

The
Management
University
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UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF DEVELOPMENT STUDIES

PMT 404: PROJECT FINANCING

DATE: 30TH MARCH 2026

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

Unlocking the Power of Green Finance in Africa Sustainable finance is no longer a concept reserved for boardrooms and policymakers—it is a critical tool for Africa’s economic and environmental future. Across the continent, financial instruments like green bonds, sustainability-linked loans, and impact investments are gradually gaining traction. However, the awareness, accessibility and integration of these products into mainstream financial systems remain limited. The question now is: how can sustainable finance move to being a niche market offering to a widely adopted solution for businesses, governments, and individuals? In Kenya, the issuance of the first green bond in 2019 marked a significant milestone in sustainable finance. It demonstrated the potential for capital markets to support projects that address climate change, enhance resilience and create long-term economic value. Since then, various banking institutions have incorporated sustainability principles into their lending practices, ensuring that businesses with strong Environmental, Social, and Governance (ESG) frameworks receive financial support. Reports such as the "Landscape of Sustainable Finance in Kenya's Banking Industry 2024" highlight this growing shift, but there is still much work to be done to bridge the gap between financial innovation and public engagement. Across Africa, green finance instruments have shown promising growth.

The issuance of Green, Social, and Sustainability-linked (GSS+) bonds increased by 14 percent in 2022 surpassing the global market’s six percent growth rate. This demonstrates a strong appetite for sustainable investments across the continent. Yet, despite this growth, the challenge remains: how can these financial tools be made more accessible to the general public? One answer lies in innovative public finance models. In Kenya, the M-Akiba revolutionised retail investing by allowing ordinary citizens to purchase government bonds through mobile money platforms. A

similar approach could be applied to green finance, enabling individuals to invest in sustainability-linked instruments without the barriers typically associated with traditional financial markets. By leveraging mobile technology, governments and financial institutions could create investment products that democratize access to green finance, allowing everyday people to play a role in funding climate action. Beyond accessibility, awareness is a significant barrier. On a scale of 1 to 10, general awareness of green finance in Africa hovers around a low 3 or 4. Many businesses, policymakers and individuals still lack a clear understanding of what sustainable finance entails. This calls for a strategic shift in communication and education. Financial literacy programmes, targeted campaigns, and cross-sector collaborations are essential to ensuring that more people understand and engage with sustainable finance.

Sustainable finance has the potential to reshape Africa's future, but only if it moves beyond theory into practical, scalable solutions. It is not just about issuing green bonds or setting ESG targets—it is about ensuring that every individual, from policymakers to small business owners, understands and benefits from these financial opportunities. The time for passive discussions is over. Now is the time to act, innovate, and transform finance into a vehicle for sustainable growth across the continent. Governments must create policies that incentivize green investment, banks must develop products that cater to businesses transitioning to sustainable models, and investors must actively seek out opportunities that align profit with purpose. But beyond institutions, individuals must also be empowered to participate—whether through accessible investment options, climate-conscious savings plans, or community-driven financial models.

Source: *Business Daily (March 2025)*

Required:

- a) Explain the two green finance instruments applied in Africa as highlighted in the case study.

(5 marks)

b) Assess the importance of Kenya's first green bond issued in 2019 as a project financing tool.

(6 marks)

c) Evaluate the use of mobile-based platforms, such as M-Akiba, in expanding access to green finance in Africa.

(7 marks)

d) Analyse the role of awareness in the successful adoption of green project financing in Africa.

(7 marks)

QUESTION TWO

a) Explain how the features of project finance influence the allocation of financial and operational risks among project participants.

(7 marks)

b) Examine four projects that may not require feasibility analysis.

(8 marks)

QUESTION THREE

a) A construction firm is preparing a cost estimate for a large infrastructure project that will be implemented over several years. Apply your knowledge of project cost estimation to explain four challenges the firm is likely to encounter when estimating the total project cost.

(8 marks)

b) Describe how cost estimation techniques can be applied to improve the accuracy and reliability of project financing decisions.

(7 marks)

QUESTION FOUR

- a) A company is considering a project that requires an initial investment of \$150,000 at a discount rate of 12%. The project is expected to generate the following annual cash inflows for the next 6 years.

Year	Cash Inflows
1	40,000
2	35,000
3	60,000
4	18,000
5	20,000
6	70,000

Using the interpolation method, calculate the Internal Rate of Return (IRR) for the project from the above cash inflows.

10 marks)

- b) Based on the above IRR result, advice the company on whether to accept or reject the project.

(5 marks)

QUESTION FIVE

- (a) Analyse how capital rationing constrains project selection in organizations.

(7 marks)

(b) Examine how risk analysis techniques improve capital budgeting decisions under capital rationing.

(8 marks)

QUESTION SIX

a) Assess how different project budgeting approaches support effective financial planning in project finance.

(7 marks)

b) Discuss the importance of project budget management in controlling costs and ensuring project success.

(8 marks)