



REPUBLIC OF KENYA

NATIONAL TREASURY & ECONOMIC PLANNING

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SUPPORTING ACCESS TO FINANCE AND ENTERPRISE RECOVERY  
(SAFER)

PROJECT IMPLEMENTATION UNIT

COMPONENT 3: TECHNICAL ASSISTANCE AND PROJECT  
MANAGEMENT

BENEFICIARY – KENYA DEVELOPMENT CORPORATION (KDC)

TERMS OF REFERENCE

CONSULTANCY FOR APEX INSTITUTION TO DEVELOP A GREEN  
FINANCING STRATEGY & ACCREDITATION ON SUSTAINABILITY

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February 2025

# 1. INTRODUCTION

## 1.1 Project

Supporting Access to Finance and Enterprise Recovery (SAFER) project development objective is to increase access to financial services and support COVID-19 recovery of Micro, Small, and Medium Enterprises (MSMEs) in Kenya.

SAFER is a five-year \$100 million IDA Credit that became effective in May 2022 that seeks to address market failures in access to finance by MSMEs that have been exacerbated by the negative impact of the COVID-19 pandemic.

## 1.2 Project Components

The SAFER Project comprises 3 components (with sub-components) as listed below:

- a) Component 1 – Innovation and Liquidity support to MSMEs
  - (i) Sub-Component 1.1: Liquidity support to microenterprises through digital channels
  - (ii) Sub-Component 1.2: Liquidity support to MSMEs through SACCOs and Micro Finance Banks (MFBs)
- b) Component 2 – De-risking lending to MSMEs
  - (i) Sub-Component 2.1: De-risking through support to the Partial Credit Guarantee Scheme (CGS) and company (CGC)
- c) Component 3 – Technical Assistance and Project Management
  - (i) Sub-Component 3.1: TA to the National Treasury to set up the Credit Guarantee Company (CGC)
  - (ii) Sub-Component 3.2: TA to Participating Financial Institutions (PFIs)
  - (iii) Sub-Component 3.3: TA to financial sector regulators
  - (iv) Sub-Component 3.4: Project Management

Component 3 of the SAFER focuses on providing technical assistance to build the resilient capacity of the MSME finance ecosystem beyond the lifecycle of SAFER.

These Terms of Reference are for a consultancy **firm** required to provide support for the SAFER APEX institution KDC to develop its green and sustainable finance strategy as well as lay the groundwork for KDC to be on the path to sustainability accreditation.

## 1.3 Overview

### a. The Kenya Development Corporation in SAFER project

The Kenya Development Corporation (KDC) has been identified as a Participating Implementing Entity (PIE) or APEX Institution to implement Component 1, Window 2 of the SAFER Project on behalf of the Government pursuant to the terms and conditions set out in the Financing Agreement between the Government of Kenya (GOK) and the International Development Association (IDA).

KDC was selected in line with criteria established by GOK and IDA as an Apex Participating Implementing Entities (PIE) i.e. financial intermediary to receive funding from GOK and on-lend wholesale to qualifying Participating Financial Institutions (PFIs - SACCOs and MFBs) for eventual provision of lines of credit to eligible MSMEs.

KDC seeks to be green and be investor-ready for sustainability-linked financing as well as build the corporation's capacity to prospect and assess sustainable finance opportunities, conduct market analysis, developing a detailed process map for issuance of green bonds, sustainability-linked bonds and other relevant sustainable finance instruments, and build its technical know-how to assess policy and regulatory options around sustainable finance in the Kenyan context.

Component 3 of SAFER seeks to provide technical assistance to build resilience capacity of the MSME finance ecosystem beyond the lifecycle of SAFER.

Subcomponent 3b specifically provides technical support for PIEs and PFIs especially towards strengthening of governance arrangements, risks management capacity, business models, and operational efficiency, integrating gender sensitization, knowledge sharing and trainings on climate change adaptation or mitigation, or information on the impacts of climate risks in financial markets.

KDC has requested for technical support from the project and these Terms of Reference are for the procurement of consultancy services to seek the services of a climate finance and green sustainability consulting firm to guide the development of a tailored green finance strategy, sustainability accreditation roadmap and the integration of Environmental, Social, and Governance (ESG) principles into its business strategy and operations.

## **b. Green Financing and Sustainability in the Kenyan Financial Sector**

The global financial landscape is undergoing a significant shift towards environmental and social responsibility. Green finance and sustainability-linked financing are emerging as key drivers of this change. Green finance specifically focuses on channelling capital towards projects with clear environmental benefits, such as renewable energy and climate change adaptation. Sustainable finance takes a broader approach, integrating environmental, social, and governance (ESG) considerations into all aspects of financial decision-making, promoting social inclusion, responsible business practices, and good governance alongside environmental concerns.

Sustainability accreditation demonstrates transparency and accountability in a financial institution's efforts to go "green". This enhances their reputation and attracts investors increasingly focused on ESG performance. Furthermore, sustainability accreditation facilitates partnerships with green financiers, such as development finance institutions and specialized green investment funds, offering access to dedicated green finance products and resources. Several globally recognized standards exist, including the IFC Performance Standards, The International Sustainability Standards Board (ISSB) The International Capital Markets Authority's Sustainability-Linked Bond Principles (, the Global Reporting Initiative (GRI) Standards among others. Achieving accreditation through these frameworks signifies a Financial Institution's (FI) adherence to rigorous ESG principles and best practices. The specific re-accreditation timelines vary depending on the standard chosen, typically ranging from one to three years. However, continuous improvement and reporting are essential to maintain accredited status.

Kenya is at the forefront of green finance in Africa. The government actively supports green finance initiatives through strategies developed by The National Treasury & Economic Planning including the Green Fiscal Incentives Framework and the Climate Finance Policy. The Central Bank of Kenya (CBK) as the banking sector regulator is actively promoting structural frameworks on sustainable and green finance having issued the guidance on climate-related risk management to encourage climate risk management integration by FIs. CBK is developing the Kenya Green Finance Taxonomy which is to

serve as a tool to classify whether economic activities are 'green' or environmentally sustainable. The Taxonomy is also intended to serve as a guide for both banking sector participants and other market participants in making informed green investment or sustainable financing decisions.

This enabling policy environment has led several local private sector financial institutions, e.g. Equity Bank, NCBA and KCB Group to adopt sustainability certifications including those of the IFC's Performance Standards, The Task Force on Climate-related Financial Disclosures (TCFD), GRI and ISO 14001 Standard for Environmental Management Systems. These best practices on sustainability accreditations have set these FIs on the pathway to embrace green finance mechanisms by offering green bonds and loans and implementing sustainable lending practices. By prioritizing sustainability and potentially pursuing accreditation, Kenyan FIs can widen the pool of investors and partnerships to attract green capital, and contribute effectively to national development goals, and build a more resilient and sustainable future.

With these developments in Kenya's financial sector KDC has ambitions to access sustainable and green financing, by aligning its operations with good practices in ESG, and achieve sustainability certification. This includes capacity building for KDC staff and developing a green financing strategy.

### **c. KDC's Strategic Role in Green Finance**

Kenya's Development Corporation (KDC) occupies a pivotal position as a national Development Finance Institution (DFI). KDC can be at the forefront of securing green financing from development partners, thereby contributing to the Government of Kenya's ambitions in its sustainable development agenda. To achieve this, KDC seeks to prioritize sustainability accreditation and develop a comprehensive green finance strategy to align with International Financial Institutions' (IFIs) and Multilateral Development Banks' (MDBs) requirements and best practices in sustainability and green finance frameworks for KDC to qualify for access to green finance lending mechanisms.

In recognition of this strategic need, these Terms of Reference (TORs) have been issued. The TORs aim to propel KDC's sustainability and green finance agenda. By developing and implementing a green finance strategy and getting accreditation on sustainability, KDC will be better positioned to identify and leverage opportunities and incentives available in the sustainable and green finance sector. Ultimately, KDC aspires to become a leading DFI in developing and issuing green finance products to its clients.

## **2 SERVICES TO BE RENDERED**

### **2.1 Objectives**

The primary objective of this assignment is to position KDC to attract green finance and enhance its institutional capacity to qualify for sustainability linked financing integrate sustainability frameworks and ESG principles into its operations. KDC seeks to integrate Environmental, Social, and Governance (ESG) principles, with a specific focus on environmental ('E') aspects related to climate risk management and sustainable financing, into its operations, aligning with Sustainable Development Goals (SDGs) and securing sustainability certification.

KDC is seeking a firm of consultants that will provide technical advisory services and develop a framework aimed at making KDC align its operations and investments with sustainable development goals and sustainability certification requirements.

The consulting firm will help KDC become investor-ready for sustainable finance and build the Corporation's capacity to assess sustainable finance opportunities, conduct market analysis, and advise on the process for issuing green bonds and other sustainable finance instruments. The consultant will also help KDC align with relevant Sustainability standards and frameworks, including those of the World Bank, the International Finance Corporation (IFC) and other multilateral financiers.

## 2.2 Scope of Work

The consultancy firm will address the following broad scope of works in alignment with the World Bank's 'Greening National Development Financial Institutions' paper:

1. **Strategy and Governance:** Develop governance structures and strategic frameworks to embed sustainability and integrate green and sustainable finance into KDC's core operations and align with national and international frameworks.
2. **Climate and ESG Financing:** Identify and design innovative financial instruments to mobilize private capital for climate-related projects, such as green bonds and sustainability-linked loans.
3. **Climate Risks and ESG Risk Management:** Establish systems and tools for climate and ESG risk assessment and management, including scenario analysis and compliance with regulatory standards.
4. **Climate and ESG Disclosure & Reporting:** Develop a robust framework for tracking, reporting, and communicating ESG impacts and climate performance metrics in line with global standards.

Specific scope of works and tasks for the consultant shall include:

- a) Conducting an analysis of KDC's current internal processes and developing standard operating procedures (SOP) to support its transformation for sustainability-linked and green financing programs.
- b) Developing a comprehensive Green Finance and Sustainability Strategy for KDC, integrating climate-related opportunities, risks, monitoring, evaluation, and reporting frameworks.
- c) Aligning KDC's operations with Kenya's obligations under the Paris Agreement including its Nationally Determined Contribution (NDC) and Kenya's commitments to the Sustainable Development Goals (SDGs).
- d) Align KDC with Kenya's National Policy on Climate Finance, Green Bonds Guidelines and CBK's climate related risk management guidance.
- e) Establishing internal frameworks for green financing and capital raising, aligned with international standards such as the Climate Bond Standard and Green Bond Principles.
- f) Building capacity within KDC to develop green products, analyze and report ESG and climate risks, and manage climate risk disclosure in line with regulatory guidelines.
- g) Analyze KDC's current internal business processes and develop a comprehensive standard operating procedure (SOP) to support their transformation for ESG and green financing investments.

- h) Advise on assessing and developing Standard Operating Procedures and manuals, re-orienting current workforce roles and responsibilities, and re-orienting operational responsibilities of KDC operations and departments for the ESG and green financing frameworks to be adopted.
- i) Evaluate opportunities for climate and green finance under the Paris Agreement and other ESG & climate finance related frameworks for KDC.
- j) Guide KDC to develop a classification system for identifying green assets or investments in alignment with Kenya's planned adoption of nationally defined green finance taxonomy.
- k) Conduct portfolio mapping based on climate and ESG risk exposures and based on the sectors and business units.
- l) Develop a green / sustainable finance framework for KDC to guide its internal green financing and capital raising operations aligned with global good practices e.g. ICMA's Sustainability-linked Bonds, Climate Bond Standard and Green Bond Principles.
- m) Establish a framework for screening green projects whose investment objectives are linked to Kenya's National Climate Finance Policy. This screening should enable KDC undertake the de-risking of green projects to make them commercially viable.
- n) Guide KDC on working closely with potential green / sustainable financing institutions and provide hands-on support to establish their internal green /sustainable financing framework and other necessary internal frameworks.
- o) Guide KDC on the relevant Sustainability frameworks that it should use to better equip it with green financing requirements.
- p) Introduce e-learning modules to cover in-depth sector-specific knowledge, on green lending, investment management of ESG & climate risks and related training to the business teams. Build KDC's capacity to develop green financing instruments to specifically mobilize private capital.

### 2.3 Key deliverables

The consultant will be expected to deliver a comprehensive report detailing the findings and recommendations, a detailed roadmap for implementing the recommendations, and a training program for KDC staff on sustainable finance and ESG principles. Specifically, the consulting firm is expected to develop the following outputs:

- i. *Sustainability Strategy and ESG policy.*
  - Conduct a comprehensive assessment of KDC's current ESG practices, policies, and procedures.
  - Develop a future-oriented KDC Sustainability Strategy that integrates ESG principles across all of its business operations.
  - Embed climate considerations: Integrate climate risk management and opportunity assessment into the strategy, aligning with the Central Bank of Kenya's Guidance on Climate Risk Management.
  - Set ambitious sustainability goals: Define clear, measurable, achievable, relevant, and time-bound (SMART) goals for environmental and social impact alongside financial objectives.
  - Prioritize SDGs: Identify specific Sustainable Development Goals (SDGs) most relevant to KDC's core business and develop strategies to contribute to their achievement.

ii. *Green Financing Strategy and Framework.*

- Identify gaps between KDC's current operations and best practices in green and sustainable finance.
- Evaluate KDC's workforce capacity for implementing a green finance strategy (skills, knowledge).
- Mapping of green financing opportunities in the development finance landscape
- Develop a robust Green Financing Framework following internationally recognized standards like the Green Bond Principles.
- Define clear eligibility criteria for green projects and assets aligned with KDC's sustainability strategy and Kenyan context.
- Establish a process for green projects' selection, evaluation, and impact monitoring.
- Design a framework for green finance product development (e.g., green bonds, green loans).

iii. *Sustainable Financing Taxonomy.*

- Develop a system to categorize investment and lending activities aligning with KDC's green and sustainable goals.
- Develop guidelines on project selection for environmental & social impact alongside financial returns.
- Enhance transparency & credibility by demonstrating adherence to sustainability principles.
- Enable identification & management of environmental & social risks in KDC's investments.
- Align KDC's green financing with investor demand for sustainable investments.

iv. *Sustainability Certification and Accreditation*

- Evaluate the benefits and feasibility of pursuing relevant sustainability certifications or accreditations for KDC (e.g., SASB, IFRS, GRI Sustainability Reporting Standards).
- Develop a roadmap for achieving chosen certifications, considering resource requirements and timelines.

v. *Capacity Building and Knowledge Transfer*

- Design and deliver a comprehensive capacity building program for KDC's board, management, and staff on:
  - Green finance concepts and instruments
  - ESG risk management and integration
  - Sustainability performance measurement and reporting
  - Green project identification, evaluation, and impact assessment
  - Develop e-learning modules for ongoing knowledge transfer and awareness raising.

vi. *Stakeholder Engagement Strategy*

- Develop and implement a comprehensive stakeholder engagement strategy for the KDC Green and Sustainable Finance framework.

- Identify and map key stakeholders (government, regulators, investors, civil society, etc.) relevant to the project.
- Develop and deliver clear and concise communication materials on green finance and KDC's sustainability initiatives.
- Organize and facilitate stakeholder meetings, workshops, and consultations.
- Manage stakeholder feedback and address their concerns throughout the assignment
- Develop and maintain database of key stakeholders for KDC to build positive relationships on green financing and sustainability.

## **2.4 Timeframe**

The estimated duration for this assignment is six (6) months.

## **2.5 Reporting**

The consulting firm will report to the KDC Director General and work closely with the NT's SAFER Project Implementation Unit.

## **3.0 QUALIFICATIONS & SKILLS**

To successfully guide KDC's develop its green and sustainable finance strategy a consultancy firm is sought, with a strong understanding of ESG integration, climate change mitigation and adaptation strategies, and relevant sustainability certifications for financial institutions.

The firm should be familiar with the Kenyan financial landscape and regulations and possess the skills to engage with various stakeholders and to build KDC's internal capacity through training and the design of implementation tools.

The firm should as a minimum have experience undertaking climate finance, sustainability advisory assignments over the last five (5) years.

The firm shall propose a team of experts well-versed in green finance instruments and best practices for emerging market DFIs. The team should comprise at least, the following experts in the following competencies for effective implementation of the assignment:

- 1) Project/Team Lead
- 2) ESG & Sustainability Expert
- 3) Stakeholder Engagement Specialist

The team of consultants should demonstrate the following qualifications:

### **a) Project/Team Lead Qualifications and Skills**

- i. A Master's degree or higher in a relevant field such as Sustainable Development, Climate Change, International Trade, Economics and Finance, or Environmental and Social Sciences. A Ph.D. in similar fields would be advantageous.
- ii. At least 10 years of experience in climate finance, sustainable finance, and climate risk advisory.
- iii. Experience working on climate finance projects, including experience with project development, financing mechanisms, and risk management.



- iv. Strong understanding of the green finance landscape in Kenya and relevant international initiatives (e.g., Green Climate Fund, Development Financial institutions, Climate Bonds Initiative).
- v. Experience in financial modeling and analysis for climate finance and green finance mechanisms.
- vi. Knowledgeable on Climate/ESG disclosure and reporting standards as well as sustainability reporting frameworks.
- vii. Proven experience working with capital markets authorities or stock exchanges and mobilizing funds for green finance projects.
- viii. Strong leadership and project management skills, with the ability to oversee the successful implementation of assignment based on past experience for similar consultancy work.
- ix. Prior experience leading projects related to climate finance or sustainability for financial institutions in emerging markets.
- x. Strong experience in team leadership, fostering collaboration, and delegating tasks effectively.
- xi. Excellent communication and interpersonal skills to manage stakeholders with diverse backgrounds and interests.
- xii. Excellent report writing skills to prepare technical documents and position papers.
- xiii. Proven track record of leading and managing complex projects on time and within budget.
- xiv. Strong experience in team leadership, fostering collaboration, and delegating tasks effectively.
- xv. Track record in training executives and board members and staff on climate related financing, sustainable finance and fund raising
- xvi. Expertise in climate risk assessment and management, including familiarity with regulatory guidelines.
- xvii. Experience in developing and implementing climate risk management frameworks, preferably within the financial sector.
- xviii. Strong understanding of climate change science, physical and transition risks associated with climate change.
- xix. Experience in integrating climate risks into financial decision-making processes.
- xx. Knowledge of relevant regulatory frameworks for climate risk management, particularly those applicable to Kenyan financial institutions (e.g., Central Bank of Kenya's Guidance on Climate-Related Risk Management).
- xxi. Knowledge of international standards such as the Climate Bond Standard and Green Bond Principles

**b) ESG & Sustainability Expert Qualifications and Skills:**

- i. Master's degree in Environmental Science/Studies, social studies, sustainable finance/development, climate change studies, or a related field.
- ii. Experience in developing and implementing ESG strategies and policies for financial institutions.
- iii. Knowledge of the Sustainable Development Goals (SDGs) and experience integrating them into corporate strategies for financial institutions.
- iv. Experience conducting impact assessments and developing sustainability reporting frameworks.
- v. Minimum 5 years of experience in ESG & sustainability consulting or working within a financial institution with a strong ESG focus.
- vi. In-depth knowledge of ESG principles and frameworks (e.g., GRI Standards, SASB Standards).
- vii. Experience in conducting ESG assessments and developing ESG strategies.

- viii. Understanding of the social and governance aspects relevant to climate change and green finance.
- ix. Excellent communication and presentation skills to present complex ESG concepts to diverse audiences.
- x. Experience working with the financial sector on ESG integration.
- xi. Knowledge of ESG disclosure requirements for financial institutions.
- xii. Experience in stakeholder engagement on ESG issues.
- xiii. Understanding of the Kenyan regulatory framework for sustainability report

**c) Stakeholder Engagement Specialist**

- i. Master's and bachelor's degree in Communications, Public Relations, Community Development Studies, Public Administration, International Development or related field.
- ii. Professional Qualifications in stakeholder engagement, community/public relations, project management, or related field.
- iii. Demonstrable in depth understanding of ESG Frameworks, Sustainability Global reporting guidelines standards, Compliance and Reporting and Green Finance.
- iv. Demonstrated experience working with a broad range of stakeholders, including government agencies, regulators, industry associations, civil society organizations, and local communities.
- v. Proficiency in data analysis, impact assessment, Global reporting Initiatives or related field.
- vi.
- vii. Minimum 8 years of experience in stakeholder engagement, public outreach, or community assessments, preferably within the financial sector.
- viii. Understanding of Kenyan environmental and social regulatory frameworks relevant to green finance.
- ix. Ability to develop and manage communication materials related to green finance for diverse audiences.
- x. Demonstrable knowledge in concepts, techniques and practices, data collection, analysis, and reporting.
- xi. Demonstrable computer literacy in relevant areas and proficiency in using data analysis software and statistical tools.
- xii. Experience using online collaboration tools and platforms for stakeholder engagement.