



# **COMMISSION ON REVENUE ALLOCATION**

*Promoting an Equitable Society*

## **FINANCING OF CITIES AND URBAN AREAS IN KENYA**

**NOVEMBER, 2019**

**By**

**George Ooko**

**ICPAK 2<sup>nd</sup> Government Expenditure and Devolution Scorecard Seminar**



# SUSTAINABLE CITIES

**Cities are the centers where industries thrive**

Once people have skills, they migrate to look for opportunities

These opportunities are found in cities:

*“A metropolitan economy, if it is working well, is constantly transforming many poor people into middle class, many illiterates into skilled people, many greenhorns into competent citizens. Cities don’t lure the middle class. They create it”*

Jane Jacobs



# Structure of Presentation

1. Background
2. Importance of cities
3. Problem Statement
4. Financing Options

# Background

- The Urban Areas and Cities Act (UACA), 2011 provides that delivery of urban services is a **statutory requirement** whose responsibility was conferred to county governments in 2013.
- Five cities have been recognized since adoption of UACA namely:
  - a) Nairobi, Mombasa and Kisumu-recognized in 2011
  - b) Nakuru and Eldoret- recognized in 2017
- The first schedule of UACA 2017 stipulates that cities provide the following key basic services:
  - water and sanitation,
  - storm drainage,
  - fire-fighting and disaster management,
  - refuse collection and solid waste management

# Why is this important?

1

**Globally cities are centres of growth and employment**

2

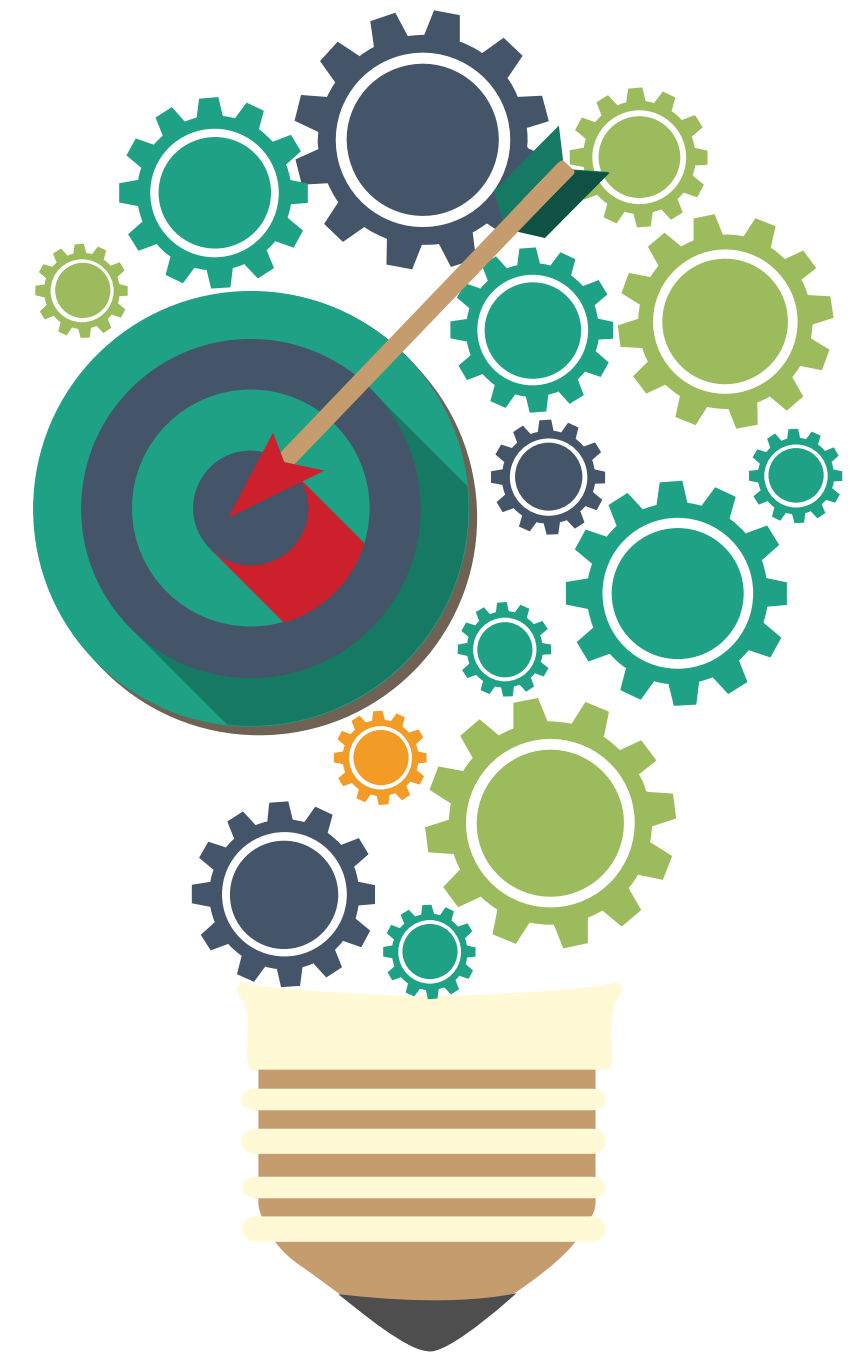
**Cities generate over 70 per cent of world's GDP**

3

**Nairobi accounts for 21.5% of GDP and employs 25% of Kenyans**

4

**Together with Mombasa they contribute over 26% of GDP**



# How quickly is the problem growing?

## Nairobi City Population (2019 census)

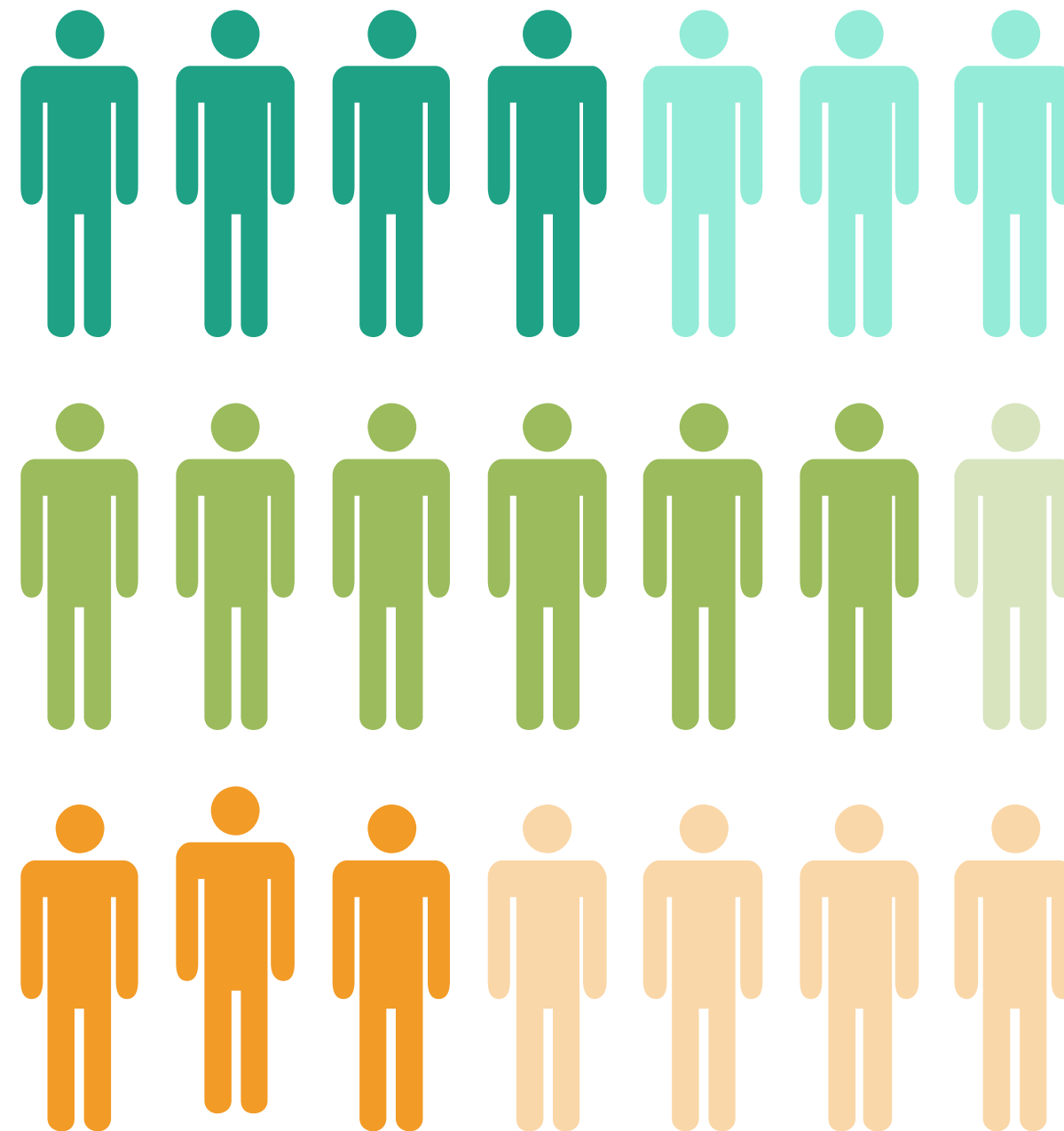
Nairobi has a  
**population increase  
of 1,258,704 (2019  
census)**

**Nairobi City growth  
rate btwn 2009-2019**

40% growth rate is almost  
twice the 23% national  
average growth rate.

**Annual population  
growth** in Nairobi is  
estimated at 125,870

Over 1 Million extra  
people enter the city every  
day. Largely migrant labor.



40%

Increase in 10 years

# Deterioration in service delivery

In the 5 cities of Kenya, their Metropolitan areas and other selected Urban areas.

## What is the nature of the problem? Some key points

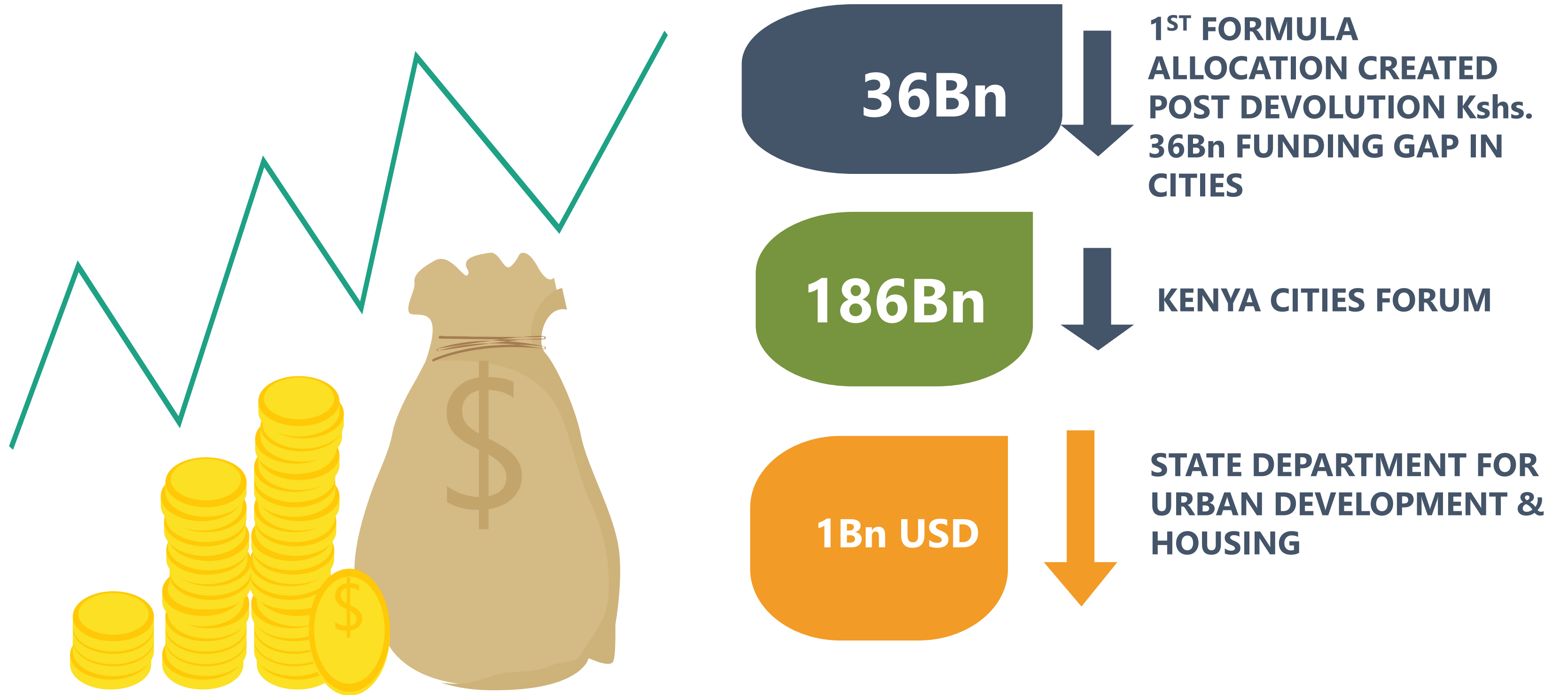
Less than 10% of the population in the five cities have access to solid waste collection services

Only 34% access to water reticulation across five cities  
75% deficit in sewerage.....unaccounted for

60% of households within cities live in informal settlements and 36% of city residents live in slums

300,000 annual housing deficit of which 70% is in the urban areas and cities.

# Funding gap

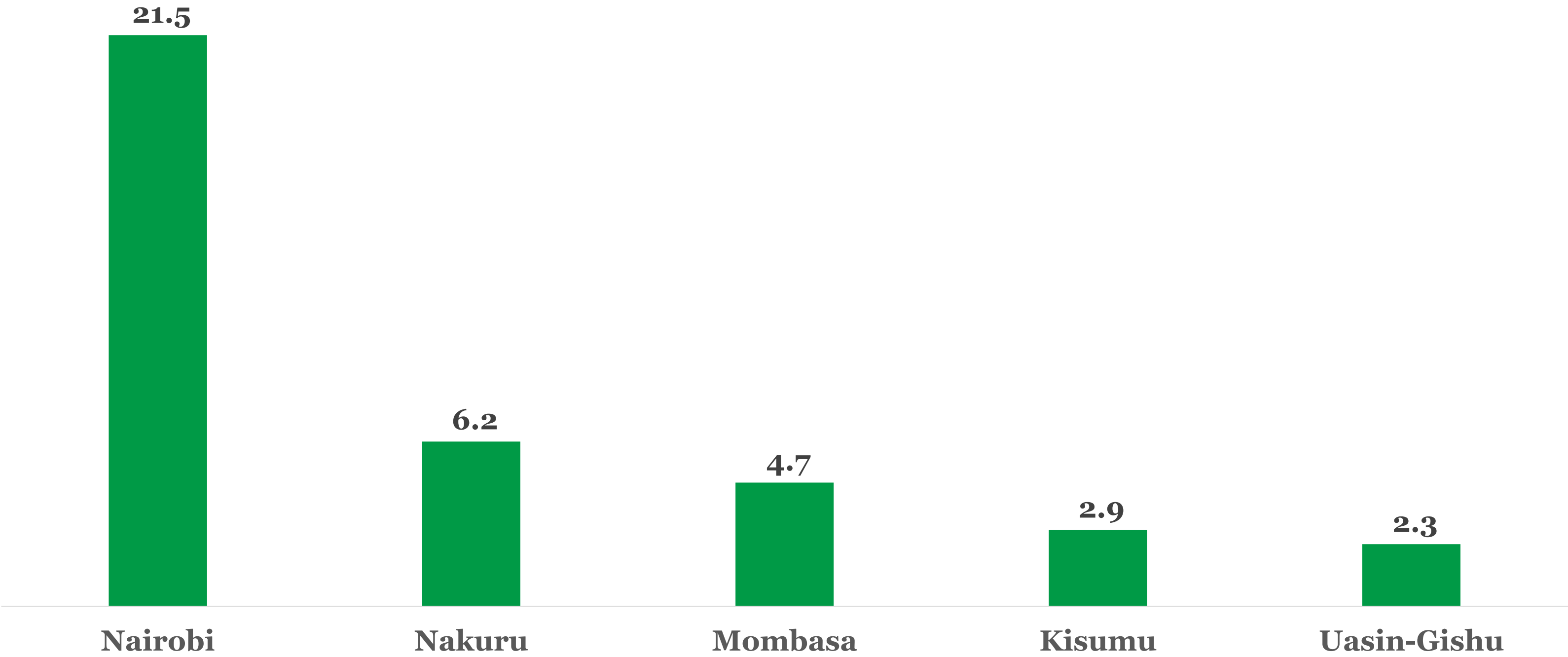




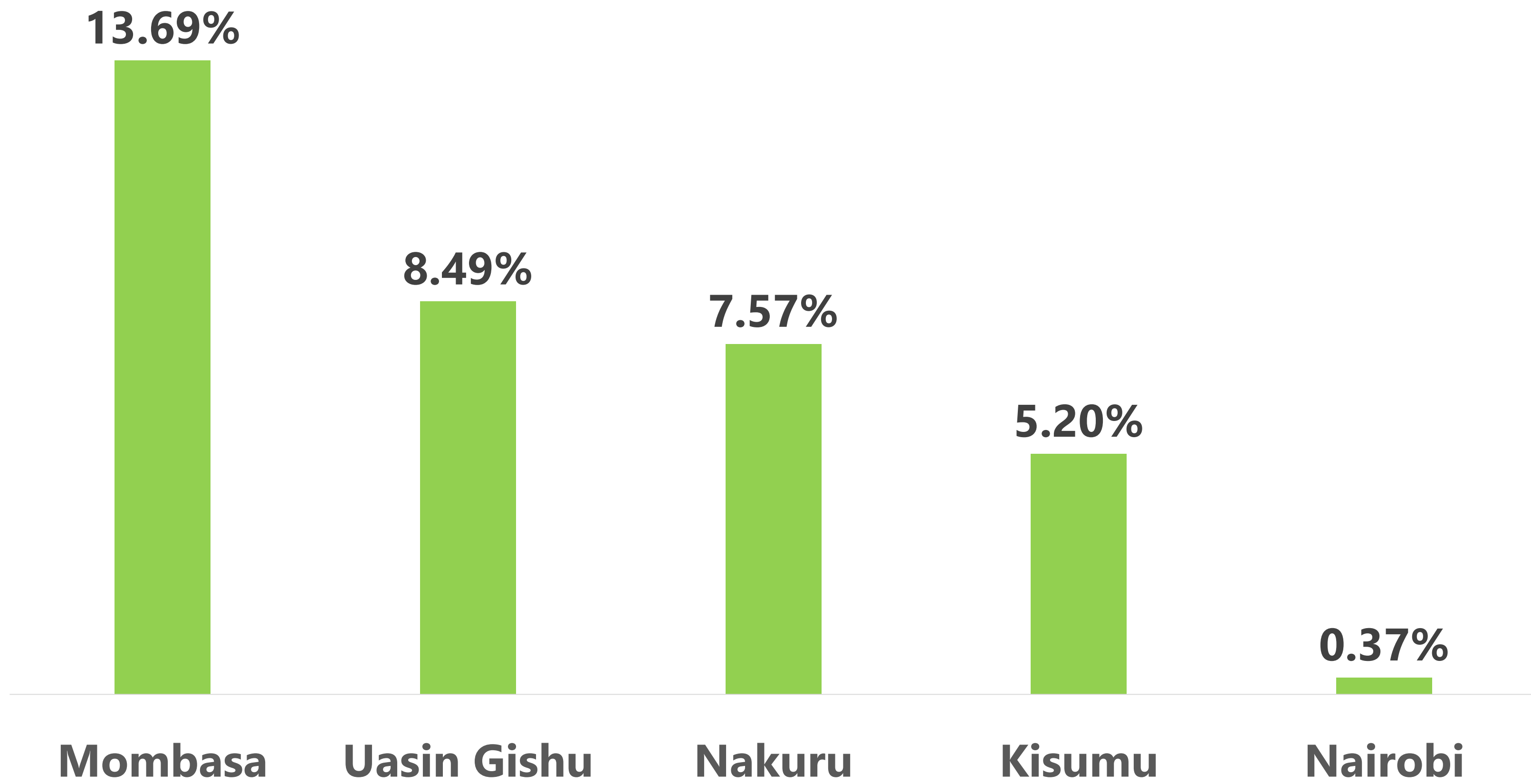
# **How do we ensure we don't kill our cities in the altar of austerity**

- 1. Unlock OSR Potential**
- 2. Deepen Capital Markets to access  
private sector financing**
- 3. ....**

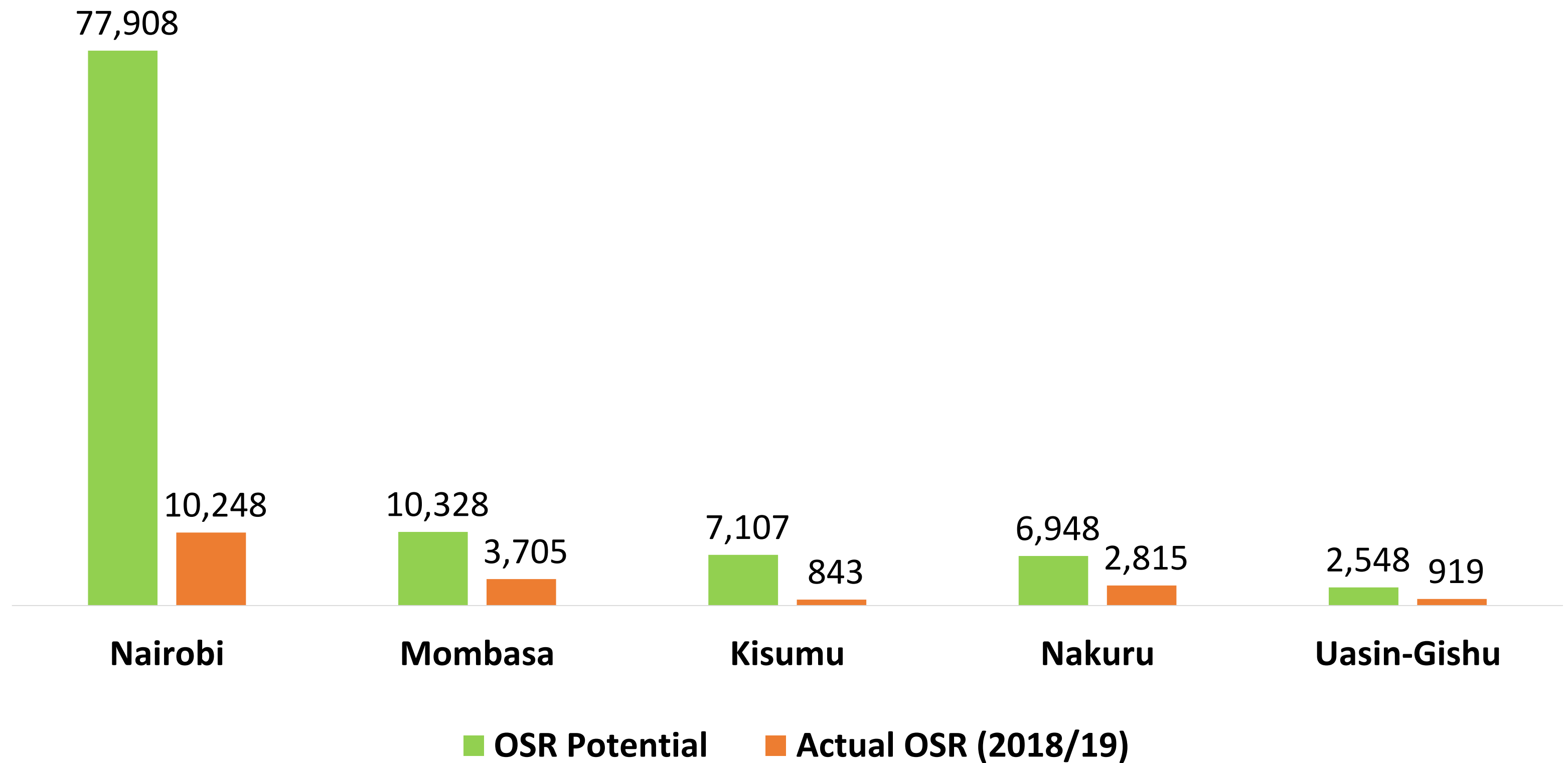
**Contribution to GCP: Nairobi leads in city category while Nakuru leads in category of counties with Rural set up**



# OSR Compound Growth rate (2013/14-2018/19)



# Potential vs Actual OSR 2018/19, Kshs. M



# Opportunities

---



## North America

Has a vibrant subnational finance market that explores debt, equity and various forms of project finance. A city can file for bankruptcy while a state cannot.



## Europe

Highly centralised tax collection system. Local revenue to GDP ratios far below the 4-5% of other advanced economies. Vibrant municipal market



## Africa

Only 3 SSA countries have a subnational debt market. Nigeria raised \$533M since 2013. Majority issuances in South Africa. Dakar issued successful bond. Windhoek on the way



## East Africa

Kampala attempted an issuance. Nairobi issued one in the 1960s



# The End

---



[Info@cra.go.ke](mailto:Info@cra.go.ke)



254204298000

