GBPN
Global Buildings Performance Network



Financing Landscape of the Kenyan Building and Construction Sector

Baseline Report for the Kenya Buildings Decarbonization Funding Accelerator

2026



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List of Acronyms

AAK	Architectural Association of Kenya
AfDB	African Development Bank
CBK	Central Bank of Kenya
CIF	Climate Investment Funds
DFI	Development Finance Institution
ESG	Environmental, Social and Governance
GCF	Green Climate Fund
GBPN	Global Buildings Performance Network
GlobalABC	Global Alliance for Buildings and Construction
IFC	International Finance Corporation
KGBS	Kenya Green Building Society
KGFT	Kenya Green Finance Taxonomy
KPDA	Kenya Property Developers Association
MRV	Monitoring, Reporting and Verification
NDC	Nationally Determined Contribution
PPP	Public–Private Partnership
UHAI	United for Health, Access and Impact
WiRE	Women in Real Estate

List of Definitions

Bankable Project: A project that demonstrates sufficient technical, financial, legal, and commercial viability to attract investment.

Blended Finance: The strategic use of concessional capital to mobilize additional private investment toward sustainable development.

Catalytic Finance: Capital deployed to reduce investment risks and unlock larger volumes of commercial finance.

Climate-Resilient Building: A building designed to withstand and adapt to current and future climate risks.

Green Building: A building that minimizes environmental impacts through resource efficiency, reduced emissions, and improved occupant wellbeing throughout its lifecycle.

Project Preparation Facility: Technical and financial support used to develop projects into investment-ready opportunities.

Sustainable Finance: Financial products and services that integrate environmental, social, and governance considerations into investment decisions.

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This report reflects the collective knowledge generated through the Kenya Buildings Decarbonization Finance Accelerator and aims to support the mobilization of finance for a low-carbon, climate-resilient, and inclusive built environment in Kenya.

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Executive Summary

Kenya's building and construction sector is a major driver of economic growth, urban development, and employment. It contributes significantly to national output and supports a wider ecosystem of industries—including manufacturing, transport, real estate, and professional services.

Construction activity has expanded steadily in recent years, supported by rapid urbanization, public infrastructure investment, and increasing demand for residential and commercial buildings. The value of Kenya's construction market is projected to surpass KES 1 trillion by 2026, reflecting sustained growth across residential, commercial, and infrastructure segments[1].

At the same time, the built environment remains one of the largest sources of energy consumption and carbon emissions. In response, the Government of Kenya has developed the National Buildings and Construction Decarbonization Roadmap (2026–2040) to guide the transition toward low-emission, resource-efficient, and climate-resilient buildings.

Developed by GBPN under the UHAI Coalition, the Kenya Buildings Decarbonization Finance Accelerator provides the institutional platform for convening stakeholders, generating market intelligence, and co-designing financing solutions that support implementation of Kenya's Buildings Decarbonization Roadmap. This outcome will be enabled by identifying the financing mechanisms, policy enablers, and market conditions required to scale low-carbon and energy-efficient buildings nationwide. Preliminary estimates indicate that delivering the roadmap targets will require mobilization of substantial investment over the coming decade, particularly for building retrofits, energy-efficient new construction, renewable energy integration, green materials, and technical capacity development

While strong policy direction now exists, financing remains one of the most significant barriers to implementing sustainable building strategies. Investment flows into the sector remain fragmented and often misaligned with sustainability objectives. Historically, climate finance in Kenya has been concentrated in renewable energy projects, while buildings, urban development, and energy efficiency initiatives have attracted comparatively limited funding.[2]

[1] Research and Markets. (2026). Kenya Construction Industry Report: Market Size and Forecast.
[2] Kenya Climate Change Knowledge Portal.(Climate Change Directorate, 2024)

This report presents an updated assessment of the financing landscape for Kenya's buildings sector, integrating:

- Stakeholder survey findings
- Outputs from the KGBS stakeholder workshop
- Market consultations under the UHAI Coalition
- Technical analysis, synthesis of evidence, and strategic coordination led by GBPN to consolidate stakeholder inputs into a coherent financing framework.

The findings reveal that Kenya's green building finance market remains nascent, fragmented, and underdeveloped, with green financial instruments applied in only a small proportion of building projects. At the same time, stakeholder consultations indicate strong market readiness and growing institutional interest in sustainable building finance.

A central paradox defines the market: ***High stakeholder awareness and willingness to invest in green buildings, yet limited implementation and financing uptake.***

This disconnect reflects deeper systemic challenges, including:

- High cost of capital
- Limited availability of tailored green finance products
- Weak pipeline of bankable projects
- Limited catalytic and blended finance mechanisms
- Perceived and real investment risks
- Limited local performance data
- Fragmented ecosystem coordination

Stakeholder consultations consistently reinforced one critical insight:

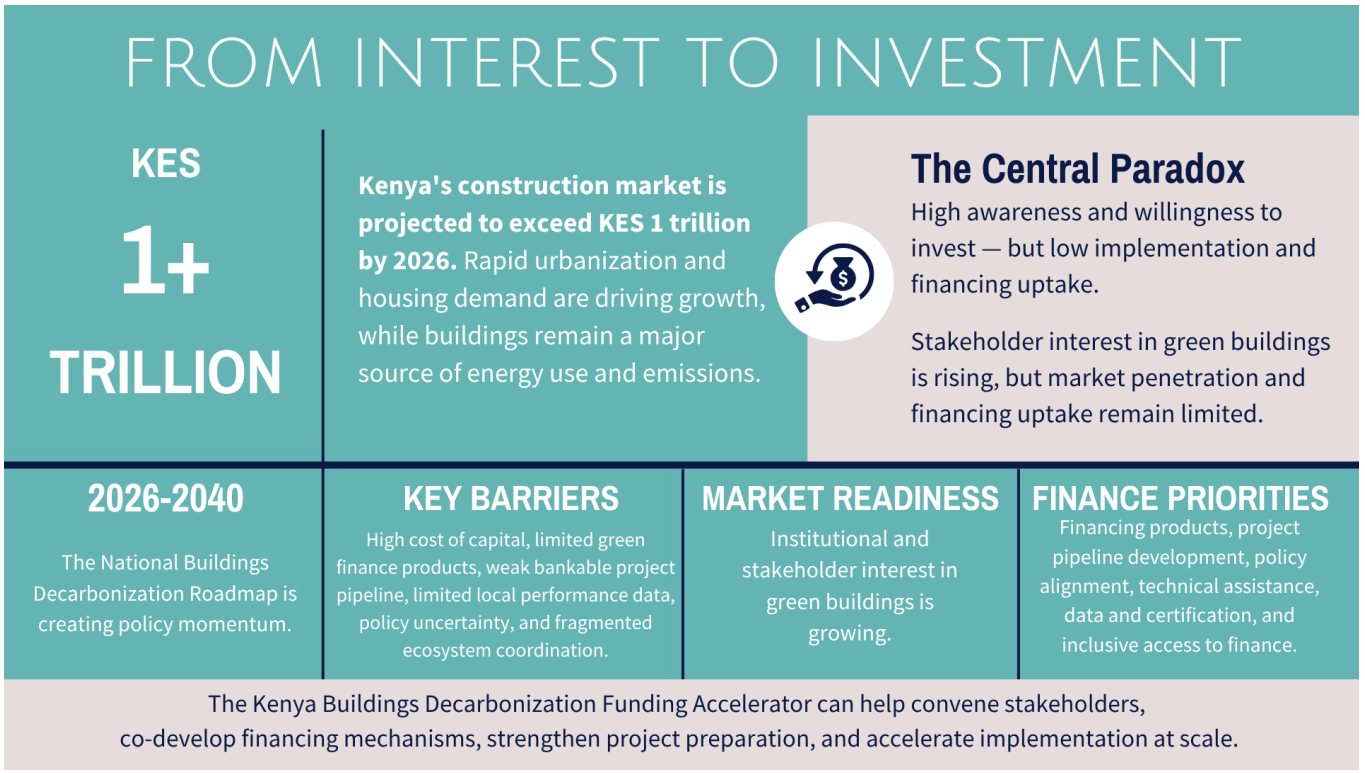
> **The challenge is no longer proving that green buildings create value.**
> **The challenge is translating verified green performance into finance logic, incentives, underwriting systems, and investable market structures.**

The report concludes that unlocking finance for Kenya's buildings sector will require a coordinated system-wide transformation focused on:

- Financing products and instruments
- Project pipeline development
- Policy and regulatory alignment

- Technical assistance and market capacity
- Data systems and certification integration
- Inclusive and equitable access to finance

The Kenya Buildings Decarbonization Funding Accelerator provides a platform to convene stakeholders, co-develop financing mechanisms, and accelerate implementation at scale.



1. The Case for Building Decarbonization Finance in Kenya

1.1 Kenya's Climate Commitments and Decarbonization Agenda (NDC, Roadmap, GlobalABC, Buildings Breakthrough)

Kenya has positioned itself as one of Africa's climate leaders through ambitious national and international commitments aimed at transitioning to a low-carbon and climate-resilient economy. Under its updated Nationally Determined Contribution (NDC), Kenya has committed to reducing greenhouse gas emissions by 32% by 2030 relative to the business-as-usual scenario, conditional upon domestic and international support. Achieving this target requires significant action across high-emitting sectors, including buildings and construction[3].

To operationalize these commitments within the built environment, the Government of Kenya developed the **Kenya National Buildings and Construction Decarbonization Roadmap (2026–2040).** The roadmap provides a sector-wide framework for reducing operational and embodied carbon emissions while improving resilience, affordability, and resource efficiency across the building lifecycle. It identifies priority actions across energy efficiency, building materials, urban planning, existing building retrofits, finance, policy reform, and capacity building[4].

Kenya is also a signatory to the global **Buildings Breakthrough Agenda**, launched at COP28, which seeks to ensure that near-zero emission and climate-resilient buildings become the new normal globally by 2030. The country actively participates in international platforms such as the Global Alliance for Buildings and Construction (GlobalABC), reinforcing its commitment to accelerating decarbonization across the built environment[5].

These commitments collectively create a strong policy foundation. However, successful implementation depends on mobilizing substantial public and private finance to support investment in low-carbon buildings, sustainable materials, energy-efficient technologies, and climate-resilient infrastructure.

[3] Kenya Green Finance Taxonomy
[4] Kenya's National Buildings and Construction Decarbonization Roadmap
[5] Kenya Launches Building Decarbonization Roadmap

1.2 The Strategic Importance of the Buildings Sector

1.2.1 Economic Contribution

The buildings and construction sector is a critical pillar of Kenya's economy. It contributes significantly to Gross Domestic Product (GDP) through direct construction activity and indirectly through linkages with manufacturing, transport, real estate, financial services, and professional consultancy sectors. Construction output has expanded steadily over the past decade, supported by infrastructure investment, urban growth, and increasing housing demand.

The sector's multiplier effects extend across the economy, stimulating demand for cement, steel, glass, electrical equipment, transport services, and skilled professional services.

1.2.2 Employment Generation

Construction remains one of Kenya's largest employment generators. The sector provides jobs across the entire value chain, including architects, engineers, quantity surveyors, contractors, artisans, technicians, manufacturers, transport operators, and informal construction workers. Expansion of green building markets presents opportunities for additional employment through energy efficiency retrofits, renewable energy deployment, sustainable materials production, building certification services, and climate-resilient infrastructure development.

1.2.3 Urbanization and Infrastructure Growth

Kenya is experiencing rapid urbanization, with urban populations projected to continue growing significantly over the coming decades. This growth is driving increased demand for housing, commercial developments, schools, hospitals, industrial facilities, and supporting infrastructure.

Without intervention, this urban expansion risks locking in carbon-intensive construction practices and inefficient building stock for decades. Conversely, integrating decarbonization measures into new developments can avoid future emissions while reducing lifecycle costs.

1.2.4 Affordable Housing Agenda

The Government's Affordable Housing Programme seeks to address Kenya's substantial housing deficit while supporting economic growth and social inclusion. The programme creates a unique opportunity to mainstream energy efficiency, climate resilience, and sustainable construction practices at scale. Embedding decarbonization principles into affordable housing investments can reduce household energy costs, improve thermal comfort, enhance resilience, and generate long-term economic benefits.

Kenya currently requires approximately 200,000 new housing units annually, making the design and financing of these future assets a critical determinant of the country's emissions trajectory[6].

1.3 Buildings as a Climate Mitigation Opportunity

1.3.1 Emissions Profile

Globally, buildings account for approximately 37% of energy-related carbon emissions. In Kenya, the built environment contributes significantly to national emissions through building operations, electricity consumption, construction activities, and the production of carbon-intensive materials such as cement and steel.

Recent analyses indicate that the built environment contributes approximately one-third of Kenya's total emissions footprint, highlighting the sector's importance in achieving national climate targets[5].

1.3.2 Energy Demand

Buildings are major consumers of electricity and other forms of energy for lighting, cooling, ventilation, water heating, appliances, and equipment. As urbanization and economic growth continue, energy demand from buildings is expected to rise substantially.

Improved building design, energy-efficient equipment, passive cooling strategies, smart controls, and renewable energy integration can significantly reduce energy consumption while improving occupant comfort and reducing operating costs.

[6] GBPN, Setting the Direction for Kenya's Built Environment Future (2026).

1.3.3 Retrofit Opportunities

A significant proportion of Kenya's 2050 building stock already exists today. Therefore, achieving meaningful emissions reductions will require large-scale retrofitting of existing buildings. Key retrofit opportunities include:

- LED lighting upgrades
- Efficient HVAC and cooling systems
- Solar photovoltaic installations
- Solar water heating systems
- Building envelope improvements
- Water efficiency measures
- Smart energy management systems
- Climate resilience upgrades for flood and heat risks

Retrofitting existing buildings often provides some of the most cost-effective emissions reductions available while generating immediate operational savings and improving asset value.

1.4 Financing Requirements for the Transition

1.4.1 Investment Needs

Achieving the ambitions outlined in Kenya's Buildings and Construction Decarbonization Roadmap (2026–2040) will require a significant scale-up of investment across the entire building value chain. The transition to a low-carbon and climate-resilient built environment extends beyond individual green building projects and requires systemic investment in infrastructure, technologies, institutions, and market ecosystems.

Priority investment areas include:

- **Energy-efficient new construction**, incorporating passive design strategies, high-performance building envelopes, efficient lighting, cooling, ventilation systems, and smart building technologies.
- **Deep and light retrofits of existing buildings**, including public buildings, commercial properties, residential developments, schools, hospitals, and industrial facilities.
- **Renewable energy integration**, such as rooftop solar photovoltaic systems, solar water heating, battery storage, and distributed energy systems.

- **Low-carbon and circular construction materials**, including low-clinker cement, recycled steel, sustainable timber, alternative aggregates, and innovative construction technologies.
- **Climate resilience measures**, including flood protection, heat adaptation, water efficiency systems, rainwater harvesting, resilient infrastructure, and nature-based solutions.
- **Affordable green housing**, ensuring that decarbonization objectives are integrated into Kenya's Affordable Housing Programme without increasing housing unaffordability.
- **Technical assistance and project preparation**, including feasibility studies, energy audits, climate risk assessments, engineering design, certification support, and transaction advisory services.
- **Data systems and market infrastructure**, such as building performance databases, emissions monitoring systems, certification frameworks, digital permitting platforms, and measurement, reporting, and verification (MRV) systems.
- **Capacity development**, targeting developers, contractors, financial institutions, local authorities, building managers, and professional service providers.

The scale of investment required is substantial. Kenya's Updated Nationally Determined Contribution (NDC) estimates that achieving national climate mitigation and adaptation goals by 2030 will require approximately **USD 62 billion**, with only about **13% (USD 8 billion)** expected to be mobilized from domestic public resources, leaving a financing gap of approximately **USD 54 billion** to be filled through private investment, development finance, climate funds, and international partnerships (Government of Kenya, 2020).

Globally, the building sector is increasingly recognized as one of the most cost-effective climate mitigation opportunities. According to the Global Alliance for Buildings and Construction (GlobalABC), achieving net-zero buildings globally requires annual investments to more than double by 2030, particularly in energy efficiency and building retrofits. Similar investment acceleration will be necessary in Kenya if the sector is to align with national decarbonization targets.

1.4.2 Market and Investment Gaps

Despite increasing awareness of sustainable construction and growing demand for green buildings, significant financing barriers continue to constrain investment across the sector.

High Cost of Capital

Kenya's lending environment remains characterized by relatively high interest rates and short loan tenors, which can make long-term investments in building efficiency and climate resilience financially challenging. Many green building measures require higher upfront capital expenditure, even though they generate operational savings over time. Developers and property owners often prioritize minimizing initial costs over lifecycle performance due to financing constraints.

Limited Availability of Dedicated Green Finance Products

Most financial institutions continue to offer conventional construction and mortgage products that do not adequately recognize the reduced risk profile and improved long-term performance of certified green buildings. Dedicated financing products for energy-efficient buildings, building retrofits, climate resilience upgrades, and sustainable materials remain limited in both availability and scale.

Weak Project Preparation Capacity

A recurring challenge identified by stakeholders is the lack of investment-ready projects. Many developers lack the technical capacity and financial resources required to conduct energy modelling, climate risk assessments, engineering studies, certification processes, and business case development necessary to secure financing.

As a result, projects often fail to meet lender requirements despite having strong environmental and economic benefits.

Institutional Capacity Constraints

Limited institutional capacity across public agencies, financial institutions, and market actors constrains the design, appraisal, implementation, and monitoring of sustainable building investments. Strengthening technical expertise, cross-sector coordination, and institutional readiness will be essential to scaling investment and ensuring effective implementation of decarbonization measures.

Limited Pipeline of Bankable Projects

Financial institutions consistently report a shortage of well-prepared, bankable green building projects. The challenge is not necessarily a lack of demand for financing, but rather a shortage of projects that can demonstrate robust technical, financial, and environmental performance.

This pipeline gap is particularly evident in:

- Existing building retrofits
- Affordable housing projects
- Public sector building upgrades
- Green industrial buildings
- Climate-resilient infrastructure developments

Data and Information Constraints

Limited availability of local performance data creates uncertainty for investors and lenders. Many financial institutions lack evidence on:

- Energy savings achieved through retrofits
- Payback periods for green technologies
- Building operational cost reductions
- Property value premiums associated with green certification
- Climate risk reduction benefits

This information gap contributes to conservative lending practices and higher perceived investment risk.

Perceived Technology and Market Risks

Although many low-carbon building technologies are now commercially proven, investors often perceive green buildings as higher-risk investments due to unfamiliarity with technologies, uncertain demand, lack of technical expertise, and limited track records in the Kenyan market.

Fragmented Financing Ecosystem

The current financing ecosystem remains fragmented, with limited coordination between developers, financiers, regulators, certification bodies, technical service providers, and

development partners. This fragmentation increases transaction costs and slows market development.

Consequently, many technically feasible and economically viable building decarbonization projects fail to reach financial close, creating a persistent implementation gap between policy ambition and market delivery.

1.4.5 Catalytic Finance as a Market Enabler

Given the scale of investment required and the barriers currently facing the market, traditional commercial finance alone is unlikely to deliver the level of transformation needed within the required timeframe.

Catalytic finance refers to financial interventions designed to mobilize significantly larger volumes of private capital by reducing investment risk, improving project economics, and strengthening market confidence.

Catalytic finance plays a critical role in overcoming first-mover barriers, supporting market creation, and accelerating investment in sectors where commercial financing remains limited.

Blended Finance

Blended finance combines concessional capital from public institutions, development finance institutions (DFIs), philanthropic organizations, or climate funds with commercial investment.

In the buildings sector, blended finance can:

- Improve project affordability
- Reduce borrowing costs
- Extend financing tenors
- Absorb early-stage risks
- Increase private sector participation

Blended finance structures have been successfully used globally to support energy efficiency, green affordable housing, and climate-resilient infrastructure projects.

Credit Enhancement Mechanisms

Credit enhancement instruments can improve project creditworthiness and increase lender confidence. Examples include:

- Partial credit guarantees
- Portfolio guarantees
- Political risk insurance
- Performance guarantees
- Revenue stabilization mechanisms

These instruments can be particularly valuable for first-time green building developers and emerging technologies.

Concessional Finance

Development finance institutions and climate funds can provide below-market financing to support strategic investments with strong climate benefits.

Potential sources include:

- Green Climate Fund (GCF)
- Climate Investment Funds (CIF)
- African Development Bank (AfDB)
- International Finance Corporation (IFC)
- Development Bank of Southern Africa (DBSA)
- Agence Française de Développement (AFD)
- KfW Development Bank

Concessional capital can help bridge viability gaps and support demonstration projects.

Green Bonds

Green bonds provide an opportunity to mobilize institutional capital for large-scale sustainable infrastructure and building investments.

Kenya has already demonstrated leadership in sustainable finance through the issuance of East Africa's first corporate green bond. Expansion of the green bond market could support:

- Green affordable housing

- Sustainable real estate developments
- Public building retrofits
- Renewable energy deployment
- Climate-resilient urban infrastructure

Sustainability-Linked Loans

Sustainability-linked financing ties loan pricing to measurable environmental performance indicators such as:

- Energy consumption reduction
- Carbon emissions reduction
- Green building certification achievement
- Water efficiency improvements

These instruments create financial incentives for continuous improvement while broadening access to sustainable finance.

Results-Based Financing

Results-based financing mechanisms reward verified performance outcomes rather than financing inputs alone. Examples include payments linked to:

- Energy savings achieved
- Carbon emissions reductions
- Green building certification attainment
- Climate resilience outcomes

Such approaches can strengthen accountability and improve investor confidence.

First-Loss and Risk-Sharing Facilities

First-loss capital facilities can absorb initial losses within investment portfolios, thereby reducing risk for commercial investors and encouraging participation in emerging markets.

These structures are particularly valuable for financing:

- Building retrofit portfolios
- SME construction firms
- Innovative building technologies

- Affordable green housing programmes

1.5 Why Finance Matters Now

1.5.1 Strong Policy Momentum

Kenya has established one of the most progressive climate policy frameworks in Africa. The National Buildings and Construction Decarbonization Roadmap, National Climate Change Action Plan, Long-Term Low Emission Development Strategy, and related sector policies collectively create a favorable enabling environment for green investment.

The challenge is increasingly shifting from policy development to implementation and financing.

1.5.2 Kenya Green Finance Taxonomy

A major recent development is the introduction of the **Kenya Green Finance Taxonomy (KGFT)** by the Central Bank of Kenya. The taxonomy establishes a common classification framework for identifying environmentally sustainable investments and provides guidance for financial institutions seeking to align lending and investment decisions with climate objectives. Construction and real estate are among the priority sectors covered under the framework.

The taxonomy is expected to improve transparency, reduce greenwashing risks, increase investor confidence, and facilitate greater flows of capital into sustainable building projects.

1.5.3 Climate Risk Disclosure Requirements

The Central Bank of Kenya has also introduced climate-related risk management guidance for banks and is advancing climate disclosure frameworks to improve transparency and management of climate-related financial risks. Financial institutions are increasingly expected to assess and disclose exposure to both physical and transition climate risks.

These developments create incentives for lenders to identify and finance climate-aligned investments, including green buildings and building retrofits.

1.5.4 Rising ESG Expectations

Investors, development finance institutions, pension funds, and multinational corporations are increasingly integrating Environmental, Social, and Governance (ESG) criteria into investment decisions. Building projects that demonstrate energy efficiency, resilience, carbon reduction, and sustainability performance are becoming more attractive to both domestic and international capital providers.

As ESG requirements become mainstream, developers and asset owners who can demonstrate measurable sustainability outcomes will likely enjoy improved access to finance, enhanced asset values, and reduced long-term risk.

1.5.5 A Critical Window of Opportunity

Kenya is entering a period where climate policy, financial sector reforms, investor expectations, and market demand are converging. The decisions made over the next decade regarding building design, construction practices, and financing structures will determine whether Kenya's rapid urban growth locks in future emissions or accelerates a transition toward a low-carbon, resilient, and globally competitive built environment.

2. Assessment Methodology and Stakeholder Engagement Process

2.1 Assessment Objectives

The assessment was undertaken through the GBPN-led Kenya Buildings Decarbonization Funding Accelerator to develop a comprehensive and evidence-based understanding of the financing landscape for Kenya’s buildings and construction sector. Its primary purpose was to identify the financial, institutional, technical, policy, and market conditions required to accelerate investment in low-carbon, energy-efficient, climate-resilient, and resource-efficient buildings. The assessment was directly aligned with the Kenya Buildings and Construction Decarbonization Roadmap (2026–2040), which identifies finance as one of the key enablers for translating national decarbonization ambitions into implementable actions across new buildings, existing buildings, construction materials, urban development, energy efficiency, and enabling systems [4].

The assessment also sought to understand how Kenya's broader climate commitments create demand for targeted financing in the built environment. Kenya's updated Nationally Determined Contribution commits the country to reducing greenhouse gas emissions by 32% by 2030 relative to the business-as-usual scenario, conditional on domestic and international support. Since buildings and construction influence energy demand, material consumption, land use, infrastructure development, and long-term emissions lock-in, the sector represents an important opportunity for aligning climate ambition with investment planning[4].

The assessment was designed to identify the current state of financing for sustainable buildings, determine where financing gaps exist, and assess whether existing financial products are adequate for the scale of investment required. It examined the availability of green mortgages, green construction loans, concessional finance, guarantees, blended finance, sustainability-linked loans, green bonds, and project preparation support. It also considered whether these instruments are accessible to different market actors, including large developers, small and medium-sized contractors, homeowners, manufacturers, public institutions, and affordable housing providers.

A key objective was to move beyond a general discussion of climate finance and focus specifically on the buildings and construction sector. This was important because climate finance in Kenya has historically been more visible in renewable energy, transport, agriculture, and adaptation-related investments, while buildings, energy efficiency, retrofits, and sustainable construction materials have received comparatively less targeted attention[7].

The assessment further aimed to generate stakeholder-informed recommendations for the Kenya Buildings Decarbonization Finance Accelerator. These recommendations are intended to support the development of practical financing mechanisms, policy incentives, project preparation support, certification integration, data systems, and market coordination structures that can unlock investment at scale.

2.2 Research Design and Methodological Approach

The assessment will adopt a mixed-methods research approach combining desk review, financing landscape analysis, stakeholder surveys, key informant interviews, workshop diagnostics, and validation through stakeholder consultations. This approach was selected because financing barriers in the buildings and construction sector are not only financial; they

[7]The National Treasury, CPI, KCIC, *The Landscape of Climate Finance in Kenya* (2021).

are also shaped by regulation, project preparation capacity, market confidence, technical standards, developer behavior, lender risk perception, and availability of performance data.

The methodological approach is designed to capture both quantitative and qualitative evidence. Quantitative information helps establish the macroeconomic, climate finance, and investment context, while qualitative engagement helps reveal practical barriers experienced by developers, financial institutions, policymakers, manufacturers, and technical professionals. This combination is important because several barriers to green building finance, such as perceived risk, lack of confidence, weak project pipelines and limited understanding of certification, cannot be fully captured through secondary data alone.

2.2.1 Desk Review

The desk review provided the analytical foundation for the assessment. It examined national policies, climate strategies, sustainable finance frameworks, sector reports, economic data, and international best-practice documents relevant to financing building decarbonization. Key national documents reviewed included Kenya's Updated NDC, the National Climate Change Action Plan 2023–2027, the Kenya Buildings and Construction Decarbonization Roadmap, and the Kenya Green Finance Taxonomy. These documents helped establish the policy direction, investment rationale, and financial sector reforms relevant to the built environment.

The desk review also considered global reports on the buildings sector, particularly those highlighting the role of buildings in energy consumption, emissions, material demand, and climate resilience. The Global Status Report for Buildings and Construction provides important global evidence on the scale of emissions associated with buildings and the need to increase investment in energy efficiency, low-carbon materials, and resilient buildings.

In addition, the review examined sustainable finance and green building finance guidance from international institutions. These sources informed the assessment of possible financial instruments, including blended finance, green bonds, risk-sharing mechanisms, concessional credit lines, project preparation facilities, and sustainability-linked financing[8].

[8] IFC Green Buildings Finance and Policy Blueprint

2.2.2 Financing Landscape Analysis

The financing landscape analysis examined the current and potential sources of capital available to Kenya's buildings and construction sector. It considered both conventional financing and emerging sustainable finance instruments. Conventional financing includes mortgage finance, construction loans, developer finance, public infrastructure budgets, SME finance, SACCO lending, and commercial bank credit. Sustainable finance instruments include green bonds, sustainability-linked loans, concessional finance, guarantees, green mortgages, blended finance facilities, and climate finance.

The analysis focused on the extent to which existing financial products are suitable for financing building decarbonization measures. These measures include energy-efficient building design, high-performance building envelopes, efficient lighting and appliances, solar water heating, rooftop solar photovoltaic systems, smart metering, building retrofits, water efficiency, flood resilience, low-carbon materials, and cleaner manufacturing processes. The assessment found that while Kenya has an increasingly advanced sustainable finance policy environment, the translation of these frameworks into dedicated building-sector finance products remains limited.

The financing landscape analysis was informed by evidence that climate finance flows in Kenya have historically been concentrated in renewable energy, while buildings and construction-related activities are less clearly captured in climate finance reporting. This creates a data challenge because many building-related investments are either classified under energy, infrastructure, housing, urban development, or private real estate, making it difficult to isolate actual flows into building decarbonization.

The analysis also examined the role of the Kenya Green Finance Taxonomy in supporting market development. The taxonomy provides a common framework for identifying environmentally sustainable economic activities and can help financial institutions classify, track, and report green lending and investment. For the buildings sector, this is particularly important because lenders require clear criteria to determine which building projects qualify as green, low-carbon, or climate-aligned.

2.2.3 Survey Methodology

The stakeholder survey was designed to collect structured information from actors across the buildings, construction, finance, policy, and sustainability ecosystem. The survey examined

awareness of green buildings, access to finance, current use of sustainable finance products, investment barriers, perceived risks, willingness to invest, and priority interventions for scaling finance.

The survey was intended to capture market sentiment and identify patterns across different stakeholder categories. For example, developers were asked to reflect on financing access, upfront cost concerns, certification costs, market demand, and return on investment. Financial institutions were asked to reflect on project bankability, risk assessment, product availability, and demand for green finance. Technical professionals were asked to reflect on project preparation, certification, design capacity, and performance verification. Public sector and civil society actors were asked to reflect on policy alignment, incentives, equity, and implementation constraints.

The survey helped identify the central market paradox informing the Finance Accelerator: stakeholders generally recognize the value of green buildings and show growing interest in sustainable building investments, yet actual financing uptake remains limited. This suggests that the market challenge is not only awareness, but also the absence of tailored products, clear incentives, trusted performance data, and investment-ready project pipelines.

2.2.4 Key Informant Interviews

Key informant interviews constituted a central element of the assessment methodology, offering detailed qualitative insights into the opportunities and constraints influencing green building finance in Kenya. These interviews supplemented the literature review and workshop diagnostics by capturing institutional perspectives, market experience, and practical considerations that are frequently absent from published data.

Interviews were conducted with representatives from commercial banks, development finance institutions, guarantee providers, institutional investors, developers, government agencies, regulators, capital market institutions, green building professionals, certification bodies and development partners during the kick off workshop. The diversity of stakeholders ensured that the assessment reflected perspectives from across the green buildings financing ecosystem.

The interviews addressed a range of themes, such as access to finance, cost of finance, project bankability, investment readiness, financing instruments, risk allocation, policy and regulatory barriers, green building certification, market incentives, capital mobilisation, and opportunities to strengthen the financing ecosystem.

Insights from the interviews were systematically analysed and triangulated with evidence from the literature review and stakeholder workshops to validate findings, identify recurring market themes, and inform the recommendations presented in this report. The interviews also offered important context for understanding the motivations, constraints, and priorities of both capital providers and project developers.

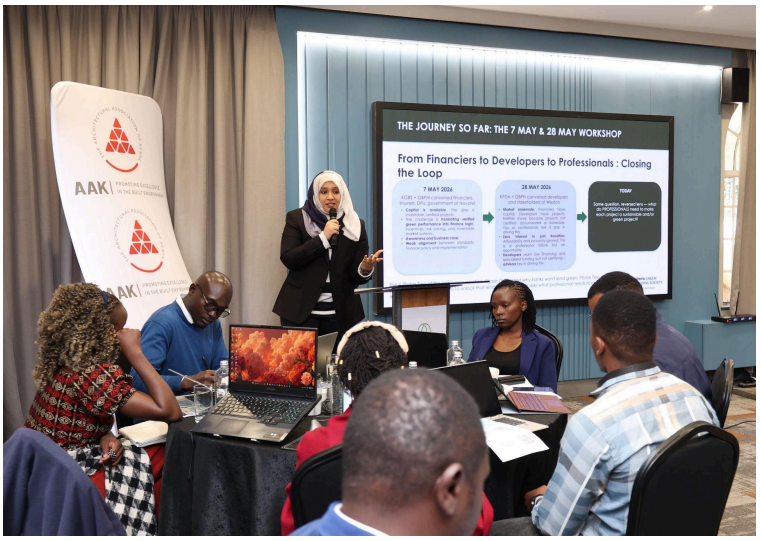
2.2.5 Workshop Diagnostics

Workshop diagnostics formed a central component of the assessment methodology and were instrumental in generating primary data, validating preliminary findings, and facilitating dialogue among key stakeholders across the buildings, construction, finance, and policy ecosystem. The workshops provided a structured platform for participants to identify financing barriers, assess market readiness, discuss emerging opportunities, prioritize interventions, and test potential solutions for accelerating investment in low-carbon and climate-resilient buildings.



A significant proportion of the evidence presented in this report was generated through stakeholder engagements conducted under the Kenya Buildings Decarbonization Finance Accelerator in collaboration with the United Health Access and Inclusivity (UHAI) Coalition partners. These engagements provided valuable insights from practitioners and institutions directly involved in financing, developing, designing, regulating, certifying, and constructing buildings in Kenya.

The Kenya Green Building Society (KGBS) workshop brought together sustainability professionals, green building consultants, developers, financiers, certification experts, and technical practitioners. Discussions focused on barriers to green building adoption, certification challenges, the role of performance verification, financing constraints, and opportunities for strengthening market confidence through better data and incentives. Participants highlighted the need for stronger integration between green building certification systems and financial decision-making, noting that environmental performance is not yet consistently recognized by lenders and investors.



The Architectural Association of Kenya (AAK) workshop provided perspectives from architects, planners, quantity surveyors, project managers, and other built environment professionals. Discussions emphasized the importance of incorporating sustainability and decarbonization considerations at the earliest stages of project design, where critical decisions regarding building orientation, materials, energy systems, ventilation, and climate resilience are made. Participants identified capacity gaps in energy modelling, lifecycle costing, climate-responsive design, and sustainable construction practices as barriers to developing investment-ready projects.

The Kenya Property Developers Association (KPDA) engagement provided direct input from developers and real estate investors responsible for delivering residential, commercial, industrial, and mixed-use projects across the country. Participants highlighted high financing costs, limited access to long-term capital, uncertainty regarding market demand for green buildings, and the absence of financial incentives that adequately reward investments in sustainability. Developers also emphasized the importance of streamlined approval processes, predictable regulations, and stronger business cases for sustainable building investments.

The Women in Real Estate (WIRE) workshop brought together professionals from across the built environment to explore the role of inclusivity in accelerating sustainable urban development and green finance. Discussions highlighted barriers faced by women, youth, persons with disabilities, and other underrepresented groups in accessing finance, technical opportunities, and decision-making processes within the construction and real estate sectors. Participants largely emphasized that a just transition requires green finance strategies, capacity-building initiatives, and investment approaches that intentionally address equity, affordability, and inclusion, ensuring that the benefits of decarbonization are shared broadly while strengthening the resilience and bankability of sustainable development projects.

Collectively, the workshop diagnostics revealed that stakeholders experience financing challenges differently depending on their position within the value chain. Developers frequently cited high upfront costs, limited incentives, and affordability concerns. Financial institutions emphasized the shortage of bankable projects, limited borrower demand, insufficient technical documentation, and lack of reliable performance data. Professional associations highlighted technical capacity constraints and gaps in standards implementation, while policymakers emphasized the need for stronger coordination between regulatory frameworks, incentives, climate policies, and financial sector reforms.

The workshop process also demonstrated broad consensus around several priority interventions, including the development of dedicated green finance products, project preparation facilities, risk-sharing mechanisms, stronger certification and verification systems, improved access to performance data, and enhanced coordination between financial institutions, developers, policymakers, and technical professionals.

These insights were critical in shaping the findings of the assessment and reinforced the conclusion that unlocking finance for building decarbonization requires a coordinated ecosystem approach. Increasing the availability of capital alone will not be sufficient unless project pipelines are strengthened, technical capacity is enhanced, market data becomes more accessible, and financial products are better aligned with decarbonization outcomes and climate resilience objectives.

2.3 Stakeholder Mapping and Categorization

Stakeholder mapping was undertaken to identify the institutions and actors that influence financing, regulation, design, construction, certification, manufacturing, investment, and implementation within Kenya's buildings and construction sector. The mapping process was guided by a **bottom-up and stakeholder-driven approach,** recognizing that successful implementation of building decarbonization cannot be achieved through policy and financial sector interventions alone. Rather, it requires active participation from the full ecosystem of actors who design, finance, regulate, construct, occupy, and manage buildings throughout their lifecycle.

The stakeholder mapping exercise built upon the extensive engagement process undertaken during the development of the Kenya Buildings and Construction Decarbonization Roadmap (2026–2040), which brought together representatives from government, industry, financial institutions, professional associations, academia, manufacturers, civil society, and

development partners. Particular emphasis was placed on ensuring the continued involvement of stakeholders who participated in the Roadmap process and subsequently endorsed the Kenya Buildings and Construction Decarbonization Commitment Charter, signaling their commitment to supporting implementation of the Roadmap and accelerating sector-wide decarbonization efforts.

The continued engagement of these stakeholders is considered critical to the success of the Kenya Buildings Decarbonization Finance Accelerator. Many of the institutions involved in the Roadmap process are expected to play a direct role in implementing decarbonization actions, mobilizing investment, developing financial products, enforcing regulations, delivering projects, manufacturing low-carbon materials, and supporting capacity development. Their participation ensures that the Finance Accelerator remains aligned with sector priorities and that proposed financing mechanisms respond to actual market needs rather than theoretical assumptions.

The stakeholder mapping process therefore sought not only to identify relevant actors, but also to create a platform for ongoing collaboration, co-creation, and capacity building. Through this approach, stakeholders are able to contribute directly to the development of financing products, policy recommendations, risk-sharing mechanisms, certification frameworks, and project preparation solutions that are practical, implementable, and responsive to the realities of the Kenyan market. This participatory approach increases ownership of proposed interventions and enhances the likelihood of successful implementation.

Financial institutions were identified as critical actors in mobilizing capital and developing financing products capable of supporting sustainable buildings and construction. These institutions include commercial banks, mortgage providers, SACCOs, pension funds, insurance companies, investment funds, and capital market actors. Their role extends beyond the provision of finance to include risk assessment, product innovation, portfolio alignment, and integration of environmental considerations into lending and investment decisions. The Kenya Green Finance Taxonomy specifically recognizes the role of the financial sector in directing capital toward environmentally sustainable economic activities and provides a framework for identifying, classifying, and reporting green investments.

Government institutions were identified as central actors in establishing enabling policies, incentives, regulatory frameworks, and public investment programmes that can support market transformation. These institutions include national ministries, county governments,

regulators, and implementing agencies responsible for housing, public works, urban development, energy, environment, finance, and industry. Government stakeholders play a critical role in creating market certainty through policy direction, standards development, enforcement mechanisms, public procurement, and fiscal incentives that can encourage investment in sustainable buildings and low-carbon construction practices.

Developers, property owners, and real estate investors were identified as key demand-side actors whose investment decisions ultimately determine whether sustainable building measures are adopted at scale. Their participation is particularly important in ensuring that proposed financing products and incentives are commercially viable and capable of supporting real-world project development. Similarly, professional associations including the Architectural Association of Kenya (AAK), Kenya Green Building Society (KGBS) and other technical bodies play a vital role in building professional capacity, promoting standards, supporting certification processes, and ensuring that projects are designed and delivered in accordance with sustainability principles.

Manufacturers and supply chain actors were also recognized as critical stakeholders due to their influence on embodied carbon emissions and material efficiency. The transition toward low-carbon construction will require manufacturers to invest in cleaner production technologies, alternative materials, energy efficiency improvements, and product innovation. Engaging manufacturers within the Finance Accelerator ensures that financing solutions address both operational carbon reductions in buildings and emissions associated with the production of construction materials.

Development finance institutions, climate funds, bilateral agencies, and international partners were identified as important catalytic actors capable of mobilizing concessional finance, technical assistance, guarantees, blended finance, and project preparation support. Their involvement can help reduce investment risks, strengthen project pipelines, and crowd in private sector capital, particularly during the early stages of market development.

Civil society organizations, academia, research institutions, and market-building organizations were mapped as key enablers of knowledge generation, advocacy, stakeholder engagement, monitoring, and capacity development. Their participation helps ensure that financing solutions support broader objectives related to affordability, inclusion, resilience, health, and equitable access to sustainable buildings.

Through this bottom-up stakeholder engagement model, the Finance Accelerator seeks to ensure that proposed financing instruments, investment frameworks, and policy interventions are informed by those who will ultimately use, implement, regulate, finance, and benefit from them. This approach not only strengthens the relevance and practicality of proposed solutions but also contributes to long-term capacity building, institutional ownership, and market transformation across Kenya's buildings and construction sector.

2.4 Consultation and Validation Process

GBPN convened and managed a multi-stakeholder consultation process that integrated workshops, bilateral engagements, working group discussions, and targeted consultations, ensuring the findings were grounded in market evidence and implementation experience.

- The Kenya Green Building Society (KGBS) workshop provided perspectives from sustainability practitioners, developers, consultants, and certification experts regarding barriers to green building finance and opportunities for market development.
- Consultations with the Architectural Association of Kenya (AAK) provided insights into project preparation challenges, sustainability integration during design, and professional capacity needs.
- Engagement with the Kenya Property Developers Association (KPDA) highlighted challenges associated with financing costs, market demand, affordability, and access to long-term capital.
- Consultations undertaken through the UHAI Coalition expanded the assessment to include considerations of affordability, inclusion, resilience, and equitable access to sustainable finance.

The Working Group process provided a platform for validating findings and developing recommendations relating to financial instruments, certification systems, regulatory incentives, and project bankability.

2.5 Limitations and Data Gaps

The assessment identified significant gaps in publicly available information regarding financing flows into Kenya's buildings and construction sector. Existing climate finance

reporting frequently aggregates investments across multiple sectors, making it difficult to isolate investments directed specifically toward buildings, retrofits, energy efficiency, and sustainable construction.

The assessment also identified limited availability of local building performance data, including information on energy savings, carbon reductions, operating cost savings, and financial returns associated with sustainable buildings. This lack of evidence can contribute to increased perceived risk among lenders and investors.

Additional gaps remain regarding existing building stock performance, informal construction markets, low-carbon materials financing, and the distributional impacts of sustainable finance interventions.

3. Market Context and Investment Case for Kenya's Built Environment

Kenya's buildings sector lies at the intersection of **rapid urbanization, growing housing demand, and national climate commitments**. As the country advances its decarbonization agenda, the ability to mobilize and deploy capital effectively will determine the pace and scale of transformation.

Despite a relatively strong enabling environment—including green building standards, climate strategies, and emerging financial taxonomies—capital flows into green buildings remain constrained. The Kenya Buildings Decarbonization Funding Accelerator was established to help address this gap through a bottom-up, multi-stakeholder approach that convenes:

- Government institutions
- Financial institutions
- Developers
- Technical experts
- Industry associations
- Climate finance actors

The Accelerator aims to co-create practical and scalable financing solutions for sustainable buildings.

3.1 Sector Contribution to the Economy

The construction industry remains a cornerstone of Kenya's economic performance and has exhibited sustained growth over the past two decades. The sector directly contributes to GDP while supporting allied sectors such as:

- Cement manufacturing
- Steel production
- Engineering services
- Logistics
- Real estate
- Professional services

Public infrastructure expansion, urban renewal projects, and affordable housing initiatives continue to drive sector growth. Forecasts project the industry will grow significantly by 2026, surpassing KES 1 trillion in market value.

3.2 Urbanization and Housing Demand

Rapid urbanization remains one of the primary drivers of construction demand.

Kenya continues to experience:

- Rural-to-urban migration
- Population growth
- Expansion of urban centers
- Rising housing demand

The country currently faces a significant housing deficit, creating strong investment opportunities particularly within affordable housing. This presents a major opportunity for integrating sustainability and climate resilience into future building stock.

4. Stakeholder Consultation and Market Validation

The findings presented in this report were validated through a structured stakeholder consultation process undertaken as part of the Kenya Buildings Decarbonization Finance Accelerator, implemented through the UHAI Coalition. The consultations brought together

government institutions, financial institutions, developers, professional associations, civil society organizations, technical experts, academia, and development partners to validate market findings, identify financing barriers, and co-develop solutions for scaling investment in sustainable buildings.

Collectively, the consultations confirmed that while awareness of sustainable building practices is increasing, financing systems have not kept pace. Stakeholders consistently highlighted the need for stronger project preparation, improved access to tailored finance, enhanced performance data, and closer coordination across the building's finance ecosystem.

4.1 Kenya Green Building Society (KGBS)

Consultations with the Kenya Green Building Society (KGBS) highlighted the growing importance of green building certification in strengthening investor confidence and improving access to finance. Participants emphasized that while certification provides credible evidence of environmental performance, its value is not yet consistently reflected in lending decisions, investment practices, or property valuation. Strengthening the integration between certification systems, performance verification, and financial decision-making emerged as a key priority.

The workshop functioned as:

- A financing diagnostics exercise
- A market validation process
- A stakeholder co-creation platform

A central finding emerging from stakeholder discussions was: **“The challenge is no longer proving that green buildings create value. The challenge is translating verified green performance into finance logic, incentives, and investable market systems.”**

4.2 Architectural Association of Kenya (AAK)

Consultations undertaken with the Architectural Association of Kenya (AAK) provided valuable insights into the role of project preparation and professional capacity in enabling investment in sustainable buildings. Architects, planners, quantity surveyors, project

managers, engineers, and other built environment professionals emphasised that many of the decisions influencing building performance are made during the earliest stages of project conception and design.

Stakeholders noted that limited capacity in areas such as lifecycle costing, energy modelling, climate-responsive design, embodied carbon assessment, and financial appraisal can reduce the quality and bankability of project proposals. These technical gaps increase perceived investment risks and often constrain developers' ability to demonstrate the financial viability of sustainable building projects.

The consultations reinforced the importance of integrating sustainability considerations into project planning from the outset and highlighted the need for targeted capacity building, technical assistance, and professional development to support the preparation of investment-ready projects.

4.3 Kenya Property Developers Association (KPDA)

Engagement with the Kenya Property Developers Association (KPDA) provided perspectives from developers, investors, and private sector actors responsible for delivering residential, commercial, industrial, and mixed-use developments across Kenya.

Participants acknowledged growing market interest in sustainable buildings but highlighted persistent commercial barriers that continue to influence investment decisions. High financing costs, limited availability of long-term capital, uncertainty regarding consumer willingness to pay for sustainable buildings, and the absence of financial incentives were identified as major constraints to scaling green developments.

Developers further emphasised the importance of predictable regulatory frameworks, streamlined approval processes, and financing products that recognise lifecycle value rather than focusing primarily on upfront capital costs. The discussions demonstrated that strengthening the business case for sustainable buildings will require closer alignment between financial institutions, policymakers, and the private sector.

4.4 Women in Real Estate (WIRE): Advancing Justice, Equity, Diversity and Inclusion.

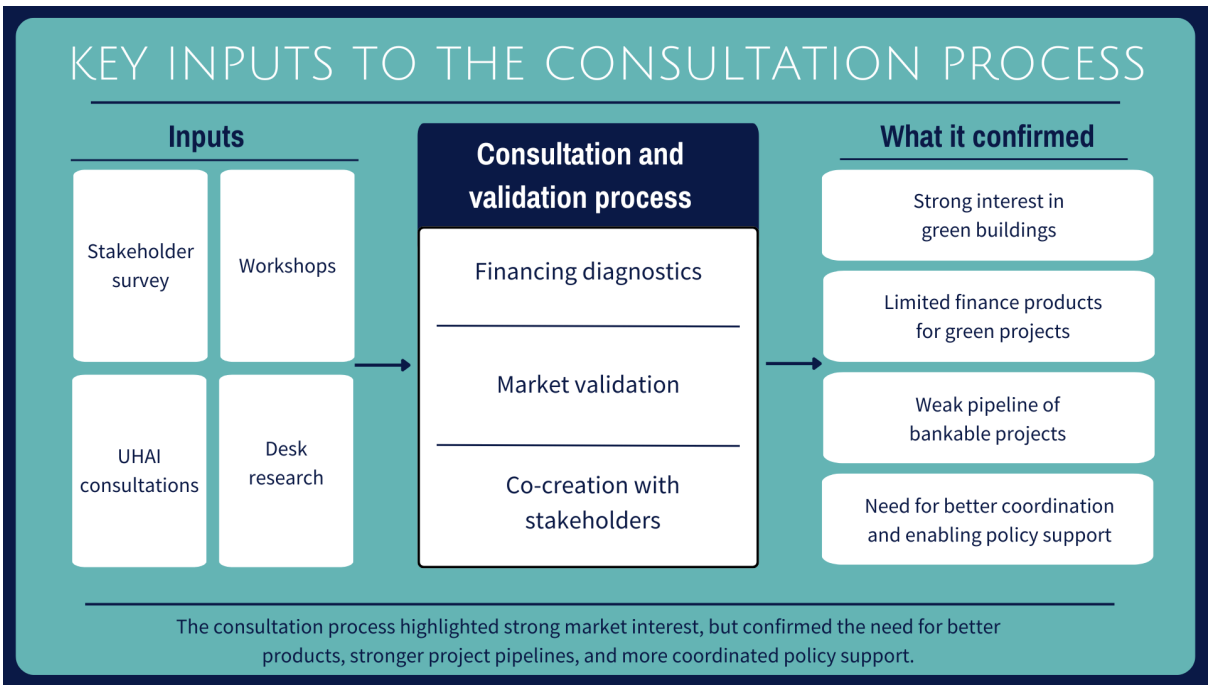
The **Women in Real Estate (WiRE)** engagement expanded the assessment beyond financial and technical considerations by examining the role of **Justice, Equity, Diversity and Inclusion (JEDI)** in the transition towards a low-carbon built environment.

Participants highlighted that access to sustainable finance is not experienced equally across different stakeholder groups. Women, youth, persons with disabilities, small and medium-sized enterprises, and other underrepresented groups continue to face structural barriers in accessing finance, technical assistance, professional networks, and market opportunities.

The consultations reinforced the principle that an effective financing strategy must also support a just transition. Financing mechanisms should therefore be designed to promote equitable access to capital, strengthen the participation of underrepresented groups within the construction and real estate sectors, and ensure that the social and economic benefits of sustainable buildings are widely shared. Participants further emphasised that embedding JEDI principles within financing strategies can strengthen market resilience, improve project outcomes, and broaden participation in Kenya's green economy.

4.5 Cross-Cutting Insights

Across all consultations, stakeholders reached a common conclusion: the primary challenge is no longer demonstrating the value of sustainable buildings, but creating financing systems capable of translating that value into investment at scale. Addressing this challenge will require coordinated action to strengthen financing products, project preparation, market data, policy alignment, and collaboration across the sustainable buildings ecosystem.



5. Understanding Green Finance in the Buildings Sector

Green finance in the buildings sector operates across three interconnected dimensions:

a. **Investment**
   i. Financing environmentally sustainable and resource-efficient building projects.

b. **Policy**
   i. Creating enabling frameworks, incentives, and regulatory structures.

c. **Financial Systems**
   i. Developing institutions, products, and investment structures capable of directing capital toward low-carbon and climate-resilient buildings.

As highlighted during stakeholder consultations: **"Green finance turns capital into climate action."** Despite increasing awareness, current financing systems remain largely traditional and insufficiently aligned with sustainable building requirements.

Green construction projects continue to be financed primarily through conventional project finance structures rather than purpose-built green financing mechanisms.

5.1 Public Sector Financing

Government financing remains critical for:

- Public housing
- Infrastructure
- Urban development
- Energy transition programs

Funding sources include:

- National budget allocations
- Development partner support
- Concessional lending
- Climate finance mechanisms

However, fiscal constraints and rising public debt have limited government capacity to independently finance large-scale transformation. This has increased interest in:

- Public-private partnerships (PPPs)
- Blended finance structures
- Climate-aligned investment vehicles

5.2 Commercial Bank Lending

Commercial banks remain the dominant financiers of construction activity in Kenya. Leading institutions are increasingly integrating climate and ESG considerations into their lending portfolios. Several banks are developing or piloting:

- Green mortgages
- Sustainability-linked loans
- Energy-efficiency financing
- Retrofit financing products

However, stakeholders consistently highlighted persistent barriers including:

- High interest rates
- Stringent collateral requirements
- Long payback periods
- Limited performance data
- Weak project preparation

One financial institution summarized the challenge as follows: **"Banks don't lack liquidity; they lack credible, de-risked projects to finance."** This finding reinforces the need for:

- Project preparation facilities
- Technical assistance
- Certification-linked verification
- Risk-sharing mechanisms
- Standardized project pipelines

Certification is one of several mechanisms that can improve market confidence by providing credible evidence of building performance. However, certification alone does not guarantee access to finance. Financial institutions also consider project viability, borrower creditworthiness, cash flow projections, regulatory certainty, and market demand when making investment decisions

6. Market Reality in Kenya: A Nascent but Emerging Sector

Kenya's green building finance market remains **early-stage but** demonstrates significant growth potential. Historically, climate finance flows in Kenya have concentrated heavily on renewable energy while buildings and urban development received comparatively limited investment.[9]

Encouragingly, stakeholder consultations reveal growing institutional interest in sustainable building finance as financial institutions increasingly recognize the long-term economic value associated with:

- Efficient buildings
- Resilient infrastructure
- Lower operational costs
- ESG compliance
- Climate risk mitigation

6.1 Key Observations

[9] Climate Policy Initiative, 2021; Kenya Climate Change Knowledge Portal, 2024.

- Green buildings account for a relatively small share of total construction activity
- Green finance adoption remains limited
- Financing structures remain heavily reliant on conventional lending models
- Market constraints are driven more by financial structuring and ecosystem inefficiencies than by lack of demand

At the same time, survey findings revealed strong interest in expanding green investment activity. Most respondents indicated either “High” or “Very High” willingness to increase participation in sustainable building finance. This confirms a critical market paradox: **Stakeholder willingness is high, but implementation remains low.** This suggests that the challenge is structural rather than behavioral.

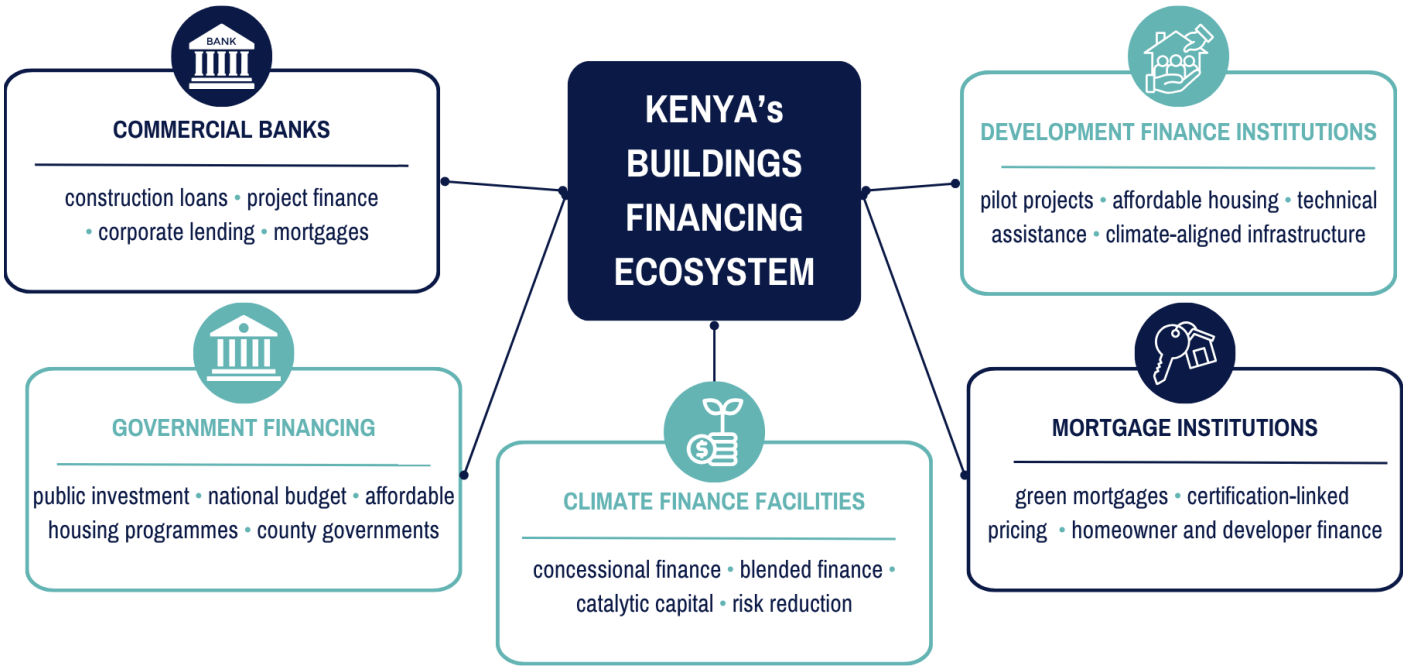
7. Mapping Kenya's Buildings Financing Ecosystem

Kenya's buildings and construction sector is financed through a diverse ecosystem of public, private, institutional, and catalytic sources of capital. However, while financing channels for conventional construction are relatively mature, dedicated financing pathways for sustainable and climate-resilient buildings remain fragmented, underdeveloped and often inaccessible to a large portion of market participants. Stakeholder consultations undertaken through the Finance Accelerator indicate that the principal challenge is not necessarily a lack of liquidity, but rather the absence of financial structures capable of recognizing, pricing and rewarding verified building performance.

7.1 Sources of Finance

The buildings sector is currently financed through a mix of:

- Commercial banks
- Development finance institutions (DFIs)
- Government Financing
- Mortgage Institutions
- Climate finance facilities



a. Commercial Banks

Commercial banks dominate the market but continue to rely heavily on traditional lending structures. Commercial banks financing is predominantly provided through conventional lending products such as construction loans, project finance facilities, corporate lending, and mortgage products.

b. Development Finance Institutions

DFIs play a catalytic role, particularly in:

- Pilot projects
- Affordable housing
- Technical assistance
- Climate-aligned infrastructure

c. Government Financing and Public investment

Government financing remains an important, albeit often indirect, source of capital for Kenya's buildings sector. Public investment plays a critical role in shaping market demand,

demonstrating sustainable building practices, reducing investment risks, and creating enabling conditions for private sector participation

- National Government Budgetary Allocations
- Affordable Housing Programmes
- County Governments

d. Mortgage Institutions

Mortgage lenders may represent one of the most promising channels for mainstreaming sustainable buildings finance due to their direct relationship with homeowners and developers.

Two emerging examples identified during consultations illustrate this potential.

Housing Finance Company (HFC)

HFC indicated that green-certified housing portfolios demonstrate lower default risks compared to conventional housing assets. Key market signals include:

- Reduced interest rates;
- Improved loan-to-value ratios;
- Better asset maintenance profiles;
- Stronger borrower credit characteristics.

Stakeholders viewed HFC as the first institution in Kenya to provide practical evidence linking certification with mortgage performance. HFC is also collaborating with KGBS under the Building the Transition Programme to develop an additional green financing product.

Absa Eco Home Loan

Absa's Eco Home Loan emerged as perhaps the strongest proof-of-concept currently available within the Kenyan market.

Some of its features include:

- Certification-linked pricing;
- Enhanced LTV ratios;
- Longer tenors;
- Integration of energy efficiency improvements into mortgage repayments.

The product finances interventions such as:

- LED lighting;
- Solar PV;
- Solar water heating;
- Low-flow fixtures;
- Efficient HVAC systems.

Stakeholders noted that framing green products in terms of affordability and lower utility bills appears to resonate more strongly with consumers than sustainability terminology alone.

e. Climate Funds and Catalytic Capital

Participants consistently highlighted the need for catalytic capital mechanisms to reduce first-mover risks.

7.2 Financing Instruments

a. Traditional Instruments

- Construction loans
- Corporate lending
- Project finance
- Mortgages
- Developer equity

b. Emerging Green Instruments

- Green mortgages
- Green bonds
- Sustainability-linked lending
- Blended finance
- Results-based financing
- Credit guarantees
- Carbon finance
- Technical assistance facilities

Stakeholders consistently identified blended finance and guarantees as among the most important mechanisms for accelerating investment.

8. Systemic Constraints to Scaling Sustainable Buildings Investment

Despite growing awareness of sustainable buildings and increasing interest among financial institutions, developers, and policymakers, investment in low-carbon and climate-resilient buildings remains limited in Kenya. Findings from stakeholder consultations indicate that the challenge is not primarily a lack of capital or willingness to invest, but rather the absence of enabling market conditions that allow sustainable building projects to be consistently developed, financed, verified, and scaled

8.1 High Cost of Capital

Through GBPN led engagements, stakeholders consistently identified high financing costs as one of the most significant barriers to adoption. High interest rates increase project costs and discourage developers from incorporating sustainability measures that may require higher upfront investment.

8.2 Limited Green Finance Products

Although financial institutions increasingly express interest in sustainability, the market still lacks sufficient tailored green finance products. Many respondents noted that:

- Existing products remain underdeveloped
- Green finance is not yet integrated into core banking strategy
- Sustainability is often treated as an ESG initiative rather than a business line

8.3 Weak Pipeline of Bankable Projects

Stakeholders consistently emphasized that the challenge is less about liquidity and more about the shortage of credible, investment-ready opportunities. Some of the characteristics of bankable projects identified by banks and investors are:

- Standardized feasibility studies
- Verified sustainability performance
- Qualified project teams
- Reliable cost estimates

- Demonstrated demand
- Appropriate risk allocation mechanisms

Inputs → Design → Certification → Technical Assistance → Financial Structuring → Investment Ready Project

8.4 Limited Data and Performance Evidence

The absence of local market data continues to constrain investment confidence. Respondents identified major gaps in:

- Operational performance data
- Occupancy data
- Lifecycle cost evidence
- Energy savings benchmarks
- Green building valuation metrics

This limits the ability of financial institutions to:

- Assess risk accurately
- Price sustainability benefits
- Integrate green metrics into underwriting systems

8.5 Policy and Regulatory Uncertainty

Although Kenya has relatively strong policy direction on climate and sustainability, stakeholders noted persistent implementation and enforcement challenges. This creates uncertainty for:

- Developers
- Investors
- Financial institutions
- Technology providers

8.6 Ecosystem Fragmentation

Fragmentation across government, financial institutions, developers, technical actors, suppliers, and industry associations continues to limit coordinated action and financing

innovation. This validates the need for coalition-based approaches such as the UHAI framework.

9. Stakeholder Insights on Risks, Opportunities and Financing Needs

9.1 Financial Institutions

Financial institutions demonstrated growing interest in green finance but emphasized the need for:

- Credit guarantees
- Blended finance
- Technical assistance
- Standardized certification systems
- Better project pipelines

Banks also highlighted concerns around:

- Long payback periods
- Technology risk
- Limited local performance data
- Underdeveloped green finance ecosystems

“Banks don't lack liquidity; they lack credible, de-risked projects to finance”[10]

9.2 Developers

Developers generally acknowledged the value proposition associated with sustainable buildings but emphasized that financing conditions frequently influence project decisions.

Developers emphasized issues such as:

- High upfront costs
- Delayed financing
- Lack of incentives
- Weak consumer demand

[10] Workshop Participant, *Green Building Standards & Certification as a Finance Enabler, KGBS Workshop 1* (2026).

- Limited affordable financing products

Many respondents noted that sustainability features are frequently removed from projects due to financing limitations.

9.3 Government Stakeholders

Government actors emphasized the importance of with particular attention given to affordable housing and retrofitting measures:

- Policy incentives
- Capacity building
- Technical support
- Affordable financing
- Demonstration projects

9.4 Technical Experts and Professional Associations

Technical actors consistently emphasized the importance of improving confidence in sustainable buildings through stronger evidence generation, certification systems and professional capacity building. Organisations represented include: Architectural Association of Kenya (AAK), Kenya Green Building Society (KGBS), WiRE (Women in Real Estate), Manufacturers and Sustainability Consultants among others.

Common themes included:

Technical Gap	Need to be addressed
Certification	Need for stronger integration with finance.
Data	Need for performance benchmarking
Capacity	Need for training for financiers
Standards	Need for harmonization.
Awareness	Need for consumer education.

9.5 Equity and Inclusion Perspectives

Discussions highlighted the need to ensure that sustainable buildings finance contributes to an inclusive and just transition

Stakeholders proposed:

- Affordable green mortgages
- Incremental housing support
- Preferential rates
- Blended finance
- Targeted programmes for women
- Youth
- Persons with disabilities
- SMEs

10. The Adoption Paradox: High Interest, Low Uptake

One of the most significant findings emerging from the Financing Landscape Assessment is the existence of an adoption paradox within Kenya's sustainable buildings market. Across financial institutions, developers, government agencies, technical experts and manufacturers, there is increasing recognition that sustainable and climate-resilient buildings deliver long-term economic, environmental and social value. Survey responses further indicate a strong willingness among stakeholders to increase participation in sustainable buildings finance. Yet despite this positive momentum, actual deployment of green finance products and sustainable building investments remains relatively limited. Stakeholders indicated:

- Strong awareness of green finance
- High willingness to invest
- Positive perception of sustainable buildings

Yet:

- Financing uptake remains low
- Market penetration remains limited
- Implementation rates remain weak

This confirms that the challenge is systemic rather than behavioral. The core constraint is not lack of interest, but rather:

- Structural inefficiencies
- Weak financial translation mechanisms
- Lack of bankable pipelines
- Misaligned incentives
- Underdeveloped financing structures

As stakeholders repeatedly emphasized: **"Positive perception does not automatically translate into implementation."**

10.1 Evidence of Growing Market Interest



Several indicators point towards increasing market readiness:

- Financial institutions have expressed interest in developing green finance products;
- Mortgage lenders have begun piloting certification-linked products;
- Developers increasingly recognize the long-term value of sustainable design;
- Technical institutions continue to strengthen certification systems and professional capacity;
- National decarbonization strategies provide a supportive policy environment.

The participation of institutions such as HFC, Absa, KMRC and Shelter Afrique within the Accelerator process further demonstrates that parts of the market are already experimenting with new financing approaches and exploring opportunities for scaling investment.

Indicator	Observed Trend
Stakeholder awareness	High
Institutional interest	Increasing
Policy support	Strong
Certification uptake	Emerging
Financial products	Limited but growing
Green investments deployed	Low

10.3 The Investment Readiness Gap

One way of understanding the adoption paradox is through the lens of investment readiness.

Stakeholder consultations suggest that Kenya exhibits many of the characteristics associated with a market approaching maturity, including:

- Growing institutional awareness;
- Existing certification systems;
- Early financial innovations;
- Supportive policies;
- Demonstration projects.

However, several key conditions required for scaling investment remain underdeveloped.

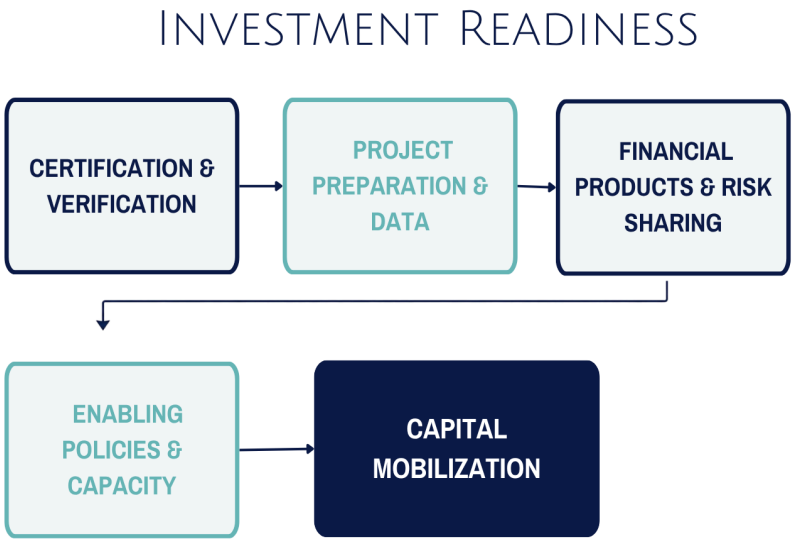
Dimension	Readiness Status
Awareness	High
Policy	Moderate to High
Technical Capacity	Moderate
Data Availability	Low
Green Products	Emerging

Project Pipeline	Weak
Capital Mobilization	Low

This analysis indicates that Kenya's buildings sector occupies an intermediate stage between market preparation and market transformation.

11. Existing Enablers and Market Foundations

Kenya has established several foundational elements that can support the transition toward a more mature and investment-ready market. These foundations include certification systems, emerging green finance products, supportive policy frameworks, active technical institutions, and early examples of private sector leadership.



Certification helps translate building performance into finance logic and investor confidence.

11.1 Green Building Certification and Performance Verification Systems

Certification systems constitute one of the most established components of Kenya's sustainable buildings ecosystem. Stakeholders identified certification as a critical, but not the only mechanism for improving transparency, demonstrating performance, and increasing investor confidence

Among available certification frameworks, the Excellence in Design for Greater Efficiencies (EDGE) system was identified by stakeholders as the most widely recognized and applied in Kenya. Participants attributed its growing uptake to its affordability, accessibility, suitability for emerging markets, and strong association with financing institutions.

Stakeholders noted that the role of certification differs across building typologies and financing models. While comprehensive certification schemes may be appropriate for commercial developments and institutional investments, alternative approaches may be

more suitable for affordable housing, existing building retrofits, and incremental housing, where transaction costs and affordability considerations are more significant.

Market Segment	Verification Approach
Commercial Buildings	Full certification
Affordable Housing	Simplified or portfolio verification
Existing Buildings	Operational performance monitoring
Public Buildings	Government standards + verification
SMEs	Simplified compliance pathways

12. Opportunities for Market Transformation and Capital Mobilization

Stakeholder consultations suggest that the country is approaching a market inflection point, where relatively targeted interventions could unlock significant volumes of private and public capital. Opportunities exist not only to mobilize new financing but also to redesign market structures, strengthen investment confidence, and improve the efficiency with which capital is deployed.

12.1 Key Opportunities

a. Strong Housing Demand

Rapid urbanization and housing deficits continue to create large investment opportunities.

b. Growing ESG Interest

Both local and international investors are increasingly prioritizing sustainability and climate resilience.

c. Expanding Policy Alignment

National climate and decarbonization strategies create a strong enabling environment.

d. Increasing Institutional Readiness

Stakeholder consultations indicate growing willingness among financial institutions to expand green investment activity.

12.2 Priority Financing Mechanisms Identified by Stakeholders

Stakeholders identified several financing mechanisms that could significantly accelerate investment in sustainable buildings. While some mechanisms already exist in pilot form, others would require further development and stakeholder coordination. Some of the identified mechanisms are:

- Credit guarantees
- Blended finance
- Green mortgages
- Green bonds
- Results-based financing
- Carbon finance
- Technical assistance facilities
- Project preparation support

12.3 Emerging Strategic Priorities

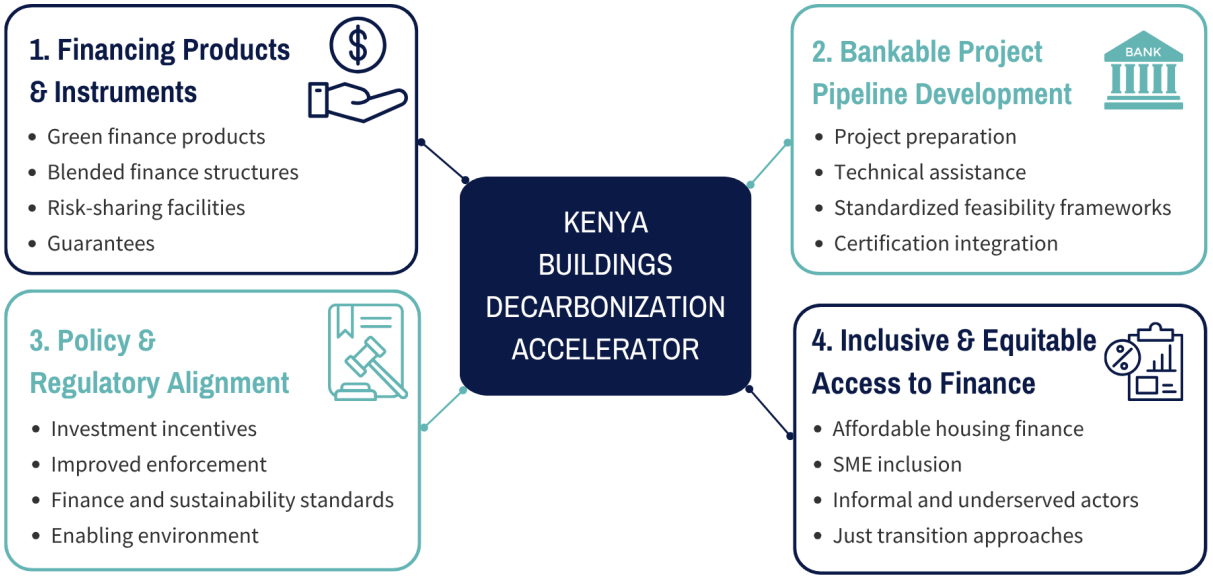
Stakeholders consistently emphasized the need for:

- Standardized project pipelines
- Better performance data
- Stronger certification integration
- Market capacity building
- Supplier-led financing models
- Aggregation of smaller projects into investable portfolios

13. Implications for the Finance Accelerator

The findings of this Financing Landscape Assessment suggest that Kenya possesses many of the foundational elements required to scale sustainable buildings finance, including growing stakeholder awareness, supportive policy frameworks, emerging financing products, and increasing institutional interest.

Through the GBPN-led Kenya Buildings Decarbonization Funding Accelerator, stakeholders are collectively designing the financing ecosystem needed to translate Kenya's decarbonization ambitions into investable market opportunities. The Kenya Buildings Decarbonization Funding Accelerator presents an opportunity to bridge these gaps by convening key market actors, strengthening enabling conditions, and facilitating the development of financing mechanisms that respond directly to stakeholder needs.



13.1 Financing Products and Instruments

- Development of green finance products
- Expansion of blended finance structures
- Risk-sharing and guarantee facilities

13.2 Bankable Project Pipeline Development

Potential interventions include:

- Project preparation support
- Technical assistance
- Standardized feasibility frameworks
- Certification integration

13.3 Policy and Regulatory Alignment

Stakeholder consultations highlighted the importance of ensuring that financing solutions are supported by an enabling policy environment. Areas for further exploration include:

- Fiscal incentives for certified buildings;
- Preferential approval pathways;
- Integration of sustainability into valuation practices;
- Harmonized definitions of green buildings;
- Recognition of certification within public procurement systems.

13.4 Inclusive and Equitable Access to Finance

Sustainable buildings should not become niche products accessible only to higher-income households or large developers. Instead, financing solutions should be designed to respond to the needs of underserved populations and market segments.

- Affordable housing finance
- SME inclusion
- Support for informal and underserved actors
- Just transition approaches
- Women-led enterprises;
- Youth entrepreneurs

These priorities align directly with the ***thematic working groups*** established under the Finance Accelerator.

13.5 Potential Pilot Projects and Early Movers

An important outcome of the Financing Landscape Assessment is the identification of institutions and initiatives that could act as early adopters and demonstration partners.

Stakeholders suggested that pilot projects can help generate local evidence, test innovative financing mechanisms, and build confidence among investors and market participants.

Potential partners include:

- Absa Bank Kenya
- Housing Finance Company (HFC)
- Kenya Mortgage Refinance Company (KMRC)
- Shelter Afrique Development Bank
- Kenya Green Building Society (KGBS)
- County Governments
- Affordable housing developers

Potential pilot activities could include:

- Certification-linked mortgages;
- Sustainable affordable housing developments;
- Building retrofit programmes;
- Aggregated SME financing facilities;
- Supplier credit programmes.

Pilot initiatives should be accompanied by monitoring frameworks that document lessons learned, financial performance, and replicability potential.

14. Theory of Change for Market Transformation

The findings of the Financing Landscape Assessment indicate that Kenya's sustainable buildings market is characterized by high stakeholder interest, emerging policy support, growing institutional readiness, and increasing recognition of the value proposition associated with sustainable buildings.

The Kenya Building Decarbonization Finance Accelerator's Theory of Change is premised on the understanding that market transformation requires more than the introduction of new financial products. It requires coordinated action among stakeholders, stronger institutional linkages, improved project preparation mechanisms, better access to performance data, and financial structures that recognize and reward verified sustainability outcomes. The Theory of Change is built around

a. People: Building a Coalition for Change

The Kenya Building Decarbonization Finance Accelerator is designed as a multi-stakeholder platform that brings together actors from across the buildings and finance value chain.

b. Design: Developing Market Solutions

The Kenya Building Decarbonization Finance Accelerator seeks to support the co-creation of solutions that respond directly to the barriers and opportunities identified through the Financing Landscape Assessment.

c. Delivery: Operationalizing the Accelerator

The Accelerator proposes a structured implementation approach through thematic working groups and collaborative delivery mechanisms.

The four working groups identified during the Accelerator process provide the institutional architecture for implementation.

d. Scale: From Demonstration to Market Transformation

To facilitate a transition from isolated demonstrations toward a mature and self-sustaining market.

15. Conclusion

The Financing Landscape Assessment demonstrates that Kenya has made significant progress in establishing the foundations required to transition towards a low-carbon, climate-resilient, and resource-efficient built environment. Increasing awareness among market actors, supportive policy developments, emerging financial products, active technical institutions, and growing stakeholder engagement collectively indicate that the market is evolving beyond early-stage experimentation.

At the same time, persistent barriers—including limited green financial products, weak pipelines of bankable projects, fragmented ecosystems, inadequate performance data, and insufficient integration between certification and finance—continue to constrain the scale and pace of investment. The findings suggest that while the enabling conditions for market transformation are increasingly present, targeted interventions are needed to convert interest and readiness into sustained capital mobilization.

The Kenya Buildings Decarbonization Funding Accelerator offers an opportunity to bridge these gaps and catalyse the next phase of market development.

Stakeholder Group	**Potential Contribution**
Government	Incentives, policy reforms, demonstration projects
Banks	Green products, lending innovation
Developers	Pipeline development
Technical Institutions	Certification, capacity building
DFIs	Guarantees, blended finance
Development Partners	Catalytic support

The Kenya Buildings Decarbonization Funding Accelerator provides a unique platform to address these barriers and translate stakeholder momentum into **actionable** and **scalable** financing solutions. By aligning finance, policy, technical expertise, and market incentives, the Accelerator can help catalyze the transition toward low-carbon, climate-resilient, and inclusive buildings across Kenya.

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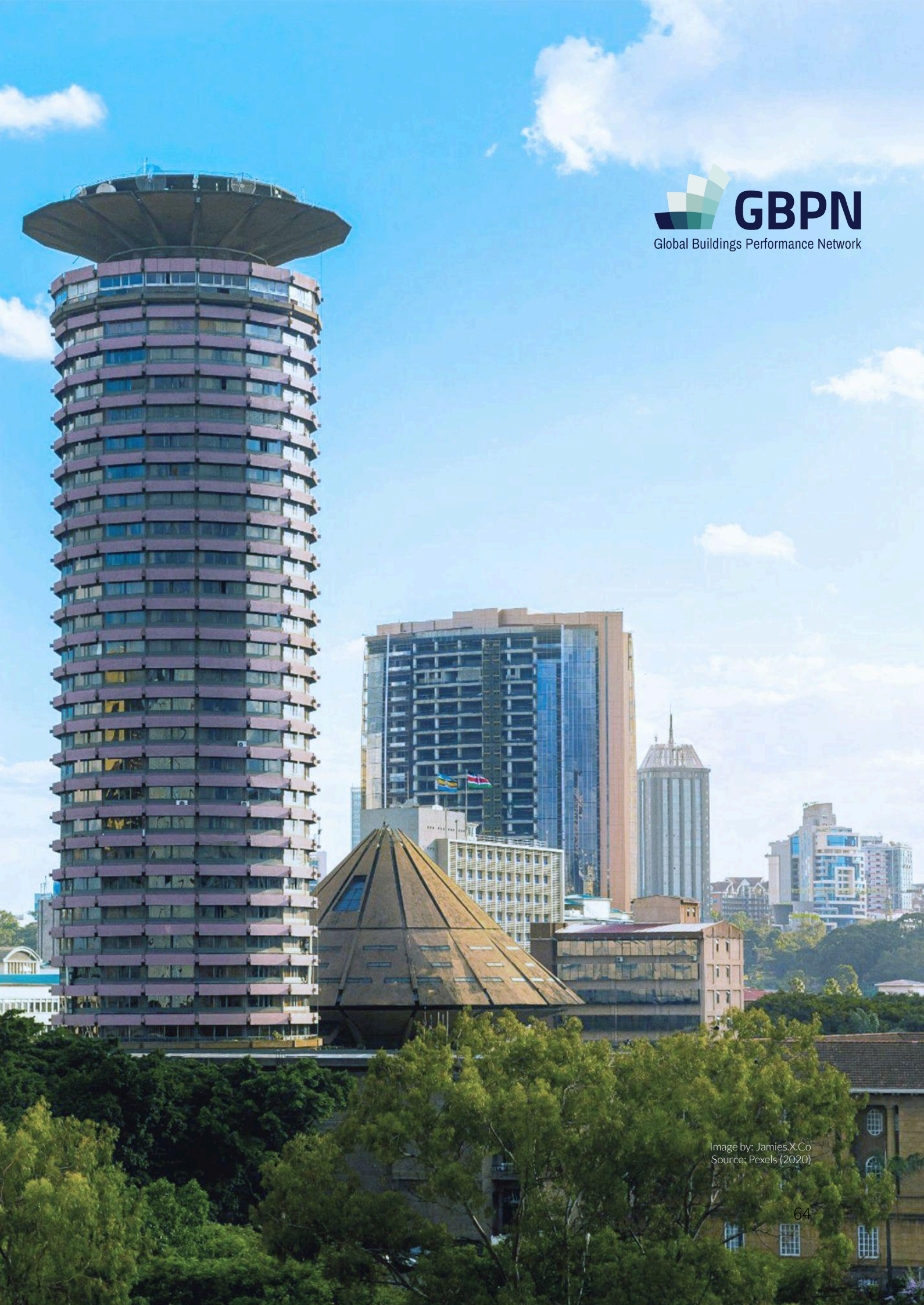


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