



COUNTRY	COMPANY	GREEN BONDS ISSUED	CONSTRUCTION TARGET
KENYA	ACORN HOLDING	\$35.7 MILLION (2019)	50,000 LOW-CARBON STUDENT LODGINGS

The first green bonds financing low-carbon student housing

According to the World Bank, Kenya [needs](#) to build 250,000 homes annually for four years to erase its housing deficit of 2 million homes, even as some [60%](#) of Nairobi's population lives in slums. In 2019, Acorn Holding, a Kenyan property development company, issued East Africa's first-ever green bonds. Initial [evidence](#) is now available to assess the mechanisms and impact of this financial instrument for developing affordable, low-carbon student housing.

A development project supported at the national level

In 2017, President Uhuru Kenyatta launched the [Big 4 Agenda](#), a development programme with four objectives: 1) food security; 2) affordable housing; 3) manufacturing; and 4) affordable healthcare. Under this programme, the government pledged to deliver 500,000 homes by 2022, to be sold at prices ranging from \$6,000 to \$30,000. According to available [analyses](#), this target is far from being met.

In parallel, however, the Kenyan government also launched the [Green Bonds Programme Kenya](#) (GBPK), in partnership with Financial Sector Deepening Africa (supported by the UK, Kenya's largest bilateral donor), the Kenya Bankers Association (KBA), the Nairobi Securities Exchange, the Climate Bonds Initiative and the Dutch development bank FMO. The programme aims to support innovative financial instruments to develop the green bond market in Kenya, notably through tax exemptions.

Two years later, Acorn Holding, a developer, operator and manager of housing assets in sub-Saharan Africa, issued the first green bonds in East Africa. The bonds, listed on the London Stock Exchange and the Nairobi Securities Exchange, raised 4.3 billion Kenyan shillings (\$35.7 million) to build 50,000 low-carbon student homes. The bonds are certified by the UK Climate Bonds Initiative for the project's poten-

tial contribution to reducing emissions from residential buildings. The designs are certified to the Excellence in Design for Greater Efficiencies ([EDGE](#)) green building standard, promoted by the International Development Finance Club (IDFC). In fact, this is the first Kenyan green bond to be certified by an international agency.

A robust financial ecosystem to buttress the bonds

Green bonds address Acorn's need to secure the capital outlays that must be advanced for building construction. The ratio between high short-term capital costs of construction and the long-term savings generated by the energy performance of an efficient building can slow down investment decisions. This is why Acorn has developed a [financial ecosystem](#) complementary to its green bonds which, together with the guarantees provided by international lenders, helps to secure the project. Firstly, a D-REIT (*Real Estate Investment Trust* specialising in development and construction) was created to undertake, develop and stabilise the operations of the certified buildings using its own funds. The green bonds issued, which have a maturity of five years and a fixed interest rate of 12.25%, provided additional capital through debt. Lastly, an I-REIT (I for income) is set to acquire the properties and become the long-term owner and operator. GuarantCo, a guarantee fund for infrastructure projects in Africa and Asia, owned by FMO and

PIDG, and funded by the UK, Swiss, Swedish, Australian and Dutch governments, guarantees 50% of the principal and interest of the green bonds.

Since the start of the project, eight low-carbon housing projects have been [launched](#)—providing accommodation for 7,000 students. All of the homes are equipped with solar panels and solar water heaters, as well as sustainable water management equipment.

In Kenya, the use of green bonds is beginning to take off. [Laikipia](#) County issued the country's first municipal bonds in May 2022 to finance infrastructure projects (water, roads, etc.). [Nairobi](#) County authorities are planning to launch a new \$1.2 billion green bond issue on the Nairobi Securities Exchange to finance infrastructure projects aimed at accelerating the green transition and adapting to climate change.