



Taita Taveta County

Green finance assessment summary report

April 2024



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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 - Taita Taveta County

Findings	Opinion
<ul style="list-style-type: none"> Taita Taveta County contributed 0.6% to Kenya's gross domestic product (GDP) according to the Gross County Product (GCP) 2023 report. Agriculture is the predominant economic activity accounting for 25.1% of the County's GCP and contributes about 95% of the household incomes. About 62% of the County's land area is the Tsavo National Park (Tsavo East and Tsavo West) and 24% is public and private conservancies and ranches, leaving only circa 12% as the estimated arable land for crop farming. A high wage bill accounting for 50% of realized revenue in FY 2022/23, higher than the 35% limit. High pending bills of Kshs 1.02 billion as at 30 June 2023. 	<ul style="list-style-type: none"> The County's revenue profile is weak and requires improvement in deepening own source revenue (OSR) by fully automating the revenue collection process to address challenges associated with leakages and collection. Overall expenditure profile requires improvement, particularly in moderating 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 existing third-party pending bills. Taita Taveta County will need to embrace the Debt Capital Markets for Infrastructure Development financing.

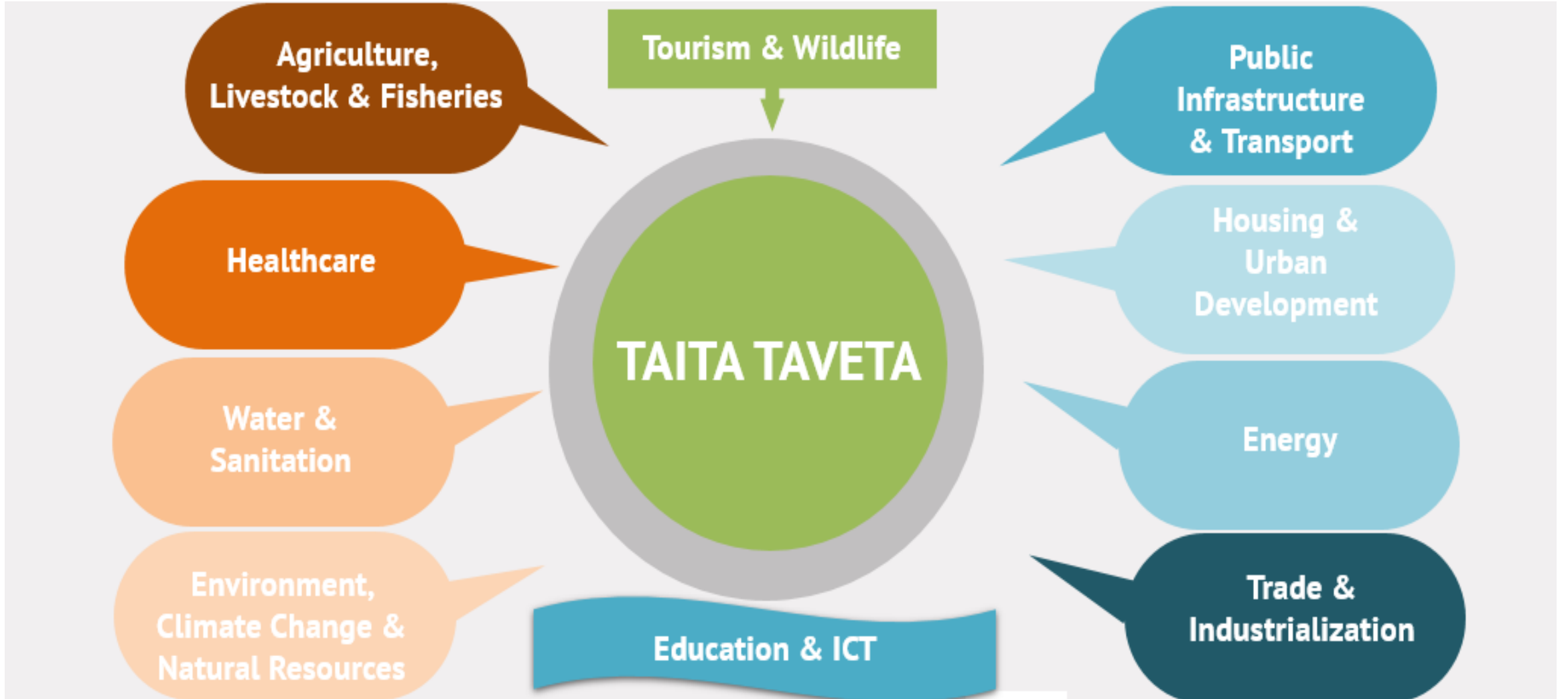
Credit risk assessment - Taita Taveta County

Findings	Opinion
<ul style="list-style-type: none"> Taita Taveta County was assigned a “B+ Ken” Shadow Credit Risk Rating of 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. Low own source revenue profile. Qualified audit opinions over the last five years. High personnel expenses above regulatory threshold. Huge pending bills year-on year. 	<ul style="list-style-type: none"> The County’s creditworthiness reflects the stable political environment, modest financial flexibility owing to minimal leverage and Taita Taveta’s rich tourism potential due to presence of the Tsavo National Park and large scale conservancies. The constraining factors are the County’s low own source revenue at 6% of total revenue in FYE 2022/23 which requires improvement, high personnel expenses at 50% of revenue above the 35% limit by PFM Act of 2012, significant reliance 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 youthful population accounting for almost 60% of active labour workforce, deepening of own source revenue using automated collection systems, huge tourism potentials leveraging the presence of the Tsavo National Park, Scenic hills, forests and conservancies and gateway to Tanzania.

Green asset and activity assessment- Taita Taveta County

Findings	Opinion
<ul style="list-style-type: none"> Water Harvesting, Management & Distribution Sanitation & Waste Management Public Infrastructure Establishment of Agro-processing Facilities Development of Special Economic Zones Afforestation and Reafforestation of Public Spaces Energy Efficiency Eco-tourism 	<ul style="list-style-type: none"> Refurbish and expand water harvesting and distribution networks across the County (Mzima Springs, Njoro Kubwa Springs, Lake Chala and Kitopo Spring). Solarise water pumping facilities to reduce rising electricity bills associated with harvesting and distribution of water from the current sources. Upgrade and expand existing sewerage infrastructure, and implement a waste-to-energy facility to boost own source revenue. Implement green infrastructure like permeable pavements and green public spaces and employ eco-friendly materials for the development and rehabilitation of roads. Development of special green economic zones at Taveta and Voi to serve as the foundation of a booming export-focused trade and urban-based commerce. Enhance afforestation strategies to boost tree cover and promote biodiversity. Use of solar energy across government offices, hospitals, state owned enterprises, streets and markets to enhance energy efficiency. Partner with ranch owners and communities to rehabilitate conservancies and establish eco-lodges to attract tourists and generate revenue from tourism activities.

Green priority areas - Taita Taveta County



Suggested green projects- Taita Taveta County

Water Harvesting, Management & Distribution (expansion of water sources – dams & infrastructure for households and irrigation)

Expansion & rehabilitation of sewerage systems in urban and rural areas)

Integrated Waste Management System (Waste Handling/Transfer Stations & Waste-to-Energy Facility)

Public Infrastructure (upgrade of existing markets and rural access roads)

Establishment of Agro-processing facilities for macadamia nuts, bananas, livestock & dairy produce

Development of Special Economic Zones at Taveta and Voi

Afforestation & Reafforestation of public spaces

Rehabilitate Ranches as Wildlife Conservancies to promote eco-tourism

Energy Efficiency across government offices, hospitals, schools, street lights & markets to promote a 24 hour economy

Solarize all Healthcare Centres and upgrade of infrastructure at Facilities

Green finance capability assessment- Taita Taveta County

Findings	Opinion
<ul style="list-style-type: none"> Taita Taveta has County Climate Change Fund (CCCF) Act 2022 which guides the County on green/climate finance. The regulations which were formulated under the Public Finance Management Act of 2012, committing 2% of the County's annual development budget to climate change. Limited knowledge on climate finance. Other County legislations, policies and action plans that support management of green assets and projects include: <ul style="list-style-type: none"> The Taita Taveta County Climate Action Plan 2023 – 2027. Taita Taveta County Investment and Development Corporation Bill, 2021 Taita Taveta Water Bill, 2021 Taita Taveta Tourist Conservation and Management Bill, 2021 	<ul style="list-style-type: none"> There is a need for creating awareness in the communities on climate change policies and impacts. Enforcing compliance with established County laws and policies relating to climate change will be important. Capacity building in the areas of climate finance for County staff is required. 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.

Recommendations- Taita Taveta 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"> • Taita Taveta County is properly positioned to implement the suggested green projects by leveraging the green finance opportunities available. • Taita Taveta 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. • Taita Taveta 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. • Taita Taveta County can utilize various financing options that are fit-for-purpose to raise funds to execute priority infrastructure projects. • Taita Taveta County can leverage FLoCA funds to execute identified green projects.

Sights of Taita Taveta County



Creating value through **inclusive finance**





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