



Nandi 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 Nandi County



Acknowledgment

- This report is the result of the partnership, expertise, and work of numerous specialists from The National Treasury and Economic Planning, The Council of Governors, The Capital Markets Authority, FSD Kenya, Agosto & Co., ADA Consortium, the Nairobi Securities Exchange, and the County Governments of Embu, Kirinyaga, Kisumu, Laikipia, Nairobi City, Makueni, Nandi, Taita-Taveta, Vihiga, and Wajir.
- FSD Kenya wishes to express particular thanks to the National Treasury and Economic Planning, the Council of Governors, and the County Governments of Embu, Kirinyaga, Kisumu, Laikipia, Nairobi City, Makueni, Nandi, Taita-Taveta, Vihiga, and Wajir. This report would not have been possible with their vision, commitment, and collaboration.

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 background

- **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 - Nandi County

Findings

- Nandi County contributed 1.6% to Kenya's Gross Domestic Product (GDP) according to the Gross County Product (GCP) 2023 report.
- Agriculture is the predominant economic activity, contributing 55.2% to the Gross County Product. Tea, Maize, Beans, Sugarcane and Potatoes are key agricultural crops.
- A large wage bill, accounting for 45.9% of realised revenue in FY 2022/23, above the set limit of 35%.
- Modest pending bills totalling Ksh177.9 million as at 30 June 2023.
- Use of manual payroll processing represented 6.7% of total payroll costs.
- Late submission of financial reports to the Controller of Budget.

Opinion

- The County's overall revenue profile is weak and requires improvement mainly in automating revenue collection by establishing a one-stop online portal to minimize leakages as well as support the growth of own source revenue in the near to medium term.
- The expenditure profile of the County is weak and requires improvement, particularly in moderating payroll expenses, which have consistently exceeded the 35% statutory threshold.
- The County treasury should ensure that financial reports are prepared and submitted on time to the Office of the Controller of Budget.
- Nandi County will need to embrace the Debt Capital Markets for Infrastructure Development financing.

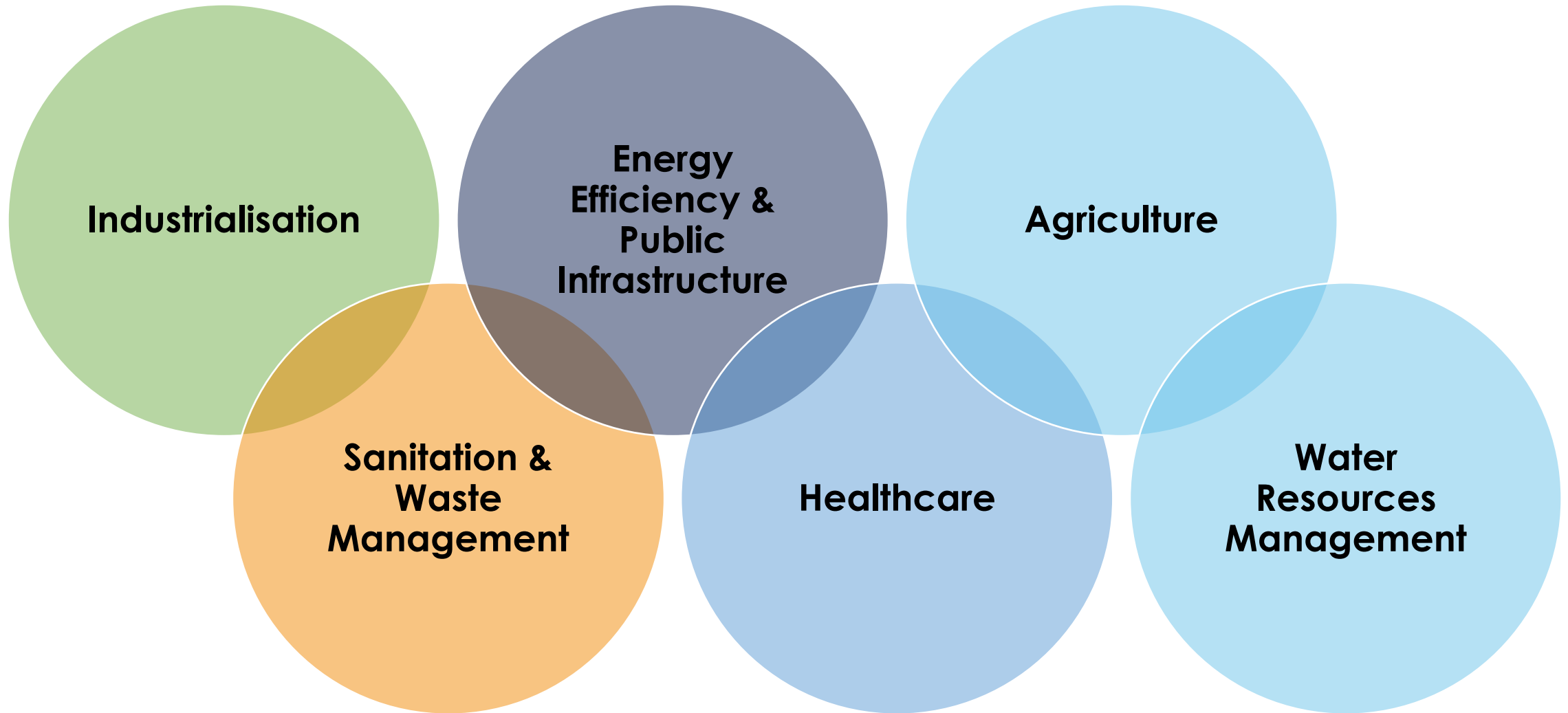
Credit risk assessment - Nandi County

Findings	Opinion
<ul style="list-style-type: none"> Nandi County was assigned a “B+ Ken” Shadow Credit Rating which indicates a county with a weak financial condition and weak 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. Very low own source revenue profile. High personnel expenses, above the regulatory threshold. 	<ul style="list-style-type: none"> The County’s creditworthiness is supported by the stable political environment, modest financial flexibility owing to low leverage and favourable climatic conditions for commercial tea plantations. The constraining factors are the County’s very low own source revenue which accounted for 2% of total revenue in FYE 2022/23, high personnel expenses at 45.9% of revenue above the 35% limit set by Regulation 25 (1b) of the Public Finance Management (PFM) Act on account of the growing workforce, significant 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 about 50% of the active labour workforce, favourable climatic condition suitable for growing tea in commercial quantities, deepening of own source revenue leveraging technology to fully automate all revenue streams and scaling agro-processing facilities.

Green asset and activity assessment- Nandi County

Findings	Opinion
<ul style="list-style-type: none"> • Agriculture • Water Resources Management • Public Infrastructure • Energy Efficiency • Industrialisation • Sanitation & Waste Management • Healthcare 	<ul style="list-style-type: none"> • Water harvesting from River Yala and construction of Keben dam and infrastructure for effective storage and distribution for farming, fishery, household, businesses and companies to be implemented by Kapsabet Nandi Water and Sanitation Company (KANAWASCO). • Solarise water pumping at the existing water schemes to reduce the high electricity bills associated with water harvesting and distribution. • Provision of green infrastructure and incentives to attract investments especially at the Chemase Export Processing Zone. • Completion and operationalization of the Kapsabet Mother and Child Hospital utilizing green infrastructure and renewable energy sources to enhance provision of quality healthcare. • Construction of an Eco-Tea Factory at Nandi Hills and Aldas • Completion of the Coffee Processing Plant at Tinderet while deploying sustainable energy, water and waste management systems. • Development of Sewerage and waste management policy and systems in urban areas • Establishment of Kaimosi Waste Management and Recycling Plant • Use of solar energy across government offices, hospitals, state-owned enterprises, and street and market lighting will promote energy efficiency.

Green priority areas - Nandi County



Suggested green projects- Nandi County

Nandi County Industrial Parks and Export processing zone

Provision of green infrastructure and incentives to attract investments especially at the Chemase Export Processing Zone

Health Care

Completion and operationalisation of the Kapsabet Mother and Child Hospital which can make use of green infrastructure like renewable energy to enhance provision of quality healthcare.

Energy Efficiency

Development of mega solar farm. Promote energy efficiency across government offices, hospitals, schools, state-owned enterprises, street & market lighting

Agriculture

Construction of an Eco-Tea Factory at Nandi Hills and Aldas, completion of the Coffee Processing Plant at Tinderet which can employ sustainable energy, water and waste management systems.

Sanitation and Waste Management

Development of Sewerage and waste management policy and systems in urban areas.
Kaimosi Dumping and Recycling Plant

Water Harvesting, Distribution & Management Project

Water harvesting at a designated water source such as River Yala and Keben dams and infrastructure for effective distribution for farming, fishery, household, businesses and companies.

Green finance capability assessment - Nandi County

Findings	Opinion
<ul style="list-style-type: none"> • Nandi has a County Climate Change Fund (CCCF) Legislation, 2021 to guide the County on green/climate finance. The regulations which were formulated under the Public Finance Management Act of 2012, and committed 2% of the County's annual development budget to climate change. • There is limited knowledge on climate finance. • Other County legislations that support management of green assets and projects, include: <ul style="list-style-type: none"> ○ Nandi County Water Provision Master Plan 2019 ○ Nandi County Wetlands Management Act 2020 ○ Nandi County Integrated Solid Waste Management Policy 2019 	<ul style="list-style-type: none"> • There is a need for creating awareness in the communities on climate change policies and impacts. • The County should develop a comprehensive climate change action plan • The County should promote community engagement and education to build public awareness of climate change risks and ways to build resilience • Enforcing compliance with established County laws and policies such as climate change policies. • Capacity building of County Staff in all departments on climate change and green finance

Recommendations - Nandi 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"> • Nandi County is properly positioned to implement the suggested green projects by leveraging the green finance opportunities available. • Nandi County should build capacity and create awareness around the green economy particularly for key county stakeholders such as all County staff in various departments, Members of County Assembly (MCAs), civil society organisations (CSOs), community based organisations (CBOs) and private actors. • Nandi 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. • Nandi County can utilise various financing options that are fit-for-purpose to raise funds to execute priority infrastructure projects. • Nandi County can leverage FLoLoCA funds to execute identified green projects.

Sights of Nandi County



Creating value through **inclusive finance**





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