

Green finance assessment of Taita-Taveta County



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Green finance assessment of Taita-Taveta county



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.

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Project lead: Anzette Were.

Authors: Agosto & Co. team led by Yinka Adelekan, Isaac Babatunde, Ikechukwu (Ike) Iheagwam, Christine Wanjiru and Michael Mugala.

Contributors: FSD Kenya team led by Dr. Milkah Chebii and Michael Njeru; Adaptation Consortium (ADA) team led by Kennedy Ododa, Victor Orindi, Dr Molly Ochuka, Pauline Makutsa and Jacob Agoch; Capital Market Authority led by Wycliff Shamiah, Luke Ombara and Justus Agoti; Nairobi Security Exchange led by Geoffrey Odundo, Mbithe Muema and Justus Ogalo; The National Treasury and Economic Planning led by Peter Odhengo and Hillary Korir.

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Table of contents

1. Project background	1
2. Project objectives	2
3. Macroeconomic and fiscal assessment of Taita Taveta County	3
3.1 Macroeconomic analysis	3
3.1.1 Population size and structure	4
3.1.2 Level of employment and economic diversification	5
3.1.3 Macroeconomic variables	5
3.1.4 Level of infrastructure	7
3.2 Fiscal assessment	8
3.2.1 Governance structure	8
3.2.2 Finances of the Taita Taveta county government	9
3.2.3 Revenue collection mechanism	10
3.2.4 Taita Taveta County debt profile	10
3.2.5 Compliance with the Public Finance Management Act	11
4. Credit risk assessment of Taita Taveta County	12
4.1 Rating rationale	12
4.2 Financial condition review	14
4.3 Rating outlook	16
4.4 Counties financing framework	17
5. Green asset and activity assessment	20
5.1 Preliminary green priority areas	24
5.2 Green assets identified	27
5.3 Suggested green projects	29
6. Risk analysis on suggested green projects	33
7. Green finance capability assessment	37
8. Recommendations	39
9. Appendices	41
9.1 County profile summary	41
9.2 Three-year financial summary – Taita Taveta County Government	43
9.3 Other potential green projects identified during the assessment	45
9.4 List of stakeholders engaged during the workshops	45
9.5 List of key documents accessed	46

List of figures

Figure 1: Map of Kenya showing – Taita Taveta County	3
Figure 2: Total Population in Taita Taveta County	4
Figure 3: Taita Taveta Gross County Product (GCP) in Current Prices	5
Figure 4: Gross County Product Contribution by Economic Activity	6
Figure 5: Government Revenue vs. Spending of Taita Taveta County in Ksh Billions (2017 – 2022)	10
Figure 6: Breakdown of Taita Taveta County Government Spending in Ksh Billions 2017 – 2022)	10
Figure 7: Strengths, Weaknesses, Opportunities and Challenges	13
Figure 8: Breakdown of Taita Taveta County’s Revenue - FY 2022/23	14
Figure 9: Own Source Revenue (Ksh ‘millions)	15
Figure 10: Recurrent & Development to Total Expenditure	15
Figure 11: Pre-requisites for Counties Financing	19
Figure 12: Critical Stakeholders to Support County’s Financing Framework	19
Figure 13: Taita Taveta County Schedule of Activities	20
Figure 14: Cross Section of Participants at the Work shop with Senior County Officials (Day 1)	21
Figure 15: Cross Section of the Participants at the Work shop with Senior County Officials (Day 1)	21
Figure 16: Participants from the Work shop with Senior County Officials (Day 1)	21
Figure 17: Participants at the Work shop with CSOs and CBOs (Day 2)	21
Figure 18: Cross Section of the Participants at the Work shop with Senior County Officials (Day 1)	21
Figure 19: Cross Section of the Participants at the Work shop with Senior County Officials (Day 1)	21
Figure 20: Participants from the Briefing Session with the Deputy Governor (Day 1)	21
Figure 21: Briefing Session with the Deputy Governor and Senior County Officials (Day 1)	21
Figure 22: Site Visit Water Flowing from Njoro Kubwa Spring (Day 3)	22
Figure 23: Site Visit to the Njoro Kubwa Spring – Existing water intake source (Day 3)	22
Figure 24: Site Visit to the Uncompleted Banana Processing Facility at Taveta (Day 3)	22
Figure 25: Site Visit to Tavevo Water Company Offices (Day 3)	22

Figure 26: Water Pumping Equipment at the Taveta-Lumi Scheme (Day 3)	22
Figure 27: Participants at the Work shop with CSOs and CBOs (Day 2)	22
Figure 28: Participants at the Work shop with CSOs and CBOs (Day 2)	22
Figure 29: Participants at the Work shop with CSOs and CBOs (Day 2)	22
Figure 30: Water Tank at Tavevo Water and Sewerage Company Taveta Offices (Day 3)	23
Figure 31: Site Visit to Tavevo Water and Sewerage Company Offices (Day 3)	23
Figure 32: Debrief Session with the Governor, Deputy Governor, and Senior County Officials (Day 4)	23
Figure 33: Site Visit to MGENO Ranch (Day 4)	23
Figure 34: Water Pump at Tavevo Water and Sewerage Company Offices in Taveta (Day 3)	23
Figure 35: Borehole at Tavevo Water and Sewerage Company Offices in Taveta (Day 3)	23
Figure 36: Site Visit to Dried-up Kishenyi Dam (Day 3)	23
Figure 37: Site Visit to Dried-up Kishenyi Dam (Day 3)	23
Figure 38: Taita Taveta County Key Priority Areas	24
Figure 39: Map of the Distribution of Green Assets in Taita Taveta County	27
Figure 40: River Galana	28
Figure 41: Taita Taveta County Suggested Green Projects	29
Figure 42: Kishenyi Dam	29
Figure 43: Njoro Kubwa Water Spring – Existing Water Intake Source	30
Figure 44: Uncompleted Banana Processing Plant in Taveta	31
Figure 45: Teita Sisal Plantation	31
Figure 46: Njoro Kubwa Water Spring – Forest Catchment	31
Figure 47: Mgeno Conservancy	32
Figure 48: Recommendations to the National Government	40

List of tables

Table 1: Sub-County and Assembly Wards of Taita Taveta County	4
Table 2: Key County Executives in Taita Taveta County	9
Table 3: Members of the County Assembly 2022	9
Table 4: Centrally distributed funds by National Treasury - FY2020/21 - FY2023/24 budget (Ksh 'millions)	14
Table 5: Green Assets in Taita Taveta County	27
Table 6: Taita Taveta County Capability Assessment	38
Table 7: Recommendations to the Taita Taveta County Government	39

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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 by FSD Kenya with the approval and partnership of The National Treasury, 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.

The County Government of Taita Taveta provided valuable insight on the dynamics and opportunities in their county on green finance. The vision of the County Government of Taita Taveta is to be a county with high quality of life for all its citizens. This report is well aligned with the mission of the County Government of Taita Taveta which is to promote an integrated approach to development, sustainable management of the environment and exploitation of natural resources for the sole purpose of driving cultural, political, social and economic development through appropriate technology for the benefit of the citizens.

FSD Kenya commissioned Agosto & Co. Limited as the lead consultant for this project. Agosto & Co. is registered as a credit rating agency by the Kenyan and Rwandan Capital Markets Authorities and the Securities Exchange Commission in Nigeria. Agosto & 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.

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 and 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 Taita Taveta County

3.1 Macroeconomic analysis

Taita Taveta County (“the County” or “Taita Taveta”) is in the Coastal Region of Kenya and has a total area of 17,084.1 square kilometres with 10,649.9 km² (62.3%) being the Tsavo East and Tsavo West National Parks, which are major tourism destinations. The rest of the area is spread within public and private land such as ranches which cover about 24% of the county’s total area. The County whose headquarters are situated in Mwatate sub-county is one of the six counties in the Jumuiya ya Kaunti za Pwani (JKP) regional economic bloc. The County borders

Kitui, Makueni and Tana River Counties to the north; Kilifi and Kwale Counties to the east; Kajiado County to the north-west and the United Republic of Tanzania to the South. Taita Taveta County is also home to several key towns including Voi, Wundanyi and Taveta (which is a border town serving as a gateway to Tanzania). Taita Taveta County is strategically located along the Northern Corridor which is the main transport route connecting the port of Mombasa to countries such as Uganda, Rwanda, Tanzania, Burundi and the Democratic Republic of Congo. This makes Taveta an important commercial centre for cross-border trade and commerce.



Figure 1: Map of Kenya showing Taita Taveta County

Source: e-Limu

The main economic activities in the County are agriculture, livestock keeping and tourism. Taita Taveta's agricultural sector averaged about 24.6% of the gross county product for the period 2020 – 2022¹. The key crops grown in the County include maize, beans and cassava. Livestock keeping is also an important economic activity with the County being a major producer of beef, goat meat and milk. The County's tourism sector is anchored on the Tsavo National Parks which attract many domestic and international tourists every year. Other tourist attractions in the County include Lake Jipe, Lake Chala, Taita Hills, Shomoto Hill, Aruba Dam, Mudanda Rock, Yatta Plateau, Lugard Falls, Kisigau Mountain, Shetani Lava Flow and Mzima Springs.

Taita Taveta is one of the leading producers of minerals in Kenya with the geology of the County falling into two categories: the Mozambique belt (Taita hills, Mwatate, Kasigau and Kuranze areas) and the Tertiary Volcanic belt (Taveta region)². Taita Taveta County is rich in minerals such as iron ore and manganese and gemstones like tavorite, tourmaline, ruby and garnet.

Taita Taveta County is classified as one of the Arid and Semi-Arid (ASAL) counties, characterized by low and erratic rainfall, posing unique challenges and opportunities for sustainable development. The County's topography is characterized by several hills and valleys with the Taita Hills being the most prominent. Altitude ranges from 500 metres above sea level to almost 2,300 m at the highest point in the County. The County has a temperature range of 15°C and 32°C. The lower regions of the County receive an average of 440 mm of rainfall per annum whereas the highlands receive up to 1900 mm³. Taita Taveta County is mainly dry, except for the Taita Hills which are considerably wet. Climate change is a major concern for the County, with changing rainfall patterns and prolonged droughts affecting the County's agricultural productivity. According to the CIDP 2023 – 2027, Taita Taveta County identifies the need to promote climate-smart agriculture including the use of drought-resistant crops and water harvesting technologies as a

key intervention to mitigate the effects of climate change.

The County has four sub-counties which serve as parliamentary constituencies with 20 electoral wards as highlighted in Table 1 below.

Table 1: Sub-County and assembly wards of Taita Taveta County

S/N	Sub-County	Assembly Wards
1	Taveta	Chala, Mahoo, Bomani, Mboghoni, Mata
2	Wundanyi	Wundanyi/Mbale, Werugha, Wumingu/Kishushe, Mwanda/Mgange
3	Mwatate	Ronge, Mwatate, Bura, Chawia, Wusi/Kishamba
4	Voi	Mbololo, Kaloleni, Sagala, Marungu, Kaigau, Ngolia

Source: Taita Taveta County Website

3.1.1 Population size and structure

According to the Kenya Population and Housing census conducted by the Kenya National Bureau of Statistics (KNBS) in 2019, there were 340,671 people residing in Taita Taveta County with a population density of 20 residents per square kilometre. This represents a 19.7% growth over the 2009 KNBS census. According to the 2019 KNBS census, the gender diversity of Taita Taveta is 50.9% and 49.1% for males and females respectively. The rural population accounts for 72.5%, while 27.5% of the population resides in urban areas such as Voi, Mwatate and Taveta towns. Per the County's Integrated Development Plan 2023–2027, Taita Taveta's population stood at 360,000 individuals as at 31 December 2022 and is expected to grow to 373,000 and 385,600 by 2025 and 2027 respectively. The County is predominantly inhabited by the ethnic groups of Taita, Taveta, Kambas, Maasai, Luos, Kikuyu and Somalis.

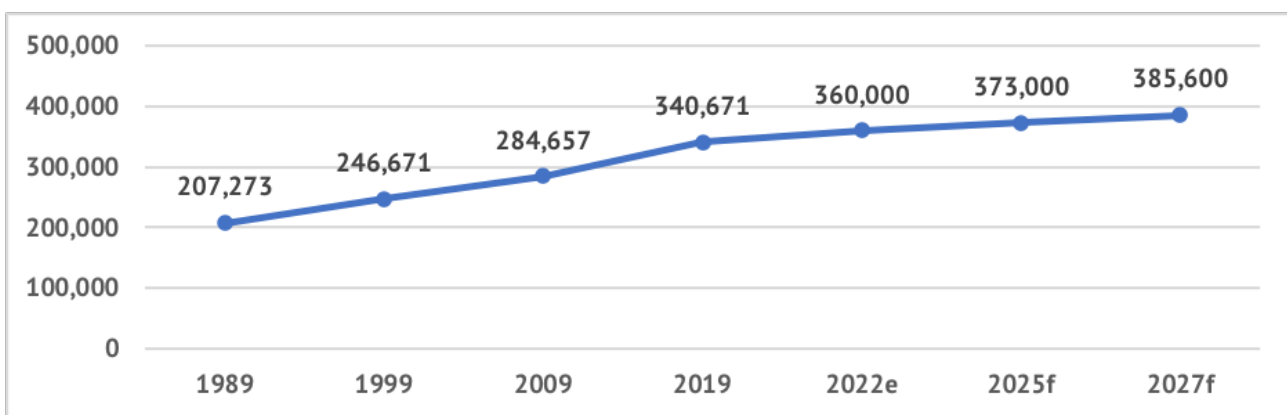


Figure 2: Total population in Taita Taveta County

Source: Kenya National Bureau of Statistics

The population is largely concentrated by the dependency ages of 0-9 and 10-19 years which represents circa 44.2% of the county's population according to the KNBS 2019 census result. In the near term, the County would need to

focus on providing education and training opportunities for its young population to equip them with the skills needed to participate in the workforce in the future.

¹ KNBS Gross County Product Report - 2023

² Taita Taveta County Integrated Development Plan 2018 - 2022

³ Taita Taveta County Integrated Development Plan 2023 - 2027

3.1.2 Level of employment and economic diversification

Taita Taveta County's economy is heavily reliant on agriculture and trade activities. A three-year analysis of the size of economic classifications in the Gross County Products (GCP) report by the KNBS from 2020 to 2022, shows that agricultural activities contributed an average of 24.6% of the Taita Taveta's GCP over the period. The wholesale and trade sector reported a GCP average share of 19.7% over the same comparable period. Based on the County's Integrated Development Plan (CIDP) 2023 - 2027, crop farming and livestock production form the main activities of agricultural practices. The total acreage under food and cash crops is 44,787.85 acres and 8,144.59 acres respectively⁴. The main food crops grown in the County are maize, beans, rice, green grams and bananas while the main cash crops are macadamia, avocados, assorted vegetables, mangoes, sisal and French beans. The main types of livestock reared include beef cattle, dairy cattle, goats, sheep, camels, donkeys, poultry, bee keeping, rabbit and pigs.

Voi is the largest town in the County and it is situated along the busy Mombasa-Nairobi highway. The town's strategic location makes it a critical transit point for goods moving to and from Mombasa Port, the largest seaport in East Africa. This location has made Voi an essential trading centre and it has attracted numerous businesses that support trade and transportation. Taveta town, another strategic town in the County, is located at the border between Kenya and Tanzania and serves as a one-stop border post for trade facilitation between the two countries. Taveta town has a thriving market where traders from both countries converge to buy and sell goods. The tourism sector is another key economic driver in Taita Taveta. The County boasts of several tourist attractions such as Tsavo East and West National Parks, Taita Hills Wildlife Sanctuary, Lake Jipe and Mzima Springs, among others. Over the last decade, the mining sector in Taita Taveta County has also been growing with a focus on gemstones such as Tsavorite and Ruby. The mining sector has the potential to contribute significantly to the

County's economy and create employment opportunities for the local population. In addition, the KNBS GCP 2023 report outlines other industries such as manufacturing, education, construction, financial services and real estate, among others as key contributors to Taita Taveta's economy.

Despite the economic diversification in Taita Taveta County, unemployment remains a significant challenge. According to the County's Integrated Development Plan (CIDP) 2018 - 2022, Taita Taveta's unemployment rate stood at 45%. This is due to poor technical and entrepreneurial skill levels among the populace and the undeveloped agricultural and mining sectors as well as insufficient access to financial services. However, the County government is implementing several initiatives aimed at promoting economic diversification and addressing the high unemployment rate. In 2019, the County government established the Taita Taveta Enterprise Fund which provides financial support to small and medium-sized enterprises (SMEs) in the County. Furthermore, Taita Taveta County is exploring opportunities in the tourism sector, given its rich cultural and natural attractions such as the Taita Hills and the Sagalla Hills. In addition, the County plans to develop the mining sector to create job opportunities and promote economic growth. The County government is also investing in infrastructure such as roads and healthcare facilities to improve the business environment and attract investments.

3.1.3 Macroeconomic variables

Taita Taveta County contributed 0.6% of the national gross domestic product (GDP) in 2022. Equally, the County's contribution to the national GDP has averaged 0.6% over the ten years 2013 - 2022⁵. Taita Taveta's Gross County Product (GCP) decelerated by 3.6% to Ksh 70.39 billion in 2022 from Ksh 72.99 billion in 2021. Going forward, the County intends to promote investment in sectors such as mining, agriculture and tourism, and the development of infrastructure such as the expansion of the Taveta airstrip to boost economic growth in the county.

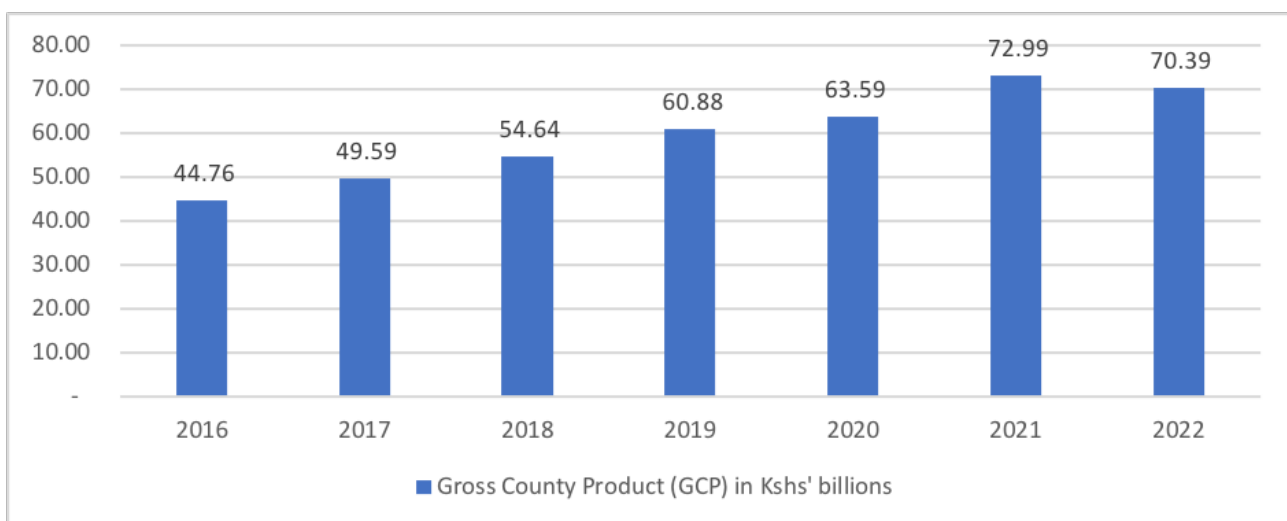


Figure 3: Taita Taveta Gross County Product (GCP) in current prices

Source: Gross County Product 2023 Report, Kenya National Bureau of Statistics (KNBS)

⁴ Taita Taveta County Integrated Development Plan 2023 - 2027

⁵ KNBS Gross County Product Report 2021 & 2023 reports

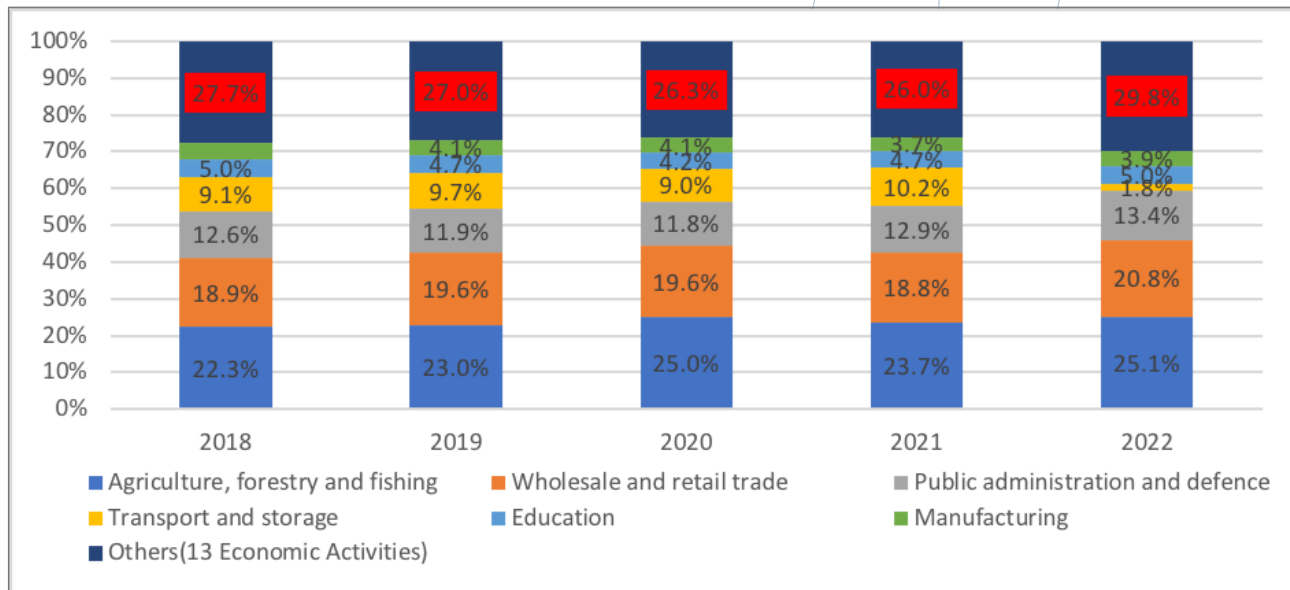


Figure 4: Gross County Product contribution by economic activity

Source: Gross County Product 2021 Report, KNBS

The economic performance of Taita Taveta County was significantly impacted by the Covid-19 pandemic, causing a slowdown in various sectors. However, as the containment measures were eased, economic activities gradually resumed, particularly in the tourism sector. The full reopening of businesses and the resumption of transport services since May 2021 has had a positive impact on the County's economy. In the medium term, investments in education and training, climate-smart agriculture, agro-processing value addition, tourism, trade, transport and healthcare infrastructure will contribute to the County's economic growth. Furthermore, economic incentives such as the Taita Taveta Enterprise Fund aimed at supporting vulnerable groups such as small and medium enterprises, farmers and miners, will promote inclusive development.

Key sectoral analysis

Agriculture

In 2022, the Agriculture, Fishing and Forestry sector accounted for 25.1% of the County's GCP⁶. Agriculture is the main source of livelihood in Taita Taveta County as it contributes about 95% of the household incomes⁷. The remaining contribution to the GCP comes from other sectors of the economy such as industry, services and trade. Despite the agricultural sector's importance to Taita Taveta County, the economic segment is largely affected by droughts, floods, unpredictable and irregular rainfall and high temperatures spurred by global warming. In addition, the County grapples with persistent human-wildlife conflict which negatively impacts crop production. According to the 2018-2022 CIDP, yields of maize which is the most widely cultivated crop in the County decreased from 4 to 6 bags of 90 kg each per acre⁸ to 1 to 2 bags during the period between 2013 and

2017. The decreased crop yields have resulted in food insecurity, poor nutrition and diminished livelihoods for the residents of Taita Taveta County, particularly the farmers.

In addition, the effects of climate change on Taita Taveta's agriculture are intensified by low use of farming inputs (such as improved seeds and fertilizer), poor infrastructure and high levels of poverty and illiteracy. The reduced rains, dried rivers and more frequent and protracted droughts also reduce the pasture and feed sources of livestock at the ranches which cause animal malnutrition. Over the last five years, Taita Taveta County prioritized raising agricultural productivity and farmer income levels through several initiatives including adapting agriculture to climate change, promoting agribusiness, dairy and meat products value addition, post-production management and market linkage.

In the near term, Taita Taveta's agricultural sector is likely to benefit from ongoing investments in irrigation given the established irrigation potential in the County stood at 11,470 ha, however, only 47% of the irrigable land is currently being irrigated⁹. The County plans to improve the irrigation potential through the development of irrigation infrastructure, rehabilitation of canals, excavation of water pans and capacity building of irrigation water users¹⁰. To realize the optimal potential of the agriculture sector, the County should adopt new technologies and innovations such as climate-smart agriculture with which success will depend on various factors such as access to financing, level of infrastructure development, post-harvest practices and water management through the construction of new irrigation projects. These efforts will improve crop yields and reduce the impact of drought as well as create more job opportunities and increase farmers' incomes.

⁴ Taita Taveta County Integrated Development Plan 2023 - 2027

⁵ KNBS Gross County Product Report 2021 & 2023 reports

⁶ KNBS Gross County Product Report - 2023

⁷ MoALF. 2016. Climate Risk Profile for Taita Taveta. Kenya County Climate Risk Profile Series. The Kenya Ministry of Agriculture, Livestock and Fisheries (MoALF), Nairobi, Kenya

⁸ Taita Taveta County Integrated Development Plan 2018 - 2022

⁹ Taita Taveta County Integrated Development Plan 2018 - 2022

¹⁰ Taita Taveta County Integrated Development Plan 2023 - 2027

Wholesale and retail trade

Voi and Taveta towns are critical trade centres in the County. Their strategic locations, presence of businesses and markets have contributed significantly to the County's economy, and they will continue to play a vital role in boosting trade activities in the coastal region. Due to the County's strategic position, being along the key trade route (Mombasa-Nairobi), 20.8% of Taita Taveta's 2022 GCP was generated from the Wholesale and Retail Trade sector. The County has several initiatives aimed at improving the wholesale and trade sector including the establishment of the Taita Taveta County Investment and Development Corporation, streamlining business registration, construction of modern markets (such as the Maungu Livestock Auction Market) and promotion of value addition in the agricultural sector through processing and packaging. These initiatives especially the value addition of agricultural products will create a more diverse range of products to boost trading activities.

Public administration and defence

According to the KNBS Gross County Product report 2023, the Public Administration and Defence sector contributed 13.4% of Taita Taveta's GCP in 2022. This sector holds great importance in the County's overall development, as it is responsible for the support and coordination of government activities, effective management of public finances, coordination of sectoral development plans and the delivery of efficient public services. Furthermore, this sector plays a vital role in ensuring the smooth functioning and progress of various government operations and services that directly impact the welfare and development of the local population.

Transport and storage

The Transport and Storage sector accounted for 1.8% of Taita Taveta's GCP in 2022, significantly lower than the 10.2% recorded in 2021. This is largely attributable to the poor state of roads in parts of the County such as Njukini and Chala, insufficient storage facilities, increased fuel prices and global supply chain disruptions that impacted the performance of Taita Taveta's transport and storage sector. Looking ahead, the Transport and Storage sector in Taita Taveta County is poised for recovery and growth driven by the presence of the terminus station of the Standard Gauge Railway (SGR) in Voi. The SGR provides a vital link for transporting goods and passengers between Taita Taveta County and other regions in Kenya and border countries, contributing to increased trade and economic activity. Also, the road connecting Voi and Taveta towns, plays a crucial role in facilitating cross-border trade, further boosting the transport and storage sector's prospects. With improved transportation and storage infrastructure and connectivity, the transport and storage sector in Taita Taveta County is expected to grow in the near term.

Education and training

The Education and Training sector contributed about 5% of the County's GCP in 2022, which was slightly higher than the 4.7% recorded in the previous year. This

growth is attributed to the County's initiatives including the establishment of the Taita Taveta Education Fund Board. Through this board, a total of 19,169 students were awarded bursaries totalling Ksh 196.5 million, 479 students received scholarships worth Ksh 81.1 million and total education loans disbursed stood at Ksh 32 million to 1,113 students over the five years of 2018 to 2022¹¹. The education sector remains a crucial component of the County's economy as it provides the necessary training and skills to meet the demands of the growing labour market. To further support the development of the education sector, the County implemented various programmes between 2018 and 2022 focused on the development of early childhood development centres (ECDC), which led to 1,938 learners being enrolled in ECDCs during this period, representing 77.2% of the target of 2,500¹². These initiatives and investments in the education sector demonstrate the County's commitment to providing quality education, promoting lifelong opportunities, and supporting the educational needs of its residents from early childhood to the tertiary level.

Manufacturing

Manufacturing accounted for 3.9% of the County's GCP in 2022 (2021: 3.7%). Taita Taveta County government has actively supported and promoted investments in agro-processing, particularly for products like bananas and macadamia. The County's rich agricultural output, including maize, bananas, tomatoes, macadamia, sisal and moringa, serve as primary raw materials for agro-processors operating within and outside of the County. To enhance the manufacturing sector's potential, the County plans to promote sustainable manufacturing practices, adopt cleaner energy technologies and implement efficient waste management systems¹³. By doing so, the County will reduce emissions, improve resource efficiency, and contribute to a more environmentally friendly and sustainable manufacturing sector. These efforts will not only support economic growth but also protect the natural resources and promote the well-being of the local communities in Taita Taveta County.

3.1.4 Level of infrastructure

Taita Taveta County government has made significant investments in various sectors and infrastructural projects to its service delivery over the past decade. In the transport and infrastructure sector, road developments have increased connectivity and accessibility with most county roads improved to motorable conditions. According to the CIDP 2018 - 2022, Taita Taveta had a total road network of 1,832 km out of which 283.2 km were of bitumen standards, 168.1 km of murrum and 1,381 km of earth road. Key roads in the county include the 270 km Mombasa-Nairobi highway and the 110 km Voi-Taveta Road. Furthermore, the County has three airstrips namely Ikanga¹⁴, Taveta and Mwatate which have supported the tourism sector by attracting more visitors thereby contributing to the County's economic growth. Also, the development of a modern lorry park facility in Maungu has improved logistics and trade operations within the County. These initiatives have facilitated economic

¹¹ Taita Taveta County Integrated Development Plan 2023 - 2027

¹² Taita Taveta County Integrated Development Plan 2023 - 2027

¹³ Taita Taveta County Integrated Development Plan 2023 - 2027

¹⁴ Ikanga Airstrip is managed by the Kenya Airports Authority

growth, enhanced connectivity, and provided better transportation options for residents. It is noted that the improved roads have boosted trade activities and agricultural productivity, while the railway infrastructure, lorry parks, and bus parks have supported the efficient movement of goods and people demonstrating the national and county government's commitment to advancing infrastructure and creating an enabling environment for development.

According to the County's Department of Education, there were 315 modern early childhood development (ECD) centres, 206 primary schools, 53 secondary schools and 31 vocational training centres (VTC) as at the end of 2022. The County also hosts a campus of the Kenya Medical Training Centre (KMTC) and other institutions of higher learning such as Coast Institute of Technology and the Taita Taveta University all in Voi sub-county.

Based on the CIDP 2023 – 2027, there were four level 4 Hospitals in Taita Taveta County as at the end of 2022 namely Moi County Referral Hospital, Mwatate Sub-county Hospital, Wesu Sub-county Hospital and Taveta Sub-county Hospital with bed capacities of 184, 122, 143 and 158 respectively. In addition, there are 12 level-three facilities and 56 dispensaries. Also, as at year-end 2022, the County had 1,542 health workers comprising 20 medical consultants, 41 general medical officers, 145 clinical officers and 509 nurses spread across public health facilities.

As at the end of 2022, Taita Taveta County had 11 commercial bank branches, 3 deposit-taking microfinance banks, few savings and cooperative societies (SACCOS) with the largest for teachers, table banking community development organizations such as the Ark Development Initiative and 2,100 active mobile money agents located in the County's towns, markets and trading centres¹⁵. Mobile and bank agents have become integral components of the financial landscape in Taita Taveta County, playing a pivotal role in facilitating financial transactions and expanding access to financial services.

3.2 Fiscal assessment

3.2.1 Governance structure

The 2010 Constitution of Kenya, stipulates the roles and mandates of the county governments. Taita Taveta County Government consists of two arms, namely the County Executive and the County Assembly. The County Government's executive arm consists of the Governor, the Deputy Governor, the County Executive Committee Members and the County Public Service. The Governor appoints County Executive Committee Members (CECM) with the approval of the County Assembly. Under Section 5 of the County Government Act 2012, one of the devolved functions is 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 function is the exercise of executive authority per Article 183 of the Constitution which provides for the roles of the county executive committee as follows:

- 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 providing the latter with a report on the matter relating to the county. Under the Fourth Schedule of the 2010 Constitution of Kenya, the devolved sectors and activities performed by county governments include the following:

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 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.

¹⁵ FinAccess Household Survey by the Central Bank of Kenya, the Kenya National Bureau of Statistics and FSD Kenya.

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 highlights the key personnel in the county executive arm of Taita Taveta County:

Table 2: Key County executives in Taita Taveta County

S/N	Name	Designation
1	H.E Andrew Mwadime	Governor
2	H.E Christine Saru Kilalo	Deputy Governor
3	Dr. Panuel Mwaeke	CECM – Devolution, Public Service and Administration
4	Mr. Dawson Katuu Mzenge	CECM – Finance and Economic Planning
5	Mr Grantone Mwandawiro	CECM – Water, Environment and Sanitation
6	Ms. Elizabeth Mkongo	CECM – Lands, Physical Planning, Housing, Mining and Energy
7	Mr. Erickson Kiongo	CECM – Agriculture, Livestock, Irrigation and Fisheries
8	Mr. Shedrack Mutungi	CECM – Youth, Sports, Gender and Social Services
9	Mr. Gifton Mkaya	CECM – Health Services
10	Ms. Gloria Wawuda Monikombo	CECM – Education, Libraries & Vocational Training Colleges and Acting CECM – Trade, Tourism, Cooperatives Development and Industrialization.
11	Architect Martin Tairo Maseghe	CECM – Public Works, Transport and Infrastructure
12	Mr Habib Mohammed Mruttu	Ag. County Secretary

Source: Taita Taveta County Website

The County Assembly is vested with the legislative authority of county laws, general oversight of the County Government and Representation of the people. Taita Taveta County consists of 20 elected Members of the County Assembly (MCAs) from different Assembly Wards, 12 nominated MCAs representing special interests such as persons with disabilities and the youth as prescribed by an Act of Parliament and the Speaker who is ex-officio. The head of the County Assembly is the Speaker, who

is also the Chairman of the County Assembly Service Board.

Table 3 below outlines the names of the elected county assembly members and the wards they represent.

Table 3: Members of the County Assembly 2022

	Member of County Assembly (MCA)	Ward
1	Hon. Anselm Mwadime	Mwanda Mghange Ward
2	Hon. Anthony Mng'ambwa	Bura Ward
3	Hon. Newton Kifuso	Wumingu Kishushe Ward
4	Hon. Lawrence Mzugha	Mbololo Ward
5	Hon. Amos Makalo	Kasigau Ward
6	Hon. Jones Solomon	Ngolia Ward
7	Hon. Dorcas Mlughu	Ronge Ward
8	Hon. Stephen Nzai	Marungu Ward
9	Hon. Duncan Wangama	Wusi Kishamba Ward
10	Hon. Crispus Tondoo	BomeniThange Ward
11	Hon. Azhar Din	Kaloleni Ward
12	Hon. Jimmy Mwamidi	Mbale Ward
13	Hon. Joseph Mwalegha	Mwatate Ward
14	Hon. Joseph Mabishi	Chawia Ward
15	Hon. Brayson Mwambi	Sagalla Ward
16	Hon. Halifa Taraya	Mboghoni Ward
17	Hon. Genard Mwandau	Werugha Ward
18	Hon. Daniel Kimuyu	Mahoo Ward
19	Hon. Isaac Matolo	Mata Ward
20	Hon. Anthony Kinyili	Chala Ward

Source: Taita Taveta County Assembly Website

3.2.2 Finances of Taita Taveta County Government

According to the Office of the Controller of Budget FY 2022/23 Report, Taita Taveta County recorded total revenue of Ksh 6.5 billion at the end of the fiscal year 2022/23, representing a 21.1% increase from the previous year. A further breakdown revealed that the County received Ksh 4.8 billion as equitable share of the revenue raised nationally, Ksh 265.3 million as own-source revenue, Ksh 874.4 million as conditional grants and had a cash balance of Ksh 387.4 million. The County's own source revenue which is considered the most sustainable source of income for counties decreased by 15.9% in FY 2022/23 compared to Ksh 315.6 million realised in FY 2021/22 and this was 68.1% of the annual target. Taita Taveta's broad income streams such as trade licenses, parking fees, and building permits, among others as well as the ongoing collection system have contributed to the increase in own-source revenue for the County.

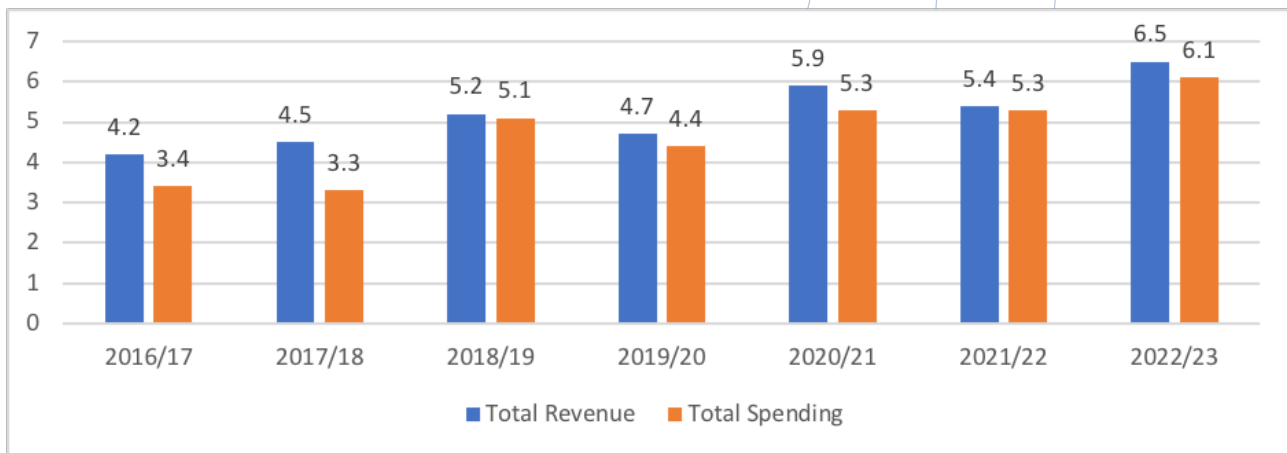


Figure 5: Government revenue vs. spending of Taita Taveta County in Ksh Billions (2017 - 2022)

Source: Office of the Controller of Budget

The county spent Ksh 6.13 billion as total expenditure during the financial year ended 30 June 2023 comprising Ksh 1.26 billion and Ksh 4.87 billion on development and recurrent programmes respectively. This expenditure represented 94% of the total revenues of the county.

Expenditure on development programmes represented an absorption rate of 57.4%, while recurrent expenditure represented 97.6% of the annual recurrent expenditure budget, based on the Controller of Budgets performance report for FY2022/23.

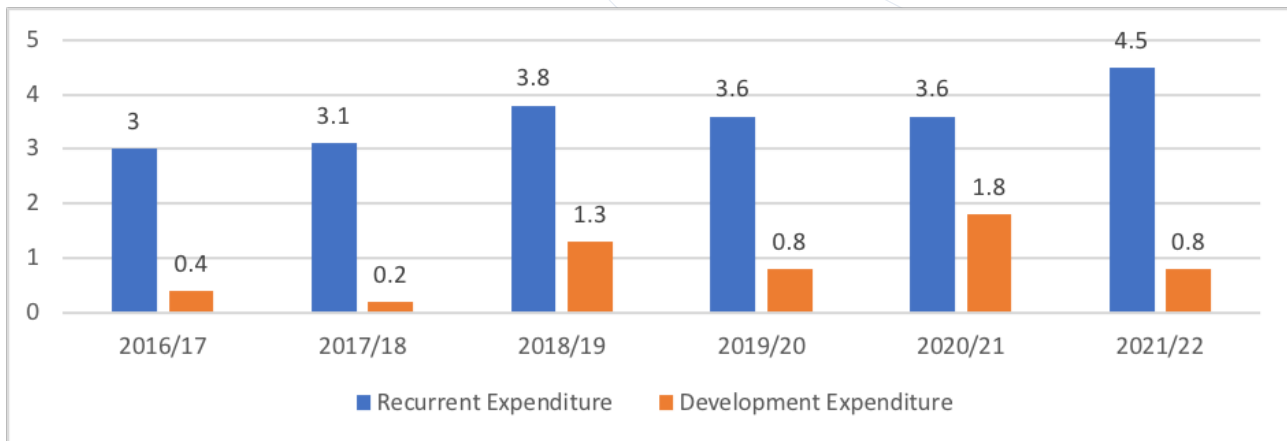


Figure 6: Breakdown of Taita Taveta County Government Spending in Ksh Billions (2017 - 2022)

Source: Office of the Controller of Budget

The bulk of the County expenditure is skewed towards recurrent expenditure, whose main driver is employee compensation. For the fiscal year 2022-2023, the County Executive spent Ksh 3 billion on personnel remuneration, Ksh 1 billion on operations and maintenance and Ksh 1.2 billion on development activities. Similarly, the County Assembly also spent Ksh 46.2 million on development initiatives, Ksh 600 million on operations and maintenance and Ksh 253 million on personnel remuneration over the same period.

3.2.3 Revenue collection mechanism

Based on the Controller of Budget Report, Taita Taveta County has implemented an automated OSR collection system known as the Taita Taveta LAIFOM system to ensure proper collection and management of revenue. The automated process enables accurate tracking and management of financial resources, empowering the County to allocate funds strategically and prioritize

essential services. The automation reflects the County's commitment to responsible governance and the well-being of its residents. However, 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 revenue collection in the County.

3.2.4 Taita Taveta county debt profile

Taita Taveta County has not taken long term loans before and therefore did not have any debt balances in its financial statement for the financial year ending 30 June 2023. The outstanding pending bills at the beginning of the financial year 2022/23 amounted to Ksh 1.03 billion million and comprised Ksh 444.4 million for recurrent expenditure and Ksh 582.6 million for development expenditure. In addition, the reported pending bills for the financial year 2022/23 were Ksh 254.6 million¹⁶. During the fiscal year 2022/23, the County cleared

¹⁵ OCOB County Governments Annual Budget Implementation Review Report for the year 2022/23

pending bills amounting to Ksh 348.5 million, with Ksh 135.4 million going towards recurring expenses and Ksh 213.1 million being payment for development initiatives, leaving a balance of Ksh 1.02 billion as of 30th June 2023, according to the Office of the Controller of Budget Report.

3.2.5 Compliance with the Public Finance Management Act

The county government's duties concerning the management and supervision of public finances are outlined in Part 4 of the Public Finance Management (PFM) Act of 2012. This section lays up the rules for good financial management that County Treasuries must follow and it is responsible for the essential values of prudent financial management, accountability and responsibility as outlined in Chapter 12 of the Constitution.

The Office of the Controller of Budget (OCOB) identified the following challenges to effective budget implementation while overseeing and reporting on the implementation of the Taita Taveta County FY 2021/22 budget:

1. The underperformance of own-source revenue at Ksh 265.3 million against an annual projection of Ksh 389.40 million, representing 68.1% of the annual target. The highest performing source was Cess.
2. There is a high level of pending bills, which amounted to Ksh 1.02 billion as of 30th June 2023. This is despite the availability of cash in the CRF, which stood at Ksh 201.6 million at the end of FY 2022/23.
3. High wage bill, which accounted for 50% of the revenue for FY 2022/23 of Ksh 6.5 billion, thus constraining funding of other programmes.
4. Low expenditure on the development budget, which was 20.6% of the total expenditure in FY 2022/23. Development expenditure was Ksh 1.26 billion compared to total expenditure of Ksh 6.13 billion.

4

Credit risk assessment of Taita Taveta County

4.1 Rating rationale

- Agusto & Co. hereby assigns a “B+ken” shadow credit rating to the County Government of Taita Taveta (“Taita Taveta County”, “Taita Taveta” or “the County”). The assigned rating is underlined by the County’s low own source revenue (also known as internally generated revenue) which accounted for 6% of total revenue over the last three fiscal years, high personnel expenses at 50% of revenue in FY2022/23, significantly above the 35% limit set by Regulation 25 (1b) of the Public Finance Management (PFM) Act, significant reliance on equitable share of income distributed by the Exchequer accounting for over 90% of revenue over the last three years as well as the qualified audit opinions over the last five years by the Auditor General of Kenya. However, the counterbalancing positive rating factors are the County’s stable political environment and modest financial flexibility owing to low leverage.
- Taita Taveta County is located in the Coastal Region of the Country and serves as a major gateway to the United Republic of Tanzania. According to the 2023 Gross County Product (GCP) report by the Kenya National Bureau of Statistics, Taita Taveta County’s GCP was estimated at Ksh 70.4 billion, representing circa 0.6% of the Country’s gross domestic product. About 62% of the County’s land area is the Tsavo National Park (Tsavo East and Tsavo West) and 24% is public and private conservancies and ranches, leaving only circa 12% as the estimated arable land for crop farming. Despite being a vibrant tourist destination, tourism-related activities have not generated direct income for the County as all the takings accrue to the Government of Kenya. However, the County intends to increase indirect income from tourist-related activities (such as hotel fees, parking fees and license fees from private operators) and negotiate with the National Government for a share of the direct tourist income to boost the revenue profile.
- In the financial year ended 30 June 2023 (FY 2022/23), Taita Taveta County’s total revenue rose by 22% to Ksh6.49 billion from the prior year mainly due to higher equitable distribution by the National Government as well as a rise in own source revenue. Whilst Agusto & Co. recognizes the marked 31% year-on-year (YoY) growth in the County’s own source revenue (OSR) to Ksh 424.8 million, we note that OSR represented a low 7% of total revenue in FY2022/23 and the three-year average (FY2020/21 – 2022/23) of 6%, thus depicting a weak local income profile. In our opinion, Taita Taveta 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 90% of total revenue in FY2022/23 as we do not anticipate a material change in the revenue profile of the County in the medium term due to the lack of depth of the Taita Taveta economy, which has a significant proportion of activities in the informal sector.
- In the financial year ended 30 June 2023, Taita Taveta County reported a total expenditure of Ksh 6.31 billion (FY 2021/22: Ksh 5.62 billion), comprising recurrent (93%) and development expenditure (7%). The County’s personnel cost (including payroll costs of the County Assembly) is the largest recurrent cost component and accounted for 50% of total revenue in FY 2022/23, which is higher than the 35% limit set by Regulation 25 (1b) of the Public Finance Management Act (County Regulations), 2015. Although this compares better to Laikipia County (56%) and Embu County (50.3%), it is higher than Kirinyaga County (43%), Makueni County (42.1%), Kisumu County (42%), Nairobi City County (38%) and Vihiga County (37.8%). Going forward, we expect the County’s personnel expenses-to-revenue ratio to remain above the 35% threshold due to the large workforce. In the same vein, we project overhead cost to rise moderately on account of persistent inflationary cost pressures.

- In FY2022/23, Taita Taveta County spent Ksh 414.6 million on capital development activities which represented 7% of total expenditure, lower than the 30% minimum requirement as per Section 107 (2b) of the PFM Act in FY2022/23. We note that the County's development expenditure as a proportion of total expenditure over the last three years (FY 2020/21 – 2022/23) of 10% is significantly below the statutory minimum due to higher recurrent expenditure and as such requires improvement. Going forward, Taita Taveta plans to increase capital spending in the short term in line with the projected development expenditure of circa Ksh 2.69 billion (accounting for 36% of the FY2023/24 Budget) to facilitate the completion of ongoing and commencement of new flagship projects. However, the county's reliance on the exchequer distributions which are susceptible to delays as well as the paucity of funds at the National Government level are some of the limitations in achieving this target expenditure.
- As at the end of the 2022/23 financial year (30 June 2023), Taita Taveta County did not have any third-party borrowings either directly or through contingent liabilities. Nonetheless, the County had outstanding payables (pending bills) arising from contracted goods and services of Ksh 1.13 billion as at 30 June 2023.
- Going forward, Taita Taveta intends to strengthen and digitalize revenue collection initiatives by deploying an e-system (County Integrated Revenue Management Information System) to drive OSR in the near to medium term. Also, the County is keen to access medium to long-term financing to execute development projects across the water, sanitation, healthcare, waste management and public infrastructure sectors which are expected to stimulate the growth of the County economy and build resilience for sustainable development and prosperity.
- Based on the above, we hereby attach a stable outlook to the County Government of Taita Taveta.

Strengths

- Stable political environment
- Modest financial flexibility on account of low leverage profile
- Rich tourism potentials due to presence of the Tsavo National Park and large scale conservancies

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 almost 60% of active labour workforce
- Deepening of own source revenue using automated collection systems
- Huge tourism potentials leveraging the presence of the Tsavo National Park, Scenic hills, forests and conservancies and gateway to Tanzania

Challenges

- Susceptibility of centrally distributed revenue by Exchequer due to global and macroeconomic headwinds
- Adverse climate impacts due to the changing climatic condition on account of human activities
- Weakened agricultural productivity on account of low rainfall during the long rains season and a delay in the short rains
- Significant human and wildlife conflicts

Figure 7: Strengths, Weaknesses, Opportunities and Challenges

4.2 Financial condition review

Analysts' comments

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

Revenue profile

Taita Taveta County generates own source revenue (also known as internally generated revenue) from fines, licenses, levies and user fees as stipulated in Article 209 of the Constitution of Kenya. Also, the County receives 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 shared equitably among the National and county governments, with each county's share determined yearly through the County Allocation of Revenue Act (CARA). The sharing formula is developed by the Commission on Revenue Allocation and approved by Parliament per Article 217 of the Constitution of Kenya.

In the financial year ended 30 June 2023 (FY 2021/22), Taita Taveta County's total revenue grew by 22% to Ksh 6.49 billion from the prior year mainly due to higher equitable distribution by the National Government as well as a rise in own source revenue. Even though the County received Ksh 4.84 billion as the equitable share

of the revenue raised nationally (representing 100% of the budget), conditional grants and OSR receipts were below the budget projections, leaving the County's revenue performance at 90.8% based on the Office of Controller of Budget FY2022/23 Report.

A breakdown of FY 2022/23 total revenue revealed that Taita Taveta's equitable share of income distributed by the Exchequer rose by 9% year-on-year (YoY) to Ksh 4.84 billion and accounted for 75% of total revenue. Furthermore, Ksh 833.4 million was received by the County as conditional grants and represented 13% of total revenue. In addition, returns to the County Revenue Fund from the prior year's unutilized balances stood at Ksh 387.6 million accounting for 6% of total revenue. Table 4 below shows the details of centrally distributed funds received by Taita Taveta County over the last three years.

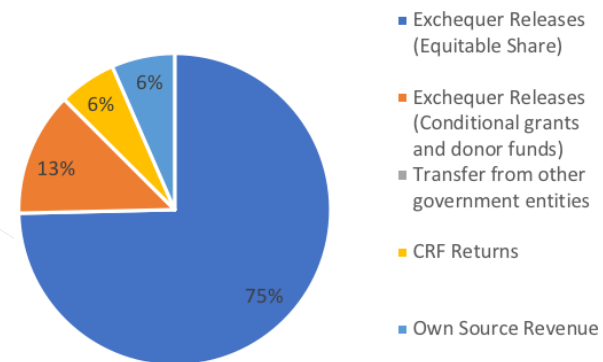


Figure 8: Breakdown of Taita Taveta County's Revenue - FY 2022/23

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)	4,605.8	4,454.8	4,842.2	5,040.4
Exchequer releases (Conditional grants and donor funds)	817.0	540.6	833.4	1,579.1
Transfer from other government entities	172.5	-	-	228.4
CRF Returns	0.6	0.5	387.6	184.2
Total Centrally Generated Revenue	5,595.9	4,995.9	6,063.2	7,032.1

Source: COB Budget Report for FY2020/21 - 2022/23 and First Quarter Budget Implementation Report and Taita Taveta County's County Annual Development Plan 2023, 2024 & 2025

In FY2022/23, Taita Taveta County's own-source revenue (OSR) grew significantly by 31% YoY to Ksh 424.8 million, albeit representing a low 7% of total revenue.

This improvement is linked to increased income from business permits, hospital fees, land rates, property rent, market fees and vehicle parking fees.

Furthermore, we note that despite being a vibrant tourist destination due to the presence of the Tsavo East and West National Parks, large-scale conservancies and ranches, these tourist attractions have not generated direct income for the County as all the earnings accrue to the Government of Kenya. We believe that receiving a portion of the tourism-related income from the national government due to the huge land area occupied by the National Park (approximately 62% of the land area) can help improve local revenues in the near term as the only income earned indirectly from the tourist-related activities include hotel fees, parking fees and license fees from private operators.

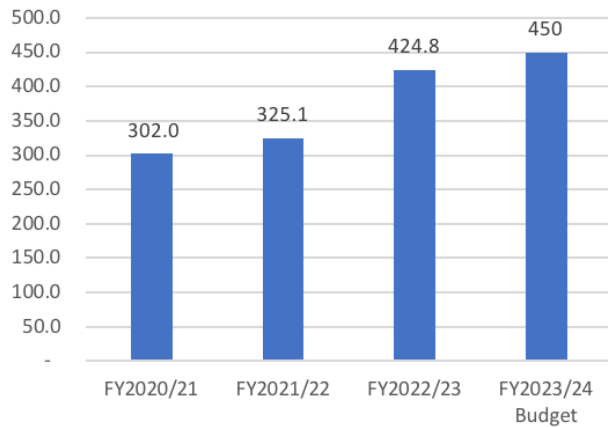


Figure 9: Own Source Revenue (Ksh 'millions)

Over the last five years, Taita Taveta County's OSR has grown at a compound annual growth rate (CAGR) of 5% and is projected to reach Ksh450 million by the end of FY 2023/24. However, similar to most counties, Taita Taveta County is significantly reliant 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 FY 2023/24 budget, Taita Taveta County intends to generate a total of Ksh7.48 billion with equitable share from the National Government accounting for 67% of the total revenue, while conditional allocation from Exchequer (21%), County Own Source Revenue (6%), other sources (3%) and consolidated revenue funds returns (3%). While the County's budget revenue projection is hinged on a marked increase in the equitable share of income and conditional allocation, we do not anticipate commensurate higher distributions by the Exchequer in the near term due to macroeconomic headwinds, inflationary pressures and potential fiscal shocks which have impacted the national government revenue projections.

Going forward, the County intends to boost OSR through various initiatives to act as a cushion to the revenue distributions from the Exchequer. The initiatives being implemented by Taita Taveta County include: setting revenue collection targets for each sub-county, department and income line to enhance performance; digitalizing collection by developing a County Integrated Revenue Management Information System (CIRMIS) aimed at improving revenue; sealing leakages and mitigating poor revenue administration; capacity building of revenue collection staff; and instituting monthly reviews and analysis of revenue targets. While

we expect these initiatives, if implemented successfully, to yield positive results in the medium term, we believe that fully automating revenue collection by establishing a one-stop shop collection portal would drive higher OSR in the near to medium term.

In our opinion, Taita Taveta County's overall revenue profile is weak and 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, Taita Taveta County recorded a total expenditure of Ksh 6.31 billion (FY 2021/22: Ksh 5.62 billion), comprising recurrent (93%) and development expenditure (7%). A breakdown of the County's expenditure showed that Ksh 3.24 billion was spent on employee compensation (representing 51% of total expenditure), Ksh 1.07 billion on operations and maintenance (accounting for 17%) and Ksh 1.19 billion as transfers to the County Assembly and other agencies with only Ksh 414.6 million allocated for capital development expenditure in FY 2022/23.

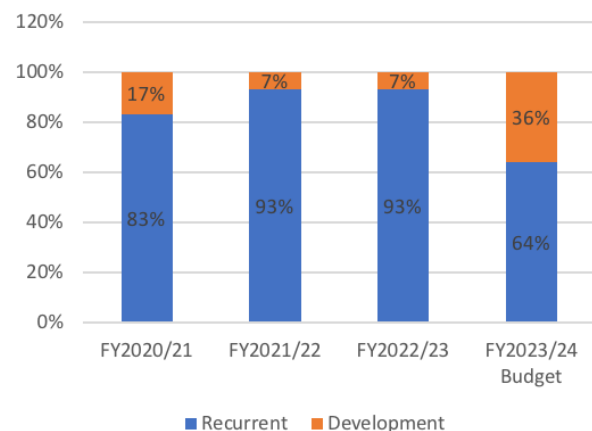


Figure 10: Recurrent and development to total expenditure

Based on our analysis, Taita Taveta's personnel cost (processed through the Integrated Personnel and Payroll Database (IPPD) system and manual payroll) including the payroll costs of the County Assembly represented 50% of total revenue in FY 2022/23 which is above the 35% limit set by Regulation 25 (1) (b) of the Public Finance Management (County Regulations), 2015. Nonetheless, this compares better to Laikipia County (56%) and Embu County (50.3%) but higher than Kirinyaga County (43%), Makueni County (42.1%), Kisumu County (42%), Nairobi City County (38%) and Vihiga County (37.8%). Furthermore, we note that the County's personnel wages and benefits as a percentage of revenue has trended

upwards in absolute terms and higher than the statutory threshold over the last three years and we consider this a concern due to the impact on the County's financial flexibility. In the same vein, operations and maintenance costs (i.e. overhead cost) remained pressured by high inflation, leading to a three-year average (FY 2020/21 – 2022/23) of 20% of revenue which requires improvement in our view.

Based on section 116 of the PFM Act, 2012, county governments are allowed to establish and allocate monies to public funds with approval from the County Executive Committee and the County Assembly. In FY 2022/23, Taita Taveta County spent Ksh 225.3 million (out of an allocation of Ksh 383.9 million) on county-established funds (Education Fund, County Executive Car Loan & Mortgage Fund, County Assembly Car Loan & Mortgage Scheme Fund and County Assembly Reimbursement of Car Grant), representing 5% of the County's overall budget for the year based on the Office of the Controller of Budget FY 2022/23 Report.

In FY 2022/23, Taita Taveta County spent Ksh 414.6 million on development activities which represented 7% of total expenditure and this was significantly lower than the 30% requirement as enshrined in Section 107 (2b) of the PFM Act of 2012. Augusto & Co. notes that the County's development expenditure as a proportion of total expenditure over the last three years (average of 10%), fell short of the statutory minimum and as such requires improvement.

Based on Taita Taveta County's FY2023/24 Budget of Ksh 7.48 billion, recurrent expenditure is estimated at 64% of the budget while development expenditure is projected to account for the balance. The main components of the County's recurrent expenditure are personnel expenses of Ksh 3.04 billion and overhead costs including other payments of Ksh 1.73 billion. Furthermore, the projected development expenditure of Ksh 2.69 billion is expected to support the completion of ongoing projects and the commencement of new flagship projects in the County.

Going forward, we expect the County's personnel expenses to revenue ratio to remain above the 35% threshold, while the overhead cost-to-revenue ratio is projected to rise on account of inflationary pressures. Although we expect Taita Taveta to moderately increase capital development expenditure in the short to medium term to finance planned infrastructure projects, achieving this objective may be hampered by the lack of alternative sources of financing available to the County amid the limitations on national government revenue.

In our opinion, Taita Taveta County's overall expenditure profile is weak and requires improvement.

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. According to the PFM, short-term borrowing by a county government

of not more than 5% of the most recent audited county government revenue per Section 107 (3) can only be used for cash management purposes which is repayable within twelve months. In line with Section 107 (2d) of the PFM, county governments can borrow over the medium term only for financing development expenditure and the total county public debt is not expected to exceed 20% of total revenue at any time in line with Regulation 25 (1) (d) of the Public Finance Management (County Regulations), 2015.

As at the end of the FY2022/23 fiscal year, Taita Taveta County did not have any third-party borrowings on its book either directly or through contingent liabilities. However, as at 30 June 2023, the County had outstanding pending bills of Ksh 1.13 billion, reflecting a reduction from pending bills of Ksh 1.2 billion in FY2021/22.

Taita Taveta County has not obtained any third-party or commercial borrowing either short or medium-term over the last five years. However, we note that the County government is keen to access third-party medium to long-term financing to execute flagship development projects. Some of the identified projects include water harvesting from the Mzima Springs and Njoro Kubwa Spring, upgrade and expansion of sewerage infrastructure in Voi and Wundanyi towns, development of special economic zones at Taveta and Voi, afforestation and reafforestation of public spaces to improve forest cover to the constitutional requirement of 10% and development of an integrated waste management system and recycling centre, amongst others.

In our opinion, Taita Taveta 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

Taita Taveta County's budget estimates for the FY2023/24 fiscal year are part of its medium-term expenditure framework (MTEF), which is expected to spur the growth and development of the County. The main goal of the MTEF is to accelerate social-economic transformation with special emphasis on food security, special groups empowerment, and open and transparent government. To achieve this objective, the County has identified nine priority sectors for accelerated attention to catalyse economic development. The priority sectors include:

- Agriculture, Livestock, Fisheries and Irrigation
- Public Works, Infrastructure, Roads, Transport and Housing
- Trade, Tourism, Cooperatives Development and Industrialization
- Health Services
- Education, Libraries, Vocational Training Centres and Information & Communication Technology
- Lands, Mining and Energy
- Public Administration and Intergovernmental Relations
- Youth, Gender, Sports, Culture and Social Services
- Water, Environment, Sanitation, Climate Change and Natural Resources

Also, the County intends to improve its internally generated revenue over the medium term and is developing structures to enhance the automation of revenue management processes to increase the collection of licenses, land rates, business permits, market fees and mining cess. As a result, the County projects OSR to rise modestly to circa Ksh450 million by the end of FY 2023/24. In our view, OSR can be improved upon through digitizing local revenue collection by having a one-stop revenue collection system and streamlining fees as well as negotiating with the national government for tourism-related income given the huge land area occupied by the Tsavo East and West National Park in which all the takings accrue to the Government of Kenya.

Agusto & Co. hereby assigns a **“B+ Ken”** shadow credit rating and attaches a **stable** outlook to the Taita Taveta County Government of Kenya.

4.4 Counties financing framework

Background

Counties in Kenya have been urged to embrace the Debt Capital Markets for Infrastructure Development Financing as macroeconomic headwinds as well as the impact of COVID-19 has placed significant pressure on the Government of Kenya's finances, which would ultimately limit near-term funds available for developing infrastructure projects across the 47 Counties.

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—
- the loan is for a capital project;
 - the borrower is capable of repaying the loan, and paying any interest or other amount payable in respect of it;
 - in the case of a private borrower, there is sufficient security for the loan;
 - the financial position of the borrower over the medium term is likely to be satisfactory;
 - the terms of the guarantee comply with the fiscal responsibility principles and financial objectives of the national government;
 - where Parliament has passed a resolution setting a limit for the purposes of this section—
 - the amount guaranteed does not exceed that limit; or
 - if it exceeds that limit, the draft guarantee document has been approved by resolution of both Houses of Parliament;
 - 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;
 - the borrower complies with any conditions imposed by the Cabinet Secretary in accordance with the regulations;
 - 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
 - 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—
- the guarantee is in the public interest;
 - 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;
 - 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—
- 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;
 - specifies the national government's total contingent liability under guarantees given under this section; and
 - 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:

- stating that a guarantee is entered into; and
- containing details of:
 - the guarantee, including the name and other particulars of the borrower whose loan is guaranteed;
 - the duration and nature of the guarantee;
 - a risk assessment in respect of the guarantee; and
 - 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 percent 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 11: Pre-requisites for counties financing

Source: Agosto & Co. Research



Figure 12: Critical stakeholders to support county's financing framework

Source: Agosto & Co. Research

5

Green asset and activity assessment

Taita Taveta County was subjected to a green asset identification and risk analysis to understand the availability of green assets and investment opportunities. The methodology deployed involved field visits to Taita Taveta County where general sessions were held with members of specific stakeholder groups (county officials, civil society organisations, 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. In addition, the workshop served as a medium for obtaining information relevant to the macro, fiscal and credit assessment of the County.

Information gathering questionnaires/ assessment tools targeting various actors in the counties had been prepared and shared in advance before the visit to guide the assessment exercise. Augusto & Co. engaged three

types of stakeholders during the visit using the 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
2. Civil Society Organisations (CSOs) and private actors in the climate-finance space in the county.
3. Community representatives.

Figure 13 below outlines the activities for the visit to Taita Taveta County:



Figure 13: Taita Taveta County schedule of activities



Figure 14: Cross section of participants at the workshop with senior county officials (day 1)



Figure 15: Cross section of the participants at the workshop with senior county officials (day 1)



Figure 16: Participants from the workshop with senior county officials (day 1)



Figure 17: Participants at the workshop with CSOs and CBOs (day 2)



Figure 18: Cross section of the participants at the workshop with senior county officials (day 1)



Figure 19: Cross section of the participants at the workshop with senior county officials (day 1)



Figure 20: Participants from the briefing session with the Deputy Governor (day 1)



Figure 21: Briefing session with the Deputy Governor and senior county officials (day 1)



Figure 22: Site visit water flowing from Njoro Kubwa Spring (day 3)



Figure 23: Site visit to the Njoro Kubwa Spring – existing water intake source (day 3)



Figure 24: Site visit to the uncompleted banana processing facility at Taveta (day 3)



Figure 25: Site visit to Tavevo Water Company Offices (day 3)



Figure 26: Water pumping equipment at the Taveta-Lumi Scheme (day 3)



Figure 27: Participants at the workshop with CSOs and CBOs (day 2)



Figure 28: Participants at the workshop with CSOs and CBOs (day 2)



Figure 29: Participants at the workshop with CSOs and CBOs (day 2)



Figure 30: Water tank at Tavevo Water and Sewerage Company Taveta offices (day 3)



Figure 31: Site visit to Tavevo Water and Sewerage Company Taveta offices (day 3)



Figure 32: Debrief session with the Governor, Deputy Governor, and other senior county officials (day 4)



Figure 33: Site visit to MGENO Ranch (day 4)



Figure 34: Water pump at Tavevo Water and Sewerage Company offices in Taveta (day 3)



Figure 35: Borehole at Tavevo Water and Sewerage Company offices in Taveta (day 3)



Figure 36: Site visit to the dried-up Kishenyi Dam (day 3)



Figure 37: Site visit to the dried-up Kishenyi Dam (day 3)

5.1 Preliminary green priority areas

The following thematic areas emerged as key priority sectors for Taita Taveta County following the discussions

and interactions with various stakeholders and assessments conducted during the workshop and site visits.

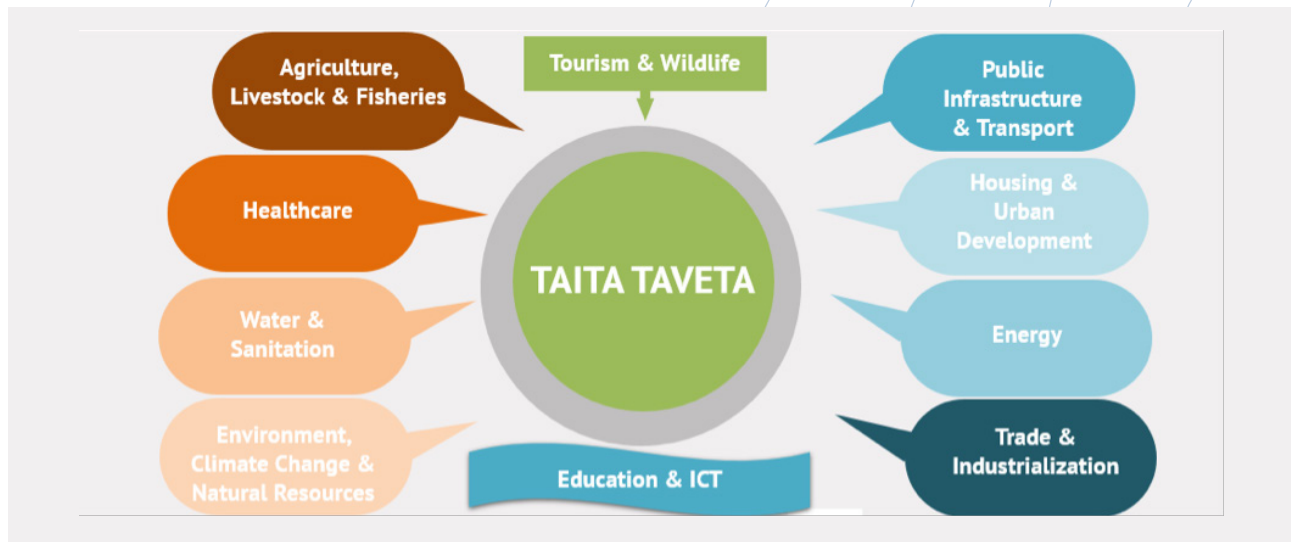


Figure 38:Taita Taveta County key priority areas

Source: Agosto & Co. Research

Tourism and wildlife

Taita Taveta County is a notable tourist destination with a wide array of attractions. The County takes pride in being home to the renowned Tsavo East and Tsavo West National Parks, which encompass vast landscapes teeming with wildlife and birdlife. The parks are not only famous for their scenic beauty but also their significant role in the conservation of the “Big Five” - lions, elephants, buffaloes, leopards, and rhinos. Tourism plays a pivotal role in the development of Taita Taveta County, offering substantial economic benefits. It catalyses job creation and revenue generation, thereby contributing to the socioeconomic well-being of the local communities. However, the management of these parks falls under the jurisdiction of the national government through the Kenya Wildlife Service. As a result, the County does not directly benefit from the revenue generated from tourism activities. Nonetheless, the influx of visitors creates limited employment opportunities and stimulates trade in the local tourist industry. Furthermore, by preserving heritage sites and adopting sustainable tourism practices, the County aligns itself with the conservation of terrestrial ecosystems (SDG 15).

Agriculture, livestock and fisheries

Agriculture, livestock and fisheries are composed of five subsectors namely crop production, livestock production, veterinary services, fisheries and cooperative development. Taita Taveta County’s average farm size in the highlands is 0.4 Ha, translating into low yield per unit area for most farming households while for small-scale farming in the midlands and lowlands, the average farm size is 1.5 Ha and 4.8 Ha respectively¹⁷. The main crops grown in the County are cereals (maize, sorghum and rice), pulses (beans, cowpeas, green grams and

pigeon peas), root crops (cassava and sweet potatoes), horticultural crops (kales, tomatoes, cabbages and French beans), fruit crops (bananas, mangoes, oranges, passion fruit and guavas), nuts and oil crops (macadamia, groundnuts and cashew nut), fibre crops (cotton and sisal), and emerging crops (jojoba, moringa, mushroom and aloe vera)¹⁸. Approximately 4,100 km², 24% of the total County land area, comprises rangeland suitable for ranching¹⁹. The County’s rangeland forms one of the disease-free zones under Vision 2030, aimed at supporting the production of livestock for export. Over the last five years, the County implemented several initiatives aimed at promoting sustainable agricultural practices including the provision of training and extension services to farmers and the distribution of farm inputs like improved grain seeds. Based on the CIDP 2023 – 2027, 30% of farmers in Taita Taveta County were trained and 20% were issued with improved planting material while 70% of farmer’s capacity was built on the adoption of livestock innovations and technologies.

The County government, in collaboration with the national government and development partners, is actively working towards enhancing agriculture value addition. As part of these efforts, a Banana Processing Facility was established with funding from the national and county governments, as well as the European Union. This initiative aims to promote value addition in the agricultural sector and unlock new opportunities for farmers and the local economy. In addition, the County hosts the National Cereal and Produce Board stores in Voi and Taveta for storage of farmer’s produce, particularly cereals. These projects can deploy renewable energy to reduce reliance on fossil fuels and significantly lower their carbon footprint. These initiatives align with the goals of SDG 2 (Zero Hunger).

¹⁷ Taita Taveta County Integrated Development Plan 2018 – 2022

¹⁸ Taita Taveta County Integrated Development Plan 2018 – 2022

¹⁹ Taita Taveta County Integrated Development Plan 2018 – 2022

Healthcare

Healthcare is a major concern for citizens of Taita Taveta County given the deplorable state of the circa 120 healthcare facilities. The sector faces several challenges including inadequate healthcare centres, high rates of communicable diseases such as malaria, HIV/AIDS, and substance and drug abuse among the youthful population. As at the end of 2022, there was a shortage of 1,706 health personnel in the County with a doctor-population ratio of 1:6,191, falling short of the 1:600 standard set by the World Health Organization (WHO)²⁰. According to the CIDP 2023-2027, Taita Taveta has inadequate critical working equipment, and infrastructure and insufficient health products and technologies (HPTs) limiting specialized service provision. As at the end of 2022, the County had only 4 ICU beds with 295 maternity beds. The County's health services sector goal is to ensure access to quality, affordable and timely, preventive, curative and rehabilitative healthcare to all.

The County plans to improve access to healthcare through the following initiatives such as health facilities infrastructure improvement, adequate equipping of all health facilities, ensuring optimal staffing levels at all health facilities and adequate stocking of facilities with medical drugs and laboratory chemicals. To promote sustainability in the healthcare sector, Taita Taveta County can embrace green practices that align with SDG 3 (Good Health and Well-being) such as prioritizing energy efficiency, by introducing renewable energy sources like solar panels to power medical equipment and lighting in healthcare facilities. Embracing green building practices during the construction and renovation of existing healthcare facilities can optimize energy usage and minimize carbon emissions. By integrating these green and sustainable measures, the County can enhance healthcare services while making a positive impact on the environment and public health.

Water and sanitation

Water bodies within the County occupy 106 km² of the total area comprising Lakes Jipe and Chala in Taveta sub-county. The County's forests, especially Taita Hills, are made up primarily of native tree species which serve as water catchment for the local institutions and communities as well as those areas beyond Taita Taveta boundaries. The number of households with access to safe drinking water is about 64% of the total homes in the County with only about a quarter of the population (27.4%) accessing water from public taps²¹. The irrigation potential in the County stands at 11,470 ha, where only 47% of the irrigable land is currently being irrigated²². Taveta sub-county has 84.6% of the irrigated land, mainly because of the regular water supply from Njoro Kubwa Springs and Lake Chala²³. The increasing population in Taita Taveta, like in other counties, continues to put pressure on the shrinking water resources. Climate change as evidenced by rising temperatures, changes in precipitation and siltation of water reservoirs continues to affect water quality and quantity. Major water sources such as rivers Voi and Jipe and Kishenyi dam have dried up due to adverse climate change impact. These changes in the water resources in turn affect other sectors including agriculture, health, energy production and ecosystem

health. Taita Taveta County is taking steps to address these challenges through various projects such as the drilling of boreholes, constructing dams at the foot of hills, rehabilitation of existing water infrastructure and promotion of renewable energy and afforestation. In addition, the County plans to scale water harvesting from the Mzima Springs to about 500,000 m³/day from the current 110,000 m³/day to meet the growing water requirement of the population. Furthermore, the County's water entity (TAVEVO Water and Sewerage Company Limited) plans to drill more boreholes, construct dams at the foot of hills and scale up the water harvesting potential at Mzima Springs to 500,000 m³/day from the current 100,000 m³/day to increase water access among the residents. The County's initiatives to improve water coverage, sanitation services and water resource management are in line with SDG 6: Clean Water and Sanitation.

Based on the CIDP 2018 – 2022, an estimated 86% of the total households in the County have access to toilet facilities while about 14% of households do not have any kind of toilet facility. In addition, Taita Taveta has a poor solid waste management system as the farm/garden method accounts for the largest waste disposal type at 44.1%, followed by garbage pits at 23.7%, burning at 22.1%, public garbage heaps at 6.4%, and collection by County government stands at 30% while collection by private firms at 0.3%²⁴. Hazardous medical waste from health facilities is disposed of using old incinerators, which are not environmentally friendly. The County intends to improve waste disposal by developing a sewerage and waste management system in urban areas. This will promote sustainability practices, conserve natural resources as well as reduce negative environmental impacts. These initiatives to improve sanitation and waste management promotes healthy hygiene habits and enhance its resident's overall well-being, which is consistent with SDG 3 (Good health and well-being).

Environment, climate change and natural resources

Taita Taveta's natural resources play a crucial role in the development of the County. The County is endowed with rich biodiversity including national parks, forests and unique ecosystems. These natural resources support various sectors such as tourism, agriculture and water supply, contributing to the County's economy and the livelihoods of its residents. However, Taita Taveta County faces several challenges in managing its environment and natural resources. Deforestation, unsustainable agricultural practices and illegal mining pose significant threats to the County's forests, soil quality and water sources. Climate change exacerbates these challenges, leading to increased vulnerability to droughts, floods and other climate-related disasters. In response to these challenges, the County Government of Taita Taveta plans to address environmental conservation and climate change adaptation by encouraging sustainable land management practices, reforestation initiatives, water resource management and promotion of renewable energy sources. The County aims to integrate environmental considerations into its development processes, ensuring sustainable resource use and reducing the impact of climate change on its residents.

²⁰ Taita Taveta County Integrated Development Plan 2023 – 2027

²¹ Taita Taveta County Integrated Development Plan 2023 – 2027

²² Taita Taveta County Integrated Development Plan 2018 – 2022

²³ Taita Taveta County Integrated Development Plan 2018 – 2022

²⁴ Taita Taveta County Integrated Development Plan 2018 – 2022

These plans align with SDG 17 (Partnerships for the Goals). By implementing these strategies, Taita Taveta County seeks to safeguard its natural resources, mitigate climate change effects, promote sustainable development and foster partnerships with stakeholders to achieve long-term environmental sustainability.

Education and Information and Communication Technology (ICT)

Taita Taveta County Government has prioritized the development of education and ICT infrastructure to enhance access to quality education and promote digital literacy. The County has invested in the construction and renovation of schools, including the provision of classrooms and libraries. The County Government improved ECDE services, ensured inclusive and equitable issuance of bursaries, loans and scholarships to students as well as promoted quality training and access to voluntary training centres (VTC) in 2022. Based on the County's Integrated Development Plan 2018 - 2022, the Education Fund Board was established to promote inclusive and equitable quality education with key performance indicators of the number of students awarded scholarships, loans and bursaries. The County plans to construct ICT hubs in voluntary training centres such as the Wundanyi VTC facility to enhance computer literacy and internet connectivity. In addition, the County Government has implemented programs to train teachers in ICT integration and provide them with the necessary resources. These initiatives align with SDG 4 (Quality Education).

Public infrastructure and transportation

Taita Taveta recognizes the need to enhance public infrastructure and transportation systems in the County. Over the last five years, the County focused on the construction and rehabilitation of roads, bridges and culverts to improve connectivity within the County and neighbouring regions. Based on CIDP 2018 - 2022, a total of 1,195.5 km of roads were graded, 100 km gravelled and 100 km of new roads were constructed. In addition, public transportation services in Taita Taveta County have improved through initiatives such as the construction of the Maungu lorry park and two SGR terminuses at Miasenyi and Voi. These efforts align with SDG 9 (Industry, Innovation and Infrastructure).

Housing and urban development

Taita Taveta County is vastly covered by low-rise residential buildings, most of which are brick houses and some are made of mud. The County's distribution of housing regarding main walling material is brick/block (51.1%), mud/wood (42.5%), mud/cement (2.4%) and stone (2.1%) respectively²⁵. As at the end of 2022, 48% of the houses were permanent structures while 52% were semi-permanent²⁶. The development of these sectors requires significant investments to spur economic growth and improve the standard of living in the County. Taita Taveta maintains county government houses and

is developing a zoning plan liaising with the national government to provide better housing structures for financially challenged persons. In addition, according to the CIDP 2023 - 2027, Taita Taveta County plans to provide sustainable housing solutions to improve the living conditions of the population. These strategies on urban planning should ensure there is efficient land use, improved infrastructure provision and enhanced overall urban environment as such efforts align with SDG 11 (Sustainable Cities and Communities).

Energy

The main sources of energy in the County include electricity, solar and wood fuel. While considerable advancements have been made in connecting various areas of Taita Taveta County to the national electricity grid, some locations in Taveta and Wundanyi sub-counties remain unconnected. Firewood and charcoal are the main sources of cooking while solar, paraffin and electricity are used for lighting. As at 31 December 2022, 52.2% of the households in the County used solar energy for lighting²⁷. Taita Taveta County employs solar energy for street lighting on various roads (Mwakunza Road, Leshamta-Meroshi Road and Mahoo Street) and markets (Godoma Market and Saghaighu Market). Based on the CIDP 2023 - 2027, Taita Taveta County plans to deploy solar energy in the electrification of hospitals, schools, markets, irrigation systems, feed formulation machines, streets, water heaters and selected mining sites. These strategies aimed at championing the use of clean energy by the County align with the goals of SDG 7 (Affordable and Clean Energy).

Trade and industrialisation

Taita Taveta County has embraced trade and industrialization to drive economic growth and create employment opportunities. The main agro-processing activities are the sisal industries in Voi, Mwatate and Taveta and cottage industries being maize millers and bakeries. The County has supported the establishment of business parks to attract investments and promote local industries. Though the County lacks established industrial parks, two sites have been identified for the establishment of industrial parks in Taveta and Voi. The County also has Jua Kali sheds in Voi and Taveta town which are meant to facilitate participation of youth as artisans and entrepreneurs. Taita Taveta County has also increased access to markets for farmers and small businesses through the construction and maintenance of feeder roads. Over the last five years, Taita Taveta County witnessed a marked improvement in access to markets for livestock products as 14 co-operatives and community-based organizations (CBOs), 4 milk aggregation centres, 2 honey refineries and 1 slaughter facility were operationalized to boost farmer trading activities. In addition, there was also an improvement in aquaculture practices as 80% of fisherfolks were trained. These initiatives by Taita Taveta County to promote trade and industrialization align with SDG 8 (Decent Work and Economic Growth).

²⁵ Taita Taveta County Integrated Development Plan 2018 - 2022

²⁶ Taita Taveta County Integrated Development Plan 2023 - 2027

²⁷ Taita Taveta County Integrated Development Plan 2023 - 2027

5.2 Green assets identified

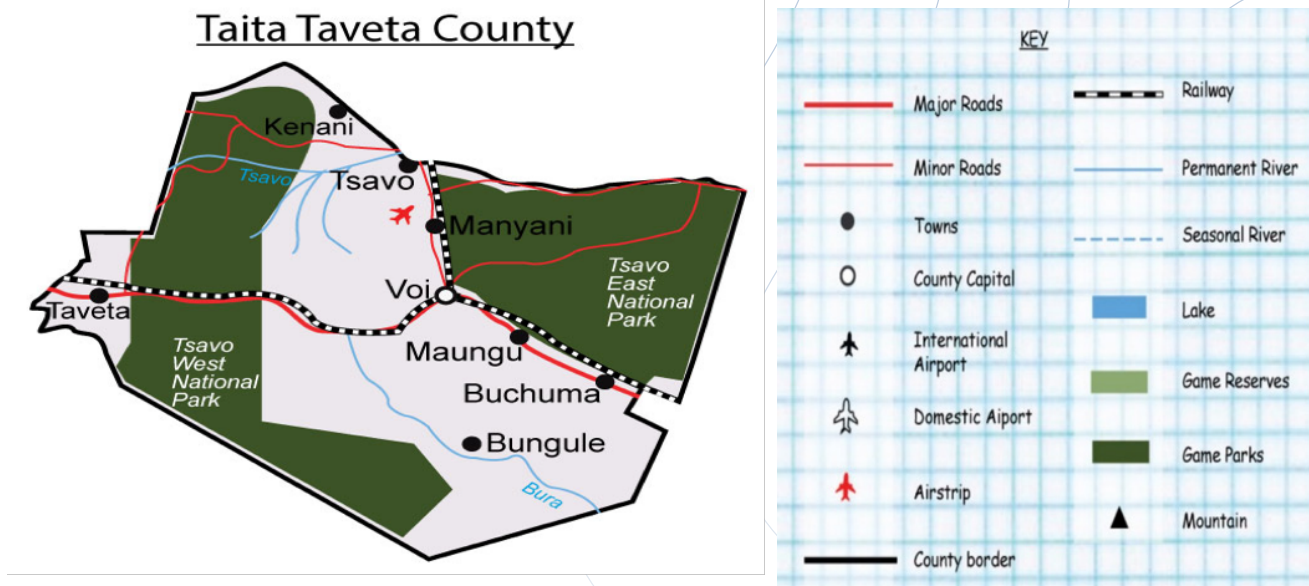


Figure 39: Map of the distribution of green assets in Taita Taveta County

Source: e-Limu

Overview of green assets in Taita Taveta County

Taita Taveta altitudes range from 500 metres above sea level to almost 2,300 m at the highest point in the County, Vuria Peak. The lower regions of the County receive an average of 440 mm of rain per annum whereas the highlands receive up to 1,900 mm. The County is classified into three major topographical zones, namely:

1. Upper zone – which comprises Mwambirwa, Taita and Sagalla hills regions with altitudes ranging from 304 meters to 2,300 meters above sea level. The zone is suitable for horticultural farming.
2. Lower zone – which includes plains where the national parks, mines and ranches are found.
3. Volcanic foothills zone – which covers the Taveta region with underground water and springs sourcing from Mt. Kilimanjaro in Tanzania

The hilly part of the County poses a challenge increasing the cost of infrastructure development. There is a risk of landslides as cultivation has exposed the hilly tops to soil erosion. The introduction of eucalyptus trees for restoration of water catchments has proved counterproductive because they require a lot of water for their growth thus drying up the water sources they are meant to protect. The County's unique landscape profile comprises the following key green assets:

Table 5: Green assets in Taita Taveta County

Water bodies	Hills	Forests
Lake Jipe	Taita Hills	Taita Hills Forest
Lake Chala	Sagalla Hill	Mwandongo Forest
River Lumi	Shaimu Hills	Iyale Forest
River Tsavo	3 Sisters Hills	Goye Forest
River Voi	Chyulu Hill	Macha Forest
Mzima Spring	Kasigau Hills	Jaycee Forest
Njoro Kubwa Spring	Dawida Hills	Chawia Forest
River Mwatate		Ngangao Forest
River Kishenyi		Susu Forest
River Ziwani		Mwachora Forest
River Kighombo		Kinyeshavua Forest
River Galana		Irizi Forest
Njukini Springs		Kighala Forest
Maji Wandeni Springs		Mwambirwa Forest
Lemonya Springs		Mbololo Forest
Kitobo Springs		Kitobo Forest
Humas Springs		Mount Kasigau Forest
River Sanga		
River Wanganga		

Water bodies

Water bodies within the County occupy 106 km² comprising Lakes Jipe and Chala in Taveta sub-county served by springs emanating from Mt. Kilimanjaro. Taita Taveta County has 5 permanent rivers, 302 shallow wells, 13 protected springs, 19 unprotected springs, 25 water pans, 3 dams and 105 boreholes²⁸. The main rivers in the County are Lumi, Tsavo and Voi. Mzima Springs forms the main water supply for Voi Town and Mombasa City. Smaller springs augment this supply and include Njoro Kubwa, Sanite, Njukini, Maji Wandeni, Lemonya, Kitobo and Humas Springs. Despite having a dense network of springs, rivers, wells, dams and two lakes, the average distance to the nearest water point is 3 Km²⁹. The inadequate access to clean water in the County can be attributed to several factors including inadequate infrastructure for water supply and distribution and severe effects of climate change leading to drying of water sources.

Forests

There are 68 forests in Taita Taveta County, 24 of which are gazetted and managed by the national government. The size of the gazetted forests is 1,489.80 ha, non-gazetted forests are 9,000 ha and the approximate forest cover is 3.41%, lower than the national average of 10%. The forests range in size from 500 m² to 2 km² encompassing both exotic and indigenous forest mountains.

Hills

The County is dotted by spectacular hills comprising Taita, Sagalla, Kasigau, Dawida, 3 Sisters, Shaimu and Chyullu hills. Aside from creating spots for rock climbing

and campsites, the hills are known for their moist forests with unique biodiversity. More than 20 endemic species of African violets (e.g. *Saintpaulia teitensis*) occur exclusively here. Also, the Taita Thrush and the Taita Apalis are endemic bird species found here.

Green assets shared with other counties

River Galana was identified as one of the major green assets that is shared with five other counties. The river originates from Ngong hills in Kajiado County and flows through Nairobi, Machakos, Makueni, Taita Taveta and Kilifi before draining into the Indian Ocean. The start of the river is known as Athi River but midway in Taita Taveta County, it is renamed River Galana while in Kilifi County before draining into the Indian Ocean it is identified as River Sabaki. The river is highly polluted by industrial effluent in Nairobi County and experiences perennial conflicts concerning access to its water resources. There are frequent disputes between counties regarding the management and control of shared/transboundary resources. As such, there needs to be a unified and shared strategy for the conservation and management of shared/transboundary resources.

Green assets owned by the national government

The Kenya Forest Service, a state-owned corporation oversees 28 gazetted forests in the County while the Kenya Wildlife Service manages the Tsavo East and West National Parks. The main wildlife species found in the parks include lions, elephants, buffalos, leopards, rhinos, giraffes, hippos, zebras, baboons, monkeys, gazelles and Dik-dik.



Figure 40: River Galana

Source: Flickr

²⁸ Taita Taveta County Integrated Development Plan 2023 – 2027

²⁹ Taita Taveta County Integrated Development Plan 2023 – 2027

5.3 Suggested green projects

Based on the thematic areas identified and Augusto & Co.'s assessment of the green assets above, the following

green projects were proposed for development and implementation: Appendix 9.2 has the list of potential green projects identified during the workshop and assessment.

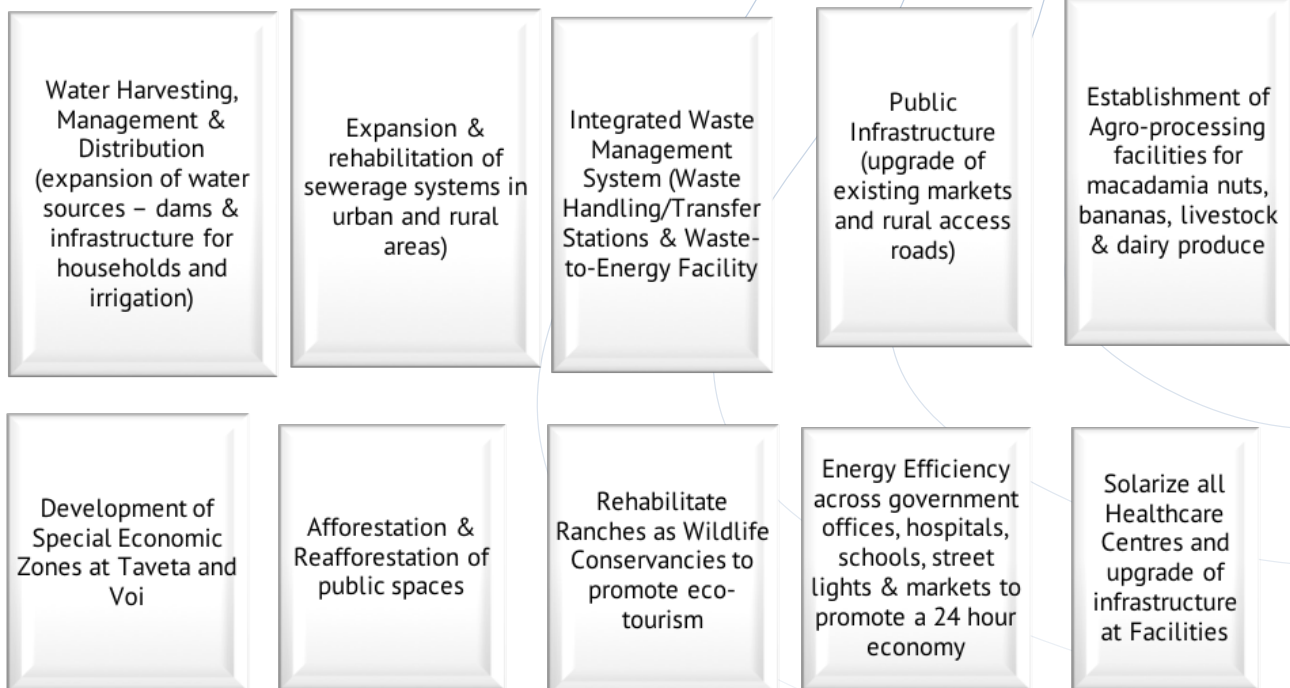


Figure 41: Taita Taveta County Suggested Green Projects

Source: Augusto & Co. Research

Water harvesting, management and distribution

Taita Taveta County has the biggest water supply scheme in the coastal region³⁰. This is the Mzima Water Project with a current daily water harvesting capacity of 100,000 cubic meters, which supplies water to Voi town and its environs through several major projects including Voi water supply and Mbololo water supply. This scheme is also among the major suppliers of water to the coastal city of Mombasa. The source of the water is Mzima Springs, situated in the Tsavo West National Park. Over the last decade, the County has witnessed rising temperatures as a result of global warming and changes in rainfall patterns which have affected water quality and quantity. The impact of climate change on Mzima Springs has been evident, with rising temperatures leading to increased evaporation rates and reduced water levels. Changes in rainfall patterns have also affected the recharge of the springs, further exacerbating the water quantity and quality challenges. These climate-related factors pose a significant threat to the sustainability of the Mzima Water Project and its ability to meet the water demands of Voi town, its environs, and even the city of Mombasa.

Furthermore, the Kishenyi dam which can hold 73,000 m³ of water dried up in 2022 due to adverse climate change. In addition, some rivers such as River Voi in the national parks occasionally dry up, forcing wildlife to move to human settlements to find water, thereby triggering human-wildlife and livestock-wildlife conflicts.

TAVEVO Water and Sewerage Company Limited which manages the major water supply system in the County plans to scale up water harvesting from the Mzima Springs from the current 100,000 m³/day to about 500,000 m³/day to meet the growing water requirement of the population. Furthermore, the Njoro Kubwa Spring which is another vital water source for the community has been identified as a potential source of harvesting additional water for the residents.



Figure 42: Kishenyi Dam

The County's water entity is further exploring harvesting water from Lake Chala and Kitopo Spring to cater for the growing water demand in Taita Taveta. These projects could employ green energy particularly solar pumping mechanisms to reduce operational costs and increase the county's water production capacity and

³⁰ Taita Taveta County Integrated Development Plan 2018 – 2022

improve access to clean water for the local population. Implementation of these initiatives which align with the targets and indicators of SDG 6 (Clean Water and Sanitation) will enhance water harvesting, management, and distribution, leading to increased access to clean water, reduced water scarcity, and improved water resource sustainability.



Figure 43: Njoro Kubwa Water Spring – existing water intake source

Expansion and rehabilitation of sewerage systems in urban and rural areas

According to the County's Integrated Development Plan (CIDP) 2018-2022, the status of the sewerage system is significantly challenged as only a small percentage of the urban population has access to proper sewerage services, resulting in poor sanitation conditions and potential health risks. Based on the CIDP 2028 – 2022, it is estimated that about 86% of the total households in the County have access to toilet facilities (pit latrines) while about 14% of households do not have any kind of facility. However, the existing sewerage infrastructure is inadequate, outdated, and in need of rehabilitation and expansion to cater to the growing population and urbanization in the County. To address the issues with the sewerage system, the County government has outlined several plans and interventions including the upgrade and expansion of the existing sewerage infrastructure in urban areas like Voi and Wundanyi, the construction of new sewerage treatment plants, and the establishment of proper sewerage networks in rural areas including toilets. Also, the County plans to develop programs to educate the community on proper hygiene practices, and the importance of waste reduction, recycling and composting and encourage them to participate in eco-friendly sanitation management practices, which aligns with SDG 6: Clean Water and Sanitation.

Integrated Waste Management System (Waste handling/transfer stations and waste-to-energy facility)

In 2022, a waste management audit on Taita Taveta was conducted by the United Nations Habitat and it revealed that the County generates about 195 tons of waste/day (136.4 tons from households and 58.4 tons from non-household waste). The study further projects Taita Taveta

County's solid waste will increase to 232 tons/day by 2032. Despite the volume of waste produced, only 30% is collected and managed by the County mostly through burning as there is no licensed and approved dumpsite in Taita Taveta. The lack of a reliable approved dumpsite and recycling system has resulted in indiscriminate dumping of waste which pollutes the environment and exposes the citizens to health risks.

Based on the CIDP 2023 – 2027, the County government plans to improve waste collection services, establish waste treatment and recycling facilities, and promote waste reduction and segregation practices. The aim is to achieve proper waste management, including recycling and safe disposal, to minimize the environmental impact and promote a cleaner and healthier living environment for the residents. Taita Taveta County plans to adopt a sustainable waste-to-energy system which will boost its own source revenue and further promote the reusability of products such as wash bags as this will significantly reduce waste and the negative impact on the environment. Implementing an integrated waste management system in Taita Taveta County will contribute to achieving the goals of SDG 11 (Sustainable Cities and Communities). Furthermore, having a robust waste management policy alongside grassroots awareness and sensitization will support in promoting good hygiene practices and improve the general well-being of its citizens which is in alignment with SDGs 3 on Good Health and Well Being.

Public infrastructure

The County faces several difficulties such as poor infrastructure, particularly the road system in rural areas.

Over the last five years, Taita Taveta County constructed a total of 1,195 Km of roads incorporating proper drainage systems such as culverts. However, this falls short of the requirement to connect the urban centres to the rural areas given the vast land area of the County. Taita Taveta County Government plans to open up new roads and rehabilitate and upgrade existing roads to ensure improved quality networks, proper drainage and accessibility. In addition, the County plans to manage rainwater collection, implement green infrastructure like permeable pavements, walkways, and green public spaces and employ eco-friendly materials during the development of new roads and rehabilitation of existing ones. Using a green strategy for road building will assist the County in ensuring that the project has a minimal adverse impact on the environment and will support sustainable development. Furthermore, these initiatives can contribute to SDG 11 on Sustainable Cities and Communities which seeks to make human settlements inclusive, safe, resilient and sustainable.

Establishment of agro-processing facilities'

The County's main economic activity is agriculture with maize, beans, rice, banana, macadamia and sisal being among the main crops. Taita Taveta County faces numerous challenges in this sector including post-harvest losses, limited access to credit facilities and a lack of market linkages for farmers.



Figure 44: Uncompleted banana processing plant in Taveta

To address these challenges, Taita Taveta County commenced the construction of a Banana Processing Facility in Taveta through funding from the national and county governments, as well as the European Union. As at end of February 2023, the facility was 70% complete and abandoned as there was some disagreement amongst the parties over the financing of the project due to the non-committal of the County government to provide complementary funding to complete the project. This facility was expected to help farmers in creating value addition of their banana produce to products like flour. In addition, the County through its Trade and Cooperatives Departments is expected to offer market linkages to farmers to boost their revenues. Overall, Taita Taveta County's agricultural efforts aim to achieve food security and improve nutrition thus aligning with SDG 2, which is about ending hunger.



Figure 45: Teita sisal plantation

Source: Jason Collette 11

Teita Sisal Estate Limited, a private entity plays a crucial role in the development of Taita Taveta County, especially in terms of economic impact. Teita Sisal Estate Limited's plantation which covers 32,000 acres is the largest sisal producer in the East African region. Sisal cultivation and processing are the main activities carried out at the plantation, with the production of sisal fibres used for various applications, such as rope, twine and mats. The presence of Teita Sisal Plantation contributes to the economic development of Taita Taveta County as it provides employment opportunities for over 3,000 persons from the local communities directly and indirectly through other support activities. The plantation

serves as a source of income for many households, improving livelihoods and reducing unemployment rates in the County. On account of the huge waste generated from the processing facility, the plantation could explore renewable energy options using decomposed waste to generate power and reduce dependence on the national grid. Furthermore, solar energy can be harnessed given the large land area as well as good sunlight potential in the County which can contribute to the goals of SDG 7 on clean energy. Implementing efficient water management practices, such as rainwater harvesting and drip irrigation systems, can help optimize water usage and reduce wastage at the Teita Sisal plantation given the huge daily water requirement estimated at 1,000,000 litres/day. Furthermore, the exploration of water recycling techniques to minimize their impact on local water resources to ensure a sustainable water supply for both agricultural and processing activities should be encouraged at the facility. This aligns with the targets of SDG 6 as it will ensure there is a responsible use of water resources, supporting clean water availability and water security.

Development of Special Economic Zones at Taveta and Voi

The economic development plan of Taita Taveta County is characterized by the development of value-added industrialization, which aims to process and convert extracted raw resources and agricultural products into finished goods. Consequently, the County is eager to establish Industrial Parks, which will serve as the foundation of a booming export-focused trade and urban-based commerce. The identified locations for the industrial parks and special economic zones will be Voi and Taveta. The County plans to offer incentives to potential investors including green infrastructure (in the form of water, energy and waste management solutions) to attract investment to the processing zone which aligns with SDG 9's goals on industry, innovation and infrastructure.

Afforestation and reforestation of public spaces



Figure 46: Njoro Kubwa Water Spring – forest catchment

Taita Taveta County currently has a forest cover of less than 3.4%, which falls short of the constitutional requirement of at least 10%. To address this challenge, the County plans to implement strategic afforestation and reforestation activities to protect, conserve, and enhance natural resources, while also increasing tree cover and promoting biodiversity. These initiatives not only contribute to sustainable development but also create

employment opportunities through tree planting and forest management. Furthermore, the forests and parks in the County will offer recreational facilities, generating additional revenues albeit for the national government (and discussions are ongoing with the county to benefit from such income in the future). Given that over 80% of the County's land area is the national park and ranches, increasing forest cover will have numerous benefits, such as mitigating climate change, preserving wildlife habitats, and ensuring the availability of clean air and water resources for the County's residents. This would put Taita Taveta on the path towards a more sustainable and environmentally conscious future which is anchored on SDG 11 on Sustainable Cities and Communities.

Rehabilitate ranches as wildlife conservancies to promote eco-tourism

According to the CIDP 2018 – 2022, Taita Taveta County plans to promote conservation efforts, enhance biodiversity, and stimulate tourism and economic development. The rehabilitation of ranches and wildlife conservancies in Taita Taveta County is expected to have a significant impact on the County given the huge land area covered by these. Taita Taveta County plans to work closely with ranch owners and communities to transform their land into wildlife conservancies, establishing partnerships with conservation organizations, and providing support and incentives for the developments. The County plans to invest in infrastructure such as access roads and tourist facilities (eco-lodges), to attract visitors and generate revenue from wildlife-based tourism activities.

Mgeno Conservancy in Taita Taveta County is a community investment that received the authority to operate as a wildlife conservancy in September 2022. The conservancy's main activities revolve around livestock ranching and the preservation of wildlife habitats.

To diversify its operations, the management plans to incorporate tourism, community engagement activities such as educational workshops, and responsible mining practices within the conservancy. Mgeno Conservancy serves as a promising example of community-driven conservation efforts, contributing to both local livelihoods and the conservation of Taita Taveta's unique natural heritage. The efforts of companies like Mgeno Conservancy will help champion the County's efforts to attain SDG 15 (Life on Land) as rehabilitating ranches into wildlife conservancies contributes to the preservation and restoration of terrestrial ecosystems, biodiversity conservation, and the protection of endangered species. In addition, this promotes sustainable land use practices that balance human activities with the need for environmental conservation.

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

The main sources of energy in the County include electricity, solar and wood fuel. Home solar lighting Kits are used by 52.2% of the households in the County given the abundant sunlight availability all year round. Energy consumption in Taita Taveta County is on the increase as a result of population growth. The County uses solar energy to light up markets and streets such as Godoma Market and Mahoo Street. However, the County plans to harness electricity generated by solar parks to power government offices, schools, state-owned enterprises, street lights and marketplaces to promote a 24-hour economy. This transition towards renewable energy (mainly solar) will contribute to the attainment of SDG 7 - Affordable and Clean Energy as the County can enhance access to reliable, sustainable, and modern energy sources, which are crucial for promoting economic growth, social development and environmental sustainability.



Figure 47: Mgeno Conservancy

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Risk analysis on suggested green projects

	Climate risks	Environmental risks	Legal risks	Reputational risks	Financial risks
Water harvesting, management and distribution	<p>Water Scarcity: Climate change can lead to altered precipitation patterns, causing reduced water availability for the water harvesting, management, and distribution system.</p> <p>Extreme weather events can disrupt water distribution systems.</p> <p>Floods and heavy rainfall can damage water harvesting and management infrastructure.</p>	<p>Contamination of harvested water due to agricultural or industrial runoff can make water unsafe for consumption.</p> <p>Over-extraction of water from one source can lead to depletion and degradation.</p> <p>Improper treatment of wastewater can contaminate the environment and harm other ecosystems.</p>	<p>Failure to comply with applicable laws and regulations related to water management, water rights, environmental protection, and public health standards can result in legal consequences and penalties.</p> <p>Disputes or conflicts may arise over water rights and allocation among different stakeholders, including local communities, other users, or neighbouring regions, which could lead to legal challenges and uncertainties.</p>	<p>Issues related to water quality, contamination incidents, or inadequate water treatment processes can damage the reputation of the water harvesting, management, and distribution system and erode public trust.</p> <p>Poor community engagement, improper stakeholder consultation, or failure to address local concerns can result in reputational risks and strained relationships with communities and other stakeholders.</p>	<p>Uncertainties in revenue streams, such as water tariffs, customer payments, or potential fluctuations in demand, can impact the financial viability and sustainability of the system</p> <p>High initial investment that requires long-term funding.</p> <p>Unforeseen expenses such as repairs or upgrades to infrastructure can strain financial resources.</p>

	Climate risks	Environmental risks	Legal risks	Reputational risks	Financial risks
Expansion and rehabilitation of sewerage systems in urban and rural areas	<p>Climate change can lead to flooding. This can damage sewerage infrastructure, hinder rehabilitation efforts, and disrupt the functioning of the system.</p> <p>Altered rainfall patterns may affect the capacity and design considerations of the sewerage system, as it needs to accommodate varying water volumes and flow rates.</p>	<p>Inadequate management of sewerage systems can result in the release of untreated or poorly treated wastewater into the environment, leading to water pollution.</p> <p>Improper installation or maintenance practices of sewerage systems can lead to soil and groundwater contamination</p>	<p>Failure to comply with environmental regulations, health standards, and wastewater treatment guidelines can result in legal consequences, fines, penalties, or even shutdown orders for non-compliant sewerage systems.</p> <p>Expansion and rehabilitation projects may require various permits, licenses, and approvals from relevant authorities. Delays or complications in obtaining these authorizations can impact project timelines and incur additional costs</p>	<p>Inadequate sewerage systems or improper wastewater management practices can pose health risks to the community, leading to negative public perception.</p> <p>Poor communication, lack of transparency, or insufficient community engagement during the expansion and rehabilitation process can lead to mistrust and resistance from the community.</p>	<p>Cost overruns as a result of unexpected expenditure escalations due to unforeseen challenges such as unstable soil conditions, existing underground utilities, or variations in the scope of work.</p> <p>Limited availability of financial resources or difficulties in securing financing for the project can hinder its implementation.</p>
Integrated waste management ecosystem	<p>Increased frequency and intensity of extreme weather events such as storms could damage waste collection systems.</p> <p>Climate change may lead to variations in waste composition making it difficult to manage collection and disposal.</p>	<p>Water pollution from poor waste disposal.</p> <p>Inadequate environmental impact assessments may lead to unforeseen negative effects.</p> <p>Landfill sites pose a challenge to soil and groundwater quality.</p>	<p>Non-compliance with waste management regulations leads to legal action.</p> <p>Failure to obtain necessary permits and licenses may lead to costly litigations.</p> <p>Changes in regulations in waste management affecting project viability.</p>	<p>Inadequate waste management practices can pose risks to public health, leading to negative public perception, community backlash, and reputational damage.</p> <p>Environmental pollution caused by improper waste management could trigger concerns from the residents of the County.</p> <p>Concerns over safety and health impacts may lead to community opposition.</p>	<p>Fluctuations in the cost of waste collection, transportation and disposal may affect profits.</p> <p>Costly repairs of waste management systems.</p> <p>Failure to secure adequate financing for the expansion of the waste management facility.</p>

	Climate risks	Environmental risks	Legal risks	Reputational risks	Financial risks
Public infrastructure	Changes in weather leading to events such as storms, floods, and hurricanes can damage public infrastructure, including markets and rural access roads, leading to disruptions in transportation and commerce.	<p>The upgrade of markets and rural access roads may involve clearing land or modifying natural habitats. This can disrupt ecosystems, impact biodiversity, and potentially harm sensitive species, leading to environmental concerns.</p> <p>The use of unsustainable materials may lead to environmental damage.</p>	<p>Failure to comply with environmental regulations may lead to legal action.</p> <p>Changes in regulations affecting road viability.</p> <p>Use of methods that do not conform to sustainability practices may lead to sanctions.</p>	<p>Negative perception of road project impact on the environment.</p> <p>Community opposition to the development.</p> <p>Failure to deliver on sustainability commitments may lead to a loss of stakeholders' trust.</p>	<p>High initial cost of the project.</p> <p>Failure to secure financing for the project.</p> <p>High costs associated with sustainable practice.</p>
Establishment of agro-processing facilities	<p>Changes in weather patterns will disrupt cultivation leading to lower yields.</p> <p>Adverse weather conditions could affect the processing facility's infrastructure.</p>	<p>Poorly managed waste disposal may lead to environmental pollution.</p> <p>Unsustainable agriculture practices may lead to environmental degradation.</p>	<p>Noncompliance with regulations on labour laws may lead to legal action.</p> <p>Failure to obtain necessary permits such as business licenses and quality compliance certificates from authorities like the Kenya Bureau of Standards may lead to legal sanctions and delays in running the facility.</p>	<p>Negative consumer experiences, product recalls, or incidents of contamination can result in a loss of trust and market share.</p> <p>Concerns over health and safety may lead to community opposition.</p>	<p>Fluctuations in the cost of raw materials, labour and energy could affect profitability.</p> <p>Failure to secure adequate financing may limit completion.</p>
Development of infrastructure at the Special Economic Zone	<p>Vulnerability to extreme weather events such as floods.</p> <p>High temperatures and climate change can lead to water scarcity which can affect production and cause losses.</p>	<p>Environmental degradation due to change in land use.</p> <p>Pollution from the special economic zone.</p> <p>Extraction of natural resources such as minerals or timber can lead to depletion and affect the sustainability of the economic zones in the long term.</p>	<p>Land acquisition or displacement of communities for the construction of the special economic zone can lead to disputes or protests.</p> <p>Intellectual property disputes.</p>	<p>Failure to comply with environmental and governance standards can reduce the attractiveness for investors</p> <p>Public perception of special economic zones as enclaves with special privileges for investors can lead to protests.</p> <p>Allegations of corruption when engaging potential investors in the special economic zones</p>	<p>High initial investments and long payback period.</p> <p>Dependency on a single sector can lead to economic volatility and risks associated with fluctuations in global demand and prices.</p> <p>Disruption of supply chains or trade relations due to geopolitical tensions.</p>
Afforestation and reforestation of public spaces	<p>Extreme weather patterns such as drought may affect the survival of trees.</p> <p>Changes in the rain pattern may affect the growth of new trees.</p>	<p>Inappropriate site selection may lead to soil erosion.</p> <p>New tree species may compete with old trees for water and soil nutrients.</p>	<p>Changes in regulations may affect forest viability.</p>	<p>Incidents of logging may affect reforestation plans.</p> <p>Concerns over the safety and health of pesticides may lead to community opposition.</p>	<p>High cost of tree seedlings.</p> <p>Failure to secure financing for the expansion of afforestation and reforestation parks.</p>

	Climate risks	Environmental risks	Legal risks	Reputational risks	Financial risks
Rehabilitation of ranches as wildlife conservancies to promote eco-tourism	<p>Climate change can alter the habitats and migratory patterns of wildlife, impacting their populations and behaviours.</p> <p>Reduced water availability can impact the health and survival of wildlife and limit their attractiveness to tourists.</p>	<p>The conversion of ranches into wildlife conservancies may involve habitat fragmentation, which can disrupt wildlife corridors and limit their access to resources. Loss of habitat can lead to reduced biodiversity and negatively impact the ecosystem's functioning.</p> <p>Wildlife conservancies may experience conflicts between humans and wildlife, especially when wildlife encroaches on human settlements.</p>	<p>Failure to obtain the necessary zoning permits or adhere to regulations can result in legal challenges and the potential closure of the conservancies.</p> <p>Non-compliance with laws on wildlife protection can lead to legal consequences, fines, or loss of operating licenses.</p>	<p>Any perception of inadequate conservation efforts and mistreatment of wildlife can damage the reputation.</p> <p>Failure to establish positive relationships and address community concerns can lead to reputational risks and opposition to conservancy operations.</p>	<p>Wildlife conservancies heavily rely on tourism as a source of revenue. Factors such as seasonality, fluctuations in tourist demand, and competition from other destinations can pose financial risks and impact long-term sustainability.</p> <p>High cost of developing and maintaining the conservancy infrastructure</p>
Energy efficiency (schools, hospitals, offices, markets, parks, streets)	<p>Climate change impacts such as intense heat waves can affect energy project performance.</p> <p>Dependency on energy sources that are vulnerable to climate-related disruptions can result in uncertainty of project efficiency.</p>	<p>Environmental damage from the use of rare earth materials acquired through mining leads to depletion.</p> <p>Inadequate waste disposal and recycling of materials used in energy projects.</p>	<p>Failure to comply with energy regulations can lead to legal action.</p> <p>Disputes over property rights and access to resources.</p> <p>Intellectual property infringement as a result of using designs or technologies without proper permission or licencing could lead to legal disputes and penalties.</p>	<p>Poorly executed or ineffective projects can damage investor reputation.</p> <p>Lack of transparency and accountability leads to opposition to commencing or running energy projects.</p> <p>Loss of consumer confidence in the use of renewable energy.</p>	<p>Inaccurate energy-saving projections lead to losses.</p> <p>Dependency on subsidies and tax incentives can be withdrawn with changes in policies and regulations.</p> <p>Uncertainty in energy tariffs by solar companies affecting pricing and competitiveness of business models.</p>

7 Green finance capability assessment

Agusto & Co. conducted a green finance capability assessment to assess the County government's skills and ability to manage green financial instruments, with a focus on green bonds and related projects. Agusto & Co. notes that there is still a significant knowledge gap among Taita Taveta County government staff, despite the Climate Change Department's efforts to ensure that at least one person in each department is aware of green finance and climate change issues. As the County prepares to participate in the green finance market, it is recommended that the Taita Taveta County government put measures in place to ensure that capacity building of county staff in the aforementioned areas takes place.

Taita Taveta County has laws and regulations in place that could aid in the management of the projects and assets identified as being environmentally friendly:

a) The County Climate Change Fund (CCCF) legislation 2022: The County Government of Taita Taveta has prioritized environmental conservation as it seeks to contribute to the goals of the Paris Climate Agreement within the United Nations Framework Convention on Climate Change and the Sustainable Development Goals. Taita Taveta County has a County Climate Change Fund (CCCF) legislation 2022 which was formulated under the Public Finance Management Act of 2012 and has committed 2% of the County's annual budget to climate change issues. The CCCF also provides a mechanism that enables vulnerable communities through their climate change structures, to access and use climate finance to build their resilience to the changing climate in a more coordinated way. The CCCF mechanism comprises four interrelated components namely: establishing a county-level climate change fund, putting in place climate change planning committees at ward and county levels, integrating climate information into planning and implementation and monitoring and evaluation of progress with resilience building at both community

and institution levels as a result of the adaptation investments made. The CCCF mechanism enables the implementation of public good investments that address communities' priorities while supporting the Taita Taveta County government to deliver its mandate in realizing sustainable development in the face of climate change.

- b) Taita Taveta County Climate Change Act, 2022:** This Act provides a regulatory framework for enhanced response to climate change by establishing mechanisms and measures to achieve low carbon climate development and financial procedures for the implementation of climate change adaptation activities.
- c) Taita Taveta County Climate Action Plan 2023 – 2027:** This is a five-year plan seeking to transform the County into a climate-resilient and low-carbon society through community-led sustainable interventions.
- d) Taita Taveta Water Bill, 2021:** The bill applies to the development and sustainable management of water, sanitation, and sewerage services in the County.
- e) Taita Taveta Tourist Conservation and Management Bill, 2021:** The bill provides for the development of a legal and institutional framework for effective coordination and management of the tourism sector to enhance linkages as well as the building of public-private partnerships.
- f) Taita Taveta County Investment and Development Corporation Bill, 2021:** This bill seeks to promote and facilitate investments in the County by streamlining the investor process and enhancing incentives to create an enabling environment for businesses. The bill also formulates the County's Investment and Development Corporation.

Table 6: Taita Taveta 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 Taita Taveta County Climate Change Bill, County Finance Bill and County Monitoring and Evaluation Policy 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 concerned with Environment & Climate Change
3	County government familiarity with the Green Bond Framework 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 received funds previously to fund projects, nonetheless, most of the projects are not for financial return but for social impact
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	There is a County Public Participation Policy and County Monitoring and Evaluation Policy in place
Green project and finance experience			
1	County staff dedicated to green finance issues	Yes	County staff in the Environmental & Climate Change Department are knowledgeable on green finance issues.
2	County staff trained in environmental management, climate/ green finance, or related areas	Yes	County staff in the Environmental & Climate Change Department
3	County staff with project management experience particularly with bonds and green projects	Yes	County staff in the Environmental & Climate Change Department have experience with green projects as evidenced by the County Climate Change Fund Inventory Adaptation Investments 2013-2017
4	County staff with experience with accessing and prudentially utilising other green financial resources (e.g., donor funds)	Yes	County staff in the Environmental & Climate Change Department have experience with accessing and prudentially utilising other green financial resources as evidenced by the County Climate Change Fund Inventory Adaptation Investments 2013-2017
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 green projects successfully
2	Ability of County government to mobilise financing to secure and pay for services rendered	Yes	The County has been able to receive funding through various programs that have a social impact, from various stakeholders including donors and the national government
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	Taita Taveta County has various policies in place which guide the process of coordinating with the national government or agencies. Such as the Taita Taveta County Climate Change Fund Regulations, 2015 which guides the use of funds received from the International Climate Finance through the National Designated Authority, National Implementing Entity or through other agencies.
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 Taita Taveta 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.



Recommendations

Based on the sessions and workshop with the different stakeholders and assessments of existing green assets, Augusto & Co. hereby posits that Taita Taveta County consider the following recommendations in the near term:

Table 7: Recommendations to the Taita Taveta County Government

Section	Recommendations
County credit risk assessment	<ul style="list-style-type: none"> Taita Taveta County's overall revenue profile is weak and requires improvement mainly in fully automating its own source revenue to a one-stop shop collection portal to support 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. Taita Taveta County should negotiate with the National Government for a share of the direct tourist income to boost the revenue profile given the huge land area occupied by the Tsavo National Park. Taita Taveta County's overall expenditure profile requires improvement, particularly in reducing payroll expenses, which have consistently exceeded the 35% statutory threshold. Taita Taveta County should explore alternative financing options to fund capital development projects as macroeconomic headwinds have placed significant pressure on the National Government's finances. Taita Taveta should develop an Asset Registry
Green asset and activity assessment	<ul style="list-style-type: none"> Taita Taveta County Government should promote sustainable agricultural practices such as crop rotation and reduced tillage which reduces soil erosion, improves soil health and decreases the use of harmful chemicals. The County government should invest in renewable energy such as solar and wind power which will help reduce Taita Taveta's carbon footprint and promote energy efficiency across government offices, schools, hospitals and markets The County should promote the recycling of waste products to reduce the amount of waste in landfills Taita Taveta County Government needs to increase public sensitization on reforestation and afforestation. Provision of green infrastructure and incentives to attract investments in manufacturing and value addition to products. Continued investment in county infrastructure to encourage tourism in the forestry sector.
County green assets and climate related legislations	<ul style="list-style-type: none"> The County should develop a comprehensive climate change action plan. There is a need to create awareness in the communities on climate change policies and impacts. Enforce compliance with established County laws and policies such as the climate change policies.
Green finance capability assessment	<ul style="list-style-type: none"> The County can establish partnerships with the private sector to mobilize green finance. The County should promote transparency and accountability in the use of green finances through legislation and governance practices. Taita Taveta should conduct 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.

In our opinion, Taita Taveta 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 for compliance with the Climate

Bonds Standards

- Issue green financial instruments such as County Bonds 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, the 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 Taita Taveta (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, the national government has a key role to play through:

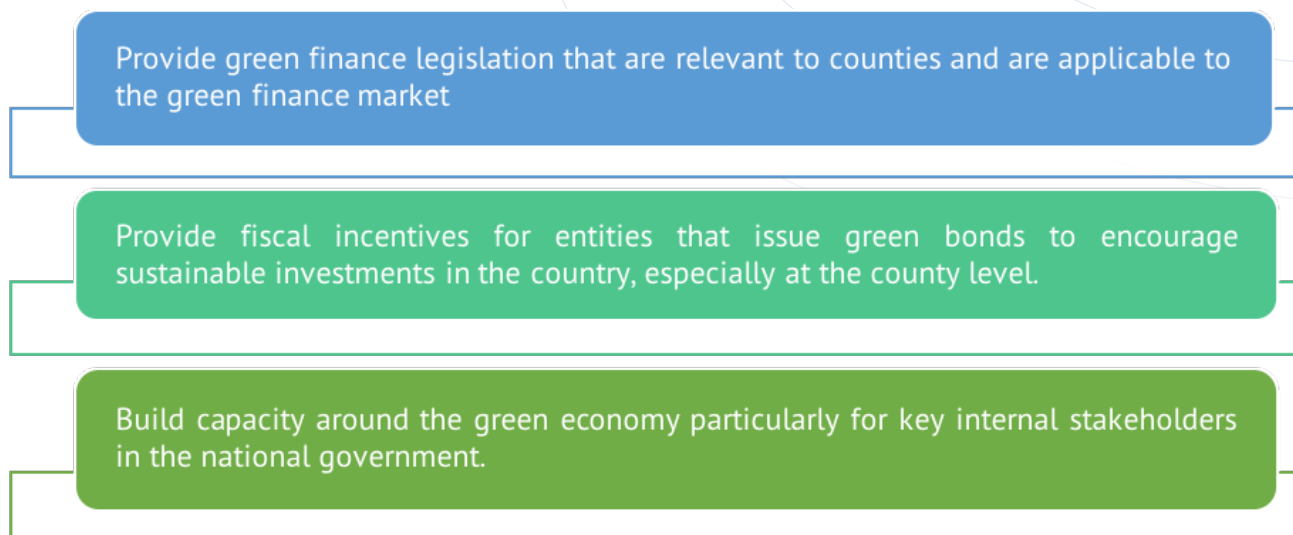


Figure 48: Recommendations to the national government

9 Appendices

9.1 County profile summary

No	Indicator	County 2013	County 2021	National 2021
Population and Macroeconomic Outlook				
1.	Estimated County Population	284, 657 (KNBS 2009)	340, 671 (KNBS, 2019)	0.7% of the total country's population
	Males	145,334	173,337	49.60%
	Females	139,323	167,327	50.30%
	Intersex	0	7	0.02%
2.	Estimated Population Density (persons/km ²)	16	20	82
3.	Persons with disability (%)	--	4.1	2.2
4.	Population living in rural areas (%)	77.4	70.6	68.8
5.	Children (0-14 years) (%)	37.6	34	41.1
6.	School going age (4-22 years) (%)	43.8	42.2	68.7
7.	Youth 15-34 years (%)	34.4	37.5	36.1
8.	Labour force (15-64 years) (%)	57.3	59.6	55
9.	Elderly population (over 65-year-old)	5.1	5.8	3.9
10.	Poverty (%)	--	57 (2018)	36.1
11.	Food Poverty (%)	--	--	31.9
12.	Multi-dimensional Poverty (%)	--	--	56.1
13.	Stunted children %		19.2	26
14.	Gross County Product (Ksh Million)	30,583	70,392 (2022)	0.6% Share of total GDP (2022)
15.	Average growth of Nominal GCP/GDP (%)		3.8(2014-2019)	15.30%
16.	GCP per capita (Ksh s)		--	179,021.60
Child Health				
17.	Percentage of children under 1 year of age fully immunized	--	68.1%	84%
	Child Mortality Rate (CMR)	--	--	
	Under Five Mortality Rate (U5MR)	--	--	47/1000
Reproductive Health				
18.	Maternal Mortality Rate		159.3/100,0000	400/100,000
	Percentage of deliveries conducted by skilled attendants in health facilities	--	75.9	60%
	Percentage of pregnant women attending at least 4 ANC visits	--	58.1	42%

No	Indicator	County 2013	County 2021	National 2021
Public Health				
19.	Latrine coverage	--	86%	85%
	Open Defecation Free (ODF) rate	--	14%	10%
Human Resources for Health				
20.	Doctor Population Ratio	--	1:6191	1:16000.
	Nurse Population Ratio	--	1:741	1:1034
Health care financing				
21.	Health Insurance Coverage	--	--	6%
Water Access				
22.	The proportion of HHs accessing water from improved water sources (%)	--	19	64.8
23.	The proportion of HHs accessing improved sanitation services (%)	--	86	82.5
Lands and Environment				
24.	Tree cover	--	--	12.13%
	Forest Cover	-	3.4%	8.83%
	Security of Land tenure	-	--	-
Agricultural Production and Productivity				
25.	Share of Agriculture sector contribution to GCP (Gross County Product)	--	0.6%	22.4%
26.	Amount of Mutton and Chevron produced in kilograms	--	121,050	123,905,000
27.	Amount of milk produced annually in kilogrammes	--	21,594,240	801,911,905

Source: KNBS and County Statistics Unit

9.2 Three year financial summary – Taita Taveta County Government

REVENUE & EXPENDITURE	2020/2021		2021/2022		2022/2023	
	KES'mns	%	KES'mns	%	KES'mns	%
REVENUE						
Centrally Distributed Revenue						
Share of Exchequer releases (Equitable Share)	4,605.8	78%	4,454.8	84%	4,842.2	75%
Share of Exchequer releases (Donor & Grant Funds)	817.0	14%	540.6	10%	833.4	13%
Other Capital Receipts (other government entities)	172.5	3%	-		-	
CRF Returns/Reallocation budget	0.6	0%	0.5	0%	387.6	6%
Centrally Generated Revenue (CGR)	5,595.9	95%	4,995.9	94%	6,063.2	93%
County-Owned Source Revenue						
Asset sales	-		-		-	
Investment Income	-		-		-	
Others - licenses, permits, fines & fees	302.0	5%	325.1	6%	424.8	7%
County Own Source Revenue (OSR)	302.0	5%	325.1	6%	424.8	7%
TOTAL REVENUE	5,897.9	100%	5,321.0	100%	6,488.0	100%
Direct Donations and Grants Receipts	-		-		-	
TOTAL REVENUE & GRANTS	5,897.9		5,321.0		6,488.0	
EXPENDITURE						
Transfers (County Assembly, others)	1,168.6	20%	580.4	10%	1,196.8	19%
Interest Payments	-		-		-	
Departments Expenditure	4,624.5	80%	5,040.3	90%	5,109.0	81%
TOTAL EXPENDITURE	5,793.1	100%	5,620.7	100%	6,305.8	100%
<i>Department's expenditure comprises</i>						
<i>Personnel costs</i>	<i>2,433.6</i>	<i>42%</i>	<i>3,125.1</i>	<i>56%</i>	<i>3,241.0</i>	<i>51%</i>
<i>Purchase of goods & services</i>	<i>951.4</i>	<i>16%</i>	<i>1,261.8</i>	<i>22%</i>	<i>1,067.1</i>	<i>17%</i>
<i>Capital expenditure</i>	<i>966.1</i>	<i>17%</i>	<i>377.8</i>	<i>7%</i>	<i>414.6</i>	<i>7%</i>
<i>Other Payments (contingency, scholarship, subsidies, etc)</i>	<i>273.5</i>	<i>5%</i>	<i>275.7</i>	<i>5%</i>	<i>386.3</i>	<i>6%</i>
Total Departments Expenditure	4,624.5	80%	5,040.3	90%	5,109.0	81%
Foreign loan balance	-		-		-	
Domestic loan balance	-		-		-	
Total Pending Bills	744.1		1,200.3		1,136.4	
AUDITORS OPINION	Qualified		Qualified		Unaudited	

KEY RATIOS	2020/2021	2021/2022	2022/2023
Revenue			
OSR as % of GCP	0%	0%	1%
Centrally Generated Revenue as % of GCP	8%	7%	8%
Total revenue as % of GCP	8%	8%	9%
OSR as % of total revenue & grants	5%	6%	7%
Centrally Generated Revenue as % of total revenue & grants	95%	94%	93%
Growth in Centrally generated revenue	24%	-11%	21%
Spending			
Total Expenditure as % of GCP	8%	8%	9%
Non-discretionary expenditure* as % of Centrally generated revenue	64%	74%	73%
Capital expenditure as % of total expenditure	17%	7%	7%
Payroll as % of revenue	41%	59%	50%
Overheads as a % of revenue	16%	24%	16%
Budget balance/revenue	2%	-6%	3%
Leverage			
Budget balance (Ksh'mns)	104.82	(299.73)	182.17
Debt as % of nominal GCP			
Interest payments as % of total revenue			
Principal due as % of Revenue			
Financial flexibility			
Discretionary revenue** as % of total revenue	39%	30%	32%
Net Debt as % of Free Cash Flow ***	-16%	-13%	-19%
Non-discretionary expenditure as % of total expenditure	62%	66%	70%
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 Other potential green projects identified during the assessment

Water	Forests and Resource Conservation	Solid & Waste Management	Industrialization	Energy Efficiency	Public Infrastructure
<ul style="list-style-type: none"> Revamp the drying Kishenyi Dam in Werugha and Mwatate dam Desilt Lumi River in Taveta, Dembwa-Kipusi Valley in Mwatate and MBale MsaU Construction of the Njoro Kubwa Spring and Mzima II water project 	<ul style="list-style-type: none"> Restore and conserve Rong'e, Ngangao, Chawia, Kasigau forests and other forests across the county Protection of historical sites like the Mwangeka Caves, Kenyatta Caves etc Development of tourist facilities such as holiday homes in the conservancies 	<ul style="list-style-type: none"> Water Sewage Decentralized Treatment Facilities Storm Water Management 	<ul style="list-style-type: none"> Construction of special economic zones Development of Aquaculture (nursery and processing facility near Lake Challa) 	<ul style="list-style-type: none"> Deployment of Solar Farms and Wind Mill at Maneaters and Mbulia to generate electricity Energy efficiency & policy in hospitals, government institutions and corporates Climate change policy and advocacy Off-grid solar farms Development of a biogas processing facility 	<ul style="list-style-type: none"> Municipal and sub-county Roads Market lighting through solar Solarized drying and processing yards Develop County Spatial Plan and land registry

9.4 List of stakeholders engaged during the workshops

Day 1

Institution Name	Designation of Attendees
Taita Taveta County Government	<ul style="list-style-type: none"> Director, Energy Director, Health County Chief Officer, Environment Chief Livestock Production Officer Representatives from the Department of Agriculture Representatives from the Department of Finance Representatives from the Department of Environment and Climate Change Representatives from the Department of Environment and Climate Change
Njama Mizango Dawida Group	Project Coordinator

Day 2

Institution Name	Designation of Attendees
Kenya Red Cross	Representatives
Council of Imams and Preachers of Kenya	Chairman
Nyangala Resource Centre	Team Leader
International Fund for Animal Welfare	M.E.L officer
Taita Taveta County Government	<ul style="list-style-type: none"> Deputy Speaker of the County Assembly Member of County Assembly
Wumweri Chodu C.B.O	Executive
Taita Taveta Wildlife Conservancy Association	Chief Executive Officer
Nature Kenya	Project Officer
Wildlife Works	Manager
Teita Sisal Estate	Manager

World Vision	Cluster Manager
Malido International	Representative
World Wildlife Fund	Representative

Day 3

Institution Name	Designation of Attendees
Taita Taveta County Government	- Sub-county Water Officer - Crops Officer
Tavevo Water and Sewerage Company Limited	- Business Manager

Day 4

Institution Name	Designation of Attendees
Mgeno Conservancy	- Chief Executive Officer - Rangelands Officer - Manager - Accountant
Teita Estate	- General Manager
Taita Taveta County Government	- Governor - Deputy Governor - Representatives from the County Government

9.5 List of key documents accessed

List of Documents Accessed
Taita Taveta County Integrated Development Plan (CIDP) 2013-2017
Taita Taveta County Integrated Development Plan (CIDP) 2018-2022
Taita Taveta County Integrated Development Plan (CIDP) 2023-2027
Audited financial statements of Taita Taveta County from 2016/17 to 2021/22 by the Auditor General of Kenya
County Government's Budget Implementation Review Report from 2016/17 to 2022/23 by the Office of the Controller of Budget
Taita Taveta County Statistical Abstract 2021
2020 Taita Taveta County Fiscal Strategy Paper
2019, Kenya Population and Housing Census
Taita Taveta Annual Development Plan
Kenya Integrated Household Budget Survey 2015/2016
Gross County Product 2019 Report
Gross County Product 2021 Report
Gross County Product 2023 Report
Taita Taveta County Bills, Plans and Policies
Public Finance Management Act 2012
The Public Finance Management (County Governments) Regulations, 2015
Medium Term County Fiscal Strategy Paper 2023 & 2024
2022 & 2023 County Budget Review and Outlook Paper
Medium Term County Fiscal Strategy Paper 2022
Programme Based Budget FY 2023 -2024
Itemized Budget Estimates for FY2022 – 2023 & FY2023 - 2024



📍 Riverside Green Suites
(Palm Suite), Riverside Drive
Nairobi, Kenya

✉️ P.O Box 11353, 00100,
Nairobi, Kenya

📞 +254 20 513 7300

✉️ info@fsdkenya.org

in @FSDKe

✂️ @FSDKe

🌐 www.fsdkenya.org

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