

GBPN
Global Buildings Performance Network

Kenya Green Finance Accelerator Barriers Analysis report

Technical and Financial Barriers to Scaling Decarbonization of Buildings in Kenya:

Insights from Stakeholder Consultations and Market Engagement

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List of Acronyms

AAK	Architectural Association of Kenya
AfDB	African Development Bank
CBK	Central Bank of Kenya
DFI	Development Finance Institution
EPRA	Energy and Petroleum Regulatory Authority
ESG	Environmental, Social and Governance
GBPN	Global Buildings Performance Network
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GCF	Green Climate Fund
GEF	Global Environment Facility
KAM	Kenya Association of Manufacturers
KBA	Kenya Bankers Association
KGBS	Kenya Green Building Society
KPDA	Kenya Property Developers Association
MRV	Monitoring, Reporting and Verification
MSMEs	Micro, Small and Medium-sized Enterprises
NDC	Nationally Determined Contribution
PPP	Public–Private Partnership
SDGs	Sustainable Development Goals
SDPW	State Department for Public Works
SME	Small and Medium-sized Enterprise
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
WiRE	Women in Real Estate

List of Definitions

Climate Finance	Financial resources directed towards activities that mitigate climate change, support adaptation, or strengthen climate resilience.
Green Building	A building designed, constructed, operated, and maintained to improve resource efficiency, reduce environmental impacts, and enhance occupant well-being throughout its lifecycle.
Green Taxonomy	A classification framework that defines which economic activities qualify as environmentally sustainable based on established criteria.
Investable Project Pipeline	A portfolio of projects that are sufficiently developed and prepared to attract financing from public or private investors.
Just Transition	A shift to a low-carbon economy that is inclusive, equitable, and supports affected workers, businesses, and communities.
Project Bankability	The extent to which a project demonstrates the technical, financial, and institutional readiness needed to secure investment.

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1. Introduction

1.1 Background

The buildings and construction sector plays a critical role in Kenya's economic development, urbanization, and climate transition. As cities continue to expand and demand for housing, commercial space, public infrastructure, and industrial facilities rises, the sector is expected to attract significant investment over the coming decades.

At the same time, buildings offer one of the largest opportunities to **reduce greenhouse gas emissions, improve resource efficiency, enhance climate resilience, and support sustainable economic growth.**[1] This is further supported by the findings from the Kenya National Decarbonization Roadmap which provides the buildings and construction sector with a strategy to lower national emissions by 32% by 2040.[2]

Globally, the buildings sector significantly contributes to **36% of energy use and 39% of carbon emissions**. In **Africa**, the buildings and construction sector accounts for **61% of energy use and 32% of carbon emissions** (excluding emissions from manufacturing processes).[3]

In response, governments, investors, developers, and financial institutions are more and more recognizing the importance of embedding sustainability into all stages: **planning, design, construction, operation, and financing.**



Figure 1-1: Building under construction in Nairobi
Source: MC G'Zay (Pexels, 2026).

[1] Global Report Calls For Accelerated Decarbonization Of Building Sector, IISD (2024).
[2] Kenya National Buildings and Construction Decarbonization Roadmap.
[3] GlobalABC Regional Roadmap For Buildings And Construction In Africa 2020-2050.

Green and climate-resilient buildings now play a vital role in national decarbonisation plans, **providing ways to cut energy and water use, decrease operating costs, boost occupant wellbeing, and increase asset value**.

Kenya has demonstrated a growing commitment to sustainable development and climate action through a range of national policies and strategies, including its Nationally Determined Contributions (NDCs), climate change legislation, affordable housing initiatives, and the recently launched Kenya National Buildings and Construction Decarbonization Roadmap. The roadmap establishes a long-term vision (from 2026-2040) for reducing emissions from the building sector while promoting sustainable and inclusive urban development.[4]

However, achieving these ambitions will require substantial investment. While the technical solutions needed to improve building performance are increasingly available, significant challenges remain in mobilizing and deploying capital at the scale required to support sector-wide transformation.

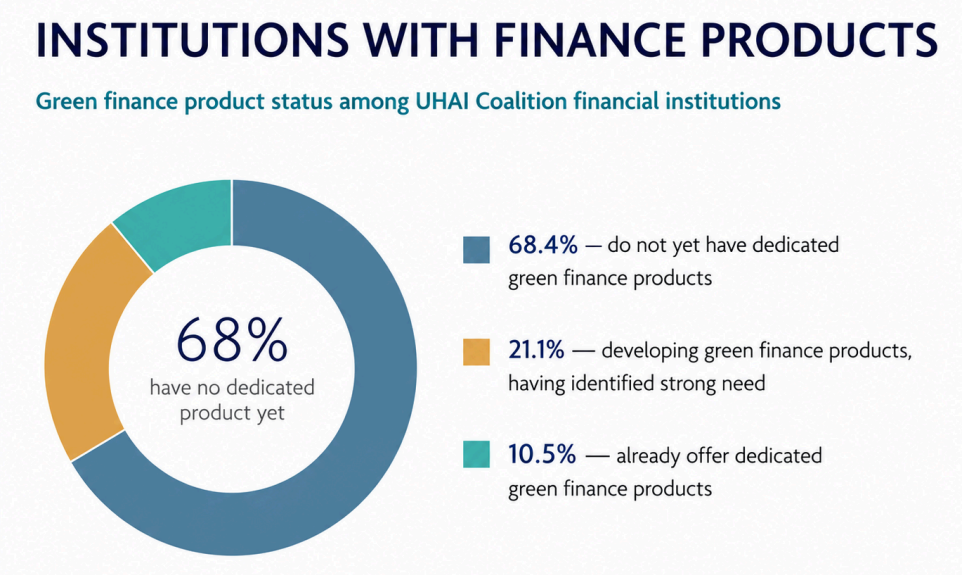


Figure 1-2: Institutions with finance products
Source: GBPN (2026).

Access to finance continues to be cited as one of the most important constraints on the development of green and climate-resilient buildings in Kenya. In a workshop with one of our

[4] Kenya National Buildings and Construction Decarbonization Roadmap.

UHAI coalition members, 68% of financial institutions do not have dedicated finance products while 21% of them are developing some after seeing a big need for the products.

Recognizing this challenge, the Global Buildings Performance Network (GBPN), in collaboration with the State Department for Public Works and members of the UHAI Coalition, launched the Kenya Buildings Decarbonization Finance Accelerator.

The program aims to unlock finance for green and climate-resilient buildings by **convening stakeholders** across the built environment and financial ecosystem to **identify barriers, co-create solutions,** and **develop a coordinated pathway** to mobilize investment in sustainable buildings.

The accelerator is designed to support the implementation of the Kenya Buildings Decarbonization Roadmap by developing three key outputs:

A. A Finance Landscape Report;
B. A Technical and Financial Barriers Analysis; and
C. A National Funding Strategy and Investment Prospectus.

Together, these outputs aim to strengthen understanding of the current financing ecosystem, identify constraints that affect investment flows, and propose practical interventions to accelerate the deployment of capital into sustainable buildings.

1.2 Purpose of the Barriers Analysis

The purpose of this report is to identify and assess the key technical, financial, market, and policy barriers to developing and financing green and climate-resilient buildings in Kenya. The report draws on evidence from the Kenya Buildings Decarbonization Finance Accelerator, including **stakeholder workshops, working group discussions, interviews, market consultations, industry presentations, and technical engagements** between public and private-sector actors.

Rather than focusing solely on financing constraints, the report adopts a systems perspective that recognizes the interconnected nature of barriers across the building value chain. Discussions through the accelerator consistently showed that financing challenges are closely linked to issues

such as **project preparation, certification, technical capacity, risk perception, regulatory frameworks, market awareness, and the availability of investment-ready projects.**

The report therefore provides a comprehensive **assessment of the ecosystem conditions** affecting investment in sustainable buildings and **identifies opportunities** to improve market efficiency, strengthen project bankability, and mobilize a broader range of capital sources.

1.3 Methodology

This report is informed by a collaborative and consultative process conducted through the Kenya Buildings Decarbonization Finance Accelerator. The analysis draws on insights gathered through a series of stakeholder engagement activities with representatives from government, financial institutions, developers, investors, professional associations, development finance institutions, technical experts, and industry organizations. Key inputs were gathered through:

1. Stakeholder Workshops
2. A series of thematic workshops explored specific dimensions of green building finance and investment. These included:
    a. A Developers' Engagement Workshop hosted in partnership with the Kenya Property Developers Association (KPDA);
    b. A Green Building Standards and Certification Workshop hosted in partnership with the Kenya Green Building Society (KGBS);
    c. A Professional Practice and Cost of Green Buildings Workshop hosted in partnership with the Architectural Association of Kenya (AAK);
    d. Financial sector and capital market engagements with commercial banks, development finance institutions, and representatives from the Nairobi Securities Exchange (NSE).

These engagements provided valuable insights into market realities, financing constraints, certification challenges, project preparation gaps, and investment opportunities.

1.3.1 Working Groups

Four thematic working groups were established to support the co-creation process and provide technical input into the accelerator's outputs. These groups focused on:

1) Green Finance Products and Instruments;
2) Standards and Bankable Pipeline Development;
3) Regulatory Enablement and Incentives; and
4) Equity, Demand and Just Transition Finance.

The working groups enabled deeper exploration of barriers and opportunities across different segments of the ecosystem.

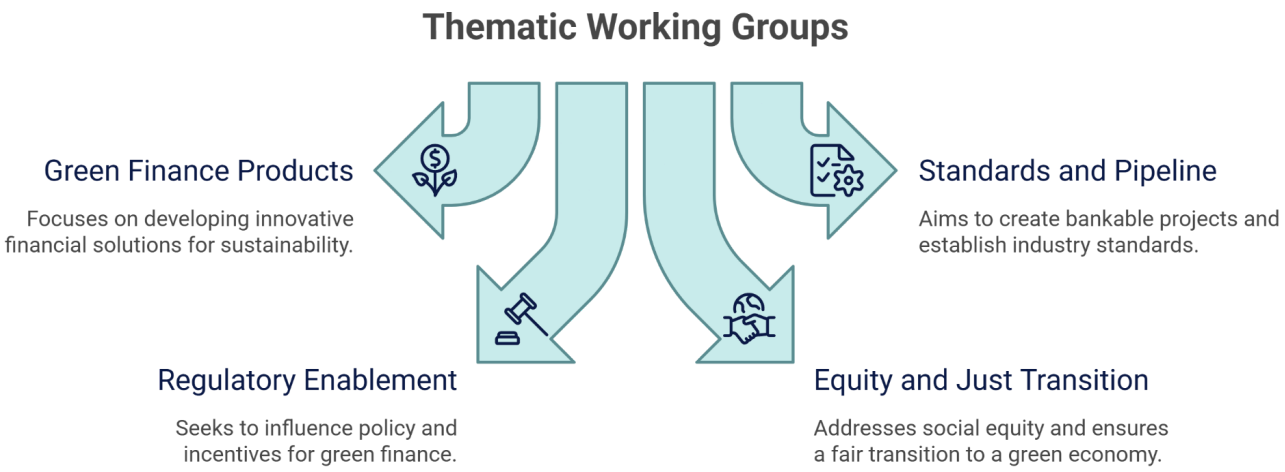


Figure 1-3: Thematic working groups

1.3.2 Market Consultations and Stakeholder Interviews

Additional insights were collected through stakeholder interviews, bilateral consultations, presentations from industry practitioners, and engagement with financial institutions, guarantee providers, capital market actors, and developers. Particular attention was given to practical financing challenges, risk perceptions, project bankability considerations, and opportunities to mobilize alternative sources of capital.

1.4 How to Read This Report

The report is structured around three categories of barriers that emerged consistently throughout stakeholder consultations:

A. **Technical Barriers** - constraints related to design, certification, data availability, technical capacity, and project development practices.

B. **Financial Barriers** – constraints affecting access to capital, financing structures, risk allocation, project preparation, guarantees, and investment mobilization.

C. **Market and Policy Barriers** – broader ecosystem challenges relating to regulations, market coordination, information asymmetries, and institutional participation.

While these categories are presented separately for analytical purposes, the report recognizes that many barriers are interconnected and require coordinated interventions among multiple stakeholders. The findings in this report are intended to inform the development of the National Funding Strategy and Investment Prospectus and to support ongoing efforts to accelerate investment in Kenya's green and climate-resilient buildings sector.

2. Kenya's Green Buildings Opportunity

2.1 Introduction

Kenya's building sector is at a critical juncture. Rapid urban growth, population increases, economic development, and rising demand for housing and commercial spaces are fueling record construction activity nationwide. Concurrently, heightened awareness of climate change, resource efficiency, and sustainability is shaping new expectations for how buildings are designed, built, financed, and operated.



Figure 2-1: Qwetu Housing
Source: Joy Kahashi (Pexels, 2024).

Moving toward green and climate-resilient buildings offers Kenya a key chance to boost economic growth, enhance living standards, strengthen climate resilience, and cut future emissions all at once.

Achieving this will demand substantial investment and coordinated efforts from both the government and the private sector. The building industry intersects with several national priorities, including **affordable housing, urban development, employment, energy security, climate initiatives, and economic competitiveness.**

Consequently, investments in building performance can yield benefits that reach well beyond the built environment itself.

2.2 The Strategic Importance of the Buildings Sector

Buildings play a fundamental role in Kenya's economy. The sector supports employment across a broad value chain that includes developers, contractors, architects, engineers, manufacturers, financiers, facility managers, and service providers. The construction industry remains one of the

country's key economic sectors and an important driver of investment and infrastructure development.

Beyond its direct economic contribution**, the buildings sector influences energy demand, water consumption, land use patterns, transportation systems, and the overall resilience of urban areas.**[5] Decisions made today about the design and construction of buildings will have long-term implications for resource consumption, operating costs, and climate outcomes for decades to come.

As Kenya continues to urbanize, the scale of future construction presents both a challenge and an opportunity. Conventional development approaches risk locking in inefficient building stock and increasing future resource demands. Conversely, integrating sustainability principles into new developments can help avoid future costs while improving environmental performance and asset value. The building sector, therefore, represents **one of the most effective entry points** for achieving long-term decarbonization while supporting broader national development objectives.

2.3 Growing Demand for Sustainable Buildings

The market for sustainable buildings in Kenya has matured considerably over the past decade. Increasing awareness of environmental performance, rising utility costs, investor expectations, and evolving tenant preferences have contributed to growing interest in green building practices.

Developers are increasingly exploring passive and active sustainable design measures, such as:

1. Energy-efficient lighting and equipment;
2. Water conservation technologies;
3. Solar photovoltaic systems;
4. Passive design strategies;
5. Efficient building envelopes;
6. Smart building technologies; and
7. Sustainable construction materials.

[5] Kenya Country Commercial Guide: Infrastructure

At the same time, certification systems such as EDGE, LEED, Green Star, and BREEAM have gained greater recognition in the market, providing investors and occupants with assurance about building performance and sustainability credentials. Market participants increasingly recognize that green buildings can deliver multiple benefits, including:

1. Reduced operating costs;
2. Enhanced asset value;
3. Improved tenant attraction and retention;
4. Greater climate resilience;
5. Improved occupant comfort and well-being; and
6. Increased access to green finance opportunities.

While adoption remains concentrated in certain market segments, stakeholder consultations indicate growing interest across residential, commercial, hospitality, industrial, and institutional developments.

2.4 Kenya's Development Opportunity

The AAK workshop highlighted that Kenya is urbanizing at about 4.4% annually, with nearly half of the country's population expected to live in urban areas by 2050. At the same time, global estimates suggest that about 70% of the buildings needed to meet future demand in emerging economies have yet to be built or majorly renovated.

This creates a unique opportunity for Kenya to avoid carbon lock-in and instead deliver a new generation of low-emission, climate-resilient, and resource-efficient buildings.

2.5 The Green Building Market's Transformation into a Business Opportunity

The KPDA workshop highlighted a significant change in how the market views sustainability. Participants now see it less as an environmental duty and more as a chance for business growth and financing. Certifications like EDGE, Green Star, LEED, and Safari Green Building Index are gaining recognition as valuable tools that can boost investment preparedness, assist with ESG reporting, lower perceived investment risks, and strengthen the long-term resilience of assets.

2.5.1 Key Investment Segments

A key insight from the Kenya Buildings Decarbonization Finance Accelerator is that the buildings sector should not be seen as a uniform market. Different types of buildings have distinct risk profiles, financing needs, cash flow patterns, and investment requirements. Therefore, financing approaches must be customized for specific building segments.

a. Affordable Housing

Affordable housing remains a top development priority in Kenya. The demand for quality housing exceeds supply, offering ample investment opportunities. However, affordability issues often restrict projects from handling high financing costs, emphasizing the need for concessional finance, guarantees, and blended finance arrangements.

b. Student Accommodation

Dedicated student housing has become an increasingly attractive investment area. Growing university enrollments, stable occupancy, and steady income streams present opportunities for institutional investors, REITs, and long-term financing solutions.

Successful projects in this sector showcase the potential of alternative financing models and the role capital markets can play in expanding investment.

a. Commercial Real Estate

Commercial properties continue to be a major part of Kenya's urban expansion. The demand for quality office spaces, mixed-use developments, and retail properties opens opportunities to integrate sustainability practices and enhance long-term operational efficiency. These developments often have stronger cash flows and income potential, making them more suitable for sustainability investments.

b. Existing Building Retrofits

A large portion of Kenya's future building stock already exists. Retrofitting these buildings to boost energy efficiency and resource use offers a vital pathway toward decarbonization.

Retrofit projects usually need tailored financing solutions owing to their unique payback periods and investment structures, yet they hold significant potential for reducing emissions and lowering operational costs.



Figure 2-2: Ongoing construction
Source: Milo Bunnik (Unsplash, 2020).

c. Public Buildings and Social Infrastructure

Government buildings, schools, hospitals, and other public infrastructure present an important opportunity for leadership in sustainable construction and for encouraging green building adoption. Investing in public sector buildings can also act as pilot projects that promote wider market acceptance.

2.5 Green Buildings as an Investment Opportunity

Historically, discussions around green buildings have often focused on additional costs. However, stakeholder consultations conducted through the Finance Accelerator revealed a growing recognition that green buildings should increasingly be viewed as investment opportunities rather than solely as sustainability initiatives. Well-designed green buildings can generate economic value through:

1. Reduced energy and water costs;
2. Increased asset value;
3. Improved occupancy rates;
4. Reduced operational risks;
5. Greater resilience to climate impacts;
6. Enhanced access to financing; and
7. Improved long-term competitiveness.

These characteristics align closely with the requirements of many investors seeking stable, long-term, and sustainable investment opportunities. Importantly, the transition toward sustainable buildings is creating opportunities for a broader range of capital providers, including commercial banks, development finance institutions, pension funds, insurance companies, impact investors, climate funds, and capital market participants.

The challenge is therefore not whether investment opportunities exist, but how to structure and mobilise capital in a way that enables these opportunities to reach scale.

2.6 Green Buildings as an Opportunity for Inclusive Development



Figure 2-3: Nairobi City Landscape
Source: Young Afrikanna (Pexels, 2026).

The transition to green and climate-resilient buildings presents an opportunity not only to reduce emissions and improve resource efficiency but also to promote more equitable and inclusive development outcomes.

Stakeholders highlighted the importance of **ensuring that the benefits of sustainable buildings are accessible** across different income groups, geographic regions, and demographic segments.

Particular opportunities exist within affordable housing, public infrastructure, educational facilities, and community developments, where green building investments can contribute to improved living conditions, lower utility costs, enhanced resilience, and broader access to sustainable services.

The transition also creates opportunities for local employment, skills development, youth participation, women-led enterprises, and increased participation of underrepresented groups within the green construction value chain.

2.7 The Emerging Green Finance Opportunity

The stakeholder engagement process revealed that Kenya's green buildings sector is entering a period of significant financial innovation. While access to finance remains a challenge for many projects, consultations undertaken through the Finance Accelerator demonstrated growing interest among financial institutions, investors, development partners, and capital market actors in financing sustainable and climate-resilient buildings.

Historically, the buildings sector has relied heavily on traditional commercial bank lending, developer equity, and off-plan sales to finance development projects. However, stakeholder discussions highlighted an increasingly diverse financing ecosystem that is beginning to create new opportunities for project developers and investors. Financial institutions are exploring green lending products, sustainability-linked financing structures, and innovative mechanisms that better align financing with sustainability outcomes.

At the same time, development finance institutions and climate finance providers are seeking opportunities to support projects capable of delivering both financial returns and measurable environmental impact. Increasing attention is being given to

- Green loans;
- Sustainability-linked financing;
- Green bonds;
- Sustainability bonds;
- REIT structures;
- Institutional investment vehicles;
- Blended finance solutions;
- Guarantees and risk-sharing facilities; and
- Catalytic capital mechanisms.

The growing interest in these instruments reflects a broader shift within global and regional capital markets toward sustainable investment opportunities. Investors are increasingly seeking assets that can demonstrate resilience, strong environmental performance, alignment with ESG objectives, and long-term value creation.

Green and climate-resilient buildings are well positioned to benefit from this trend, particularly as demand for sustainable real estate continues to increase among tenants, occupiers, and institutional investors.



Figure 2-4: Finance Accelerator Workshop
Source: GBPN (2026).

Presentations and consultations involving commercial banks, development finance institutions, guarantee providers, capital market participants, and sustainability practitioners demonstrated that significant opportunities exist to expand the range of financing solutions available to Kenya's buildings sector.

Particular interest was expressed in blended finance structures capable of combining commercial capital with concessional finance, guarantees, technical assistance, and project preparation support in order to improve project viability and attract private investment.

The Nairobi Securities Exchange highlighted the growing role that capital markets can play in supporting sustainable development through instruments such as Green Bonds, Sustainability Bonds, and Real Estate Investment Trusts (REITs).

Participants noted that these mechanisms have the potential to mobilise long-term domestic capital, improve market liquidity, and create scalable investment opportunities for institutional investors. REIT structures were also identified as particularly attractive due to their ability to aggregate assets, improve investment accessibility, and benefit from favourable tax treatment within Kenya's regulatory environment.

Stakeholder consultations further highlighted the growing importance of guarantee providers and risk-sharing facilities in reducing financing barriers and improving project bankability. These instruments can play a critical role in attracting lenders and investors to projects that may otherwise be perceived as carrying higher levels of risk due to unfamiliar technologies, innovative business models, or limited market track records.

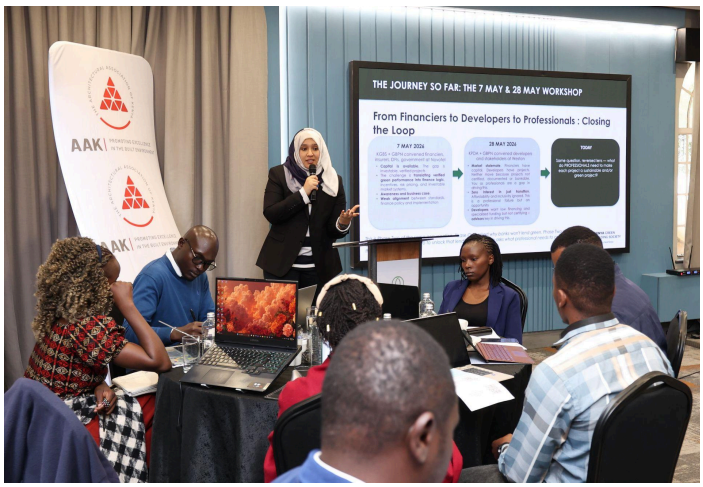


Figure 2-5: Architectural Association of Kenya, AAK Partner Workshop
Source: GBPN x AAK (2026).

Despite these encouraging developments, stakeholders emphasised that capital mobilisation will depend on more than the availability of financing instruments. Successfully unlocking investment at scale will require improvements in project preparation, investment readiness, market data, risk mitigation, stakeholder coordination, and the development of a strong pipeline of bankable projects.

Without these enabling conditions, the growing pool of sustainable finance capital may struggle to find investment opportunities capable of meeting investor requirements.

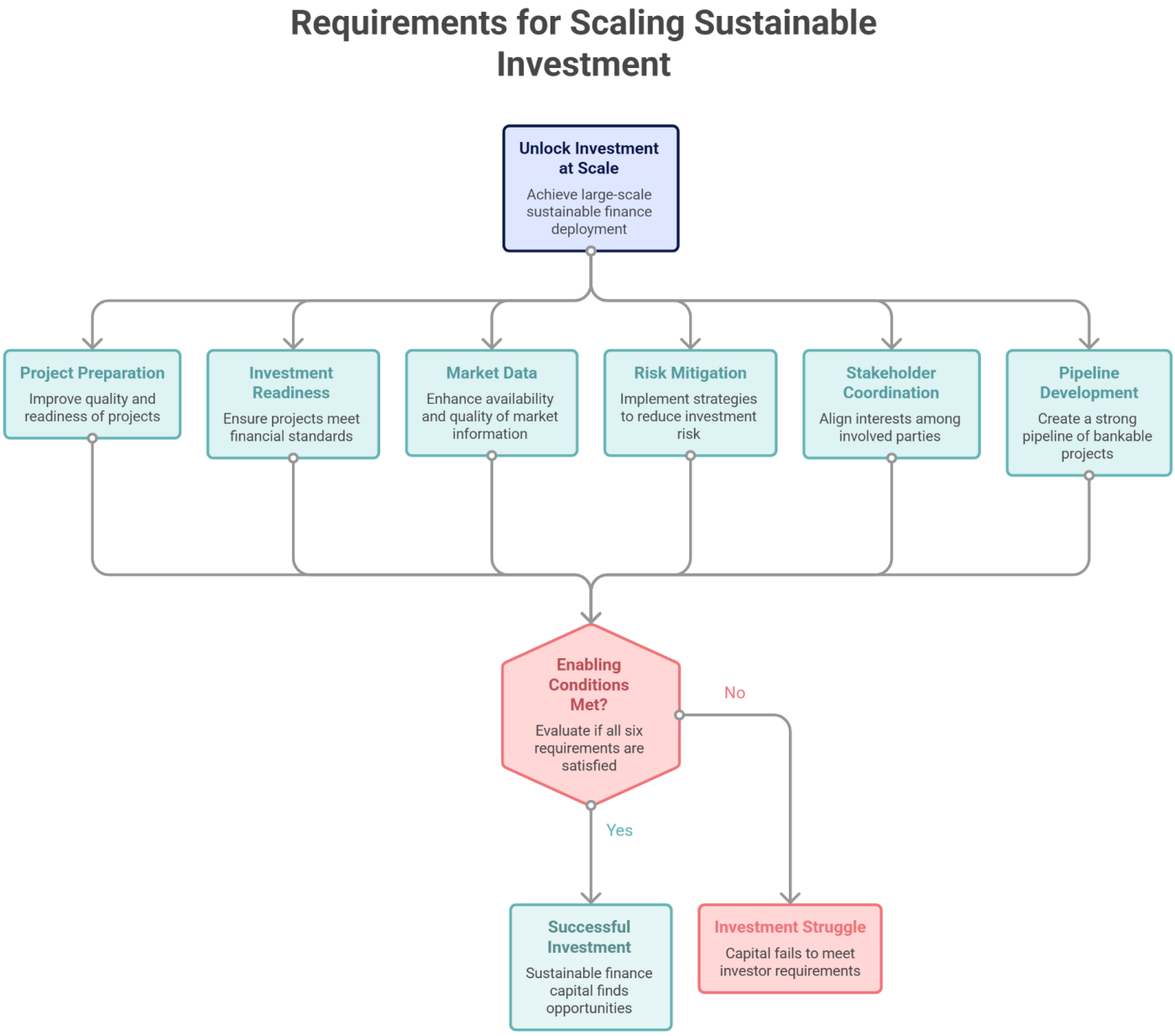


Figure 2-6: Flowchart graphic for requirements for scaling sustainable investment
Source: GBPN x Napkin (2026).

2.7 Chapter Summary

The analysis presented in this chapter demonstrates that Kenya's green buildings sector is evolving from a niche sustainability agenda into a strategic investment opportunity with significant implications for economic growth, urban development, climate resilience, and capital mobilisation.

Rapid urbanisation, population growth, increasing demand for quality building stock, and national decarbonisation commitments are creating strong underlying demand for sustainable buildings across multiple market segments. Stakeholder consultations highlighted substantial opportunities within affordable housing, student accommodation, commercial real estate, warehousing and logistics facilities, public infrastructure, hospitality developments, industrial facilities, and building retrofit programmes. These segments represent important pathways for delivering both environmental outcomes and investment opportunities.

The consultations further demonstrated that Kenya's financing landscape is undergoing a period of transformation. Interest in green loans, sustainability-linked finance, guarantees, blended finance, institutional investment, capital market instruments, REITs, and catalytic capital mechanisms is creating new possibilities for financing sustainable buildings. Together, these developments suggest that the foundations of a more sophisticated green building finance ecosystem are beginning to emerge.

Importantly, stakeholders also recognised that the transition to sustainable buildings presents an opportunity to promote broader development objectives, including affordability, resilience, economic inclusion, job creation, and equitable access to quality buildings and infrastructure. Ensuring that these benefits are widely shared will be essential to achieving a just and inclusive transition within the built environment.

However, the existence of investment opportunities and financing instruments alone does not guarantee capital mobilisation. Throughout the accelerator process, participants consistently highlighted a range of technical, financial, policy, regulatory, institutional, and market barriers that continue to constrain investment and slow market transformation. Understanding these barriers is critical to designing interventions capable of unlocking finance at scale and accelerating the development of a robust pipeline of investment-ready green building projects.

The next chapter outlines the stakeholder engagement process and evidence base underpinning this analysis, providing the foundation for the findings and recommendations presented throughout the remainder of the report.

3. Stakeholder Engagement Process and Evidence Base

3.1 Introduction

The findings presented in this report are the result of an extensive stakeholder engagement process undertaken through the Kenya Buildings Decarbonization Finance Accelerator. The accelerator was designed as a collaborative and evidence-driven initiative aimed at understanding the barriers affecting investment in green and climate-resilient buildings while identifying practical solutions capable of unlocking finance and accelerating market transformation.

Recognising that financing challenges within the buildings sector are often interconnected with technical, regulatory, market, and institutional factors, the accelerator adopted a multi-stakeholder approach that brought together actors from across the built environment and financial ecosystem. The engagement process sought to **capture diverse perspectives, validate market realities,** and ensure that **recommendations emerging from the programme reflect practical experiences and industry needs.**

This chapter outlines the stakeholder engagement process undertaken during the accelerator and describes the evidence base that informed the barriers analysis.

3.2 Stakeholder Engagement Approach

The Kenya Buildings Decarbonization Finance Accelerator was structured as a co-creation process involving public sector institutions, financial institutions, developers, investors, technical experts, professional associations, development partners, and civil society organisations. The engagement process was designed to:

1. Understand the current financing landscape for green and climate-resilient buildings;
2. Identify technical, financial, market, and policy barriers affecting investment;
3. Explore opportunities for improving project bankability and investment readiness;
4. Facilitate dialogue between capital providers and project developers;
5. Generate consensus around priority interventions and financing solutions; and
6. Inform the development of the Finance Landscape Report, Barriers Analysis, National Funding Strategy, and Investment Prospectus.

Rather than relying solely on desk research, the accelerator prioritised direct engagement with market actors actively involved in **the planning, financing, construction, operation, and regulation of buildings**. This approach enabled the programme to capture practical insights regarding **financing constraints, project preparation challenges, risk perceptions, certification barriers, and emerging opportunities** for capital mobilisation.

3.3 UHAI Coalition and Multi-Stakeholder Collaboration

A key feature of the accelerator was the mobilisation of the UHAI Coalition as a platform for collaboration and collective action. The coalition brought together organisations representing different segments of the built environment ecosystem and provided a mechanism for continuous stakeholder engagement throughout the programme. The coalition included representation from:

- Government ministries and agencies;
- Financial institutions;
- Property developers;
- Professional associations;
- Green building practitioners;
- Development finance institutions;
- Academic institutions;
- Civil society organisations; and
- Technical experts.

This collaborative structure helped ensure that findings reflected perspectives from both the supply and demand sides of the market while encouraging dialogue between stakeholders who do not traditionally engage on financing issues.

3.4 Stakeholder Workshops

A series of targeted stakeholder workshops formed the core of the evidence-gathering process. These workshops were designed to explore specific aspects of green building finance and provide participants with opportunities to discuss challenges, opportunities, and potential solutions.

3.4.1 UHAI Coalition Kick-Off Workshop

The accelerator formally commenced with a multi-stakeholder kick-off workshop that brought together representatives from government, financial institutions, developers, professional bodies, and ecosystem partners. The workshop introduced the objectives of the accelerator and facilitated initial discussions on:

- The financing landscape for green buildings;
- Technical and financial barriers;
- Project bankability;
- Decarbonisation priorities;
- Stakeholder roles and responsibilities.

The workshop also marked the launch of thematic working groups that would support the co-creation process throughout the programme.

3.4.2 Developers' Engagement Workshop (KPDA)

The Developers' Engagement Workshop, convened in partnership with the Kenya Property Developers Association (KPDA), brought together developers, financiers, capital market actors, development finance institutions, and technical experts. The workshop focused on practical market realities affecting project financing and generated valuable insights relating to:

- Cost of capital;
- Project bankability;
- Collateral requirements;
- Green building certification;
- Access to alternative sources of capital;
- Blended finance opportunities;
- Project preparation challenges.

The discussions highlighted a growing need for differentiated financing structures that reflect the unique characteristics of different building typologies and market segments.

3.4.3 Green Building Standards and Certification Workshop (KGBS)

The Kenya Green Building Society facilitated discussions on the role of certification and building performance standards in supporting investment and improving project credibility. The workshop explored:

- EDGE certification;
- Green Star;
- LEED;
- BREEAM;
- Safari Green Building Index
- Building performance measurement;
- Certification costs and benefits.

Participants discussed how certification can influence investor confidence, improve project transparency, and support access to green finance while also identifying challenges associated with costs, complexity, and market awareness.

3.4.4 Professional Practice and Green Building Costs Workshop (AAK)

The Architectural Association of Kenya facilitated a workshop examining the relationship between design decisions, project costs, and sustainability outcomes. The session explored:

- Perceived green cost premiums;
- Design strategies for reducing costs;
- Local material opportunities;
- Passive and Active design approaches;
- Procurement practices;
- Cost data availability.

The discussions revealed that many perceived cost barriers are influenced by project design decisions, procurement choices, and market maturity rather than sustainability requirements alone.

3.5 Working Groups

To facilitate deeper technical engagement, four thematic working groups were established under the accelerator. These groups focused on:



Figure 3-1: Green Finance Accelerator Working Groups
Source: GBPN (2026).

The working groups provided a platform for continuous stakeholder engagement and generated detailed inputs that informed both the barriers analysis and emerging recommendations.

3.6 Financial Sector and Capital Market Engagement

Recognising the central role of finance in enabling building decarbonisation, the accelerator undertook targeted engagement with commercial banks, development finance institutions, guarantee providers, capital market actors, and institutional investors. Discussions focused on:

1. Lending requirements;
2. Risk perceptions;
3. Project bankability;
4. Capital market opportunities;
5. Blended finance structures;
6. Institutional investment;
7. Green bonds and sustainability bonds;
8. REITs and investment vehicles.

Contributions from financial institutions and ecosystem partners helped identify both existing financing constraints and opportunities for expanding capital flows into sustainable buildings. Particular insights emerged around the role of guarantees, catalytic capital, risk-sharing mechanisms, project preparation support, and institutional capital mobilisation.

3.7 Emerging Analytical Frameworks

The stakeholder engagement process also contributed to the development of several analytical frameworks designed to support the programme's outputs.

Most notably, the accelerator developed a preliminary Green Building Financing Viability Framework to better understand how different building typologies experience financing challenges and absorb financing costs. The framework demonstrated that financing constraints vary significantly across asset classes and income segments and highlighted the importance of developing typology-specific financing solutions rather than applying a single financing model across the entire market.

This finding has informed both the barriers analysis and the development of recommendations for the National Funding Strategy.

3.8 Diversity of Stakeholder Representation

The stakeholder engagement process intentionally sought perspectives from across the building's finance ecosystem. Participants included commercial banks, developers, government agencies, technical and professional associations, legal practitioners, architects, quantity surveyors, institutional investors, sustainability practitioners, and development partners.

Survey respondents represented organizations including KCB, I&M Bank, KPDA, AAK, Madison Group, Gatsby Africa, WIRE Kenya and others. This diversity helped ensure that barriers identified throughout the process reflected the realities of both capital providers and project developers.

3.9 Evidence Base

The analysis is informed by:

1. Stakeholder interviews;
2. Finance Landscape Survey responses;
3. KGBS workshop findings;
4. KPDA workshop findings;
5. AAK workshop findings;
6. Working group deliberations;
7. Commercial bank consultations;
8. Guarantee provider consultations;
9. DFI consultations.

This mixed-method approach strengthened the reliability of the findings by enabling triangulation across multiple stakeholder groups.

3.9 Chapter Summary

The barriers identified in this report are grounded in an extensive stakeholder engagement process involving actors from across Kenya's built environment and financial ecosystem. Through workshops, working groups, market consultations, and bilateral engagements, the accelerator generated a robust evidence base reflecting practical experiences, market realities, and emerging opportunities.

The consultations revealed broad consensus around the importance of increasing investment in green and climate-resilient buildings while also highlighting a range of technical, financial, market, and policy constraints that continue to limit investment at scale. The following chapters present the key barriers emerging from this engagement process and assess their implications for the future growth of Kenya's green buildings market.

4. Technical Barriers to Scaling Green and Climate-Resilient Buildings in Kenya

4.1 Introduction

Although financing is frequently identified as the main obstacle to green building development, stakeholder consultations through the Kenya Buildings Decarbonization Finance Accelerator indicated that many financial challenges stem from underlying technical issues. Developers, financiers, investors, certification bodies, and professional associations consistently pointed out various technical constraints that impact project feasibility, elevate perceived investment risks, hinder project bankability, and ultimately restrict capital flow into sustainable buildings.

These barriers are often interconnected, such that limited technical capacity can increase project costs, poor performance data can diminish investor confidence, complex certification processes can lower market adoption, and inadequate project preparation can obstruct access to finance.

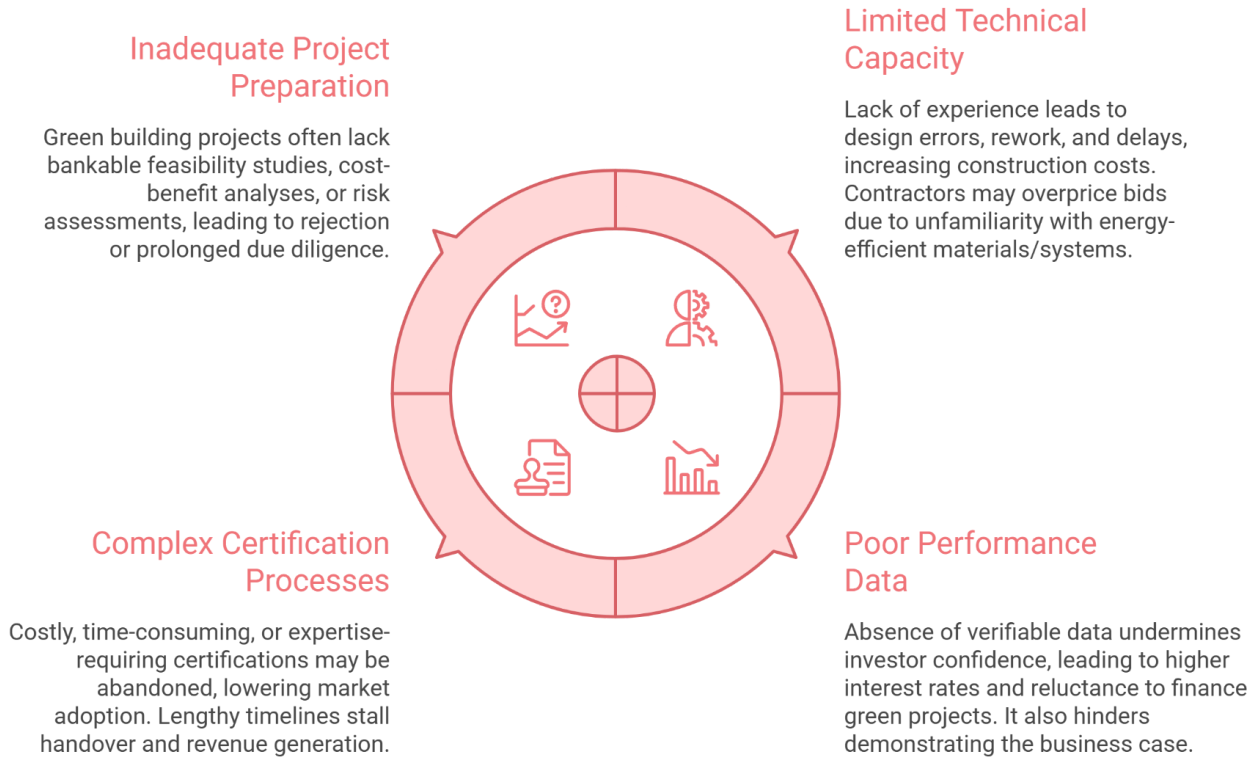


Figure 4-1: Technical barriers to green financing
Source: GBPN x Napkin (2026).

Therefore, **addressing technical barriers is crucial for unlocking investment in green, climate-resilient buildings.**

4.2 Barrier 1: Perceived Green Cost Premium

One of the most consistently cited barriers across stakeholder consultations was the **perception that green buildings are significantly more expensive than conventional developments**. Across workshops and industry engagements, participants acknowledged that concerns about higher upfront costs continue to influence investment decisions and developers' willingness to adopt green building measures. This perception remains particularly strong among developers operating in cost-sensitive market segments, such as affordable housing.

However, discussions at the Architectural Association of Kenya (AAK) workshop revealed that the perceived green cost premium is often more complex than commonly assumed. Participants noted that additional costs are frequently driven not by sustainability measures themselves, but by factors such as:

1. Late integration of sustainability considerations into project design;
2. Over-specification of technologies and materials;
3. Reliance on imported green products;
4. Limited local supply chains;
5. Limited market familiarity with green design approaches; and
6. Inadequate consideration of lifecycle cost savings.

Stakeholders emphasized that sustainability measures incorporated early in the design process can often be achieved at relatively low incremental cost, particularly when passive design strategies are employed. The consultations further highlighted that **many project evaluations continue to focus primarily on capital expenditure rather than whole-life asset performance**.

As a result, long-term benefits such as reduced operating costs, lower utility consumption, improved occupant comfort, and enhanced asset value are frequently undervalued during project appraisal. The persistence of perceived cost premiums contributes to lower market demand, reduced investor confidence, and slower adoption of sustainable building practices.

"The issue is often not that green buildings are too expensive, but that projects are not designed to optimise sustainability from the beginning." — Workshop Participant (2026).[6]

4.3 Barrier 2: Limited Technical Capacity and Market Awareness

The consultations revealed significant disparities in technical knowledge and understanding of green building principles across the built environment ecosystem. While awareness of sustainability concepts has increased considerably over the past decade, many stakeholders indicated that technical capacity remains uneven among developers, contractors, consultants, facility managers, and financiers.

Several participants noted that limited familiarity with green building design, certification systems, and performance measurement contributes to misconceptions about costs, risks, and expected returns. This challenge is particularly evident among smaller developers and market participants who may have limited exposure to certified green building projects or specialized sustainability expertise.

The lack of technical capacity creates several downstream challenges, including:

1. Inconsistent project quality;
2. Weak sustainability integration during design;
3. Overreliance on external consultants;
4. Reduced confidence among financiers;
5. Poor documentation and reporting practices; and
6. Difficulties in demonstrating project performance.

Stakeholders further noted that financial institutions often face similar challenges, with many lenders lacking the specialized knowledge needed to assess the risks and benefits of green building investments.

As a result, technical capacity constraints affect both the supply and demand sides of the market.

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

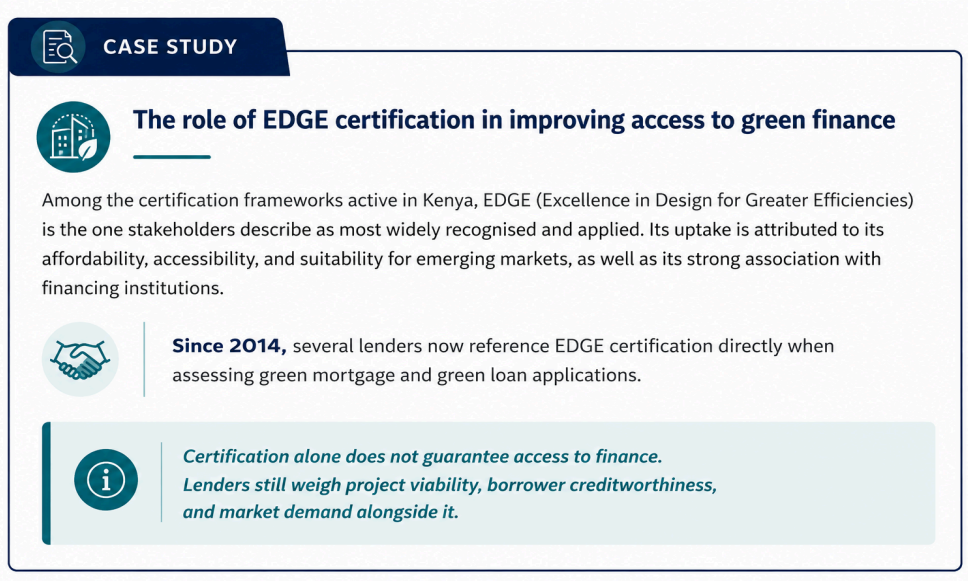


Figure 4-2: Green building ecosystem capacity gaps across stakeholder groups
Source: GBPN (2026).

4.4 Barrier 3: Certification Costs and Complexity

Certification systems such as EDGE, Green Star, LEED, and BREEAM play an increasingly important role in validating building performance and demonstrating sustainability credentials. Stakeholder consultations confirmed that certification can deliver multiple benefits, including:

- Improved investor confidence;
- Enhanced marketability;
- Greater transparency;
- Improved building performance;
- Access to green finance opportunities; and
- Alignment with investor ESG requirements.



However, participants also identified several challenges associated with certification processes. Developers cited concerns relating to:

- Certification fees;
- Documentation requirements;
- Administrative complexity;
- Availability of technical expertise;

- Time required
  for certification processes; and
- Uncertainty regarding financial returns.

For smaller developments, these costs can represent a significant proportion of project budgets, creating a disincentive to pursue certification despite potential long-term benefits. Participants also noted that awareness of certification benefits remains limited in some market segments, reducing demand and weakening the business case for certification.

These challenges can contribute to lower uptake of certification systems and limit the ability of projects to demonstrate sustainability performance to investors and financiers.

4.5 Barrier 4: Limited Availability of Cost and Performance Data

One of the most significant findings emerging from stakeholder consultations was the lack of reliable data on green building costs, performance, and financial outcomes. Developers, investors, financiers, and technical professionals repeatedly highlighted the absence of local evidence regarding:

- Green building cost premiums;
- Energy savings;
- Water savings;
- Payback periods;
- Asset value impacts;
- Occupancy performance; and
- Return on investment.

This data gap creates uncertainty throughout the market. Developers struggle to justify sustainability investments. Financiers struggle to assess risks and benefits. Investors struggle to evaluate performance expectations and policymakers struggle to design evidence-based interventions.

The absence of consistent benchmarking data also contributes to the persistence of misconceptions regarding green building costs and performance. Stakeholders indicated that improved access to market data would significantly strengthen project appraisal, financing decisions, and investment confidence.

Information Gaps Identified by Stakeholders

Missing evidence that limits lender and investor confidence

KEY FINDING Limited availability of local performance data creates uncertainty for investors and lenders, contributing to conservative lending practices and higher perceived investment risk.

Energy savings	Payback periods	Operating costs	Value premiums	Climate risk
Achieved through retrofits	For green technologies	Reductions from efficiency	From green certification	Reduction benefits

Figure 4-3: Information gaps identified by stakeholders
Source: GBPN (2026).

WHY DATA MATTERS FOR BANKABILITY

Financial institutions consistently point to the same gap: a lack of local, verifiable performance data — on energy savings, operating costs, and property value premiums — makes it difficult to price green buildings differently from conventional ones. Without this evidence, lenders default to conservative terms, even where the underlying asset performs better. Closing the data gap is what allows certification and performance claims to translate into better financing terms, not just goodwill.

4.6 Barrier 5: Weak Project Preparation and Technical Documentation

A recurring theme throughout the accelerator was the relationship between the quality of project preparation and access to finance. Financial institutions consistently highlighted the importance of robust project preparation when evaluating financing opportunities. However, many stakeholders noted that project concepts often reach financiers without adequate supporting documentation. Common gaps include:

- Feasibility studies;
- Financial models;
- Sustainability assessments;
- Climate resilience assessments;
- Market studies;
- Certification strategies;

- ESG documentation; and
- Risk analyses.

These deficiencies can significantly affect project bankability and increase transaction costs for both developers and lenders. The challenge is particularly pronounced among emerging developers and smaller firms that may lack resources to undertake comprehensive project preparation activities.

Stakeholders noted that improving project preparation quality could substantially increase the pipeline of investment-ready green building projects.

COMPONENTS OF AN INVESTMENT-READY GREEN BUILDING PROJECT

Key elements that make a green building project bankable, financeable and attractive to investors

KEY FINDING Investment-ready projects reduce risk, demonstrate value and meet investor requirements across technical, financial, environmental, social and governance dimensions.

Strong Business Case

- Clear value proposition and market demand
- Financial viability and returns
- Affordable and competitive operating costs

Technical & Design Excellence

- Energy and resource efficiency
- Climate resilience and adaptability
- Quality design and construction standards
- Compliance with standards (EDGE, LEED, Green Star)

Social Value & Inclusivity

- Affordability and access
- Health, wellbeing and safety
- Job creation and local economic impact
- Inclusive design and community benefits

Financial Structuring & Affordability

- Optimal capital structure
- Affordable debt and appropriate tenor
- Blended finance and risk mitigation
- Cash flow resilience and stress testing

Environmental Performance

- Low carbon design and operations
- Energy, water and waste efficiency
- Use of sustainable materials
- Measurable environmental impact

Governance & Compliance

- Clear legal structure and ownership
- Permits, approvals and regulatory compliance
- Transparent procurement and contracts
- Strong project management and reporting

Data, Monitoring & Transparency

- Baseline data and ESG metrics
- Performance monitoring and verification
- Transparent reporting and disclosure
- Alignment with investor requirements

ENABLING OUTCOMES

Figure 4-4: Components of an investment-ready green building project
Source: GBPN (2026).

4.6.1 Limited Availability of Building Performance Data

This barrier appears repeatedly across all workshops and may deserve its own subsection. Financial institutions consistently reported that they lack sufficient local evidence demonstrating that green buildings outperform conventional buildings from a financial perspective. Participants noted the absence of reliable datasets on:

- Occupancy performance;
- Default rates;
- Operating cost savings;
- Asset value appreciation;
- Maintenance costs;
- Climate resilience performance.

Without this evidence, lenders continue to rely on conventional risk assessment approaches, limiting their ability to price sustainability benefits into financing decisions.

4.6.2 Weak Translation of Technical Performance into Financial Outcomes

Built environment professionals often communicate sustainability benefits using technical metrics such as energy savings, carbon reductions, water efficiency, and certification scores.

However, financiers make decisions based on:

- Risk;
- Cash flow;
- Asset value;
- Debt serviceability;
- Occupancy rates;
- Portfolio performance.

A recurring finding was the **need to translate technical performance metrics into financial language that supports investment decision-making**.

4.6.3 Certification Not Yet Integrated into Lending Decisions

One of the clearest findings from the KGBS workshop was that certification is still largely viewed as:

- Branding;
- ESG positioning;
- Compliance.

rather than as:

- Underwriting intelligence;
- Risk mitigation;
- Performance verification.

Participants noted that certification currently has little influence on Loan pricing, Tenor structures, Loan-to-value ratios and Collateral treatment. Consequently, many developers view certification as a cost burden rather than a financial advantage, as its benefits are not yet consistently reflected in loan pricing, financing terms, or access to capital.

4.6.4 Strengthen Barrier on Lack of Bankable Projects

Participants rated the availability of investment-ready green projects in Kenya as very low. Stakeholders highlighted the need for stronger project preparation support, including feasibility studies, financial modelling, certification support, transaction advisory services, and investment packaging.

Strengthen High Cost of Capital Barrier

The Architectural Association of Kenya, AAK's workshop identified the following as major barriers preventing uptake of green finance products:

- High upfront costs;
- Low awareness;
- Perceived investment risk;
- Limited market demand;

Participants proposed interest rate concessions, tax incentives, and dedicated financing products for specific interventions such as solar energy, rainwater harvesting, and energy efficiency improvements.

Strengthen Catalytic Capital Section

The KGBS workshop found that blended finance structures remain underdeveloped, catalytic capital mechanisms are insufficient, and lenders remain reluctant to absorb first-mover risk independently. Participants repeatedly called for concessional capital, guarantees, risk-sharing mechanisms, and blended finance facilities capable of crowding in commercial investment. This aligns perfectly with the Funding Strategy work we have already started.

4.7 Technical Barrier Summary

The consultations demonstrate that many financing challenges affecting green buildings originate from underlying technical constraints. Perceived cost premiums, limited technical capacity, certification complexity, weak market data, and inadequate project preparation all contribute to higher investment risks and lower project bankability.

Importantly, these barriers are not insurmountable. Many stakeholders emphasized that improvements in technical capacity, knowledge sharing, certification support, market transparency, and project preparation could significantly improve investor confidence and facilitate greater access to finance.

Addressing these technical barriers should therefore be viewed as a critical component of any strategy aimed at scaling investment in green and climate-resilient buildings.

The next chapter examines the financial barriers that continue to constrain capital mobilization and investment in Kenya's green buildings sector.

5. Financial Barriers to Scaling Green and Climate-Resilient Buildings In Kenya

5.1 Introduction

Access to finance emerged as one of the most significant barriers affecting the development and adoption of green and climate-resilient buildings in Kenya. However, stakeholder consultations undertaken through the Kenya Buildings Decarbonization Finance Accelerator revealed that the challenge extends beyond the simple availability of capital.

Across workshops, interviews, working group discussions, and survey responses, participants consistently highlighted a disconnect between the growing availability of sustainable finance globally and the limited flow of capital into green building projects in Kenya. While investors, commercial banks, development finance institutions, guarantee providers, and capital market actors expressed increasing interest in sustainable investments, developers reported persistent difficulties in accessing affordable and appropriately structured financing.

The findings suggest that the primary challenge is not necessarily a shortage of capital, but rather the absence of mechanisms capable of translating sustainable building performance into investment decisions, risk pricing, underwriting practices, and financing structures. As one stakeholder workshop concluded, the challenge is no longer proving that green buildings create value. The challenge is translating verified green performance into finance logic, incentives, risk pricing, and investable market systems.

FINANCIAL BARRIERS AFFECTING GREEN BUILDING INVESTMENT IN KENYA

Key barriers identified through stakeholder consultations and survey responses

KEY FINDING High costs of capital, limited access to affordable finance and weak project preparation are the most critical financial barriers constraining investment in green and climate-resilient buildings in Kenya.

High upfront capital costs

VERY HIGH

Green building technologies and sustainable materials increase initial construction costs.

Limited access to affordable finance

VERY HIGH

Interest rates are high and affordable, long-term financing options are insufficient.

Short repayment tenors mismatched to asset life

HIGH

Loan tenors are often shorter than the useful life and payback period of green buildings.

Limited local data and track record

HIGH

Lack of performance data and benchmarks increases perceived risk and limits underwriting confidence.

Weak project preparation and feasibility

Projects lack robust feasibility studies, financial modelling and bankable documentation.

Perceived high risk and lack of credit enhancement

Limited guarantees and risk mitigation tools increase the cost of capital and lender risk.

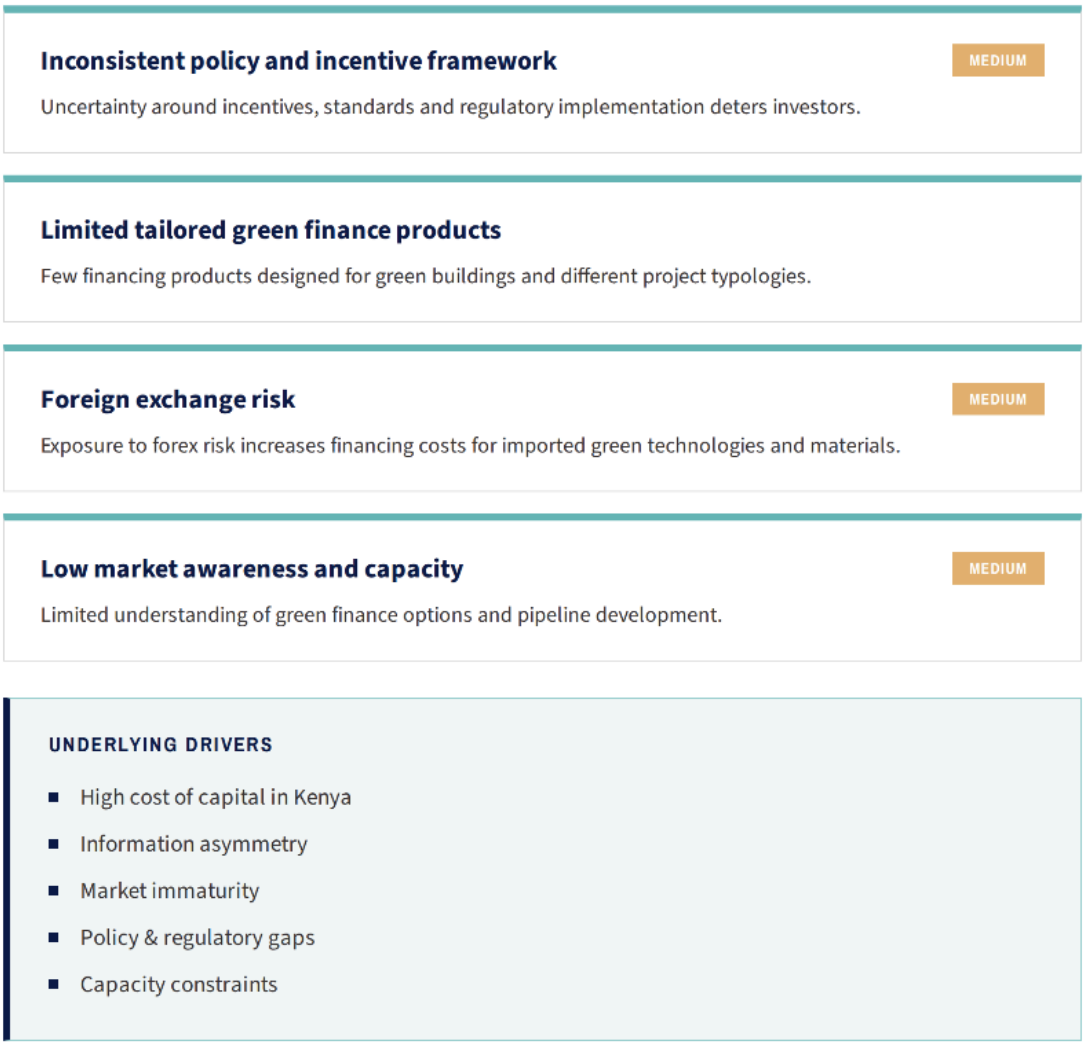


Figure 5-1: Financial barriers affecting green building investment in Kenya
Source: GBPN (2026).

5.2 High Cost of Capital

The high cost of capital was the most frequently cited financial barrier across stakeholder consultations and survey responses. Developers consistently identified financing costs as one of the primary factors affecting project viability and limiting the integration of sustainability measures into development projects.

Survey respondents identified high upfront costs as the most significant financing barrier affecting green buildings, followed closely by policy uncertainty, limited technical capacity, lack of bankable projects, and limited market data.

The challenge is particularly pronounced in market segments where affordability constraints are already significant, including:

- Affordable housing;
- Student accommodation;
- Social housing;
- Green retrofits;
- Mixed-income developments; and
- Climate-resilient community infrastructure.

Stakeholders noted that where financing costs are high, developers often prioritise short-term cost reductions over longer-term building performance considerations. As a result, sustainability features are frequently removed during value-engineering exercises despite their potential to reduce lifecycle costs and improve building performance.

Importantly, consultations revealed that the issue is not solely the cost of debt itself, but rather the relationship between financing costs and project economics. Different building typologies generate different cash flow profiles and therefore have varying capacities to absorb financing costs.

This finding informed the development of the Green Building Financing Viability Framework, which suggests that financing structures should be tailored to individual project typologies rather than relying on a uniform financing model across the entire sector.

RELATIVE IMPORTANCE OF FINANCIAL BARRIERS BY STAKEHOLDER GROUP

Synthesis of stakeholder consultations — stakeholder ranking of financial barriers

KEY FINDING High costs of capital, limited access to affordable finance and weak project preparation are the most critical barriers limiting investment.

Very High High Medium

High upfront capital costs
Overall Importance — VERY HIGH

Limited access to affordable finance
Overall Importance — VERY HIGH

Weak project preparation and feasibility
Overall Importance — VERY HIGH

Short repayment tenors mismatched to asset life
Overall Importance — HIGH

Limited local data and track record
Overall Importance — HIGH

Perceived high risk and lack of credit enhancement
Overall Importance — HIGH

Inconsistent policy and incentive framework
Overall Importance — MEDIUM

Foreign exchange risk
Overall Importance — MEDIUM

KEY TAKEAWAYS

- Two further barriers were also raised in consultations — limited tailored green finance products, and low market awareness and capacity — without a clearly legible relative-importance rating in the source graphic.

Source: Kenya Buildings Decarbonization Finance Accelerator – Barriers Analysis (2025)

Figure 5-2: Relative importance of financial barriers by stakeholder group
Source: GBPN (2026).

5.3 Over-Reliance on Traditional Commercial Bank Lending

Kenya's real estate sector remains heavily dependent on commercial bank lending as its primary source of external finance. Stakeholder consultations revealed that most developments continue to be financed through a relatively traditional capital structure consisting of developer equity, commercial bank debt, off-plan sales, and collateral-backed borrowing. Commercial banks typically evaluate projects based on:

Collateral Availability

Land ownership and collateral security remain central components of lending decisions. Developers lacking substantial collateral often face difficulties accessing finance regardless of project quality.

Developer Track Record

Banks place significant emphasis on historical project delivery experience. Emerging developers frequently struggle to secure financing despite potentially viable projects.

Project Viability

Projects must demonstrate strong market demand, reliable cash flows, and acceptable risk-return characteristics.

Corporate Governance and Financial Management

Lenders generally favour borrowers with robust governance structures, transparent reporting practices, and strong financial controls. While these lending practices are appropriate from a risk management perspective, stakeholders observed that they can create barriers for innovative or sustainability-focused projects where performance benefits may not be immediately reflected within traditional underwriting frameworks.

As a result, financing decisions often focus on collateral and historical performance rather than future sustainability performance, resilience, or operational efficiency.

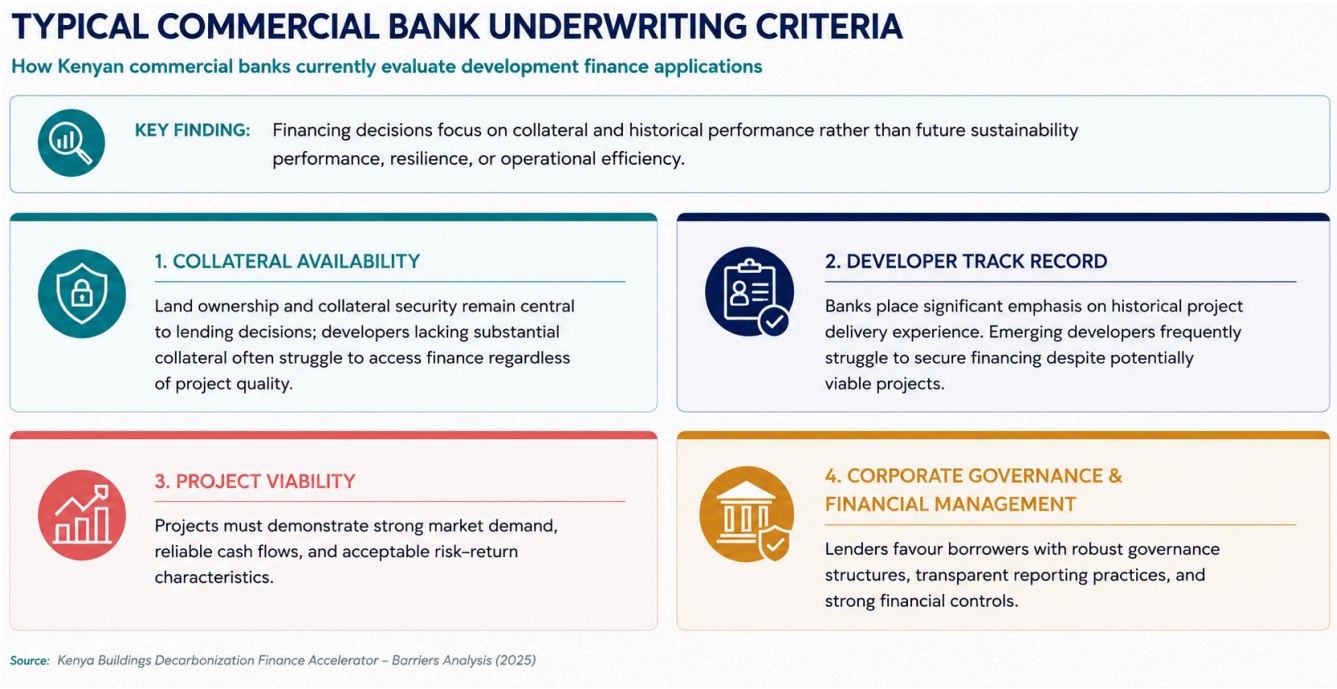


Figure 5-3: Typical commercial bank underwriting criteria
Source: GBPN (2026).

5.4 Certification is not yet integrated into Financial Decision-Making

One of the most significant findings emerging from stakeholder consultations was the limited influence of certification systems on financing decisions.

Although certification systems such as EDGE, Green Star, LEED, BREEAM, and the Safari Green Building Index provide independent verification of building performance, many participants noted that certification currently has little influence on loan pricing, loan-to-value ratios, repayment periods, collateral treatment, or underwriting decisions.

Developers expressed frustration that certification often results in additional project costs without corresponding financing benefits.

Financial institutions acknowledged that certification is generally viewed positively but noted that insufficient local evidence exists to conclusively demonstrate the relationship between certification and:

- Reduced default risk;

- Improved occupancy rates;
- Enhanced asset values;
- Better loan performance;
- Improved cash-flow stability.

Consequently, certification continues to be treated primarily as:

- ESG positioning;
- Branding;
- Market differentiation;
- Compliance support.

rather than as:

- Underwriting intelligence;
- Risk mitigation;
- Credit enhancement.

This creates a misalignment between technical performance and financial decision-making.

[Suggested Figure 5.4: Current vs Desired Role of Certification in Lending Decisions]

5.5 Lack of Local Performance Data

A recurring theme across all consultations was the absence of reliable local performance data capable of supporting investment decisions.

Financial institutions repeatedly highlighted the need for evidence demonstrating:

- Energy savings;
- Water savings;
- Occupancy performance;
- Rental premiums;
- Asset value retention;
- Reduced default rates;
- Operating cost reductions.

Without these datasets, lenders remain reluctant to differentiate financing terms for certified projects.

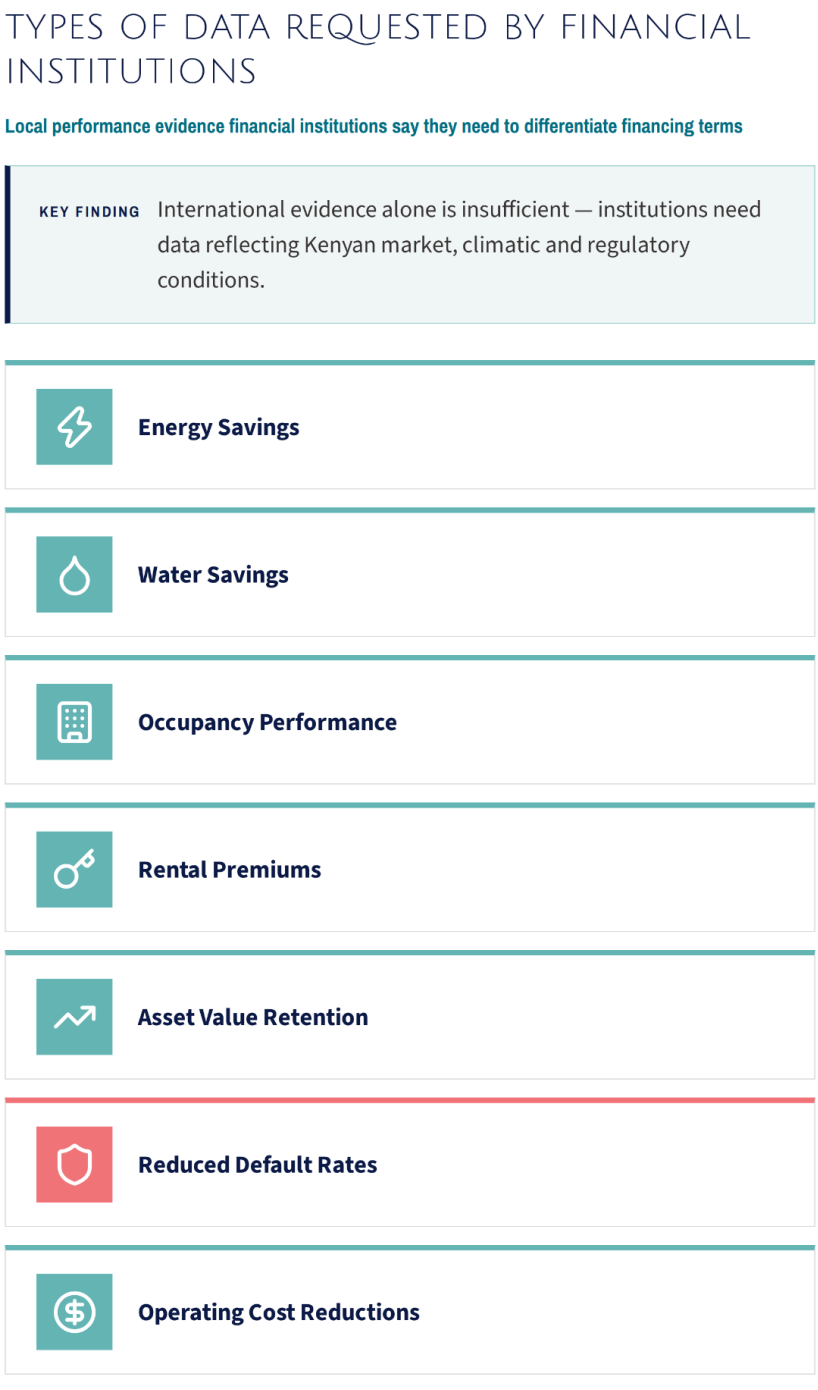


Figure 5-4: Types of data requested by financial institutions
Source: GBPN (2026).

Several participants noted that international evidence alone is insufficient. Financial institutions require locally relevant data reflecting Kenyan market conditions, climatic conditions, regulatory frameworks, and borrower behaviour.

The absence of reliable market data contributes to conservative lending practices and reinforces perceptions of uncertainty regarding green building investments.

5.6 Weak Project Bankability and Investment Readiness

A common misconception identified during consultations is that financing challenges arise primarily because insufficient capital is available.

However, discussions with financial institutions suggest

that many projects fail to attract financing because they do not meet minimum investment readiness requirements.

Stakeholder highlighted weaknesses in:

- Feasibility studies;
- Financial modelling;
- Market assessments;
- Risk analysis;
- Certification strategies;
- Sustainability assessments;
- ESG documentation.

Participants consistently rated the availability of investment-ready green projects as low and identified project preparation support as a critical requirement for scaling investment.

This challenge is particularly acute among smaller developers and first-time developers who may lack access to technical advisory support and project preparation funding.

5.7 Limited Availability of Catalytic Capital

The consultations highlighted a significant shortage of catalytic capital mechanisms capable of reducing risk and crowding-in private investment. Participants repeatedly emphasised the need for:

- First-loss capital;
- Concessional finance;
- Guarantee facilities;
- Project preparation grants;
- Technical assistance facilities;
- Foreign exchange risk support.

These instruments are particularly important for projects that deliver environmental and social benefits but may not initially satisfy conventional commercial investment criteria. Stakeholders noted that catalytic capital can play a critical role in demonstrating new business models, reducing perceived risks, and enabling market transformation.



Figure 5-5: Catalytic capital and risk reduction pathway
Source: GBPN (2026).

5.8 Underutilisation of Guarantees and Risk-Sharing Instruments

The accelerator identified guarantees as one of the most underutilised tools within Kenya's green finance ecosystem.

Discussions with guarantee providers revealed that products already exist within the market. However, awareness remains limited and developers frequently engage guarantee providers too late in the project cycle, often after financing structures have already been established.

This limits the ability of guarantees to improve financing terms, reduce collateral requirements, expand lender participation, and enhance project bankability.

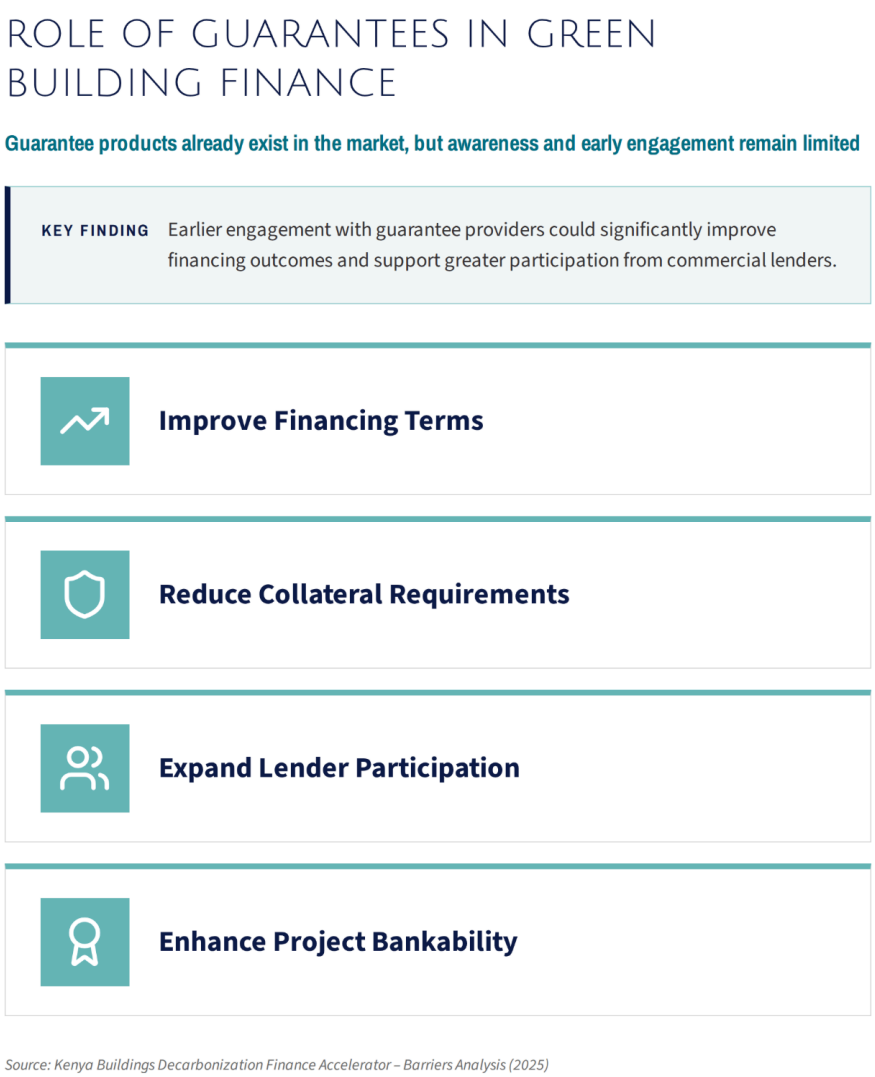


Figure 5-6: Role of guarantees in green building finance
Source: GBPN (2026).

Earlier engagement with guarantee providers could significantly improve financing outcomes and support greater participation from commercial lenders.

5.8.1 Limited Utilisation of Credit Enhancement Instruments

Although Kenya's financial market is increasingly supported by guarantee providers and credit enhancement facilities, awareness and utilisation of these instruments within the buildings sector remain limited.

Stakeholder consultations revealed that many developers are unfamiliar with how guarantees can be used to improve project bankability, reduce lender risk perceptions, and unlock alternative sources of capital.

A recurring challenge identified through consultations with guarantee providers is that developers often engage them too late in the financing process. In many cases, projects have already been designed, financial models completed, debt terms negotiated, and financing applications submitted before a guarantee provider is approached. At this stage, opportunities to optimise the financing structure through credit enhancement may be significantly constrained.

This late-stage engagement reflects a broader market challenge in which project development and financial structuring are often treated as separate processes. Developers typically focus first on securing land, approvals, project design, and construction planning, while financing considerations are addressed later. Consequently, available risk mitigation instruments are not systematically incorporated into project planning despite their potential to improve financing outcomes.

The issue is particularly relevant for green buildings and innovative low-carbon developments, where lenders may perceive unfamiliar technologies, performance risks, certification requirements, or market adoption risks as additional credit concerns. Guarantee products can help bridge this confidence gap by providing lenders with additional security and reducing perceived financing risks. However, the effectiveness of these instruments depends on their integration into the financing strategy from the early stages of project development.

The limited use of guarantees therefore represents not only a financing barrier but also a market awareness and capacity challenge. Many developers lack knowledge of available credit enhancement mechanisms, while financiers and project sponsors often have limited experience structuring transactions that combine traditional debt with guarantee support.

TRADITIONAL VS INTEGRATED FINANCING AND GUARANTEE STRUCTURING PROCESS

Guarantee providers are typically engaged too late to influence financing terms

> **KEY FINDING** Projects are often designed, modelled and negotiated before a guarantee provider is approached — by which point the financing structure is largely fixed.

TRADITIONAL PROCESS

- Project concept development
- Financial model completed
- Debt terms negotiated
- Financing application submitted
- Guarantee provider approached (too late)

↓ COMPARE WITH ↓

INTEGRATED PROCESS

- Project concept development
- Guarantee provider engaged early
- Financing structure optimised jointly
- Debt terms negotiated with credit enhancement in place
- Stronger bankability from the outset

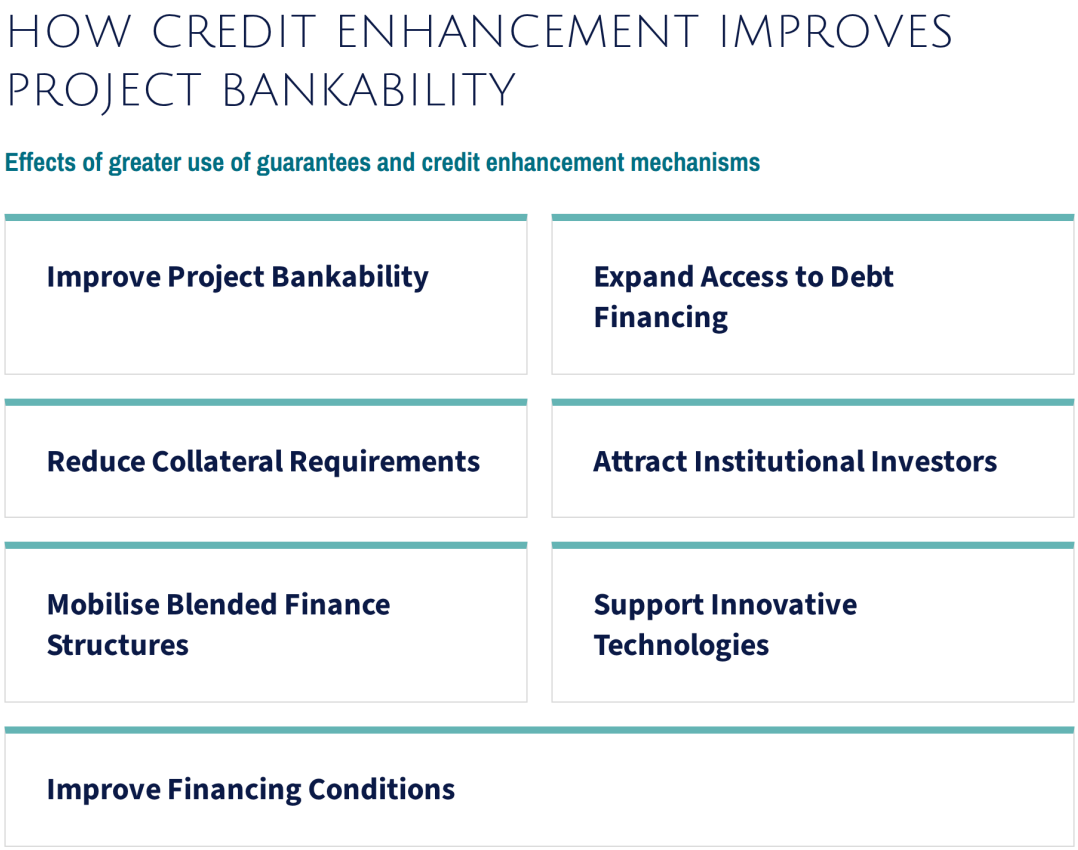
Source: Kenya Buildings Decarbonization Finance Accelerator – Barriers Analysis (2025)

Figure 5-7: Traditional vs integrated financing and guarantee structuring process
Source: GBPN (2026).

5.8.2 Implications for Green Building Finance

The underutilisation of guarantees has broader implications for the development of Kenya's green building market.

Without effective risk-sharing mechanisms, lenders may continue to price projects conservatively, resulting in higher financing costs, stricter collateral requirements, and reduced access to capital. This challenge is particularly significant for affordable housing developments, first-time developers, retrofit projects, and innovative green building typologies that may not fit traditional lending criteria.



Source: Kenya Buildings Decarbonization Finance Accelerator – Barriers Analysis (2025)

Figure 5-8: How credit enhancement improves project bankability
Source: GBPN (2026).

Greater use of credit enhancement mechanisms could help:

- Improve project bankability;
- Expand access to debt financing;
- Reduce collateral requirements;
- Attract institutional investors;
- Mobilise blended finance structures;
- Support the deployment of innovative technologies;
- Improve financing conditions for green developments.

Stakeholders therefore identified guarantees as one of the most practical and immediately scalable tools for improving access to finance within the sector.

5.8.3 Strategic Recommendation

Stakeholders recommended strengthening awareness and technical capacity around credit enhancement solutions across the built environment ecosystem.

Developers should be encouraged to engage guarantee providers, financiers, and investors during project concept development and financial structuring rather than after financing negotiations have commenced. Early collaboration would enable projects to be structured in a manner that maximises access to debt capital, improves financing terms, and enhances overall bankability.

Participants further suggested exploring the establishment of a Green Building Credit Enhancement Framework capable of linking developers, banks, guarantee providers, institutional investors, and climate finance partners. Such a framework could standardise approaches to risk sharing, improve lender confidence, and facilitate greater investment in low-carbon and climate-resilient buildings.

This recommendation aligns closely with broader proposals emerging from the accelerator relating to catalytic capital, blended finance, project preparation facilities, and the development of a Green Buildings Finance Facility under the National Funding Strategy.

5.9 Market Stalemate Between Developers and Financiers

One of the most important findings emerging from the accelerator is the existence of a market stalemate. Developers argue that sustainability measures increase project costs without generating corresponding financing benefits.

Financiers argue that insufficient evidence exists to justify differentiated financing terms. As a result:

- Developers wait for incentives before investing in sustainability.
- Financiers wait for evidence before offering incentives.

This cycle slows market development and reduces investment in sustainable buildings. Breaking this cycle will require:

- Demonstration projects;
- Performance data;
- Blended finance;
- Guarantees;
- Policy support;
- Market coordination.

THE GREEN FINANCE MARKET STALEMATE

A cycle in which each market actor waits for another to move first

KEY FINDING Breaking this cycle requires demonstration projects, performance data, blended finance, guarantees, policy support and market coordination.

1. Developers
Wait for incentives before investing in sustainability measures

4. Policymakers
Wait for market uptake before strengthening support

MARKET STALEMATE
No one moves first. The cycle continues.

2. Financiers
Wait for evidence before offering differentiated financing terms

3. Investors
Wait for larger pipeline of bankable projects before allocating capital

BREAKING THE CYCLE

Demonstration Projects
Build proof points and market confidence

Performance Data
Generate and share credible data

Blended Finance
De-risk and crowd in private capital

Guarantees
Reduce risk and improve bankability

Policy Support & Incentives
Create enabling conditions

Market Coordination
Align actors and share information

Source: Kenya Buildings Decarbonization Finance Accelerator – Barriers Analysis (2025)

Figure 5-9: The green finance market stalemate
Source: GBPN (2026).

5.10 Typology-Specific Financing Gaps

Perhaps the most transformative finding emerging from the accelerator is that different building typologies require different financing structures. Affordable housing, student accommodation, commercial offices, industrial developments, hospitality assets, and retrofit projects all exhibit different risk-return characteristics and therefore require different combinations of capital.

The Green Building Financing Viability Framework demonstrated that each typology has a unique capacity to absorb financing costs and attract different forms of capital.

This suggests that future green finance solutions should move away from one-size-fits-all financing products and instead focus on developing typology-specific capital stacks that combine commercial debt, institutional capital, concessional finance, guarantees, and technical assistance in different proportions.

TYPOLOGY-SPECIFIC CAPITAL STACK REQUIREMENTS

Illustrative combinations of capital by building typology

> **KEY FINDING** Financing solutions should move away from one-size-fits-all products toward typology-specific capital stacks.

BUILDING TYPOLOGY	ILLUSTRATIVE CAPITAL STACK
Affordable Housing	Developer equity, commercial debt, concessional debt, guarantees, technical assistance
Student Accommodation	Equity, commercial debt, institutional capital, REIT structures
Commercial Buildings	Equity, commercial debt, green bonds, institutional investors
Retrofit Projects	Performance-based financing, ESCO finance, green loans, carbon finance

Source: Kenya Buildings Decarbonization Finance Accelerator – Barriers Analysis (2025)

Figure 5-10: Typology-specific capital stack requirements
Source: GBPN (2026).

5.10.1 Limited Access to Finance for Smaller and Emerging Developers

Stakeholders noted that access to finance remains particularly challenging for smaller developers, women-led enterprises, youth-led businesses, community housing providers, and first-time developers who may lack extensive track records, collateral, or established banking relationships.



Figure 5-11: Financing access challenges across different developer segments
Source: GBPN (2026).

Traditional lending practices often favour larger developers with stronger balance sheets and established project portfolios. While these practices are understandable from a risk management

perspective, they can unintentionally limit participation by groups that could contribute to innovation, affordable housing delivery, and local economic development.

The findings suggest that targeted credit enhancement mechanisms, project preparation support, and blended finance solutions may be required to ensure more equitable access to green building finance.

5.11 Chapter Summary

Stakeholder consultations revealed that the financial barriers affecting green buildings are not solely the result of limited capital availability. Rather, they arise from a combination of high financing costs, conservative lending practices, weak project preparation, limited market data, underdeveloped catalytic finance mechanisms, and insufficient alignment between sustainability performance and financial decision-making.

The findings further demonstrate that addressing these barriers will require more than the introduction of new financial products. It will require a broader transformation of the green building finance ecosystem, including stronger project preparation, improved performance data, risk-sharing mechanisms, catalytic capital mobilisation, and typology-specific financing solutions capable of matching the diverse needs of Kenya's building sector.

6. Policy, Regulatory and Institutional Barriers

6.1 Introduction

While technical and financial barriers directly influence project development and investment decisions, stakeholder consultations undertaken through the Kenya Buildings Decarbonization Finance Accelerator revealed that policy, regulatory, and institutional barriers play a critical enabling role in shaping the broader market environment.



Figure 6-1: Upperhill landscape, Nairobi City
Source: Mukula Igavinchi, Pexels (2026).

The consultations highlighted that even where viable projects, willing developers, and interested financiers exist, investment can still be constrained by fragmented regulations, policy uncertainty, weak coordination between institutions, limited incentives, and the absence of a clear framework linking sustainability objectives to financial decision-making.

Importantly, many stakeholders noted that Kenya has already made significant progress in developing climate policies, building regulations, sustainable finance frameworks, and decarbonization commitments. The challenge is therefore less about the absence of policy and more about implementation, coordination, market signalling, and translating policy ambition into investment outcomes.

This chapter examines the policy, regulatory, and institutional barriers identified through stakeholder consultations and assesses how they influence investment in green and climate-resilient buildings.

6.2 Barrier 15: Fragmented and Overlapping Regulatory Environment

A recurring theme across stakeholder consultations was the complexity of navigating multiple regulatory requirements affecting building development, sustainability compliance, planning approvals, financing, and certification.

Developers indicated that green building projects often interact with numerous institutions, each operating under different mandates and regulatory frameworks. These may include:

- National Government agencies;
- County Governments;
- Environmental regulators;
- Utility providers;



Figure 6-2: Policy and regulatory environment influencing green building finance
Source: GBPN (2026).

- Building approval authorities;
- Professional regulatory bodies;
- Certification organisations; and
- Financial sector regulators.

STAKEHOLDER PERCEPTIONS OF REGULATORY CHALLENGES ACROSS THE DEVELOPMENT LIFECYCLE

Consequences of a fragmented and overlapping regulatory environment

KEY FINDING Approval processes are particularly challenging where sustainability measures or innovative approaches fall outside traditional development practice.

Increased Project Preparation Costs

Longer Development Timelines

Higher Financing Costs

Greater Uncertainty for Investors

Reduced Willingness to Innovate

Source: Kenya Buildings Decarbonization Finance Accelerator – Barriers Analysis (2025)

Figure 6-3: Stakeholder perception of regulatory challenges across the development lifecycle
Source: GBPN (2026).

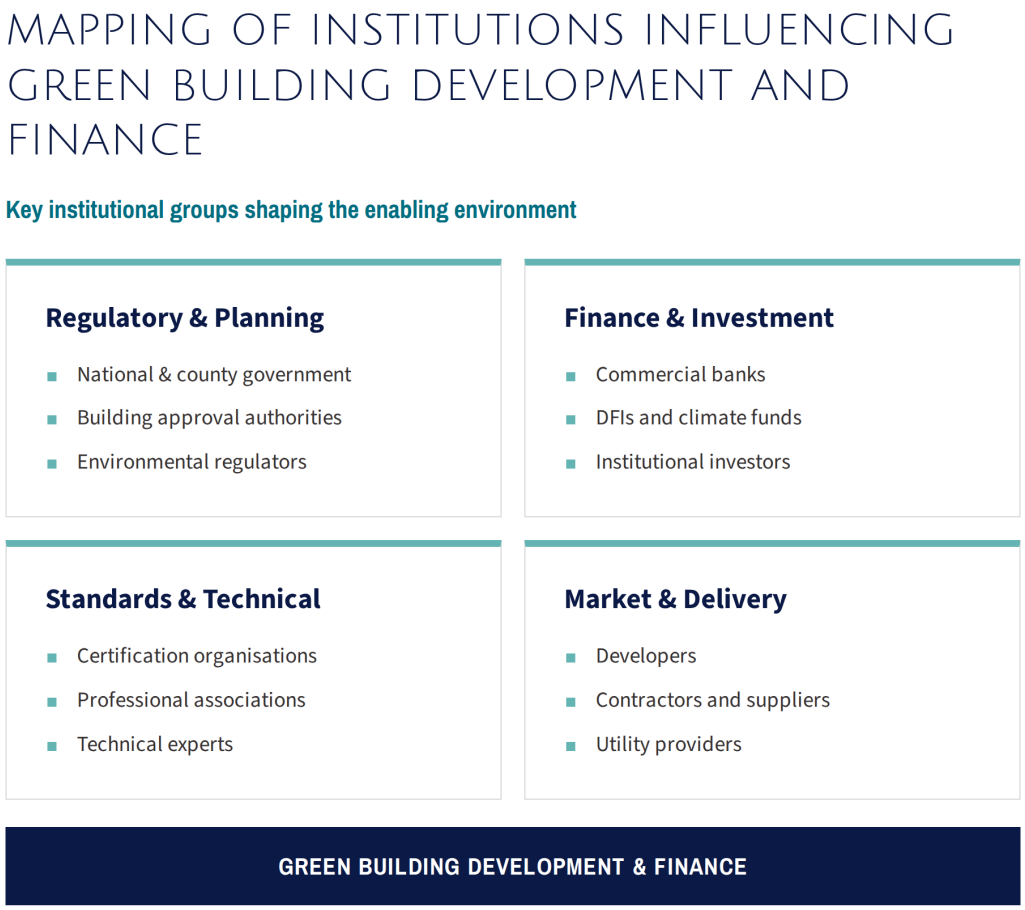
While each institution plays an important role, stakeholders noted that overlapping requirements and inconsistent processes can create inefficiencies, increase transaction costs, and extend project timelines.

Several participants highlighted that approval processes can be particularly challenging where sustainability measures or innovative building approaches fall outside traditional development practices.

The resulting complexity contributes to:

- Increased project preparation costs;
- Longer development timelines;
- Higher financing costs;
- Greater uncertainty for investors; and
- Reduced willingness to adopt innovative approaches.

Stakeholders emphasized the importance of improving institutional coordination and streamlining approval processes to reduce friction within the development ecosystem.



Source: Kenya Buildings Decarbonization Finance Accelerator – Barriers Analysis (2025)

Figure 6-4: Mapping out of institutions influencing green building development and finance
Source: GBPN (2026).

6.3 Barrier 16: Absence of a Unified Definition of Green Buildings

One of the most important findings emerging from stakeholder consultations was the absence of a nationally recognised definition of what constitutes a green building.

While several certification systems operate successfully within Kenya, including EDGE, Green Star, LEED, BREEAM, and the Safari Green Building Index, there is currently no universally accepted national framework defining green buildings for purposes of:

- Financing;
- Incentives;
- Tax treatment;
- Regulation;
- Public procurement; and
- Investment classification.

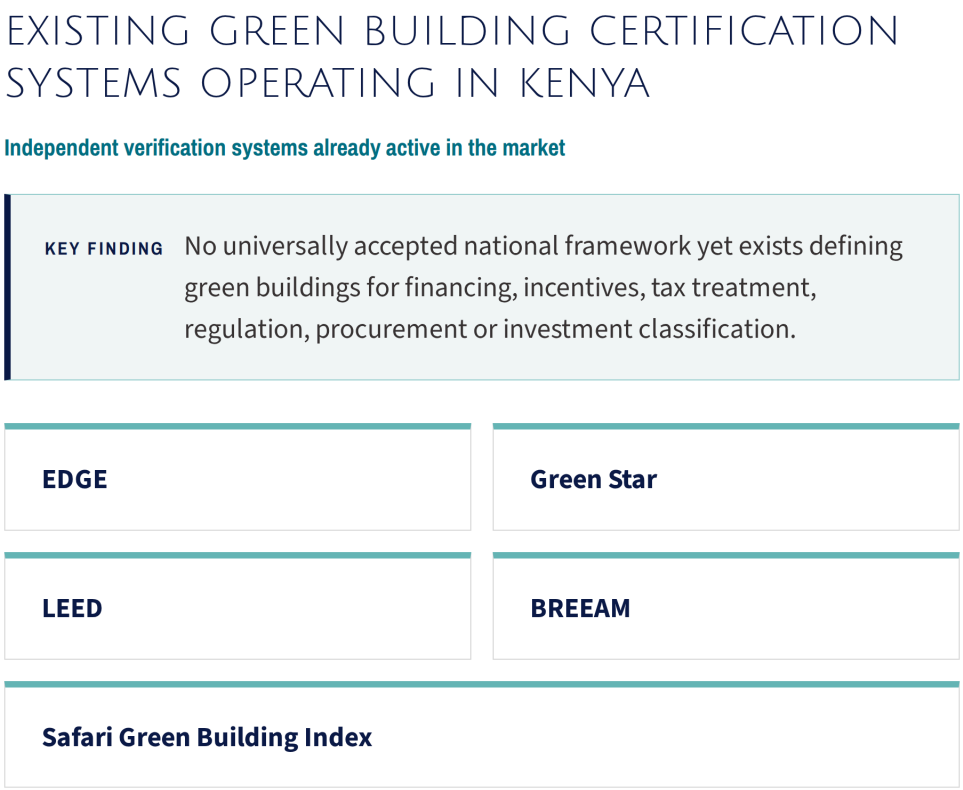


Figure 6-5: Existing green building certification systems operating in Kenya
Source: GBPN (2026).

This creates uncertainty for developers, financiers, investors, and policymakers. For example, financial institutions seeking to develop green finance products often face challenges determining which projects qualify as green and therefore merit preferential financing conditions.

Similarly, investors and policymakers may struggle to evaluate projects consistently when multiple certification systems and sustainability standards are applied. Stakeholders indicated that a common national taxonomy or classification framework could provide:

- Greater market clarity;
- Improved investor confidence;
- Consistent eligibility criteria;
- Better data collection; and
- Enhanced policy alignment.

The development of a nationally recognised green building taxonomy emerged as a priority recommendation for future action.

6.4 Barrier 17: Limited Financial Incentives for Green Buildings

Stakeholders repeatedly highlighted the limited availability of financial incentives designed specifically to encourage green building development. While sustainability objectives are increasingly embedded within national policy frameworks, participants noted that developers often bear the additional costs associated with sustainability measures without receiving corresponding financial benefits.

Examples of incentives discussed during consultations included tax incentives, reduced approval fees, accelerated permitting processes, reduced financing costs, green mortgages, utility rebates, and property tax incentives.



Figure 6-6: Stakeholder preferences for green building incentives
Source: GBPN (2026).

Many participants argued that stronger incentives could help accelerate market adoption, particularly during the early stages of market transformation.

The absence of targeted incentives contributes to the perception that sustainability measures represent additional costs rather than investment opportunities.

This challenge is particularly relevant for affordable housing and cost-sensitive market segments where financial margins are often constrained.

CASE STUDY

INTERNATIONAL EXAMPLES OF GREEN BUILDING INCENTIVES

Singapore

Gross floor area bonuses of up to 2% for developments meeting green benchmarks, plus a dedicated grant scheme part-funding retrofits of existing buildings.

Hong Kong

A gross floor area concession scheme, capped around 10%, giving developers extra buildable area in exchange for green design features.

United Kingdom

Capital allowances that let owners deduct qualifying energy-saving plant, machinery, and building costs against tax.

United States

Federal and state-level tax credits and deductions tied to energy-efficient building design and retrofits.

COMMON THREAD: INCENTIVES COMBINE A DIRECT FINANCIAL BENEFIT (TAX, GRANT) WITH A STRUCTURAL ONE (EXTRA BUILDABLE AREA, FASTER APPROVALS) — RELEVANT TO KENYA'S OWN INCENTIVE DESIGN CHOICES IN CHAPTER 6.

Sources: public policy literature on green building incentives (Singapore BCA/URA, Hong Kong Buildings Department, UK capital allowances regime, US federal/state tax credit programmes)

6.5 Barrier 18: Weak Integration Between Climate Policy and Financial Sector Frameworks

Kenya has made considerable progress in developing climate-related policies and commitments, including its Nationally Determined Contributions (NDCs), climate legislation, and the Kenya Buildings Decarbonization Roadmap.

However, stakeholder consultations revealed that these policy frameworks are not yet fully reflected within financial sector decision-making.

Participants noted that climate objectives are often treated separately from investment and financing decisions, resulting in a disconnect between:

- Climate ambitions;
- Sustainable development objectives;
- Investment priorities; and
- Financial market incentives.

Financial institutions indicated that while sustainability considerations are becoming increasingly important, there remains limited guidance regarding how climate objectives should influence:

- Lending decisions;
- Risk assessment frameworks;
- Portfolio allocation;
- Product development; and
- Capital mobilisation strategies.

The consultations highlighted the need for stronger alignment between climate policy and financial sector frameworks to support the scaling of sustainable investments.

LINKING CLIMATE POLICY TO FINANCIAL SECTOR DECISION-MAKING

Kenya's climate policy ambition is not yet consistently reflected in financial decisions

> **KEY FINDING** Stronger alignment between climate policy and financial sector frameworks is needed to support the scaling of sustainable investment.

ESTABLISHED CLIMATE POLICY

- Nationally Determined Contributions (NDCs)
- Climate change legislation
- Kenya Buildings Decarbonization Roadmap

↓ NOT YET SHAPING ↓

NOT YET SYSTEMATICALLY INFLUENCING

- Lending decisions
- Risk assessment frameworks
- Portfolio allocation
- Product development
- Capital mobilisation strategies

Source: Kenya Buildings Decarbonization Finance Accelerator – Barriers Analysis (2025)

Figure 6-7: Linking climate policy to financial sector decision making
Source: GBPN (2026).

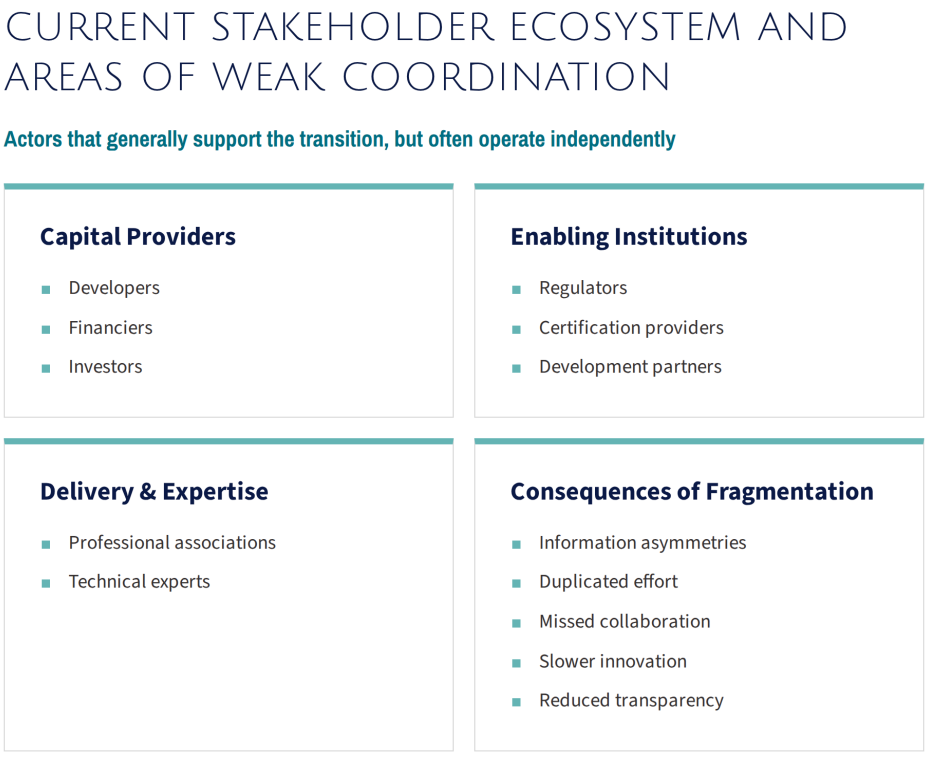
6.6 Barrier 19: Limited Institutional Coordination Across the Ecosystem

One of the strongest findings emerging from the accelerator was the fragmented nature of stakeholder engagement across the green building ecosystem. Developers, financiers, regulators, professional associations, investors, certification providers, and development partners often operate independently despite pursuing complementary objectives.

Stakeholders noted that this fragmentation can create:

- Information asymmetries;
- Duplicated efforts;
- Missed collaboration opportunities;
- Slower innovation;
- Reduced market transparency.

Several workshop participants observed that developers and financiers rarely engage early enough in project development processes, while technical experts and policymakers often operate separately from capital providers.



Source: Kenya Buildings Decarbonization Finance Accelerator – Barriers Analysis (2025)

Figure 6-8: Current stakeholder ecosystem and areas of weak coordination
Source: GBPN (2026).

The Finance Accelerator itself was widely recognised as a valuable platform for addressing this challenge by creating structured dialogue between stakeholders who do not traditionally engage on financing issues.

Participants suggested that continued coordination mechanisms will be necessary to sustain market momentum and support implementation of future recommendations.

6.7 Barrier 20: Limited Public Sector Demonstration and Market Signalling

Stakeholders noted that governments play an important role not only as regulators but also as market participants, asset owners, and market signalers.

Public buildings represent a significant proportion of Kenya's building stock and present an opportunity to demonstrate sustainable building practices at scale.



Figure 6-9: Architectural Association of Kenya, AAK Partner Workshop
Source: GBPN (2026).

However, participants observed that the market currently lacks sufficient high-profile demonstration projects capable of:

- Proving financial viability;
- Generating performance data;
- Building investor confidence;
- Showcasing innovative financing approaches.

Several stakeholders argued that public sector leadership could accelerate market transformation by creating demand for sustainable building solutions and demonstrating the commercial viability of green buildings.

CASE STUDY

Public sector buildings as market demonstration projects

Government financing plays an often-indirect but critical role in Kenya's buildings sector: beyond direct budgetary allocations and the Affordable Housing Programme, public investment shapes market demand, demonstrates sustainable building practice at scale, and reduces the perceived risk that private investors associate with green construction. Stakeholders consistently named demonstration projects \u2014 alongside policy incentives, capacity building, and affordable financing \u2014 as a priority government contribution to market development.

> This report does not identify a specific named public building demonstration project in Kenya \u2014 if you have one in mind for this box, let me know and I'll ground it properly rather than generalise.

Source: Financing Landscape of the Kenyan Building and Construction Sector (2026)

This is particularly important in emerging markets where investors and developers may be reluctant to adopt unfamiliar approaches without visible examples.



Source: Kenya Buildings Decarbonization Finance Accelerator – Barriers Analysis (2025)

Figure 6-10: How demonstration projects influence market adoption
Source: GBPN (2026).

6.8 Barrier 21: Limited Policy Support for Innovative Financing Structures

As the market evolves, stakeholders increasingly recognise the importance of alternative financing mechanisms such as:

- Green Bonds;
- Sustainability Bonds;
- REITs;
- Blended Finance Structures;
- Green Investment Funds;
- Project Aggregation Platforms.

However, participants indicated that policy and regulatory frameworks have not always evolved at the same pace as market innovation.

Particular opportunities were identified in relation to:

- REIT market expansion;
- Green bond issuance;
- Institutional investor participation;
- Blended finance structures;
- Green investment platforms.

Stakeholders highlighted the need for regulatory environments that encourage innovation while maintaining appropriate investor protections.



Source: Kenya Buildings Decarbonization Finance Accelerator – Barriers Analysis (2025)

Figure 6-11: Emerging financing instruments and regulatory enablers
Source: GBPN (2026).

The Nairobi Securities Exchange presentation highlighted the growing role that capital markets can play in mobilising long-term capital for sustainable buildings, particularly through REIT structures and thematic bond issuances.

6.9 Institutional Barrier: Lack of Dedicated Green Building Finance Coordination Mechanisms

Stakeholders repeatedly noted the absence of a dedicated institutional mechanism responsible for coordinating efforts to mobilise finance for green buildings.

While multiple organisations are active within the ecosystem, responsibilities relating to:

- Green finance;
- Building decarbonization;
- Certification;
- Investment promotion;
- Policy development;
- Project preparation;

remain distributed across different institutions.

This fragmentation can make it difficult to coordinate market interventions and monitor progress.

The Finance Accelerator has begun addressing this gap by providing a platform for collaboration. However, stakeholders suggested that longer-term institutional arrangements may be required to sustain momentum beyond the accelerator programme.

Limited Incentives for Inclusive Green Development

Stakeholders noted that most green building incentives focus primarily on environmental performance and do not explicitly address social inclusion objectives.

Future policy interventions could consider mechanisms that simultaneously promote:

- Affordable housing;
- Universal accessibility;
- Gender-responsive design;
- Climate resilience for vulnerable communities;
- Inclusive urban development.

This would strengthen the social dimension of sustainable building development and support broader national development objectives.



Figure 6-12: Proposed green building finance ecosystem governance structure
Source: GBPN (2026).

6.10 Chapter Summary

The stakeholder consultations demonstrate that policy, regulatory, and institutional barriers play a significant role in shaping the investment environment for green and climate-resilient buildings. While Kenya has established a strong foundation through climate policies, sustainable development commitments, and sectoral initiatives, important gaps remain in translating these ambitions into market outcomes.

Key barriers identified include fragmented regulatory processes, the absence of a nationally recognised green building taxonomy, limited financial incentives, weak integration between climate policy and financial sector frameworks, insufficient institutional coordination, limited public sector market signalling, and underdeveloped support for innovative financing mechanisms.



Figure 6-13: Top policy, regulatory and institutional barriers identified
Source: GBPN (2026).

Collectively, these barriers contribute to uncertainty, increase transaction costs, and slow investment mobilisation. Addressing them will require stronger coordination between institutions, clearer policy signals, improved market incentives, and greater alignment between sustainability objectives and financial decision-making.

The next chapter examines the market barriers that continue to affect the flow of information, confidence, investment readiness, and capital within Kenya's green buildings ecosystem.

7. Market Barriers to Scaling Green and Climate-Resilient Buildings in Kenya

7.1 Introduction

The transition toward green and climate-resilient buildings requires more than the availability of finance, supportive policies, and technical expertise. It also depends on the effective functioning of the broader market ecosystem that connects developers, financiers, investors, policymakers, technical experts, suppliers, and end-users.



Figure 7-1: The green buildings ecosystem and market actors
Source: GBPN (2026).

Stakeholder consultations undertaken through the Kenya Buildings Decarbonization Finance Accelerator revealed that **many barriers affecting investment arise from market failures** rather than purely financial or regulatory constraints. Information asymmetries, weak market coordination, limited awareness, fragmented value chains, and insufficient evidence continue to affect investment decisions and slow market transformation.

Importantly, these barriers contribute to a cycle in which market actors are often waiting for signals from one another before taking action. Developers seek better financing conditions before investing in sustainability measures, financiers seek stronger evidence before offering

preferential financing, and investors seek larger pipelines of bankable projects before allocating capital.

The result is a market that is progressing, but often more slowly than the opportunities available.



Figure 7-2: Kenya Property Developers Association, KPDA Partner Workshop
Source: GBPN (2026).

7.2 Barrier 22: Information Asymmetry Across the Market

One of the most significant findings emerging from the accelerator was the existence of information asymmetries between different stakeholder groups.

Developers, financiers, investors, policymakers, and technical experts often operate with different information, priorities, and decision-making frameworks.

For example:

- Developers focus on project costs, approvals, and delivery timelines.
- Banks focus on risk, repayment capacity, and collateral.
- Investors focus on returns, liquidity, and portfolio performance.
- Policymakers focus on sustainability outcomes and national priorities.
- Technical experts focus on building performance and certification.

Because these groups often communicate using different metrics and objectives, important information can be lost between stakeholders.

Several participants observed that technical sustainability benefits are rarely translated into financial language that resonates with lenders and investors.



Figure 7-3: Information flow gaps across the green building ecosystem
Source: GBPN (2026).

Similarly, financiers often have limited visibility into the technical performance of green buildings and the potential impact of sustainability measures on long-term asset value.

These information gaps contribute to misunderstanding, risk aversion, and slower market adoption.

HOW STAKEHOLDERS TALK PAST EACH OTHER

> **"Developers speak about certification, engineers speak about performance, and banks speak about risk. The challenge is connecting these conversations."**

Source: Kenya Buildings Decarbonization Finance Accelerator – Barriers Analysis (2025)

7.3 Barrier 23: Weak Visibility of Bankable Projects

A recurring concern among financiers, institutional investors, and capital market actors was the limited visibility of investment-ready green building projects.

While stakeholders agreed that numerous green building opportunities exist across Kenya, many investors indicated that they struggle to identify projects that meet their investment criteria.

Developers similarly reported difficulty identifying suitable financing partners and understanding the requirements of different capital providers.

This challenge is partly driven by the fragmented nature of the market and the absence of a central platform capable of showcasing bankable projects and connecting them with potential investors.

The lack of visible project pipelines contributes to the perception that investment opportunities are limited, even where substantial demand exists.

Stakeholders consistently identified pipeline development and project aggregation as critical interventions necessary to attract larger pools of domestic and international capital.



Figure 7-4: The green building pipeline gap, from concept to investment
Source: GBPN (2026).

7.4 Barrier 24: Market Stalemate Between Developers and Financiers

One of the most important findings emerging from stakeholder engagements was the existence of a market stalemate between developers and financiers.

Developers frequently expressed reluctance to incur additional costs associated with certification, sustainability measures, and climate-resilient design without receiving tangible financing benefits.

At the same time, financiers indicated that they require stronger evidence demonstrating that green buildings reduce risk, improve asset performance, and justify differentiated financing terms.

As a result:

- Developers wait for incentives.
- Financiers wait for evidence.
- Investors wait for pipelines.
- Policymakers wait for market uptake.

This creates a cycle that slows market development and discourages innovation.

Breaking this cycle will require demonstration projects, market data, risk-sharing mechanisms, and stronger collaboration between stakeholders. The challenge is not a lack of willingness among market actors but rather a lack of confidence regarding who should move first.



Figure 7-5: The green building market stalemate cycle
Source: GBPN (2026).

7.5 Barrier 25: Limited Market Awareness of Alternative Sources of Capital

The consultations revealed that many developers continue to associate project financing primarily with commercial bank lending.

While banks remain a critical source of capital, stakeholder discussions highlighted a growing range of alternative financing sources that remain underutilised within the market.

These include:

- Development finance institutions;
- Impact investors;

- Climate funds;
- Institutional investors;
- Pension funds;
- Insurance companies;
- Family offices;
- REITs;
- Green Bonds;
- Sustainability Bonds;
- Blended finance facilities;
- Guarantee mechanisms.

Several participants indicated that awareness of these financing options remains limited, particularly among small and medium-sized developers. This knowledge gap reduces the ability of developers to structure projects using diversified capital stacks capable of reducing financing costs and improving project viability. The findings suggest that capacity building and market education will be important components of future market development efforts.

EXISTING VS POTENTIAL SOURCES OF CAPITAL FOR GREEN BUILDINGS

Developers continue to associate financing primarily with commercial bank lending

> **KEY FINDING** Awareness of alternative financing options remains limited, particularly among small and medium-sized developers.

PRIMARY SOURCE TODAY

- Commercial bank lending

↓ EXPAND TO ↓

UNDERUTILISED ALTERNATIVES

- Development finance institutions
- Impact investors
- Climate funds
- Institutional investors, pension funds, insurance companies
- Family offices
- REITs
- Green & sustainability bonds
- Blended finance facilities
- Guarantee mechanisms

Figure 7-6: Existing vs potential sources of capital for green buildings
Source: GBPN (2026).

7.6 Barrier 26: Limited Demonstration Projects and Market Evidence

Emerging markets often rely on successful demonstration projects to build confidence and establish proof of concept.

However, stakeholders noted that while Kenya has several successful examples of sustainable developments, there remains a limited pool of widely recognised demonstration projects capable of influencing mainstream market behavior.

This challenge affects:

- Investor confidence;
- Lending practices;
- Policy development;
- Market awareness;
- Product innovation.

Without visible examples demonstrating commercial viability, many stakeholders remain hesitant to adopt new approaches. The consultations highlighted the importance of documenting successful projects and disseminating lessons learned throughout the market. Participants specifically identified the need for local evidence demonstrating:

- Financial performance;
- Occupancy rates;
- Utility savings;
- Asset value impacts;
- Risk reduction benefits.

Such evidence would help support broader adoption of sustainable building practices and financing solutions.

CASE STUDY SECTION

Kenyan Green Building Success Stories

Acorn Holdings

Developer of EDGE-certified Qwetu and Qejani student housing. Issued Kenya's first green bond and listed two REITs, mobilising local pension fund and institutional capital into purpose-built, certified housing.

Housing Finance Company (HFC)

First Kenyan institution to demonstrate a practical link between green certification and mortgage performance, with certified portfolios showing lower default risk. Now developing a further product with KGBS.

Absa Eco Home Loan

Certification-linked pricing, enhanced loan-to-value ratios and longer tenors for energy efficiency upgrades \u2014 described by stakeholders as the strongest green mortgage proof-of-concept in the market.

Sources: Financing Landscape of the Kenyan Building and Construction Sector (2026) for HFC and Absa; public reporting (PIDG, EDGE Buildings, Business Daily) for Acorn Holdings, which is not covered in your uploaded report

Demonstration Projects as Market Catalysts

What a stronger pool of visible, credible projects would unlock

- **Investor Confidence**
- **Lending Practices**
- **Policy Development**
- **Market Awareness**
- **Product Innovation**

Source: Kenya Buildings Decarbonization Finance Accelerator – Barriers Analysis (2025)

Figure 7-7: Demonstration projects as market catalysts
Source: GBPN (2026).

7.7 Barrier 27: Fragmented Value Chains and Supply Networks

Several stakeholders observed that the green building value chain remains fragmented. Developers, contractors, suppliers, consultants, financiers, certification providers, and technology vendors often operate independently rather than as integrated ecosystems. This fragmentation can result in:

- Higher transaction costs;
- Limited information sharing;
- Delayed innovation;
- Reduced economies of scale;
- Inconsistent quality.

Participants noted that stronger collaboration across the value chain could improve market efficiency and reduce barriers affecting both project delivery and financing.



Figure 7-8: Green building value chain areas of fragmentation
Source: GBPN (2026).

Particular opportunities were identified in relation to local manufacturing, sustainable materials, technical service providers, and green technology suppliers.

7.8 Barrier 28: Lack of Aggregation Mechanisms

One of the most important market barriers identified through the accelerator relates to project scale. Institutional investors, pension funds, insurance companies, and international investors typically prefer larger investment opportunities capable of absorbing significant volumes of capital.

However, many green building projects in Kenya are relatively small and developed independently. As a result:

- Transaction costs remain high;
- Investment opportunities appear fragmented;
- Institutional participation remains limited.

Stakeholders highlighted the need for aggregation mechanisms capable of combining multiple projects into investable portfolios.

Potential approaches include:

- Green building investment platforms;
- REIT structures;
- Green housing funds;
- Pipeline aggregation facilities;
- Portfolio financing vehicles.

Aggregation is increasingly viewed as a critical prerequisite for mobilising institutional capital at scale.

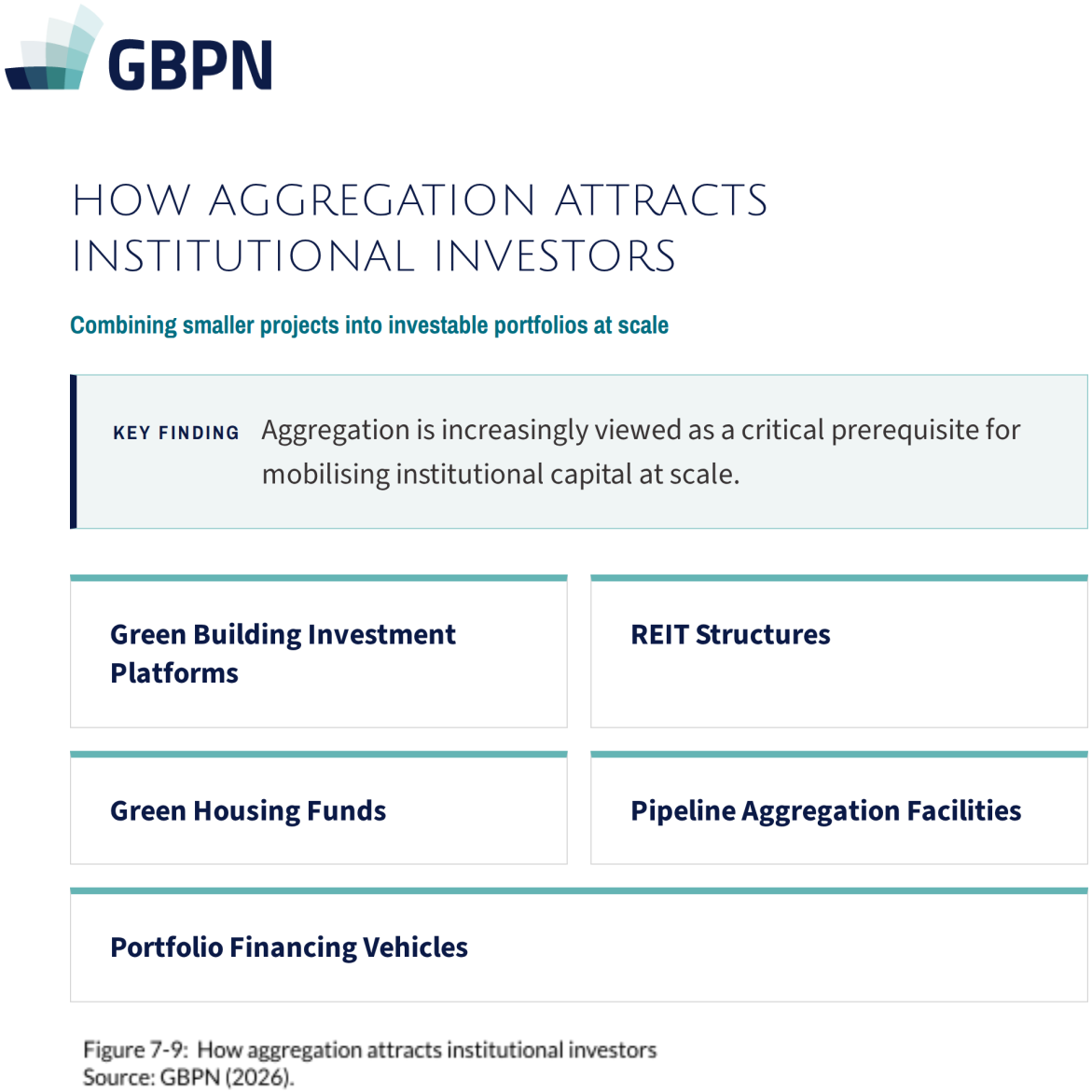


Figure 7-9: How aggregation attracts institutional investors
Source: GBPN (2026).

7.9 Barrier 29: Weak Market Data and Transparency

Stakeholders consistently identified a lack of market transparency and performance data as a barrier affecting investment decisions.

Current gaps include:

- Certified building databases;
- Market performance benchmarks;
- Green financing transaction data;
- Sustainability performance metrics;
- Cost premium information.

The absence of transparent market information contributes to uncertainty and limits the ability of stakeholders to make informed decisions.

Improving data collection, reporting, and disclosure practices was identified as a key priority for accelerating market development.

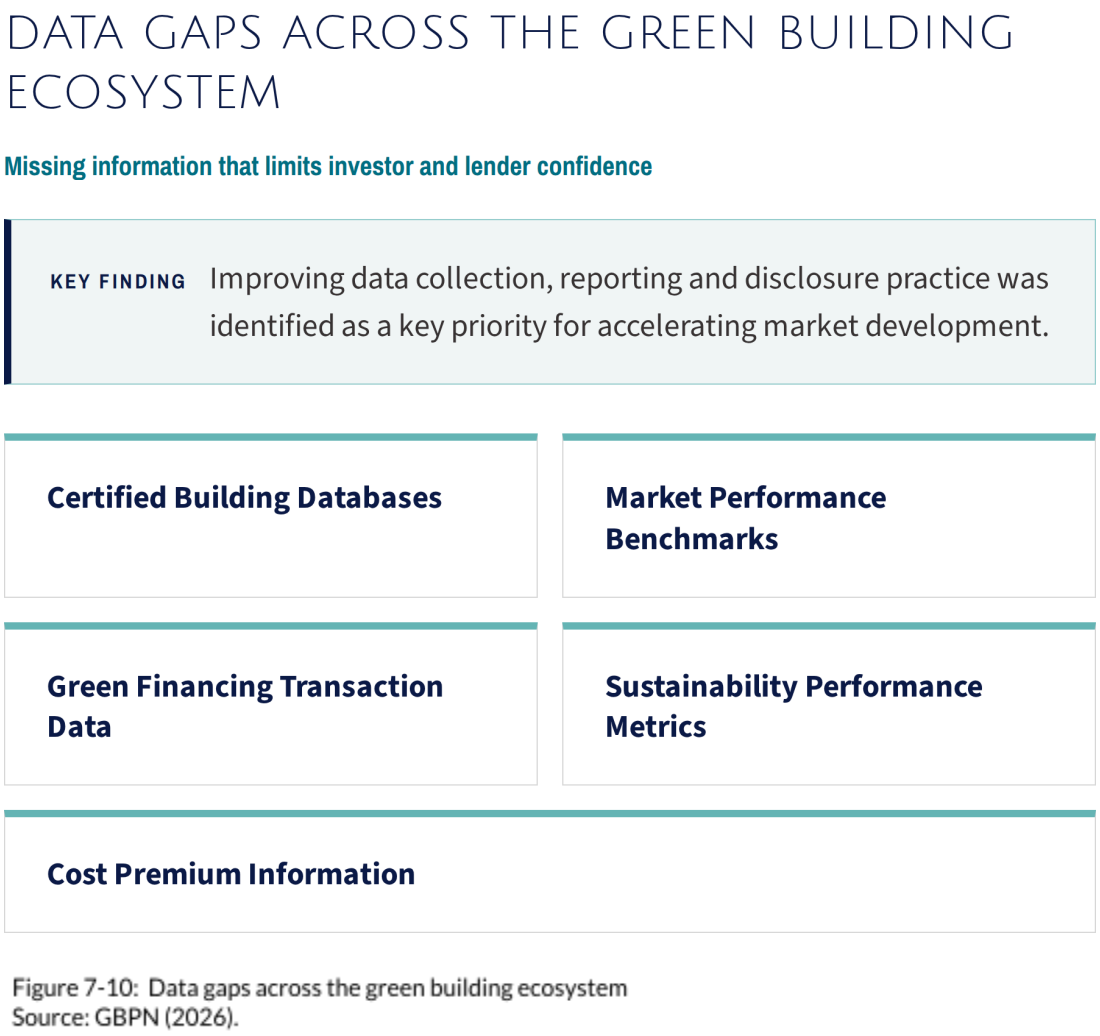


Figure 7-10: Data gaps across the green building ecosystem
Source: GBPN (2026).

7.9.1 Unequal Access to Knowledge and Market Opportunities

Awareness of green buildings, certification systems, and sustainable finance remains primarily among larger developers and organizations with more technical expertise.Smaller firms, individual developers building their homes incrementally, emerging developers, county-level actors, and community organizations often encounter barriers to accessing information, technical support, and financing.

Without targeted efforts to increase participation, the advantages of green finance and sustainable building markets could stay limited to a small group of market players.

7.10 Chapter Summary

The consultations demonstrate that many barriers affecting green building investment arise from market dynamics rather than purely technical, financial, or policy constraints. Key market barriers include information asymmetries, weak project visibility, limited awareness of alternative financing options, fragmented value chains, insufficient demonstration projects, weak market transparency, and the absence of aggregation mechanisms capable of attracting institutional capital.

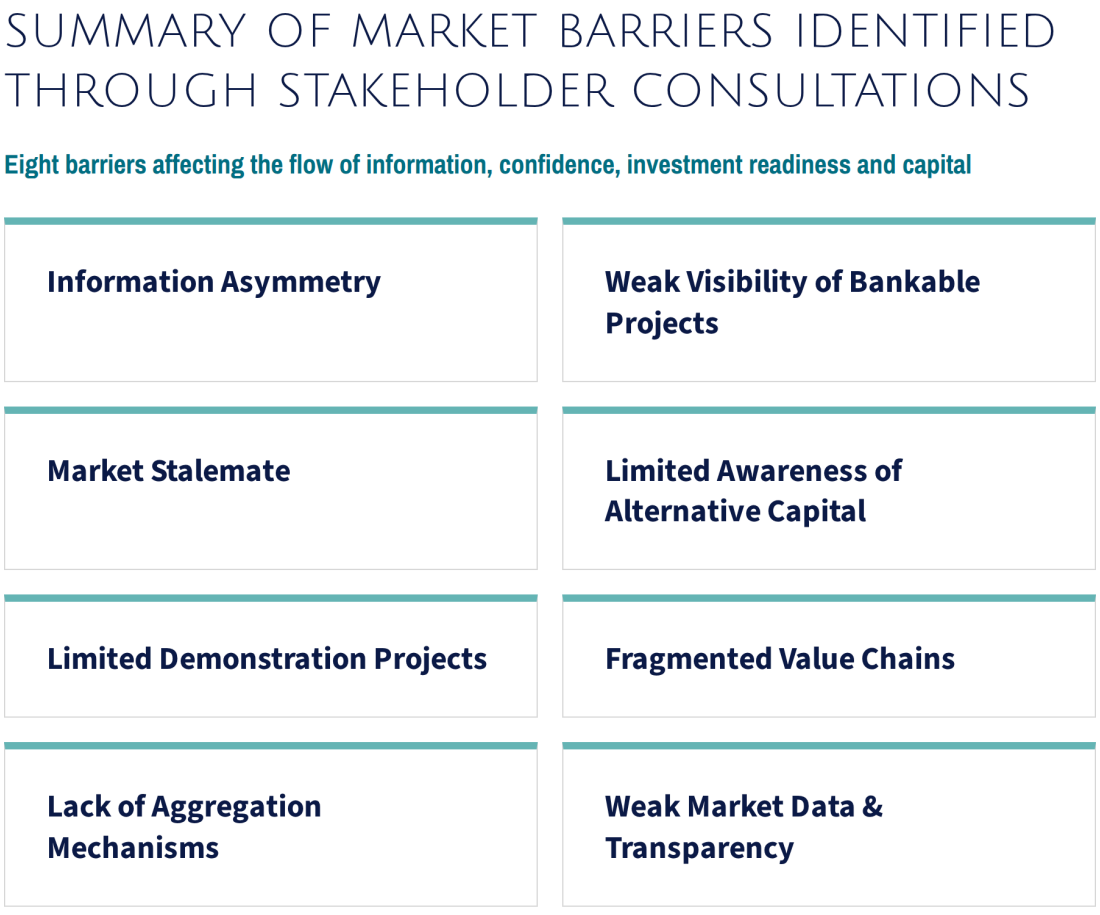


Figure 7-11: Summary of market barriers identified through stakeholder consultations
Source: GBPN (2026).

Perhaps most importantly, the findings reveal a broader market coordination challenge. While developers, financiers, investors, policymakers, and technical experts generally support the transition toward sustainable buildings, they often operate independently and lack the mechanisms necessary to align incentives and coordinate action.

Addressing these market barriers will be critical for creating a more efficient, transparent, and investment-ready ecosystem capable of mobilising capital at scale.

8. Cross-Cutting Findings and Strategic Insights

8.1 Introduction

The barriers identified in this report encompass technical, financial, policy, regulatory, institutional, and market dimensions. Although categorized individually for analytical clarity, stakeholder consultations underscore the high degree of interconnection among these challenges.

The analysis revealed that many issues commonly labeled as financing barriers are, in fact, manifestations of deeper structural challenges—including project preparation, market coordination, risk allocation, information asymmetry, and institutional capacity.

Consultations also highlighted significant opportunities to unlock investment and accelerate market transformation. The core challenge lies not only in addressing individual barriers, but in recognizing their interplay and designing interventions that can deliver system-wide improvements.

This chapter synthesizes the key findings from the Kenya Buildings Decarbonization Finance Accelerator and distills the strategic insights that should guide future action.

INTERRELATIONSHIP BETWEEN TECHNICAL, FINANCIAL, POLICY AND MARKET BARRIERS

Barriers identified in this report are categorised separately but are highly interconnected

> **KEY FINDING** Many issues labelled as financing barriers are, in fact, manifestations of deeper structural challenges.

Technical Barriers

- Cost premium perception
- Limited capacity

Financial Barriers

- High cost of capital
- Weak project preparation

Policy Barriers

- Fragmented regulation
- No unified definition

Market Barriers

- Information asymmetry
- Weak coordination

Shared Root Causes

- Project preparation
- Market coordination
- Risk allocation
- Information asymmetry
- Institutional capacity

Figure 8-1: Interrelationship between technical, financial, policy and market barriers
Source: GBPN (2026).

8.2 Finding 1: The Challenge Is Not a Lack of Capital

The most significant finding from the accelerator is that Kenya's primary challenge is not a lack of capital.

Across consultations, participants identified numerous sources of capital potentially available for green and climate-resilient buildings, including commercial banks, development finance institutions, climate funds, impact investors, pension funds, insurance companies, family offices, capital markets, REIT structures, green bonds, and sustainability-linked finance.

At the same time, developers consistently reported difficulties accessing finance. This apparent contradiction suggests that the challenge lies not in capital availability itself but in the mechanisms through which capital is deployed.

Stakeholders repeatedly highlighted the need for stronger connections between projects and capital providers, supported by risk-sharing mechanisms, project preparation support, market data, and investment-ready pipelines. The findings indicate that Kenya faces a capital mobilization challenge rather than a capital scarcity challenge.

"The challenge is not finding capital. The challenge is creating projects and structures that capital can invest in."[7]

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

CAPITAL EXISTS – THE CHALLENGE IS MOBILISATION AND ALIGNMENT

Finding 1: Kenya's primary challenge is not a lack of capital

> **KEY FINDING** "The challenge is not finding capital. The challenge is creating projects and structures that capital can invest in."

CAPITAL ALREADY AVAILABLE

- Commercial banks
- Development finance institutions
- Climate funds
- Impact investors
- Pension funds
- Insurance companies
- Family offices
- Capital markets, REITs, green bonds

↓ VS ↓

WHAT IS MISSING

- Risk-sharing mechanisms
- Project preparation support
- Reliable market data
- Investment-ready pipelines

Figure 8-2: Capital exits - the challenge is mobilisation and alignment
Source: GBPN (2026).

8.3 Finding 2: Green Building Performance Is Not Yet Translated into Finance Logic

Throughout the consultations, a recurring observation emerged:

- Technical performance and financial decision-making remain largely disconnected.
- Technical professionals often communicate building performance through metrics such as Energy savings, Water savings, Carbon reductions, Certification scores, Resilience indicators.

Financial institutions make investment decisions primarily by evaluating risk, cash flow, asset value, debt serviceability, portfolio performance, and exit opportunities. Consequently, many sustainability benefits do not impact financing decisions, as they are rarely articulated in terms relevant to investment and risk assessment.

This insight clarifies why certification systems currently exert minimal influence over loan pricing and why most financial institutions remain reluctant to offer differentiated financing terms for green buildings.

Stakeholders repeatedly emphasized the **need for robust evidence** connecting sustainability performance with tangible financial outcomes.

TRANSLATING TECHNICAL PERFORMANCE INTO FINANCIAL OUTCOMES

Finding 2: Green building performance is not yet translated into finance logic

> **KEY FINDING** Sustainability benefits rarely influence financing decisions because they are rarely articulated in terms relevant to investment and risk assessment.

HOW TECHNICAL EXPERTS COMMUNICATE

- Energy savings
- Water savings
- Carbon reductions
- Certification scores
- Resilience indicators

↓ INFORM ↓

HOW FINANCIERS MAKE DECISIONS

- Risk
- Cash flow
- Asset value
- Debt serviceability
- Portfolio performance
- Exit opportunities

Figure 8-3: Translating technical performance into financial outcomes
Source: GBPN (2026).

8.4 Finding 3: Different Building Typologies Require Different Financing Solutions

One of the most important findings emerging from the accelerator is that the buildings sector cannot be treated as a single asset class. Different building typologies exhibit distinct characteristics in terms of:

- Risk profiles;
- Development timelines;
- Revenue structures;
- Occupancy patterns;
- Investment horizons;
- Financing requirements.

For example:

Affordable Housing

Requires affordability-sensitive financing structures and often benefits from concessional capital, guarantees, and catalytic finance.

Student Accommodation

Can attract institutional investors due to predictable occupancy rates and recurring income streams.

Commercial Real Estate

May be better positioned to access commercial debt and capital market instruments.

Retrofit Projects

Often require specialised financing models based on future operational savings.

The Green Building Financing Viability Framework developed through the accelerator highlighted that different project types absorb financing costs differently and therefore require different capital structures.

This finding challenges traditional financing approaches and suggests that future green finance solutions should be designed around building typologies rather than generic real estate categories.

FINANCING CHARACTERISTICS BY BUILDING TYPOLOGY

Finding 3: different building typologies require different financing solutions

> **KEY FINDING** The buildings sector cannot be treated as a single asset class — financing solutions should be designed around typology rather than generic real estate categories.

BUILDING TYPOLOGY	FINANCING CHARACTERISTICS
Affordable Housing	Requires affordability-sensitive structures; often benefits from concessional capital, guarantees and catalytic finance.
Student Accommodation	Can attract institutional investors due to predictable occupancy rates and recurring income streams.
Commercial Real Estate	Better positioned to access commercial debt and capital market instruments.
Retrofit Projects	Often require specialised financing models based on future operational savings.

Figure 8-4: Financing characteristics by building typology
Source: GBPN (2026).

8.5 Finding 4: Project Preparation Is as Important as Project Financing

Stakeholders consistently noted that financing discussions often begin too late in the project lifecycle. Many projects fail to attract financing not because capital is unavailable but because they lack the documentation, analysis, and preparation necessary to meet investor requirements.

Common gaps include:

- Feasibility studies;
- Financial models;
- Certification strategies;
- ESG assessments;
- Market analysis;
- Risk assessments.

The consultations suggest that project preparation represents one of the highest-impact intervention areas available to policymakers, development partners, and financiers. Investment readiness support may unlock more capital than the creation of additional financing products alone.

FROM PROJECT CONCEPT TO INVESTMENT READINESS

Finding 4: project preparation is as important as project financing

> **KEY FINDING** Investment readiness support may unlock more capital than the creation of additional financing products alone.



Figure 8-5: From project concept to investment process
Source: GBPN (2026).

8.6 Finding 5: Catalytic Capital Can Play a Transformational Role

A major theme throughout the accelerator was the need for mechanisms capable of reducing risk and crowding-in private investment.

Stakeholders repeatedly identified the following as critical tools for accelerating market development:

- First-loss capital;
- Guarantees;
- Technical assistance;
- Project preparation grants;
- Foreign exchange risk facilities;
- Concessional finance;



Figure 8-6: Catalytic capital crowding in private investment
Source: GBPN (2026).

These instruments are particularly important for projects that generate environmental and social benefits but may not initially satisfy traditional commercial investment criteria.

The findings suggest that relatively small amounts of catalytic capital could unlock significantly larger volumes of private investment.

8.7 Finding 6: The Market Suffers from a Coordination Failure

One of the strongest conclusions emerging from stakeholder consultations is that Kenya's green building market suffers from a coordination challenge. Developers, financiers, investors, policymakers, technical experts, and certification providers all support the growth of sustainable buildings. However, these actors often operate independently and lack mechanisms for coordinating action.

The result is a cycle in which:

- Developers wait for better financing conditions.
- Financiers wait for stronger evidence.
- Investors wait for larger pipelines.
- Policymakers wait for greater market demand.

This coordination failure slows market development and discourages innovation. The accelerator itself demonstrates the value of structured dialogue and suggests that long-term coordination platforms will be important for sustaining momentum.

THE GREEN BUILDING MARKET COORDINATION CHALLENGE

The market suffers from a coordination failure

KEY FINDING All actors support the transition to sustainable buildings, yet each is waiting for another to move first.

1. Developers

Wait for better financing conditions. High upfront costs and limited access to affordable green finance constrain investment.

4. Policymakers

Wait for greater market demand. Policy certainty and incentives remain limited while demand signals are still emerging.

COORDINATION FAILURE

No single actor can move the market alone, so progress stalls.

2. Financiers

Wait for stronger evidence. Limited track records and standardized project information create uncertainty about risk.

3. Investors

Wait for larger pipelines. Lack of bankable, investable projects at scale limits appetite for capital deployment.

The Way Forward

Breaking the cycle requires coordinated action to align incentives, de-risk investments, generate evidence, and build a strong pipeline of bankable green building projects.

Figure 8-7: The green building market coordination challenge
Source: GBPN (2026).

8.8 Finding 7: Institutional Capital Represents the Largest Untapped Opportunity

Stakeholder consultations revealed growing interest in mobilising capital from Pension funds, Insurance companies, Asset managers, Family offices, Sovereign wealth funds, Impact investors. Collectively, these institutions manage significantly larger pools of capital than are currently flowing into sustainable buildings. However, participation remains constrained by:

- Small project sizes;
- Limited liquidity;
- Weak aggregation mechanisms;
- Limited market data;
- Insufficient investment-ready pipelines.

The findings suggest that attracting institutional capital will require investment platforms, aggregation mechanisms, REITs, and other structures capable of creating opportunities at sufficient scale.



Figure 8-8: Institutional capital opportunity for green buildings
Source: GBPN (2026).

8.9 Finding 8: A Green Building Investment Ecosystem Must Be Built

The most important insight emerging from the accelerator is that no single intervention will solve the financing challenge.



Figure 8-9: Green building investment ecosystem framework
Source: GBPN (2026).

The consultations suggest that successful market transformation requires an integrated ecosystem consisting of:

- Strong policy and regulatory frameworks;
- Green building standards and certification systems;
- Project preparation facilities;
- Risk mitigation mechanisms;
- Catalytic capital;
- Diverse financing products;
- Institutional investors;
- Capital market instruments;
- Investment-ready pipelines;
- Market coordination platforms.

The challenge is therefore not simply increasing the supply of finance but creating an ecosystem capable of connecting capital with investment opportunities at scale.

8.10 Finding 9: The Green Building Transition Must Be Inclusive

Stakeholder consultations showed that building decarbonization is not solely an environmental or financial challenge. It is also a development challenge with significant implications for equity, affordability, and access.

Participants emphasized that future financing solutions should support a just transition by ensuring that the benefits of green buildings are accessible across income groups and market segments. Particular attention should be given to affordable housing, public buildings, underserved communities, women-led enterprises, youth participation, and emerging developers.

The findings suggest that inclusivity should be treated as a design principle within future financing mechanisms rather than as a separate objective. Doing so will help ensure that the transition to sustainable buildings contributes to broader social and economic development goals while expanding participation across the built environment ecosystem.

ENVIRONMENTAL, ECONOMIC AND SOCIAL DIMENSIONS OF SUSTAINABLE BUILDINGS

Finding 9: the green building transition must be inclusive

> **KEY FINDING** Inclusivity should be a design principle within future financing mechanisms, not a separate objective.

Environmental

Lower emissions, resource efficiency, climate resilience.

Economic

Asset value, operating savings, investment returns.

Social

Affordability, wellbeing, inclusive access and jobs.

Figure 8-10: Environmental, economic and social dimensions of sustainable buildings
Source: GBPN (2026).

8.10 Chapter Summary

"The challenge is not a lack of capital. The challenge is creating the conditions that allow capital to flow efficiently into sustainable buildings."

The analysis presented throughout this report demonstrates that Kenya's green building finance challenge is fundamentally systemic in nature. While individual barriers relating to cost, regulation, technical capacity, and market awareness remain important, the deeper challenge lies in aligning projects, capital, incentives, information, and institutions.

The findings suggest that substantial opportunities exist to accelerate investment in green and climate-resilient buildings. However, achieving this will require a shift away from isolated interventions toward coordinated ecosystem development.

The most significant opportunities identified through the accelerator include strengthening project preparation, mobilising catalytic capital, developing typology-specific financing solutions, improving market coordination, and attracting institutional investment.

Together, these findings provide the foundation for the recommendations presented in the following chapter and inform the development of the National Funding Strategy and Investment Prospectus.

9. Priority Actions and Strategic Recommendations

9.1 Introduction

The barriers identified throughout this report demonstrate that scaling investment in green and climate-resilient buildings requires more than isolated interventions. While stakeholders identified numerous technical, financial, policy, and market constraints, the findings suggest that these barriers are interconnected and therefore require coordinated responses.

Importantly, the analysis revealed that Kenya does not face a single financing gap. Rather, it faces a series of ecosystem challenges relating to project preparation, risk allocation, market coordination, investment readiness, policy alignment, and capital mobilisation.

Addressing these challenges will require a shift from project-by-project interventions toward a broader market development approach capable of aligning stakeholders, mobilising capital, and creating enabling conditions for investment.

The recommendations presented in this chapter are intended to support the development of a mature green building finance ecosystem capable of attracting investment at scale while contributing to Kenya's decarbonisation and development objectives.

STRATEGIC PATHWAY FROM BARRIERS TO INVESTMENT MOBILISATION

How the nine strategic pillars respond to the barriers identified in this report

> **KEY FINDING** Kenya does not face a single financing gap, but a series of ecosystem challenges requiring coordinated responses.



Figure 9-1: Strategic pathway from barriers to investment mobilisation
Source: GBPN (2026).

Strategic Pillar 1: Strengthen Project Preparation and Investment Readiness

One of the strongest findings emerging from stakeholder consultations is that many financing challenges originate long before projects reach lenders or investors. Developers frequently struggle to access financing because projects lack the documentation, analysis, and preparation required to meet investor expectations.

As a result, many potentially viable projects never progress to financial close despite significant market demand and available capital. The consultations indicate that improving project preparation may unlock more investment than creating additional financing products alone.

Recommendation 1: Establish a Green Buildings Project Preparation Facility

A dedicated Project Preparation Facility should be established to support developers in transforming project concepts into investment-ready opportunities. The facility could provide support for:

- Feasibility studies;
- Financial modelling;
- Market assessments;
- Sustainability assessments;
- Climate risk assessments;
- Certification strategies;
- ESG reporting;
- Transaction structuring;
- Investor engagement.



Figure 9-2: Project preparation facility model
Source: GBPN (2026).

Priority should be given to affordable housing, student accommodation, public buildings, retrofit projects and other segments aligned with national development priorities.

Recommendation 2: Standardise Investment Readiness Requirements

Develop standardised templates and guidance covering:

- Financial models;
- Feasibility studies;

- ESG assessments;
- Green certification pathways;
- Risk assessment frameworks.

This would reduce transaction costs and improve consistency across projects.

Strategic Pillar 2: Develop Typology-Specific Financing Solutions

A major finding of the accelerator is that different building typologies require different financing structures. The traditional assumption that a single financing product can serve all building types is inconsistent with market realities.

Different building segments exhibit different:

- Risk profiles;
- Cash flow structures;
- Development timelines;
- Investor preferences.

Consequently, financing solutions should be tailored to individual asset classes.



Figure 9-3: Building typology financing framework
Source: GBPN (2026).

Recommendation 3: Develop Typology-Based Capital Stacks

Future financing solutions should be designed around specific building categories as illustrated below.



Figure 9-4: Illustrative capital stacks by building typology
Source: GBPN (2026).

Recommendation 4: Expand Green Finance Product Innovation

Financial institutions should be encouraged to develop products including:

- Green construction finance;
- Sustainability-linked loans;
- Green mortgages;
- Retrofit finance products;
- Building performance-linked finance.

Strategic Pillar 3: Mobilise Catalytic Capital

The consultations consistently highlighted the role that catalytic capital can play in reducing risk and attracting private investment. Many projects are unable to secure financing because risks remain concentrated on developers and lenders.

Catalytic capital can help bridge this gap.

Recommendation 5: Establish a Green Buildings Catalytic Capital Facility

The facility would deploy risk-bearing capital designed to crowd in private investment.

Potential instruments include:

- First-Loss Capital: Absorbs initial losses and improves investor confidence.
- Partial Credit Guarantees: Enhances credit quality and improves lending terms.
- Foreign Exchange Risk Facilities: Reduces currency risks associated with international capital.
- Technical Assistance Grants: Supports project development and transaction costs.
- Project Preparation Grants: Improves investment readiness.



Figure 9-5: Catalytic capital structure
Source: GBPN (2026).

Recommendation 6: Expand Access to Guarantees

Guarantees emerged as one of the most underutilised opportunities within the market. The strategy should encourage earlier engagement between:

- Developers;
- Banks;
- Guarantee providers;
- Investors.

Consultations with guarantee providers highlighted that many developers approach guarantee providers too late in the financing process, limiting their effectiveness. Guarantees should become a standard consideration during project structuring rather than a last-stage intervention.

ROLE OF GUARANTEES ACROSS THE PROJECT LIFECYCLE

Recommendation 6: expand access to guarantees, engaged earlier in project structuring

> **KEY FINDING** Guarantees should become a standard consideration during project structuring, not a last-stage intervention.

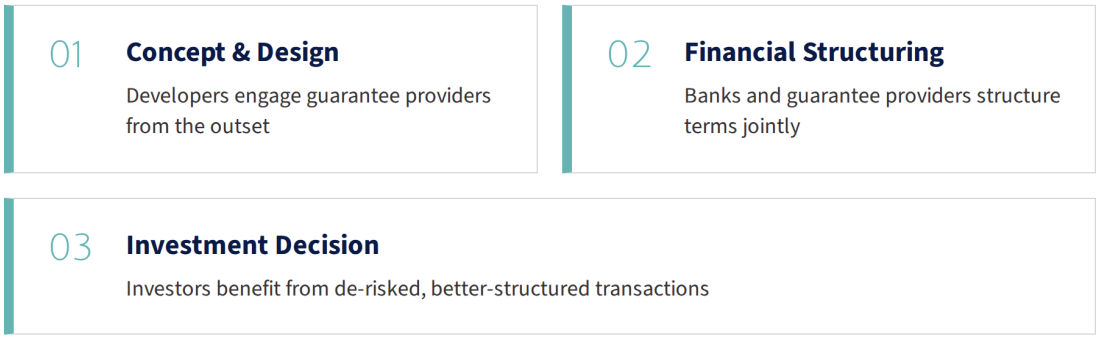


Figure 9-6: Role of guarantees acros the project lifecycle
Source: GBPN (2026).

Strategic Pillar 4: Mobilise Institutional Capital

Institutional investors represent one of the largest untapped sources of capital for sustainable buildings. Pension funds, insurance companies, asset managers, family offices, and impact investors collectively manage capital far exceeding current investment levels in green buildings.

However, participation remains limited.

Recommendation 7: Create Investment Platforms Capable of Attracting Institutional Investors

Potential structures include:

- Green Housing Funds;
- Green Building Funds;
- Sustainable Infrastructure Funds;
- REIT Platforms;

- Blended Finance Vehicles.

Aggregation is essential for attracting institutional investors that require larger investment opportunities.

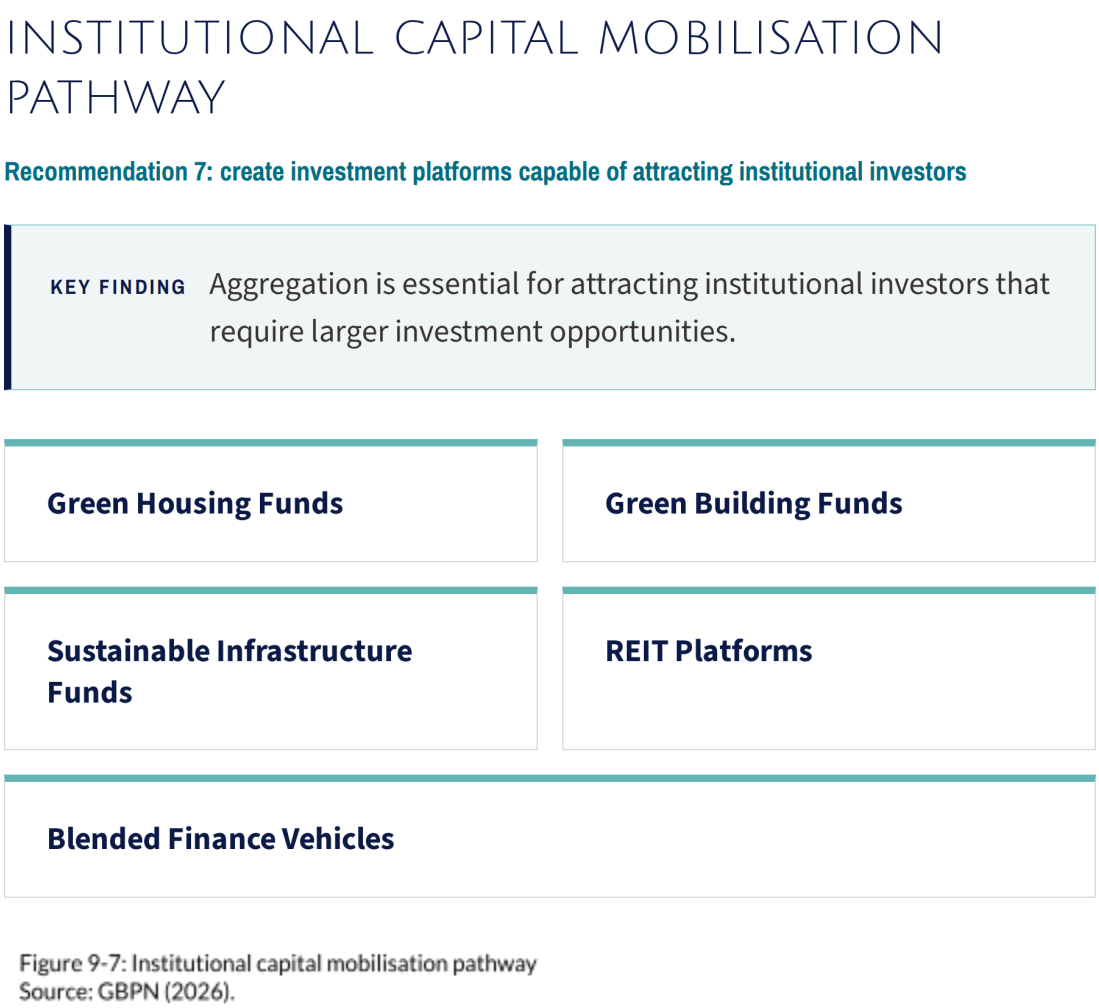


Figure 9-7: Institutional capital mobilisation pathway
Source: GBPN (2026).

Recommendation 8: Strengthen REIT Market Participation

Stakeholders identified REITs as one of the most promising vehicles for scaling investment. REITs can provide:

- Liquidity;
- Diversification;
- Tax efficiency;
- Institutional participation.

The Nairobi Securities Exchange highlighted REITs as an important mechanism for mobilising capital into sustainable real estate.

CASE STUDY

Acorn REIT and lessons for sustainable buildings

Acorn Holdings built its Qwetu and Qejani student accommodation brands entirely to IFC EDGE green building standards, and used that consistency to unlock capital markets financing that would otherwise have been unavailable to a first-time issuer: a landmark green bond, followed by two listed REITs (a Development REIT and an Income REIT) that drew in Kenyan pension funds, insurers and retail investors alongside development finance institutions.

20+	2
EDGE-certified properties operated	REITs launched (Development & Income)

> Lesson for the sector: consistent, certified quality across a whole portfolio \u2014 not a single flagship building \u2014 is what gave institutional investors the confidence to enter Kenya's capital markets for the first time.

Source: public reporting \u2014 PIDG, EDGE Buildings, Business Daily Africa, Standard Media (2021\u20132025). Not covered in your uploaded project documents; verify current figures before publishing, as Acorn's REIT structure has continued to expand.

Strategic Pillar 5: Expand Capital Market Solutions

Commercial bank lending alone will not be sufficient to finance the scale of investment required to decarbonise Kenya's building stock.

Capital markets can provide access to longer-term and larger pools of capital.

Recommendation 9: Promote Green Bonds and Sustainability Bonds

Green Bonds can support financing for:

- Energy-efficient buildings;
- Affordable housing;
- Green retrofits;
- Climate-resilient infrastructure.

The strategy should support pipeline development and issuer readiness.

Recommendation 10: Explore Innovative Financing Instruments

Potential instruments include:

- Sustainability-linked bonds;
- Green sukuk;
- Building performance bonds;
- Asset-backed securities.

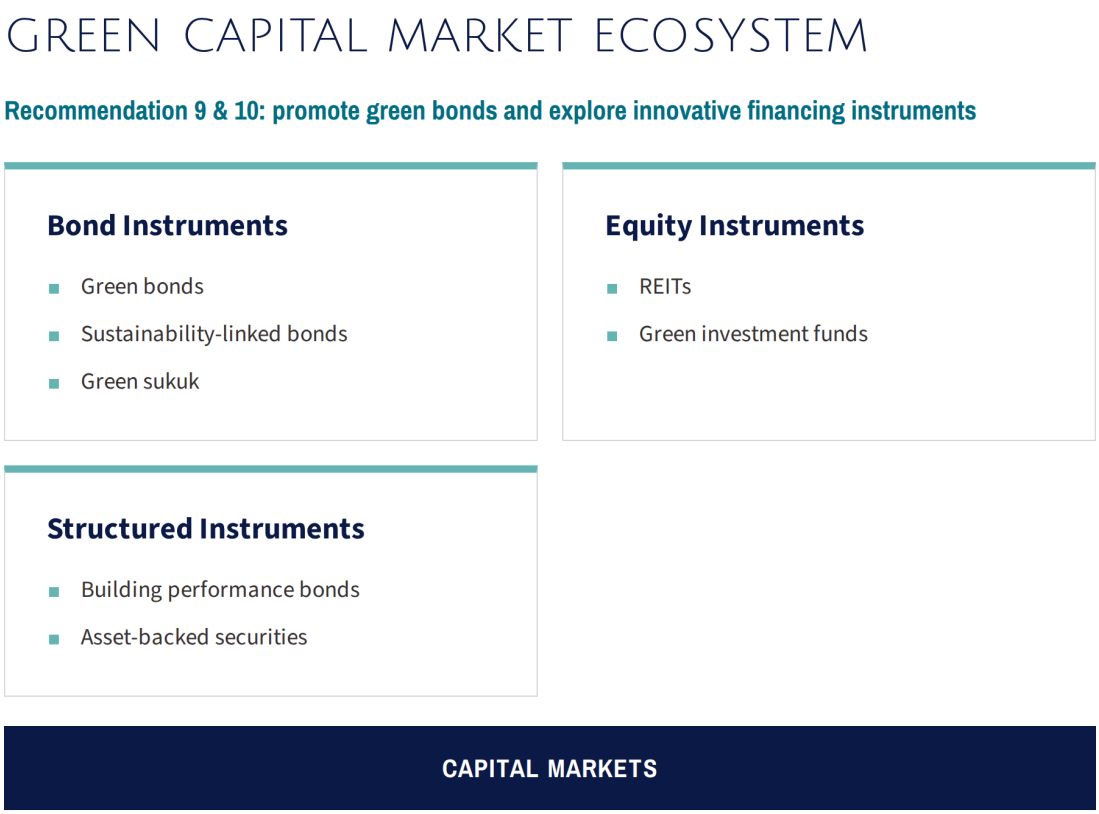


Figure 9-8: Green capital market ecosystem
Source: GBPN (2026).

Strategic Pillar 6: Improve Data, Transparency and Market Intelligence

Data gaps emerged as a recurring barrier affecting investment decisions. Without credible evidence, financial institutions struggle to differentiate financing terms and investors remain cautious.

Recommendation 11: Establish a Green Buildings Finance Observatory

The observatory would collect and publish information on:

- Certified projects;
- Green finance transactions;
- Building performance;
- Energy savings;
- Water savings;
- Occupancy performance;
- Market benchmarks.

The objective would be to improve transparency and reduce information asymmetries.



Figure 9-9: Green buildings finance data platform
Source: GBPN (2026).

Recommendation 12: Develop Standardised Impact Reporting Frameworks

This would support:

- Investors;
- Banks;
- Developers;
- Policymakers.

while improving comparability across projects.

Strategic Pillar 7: Strengthen Policy and Regulatory Enablers

The consultations highlighted the importance of policy certainty and regulatory alignment in supporting investment decisions.

Recommendation 13: Develop a National Green Building Taxonomy

A nationally recognised taxonomy would provide clarity regarding:

- Eligible projects;
- Financing criteria;
- Incentive eligibility;
- Reporting standards.



Figure 9-10: National green building taxonomy framework
Source: GBPN (2026).

Recommendation 14: Introduce Targeted Incentives

Potential incentives include:

- Tax incentives;
- Accelerated permitting;
- Reduced approval fees;
- Property tax rebates;
- Green mortgage incentives.

Strategic Pillar 8: Strengthen Ecosystem Coordination

Many barriers identified through the accelerator stem from weak coordination rather than conflicting objectives. Stakeholders generally support the transition but often operate independently.

Recommendation 15: Establish a Green Buildings Finance Coordination Platform

Building on the momentum created through the Finance Accelerator and UHAI Coalition, stakeholders should consider establishing a long-term coordination platform responsible for:

- Knowledge sharing;
- Market monitoring;
- Stakeholder engagement;
- Pipeline development;
- Policy dialogue.

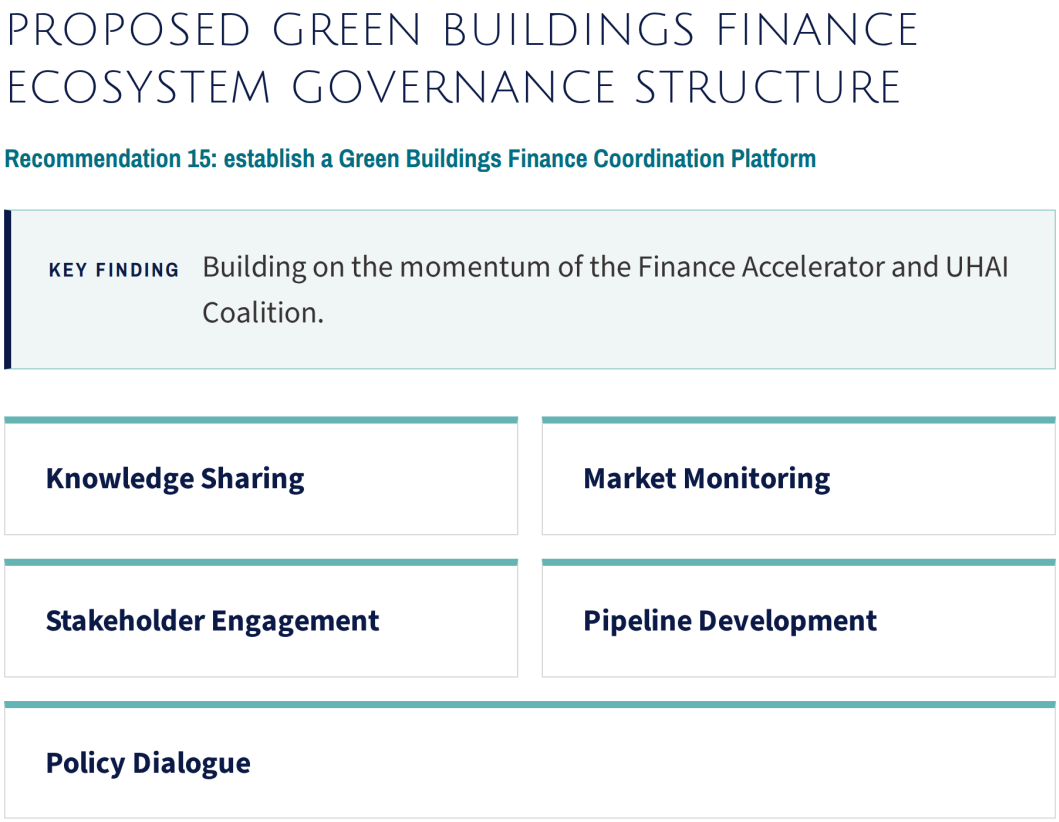


Figure 9-11: Proposed green buildings finance ecosystem governance structure
Source: GBPN (2026).

Strategic Pillar 9: Promote a Just and Inclusive Green Building Transition

The transition to green and climate-resilient buildings should not only deliver environmental benefits but also contribute to more equitable development outcomes. Ensuring that green finance is accessible to a broader range of market participants can strengthen innovation, increase market participation, and improve the social impact of investment.

Recommendation 16: Embed Inclusion Criteria into Green Finance Programs

Future green finance facilities should consider incorporating inclusion objectives such as:

1. Affordable housing outcomes;
2. Support for emerging developers;
3. Women-led enterprises;
4. Youth-led businesses;
5. Community development initiatives;
6. Universal accessibility

Recommendation 17: Expand Technical Assistance and Capacity Building

Dedicated technical assistance programmes should target:

1. Small and medium-sized developers;
2. Community housing providers;
3. County governments;
4. Women-led enterprises;
5. Youth professionals.

The objective should be to broaden participation within the green buildings ecosystem and improve access to financing opportunities.



Figure 9-12: Inclusive green building finance framework
Source: GBPN (2026).

9.2 Strategic Roadmap for Implementation

The recommendations presented above should be implemented through a phased approach.

Short-Term (1–3 Years)

- Establish working structures.
- Develop project preparation support.
- Launch data initiatives.
- Strengthen stakeholder coordination.
- Expand guarantee utilisation.

Medium-Term (3–7 Years)

- Launch catalytic capital facility.
- Develop investment platforms.
- Scale green finance products.

- Strengthen institutional investor participation.

Long-Term (7–15 Years)

- Mature REIT market.
- Large-scale institutional investment.
- Deep capital market participation.
- Fully functioning green building finance ecosystem.

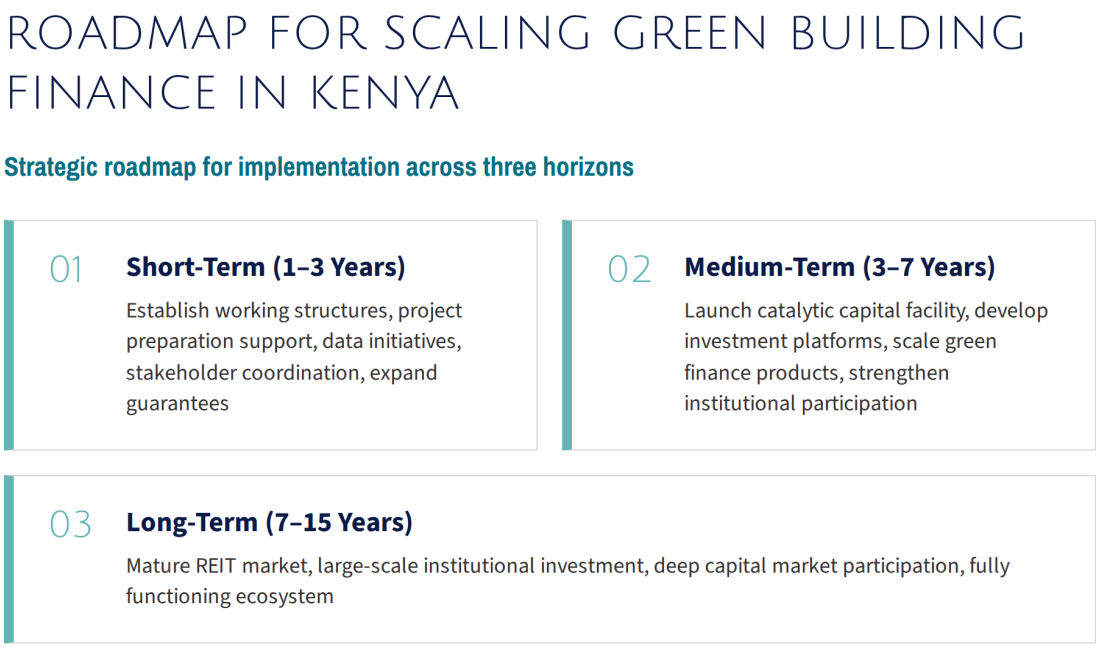


Figure 9-13: Roadmap for scaling green building finance in Kenya
Source: GBPN (2026).

9.3 Chapter Summary

The barriers identified throughout this report are significant but not insurmountable. Kenya possesses many of the foundational elements required to scale investment in green and climate-resilient buildings, including an active financial sector, growing investor interest, a green building council, emerging green building expertise, supportive climate commitments, and increasing demand for sustainable developments. The challenge now is to align these elements into a coherent financing ecosystem capable of mobilising capital at scale.

The recommendations presented in this chapter demonstrate that achieving this objective will require coordinated action across project preparation, financing innovation, catalytic capital deployment, institutional investor mobilisation, capital market development, policy reform, and ecosystem coordination. Together, these recommendations provide a pathway for transforming Kenya's green building market from a collection of promising projects into a mature investment ecosystem capable of supporting national decarbonisation and development objectives.

> Unlocking finance for green buildings is not about creating more capital. It is about **creating the conditions that allow capital, projects, institutions, and incentives to work together**

10. Conclusion and the Case for a National Funding Strategy

10.1 Introduction

The transition toward green and climate-resilient buildings represents one of Kenya's most significant opportunities to simultaneously advance economic development, improve urban resilience, support climate action, and attract investment into productive sectors of the economy.

The findings presented throughout this report demonstrate that the foundations for this transition already exist. Kenya has an active property sector, a growing ecosystem of sustainability practitioners, an increasingly sophisticated financial sector, supportive climate commitments, and a growing number of developers incorporating sustainability considerations into project design and delivery.

At the same time, the analysis reveals that substantial barriers continue to constrain investment and slow market transformation. These barriers are not limited to financing alone. They span technical capacity, project preparation, certification, risk perception, policy coordination, market awareness, data availability, and institutional alignment.

Importantly, the consultations demonstrate that these barriers are interconnected and therefore cannot be addressed through isolated interventions. A coordinated and systemic approach will be required to unlock investment at the scale necessary to support Kenya's building decarbonisation ambitions.

SUMMARY OF KEY BARRIER CATEGORIES IDENTIFIED THROUGH THE ACCELERATOR

Barriers span technical capacity, project preparation, certification, risk perception, policy, market awareness, data and institutional alignment

> **KEY FINDING** These barriers are interconnected and cannot be addressed through isolated interventions.

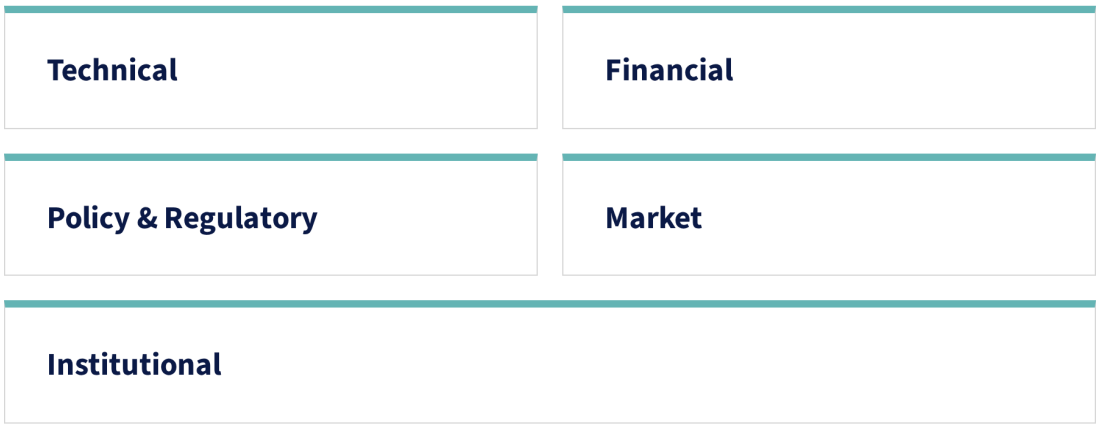


Figure 10-1: Summary of key barrier categories identified through the accelerator
Source: GBPN (2026).

10.2 Key Messages Emerging from the Accelerator

The Kenya Buildings Decarbonization Finance Accelerator has generated several important insights that have implications for policymakers, investors, developers, financial institutions, and development partners. **The Challenge Is Not a Lack of Capital.**

A central finding emerging from stakeholder consultations is that Kenya's green building sector does not suffer from a complete absence of capital. Potential sources of finance already exist across the ecosystem, including:

- Commercial banks;
- Development finance institutions;
- Climate funds;

- Impact investors;
- Pension funds;
- Insurance companies;
- Family offices;
- Capital market investors.

"Scaling green building finance requires a market architecture that connects capital with investment-ready projects and works for both sides of the market. "

However, significant gaps remain in connecting this capital to investment-ready projects. The next phase of market development requires strengthening the architecture through which capital is mobilised, structured and deployed into green buildings. Financing solutions will need to bridge both sides of the market: responding to demand-side requirements for affordable, appropriately structured and accessible capital, while providing supply-side instruments that meet the risk, return, liquidity, scale and investment criteria of banks, institutional investors and other capital providers.

Green Building Performance Must Be Linked to Financial Outcomes

Stakeholder consultations consistently highlighted the disconnect between technical sustainability metrics and financial decision-making. Developers and technical professionals often communicate the benefits of green buildings in terms of Energy savings, Water savings, Carbon reductions and Resilience benefits.

Investors and financiers, however, make decisions based on Risk, Cash flow, Asset value, Portfolio performance and Repayment capacity. Future market development efforts must therefore focus on translating sustainability performance into financial outcomes that can influence lending decisions, investment allocation, and risk assessment frameworks.



Figure 10-2: Linking building performance to investment decisions
Source: GBPN (2026).

Different Building Types Require Different Financing Solutions

The accelerator challenged the assumption that a single financing approach can adequately serve the entire buildings sector. The findings demonstrate that:

- Affordable housing;
- Student accommodation;
- Commercial buildings;
- Industrial developments;

- Hospitality assets;
- Retrofit projects;

all exhibit different financing characteristics and therefore require different financing structures.

The Green Building Financing Viability Framework developed through the accelerator represents an important step toward understanding how different forms of capital can be combined to support different building typologies. This finding has important implications for future financing product design and capital mobilisation strategies.

TYPOLOGY-BASED FINANCING FRAMEWORK

Key message: different building types require different financing solutions

BUILDING TYPOLOGY	FINANCING IMPLICATION
Affordable Housing	Needs affordability-sensitive, concessional structures
Student Accommodation	Attracts institutional capital via predictable income
Commercial Buildings	Suited to commercial debt and capital markets
Industrial Developments	Suited to commercial debt; limited concessional need
Hospitality Assets	Moderate suitability across most instruments
Retrofit Projects	Requires performance-based and specialised financing

Figure 10-3: Typology-based financing framework
Source: GBPN (2026).

Project Preparation Is Critical

One of the strongest findings emerging from the consultations is that many projects fail to attract investment because they are not investment-ready. Stakeholders consistently highlighted weaknesses in:

- Feasibility studies;
- Financial modelling;
- Sustainability assessments;
- Certification strategies;
- ESG documentation;
- Risk assessments.

Improving project preparation quality may represent one of the most effective interventions available for increasing investment flows into sustainable buildings.

Catalytic Capital Can Accelerate Market Transformation

The consultations revealed broad consensus regarding the importance of catalytic capital in supporting market development. Participants identified strong demand for:

- First-loss capital;
- Guarantees;
- Concessional finance;
- Project preparation grants;
- Technical assistance facilities;
- Foreign exchange risk support.

These instruments can reduce risk, crowd in private investment, and support projects that might otherwise struggle to attract financing.



Figure 10-4: Role of catalytic capital in market development
Source: GBPN (2026).

10.3 The Need for a National Funding Strategy

The barriers and opportunities identified throughout this report point toward the need for a more coordinated and strategic approach to financing green and climate-resilient buildings. While individual initiatives continue to emerge across the market, stakeholders consistently highlighted the absence of a shared framework capable of aligning:

- Policy objectives;
- Investment priorities;
- Financing instruments;
- Project pipelines;
- Risk mitigation mechanisms;
- Capital providers.

A National Funding Strategy can provide this framework. The strategy would establish a common vision for mobilising finance into sustainable buildings while identifying practical actions necessary to strengthen the financing ecosystem. Rather than focusing solely on individual financing products, the strategy should seek to address the broader ecosystem challenges identified throughout this report. These include Project preparation, Market coordination, Risk mitigation, Capital mobilisation, Data availability, Policy alignment, Institutional participation.



Figure 10-5: How the national funding strategy responds to identified barriers
Source: GBPN (2026).

10.4 Building a Green Building Finance Ecosystem

The findings of this report suggest that successful market transformation will require the development of an integrated green building finance ecosystem. This ecosystem should include:

a) **Policy and Regulatory Foundations:** Providing market certainty, incentives, and enabling conditions.
b) **Standards and Certification Systems:** Supporting transparency, performance measurement, and investor confidence.
c) **Project Preparation Facilities:** Improving investment readiness and project quality.
d) **Catalytic Capital Mechanisms**: Reducing risk and attracting private investment.
e) **Diverse Financing Products:** Providing financing solutions tailored to different project types.
f) **Institutional Investors:** Mobilising long-term domestic capital.
g) **Capital Markets:** Expanding access to large-scale financing instruments.
h) **Data and Market Intelligence:** Supporting evidence-based decision-making.
i) **Stakeholder Coordination Platforms:** Facilitating collaboration and market development.

The effectiveness of the ecosystem depends on the strength of each component and the connections between them.

KENYA GREEN BUILDING FINANCE ECOSYSTEM FRAMEWORK

The integrated ecosystem required to mobilise investment in green and climate-resilient buildings at scale

a. Policy Foundations

- Regulatory certainty
- Incentives
- Enabling conditions

b. Standards

- Certification systems
- Performance measurement

c. Preparation

- Project preparation facilities
- Investment readiness

d. Catalytic Capital

- Risk mitigation
- Crowding-in private investment

e. Capital & Data

- Diverse financing products
- Institutional investors
- Capital markets
- Market intelligence
- Coordination platforms

KENYA BUILDINGS DECARBONIZATION FINANCE ACCELERATOR: CONVENING STAKEHOLDERS, GENERATING MARKET INTELLIGENCE, CO-DESIGNING FINANCING SOLUTIONS

Figure 10-6: Kenya green building finance ecosystem framework
Source: GBPN (2026).

10.5 From Barriers Analysis to Investment Mobilisation

This report represents an important milestone within the Kenya Buildings Decarbonization Finance Accelerator. The findings establish a clear evidence base regarding the challenges affecting green building investment while identifying opportunities for strengthening the financing ecosystem. However, identifying barriers is only the first step.

The next phase of work must focus on translating these findings into practical interventions capable of mobilising capital and accelerating project implementation. This transition will be supported through two complementary outputs of the accelerator:

10.5.1 National Funding Strategy

The National Funding Strategy will provide a roadmap for addressing the barriers identified throughout this report and strengthening Kenya's green building finance ecosystem.

Investment Prospectus

The Investment Prospectus will identify and showcase investment-ready opportunities capable of attracting domestic and international capital. Together, these outputs will help move the conversation from identifying challenges toward mobilising investment and delivering measurable outcomes.



Figure 10-7: Accelerator knowledge products and their relationship
Source: GBPN (2026).

10.6 Final Reflection

Kenya stands at an important moment in the evolution of its buildings sector.

Rapid urbanisation, increasing climate risks, growing investor interest in sustainability, and national decarbonisation commitments are creating both challenges and opportunities for the future of the built environment.

The findings presented throughout this report demonstrate that the transition toward green and climate-resilient buildings is not constrained by a lack of ambition or a lack of capital alone. Rather, it is constrained by the systems, structures, and mechanisms required to connect investment opportunities with appropriate sources of finance.

Encouragingly, the consultations also demonstrate that the market is evolving. Financial institutions are exploring sustainable finance products. Developers are increasingly considering certification and building performance. Investors are showing growing interest in climate-aligned opportunities. Policymakers are strengthening climate commitments. Professional associations are supporting capacity development.

The opportunity now is to align these efforts into a coherent financing ecosystem capable of mobilising investment at scale. If successfully implemented, the recommendations emerging from this report have the potential to support not only the decarbonisation of Kenya's buildings sector but also broader national objectives relating to housing, economic development, job creation, resilience, and sustainable growth.

The challenge ahead is therefore not whether Kenya can finance green buildings. The challenge is how quickly and effectively the country can create the conditions necessary for capital to flow into the projects, communities, and innovations that will define the future of its built environment.

> The future of green buildings in Kenya will not be determined by the availability of capital alone. **It will be determined by our ability to connect projects, people, institutions, and finance into a system capable of delivering sustainable growth at scale**
>
> Closing Reflection

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