



## Institute of Economic Affairs

---

# PRESS RELEASE

## For Immediate Release

### Launch of Kenya's Urban Areas Performance Index Report 2017

**Nairobi, Kenya, 05<sup>th</sup> September 2018** – Kenya has witnessed rapid urbanization since independence. In fact, 50% of the population is projected to be urbanized by the year 2030. In recognition of the emerging challenges the Government initiated various plans and strategies for example, Growth Center Policy of the 1970 that did not succeed in addressing weak urban planning and management and a resultant rise in informal settlement due to weak implementation coordination. In the coming to effect of devolution from 2013, there have been renewed efforts for better urban governance and management through formulation of the National Urban Development Policy and the Urban Areas and Cities legislation.

#### **Study motivation**

Given the challenges urban areas are continuing to face the **Institute of Economic Affairs (IEA –Kenya)** conducted the first of its kind research to assess performance of urban areas in Kenya. Although urban areas do not exist so far, as County Governments are in different stages of setting up their structures, functions typical to them, such as garbage collection are been discharged, hence possible to assess their performance. This is deemed necessary and timely to inform evidence-based policies on urban governance. This assessment that compares and ranks urban areas introduces competition, transparency and promotes accountability. Overall, the purpose of such as assessment is to incentivize good decisions.

#### **Study Objectives**

- The main objective of this study is to assess performance of urban areas in (Conditions for residents) service delivery, provision of enabling conditions for investment and in governance.
- To use the findings from the assessment of urban areas' performance to inform evidence-based policies.
- To develop public support for reforms based on free choice, private enterprise and efficient use of public resources.

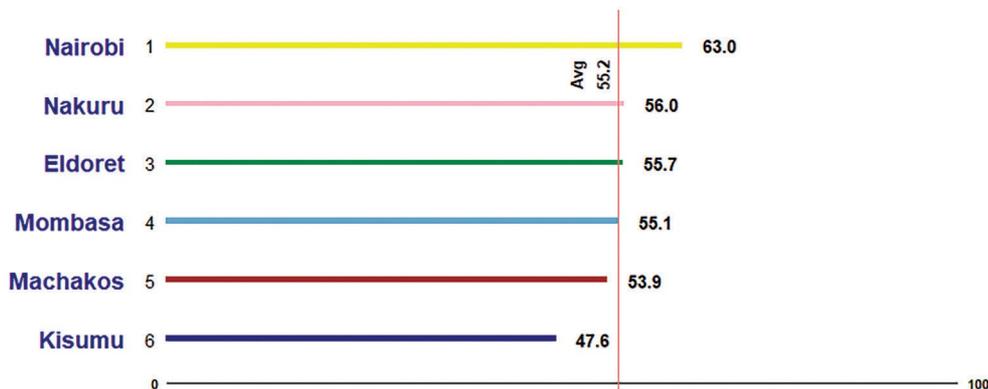
#### **Methodology**

We used the Urban Areas Performance Index (UAPI), modified and adopted from Municipal Performance Index that has successfully been used by Lithuania Free Market Institute (LFMI) for eight years since 2011. The UAPI is a composite index used to assess urban areas on three clusters of Conditions for Residents, Conditions for Investment and Principles of Good Governance.

This tool was based on a broad set of 67 indicators (categorized into 11 sub-clusters) that are scored on a scale of 0-100 that was ultimately aggregated to come up with overall score. Primary data from county government officials and secondary data based on the year 2015 was collected from November 2016 to May 2017 from the six largest urban areas in Kenya which were covered in this research, namely: *Eldoret, Kisumu, Machakos, Mombasa, Nairobi and Nakuru*. Those urban areas that ensure the individual’s free choice, promote private property, create favourable business conditions, use public resources efficiently and ensure transparency of their activities are ranked higher.

## Findings

### Overall Urban Areas Performance Index



**Note:** Overall UAPI mean score is 55.2 points. This means that performance of the six urban areas in service delivery; provision of an enabling investment environment and in effective and transparent asset and resource management was **average**.

Study findings reveal that Nairobi is the top ranked urban area with a score of 63. This means that it is the place to be for residents and investors. This tool however did not capture a breakdown of Nairobi’s performance by comparing the formal and informal dichotomy, which may tell a different story. In second place is *Nakuru* with a score of 56 followed by *Eldoret* with a score of 55.7. *Kisumu* is ranked last with a score of 47.6 with *Mombasa and Machakos* with a score of 55.1 and 53.9 respectively ranked above them.

The best performing cluster for all the six urban areas is Conditions for Residents with a score of 63. However on this cluster the weakest areas are on provision of public transport services. Despite less than acceptable overall performance in transport service provision, *Machakos and Nairobi* are the leaders with *Nakuru, Kisumu and Eldoret* lagging behind. The second best performing cluster is Principles of Good Governance (53). *Nairobi and Machakos* are the best performers in this cluster whereas the least performers are *Kisumu and Nakuru*. The weakest spot on Principles of Good Governance is on the budget, which is about prudent and transparent use of public resources.

The least performing cluster is Conditions for Investment with a score of 40. *Mombasa and Nairobi* lead as most attractive destinations for investors with *Kisumu and Machakos* lagging behind. The sub cluster that needs major reforms is however on investment and trade with a score of 28

Performance in investment and trade and on budget sub-clusters was partly undermined by lack of data on for example, number of foreign direct investment, number of private partnership contracts created, information on debt and public procurement done by open tenders. Despite coming last *Kisumu* was ranked first in effective management of asset and privatization of non-core assets.

### **Call for action**

- The call for action is for County Governments to establish in the short term urban areas structures in conformity to the UACA as a foundation for urban governance and planning.

### **Improving Conditions for Residents (service delivery)**

- All the six urban areas but in particular *Kisumu, Mombasa and Machakos* should progressively scale up investment in water supply and solid waste management
- Fast track formulation of urban areas public transport policies and legislations in laying foundation for enhancing public transport.

### **Improving Conditions for Investment**

- Through collaborative efforts, County Governments should initiate changes in the tax regime that observe fairness and incentivize business activity to strengthen business and investment environment by adoption of the National Policy to support enhancement of County Government own source revenue.
- Urban areas and in particular *Nakuru, Machakos, Eldoret and Kisumu* should consider adoption of technology and automation in revenue collection and administration for increased efficiency.

### **Improving principle of good governance**

Improving fiscal discipline in public finance management and transparency in effective management of assets and reduction of administrative and bureaucratic burden)

- The six urban areas should enhance comprehensiveness of budget document and expedite the process of updating their asset registers to promote transparency.
- Other areas of reform include the need to consider instituting staff rationalization policy and overall reforms to strengthen PFM systems for better expenditure management

### **How to use the study report**

This report provides a rich source of data and information that can be used by different audiences including policy makers, civil society, researchers, students, the media and indeed the general public to inform debate and dialogue on urban governance and planning. For example, this report provides policy makers' with impetus to initiate the process of establishing urban areas structures. Similarly it provides key messages for other groups such as the media and civil society to advocate for the same.

Further the Index is a monitoring and accountability tool that identifies strong and weak points of urban areas' performance based on the three aforementioned areas. As a result, it notes issues that require corrective actions or interventions from policy makers. At the same time civil society and the media can hold duty bearers to account and for them to address weak spots.

Equally, the Index in many ways is a benchmark tool that fosters competition, promotes transparency and wanted policies for urban areas. It serves as an important tool to assess on a regular basis the performance of urban areas and provide information on whether there is progression or regression over time.

Of note is that the UAPI is not designed to explain the relationship and/or the impact of one variable say budget on another such as public utilities. To do this, researchers, students and other interested persons would need to carry out further analysis such as correlation and regression for example, using the scores and other information provided in the Index.

\*\*\*

### **About IEA Kenya**

The Institute of Economic Affairs (IEA Kenya) is a think-tank that provides a platform for informed discussions in order to influence public policy in Kenya. We seek to promote pluralism of ideas through open, active and informed debate on public policy issues. We undertake research and conduct public education on key economic and topical issues in public affairs in Kenya and the region, and utilize the outcomes of the research for policy dialogue and to influence policy making.

### **For more information contact:**

#### **Mr. John Mutua**

Programmes Coordinator

Institute of Economic Affairs (IEA Kenya)

Email: [mutual@ieakenya.or.ke](mailto:mutual@ieakenya.or.ke)

Tel: +254 – 020 - 2717402

#### **Mr. Oscar Ochieng**

Communications Department

Institute of Economic Affairs (IEA Kenya)

Email: [Oscar@ieakenya.or.ke](mailto:Oscar@ieakenya.or.ke)

Tel: +254 – 020 - 2721262