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KENYA URBAN AREAS PERFORMANCE INDEX REPORT 2017

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KENYA URBAN AREAS
PERFORMANCE INDEX
REPORT 2017

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Abbreviations

AIDS	Acquired Immuno Deficiency Syndrome
ANC	Antenatal Care
CDMSP	County Debt Management Strategy Paper
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
ECDE	Early Child Development Education
FIC	Full Immunization Coverage
GDP	Gross Domestic Product
HIV	Human Immunodeficiency Virus
IEA	Institute of Economic Affairs
ISWMP	Integrated Solid Waste Management Plan
KDHS	Kenya Demographic Health Survey
KenInvest	Kenya Investment Authority
KIWASCO	Kisumu Water and Sewerage Company
KNBS	Kenya National Bureau of Statistics
LFMI	Lithuanian Free Market Institute
NARUWASCO	Nakuru Rural Water and Sanitation Company
NAWASCO	Nakuru Water and Sanitation Services Company
NCWSC	Nairobi City Water and Sewerage Company
NEMA	National Environment Management Authority
NTSA	National Transport and Safety Authority
OCOB	Office of the Controller of Budget
PFM	Public Finance Management
PFMA	Public Finance Management Act
PSC	Public Service Commission
PWDs	Persons with Disability
SID	Society for International Development
TISA	The Institute for Social Accountability
UACA	Urban Areas and Cities Act
UAPI	Urban Areas Performance Index
UN	United Nations
WASREB	Water Services Regulatory Board

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Interpretation of Index Scores and How the Study Informs Policy

The scores in this Urban Areas Performance Index were based on 67 questions (indicators) that were administered to respondents who were County government officials. These questions were then recognized as indicators of performance, and thus the number of questions in a particular sub-cluster were used to determine the weights of the respective sub-clusters. The indicators used in the Urban Areas Performance Index were therefore relative measure in respect to the urban areas that were assessed. What this means is that for each indicator, a maximum score of 100 points was awarded to the urban area with the highest performance and 0 points to the urban area with the lowest performance. Individual scores were weighted and aggregated within sub-clusters (sub-groups) and then within clusters (groups) to get the overall score for each urban area assessed.

It is important to note that the overall score ought to be interpreted with respect to the specific questions that were asked. These questions are based on functions that should be discharged by the urban areas as well as their structures, fiscal capacity, conditions for investment and governance issues (supply side assessment).

However a maximum score of 100 should not be interpreted to mean that the urban area is doing perfectly well on that particular sub cluster since the scores were awarded only on analysis of the performance based on the questions that were administered to the government officials. In addition, good scores in one sub cluster does not necessarily reflect on all the other aspects of that given sub cluster and neither should this be interpreted to imply that the urban area is best in the country and the reverse is true.

Low to modest scores in the Index is evidence that the urban area(s) is struggling in the specific indicators/sub-cluster or clusters and thus point to the need for intervention by policy makers towards improvement of performance in the urban area(s). High scores imply areas of strength and point to the need for consolidation. Given the rich data, other types of analysis would be required to understand the relationship within sub-clusters or from one sub-cluster to another and so on.

How to use UAPI 2017 Report

This report shows performance of the six largest urban areas in Kenya based on three areas, namely: service delivery, conditions for investment and governance. Performance of these urban areas is assessed using the Urban Areas Performance Index, a composite Index comprising 67 indicators (questions) that scores, on a scale of 0 (least performance) to 100 (best performance) points and ranks these urban areas. Urban areas that ensure individuals' free choice, create favourable business conditions, use public resources efficiently and ensure transparency of their activities are ranked higher. Chapter 2 of the report discusses the methodology with more details provided in Annexe 1 including weighting of indicators, scoring and interpretation of scores in the Index.

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.

Executive Summary

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 has been renewed efforts for better urban governance and management through formulation of the National Urban Development Policy and the Urban Areas and Cities legislation.

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. 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 seven 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 (categorised 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.

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 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.

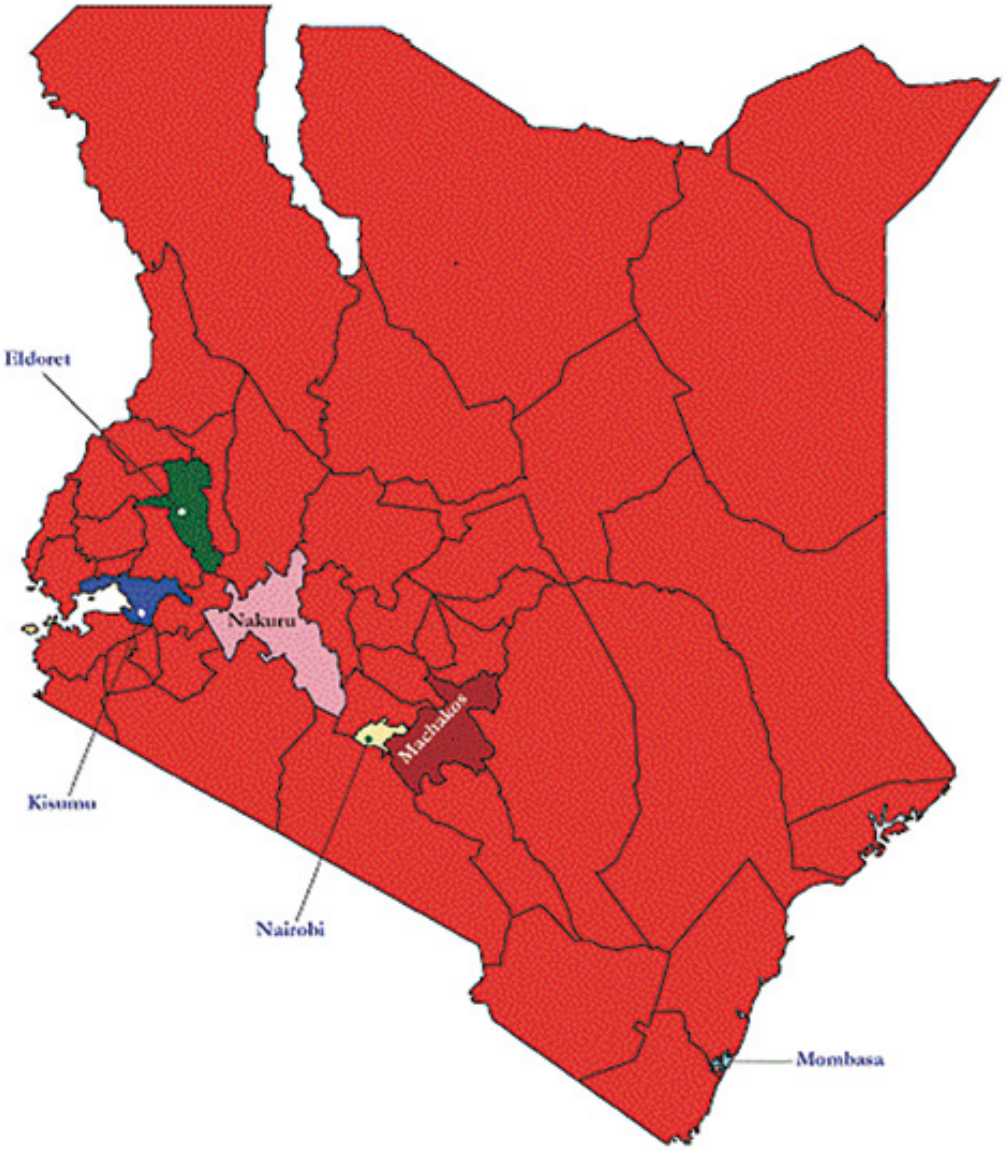
The least performing cluster is Conditions for Investment with a score of 40. Mombasa and Nairobi lead as most attractive destinations for investors with Kisumu and Machakos lagging behind. The sub cluster that needs major reforms is however on investment and trade with a score of 28

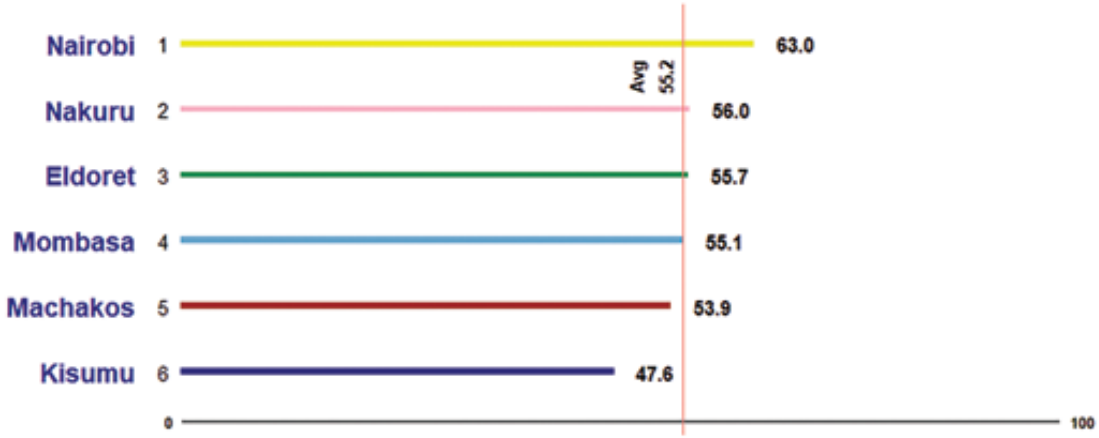
Performance in investment and trade and on budget sub clusters was partly undermined by lack of data on for example, number of foreign direct investment, number of private partnership contracts created, information on debt and public procurement done by open tenders. Despite coming last Kisumu was ranked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

The call for action is for County Governments to establish in the short term urban areas structures upon parliament approval of the amendments to UACA as a foundation for urban governance and planning. 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.

On 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 but also fast track formulation of urban areas public transport policies and legislations. Furthermore urban areas and Counties 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

UAPI 2017 Kenya





CHAPTER 1

Introduction

1.1 Background

Government reports and those from the UN Habitat show that Kenya has for the last four decades witnessed rapid urbanization, with about 50% of the population projected to be urbanized by the year 2030 up from 34% in 2011. This is perhaps good news as evidence suggests that cities can drive economic growth. In fact according to the UN Habitat, urbanization is acknowledged as a tool for development, said to globally contribute to about 65% of GDP. Rapid urbanization however equally implies significant service delivery needs and therefore for Kenya, how it manages its urban processes will determine the extent of economic growth (World Bank, 2015). This challenge is acknowledged in the Vision 2030, Kenya's economic blueprint and thus a National priority.

It is clear from the foregoing that challenges of rapid urbanization are well recognized by the Government. In fact some historical perspective right from independence period in 1963 reveals various attempts towards urban planning and management. From a planning and legislative framework perspective, the Land Planning Act, 1968 was the main legislation that guided development of urban land in Kenya. Urban planning was based on urban physical development plans developed in 1960s/1970s. As part of National Development plan, various other interventions were pursued by the government from the 1970s including the Growth Centre Policy. This policy sought to redirect urban development away from the largest two cities of Nairobi and Mombasa as a way of promoting development of hinterland growth centers through infrastructure investment. Other policies and strategies towards developing human settlement infrastructure and service including rural trade and production center strategy, district focus for rural development and slum upgrading were also initiated.

These plans, policies and strategies however faced a number of challenges including, poor implementation coordination and lack of appropriate data on urban centres, political interference and inadequate provision for operation and maintenance of infrastructure. Urban plans were generally dated and were not revised to factor rapid urban growth. For example, Nairobi City is still guided by a master plan approved in 1948, albeit other planning efforts and strategies adopted later including the 1973 Nairobi Metropolitan Growth Strategy, the Nairobi We Want Convention of 1993 among others, all fraught by lack of robust implementation framework. On legislations, the Land Planning Act, 1968 was later repealed by the Physical Planning Act of 1996 which provides for the preparation and implementation of local and regional physical development plans. In this case

local authorities were granted powers to control and prohibit the use and development of land and building, subdivision of land all for the purpose of ensuring implementation is per the approved development plans. On this point there was little impact attributed to inadequate local authorities' capacity to implement institutional framework for urban planning and management.

Weak urban planning and management coupled with no substantial increase in investment in urban institutional and physical infrastructure[1] has led to rise in informal settlement. For example, out of the more than 34% of Kenya's urban dwellers, about 71% of them reside in informal settlement. In Nairobi, about 60% of the total population resides in informal settlement, occupying only 5% of the residential land (Mutisya and Yarime, 2011). A diagnosis of this situation reveals the lack of robust policy intervention as the bane of urban development in Kenya.

The Government through the Ministry of Land and Physical Planning has responded to this gap in part by formulating National Urban Development Policy to implement the provisions of Article 176 and 184 of the Constitution dealing with devolution and management and development of urban areas respectively. In particular the policy aims to provide a framework for sustainable urban development, *inter alia,* National and County planning, enhancing economic growth in urban areas, financing, physical infrastructure and services and overall urban governance and management.

Urban planning at the county government level is provided for through the County Government Act, 2011. In particular the Urban Areas and Cities Act (UACA), 2011 enacted to give effect to Article 184 of the Constitution provides for a three tiered system of governance of urban areas, namely: city board, municipal board and town committees. However so far there is no County Government that has established the necessary structures for urban governance and management and provided with the resources to independently manage urban areas. Delays in the review of population thresholds for classifications of urban areas and lack of regulations for the UACA are partly the reasons for this. Politics is the other reason, especially with regard to the use of the 2009 census to classify urban areas. Given that urban areas were not enumeration units the suspicion is that using the Census may undermine classification of urban areas.

In relation to the foregoing, the Cabinet recently approved proposed amendments to the UACA which if passed by parliament will among other things lower the legal (population) threshold for classification of urban areas. As a result, there will now be five cities, 64 municipalities, 66 townships and 80 market centers (currently majority of settlements are categorized as townships). To make a total of five cities, Nakuru and Eldoret are the proposed cities to be added to the three existing cities of Nairobi, Mombasa and Kisumu. See Box 1.1 for other proposed amendments related to urban governance and management

Box 1.1: Other UACA, 2011 Proposed Amendments

The other amendments (UACA) that are related to urban governance include:

- Clarify the role of urban areas/cities in promoting overall economic development at both levels of Government;
- Expand the definition of key services that an urban area/city should provide;

1 Environment and Sustainable Development in Caleb Mireri Urbanization Challenges in Kenya via http://ir-library.ku.ac.ke/bitstream/handle/123456789/12573/Urbanisation%20Challenges%20in.....pdf;sequence=1

- Encourage Counties to align their urban areas/cities to specific functions and allocate to them sufficient resources;
- Propose measures to enforce appointment by County Governments of City/ Municipal Boards or Town Committees, with clear budgets and urban (spatial) plans;
- Entrench the role of the Urban Development Directorate (UDD) currently in the Ministry of Land & Physical Planning to enable it guide urbanization in Kenya; and,
- Establish an Urban Development Fund (UDF) to cater for high capital expenditure projects, which are inter/intra Counties and beyond the scope and budgetary allocation of individual counties for example:. storm water, solid waste landfills, urbanization studies and related core urban programs

On matters finances, some Governors especially those in-charge of urban based Counties are reportedly complaining that the equitable share formula for National transfers disproportionately favors Counties that are geographically large, as compared to the smaller more dispersed and poorer population. Attempts to redress this challenge are underscored by the draft policy on County Government's own source revenue. It proposes legislation that will compel adequate resourcing for urban and city structures as provided in the PFM Act, 2012 as well as other provisions for conditional or unconditional grants (such as the UDF in the UACA amendment proposal) to incentivize enhanced revenue collection and management. This will work better upon Counties operationalizing provisions in the UACA, 2011.

Given the uniqueness of urban areas and the challenges they continue to face in delivering public services to the growing population, an assessment of their performance and the impact of their policies on economic development and citizens' wellbeing is necessary. Furthermore unlike at the County Government level where a number of performance and transparency assessments have been done[2], focus on urban areas would entail breaking new ground in Kenya.

Additionally, assessment of urban areas' performance is critical for effective evidence based policy advocacy, for stimulating better informed public debates and support for needed policy changes on urban governance. This work is likely to pave the way for a regular, rigorous research on the quality of lives in various urban areas and ensure its longevity and sustained relevance.

1.2 Why Urban Areas?

There are a number of reasons why this study focuses on "urban areas" rather than the entire County Government level. First of all, in the context of Kenya's devolution, review of media reports and debates suggest that urban livelihoods receive inadequate policy focus despite their dynamism. They grow continuously without real assessments on the quality of life they offer or quality of investment climate especially for the growing urban areas.

2 Institute of Economic Affairs (2015) Sub national government budget transparency, a case of 10 county governments

As much as urban areas have not been legally and formally constituted as provided for in UACA, 2011, their functions are discharged by their respective Counties in which they are domiciled. To this extent in this study we assume that urban areas, though not legally constituted, with power and functions delegated to them as envisaged in UACA, 2011 have control and management of their affairs held in trust by the Departments of the County Government discharging their function. For example, the Department of Environment in most Counties is responsible for solid waste collection and management.

1.3 Study Objectives

- The main objective of this study is to assess performance of urban areas in 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.

CHAPTER 2

Methodology

2.1 Urban Areas Performance Index (UAPI)

The technique and tool used to assess performance of urban areas in this study; the Urban Areas Performance Index was adopted and modified from the award-winning Municipality Performance Index that has been used successfully by the Lithuanian Free Market Institute (LFMI) for seven years since 2011.

The UAPI is a composite index used to assess performance of urban areas based on three clusters and in line with their functions. Each of the clusters is composed of sub clusters that are defined from a set of indicators. The three clusters include:

(i) Conditions for residents (how good the urban area is for residents): evaluates urban areas on the extent to which they provide a competitive environment for public service delivery. This cluster embraces a set of sub clusters including public utilities, transport, education, health care, social care and safety and disaster management.

(ii) Conditions for investors (how good the urban area is for investors): evaluates urban areas based on the extent to which they provide a favourable environment for businesses and potential investors. Specifically it assesses whether urban areas provide information on taxes and any other relevant information for businesses and for attracting investors.

(iii) Principles of good governance (how well the urban area fulfils principles of good management and governance): focuses on prudent and transparent use of public resources (budget), effective management of assets and on reduction of administrative and bureaucratic burdens through better organization of functions and administration.

Specifically the analysis makes it possible to elicit evidence-based insights on the performance that highlight solutions for urban areas on how to achieve the following:

- Save taxpayers' money, operate within their means and rely on transparent budgeting;
- Restrict Government interference with consumer choice and promote competition amongst companies and institutions;
- Create favorable conditions for businesses;
- Effectively manage assets and privatize property that is not necessary for performing their core functions;
- Discharge their duties effectively and, where possible, rely on efficient private-sector service providers; and
- Reduce administrative and bureaucratic burden.

The best performing urban areas would in turn be described as most liveable and associated with better quality of life. Besides, they are deemed to provide favourable investment environment and efficiently uses resources in a transparent manner.

Table 2.1 below summarises UAPI framework in terms of the three clusters and sub clusters and the corresponding weight for the three clusters. The variation in the weights is based on IEA's value judgment but also the fact that service provision is the most relevant aspect for citizens or things they care about in the current devolved context. Various reports (SID, 2012, NDI, 2014) attest to this fact.

Table 2.1: UAPI Framework

Cluster		Sub-Cluster	Weights of the Cluster	Indicators per Sub-Cluster (Number)	Weighting for the Sub-Cluster
Conditions for Residents	a	Public Utilities	50%	13	34%
	b	Transport		8	21%
	c	Safety and Disaster Management		4	11%
	d	Education		3	8%
	e	Health		8	21%
	f	Social Care		2	5%
		Sub total		38	100%
Conditions for Investment	g	Investment and Trade	20%	7	70%
	h	Taxes		3	30%
		Sub total		10	100%
Principles of Good Governance	i	Budget	30%	8	42%
	j	Asset Management		4	21%
	k	Administration and Human Resource Management		7	37%
		Sub total		19	100%
Grand Total				67	100%

We acknowledge that the weighting of clusters going forward may change based on the country context and socio-economic aspirations. It is likely that ten years into devolution, things that will be important to citizen may change. For example, new investment opportunities maybe more compelling for urban areas like Nakuru and Eldoret but better governance may appeal to the two largest cities, Nairobi and Mombasa. Others may assign equal weight of 33% on the view that these three clusters are of equal importance. These are the considerations that one will have take for any future assessments.

Further as shown in Table 2.1, the UAPI is based on a broad set of 67 indicators (questions). These indicators are distributed across the three clusters and correspondingly by the eleven sub-clusters (a to k) as indicated in column 1 and 3 respectively. The cluster on Conditions for Residents has six sub-clusters, Conditions for Investment has two and thirdly the cluster on Principles of Good Governance has three sub-clusters. Column 5 shows how the 67 indicators are distributed across the

sub-clusters and in turn by the clusters. For instance, under the cluster of Conditions for Residents, the sub-cluster on Public Utilities has the highest number of questions, 13, representing 19.4% of the total. Whereas, still under Conditions for Residents, the sub-cluster on Social Utilities has the least number of questions, 3 translating to 3% of the total number of indicators.[3]

For standardization purposes and to also ensure consistency in the methodology base, 100% is used for scoring all indicators at all levels: individual indicator scores, sub clusters, cluster and the overall score. This is important to allow for comparison within and across the sub-clusters. According to the UAPI, indicators within the same sub-cluster are assigned equal weight. For instance, the Public Utilities consist of 13 indicators and therefore indicator weight is 1/13 (8%) as shown in column 6 of table 2.1. It is important to note that the weights within each sub cluster tally to 100%.

At the cluster level, distribution of the weights is derived from the number of indicators per sub cluster within that cluster, this is important in ensuring that weights are out of base 100% which will in turn make sure that scores are out of 100 points. For example, the cluster on Conditions for Residents has six sub clusters and in turn has a total of 38 indicators, see column 5 of Table 2.1. The number of indicators per cluster varies from one sub cluster to another reflecting the functions that the urban areas perform based on the devolved system. For example, the education sub cluster has fewer indicators relative to health sub cluster. The reason being that health is a devolved function while education is largely a function of the national government with exception of early childhood development education and youth polytechnic. Therefore to determine the weight for public utilities sub cluster, its total number of indicators is divided by the total number of cluster indicators, that is, 13/38 (34%) as shown in column 6 of Table 2.1.

Unlike at the sub cluster level, the cluster weights (50% for Conditions for Residents, 20% for Conditions for Investment and 30% for Principles of Good Governance) are predetermined as mentioned earlier. These weights are only used to compute the overall UAPI score. One may argue that varying cluster weights introduces biasness. This is true, but given that they are only used to compute the overall score inherently limits the degree of biasness as equal weights were used to arrive at cluster level scores. After all these cluster weights are used across the urban areas covered meaning that one urban area has no advantage over the other.

It is also important to point out that the UAPI is not a user satisfaction survey or any other related surveys (see annexed methodology for sources of data). Its focus is more on the systems, and conditions/environment (that is, supply side) put in place by urban areas and the results achieved thereof. Further this methodology assesses performance at a specific point in time with successive assessments applicable to track change over time.

2.2 Ranking Urban Areas based on the UAPI

Each of the 67 indicators is scored on a scale of 0-100 with 0 as the worst rating and 100 as the best rating. Overall UAPI score for each urban area is a weighted average score based on aggregation of individual indicator score by sub-clusters and in turn by clusters. Refer to annexe 1 for further details on the methodology.

3 These percentages, in the last column, are not used as weights but merely represent the distribution of indicators.

Furthermore the data used to compute the scores for each urban area covered in this study as explained in annexe 1 was based on the year 2015. In a few instances where 2015 information was not available we used the most recent data, in particular for the year 2014 especially for the health sub-cluster. The data collection period was from November 2016 to May 2017.

For interpretation of urban areas performance, we clustered the scores as shown below:

UAPI Scores	0-20	21-40	41-60	61-80	81-100
Performance	Poor	Weak (less than acceptable)	Acceptable/average	Above average	Excellent

2.3 Urban Areas Covered

The assessment of urban areas was piloted in the six most populous urban areas in Kenya namely: Eldoret, Kisumu, Machakos, Mombasa, Nairobi and Nakuru. These six urban areas were selected largely based on population but also on geographical spread. Besides being the six largest in Kenya, they are very diverse among themselves, from their economic size and output.

Table 2.2 shows the list of these six urban areas with additional information on the county they are domiciled and their regional location including their population size.

Table 2.2: Urban Areas Assessed using UAPI

Urban Areas	County Government	Region	Population[4] (2015)
1. Eldoret Municipality	Uasin Gishu	North Rift Valley	324,323
2. Kisumu City	Kisumu	Western	419,072
3. Machakos Municipality	Machakos	Lower Eastern	224,610
4. Mombasa City	Mombasa	Coast	1,158,880
5. Nairobi City	Nairobi	Central	3,942,054
6. Nakuru Municipality	Nakuru	Central Rift Valley	369,839

Further details on the UAPI and indeed the entire methodology regarding components, weighting and evaluation of indicators in the index, scoring and how data was gathered are annexed in this study.

2.4 Study Limitations and Assumptions

This study acknowledges as earlier alluded to, save for Nairobi and Mombasa, that the other urban areas have so far not been constituted. It assumes given that specific urban areas' functions categorized into the three clusters are been implemented by departments within the County Governments where these urban areas reside that it is amenable to assess their performance. Furthermore, especially with regard to information related to budget, revenue and human resource management, we used county government information which was estimated and converted into urban area specific information for the four urban areas.

4 Sourced from respective County Integrated Development Plans, 2013

In regard to the methodology, it is important to underscore that there exist wide disparities, demographic and social economic differences between Nairobi and the other urban areas. This together with its capital city status maybe argued to have potentially favored its performance. Wide disparities can be corrected by standardization to allow for comparison. For most of the indicators in this UAPI, we indeed made a good attempt at standardization, for example on the indicator of own source revenue collection we factored population (per capita). This principle was however not easily applicable across a few indicators which may suggest that we are not comparing like for like. Often in these circumstances, the idea is to classify urban areas by their demographic size for comparison especially where the sample size (the number of urban areas covered) is substantial. That is, a category of cities and another for municipalities. This was however not the case given we only assessed six urban areas. We are indeed cognizant of these disparities and potential bearing on performance of urban areas.

We also note that the UAPI did not factor urban formal and informal dichotomy. As was mentioned earlier, about 60% of Nairobi residents live in informal settlement which potentially has implications on the three clusters. For example, informality adversely affects revenue generating activities and hence prospects of own source revenue. If such characteristics are fully factored, they may undermine the results, but to what extent we are not able to tell. This is an area for further research and consideration in future assessments.

Furthermore in conducting this study, the biggest challenge we encountered was with regard to accessing data and in a timely fashion using the questionnaire that we designed to be administered in each of the six urban areas. As will be mentioned there are a number of indicators that were not answered either because the information we were seeking is not available or due to non-disclosure. In this respect data access constrained the study in some ways.

Where information and data is available it was not always applicable for one reason or another. For example, some useful indicators used to assess investment environment for urban areas, particularly property tax were not used in the index as originally planned due to variations in the tax base measurement, thus not comparable. Nairobi, Kisumu and Mombasa, property tax is based on a certain percentage rate of the value of land whereas for an urban area like Machakos this is a quantum monetary figure based on the size of the land/plot.

In other instances, given lack of urban areas specific information, we converted some of these statistics for example on revenue to make them urban specific using population ratios with an assumption that revenue collection correlates with population size.

Most of the information on health statistics is county specific, for example and is often expressed as percentage. Using this county statistic, it is therefore difficult to estimate urban specific statistic.

CHAPTER 3

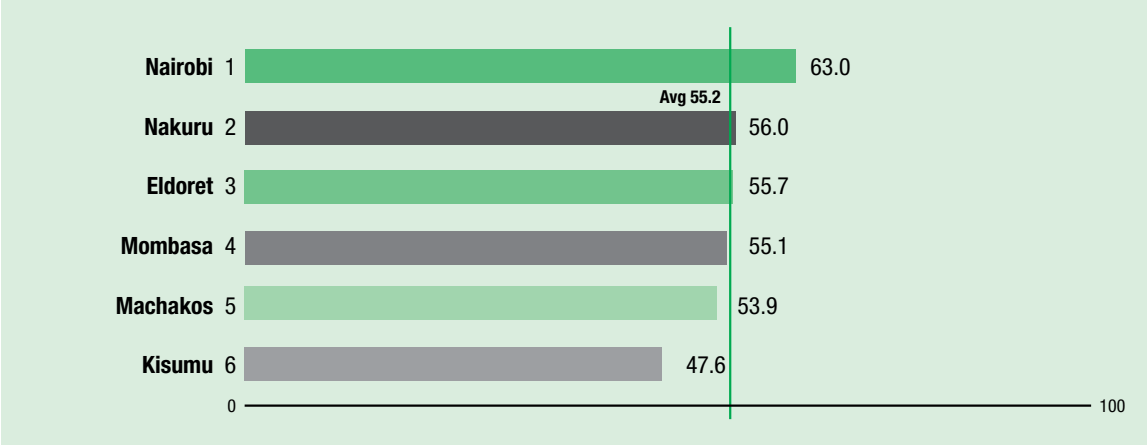
Findings

This section first provides results of the overall UAPI as seen in chart 3.1. Subsequent sections will breakdown the findings of the performance of the six urban areas by the three clusters and consequently by the sub-clusters within each of the clusters

3.1 Overall UAPI

The overall UAPI mean score is 55.2 as shown in chart 3.1. This score implies acceptable performance by all the six urban areas in service delivery, provision of a friendly investment environment and in effective and transparent asset and resource management.

Chart 3.1: Urban Areas Performance Index (UAPI)



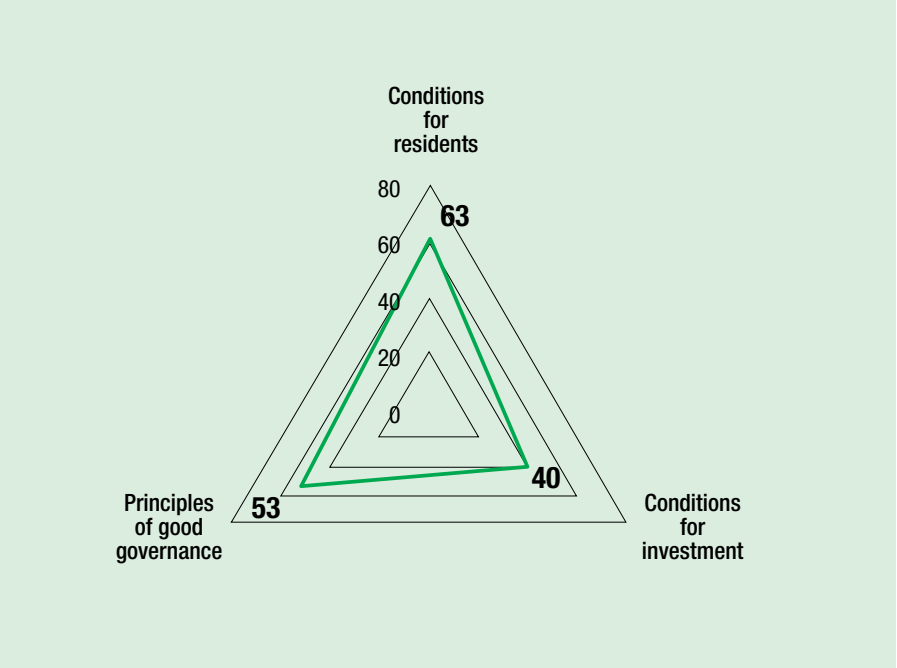
Nairobi, the capital city and the most populous of the urban areas is ranked first with a score of 63. It is the best performing urban areas and thus the place to be for residents and investors. With above average performance, Nairobi is indeed the most livable (attractive urban area for residence and business/investment) of the six urban areas based on the UAPI. At a distant second is Nakuru with a score of 56, followed very closely by Eldoret (55.7). Further Mombasa and Machakos whose scores are below the overall UAPI mean score follow in that order. Kisumu with a score of 47.6 is ranked last. The reasons and insights behind each urban area's performance are provided in subsequent analysis that breakdown the overall score by the three clusters and eventually by sub-clusters.

What is also noticeable from Chart 3.1 is that the performance of Nakuru, Eldoret, Mombasa and Machakos is generally comparable, with scores ranging from 53.9 to 56. On the other hand, the gap between Nairobi and Kisumu is surprisingly considerable, with a 15.4 points difference.

3.2 Performance of Urban Areas by Clusters

Chart 3.2 on cluster performance for all the urban areas and chart 3.3 on UAPI score across cluster provide more revealing results. First, the best performance by all the six urban areas is on the condition for residents cluster (63) followed by principle of good governance (53). The least performing cluster is condition for investment with a mean score of 40 (see chart 3.2).

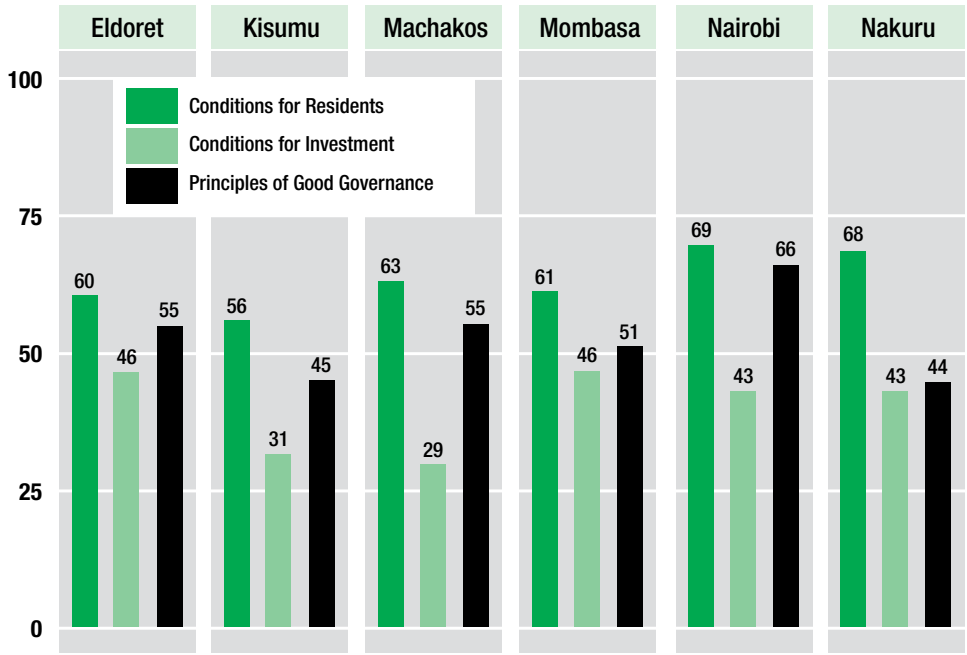
Chart 3.2: Cluster Performance for Urban Areas



Literature shows that access to basic services in Kenya is better in urban areas than in rural areas due to urban "agglomeration" phenomenon. This is perhaps what explains urban areas' performance on the conditions for residents cluster.

Chart 3.3 visually presents all the six urban areas' performance across each of the three clusters. Across this chart, the bars for principles of good governance are dwarfed by the bars for the conditions for residents. Similarly these bars on principles of good governance cluster are higher than those on Conditions for investment. It also shows variations in the scores of the six urban areas in these three clusters.

Chart 3.3: UAPI across Clusters



The following observations as seen from chart 3.3 explain some reasons behind the overall ranking and performance of each of the urban areas:

- Nairobi is ranked first overall. The reason for this is that it not only leads on the cluster of conditions for resident but also on the principle of good governance, with a score of 69 and 66 respectively.
- Nakuru is second overall because it comes second on conditions for residents cluster with a score of 68, number two on condition for investment with a score of 43 but last on principle of good governance.
- Noteworthy Eldoret and Mombasa tie in the lead on the cluster of conditions for investment with a score of 46 apiece. However the reason why Eldoret pips Mombasa marginally in overall performance is because its score on principle of good governance is considerably higher by 4 points.
- The reason why Kisumu is ranked lowest overall is that it was last on its performance on the condition for residents and second last on the other two clusters.
- Finally, a poor score on conditions for residents inevitably lowers the overall score given it is the cluster that carries most weight in terms of the number of indicators, 13 out of 67 (19%).

In general the result imply that all the six urban areas need to make some improvement on principle of good governance cluster (effectiveness and transparency in the management of assets and public resources) but major improvement on providing favourable conditions for businesses and potential investors.

The next chapters provide more insights on understanding urban areas performance by sub-clusters and how this builds up to their respective overall score.

CHAPTER 4

4.1 Condition for Residents

The best performing urban area under this cluster is the one that provides efficient and quality services to its residents, encourages competition and choice of service providers. Such an urban area often succeeds in attracting and retaining residents if it maintains and strengthens these services.

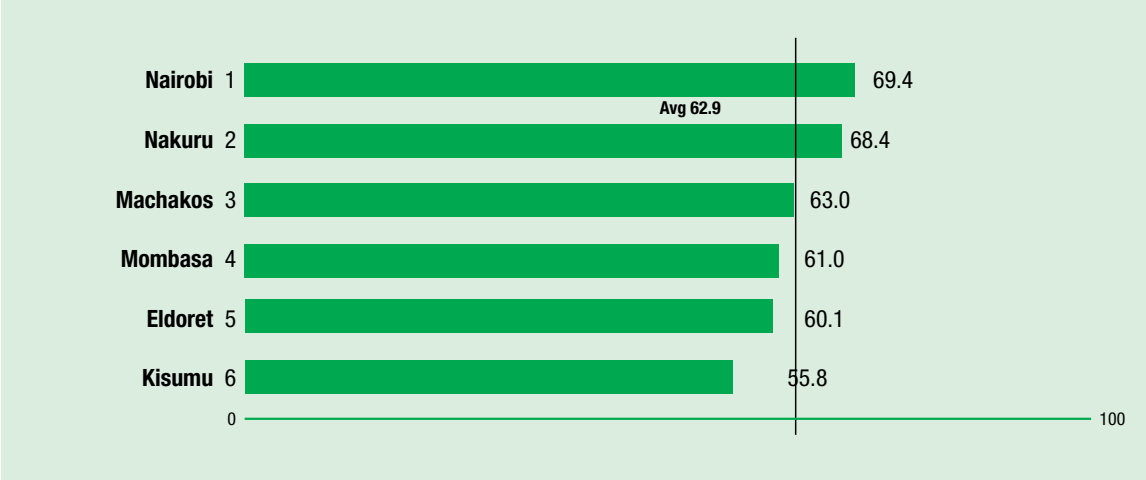
Table 4.1 provides detailed results of the conditions for residents cluster which constitutes the following six sub-clusters: public utilities, transport, safety and disaster management, education, health and social care. Performance in this cluster is generally driven by public utilities, transport and health sub-clusters due to their respective weight.

Table 4.1 Conditions for Residents Sub Clusters

Urban areas	Public utilities	Transport	Safety & Disaster Management	Education	Health	Social care
Eldoret	80	21	62	100	60	27
Kisumu	73	27	73	63	50	40
Machakos	56	50	50	91	79	78
Mombasa	57	42	77	50	86	49
Nairobi	80	42	88	97	65	53
Nakuru	89	33	51	78	78	58
Average	**72**	**36**	**67**	**80**	**69**	**51**

A look at table 4.1 shows that even if the best performing sub-cluster was education with a score of 80, overall performance of this cluster is indeed driven by performance of public utilities (72), health (69) and safety and disaster management (67).

Chart 4.1: Conditions for Residents



Performance in transport is weak with an average score of 36 for all the six urban areas. This is the least performing sub-cluster of the six sub clusters with reasons to be explained in the next section. As shown by chart 4.1 the individual scores by Kisumu, Eldoret and Mombasa are below the average cluster score, implying that most effort for reform should come from these three urban areas.

The next section identifies specific areas of strength and weakness for each of the six urban areas by the six sub clusters.

4.1.1 Public Utilities

Provision of basic services by public utilities is core to service delivery for any urban area and hence carried the most weight in this assessment. In this respect, some of the indicators used to assess performance of urban areas included water supply coverage to households, pricing, reliability of water supply and operation and maintenance of water utilities. Other indicators comprised frequency of solid waste collection and percentage of households with power supply. In all these areas we assessed whether the six urban areas have plans to guide and improve services to its residents.

The average score on public utilities sub cluster is 72.4 for all the six urban areas (see chart 4.2). With the exception of the average performance by Mombasa and Machakos, the other four urban areas posted excellent results with Nakuru as the best performer with a score of 89.

Chart 4.2: Public Utilities Sub Cluster

Water Supply

Nakuru's performance is attributed to the fact that it has the highest percentage of households, 90% with water supply on the back of their water supply improvement plans. This is well above the urban areas target of 80% by 2015. In fact Nakuru residents may be the happiest for they are charged Ksh 28 for water consumption of 0-6m3, the cheapest across the six urban areas. Besides, the residents are also guaranteed of 17 hours supply per day. On this indicator however, Nakuru is third best to Kisumu and Nairobi but still above the average (15) hours of water supply for the six urban areas. Furthermore NAWASCO their water utility company should be commended for keeping water losses to 37%, the lowest across the six urban areas, albeit higher than the recommended acceptable levels of 20-25% by the Water Service Regulatory Board (WASREB).

Results further show that despite commendable score in public utilities cluster, Eldoret's performance in water service provision is wanting. For starters there are 72% of households with water supply at Ksh 62 price for every 0-6m3 consumed, one of the lowest of the six urban areas. Provision of water is compounded by the fact that losses in distribution account for 45% and that reliability is limited to 15 hours per day. Additionally findings show that tariffs generated are not sufficient for the water public utility company to meet its operation and maintenance costs.

Findings further show that about 81% of households in Nairobi had water supply by 2015. It is however important to note that access levels in informal areas is often lower. For example, over 70% non-poor households in Nairobi have access to piped water in their house or compound against just over 50% of poor households (World Bank, 2015). Due to the high demand for water, 1.2 billion liters is consumed daily according to the Nairobi Water master plan study, water tariffs were hiked by Nairobi City Water and Sewerage Company (NCWSC) from Ksh 187.10 to Ksh 204 for every 0-6m^3 consumed in order to ensure reliability and security. This has contributed to rise in the cost of living yet the average number of water supply hours per day is 18, second to Kisumu and below expectations. There are questions around commitment to water service improvement as non-revenue water of 38% is above the acceptable levels. This perhaps explains that despite tariff increase this was not sufficient to cover operation and maintenance costs.

Kisumu Water and Sewerage Company (KIWASCO) only cover about 68%[5] of the household. As a result Kisumu is ranked fourth on this indicator. However, the good news is that it is the only urban area of the six that guarantees its residents 24 hours water supply per day.

Despite having plans for improvement of water supply, Mombasa has the lowest 54% percentage of households with water supply of the six urban areas, indeed below the mean of 70%. They fair dismally in regard to water supply reliability, 5 hours per day exacerbated by high physical and commercial losses of water supply at 54%. Unsurprisingly with tariffs of Ksh 68 for consumption of 0-6m^3, this study reveals that Mombasa's ability to meet it utility's operation and maintenance cost is among the lowest.

As for Machakos, it is ranked last with regards to public utilities with a score of 56. This average performance is attributed to low (57%) water supply coverage for households and equally poor reliability of water supply (11 hours/day) which is below 15 hours per day the average score on this indicator.

Solid Waste Management

All the six urban areas have varying programs and schedules of waste collection. The leaders, Nairobi, Mombasa and Eldoret collect waste in residential areas twice a week while for the other three this is done weekly. At least Nakuru reported that it has plans to increase solid waste collection frequency to twice a week which will go a long way to boost its performance.

Generally all the six urban areas have some plans and strategies for improvement of waste collections and management. How they have executed and implemented these plans differs from one urban area to another. Nakuru is the best performer on solid waste management. On this point, Nakuru is specifically looking into innovative disposal options that include: recycling, integrated solid waste management with the aim of sourcing for energy and employment opportunities for their residents as part of their solid waste improvement plans. Given that they have one designated disposal site with limitation of creating a new dumpsite, Nakuru is looking into increasing the life cycle of the current dumpsite, creating stations for sorting waste with the main aim of recycling as well as installing incinerators. These plans are stipulated in the Environment and Conservation Bill 2015 currently at the County Assembly waiting to be debated and passed.

Following closely, Eldoret plans for overall improvement of solid waste management are captured in the environment section of their County Integrated Development Plans (CIDP). On this point they have divided the urban area into sections and tendered the sections to private waste collection providers as a way of promoting competition. Moreover they have established partnerships with Swedish and Chinese investors to develop various methods of separation of wastes with the aim of recycling. Besides they have plans to develop local capacity with the local companies to enable them do the same as indicated in the County Development Profile.

Similarly, Nairobi has a viable waste collection and management program and plans for improvement of waste collection as reflected in the Solid Waste Management Act. Waste is disposed off in their two locations, the Dandora site which acts as a dumpsite and in Ruai which acts as a land fill. In regard to recycling of waste it was reported that the city works hand in hand with NEMA to keep

5 Water Services Regulatory Board (WASREB) 2016

air pollution fresh and accommodating to the residents. However, the extent to which these plans are implemented was not something that this study could establish. Furthermore, they also have plans to set up material recovery centres as per the "Integrated waste solid plan", which is awaiting approval from the County Assembly.

On the part of Kisumu their plan is known as Integrated Solid Waste Management Plan (ISWMP) that has existed since 2008. The ISWMP is a 10-year plan intended to provide means and ways for the improvement of waste collection in the urban area and has incorporated the reduced, recycles, and reused system. Whether this is practiced or not was beyond the scope of this study.

There are two underlying reasons for the low score for Machakos. First, they lack plans for improvement of waste collection and recycling. Secondly, they do not create tenders for waste collection service providers as a way of promoting competition. On the other hand, Mombasa indeed has plans for improvement of waste collection and created tenders for waste collection service providers. Their overall average performance in public utilities sub-cluster is due to their dismal results in water service provision.

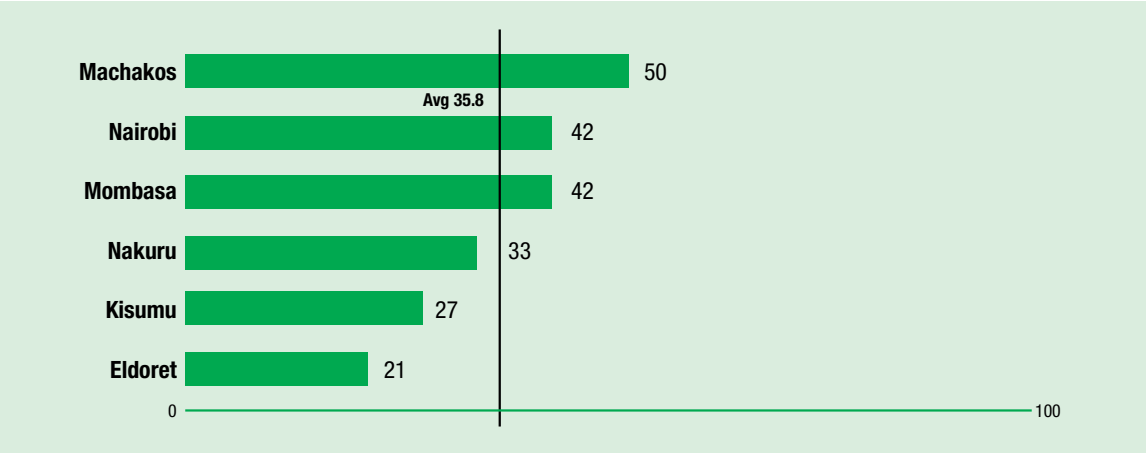
4.1.2 Transport

Good transport infrastructure is critical for mobility and connectivity and thus an enabler for economic growth when complemented with other infrastructure such as water and sanitation and power supply. This notwithstanding, this sub cluster was the weakest link under the condition for residents cluster performance with a weak mean score of 36 (See chart 4.3)

Specifically the focus of this sub-cluster is on laying a foundation for better public transport through policies, public transport route network and traffic management, state of roads and promotion of competition in provision of public transport. On this account, the best performance was unexpectedly registered by Machakos with a score of 50, with the two largest cities tying at a disappointing score of 42.

Machakos has a well-organized route network, albeit one of the smallest which is jointly organized with key stakeholders. In addition, it has both a general transport policy and one on non-motorized transport and with a relatively high percentage of public roads with an adequate drainage system, over 60% against the mean of 45%.

Chart 4.3 Transport Sub-Cluster



Of note and reasons behind Nairobi's performance is like Machakos it has policies on general public transport and non motorized transport. Its weakest spot is with regard to drainage, where about 20-40% of public roads are estimated to have adequate drainage system against mean of 45% for the six urban areas. Nairobi does not use any economic instruments such as congestion fees for traffic management although it's comparatively high parking fees for private cars is not only for purposes of revenue generation but also as a deterrent for use private cars especially in the central business district.

Mombasa's story of public transport is in many ways similar to Nairobi's and indeed the rest of the other urban areas. In spite having policies on public transport and for non-motorized transport, investment in drainage is inadequate as this was estimated to cover 20-40% of all public roads. Traffic management and organization leaves a lot to be desired as there is no use of economic instruments and regulation such as congestion fees neither is there a policy to address the increasing reports and cases of *boda boda*[6]*/tuk tuk* menace. Media reports note that the blame is on both sides of the National and County government on who should be responsible for regulating *tuk tuks* as the two levels of government are driven by revenue they generate from regulatory and licensing fees.

It is no different for Nakuru which scored 33.3. From a policy and planning perspective, Nakuru does not have a public transport policy and neither do they have any policy on non-motorised transport and *boda boda*.

Results show that Kisumu underperformed because of lack of an organized route network and lack of public transport policy - though public transport bill is in the County Assembly, a factor anticipated to enhance its performance on transport in future. Tendering for suppliers of public transport services is also lacking and there is still no urban specific policy or laws to be followed. Furthermore, they have neither adopted a mechanism for controlling congestion in the city, for instance, through use of economic instruments such as congestion fees. The situation on organisation and management of traffic is strained by the fact that maximum waiting time for public transport vehicles in dedicated stations is not adhered to.

Eldoret with a score of 21 is the weakest performer on transport of the six urban areas. This weak performance is explained by lack of policies on both public transport and non-motorised transport. The score is further pulled down by lack of boda boda policy and the fact that Eldoret urban area does not create tenders for suppliers of public transport services. Additionally they do not have an organized route network. As far as their state of road infrastructure is concerned, 40-60% of public of roads are estimated to have adequate drainage system within mean of 45%.

4.1.3 Safety and Disaster Management

This sub cluster is about reducing risks and hazards and facilitation of rapid response to emergencies. It constituted indicators such as whether the urban area has a functional telephone line to be used by residents for rapid response to emergencies. Other indicators included whether the urban areas have a policy or plan on public street lighting for ensuring safety for its citizens.

6 It is a term popularly used for two wheeled motorcycle taxis

Performance on safety and disaster management by all the six urban areas is above average. Nairobi leads in safety and disaster management sub cluster with exceptional score of 88 as shown in chart 4.4. Key indicators contributing to Nairobi's high performance include existence of a plan on public street lighting and at least one functional telephone line for a specific emergency, for example, on a line for fire emergency only. It not only has the least cases of crime in 2015 at 1.11 per 1,000 against mean of 2.24 per 1,000 but also experienced a drop in these cases by 37% over the period 2014 to 2015. Furthermore, Nairobi had the lowest number of recorded road accidents of 19 per 1,000 people in 2015 against a mean of 34 cases per 1,000 people.

Chart 4.4: Safety Disaster and Management

Mombasa, Kisumu and Eldoret in that order follow Nairobi but at some varying distant whereas Nakuru and Machakos with average score of 51 and 50 respectively posted the least performance. For Mombasa relatively high performance is attributed to having the second least cases of crime at 2.76 per 1,000 in 2015, albeit above the mean of 2.24 per 1,000. However, Mombasa experienced an increase in the number of road accidents by 0.3% on per capita basis. As for Kisumu their performance is explained by having a relatively low number of road accidents of 30 per 1,000 population but which grew in 2015 by 1.2%, thus lowering its overall sub-cluster score.

Analysis on safety and disaster management show that there were 101 reported cases of road accidents per 1000 population in Eldoret against a mean of 34 cases per 1,000 people, thus one of the highest amongst the six urban areas.

Nakuru's average performance is amongst the lowest because it recorded the highest cases of crime (8.3 cases per 1000 population in 2015) of the six urban areas assessed in this study. Whereas the cases in crime in Machakos were not as high as Nakuru's (4.55 cases per 1000 population in 2015) they registered the highest cases of road accidents, 144 cases per 1000 population. Overall Machakos is ranked last one point below Nakuru.

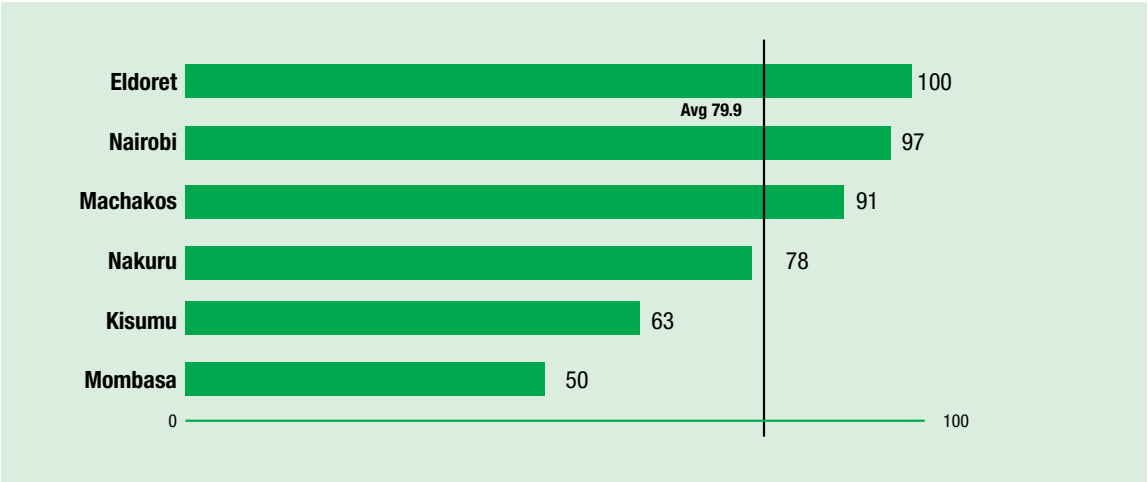
4.1.4 Education

The focus of this sub cluster is to a large extent on Early Childhood Development Education and Youth Polytechnics as the only devolved education functions. In particular this sub-cluster assessed

urban areas on threes indicators, namely: whether they have plans and policies on ECDE and Youth Polytechnics, their ratio of ECDE centers per pupil and quality assurance on ECDE.

Eldoret leads its peers with a perfect overall score of 100 (see chart 4.5). The results show that not only does Eldoret have a plan on ECDE and polytechnics covered in its education policy but it also has the lowest pupil to ECDE center ratio among the six urban areas. In particular, by 2014 there were 17 pupils for every ECDE center.

Chart 4.5: Education Sub Cluster



Nairobi with a score of 97 follows closely after Eldoret. It had 24 pupils per ECDE center among the lowest of the six urban areas perhaps attributed to the fact that there is a concrete plan and strategy on development of ECDE. The city also has a plan to foresee development of the 11 youth polytechnics that fall under its jurisdiction.

Machakos is ranked third with a relatively high score of 91 owing to the fact that first, it has a plan on ECDE and Youth Polytechnics under its jurisdiction. Secondly it also conducts assessments of the quality of ECDE centres by the ECDE coordinators at least twice a year. Nevertheless it is estimated to have an average of 41 pupils per each ECDE center which is below the mean for the six urban areas (56 pupil/ECDE).

Likewise Nakuru has a plan for both ECDE and Youth Polytechnics but overall score was dampened by the high ratio of pupil 75 to ECDE centers.

Kisumu's performance is modest. In comparison to other urban areas it is second last. It overall performance is undermined because it only has a plan on ECDE but not on polytechnics. It was reported that the one for polytechnics under its jurisdiction is still under formulation.

Mombasa with a mean score of 50 is ranked last, 30 points below the mean sub cluster score. What explains their situation is that it is the second urban area that has a plan for ECDE but not Youth Polytechnics. Their overall score was further pulled down by the large number of pupils 107 per ECDE, indeed the largest of all the six urban areas.

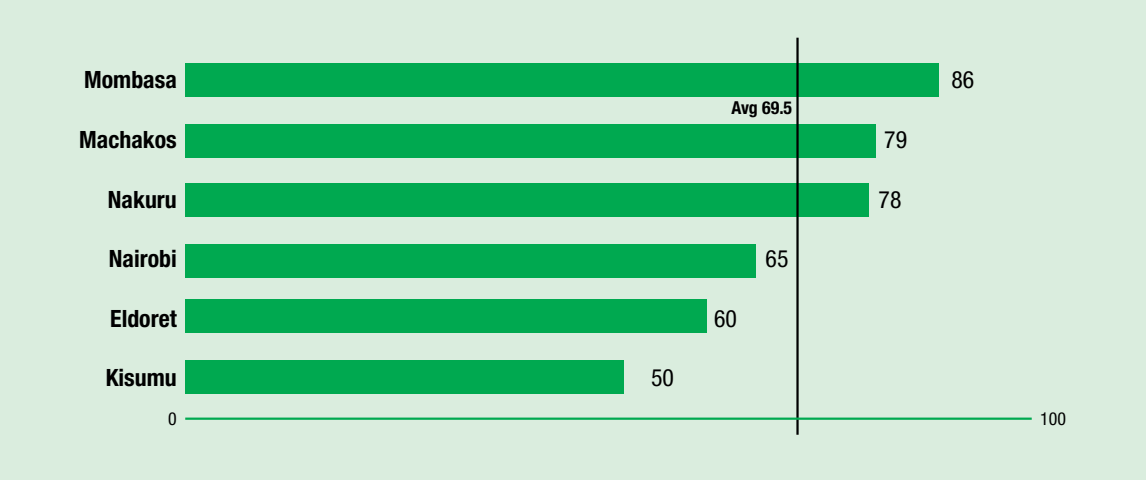
4.1.5 Health

This sub-cluster assesses the performance of urban areas in provision of health service in terms of public investment in select health inputs as well as on select health outcomes. The six urban areas performance is above average with a mean score of 69 perhaps due to the focus and priority they place on the health sector. This is vindicated by the fact that in 2014/15 health budget share for all the 47 County Governments was 21.5% and this went up to 23.4% in 2015/16 (RoK, 2016).

Mombasa is ranked first with an exceptional score of 86 followed by Machakos and Nakuru with above average scores of 79 and 78 respectively. Kisumu's performance is acceptable with a score of 50. It is juxtaposed by average scores of 65 and 60 for Nairobi and Eldoret respectively. This performance shows some wide disparities between the top three urban areas and the bottom three.

These disparities are explained by the data which shows that in regard to health inputs, Mombasa had 96 medical personnel per 100,000 population in 2014, the highest of the six urban areas. Of note is that health spending as a share of total spending by Mombasa went up considerably from 20% in 2014/15 to 27% in 2015/16[7]. This investment seems to have paid off as most of the health outcomes reveal commendable results. For example, the percentage of deliveries in a health facility was 81.8% in 2014 while the percentage of children fully immunized in 2015 was 86.6% well above the national average of 73.4%.

Chart 4.6: Health Sub Cluster



On morbidity, HIV/AIDS prevalence rate in 2015 was 7.5%, while reported cases of cholera were 2.6 per 100,000. The area of concern remains on dealing with malaria owing to the fact that Mombasa is a malaria endemic region. It is no surprise with 7,189 reported cases of malaria per 100,000 Mombasa is ranked number four on this indicator.

7 Computed from Office of the Controller of Budget (OCoB) Annual County Governments Budget Implementation Review Reports for 2014/15 and 2015/16

Box 4.1: Examples of Free Access to Sexual and Reproductive Health Services Offered

All the six urban areas provide women with free access to medical tests relevant for their sexual and reproductive health, such as regular gynecological examinations and pap smear test. Examples of select urban areas on what they offer and the health facilities where these services are offered are presented below.

Nairobi for instance offers gynecological examinations and pap smear test through their respective health facilities, for example: Riruta health centre, Kangemi health centre and Mutuini health centre. In turn these cases are referred to Kenyatta Hospital as one the main referral hospitals and Mbagathi Hospital in the event of complications. In Nakuru, simple routine tests are mostly offered free of charge, however complicated ones are normally referred to major hospitals and usually a small fee charged. There is also cost sharing between the government and residents.

In Kisumu, pap test is majorly done on cervical cancer screening all year round and is free to all at the Jaramogi Oginga Odinga Teaching And Referral Hospital.

Machakos' performance is on account of generally high children immunization rates at 78%, low comparative cases of malaria (465 per 100,000 population) and modest percentage of deliveries in a health facility in 2014, which stood at 63%. Besides providing its female residents with free access to medical tests relevant for their sexual and reproductive health, Machakos has a low HIV prevalence rate of 4.5% and a low cholera prevalence rate of 2.7 per 100,000 in fact among the lowest thus boosting their performance. Of note is that their health facilities provide sufficient information to residents on services offered through the service charters. The resultant high awareness levels may be attributed to increased health care utilization and thus improved health outcomes.

The findings show that Nakuru and Nairobi registered mixed performance. On the one hand Nakuru posted positive health outcomes including 87.8% children fully immunized the highest across the six urban areas, sandwiched by the lowest HIV/AID prevalence rate of 4.1% and relatively small number of malaria reported cases, 2956 per 100,000. On the other hand the percentage of deliveries at 69.7% in a health hospital was comparatively low while cholera prevalence rate, 6.6 cases per 100,000 population resulted to a poor score of 16.

As far as Nairobi is concerned, it leads the pack with 88.7% of deliveries done in a health facility. They perform equally well with regard to posting among the lowest cases of malaria 1,196 per 100,000. Furthermore Nairobi has one of the lowest HIV/AIDS prevalence rate at 6.1%, albeit marginally above the National average of 5.9%. Nevertheless it lags behind in regard to cases of cholera prevalence and on the percentage of children who have been fully immunized, 70.4% below the National average of 73.4%[8] perhaps owing to wide formal and informal dichotomy. Their overall performance is telling given that the ratio of medical personnel 76 per 100,000 population is amongst the lowest.

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Eldoret ranks fifth with regards to service provision on health. It has a score of 60 which is 9 points below the average score for the six urban areas despite posting high performance with regards to indicators such as cholera and HIV prevalence rates as well as in providing sufficient information to residents on services offered through the service charters. Their undoing is on the percentage of deliveries in a health facility in 2014 at 57% and children fully immunized at 69% in 2015 both among the lowest among the six urban areas.

Kisumu's performance is the least with a score of 50, which is 19 points below the average health sub cluster score. Although they provide sufficient information to residents on the services offered through the service charters, low performance on the overall sub-cluster is due to high cases of malaria, 32,463 per 100,000 in 2015; high HIV prevalence of 19.9% in 2015 and second lowest percentage of deliveries in a health facility at 69.5% in 2014.

4.1.6 Social Care

This service is about supporting the poor and vulnerable in the society and in general about social inclusion as well as employment levels. Social care sub-cluster mainly assessed the six urban areas on their level of unemployment and child poverty (information on poverty levels is dated hence replaced by child poverty levels). This is mainly guided by the fact that urban areas have a role to play in creating employment opportunities for enhanced economic development and wellbeing. Social welfare programmes to alleviate poverty especially among the children are also important in enhancing human development.

With the exception of Machakos the performance of the five other urban areas was average ranging from a score of 58 for Nakuru which was second to 49 for Mombasa and Eldoret's score of 27 as the weakest performer.

Factors leading to high performance for Machakos' include improved social welfare kitty for registered social groups for women and persons with disabilities (PWDs). Similarly their unemployment rate of 9.4% against an average of 12.3% is the lowest among the six urban areas examined. However, their challenge is on child poverty rate of 23% against mean of 24.5% of all the six urban areas.

Chart 4.7: Social Care Sub Cluster

In the second position is Nakuru with a score of 58 points, 7 points above sub cluster mean. This is mainly explained by relatively low unemployment rate of 10%. In contrast Nairobi's performance is due to having the lowest child poverty rate of 7%, the lowest of all the urban areas but burdened by an unemployment rate of 14.5% higher than the mean by 2.2 percentage points. Mombasa has the second lowest child poverty rate of 8% after Nairobi, contrasted by the highest unemployment rate of all the six urban areas that is 15%.

On the opposite end of Machakos' performance are Kisumu and Eldoret whose child poverty rates are 31% and 44% respectively and indeed the highest. Kisumu like the other large cities of Nairobi and Mombasa has an equally high unemployment rate of 12.5%. This raises questions on the effectiveness and impact of on-going child protection interventions or indeed county government and national government collaboration in social protection policy implementation.

CHAPTER 5

5.1 Conditions for Investment

This cluster comprises two sub clusters (i) taxes and (ii) investment and trade. Urban areas which reduce the burden of tax and provide an enabling environment including information on taxes and other necessary information for businesses and potential investors are ranked highest in this cluster.

As shown in Table 5.1, the best performance is in taxes sub cluster, about 40 points above the investment and trade sub cluster for all the six urban areas. It is however important to note that overall performance in this cluster with a score of 39.9 is weak as shown in chart 5.1 attributed to low score 28 in investment and trade sub cluster.

Table 5.1 Conditions for Investment Sub-Cluster

	Conditions for Investment	
Urban areas	Investment and Trade	Taxes
Eldoret	33	78
Kisumu	17	64
Machakos	13	67
Mombasa	43	56
Nairobi	37	56
Nakuru	23	89
Average	**28**	**68**

From chart 5.1 Mombasa is ranked first with a score of 46.5 which is 6.6 points above the average as the best performing urban areas on the conditions for investment cluster.

Chart 5.1: Conditions for Investment

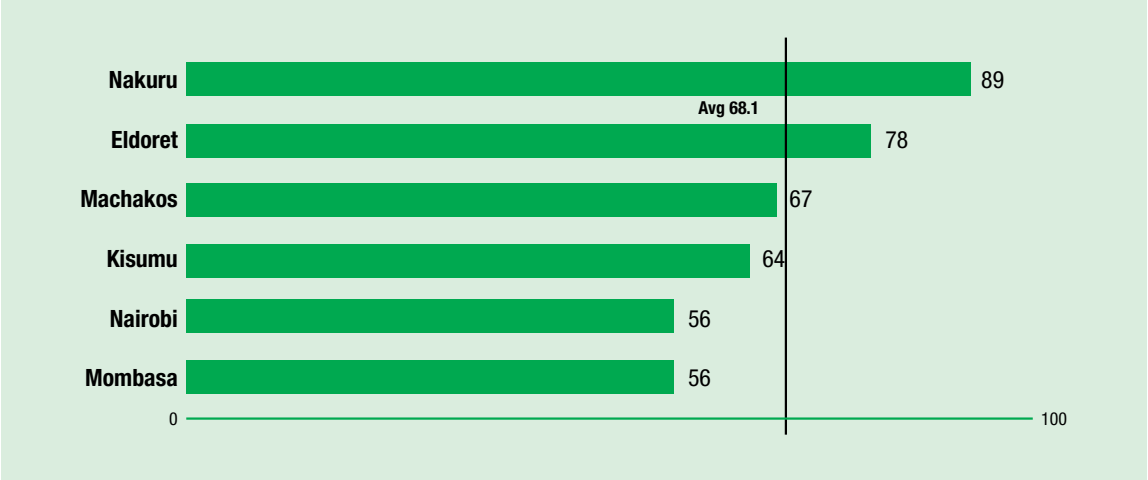
The other urban areas whose score is above the mean cluster score include; Eldoret, Nairobi and Nakuru. The weakest performers are Kisumu and Machakos. In fact the gap between Nakuru as the fourth ranked urban areas is slightly over 10 points individually between Kisumu and Machakos and slightly over 15 points compared to first ranked Mombasa. The next section provides insights of individual urban area performance.

5.1.1 Taxes

Literature shows that investment and business decision making behaviour is influenced by the structure of taxes and other fees/user charges in any administrative unit. Thus a friendly tax regime is likely to attract businesses and investment. In this respect and under this sub-cluster, urban areas were assessed on various indicators including whether they provide information on local taxes and fees to businesses. The other indicators were on fees levied for parking and trade license (single business permit) for a general retail trader shop.

Analysis of the scores of the six urban areas reveal that Nakuru leads by an exceptional score of 89 followed by Eldoret and Machakos whereas the bottom three ranked urban areas are Kisumu, Nairobi and Mombasa. These results imply that Nakuru is the most tax friendly urban area based on this UAPI. First, it provides sufficient information on local taxes and other levies like most of the other urban areas. Secondly, its levies for parking fees (Ksh 100) for saloon cars and Ksh 4000 charged for as annual single business permit for general merchant are the lowest.

Chart 5.2: Taxes Sub Cluster



In second position is Eldoret, 10 points above the mean overall sub cluster score. In particular they not only provide sufficient information to the public and businesses, but also levy relatively modest parking fees for private cars (Ksh 100) and single business permit for a general merchant shop (Ksh 5,000). On the other hand, Kisumu, which is fourth placed, that is, 4 points below the mean is partly attributable to the high average fixed fee on single business permit for other wholesale-retail traders, stores, shops and services which was Ksh 6,250, according to their Finance Act, 2015.

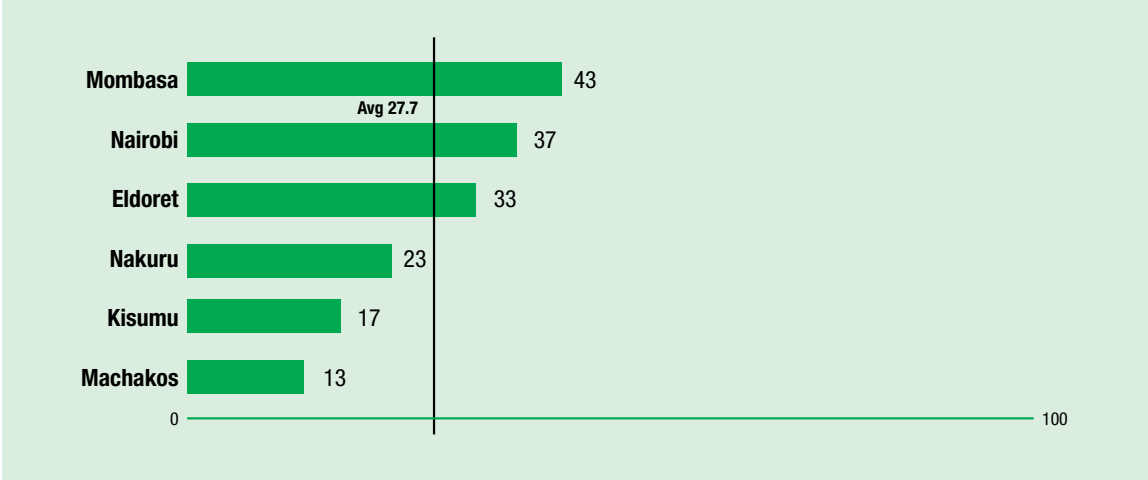
Like the rest of the urban areas, Nairobi provides some information to taxes. Its levy on average fixed fee on single business (Ksh 4,000) is amongst the lowest but overall cluster performance is explained by high parking fees (Ksh 300) relative to the the rest of the urban areas. Mombasa is bottom ranked for this tax sub-cluster. Findings show that though they provide some information on local taxes and other levies, this is not comprehensive as other important details such as penalties is not provided. Apparently it charges parking fees of Ksh 100 for residents but single business permits for a general merchants shop (Ksh 7,000) is the most expensive of the six urban areas.

5.1.2 Investment and Trade

This sub-cluster assesses the investment environment within the six urban areas as a critical foundation for enterprise growth and employment creation. The indicators assessed include the number of days it takes to register property, the number of business permits and separately the number of building permits issued, and the number of foreign direct investments. In addition, the question of whether they provide basic information necessary for investors was also assessed.

As revealed in Chart 5.3, the performance of all the six urban areas in this sub-cluster with a mean score of 28 is dismal. Interestingly, Mombasa leads, with 43 points in this sub- cluster but is ranked last in the tax sub cluster as noted in the preceding sub-section. Performance in this sub-cluster is the driver for Mombasa's and indeed all the six urban areas overall rank in the entire cluster given its weight.

Chart 5.3: Investment and Trade Sub-Cluster



It is important to first point out that the overall score in this sub cluster by the all the six urban areas was undermined by lack of data or missing information. Among other things lack of data may be because of most of the County Statistical offices having not been operationalized. For indicators in which there was no data due to non disclosure or where data is completely missing they were graded a score of zero as per the UAPI methodology.

On this point, findings show that none of the urban areas provided information on the number of foreign direct investment and tangible investment. We did not succeed to obtain this information from Kenya Investment Authority either, not even for Nairobi. Secondly it is only Nairobi and Nakuru that provided information on the number of public private partnership contracts created in 2015.

Mombasa with a score of 43 is ranked first, in part because it comparatively takes the shortest time, 41 days to register property. Reports show that this is credited to automation of the process. Similarly the number of business licenses they issued per capita increased by 10% between 2014 and 2015. Eldoret that is ranked third on this sub cluster in fact registered the highest growth of business licenses issued per capita, 17% between 2014 and 2015 while in Nairobi the number grew by 4%. Mombasa had the highest number of building permits issued per 1000 people, a modest 0.83 compared to Nairobi's 0.62. Nevertheless Nairobi registered the highest nominal growth, about 12% between 2014 and 2015. Non-disclosure on the number of business permits for Nakuru, Kisumu and Machakos worsened their overall score. Their performance may have been different if this information was available.

Furthermore Mombasa's performance is accentuated by the fact that it is the only urban area that provides basic information necessary for investors in both Kiswahili and English via their website. The rest of the other five urban areas provide information only in English, with varying degree of content. Kisumu's level of content is substantial. For example, it provides through its website a schedule program that one can use to know how much to spend on licenses needed to start a business and also information necessary to start a business including local taxes and other levies. Additionally it also notes that there is an annual public participation forum on these matters.

CHAPTER 6

6.1 Principles of Good Governance Cluster

This cluster comprises three sub-clusters. One is on budget and it assesses whether urban areas observe fiscal discipline and transparency in public finance management. The second one regards effective management of assets and privatization of non-core assets and functions. Administration and human resource management is the third sub-cluster whose focus is on reducing administrative and bureaucratic burden.

The best performance is in asset management sub-cluster followed closely by the sub cluster on administration and human resource management. Conversely performance in the the budget sub cluster with a mean of 35.6 is weak.

Table 6.1 Principles of Good Governance

	Principles of good governance		
Urban areas	**Budget**	**Asset management**	**Administration and human resource management**
Eldoret	43	75	57
Kisumu	8	94	59
Machakos	33	66	73
Mombasa	43	56	58
Nairobi	58	66	74
Nakuru	28	47	61
Average	**36**	**67**	**64**

Chart 6.1 shows that Nairobi with a score of 65.7 is ranked first in this cluster with notable comparative performance in budget and administration and human resource management sub-clusters as shown in table 6.1. On the other hand, Nakuru with a score of 44 is ranked last. In between, we have Machakos, Eldoret and Mombasa register average performance with very little variation but this is not the case for Kisumu whose score is less than a point above Nakuru's.

Chart 6.1: Principles of Good Governance

The following section provides more detailed analysis of the three sub-clusters in explaining the performance of the six urban areas, their strengths and weak spots.

6.1.1 Asset Management

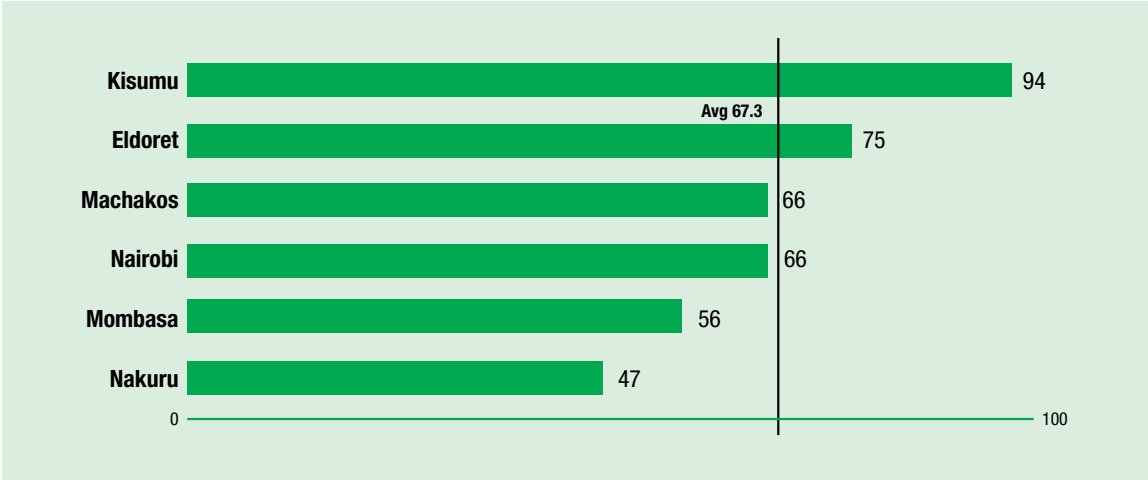
For effective management of assets and privatization of non-core assets and functions, administratively urban areas were assessed on whether they keep an asset register and on asset ownership (using a few indicators). For example, this sub cluster had indicators on the number of funeral homes and the number of cars owned or rented per employee for administration purposes. Besides urban areas were also assessed on the number of companies they hold capital in.

On matters of asset management, Kisumu with an exceptional score of 93.8 is ranked first in the asset and human resource management sub cluster. In particular, this performance is attributed to them having the least ownership in assets/buildings considered non-core.

Eldoret with a score of 75 comes in second place. This is because it does not hold capital in any private company or own funeral homes an indicator that public resources are diverted to non-core functions. However Eldoret owns a substantial number of vehicles. Data shows that comparatively for every 12 cars they own there are 100 employees, the highest of 3 urban areas that provide data on car ownership and thus a cause for concern.

Machakos like the rest of the other urban areas keeps an asset register. They own 8 cars for every 100 employees, higher than the number of cars-employee ratio for Kisumu but lower than that for Eldoret. Nonetheless Machakos does not fare well with regard to number of funeral homes they own.

Chart 6.2: Asset Management



Like all the other urban areas, Nairobi keeps an asset register but due to poor record keeping this analysis was not able to establish ownership of cars perhaps because the process of updating this register is on-going. Data provided shows that Nairobi only owns one funeral home and has shareholding in one company. We were however not able to authenticate this given Nairobi's economic size especially in regard to shareholding.

Mombasa indeed keeps an asset register which is accessible upon request. Information obtained show that it has shareholding in one company, Mombasa Water Services and Sewerage Company and by end of 2015 it owned four[9] funeral homes. There was however no record or data provided on the number of cars they own or rent. It was not clear whether they have this information but declined to disclose it and hence graded a zero for lack of transparency or whether this information is not available at all. Whichever the case, this contributed to lowering their overall score. Equally these findings raise the question of whether Mombasa is operating four funeral homes where the norm in other urban areas is one but more importantly this only serves to increase administrative and financial burden as opposed to leaving such non-core function to the private sector.

Nakuru keeps a register of its assets which is held by the Finance Department. Findings show that it holds capital in four companies, namely: NAWASCO; NARUWASCO; Naivasha Water and Sanitation and Agricultural Training Centre. In addition they own one funeral home based in Nakuru level 5 Hospital. It was reported that the management of assets is still an issue in part because of lack of the formation of municipal boards which should currently be in operation.

There are also additional issues that the Transition Authority did not handle properly during transition to devolution process with respect to County assets. These results reveal that on the balance Nakuru is putting its resources on businesses that may be argued to be non-core and also given that no data was provided on the number of cars owned or rented, thus ranked lowest on this sub cluster.

6.1.2 Budget

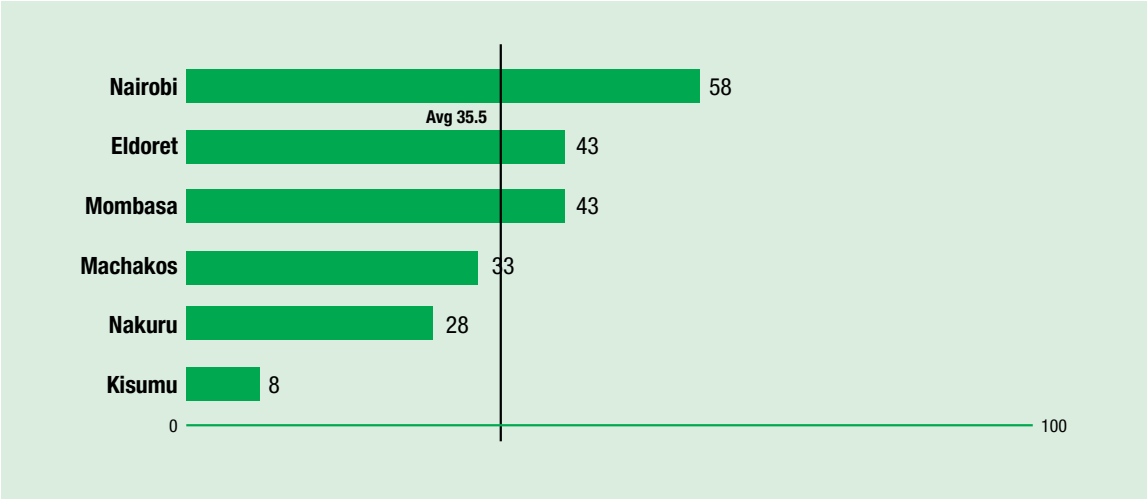
Urban areas were assessed on their local revenue mobilization effort on one hand and on the other

9 The initial response obtained was that Mombasa owns four funeral homes namely; Jocham, Pandya, Coast General Hospital and Port Reitz, it was however later clarified during the dissemination meeting that Mombasa owns the latter two only.

the ratio of pending bills (accounts payable) and debt to revenue. In addition questions of the proportion of revenue paid in cash versus that paid in non-cash mode were also asked to gauge their level of automation in revenue collection and management. Furthermore urban areas were assessed on the proportion of public procurements done by open tender. On the expenditure side, one of the the indicators included whether the 30% threshold for development expenditure was adhered to as provided in Public Finance Management Act, 2012. The other indicator assessed urban area's uptake (absorption rate) of development budget.

This as seen in Chart 6.3 was the least performing sub cluster with a mean score of 36 undermined to some extent by missing information or lack of disclosure of information on debt for all the six urban areas but for Nairobi. Information on public procurement by open tender was equally not provided by all the six urban areas. As a result of being the least performing sub cluster immediately calls for the urban areas to prioritize major reforms on transparency in public finance management.

Chart 6.3: Budget Sub-Cluster



With a score of 58 Nairobi leads in this sub cluster in part attributed to their comparatively high local revenue collection effort. Data shows that local revenue per capita of Ksh 2,971 for 2015/16. It is however important to note that despite this performance, studies reveal that Nairobi's local revenue collection effort is only about half of its potential. Data shows that although they have registered improved overall local revenue collection since 2013/14 the amount of local revenue collected in 2015/16 was 23% short of target. General improvement in revenue collection is partly attributed to efforts in technology use where 80% of revenue is paid using online and mobile phone platforms, for example e-jiji pay. However cases of leakages and corruption still remain a notable challenge.

As shown in chart 6.3 performances of all the other five urban areas was below par with increasing disparities from Machakos' score of 33 all the way to Kisumu's poor score of 8 which seems like an outlier. Despite coming second, Eldoret's local revenue effort is the lowest, as they raise Ksh 628 per capita and with a modest revenue performance of 69.3%. It is only Mombasa (Ksh 2,537) and Nakuru (Ksh 1,195) that come close to Nairobi in local revenue collected per capita indeed above the average (Ksh 1,526) for this indicator, with Kisumu, Machakos and Eldoret trailing in that order.

On a related point, Nakuru leads in local revenue performance, that is, local revenue collection as a percentage of the projected revenue was 99.3% although 40% of its revenue was paid in cash. Conversely Kisumus[10] local revenue performance was 52.4%, placing it in the second last position ahead of Machakos. On this point, most of Kisumu's revenue was collected in cash (70%), the highest proportion among all the six urban areas, which often as is documented is susceptible to leakages.

Nairobi may be the leader in this sub-cluster but it did not do well on expenditure management. For example, it did not meet the 30% fiscal rule threshold for development expenditure whereas up take of development budget at 53% was quite low. In these two indicator, Eldoret posted best performance, surpassed development expenditure threshold of 30% by 5 percentage points and had the highest, at 75% absorption rate of development expenditure. In spite of low revenue per capita, results on expenditure management imply expected gains in service delivery.

Mombasa is the only other urban area that complied with expenditure with the others Nakuru, Kisumu and Machakos falling short. For Mombasa by the end of 2015/16 nearly half of total development expenditure remained unspent while that for Machakos and Kisumu was more or less about 55% and almost 60% for Nakuru. All these are signals of poor expenditure management which have an adverse effect on service delivery.

Further reasons why Eldoret and Nairobi are the best performers is on account of having amongst the lowest pending bills (accounts payable) to revenue ratio, with Eldoret ranked first on this indicator with a ratio of 2.1% followed by Nairobi with a ratio of 4.9%. Kisumu has the highest pending bills to revenue ratio of 45% with the other urban areas, namely: Machakos, Mombasa and Nakuru comprising the middle pack.

6.1.3 Administration and Human Resource Management

The indicators under this sub cluster were split into administration and human resource management. These indicators evaluated whether the urban areas were subjected to quality control and whether they keep records on citizen requests, queries and feedback. On the part of human resource management, these indicators constituted size of urban area staff as a ratio of population, the size of their wage bill and the number of staff found guilty of breaching the law or administration regulations, for example the number of disciplinary cases.

As shown in chart 6.4, performance of the six urban areas with a score of 64 in this sub cluster was above average. Nairobi and Machakos are the best performers ahead by a wide gap of 12 points between Machakos and the third ranked urban area, in this case Nakuru. Kisumu, Mombasa and Eldoret in that order followed very closely to Nakuru with only a point separating their respective scores as seen in chart 6.4.

10 Controller of Budget report

Chart 6.4: Administration and Human Resource Management Sub Cluster

Administratively, Nairobi keeps a staff register available to the public upon formal request. Reports show that one of the biggest fiscal challenges that Nairobi has to deal with is its huge wage bill. In fact this study shows that slightly over a half (51%) of total spending was used for paying salaries in 2015/16 with staff to total population of 0.33%, the third largest of the six urban areas. The authenticity of these figures especially on the staff size has been questioned with numerous media reports citing cases of existence of ghost workers. The fact that the report of the recent staff audit exercise has not been made public has not helped the situation.

Keeping staff records and the number of requests made by citizens to the urban area administration are among the factors that enabled Machakos to earn high scores on administration and human resource sub cluster. The other factor is that the urban area authorities make their staff register available to the public upon formal request. The score for Machakos can improve even more by addressing some factors which include, keeping records on the number of urban area's staff found guilty of breaching the law and/or administration regulations. Findings from the study reveal that the officers interviewed could not give exact number of the urban area staff found guilty of breaching the law but cited that the breaching of the law is most frequent.

In Kisumu more than half of their spending was used for paying salary for its staff. Findings also reveal a number of human resource related issues which if addressed would earn Kisumu a higher score. They include, officers breaching the law especially the finance and administration departments. The County Public Service Commission (PSC) was found to have breached the law according to the recently released General Auditors report 2015/2016 in recruitment and hiring of staff.

Mombasa, like other urban areas keeps a staff register that is made available to the public upon request. Comparatively, it had a modest staff compliment, 0.37% of the total population by 2015. Like Nairobi, anecdotal evidence from engagement with civil society organizations and media reports noted that there is lack of transparency in the recruitment process and that there exist are ghost workers hence implying that the staff numbers may be underestimated. This modest staff size notwithstanding, out of every Ksh 100 spent, about Ksh 68 is used to pay staff salaries, the highest of the six urban areas.

On the part of administrative and human resource management, data shows that Eldoret has the least administrative budget given that for every Ksh 100 shillings its spends, about Ksh 39 is used to pay staff salaries. To put this to perspective, it has 1 staff for every 1,123 population.

CHAPTER 7

Conclusions

Performance of urban areas in the context of devolution is critical for driving economic growth and in turn delivering better quality of life for citizens. Given urban areas uniqueness an assessment of their performance and impact of their policies on citizen's wellbeing in the face of rapid urbanization is imperative. In this report, the six largest urban areas in Kenya performance were assessed based on the UAPI. By comparatively ranking urban areas, the UAPI is tailored to increase competition among urban areas in terms of better performance for their residents and businesses, enhance efficiency and transparency in use of public resources and better urban governance.

The overall UAPI findings reveal that all the six urban areas in Kenya performance is average in service delivery, provision of friendly investment environment and in effectiveness in asset and resource management. In particular the findings show that Nairobi is the best performing urban area, followed at a distant second and third by Nakuru and Eldoret. Kisumu is the least performing urban area preceded by Mombasa and Machakos. Service delivery was the best performing area followed by the area on governance. The least performing area was in provision of conditions for investment. A breakdown of the results showed that for all the six urban areas that public transport was the weakest in service delivery while investment and trade was the weakest under conditions for investment. It is important to note that lack of data undermined performance of urban areas on this area. Similarly data gaps as well as high wage bill and low uptake of development expenditure was the weakest spot with regards to asset and resource management

Based on these results, policies in the six urban areas should be prioritized towards major improvement of conditions for attracting businesses and investment, public transport and in strengthening their Public Finance Management systems. This UAPI results are a useful social accountability tool for civil society to drive evidence based advocacy. Ultimately if report findings are implemented they will trigger county governments to initiate the process of formally constituting urban areas as provided in UACA as they are an important catalyst to economic growth and development.

We note additional parameters as shared during preliminary discussion of report findings that may be considered for enhancement of subsequent assessment of performance of urban areas, including:

(i) Public participation

Public participation was not included in the report in the analysis of the index. However, it is a pertinent governance issue for consideration.

(ii) Housing

Provision of housing and in fulfillment of rights to housing is a typical urban areas function. Given rapid urbanization, the question for any urban area is to meet demand for housing especially affordable housing.

(iii) Environmental protection

Due to climate change urban areas may experience environmental degradation and thus affecting the livelihoods of the residents. It is hence important to assess urban areas on the efforts being done to conserve the environment from air pollution, open spaces, tree cover and so on.

(iv) Food security

Given rapid urbanization, demand for food keeps rising and the question of urban areas to feed its residents wholly or by supplementing supplies from rural areas is pertinent.

For some of the sub-cluster already used in this report, there is scope for further expansion especially the one on Social Care and Asset management. On the former, inclusion of indicators of peoples with disabilities, street children and the old aged groups is important for completeness. As for the latter, other important indicators for future assessment include number of public toilets and public recreation facilities such as stadia.

CHAPTER 8

Recommendations

Below are key recommendations based on study findings grouped around the three clusters used in assessment of urban areas performance. As a prelude to these categorized recommendations, this study notes two general recommendations useful to improving overall performance of the six urban areas.

General recommendations

- **County governments should in the short term establish urban areas structures as provided UACA, 2011**
  So far no County Government has legally and formally constituted urban areas structures due to administrative and political reasons. This is despite the fact that urban areas are a catalyst for economic growth. For better performance and as a way of attracting residents, businesses and investment, County Governments should establish urban area structures as a foundation for urban governance and planning by implementing UACA. Besides there exist a framework to guide and assist County Governments to establish institutional structure for management of urban areas. Further, administrative issues including lack of regulations are already being addressed.

- **Operationalize County Statistics Offices as a data repository and information centre.**
  There is need to strengthen urban areas specific data collection, recording, management and archiving. This has a knock on effect on reducing information asymmetry and improving transparency gains. As a result the Department of Planning should put everything in motion for operationalization of County Statistics Offices. All the six urban areas can rely on this office to collect urban areas specific data and the areas specified in this study questionnaire can inform they type of data to be collected. For example, none of the six urban areas provided information on foreign direct investment, be it the number and value of investment. Besides data that is collected should be disaggregated and presented in a user friendly way in order to facilitate meaningful use and interpretation as well as for it to inform proper planning. For capacity development, collaboration on a multi-lateral or bilateral basis with Kenyan National Bureau of Statistics (KNBS) is paramount. Once in place, these urban areas in conjunction with County Statistics Offices should pursue setting up of open data portal for wider reach and in turn overall transparency.

Conditions for Residents

- **Prioritize and scale up investment in provision of networked infrastructure and services**
  For better performance, upon their establishment the urban areas and in particular Kisumu,

Eldoret, Machakos and Mombasa should progressively increase investment to enhance public utilities in delivery of water and solid waste management services. This is important towards realization of 100% water coverage by 2030. This should be complemented by more emphasis and reforms towards better utilization of development expenditure through better synchronization of budgets and procurement plans for better results.

- **Develop and fast track formulation of urban areas public transport policies and legislations.**
  Majority of the urban areas with the exception of Nairobi do not have public transport policies and legislation. This is important as a foundation for traffic organization and management which is critical for enhancing mobility as an enabler for economic growth and development. For example, boda-boda and non-motorized transport have been increasing and reports show that the former is not only attributed to traffic jams but also to increasing cases of road accidents.

- **Urban areas should establish a comprehensive, single functional telephone line for rapid response to emergencies and overall improvement of safety and disaster management**
  Findings of this study revealed that none of the six urban areas including Nairobi has a single functional comprehensive telephone line for rapid response that any resident irrespective of their status can call in case of emergencies such as fire, health accidents or security related emergencies. This number should be toll free for the benefit of the low income households. Most of the urban areas have separate individual lines to the fire department and police, which are not always reliable in terms of their functionality.

Conditions for Investment

- **Initiate comprehensive reform programs to strengthen business and investment environment through collaborative efforts between the National and County governments**
  For urban areas to improve their overall performance especially in regard to providing an enabling environment for business and potential investors there is need for concerted efforts by the National Treasury through the Intergovernmental Fiscal Relations Department as well as County Treasuries to undertake reforms towards harmonization of County tax regimes. This is indeed work in progress as the National Treasury has developed a National Policy which is in the final stages of completion after being subjected to public consultation. This policy will be useful upon adoption by counties and urban areas to enhance local revenue mobilization. In addition it will also help urban areas to harmonize their tax regime which is critical in reducing prejudices on economic activities.

- **Urban areas should through their county governments consider automation to increase efficiency in revenue collection and administration**
  Findings show that with the exception of Nairobi and to some extent Mombasa substantial revenue is paid in cash. There should be reforms towards automation of revenue collection as numerous studies note it enhances efficiency and in reducing leakages. These reforms should be augmented by thorough awareness creation and education for tax payers for better uptake.

Principles of Good Governance

- **Consider instituting staff rationalization policy, wage harmonization and overall reforms to strengthen PFM systems for better expenditure management**
  Results show that one of the weakest areas of performance for all the six urban areas is in the budget sub-cluster under the principles of good governance cluster. In general, all of six urban areas reported to have high wage bill. There is need to ensure that this is contained through staff rationalization in order to ensure that they adhere to fiscal responsibility principles as provided for in the Public Finance Management Act, 2012 which sets limit on expenditure for personnel emolument to 35% of total revenue. In addition there is need for urban areas through their Counties to improve alignment of their procurement plans to cash flow plans as a way of addressing a major cause of low uptake of development budget which in turn affects service delivery. This is also related to addressing increasing pending bills as was noted in study findings.

- **Improve comprehensiveness of budget documents to promote transparency**
  One of the reasons for low performance within this cluster of principles of good governance is lack of information on debt, pending bills, and so on. Perusal of budget documents such as the County Fiscal Strategy Paper for majority of urban areas as well as their debt management strategy papers revealed that information on debt is missing with the exception of Nairobi. For these urban areas to enhance transparency and in turn their overall performance they should include this information in the budget documents.

- **Counties should expedite the process of updating their asset registers and make them public for transparency and accountability in readiness of establishment of urban areas**
  On the question of asset and resource management, one of the reasons attributed to low performance by urban areas was lack of information on ownership of assets such as cars, land, shareholding and so on. Besides how these urban manage their assets especially in areas that are non-core may end up increasing unnecessarily their recurrent expenditure thus leaving few resources for priority areas in service delivery.

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Annexes

Annexe 1: Further Details of the Methodology: A Guide on How to Read the UAPI

UAPI

UAPI is a tool developed to assess performance of the urban areas in Kenya. It is a composite Index assessing performance in three main areas (clusters): Conditions for Residents, Conditions for Investment and Principles of Good Governance. The choice of the three areas is informed by the functions that the urban areas carry out and the extent to which urban areas are providing a favorable environment for investment. In addition, it is believed that good governance and effective management of resources provides a basis for effective and efficient public service delivery.

Study Areas

The study covered the six largest urban areas by population, namely: Nairobi, Mombasa, Kisumu, Nakuru, Eldoret and Machakos. Secondly, their choice was also based on how they are spread out geographically.

Methodology

The UAPI 2017 is based on a set of **67** indicators which are questions that cover the **11** sub-clusters. Six sub clusters including public utilities, transport, safety and disaster management, education, health and social care fall under the cluster on *Condition for Residents*. Investment and trade and taxes sub clusters fall under the *Conditions for Investment*. The last three sub clusters on budget, asset management and administration and human resource management were captured under the *Principles of Good Governance* cluster.

Type of Survey

This Index is not a user/citizen satisfaction survey but rather it focuses on the supply side by assessing existence of policies, systems, organization and management of urban areas in public service delivery, provision of an enabling environment to attract businesses and investors and in governance. To this effect, information/data was obtained from officers at the County Government level as people charged with delivery of services complemented by secondary data from various government reports

Data collection exercise started in November 2016 to May 2017 and the most up to date and comparable information used for assessment was for the year 2015 (baseline data).

UAPI framework

Cluster		Sub-Cluster	Weighting of Cluster	Indicators (Numbers)	Indicators (as % of total)
Conditions for Residents	a	Public Utilities	50%	13	19.4%
	b	Transport		8	11.9%
	c	Safety and Disaster Management		4	6.0%
	d	Education		3	4.5%
	e	Health		8	11.9%
	f	Social Care		2	3.0%
Conditions for Investment	g	Investment and Trade	20%	7	10.4%
	h	Taxes		3	4.5%
Principles of Good Governance	i	Budget	30%	8	11.9%
	j	Asset Management		4	6.0%
	k	Administration and Human Resource Management		7	10.4%
Total				67	100%

Type of indicators

All the 67 indicators (see annex 3) are of two main types:-

1. Quantitative indicators

These comprise indicators that require a quantitative response. As an example of this kind of indicator is question one and thirty four in the questionnaire in the matrix below;

Questions	Interpretation
1. What is the percentage of households in the urban area with water supply?	↑↑
34. What was HIV prevalence rate in the urban area in 2015?	↓↑

Depending on the indicators being assessed, the interpretation will be either (ĐĐ) which indicates that the higher the value the quantitative indicator the better the performance of the urban area as is the case for question no. 1 in the matrix above. Conversely the quantitative indicators whose interpretation is (ĐĐ) indicates that a lower value is interpreted as performing at a higher standard as is the case for the question 34 on the prevalence of HIV/AIDS.

2. Qualitative indicators

These comprise indicators that require a qualitative response (where the question is expressed with a series of possible choices, often multiple choices of 2 to 5). As example of this type of indicator is question eleven, twelve and twenty one, as illustrated in the following excerpt of the questionnaire:

11. Did the urban area create tenders for waste collection service providers? (Procedures that promote competition)	↑Y / N↓
12. What is the average frequency of waste collection in the urban area?	choice
21. Does the urban area have a motorcycle (boda-boda) policy?	↑Y / N↓

There are qualitative indicators with only two possible responses "Yes" and "No" and arrows ↑Y/N↓ implying that a "Yes" response is the best standard/performance contrasted by a 'No" response as the worst standards/performance. Question 12 in the matrix above with interpretation of "choice" implies that it may have 3 to 5 choices.

Scoring of the Indicators

All the indicators are scored on a point scale of 0-100 where 100 denote the highest performance and 0 the least performance. The formula for scoring the quantitative indicators depends on how the indicator is interpreted.

a) Indicators whose indicator value is interpreted higher the better (↑↑):
The score is calculated using the following formula:-

$$\textit{Indicator estimate} = \frac{\textit{indicator value - MIN}}{\textit{MAX - MIN}} \text{ x100 (points)}$$

Where:
MIN – possible minimal value out of all answers;
MAX – possible maximal value out of all answers.

Illustration 1

Q1. What is the percentage of households in the urban area with water supply?

First, the specific statistics are entered in the third column as shown in the table which is part of the entire spreadsheet for 67 indicators. The maximum and the minimum scores are then determined to be used in the above formula. The score for each urban area is computed using the above formula where the indicator value represents the specific statistic for a given urban area. For instance, 72% of households in Kisumu have access to water (water coverage). Using the above formula, the score for Kisumu is 50 points. Nakuru, having the highest score, 90% has the maximum score 100 points.

	Indicator	Question
	1	1
	Indicator	Percentage of households in the urban area with water supply
Weight	8%	
Eldoret	50	72
Kisumu	39	68
Machakos	8	57
Mombasa	0	54
Nairobi	75	81
Nakuru	100	90
Interpretation		↑↑
Max		90%
Min		54%
Range		**36%**

b) Indicators whose indicator value is interpreted *lower the better* (↓↑)
The score is calculated using the following formula:-

$$\textit{Indicator estimate} = \frac{\textit{MAX - indicator value}}{\textit{MAX - MIN}} \text{ x100 (points)}$$

Where:
MIN – possible minimal value out of all answers;
MAX – possible maximal value out of all answers.

Illustration 2
Q34. What was the HIV/AIDs prevalence rate in the urban area in 2015?

A similar approach is used in scoring indicators whose value is interpreted as the lower the better. First, the specific statistics are entered in the third column as shown in the table which is part of the entire spreadsheet for 67 indicators. The maximum and the minimum scores are then determined to be used in the above formula. Then the score for each urban area is scored using the above formula where the indicator value represents the specific statistic for a given urban area. For instance, the HIV prevalence rate for Eldoret is 4.7% while the maximum value is 19.9% and the minimum value is 4.10%. Using the above formula, the score for Eldoret is 96 points.

	Indicator	Question
	34	34
	Indicator	What was the HIV prevalence rate in the urban area in 2015?
Weight	13%	
Eldoret	96	4.70%
Kisumu	0	19.90%
Machakos	97	4.50%
Mombasa	78	7.50%
Nairobi	87	6.10%
Nakuru	100	4.10%
Interpretation		↓↑
Max		19.90%
Min		4.10%
Range		**15.80%**

Qualitative indicators
Similarly, as is the case for quantitative indicators, qualitative indicators are scored on a point scale of 0-100 where 100 denotes the highest performance and 0 the least performance. The number of categories of the possible responses guides scores for the qualitative indicators. The table below is a summary of possible scoring criteria.

Best answer	**100**	**100**	**100**	**100**
	0	50	66.7	75.0
		0	33.3	50.0
			0	25.0
Worst answer				0

The "Y/N" sign indicates that there are two possible answers – "Yes" or "No". For instance, Question 32, On whether the health facilities in the urban area supply information to residents on services offered required a "Yes" or "No" response whose interpretation is the "Yes" for a favorable state and "No" for un favorable state. For a two-response indicator such as this, the scores are 0 or 100 as shown in column two of the above table. In this example, all the six urban areas scored the maximum 100 point.

	Indicator	Question
	32	32
	Indicator	Do the urban area health facilities supply sufficient information to residents on services offered (the service charter)?
Weight	13%	
Eldoret	100	Yes
Kisumu	100	Yes
Machakos	100	Yes
Mombasa	100	Yes
Nairobi	100	Yes
Nakuru	100	Yes
Interpretation		↑Y / N↓
Max		
Min		
Range		

Questions with "Choice" interpretation represent questions with multiple (2 – 5) possible answers. An example of this kind of the question is Q22 on whether the urban area has a functional telephone number where residents can obtain rapid response for emergencies. This was a three choice response indicator where the best scenario being, (a) Yes, urban area has a comprehensive (single) functional telephone line for rapid response that covers any emergency (e.g. fire, health, accidents, security e.t.c). The second best choice was, (b) Yes, urban area has at least one functional telephone line for a specific emergency e.g. a line for fire emergency only. The worst response was, (c) No, the urban area does not have any functional line for rapid response.

	Indicator	Question
	22	22
	Indicator (21)	Does the urban area have a functional telephone number where residents can obtain rapid response for emergencies?
Weight	25%	
Eldoret	50	Yes, urban area has at least one functional telephone line for a specific emmergency e.g. a line for fire emergency only
Kisumu	50	Yes, urban area has at least one functional telephone line for a specific emmergency e.g. a line for fire emergency only
Machakos	50	Yes, urban area has at least one functional telephone line for a specific emmergency e.g. a line for fire emergency only
Mombasa	50	Yes, urban area has at least one functional telephone line for a specific emmergency e.g. a line for fire emergency only
Nairobi	50	Yes, urban area has at least one functional telephone line for a specific emmergency e.g. a line for fire emergency only

Nakuru	50	Yes, urban area has at least one functional telephone line for a specific emmergency e.g. a line for fire emergency only
Interpretation		choice
Max		
Min		
Range		

All the six urban areas obtained a score of 50 with second best response, that is, the six urban areas have at least one functional telephone line for a specific emergency e.g. a line for fire emergency only.

Interpretation of the Scores

All the scores for the 67 indicators are relative measures in respect to the peers (urban areas covered in the survey). On each indicator, there will always be a score of 100 (best performing urban area) and 0 (least performing urban area). An urban area that has the best indicator value on all the indicators within a given sub cluster will attract the overall maximum score. Of note is that the overall score ought to be interpreted with respect to the specific questions that were asked. For instance, an urban area may attain the maximum score of 100 points on a given sub cluster, this means that based on the indicators used in the assessment of performance for that sub cluster, the urban area emerged the best on all the indicators when compared with its peers. However, this should not be interpreted to mean that the urban area is doing perfectly on all aspects of that given sub cluster and neither should this be interpreted to imply that the urban area is best in the country and the reverse is true.

Sub cluster Score

The table below is an excerpt of scoring for the public utilities sub cluster. As a way of example the table below only captures 3 out of 13 indicators and the final sub cluster score. This sub cluster score is based on aggregation of weighted scores of each on the 13 questions (weights is 1/13=8%) based on the indicator value.

	Indicator	Question	Indicator	Question	Indicator	Question	
	1	1	3	3	12	12	Total No. of Qns=13
	Indicator	Percentage of households in the urban area with water supply	Indicator	What is the average number of hours per day that the urban area utility provides water (hrs./d)	Indicator	what is the average frequency of waste collection in the urban area?	
Weight	8%		8%		8%		Final Score
Eldoret	50	72	53	15	66.6		79.9
Kisumu	39	68	100	24	66.6		72.6

Machakos	8	57	32	11	100		56.3
Mombasa	0	54	0	5	100		57.3
Nairobi	75	81	68	18	100		79.7
Nakuru	100	90	63	17	1		88.7
Interpretation		↑↑		↑↑		choice ↑↑	↑↑
Max		90%		24			88.7
Min		54%		5			56.3
Range		**36%**		**19**			**32.4**

This format/process is repeated for the other 10 sub clusters.

The overall UAPI Score

The table below shows the overall UAPI score, which is a weighted score of the three clusters. Computation of each of the three cluster scores is based on aggregation of weighted sub clusters.

Weight	50%	34%	21%	11%	8%	21%	5%	20%	70%	30%	30%	42%	21%	37%	100%
Quantity of indicators	38	13	8	4	3	8	2	10	7	3	19	8	4	7	67
Urban areas	Conditions for residents	Public utilities	Transport	Safety & Disaster Mngt	Education	Health	Social Care	Conditions for investment	Investment & trade	Taxes	Principles of good goverance	Budget	Asset mngt	Admin. & human resource mngt	Overall Score
Eldoret	60	80	21	62	100	60	27	46	33	78	55	43	75	57	55.738
Kisumu	56	73	27	73	63	50	40	31	17	64	45	8	94	59	47.584
Machakos	63	56	50	50	91	79	78	29	13	67	55	33	66	73	53.885
Mombasa	61	57	42	77	50	86	49	46	43	56	52	43	63	58	55.505
Nairobi	69	80	42	88	97	65	53	43	37	56	66	58	66	74	62.997
Nakuru	68	89	33	51	78	78	58	43	23	89	44	28	47	61	55.952

For instance, Conditions for Residents is a summation of the weighted score of the six sub clusters. The overall score of 60 for Eldoret, for instance is obtained as follows:-

60=(34%*80)+(21%*21)+(11%*62)+(8%*100)+(21%*60)+(5%*27)
This computation was repeated to get the individual weighted urban areas cluster scores.

The overall score for each urban area is based on addition of the weighted cluster scores as shown below. Using Eldoret as an example, its overall UAPI score is computed as shown below:
55.7=(50%*60.06)+(20%*46.26)+(30%*54.86)

Interpretation of Missing Data

In the event that the urban area did not provide data to assess the variable, it is assigned the lowest possible indicator value for that variable. It is appropriate to assign the lowest value as the withholding of data is interpreted as a lack of transparency by the city/urban area.

Elimination of Indicators in an Urban area's Evaluation

The effect of individual indicators may need to be eliminated when a particular indicator cannot be observed in a urban area (for example, when the indicator is based on existence of functional traffic light system, but a system does not exist in the urban area). In this case, the urban areas are assigned the mean value of the scores that all the other urban areas with similar characteristics achieved in that particular section. This ensures that the urban's overall ranking is not affected by the indicator that cannot be assessed.

Significant deviations from the average indicator values

When an urban area's indicator results significantly deviate from the average and thus distort the assessment of the performance of the other cities/urban areas (making them too high or too low), the problematic value is approximated to the highest or lowest value (depending on the indicator), eliminating its distortionary effect.

Sources of Data

The data used was obtained from both secondary and primary sources largely from the County Governments where each of the urban areas is located. We engaged data enumerators, one per County Government, who interviewed County Officers from on average 12 departments/sub departments aligned to the areas covered by the questionnaire. The enumerators used a questionnaire (with 67 questions) as the primary instrument for data collection.

To complement primary information, we also used various secondary sources including county government budget documents such as Estimates of County Recurrent and Development Budget, County Fiscal Strategy Paper, County Debt Management Strategy Paper and County Integrated Development Plans.

In addition, we also used other documents produced by National Government agencies including budget implementation reports from the Office of the Controller of Budget for County revenue data. Furthermore, we also relied on Economic Survey and Statistical Abstracts from the Kenya National Bureau of Statistics, Kenya Power and Kenya Investment Authority. Other sources included survey reports such as Kenya Health Demographic Survey as well as county based health demographic surveys and management information system.

Annexe 2: Urban Areas Scores by Sub Clusters

	Public utilities	Transport	Safety and Disaster Mngt	Education	Health	Social care	Investment and Trade	Taxes	Budget	Asset management	Admin and Human resource mngt
Eldoret	80	21	62	100	60	27	33	78	43	75	57
Kisumu	73	27	73	63	50	40	17	64	8	94	59
Machakos	56	50	50	91	79	78	13	67	33	66	73
Mombasa	57	42	77	50	86	49	43	56	43	56	58
Nairobi	80	42	88	97	65	53	37	56	58	66	74
Nakuru	89	33	51	78	78	58	23	89	28	47	61

Score (Index)

0 25 50 75 100

Annexe 3: Questionnaire for UAPI

URBAN AREAS PERFORMANCE INDEX

QUESTIONS/INDICATORS

Indicator Group	Weighting of the indicator group	Indicator	Weighting of the indicator	Questions	Interpretation
I. Conditions for residents	50%	A) Public utilities	19%	1. What is the percentage of households in the urban area with water supply?	↑↑
				2. What was the reported Non-Revenue Water in 2015 (%)	↓↑
				3. What is the average number of period that water is available/supplied to residents (Hours of Supply) (hrs./d)	↑↑
				4. Does the urban area have plans for improvement ofwater supply for residents?	↑Y / N↓
				5. To what extent does the urban area water utilities meet operation and maintenance expenses	↑↑
				6. What is the price for the first 0 - 6 m3 water in the urban area at the end of 2015?	↓↑
				7. What is the percentage of households in the urban area with power supply?	↑↑
				8. Does the urban area have plans for improvement of power supply for residents?	↑Y / N↓
				9. Does the urban area have a viable waste collection and management program?	↑Y / N↓
				10. Does the urban area have plans for improvement of waste collection, including separation of different type of waste with the aim of recycling?	↑Y / N↓
				11. Did the urban area create tenders for waste collection service providers? (Procedures that promote competition)	↑Y / N↓
				12. What is the average frequency of waste collection in the urban area?	choice
				13. What is the proportion of publicly as opposed to privately owned land in the urban area?	choice
		B) Transport	12%	14. Does the urban area have a public transport policy (e.g. licensing, maintenance of roads, measures to ease congestion, managing traffic flow, roadside tranches, new terminus stations, etc.)?	↑Y / N↓
				15. How is the route network in the urban area organized?	choice
				16. Did the urban area create tenders for suppliers of public transport services (registration at traffic department)?	↑Y / N↓
				17. Does the urban area have a policy on non-motorised transport (percent of the budget, bridges, safety issues, etc.)?	↑Y / N↓
				18. What percentage of public roads in the urban area have an adequate drainage system?	↑↑

				19. Does the urban area levy a "congestion charge/ tax" in congested areas?	↑Y / N↓
				20. Is the requirement on maximum waiting time for public transport vehicles in dedicated stations adhered to?	↑Y / N↓
				21. Does the urban area have a motorcycle (*boda-boda*) policy?	↑Y / N↓
		C) Safety & Disaster Manage-ment	6%	22. Does the urban area have a functional tele-phone number where residents can obtain rapid response for emergencies?	choice
				23. What was the number of road accidents per 1000 population in the urban area in 2015 and what was the change from 2014.	↓↑
				24. How many cases of crime (as defined in relevant documents, e.g. Statistical Abstract) per 1000 took place in 2015 and what was the change from 2014.	↓↑
				25. Does the urban area have a policy or plan on public/street lighting for ensuring greater safety for its citizens?	↑Y / N↓
		D) Education	4%	26. Does the urban area have a plan on ECDE and/or Youth Polytechnicsunder its jurisdiction?	Choice
				27. What is the ratio of ECD centre per pupil in the urban area in 2015	↓↑
				28. How frequently does the urban area assess the quality and maintenance of early childhood and development education (ECDE) centres?	Choice
		E) Health	12%	29. What is the ratio of medical personnel per 100,000 population working in the public sector?	↑↑
				30. What is the percentage of children who have been fully immunized in the urban area?	↑↑
				31. What is the percentage of deliveries in a health facility in 2014	↑↑
				32. Do the urban area health facilities supply suffi-cient information to residents on services offered (the service charter)?	↑Y / N↓
				33. What was the number of malaria cases per 100,000 in the urban area in 2015?	↓↑
				34. What was HIV prevalence rate in the urban area in 2015?	↓↑
				35. What was the cholera prevalence rate in the ur-ban area in 2015? [Number of cases per 100,000 population].	↓↑
				36. Does the urban area provide its female inhab-itantswith free access to medical tests relevant for their sexual and reproductive health, such as regular gynaecological examinations and pap test? (Details of the set of free medical tests)	↑Y / N↓
		F. Social Care	3%	37. What is the child Poverty Rate for children under 18 year?	↓↑
				38. What is the percentage of the working-age popu-lation that is unemployed at the end of 2015, and how does this compare to previous years?	↓↑

II. Conditions for investment	20%	G) Investment and development	10%	39. What is the amount of time it takes for one to register property (days)	↓↑
				40. What was the per capita number of tangible investments made in the urban area in 2015 and how does this compare to the previous year?	↓↑
				41. What was the amount of foreign direct investment per capita in the urban area in 2015, and how does this compare to previous years?	↑↑
				42. What was the ratio of business licenses issued per capita in the urban area during 2015 compared to 2014?	↑↑
				43. What was the number of public – private partnership contracts created in 2015?	↑↑
				44. What was the number of building permits issued per 1000 people during 2015 and how does this compare to the previous years?	↑↑
				45. Does the urban area website contain the basic information necessary for investors and is it available in English and Swahili?	Choice
		Taxes	4%	46. Does the urban area provide information on local taxes and other levies for private entities to start their business?	Choice
				47. What is the amount of parking fee in 2015?	↓↑
				48. What was the average fixed fee on single business permit in 2015? for Other Wholesale-Retail Traders, stores, shops and Services	↓↑

III. Principles of good governance	30%	H) Budget	12%	49. What was the revenue for the urban budget per capita in 2015/16?	↑↑
				50. What was the urban area's local revenue collection as a percentage of the projected in 2015/16 (revenue performance)	↑↑
				51. What was the ratio of the urban area debt to revenue in 2015, and what was the growth in debt?	↓↑
				52. What was the ratio between the urban area's accounts payable in 2015 and their revenue?	↓↑
				53. What proportion of public procurements was done by an open tender process in 2015 (in units and in shilling amount)?	↑↑
				54. What is the proportion of revenue that was paid in cash as a as opposed to other modalities of payment?	↓↑
				55. What was the utilization rate (absorption rate) for development expenditure out of the total development budget in 2015/16	↑↑
				56. Did the urban area meet the fiscal responsibility principle on 30% threshold for development expenditure share?	↑↑
		I) Asset management	6%	57. Does the urban area keep a register of its assets?	↑Y / N↓
				58. How many companies did the urban area hold capital in during 2015?	↓↑
				59. What was the number of urban area-owned funeral homes, as at 31st December 2015?	↓↑
				60. What was the number of urban area-owned-or-rented cars per employee of the urban area administration in 2015?	↓↑
		J) Administration and human resource management	10%	61. Was the urban area subject to quality control in 2015?	↑Y / N↓
				62. How many, if any, urban area's staff were found guilty of breaching the law and/or administration regulations (e.g. No. of disciplinary cases) in 2015?	↓↑
				63. Do you keep, administer and manage records of all requests made by citizens?	↑↑
				64. Are there any general requirements for urban area institutions' websites, and have they been met?	↑Y / N↓
				65. If the previous answer is "yes", do the urban area authorities make their staff register available to the public?	↑Y / N↓
				66. What was the ratio of urban area staff versus total population of the urban area as at 31st December 2015?	↓↑
				67. What percentage of urban area budget is used for paying its staff?	↓↑

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