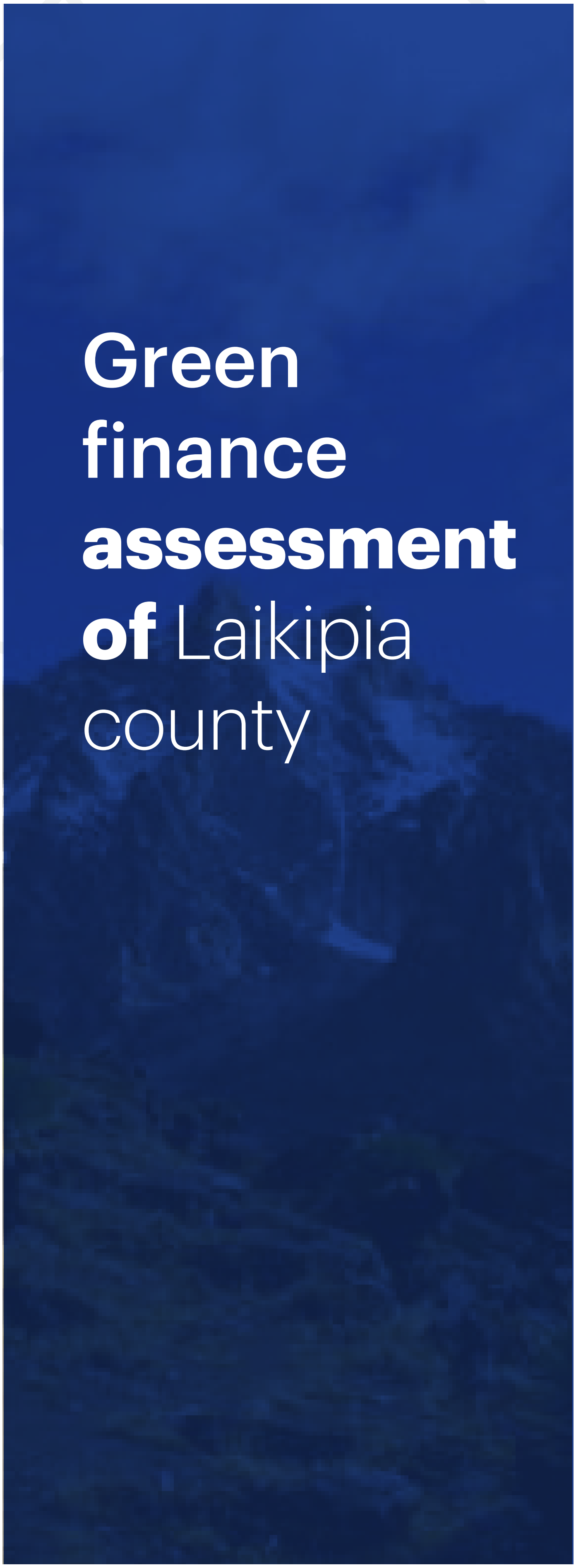
Green finance **assessment of** Laikipia county

Creating value through inclusive finance



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April 2024

Financial Sector Deepening Kenya (FSD Kenya) is an independent trust dedicated to the achievement of a financial system that delivers value for a green and inclusive digital economy while improving financial health and capability for women and micro and small enterprises (MSEs).

FSD Kenya works closely with the public sector, the financial services industry, and other partners to develop financial solutions that better address the real-world challenges that low-income households, micro and small enterprises, and underserved groups such as women and youth face.

Current FSD Kenya funders are UK International Development, the Swedish International Development Cooperation Agency (Sida), The International Fund for Agricultural Development (IFAD), and the Bill & Melinda Gates Foundation.

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Acknowledgement

This report is the result of the partnership, expertise, and work of numerous specialists from FSD Kenya, Agusto & Co., ADA Consortium, The National Treasury and Economic Planning, The Capital Markets Authority, the Nairobi Securities Exchange, and the County Governments of Embu, Kirinyaga, Kisumu, Laikipia, Nairobi City, Makueni, Nandi, Taita-Taveta, Vihiga, and Wajir.

1 Project background

The Financial Sector Deepening Kenya (FSD Kenya) is an independent trust dedicated to the achievement of a financial system that delivers value for a green and inclusive digital economy, while improving the financial health and capabilities of women and micro and small enterprises. FSD Kenya has a green finance programme dedicated to supporting the development of a green finance ecosystem and a greener real economy that is resilient to climatic and other environmental shocks, resource efficient and generates green investment, employment, and income generation opportunities for low-income Kenyans.

This 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. Yet, counties face a funding gap, with most, if not all, of them fully reliant on transfers from the National Treasury as their own-source revenue remains very low.

Green finance is defined as structured financial activity created to ensure a better environmental outcome. Green finance includes climate finance but is not limited to it as it encompasses a wider range of other environmental objectives, such as industrial pollution control, water sanitation, biodiversity protection and environmental benefits.

Green finance instruments such as green county 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. While not yet tested locally, their widespread application in other markets as well as the recent approval by the National Treasury for the Laikipia County Infrastructure Bond illustrate their potential.

Project partners

This project was initiated and completed with the approval and partnership of The National Treasury and Economic Planning (Climate Finance and Green Economy Unit. The Unit provides technical support to The National Treasury on all matters relating to green and climate financing, and green growth. The Capital Markets Authority was the regulatory partner on this project, providing insight and leadership on green finance instruments, processes, and structures in the capital markets applicable to county governments, including related policy and legislation requirements. The Capital Markets Authority is an independent public agency, under the National Treasury and Planning and has a twin mandate of regulating and facilitating the development of capital markets in Kenya.

FSD Kenya commissioned Agusto & Co. Limited as the lead consultant for this project. Agusto & Co. is registered as a credit rating agency by the Kenyan and Rwandan Capital Markets Authorities and the Securities Exchange Commission in Nigeria. Agusto & Co. is also Certified as an Approved Verifier by the Climate Bond Standards Board as the first company of African origin to have the capabilities to perform verification of green bonds, projects, and assets in Africa.

The Adaptation (ADA) Consortium engaged county government and stakeholders to provide on-site coordination, site visit and meeting arrangements for the project. ADA consortium is a non-profit that supports county governments to mainstream climate change into development and planning. The Nairobi Securities Exchange (NSE) was the private sector partner in the project. The NSE operates under the jurisdiction of the Capital Markets Authority of Kenya and is a full member of the World Federation of Exchange, a founder member of the African Securities Exchanges Association (ASEA) and the East African Securities Exchanges Association (EASEA), and member of the Association of Futures Market and is a partner exchange in the United Nations-led SSE initiative.

Finally, the County Government of Laikipia County was one of the 10 county governments that provided valuable insight on the dynamics, information and opportunities in their county. The vision of the County Government of Laikipia is to be the greatest county with the best quality of life and a mission to enable every household in Laikipia County lead a prosperous life.

2 **Project** objectives

This project assessed the potential for counties to access and apply to the green finance market for the development of green activities consisted of the following assessments:

- **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- includes 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.

3 **Macroeconomic** and fiscal assessment of Laikipia County

3.1 Macroeconomic analysis

Laikipia County ("the county" or "Laikipia") is situated in the Central Rift Valley Region of the country. The county is one of Kenya's semi-arid counties and is bordered to the north by Samburu County, to the north east by Isiolo County, to the east by Meru County, to the south east by Nyeri County, to the south by Nyandarua County, to the south-west by Nakuru County, and the west by Baringo County. The county is one of the counties located on the equator and derived its name from the Maasai word "Laikipia" which means vast plains with pastures reflecting the large highland plateau. Laikipia County is a member of the Central Region Economic Bloc (CEREB), Amaya Triangle Initiative and Frontier Counties Development Council (FCDC). According to the Kenya National Bureau of Statistics (KNBS), the County has a land area of 9,532 km^2 and ranks as the 15th largest county in the country by land size. The gazetted county headquarter is Rumuruti Town but it is currently hosted in Nanyuki Town since devolution in 2013.

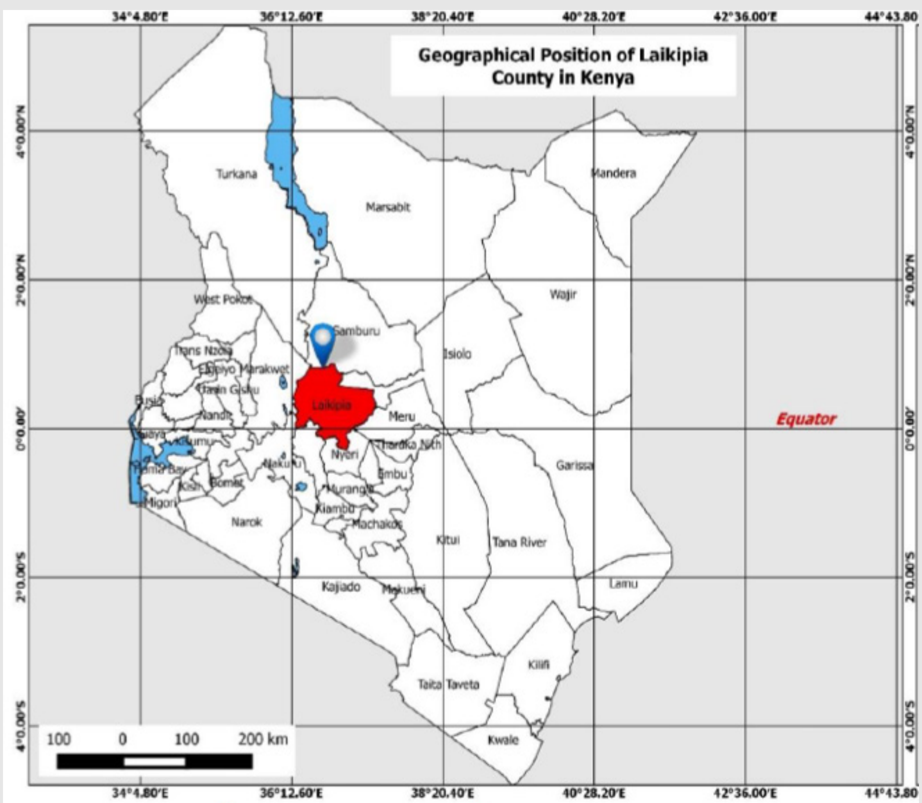

Figure 1: Map of Kenya - Laikipia County

Source: Economic Planning Department, Laikipia County Government, 2022

Laikipia is cosmopolitan, with about 32 communities including Maasai, Samburu, Rendille, Somali, Pokot, Kalenjin, Meru, Kikuyu and Turkana living in the County. The altitude of Laikipia County ranges from 1,500m above sea level in the north to a maximum of 2,611m above sea level in the Marmanet forest in the West. Other high-altitude areas include the Mukogodo and Ol Daiga Forests in the county's east, which are 2,200 meters above sea level. The County is primarily composed of a plateau bounded to the west by the Great Rift Valley, to the south by the Aberdares Mountain Ridge and the southeast by Mt. Kenya. Most of the plateau is covered in black cotton soil, which is naturally fertile. The County's major soils are loam, sand and clay.

Laikipia is a significant wildlife migration corridor popular for private conservancies and ranches, thereby attracting a large number of tourists. The county is home to several endangered mammal species, including the Grevy's Zebra and the Reticulated Giraffe. Agriculture is the primary economic activity in the County, with the southwest part devoted predominantly to crop farming because of favourable weather conditions.

Laikipia County has three parliamentary constituencies which are further subdivided into 15 electoral wards as noted in table 1 below.

Table 1: Constituencies and assembly wards of Laikipia County

S/N	Constituencies	Assembly Wards
1	**Laikipia East**	Ngobit, Tigithi, Thingithu, Nanyuki, Umande
2	**Laikipia West**	Olmoran, Rumuruti Township, Githiga, Marmanet, Igwamiti, Salama
3	**Laikipia North**	Mukogodo East, Mukogodo West, Segera, Sosian

Source: Laikipia County Website

3.1.1 Population size and structure

According to the last census conducted in 2019, the population of Laikipia was 518,560 persons representing a 29.9% growth from the previous census conducted in 2009. Laikipia County's gender structure had equal representation of 50% male and 50% female as at the end of 2019. The County's Finance and Economic Planning Department estimates that by the end of 2025, the population of Laikipia will be 583,033 persons[1].

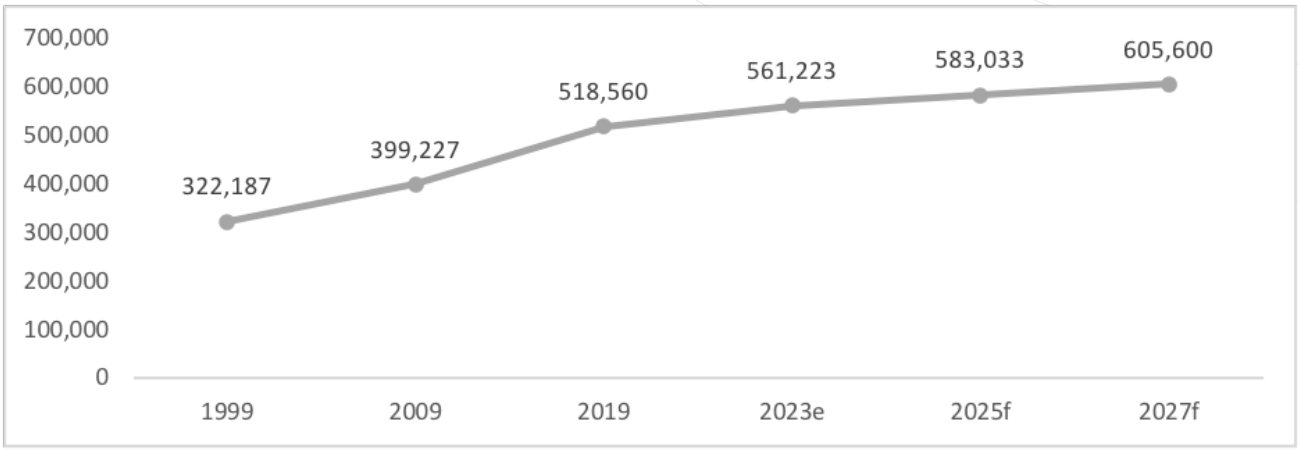

Figure 2: Total population in Laikipia

Source: Kenya National Bureau of Statistics & Agusto & Co. Research

Laikipia County has a population density of 54 persons/Km^2, and it is estimated to reach 64 persons/Km^2 by 2027[2]. The county's settlement patterns are uneven and are influenced by land potential, livelihood zones, infrastructure access, land use systems and availability of social amenities. According to the 2019 Census, Nyahururu sub-county had the highest population density, with 190 people per Km^2.

3.1.2 Level of employment and economic diversification

The primary economic activities in Laikipia County are crop farming, animal husbandry, tourism and retail trade. Wheat, maize, beans, Irish potatoes, sorghum and vegetables are the main crops grown in the County, while cattle, goats, sheep and poultry are the most common livestock. Important tourist attractions in Laikipia include wildlife which is mainly hosted in conservancies and ranches, the distinctive cultural practices of Maa speakers and the Thomson Falls. There are 48 large-scale ranches in Laikipia County, some of which are still owned by descendants of colonial settlers. The ranches cover vast areas of land, with the three largest being Laikipia Nature Conservancy (107,000 acres), Ol Pejeta (88,923.79 acres) and Loisaba (62,092.97 acres).

The proximity to Mount Kenya, Meru, Aberdares and Samburu game parks, as well as the provision of hospitality services to tourists, have also contributed to the County's tourism sector growth. Most trading activities in the County are concentrated in the urban centres of Nanyuki, Nyahururu, Rumuruti and Kinamba.

According to the 2023 – 2027 County Integrated Development Plan (CIDP), the Human Poverty Index[3] (HPI) for the County was 57.3 which is higher than the national HPI of 29.1. The high levels of poverty in Laikipia can be

[1] Laikipia County Integrated Development Plan 2023 -2027
[2] Laikipia County Integrated Development Plan 2023 -2027

[3] HPI is a composite index which assesses three elements of deprivation in a country – longevity, knowledge and a decent standard of living.

attributed to insecurity threats due to incidents of banditry and cattle rustling, unfavourable weather conditions in the semi-arid parts of the county not suitable for farming and low levels of literacy, amongst others. In addition, the gap between the rich and the poor, as measured by the income disparity, is greater in wards that contain active urban areas than in wards that are predominantly comprised of ranches and conservancies.

According to the 2019 census, the economically active population (15-64 years) in Laikipia County accounted for 57.5% of the population. Furthermore, about 70.1% of this total labour force were employed, 7.2% were unemployed and 22.7% were economically inactive (full-time students, homemakers, the retired, the disabled and those who are too young or too old to work). The work force population is projected to account for 65% of the entire population by 2027; therefore, programmes that create employment and other income-generating opportunities for the economically active population are necessary to reduce unemployment and leverage the growing pool of labour.

3.1.3 Macroeconomic variables

Laikipia County contributed 0.9% of Kenya's National gross domestic product (GDP) according to the Gross County Product (GCP) 2023 report. The County economy expanded in 2022 with Kshs 119.6 billion as GCP, up from Kshs 100.2 billion in 2021. Laikipia's GCP is expected to grow in the near term as a result of the ongoing implementation of the 2023-2027 CIDP which is expected to stimulate economic growth across all sectors.

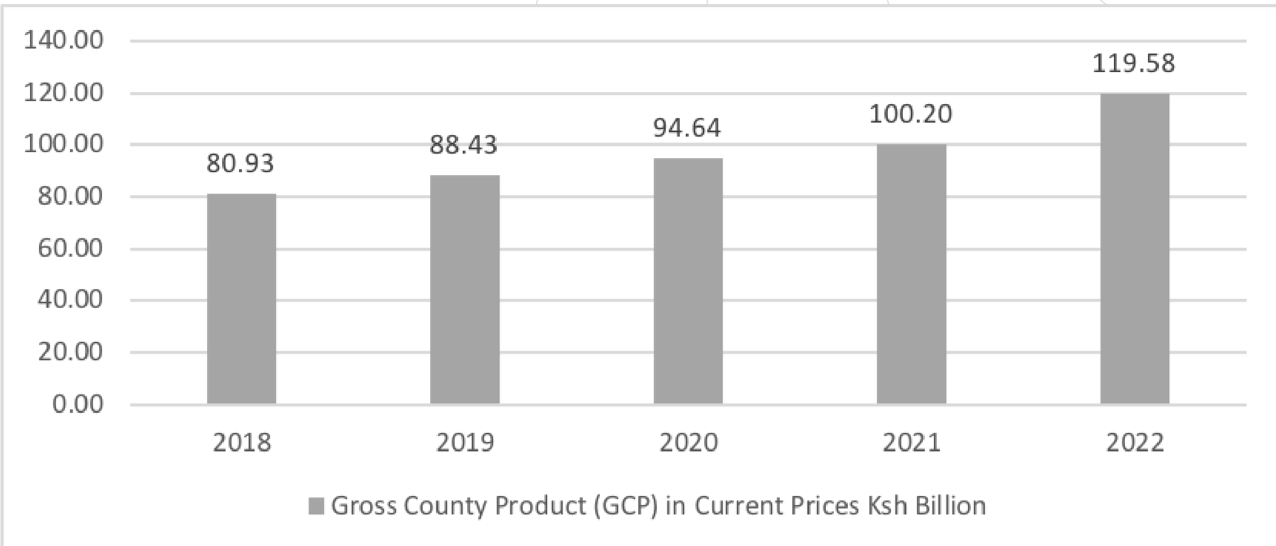

Figure 3: Laikipia Gross County Product (GCP) in current prices

Source: Gross County Product 2023 Report, KNBS

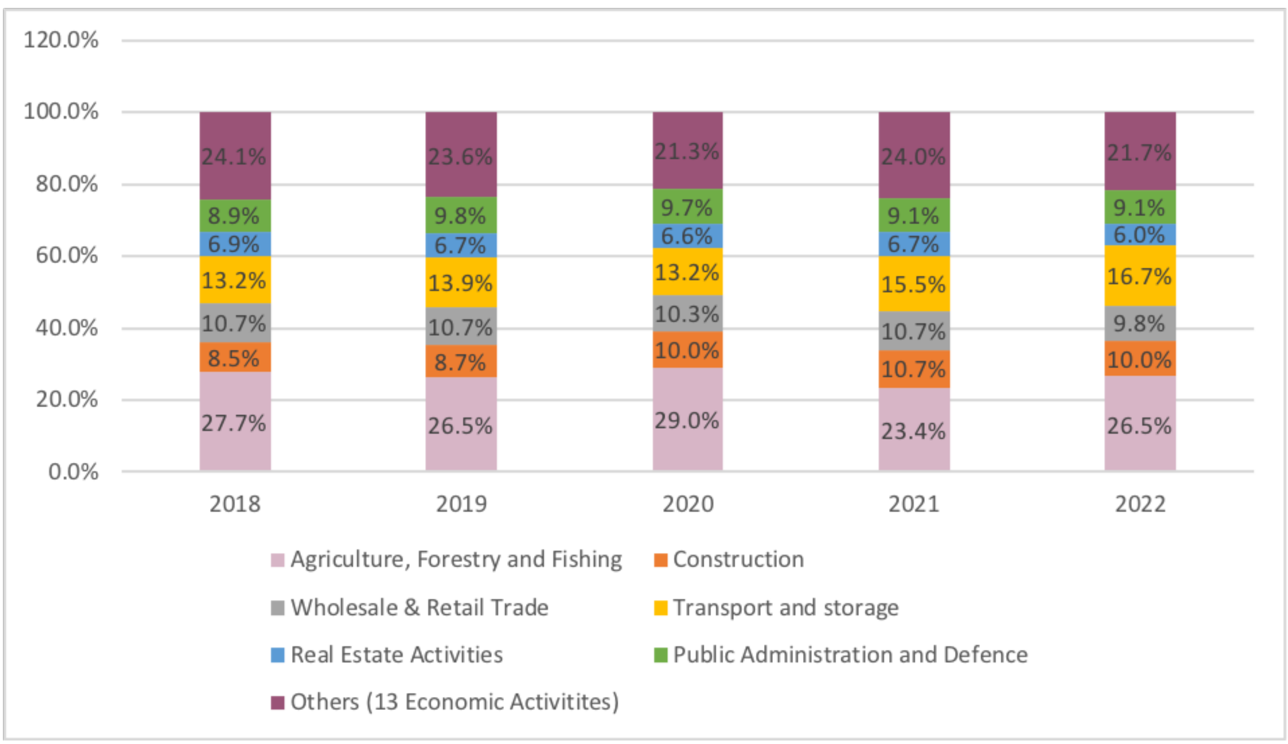

Figure 4: Gross County Product Contribution by economic activity

Source: Gross County Product 2023 Report, KNBS

The performance of Laikipia's six key economic sectors improved over the last three years particularly the agriculture, forestry and fishing sector and the transport and storage sector. The Laikipia Innovation and Enterprise Development Programme, a county initiative launched in 2018, supports the sectors through the provision of handholding and financial and skill development support to businesses in various thematic areas.

Key sectoral analysis

Agriculture, livestock and fisheries

Agriculture accounted for 26.5% of the gross county product (GCP) of Laikipia, making it the county's economic pillar. In addition, the agricultural sector employs circa 60% of Laikipia's labour force. The County relies on rain-fed agriculture, however, there is irrigation potential for about 203,965 hectares across the County. The primary crops grown in the County are maize, beans, wheat, potatoes and vegetables, with maize being the predominant crop accounting for about 51% of the total planted area. Due to favourable weather conditions, the southwest part of the County is primarily devoted to crop farming.

In Laikipia, there are ongoing county and national government initiatives aimed at providing subsidised farm inputs to alleviate the burden on farmers due to the high cost of fertilizer, certified seed and weeding labour, as well as low levels of mechanisation, which limit farmland expansion. The high agricultural potential of the County is evidenced by the abundance of arable farmland in the southwestern part of the County. The County Integrated Development Plan (CIDP) 2023-2027 proposes the following key strategic initiatives to improve agriculture in the county: promote the use of modern technologies to increase food and feed production, including strategic food and feed reserves; improve access to appropriate, quality and affordable farm inputs in agriculture, livestock and fisheries; promote appropriate on-farm and community-managed storage facilities; and facilitate promotion of appropriate storage facilities. These initiatives seek to stimulate the growth of the agricultural sector by addressing issues such as the high cost of farm inputs, which slowed growth in the previous years.

Transport and infrastructure

The transportation sector, which accounted for 16.7% of the county's GCP, plays an important role in opening up the County to development for the movement of goods and migration of people. The total classified road network in the County is 11,923.3 km as of 2022[4], out of which over 80% are feeder roads. To enhance road connectivity, the County government plans to implement various initiatives as per the 2023 - 2027 CIDP, including upgrading identified earth roads to all-weather roads (tarmacked roads) within the County, carrying out routine maintenance of unpaved and paved roads, providing adequate bridges and drainage structures and supervision of roads' works for improved quality.

Wholesale and retail trade

The wholesale and retail trade sector contributed 9.8% of the county's GCP, according to the 2023 GCP Report. The County's business landscape is defined by an increasing number of financial institutions, trading centres, commodity and livestock markets, and micro, small, and medium enterprises (MSMEs). This sector provides the County government with several revenue streams, including single business permits, parking fees, liquor licenses, market entrance, stall/shop rents and agricultural produce Cess[5]. The number of cottage industries in the County rose to 455 in 2019 driven mainly by a rise in grain mill products, wood and wood products, and dairy products[6]. Laikipia County has two industrial zones in Nanyuki and Nyahururu towns, and a third one is proposed in Rumuruti Township. The industrial zones comprise various manufacturing activities including agro-processing, garments, automotive component and electronics assembly, plastics, paper, chemicals, pharmaceuticals, metals and engineering products. Going forward, the County government intends to create an enabling environment for businesses by developing market structures, increasing access to affordable credit, improving consumer protection and fairtrade practices and expanding business development services through the implementation of the 2023-2027 CIDP.

Construction

The construction sector accounted for 10% of the county's GCP in 2022. The County implemented flagship projects as per the strategies that were outlined in the 2018–22 CIDP, including the construction of roads and public facilities, which contributed to the continued expansion of the sector. The County government plans to construct new markets across 15 wards as well as infrastructure development and renovation of education facilities, including early childhood development education centres (ECDEs), vocational training centres (VTCs), stadiums, social halls, cultural centres, child care facilities and primary and secondary schools according to the 2023- 2027 CIDP.

Public administration and defence

The sector, which contributed 9.1% of the County's GCP by the end of 2022, is a key driver and enabler of good governance, service delivery, public engagement and stakeholder participation for the prosperity of Laikipia's residents. Access to government services increased from 50% to 100%[7] during the review of the 2018-2022 CIDP due to the decentralization of services through the establishment and operationalization of six administrative sub-counties (Laikipia East, Laikipia North, Laikipia West, Laikipia Central, Nyahururu and Kirima), fifteen ward offices and town management committees/boards. Implementing the strategies outlined in the 2023-2027 CIDP is expected to result in an improvement in service delivery in the future. These strategies include the improvement of staff welfare through the provision of insurance coverage, promoting job satisfaction and productivity by developing and

[4] Laikipia County Statistical Abstract 2023
[5] A form of tax charged by county governments on goods when they move across county borders
[6] Laikipia County Integrated Development Plan 2018 - 2022
[7] Laikipia County Integrated Development Plan 2023 - 2027

implementing a staff reward and retention system, modernizing information and record management through installing and operationalizing an information and records management system, and enhancing public participation through continuous awareness and engagement with the community.

Real estate activities

The real estate sector contributed 6% to the Laikipia County's GCP[8]. Over the last five years, there has been a rising demand for housing in various locations especially in the main urban centres. Based on population analysis and the provision of infrastructure, the following towns have been identified as growth centres; Nanyuki, Nyahururu, Rumuruti, Wiyumiririe, Doldol, Matanya and Kinamba. The sector is expected to grow due to the County government's efforts to promote affordable and accessible housing through sustainable partnerships in housing development and management. Furthermore, the County government intends to renovate and improve the existing County houses in the near term.

3.1.4 Level of infrastructure

Laikipia County had a total classified road network of 11,923.3 km as of 2022[9], with over 80% of those being feeder roads. The lengths of the bitumen, gravel and earth roads were 448.6km, 4,455.6km, and 7,019.1km, respectively. Nairobi-Isiolo-Marsabit Road, Gilgil-Rumuruti Road, Rumuruti-Maralal Raod and Nakuru-Nyeri Road are the major routes serving the County. These routes improve connectivity within the larger CEREB region, allowing for inter-county trading and economic development. They also allow for strong rural-urban connections between the major urban centres (Nanyuki, Rumuruti and Nyahururu) and their rural hinterlands.

One airstrip (Nanyuki Airfield) near Nanyuki Town serves the County. Nonetheless, there is a proposed airport in Rumuruti municipality, as well as two proposed airstrips in Laikipia North and Laikipia West. There are several landing areas for private aircraft throughout the County, the majority of which are located on private ranches and conservancies. It is anticipated that utilizing air transportation will strengthen the tourism sector as well as improve the horticultural and livestock trade markets in the County. Laikipia has an old railway network with two functional lines; a 25-kilometre-long railway network that serves Nanyuki Town, as well as a 2-kilometre-long railway stretch that serves Nyahururu Town. The railway line provides cheaper and safer bulk cargo transportation alternatives to agricultural, trade and mining operators. Furthermore, the railway line runs through the Central Region Economic Bloc, promoting regional trade. The County intends to extend the existing railway line to Isiolo Town, connecting the CEREB region to the new markets that the LAPSSET (Lamu Port, South Sudan, Ethiopia Transport) Corridor is expected to serve.

According to the Laikipia County Statistical Abstract 2023, the County had 28 bank branches, 43 Automated Teller Machines (ATMs), 33 insurance companies' branches, 10 microfinance institutions and 156 savings and cooperative societies (SACCOs). In addition, there are two branches of the Agricultural Finance Corporation in Nanyuki and Nyahururu which provide loans to livestock and crop farmers. The County also has two established funds, the Laikipia Enterprise Fund and the Laikipia Cooperative Revolving Fund, both of which provide loans to organizations and cooperative societies.

Laikipia has seven post offices and two sub-post offices according to the Laikipia County Statistical Abstract 2023. The four main post offices are Dol Dol, Rumuruti, Nanyuki and Nyahururu. As at the end of 2022, the length of the County's National Fibre Optic Backbone infrastructure serving Nanyuki, Nyahururu and Rumuruti Towns was estimated to be 102 km. According to the Laikipia County Statistical Abstract 2023, there were eleven internet service providers serving the County. G4S, EMS, Securicor, Wells Fargo and PSVs are among the 11 providers of courier services in Laikipia. There are also two Huduma Centres in the County that provide government services, enhancing service delivery efficiency.

3.2 Fiscal assessment

3.2.1 Governance structure

Laikipia County Government comprises two arms, namely the County Assembly and the County Executive. The executive arm of the County Government is made up of the Governor, the Deputy Governor, County Executive Committee Members and the County Public Service Board (which primarily handles the County's human resource management). The Governor appoints County Executive Committee members (CECM) with the approval of the County Assembly. Under Section 5 of the County Government Act 2012, the devolved functions of the county government are county legislation in accordance with article 185 of the 2010 Kenya Constitution which confers the county's legislative authority to the County Assembly. Another devolved task is exercising executive functions per Article 183 of the Constitution which provides for the following roles:

a) Implementation of county legislation;
b) implementation of national legislation within the county if the legislation so requires;
c) management and coordination of the functions of the county administration and its departments;
d) performance of any other functions conferred by the Constitution or national legislation.

A county executive committee can also prepare proposed legislation for consideration by the county assembly. The committee provides the assembly with full and regular reports on matters relating to the county. Under the Fourth Schedule of the 2010 Constitution of Kenya, the devolved sectors and activities performed by county governments are:

1. Agriculture, including crop and animal husbandry, livestock sale yards, county abattoirs (slaughterhouses), plant and animal disease control and fisheries.
2. County health services, including, in particular – county health facilities and pharmacies, ambulance services, promotion of primary health care, licensing and control

[8] Gross County Product 2023
[9] Laikipia County Statistical Abstract 2023

of undertakings that sell food to the public, veterinary services (excluding regulation of the profession which is a national government function), cemeteries, funeral parlours and crematoria, and refuse removal, refuse dumps and solid waste disposal.

3. Control of air pollution, noise pollution, other public nuisances and outdoor advertising.
4. Cultural activities, public entertainment and public amenities, including – betting, casinos and other forms of gambling, racing, liquor licensing, cinemas, video shows and hiring, libraries, museums, sports and cultural activities and facilities, and county parks, beaches and recreation facilities.
5. County transport, including – County roads (Class D, E and Unclassified Roads), street lighting, traffic and parking, public road transport, and ferries and harbours (excluding the regulation of international and national shipping and matters related thereto).
6. Animal control and welfare, including – licensing of dogs, and facilities for the accommodation, care and burial of animals.
7. Trade development and regulation, including – markets, trade licences (excluding regulation of professions), fair trading practices, local tourism and cooperative societies.
8. County planning and development, including – statistics, land survey and mapping, boundaries and fencing, housing, and electricity and gas reticulation and energy regulation.
9. Education – only pre-primary education (ECD), village polytechnics, home craft centres and childcare facilities.
10. Implementation of specific national government policies on natural resources and environmental conservation, including soil and water conservation and forestry.
11. County public works and services, including – stormwater management systems in built-up areas, and water and sanitation services.
12. Firefighting services and disaster management.
13. Control of drugs and pornography.
14. Ensuring and coordinating the participation of communities and locations in governance at the local level and assisting communities and locations to develop the administrative capacity for the effective exercise of the functions and powers and participation in governance at the local level.

Table 2 below shows the key personnel in Laikipia County's executive arm:

Table 2: Key county executives in Laikipia County

S/N	Name	Designation
1	**H.E. Joshua Irungu, EGH**	Governor
2	**H.E. Reuben Kamuri**	Deputy Governor
3	**Mr. Koinange Wahome**	County Secretary
4	M**s. Leah Njeri**	CECM – Water, Environment and Natural Resources
5	**Mr. Edwin Kasoo**	CECM – Agriculture, Livestock and Fisheries
6	**Mr. Samuel Wachira Gachigi**	CECM –Finance and County Planning and Development
7	**Mr. Ekwam Nabos**	CECM – Infrastructure, Lands, Public Works and Urban Development
8	**Mr. Stephen Biwott Kisorio**	CECM - Trade, Tourism, Cooperatives and Enterprise development
9	**Mr. Albert Wagurah Taiti**	CECM – Health

Source: Laikipia County Website

The county assembly is in charge of enacting county laws, overseeing the County Executive and representing the people. It is made up of Members of County Assembly (MCAs) elected from the county's various Assembly Wards, nominated MCAs representing special interests such as persons with disabilities and youth as prescribed by an Act of Parliament, and the Speaker, who serves as an ex-officio member. The Speaker, who also serves as Chairman of the County Assembly Service Board, leads the County Assembly. The Laikipia County Assembly is made up of the following members:

1	• Ex-officio-Speaker
15	• Elected MCAs
9	• Nominated MCAs
25	**• Total**

Figure 5: Laikipia County Assembly composition

Source: Laikipia County Statistical Abstract 2021

Table 3 below outlines the names of the elected County Assembly members and the wards they represent:

Table 3: Laikipia County elected Members of the County Assembly 2022

	Elected Member of County Assembly (MCA)	Ward
1	Hon. Lantano Nabaala	Honourable Speaker
2	Hon. Anthony Theuri	Nanyuki Ward – Deputy Speaker
3	Hon. John Gichuki Maina	Rumuruti Ward
4	Hon. Paul Leshuel	Mukogodo East Ward
5	Hon. Kamau Stephen Ndiritu	Thingithu Ward
6	Hon. George Karuiru Wairimu	OlMoran Ward
7	Hon. Simon Kanyutu Kimani	Marmanet Ward
8	Hon. Daniel Mugweru Muchemi	Umande Ward
9	Hon. Kibue Catherine Nyokabi	Ngobit Ward
10	Hon. Irene Wachuka	Igwamiti Ward
11	Hon. Sammy Lekopien Parletto	Sosian Ward
12	Hon. Salim Edung	Segera ward
13	Hon. Samuel Mugambi	Salama Ward
14	Hon. Nicholas Muturi	Tigithi Ward
15	Hon. Joseph Gitahi	Githiga Ward
16	Hon. Nicholas Lempaira	Mukogodo West Ward

Source: County Assembly Website

3.2.2 Finances of the Laikipia County Government

According to the Office of the Controller of Budget FY 2022/2023 Report, the total revenue generated by Laikipia County at the end of the fiscal year 2022/23 was Kshs 6.68 billion, representing a 7.39% growth from the previous period. In the review period, the County received Kshs 5.14 billion (76.9%) as an equitable share of national revenue, Kshs 980.16 million (14.7%) as own-source revenue, Kshs 145.47 million (2.2%) as conditional grants and had a cash balance of Kshs 416.69 million (6.2%) from the previous year. In the fiscal year 2022/23, the County's own source revenue grew by 9.5% from the previous year due to automation of collection processes in a bid to revolutionize service offerings in the County.

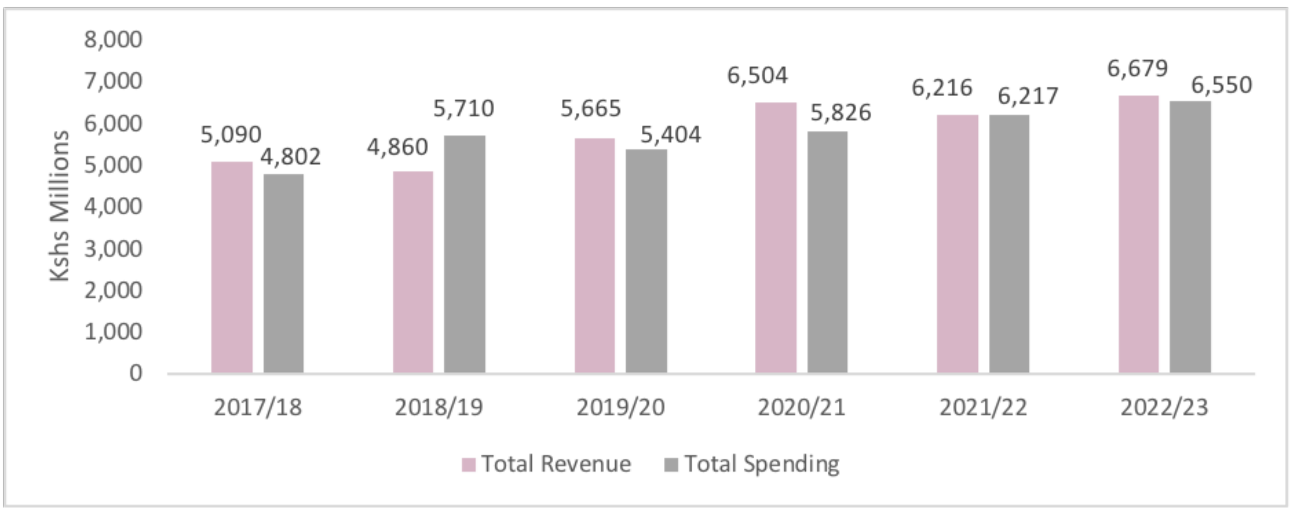

Figure 6: Government revenue vs. spending of Laikipia County (2017/18 -2022/23) – Ksh'millions

Source: Office of the Controller of Budget

The county government spent Ksh 6.55 billion during the review period, which was 99.8% of the total funds released by the Controller of Budget and 5.4% higher than FY 2021/22. In the fiscal year 2022/23, expenditure on development programs was Ksh 1.23 billion (18.8%), while expenditure on recurring programs was Ksh 5.32 billion (81.2%).

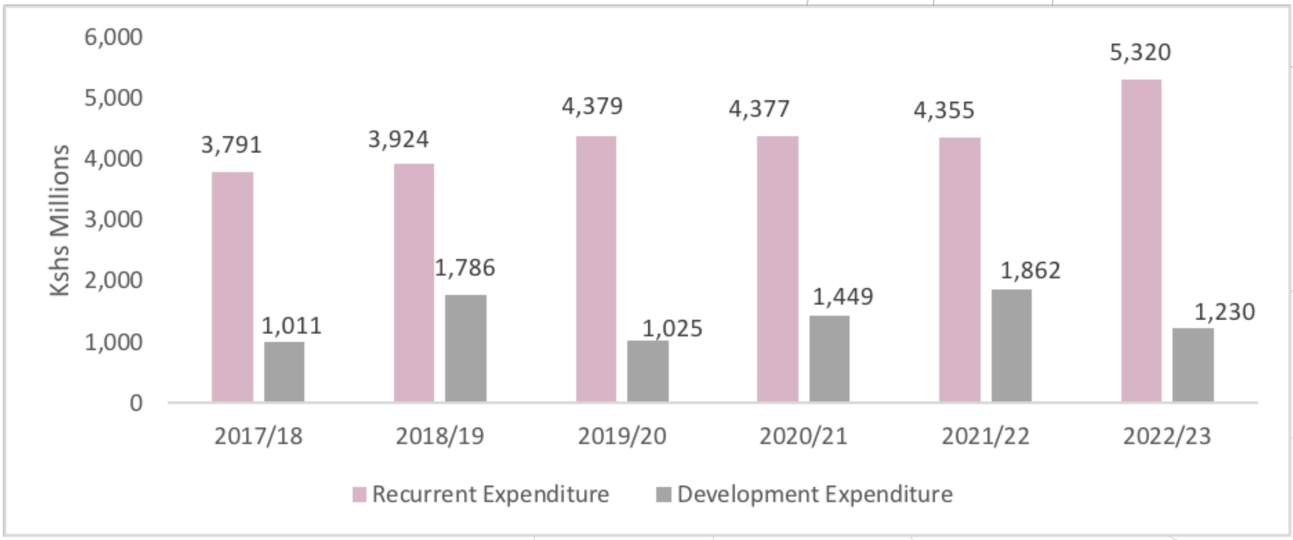

Figure 7: Breakdown of Laikipia's Government spending (2017/18-2022/23)

Source: Office of the Controller of Budget

The Laikipia County Government typically spends more on recurring expenses such as employee salaries, operating costs, and other maintenance costs. Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 caps the County Government's wage and benefit expenditure at 35% of total revenue. In the fiscal year 2022/23, Laikipia County spent 54.6% of its annual realised revenue on employee compensation, exceeding the set limit. Personnel emoluments totalling Ksh 3.23 billion were processed through the Integrated Personnel and Payroll Database (IPPD) system, while manual payrolls totalled Ksh 364.24 million[10]. The manual payroll accounted for 10.1% of total personnel costs, with the County citing a lack of identification numbers as the reason for not processing all salaries in the IPPD system.

Revenue collection mechanism

In the last five years, Laikipia County's own source revenue (OSR) has grown at a compound annual growth rate (CAGR) of 9.6% to Ksh 980.16 in FY 2022/23. The growth in OSR is largely linked to the initiatives on the community's awareness of revenue issues which has improved compliance, empowerment of the County's revenue board through training on revenue enhancement, the introduction of a cashless payment mode, restructuring of the human resource, the extension of the deadline for payment of a single business permit, and the provision of interest and penalty waivers for existing land rates. Going into the future, OSR collected is expected to improve due to the automation of collection processes and an increment in the tax base, whereby the government has ensured that tax collection extends to those outside the existing tax coverage.

3.2.3 Laikipia County debt profile

Laikipia County has not taken on debt before, so there were no commercial debt balances in its financial statement for the fiscal year ending 30 June 2023. Nonetheless, the County had pending bills totalling Ksh 2.05 billion as at the end of 2022/23.

[10] County Governments Annual Budget Implementation Review Report FY2022/23

Furthermore, the County Government explored alternative financing mechanisms evidenced by the intention to raise a Ksh 1.24 billion Infrastructure Bond in 2022. The Bond was to finance the implementation of flagship projects, including the provision of water for agricultural production and the improvement of the business environment by upgrading markets and town infrastructure, which would provide additional jobs to the residents of Laikipia and improve households. Nonetheless, the County Government of Laikipia did not float the bond in 2022.

3.2.4 Compliance with the Public Finance Management Act, 2012

Part 4 of the Public Finance Management (PFM) Act of 2012 outlines the County Government's duties regarding the management and supervision of public finances. It establishes the guidelines for good financial management that County Treasuries must adhere to. As outlined in Chapter 12 of the Constitution, the pillar is responsible for upholding the essential values of prudent financial management, accountability and responsibility.

While overseeing and reporting on the implementation of the Laikipia County FY 2022/23 budget, the Office of the Controller of Budget (OCOB) identified the following challenges to effective budget implementation:

1. A high wage bill, accounting for 54.6% of annual realised revenue FY 2022/23[11]. The COB advised the County Public Service Board to develop an optimal staffing structure to ensure compliance with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 and devise strategies for addressing the escalating wage bill.
2. Diversion of funds by the County Treasury and weak budgeting practice where the County incurred expenditure over approved exchequer issues and above approved budget allocation in several departments.

[11] County Governments Annual Budget Implementation Review Report FY2022/23

The COB recommends that the County Treasury improve the Vote book and budgetary control to ensure expenditure is within the approved budget.

3. Late submission of financial reports by the County Treasury to the Controller of the Budget affected the timely preparation of the budget implementation report. The COB recommended that the County Treasury ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of the PFM Act, 2012.
4. A high level of outstanding bills which stood at Ksh 2.05 billion at the end of the fiscal year 2022/23. In this case, the COB recommends that County leadership take charge of the deteriorating pending bills situation to ensure that genuine bills are paid on time in the upcoming fiscal year. Furthermore, a payment plan should be provided at the beginning of the financial year.
5. Personnel emoluments totalling Ksh 364.24 million were processed manually, accounting for 10.1% of total payroll costs. Manual payroll is prone to abuse and may result in the loss of public funds in the absence of proper controls. Therefore, the COB recommends that Laikipia County should expedite the acquisition of Unified Personnel Numbers for all employees. Further, the County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012, and there should be strict compliance with the approved staff establishment.
6. Failure by Fund Administrators to submit quarterly financial and non-financial reports to the COB is against the requirement of Section 168 of the PFM Act, 2012. Further, the report for the County Assembly Car & Mortgage Scheme Fund was not submitted to the Controller of Budget. The COB recommends that the CECMF should follow up to ensure Fund Administrators prepare and submit statutory reports in line with the PFM Act, 2012.

4 Credit risk assessment of Laikipia County

4.1 Rating rationale

- Agusto & Co. hereby assigns a "Bb- ken" shadow credit rating to the County Government of Laikipia ("Laikipia County", "Laikipia" or "the County"). The assigned rating reflects the County's stable political environment following the recent change in government, improving governance framework and modest financial flexibility owing to minimal leverage. However, the rating is constrained by the County's low own source revenue (also known as internally generated revenue) accounting for 15% of total revenue in FYE 2022/2023, high personnel expenses at 56% 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.

- Laikipia County is located in the Central Rift Valley Region of the Country and was created as a result of the 2010 Kenya Constitution which devolved powers to sub-national governments. Based on the 2023 Gross County Product (GCP) report by the Kenya National Bureau of Statistics (KNBS), Laikipia County's GCP was estimated at Ksh119.6 billion, representing about 0.96% of the Country's Gross Domestic Product (GDP). The County has favourable ecological conditions suitable for mixed farming, grazing and ranching as well as good tourism potentials which we believe provide huge opportunities for growth in the near to medium term.

- In the financial year ended 30 June 2023 (FY 2022/23), Laikipia County reported total revenue of Ksh6.66 billion, better than the prior year due to increased receipts from the Exchequer as well as a modest rise in own source income in the period. Laikipia's own source revenue (OSR) grew by 9% year-on-year (YoY) to Ksh980.2 million (representing 15% of total revenue) in FY 2022/23 driven largely by enhanced revenue collection strategies. Whilst Agusto & Co. recognizes the positive strides in revenue collection, we believe that fully automating all the OSR income lines would help drive higher receipts from business permits, licenses, building approval fees, land rates, hotel fees and parking fees amongst others as well as minimize leakages in the most stable source of revenue for a county. In our opinion, Laikipia County, like most counties, will continue to be reliant on the equitable share of disbursements from the National Government through the Exchequer which accounted for circa 85% of total revenue in FY2022/23 as we do not anticipate a material change in the revenue profile of the County in the near to medium term.

- In the financial year ended 30 June 2023, Laikipia County reported a total expenditure of Ksh6.56 billion (FY 2021/22: Ksh6.32 billion), comprising recurrent (90%) and development expenditure (10%). Akin to most counties, Laikipia's personnel cost (including payroll costs of the County Assembly) is the largest recurrent cost component and represented 56% of total revenue in FY 2022/23, which is significantly higher than the 35% limit set by Regulation 25 (1b) of the Public Finance Management Act (County Regulations), 2015. On the back of higher inflationary pressures on operations and maintenance expenses, the County reported an elevated overhead cost-to-revenue ratio of 25% in FY2022/23 and a three-year average (FY 2020/2021 – 2022/23) of 22% which requires improvement in our view. Going forward, we expect Laikipia County's personnel expenses-to-revenue ratio to remain above the 35% threshold due to the large workforce, while we project a moderate rise in overhead costs due to persistent inflationary pressures.

- In the fiscal year ended 30 June 2023 (FY 2022/23), Laikipia County spent Kshs652.5 million on capital development activities which represented 10% of total expenditure and this is significantly below the 30% minimum requirement as per Section 107 (2b) of the PFM Act. Furthermore, we note that the County's development expenditure as a proportion of total expenditure over the last three years (FY 2020/21 – 2022/23) averaged 13%, below the statutory minimum requirement due to high recurrent expenditure and as such requires improvement. Going forward, Laikipia plans to significantly increase capital spending in tandem with the projected development expenditure in the FY 2023/24 Budget of circa Kshs2.17 billion (accounting for 32% of total spending).

- As at the end of the 2022/23 financial year (30 June 2023), the County did not have any third-party borrowings either directly or through contingent liabilities. In June 2022, Laikipia became the first county in Kenya since devolution to successfully obtain Government of Kenya (GOK) approval and guarantee to borrow Ksh1.24 billion through the Issuance of an Infrastructure Bond to finance development projects. However, the Bond is yet to be issued due to the change in government which occurred in September 2022.
- Going forward, the Laikipia County Government intends to access long-term financing to execute capital projects across water, healthcare, public infrastructure, urban development, waste management and agricultural sectors which are expected to stimulate the growth of the County's economy, build resilience for sustainable development and impact the welfare of the citizens positively. In addition, the County intends to increase its own-source revenue on the back of ongoing revenue mobilization initiatives and enhance revenue optimization processes through the full automation of revenue collection streams from licenses, land rates, business permits and market fees.
- Based on the above, we hereby attach a stable outlook to the County Government of Laikipia and we expect the County to continue to enjoy the National Government's support.

Strengths

- Stable political environment amid successive changes in government
- Improving governance framework
- Modest financial flexibility on account of low leverage profile

Weaknesses

- 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
- Low own source revenue which requires improvement

Opportunities

- 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
- Deepening of own source revenue using fully automated collection systems

Challenges

- Susceptibility of centrally distributed revenue by Exchequer due to macroeconomic headwinds
- Adverse climate change impacts
- Weakened agricultural productivity on account of low rainfall during the long rains season and a delay in the short rains
- Human and wildlife conflicts

Figure 8: Strengths, Weaknesses, Opportunities and Challenges

4.2 Financial condition review

Analysts' comments

- *Laikipia County prepares its financial statements in line with the International Public Sector Accounting Standards (IPSAS) cash basis.*
- *We have analysed the consolidated financial statements of Laikipia County over the three years FY 2020/21 to 2022/23.*

Revenue profile

Laikipia County generates its own source revenue (also known as internally generated revenue) from fines, licenses, levies and user fees as stipulated in Article 209 of the 2010 Kenya Constitution. In addition, the County receives quarterly income from the National Government as an equitable share of revenue collected and distributed nationally. Article 202 of the Kenya Constitution provides that revenue raised nationally shall be distributed equitably among the National and county governments, with the sharing structure determined yearly through the County Allocation of Revenue Act (CARA). The sharing formula is developed by the Commission on Revenue Allocation and approved by the Parliament in line with Article 217 of the Kenya Constitution.

In the financial year ended 30 June 2023 (FY 2022/23), Laikipia County recorded total revenue of Ksh6.66 billion, which was 7% higher than the prior year (FY 2021/22: Ksh6.23 billion) elicited by increased receipts from the Exchequer as well as a modest rise in own source income in the period. To finance the County's approved supplementary FY 2022/23 budget of Ksh7.19 billion, Laikipia County was expected to receive Ksh5.14 billion as the equitable share of revenue raised nationally, generate Ksh1.29 billion from its own sources of revenue and obtain Ksh 341.4 million as conditional grants. Although the County only received Ksh5.54 billion as the equitable share of the revenue raised nationally, conditional allocations and OSR receipts fell short of the budget, leaving the County's revenue performance at 92.9% of the budget. Furthermore, Laikipia County has not issued the Infrastructure Bond over the last two fiscal years even though the National Parliament approved the Bond guarantee on 16 June 2022 in line with Section 212 of the Kenya Constitution and Section 58 of the Public Finance Management Act.

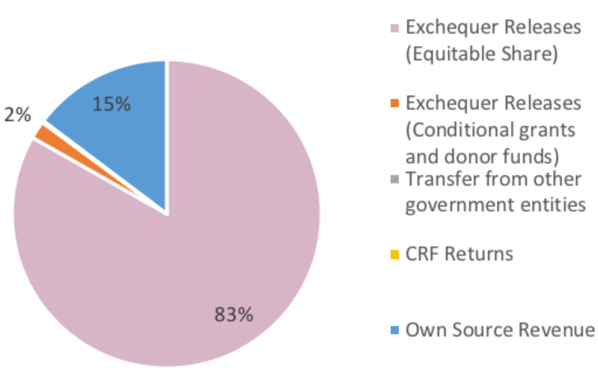

Figure 9: Breakdown of Laikipia County's revenue – FY 2022/23

A breakdown of FY 2022/23 total revenue shows that Laikipia's equitable share of income distributed by the Exchequer grew by 17% from the prior year to Ksh5.54 billion (accounting for 83%), while conditional grants of Ksh125.4 million was significantly lower than the previous year (representing 2%). Table 2 shows the details of centrally distributed funds received by Laikipia County over the last three years.

Table 4: Centrally distributed funds by National Treasury - FY2020/21 - FY2023/24 budget (Ksh'millions)

Centrally Generated Revenue	FY2020 /21	FY2021 /22	FY2022 /23	FY2023 /24 Budget
Exchequer releases (equitable share & donor)	4,177.8	4,725.4	5,547.2	5,358.2
Exchequer releases (Conditional grants and donor funds)	1,155.6	165.9	125.4	413.4
Transfer from other government entities	-	-	-	-
CRF Returns	247.0	432.7	12.0	-
Total Centrally Generated Revenue	**5,580.3**	**5,324.0**	**5,684.6**	**5,771.6**

Source: Controller of Budget's County Governments Budget Implementation Report & Laikipia County Consolidated Financial Statement FY2022/23

In the 12-month fiscal year ended 30 June 2023, Laikipia County's own-source revenue (OSR) grew by 9% year-on-year (YoY) to Ksh980.2 million representing 15% of total revenue. This growth is linked to the increased efficiency in the revenue collection processes in the County. Over the last five years, Laikipia's OSR has grown at a compound annual growth rate (CAGR) of 4%, thus depicting modest improvement through ongoing strategic initiatives.

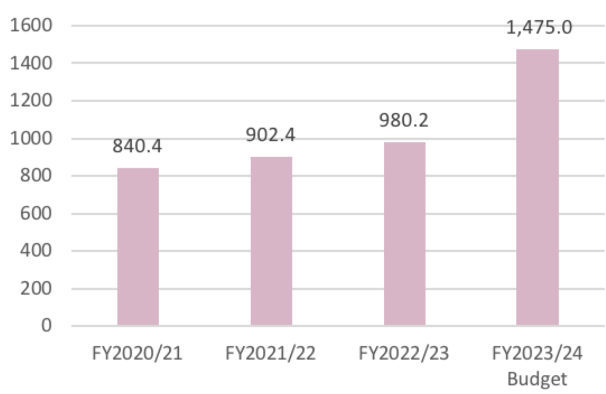

Figure 10: Own source revenue Ksh'millions (FY2020/21 - FY2023/24 Budget)

However, we note that the County is yet to fully automate the collection of own source revenue, which we believe would help drive higher OSR receipts in the form of business permits, licenses, buildings approvals fees, land rates, hotel fees and parking fees amongst others. Notwithstanding the aforementioned, Laikipia County, similar to most counties in the country, is overly dependent on the disbursements from the National government through the Exchequer and we do not see this changing in the near to medium term.

Based on the 2023/2024 Budget, Laikipia County intends to generate total revenue of Ksh7.37 billion with equitable share from the National Government accounting for 73% of the total revenue, while conditional grants and allocation from Exchequer (6%) and County Own Source Revenue (20%). Although the County's ambitious revenue projection is underpinned by an estimated rise in the equitable share of revenue as well as a marked increase in OSR collections, we note that changes in the fiscal framework have resulted in a ceiling in the income from the National Government and as such we do not expect significantly higher distributions by the Exchequer in the near term. Furthermore, we note that the proposed rise in OSR collections will be hinged on the County's ability to minimise leakages and also strengthen local collection measures through ongoing digitization initiatives.

Going forward, the County intends to boost its revenue collection strategies through the following initiatives: strengthening the Laikipia County Revenue Board; continuous automation of revenue collection streams; implementation of a cashless mode of payment; enhancing revenue mapping of new and existing income streams; update records and valuation rolls for all towns; and capacity building of revenue collection staff. In our opinion, fully automating revenue collection through cashless and online payment solutions for all fees, levies, licences and permits would help minimise income leakages and translate into higher OSR in the near to medium term.

In our opinion, Laikipia County's overall revenue profile requires improvement.

Expenditure profile

The Public Finance Management Act 2012 (PFM) classifies counties' expenditures into two main broad categories – recurrent and development expenditure. Recurrent expenditure comprises expenses incurred in the services provided by the county government such as compensation of government employees, purchase of goods and services and interest payments on borrowings, amongst others. Development expenditure covers the payment for the acquisition or renewal of assets (property, plant and equipment) and Section 107 (2b) of the PFM provides that a minimum of 30% of a county's budget be allocated to this expense category.

In the financial year ended 30 June 2023, Laikipia County reported a total expenditure of Ksh6.56 billion (FY 2021/22: Ksh6.32 billion), comprising recurrent (90%) and development expenditure (10%). A breakdown of the County's recurrent expenditure revealed that Kshs3.75 billion was spent on employee compensation (representing 57% of total expenditure), Kshs1.65 billion on operations and maintenance (accounting for 25%) and Ksh537.7 million as transfers to government entities (covering compensation, operations, maintenance and development activities).

Based on our analysis, Laikipia County's total personnel cost (processed through the Integrated Personnel and Payroll Database (IPPD) system and manual payroll) including the payroll costs of the County Assembly represented 56% of total revenue in FY 2022/23, which is significantly higher than the 35% limit set by Regulation 25 (1) (b) of the Public Finance Management (County Regulations), 2015. Furthermore, we note that the County's personnel wages and benefits as a percentage of revenue has been noticeably higher than the 35% statutory threshold over the last three years and we consider this a concern due to the impact on the County's financial flexibility. On the back of higher inflationary pressures on operations and maintenance costs over the last three years, the County's overhead cost-to-revenue ratio of 25% and three-year average (FY 2020/2021 – 2022/23) of 22% requires improvement in our view.

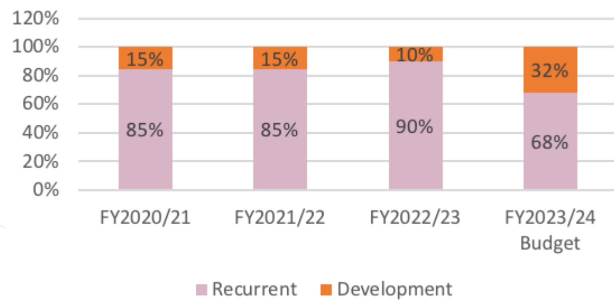

Figure 11: Recurrent & Development to Total Expenditure

Based on section 116 of the PFM Act, 2012, county governments are allowed to establish and allocate monies from the budget to public funds with approval from the County Executive Committee and the County Assembly. In FY 2022/23, Laikipia County spent Ksh412.5 million (out of an allocation of Kshs497.1 million) on county-established funds constituting 6.9% of the County's overall budget for the year.

In FY 2022/23, Laikipia County spent Kshs652.5 million on development activities representing circa 10% of total expenditure and this was below the 30% minimum requirement as stipulated in Section 107 (2b) of the PFM Act of 2012. Agusto & Co. notes that Laikipia County's development expenditure as a proportion of total expenditure over the last three years (average of 13%), fell short of the statutory minimum requirement and as such requires improvement.

Based on the FY 2023/24 Budget, Laikipia's recurrent expenditure is estimated at Kshs 4.66 billion representing 68% of the overall budget. This consists mainly of salaries of Kshs 3.24 billion and operation and maintenance costs of Kshs 1.42 billion. Furthermore, the FY 2023/24 Budget earmarks a development expenditure of Kshs2.17 billion (accounting for 32% of the total) which is expected to facilitate the completion of existing projects across the different sectors in the County.

Agusto & Co. estimates that the county's personnel expenses to revenue ratio will continue to trend higher than the 35% threshold in the near term even though Laikipia intends to limit staff recruitment to only critical needs, while the overhead cost to revenue ratio is projected to rise on account of higher inflationary pressures on administrative and office expenses as well as the associated cost of planned investment in capital projects across various sectors in the County. Furthermore, we expect capital development expenditure to increase markedly compared to the prior year as the County intends to pursue joint initiatives with development partners to complete ongoing projects and commence new flagship initiatives earmarked in the third-generation County Integrated Development Plan (CIDP) 2023 – 2027.

In our view, Laikipia County's overall expenditure profile requires improvement, particularly in reducing payroll expenses below the 35% statutory threshold.

Debt profile

County governments in Kenya can borrow funds for short-term to long-term purposes in line with the Public Finance Management Act 2012. The County Treasury is expected to include in the County Fiscal Strategy Paper, the financial outlook for the county government revenues, expenditures and borrowing for the coming financial year and over the medium term. Authorized by the County Assembly, counties can borrow short-term only for cash management purposes which is repayable within twelve months and not expected to exceed 5% of the most recent audited county government revenue in line with Section 107 (3) of the PFM. Furthermore, Section 107 (2d) of the PFM allows county governments to borrow over the medium term only for financing development expenditure and this must align with Regulation 25 (1) (d) of the Public Finance Management (County Regulations), 2015 which provides for a 20% of total revenue borrowing limit on the total county public debt at any time.

As at the end of the FY2022/23 fiscal year, Laikipia County did not have any third-party borrowings on its book either directly or through contingent liabilities. However, the County had outstanding pending bills of Ksh2.12 billion as at 30 June 2023 (FY2021/22: Ksh1.69 billion).

In June 2022, the Laikipia County Government became the first county in Kenya since devolution to successfully obtain National Government and Parliament approval to borrow Ksh1.24 billion through the Issuance of an Infrastructure Bond to be guaranteed by the National Government. The infrastructure bond which was supposed to be issued at 12% coupon per annum repayable over seven years was intended to finance development projects covering the provision of water for agricultural production and improvement of the business environment by upgrading markets and town infrastructure. However, the Infrastructure Bond has not been issued and one of the reasons alluded to is the change in government which occurred in September 2022. Notwithstanding the aforementioned, the Laikipia County government is keen to access long-term financing to execute capital projects such as the construction of five mega-dams with 1,000,000m3 capacity (Nanyuki, Rumuruti, Pesi, Nyahururu and Crocodile Jaws water dams), the establishment of a multi/super-speciality hospital in Rumuruti, creation of windmills and solar farms, development of smart towns initiatives for rising urban centres such as Nanyuki, Nyahururu, Rumuruti and Kinamba, upgrade of market centres and expansion of water and sewerage treatment plants in Rumuruti, Nanyuki and Nyahururu towns, amongst others.

In our opinion, Laikipia County has a low-leverage position. However, the County's financial flexibility to meet future debt obligations requires improvement given its low own source revenue.

4.3 Rating outlook

The FY 2023/24 Laikipia County budget was anchored on the vision of "An inclusive County with sustainable quality life" with a focus on improving access to quality and affordable healthcare, increased agricultural productivity, enhancing industrial capacity and access to early childhood development education (ECDE) and vocational training as adopted in the County Integrated Development Plan (CIDP) 2023 – 2027 and the Annual Development Plan (ADP) 2023/2024. Laikipia has identified several strategic pillars towards realizing and sustaining socio-economic transformation which are based on Security and Community Cohesion; Maendeleo Mashinani (Unity and Progress at the grassroots); Inclusive Governance; Infrastructure Development; Economic Stimulus Program (ESP); Improving ICT Capacity for Business Competitiveness and Efficiency; and Promoting Human Capital Development. These pillars will serve as the channel through which the County intends to deliver on its mandate to its citizens.

We note positively the County government's political goodwill and intent to improve the welfare of its citizens through the provision of relevant services and incentives for the predominant agrarian communities. Furthermore, Laikipia County is keen on leveraging private-sector partnerships for the development of capital projects across water distribution and irrigation, waste management, healthcare, sanitation, affordable housing, agriculture, public infrastructure and tourism. In addition, we expect the County's ongoing strategic revenue collection initiatives to improve own source revenue and concomitantly boost Laikipia's financial flexibility in the near to medium term.

Agusto & Co. hereby assigns a "Bb- Ken" shadow credit rating and attaches a stable outlook to the Laikipia County Government of Kenya.

4.4 Counties financing framework

Background

The Government of Kenya has been under considerable financial pressure due to macroeconomic headwinds and the impact of COVID-19, which will ultimately limit the near-term funds available for developing infrastructure projects across the 47 Counties. As such, counties in Kenya have been urged to embrace the Debt Capital Markets for Infrastructure Development Financing.

Excerpts of Statutory requirements for County borrowing under the PFM Act 2012

58. (1) Subject to subsection (2), the Cabinet Secretary may guarantee a loan of a county government or any other borrower on behalf of the national government and that loan shall be approved by Parliament.

(2) The Cabinet Secretary shall not guarantee a loan under subsection (1) unless—

- (a) the loan is for a capital project;
- (b) the borrower is capable of repaying the loan, and paying any interest or other amount payable in respect of it;
- (c) in the case of a private borrower, there is sufficient security for the loan;
- (d) the financial position of the borrower over the medium term is likely to be satisfactory;
- (e) the terms of the guarantee comply with the fiscal responsibility principles and financial objectives of the national government;
- (f) where Parliament has passed a resolution setting a limit for the purposes of this section—
- (i) the amount guaranteed does not exceed that limit; or
- (ii) if it exceeds that limit, the draft guarantee document has been approved by resolution of both Houses of Parliament;
- (g) the Cabinet Secretary takes into account the equity between the national government's interests and the county government's interests so as to ensure fairness;
- (h) the borrower complies with any conditions imposed by the Cabinet Secretary in accordance with the regulations;
- (i) the Cabinet Secretary has taken into account the recommendation of the Intergovernmental Budget and Economic Council in respect of any guarantee to a county government; and
- (j) the loan is made in accordance with provisions of this Act and any regulations made thereunder.

(3) Parliament may approve a draft loan guarantee document as provided by subsection (2)(f)(ii) only if satisfied that—

- a) the guarantee is in the public interest;
- b) the borrower's financial position is strong enough to enable the borrower to repay the loan proposed to be guaranteed and to pay interest or other amounts payable in respect of the loan; and
- c) the loan is geared towards stimulating economic growth in a county government.

(4) To enable Parliament to decide whether or not to approve a draft loan guarantee document as provided by subsection (3), the Cabinet Secretary shall prepare and submit to each of the House of Parliament a paper that—

- a) gives details of the loan that is proposed to be guaranteed, including the amount of the loan, the terms of repayment, and the details of the interest or any other amount payable under the loan;
- b) specifies the national government's total contingent liability under guarantees given under this section; and
- c) specifies any other information that the Cabinet Secretary considers relevant.

59. Not later than fourteen days after the guarantee is entered into, the Cabinet Secretary shall submit to Parliament and publish a statement:

- a) stating that a guarantee is entered into; and
- b) containing details of:
  - i) the guarantee, including the name and other particulars of the borrower whose loan is guaranteed;
  - ii) the duration and nature of the guarantee;
  - iii) a risk assessment in respect of the guarantee; and
  - iv) any other information prescribed by regulations for the purposes of this subsection.

140. (1) A County Executive Committee member for finance may, on behalf of the county government, raise a loan for that Government's purposes, only if the loan and the terms and conditions for the loan are set out in writing and are in accordance with:

- (a) Article 212 of the Constitution;
- (b) sections 58 and 142 of this PFM Act;
- (c) the fiscal responsibility principles and the financial objectives of the county government set out in its most recent County Fiscal Strategy Paper; and
- (d) the debt management strategy of the county government over the medium term.

(2) A loan may be raised either within Kenya or outside Kenya.

141. (1) In borrowing money, a county government shall ensure that its financing needs and payment obligations are met at the lowest possible cost in the market that is consistent with a prudent degree of risk while ensuring that the overall level of public debt is sustainable.

(4) A public debt incurred by a county government is a charge on the County Revenue Fund unless the

County Executive Committee member for finance determines that all or part of the public debt that would otherwise be a charge on that Fund shall be a charge on another public fund established by that county government or any of its entities.

(5) The County Executive Committee member for finance shall pay the proceeds of any loan raised under this Act into the County Revenue Fund or any other public fund established by the county government or as the County Executive Committee member for finance may determine.

(6) A County Executive Committee member for finance may establish a sinking fund or funds for the redemption of loans raised under this Act for the county government or any of its entities as the County Executive Committee member for finance considers necessary.

142. (1) The County Assembly may authorise short-term borrowing by county government entities for cash management purposes only.

(2) Any borrowing under subsection (1) may not exceed five per cent of the most recent audited revenues of the entity.

(3) A county government entity that has any such borrowing shall ensure that the money borrowed is repaid within a year from the date on which it was borrowed.

144. (1) The county government may issue securities, whether for money that it has borrowed or for any other purpose, only in one or more series and only in accordance with this Act and regulations.

(2) The County Executive Committee member for finance may issue securities on behalf of the county government, for money borrowed by the county government in accordance with the criteria prescribed by regulations made for this subsection.

(3) Subject to the provisions of section 141 of this Act, the authority of the County Executive Committee member for finance to borrow money includes the authority to borrow money by issuing county government securities in accordance with the regulations.

(4) Any county government securities issued by the County Executive Member for finance under this section shall be within the borrowing limits set out by the County Assembly under subsection 141(2) of this Act.

(5) A county government securities:

(a) may be issued in one or more series; and

(b) may be issued in accordance with loan agreements entered into in accordance with regulations developed by the County Executive Committee member for finance and approved by the County Assembly.

(6) An agreement to obtain a loan by a county government entity made under subsection (5), may be amended from time to time and where the amendment results in further indebtedness or prejudice to the entity that borrowed, the amendment shall be approved by the County Assembly.

(7) The County Executive Committee member for finance shall ensure that every county government security issued under this section is given in the name of that County.

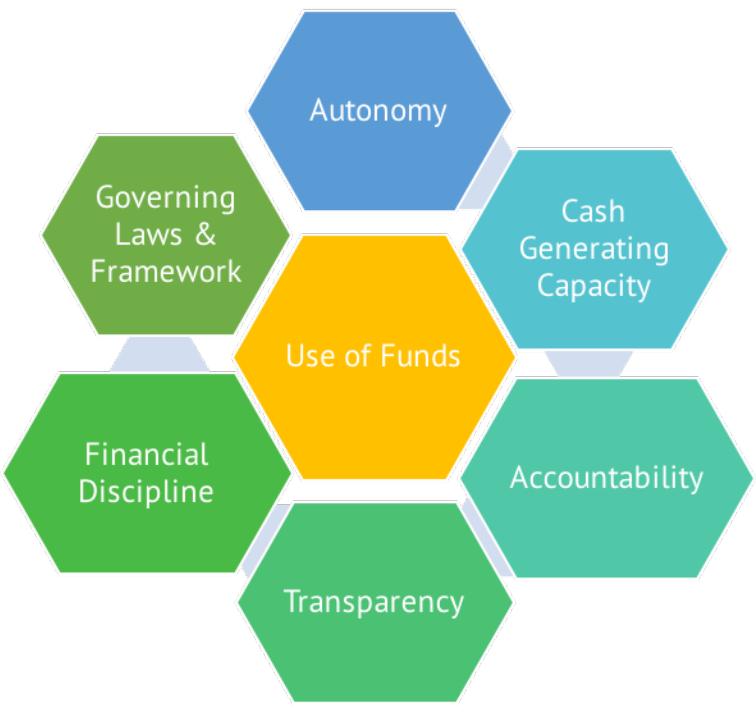

Figure 12: Pre-requisites for counties financing

Source: Agusto & Co. Research

Figure 13: Critical stakeholders to support county's financing framework

Source: Agusto & Co. Research

5 **Green asset** and activity assessment

To understand the availability of green assets and investment opportunities, Laikipia County was subjected to a green asset identification and risk analysis. The approach employed involved field visits to Laikipia County, where general sessions were held with members of specific stakeholder groups (county officials, civil society organizations, private actors, and community representatives) who were invited to a workshop to discuss issues on the identification of green assets, projects, and capabilities of the various stakeholder groups in the county. Furthermore, the workshop served as a medium for gathering information relevant to the county's macroeconomic, fiscal and credit assessments.

To guide the assessment process, information-gathering questionnaires/assessment tools targeting various actors in the counties were prepared and shared in advance of the visit. During the visit, Agusto & Co. engaged three types of stakeholders using the conference/workshop model, namely;

1. County officials which included directors and county representatives of the seven priority areas related to climate change (Disaster risk management; food and nutrition security; water and the blue economy; forestry, wildlife and tourism; health, sanitation and human settlements; manufacturing; and energy and transport) and finance and budget department (Day 1)
2. Civil Society Organisations (CSOs) and private actors in the climate-finance space in Laikipia (Day 2)
3. Community representatives (Day 3)

Figure 15 below outlines the activities for the visit to Laikipia County:

Day 1 (Tuesday 17 January 2023)

- Held briefing session with Senior County Officials from the Department of Environment.
- Held workshop and conducted technical green assessment session with Directors and County representatives of the seven priority areas related to climate change.

Day 2 (Wednesday 18 January 2023)

- Held workshop and conducted technical green assessment session with Civil Society Organisations (CSOs), Community Based Organisations (CBOs) and private actors in the climate-finance space in Laikipia County.

Day 3 (Thursday 19 January 2023)

- Site visits to Munda Irrigation Scheme in Marmanet Ward, Muhotetu Dairy Farmers Cooperative Society Cooling Plant in Mutanga and Laikipia Maize Storage Facilities in Kinamba.

Day 4 (Friday 20 January 2023)

- Held debriefing session with the Laikipia County Deputy Governor and Senior County officials.
- Held site visits to the Bulk Water Dam Project on Likii River, Nanyuki Water and Sanitation Company (NAWASCO), Nanyuki Sewerage Treatment Plant, Dumpsite in Nanyuki Town and Mutumba Market in Nanyuki Town.

Figure 14: Laikipia County schedule of activities

Figure 15: Briefing session with the CECM of Water, Environment And Natural Resources (Day 1)

Figure 16: Briefing Session with the CECM of Water, Environment and Natural Resources (Day 1)

Figure 17: Workshop with senior county officials (Day 1)

Figure 18: Workshop with senior county officials (Day 1)

Figure 19: Workshop with senior county officials (Day 1)

Figure 20: Workshop with Civil Society Organisations (CSOs) and private sector (Day 2)

Figure 21: Workshop with Civil Society Organisations (CSOs) and private sector (Day 2)

Figure 22: Workshop with Civil Society Organisations (CSOs) and private sector (Day 2)

Figure 23: Laikipia Maize Storage Facility Kinamba (Day 3)

Figure 24: Laikipia Maize Storage Facility Kinamba (Day 3)

Figure 25: Muhotetu Dairy Farmers Co-operative Society cooling plant (Day 3)

Figure 26: Milk Cooling Tank at Muhotetu Dairy Farmers Co-operative Society cooling plant (Day 3)

Figure 27: Power House at Muhotetu Dairy Farmers Co-operative Society cooling plant (Day 3)

Figure 28: Munda Irrigation Scheme – Proposed water intake source (Day 3)

Figure 29: Munda Irrigation Scheme water source (Day 3)

Figure 30: Rumuruti Forest Station (Day 3)

Figure 31: Nanyuki sewerage treatment plant (Day 4)

Figure 32: Drying sludge - Nanyuki sewerage treatment plant (Day 4)

Figure 33: Discussion with traders at the Mutumba Market (Day 4)

Figure 34: Informal stalls at the Mutumba Market (Day 4)

Figure 35: Location of the Bulk Water Dam Project along Likii River (Day 4)

Figure 36: Site Visit to Nanyuki Water and Sanitation Company (NAWASCO) offices - Day 4

Figure 37: Debrief session with Deputy Governor Laikipia County (Day 4)

Figure 38: Debrief ession with the Deputy Governor Laikipia County (Day 4)

5.1 Preliminary green priority areas

Following the discussions and interactions with various stakeholders and assessments conducted during workshops and site visits, the following thematic areas emerged as key priority sectors for Laikipia County.

- Water & Sanitation
- Agriculture, Livestock & Fisheries
- Waste Management
- Energy Efficiency
- Healthcare
- Natural Resources Management
- Industry & Trade
- Public Infrastructure
- Education
- Urban Development
- Tourism

Figure 39: Laikipia County key priority sectors

These sectors were also identified as priority areas in the County Integrated Development Plan (CIDP), which the county government is keen to implement projects in the medium term.

Water and sanitation

There are 507 small water clusters serving market centres, institutions and settlement schemes in Laikipia County. Despite the number of water clusters, the geographical spread of water sources is uneven across the County with the northern parts experiencing serious water shortages. Some of the initiatives that the County would like to put in place to promote access to clean and safe water in the urban and rural settlements (which aligns with United Nations Sustainable Development Goals (SDGs) 6 – Clean Water and Sanitation) include increasing piped water access from the existing 33% to 37% by 2027, reduce average distances to water points from 4km to 3km by 2027, improve water supply from 60% to 70% by 2027, improve sewerage systems from 16% to 20% by 2027 as well as develop water infrastructure to provide water for production through mega dams and water pans[12]. It is expected that the implementation of these initiatives will enhance the provision of clean and safe water to more households in the County. Furthermore, only 8.9%[13] of households in Laikipia County have access to the main sewer system. This hinders the County from generating the necessary revenue from sanitation services. As a result, the County intends to collaborate with development partners to expand the sewerage infrastructure to accommodate a greater number of households.

Agriculture, livestock and fisheries

The agriculture sector is the mainstay of Laikipia County and employs up to 60% of the labour force. Nonetheless, the sector faces several challenges which constrain its growth including the high cost of farm inputs such as fertilizer, certified seed, weeding labour and low level of mechanization. The southwestern part of the County has the greatest agricultural potential given the huge arable land. According to the 2023 - 2027 CIDP, the County Government plans to implement various initiatives, which align with United Nations Sustainable Development Goals (SDGs) 2 – End Hunger, to achieve food security and improve nutrition and promote sustainable agriculture. These initiatives include promoting irrigation by providing subsidies for water-efficient irrigation equipment and tools, offering incentives for climate-smart agricultural production practices, constructing mega dams and rock catchments in Laikipia North, desilting of existing dams and supporting community-based adaptation to climate change by promoting nature-based solutions such as agroforestry and value addition through the establishment of value addition and agro-processing facilities.

Waste management

The volume of waste generated in Nanyuki and Nyahururu, which are the major urban centres in Laikipia County, lies between 0.25kg-1kg per person per day. Nanyuki, Nyahururu and Rumuruti towns have solid waste management systems with designated dumpsites, refuse collection trucks and staff, however, the system remains inadequate due to the steady rise in population and increasing urbanization. The County government of Laikipia intends to improve the solid waste management system by initiating a hybrid model for solid waste collection and management that brings together private sector players and the government through a Public-Private Partnership (PPP). The County is also in the process of formulating and implementing a solid waste management policy and bill to enhance proper

[12] Laikipia County Integrated Development Plan 2023 - 2027
[13] Laikipia County Fiscal Strategy Paper 2024

waste management which will ensure a clean and safe environment (this aligns with United Nations Sustainable Development Goals (SDGs) 11 – Sustainable Cities and Communities).

Energy efficiency

Laikipia, as a semi-arid County, has reliable sunshine throughout the year with an average of 10 to 12 hours per day, providing good potential for harnessing solar energy. There are also opportunities for biogas and wind energy for high-power intensity industries. The County has implemented interventions such as mainstreaming climate change action in the CIDP and spatial plans, as well as greening initiatives such as solar street lighting, energy-efficient cooking stoves and climate-smart agriculture. Based on Governor Joshua Irungu's Manifesto, the County government is keen to encourage the use of renewable energy by households and SMEs (which aligns with SDG 7 – Affordable and Clean Energy). This will be accomplished by providing incentives for communities to adopt clean cooking technologies such as biogas and biomass cooking stoves, launching a subsidy programme to encourage communities to adopt biogas for household energy needs, promoting the use of biogas for SMEs to meet their energy needs, and establishing wind and solar energy farms to produce electricity for the cottage industry and food processing such as dairy, vegetables refrigeration centres and SMEs.

Healthcare

According to the 2010 Constitution of Kenya, the overall goal of the healthcare sector is to provide quality and affordable healthcare to all citizens. Laikipia County's key healthcare infrastructure consists of five sub-county hospitals located in Kimanjo, Ndindika, Lamuria, Doldol and Rumuruti, as well as two county referral hospitals located in Nanyuki and Nyahururu. The County government intends to improve residents' access to quality and affordable healthcare (which aligns with SDG 3 - Good Health and Well-Being) by implementing various initiatives outlined in the Annual Development Plan 2023 - 2024, which include establishing a multi/super-speciality hospital in Rumuruti that will also serve as a Medical Tourism Centre and a Level 6 hospital and upgrading three facilities (Nyahururu, Rumuruti and Nanyuki) to Level 6 status. Furthermore, the County intends to invest in solar power systems for all healthcare facilities to ensure that health services continue uninterrupted and that high electricity bills are significantly reduced.

Natural Resources Management

Laikipia County is endowed with several natural resources including pasture land, forests, wildlife, minerals and water resources. The County Government has prioritized the protection, conservation and management of natural resources by promoting rangeland management, rivers and wetland management, conservation enterprise development and forest management. Based on the FY 2021/22 Annual Development Plan implementation, Laikipia County formulated the County Climate Change Act Regulations and is in the process of developing a County Environment Action Plan (CEAP). In the medium term, the County plans to prioritize various initiatives towards sustainable environment and natural resources management including formulating and enacting County conservation and forests restoration strategy and bill, developing an asset register as well as mapping and gazettement of natural resources which covers rivers, swamps, wetlands and wildlife.

Industry and trade

The county's sector mandate covers creating a conducive environment for ease of doing business, promoting retail and wholesale markets, developing micro and small businesses and promoting fair-trade practices. Industrial processing in Laikipia County is minimal with milk plants and grain milling being the major firms. Commodity markets for the sale of crop produce in the County are mainly located at Nanyuki and Nyahururu whereas the main livestock markets are at Rumuruti, Doldol and Kimanjo. The major types of businesses are wholesale and retail enterprises totalling 13,824[14] which are mainly located in trading centres across the County. According to the 2023 - 2027 CIDP, the County government intends to develop an enabling business environment through constructing and operationalizing produce and cereal markets, setting up cottage industries and agro-processing plants for value addition, intensifying training on entrepreneurial skills and management and establishing legislations and trade policies that promote conducive business environment among others (which aligns with SDG 9 – Industry, Innovation and Infrastructure). It is expected that the industries to be established will utilise renewable sources of energy, especially solar energy and a circular economy model will be adopted in the use of resources.

Public infrastructure and urban development

The Laikipia County government's overarching objective is to maintain good road networks, optimize land resource use, and provide infrastructural facilities and access to renewable energy for sustainable environmental and socio-economic development. Due to the population growth in the County especially in the urban areas, specific urban centres have been prioritized for supportive infrastructure investment and land use planning. These urban centres include Nanyuki, Nyahururu, Rumuruti, Wiyumiririe, Doldol and Loniek. According to the 2023 – 2027 CIDP, the initiatives to be implemented to promote improved livelihoods and quality infrastructure across these urban centres include the finalization and implementation of a Geographic Information System (GIS) Based County Spatial Plan; promoting the security of tenure in urban areas, market centres and informal settlements; upgrade of earth roads to all-weather roads to enhance road connectivity within the County; maintenance and improvement of existing County housing; as well as promoting sustainable partnerships in affordable housing development and management. Laikipia County also intends to promote the adoption of renewable energy through the installation of solar plants in public institutions (schools, markets and offices) and support the development of alternative renewable energy in both the public and private sectors.

Education

According to the 2023 County Statistical Abstract, Laikipia had 582 pre-primary schools, 384 primary schools, 149 secondary schools, 6 institutes of technology, 1 university and 14 vocational training centres. The County has continued to make sustained investments in the education sector through infrastructural development, skills development and training, teacher recruitment, construction and equipping of technical institutions. In the medium term, the various development interventions to be implemented to promote inclusive and equitable quality education (which aligns with SDG 4 – Quality Education) include establishing, constructing and upgrading learning and training centres, provision of teaching and learning materials, increasing and improving the management of bursaries, integration of ICT in learning and training, curriculum review for VTCs to include skill-based and market-oriented courses and initiating and promoting youth economic empowerment programs like affirmative funds[15].

Tourism

Tourism is a strategic sector in Laikipia County, with the potential to significantly contribute to the County's socioeconomic development. Wildlife, landscapes, unique local cultural practices and Thomson Falls are the main tourist attractions. The County's proximity to Mt. Kenya, Meru, Aberdares and Samburu game parks has greatly increased tourism through the provision of hospitality services to tourists. The number of domestic and foreign visitors to high-end facilities and other major tourist attraction sites in the County totalled 124,285 persons in 2022, with foreign visitors accounting for 2.43%[16]. In the medium term, the County Government intends to improve the tourism sector by implementing various strategies outlined in the 2023 - 2027 CIDP, such as promoting local tourism by marketing Laikipia as a leading wildlife and conferencing destination, developing tourism circuits with specific itineraries, repackaging tourism products to meet local tourists' interests and preferences, and strengthening tourism information and partnerships with the private sector.

5.2 Green assets identified

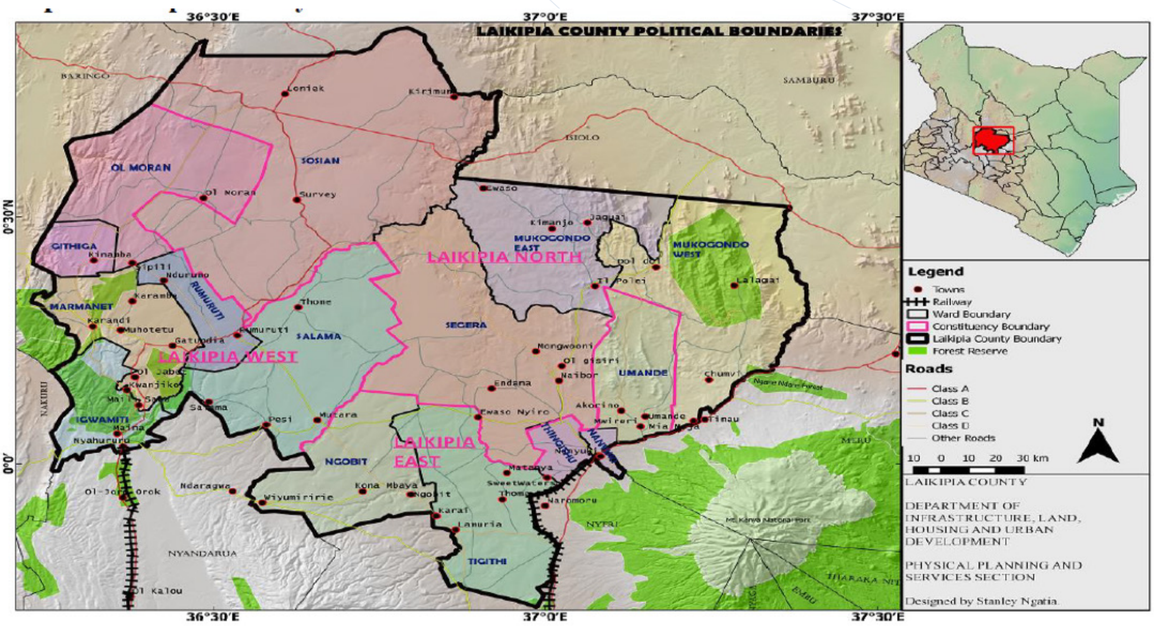

Figure 40: Map of the distribution of green assets in Laikipia County

Source: County Integrated Development Plan (CIDP 2023-2027)

Overview of green assets in Laikipia County

Laikipia County's altitude ranges from 1,500m above sea level in the north to a maximum of 2,611m above sea level in the Marmanet forest. The County is primarily composed of a plateau bounded to the west by the Great Rift Valley, to the south by the Aberdares Mountain Ridge and the southeast by Mt. Kenya. Due to its altitude and location, the County receives relief-type[17] of rainfall with an annual average between 600mm and 1,210mm, and higher annual rainfall near the slopes of Mt. Kenya and the Aberdares Ranges. The County's annual average temperature ranges between 9.8oC and 24.4oC, with cooler temperatures in the western and southern parts of the County. The following key green assets make up the County's unique landscape profile:

[15] The National Government Affirmative Action Fund is governed by the Public Finance Management Act, 2012, and Public Finance Management (National Government Affirmative Action Development Fund), Regulations 2016

[16] Laikipia County Statistical Abstract 2023

[17] Relief or orographic rain is formed when air is forced to cool when it rises over relief features in the landscape such as hills or mountains

Table 5: Green assets in Laikipia County

Water bodies	Mountains and hills	Forests
Ewaso Nyiro River	Laikipia Plateau	Mukogodo Dry Forest
Marura Swamp	Mount Kenya	Rumuruti Forest
Ewaso Narok Swamp		Marmanet Forest
Ewaso Nyiro Tributaries:		Ng'arua Forest
Nanyuki		Lariak Forest
Timau		Shamanek Forest
Rongai		Mt. Kenya Forest Reserve
Burguret		
Segera		
Naromoru		
Engare		
Moyok		
Ewaso Narok		
Pesi		
Ngobit		

Source: Laikipia County Integrated Development Plan 2023- 2027

Laikipia County has about 580km2 of gazetted forests. Mukogodo Dry Forest in Laikipia North Sub-County is the main gazetted natural forest in the County and is located on the leeward side of Mount Kenya. The forest covers a landmass of 30,189 Ha with a mosaic of closed forest, open forest and open grasslands. Laikipia County is richly endowed with wildlife, widely distributed in most parts of the County extending to Aberdares Forest, Samburu, Meru and Mt. Kenya wildlife corridors. Most of the wildlife is found in the large-scale private ranches, which occupy over 50% of the total land area of the County[18].

Green assets shared with other counties

The primary natural resources that Laikipia County shares with neighbouring counties are the Ewaso Nyiro River and Mount Kenya. The Ewaso Nyiro River originates in the Thome Area of Nanyuki-Laikipia County, where it is formed by the confluence of the Naromoru River and Ngarinyiru River which draw water from Mount Kenya and Aberdares, respectively. The river flows through seven arid to semi-arid counties namely Meru, Laikipia, Samburu, Isiolo, Wajir, Marsabit and Garissa.

Mt. Kenya is situated approximately 90 kilometres north of the equator in Kenya's former Eastern and Central provinces, which are now Meru, Embu, Laikipia, Kirinyaga, Nyeri and Tharaka Nithi Counties. The summit elevation of the mountain is 5,200 meters, making it the highest in Kenya and the second highest in Africa after Kilimanjaro. To avoid conflicts over the control and management of shared/transboundary resources such as the Ewaso Nyiro River and Mount Kenya, there must be harmonization and a unified approach to conservation and management.

Figure 41: Ewaso Nyiro River

Source: Standard Media

[18] Laikipia County Integrated Development Plan 2023 -2027

Green assets owned by the national government

There are six gazetted forests by the Kenya Forest Service (KFS) in Laikipia County covering 580Km2 namely, Mukogodo, Lariak, Marmanet, Ng'arua, Rumuruti and Shamanek forests. Mukogodo forest in the Northern part of the County is the only gazetted natural forest while the rest are plantation forests. All the forests are under a Forest Manager and Community Forest Associations, who have agreed with the Kenya Forest Service (KFS) to manage the respective forests or part of the forests.

5.3 Suggested green projects

Based on the identified thematic areas and Agusto & Co.'s evaluation of the green assets, the following green projects were proposed for development and implementation:

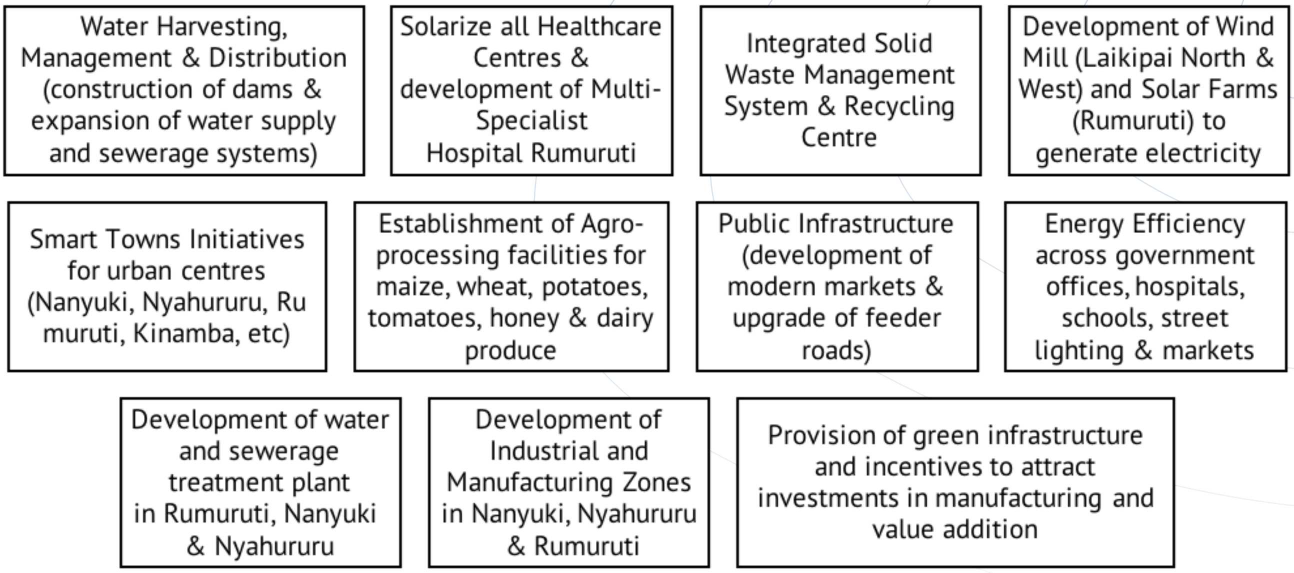

Figure 42: Laikipia County suggested green projects

Water harvesting, management and distribution

The distribution of water sources in Laikipia County is uneven with the northern parts experiencing serious water shortages. The County's key water source is the Ewaso Nyiro River and its tributaries, which originate from Mt. Kenya and the Aberdares. Boreholes, pans, dams, shallow wells, springs and subsurface dams are also common in the County for domestic and irrigation purposes. Rock catchments in the northern parts of Laikipia are also increasingly being exploited. The urban centres are mainly served by the water services and sanitation/sewerage companies in Nanyuki (Nanyuki Water and Sanitation Company - NAWASCO) and Nyahururu (Nyahururu Water and Sanitation Company Limited - NYAHUWASCO), which are wholly owned by the County Government. NAWASCO is mandated to serve Nanyuki and its environs including parts of Nyeri and Meru Counties, covering a total of 286km2 as per the Water Services Regulatory Board (WASREB). NAWASCO supplies 14 million litres of water per day (existing demand of 17 million litres of water/day) to circa 18,750 connected households and approximately 25% of these households have access to sanitation services. NAWASCO intends to improve and expand the existing water infrastructure to reduce the non-revenue water level (currently at 43% in 2022) and serve more residents.

There are 29 Water Resource User Associations (WRUAs) that operate across the County in collaboration with the Water Resource Authority (WRA). Nonetheless, the number of people without access to clean and safe water in the County remains high given that circa 80% of Laikipia land area is arid and semi-arid land (ASAL)[19]. Further analysis reveals that as of 2023, 31.1% of the total county households accessed their drinking water from unimproved water sources (dams 5.7%, streams/rivers 21%, unprotected springs 1.7% and unprotected wells 2.7%)[20]. To increase clean and safe water access which aligns with SDG 6, the County Government intends to construct five mega-dams (Nanyuki, Rumuruti, Pesi, Nyahururu and Crocodile Jaws water dams) with cumulative capacity of 1,000,000m3, enhance rainwater harvesting and storage technologies through supplying of 50,000 plastic water tanks to households and oversight and collaborate with NAWASCO and NYAHUWASCO to improve service delivery.

[19] Laikipia County Government

[20] Laikipia County Statistical Abstract 2023

NAWASCO will be the implementer of one of the bulk water dam projects which will be located on Likii River. The water and sanitation company estimates that this project will require about Ksh 3.5 billion to cover the cost of extracting the water and setting up the water distribution infrastructure. The project which was conceptualized in 2009 and its documentation on its feasibility developed in 2016, has not commenced due to funding challenges. It is expected that the project will enable NAWASCO to distribute water to an additional 5,000 households to meet the existing demand gap in Nanyuki.

Figure 43: Intake location of the Bulk Water Dam Project, Likii River

Source: Agusto & Co. Research

Solarize all healthcare centres and development of a multi-specialist hospital

Laikipia County is home to 7 Sub County & County hospitals, 6 government health centres, 78 public dispensaries, 19 faith-based organization (FBO) managed dispensaries and health centres, 1 non-governmental organization (NGO) managed dispensary, 63 privately run clinics, 4 private hospitals and 5 private health centres[21]. To promote the use of renewable energy (which aligns with SDG 7 – Affordable and Clean Energy), the County intends to invest in solar power systems for all public healthcare facilities to ensure that health services continue uninterrupted and reduce electricity bills. Furthermore, the County plans to establish a Ksh 3 billion multi/super-speciality hospital in Rumuruti that will serve as a Medical Tourism Centre and a Level 6 hospital. It is expected that through the implementation of these initiatives, the County will be able to provide quality and affordable healthcare to its residents.

Integrated solid waste management and recycling centre

Nanyuki, Nyahururu and Rumuruti towns are the only urban centres in the County with designated dumpsites, refuse collection trucks and staff. Nonetheless, the existing structure does not cater for the entire residents in these locations. In Laikipia County, about 59% of the households use waste pits whereas only about 15% use crude damping and 0.01% use private waste collectors[22]. To improve solid waste management, the County government plans to establish a solid waste management and recycling centre in Karioba, to be located close to the existing sewerage treatment plant. Going forward, the county government plans to implement an integrated solid waste management system which will be initiated through a hybrid model for solid waste collection management that brings together private sector players and County government through a public-private partnership arrangement. Furthermore, the County intends to formulate and implement a solid waste management policy and bill which is expected to improve solid waste management in Laikipia.

Development of wind mills and solar farms

The level of households not connected to electricity in Laikipia County is estimated to be 47% as of 2022[23]. The Last Mile Connectivity Programme by the national government has helped upscale access for the rural households in the County. Furthermore, Laikipia has several learning institutions, health facilities and boreholes supported by solar energy. According to the 2023 -2027 CIDP, about 26% of households and 60% of the boreholes in the County use solar energy as the main source of power. Being a semi-arid county, reliable sunshine throughout the year provides good potential for harnessing solar energy by setting up solar farms in identified areas such as Rumuruti. There are also opportunities for upscaling wind energy through developing windmills in Laikipia North and West given that these parts of the county have sufficient wind velocity. The county government intends to harness the use of renewable energy through the initial mapping of potential areas for wind and solar energy, creating awareness of green energy use, and partnerships with financiers for funding as well as providers of green energy. These initiatives are expected to enhance access to affordable and reliable energy for the County residents which aligns with SDG 7 – Affordable and Clean Energy.

Smart towns initiatives for urban centres

Laikipia County is predominantly rural with the main urban centres namely Nanyuki, Nyahururu, Rumuruti and Kinamba. The growth and expansion of Nyahururu and Nanyuki towns have been attributed to their long-time role as the administrative headquarters for the former Laikipia and Nyandarua districts respectively. To facilitate the cost-effective and sustainable implementation of infrastructure facilities and services in the areas of urban planning and development, the County Government intends to develop up to 12 smart towns across the County with an initial focus on Nanyuki, Nyahururu, Rumuruti and Kinamba. Other initiatives that will be implemented include fast-tracking completion of the County Spatial plan and full utilization of the Geographic Information Systems (GIS), developing affordable housing schemes and promoting appropriate green building technology for use by the public in house construction and improvement (which aligns with SDG 11 – Sustainable Cities and Communities).

Establishment of agro-processing facilities

The manufacturing sector which includes agro-processing of farm produce has not been fully developed in the County. Given that agriculture is the mainstay of Laikipia, the County government is keen to increase production and value addition of farm produce

[21] Laikipia County Statistical Abstract 2023
[22] Laikipia County Integrated Development Plan 2018 - 2022
[23] Laikipia County Integrated Development Plan 2023 - 2027

to improve residents' livelihoods. The key commodities produced in the County to be considered for agro-processing include maize, wheat, potatoes, tomatoes, honey and dairy produce. Laikipia County is estimated to have 78,000 dairy cattle which produce about 34 million litres of milk per annum according to the County Department of Livestock. Therefore, setting up a dairy processing plant would create value for the dairy farmers who are members of cooperatives that have milk collection and cooling points.

Figure 44: Electricity supply house at the Muhotetu milk cooling facility

Muhotetu Dairy Farmers Co-operative Society is one of the dairy co-operatives visited in Laikipia County with a 10,000 litres cooling facility. The Co-operative which was formed in 1988 has 850 member farmers. The facility collects circa 3,000 litres of milk per day which are then sold to Brookside Dairy Limited the primary off-taker. Some of the challenges of the facility include poor road connectivity which hinders milk collection from farmers, and high operating costs arising mainly from huge electricity bills which can be resolved through the use of solar energy at the facility given the abundance of sunlight in the location.

Another challenge identified in the assessment of projects is the inappropriate acquisition of faulty equipment as evidenced at the Maize Storage Facility in Kinamba. The facility which was partly completed in June 2020 was to help farmers with the drying and storage of maize to enable them to attract better prices during off-peak planting seasons. The facility is expected to support farmers under the Ng'arwa Co-operative Society with aggregation of maize, wheat and beans for drying. In addition, the facility will store the produce at a suitable temperature to preserve the quality and thereafter the cooperative society will facilitate the sale of the produce on behalf of the farmers. As part of the operational structure for the facility, each farmer is expected to pay Ksh 200 per 50kg bag of produce brought to the facility for drying and storage. As at the end of January 2023, the project was not operational due to the incompatibility of the key equipment (the drier) and several installed pieces of machinery. Also, a number of the previously installed equipment including generators required repairs due to the non-functional state of the facility since partly completed in 2020.

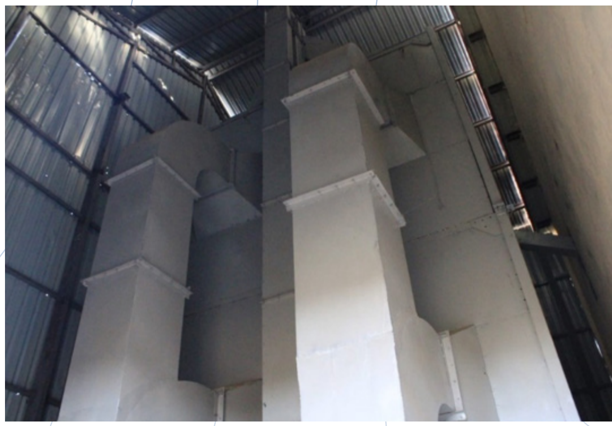

Figure 45: Faulty drier installed at the Laikipia maize storage facility at Kinamba

Overall, the Laikipia County Government intends to implement and adopt strategies in the agricultural sector including strengthening partnerships with the private sector and non-state actors in increasing agro-processing and value-addition capacities by establishing, upgrading and reviving agro-processing industries, expanding sustainable irrigation in the County through partnership with development partners and providing sensitization strategies that will enhance farmers' ability to adopt sustainable land management practices to minimize environmental degradation. It is expected that the implementation of these initiatives will enhance agro-processing, and facilitate the attainment of food security, nutrition and commercialization of agriculture which aligns with SDG 2 – Zero Hunger.

Public infrastructure development

Laikipia County Government has been scaling up the construction of urban and rural roads to open up the entire County to economic activities which will spur the growth of the economy. In the short to medium term, the County Government intends to upgrade earth roads to all-weather roads (tarmac roads), carry out routine maintenance of unpaved and paved County roads and provide adequate bridges and drainage structures. It is expected that these initiatives will enhance road connectivity within the County. Laikipia also intends to develop modern markets to boost trade in the existing market centres of Nanyuki, Nyahururu, Rumuruti, Doldol and Kimanjo. The modern markets are intended to host more traders and provide appropriate amenities such as cold rooms, waste management, drainage facilities and steady electricity.

Figure 46: Non-functional solar power lighting at the Mutumba Market

One of the markets earmarked for upgrading is the Mutumba Market in Nanyuki, which occupies a 5-acre piece of land and hosts about 1,000 traders. It is expected that modernising the market through the use of solar energy for lighting will enable traders to operate 24 hours. Also, improvement of the drainage system and enhancement of waste management and sanitation in the market have been identified as critical areas for financing support.

Energy efficiency across government offices, hospitals, schools, street lights and markets

To reduce forest destruction and environmental degradation, the County government is keen to promote and support the installation of solar power systems in government offices, schools, healthcare centres, markets, streetlights and at the household level. Furthermore, the County intends to establish solar mini-grids across various sub-counties to provide electricity to households that are not connected to the grid (estimated at 47% by the end of 2022) to meet the Sustainable Development Goal (SDG) 7 goal of access to affordable and renewable energy by 2030.

Development of water and sewerage treatment plants

Laikipia County plans to expand its sewerage coverage from the existing 16% as of 2022 to 20% by 2027, according to the 2023 – 2027 CIDP. The expansion will involve the development of new water and sewerage treatment plants in Rumuruti, Nanyuki and Nyahururu towns which are the key urban centres in the County. The low connectivity to piped sewer denies the County revenue from sanitation services as well as access to safe hygiene. According to NAWASCO, 45% of the households in Nanyuki were connected to the sewer line, however, there exist opportunities to connect more households given the growing number of residents.

Figure 47: Nanyuki Sewerage Treatment Plant

The Water and Sanitation Company has a sewerage treatment plant in Nanyuki Town which serves about 18,000 households who live nearby and within the old British Army residences. The company uses the biological system to treat the sewerage which is then released back to the river after testing the output to ensure that it is clear of pollutants. NAWASCO intends to relocate the existing treatment plant from the residential area to Karioba (90 acres piece of land) which will enable the company to connect more residents to the sewerage lines.

Development of industrial and manufacturing zones

There are two industrial zones in Nanyuki and Nyahururu towns and a proposed one in Rumuruti township. The range of manufacturing activities to be hosted in the industrial zones include agro-processing, garments, assembly of automotive components and electronics, plastics, paper, chemicals, pharmaceuticals, metals and engineering products. Going forward, the provision of green infrastructure and incentives to potential investors will be critical to attracting investments in manufacturing and value addition for local produce, which will eventually lead to economic growth.

6 **Risk analysis** on suggested green projects

	Climate risks	**Environmental risks**	**Legal risks**	**Reputational risks**	**Financial risks**
Water harvesting, management and distribution (construction of dams and expansion of water supply and sewerage systems)	Prolonged drought may lead to a reduction in the water levels of available sources including the dam.	Pollution of the water sources due to the development of pipeline infrastructure that will take water to the tanks and the residents.	Unpaid bills for metered water to residents, thus leading to high non-revenue water proportion	Diversion of funds allegations. Potential of water quantity and quality disruptions. Poor quality construction of the water infrastructure.	Inadequate funding. Diversion of project funds. The inability of the water company to run the project profitability to repay their financial obligations.
Solarise all healthcare centres and development of multi-specialist hospital in Rumuruti	The process of installing solar systems may result in the release of greenhouse gases into the environment. Some of the materials and equipment used in the development of the Multi-Specialist Hospital may pollute the environment thus increasing the risk of climate change.	Some of the products used in the manufacturing of photovoltaic systems contain toxic materials and hazardous products which can indirectly affect the environment. Development of the Multi-Specialist Hospital in Rumuruti may cause land, water and air pollution during construction. Pollution from e-waste linked to solar panels during disposal.	Potential conflict between the Kenya Power and Lighting Company (KPLC) and the County government, especially since the level 5 and 4 hospitals rely heavily on the national power provider for the energy, thus reducing the revenues received by KPLC.	Greenwashing, if the minimum criteria required for the renewable energy sectors are not met. Lack of proper and timely reporting as required. Lack of public participation in the Multi-Specialist Hospital project.	Inadequate funding due to the initial high cost. Diversion of funds. Rapid obsolescence of solar technology given innovations in the field which would require the solar panels to be replaced after a while irrespective of the high installation costs.
Integrated solid waste management system & recycling centre	Improper management of the collected waste may lead to flooding on account of drainage blockages and health hazards.	Air pollution at the dumpsites in the selected locations. Land pollution at the dumpsite. Water pollution at the waste management facility.	Lack of enforcement of the solid waste management policy which is in the process of formulation and implementation.	The pollution caused by the existing dumpsite poses a health risk to the community living in the area.	Lack of funding to set up the recycling facilities. Lack of appropriate private sector partners who can support the implementation of an integrated solid waste management system. Diversion of funds

	Climate risks	Environmental risks	Legal risks	Reputational risks	Financial risks
Development of wind mills (Laikipia North and West) and solar farms (Rumuruti) to generate electricity	The process of installing windmills and solar systems may result in the release of greenhouse gases into the environment.	Some of the products used in the manufacturing of windmills and photovoltaic systems contain toxic materials and hazardous products which can indirectly affect the environment.	Potential conflict between the Kenya Power and Lighting Company (KPLC) and the County, given that these initiatives will reduce the revenues received by the national power provider.	Greenwashing, if the minimum criteria required for the renewable energy sectors are not met. Lack of proper and timely reporting as required.	The inability of the project to cover operational costs once completed. Inadequate funding due to the initial high cost.
Smart towns initiatives for urban centres (Nanyuki, Nyahururu, Rumuruti & Kinamba)	Clearing of land and trees may negatively impact existing natural resources and the ecosystem.	Land pollution during the development of smart towns. Air pollution from the construction processes. Water pollution. Sound Pollution during construction.	Inability to obtain the required licenses from the relevant authorities to construct affordable houses in smart towns. The responsibilities of the parties to be involved in the development will need to be clearly defined to avoid future litigations in the case of a PPP model which the County is considering for the implementation of the projects.	Greenwashing due to failure to meet the requirements of the certification scheme for green buildings in smart towns. Lack of public-participation in the development of smart towns across the County.	Inadequate funding and lack of a suitable partner to support the developments. Diversion and mismanagement of funds.
Establishment of agro-processing facilities for maize, wheat, potatoes, tomatoes, honey & dairy produce (The facilities are expected to use alternative energy sources such as solar and wind energy)	Potential of environmental pollution from the agro-processing facilities which may lead to climate change and environmental risks.	Water pollution from the manufacturing processes. Air pollution from the gases released during the manufacturing processes. Land pollution from the waste generated by the facilities.	Probability of a poorly executed environmental impact assessment which may conflict with the National Environment Management Authority (NEMA) requirements.	Greenwashing. Allegations of corruption when engaging potential investors in the agro-processing facilities	Inadequate funding. Diversion of funds.
Public infrastructure (development of modern markets that use solar power for lighting and storage facilities as well as upgrade of feeder roads to include proper drainage systems)	Some of the materials and equipment used in the construction of markets and roads pollute the environment thus increasing the risk of climate change. Deforestation of existing land could result in changes in rainfall patterns and the long run lead to drought.	Land pollution during the development of the infrastructure. Air pollution during construction. Water pollution during construction of the facilities. Sound Pollution during construction.	Probability of engaging contractors who may not fully deliver on the projects as per the stipulated standards.	Public participation in the development of modern markets and upgrading existing markets, particularly among traders operating in these markets, will be critical to ensuring that the projects are beneficial and meet the needs of the traders.	Availability of resources for markets and road infrastructure construction. Diversion of funds.

	Climate risks	Environmental risks	Legal risks	Reputational risks	Financial risks
Energy Efficiency across government offices, hospitals, schools, street lighting and markets	The process of installing solar systems may result in the release of greenhouse gases into the environment.	Some of the products used in the manufacturing of photovoltaic systems contain toxic materials and hazardous products which can indirectly affect the environment. Pollution from e-waste linked to solar panels during disposal.	Potential conflict between the Kenya Power and Lighting Company (KPLC) and the County, especially due to public institutions that heavily rely on the national power provider for energy, thus reducing the revenues received by KPLC.	Greenwashing, if the minimum criteria required for the renewable energy sectors are not met. Lack of proper and timely reporting as required.	Inadequate funding due to the initial high cost. Diversion of funds. Rapid obsolescence of solar technology given innovations in the field which would require the solar panels to be replaced after a while irrespective of the high installation costs.
Development of water and sewerage treatment plant in Rumuruti, Nanyuki & Nyahururu	The output of the treatment plants such as methane gas and poorly treated waste water may cause environmental pollution which would lead to climate change risks in the long term.	Environmental pollution from the activities of developing the water and sewerage treatment plants. Possibility of polluting the water sources where the treated water is discharged if it is not well treated.	Unpaid bills for the residents who will be connected to the water and sewerage treatment plants	Lack of public participation in project implementation.	Inadequate funding to implement the projects. Diversion of project funds. The inability of the project to be run profitably to repay the financial obligations.
Development of Climate-Smart Industrial and Manufacturing Zones in Nanyuki, Nyahururu & Rumuruti	Sustained environmental pollution from the industries in the industrial and manufacturing zones may lead to climate change and environmental risks.	Water pollution, air pollution and pollution from the activities of developing industries.	Probability of a poorly executed environmental impact assessment which may conflict with the National Environment Management Authority (NEMA) requirements.	Greenwashing. Allegations of corruption when engaging potential investors in the Industrial Zone.	Inadequate funding. Diversion of funds.

7 **Green finance** capability assessment

Agusto & Co. conducted a green finance capability assessment for Laikipia County to evaluate the County government's skills and ability to manage green financial instruments and related projects. Despite the County's Climate Change Department's efforts to create awareness of climate change issues through various channels such as the community radio station, there still exists a considerable knowledge gap among the County government staff and residents. As the County prepares to participate in the green finance market, the Laikipia County government should put measures in place to provide capacity building for staff, and stakeholders (CBOs, CSOs and private sector players) on climate-related issues. Furthermore, Laikipia County has some climate-related laws and plans in place that could aid in the management of the projects and assets identified. Some of Laikipia County's climate-related laws, policies and plans are reviewed below.

a) The Laikipia County Climate Change Act, 2021

The Act provides a regulatory framework for enhanced response to climate change; provides a mechanism and measure to achieve low carbon climate development; the financial mechanism for implementation of climate change mitigation and adaptation activities and connected purposes. The objective of this Act includes:

a) Creating a fund to facilitate the establishment of a mechanism to finance climate change activities, programs and projects in the County. The Fund which is known as the Laikipia County Climate Change Fund will be disbursed per this Act. The Fund shall be used for climate change projects, programs and activities, including those required under The Climate Act and those provided for in the Climate Finance Framework established under this Act;
b) Mainstreaming climate change in different sectors;
c) Coordinating collection and dissemination of climate change information to the public to create awareness and preparedness;
d) Initiating and coordinating financing of Climate Change Adaptation and Mitigation activities at the community level in the County;
e) Enhancing Climate Finance Mechanisms in the County;
f) Facilitating community-initiated Climate Change Adaptation and Mitigation activities in the County;
g) Facilitating planning for Climate Change Adaptation and Mitigation in the County planning and budgetary framework;
h) Seeking and receiving grants from national and international entities, the National Government, the County Government and other relevant organizations;
i) Providing for procedural and administrative matters;
j) Providing support from the National Climate Change Policy and legislative framework; and
k) Coordinating collection and dissemination of climate change information to the public to create awareness and preparedness.

b) The Laikipia County Water Services Bill, 2021

The bill provides the legal and institutional framework for the management of water resources, water harvesting, and provision of water and sewerage services in the County and for connected purposes. The Bill also gives effect to the Constitution and national law as regards the provision of water and sewerage services by the County Government of Laikipia and the rights conferred and duties imposed by the Bill in addition to those conferred and imposed by any other law.

c) The Laikipia County Spatial Planning Bill, 2014

The purpose of the bill is to provide a legal framework for the preparation and implementation of County spatial plans and related development plans as provided for under section 8 of Part 2 of the Fourth Schedule to the Constitution of Kenya, Part XI of County Governments Act, 2012 and Urban Areas and Cities Act, 2012. The Bill covers the following:

a) Coordinate spatial planning and development;
b) Promote organized planning and development of physical infrastructure;
c) Enhance regulation of physical development and land use;
d) Promote effective and transparent physical planning process; and
e) Promote sustainable social economic development.

d) Laikipia County Forest Conservation Strategy (2013 – 2030)

This stakeholder-driven strategy aims for a structured, systematic and coherent approach to participatory forest management. The implementation of this strategy's vision, mission, objectives, principles and goals can stimulate the growth of the forest sector in the County. The vision of the strategy is to develop forest ecosystems capable of meeting the ecological and socioeconomic requirements of Laikipia County and beyond. The strategy's implementation framework seeks to establish the Laikipia County Participatory Forest Management (PFM) Initiative as the process driver. The implementation of the strategy will necessitate the collaboration of numerous parties, including the County Government, civil society organizations (CSOs), the private sector, and local communities.Table 6: Laikipia County Capability Assessment

S/n	County Capabilities Assessment	Status	Justification
	CCCF governance, stability, and performance		
1	Presence of a legal and regulatory framework for green/climate finance	Yes	There exists the Laikipia County Climate Change Act, 2021 which will guide the County on green/climate finance.
2	Political commitment to green growth and support for use of green finance	Yes	Existence of a County Department that has the mandate covering Water, Environment & Natural Resources. In addition, the County has the County Climate Change Regulations in place, which guide the County in matters of green finance.
3	County government familiarity with the Green Finance and Bond Frameworks and requirements	No	Capacity building in the areas of Green Bond Framework is still required.
4	County capability in managing green funds (preferably for financial return)	Yes	The County has previously implemented projects in partnership with the Kenya Climate Smart Agriculture Project (KCSAP) which aided various groups in the County to grow economically through productive engagements and implementation of Climate Smart Agriculture and Technology Innovation Management Practices. Nonetheless, the project was financed through a grant.
5	County's ability to apply county-level financial tools	Yes	The County has Finance Bills and policies in place which have been applied previously.
6	County's understanding of frameworks for green finance instruments	No	There is still a need for capacity building in this area
7	County's understanding of stakeholder engagements in the origination, design, implementation, and monitoring and evaluation (M&E) of projects.	Yes	The County has previously implemented projects where various stakeholders were involved. Public Participation is very critical for the County before the implementation of any projects.
	Green project and finance experience		
1	County staff dedicated to green finance issues	Yes	Staff in the Water, Environment & Natural Resources Department are knowledgeable on green finance issues. (At least 37 members of staff as per the responses received from the Directorate of Irrigation)
2	County staff trained in environmental management, climate/ green finance, or related areas	Yes	County staff in the Water, Environment & Natural Resources Department. (At least 16 members of staff as per the responses received from the Directorate of Irrigation)
3	County staff with project management experience particularly with green bonds and green projects	Yes	County staff in the Water, Environment & Natural Resources Department and the Agriculture, Livestock and Fisheries Department have experience with projects as evidenced by the KCSAP projects implemented in the County. (At least 10 members of staff as per the responses received from the Directorate of Irrigation)
4	County staff with experience with accessing and prudentially utilising other green financial resources (e.g., donor funds)	Yes	Laikipia County has previously received a grant from the World Bank through the National Government to implement the KCSAP project. (At least 6 members of staff as per the responses received from the Directorate of Irrigation)

S/n	County Capabilities Assessment	Status	Justification
	Access to appropriate green finance and project experts		
1	Ability of County government to identify and procure experts to support green finance projects	Yes	The County government has previously implemented projects successfully and hence can procure the support services of experts.
2	Ability of County government to mobilise financing to secure and pay for services rendered	Yes	The County has been able to receive funding to support various programs such as the KCSAP project. Further, the County Government was able to pay experts for the services rendered in the preparation of the infrastructure bond documents.
3	Existence of coordination mechanisms and experience working with national government ministries and agencies such as the National Treasury that can provide the necessary support.	Yes	Laikipia County has various policies in place which guide the process of coordinating with the national government or agencies. Such as the Laikipia County Climate Change Act of 2021. Further, every department at the County level is linked to the line Ministry of the National government and they work in close consultation with each other.
4	County's qualification for Financing Locally Led Climate Action (FLLoCA) funds	Yes	The County qualifies for FLLoCA funds because it has climate finance legislation in place through the Laikipia County Climate Change Act, 2021 which guides the County on green/climate finance.
5	Has the County successfully received and dispersed FLLoCA funds	Yes	The County has received funds for institutional strengthening including for the participatory climate risk assessment (PCRA) process. The PCRA process will enable counties to identify investment areas/projects after which counties can receive investment grants to apply to these areas/projects.

8 Recommendations

Based on the sessions and workshops with the various stakeholders as well as assessments of existing green assets, Agusto & Co. hereby posits that Laikipia County consider the following recommendations in the near term:

Table 7: Recommendations to the Laikipia County Government

Section	Recommendations
County credit risk assessment	• 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. This will also help to address challenges associated with revenue leakages. • Laikipia County's overall expenditure profile requires improvement, particularly in reducing payroll expenses, which have consistently exceeded the 35% statutory threshold. • Laikipia County should explore alternative financing options such as the debt capital markets to fund capital development projects as macroeconomic headwinds have placed significant pressure on the National Government's finances. • Laikipia County should explore the option of soliciting an independent external auditor to audit its financial statement. • Laikipia should develop an Asset Registry
Green asset and activity assessment	• The County Government of Laikipia needs to increase public sensitization on reafforestation and afforestation. • Provision of green infrastructure and incentives to attract investments in manufacturing and value addition to products. • Continued investment in County infrastructure to promote tourism in the forestry sector. • Awareness of climate change impact and policies to ensure the protection of the natural ecosystem • A deliberate policy of energy efficiency at government offices, schools, hospitals, markets and street lighting.
County green assets and climate related legislations	• There is a need to create awareness in the communities on climate change policies and impacts by leveraging various stakeholders. • Enforce compliance with established County laws and policies such as climate change policies.
Green finance capability assessment	• Capacity building of County Staff in all departments on climate change, 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 organisations (CSOs), community based organisations (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.

In our opinion, Laikipia County will be properly positioned to implement the suggested green projects if the following steps are pursued in the near to medium term;

- Development of Concept Notes for the various suggested projects by relevant County Stakeholders
- Undertake feasibility and viability studies on proposed projects as well as cost-benefit analysis
- Obtain requisite approvals (County Executive and Assembly) for the selected projects
- Design and develop approved projects in tandem with sustainability standards
- Obtain relevant County and National Government approval to raise finance to fund projects
- Subject proposed projects to green verification standards such as the Climate Bonds Standards
- Issue green County instruments to raise funds to execute projects
- Monitor utilization of proceeds and report on use and impact on the environment and the welfare of the citizens.
- Alternatively, Laikipia County can utilize a special purpose vehicle (SPV) to ring-fence the green assets to raise funds from the green finance market to execute priority infrastructure projects or partner/ support private enterprises in Laikipia (with the provision of land, infrastructure and incentives) to access the green finance market to finance identified green projects, especially in the agro-processing and value additions to agricultural produce.

To support the growth of the green finance market, we believe that the national government has a key role to play through:

Provide green finance legislation that are relevant to counties and are applicable to the green finance market

Provide fiscal incentives for entities that issue green bonds to encourage sustainable investments in the country, especially at the county level.

Build capacity around the green economy particularly for key internal stakeholders in the national government.

Figure 48: Recommendations to the national government

9 Appendices

9.1 Laikipia County profile summary

No	Indicator	County 2022	National 2022
1.	Estimated County Population	518,560 (KNBS, 2019)	1.1% of the total country's population
	Males	259,440	50.0%
	Females	259,102	50.0%
	Intersex	18	0.0%
2.	Estimated Population Density (persons/km2)	54	82
3.	Persons with disability (%)	0.1	2.2
4.	Population living in rural areas (%)	75,4	68.8
5.	Children (0-14 years) (%)	30.3	41.1
6.	School going age (4-18 years) (%)	37.3	35.7
7.	Youth 15-29 years (%)	28.3	25.6
8.	Labour force (15-64 years) (%)	57.5	51.2
9.	Elderly population (over 65-year-old)	4.9	3.5
10.	Human Poverty Index (%)	57.3	29.1
11.	Food Poverty (%)	28.5 (2015/2016)	31.9
12.	Multi-dimensional Poverty (%)	-	56.1
13.	Stunted children %	25.1	19
14.	Gross County Product (Kshs Million)	94,810 (2020)	1.0% Share to total GDP (2020)
15.	Average growth of Nominal GCP/GDP (%)	10.9 (2013-2020)	15.30%
16.	GCP per capita (Kshs)	182,833.23	179,021.60
17.	Percentage of children under 1 year of age fully immunized	85%	84%
	Child Mortality Rate (CMR)	-	31.7/1000
	Under Five Mortality Rate (U5MR)	-	52/1000
18.	Maternal Mortality Rate	495 /100,000	355 /100,000
	Percentage of deliveries conducted by skilled attendants in health facilities	49.5%	60%
	Percentage of pregnant women attending at least 4 ANC visits	-	42%
19.	Latrine coverage	88.4%	85%
	Open Defecation Free (ODF) rate	11.3%	10%

No	Indicator	County 2022	National 2022
20.	Doctor Population Ratio	1:4432	1:16000
	Nurse Population Ratio	1:1157	1:1034
21.	Health Insurance Coverage	67%	6%
22.	The proportion of HHs accessing piped water (%)	33	24.0
23.	The proportion of HHs accessing improved sanitation services (%)	16	82.5
24.	Tree cover	12%	12.13%
25.	Forest Cover	9.86%	8.83%
26.	Average farm size (Small scale) (ha)	0.81	0.04
27.	Average farm size (Large scale) (ha)	8.1	8.9
28.	Share of Agriculture sector contribution to GCP (Gross County Product)	29% (2020)	22.4%
29.	Amount of milk produced annually in litres	5,180,000 (2020)	4,000,000,000

Source: KNBS and County Integrated Development Plan (2023-2027)

9.2 Three year financial summary – Laikipia County Government

REVENUE & EXPENDITURE					UNAUDITED	
	2020/2021		2021/2022		2022/2023	
REVENUE	**KES'mns**	**%**	**KES'mns**	**%**	**KES'mns**	**%**
Centrally Distributed Revenue						
Share of Exchequer releases (Equitable Share)	4,177.8	65%	4,725.4	76%	5,547.2	83%
Share of Exchequer releases (Donor & Grant Funds)	1,155.6	18%	165.9	3%	125.4	2%
Other Capital Receipts (other government entities)	-					
CRF Returns/Reallocation budget	247.0	4%	432.7	6%	12.0	0%
Centrally Generated Revenue (CGR)	**5,580.3**	**87%**	**5,324.0**	**85%**	**5,684.6**	**85%**
County-Own Source Revenue						
Asset sales	-		-		-	
Investment Income	-		-		-	
Others - licenses, permits, fines & fees	840.4	13%	902.4	14%	980.2	15%
County Own Source Revenue (OSR)	**840.4**	**13%**	**902.4**	**14%**	**980.2**	**15%**
TOTAL REVENUE	**6,420.7**	**100%**	**6,226.3**	**100%**	**6,664.7**	**100%**
Direct Donations and Grants Receipts	-		-		-	
TOTAL REVENUE & GRANTS	**6,420.7**		**6,226.3**		**6,664.7**	
EXPENDITURE						
Transfers (County Assembly, others)	826.2	14%	1,015.1	16%	424.3	6%
Interest Payments	-		-		-	
Departments Expenditure	5,039.1	86%	5,304.3	84%	6,134.9	94%
TOTAL EXPENDITURE	**5,865.3**	**100%**	**6,319.4**	**100%**	**6,559.1**	**100%**
Department's expenditure comprises						
Personnel costs	2,994.3	51%	2,871.7	45%	3,749.9	57%
Purchase of goods & services	1,079.1	18%	1,431.9	23%	1,648.9	25%
Capital expenditure	858.0	15%	933.2	15%	652.5	10%
Other Payments (contingency, scholarship, subsidies, etc)	107.8	2%	67.5	1%	83.5	1%
Total Departments Expenditure	**5,039.1**	**86%**	**5,304.3**	**84%**	**6,134.9**	**94%**
BUDGET BALANCE	555.4		(93.0)		105.6	
Foreign loan balance	-		-		-	
Domestic loan balance	-		-		-	
Total Pending Bills	531.7		1,693.20		2,115.56	
AUDITORS OPINION	**Qualified**		**Qualified**		**Unaudited**	

KEY RATIOS	2020/2021	2021/2022	UNAUDITED 2022/2023
2022/2023			
Revenue			
OSR as % of GCP	1%	1%	1%
Centrally Generated Revenue as % of GCP	6%	4%	5%
Total revenue as % of GCP	6%	5%	5%
OSR as % of total revenue & grants	13%	14%	15%
Centrally Generated Revenue as % of total revenue & grants	87%	86%	85%
Growth in Centrally generated revenue	42%	-5%	7%
Spending			
Total Expenditure as % of GCP	6%	5%	5%
Non-discretionary expenditure* as % of Centrally generated revenue	68%	73%	73%
Capital expenditure as % of total expenditure	15%	15%	10%
Payroll as % of revenue	47%	46%	56%
Overheads as a % of revenue	17%	23%	25%
Budget balance/revenue	9%	-1%	2%
Leverage			
Budget balance (Ksh'mns)	555.41	(93.04)	105.63
Debt as % of nominal GCP			
Interest payments as % of total revenue			
Principal due as % of Revenue			
Financial flexibility			
Discretionary revenue** as % of total revenue	40%	38%	37%
Net Debt as % of Free Cash Flow ***	-21%	-7%	-6%
Non-discretionary expenditure as % of total expenditure	65%	62%	64%
Outstanding Debt/Revenue			
* Non-discretionary spending is made up of statutory transfers, interest payments and personnel costs			
** Discretionary revenue is total revenue minus non-discretionary spending			
*** Free cash flow is defined as revenue minus non-discretionary spending			

9.3 Rating definitions

Aaa	A county with the best financial condition and the strongest capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
Aa	A county with a very strong financial condition and a very strong capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
A	A county with a good financial condition and a strong capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
Bbb	A county with a satisfactory financial condition and adequate capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
Bb	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.
B	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.
C	A county with a very weak financial condition and very weak capacity to meet obligations as and when they fall due relative to all other issuers in the same country
D	County in default.

Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect a comparative position within the rating category. Therefore, a rating with a + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

9.4 Other potential green projects identified during the assessment

Water	Natural Resources Management	Agriculture, Livestock and Fisheries	Industrialization & Trade	Housing
•Development of irrigation scheme, Marmanet ward, Laikipia West through River Ewaso Narok (10km pipeline) • Nguu Dam (150,000 cubic meters) in Salama Ward for irrigation. •Wangwachi Dam (150,000 cubic meters) for irrigation. •15 medium dams in every ward •3 mega dams (Nanyuki, Rumuruti & Pesi) •Upgrade on Nawasco Water generation, storage and distribution capacity as well as upgrade of sewerage lines and treatment facility.	•Commercial forestry using melia-volkensii as water conservation and afforestation practice. •Laikipia National Reserve •Mainstreaming climate change data and creation of weather stations to support collation of data for the Kenya Metrological.	•Animal fattening centre (feed lot) Rumuruti. •Large scale pasture production, Lamuria , Tigithi ward •Bio-gas Processing Plant	•Integrated Feed Mill Processing Plant (cattle, fish & poultry) Nanyuki and Rumuruti. •Dairy (Milk) processing centre, Laikipia West. •Development of business parks/upgrade of existing markets – Nanyuki (Mutumba market) and Nyahururu.	•Affordable Housing Schemes in Nanyuki and Rum uruti

9.5 List of stakeholders engaged during the workshops

Day 1

Institution Name	Designation of Attendees
Laikipia County Government	County Executive Committee Member (CECM) Water, Environment & Natural Resources
Laikipia County Government	Chief Officer from the Water, Environment & Natural Resources Department
Laikipia County Government	Director and representatives from the Water, Environment & Natural Resources Department
Laikipia County Government	Director, Economic Planning
Laikipia County Government	Director, Tourism
Laikipia County Government	Director, Livestock
Laikipia County Government	Director, Fisheries
Laikipia County Government	Irrigation Officer
National Environment Management Authority (NEMA)	Representatives from the Environmental Team

Day 2

Institution Name	Designation of Attendees
Kenya Green Building Society (KGBS)	Monitoring and Evaluation Officer
Kenya Green Building Society (KGBS)	Chief Executive Officer and Environmental, Social and Governance (ESG) Lead
Mount Kenya Ewaso Water Partnership (MKEWP)	Coordinator
Impact Kenya	Representative
Laikipia Wildlife Forum (LWF)	Executive Director
Laikipia Wildlife Forum (LWF)	Program Coordinator
Kenya National Chamber of Commerce & Industry	Laikipia County Chairman
Laikipia County Government	Representatives from the Water, Environment & Natural Resources Department

Day 3

Institution Name	Designation of Attendees
Laikipia County Government	Senior Chief and Senior Assistant Chief
Munda Committee	Representative
Kenya Forest Service (KFS)	Representatives
Muhotetu Dairy Farmers Cooperative Society	Chairman and Representatives
Laikipia County Government	Representatives from the Water, Environment & Natural Resources Department

Day 4

Institution Name	Designation of Attendees
Laikipia County Government	County Executive Committee Member (CECM) Water, Environment & Natural Resources
Nanyuki Water and Services Company (NAWASCO)	Managing Director
Nanyuki Water and Services Company (NAWASCO)	Supervisor
Storm Waters	Director, Project Manager and Assistant Supervisor
Laikipia County Government - Debrief	The Deputy Governor, County Economic Advisor, CECM Water, Environment & Natural Resources and other senior County government officials

9.6 List of key documents accessed

List of Documents Accessed
Laikipia County Integrated Development Plan (CIDP) 2018-2022
Laikipia County Integrated Development Plan (CIDP) 2023-2027
Laikipia County Annual Development Plan 2023/2024
Controller of Budget Performance Report over five years 2017/18 to 2022/23
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