



**Terms of Reference**  
**Consultancy for the Assessment of Green Investment Opportunities in Kenya**  
**October 2017**

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**1. Background**

The Kenya Bankers Association (KBA) is the financial sector's leading advocacy group and the umbrella body of the institutions license and regulated by the Central Bank of Kenya (CBK) with a current membership of 47 financial institutions.

As part of the implementation of the Sustainable Finance Initiative (SFI) endorsed by the Central Bank of Kenya (CBK), the Capital Markets Authority (CMA) and the National Treasury, the Kenya Bankers Association (KBA), Nairobi Securities Exchange (NSE), Climate Bonds Initiative (CBI) and Financial Sector Deepening Africa (FSD Africa), in conjunction with the Dutch Development Bank FMO and the International Finance Corporation (IFC) have initiated the Kenya Green Bonds Program (KGBP) that is expected to accelerate the take-up of green bonds as a tool for Kenya to tap into international and domestic capital markets to finance green projects and assets.

The program aims to facilitate capital flows into green investments to support sustainable economic growth in Kenya. The program will support potential Kenyan green bond issuers to come to market, engage the institutional investment community, and develop cooperative mechanisms to support access to the green bond market for smaller banks and corporates that have yet to get access to the market.

The program aspires to contribute to the national agenda by helping achieve Vision 2030, the Kenya Green Economy Strategy and Implementation Plan, as well as Kenya's climate change commitments as outlined in the National Climate Change law, the Action Plan and the Nationally Determined Contributions under the Paris Climate Agreement.

The Kenya Bankers Association and its partners have set out a road map through the KGBP to issue Kenya's first private sector-led green bond in 2017. As part of implementing the road map, KBA in partnership with WWF Kenya wishes to engage the services of consultants to undertake sector demand studies for the Green Bond in Kenya. Consultants are welcome to form consortia as needed to enhance delivery of the project.

WWF- the global conservation organization is one of the largest conservation organizations in the world. WWF-Kenya (WWF-K) implements programs and projects that contribute to providing an enabling environment for the achievement of sustainable natural resource management. It is in light of this that

WWF Kenya will support the Kenya Green Bond Program to understand the existing and estimated future investment potential and financing demand for green investment projects in Kenya.

### ***The green investment opportunity***

Arguably there has never been a better time to invest in green, sustainable and climate smart solutions. The cost of clean technologies has fallen dramatically, globally governments are embracing policies that encourage climate investment, and the Paris Agreement has galvanized support for measures that keep global warming under two degrees Celsius.

A dramatic drop in the price of clean technologies and the rise of smart policies are driving businesses to climate-smart investments. As summarized in a report produced by IFC<sup>1</sup>, 2015 was another record-breaking year for investment in new wind power, solar power, and hydropower plants: 152 gigawatts (GW) of renewable energy became operational, and global investment in clean energy increased to \$348.5 billion – more than twice as much as coal- and gas-fired power generation. Global energy-efficiency potential is large and growing – governments and business invest more than \$300 billion each year to improve the efficiency of power grids, transport, industry, and buildings. The global green buildings market continues to double in size every three years. Climate-smart agriculture is also a growing private sector opportunity, as companies seek to increase crop resilience and food productivity, as well as their profits.

The growth in greenhouse-gas emissions is expected to come mainly from emerging markets – which require \$4 trillion per year to build and maintain infrastructure. How rapidly growing middle-income nations respond to their infrastructure needs will directly affect whether we can achieve the promise of the Paris Agreement. The good news is that growing economies can invest in new, climate-resilient infrastructure and offset higher upfront costs through efficiency gains and fuel savings.

Companies are also increasingly recognizing the need to ensure that their operations are resilient against supply chain disruptions and other effects of climate change. As a result, forward-looking businesses are moving quickly to climate-smart investments because it is good for the bottom line. Wall Street firms like Morgan Stanley report that investing in sustainability usually meets, and often exceeds, the performance of comparable traditional investments<sup>2</sup>.

However there are also barriers that may slow down the green pipeline and investment growth. For example the global annual survey of the clean energy sectors by the International Energy Agency<sup>3</sup>, concludes that transformation towards a clean energy system is not in line with stated international policy goals. Many technology areas suffer from a lack of policy support, and this impedes their scaled-up deployment.

Furthermore, while some sectors —notably renewable energy—have good investment forecasts in a global context, there is no such forecast for Kenya and there are also limited data and forecasts in areas

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<sup>1</sup> IFC (2016). *Climate Investment Opportunities in Emerging Markets*

<sup>2</sup> Morgan Stanley Institute for Sustainable Investing (2015), *Sustainable Reality: Understanding the Performance of Sustainable Investment Strategies*, access at <http://www.morganstanley.com/sustainableinvesting/pdf/sustainablereality.pdf>

<sup>3</sup> International Energy Agency (2017). *The Annual Tracking Clean Energy Progress (TCEP) report of the Energy Technology Perspectives 2017*.

such as climate-smart agriculture and forestry, energy efficiency, transportation and waste. The KGBP partners invite consultants to put forward proposals for quantifying the investment opportunity over the short, medium and long-term in Kenya, to identify barriers and to present proposed solutions for creating bankable projects.

## 2. Objectives

The overall objective of the consultancy is to:

- Estimate the investment and financing opportunity, i.e. the size of the green<sup>4</sup> investment opportunities, type of projects, and finance demand in selected sectors in Kenya over the short (next 6 months), medium (6 months to 2 years) and long-term (2 years to 10 years).
- Provide guidance on the credit risks associated with the sectors, as well as credit risks associated with proposed projects, indicating the credit pricing effect of these risks
- Create a central database of green pipeline projects.
- Identify the barriers that may hinder the green pipeline and associated investments and finance from growing (lack of policy and other incentives, lack of data, capacity, alternative forms of financing, etc.).
- Identify how the green bonds pipeline will promote achievement of the Kenya Green Economy Strategy and Implementation Plan
- Put forward recommended solutions to overcome these barriers (regulatory and fiscal incentives, new partnerships, new business models etc.).
- Provide actual examples; develop proposed solutions and bankable investment proposals for 4 key selected investment projects.

**Note:** Barriers, solutions and investment proposals should be considered in the context of the existing Kenya Green Bonds Program and the proposed KBA pooled green bond vehicle, i.e. recommendations should build on the fact that the KGBP is already in place and thus focus on additional measures that are needed for the green pipeline to develop further and for green bond issuance and investment to happen.

## 3. Scope of work

The assignment includes the following activities:

- a) **Prioritize sectors.** Guided by the investment targets and sectors in the Kenya's Green Economy Strategy and Implementation Plan, the NT Climate Finance Paper and other relevant sector specific policies and strategies, narrow down and identify 4 to 5 key focus sectors in consultation with the Kenya Bankers Association and its partners. The sectors may include transport, manufacturing, real estate and construction, energy, and agriculture with a sub-sector focus on the SME segment within

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<sup>4</sup> "Green" is for the purpose of this assignment defined in line with the taxonomy of the Climate Bonds Initiative, the Climate Finance Paper by National Treasury of Kenya and the Kenyan Government's Green Economy Strategy and Implementation Plan. The model of "green growth" is targeting aspects of economic performance such as poverty reduction, job creation, social inclusion, and environmental sustainability, with the understanding that these factors are intrinsically linked.

each sector. There is also potential for a municipality sector study.

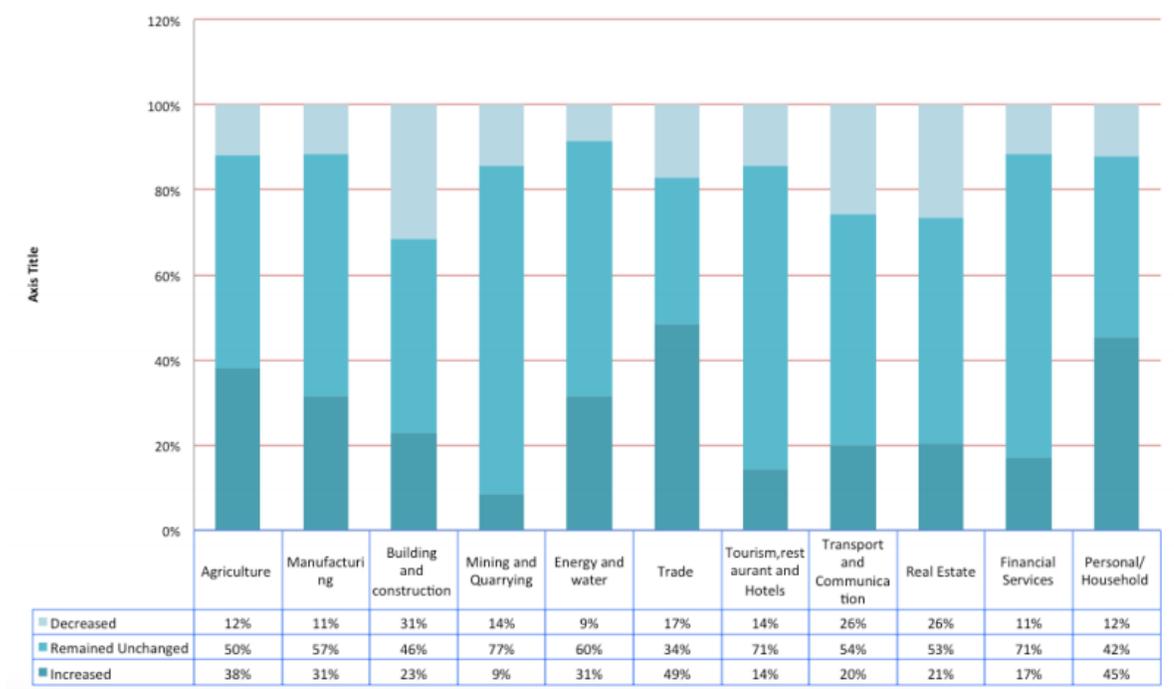


Figure 1 Demand for Credit - Central Bank of Kenya Credit Officer Survey (March 2017)

- b) **Estimate the market size per sector in the immediate and the longer-term.** Through desk-based research, surveys, interviews, stakeholder focus groups etc, produce a detailed estimate of the selected market and investment potentials in Kenya, broken down into relevant sub-sectors. The presentation of the demand/investment opportunities will include a segmentation of the time-horizon by which project initiation is estimated to be possible i.e. i) immediately existing projects and ii) projects that may be initiated or have the potential to be initiated in the medium to long term). Therefore the analysis will include a forecast of the drivers of demand in each sector and a projection of how they are likely to change. Conduct sensitivity analyses to understand the critical assumptions and to gauge risks to the baseline forecast.
- c) **Develop a database (list) of the pipeline of identified potential green investment projects,** including any project development activities needed to make the projects bankable. A template sample is included in section 4. Also propose an appropriate and efficient data collection framework (e.g. through the appropriate market actors such as industry associations etc) going forward to be able to more easily and accurately forecast the green investment and financing demand / pipeline. Each project should also have an estimated financing requirement and time horizon.
- d) **Perform a sector gap analysis of Kenya's policy, regulatory, and financial framework.** Perform a gap analysis for each of the 4 to 5 target sectors, and propose recommendations to foster the growth of the green investment pipeline in Kenya. The recommendations should be highly tailored, reflecting the current situation in the country, and include specific, sector-based policy tools (e.g. tax rebates/exemptions, subsidies, Energy Efficiency lending facility, electricity price, etc.)
- e) **Developing project concept note for 3-5 investment projects** (by filling in the Annex A or in any other format the Consultant develops in line with global best practice with the following information as a minimum;
  - energy efficiency measures and investment plan

- financial calculation (e.g. payback period, internal rate of return)
  - GHG emission reduction
  - potential cost savings from implementing such measures.
- f) **Present the findings at sector specific workshops with the relevant key stakeholders.** Assist with the planning and presentation at 4 to 5 sector specific workshops targeting relevant stakeholders (project sponsors, investors, regulators, industry associations etc.) to present the findings with the goal to promote deal-making and green bond issuance.

#### 4. Methodology considerations

The consultant(s) may in consultation with KBA may consider the following methodology components and criteria in relation to the assessment of the green pipeline and its bankability.

- Market characteristics (Size, growth, sectors and subsectors, trends, success factors, barriers and gaps, etc.)
- Project characteristics (Size, sector(s), stakeholders, financing, complexity, etc.)
- Program characteristics (Focus, structure, stakeholders, impact, barriers and gaps, etc.)
- Bankability (readiness to be financed through existing financial mechanisms)
- Scalability (replicability of project processes, tools, financing structures, etc.)
- Potential impact (GHG emissions reductions, economic savings, etc.)
- Institutional capacity and effectiveness (Government agencies, financial institutions, energy efficiency market participants, end-users, etc.)
- Available financing mechanisms and instruments (loans, equity, funds, facilities, green bonds, credit enhancement, etc.)
- Risks (financial, political, technical, currency, etc.)
- Sustainability (in relation to the Kenya Green Economy Strategy and Implementation Plan)

Green pipeline data analysis and survey results: The final survey results would be the total amount of green finance demand/opportunity. The required green pipeline “database” could be summarized as below (for the prioritized sectors only):

Sector	Type of projects (ex.)	Mitigation/adaptation	Climate /environment /social benefits	Total cost	International /private finance needed	Main challenges to access finance
Building and Construction						
Transport						
Industry						
Agriculture						
Energy						
Mining						
Waste						
Water						
Forestry						
SMEs						
Household						
Service sector						
Others:						
- Biodiversity						

## 5. Deliverables, timeline and payment schedule

The Consultant shall submit the deliverables in accordance with the following timeline.

No.	Deliverables	Timeline (from project start date)	Payment
1	<p>An <b>inception report</b> that includes:</p> <ul style="list-style-type: none"> <li>• Updated information reflecting discussions from the kick-off meeting, if any.</li> <li>• Updated project methodology for <b>activities A-F</b>, if any.</li> <li>• A Gantt chart that includes all relevant (sub) activities to be performed by the Consultant and the timelines in weeks.</li> </ul>	Week 1	X%
2	<p><b>Mid-term deliverables</b> that include:</p> <ul style="list-style-type: none"> <li>• A report on the results of <b>activities A and B i (the immediate term opportunities/demand)</b></li> <li>• Summary update of progress on <b>Activity B ii) and C.</b></li> <li>• A set of PowerPoint slides summarizing the main findings from each of the above two reports.</li> </ul>	Week X	X%
3	<p><b>Final deliverables</b> that include:</p> <ul style="list-style-type: none"> <li>• A final report that includes the information corresponding to the stated objectives and the scope of work as outlined in the project ToRs.</li> <li>• A set of PowerPoint slides summarizing the above.</li> </ul>	Week X	X%
4	<p><b>Presentation materials</b> as requested for sector workshops (<b>Activity D</b>).</p>	Week X	

## 5. Qualifications

The preferred qualifications of the Consultant(s) include:

- Proven experience in undertaking similar assignments in the financial sector;
- Solid track record of conducting detailed market assessments;
- Significant work experience with financial instruments and mechanisms, project finance, and public-private partnerships for project development;
- Solid track record of designing financial products targeting energy efficiency and other green initiatives;

- e) Experience working development finance institutions and familiarity with their policies and procedures;
- f) Sound ability to prepare, edit and synthesize a variety of written documents, reports, and briefs; and
- g) Excellent interpersonal/ communication skills and ability to articulate ideas in a clear and accurate manner.
- h) Consultant team members should have a minimum of 10 years experience in the relevant fields, including relevant sector expertise and project financing expertise.

**Note:** The assignment can be completed by one consultant or several consultants covering individual or multiple sectors. Consultants are welcome to form consortia as needed to enhance the delivery of the assignment.

When submitting their proposal the Consultant(s) should recommend their anticipated work plan and number of days. The suggested allocation of field and deskwork time is as follows:

- Fieldwork 75%
- Deskwork 25%

### **Schedule**

- Call for Proposals: 16<sup>th</sup> October 2017
- Response deadline: 16<sup>th</sup> November 2017
- Assessment: Week of 20<sup>th</sup> November 2017
- Telephone Interviews with Shortlisted Candidates: 27 November 2017
- Notification: 30 November 2017
- Contracting: Week of 4<sup>th</sup> December 2017
- Commencement of Assignment: Initial kick-off meeting week 11 Dec 2017 with the understanding that work will commence in mid- January 2018.
- End of Assignment: 30 April 2017

### **Procedure**

Interested candidates are requested to send the following:

- Response letter demonstrating an understanding of the context, background and objectives of the project
- Overview of the consultant company detailing key clients and projects with similar scope
- Proposal including detailed work plan, timeline in Gantt chart form, milestones and deliverables
- Financial proposal indicating compensation terms including costs per activity, daily rate, number of days, and any travel and accommodation costs
- A case study of a related assignment, outlining project deliverables, stakeholders, budget and outcomes. The case study should be no more than 2 pages

- Bio profile and Resume of the prospective consultants assigned to the project outlining respective capabilities and relevance to the project

Submissions should be sent via email to [sfi@kba.co.ke](mailto:sfi@kba.co.ke) with a copy to [kenya.procurement@wwfkenya.org](mailto:kenya.procurement@wwfkenya.org) before Noon on **16<sup>th</sup> November 2017**.

### **Confidentiality Statement**

All data and information used and received regarding this assignment is to be treated confidentially and only to be used in connection with the execution of this Terms of Reference.

All intellectual property rights arising from the execution of this Terms of Reference are assigned to the Kenya Green Bond Program Secretariat (Kenya Bankers Association / KBA). The contents of written materials obtained and used in this assignment may not be disclosed to any third parties without the expressed advance written authorisation of KBA.

Reference of this assignment on any Web site or in printed form, including in marketing material or presentations, should be with express written authorisation of KBA.

### **Institutional roles**

The Consultancy will be directly managed by the Kenya Bankers Association in consultation with WWF Kenya and its partners, including the Kenya Green Bond Program partners as constituted by the Project Steering Committee. WWF-Kenya will issue the consultancy contract and remit any payments to the consultant as advised by the Kenya Bankers Association within the contract.

### **Contact Information**

Should you require any further information to be able to process this call for proposals, please do not hesitate to email [sfi@kba.co.ke](mailto:sfi@kba.co.ke).