



Laikipia County

Green finance assessment summary report

April 2024



Table of contents

- Project background
- Project objectives
- Economic and fiscal assessment
- Credit risk assessment
- Green asset and activity assessment
 - Green priority areas
 - Suggested green projects
- Green finance capability assessment
- Recommendations
- Sights of Laikipia County



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Project background

- The **county green finance assessment** is related to FSD Kenya's mission to support the development of an inclusive green finance ecosystem in Kenya.
- The 2010 Kenyan Constitution devolved important natural resource and environment-related sectors such as agriculture, water provision and transport to the counties. Thus, counties have a pertinent role to play in Kenya's sustainable development agenda which can only be realised if counties have the requisite capacities and capabilities including financial resources.
- Green finance instruments such as county green bonds, present an opportunity for counties to generate resources for the much-needed development of county infrastructure such as water piping, county roads and the development of agriculture, in a green and climate-resilient manner.

Partners



The National Treasury
& Economic Planning
The National Treasury



Agusto&Co.
Research, Credit Ratings, Credit Risk Management



Project objectives

- **Economic and fiscal assessment:** County fiscal performance (historical and projected), strengths, challenges, and ability to take on (additional) debt including the consideration of potential revenue generation sources.
- **Credit risk assessment:** Estimate the county government's relative likelihood of defaulting on its obligations from capital raising initiatives - including a shadow credit rating.
- **Green asset and activity assessment:** Availability of green investment opportunities in the selected counties.
- **Green finance capability assessment:** County government skills and ability to manage green financial instruments and related projects.

The **green finance market** is defined as the pool of funding constituting a range of green financial instruments that meet the objectives of green finance such as government grants; development grants; guarantee funds; subsidies; concessionary loans; commercial loans; results-based finance; blended finance; green bonds etc.

Economic & fiscal assessment- Laikipia County

Findings	Opinion
<ul style="list-style-type: none"> Laikipia County contributed 0.9% to Kenya's gross domestic product (GDP) according to the Gross County Product (GCP) 2023 report. Agriculture accounted for 26.5% of Laikipia's gross county product (GCP), making it the County's economic pillar and employs circa 60% of Laikipia's labour force. A high wage bill, accounting for 54.6% of realised revenue in FY 2022/23. A high level of outstanding bills of Kshs 2.05 billion as at 30 June 2023. Use of manual payroll processing represented 10.1% of total payroll costs. Late submission of financial reports to the Office of the Controller of Budget. 	<ul style="list-style-type: none"> Laikipia County's overall revenue profile requires improvement mainly in fully automating its own source revenue collection for business permits, licenses, building approval fees, land rates, hotel fees and parking fees, among other levies. The expenditure profile of the County requires improvement, particularly in reducing payroll expenses, which have consistently exceeded the 35% statutory threshold. Need to prudently manage existing rising pending bills as the County's financial flexibility to meet future debt obligations will hinge on the reconciliation and settlement of pending bills. Laikipia County should explore alternative financing options such as the debt capital markets to fund capital development projects.

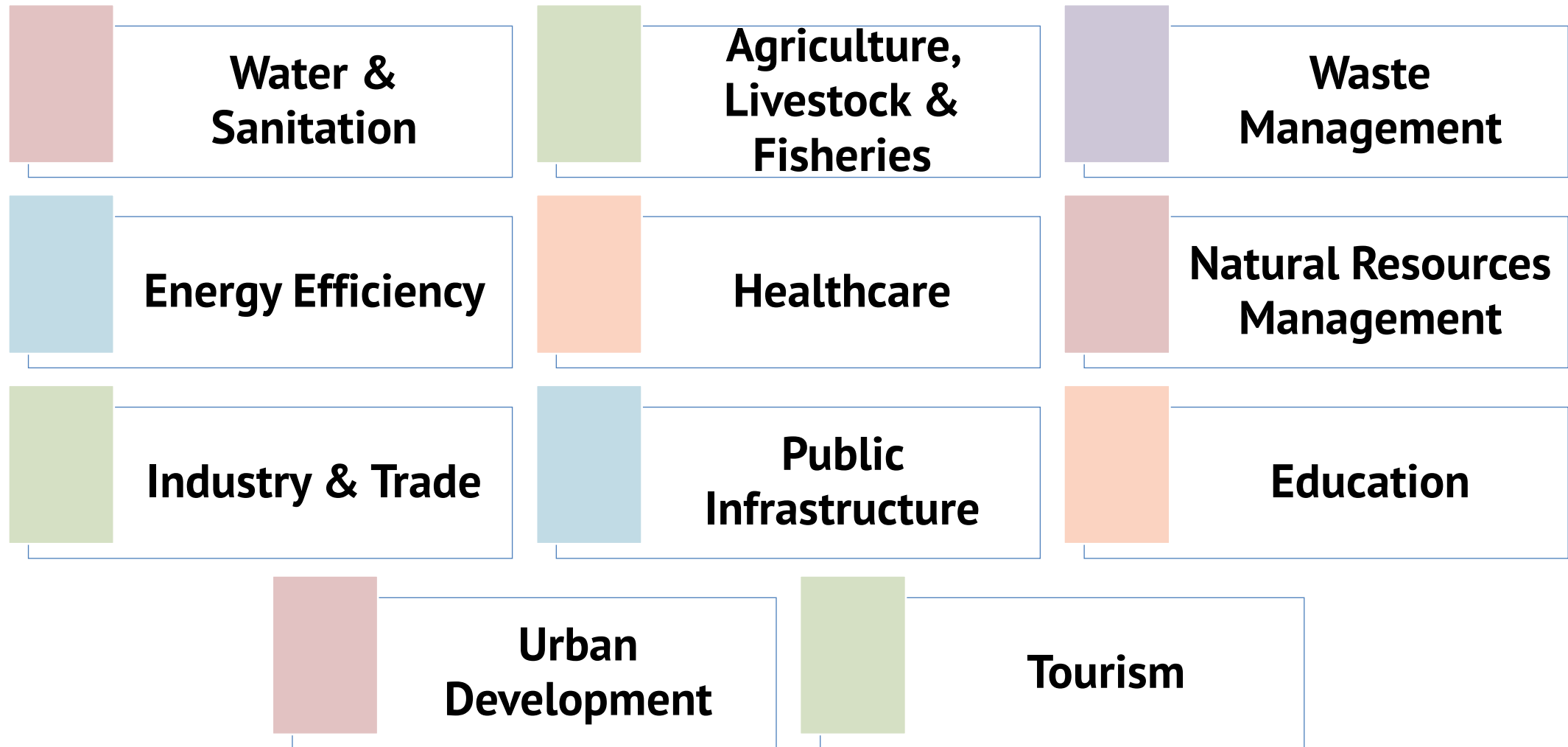
Credit risk assessment- Laikipia County

Findings	Opinion
<ul style="list-style-type: none"> Laikipia County was assigned a “Bb- Ken” Shadow Credit Rating which indicates a county with a satisfactory financial condition but limited capacity to meet obligations as and when they fall due relative to all other issuers in the same country. Significant dependence on centrally distributed revenue by the Exchequer which are not timely. Qualified audit opinions over the last five years. High personnel expenses significantly above regulatory threshold. Huge pending bills year-on-year. 	<ul style="list-style-type: none"> The County's creditworthiness is supported by a stable political environment despite the successive changes in government, improving governance framework and modest financial flexibility owing to minimal leverage. The constraining factors are the County's low own source revenue accounting for 15% of total revenue in FYE 2022/23 which requires improvement, high personnel expenses at 54.6% of revenue, above the 35% limit set by Regulation 25 (1b) of the Public Finance Management (PFM) Act of 2012, dependence on equitable share of income distributed by the Exchequer as well as the qualified audit opinions over the last five years by the Auditor General of Kenya. The opportunities for the County include a youthful population accounting for majority of the active labour workforce, favourable ecological condition suitable for agricultural activities, grazing and ranching, huge tourism potential leveraging the presence of the Great Rift Valley, the Aberdares Mountain Ridge, Mount Kenya and wildlife activities and deepening of own source revenue using fully automated systems.

Green asset and activity assessment - Laikipia County

Findings	Opinion
<ul style="list-style-type: none"> Water & Sanitation Agriculture, Livestock & Fisheries Waste Management Energy Efficiency Healthcare Natural Resources Management Industry & Trade Public Infrastructure Education Urban Development Tourism 	<ul style="list-style-type: none"> Implement the bulk water dam project to be located on Likii River that will distribute water to an additional 5,000 households to meet the existing demand gap in Nanyuki through the Nanyuki Water and Sanitation Company (NAWASCO). Construction of five mega-dams (Nanyuki, Rumuruti, Pesi, Nyahururu and Crocodile Jaws water dams) with cumulative capacity of 1,000,000m³ through NAWASCO. Enhance rainwater harvesting and storage technologies through supplying of 50,000 plastic water tanks to households. Increasing agro-processing and value-addition capacities by establishing, upgrading and reviving climate-smart agro-processing industries and expanding sustainable irrigation in the County. Establishing a solid waste management and recycling centre in Karioba and implement an integrated solid waste management system in the County. Deployment of solar power systems for all public healthcare facilities to ensure that health services continue uninterrupted and reduce electricity bills. Establishing a multi/super-specialty hospital in Rumuruti that will serve as a Medical Tourism Centre and a Level 6 hospital. Developing two industrial green zones in Nanyuki and Nyahururu towns. Harnessing the use of renewable energy through the initial mapping of potential areas for wind (Laikipia North & West) and solar energy (Rumuruti), and creating awareness of green energy use in the County.

Green priority areas - Laikipia County



Suggested green projects - Laikipia County

Water Harvesting, Management & Distribution (construction of dams & expansion of water supply and sewerage systems)

Solarize all Healthcare Centres & development of Multi-Specialist Hospital Rumuruti

Integrated Solid Waste Management System & Recycling Centre

Development of Wind Mill (Laikipia North & West) and Solar Farms (Rumuruti) to generate electricity

Smart Towns Initiatives for urban centres (Nanyuki, Nyahururu, Rumuruti, Kinamba, etc)

Establishment of Agro-processing facilities for maize, wheat, potatoes, tomatoes, honey & dairy produce

Public Infrastructure (development of modern markets & upgrade of feeder roads)

Energy Efficiency across government offices, hospitals, schools, street lighting & markets

Development of water and sewerage treatment plant in Rumuruti, Nanyuki & Nyahururu

Development of Industrial and Manufacturing Zones in Nanyuki, Nyahururu & Rumuruti

Provision of green infrastructure and incentives to attract investments in manufacturing and value addition

Green finance capability assessment- Laikipia County

Findings	Opinion
<ul style="list-style-type: none"> • Laikipia County has a County Climate Change Act, 2021 in place which guides the County on green/climate finance. • There is limited knowledge on climate finance. • Other County legislations and strategies that support management of green assets and projects, include: <ul style="list-style-type: none"> ○ Laikipia County Water Services Bill, 2021 ○ Laikipia County Spatial Planning Bill, 2014 ○ Laikipia County Forest Conservation Strategy (2013 – 2030) 	<ul style="list-style-type: none"> • There is need to create awareness in the communities on climate change plans and impacts by leveraging various stakeholders. • Enforcing compliance with established County laws and policies relating to climate change. • Capacity building of County Staff in all departments on climate change and green finance and application of green data for planning purposes. • Capacity building and awareness for key stakeholders such as Members of County Assembly (MCAs), civil society organizations (CSOs), community based organizations (CBOs) and private actors in the County. • General County-wide awareness and sensitization on the impact of climate change and how the citizens can support government efforts in restoring the natural ecosystem.

Recommendations Laikipia County

Financing Options	Opinion
<ul style="list-style-type: none"> • County green bond • County-agency green bond • Special purpose vehicle green bond • Public-private partnership option • Sector/multi-sector bond • Multi county/regional block bond • Government grants • Development finance grants • Structured guarantee funds • Concessionary funds • Results-based finance • Blended finance options 	<ul style="list-style-type: none"> • Laikipia County is properly positioned to implement the suggested green projects by leveraging the green finance opportunities given that the County has previously obtained National Government approval for the issuance of an Infrastructure Bond. • Laikipia County should build capacity and create awareness around the green economy particularly for key county stakeholders. • Laikipia County should develop concept notes (or investment proposals) for various projects and undertake feasibility and viability studies on proposed green projects as well as cost-benefit analysis, including preparing a Framework for issuance. • Laikipia County can utilise various financing options that are fit-for-purpose to raise funds to execute priority infrastructure projects. • Laikipia County can leverage FLoCA funds to execute identified green projects.

Sights of Laikipia County





Creating value through **inclusive finance**

Green Suites Palm Suite,
Riverside, Riverside Drive,
P.O. Box 11353, 00100,
Nairobi, Kenya.

www.fsdkenya.org

 FSD Kenya

 @FSDKe