



Kirinyaga County

Green finance assessment summary report

April 2024



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Project background

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

Partners



The National Treasury & Economic Planning
The National Treasury



Project objectives

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

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

Economic & fiscal assessment- Kirinyaga County

Findings	Opinion
<ul style="list-style-type: none"> Kirinyaga County contributed 1.3% to Kenya's gross domestic product (GDP) according to the Gross County Product (GCP) 2023 report. Agriculture accounts for 42.5% of Kirinyaga's gross county product (GCP), making it the economic pillar and major source of livelihood for approximately 87% of the population. A high wage bill, accounting for 41.1% of realized revenue in FY 2022/23, above the set limit of 35%. Modest pending bills totalling Kshs 235.04 million in the fiscal year 2022/23. Use of manual payroll processing represented 8.6% of total payroll costs. 	<ul style="list-style-type: none"> Kirinyaga County's overall revenue profile requires improvement mainly in fully digitising all the income lines 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. The expenditure profile of the County requires improvement, particularly in moderating payroll expenses, which have consistently exceeded the 35% statutory threshold. Need to prudently manage existing pending bills as the County's financial flexibility to meet future debt obligations will hinge on the reconciliation and settlement of existing third-party pending bills. The County needs to address issues causing delays in the implementation of development projects. Kirinyaga County will need to explore alternative financing options such as the Debt Capital Markets to fund capital development projects.

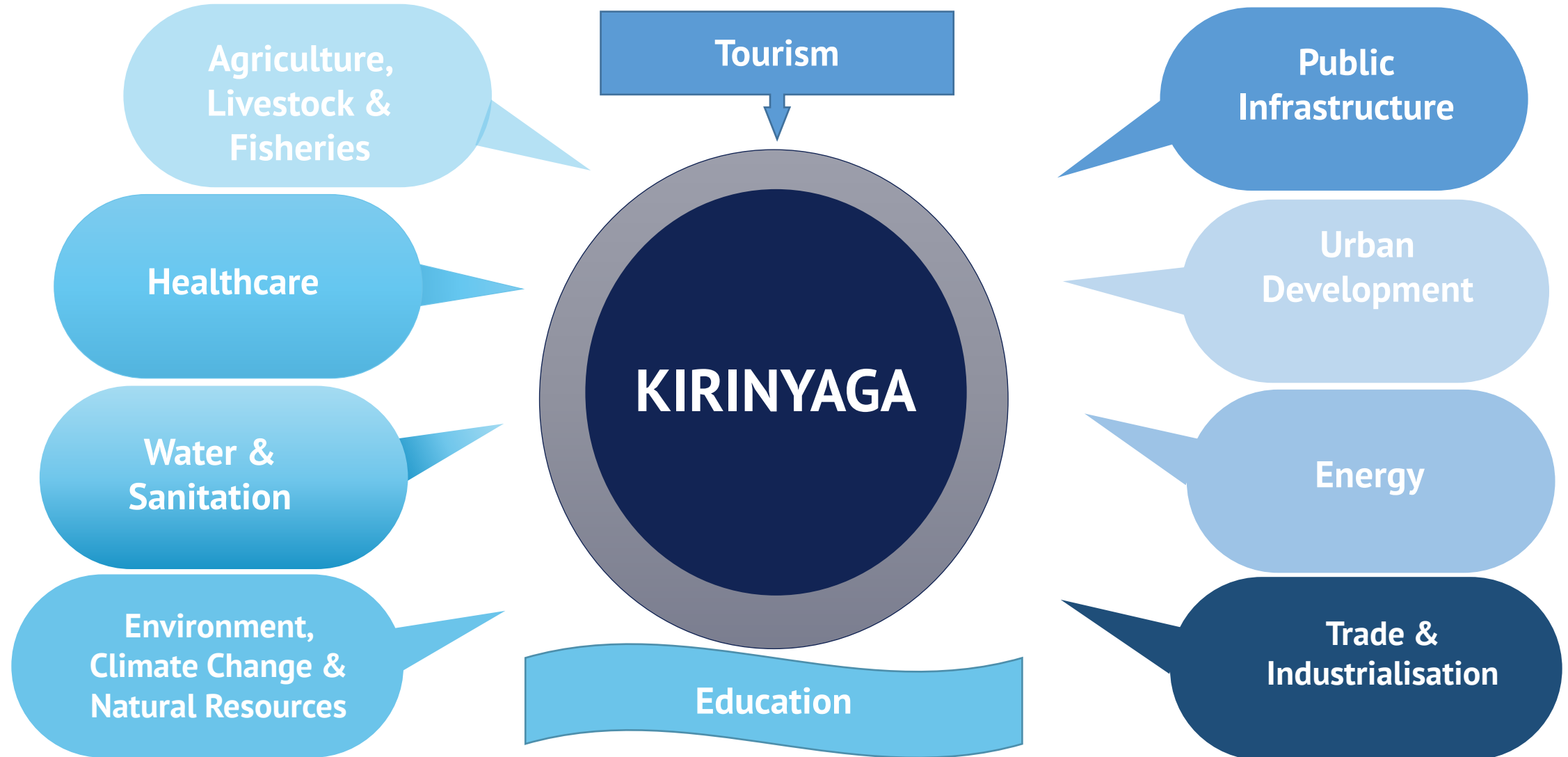
Credit Risk Assessment- Kirinyaga County

Findings	Opinion
<ul style="list-style-type: none"> • Kirinyaga County was assigned a “Bb- Ken” Shadow Credit Rating which indicates a county with a satisfactory financial condition but limited capacity to meet obligations as and when they fall due relative to all other issuers in the same country. • Significant dependence on centrally distributed revenue by the Exchequer which are not timely. • Qualified audit opinions over the last five years. • High personnel expenses significantly the regulatory threshold. • Low own source revenue which requires improvement. 	<ul style="list-style-type: none"> • The County's creditworthiness is supported by Kirinyaga's stable political environment, improving governance framework and modest financial flexibility owing to minimal leverage. • The constraining factors are the County's low own source revenue accounting for 9% of total revenue in FYE 2022/23 which requires improvement, high personnel expenses at 41.1% of revenue, above the 35% limit set by Regulation 25 (1b) of the Public Finance Management (PFM) Act of 2012, over-reliance on equitable share of income distributed by the Exchequer as well as the qualified audit opinions over the last five years by the Auditor General of Kenya. • The opportunities for the County include a youthful population accounting for majority of the active labour workforce, favourable climatic condition suitable for agricultural activities especially rice, tea and coffee farming and deepening of own source revenue through using fully automated collection systems.

Green asset and activity assessment - Kirinyaga County

Findings	Opinion
<ul style="list-style-type: none"> • Agriculture, livestock & fisheries • Public infrastructure • Healthcare • Trade & industrialisation • Urban development • Water & sanitation • Energy • Tourism • Education • Environment, climate change & natural resources 	<ul style="list-style-type: none"> • Construction of a 30,000m³ per day bulk water supply system for Kerugoya, Kutus, Kagio and Sagana through the Kirinyaga Water and Sanitation Company (KIRIWASCO) • Construction of new water infrastructure by Rukanga Water and Sanitation Company (RUWASCO) to increase its water supply to 12,000 new homesteads. • Development of a climate-smart agro-industrial park at Sagana, aimed at manufacturing and agro-processing of agricultural products in the County. • Supporting the coffee value chain by upgrading coffee factories in the County to use eco-pulpers and solar driers with thermal regulators. • Installation of solar power systems for all healthcare facilities to ensure that services continue uninterrupted and that the high electricity bills are significantly reduced. • Harnessing the use of renewable energy in the Kerugoya County Referral Hospital (New Complex) through the development of a solar storage facility to maximize the sunlight beyond boiling to lighting the building complex. • Installation of solar power systems in government offices, schools, markets, and streetlights. • Establishment of an energy centre at Kimbimbi to promote adoption of renewable energy practices. • Upgrade of existing small-scale hydro mini-grids, such as the Kianguruwe Mini-Hydro Power in Baragwi Ward and rehabilitating previously abandoned hydro-power solutions such as the Ina-Njugu Micro-Power Project in Karumandi.

Green priority areas- Kirinyaga County



Suggested green projects - Kirinyaga County

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

Expansion & rehabilitation of sewerage systems in urban and rural areas

Solarise all healthcare facilities and upgrade of infrastructure at dispensaries and level 4 hospitals

Development of renewable energy solutions – Solar Farms, Wind Mill & Hydropower

Establishment of Agro-processing facilities for rice, macadamia nuts, tea, coffee, banana, livestock & dairy produce

Development of a Climate-Smart Agro-Industrial City in Sagana

Public Infrastructure (upgrade of county and rural access roads and improvement in traffic management and parking spaces in urban areas)

Integrated Waste Management System (Material Recovery Facility) in Kutus Town

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

Green finance capability assessment of Kirinyaga County

Findings	Opinion
<ul style="list-style-type: none"> • Kirinyaga County enacted the County Climate Change Act, 2023 which is intended to enhance climate resilience through the development, management, implementation, regulation and monitoring of adaptation and mitigation measures and actions. • There is limited knowledge on climate finance. • Other County legislations and plans that support management of green assets and projects, include: <ul style="list-style-type: none"> ◦ The Kirinyaga County Solid Waste Management Bill, 2020 ◦ The Kutus Municipality Local Physical and Land Use Development Plan, 2020-2030 (Situation Analysis Report). 	<ul style="list-style-type: none"> • There is a need for creating awareness in the communities on climate change policies and impacts by leveraging various stakeholders. • Enforcing compliance with established County laws and policies such as the climate change policies. • Capacity building of County Staff in all departments on climate change and green finance. • General county-wide awareness and sensitization on the impact of climate change and how the citizens can support government efforts in restoring the natural ecosystem.

Recommendations- Kirinyaga County

Financing Options	Opinion
<ul style="list-style-type: none"> • County green bond • County-agency green bond • Special purpose vehicle green bond • Public-private partnership option • Sector/multi-sector bond • Multi county/regional block bond • Government grants • Development finance grants • Structured guarantee funds • Concessionary funds • Results-based finance • Blended finance options 	<ul style="list-style-type: none"> • Kirinyaga County is properly positioned to implement the suggested green projects by leveraging the green finance opportunities available. • Kirinyaga County should build capacity and create awareness around the green economy particularly for key county stakeholders such as all County staff in various departments, Members of County Assembly (MCAs), civil society organisations (CSOs), Community Based Organisations (CBOs) and private actors. • The County should develop concept notes (or investment proposals) for various projects and undertake feasibility and viability studies on proposed green projects as well as cost-benefit analysis, including preparing a Framework for issuance. • Kirinyaga County can utilize various financing options that are fit-for-purpose to raise funds to execute priority infrastructure projects. • Kirinyaga County can leverage FLLoCA funds to execute identified green projects.

Sights of Kirinyaga County





Creating value through **inclusive finance**

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