarantee agreement to empower Rwanda's MSMEs

# Carbon Market Overview in East Africa

East African countries have collectively registered 501 Clean Development Mechanism (CDM) activities, with distribution as follows: Burundi (<1%), Ethiopia (3%), Kenya (42%), Rwanda (12%), Tanzania (3%), Sudan (<1%), and Uganda (38%). These activities comprise 52 single project activities and 449 component project activities (CPA) within 61 Programme of Activities (PoA).

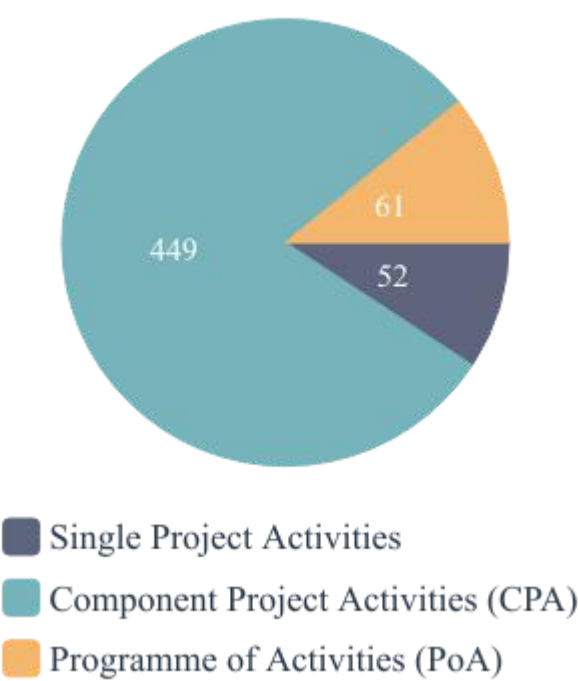
CDM Activities (EAC)	
Burundi	<1%
Ethiopia	3%
Kenya	42%
Rwanda	12%
Tanzania	3%
Sudan	<1%
Uganda	38%

Around 36% of all CDM activities in the region have generated more than 31.9 million certified emission reductions (CERs), primarily from improved cook stoves (38%), run-of-river hydro projects (23%), and water purification (16%)

Despite these significant carbon credit volumes, there remains substantial potential in East Africa's carbon market pipeline, with an estimated mitigation potential exceeding 169.8 million tCO<sub>2</sub>e between 2021-2025 from the registered activities.

Furthermore, the inclusion of new activities, particularly in emerging Nationally Determined Contributions (NDC) priority sectors like electric mobility, could substantially enhance this potential.

CDM Activities Distribution by Type



# 501 CDM

Activities

# 31.9 Million

Certified Emission Reductions

# 169.8 Million

tCO<sub>2</sub>e between 2021-2025

# 299 Registered

activities across VCM standards

# Aprox 100+M

Carbon Credits (CDM+VCM)

# Initial Steps

Article 6 readiness & piloting

In addition to CDM activities, the region boasts 299 registered activities across prominent voluntary carbon market (VCM) standards such as Gold Standard, Verra, and Plan Vivo, with over 73.6 million issued credits. A striking 80% of these activities focus on energy efficiency, with the Gold Standard dominating the market share at 94%.

In total, East Africa has generated approximately 100+ million carbon credits across all carbon standards. However, it's notable that only a select few countries and sectors have contributed substantially to mitigation outcomes, indicating the need for further efforts to involve additional sectors and countries.

Moreover, some voluntary carbon credits have been issued for post-2020 vintages, underscoring the necessity for integrating VCM transfers with NDC accounting and reporting.

East Africa has also embarked on initial measures towards Article 6 readiness and piloting. Establishing institutional frameworks and oversight for the diverse range of Article 6 cooperative approaches, including the VCM, poses a key challenge for responsible authorities. Nevertheless, by leveraging its significant pipeline and expanding into additional activity types aligned with NDCs and Article 6 rules, Eastern Africa could realize large-scale carbon market implementation.



# Regulations and Policies on Climate Finance in East Africa



Global and local private sector investors in Africa have sufficient capital to invest in the annual funding demand of USD 250 billion that is required to meet the continent's Nationally Determined Contributions (NDCS). However, due to the long-term nature and high capital requirements for most climate investments; favorable regulatory environments and policy stability in target countries are key considerations for the private investors before they deploy their capital in the continent.

East Africa faces significant challenges from climate change, including extreme weather events,

declining agricultural productivity, and threats to water resources and biodiversity. To address these challenges, countries in the region have implemented various regulations and policies aimed at promoting climate investment and mobilizing finance for climate resilience and mitigation efforts.

This report provides a high-level overview of the climate investment policies in Kenya, Rwanda, Tanzania, Uganda, Burundi, Ethiopia, and the Democratic Republic of Congo (DRC), considering both supportive and inhibitive aspects of these policies.

# Country-Specific Regulations and Policies

East Africa faces significant challenges from climate change, including extreme weather events, declining agricultural productivity, and threats to water resources and biodiversity.<sup>26</sup> To address these challenges, countries in the region have implemented various regulations and policies aimed at promoting climate investment and mobilizing finance for climate resilience and mitigation efforts. This report provides a high-level overview of the climate investment policies in Kenya, Rwanda, Tanzania, Uganda, Burundi, Ethiopia, and the Democratic Republic of Congo (DRC), considering both supportive and inhibitive aspects of these policies.

## Kenya

### 1. National Climate Change Action Plan (NCCAP)

Kenya's National Climate Change Action Plan (NCCAP) serves as a comprehensive roadmap for addressing climate change impacts and implementing mitigation and adaptation measures across various sectors of the economy. The NCCAP, developed in alignment with Kenya's Vision 2030 and the National Climate Change Response Strategy (NCCRS), outlines specific objectives, strategies, and actions to be undertaken to enhance climate resilience and reduce greenhouse gas emissions.<sup>27</sup> The NCCAP sets out clear objectives aimed at:

- Strengthening adaptive capacity and resilience to climate change impacts.
- Promoting low-carbon development pathways to reduce emissions and enhance sustainable development.
- Enhancing climate change governance, coordination, and mainstreaming across sectors.

- Mobilizing financial resources and enhancing technology transfer for climate action.

The NCCAP identifies key priority sectors, including agriculture, water resources, energy, forestry, health, and infrastructure, and outlines specific interventions tailored to each sector's unique vulnerabilities and opportunities. The plan emphasizes the importance of both adaptation and mitigation strategies to address current and future climate challenges effectively. It highlights the need for ecosystem-based adaptation, climate-resilient agriculture, sustainable water management, renewable energy promotion, and sustainable land use practices.

Further, the NCCAP underscores the importance of multi-stakeholder engagement and partnerships in implementing climate change actions. It encourages collaboration among government agencies, civil society organizations, private sector entities, academia, and development partners to leverage expertise, resources, and knowledge.

<sup>26</sup> Climate Policy Initiative: The Landscape of Climate Finance in Kenya, On the road to implementing Kenya's NDC – March 2021

<sup>27</sup> Government of Kenya: National Climate Change Action Plan III 2023-2027

## 2. Climate Change Act of 2016 (As amended under The Climate Change (Amendment) Act, 2023)

The Climate Change Act of 2016 establishes the legal basis for climate change governance in Kenya, assigning responsibilities to various government agencies, institutions, and stakeholders to coordinate and implement climate change actions effectively. One of the key provisions of the Act is the establishment of the Climate Change Fund, which serves as a dedicated financing mechanism to support adaptation and mitigation projects at national and sub-national levels. The Fund aims to mobilize financial resources from both domestic and international sources to finance climate-resilient and low-carbon development initiatives.<sup>28</sup>

The Act outlines institutional arrangements for climate change governance, including the establishment of the Climate Change Directorate within the Ministry responsible for environment and natural resources. The Directorate is tasked with coordinating climate change activities, facilitating stakeholder engagement, and overseeing the implementation of the Act. Further, the Act emphasizes the integration of climate change considerations into sectoral policies, plans, and programs to ensure coherence and synergy in addressing climate challenges across different sectors of the economy. It requires government ministries, departments, and agencies to mainstream climate change into their operations and decision-making processes.

Additionally, the Act includes provisions for enforcement mechanisms and penalties for non-compliance with its provisions, thereby ensuring accountability and adherence to climate change obligations by relevant stakeholders.

The Climate Change (Amendment) Act, 2023 introduces modifications to the Climate Change Act, 2016 by incorporating fresh definitions and revising sections. It outlines the meanings of various terms, including "aggregate earnings" denoting the total income within a carbon project, "carbon budget" specifying the permissible quantity of greenhouse gas emissions within a specified period, "carbon credits," "carbon market," "carbon project," "carbon offset," "carbon standards," "community," "mitigation outcomes," "nature-based solutions," "non-market approaches," and "reduced emissions from deforestation and forest degradation." Furthermore, it defines "share of proceeds" as the levies from activities under the Paris Agreement utilized for administrative expenses.

The amendments relate to providing guidance on carbon market development and implementation, evaluating compliance with international climate commitments, analyzing historical and projected sector-specific greenhouse gas emission profiles, and introducing a new section regulating carbon markets. This section covers aspects such as carbon market trading, participation based on bilateral or multilateral agreements, promotion of greenhouse gas emission mitigation alongside sustainable development, environmental impact,

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<sup>28</sup> Government of Kenya: The Climate Change (Amendment) Act, 2023



assessment, provision of social and environmental benefits, public land-use projects, dispute resolution, fees, and offenses and penalties.

## Analysis of Supportive and Inhibitive Aspects

### Supportive Aspects:

1. The NCCAP and Climate Change Act provide a comprehensive framework for addressing climate change, integrating adaptation and mitigation measures, and mainstreaming climate considerations into development planning.
2. The establishment of the Climate Change Fund demonstrates Kenya's commitment to mobilizing financial resources for climate action and supporting innovative adaptation and mitigation projects.
3. Multi-stakeholder engagement and partnerships foster collaboration and collective action to address climate change challenges effectively.

### Inhibitive Aspects:

1. Despite the existence of policies and legal frameworks, challenges remain in translating them into concrete actions on the ground due to limited implementation capacity, resource constraints, and bureaucratic processes.
2. The effectiveness of the Climate Change Fund may be hampered by issues such as limited funding allocation, bureaucratic hurdles in accessing funds, and insufficient transparency and accountability mechanisms.



## Rwanda's Green Growth and Climate Resilience Strategy

Rwanda's Green Growth and Climate Resilience Strategy represents a comprehensive approach to sustainable development that integrates climate change considerations into economic planning and investment decisions. This strategy prioritizes investments in renewable energy, sustainable agriculture, and climate-resilient infrastructure to promote long-term environmental sustainability and economic growth.<sup>29</sup>

### 1. Renewable Energy Investments:

Rwanda recognizes the importance of transitioning towards renewable energy sources to reduce reliance on fossil fuels and mitigate greenhouse gas emissions.

The Green Growth and Climate Resilience Strategy emphasizes the development of renewable energy infrastructure, including solar, hydro, and geothermal power projects.

Investments in renewable energy contribute to energy security, reduce carbon emissions, and create opportunities for decentralized energy access in rural areas.

### 2. Sustainable Agriculture:

Agriculture is a key sector of Rwanda's economy

employing a significant portion of the population and contributing to food security and economic growth. The Green Growth and Climate Resilience Strategy promotes sustainable agricultural practices that enhance productivity while minimizing environmental degradation.

Investments in climate-smart agriculture, including conservation agriculture, agroforestry, and irrigation systems, help build resilience to climate change impacts such as droughts, floods, and soil erosion.

### 3. Climate-Resilient Infrastructure:

Climate-resilient infrastructure is essential for mitigating the adverse impacts of climate change on communities, economies, and ecosystems.

Rwanda's strategy prioritizes investments in infrastructure projects designed to withstand climate-related hazards, such as extreme weather events and rising sea levels.

Investments in resilient infrastructure enhance the country's adaptive capacity, reduce vulnerability to climate risks, and promote sustainable development and economic growth.

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<sup>29</sup> Government of Rwanda: Green Growth and Climate Resilience Strategy

## Rwanda Green Fund (FONERWA)

The Rwanda Green Fund (FONERWA) serves as a dedicated financing mechanism to mobilize financial resources for green projects and initiatives aligned with the country's sustainable development objectives and climate resilience goals.<sup>30</sup>

### i. Financial Mobilization

FONERWA mobilizes financial resources from various sources, including domestic revenues, international grants, loans, and private sector investments.

The fund leverages public and private sector partnerships to maximize impact and scale up investments in green growth and climate resilience initiatives.

### ii. Project Financing

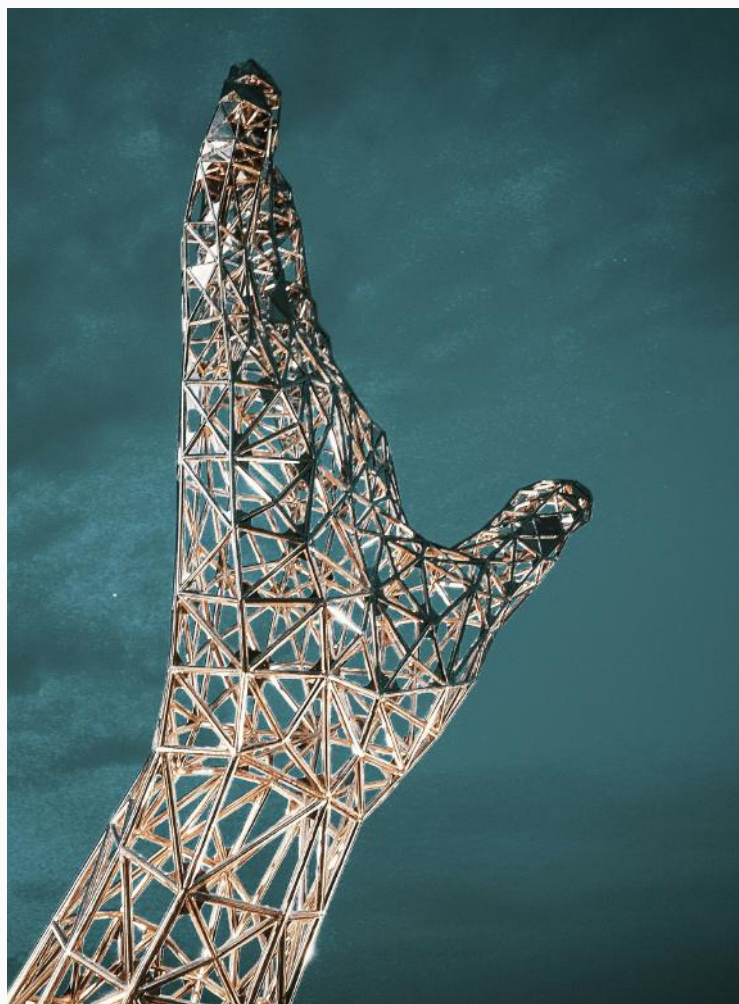
FONERWA provides financial support to a wide range of projects and programs across sectors, including renewable energy, sustainable agriculture, afforestation, waste management, and biodiversity conservation.

The fund prioritizes projects that demonstrate clear environmental, social, and economic benefits and contribute to Rwanda's climate resilience and low-carbon development objectives.

### iii. Capacity Building and Technical Assistance

FONERWA offers capacity-building support and technical assistance to project developers, government agencies, and civil society organizations to strengthen project design, implementation, and monitoring capabilities.

The fund facilitates knowledge sharing and best practices exchange to enhance the effectiveness and sustainability of green investments in Rwanda.



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<sup>30</sup> Rwanda Green Fund



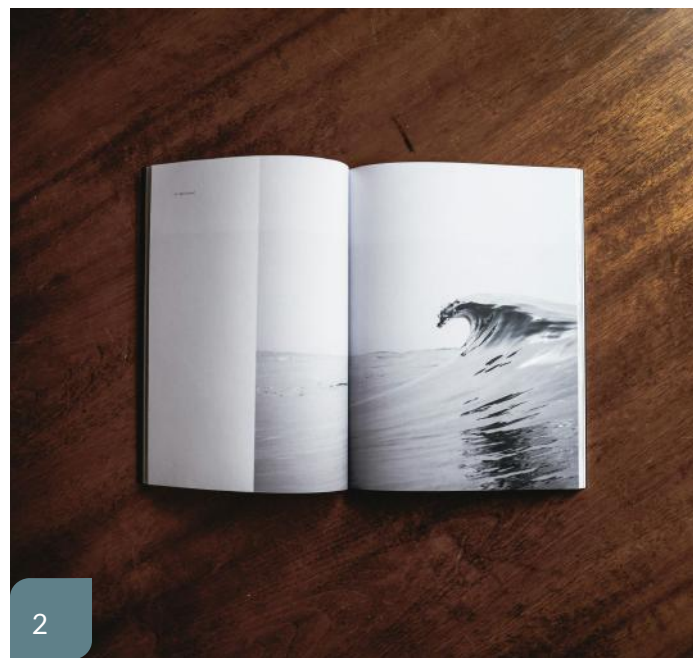
# Analysis of Supportive and Inhibitive Aspects



## Supportive Aspects:

Rwanda's Green Growth and Climate Resilience Strategy demonstrates strong political commitment to sustainable development and climate action, providing a clear roadmap for integrating climate considerations into national planning and investment decisions.

The establishment of FONERWA reflects Rwanda's proactive approach to mobilizing financial resources for green projects and initiatives, fostering innovation, and promoting inclusive and sustainable development.



## Inhibitive Aspects:

Despite progress in policy development and financial mobilization, challenges remain in effectively translating commitments into tangible outcomes on the ground.

Implementation bottlenecks, including limited institutional capacity, regulatory barriers, and bureaucratic hurdles, may hinder the timely and effective execution of green projects and initiatives.



# Tanzania

## 1. Tanzania's Climate Change Strategy and Renewable Energy Initiatives

Tanzania's National Climate Change Strategy serves as a guiding framework for addressing climate change impacts and promoting sustainable development through adaptation and mitigation actions. The strategy outlines key priorities, objectives, and interventions to enhance climate resilience and reduce greenhouse gas emissions across various sectors of the economy.

Additionally, Tanzania has been actively implementing renewable energy projects and implementing policies to promote sustainable forest management and conservation, aligning with its climate goals and commitments.

### 1. National Climate Change Strategy

Tanzania's National Climate Change Strategy provides a comprehensive roadmap for addressing climate change challenges through adaptation and mitigation measures. The strategy identifies priority sectors, including agriculture, water resources, energy, forestry, health, and infrastructure, and outlines specific interventions to enhance resilience and reduce vulnerability to climate impacts.<sup>31</sup>

It also emphasizes the importance of mainstreaming climate considerations into

national policies, plans, and programs to ensure coordinated and effective responses to climate change.

Tanzania's strategy adopts a multi-sectoral approach to climate change, recognizing the interconnectedness of climate impacts across different sectors of the economy. It promotes cross-sectoral collaboration and partnerships among government agencies, civil society organizations, private sector entities, and development partners to leverage resources, expertise, and knowledge for climate action.

The strategy emphasizes the importance of both adaptation and mitigation strategies in addressing climate change challenges. It includes measures such as promoting climate-resilient agricultural practices, enhancing water resource management, promoting renewable energy development, and strengthening disaster risk reduction efforts.

Tanzania's strategy prioritizes capacity building and awareness raising activities to enhance understanding of climate change impacts, build technical expertise, and foster community resilience. It emphasizes the importance of education, training, and knowledge sharing to empower stakeholders at all levels to take proactive measures to address climate change.

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<sup>31</sup> Government of the United Republic of Tanzania: National Climate Change Strategy 2021-2026

## 2. Renewable Energy and Sustainable Forest Management & Conservation Policies

Tanzania has been actively implementing renewable energy projects to diversify its energy sources, reduce dependency on fossil fuels, and mitigate greenhouse gas emissions. These projects include investments in solar, wind, hydro, biomass, and geothermal energy, aimed at increasing energy access, promoting rural electrification, and supporting sustainable development.

Tanzania has also introduced policies and initiatives to promote sustainable forest management and conservation, recognizing the critical role of forests in climate regulation, biodiversity conservation, and livelihood support. These policies include the establishment of protected areas, community-based forest management programs, reforestation and afforestation initiatives, and measures to combat illegal logging and deforestation.

### Analysis of Supportive and Inhibitive Aspects

#### Supportive Aspects:

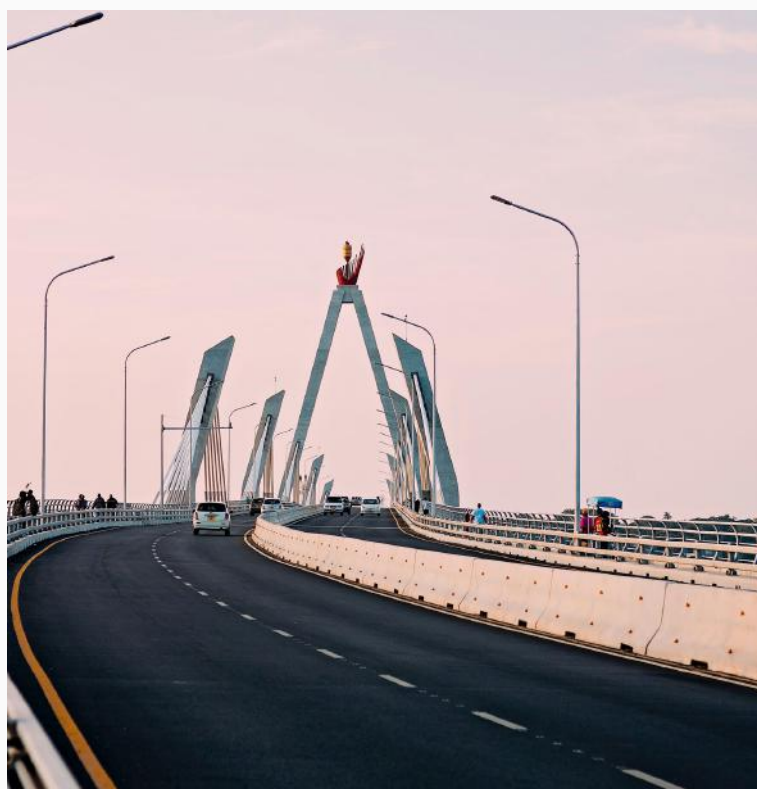
Tanzania's National Climate Change Strategy provides a comprehensive framework for addressing climate change challenges, promoting sustainable development, and building resilience across sectors.

The implementation of renewable energy projects and policies for sustainable forest management and conservation align with Tanzania's climate goals and contribute to the country's efforts to reduce emissions and enhance environmental sustainability.

#### Inhibitive Aspects:

Despite progress in policy development and project implementation, Tanzania faces challenges related to limited funding, institutional capacity constraints, and regulatory barriers, which may hinder the effective implementation of climate change initiatives.

Inadequate infrastructure and technology gaps may also pose challenges to scaling up renewable energy projects and promoting sustainable forest management practices.



# Uganda

## Uganda's Climate Change Policy and Coordination Effort

Uganda's Climate Change Policy represents a strategic framework for addressing climate change challenges and promoting sustainable development through climate-resilient practices, renewable energy investments, and sustainable land use management.

The policy outlines key priorities, strategies, and institutional arrangements aimed at enhancing Uganda's adaptive capacity, reducing vulnerability to climate impacts, and promoting low-carbon development pathways. Additionally, the Climate Change Department plays a crucial role in coordinating climate change initiatives and facilitating access to climate finance, aligning with Uganda's climate goals and commitments.<sup>32</sup>

### Uganda's Climate Change Policy

Uganda's Climate Change Policy prioritizes climate-resilient development strategies that aim to enhance the country's adaptive capacity and promote sustainable growth in the face of climate change impacts.

The policy recognizes the importance of integrating climate considerations into national development planning processes, sectoral policies,

and investment decisions to mainstream climate resilience across various sectors of the economy. Specifically, Uganda's Climate Change Policy promotes investments in renewable energy as a key strategy to reduce reliance on fossil fuels, mitigate greenhouse gas emissions, and enhance energy security. The policy supports the development and deployment of renewable energy technologies, including solar, wind, hydro, biomass, and geothermal energy, to diversify the energy mix, increase access to clean energy sources, and promote rural electrification.

On the other hand, the policy advocates for sustainable land use practices that help preserve ecosystems, conserve biodiversity, and enhance resilience to climate change impacts. The policy emphasizes the importance of sustainable agriculture, forestry, and land management practices that promote soil conservation, water efficiency, and carbon sequestration to mitigate climate risks and enhance food security.

### Coordination Efforts by the Climate Change Department

The Climate Change Department serves as the focal point for coordinating climate change initiatives at the national level, bringing together government ministries, departments, agencies,

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<sup>32</sup> Government of Uganda: Uganda National Climate Change Policy

civil society organizations, academia, and development partners to harmonize efforts and promote synergies. The department facilitates the development and implementation of climate change-related policies, strategies, and programs, ensuring coherence and effectiveness in addressing climate challenges.

In addition, the department plays a critical role in facilitating access to climate finance by providing technical assistance, capacity building support, and advisory services to project developers, government agencies, and other stakeholders.

The department helps identify funding opportunities, develop project proposals, and mobilize resources from domestic and international sources to support climate-resilient initiatives and adaptation/mitigation projects.

## Analysis of Supportive and Inhibitive Aspects

### Supportive Aspects:

Uganda's Climate Change Policy demonstrates a strong commitment to climate-resilient development, renewable energy promotion, and sustainable land use practices, providing a clear framework for addressing climate challenges and promoting sustainable development pathways.

The coordinated efforts of the Climate Change Department facilitate collaboration and partnership among

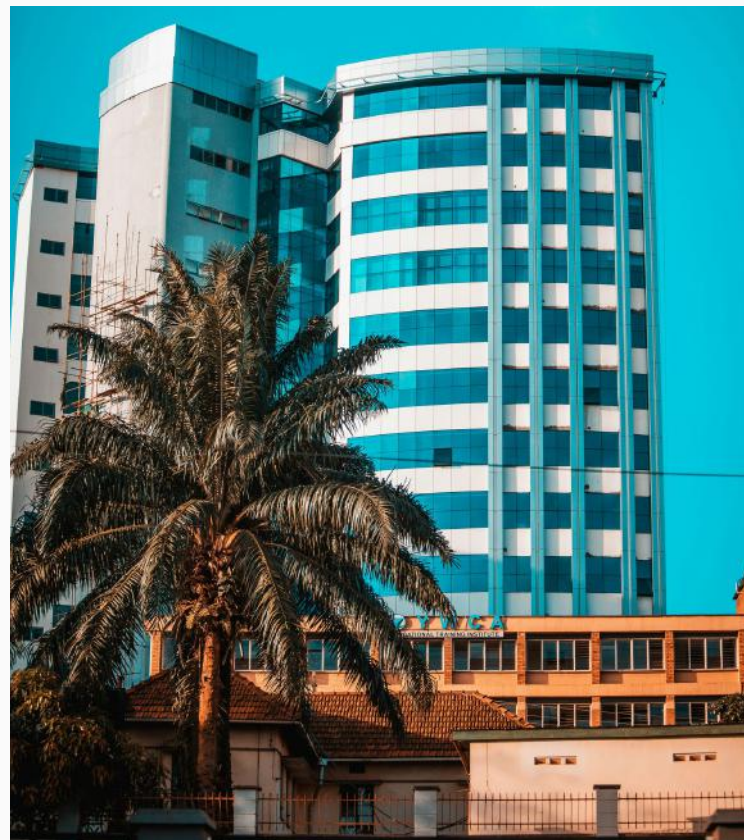
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stakeholders, enhance institutional capacity, and promote effective governance structures for climate change adaptation and mitigation.

### Inhibitive Aspects:

Despite progress in policy development and coordination efforts, Uganda faces challenges related to limited financial resources, institutional capacity constraints, and policy implementation gaps, which may hinder the effective implementation of climate change initiatives and attainment of policy objectives.

Inadequate awareness, technical expertise, and infrastructure limitations may also pose challenges to scaling up renewable energy investments and promoting sustainable land use practices across the country.





# Burundi

## 1. Burundi's National Adaptation Plan (NAP) and Institutional Capacity Building Efforts

Burundi's National Adaptation Plan (NAP) represents a crucial strategic framework for addressing climate change impacts and promoting resilience in key sectors such as agriculture, water resources, and biodiversity. The development of the NAP underscores Burundi's recognition of the urgent need to adapt to changing climate conditions and mitigate associated risks.

Additionally, the government's efforts to strengthen institutional capacity for climate change adaptation and mitigation are essential for effective policy implementation and response to climate challenges.<sup>33</sup>

### Burundi's National Adaptation Plan (NAP)

Burundi's NAP is designed to address the adverse impacts of climate change on critical sectors of the economy, including agriculture, water resources, and biodiversity. The plan identifies priority areas for adaptation measures, assesses vulnerabilities, and develops strategies to enhance resilience and minimize climate risks in key sectors.

The NAP outlines sector-specific adaptation strategies tailored to the unique challenges faced by agriculture, water management, and

biodiversity conservation in Burundi. It also emphasizes the importance of integrating climate considerations into sectoral policies, plans, and programs to ensure a coordinated and holistic approach to adaptation.

Burundi's NAP emphasizes the importance of community engagement and participation in adaptation planning and decision-making processes. It recognizes the vital role of local communities in identifying climate risks, prioritizing adaptation measures, and implementing resilient practices at the grassroots level.

The NAP includes provisions for monitoring and evaluation to track progress, assess the effectiveness of adaptation interventions, and adjust strategies based on changing climate conditions and emerging risks. Finally, it emphasizes the importance of data collection, indicator development, and periodic reviews to inform evidence-based decision-making and ensure accountability in the adaptation process.

### Strengthening Institutional Capacity

Burundi's government is working to strengthen coordination mechanisms for climate change

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<sup>33</sup> Government of Burundi: Burundi National Adaptation Programme of Action (NAPA)

adaptation and mitigation efforts across ministries, departments, and agencies. Efforts are underway to improve collaboration, information sharing, and policy coherence to ensure a cohesive and integrated approach to climate action. The government is investing in capacity-building initiatives to enhance technical expertise and skills in climate change adaptation and mitigation. Training programs, workshops, and knowledge-sharing platforms are being developed to build the capacity of government officials, practitioners, and other stakeholders involved in climate resilience efforts.

Burundi's government recognizes the importance of promoting institutional resilience to climate change by integrating adaptation considerations into institutional policies, structures, and decision-making processes. Efforts are underway to mainstream climate change considerations into development planning, budgeting, and project implementation to ensure climate resilience across government institutions.

## Analysis of Supportive and Inhibitive Aspects

### Supportive Aspects:

Burundi's NAP provides a comprehensive framework for addressing climate change impacts and promoting resilience in key sectors, demonstrating the government's commitment to climate adaptation.

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Efforts to strengthen institutional capacity for climate change adaptation and mitigation are essential for enhancing policy implementation, promoting coordination, and building resilience at the national and local levels.

### Inhibitive Aspects:

Despite progress in policy development and capacity-building efforts, Burundi faces challenges related to limited financial resources, technical expertise, and institutional capacity, which may hinder the effective implementation of adaptation measures and response to climate risks.

Socio-economic factors, political instability, and competing development priorities may also pose challenges to mainstreaming climate adaptation into national planning processes and allocating resources for climate resilience initiatives.



## **Ethiopia's Climate-Resilient Green Economy (CRGE) Strategy**

Ethiopia's Climate-Resilient Green Economy (CRGE) Strategy is a comprehensive approach aimed at achieving middle-income status while simultaneously minimizing carbon emissions and enhancing climate resilience. The strategy encompasses a range of initiatives, including investments in renewable energy projects, afforestation programs, and climate-resilient agriculture. Ethiopia's commitment to the CRGE strategy reflects its recognition of the importance of sustainable development and climate action in addressing environmental challenges and promoting economic growth.<sup>34</sup>

## **Ethiopia's Climate-Resilient Green Economy (CRGE) Strategy**

Ethiopia's CRGE Strategy articulates a vision of achieving middle-income status while maintaining low carbon emissions, signaling the country's commitment to sustainable development and climate mitigation. The strategy recognizes the need to balance economic growth with environmental sustainability, emphasizing the importance of transitioning to a green economy model to achieve long-term prosperity.

The CRGE Strategy outlines key objectives and

priorities across various sectors, including energy, agriculture, forestry, industry, transport, and urban development. It identifies specific targets and indicators to guide policy implementation and monitor progress towards achieving climate resilience and low carbon emissions.

Ethiopia has made significant investments in renewable energy projects, including hydroelectric, wind, solar, and geothermal power generation. The country's abundant renewable energy resources, such as hydroelectric potential, make it well-positioned to transition towards a low-carbon energy sector and reduce dependence on fossil fuels.

Ethiopia has launched ambitious afforestation and reforestation programs aimed at restoring degraded lands, conserving biodiversity, and sequestering carbon. The government's efforts to promote tree planting and sustainable land management practices contribute to climate resilience, watershed protection, and ecosystem restoration.

Ethiopia's CRGE Strategy includes initiatives to promote climate-resilient agriculture practices, improve soil fertility, enhance water management, and increase agricultural productivity. The adoption of climate-smart agricultural

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<sup>34</sup> Government of Ethiopia: Climate-Resilient Green Economy (CRGE) Strategy

technologies and practices helps farmers adapt to changing climatic conditions, mitigate risks, and improve food security and livelihoods.

## Analysis of Supportive and Inhibitive Aspects

### **Supportive Aspects:**

Ethiopia's CRGE Strategy demonstrates strong political commitment to sustainable development and climate action, providing a clear roadmap for achieving middle-income status while maintaining low carbon emissions.

Investments in renewable energy projects, afforestation initiatives, and climate-resilient agriculture programs contribute to Ethiopia's climate goals, promote economic growth, and enhance resilience to climate change impacts.

### **Inhibitive Aspects:**

Despite progress in policy implementation and investment initiatives, Ethiopia faces challenges related to limited financial resources, technical capacity constraints, and institutional gaps, which may hinder the effective implementation of the CRGE Strategy.

Socio-economic factors, political instability, and competing development priorities may also pose challenges to mainstreaming climate resilience and low carbon emissions into national planning processes and policy implementation.

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# Democratic Republic of Congo (DRC)

## 1. Democratic Republic of Congo's (DRC) National REDD+ Strategy

The Democratic Republic of Congo (DRC) is implementing the National REDD+ Strategy as part of its commitment to reducing emissions from deforestation and forest degradation. This strategy reflects DRC's recognition of the critical role forests play in mitigating climate change and preserving biodiversity.<sup>35</sup> Additionally, the country is focusing on improving forest governance and promoting sustainable land use practices to address environmental challenges and contribute to global climate efforts.

### DRC's National REDD+ Strategy

DRC's National REDD+ Strategy aims to reduce emissions from deforestation and forest degradation, recognizing the significant contribution of forests to carbon sequestration and climate regulation. The strategy focuses on addressing drivers of deforestation and forest degradation, including agricultural expansion, logging, infrastructure development, and illegal mining, through targeted interventions and policy measures.

DRC is committed to improving forest governance and promoting sustainable forest management practices to enhance carbon stocks,

conserve biodiversity, and protect ecosystem services. The strategy emphasizes the importance of community-based forest management, law enforcement, monitoring, and transparency mechanisms to ensure sustainable use of forest resources and prevent illegal activities.

DRC's National REDD+ Strategy emphasizes the importance of engaging stakeholders, including government agencies, local communities, civil society organizations, and the private sector, in the design and implementation of REDD+ initiatives. It promotes inclusive decision-making processes, consultation mechanisms, and participatory approaches to ensure the effective involvement of all relevant actors in REDD+ activities.

The country is investing in capacity-building efforts and institutional strengthening to support the implementation of the National REDD+ Strategy. This includes training programs, technical assistance, and knowledge-sharing initiatives aimed at building the capacity of government institutions, forest communities, and other stakeholders involved in REDD+ implementation.

### Improving Forest Governance and Sustainable Land Use Practices

DRC is working to strengthen forest governance

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<sup>35</sup> Democratic Republic of Congo (DRC): National REDD+ Strategy

mechanisms, including legal frameworks, regulatory enforcement, and institutional reforms, to combat illegal logging, land grabbing, and other threats to forest ecosystems. The government is collaborating with international partners and civil society organizations to promote transparency, accountability, and rule of law in the forestry sector.

DRC is promoting sustainable land use practices, including agroforestry, agroecology, and land-use planning, to reduce pressure on forests, restore degraded landscapes, and enhance climate resilience. The country is supporting community-based initiatives, land tenure reforms, and integrated landscape management approaches to promote sustainable livelihoods and environmental conservation.

## Analysis of Supportive and Inhibitive Aspects

### Supportive Aspects:

DRC's National REDD+ Strategy demonstrates the country's commitment to addressing deforestation, forest degradation, and climate change through coordinated action and policy measures.

Investments in forest governance, sustainable land use practices, and stakeholder engagement contribute to DRC's climate goals, promote environmental sustainability, and support sustainable development objectives.

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### Inhibitive Aspects:

Despite progress in policy development and implementation, DRC faces challenges related to limited financial resources, institutional capacity constraints, and governance issues, which may hinder the effective implementation of the National REDD+ Strategy.

Political instability, armed conflict, and socio-economic factors may also pose challenges to the enforcement of forest regulations, law enforcement, and community engagement in REDD+ activities



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