MITIGATION
NON-BLENDED

Project Name	Acorn Holdings Corporate Green Bond[1]
Country/Region	Kenya
Sector	Real Estate
Project/Investment Amount	~$36 million
Development Partner(s)/Stakeholders	International Finance Corporation
COUNTerPARTY Ministry/ Institution	Acorn Holdings Africa
Investor(s) and Funders	Private institutional investors
GUIDEBOOK TAXONOMY FINANCIAL SYSTEM ACTOR	Private Institutional Investors and Asset Managers Philanthropy, private donors and impact investors
Project Overall Goal	The security, a five-year project bond, was intended to fund the construction of six purpose-built, student accommodation properties in Nairobi, Kenya.
Project Outcomes	The project was able to raise 2.15x their minimum funds threshold and was able to fund the building of green and environmentally friendly accommodation for 5,000 university students in Nairobi.
Alignment with Country Identified Climate Strategies, NDCs, etc. (if applicable)	N.A.
Contribution of the Project to the UN SDGs	The project positively impacts: • SDG 6 (clean water and sanitation) • SDG11 (sustainable cities and communities) • SDG 13 (climate action).
Socioeconomic Impact	Helios Investment Partners, the predecessor to Acorn Holding Limited, has a history of "developing and managing quality, affordable rental accommodation, starting with purpose-built student accommodation".
Environmental Impact (on climate mitigation and/or adaptation)	The projects were benchmarked against International Finance Corporation EDGE Platform (Excellence in Design for Greater Efficiencies) for water use, energy efficiency and low embodied energy in building materials, with the aim of achieving low operational utility costs and low carbon impact to the environment in the long term.
Enabling Environment (Supporting Policies)	The approval and subsequent issuance of Kenya's first Green Bond was done under the framework of the Policy Guidance Note on Green Bonds, which had earlier been issued by the Capital Markets Authority (CMA) in February 2019. It was the first time the policy was being applied and tested.
Technical Assistance (If Provided)	N.A.
Financing model/approach (ex: Blended finance)	Secured corporate debt
Rationale for financing model/approach	N/A

[1] Sustainable Finance Initiative. 2020. Case study: Success of East Africa's Debut Green Bond Issue: the case of Acorn Holdings. SFI. https://sfi.kba.co.ke/uploads/case-studies/pdf/Acorn%20Holdings%20-%20Green%20Bond%20Issuance%20Case%20Study.pdf

Financial instrument(s) (loans (commercial/ concessional), equity, guarantee)	Senior, secured, rated, and guaranteed bond issue
Diagram of the financing structure	N.A.

Executive Summary

In October 2019, Acorn Holding Limited issued the first corporate green bond in Kenya and East Africa. The real estate development and management company raised ~$36M to develop a six-building dormitory project to house 5,000 students in Nairobi. The five-year project bond was used to build projects that were benchmarked against International Finance Corporation EDGE Platform (Excellence in Design for Greater Efficiencies) for water use, energy efficiency and low embodied energy in building materials, with the aim of achieving low operational utility costs and low carbon impact to the environment in the long term. Sophisticated investors were offered a senior, secured, rated and guaranteed bond under the Green Bonds Program-Kenya (GBPK). Stanbic Bank Kenya and SBG Securities served as advisors to the transaction.

The Green Bond, issued by Acorn Project (Two) Limited Liability Partnership, was a fixed rate, five-year variant. It was a senior, secured, rated and guaranteed issue. The funding structure was hinged on an upfront commitment with deferred drawdown schedule. Priced at a fixed rate of 12.25 percent per annum, the Acorn Green Bond has a five-year tenure, with an early redemption clause at the issuer's option, with land and developments thereon being the principal security. The issue was issued under the private sector-led Green Bond Programme – Kenya. It aims to promote financial sector innovation by developing a domestic green bond market, is brought together by the Kenya Bankers Association (KBA), Nairobi Securities Exchange (NSE), Climate Bonds Initiative, Financial Sector Deepening (FSD) Africa and FMO - Dutch Development Bank. The program has also benefited from technical support and guidance from the International Finance Corporation (IFC), the World Bank private sector wing and World Wildlife Fund (WWF)-Kenya. Stanbic Bank Kenya acted as arranger.

Analysis

What made this project successful?	The project faced several enabling factors that allowed the issuance of the bond. In particular, in 2019 the regulator Capital Markets Authority had issued its Policy Guidance Note on Green Bonds, creating a facilitative regulatory regime. The GBPK was also able to garner support both from the private and public sector, being able to develop and achieve trust from local capital markets. The underlying project and asset pipeline was fundamental to bring the project to fruition in a relatively short amount of time, while the restricted public offer allowed for large, sophisticated investors to participate and strengthen their environmental, social and governance (ESG) strategies.
To what extent is this model scalable?	Equivalent green bond frameworks are easy to scale, particularly in countries where capital markets are strong in local currency terms, as well as where the pipeline of eligible projects is robust. The bond was issued under the company's medium term note programme.
What are the necessary conditions to make it replicable in other countries/regions?	Government and public authorities are fundamental to produce the required framework to validate the underlying offering and assets of green bonds, as well as ample support from private sector actors including financial market stakeholders and real economy project developers.
Constraints/Drawbacks of Financing Model	Markets where local currency risks are high and/or where capital markets are underdeveloped may face severe challenges in developing regulatory regimes and demand conducive to the issuance of corporate green bonds.
Lessons Learnt	The viability of the bond was partly due to the presence of a partial guarantee to cover 50% of the principal and interest due by GuarantCo, which made the risk profile of the bond attractive for sophisticated investors. Additionally, the underlying fundamentals of the real estate development project, in particular the growing youth population and rapid urbanization, served to prove the robustness of the investment thesis. Finally, the project was accompanied by the Climate Bonds Initiative (green bond certification), Moody's (credit rating agency), MaceYMR (technical advisor), IFC edge (green certification of project), EY (auditor of financial model), and GuarantCo (guarantee), lending credibility to the issuance.