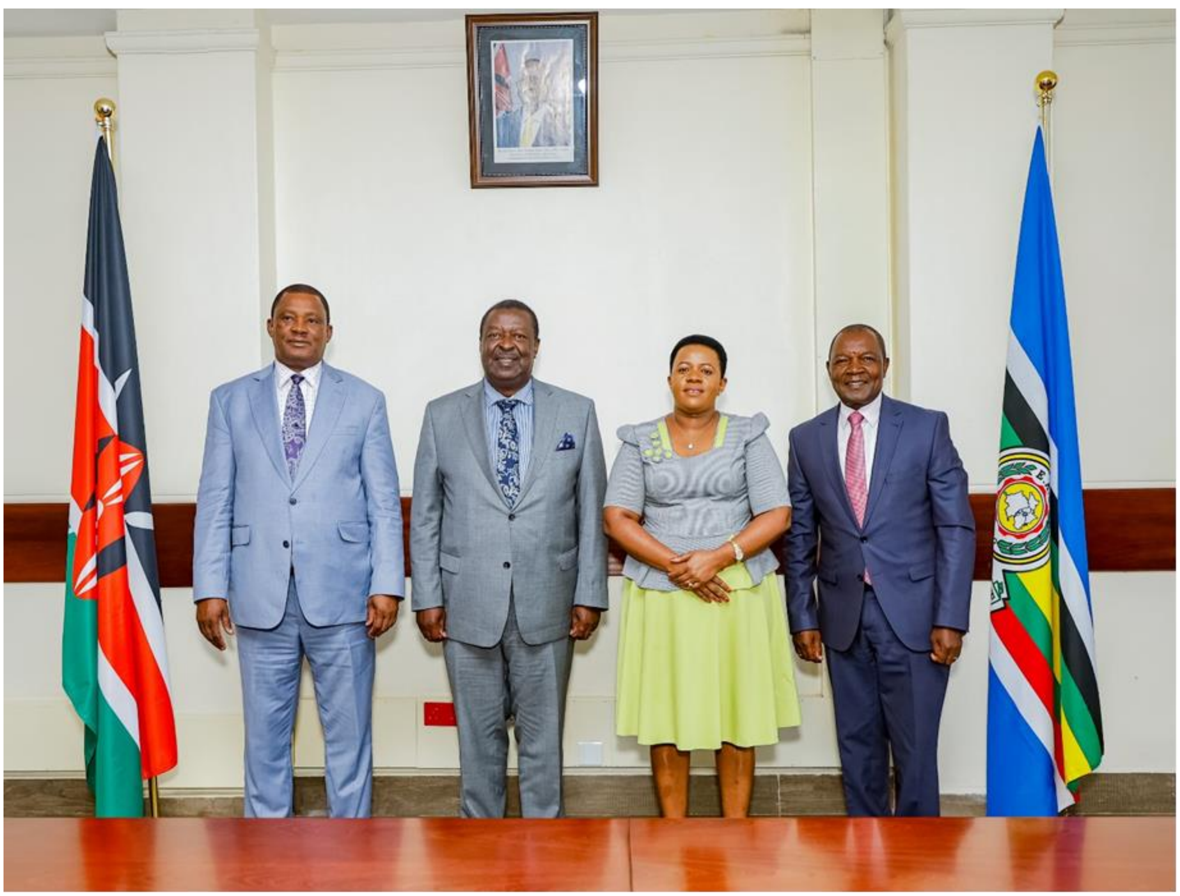
UKaid
from the British people

Act! act change transform

KENYA
DEVOLUTION
PROGRAMME
Timiza Ugatuzi
2021 - 2025

POLITICAL ECONOMY ANALYSIS

Quarterly Briefing Note



December 2023

Introduction

The Act Change Transform-led Consortium is currently implementing the Kenya Devolution Programme (KDP), a four-year (2021 – 2025) national programme funded by the Foreign, Commonwealth and Development Office (FCDO). The programme aims to address some of the specific challenges facing devolution in selected counties in Kenya. The KDP seeks to contribute in five Output Areas. These are:

i. Intergovernmental relations that support devolution
ii. Effective county planning, public finance management and staff performance
iii. County government and citizens' engagement to improve service delivery and livelihoods
iv. Evidence generation, digital technology and learning as enablers of public service delivery and reform
v. UK Government Portfolio in Kenya is better aligned with county government priorities

Successful delivery of the KDP requires a deep understanding of the intervention context including the power dynamics. To enhance understanding of the implementation context, the Consortium committed to generate political economy analysis briefs every quarter. The briefs are to provide a clear and succinct synthesis of key issues in the KDP implementation context with a focus on the five Output Areas. The bulk of the data that informs the brief report emanates from a close monitoring of the media in Kenya. Additional primary data may also be used to supplement media reviews. This *Briefing Note* provides a snapshot of the main issues for the period April to December 2023 in Kenya's political economy that may impact on the implementation of the Kenya Devolution Programme.

Highlight of Key Issues

This section provides an overview of key happenings in the country and their implications for the implementation of the KDP and in particular the five Output Areas. The happenings are organised in the following themes: Blue Economy, own source revenue management, county data and statistics, trade and investments, and finally public participation and citizen engagement.

The issues identified during the period April to December 2023 vary from one thematic area to another. In some sectors such as the Blue Economy, a lot was happening given that it is an emerging area that is attracting a lot of attention given its potential, particularly for inland counties that were previously not thought to benefit from the same. The same can be said of the trade and investments thematic area where there were spirited collaboration efforts between the national government and the 47 counties to set up industrial parks across the country. On the other hand, for some thematic areas such as county data and statistics, this analysis reveals that there is still a lot of effort needed to build the capacity of counties in Kenya to collect data in a timely and frequent manner to use it to inform development decisions. Each thematic area is presented in the following section.

Office of the Prime Cabinet Secretary

Executive Order No. 1 of 2023 mandates the Prime Cabinet Secretary to chair and coordinate the National Government Legislative Agenda across all Ministries and State Departments. The Government Legislative Agenda is a critical pillar in delivering the current Administration's development plan as espoused under the Bottom-Up Economic Transformation Agenda (BETA) and coordinating public officers discharging the policy and legislative development mandates to work together and deliver as one in order to support strategic government priorities. The establishment of the State Department of Parliamentary Affairs will support the national government in fast-tracking the policy formulation and legislation process and ensure that these frameworks are aligned with the devolved system of government. This will be key in addressing some of the disputes and challenges that have arisen in the past between the National and County Governments in relation to the transfer and implementation of functions. The Government Legislative Agenda will, therefore, seek to accelerate the realisation of the Government's development plan and also align with the ongoing government priority initiative on the transfer of functions to ensure proper frameworks are in place within the shortest time possible to support the implementation of these functions accordingly.

Concerted efforts to develop the Blue Economy sector across Kenyan counties

In the recent past, the blue economy sector has received a lot of attention as an area that has immense potential to contribute to the economic development of Kenya. Much of these efforts is concentrated in the coastal counties which have traditionally been the focus of blue economy discussions. On the other hand, inland counties that have large water bodies are also now coming into focus. These efforts are being driven by the national government but working closely with counties. This section gives highlights of activities that were observed across the country for the period between April and December 2023.

In July 2023, several officials drawn from Taita Taveta, Tana River, Kwale and Kilifi counties travelled to Italy to attend a one-week workshop that served as a benchmarking and experience-sharing exercise on how to sustainably manage coastal territories and develop the blue economy sector. During this time, the officials met with private sector representatives, associations, and experts who are actively involved in the blue economy sector in Italy. In addition to these meetings, they went on several field visits. The officials (14 in number) included high-profile county government officials including Issa Timamy, Governor of Lamu County, and Andrew Mwadime, Governor of Taita County. Also in the entourage were deputy governors of Tana River, Kwale and Kilifi counties. This was under the auspices of the Programme 'Go Blue' which is a partnership between the Kenyan government and the European Union (EU) with funding from the EU aimed at advancing the Blue Economy Agenda through coastal development. More information about this workshop can be found at this link. More information about the Go Blue project can be accessed via this link.

Earlier in the year, in March and April 2023, the Italian component of the Go Blue program was set to distribute 26 fiberglass boats to nine Beach Management Units (BMUs) located across five coastal counties. The program implemented by the Italian Agency for Development Cooperation (AICS)[1] aims at the enhancement of fisheries co-management of the fisheries value chain. This is in response to the challenge of inadequate equipment among the small-scale fisheries in Kenya. Because of this challenge, many of the fishermen are forced to rent equipment at very high prices.

[1] Italian Agency for Development Cooperation (2023, May 1). *Go Blue: AICS ready to deliver boats throughout the coastal counties*. Retrieved January 3, 2024, from https://nairobi.aics.gov.it/en/2023/8814/

The Go Blue program was addressing this by providing boats, cool boxes, clean water, and cold rooms at collection points. Fish vendors are also provided with cool boxes to preserve the fish. Additionally, the program was working with the County governments of Lamu and Mombasa to build two fish markets ensuring that BMUs in the targeted areas have improved access to markets.

As the blue economy has continued to receive greater awareness in Kenya, it has been realized that the sector goes beyond the traditional coastal regions that have access to the large water masses of the Indian Ocean. Inland blue economy ecosystems also have immense potential. This includes areas around inland lakes, rivers, dams, ponds, as well as underground water. As such, all counties are now encouraged to assess and tap into this existing potential. One such county that was featured in June 2023 is Nyeri County. The Council of Governors in a feature titled *Harnessing the potential of Blue Economy: Nyeri County supports sustainable fish farming in Kieni East Sub-County*[2], highlighted how the farmers in Nyeri County have embraced fish farming. They are now farming two species of fish. Trout which is well situated for the cold weather of the Mt. Kenya region is done in open fish ponds. The second species is tilapia which is typically found in warm climates. As an innovation, the farmers in Kaburu ward, located within the Kieni East sub-county have embraced greenhouse fish farming to accommodate tilapia and other species well suited to warm climates. They have created controlled environments facilitating the rearing of tilapia and catfish. This innovation has empowered the farmers in Nyeri to expand their aquaculture activities to circumvent the limitations of their natural weather conditions as well as the traditional fish farming conditions. This enabled them to diversify their farming and in the end be more sustainable.

[2] Mwende, N. (2023, June 2). *Harnessing the Potential of Blue Economy: Nyeri County Supports Sustainable Fish Farming in Kieni East Sub-county.* Council of Governors. Retrieved January 3, 2024, from https://maarifa.cog.go.ke/county-initiatives/harnessing-potential-blue-economy-nyeri-county-supports-sustainable-fish-farming

Picture of greenhouse fishpond in Kaburu Warm Kieni East sub-county- Nyeri County

Source: COG Maarifa Centre

Consequently, fish farming in the area has come with many benefits. It is a source of income for the farmers. It has also improved the food security situation of the farmers and the community around them. Additionally, it is helping to diversify the protein sources which improves the diet of those who consume fish. This also helps in combating the substantial burden of non-communicable diseases (NCDs) by widening the protein sources and reducing the overreliance on carbohydrates.

To support this endeavour, the Nyeri County government has been providing fish farmers with fingerlings, feeds, essential equipment such as dam liners, and agricultural extension officers who provide comprehensive training. The county now boasts 21 specialized personnel dedicated to the fishing sector. The coordination of the activities is done by the Department of Agriculture, Livestock, and Aquaculture Development who have ensured that every sub-county has two dedicated fisheries officers. The officers undertake regular farm visits, and training to build production capacity, and are in constant communication with the farmers through new media such as Whatsapp groups. In total 3,000 farmers benefitted from 266,000 fingerlings, 16,825 KG of feed, and 287 liners. All this is to empower the farmers to improve their productivity and achieve greater success in the economy. In doing this, the Nyeri County government has received support from the Aquaculture Business Development Program (ABDP). This is an IFAD project which is benefiting Nyeri County and others from the region to promote and market by increasing the visibility and demand for local fish in the region.

All these efforts have increased the fish production in Nyeri County and put it on the map of those countries that are leading in fish farming. It serves as a worthy case study for other inland counties that are venturing into the blue economy sector.

In December 2023, a major highlight in the Blue Economy sector was the Blue Economy Sector Consultative and Peer Learning Workshop that was held between 5th and 8th December 2023 at Gelian Hotel in Machakos County. This meeting was organized by the Council of Governors (COG) and brought together County Executive Committee Members (CECS) in charge of fisheries and blue economy as well as those representing natural resources management. In the workshop were a host of experts drawn from several institutions including government, academia, and civil society. Key sessions included an overview of the Blue Economy in Kenya and the status of implementation after the 1st Global Sustainable Blue Economy Conference that was held in Nairobi, from 26th to 28th November 2018. This session was delivered by a representative from the State Department for Fisheries and Blue Economy.

Another key session was an understanding of the blue economy resources and the opportunities for Kenyan counties. This drew on an assessment conducted on the economic potential of the Blue Economy in Kenya and was delivered by Dr. Ali Matano[3]. Here, the blue economy was

[3] Matano, A.S. (2023). *Understanding Blue Economy Resources and Blue Economy opportunities in Counties* [Powerpoint slides]. Kenya Devolution Program-PwC. Nairobi.

defined as entailing sustainable economic activities that take place on, below, or around a water body without the activities affecting the health of the water body. Here the water bodies/aquatic ecosystems are the enablers of the blue economy and include oceans, seas, lakes, rivers, wetlands, underground waters, springs, and dams. In this vein, therefore, the session identified blue resources as being wide and varied demonstrating the immense potential that the blue economy holds and waiting to be tapped in Kenya. This includes fish or fisheries, aquaculture, cage farming; maritime routes; coastal and lakefront and riverine infrastructure; riparian greenery; eco-tourism and hospitality; hydro and micro hydro systems; renewable energy; blue carbon; and biotechnology. Sustainable use of these creates what are called blue economy sectors to spur economic growth, create employment, and improve the livelihoods of those participating in the same. The sectors include fisheries and aquaculture, deep sea mining, tourism and hospitality, maritime transport, ship and boat building, trade and investment, and ports and harbours.

Based on a rapid assessment of select counties, Mombasa, Tana River, Machakos, Nakuru, and Turkana were ranked high on the opportunity score. They had a range of enablers including oceans, springs, rivers, wetlands, underground water, and dams. The blue economy activities the counties could exploit ranged from tourism, maritime transport, ports, irrigation, hydropower generation, and fisheries. Laikipia was ranked medium while Wajir was ranked low. Several challenges were identified as impeding the harnessing of the blue economy sector in the country. This includes a lack of conflicting regulatory frameworks and a general lack of awareness of the potential the sector holds. Apart from these, there is a weak institutional framework and a lack of data. Since the blue economy also brings together several sectors, it was also acknowledged that there was a lack of an inter-sectoral collaborative framework. This particular challenge was discussed at length during the three-day workshop. For instance, it was noted already there was a conflict between the national government and county governments on who is to license and police fish landing sites. Other challenges identified included little knowledge of underground water and environmental degradation of the blue economy enabler.

At the end of the workshop, the participants agreed on several action points as a way forward. A key one was a call to counties to sustainably harness the blue economy resources and mainstream them across other sectors including natural resource management, tourism, energy, mining, and agriculture among others. It was also agreed that there is a need to set up an intergovernmental framework in the blue economy sector. The Council of Governors was also mandated with the development of a guideline on the establishment of committees at the county level for coordination of the blue economy at the county level. If these resolutions are implemented, there is a high likelihood that Kenyan counties will reap hugely from the potential that the blue economy holds in the country.

Own Source Revenue in Kenya Counties

Financing of county governments

Article 202 of the Constitution of Kenya 2010 provides that revenue raised nationally shall be equitably shared among the national government and the county governments. Further, Article

203 of the Constitution stipulates that for every financial year, the equitable share of the revenue raised nationally that is allocated to the county governments shall not be less than 15% of all revenue collected by the national government and that the amount shall be calculated based on the most recent audited accounts of revenue received, as approved by the National Assembly. Apart from this, county governments are also mandated to generate their own source revenues from property rates, entertainment taxes, levies, user fees and licenses and any other taxes that may be authorized to impose within the relevant legislation[4].

To illustrate this, the consolidated financial statements referred to here are for the year ended 30th June 2023 and consolidate financial statements from the County Assembly, County Executive, County Receiver of Revenue, and the County Revenue Fund for all 47 county governments.

Table: Consolidated County governments receipts

Receipts	**FY 2022/23**	**FY 2021/22**	**Change**	**%**
	KES.m	**KES.m**	**KES.m**	**Change**
Exchequer releases	399,600	340,400	59,200	17%
Transfers from other government entities	16,173	12,239	3,934	32%
Other grants and receipts	437	16,620	(16,183)	(97%)
Proceeds from assets	0.16	32	(32)	(99%)
County own source revenue	**36,875**	**32,790**	**4,085**	**12%**
Returned CRF issues	1,577	3,290	(1,713)	(52%)
Total Receipts	**454,662**	**400,371**	**54,292**	**14%**

Source: Treasury October 2023

Own Source Revenue performance

As can be seen from the table, for the period reported, the county own source revenue increased from KES. 32,790 million in FY 2021/22 to KES. 36,875 million in FY 2022/23 (12%). It is also reported that several county governments now have their own County Revenue Authorities which have revamped revenue collection strategies. These counties include Kakamega, Kiambu, Laikipia, and Meru among others.

An analysis of county own generated revenue over the last 10 years reveals a trend where there is a steady increase in the county governments' ability to generate revenue from their own sources. There have been disruptions such as during the FY 2016 through to 2018 and this was attributed to change in governance in the counties due to the 2017 general elections. The COVID-19 pandemic and its effects on the economy also disrupted the collections for the FY 2021/22 by 2%.

[4] See The Republic of Kenya, Treasury, Consolidated Financial Statements County Governments for the Financial Year Ended 30th June 2023 treasury.go.ke/wp-content/uploads/2023/11/FINANCIAL-STATEMENTS-COUNTY-GOVERNMENTS-2023.pdf

Regarding the main sources, as the table below indicates, fees from business permits and vehicle parking fees lead followed by fees from signboards and advertising fees, public health facilities operations, and insurance claims recovery.

Table: Breakdown of FY 2022/23 top 10 receipts per revenue stream

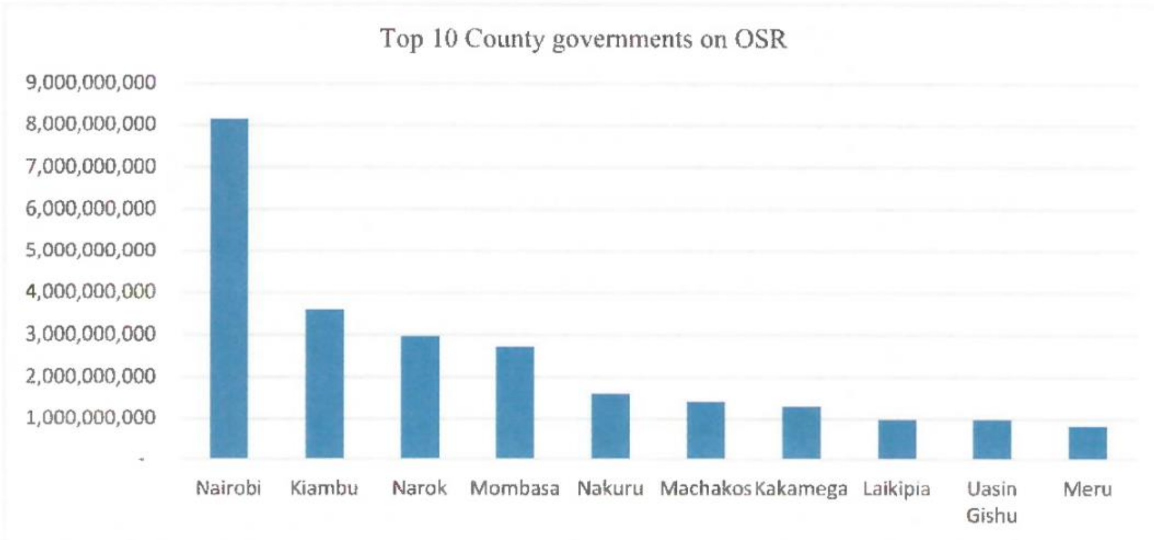
		FY 2022/23	**FY 2021/22**
	Description	**KES**	**KES**
1.	Business permits	4,468,146.082	3,672,333,867
2.	Sing boards and advertising fees	3,846,193,614	3,631,956,916
3.	Public health facilities operations	3,389,768,451	3,863,963,420
4.	Insurance claims recovery	2,691,893,958	958,944,571
5.	Vehicle parking fees	2,618,366,129	2,559,309,352
6.	Cess	2,291,740,246	2,076,108,738
7.	Market/trade centre fees	2,239,765,583	2,197,658,626
8.	Receipts from sale of agricultural goods	2,097,057,255	1,627,585,454
9.	Land/plot rents	1,649,649,849	1,405,156,743
10.	Poll rates	1,488,047,958	1,299,796,476
11.	Other receipts	10,094,376,388	9,497,018,219
	Total	**36,875,005,512**	**32,789,822,381**

Source: Treasury October 2023

As per this report, business permits, health facilities, rates and parking fees together with the other 6 revenue streams account for 71% of the total own source revenue generated by county governments in the FY 2022/23.

When counties were ranked, it became apparent that they have different abilities to generate local revenue. Leading the pack were Nairobi, Kiambu, Narok, Mombasa, and Nakuru. These were followed by Machakos, Kakamega, Laikipia, Uasin Gishu and then Meru. Nairobi collected KES. 5,158 million for year FY 2022/23 accounting for 25% of the total revenue collected. The other 9 counties also had their collections in excess of KES. 1,000 million during the same period.

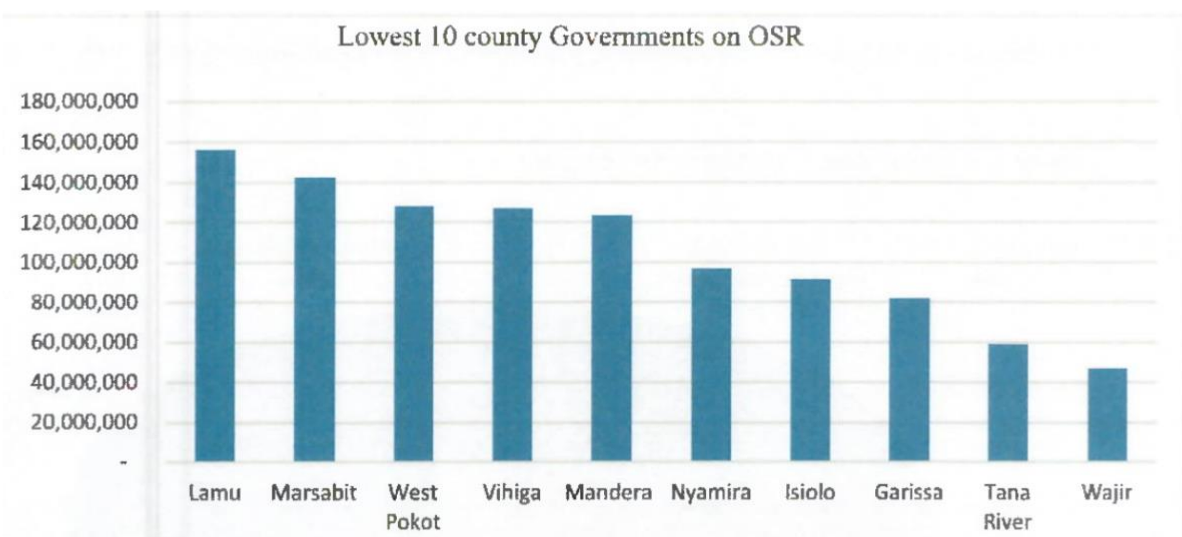
Figure: Receipts generated by the top county governments



Source: Treasury October 2023

The same report also listed the least-performing counties. In this category were Lamu, Marsabit, West Pokot, Vihiga, Mandera, Nyamira, Isiolo, Garissa, Tana River, and Wajir as seen in the figure below. As per this report, Isiolo, Wajir, Nyamira, Tana River and Garissa were at the lowest having collected less than KES. 100 million each during the FY 2022/23.

Figure: Receipts generated by the 10 lowest county governments



Source: Treasury October 2023

While it is notable that there has been a significant increase in rates of collection among all the counties cumulatively, a key emerging concern regards the fact that so far too many counties are collecting way below their potential. Several reports point to this fact. For instance, in September 2023, it was reported that according to the Treasury's Draft 2023 Budget Review and Outlook Paper, the devolved units only met 65.9% of their revenue collection target in the 2022/23 fiscal year[5]. As per the same report, Lamu's own source revenue increased 119.8%, Kirinyaga 112.3 %, Kitui 110.6% and Samburu was at 94.3%. In total, all the counties collected KES. 37.8 billion against a target of KES. 57.4 billion.

The table below shows a full analysis of how counties have been fairing concerning meeting their own source revenue targets since the onset of devolution[6].

Table: County Own Source Revenue Analysis since onset of devolution

Fiscal Year	Expected OSR Ksh (billion) (a)	Raised OSR Ksh (billion) (b)	Variance Ksh (billion) (c)= (b-c)
2022/2023	58.34	28.94*	–
2021/2022	60.42	35.91	(24.51)
2020/2021	53.66	34.44	(19.22)
2019/2020	54.90	35.77	(19.13)
2018/2019	53.86	40.30	(13.56)
2017/2018	49.22	32.49	(16.73)
2016/2017	57.66	32.52	(25.14)
2015/2016	50.54	35.02	(15.52)
2014/2015	50.38	33.85	(16.53)
2013/2014	54.20	26.30	(27.90)

Source: KIPPRA citing Office of Controller of Budget

On the other hand, a few counties were also signaled for recording the fastest own source revenue. Homabay recorded an impressive 128.5%, Narok at 122.5% while Elgeyo Marakwet recorded 84.4% in the last two financial years. Cumulatively, the Treasury Cabinet Secretary reported that for the FY 2022/23 40 County governments out of 47 were able to collect more than 50% of the annual own source revenue target. Those who were left out from this bracket were Murang'a at 42.2 percent, Mandera at 42.2 percent, Marsabit 34.5% and Nyamira at 26.3%.

A number of reasons were floated to explain why the counties were struggling with their targets. First is lack of proper revenue administration structures in the counties. secondly is the issue of revenue leakages followed by lack of internal controls as well as unrealistic revenue targets.

[5] See Star Newspaper article titled Only Three Counties met own source revenue targets – Treasury Only three counties met own source revenue targets – Treasury (the-star.co.ke)

[6] See KIPPRA article Enhancing Own Source Revenue Collections Across Counties in Kenya https://kippra.or.ke/enhancing-own-source-revenue-collections-across-counties-in-kenya/

A key question therefore becomes what county governments can do to achieve their full potential. A KIPPRA report quoting a CRA 2022 suggests that if optimal fiscal instruments were used to their full potential, the devolved units would be able to generate KES. 260.6 billion[7]. The KIPPRA report proposes a number of strategies to turn around this state. These include the need for county governments to establish clear revenue administration guidelines while ensuring full compliance with relevant regulatory frameworks. Since capacity challenges are cited as one of the impediments, it is also proposed that county governments should implement training programmes to enhance the capacity of revenue collection staff. In this regard, they can refer to the Own Source Revenue Training Guidelines developed by CRA. Such training can also be expanded beyond the revenue staff to also include county assemblies, management and policymakers at the county level. To address low morale among staff working in the revenue sections, it is also suggested that the human resources departments at the county review their compensation packages favourably to increase their productivity and curb leakages through theft and the like.

To improve compliance, it is also important for county governments to engage the public particularly those who pay various fees and taxes when they are formulating revenue–raising measures and laws. This will minimize opposition, and avoidance and instead encourage ownership and compliance. The report also urges that county governments should implement a key recommendation arising from the devolution conference of 2023. This recommendation called on the National Treasury, KRA, Senate, and Council of Governors to enforce supportive policies and automate the revenue collection system. This would enhance transparency and accountability in the revenue collection process and in turn address challenges such as irregular collections and unscrupulous practices. Finally, it is recommended that the devolved units put in place internal controls including independent process checks, regular review of audit reports, and evaluation of revenue collection[8].

County Data and Statistics

A World Bank report titled *Kenyan Counties Statistics- Building Statistical Capacity* lays out the issues regarding this important component of devolution. The report notes that the process of devolution in Kenya requires building the statistical capacity of the county-level statistical offices and this in turn ensures the timely and high-quality data to help in the monitoring of progress towards devolution and to design evidence-based policies and programs[9]. The report notes that while significant progress had been made over the last two decades by the country in strengthening its capacity to collect data, there was still a need to increase efforts to build the capacity of county-level statistical processes. At the moment, there are irregular and limited county-level statistical outputs reflecting the need to strengthen the Kenya National Bureau of

---

[7] See KIPPRA article Enhancing Own Source Revenue Collections Across Counties in Kenya https://kippra.or.ke/enhancing-own-source-revenue-collections-across-counties-in-kenya/

[8] See KIPPRA article Enhancing Own Source Revenue Collections Across Counties in Kenya https://kippra.or.ke/enhancing-own-source-revenue-collections-across-counties-in-kenya/

[9] See World Bank 2019 Kenyan Counties Statistics- Building Statistical Capacity Kenyan-Counties-Statistics-Building-Statistical-Capacity.docx (live.com)

Statistics' (KNBS) capacity to facilitate homogenous, timely, and high-quality county-level statistics. As a starting point, there is a need to analyse the KNBS organizational structure at each county level.

Drawing on key informant interviews of KNBS staff based at the headquarters and the 47 counties, the report makes several recommendations to improve this capacity. First is the need to strengthen the human resources at the county level to ensure that the statistics generated meet the requisite quality standards. It was observed that only four county statistics offices, out of 47, were fully staffed with staff who had the requisite set of qualifications. The rest of the others had offices that were either understaffed or had staff members who did not have any statistics-related university degrees. There was therefore the need to hire more qualified staff while at the same time building the capacity of those existing.

Another recommendation arising from the interviews was the need to enhance co-funding partnerships between the KNBS and county governments to ensure continuous production of County Statistical Abstracts (CSAs). CSAs are very useful in providing county-level statistics for consumption by all stakeholders. It was noted that while each county had an inaugural CSA publication funded by KNBS in 2015, only a few counties published subsequent CSAs. According to a KNBS update[10], Laikipia County published three subsequent ones for years 2018, 2019, and 2022. This was followed by Makueni County which did two subsequent ones, 2020 and 2022 while Nyandarua did 2022 and Uasin Gishu did 20121. There is therefore need for all counties to explore funding mechanisms that can enable them to subsidise KNBS in the production of regular CSAs moving forward.

In addition to the collaboration between KNBS and county governments, it was also observed that the production of statistics requires effective partnerships between the KNBS and Ministries, Departments and Agencies (MDAs) since the MDAs play various roles including provision of data on the one hand and on the other as clients requesting for data and other information from KNBS. This creates a mutual working relationship which in the end guarantees the production of high-quality statistics.

Lastly, another concern identified was the fact that as it is, data collected to produce statistics are available on a diverse set of online portals reflecting the lack of a central source that provides easy access to update data. Such data is available and can be accessed free of charge on national and international portals. These include KeNADA (National Data Archive), the Kenya Open Data portals, the World Bank Central Data Catalog, and the Humanitarian Data Exchange (HDX) provided by OCHA. The Council of Governors (CoG) Maarifa Centre also provides an online platform to document case studies for sharing of experiences across counties. The best case scenario is where all these are combined into a single portal to simply access to national as well

[10] See KNBS County Statistical Abstracts [County Statistical Abstracts - Kenya National Bureau of Statistics (knbs.or.ke)]

as county level disaggregated data. Such a portal also needs to be regularly maintained and updated[11].

2.5 County Trade and Investments

In a bid to push the development agenda to as to transform Kenya into an industrializing and middle-income country that provides a high quality of life for all its citizens, as it is articulated in Kenya's development framework of Vision 2030, the National Government together with County Governments conceptualized the establishment of County Aggregation Industrial Parks (CAIPS) in the year 2023[12]. This idea was mooted during the first quarter of 2023 but then several events to concretize plans and lay off the groundwork went on for the rest of the year 2023.

The National Government was implementing this agenda through the Ministry of Investments, Trade and Industry (MITI) working together with the county governments through the Council of Governors (COG) noting that the parks will promote investment, create employment opportunities as well as boosting exports. To start the process, in May 2023 the two levels of government tasked Busia, Embu, Garissa, Homa bay, Kirinyaga, Meru, Mombasa, Murang'a, Nakuru, Nandi, Nyamira, Siaya, Uasin Gishu and Migori counties to invite bids for the construction of CAIPS in their respective counties. to show its commitment, the National Government pledged to provide KES. 250 million to each of the listed counties and the county governments shall each match the allocation with a similar amount. In addition, the county governments committed to each provide a minimum of 100 acres of land for the establishment of the parks.

To familiarize governors with the idea of aggregation, the COG together with the national government took governors on a tour of Tatu City, Twiga Foods and the Kenya Industrial Research and Development Institute (KIRDI).

After laying this groundwork, what followed were spirited efforts by the then Trade Cabinet Secretary Moses Kuria to launch the industrial parks across various counties in the country. By October 2023, he had launched thirteen of them. This was the Meru Industrial Park at Ruiri Rwarera Ward, Meru County. During the launch, the CS noted that the parks were in line with the government's Bottom-Up Transformation Agenda. Before that, he had launched CAIPS in Busia, Kakamega, Trans Nzoia, Migori, Siaya, Kisii, Nyamira, Mombasa, Kajiado, Narok, and Laikipia counties[13]. In August 2023, President Ruto participated in one such launch in Nyamira County. At that time, he noted that the parks would unlock the industrial potential of the counties across the nation. In the case of the Nyamira County Aggregation and Industrial Park, he noted that it would create over 50,000 jobs and in turn reduce poverty in the region. He added that the facility would provide cold storage and value addition facilities for agricultural products from

[11] See World Bank 2019 Kenyan Counties Statistics- Building Statistical Capacity Kenyan-Counties-Statistics-Building-Statistical-Capacity.docx (live.com)

[12] See Government conceives Industrial Parks to spur economic transformation in the Counties Government conceives Industrial Parks to spur economic transformation in the Counties | Industry (industrialization.go.ke)

[13] See CS Moses Kuria launches 13th County Aggregation and Industrial Park: Here's the full list https://www.pd.co.ke/news/kuria-launches-13th-industrial-park-204174/

the region i.e. bananas, avocado, coffee and vegetables. This would help address the rampant post-harvest losses borne by farmers and thus maximize their earnings. He pledged that the government would spend KES. 4.7 billion in the FY 2023/24 to establish county industrial parks in all the 47 counties in Kenya.

Another major challenge these parks are supposed to wish to address is the loss many farmers experience to brokers and middlemen. Many of these players in the agricultural value chains determine the prices of agricultural products and commodities and most often to the disadvantage of the farmers. It is hoped that the aggregation and industrial parks will cure this process because farmers will be able to directly access them without going through brokers and middlemen. Cabinet Secretary Kuria alluded to this in September 2023 while launching the Kajiado CIAPS in the company of Governor Ole Lenku. He noted that the launch would bring to end the era of brokers and middlemen who had for many years impoverished the farmers in the region[14]. This is because farmers in Kajiado would no longer need to sell their cows through brokers and middlemen.

Another highlight in the year 2023 concerning trade and investment in the Kenyan counties was the publication and launching of the Joint County Bankable Investment Projects Handbook 2023 by the Council of Governors (CoG)[15]. The handbook whose theme is positioning counties as investment destinations endeavors to profile county-based investment initiatives and opportunities in Kenya. As articulated by the Chairperson of COG, H.E Anne Waiguru, investment acts as a catalyst for trade providing essential capital to businesses engaged in the production and trade in goods and services, along with financing to meet operational and working capital requirements. She noted further that investment drives innovation, research, and development of untapped opportunities and markets across countries.

The publication of the handbook was touted as aligning with other frameworks such as County Integrated Development Plans as well as spatial plans. It was also meant to cure the economic disparities between counties which are attributed to uneven and uncoordinated investment efforts. To cure this, the handbook provides investment opportunities across the 47 counties across key sectors such as agriculture, trade, industry and cooperatives, tourism and hospitality, health, water and natural resources, blue economy, education, land, infrastructure, and energy. In the development of the handbook, the COG notes that it involved key stakeholders including from the industry such as the Kenya Association of Manufacturers, Kenya National Chamber of Commerce and Industry, and the Kenya Private Sector Alliance.

The handbook therefore provides a source of information for investors and partners who wish to engage with counties to tap into the huge potential that exists. The handbook identifies, maps and documented bankable investment opportunities within counties. In doing this, the counties' capacity is strengthened to market themselves as investment destinations.

---

[14] See The Star - Industrial parks will tame marauding middlemen - CS Kuria - https://www.the-star.co.ke/news/2023-09-27-industrial-parks-will-tame-marauding-middlemen-cs-kuria/

[15] See Joint County Bankable Investment Projects Handbook 2023 CoG Reports

As can be seen from the table below the handbook outlines the projects in a matrix that defines the type of project, the sector, the objective, a project description, expected impacts, whether a feasibility cost has been done, the cost, the completion period, and possibility of public private partnership (PPP). As an illustration, Baringo County identified a Mogotio Hides and Skins tannery to be domiciled in Mogotio Sub-county. This project falls in the value addition industry sector whose objective is to carry out value addition for wealth creation and job creation. Under the project description, the county notes that it will complete the tannery, do value addition, equipping, and infrastructure development. Under expected impacts, it is noted that the project will contribute to wealth and employment creation. No feasibility cost was done, while the estimated cost of the project is listed as KES. 100 million and the completion period would be three years. Regarding the possibility of PPP, Baringo County answers to the affirmative noting that this will be through budgetary allocation from the County Government and support from partners. This process is repeated for two other projects within Baringo County. The rest of the counties also follow a similar process ending up with a very comprehensive list of projects covering the entire country. Moving forward, it will be useful to evaluate the impact of this handbook project in meeting the objectives behind the ambition initiative from the COG.

Figure: An excerpt from the handbook showing the project matrix as listed by the 47 counties

4. APPENDIX

Annex 1: Profiles of County Bankable Investment Projects in Kenya, 2023

County & Sub-county	Project	Sector	Objective	Project description	Expected Impacts	Feasibility done	Cost	Completion period	Possibility of PPP
Baringo County, Mogotio	Development of Industrial Park	Industry	Creation of employment opportunities, business and wealth growth for the people of Baringo	The county plans to have an industrial park that can attract local, regional and international businesses in all sectors. Upscaling of Mogotio tannery to achieve processing and manufacturing of leather products.	Wealth and employment creation	No	500 million	5 years	Yes. County to allocate land & collaboration with vocational training institutions. Investors to invest in the opportunities available at the park & tannery
Baringo County, Mogotio	Mogotio Hides and skins tannery	Industry – value addition	Carryout value addition for wealth creation and job creation	Completion of tannery, value addition, equipping and infrastructure development	Wealth and employment creation	No	100 million	3 years	Yes. Through budgetary allocation from the County Government and support from partners.
Baringo County, Mogotio	Commercialization of natural products (aloe vera, tamarinds, cacti, traditional herbs and vegetables	Industry – value addition	Carryout value addition and wealth creation	Feasibility studies, identification of private investor, value addition.	Wealth and employment creation	No	300 million	5 years	Yes. Through budgetary allocation from the County Government and support from partners.
Baringo County, Tiatty	Honey Processing Plant	Industry – value addition	Carryout value addition and packaging for wealth creation	Construction of the factory, value addition and equipping and infrastructure development	Wealth and employment creation	No	50 million	2 years	Yes. Through budgetary allocation from the County Government and support from partners.

10

tioning Counties as Investment Destinations

Source: COG Joint County Bankable Investment Projects Handbook

Public Participation and Citizen Engagement

Scorecard launched to rank active and productive counties.

During the month of August 2023, an inaugural scorecard was released by Mzalendo, a Parliamentary Monitoring Organization. The scorecard covered the period between September

2022 to June 2023. In the scorecard, Nandi, Nairobi, Kisumu and Bungoma were listed as the most active and productive counties in the 13th Parliament[16]. The scorecard assesses engagement and legislative contributions of each county. Nandi county emerged top with 7.8 percent participation rate. This was followed by Nairobi with 6 percent rate, Kisumu 4.8 percent, and Bungoma at 3.9 percent. The least active counties were Tana River and Tharaka Nithi both at 0.3 percent engagement. Other included Vihiga, Nyandarua, Samburu and Garissa whose participation rates ranged from 0.5 percent to 0.7 percent.

Across the board, the scorecard identified several National Assembly legislators who were the most active and consistent in their push to address national issues touching on the lives of Kenyans. These were drawn from Kitui Central, Dagoretti North, Seme, and Kilifi South constituencies. At the Senate, the most active legislators were identified as those representing Nandi, Migori, Laikipia and Mombasa Counties. At the National Assembly, deliberations addressed a wide range of issues including high energy costs, the implementation of the Competency Based Curriculum (CBC) as well as the management and implications of the high public debt. At the Senate, issues debated included workplace sexual abuse, the welfare of migrant workers, police brutality and the health care situation in the country following the unearthing of scandals at the National Health Insurance Fund (NHIF).

This aside, the report also revealed that the Kenyan citizenry felt let down by their legislators. It revealed that there was a mismatch between what the citizens expect and what the legislators deliver. It is like the voice of the citizens does not count. For instance, the report noted that even after there was widespread public concern and outcry regarding the high cost of living, the National Assembly still went ahead and passed the Finance Bill 2023 which introduced further taxes on the citizenry. Similarly, it was noted that the Senate had rejected the Division of Revenue Bill 2023 which had suggested additional allocation of Sh22 billion to the counties. This puts to question the extent to which Kenyan legislators are entrenching and embracing public participation in the planning and management of citizens affairs, and more specifically the devolved functions.

Rise in cost-of-living spurs violent protests leading to killings and huge disruptions across the country.

The month of July 2023 marked the epitome of political violence arising from protests that had begun earlier on in the year in March 2023. In the beginning, the protests which were called by the opposition coalition, Azimio la Umoja were to call out what the coalition termed as a stolen election. However, by July 2023, they had metamorphosized and were now driven by public anger directed at the government due to the rising cost of living and unpopular tax hikes occasioned by the Finance Act, 2023. This was signed into law by the President on 26th June 2023 and was to take effect on 1st July 2023. Among some of the highly contested clauses was the introduction of a mandatory National Housing Development Fund, a housing levy to be contributed by both the employer and employee. It stipulates that for each employee, the employer must remit its

---

[16] Simiyu, M. 2023, 'Nairobi, Kisumu and Bungoma shine in inaugural scored', *Daily Nation,* 9th August 2023, retrieved on 20 September 2023< https://nation.africa/kenya/news/politics/nandi-nairobi-kisumu-and-bungoma-shine-in-scorecard-4330986>

contribution of 1.5% of the employee's monthly gross salary, and the employee's contribution of 1.5% of the employee's monthly gross salary. The resultant protests were so deadly that it was reported that on 12th of July 2023, police killed over a dozen people during the Azimio led demonstrations across the country. If you consider the whole month of July, it is reported that over 70 political violence events experience with approximately 75 fatalities. The counties that bore the highest brunt were Nairobi and Kisumu which were the epicentres of violence occasioned by the forceful repression of opposition led demonstrations[17].

Apart from the killings, the protests led to a huge disruption of the business environment in various parts of the country with Nairobi County bearing the worst brunt. Apart from Nairobi, protests were also reported in Kisii, Nyamira, Migori, Kisumu, Nakuru, Machakos, Murang'a, Mombasa, Kilifi and Kajiado counties. Many businesses were closed and those found open were looted. The transport of goods and people along the Northern corridor which connects Mombasa County and the rest of the country including the region was also disrupted. As a consequence, the business community in Kenya announced that the three-day protests had cost them some 42.3 million USD (KES 6 billion) in business losses. This was occasioned largely due to delays in the movement of goods along the Northern corridor[18]. Towards the end of July, on 29th July 2023, these protests were called off after the Kenya government and the opposition agreed to hold talks through a joint committee to resolve their differences. In November 2023, the National Dialogue Committee (NADCO) submitted a report arising from the talks with key recommendations to President William Ruto and Azimio leader Raila Odinga[19]. The report made recommendations touching on electoral justice, cost of living, entrenching of funds into the constitution, establishment and entrenchment of state offices, and fidelity to the law on multiparty democracy[20].

Challenges in effective county planning and public finance management

In this section we shall focus on public finance management. As much as we are now celebrating gains made in the devolution journey ten years down the line, one of the challenges that continues

---

[17] ACLED, Situation Update August 2023, *Kenya: Government operation brings calm to the North Rift Region,* ACLED, retrieved 17 September 2023, < https://acleddata.com/2023/08/04/kenya-situation-update-august-2023-government-operation-brings-calm-to-north-rift-region/#:~:text=The%20Kenyan%20government%20has%20long,Operation%20Maliza%20Uhalifu%20North%20Rift>

[18] Anami, L. 2023, 'Expensive protests: Kenyan manufacturers say demos costing $42.3m daily losses', *The East African,* retrieved on 16 September 2013, < https://www.theeastafrican.co.ke/tea/business/kenyan-manufacturers-say-demos-costing-42-3m-daily-losses-4311120>

[19] See the Star - Dialogue committee report: Key recommendations made to Ruto and Raila https://www.the-star.co.ke/news/2023-11-26-dialogue-committee-report-key-recommendations-made-to-ruto-and-raila/

[20] For full report see Parliament of Kenya – Report of the National Dialogue Committee 25th November 2023 http://www.parliament.go.ke/index.php/node/21481

to plague counties is corruption and mismanagement of county resources. On 8th September 2023, one of the leading dailies reported that the Ethics and Anti-Corruption Commission (EACC) was investigating 67 high-profile cases touching on allegations of corruption and irregular procurement in Marsabit, Mandera, Samburu and Wajir Counties[21]. It was further reported that of the four counties, Marsabit County leads with 90 cases. Samburu has 87 cases, Wajir 32 and Mandera 22.

In Samburu the cases related to alleged embezzlement of funds through imprest fraud and false surrender of documents totalling Ksh 50 million. In Marsabit, the allegations touch on the embezzlement of donated funds for water as well as drilling and tree planting as well as payments for the procurement of relief food. In Mandera County, the former governor is alleged to have irregularly employed 47 officers without following due process. Lastly in Wajir, the allegations touch on conflict of interest in the payment of Ksh 1.1 billion to 16 companies associated with ex-Wajir Governor Abdi Mohamud between 2016 and 2020.

As can be seen, the sums involved in all these allegations are huge. If they had been put to good use, they could have been used in improving service delivery in these counties. Furthermore, these are counties which have historically faced marginalization and their citizenry were counting on devolution to cure some of the historical injustices meted on them. It is therefore disheartening to note the current situation. One can only hope that the cases will be pursued to their logical conclusion and if the accused are found guilty, that just will be served.

Conclusion

This brief has reported on the key highlights during the period between April and December 2023. It touched on activities witnessed in nascent sectors such as the blue economy and how both coastal as well inland counties in Kenya can exploit the opportunities that exist in the sector. The report also documented the progress made by various counties do build their capacity to collect more own source revenue. Closely tied to this are the activities that were documented to enhance trade and investment activities in the counties as well as building the capacities of the counties to collect and manage their own data and statistics. The activities discussed in this brief demonstrate what can be considered as highs as well as lows in the journey towards the realisation of the devolution dream for Kenya. These highs and lows demonstrate once again that devolution is a complex and evolving process. More importantly, they also demonstrate that there remain many challenges that need to be addressed. Despite this, significant progress has been made, as was highlighted during the devolution conference, an affirmation that devolution is here to stay.

Some of the lessons picked from the key happenings in the period include the following:

a. Regarding the blue economy sector, counties, especially the inland counties must rise to the occasion and exploit the potential that has been identified.

[21] Omulo, C. 2023, 'Here is Kenya's 'most corrupt' counties' *Daily Nation*, 8th September 2023, retrieved on 19th September 2023, < https://nation.africa/kenya/counties/here-are-kenya-s-most-corrupt-counties-4361912>

b. Regarding own source revenue, counties must up their game and enhance their capacities to meet their targets because this brief has demonstrated that many of them are way below their full potential. Recommendations such as improving the renumeration of the revenue staff will go a long way in boosting their morale and address challenges such as revenue leakages.
c. On the management of county data and statistics, counties need to enhance their collaboration with KNBS in building the capacity of staff and in mobilisation of resources to fund the activities.
d. On trade and investments, among other things, it is critical for counties to push for the implementation of the flagship County Aggregation Industrial Parks (CAIPS) since they hold immense potential in turning the livelihoods of many segments of the population in the counties.
e. Regarding governance issues, there is the need to strengthen governance structures at the county level directed at the promotion of transparency and accountability. Information sharing with the citizens while encouraging public participation is a good starting point.
f. Finally, it is important to continue reminding duty bears that their primary mandate is to serve the needs of the Kenyan people. Protection of their basic rights is paramount.