



53.7 million



USD 118 billion (GDP)

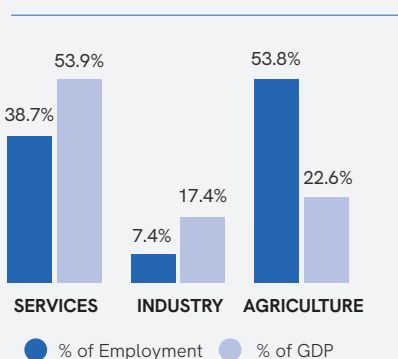
ECONOMIC STRUCTURE & SECTOR TRENDS

To understand how the Kenyan circular economy landscape has evolved over the past year, we conducted a mid-term survey in 2024, targeting Business Development Service (BDS) advisors who work directly with businesses implementing circular practices. This survey provides invaluable insights into the current state of the circular economy, highlighting changes in opportunities and challenges, emerging trends, and existing gaps within the ecosystem. This report updates the 2023 Landscape Report on Kenya's economic structure and trends, incorporating new findings from the mid-term survey to offer a comprehensive view of the evolving circular economy landscape.

Small and medium enterprises (SMEs) contribute 35% to Kenya's GDP, represent 98% of all businesses and employ more than 80% of the working population (KIPPRA, 2020). SMEs in Kenya are distributed across sectors: they are most predominately active in wholesale and retail trade, information and communication technology and agriculture. Before COVID-19, Kenya was one of the fastest-growing economies in Africa, with an annual average growth rate of 5.9% between 2010 and 2018 (USAID, 2022).

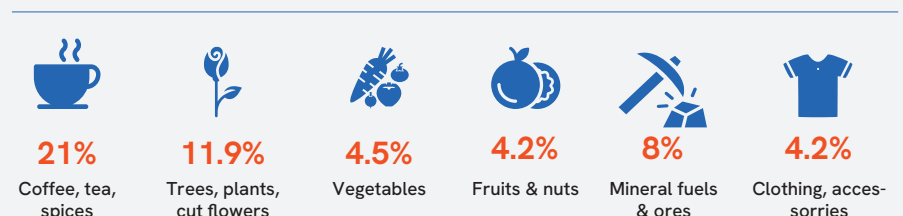
Agriculture and services as key economic sectors: According to the Country Report for Kenya published by the European Commission in 2020, agriculture in Kenya's economy is growing at the expense of the contribution of the services sector. Between 2006 and 2019, contributions of the agriculture sector to Kenya's GDP increased from 27% to 36% while the share of services declined (Karcher, et al., 2020). Although agriculture is the second largest sector of the Kenyan economy, it generates the most employment (BMZ, 2022). In 2020 alone, agriculture employed 1.6 million additional workers, increasing its share of employment from 47% to 54% (Heyer, Were, & Taylor, 2022). In contrast, the services sector represents 53% of the GDP and generates 38.7% of employment. Within the service sector, IT and tourism are the main activities: in 2019, they generated 43% of the country's GDP (BMZ, 2020). The industry sector remained constant as the third contributor to the national GDP (17.4%) with an employment share of 7.4% (statista, 2022).

Contribution to GDP and employment by sector ¹



Sources:
 1. Statista, 2023
 2. Kenya's top 10 exports, Daniel Workman, 2022
 3. State of the Economy: 2021 Year in Review (FSD Kenya) BMZ, 2023; Sources: Adaptation Fund, 2022 / Unlocking the potential of green SMEs in Kenya, adelphi, 2022.

Principal exports ²



Key Facts ³

- 76% of households (38.73 million people) live in rural areas
- 70%+ of Kenyan SMEs do not reach three years in operation
- Climate change has generated losses of 3-5% of GDP over the last ten years
- Gross National Income (GNI) per capita increased from \$3,159.2 to \$4,267 over the last 20 years
- 49.2% of women are employed in agriculture
- Kenya ranks 56 out of 190 economies for doing business

CIRCULAR ECONOMY OPPORTUNITIES

Kenya's economy is highly dependent on natural resources, making the country economically vulnerable to climate change. Economic structures depend on rain-fed and non-mechanized agricultural production (adelphi, 2022). According to the National Treasury and Economic Planning, climate-related economic sectors account for at least 50% of Kenya's GDP. Furthermore, it is estimated that the impacts of climate change cost Kenya around 2.6% of its GDP each year (Odhengo et al. 2021). With urgent action needed to build resilience, mitigation, and adaptation to climate change - and a need for the associated shift from linear models to the circular economy - there is a wide range of opportunities for SMEs to rethink, design and bring circular products and services to market.

Opportunities in the circular economy are present along the value chain of enterprises: from optimising inputs, maximising utility of products in the market, designing for increased durability, and retaining value. Each of these opportunities present SMEs with opportunities to tackle challenges faced in their community, as well as to reduce costs and build the resilience of their value chains in response to climate change and market risks.

These opportunities are present across Kenya's key economic sectors: the growth of businesses adopting circular principles in their activities, products, and services represent therefore an opportunity to shift to a circular, inclusive economy that provides job opportunities to women and youth.

RECENT DEVELOPMENTS IN THE CIRCULAR ECONOMY LANDSCAPE

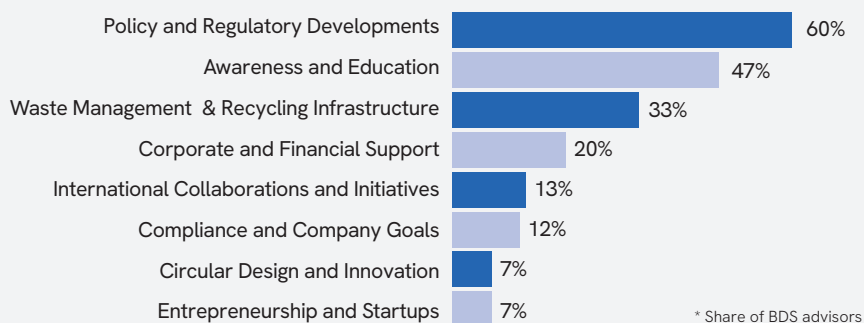
95%

BDS advisors believe that topic of circular economy has grown over the past year

83%

BDS advisors have observed a positive shift in SME engagement with circular economy practices in the last year

Areas of Most Significant Change and Development in Kenya



* Share of BDS advisors

New insights¹ reveal that **95%** of BDS advisors in Kenya believe the topic of circular economy has grown in importance over the past year. Furthermore, **83%** of advisors have observed a positive shift in SME engagement with circular economy practices. This highlights a growing interest and involvement in sustainable practices among Kenyan SMEs, suggesting a potential for wider adoption in the near future.

Kenya's progress towards a circular economy has seen significant strides over the past year. Regarding the **changes or developments that have occurred in the circular economy landscape in Kenya in the last year**, BDS advisors identified eight critical areas of transformation within the circular economy landscape. Advisors attributed the majority of these changes (60%) to **policy and regulatory developments**. Initiatives like the development of Extended Producer Responsibility (EPR) regulations and the implementation of the Sustainable Waste Management Act (2020) exemplify this focus. This highlights the government's role as a primary catalyst for unlocking circular economy practices in Kenya.

Additionally, 47% of advisors pointed to **Awareness and Education** as a key area. Advisors noted a significant rise in understanding and awareness of the circular economy among entrepreneurs and the business community, leading to more effective training programs and initiatives. Another crucial area is Waste Management and Recycling Infrastructure, cited by 33% of advisors, with examples such as the expansion of plastic collection and recycling initiatives along the coast. Our Landscape Report from 2023

¹ New insights were gathered from the mid-term survey conducted by CEC in February 2024. 23 BDS advisors responded to the survey, providing insightful information

highlighted the Sustainable Waste Management Act 2022 and an Extended Producer Responsibility (EPR) 2021. As these regulations become more familiar within the circular ecosystem, advisors anticipate them playing a significant role in shaping future practices.

Recent Initiatives, Policies, and Projects in the Circular Economy Landscape in Kenya



Policy and Regulatory Changes



Project Implementation and Collaboration



Entrepreneurial and Startup Support



Awareness and Skillbuilding Programs



City and Regional Initiatives

Information about specific **new initiatives, policies, and projects related to the circular economy that have been implemented or proposed in Kenya in the last year** was gathered. One prominent area of focus has been **Policy and Regulatory initiatives**. Kenya has introduced pivotal measures such as the Kenya Green Fiscal Incentives Policy, the National Plastics Action Plan, the Draft National Circular Economy Policy, and the forthcoming Waste Management Bill 2023. These initiatives underscore the government's commitment to embedding circular economy principles into national legislation, reflecting a growing recognition of the economic and environmental benefits.

Moreover, **Project Implementations and Collaborations** have been instrumental in driving practical applications of circular economy strategies. Partnerships with organisations like ANDE, IKEA Foundation, Kenya Climate Innovation Centre (KCIC), World Bank's Financing Locally Led Climate Action (FLLoCA), and the Kenya Green Investment Bank highlight collaborative efforts to implement innovative solutions across various sectors. These collaborations not only facilitate resource efficiency but also promote sustainable development goals at a systemic level.

In terms of **Entrepreneurial and Startup Support**, initiatives such as the Kenya Climate Innovation Centre and the Circular Innovation Hub have continued as crucial platforms. These initiatives provide essential resources, mentorship, and funding opportunities for entrepreneurs and startups dedicated to advancing circular economy innovations. By nurturing these enterprises, Kenya aims to foster a vibrant ecosystem of sustainable businesses that contribute to economic growth while minimizing environmental impact.

At the **City and Regional Level**, localized initiatives have also gained prominence. Efforts such as the Circular Economy Taskforce in Kenya and the Kenya PET Recycling Company (PETCO) demonstrate a decentralized approach to implementing circular economy principles. These initiatives empower local communities to address unique environmental challenges through collaborative action and community engagement.

CIRCULAR ECONOMY SECTORS

The **renewable energy sector** in Kenya is driven by business models focused on solar energy, converting biomass into biogas for energy supply as well as converting biomass into pellets and briquettes for cooking. This reduces deforestation, creates health co-benefits, and reduces pollution. Innovations include accessible distribution of biofuel through kiosks (e.g. KOKO Fuel), and productive use of solar energy. Solar energy is the preferred source of off-grid energy for households, especially in remote areas (RVO, 2021).

Smart and regenerative agriculture business models focus on providing technical, financial and organizational support to farmers to choose crops and varieties that are resilient against climate change, increase the quality of seeds and yields, and improve business practices. These innovations often include demo farms to show the added benefits of these practices and teach various agricultural techniques and technologies, and showcase new or improved crops. One example of this approach is the company **Caryle Enterprises**, a Circular Economy Catalyst Programme participant that benefited from a demo farm implemented by **Japur Farm** and which was focused on African Leafy Vegetables & fruits & medicinal tree seedlings nursery. Other business models support alternative distribution and access models for food, innovations that extend lifespan of food products, create different food products or provide low-impact production alternatives such as aquaponic systems.

With the construction and real estate sector being one of the fastest-growing sectors in Kenya, **green construction and building** business models have become an important pillar for the circular economy in Kenya. Business models are active throughout the whole construction life cycle: from design, construction and operation, to maintenance, renovation, and demolition stages (RVO, 2021). Some examples are the (1) development of structures with low environmental impact by creating construction materials out of construction waste, (2) energy efficiency, (3) water efficiency (collecting and treating wastewater), and (4) in-house processes (e.g.: processing sand to glass instead of exporting sand and importing glass).

Currently, Kenya runs an 80% deficit on housing units, supplying 50,000 housing units per year while the annual growing demand is 200,000 units (Centre for Affordable Housing in Africa, 2021). The majority of this demand comes from the Northern Corridor, where 85% of urban dwellers live and which connects Mombasa Port through Nairobi to Malaba, with a branch line to Kisumu, (World Bank, 2016). The housing supply targets mostly high-income and upper-middle-income segments (83% of supply), despite the majority of demand originating from lower-middle (15% of supply) and low-income (2% of supply) (Centre for Affordable Housing in Africa, 2021). Through the Affordable Housing Program, the Kenyan government aims to supply 500,000 units by the year 2022 (Karcher, et al., 2020).

In the **waste management and e-waste** sector, business models focus on separation & collection systems, (bio) waste-to-energy, recycling technology, training, and consultancy. Organic waste represents 60% of the total waste stream in Kenya, while plastics and paper together represent 25% (Karcher, et al., 2020). The informal sector plays a significant role, as it could be responsible for up to 90% of all waste that gets collected for recycling (Karcher, et al., 2020). Research has been carried out by international agencies such as UKaid and the Netherlands Enterprise Agency on repair of electronic goods as a fundamental economic activity, especially for the most vulnerable groups.

Mobile phones and electronic devices could represent at least 25% of the total repair market. Approximately 135,000 people work in the mobile phone industry (with the majority being informal workers and 85% men), and 43% are youth working in the informal mobile sector (UKaid, 2022). The informal sector (Jua Kali) also enables repair and reuse of automotive parts, a sector which is expected to in Kenya will increase from USD 8 billion in 2020 to USD 25 billion by 2030. Conditions in the Jua Kali sector are often dangerous, unhealthy and unregulated (UKaid, 2022).

Waste management business models in Kenya also cover the recovery of steel, aluminum, wood, glass, and cement. Within the waste management sector, some industries are gaining relevance such as off-grid solar products and batteries, the healthcare sector (medical devices) and packaging (UKaid, 2022).

Other sectors that are gaining relevance in the circular economy in Kenya are **plant and insect-based proteins** as a substitute for meat (RVO, 2021). Business models in this industry produce meat with fewer emissions, and develop substitute products for meat and insect-based animal feed (Karcher, et al., 2020).

Forestry is another relevant industry, with business models focusing on bio-solutions (organic fertilizers), reforestation for carbon capture and timber production, weather monitoring, soil restoration and agroforestry that promote more responsible pastoral grazing (RVO, 2021).

Textile business models are also present in the circular economy landscape of Kenya. It is estimated that Kenya has an annual import of over 100 million kilograms (kg) of second-hand clothes. In urban Kenya, around 35 million kg of textiles is discarded every year. Kenyan enterprises are implementing business models to make the textile industry, the resources used for it and the production processes more sustainable. Some examples are facilities for transforming used textiles into new fibres, new fabrics (naturally dyed), and other textile products. (RVO.nl, 2021).

Lastly, other businesses model opportunities have arisen in the field of **Digitalisation**. Enterprises are creating digital solutions such as the installation of digital meters along water infrastructures to reduce the loss of water, satellite data to monitor that facilitate the integration of big data into circular economy data reporting and platforms promoting sharing economy (RVO.nl, 2021).

Examples of SMEs adopting Circular Economy models



Florensis uses solar to power the UV lights necessary to disinfect water from Lake Naivasha.



Insectipro produces crickets for human consumption and black soldier flies as feed for cattle & soil fertilizer.



FarmerMax whose farms support free-range organic chickens that help to create blooming soil and vegetation.



Agriterra supports farmers in coffee cooperation to identify and select crops and varieties that are resilient against climate change.



Kenya Green Building Society certifies the built environment, advocates for green buildings and trains green building professionals.



NatureLock addresses harvest losses on farm level by using food surplus as ingredients for healthy convenience meals.



Timaflor uses 100% recycled flower sleeves.



Africa Wood Grow facilitates smallholder farmers in the production of timber and carbon capture through tree plantations.



JustDiggIt supports soil restoration and absorption capability through the replication of holes and soil molding like those made by the hooves of wild animals.



Through a textile sorting center and recycling plant, **TakaTaka Textile Recycling** is an initiative that turns textile waste into new raw materials for manufacturing industries.



The Weather makers helps to bring rain back where it is needed, they provide weather patterns and data about where rivers used to stream.

MAPPING UNTAPPED POTENTIAL: NEW SECTORS IN KENYA'S CIRCULAR ECONOMY

The Circular Economy Landscape Report 2023 provided a valuable snapshot of companies in Kenya embracing circular principles within the CEC programme. Broadening the view of ecosystem beyond the sectors covered in the Landscape Report 2023 is helpful to understand trends in the ecosystem. The previous report covers the sectors of 1) Green construction and building, 2) Renewable energy, 3) Waste and water management, 4) Digitalization, 5) Rare earth metals, 6) Fashion & clothing industry, 7) Agriculture, and 8) Mobility and New insights from the mid-term survey identify further examples of SMEs across various sectors that have successfully implemented circular business models within the past year. The new data confirms the importance of established circular sectors like waste management, agriculture, and renewable energy. However, the data revealed an exciting expansion beyond these traditional areas. Kenyan advisors highlighted several additional economic activities with high potential for circular economy adoption. These newly identified sectors offer valuable insights and complement the existing landscape. This expanded perspective allows to develop a more holistic understanding of circularity in Kenya.

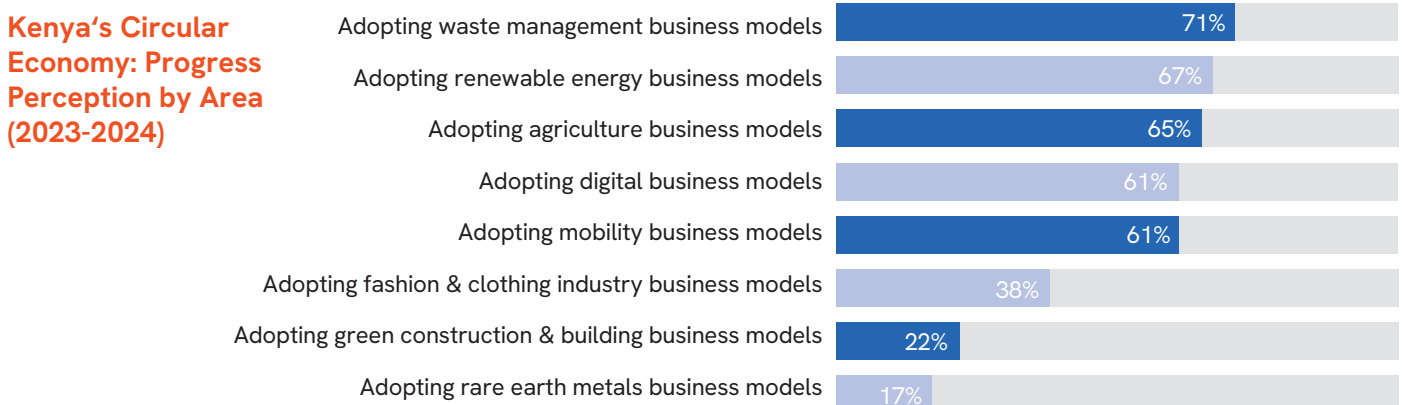
Kenya's Circular Economy: Emerging Sectors in 2023-2024

 Coastal Ecosystem Waste Management	 Low-cost Fertilizer	 IT Infrastructure	 Commercial Forestry	 EcoWorld focuses on recycling and upcycling plastic waste from land and oceans. Their mission is to promote a circular economy by empowering local women and youth through waste collection and recycling initiatives.
 Alternative Packaging	 Water Management	 Medical and Healthcare	 Urban Development and Landscaping	

Further information was gathered about new circular innovation opportunities and circular business model approaches emerging in eight key sectors for circular economy enterprises. Several relevant trends are gaining traction in the Kenyan circular economy ecosystem. These include shared and modular spaces, peer-to-peer energy sharing, data analytics for resource optimization, e-government services, urban mining, and the use of local materials. Kenyan advisors emphasized “local” utilization, aligning with our Landscape Report 2023, which highlights a shift towards local production and presents significant opportunities for developing circular business models.

 Green Construction and Building	 Renewable Energy	 Waste Management	 Digitalization
<ul style="list-style-type: none"> Prefabricated and modular construction Bio-based building materials Deconstruction and material reuse Shared and modular spaces 	<ul style="list-style-type: none"> Battery storage and microgrids Peer-to-peer energy sharing Integration of solar infrastructure 	<ul style="list-style-type: none"> Platforms connecting waste generators and recyclers Waste-to-product initiatives Repurposing food leftovers and kitchen waste 	<ul style="list-style-type: none"> Data analytics for resource optimization Remote working and enterprise solutions Logistics and e-commerce E-banking and payment systems E-government services
 Rare Earth Metals	 Fashion and Clothing Industry	 Agriculture	 Mobility
<ul style="list-style-type: none"> Urban mining Circular businesses in rare earth metals Landscaping using “Waste Land” and “Waste Materials” 	<ul style="list-style-type: none"> Second-hand clothing platforms Repair and upcycling services Sustainable material innovation Use of local materials 	<ul style="list-style-type: none"> Local food systems and community-supported agriculture (CSA) E-marketplaces Value addition Recycling food waste 	<ul style="list-style-type: none"> Charging infrastructure Shared mobility options E-mobility in public transport Electric bikes for last mile delivery

The recent survey also allowed to assess the perceived progress in Kenya regarding several key areas in the circular economy, based on a Likert scale from “No Change” to “Significant Progress”. Kenyan advisors believe there has been some to significant progress in two main topics: Kenyan advisors believe there has been some to significant progress in two main topics: Adopting waste management business models and Adopting renewable energy business models. A significant majority of BDS advisors (71% for waste management and 67% for renewable energy) rated these areas as showing significant progress in the past year. However, there is a negative perception regarding significant progress in Adopting green construction and building business models (17%) and Adopting rare earth metals business models (22%). This might be because climate finance in Kenya disproportionately targets the renewable energy sector. While other sectors like rare earth metals and construction have emerged, data from the advisors may reflect that they are still in an early phase, requiring more support and focus.



Features of the Circular Economy

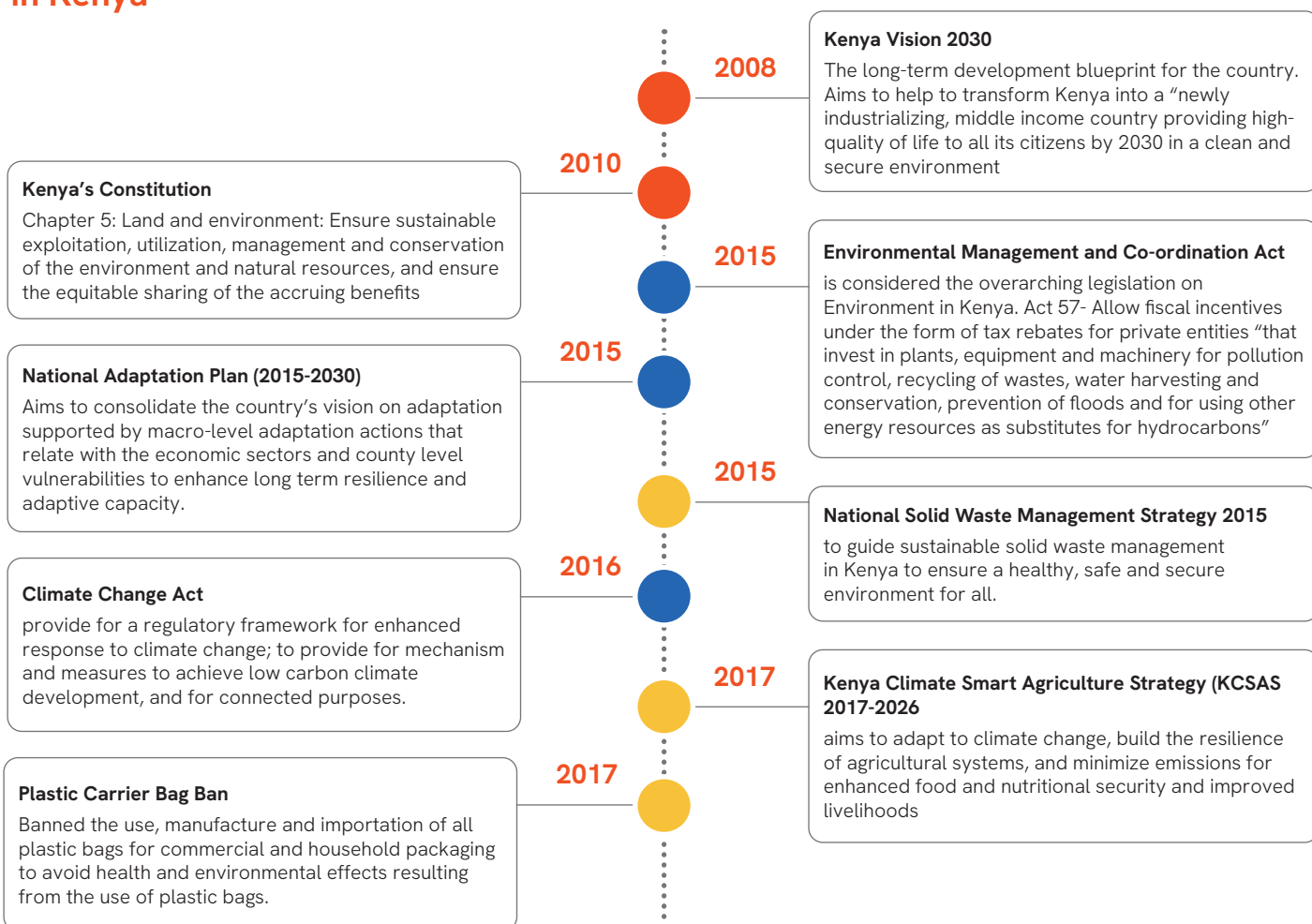
- ✓ **Kadogo economy:** sell conventional bulk products in smaller quantities so they are affordable for low-income households. Kadogo economy dominates the retail sector as about 70% of fast-moving consumer goods are sold in this way, however, it has increased the use of non-circular single-use packaged products (Karcher, et al., 2020).
- ✓ **End-consumer-based financial “reward systems”** in the form of a deposit to create an artificial monetary value on any otherwise value-less packaging to promote reuse and recycling (Karcher, et al., 2020).
- ✓ **The issue of trust:** repairing a valued item requires trust, as faulty parts or sale of the item puts continued functionality and ownership at risk. Referrals are therefore key to the repair market (UKaid, 2022).
- ✓ **Informality:** According to the Kenyan Bureau of Statistics, the informal sector creates over 90.7% of new jobs (UKaid, 2022).

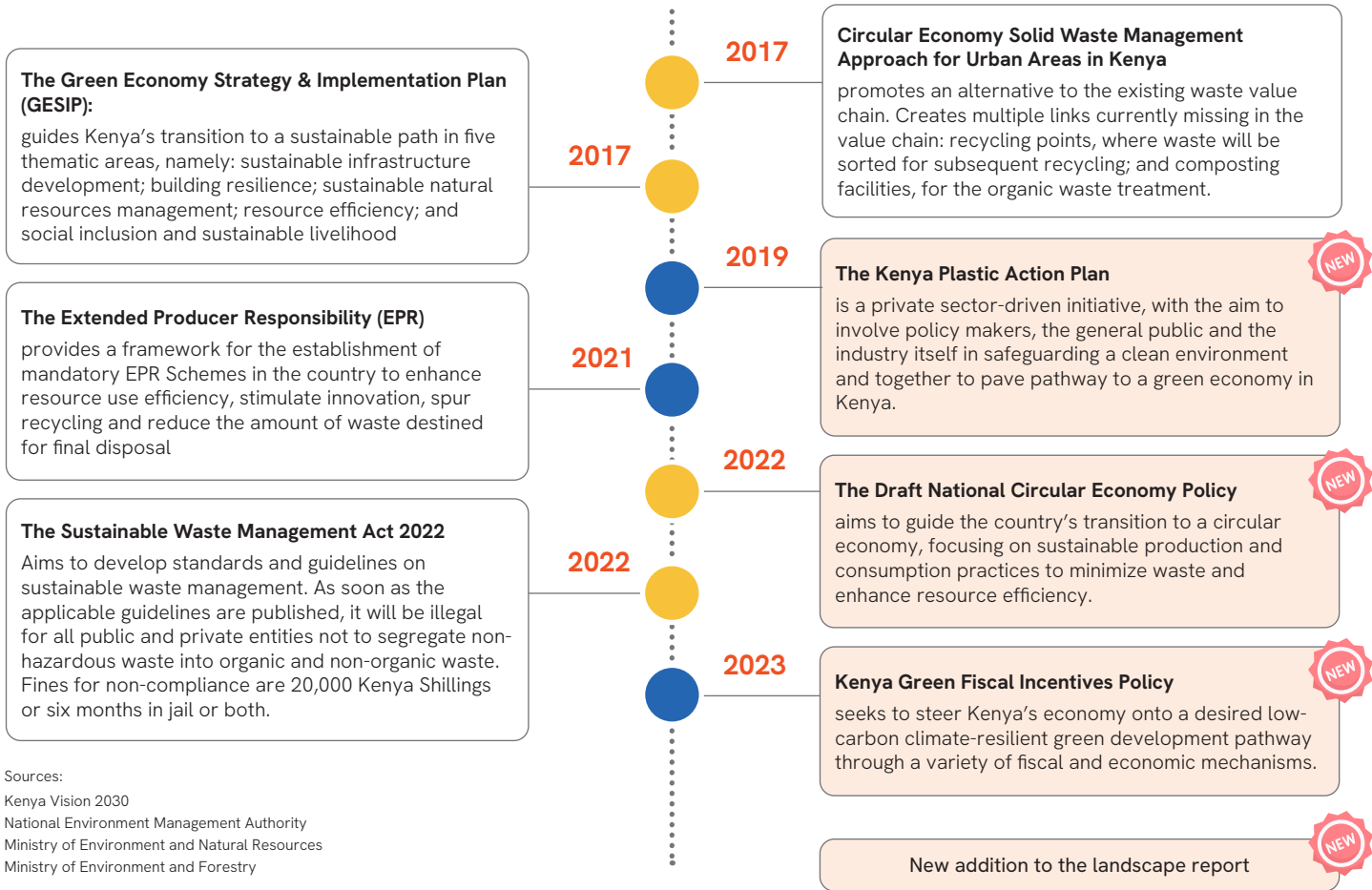
MOVEMENT TOWARDS A CIRCULAR ECONOMY AT THE POLITICAL LEVEL

Kenya is a leader in the circular transition in East and Central Africa. The concept of Circular Economy as an alternative economic framework that offers an approach to achieving local, national, and global sustainability has been gaining significant importance and support in recent years (RVO.nl, 2021). As much as the circular economy is an emerging concept in the country, it has been identified as a key area of transformational impact in Kenya’s policy frameworks and commitments. The following timeline highlights relevant political frameworks, divided into three main clusters (climate change / sector plans / socio-economic development plans).

Landscape Policy in Kenya

● Climate change ● Sector plans ● Socio-economic development plans





As part of the Socioeconomic Recovery Strategy Post-COVID-19, the government of Kenya further provided KSh 132 billion (USD 1.9 billion) of support targeting key sectors of the economy such as agriculture, tourism, and health. However, much more capital targeting green & sustainable investment is needed for these SMEs to scale. Furthermore, it's estimated that USD 40 billion of new investment is needed for the next 10 years (2020 - 2030) to implement priority climate mitigation and adaptation actions in Kenya (Odhengo et al. 2021).

SUPPORT TO SMEs IN THE CIRCULAR ECONOMY

Some of the main challenges faced by SMEs in Kenya are (1) lack of access to adequate capital/finance, (2) limited market access, (3) poor/inadequate infrastructure and technology, (4) lack of knowledge & skills, (5) new, hence not yet implemented legislation and policies and (6) context-specific conditions such as the copy-paste syndrome that can create some competition before starting or unfair/corrupt business practices that generate unfair competition for businesses that work fairly and transparently) (adelphi, 2022).

These challenges can be exacerbated in certain sectors of the circular economy, such as a lack of training on recycling, nascent or not yet implemented regulations and policies, inadequate infrastructure and technology, onsite storage of waste, inadequate record of waste streams, and high costs associated with accessing these markets (Karcher, et al., 2020) , (Horn Consult, 2021). Currently, only 40% of companies manage to sell their waste, making access to circular markets difficult (Horn Consult, 2021). Addressing these challenges requires both financial and non-financial support to SMEs. Regarding finance, credit standards remain a challenge for SMEs, who often do not have the collateral required for loans, or are unable to finance the costs of accessing loans and interest rates. Although credit demand (particularly from SMEs) is expected to increase, banks remain relatively cautious across all the sub-Saharan African subregions (Marchitto & Revoltella, 2021). In most cases, credit standards for SMEs are not supportive, SMEs face with insufficient credit history and financial records that trap these enterprises in the "missing middle" (Sloan et al.2020). Only around 31% of banks planned to ease or make flexible their credit standards in 2021 to respond to SME demand, while more than 60% tightened their standards in 2020 and less than 20% reported easing them (Marchitto & Revoltella, 2021). The below table outlines some enterprise finance offers for enterprises in the circular economy in Kenya:

Financial support offered to SMEs in the circular economy

Adaptation Fund Climate Innovation Accelerator (AFCIA)	A small grants programme supported by United Nations Development Programme (UNDP) to foster innovation in climate change adaptation in developing countries. Open to any sector that aims to encourage and accelerate new innovations, develop innovative adaptation practices, tools and technologies
AgriBiz programme	The programme provides training, business advisory and grant funding to promote the sustainable use of natural resources and encourage appropriate agribusiness practices.
DOB Equity	Invest in innovative, scalable and impactful companies in Eastern Africa. They invest in a diversified range of sectors aligned with the circular economy approach: education, food, water, clean energy, economic growth, innovation, sustainable cities, responsible consumption.
Supporting Access to Finance and Enterprise Recovery (SAFER)	An International Development Association Project that promotes the access to finance by MSMEs (including youth and women-owned enterprises). Project support for MSME's include fostering innovation, providing liquidity through microfinance banks (MFBs), savings and credit cooperative organizations (SACCOs). It focusses on topics such as Environment and Natural Resource Management, Climate change (adaptation & mitigation) and finance.
Khalifa Fund for Enterprise Development supported by the Government office in Abu Dhabi, United Arab Emirates	\$30 million in financing to small and medium enterprises in Kenya. The initiative aims to boost economic development, promote innovation and innovative projects, create job opportunities for youth, in addition, to unlock their potential, develop their skills and empower them to contribute in building a sustainable, stable national economy.
Africa SME Programme by African Development Bank (AfDB)	Supports local FIs with long term liquidity and technical assistance to successfully provide relevant financing to local SMEs. Focus on topics related to circular economy such as agriculture, climate change, energy, infrastructure, gender, water, among others.
Kenya Industry and Entrepreneurship Project (KIEP) 2019-2024.	A US\$50 million project by Ministry of Industrialization, Trade and Enterprise Development (MoITED) & WB Financial grants and technical assistance to startups, SMEs, incubators, accelerators, technology Bootcamp providers, etc. KIEP aims to increase innovation and productivity, particularly in sectors such as manufacturing and agribusiness
KCB Bank Kenya	Through the KCB Green Climate Fund, provide loans focus on financing the development of energy efficiency projects, renewable energy, climate smart projects, and green buildings.
Kenya Climate Ventures (KCV)	KCV invest equity, convertible debt, and debt in early and growth-stage businesses that provide climate-smart solutions, demonstrate sustainable competitive advantage, good management, and ethical business practices.
Hustler Fund Kenya	Its objective is to make affordable credit to sections of the population that have been left behind. The fund lends to businesses at 8 per cent a year, the lowest interest ever charged in Kenya.
European Investment Bank	An initiative by the European Investment Bank (EIB) and the Eastern and Southern African Trade and Development Bank (TDB) that aims to provide working capital, supply chain finance, and investment loans to microenterprises, SMEs and midcap companies from across all sectors including agri-food and manufacturing which have been impacted by the disruption of global trade flows
African Guarantee Fund	Promotes economic development, increase employment and reduces poverty in Africa through the facilitation of access to finance for Small and Medium Enterprises. They support projects focused on Sustainable Energy & Energy Efficiency, Cleaner Production, Climate-Smart Agriculture and Natural Resource Management.
Financial Sector Deepening Kenya - FSD	Develop financial solutions to address the challenges that low-income households, micro and small enterprises, and underserved groups such as women and youth face.
Kenya Women Microfinance Bank PLC (KWFT)	Offers an extensive range of tailor-made and affordable products, services and personalized financial solutions to create positive social change. KWFT focuses on creating solutions that protect and conserve the environment
ENZA Capital	They invest in Pre-seed, Seed, Series A, and Series B with a focus on Energy & climate-smart solutions
 Financing Locally Led Climate Action (FLLoCA)	FLLoCA programs typically provide financial support for local climate action projects. This can include grants, loans, or other forms of financial assistance to help communities implement climate resilience and adaptation projects.



= New addition to the landscape report




Banks in Kenya provided **81% of all tracked domestic private sector climate-related expenditures (KES 27 billion)** with a main focus on renewable energy projects, energy efficiency, wastewater management, and tree planting projects. The listed (5%) and non-listed (14%) Kenyan corporations provided the remaining 19% of domestic private financing (Odhengo et al. 2021).

Rural saving schemes such as **Chamma or Savings and Credit Cooperative Organisations (SACCOs)** have been paramount to ensuring some form of financial services and lending for female farmers in Kenya as they often offer more favorable lending conditions than commercial banks. Informal loans were more likely to be utilized by female-headed households on food, health and education, while formal loans are more commonly utilized by male-headed households on agriculture/ livestock inputs, food and education (adelphi, 2022).

Non-financial support

Enterprise support and research

Adaptation SME Accelerator supported by Lightsmith Group + Inter-American Development Bank	A long-term Accelerator that aims to build an ecosystem for early-stage companies in emerging markets. Focused on business services and solutions that address critical societal needs, including in the areas of energy, water, food and agriculture, and climate resilience solutions.
Shujaaz Inc	Through the “Shujaaz Biz’ digital learning community they support the up-skill hundreds of thousands of young micro-entrepreneurs working in Africa’s informal sector. Shujaaz fans access to over 750 peer-to-peer training videos, where they can learn directly from entrepreneurial young people
Busara Centre for Behavioural Economics	They work with researchers and organizations to solve an array of behavioral challenges that cut across several sectors. They tackle sectors such as financial inclusion, education, agriculture & food waste, gender, energy, among others.
Kenya Climate Innovation Center	Offers incubation, capacity building and financing options to new, small and medium business ventures and Kenyan entrepreneur. They tackle sectors such as:
Circular Innovation Hub Kenya	Focus on innovators, entrepreneurs, corporates, academia and policy makers to co-create circular solutions in an environment of trust and experimentation to address climate change, bio diversity loss and pollution
The Waste Electrical and Electronic Equipment Centre (WEEE Centre)	Monitors and create awareness in different sectors through Training on the safe e-waste handling, storage and disposal methods and their adverse effects on the public health and environment if not properly disposed
Close the Gap	Through the BOOST programme Close the Gap supports entrepreneurship and innovation by organizing innovation challenges where entrepreneurs receive the opportunity to develop their innovative ideas which provide digital solutions for societal issues.
Loopworks Ventures	Is a Circular Economy knowledge management and training firm that offer programmes to assist businesses in implementing circular business models aimed at resource efficiency, circular production, cocreation, and compliance with sustainability standards.
Aspen Network of Development Entrepreneurs (ANDE)	Besides researching circular economy topics, it also provides critical financial, educational, and business support services to small and growing businesses (SGBs)
E4Impact	The E4Impact Accelerator offers Kenyan startups a premium acceleration experience that is action-oriented, customized and results driven, with the aim of growing their enterprises, scaling impact, through facilitating Investment and market linkages to regional and international markets.
Growth Africa	Offers an intensive entrepreneur programme for SME, and Startup business support; Provides Access and fellowship with quality peers across Africa; Access to mentors and industry-subject experts, and Financial modelling
Open Capital	Offers a free anonymous online survey tool that assesses strengths and weaknesses in your organization’s talent systems, highlighting opportunities for improvement.

Institute for Small- Business Initiatives (ISBI)	Offers comprehensive innovative business programmes for entrepreneurs who wish to streamline their operations, expand their business and graduate from small informal stage to formal or higher levels of scale enterprises
Green Trade Green Trade	The project provides trade intelligence and technical assistance to strengthen the climate competitiveness of MSMEs to successfully navigate the low carbon transition
Villgro Innovations Foundation	They offer programs to incubate social enterprises that lie at the intersection of unique innovation. They support innovative, technology-based social enterprises working to mitigate climate change risk with focus sectors such as Access to Energy, Sustainable Livelihoods, Waste to Value, Sustainable Mobility
Africa Enterprise Challenge Fund (AECF)	The programme Nkwanzu Scaling Women SMEs Project (SWSP) offers women-led enterprises-centred mentorship, coaching, and investment readiness support and facilitates linkages to financial institutions. They focus on Agribusiness, Renewable Energy, Financial Services, Education, Water & Sanitation, Tech-driven Businesses and Health Care
Projects from development partners	
Climate Resilient Agribusiness for Tomorrow (CRAFT) (2018-2023) supported by the Netherlands Ministry of Foreign Affairs, implemented by SNV	A project that focuses on business case development and facilitating access to finance with FIs
Boost - Boosting circular economy of Mombasa. A multi-year project supported by RVO Netherlands, Close the Gap Kenya, the National Industrial Training Authority, MDF, Crosswise Works and GoodUp.	Aims to impact the growth of decent work opportunities, help green businesses, and improve sustainable technology while fostering the circular economy of Mombasa
USAID Feed the Future initiative in Kenya supported by the US Government	The project aims to equip small-scale producers and MSMEs (especially women- or youth-owned)) with capacities to participate and engage in agricultural market systems.
Africa Biodigester Component (ABC) (2020-2025) supported by SNV, GIZ, Netherlands Enterprise Agency,	A project that focuses on business development support as well as result-based financing
Water & Energy for Food (WE4F)	A Grand Challenge for Development (2020-2023) supported by German Federal Ministry for Economic Cooperation and Development (BMZ). The project aims to strengthen the skills of the selected innovators
O-Farms Accelerator Program (Closing the Food System Loop in Kenya) funded IKEA Foundation	Focus on circular agribusiness with the goal of making circularity a mainstream approach for improved rural livelihoods and sustainability.
Circular Economy Catalyst (CEC)	Supports circular economy enterprises through targeted incubation and acceleration programmes to help entrepreneurs to create profitable circular economy business models that generate income, positive environmental impacts and jobs.
USAID Kenya Investment Mechanism (KIM) supported by the US Government	A project that builds the capacity of FIs and business advisory service providers through training and technical assistance to facilitate private finance and investment for smallholder farmers and SMEs.
Make-IT in Africa II by German Federal Ministry for Economic Cooperation and Development (BMZ)	The project supports start-ups in aligning their business models with market conditions and trains them in shaping regional and international partnerships. There is a focus on green technology, smart city solutions and promoting women entrepreneurs
Lendable Inc. by MASSIF (Dutch Government Fund)	Lendable Inc. is the first debt platform designed specifically for African alternative lenders. A technology-enabled investment and alternatives platform that focuses on global impact alternatives and climate solutions in emerging and frontier markets. They aim to launch a Sustainable Finance Product, to make a dent in mitigation and adaption
 Kenya PET Recycling Company (PETCO)	Support and sustain the recycling of PET bottles through financial incentives and various initiatives. PETCO provides funding and support to PET recyclers, helps develop end-use markets for recycled PET (rPET), and promotes consumer education and awareness.

Associations and Networks

Kenya Private Sector Alliance (KEPSA)	Long-term SME Hub for training and capacity building
Sustainable Inclusive Business Kenya (SIB-K)	Long-term initiative for international collaboration and knowledge exchange on circular economy in Africa
Kenya Association of Manufacturers (KAM)	SME Hub for business mentorship and coaching/Tailored technical, operational and management training
Loop Forum on Circular Economy	A co-creation and collaborative forum to accelerate the circular transition across industries. The 2023 theme was 'Accelerating the circular transition - Waste to resources and cleaner production.' It focused on business opportunities and economic policies, regulations and opportunities in the circular economy.
National Environment Management Authority	Enhanced private sector adoption of green technologies and practices.
Kenya Association of Waste Recyclers	Capacity building in Kenya's Recycling & Circular Economy
Kenya Association of Resident Associations (KARA)	Actively involved on implementing initiatives aimed at promoting best environmental practices. Carry out activities to promote Information, Education and Capacity Building such as the Bi-monthly Talk Series (BTS) a virtual forum addressing topics such as waste management in Kenya
Association of Startup and SMEs Enablers of Kenya (ASSEK)	Capacity Building to facilitate business registration and compliance, capacity building, professional development and protection to its members in their efforts to foster the development of the ecosystem.
Kenya Industry and Entrepreneurship Project (KIEP) by the World Bank.	A US\$50 million initiative for Strengthening the Innovation and Entrepreneurship Ecosystem
African Circular Economy Network	They provide Capacity Building, Knowledge sharing, publications, and case studies. They serve as a Circular Economy Expert Database and promote collaboration and networking
Footprints Africa	Supports SMEs to adopt future-friendly practices, address the challenges of growth and create jobs, using supply chains as a tool for development.
Kenya Investment Authority (KenInvest)	Facilitating the implementation of new investment projects, providing After Care services for new and existing investments, as well as organizing investment promotion activities both locally and internationally.
Kenya National Innovation Agency (KeNIA)	Aims to strengthen interrelationships between actors to promote innovation and enterprise development out of research and ideas.
Women in Water and Natural Resources Conservation (WWANC)	They offer training to support women engaged in clean energy, climate change mitigation and entrepreneurship. They provide design strategies and activities that increase their skills & capacities.
Women Enterprise Fund	They serve as a networking platform with forums and Groups. They also provide capacity building to improve business performance for businesses run by women
The East Africa Venture Capital Association (EAVCA)	Serves as the interlinking platform for public stakeholders, local businesses, and private investors, building on dialogue and industry insights to create a sustainable, informed ecosystem
Kenya National Federation of Jua Kali Associations (KNFJA)	KNFJKA works towards providing a National platform through which the Primary Jua Kali Associations present their issues at the National policy level
 Africa-Europe Foundation	The purpose of the Africa-Europe Foundation is to facilitate multi-stakeholder dialogue, catalyse partnerships and unlock new opportunities that can transform Africa-Europe relations into action.

Green Finance in Kenya



In 2018, USD **2.4 billion** in public and private capital from domestic (42.2%) and international (57%) sources was invested in climate mitigation and adaptation activities in Kenya.



Around **79%** of climate finance in Kenya was focused on the implementation of climate mitigation measures while only **11.7%** was directed to adaptation and **8.5%** on cross-cutting.



Climate finance is disproportionately targeting the **renewable energy sector**, while other key sectors, like agriculture, forestry and land use, transport, and water management, are dramatically underfunded.



79% of international climate finance was used through **debt**, 19% through **grants**, and 2% with different types of **equity**



Although Kenya's finance sector is among the most sophisticated hubs in East Africa, it is a highly concentrated market with **12 listed commercial banks owning 89%** of the total assets in 2018.



Kenya has large access to the banking sector with **80% of people over 15 years having a bank account** in a financial institution.



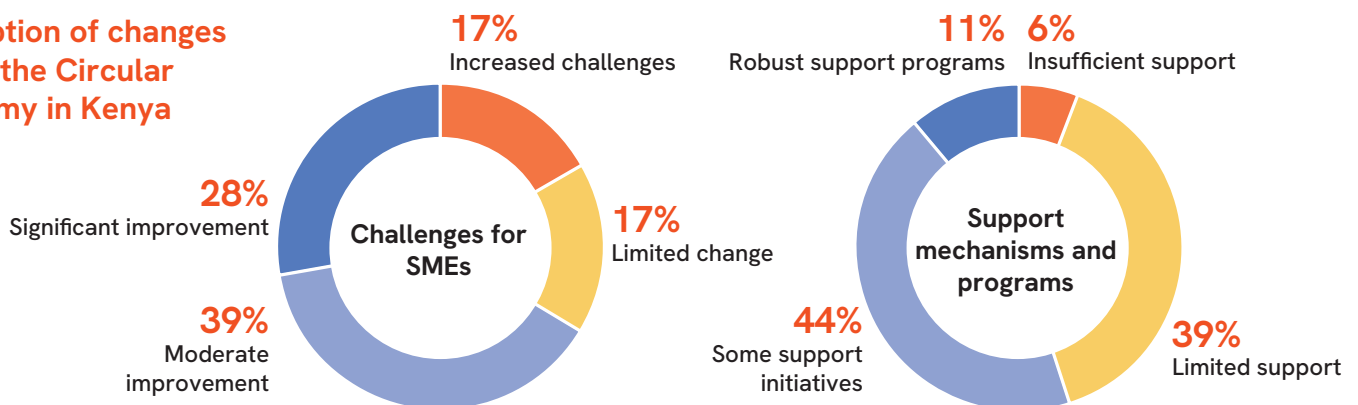
Some challenges perceived by banks with a negative impact on SME lending are a **fall in SME asset quality**, a **lack of capacity to cover their credit standards** and **reduced demand**.

Sources: The Landscape of Climate Finance in Kenya, Climate Policy Initiative, 2021 / Unlocking the potential of green SMEs in Kenya, adelphi, 2022.

Changes in the challenges faced by SMEs in the circular economy

Data from the mid-term survey shows a generally positive perception of **changes in the challenges faced by SMEs in the circular economy, particularly regarding access to capital, market access, and regulatory issues**. On a scale from 'worst conditions' to 'significant improvement,' 28% of BDS advisors reported a 'significant improvement,' indicating notable progress. 39% noted a 'moderate improvement,' suggesting positive changes with some persisting challenges. However, 17% of advisors believed there has been an 'increase in challenges,' indicating greater difficulties for SMEs in accessing capital, markets, and navigating regulations.

Perception of changes within the Circular Economy in Kenya

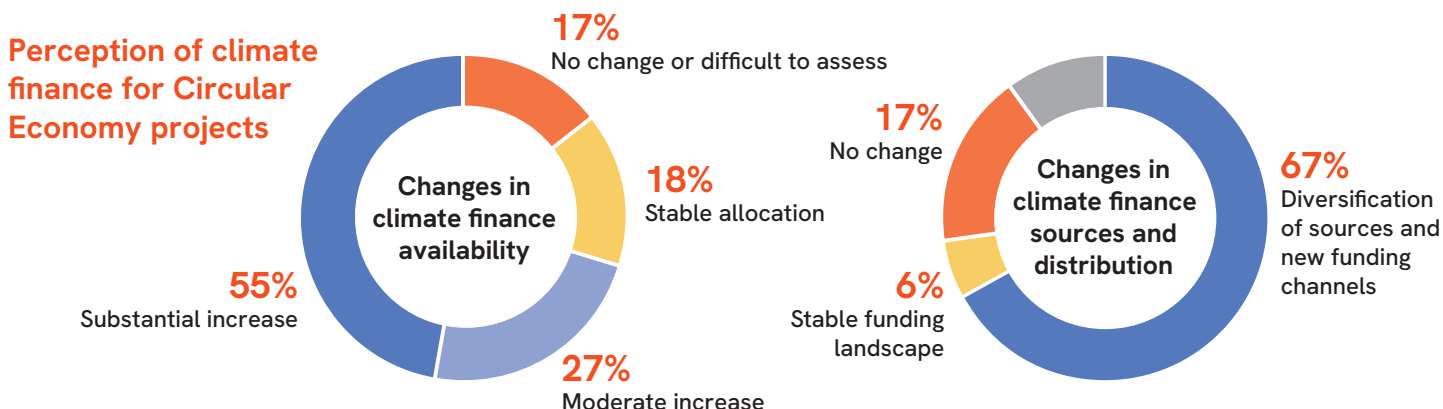


To gain a deeper understanding of the perceived support landscape for circular economy initiatives in Kenya, advisors' perceptions of existing support mechanisms and programs to address these challenges were also assessed, resulting in a positive outlook. 55% of Kenyan advisors perceived there were 'some robust initiatives' (44%) or 'robust support programs' (11%) available. This suggests a growing ecosystem of support for circular economy businesses in Kenya. However, it's important to note that 6% of advisors still felt there was 'insufficient support'. This highlights the need for continued efforts to strengthen and expand support mechanisms in order to fully unlock the potential of the circular economy in Kenya.

Furthermore, advisors shared insights on developments in climate finance for circular economy projects in Kenya and their views on funding availability for these projects.

Increased Climate Finance Availability shows a positive outlook.² 61% of advisors reported a 'moderate and substantial increase' in climate finance, while 17% indicated a 'stable allocation.' Notably, only 17% felt there was 'no change' or found it 'difficult to assess.'

Diversification of Funding Sources: Regarding changes in the sources and distribution of funds for climate-related activities, 67% of BDS advisors believe there has been a diversification of sources and new funding channels, while 11% believed the funding landscape had a shift in priorities. 17% expressed that there was no change in the sources and distribution of funds in the last year.



CONCLUSION & HIGHLIGHTS:

As Kenya is projected to almost double its population by 2050 (with the implications of an increase in the demand for more resources and services) and with the current high dependence on climate-sensitive natural resources, the transition to an inclusive circular economy in Kenya is more important than ever. Circular economy approaches represent an opportunity for a transformational impact while addressing these challenges. Although Kenya has developed a dynamic enterprise ecosystem and national mechanisms to foster and facilitate the country's transition towards a low-carbon resilient development pathway, significant challenges and opportunities remain.

- **Demo farms** can help to revolutionise Kenyan agriculture and accelerate the adoption of game-changing innovations since agri-businesses can learn new ways of doing things without having to do it on their farms.
- **In-house processes** (Locally processing/creating a product instead of importing) represent a potential opportunity for circular business models.
- The repair market in Kenya is majority driving by **male and young informal workers** under dangerous, unhealthy and unregulated conditions.
- **Kadogo economy** is a convenient but non-circular approach activity that dominates the retail sector as about 70% of fast-moving consumer goods are sold in this way.
- **Reward systems** have arisen as an effective strategy to incentivize and promote reuse and recycling among customers.
- The Kenyan repair market faces a lack of customer trust. The '**referrals**' approach plays a fundamental role for customers when deciding where to repair their products.
- Although Kenya's finance sector is among the most sophisticated hubs in East Africa, there is a **lack of financial instruments** targeting circular economy projects.
- Although agriculture, forestry and land use, transport, and water management are key economic sectors towards sustainable development, the **renewable energy** sector accounts for the majority of climate finance in Kenya.

² The percentage indicates the share of BDS advisors who assessed the change of funding availability for circular economy projects in each category ranging from "Substantial Increase" to "Significant Decrease,"

Recent Developments and Trends

- **Increased Importance and Engagement:** A substantial 95% of respondent BDS advisors believe that the circular economy has gained importance over the past year. 83% of advisors observed a positive shift in small and medium-sized enterprises (SMEs) engaging with circular economy practices, indicating a growing interest and involvement in sustainable business models.
- **Key Areas of Transformation:** 60% of advisors attributed the majority of changes to policy and regulatory initiatives, such as the development of Extended Producer Responsibility (EPR) regulations and the implementation of the Sustainable Waste Management Act (2020). 47% of advisors highlighted increased awareness and education, noting significant improvements in understanding circular economy concepts among entrepreneurs and the business community.
- **Policy Initiatives:** Kenya has introduced key policies like the Kenya Green Fiscal Incentives Policy, National Plastics Action Plan, Draft National Circular Economy Policy, and the Waste Management Bill 2023, underscoring the government's commitment to circular economy principles.
- **Project Implementations and Collaborations:** Collaborative efforts with organizations such as ANDE, IKEA, Kenya Climate Innovation Centre (KCIC), World Bank's FLLoCA, and the Kenya Green Investment Bank have been instrumental in driving practical applications of circular economy strategies.
- **Entrepreneurial and Startup Support:** Initiatives like the Kenya Climate Innovation Centre and the Circular Innovation Hub provide crucial resources, mentorship, and funding opportunities for startups dedicated to circular innovations.
- **City and Regional Initiatives:** Localized efforts such as the Circular Economy Taskforce in Kenya and the Kenya PET Recycling Company (PETCO) empower communities to address environmental challenges through collaborative action.
- **Challenges for SMEs:** While there has been notable progress in areas like access to capital, market access, and regulatory issues, 17% of advisors noted an increase in challenges, indicating persistent difficulties for SMEs.
- **Support Mechanisms:** 55% of advisors perceived robust support programs for circular economy businesses, although 6% still felt there was insufficient support, highlighting the need for continued efforts to strengthen support mechanisms.
- **Climate Finance:** 61% of advisors reported a moderate to substantial/moderate increase in climate finance, with 17% indicating stable allocation. 67% of advisors believed there has been a diversification of sources and new funding channels for climate-related activities, reflecting a positive shift in the funding landscape.

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