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A STRATEGY FOR SECONDARY TOWN DEVELOPMENT IN KENYA

A background paper and case study prepared for the Ninth African Housing Conference on Problems of Urbanization in Africa (sponsored by USAID and the Republic of Senegal)

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Note: This paper represents the views of the author only and it is not intended to necessarily reflect the views or the policies of the Ministry of Local Government or the Government of the Republic of Kenya.

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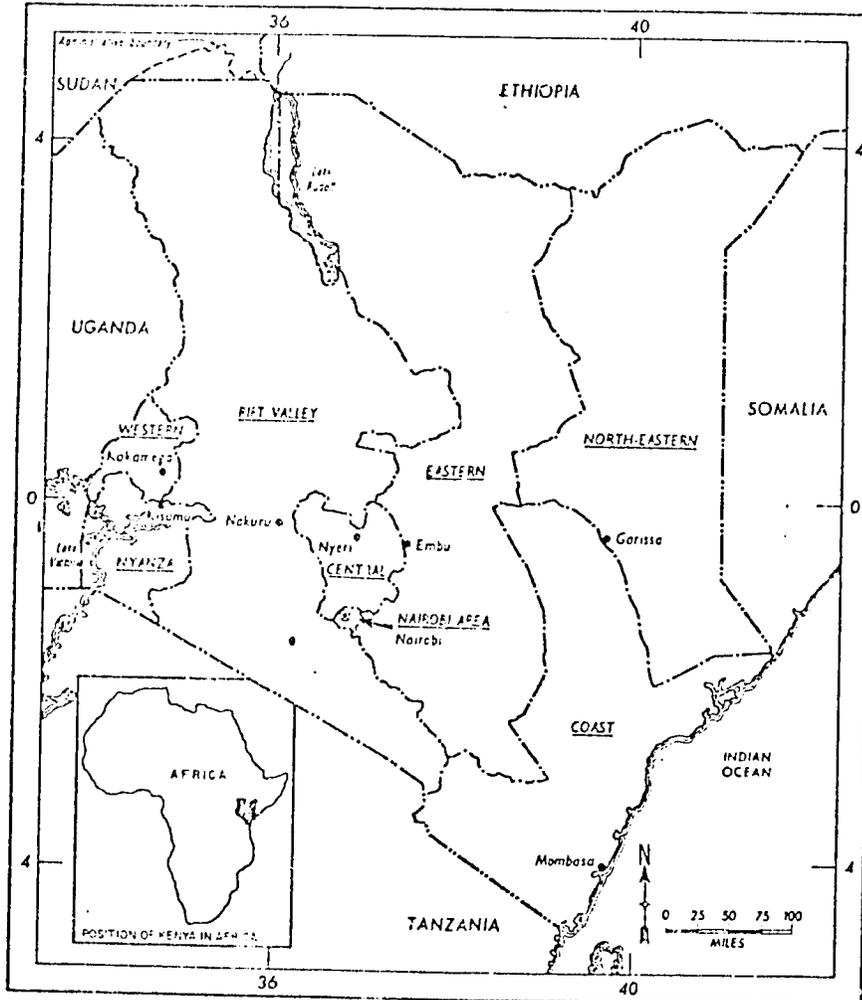
INTRODUCTION

Like many of the countries represented in this Conference, Kenya is a predominately rural society that is being rapidly urbanized. Now only 15% of the population live in urban settlements -- but this is changing fast. The number of urban centres will double in the next twenty years and the number of urban residents will nearly quadruple. Along with this urbanization comes the challenge of meeting tremendous demands for shelter, jobs, infrastructure, community facilities and services of all types.

Kenya's answer to this challenge cannot be for the treasury of the nation to shift dramatically larger investments to local authorities. Given the heavy demands on the central government expected in the foreseeable future, it must be understood that local authorities will bear the major responsibility of providing for urbanization, both through the development of local financial resources and by innovative and cost-efficient methods of extending urban services. Local government organization must be sharpened and better local development planning and urban management must be implemented.

In recognition of this, the Government of Kenya approached USAID several years back with more in mind than just the financing of shelter and facilities in some of the hard-pressed secondary towns. The two governments worked together to design a project that would bring capital financing assistance as well as -- and perhaps more important -- the building of local capacity to plan for and meet the needs of urban development. The "Kenya Small Towns Shelter and Community Development Project" has been officially underway for one year and final loan agreements signalling the commencement of capital projects construction are expected to be signed in the near future. There have been some impressive accomplishments in the short span of this project. In particular, this case study will focus on an innovative development and investment planning process

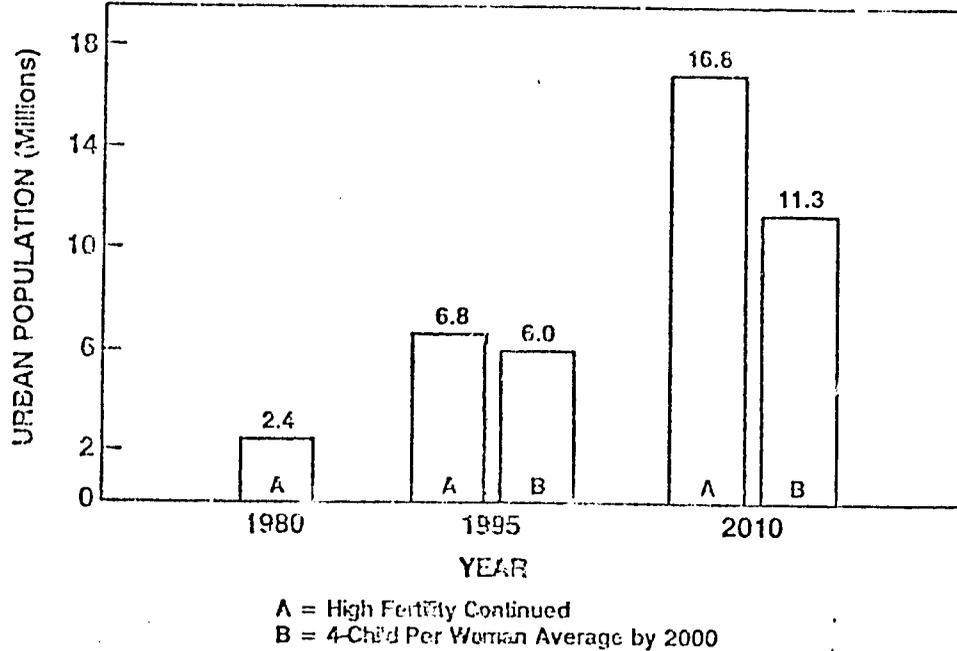
In the first portion of the case study the setting for the project is described: national urbanization issues, urban policies, and the role and functions of local authorities. The design of the project is then discussed, followed by a discussion of project-related accomplishments and lessons learned. The objective is to present a practical description and evaluation of the project to date and the circumstances influencing its design in order to provide conference representatives the best opportunity to learn from our experience.



URBANIZATION ISSUES

Urbanization at the time of Kenya's independence in 1963 was limited to Nairobi, Mombasa, Kisumu and several small administrative and commercial centres. Less than three quarters of a million people lived in urban centres (towns over 2,000 population). Now, twenty years later, there are nearly 100 urban centres and over 2,500,000 urban citizens. During the next twenty year period alone as more and more citizens move from rural areas and the high birth rate continues, the number of urban areas will grow to close to 200 and the number of urban dwellers will reach about 9,000,000.

Size of the Urban Population, 1980-2010

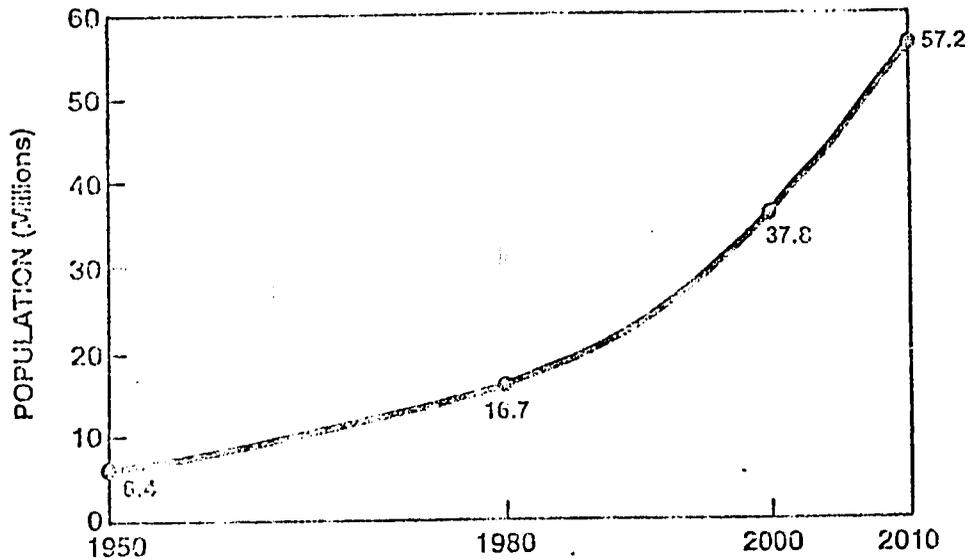


This phenomenal growth brings both problems and opportunities. On the optimistic side, it is understood that our urban centres provide better incomes for our citizens than available in rural areas and better access to education, water, health facilities, and other services. It is recognized too that higher returns for our public and private investments can be expected in our urban centres in the form of increased industrial and commercial development and new employment opportunities to meet the needs of the rapidly growing urban labour force. On the other hand, without significant breakthroughs in meeting this urban growth over the years ahead, already too familiar problems will be aggravated. Adequate housing could be less and less attainable. More urban citizens could face public health hazards due to insufficient infrastructure and services. And more of them could have low and unstable incomes and thus reduced ability to purchase shelter, services and goods that are essential for their well-being. At question of course will be how to meet the tremendous costs of the public services and facilities needed to serve this swelling urban population.

At the same time our country is experiencing the social strains of urbanization, it has also entered a period of budgetary difficulties brought about in part by an adverse international economic climate. Though Kenya has enjoyed impressive economic growth since independence, in recent years it has come face to face with problems of balance of payments, agricultural output, and industrial productivity. The adjustments to these problems are presently requiring many difficult decisions and nearly all the financial resources that can be commanded.

It is also recognized that our population growth rate is proving to be an obstacle to continued improvement in living standards for our citizens and the major force in continued urban growth. At four percent per year (likely the highest in the world) the country faces a doubling of the present 18,000,000 people in the next 20 years.

Population Growth, 1950-2010
(Assuming Continuing High Fertility)



Another national concern which has an important bearing on urbanization and is directly related to population growth is the performance of our agriculture sector. Agricultural

development is our key to realizing national goals of reducing poverty, meeting basic needs of our citizens, and providing capital for industrial development. While output has consistently increased over the past twenty years, the rate of expansion has dropped below the rate of population growth. Furthermore, only eighteen percent of our land base has high or medium agricultural productive value under present technology. Even with extensive new irrigation efforts and broadened use of chemical fertilizers, the rate at which new land can be placed into production is also below the rate of population growth. It follows that labour absorption capacity on our agriculture land has also not been able to keep pace with population growth. This has important implications for the growth of Kenyan cities as more and more citizens migrate from rural areas in search of employment.

The changing manner in which urbanization is taking place is also having profound impacts on our financial and institutional base for urban development. From one dominant capital city, the urban pattern is increasingly becoming one of numerous rapidly expanding secondary and smaller urban centres closely linked to our agricultural resource base. No longer can the distinct requirements of each urban centre be addressed efficiently from an agency headquartered in Nairobi. Local governments will simply have to assume greater responsibilities for their own problems.

With urgent economic difficulties facing our government, those of us who are concerned with the seemingly longer-term and less-pressing issues of urban development and local government would be wise to recognize that capturing a larger share of national development resources is likely to be an uphill battle. It is more and more clear that our best hope is to strengthen our system of urban institutions so that they can develop local sources of finance and can learn to cope with the growth demands placed upon them.

NATIONAL POLICIES FOR URBAN DEVELOPMENT

It is in our urban centres -- large and small -- where most of the government's development objectives get concrete expression in the form of schools, health care, water supplies, shelter, etc. Thus there have been stated urban policies in past Five Year National Development Plans and other government documents

that would decentralize investments, improve urban development planning, and strengthen local government. Though some of these policies have actually come to pass, most have not. Our urban policies have tended to be simplistic and without clear implementation strategies.

As an example, there are official policies to decentralize urban growth -- particularly to reduce population concentration in Nairobi (1,000,000) and Mombasa (400,000)-- and to balance investments in secondary centres. About ten years ago, some twenty secondary centres were identified as having priority for investment funds. Records indicate, however, that actual government allocations over the years have not really followed this policy; allocations have tended simply to be consistent with population share. As a matter of fact, population growth has occurred at a higher rate in larger secondary towns (20,000 to 100,000 in population) than in primary cities as shown below, but this has been due more to strong rural-urban economic linkages focusing migration into secondary towns than to national investment policy.

DISTRIBUTION OF TOWNS AND THEIR
POPULATION BY SIZE, 1969-79

<u>Population Size</u>	<u>1969</u>			<u>1979</u>		
	<u>No. of Towns</u>	<u>Total Population (in '000s)</u>	<u>Percentage of Urban Population</u>	<u>No. of Towns</u>	<u>Total Population (in '000s)</u>	<u>Percentage of Urban Population</u>
100,000 and over	2	756	70%	3	1,322	57%
20,000 - 100,000	2	80	7%	13	568	25%
10,000 - 20,000	7	91	8%	10	140	6%
5,000 - 10,000	11	71	7%	22	154	7%
2,000 - 6,000	25	82	8%	42	123	5%
All Towns	47	1,080	100%	90	2,307	100%

There have also been policies stated for strengthening local governments -- again without a clear understanding of how they should be accomplished. The policies have reflected an intellectual recognition of the magnitude of the urbanization challenge and the need to develop local capabilities, local initiatives, and local financial resources. But these reasonable policies have been lost in translation when it has come to deciding what specifically to do to help local authorities improve themselves, provide more efficient services, and mobilize local revenues.

A probable reason for our policy shortcomings has been the absence of a political will to support and strengthen the local authorities. Many African colleagues can appreciate the need Kenya felt in at least the early years of our independence to have a unified and centralized system of government. The power-sharing which the local authority system demanded from the centre was not easy for us to accommodate. And of course our local authorities have not endeared themselves to central government over the years with their seeming lack of direction and constant petty squabbles.

Now a policy vacuum exists in central-local relationships and this is posing worrisome questions. There is high exasperation with what is seen as inadequate, inefficient services in our urban centres, alleged misappropriation of public funds, and the drag that local governments are becoming on national development initiatives. This has led in recent months to the dissolution of the Nairobi City Council and a good deal of concern about what to do with the "local authority problem".

These circumstances present problems as well as opportunities for the Kenya Small Towns Project, as will be discussed later. The important project objective of strengthening local governments could be frustrated by an absence of clear central government commitment to that end or possibly by some precipitous government action that derails progress. Conversely, the project has the possibility to serve as a timely agent to help bring about real change on all urban development fronts from realistic national policies to reforms in local government management procedures. A judgment on this will need to wait for the ten or eleventh African Housing Conference.

THE ROLE OF LOCAL AUTHORITIES

Though the challenge of urbanization is a great one, Kenya's prospects for meeting it are hopeful. An important basis for this optimism is the fact that there is an established system of local government which, despite current strains in relationship with the central government, may be one of the strongest in Africa.

Following the British tradition, local authorities are semi-autonomous governmental units with prescribed rights and obligations defined in the Local Government Act. The Ministry of Local Government is responsible for overseeing their operations, financing and management. There are 83 local authorities, comprised of municipal, town, urban and county councils. The municipal councils, including Nairobi, are

established in the major centres and are (or are expected to be) financially capable of offering a wide range of services to their residents including water, sewerage, housing, markets, education, roads, and health and social services. These are followed in status and range of services by town councils, which are medium-sized towns, and by urban councils, which are smaller towns. Urban councils come under the jurisdiction of county councils and are considered to be a transitional form in the development of local administration. The county councils are regional in focus and handle the affairs of very small urban and market centres. Because of the limited functions of both county and urban councils, the major contribution to secondary town development comes from the 27 municipal and town councils.

It is these local governments that now carry the real burden of the urban growth and change that is faced. It is they who assume financial and management obligation for urban infrastructure, facilities and services; it is they who must most directly meet the needs of the urban poor; and it is they who are most familiar with the distinct needs and conditions of their urban areas and who thus are in the best position to see to it that scarce financial resources are used to the maximum benefit.

The contributions of these local governments to the nation's development efforts are important. The improvements to their towns extend far beyond the direct benefits to their citizens. The benefits extend upward to easing the strains on Nairobi and Mombasa and extend downward to supporting increased productivity, expanded markets for agricultural goods, and increased off-farm employment.

Their potential contribution is not presently being fully realized. Most local authorities lack the financial and technical resources to respond to problems and opportunities brought about by rapid growth. Because they have not had the capability to plan and institute changes demanded by new urban pressures, many of the important decisions related to the viability of their towns have been relinquished to central ministries. This has, in turn, produced a lax attitude toward financial control as it is believed that the central government will always be there to bail them out. And there has been a trend for the last decade or so to hand local authorities more responsibilities for many types of urban services while simultaneously reducing the level of central government financial support. As a result, real expenditures per capita by local authorities have declined considerably. As internal cash reserves have steadily been depleted in an attempt to meet

their responsibilities, the financial condition of nearly all local authorities has deteriorated seriously, and some are bankrupt. New capital projects to meet the many needs of these rapidly expanding secondary towns become more and more elusive in the face of local authority near-insolvency, severe strains on the central government budget, and the limits of international assistance.

The answer to this dilemma is not to seek more funding from the central government or to look to international sources. There is no substitute for locally-generated financial resources over the long run. Obviously, high priority must be given to increasing local government revenues to reduce deficits. In most Kenyan towns there is opportunity to dramatically improve the rate at which present taxes and users fees are collected particularly in the areas of land rates (property taxes) and public utility tariffs. There are also revenue mobilization opportunities as a result of the rapid growth in urban centres and resultant increased taxpaying capacity. The "new" potential includes rising land values, possibilities for increased user charges for various urban services and capturing tax revenues from increased business activities. Attempts to increase revenues must be closely coordinated with parallel programmes aimed at improving efficiency and reducing costs of providing urban services.

It is now recognized that basic to all these measures is a much improved investment planning process. As urban finance needs have grown and finance sources have shrunk, it has become imperative to ensure that proposed developments effectively use the scarce investment capital and that the projects are completed within a reasonable span of time.

To achieve this many things need to happen. Local authorities need to identify their basic needs carefully and select those investment projects that will meet these needs as well as demonstrate high rates of return. Realistic standards must be adopted to keep costs to a minimum. Cost recovery strategies must be implemented that will ensure adequate revenues to cover all capital, maintenance, and debt-servicing costs. Improvements to budgetary procedures are required at both the national and local levels. Expansion of existing revenue sources such as land rates is required. And to accomplish these and other measures, a gradual and orderly shift of urban planning and management responsibilities from central government is required. Many local officials may find such increased responsibilities difficult and therefore must be fully supported with technical assistance and training.

THE KENYA SMALL TOWNS SHELTER AND COMMUNITY DEVELOPMENT PROJECT

Faced with the needs to develop financially viable secondary towns, to improve planning and management, as well as to provide financing assistance for capital projects, the Government of Kenya sought assistance under the Housing Guaranty Program of USAID. A project was developed by the two governments that was to provide US\$16 million in financing assistance for secondary town capital development and additional grant monies for an extensive technical assistance and training programme.

The project is designed to directly benefit fifteen towns ranging in populations from 5,000 to 50,000. Capital projects will include shelter, infrastructure, community facilities and employment generation activities. Advisors and short-term consultants will provide technical assistance for various aspects of the project as appropriate, including urban planning and management, financial management and estate management. In addition, a comprehensive urban management training programme for local authority staffs is presently under development.

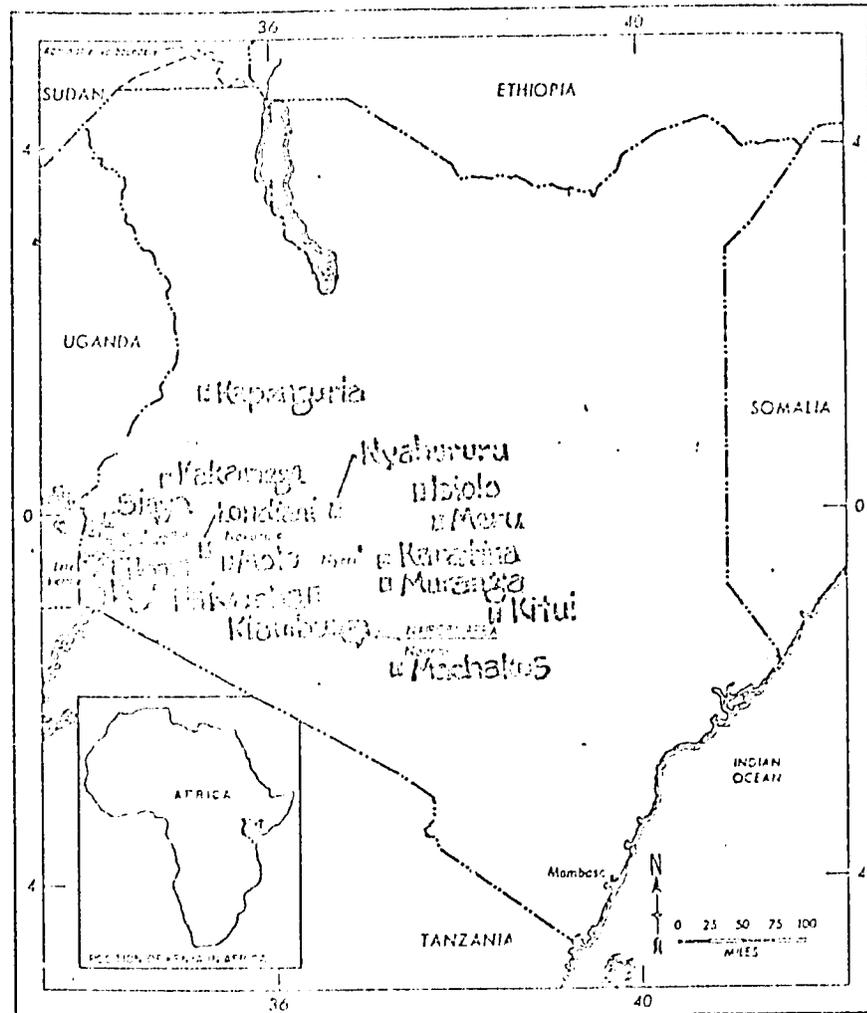
It is the intention of this project that the fifteen target towns will serve as prototypes for the development of new planning and management procedures that will have application to all local authorities in the country and be applied nation-wide at the earliest possible date.

The Project Towns

The selection of the fifteen target towns was done by the Government of Kenya prior to commencement of the project. These centres were chosen on their individual merits rather than on whether or not they cohered to form a national spatial strategy. The criteria for town selection included: likelihood for rapid growth; role as a centre for administrative services; function as a service centre for rural economic development; and representation of various regions in the country.

The fifteen towns selected for USAID financial assistance are in Kenya's second tier of urban hierarchy, following in population size the six or seven largest centres. Nearly all of the towns play significant regional roles in supplying goods and services to their hinterlands and in providing local markets for agricultural products. Most of them do not yet have substantial manufacturing activities as these have been located for the most part in the larger urban centres. About

half of the project towns serve as headquarters for Kenya's administrative districts and have recently become focal points for the implementation of a new initiative to decentralize government functions to the district level.



In all of the towns, deficiencies are found in shelter, community facilities, infrastructure, and other services. While the scale of needs and the appropriate size of individual shelter, upgrading, infrastructure, and other capital projects may be relatively small in any one town, the range of needs is great. Water distribution is often seen as a serious problem as is the shortage of adequate housing. Another common need expressed by project towns is financing for the development of revenue-generating public enterprises such as bus parks, markets, and slaughterhouses.

Each of the project towns is governed by an elected council. The principal executive officer is the Town Clerk who is appointed by the local council on the advice of the Ministry of Local Government. The administrative functions of each local authority are performed under the direction of several committees which are appointed by the council. All project towns have a Finance Committee and most have a Town Planning, Works and Housing Committee as well as a Health, Education and Social Services Committee. The structure promotes considerable involvement of elected councillors through the committees.

Most of these local authorities are municipal or town councils, although there are several very small towns that are urban councils or market centres falling under the jurisdiction of county administrations. The main activities and services of the project towns include: control functions such as land use control, building by-laws, public health, trading and other licenses, and traffic control; and services such as water, sewerage, roads, drainage, street lighting, solid waste removal, recreation facilities, housing, markets, slaughterhouses, social services and facilities, etc. As discussed earlier, the larger municipalities are involved in most or all of these activities; the smaller towns have diminishing responsibilities depending on their relative strengths and particular needs.

The various public services provided by the councils are financed by different mechanisms. Water supply and housing are provided on a full cost recovery basis, while sewerage, solid waste collection, markets, slaughterhouses, bus parks, and other public enterprises are supplied largely on a cost recovery basis. Health, social services, road construction and other services are financed by general revenues of the council. In numerous cases, grants from the central government supplement the council revenues.

The financial position of nearly every project town is poor. The several exceptions are those who have only recently become councils and thus have not been in a position to incur indebtedness. Most of the towns are now sustaining deficits, and without some form of breakthrough, the trend is generally for these deficits to grow. Their poor financial health is exacerbated by the dwindling availability of financing for needed investments in infrastructure, shelter and facilities. The loans raised by these councils have grown at an annual rate of five percent in the past ten years -- a clearly inadequate level to keep pace with inflation and to meet the needs of their expanding populations.

Compounding these financial problems is the shortage of technically skilled officers. There are needs for technical staff such as planners, engineers, surveyors, and financial specialists in nearly every project town and there is need for training across the range of urban management disciplines. Underlying these local management shortcomings has been the absence of adequate direction, supervision and guidance from the central government to bring about any progressive improvement in local management practice.

The Project Design

Institutional Arrangements

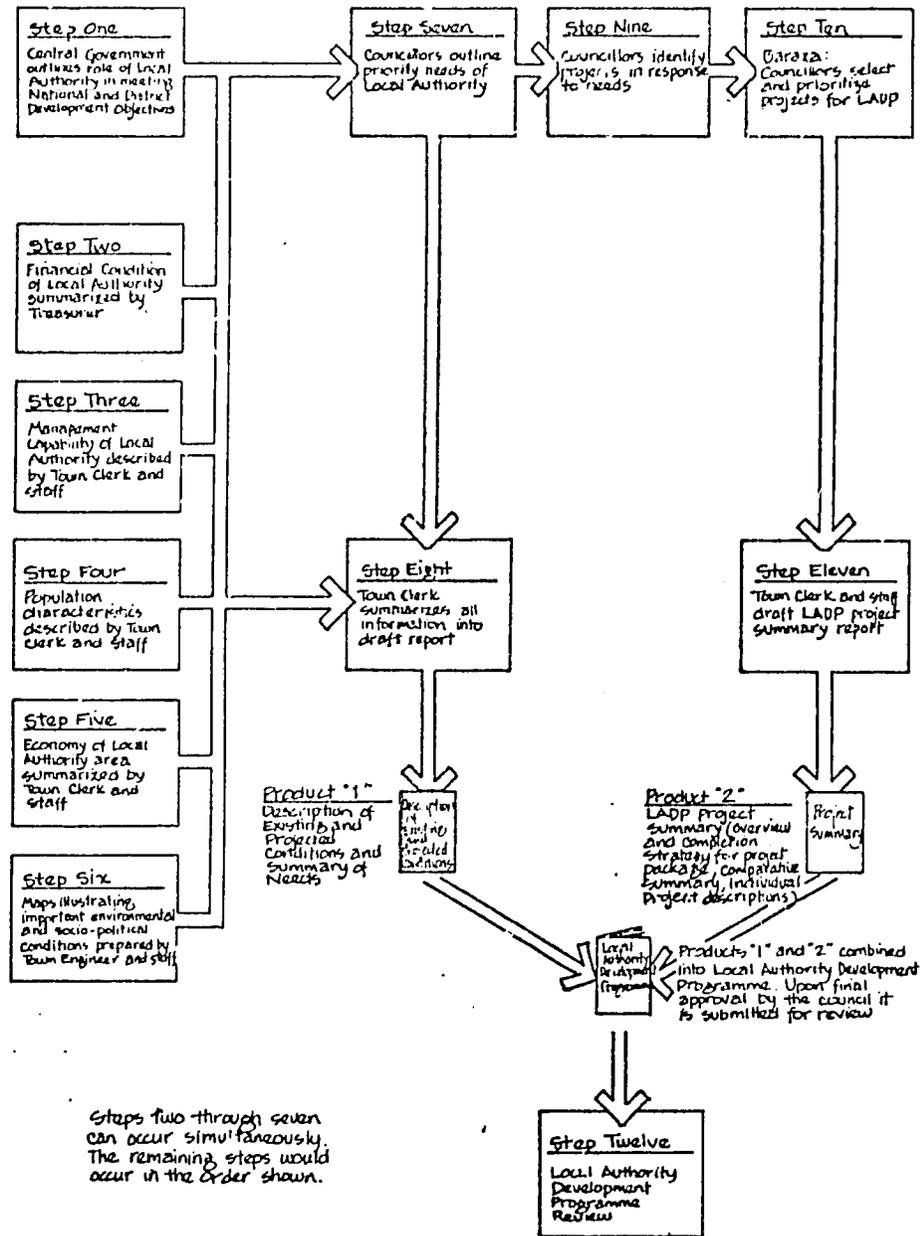
The Kenya Small Towns Project will provide financing for a range of projects including shelter, health clinics, schools, markets, water supply, sanitation, small business loans, etc., and thus will span the responsibilities of a number of central government ministries and parastatal agencies. In order to achieve maximum project coordination and communication, overall policy decisions and coordination are vested in an Interministerial Steering Committee (ISC) which is comprised of representatives of all relevant ministries and parastatal bodies. Two key implementing ministries are the project coordinators: the Ministry of Local Government (MLG) and the Ministry of Works, Housing and Physical Planning (MWHPP). The Local Government Loans Authority (under the general direction of MLG) serves as the financing conduit to local authorities for all non-shelter components of the project and the National Housing Corporation (NHC) serves the same function for shelter components.

Leadership for project identification and implementation is, however, squarely on the shoulders of the participating local authorities. It is they who have responsibility for carrying out all steps of the project from identification of their basic needs to post-construction management. Assistance to the local authorities is provided by a Technical Assistance Team comprised of experienced professionals from MLG, MWHPP, and NHC; two USAID Technical Advisors; and a Peace Corps Volunteer. Necessary short-term consulting assistance is provided by USAID and coordinated by the Technical Assistance Team.

Project Approach

The first step in putting the project into action is the preparation of a "Local Authority Development Programme" (LADP) by each participating town. The LADP is essentially a five-year investment plan that is to serve as the statement of

Recommended Steps in the Preparation of a Local Authority Development Programme



the town's development strategy and to provide a basis for central government and USAID financial assistance. In the LADP, each town describes the physical, social, and economic conditions of its area; the basic needs of citizens; the development objectives of the local authority; and the proposed capital improvement projects that would best meet its needs and objectives. These projects are not limited by type (although not all projects may be eligible for USAID financing assistance). In the selection of projects, both the impact on the local authority's financial condition and the financial rate of return of individual projects are to be carefully assessed.

The process starts with briefings for local officials, as well as selected provincial and district officers, by the Technical Assistance Team. Policy, planning and technical guidelines for the preparation of the LADP are distributed by MLG to each project town. These materials provide simple step-by-step instructions for defining the town's basic needs, identifying projects, assessing financial condition, and other development planning activities.

The Town Clerk and other key staff members draft the LADP with policy guidance and project priority setting coming from the elected councillors. District and provincial officers of central government ministries assist as necessary as does the Technical Assistance Team. Local residents are to be brought into the process through informal surveys, town meetings and other methods. After approval by the municipal or town council, the LADP is forwarded to the Interministerial Steering Committee which, upon review, recommends approval or returns the LADP for more work. Approval by the ISC constitutes concurrence on the part of central government ministries to support the local authority in carrying out selected investments and services within the prescribed manner and time frame.

For each project identified in the approved LADP as being eligible for USAID financing and selected for possible funding, two subsequent steps are now begun. The first is preparation of a Project Feasibility Statement which describes projected capital, debt servicing, and operating costs vis-a-vis projected revenues. The statement is to identify the appropriate cost recovery methods for each capital project. It is also to address the capability of the local authority to manage construction and post-construction tasks (including estate management, collection of user fees for urban services, etc.) as well as the needs for new positions, training and other management strengthening measures.

The second step is the preparation of a Project Implementation Strategy. The two principal components of this strategy are the project schedule and the financial management plan. The project schedule is a detailed outline of the tasks associated with each phase of the project's implementation (including pre-design planning, project design, tendering, construction and post-construction management) and indicates the responsible party for each task and when it is to be initiated and

Local Authority Development Programme Guidelines

reduction of cover sheet from four-page guidelines sent to local authorities to assist them in preparation of their LADP

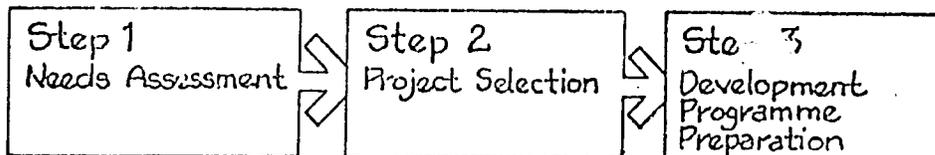
TO ASSIST LOCAL AUTHORITIES IN THE PREPARATION OF THEIR FIVE-YEAR DEVELOPMENT PROGRAMME

In addition to these guidelines, each local authority has been provided with the following:

KITABU CHA UJAZAZIJI
A four-page workbook written in Kiswahili designed to assist councillors in assessing local needs and recommending projects to address those needs (steps 1 and 2 below). Copies have been provided for councillors and others assisting in Development Programme preparation.

DEVELOPMENT PROGRAMME FORM SHEETS
Two sets of blank forms upon which the local authority officers are to describe their Development Programme. One copy should be retained for local authority records and one copy submitted to the Ministry of Local Government. M/G will copy and distribute it to other agencies.

It is recommended that the following three-step process be used in the preparation of your Development Programme:



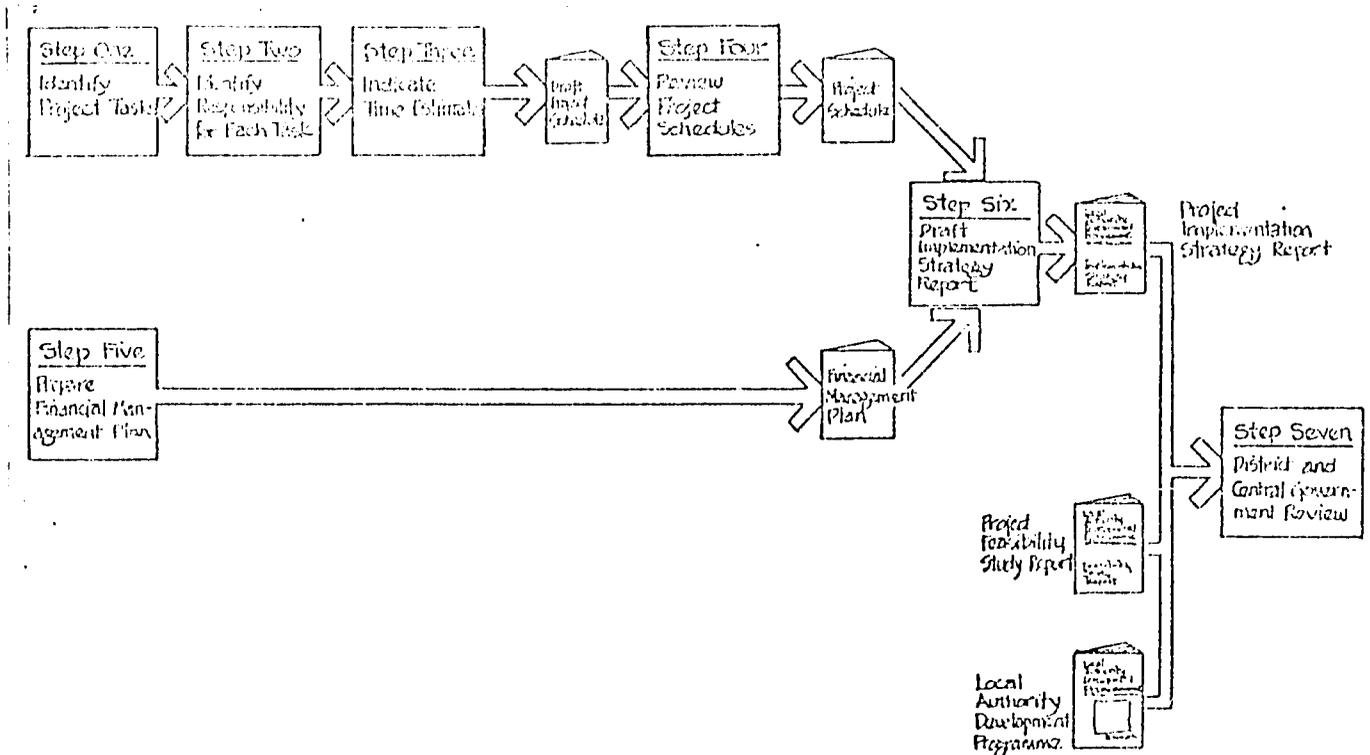
Members of the Council will identify the needs of the wananchi and propose projects to meet those needs in four categories: community facilities and social services; shelter; infrastructure; and economic development.

The councillors with the assistance of the Town Clerk and other officials will examine all preliminary project proposals from Step 1, discuss their impacts and select and set priorities for inclusion in the Development Programme.

The Town Clerk directs the preparation of a draft Development Programme which includes the projects selected and prioritized in the preceding step as well as other supporting information. Upon approval by the Council of this draft, a final draft is to be prepared on the forms provided.

completed. The financial management plan specifies the manner in which project funds are to be managed. This includes a description of the accounting method to be employed, the reporting system to be used, the methods for securing and depositing funds, the loan pay back schedule, the collection and enforcement strategy, and the qualifications and responsibilities of staff involved in management of project funds.

A Recommended Process for Preparing a Project Implementation Strategy



The feasibility statement and implementation strategy will be reviewed by the ISC, key implementing ministries and USAID. Project financing approval will be contingent upon demonstration by the local authority that the project can produce positive cash flows, that the local authority will be capable of managing all project aspects, and that full loan cost recovery can be accomplished. (For those projects which are anticipated to provide insufficient surplus to recover expenditure, the council will be expected to indicate the revenue sources from which such expenditure will be recovered.) Certain conditions, such as the hiring of requisite staff,

maintenance of a specific project accounting system, improvements to internal controls or other measures tailored to the circumstances of individual local authorities and their projects, will become part of the loan agreement terms and conditions to be accepted by the concerned council.

The above described Local Authority Development Programme, Project Feasibility Statement, and Project Implementation Strategy are the three principal documents that will demonstrate a local authority's preparedness to assume responsibility for loan funds and to begin construction of new capital projects financed by USAID. All three documents are to be prepared under the leadership of the participating local authority recognizing that its work is fully supported by technical assistance as necessary.

The technical assistance emphasis to date in support of the preparation of these documents has been related to the identification of basic needs and project planning. In the near-term future emphasis will be placed on building a base for a strengthened financial condition in each of the participating local authorities. Financial condition assessments will be made of project towns and in some cases special audits may be performed. If a local authority is found to have inadequate financial records, it will be asked (and assisted, as necessary) to rectify any inadequacy. For those local authorities who suffer from chronic deficits and resulting arrears to the Local Government Loans Authority or the National Housing Corporation, special studies and technical assistance efforts will be conducted to determine the solutions to their financial problems. These will include the examination of methods for expanding collection of property rates and user fees for urban services; the analysis of possible debt rescheduling to enable new management initiatives to correct present problems; and the design of special training to enhance management skills of key finance staff.

The above approach to project planning and development intends to give local authorities the resources and autonomy to identify investment projects within an established and agreed-on policy, planning and financial framework. But in turn, demands for fiscal and management responsibility are placed on them. The local authorities are expected to demonstrate that they have the political will and the management commitment to plan and effectively implement projects which benefit the people for whom they are responsible.

Project Accomplishments

The principal accomplishment to date has been one of process rather than product. The Local Authority Development Programme began as the approach to meet the project planning and identification needs of the Kenya Small Towns Project. It now has been instituted nation-wide by the Ministry of Local Government as the accepted process for local investment planning and as the chief means for determining capital financial assistance to local authorities for capital projects.

Its speedy implementation is coming about for several reasons. In the first place, a rational approach to local capital investment budgeting was long overdue. The back-of-a-napkin wish-list method of requesting financial support has become less and less satisfactory as urban development needs have accelerated and funding availability has decelerated. Secondly, a basis was needed for determining the national budgeting allocations to local authorities in the Five Year National Development Plan (1984-88).

All 83 local authorities were asked to prepare LADPs in January, 1983, in time to contribute to the Five Year Plan. In spite of a relatively brief preparation period, nearly all local authorities submitted LADPs to the Ministry of Local Government. Though many of these initial development programmes understandably suffered from various deficiencies, many were quite professionally prepared and have already provided an important guide for capital expenditures. In addition to its use for the Five Year Plan, the LADP is ultimately to become a guide to all departments of government for the location, timing and general specifications of development projects in the local authority. The LADP is also to serve as the framework for the local authority's annual development estimate (budget) for capital projects, recognizing that the LADP is to be continuously expanded and amended to reflect changing circumstances. Finally, the LADP is to be the "blueprint" for the many improvements to facilities and services each local authority will be making within its own resources.

In recognition of this effort, it is the intent of this USAID-financed project to build upon work already accomplished and to reinforce the LADP process with any required technical assistance. Since the submittal of the LADPs to the Ministry of Local Government, members of the Technical Assistance Team have visited the 15 participating project towns and have assisted the local authority staffs in correcting any deficiencies and, in general, improving the substantive content and analysis of their LADPs. This is being done with a view

not only to providing a better base for project decisions within the context of the Kenya Small Towns Project but also to refine the LADP approach and provide some prototypes to guide the future refinement of LADPs in other local authorities throughout the nation. Also under development by MLG, with USAID financial assistance, is a handbook being prepared in English and Kiswahili for distribution to all local authorities outlining and illustrating the project planning and implementation process. The guidelines are to provide local authority staffs and councillors with a simple but comprehensive description of four major steps in developing successful projects:

1. project planning and identification;
2. project financial feasibility studies;
3. project implementation strategies; and
4. project design, construction and post-construction management.

A preliminary draft of the handbook is on display with other Kenya case study materials in the conference exhibition area.

One final note on project accomplishments -- capital project construction will likely commence within six months. We hope we can report on some physical accomplishments at next year's conference!

Project Problems

As might be expected from a project whose intention it is to produce a range of capital investments in many towns and to strengthen local authorities in this complex field of urban management, there are more project problems at this stage than there are accomplishments. Some of the more significant are highlighted here as background for more detailed discussion at the case study workshop sessions.

Time delays have plagued the project. These delays have been at the central government policy level. Sometimes extracting promised signatures on intergovernmental loan and implementation documents seems more difficult than solving our urban problems! There is presently cautious optimism that the last of the bottlenecks are being addressed and project funds can begin to flow.

As a result of analysis of project towns' financial condition, it has become clear that improving local government financial management can only come about with an

overhaul of procedures in the Ministry of Local Government especially in its administration of the Local Government Loans Authority. Many of the financial management systems imposed on local authorities are outmoded and are in need of updating. Such systems as do exist are not being implemented with effective central supervision and, as a result, towns have lapsed into poor standards of performance. Descriptive guides and manuals are needed to assist and direct the towns' financial staff in the conduct of their management responsibilities. More emphasis than earlier imagined must be placed on developing relevant training programmes that will assist the town financial officers in optimizing revenue collection, controlling expenditure, and in general bringing about improvement in financial management practice.

It is not easy to devolve authority to the local level. There are established procedures and attitudes that discourage local authority involvement in decision-making and prevent ministry officials from becoming effective technical assistance agents. For certain significant local responsibilities that are now almost entirely performed by central government (such as urban physical planning), it may take years before a gradual shift to being performed by local staffs can take place.

The availability of public lands for use in accommodating community facilities, shelter projects, infrastructure, and other capital investments is a problem in a number of the project towns. Areas previously set aside in townships and municipalities are being exhausted by urban-expansion and, because of the high costs and political problems surrounding purchase of private land, well-located land for identified projects has often proven difficult to find. Delays in approving use of certain public lands also contribute to the problem of land availability.

Though the LADP process is mentioned as a project accomplishment, its implementation is and will continue to be problematic. Though the project towns have understood the purpose of the LADP and have performed remarkably well in carrying out the work requested, there are aspects that require more consideration and probably a continuing dialogue with the project Technical Assistance Team. For example, councils tend to be over-optimistic about the amount of financial support they can expect, thus relieving them of the burden of making the hard (and real) choices of those few projects which are really most important. There is also general indifference to serious examination of the financial feasibility of projects and the impacts of various proposed projects on council financial health.

Furthermore, project siting is not given adequate consideration in terms of proximity to existing infrastructure and relationship to adjacent land uses. And though quite legitimate given the financial condition of project towns, there is also an inclination to focus only on investment projects that are revenue-generating enterprises (such as bus parks and markets) rather than to address other pressing town issues. These and other LADP shortcomings must be improved upon in order to provide an adequate base for financing decisions.

Lessons Learned

Though the signing of the Implementation Agreement and the official commencement of the project only occurred slightly over a year ago, and project loans funds have yet to flow, there has been a lot learned already. Some of these lessons are mentioned here.

The early project emphasis on developing a local development planning capacity is vital. Without it, the really important development decisions will continue to be relinquished to central government and the sense of ownership and responsibility for the town's future will not be felt by local officers and councillors.

We should have begun sooner with careful financial condition and financial management assessments. Financial mismanagement, i.e. inadequate record keeping, poor collections, weak financial planning, etc., is a threat to this project's success and, for that matter, the success of the entire effort to strengthen local authorities. An earlier start would have given more lead time to comprehend the problems, begin corrective actions, and learn from our mistakes. Early and accurate identification of the basic shortcomings of the local authority is a vital starting point.

Consideration of land use and other locational factors in the preparation of the LADPs has been important. Our secondary towns are still in a formative stage with respect to physical development and have not yet made irreversible or costly-to-correct commitments to inefficient land use patterns. Careful project siting can be demonstrated to save a lot of money -- in both the initial capital cost and the longer-term development of the town.

The selection of towns to receive assistance is important. Several of the project towns are strategically insignificant to Kenya's economic development or to any other national or local urbanization issue. Others are not

bonafide councils (i.e., they are administered by distant county councils) and thus there is no local authority per se to strengthen and few institutional development benefits to be derived.

Not all problems of the world can be solved with one project -- at least not all at the same time. The technical assistance program simply needs to be built around a smaller number of activities with identifiable direct benefits, rather than to tackle simultaneously the myriad aspects of urban management and development. For example, though employment generation is correctly identified in the project design as a critical need in Kenya's urban areas, we have not yet been able to begin to tackle the problem seriously.

It takes time to implement a project that endeavors to accomplish so much. The \$US 16 million should be seen as only a first phase to be followed by subsequent financing assistance. This will enable reinforcing the work accomplished in the first phase, moving into new management improvement areas, and expanding the number of target towns. The new planning and fiscal procedures will thus be established more fully procedures on a nation-wide basis. The learning is incremental and the biggest pay-off -- both in terms of institutional improvements and capital project financing -- will come only with continued donor support over at least another 4-6 year period and full government commitment and follow-through.

Capital financing can be used as a "big stick" to extract local authority management improvements. The allocation of loan funds might include such a criterion as demonstrated willingness to institute management improvements. The capital allocations should be incremental for sequential projects if possible and approval of loan increments should be tied to conditions and targets for performance-related improvements.

The will to decentralize and the support for this at high levels of relevant ministries should be probed early in the development of a secondary towns programme. A clear strategy for achieving decentralization objectives should be factored into the project design.

The more closely local officers and councillors can be involved in the development of improved systems and procedures, the more likely realistic and lasting change will occur.

Kenya local authority officials are by and large capable professionals who, with clear guidance and a little assistance, have the willingness and capacity to rise up to the urbanization challenge before them. There is awareness that their performance can be improved and there is a receptivity to technical assistance and to training.

CONCLUSION

Secondary towns in Kenya face a future of continued rapid growth and new demands for urban services of all types. Meeting the needs of urban development must increasingly deserve the attention of both central and local governments. It must be the central government's role to provide better defined and implementable policies for urban development and to encourage and support the capacity of local authorities to manage their own affairs. Local authorities must learn to take over the major responsibility for meeting their urbanization needs and they will have to demonstrate innovation, integrity, financial discipline, and management competence.

The Kenya Small Towns Project has been designed to assist the central and local governments to achieve these objectives. There have been some important contributions already and some valuable lessons have been learned. But much remains to be done. The approach that has been described in this case study and the work that has been accomplished is only the starting point of what must be a long-term programme. We have to recognize that it may take years before real visible impacts from our work are felt. We in the Ministry of Local Government do not intend to lose our commitment and we hope USAID will continue to provide us its support.

I wish to take this opportunity to thank the US Agency for International Development for the help given to the government of Kenya to address this very important dimension of our national development -- the urban sector. I wish to make special recognition of the assistance provided to us by:

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