Concept Note

National Environment Trust Fund Green Environment Fund (NETGEF)

Kenya | African Development Bank (AfDB)

31 August 2016

GREEN CLIMATE FUND

Concept Note

The Green Climate Fund (GCF) is seeking high-quality projects or programmes.

Accredited entities may choose to submit a concept note, in consultation with the relevant national designated authority, to present the proposed project or programme idea in order to receive early feedback and recommendation.

Project/Programme Title: NETFUND GREEN ENTERPRISE FUND (NETGEF)

Country/Region: KENYA EAST AFRICA

Accredited Entity: AFRICAN DEVELOPMENT BANK

National Designated Authority: NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY

Please submit the completed form to fundingproposal@gcfund.org[1]

A. Project / Programme Information	
A.1. Project / programme title	NATIONAL ENVIRONMENT TRUST FUND GREEN ENVIRONMENT FUND (NETGEF)
A.2. Project or programme	Programme
A.3. Country (ies) / region	Kenya
A.4. National designated authority(ies)	NEMA
A.5. Accredited entity	African Development Bank
A.6. Executing entity / beneficiary	Executing Entity: Beneficiary:
A.7. Access modality	Direct ☒ International ☐
A.8. Project size category (total investment, million USD)	Micro (≤10) ☒ Small (10<x≤50) ☐ Medium (50<x≤250) ☐ Large (>250) ☐
A.9. Mitigation / adaptation focus	Mitigation ☐ Adaptation ☐ Cross-cutting ☒
A.10. Public or private	public
A.11. Results areas *(mark all that apply)*	*Which of the following targeted results areas does the proposed project/programme address?*
	Reduced emissions from: ☒ Energy access and power generation (E.g. on-grid, micro-grid or off-grid solar, wind, geothermal, etc.) ☐ Low emission transport (E.g. high-speed rail, rapid bus system, etc.) ☐ Buildings, cities, industries and appliances (E.g. new and retrofitted energy-efficient buildings, energy-efficient equipment for companies and supply chain management, etc.) ☒ Forestry and land use (E.g. forest conservation and management, agroforestry, agricultural irrigation, water treatment and management, etc.)
	Increased resilience of: ☒ Most vulnerable people and communities (E.g. mitigation of operational risk associated with climate change – diversification of supply sources and supply chain management, relocation of manufacturing facilities and warehouses, etc.) ☒ Health and well-being, and food and water security (E.g. climate-resilient crops, efficient irrigation systems, etc.) ☐ Infrastructure and built environment (E.g. sea walls, resilient road networks, etc.) ☒ Ecosystems and ecosystem services (E.g. ecosystem conservation and management, ecotourism, etc.)
A.12. Project / programme life span	……5……… years
A.13. Estimated implementation start and end date	Start: ……July 2017…………………... End: ……July 2022……………..

[1] Please use the following naming convention for the file name: "[CN]-[Agency short name]-[Date]-[Serial number]" (e.g. CN-ABC-20150101-1).

B. Project/Programme Details	
The Fund requires the following preliminary information in order to promptly assess the eligibility of project/programme investment. These requirements may vary depending on the nature of the project/programme.	
B.1. Project / programme description (including objectives)	NETFUND is in the process of the establishing the NETFUND Green Enterprise Fund (NET-GEF). The fund will initially run as a revolving fund in the short-to-medium term but will have future prospects for expansion into a Venture Capital Fund and endowment fund. The overall objective of the NET-GEF will be: *To provide access to innovative, practical and affordable capital for inclusive green enterprises. The specific objectives of the project is to:-* a) Provide access to grants and low interest loans to deserving green enterprises b) Provide a mechanism that will attract private and public funding c) Enhance capacity and therefore sustainability of green enterprises and green growth promotion in Kenya. *Phase I of the project will seek to establish a revolving fund and grants model. NETFUND will provide loans of between KES 5Million and KES 50 million to middle-stage start-ups whose maximum serviceable period will be five (10) years depending on the amount taken and arrangements that will be negotiated with the selected financial institutions. Efforts will be put in place to ensure that the interest rates are kept at a minimum, ranging from 5-8%. The latter is far from the current commercial interest rate which is at 17.9% (CBK, 2016).* *NETFUND will also competitively identify idea and early stage start-ups that demonstrate good business potential but lack credit characteristics to enable them access loan facilities. This category of beneficiaries will receive grants of up-to KES 2M.* *NETFUND has an established Award programme dubbed the NETFUND Green Innovations Award. This programme seeks to identify Through NETFUND GIA, acceleration-ready applicants will be identified, appraised and awarded the loans based on merit and need.* *It is important to note that the target beneficiaries for the grants and loans will primarily (but not totally) be drawn from the NETFUND incubation progress whose prelude is a rigorous NETFUND GIA selection process. The organization will review the selection and evaluation process to ensure it is versatile enough to accommodate diverse levels of innovators.* *NETFUND intends to attract resources into this fund from development partners, the GoK and other private entities. Initially, emphasis will be on grant funding but this will be reviewed over time to also include concessional loans.* *Whilst a low interest loan facility greatly enables SMEs to acquire funds necessary to ground their businesses at the very initial stages, it requires that SMEs have demonstrable capacity to repay the loans. This is a practical challenge to early-stage start-ups that may have great potential but with no evidence to support a loan application and thus presenting a critical financial gap. A grant on the other hand presents financial limitations that may not allow an entrepreneur to explore all possibilities that would result in growth.* *VCs support start-ups that have a challenge in accessing more traditional financial resources such as grants and loans. Venture capital provides an injection to start-ups that may not yet have sufficient evidence for profitability which is a critical requirement in the acquisition of a loan.* *It is within this background that NETFUND will therefore pursue venture capital provision in the second phase of the project. This will also enable start-ups to benefit from the growing number of venture capitalists in Kenya looking for businesses to invest in. NETFUND is pursuing appropriate partnerships through the East Africa Venture Capital Association and other several venture capital firms with whom the organization is currently engaging. In addition to the capital, beneficiaries will have additional value-adding engagements that are typical of a venture capital partnership.*

	This includes monitoring, skills and expertise, shared risks and reputation for attracting further finance.
B.2. Background information on project/programme sponsor	Describe project/programme sponsor's operating experience in the host country or other developing countries. *According to (World Bank, 2010), a large injection of capital is not necessarily a panacea for SMEs' growing pains at start-up, early-stage, or growth phases. Frequently, such enterprises require more hand-holding, mentorship, and other capacity-development assistance before they can effectively absorb new capital. NETFUND has therefore made arrangements to ensure that the NET-GEF capital facility is complemented by a robust capacity building support system to ensure eventual success of entrepreneurs. NETFUND will therefore propose three interlinked components, based on NETFUND's wealth of experience that will strengthen the overall program. These comprises of the NETFUND GIA Awards program, the NETFUND Business Incubation Program and a Technical Assistance Facility.* **I. The Awards Program** *NETFUND-GIA is an annual flagship program of NETFUND that identifies, recognizes, awards and nurtures innovative green initiatives that lead to better environmental management and economic growth. So far NETFUND has run two previous phases of this award and is currently running phase III of the program.* **a) Historical Growth** *The first ever award program that NETFUND facilitated was the Nature Challenge Africa (NCA) competition. This was administered and jointly co-managed with the World Wildlife Fund for Nature (WWF) Kenya Country Office. The winner of the NCA was Mr. Eric Muthomi who used the award money to establish Stawi Foods; a company that creates value addition to the banana plant through converting it into flour. To-date, Eric has employed over 50 people and improved livelihoods of hundreds of banana farmers who are predominantly women. He has also been listed on the Forbes magazine as one of Africa's young top 30 entrepreneurs. One of the main lessons from the NCA project was the need to promote green entrepreneurship as a tool for addressing environment degradation and poverty in Kenya. It is through this success and lessons learnt that bolstered NETFUND's decision to run another award in the subsequent year.* *In 2012, NETFUND singly ran the Prestigious Green Award[2] (PGA) with financial support from the Government of Kenya. The program was a great success. One of the 11 winners was Mr. George Kanyi, a youthful and former street boy who rehabilitated the Nanyuki dumpsite into productive land. He cultivated various crops in the rehabilitated land and created jobs for over 20 street boys. This resulted in other multiplier effects such as improved security in an area which was previously prone to rampant insecurity.* *The NETFUND awards scheme continued to improve in its design from the PGA (NETFUND GIA phase 1) to the NETFUND Green Innovations Award, phase II. An evaluation of NETFUND GIA Phase I revealed that greater impact could be achieved by strengthening the program management and supporting innovators to establish enterprises. This thinking was incorporated in NETFUND GIA phase II awards where the project sought to recognize and reward green innovations that could be developed into viable businesses. Consequently, the program commenced the provision of business support services to potential green innovations. This would entail further*

[2] Also referenced as NETFUND Green Innovation Awards Phase I

	development of their business models in order to enhance commercialization and to leverage on investments. The project also strengthened its management structures by constituting the National Steering Committee (NSC) and rigorous engagement of auditors to review its processes. But perhaps the most significant improvement was NETFUND GIA phase II's incorporation of the incubation component with an aim of supporting the winners to develop their innovations further to be market ready. *In April 2015, the Embassy of Sweden in Nairobi commissioned an independent program evaluation. The evaluation took note of the immense efforts dedicated to building institutional capacity, formulation and institutionalization of organizational and process policies, adoption of an electronic process to manage the awards process, development of guidelines to standardize judging processes and independent audit of award processes among others. The report also noted the remarkable impact that the program had recorded at community level such as greater access to clean and reliable water, access to clean energy with a significant reduction in wood fuel usage and creation of green jobs.* *NETFUND GIA III was therefore designed taking into consideration the findings of both the SIDA-supported evaluation and KPMG process audits. NETFUND GIA III was launched on 24th of November, 2015 and 13 winners were announced in a Gala event held on the 19th of May 2016. Through this programme another 40 projects are due to be inducted into the incubation programme.* *Some of the responsive measures and distinguishing characteristics of the new program as compared to the previous phases are in such areas as the categories, thematic areas of focus, program components, a more intentional gender mainstreaming approach, formalization of partnerships and structured engagement, development of a NETFUND-owned and hence controlled MIS system, a more robust engagement of judges and enhanced awareness creation. GIA III has included the new Agribusiness and Waste management thematic areas in addition to the Energy and Water thematic areas that were the focus for GIA II* *NETFUND will establish a separate fund to facilitate running of the NETGEF. This will mean development of a Trust Deed with NETFUND Trustees as the trustees of the new entity. Thus the management of NETGEF will be under oversight authority of the NETFUND Board of Trustees. The NETFUND secretariat will manage the day to day operations of NETGEF while the marketing and disbursement of loans and grants will be undertaken by the financial intermediary identified.*
B.3. Market overview	*The Micro and Small Enterprise (MSE) sector is an important source of goods and services and employment in Kenya. In 1999 when the last comprehensive survey was conducted, the sector accounted for 2.3 million people, which represents over 50.0 per cent of the working population. Although majority of MSEs in Kenya operate informally, there are over 41,000 formal MSEs, employing over 42.0 per cent of the working population (KNBS, 2012).* *A more recent survey dated 31st August 2016, indicates that the sector now employs 15.2 million Kenyans with 9 million in the Micro and Small Enterprises while the Medium enterprises employ 6.2 million. Of great concern is the finding that in the last five years over 2.2 million SME have shut down and majority of these are women owned. (Kenya National Bureau of Statistics, 2016)* *According to a 2016 Kenya Economic Report by Kenya Institute for Public Policy Research and Analysis (KIPPRA), the Micro and Small Enterprise (MSE) sector is a critical pillar of the economy because majority (75%) of all modern establishments in Kenya are MSEs. The sector, however, is faced with the challenge of informality. Tackling informality therefore forms a critical policy priority.* *It is important to note that the target beneficiaries for the grants and loans will primarily (but not totally) be drawn from the NETFUND incubation progress whose prelude is a rigorous NETFUND GIA selection process. The organization will review the selection and evaluation process to ensure it is versatile enough to accommodate diverse levels of innovators focusing on the Micro level enterprises.*

	Provide the key competitors with market shares and customer base (if applicable). *In Kenya Commercial Banks are the dominant financial services providers in the Kenya market. There are 44 registered commercial banks offering a wide array of services including lending to the Micro and Small Enterprises Sector. However according to a 2010 report by the Capital Markets Authority, Banks in Kenya are invariably restrictive in lending to SMEs. Early stage ventures often have a low equity base and lack a visibility in cash flow, which can sustain debt finance. Further, the loans are collateralized, high cost and often are bundled with a delay in receivables. With the banks increasingly being in the public eye, there is an increased element of risk averseness. The course of debt financing from a development finance institution has not been a runaway success. Bond finance as an option is as good as negligible even for larger corporates in Kenya, let alone being workable for an SME. The MFI sector is growing but not rapidly enough and certainly not large and structured enough to provide the required capital. The same may be said of the Venture Capital industry, which has stagnated over time and will have to attain greater significance for Kenya to achieve breakaway growth.* *A large part of the capital required by SMEs still comes from lending by Non-Bank Financial Institutions (NBFIs) and through informal finance – wherein the cost of borrowing is significantly high. Thus, the situation is complicated by the fact that the preferred mode of finance is self – largely due to associated high interest rates.* Provide pricing structures, price controls, subsidies available and government involvement (if any). *A financial Sector deepening (FSD) study shows that the total SME lending portfolio in December 2013 was estimated to be KSh332 billion, representing 23.4 per cent of the banks' total loan portfolio. The SME portfolio grew fast in absolute values but also as a percentage of total lending: in 2009 and 2011 the total SME portfolio was estimated to be KSh133 and KSh225 billion, respectively, representing 19.5 and 20.9 per cent of total lending. These figures show that in the context of the general growth of the financial sector, SME financing is growing at a relatively fast rate, and is thereby representing a growing share of the commercial banks' notwithstanding the high interest rates regime currently prevailing.* *In recognition of the centrality of the SME sector as a development catalyst, the Government of Kenya has undertaken several interventions including the Women Enterprise Fund and the Youth development Fund. These are funding vehicles providing funding at low interest rates to vulnerable groups that would otherwise be unable to access funding from the Commercial Banks.*
B.4. Regulation, taxation and insurance	Provide details of government licenses, or permits required for implementing and operating the project/programme, the issuing authority, and the date of issue or expected date of issue. *NETFUND is a Government Body under the Ministry of Environment, Natural Resources and Regional Development Authorities. The operations of the Fund are guided by a Trust Deed anchored in an Act of Parliament (EMCA 1999). The Deed expressly allows NETFUND to engage in setting up financial structures and as such there is no additional licences required for implementation of NETGEF.* Describe applicable taxes and foreign exchange regulations. *No additional taxes are envisaged except those that are applicable to business.* Provide details on insurance policies related to project/programme. *Insurance policies will be obtained for the loan facilities as appropriate.*
B.5. Implementation arrangements	Describe construction and supervision methodology with key contractual agreements. *Not Applicable* Describe operational arrangements with key contractual agreements following the completion of construction.

	Not Applicable Provide a timetable showing major scheduled achievements and completion for each of the major components of the project/programme. 1. Development of structures and strategy documents 2. Obtain approval from Treasury and the parent Ministry 3. Identification of a financial intermediary and signing of necessary agreements

C. Financing / Cost Information

C.1. Description of financial elements of the project / programme	Please provide: • a breakdown of cost estimates analysed according to major cost categories. *A cash flow projection is attached to this concept note* • a financial model that includes projection covering the period from financial closing through final maturity of the proposed GCF financing with detailed assumptions and rationale; • a description of how the choice of financial instrument(s) will overcome barriers and achieve project objectives, and leverage public and/or private finance. *The financial instrument will be mainly loan and grants. The loans are offered at a concessionary rate thus enabling more beneficiaries to access the facilities thus allowing the Bottom of the pyramid target group to access the facilities while promoting environmental enterprises.*

C.2. Project financing information		Financial Instrument	Amount	Currency	Tenor	Pricing
	Total project financing (a) = (b) + (c)	Loan	10,000,000	million USD ($)	3 years	8%
	(b) Requested GCF amount	(i) Senior Loans (ii) Subordinated Loans (iii) Equity (iv) Guarantees (v) Reimbursable grants * (vi) Grants *	………………… ………………… ………………… ………………… ………………… …10,000,000………		( ) years ( ) years	( ) % ( ) % ( ) % IRR
		** Please provide detailed economic and financial justification in the case of grants.*				
		Total Requested (i+ii+iii+iv+v+vi)	…………………			
	(c) Co-financing	**Financial Instrument**	**Amount**	**Currency**	**Name of Institution**	**Seniority**

			………………… ………………… ………………… …………………	Options Options Options Options	………………… ………………… ………………… …………………	
		Lead financing institution: ………………………				
	(d) Covenants					
	(e) Conditions precedent to disbursement					

D. Expected Performance against Investment Criteria

Please explain the potential of the Project/Programme to achieve the Fund's six investment criteria as listed below.

D.1. Climate impact potential *[Potential to achieve the GCF's objectives and results]*

Specify the climate mitigation and/or adaptation impact. Provide specific values for the below indicators and any other relevant indicators and values, including those from the Fund's Performance Measurement Frameworks.

SECTOR	SUB-SECTOR	ABATEMENT POTENTIAL BY 2030 ($MtCO_2$)	NETFUND CONTRIBUTION
ENERGY	Geothermal power	14	N/A
	Improved cook-stoves	5.6	0.028
	LPG	1.5	N/A
TRANSPORT	Bus Rapid Transit & Light Rail Transit	2.8	N/A
	Biodiesel	1.2	N/A
INDUSTRIAL PROCESS EMMISSIONS AGRICULTURE	Efficient charcoal kilns	1.6	0.008
	Agroforestry	4	0.02
	Conservation tillage	1.1	0.0055
	Cropland management	1.2	0.006
FORESTRY and other land use	Restoration of forests on degraded lands	32.6	0.163
	Restoration of degraded forests	6.1	0.0305
	Reducing deforestation and forest degradation	1.6	0.008
Waste	Methane gas capture	1.1	0.0055
TOTAL ABATEMENT POTENTIAL FROM INCUBATION BY 2023*			**0.244**

D.2. Paradigm shift potential *[Potential to catalyze impact beyond a one-off project or programme investment]*

Provide the estimates and details of the below and specify other relevant factors.

- Potential for scaling-up and replication (e.g. multiples of initial impact size)
- Potential for knowledge and learning
- Contribution to the creation of an enabling environment
- Contribution to the regulatory framework and policies

NETGEF will be implemented centrally but will have used decentralized structures to reach most of the regions countrywide through partnership. Operationally NETGEF will be administered through a financial intermediary with branches countrywide. NETFUND has already held discussions with Kenya Commercial Bank which has over 250 outlets countrywide making it the largest commercial bank in the East African Region. This kind of platform will create enablement for replication and scaling up of the services to a wider population and also create inclusivity in allowing all part of the Country to access these facilities.
Funding opportunities for environmental entrepreneurs will therefore be enhanced with the lessons learnt to influence development of regulatory framework and policies.

	NETGEF will create an enabling environment through offering loan facilities whose interest rate is below the current market rates which are considered too high to sustain startup businesses.
D.3. Sustainable development potential *[Potential to provide wider development co-benefits]*	Provide the estimates of economic, social and environmental co-benefits. Examples include the following: *It is projected that after four years revenue for up to 60 supported business will generate approximately the equivalent of approximately KES 300 million in economic impact. The project will support to 60 green Micro and Small Enterprises (MSEs)[3], generate approximately KES 300m[4] in economic impact, link 70% to investment opportunities[5], establish 28 strategic partnerships[6], 180 Full Time Equivalent (FTE) jobs created[7], at least 600 indirect jobs[8] created and support the implementation of at least 2 green growth related policies[9].* *There is a need to emphasize on sustainable programmes for women, youth, vulnerable groups, and persons living with disabilities. This plan fully recognizes the importance of addressing gender biases in green environmental conservation and constraints to women, youth and persons with disabilities participation in green economy. NETFUND GIA programme continues to involve and benefit the women, persons with disability and the youth by working with relevant associations and organisations such as Women Enterprise Fund, the National Council for Persons with Disabilities (NCPWD) as well as academic institutions. The actions will address the low participation of these groups in the Incubation space.*
D.4. Needs of recipient *[Vulnerability to climate change and financing needs of the recipients]*	Describe the scale and intensity of vulnerability of the country and beneficiary groups and elaborate how the project/programme addresses the issues. Examples of the issues include the following: • Level of exposure to climate risks for beneficiary country and groups *The climate change impacts are often compounded by anthropogenically driven local environmental degradation, and include: • Increasing extent of arid and semi-arid land* *• Loss of biodiversity* *• Receding rangelands* *• Loss of land, crops, coastal structures, ecosystems due to SLR* *• Alteration, spatially and temporally, of water availability* *• Droughts, reduced river flows and related crop failures, human-wildlife conflicts, and hydropower potential.* *Poverty and natural resource dependent livelihoods underpin the vulnerability to climate change. It is estimated that about 75% of GDP is derived from Agriculture which is based on natural resources.* *• The increasing frequency and intensity of extreme climatic events and slow-onset changes will increase the vulnerability of urban and rural economic assets and, subsequently, the costs of doing business* *• retail and commercial services, industry, tourism and insurance can all be affected* • Does the country have a fiscal or balance of payment gap that prevents from addressing the needs?

[3] 15 enterprises incubated per year/ cycle
[4] It is estimated that each graduated enterprise will be having an annual turnover of 5m
[5] 70% of the 15 enterprises linked to donors , venture capitalists or financial institutions
[6] Refers to technology , research and funding partnerships
[7] Based on the assumption that each enterprise creates at least 3 FTE jobs per year
[8] Based on the assumption that each enterprise will create at least 10 indirect jobs per year
[9] Two green growth policies supported through the development of guidelines, policy briefs and lobbying/advocacy forums.

	Kenya faces many competing needs that priority in the budgeting process thus leaving little resources to invest in environment related projects. Allocation for the environment ministry remains below 2% of the total budget cost. Issues relating to security, infrastructure and transport and education take up about 50% of the yearly budget. The Country's balance of payments experienced a deficit of Kes. 400 billion as at November 2015 implying that Kenya is a net importer of goods. This is an impediment to addressing the issues of Government participation in creation in structures to offer a low loan facility to the SME sector. • Does the local capital market lack depth or history? *While Kenya's financial sector is viewed as substantially diversified, it is dominated by commercial banking institutions which have not evolved sufficiently to provide long term capital adequately. The Bond and Equity raise less than 1% for growth financing. The commercial banks have maintained a high interest regime that has been unfavorable to business with rates averaging 18-22 per cent before a law was promulgated capping Bank interest rates at 400 basis points above the Central of Kenya rate. The immediate implication of this is that Banking institutions may now further alienate SME borrowers who will be considered too risky and shift their investments to purchase Treasury bills which have a higher yield.* *A number of initiatives that have been targeted at providing low interest capital to businesses run by youth or women have suffered from poor governance. There is therefore need for robust Governance structures at Policy, Board and management level to strengthen decision making, reporting, compliance and implementation.*
D.5. Country ownership *[Beneficiary country ownership of project or programme and capacity to implement the proposed activities]*	Provide details of the below and specify other relevant factors. *NETFUND was established by the Government of Kenya under the Environmental Management and Coordination Act (EMCA) 1999, Sec 24 and the EMCA Amendment Act No. 5 of 2015). Its mandate is "to facilitate research intended to further the requirements of environmental management; environmental awards; capacity building; environmental publications; scholarships and grants." As a Trust Fund, NETFUND also mobilizes resources for environmental management and social development in Kenya. As a parastatal domiciled in the Ministry of Environment and Natural Resources of Kenya, NETFUND vision and mission are: A society empowered and motivated to sustainably manage the environment and Empowering Kenyans to sustainably manage the environment through promotion and support of green growth. The mandate of the organisation is aligned to the strategy of the parent Ministry which are in turn aligned to Kenya's development blueprint vision 2030.* *The principal partner proposed is the Kenya Bank Corporation Group which is the dominant banking institution in East Africa.* • Brief description of executing entities (e.g. local developers, partners and service providers) along with the roles they will play • Stakeholder engagement process and feedback received from civil society organizations and other relevant stakeholders
D.6. Effectiveness and efficiency *[Economic and financial soundness and effectiveness of the proposed activities]*	Provide details of the below and specify other relevant factors (i.e. debt service coverage ratio), if available. This information is to be computed • Estimated cost per t CO2 eq (total investment cost/expected lifetime emission reductions) • Co-financing ratio (total amount of the Fund's investment as percentage of project) • Economic and financial rate of return - With the Fund's support - Without the Fund's support

E. Brief Rationale for GCF Involvement and Exit Strategy
Please specify why the GCF contribution is critical for the project/programme.

Please explain how the project/programme sustainability will be ensured in the long run, after the project/programme is implemented with support from the GCF and other sources.

F. Risk Analysis

Please describe the financial and operational risks and discuss mitigating measures.

The major risk is non- payment of the loans given to the beneficiary which will impact negatively on the cash flow of the programme. NETFUND will do a thorough vetting prior to admitting projects into the programme.
Interest rates may also fluctuate thus eroding the profit margins. NETGEF will as much as possible minimise the operational cost of administering the FUND.
Poor selection leading to admission of weak projects thus resulting in a higher failure rate. The selection criteria will be thoroughly vetting through inclusion by independent stakeholders.

G. Multi-Stakeholder Engagement

Please specify the plan for multi-stakeholder engagement, and what has been done so far in this regard.
So far NETFUND has engaged a legal firm to establish the modalities in formation of the Fund and the African Development Bank to assist in developing the structures of the fund. Other stakeholders consulted include the Government of Kenya, the Ministry of Environment and private venture capital organisations.

H. Status of Project/Programme

1) A pre-feasibility study is expected to be completed at this stage. Please provide the report in section J.

2) Please indicate whether a feasibility study and/or environmental and social impact assessment has been conducted for the proposed project/programme: Yes ☐ No ☒
(*If 'Yes', please provide them in section J.*)

3) Will the proposed project/programme be developed as an extension of a previous project (e.g. subsequent phase), or based on a previous project/programme (e.g. scale up or replication)? Yes ☐ No ☒
(*If yes, please provide an evaluation report of the previous project in section J, if available.*)

I. Remarks

The formation of the NETGEF project is at the nascent stage with the structures in the process of being established. This project will mark a milestone in terms of development of environmental enterprises which is a sector that is poorly serviced in terms of credit facilities.

J. Supporting Documents for Concept Note

☒ Map indicating the location of the project/programme
☒ Financial Model
☐ Pre-feasibility Study
☐ Feasibility Study (if applicable)
☐ Environmental and Social Impact Assessment (if applicable)
☐ Evaluation Report (if applicable)