URBAN AREAS PERFORMANCE INDEX 2017: NAKURU

Institute of Economic Affairs

August 2018

Nakuru Profile

Location

- Nakuru urban area located in Nakuru County and serves as its headquarter

Population 2015

- Nakuru urban area: 369,839
- As a share of county: 19%

Select Economy and Public Service Provision Indicators

Total County local revenue collection {2015/16}	**Ksh 2,300Mn**
Urban area's local revenue collection {2015/16} per capita	**Ksh 1,195**
Urban area's local revenue collection as a percentage of the projected {2015/16}	**99.3**
Households in the urban area with water supply (%)	**90**
Share of deliveries in a health facility in 2014 (%)	**67.70**
Share of children fully immunized in the urban area 2015 (%)	**87.80**

Urban Areas Performance Index (UAPI)

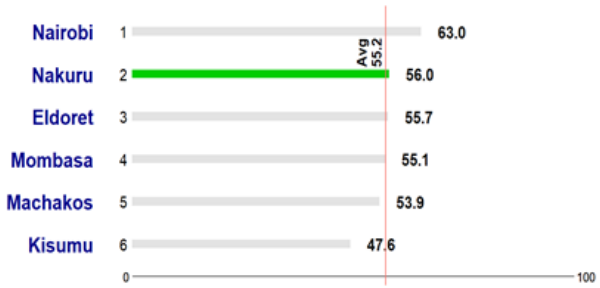
The Urban Areas Performance Index (UAPI) used 67 questions (indicators)to assess performance of urban areas in Kenya. The assessment is based on three clusters, namely:

- Conditions for Residents (this is more about service delivery, that is, how good the urban area is for residents);
- Conditions for Investment (does the urban area provide a favourable environment for businesses and investors) and
- Principles of Good Governance (this is about effective and transparent asset and resource management)

TThis Index was used to calculate scores on a scale of 0-100 points for each of the six urban areas that were surveyed (see methodology section towards end of this brief). On this basis, urban areas were comparatively ranked using these scores. Those urban areas that ensure individual's free choice, create favourable business conditions, use public resources efficiently and ensure transparency of their activities are ranked higher.

The following section breaks down results by cluster and sub-cluster to show reasons behind Nakuru's overall performance.

Chart 1: Overall Urban Areas Performance Index

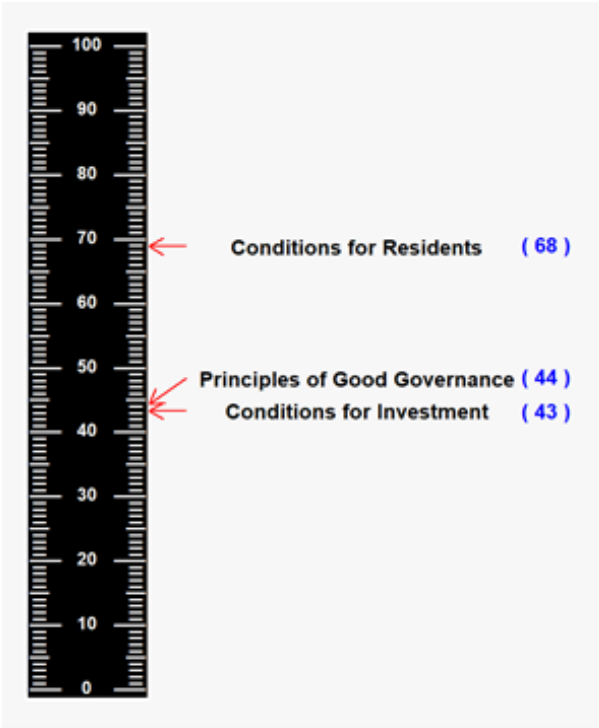


Nakuru is ranked second out of the six urban areas.

It's score of 56 is 0.8 points above the overall UAPI average score as seen in Chart 1.

Nakuru's overall performance in service delivery, provision of an enabling environment for investment and in effective and transparent asset and resource management is **average.**

Chart 2: Performance by Clusters Across the Six Urban Areas



Breakdown of Nakuru's overall performance by the three clusters as shown in chart 2 reveals that it is driven by average performance in Conditions for Residents (63), Principle of Good Governance clusters (44) and Conditions for Investment (43).

It is important to however note that the gap between the scores on Conditions for Residents and the other two clusters is about 25 points.

Nakuru is ranked second on Conditions for Residents, behind Nairobi by a single point.

On Conditions for Investment Nakuru and Nairobi with a score of 43 apiece tie in the second position.

By contrast Nakuru is ranked last on the Principles of Good Governance cluster and almost ten points below the cluster average of 53.

Chart 3: Performance by Clusters across the Six Urban Areas

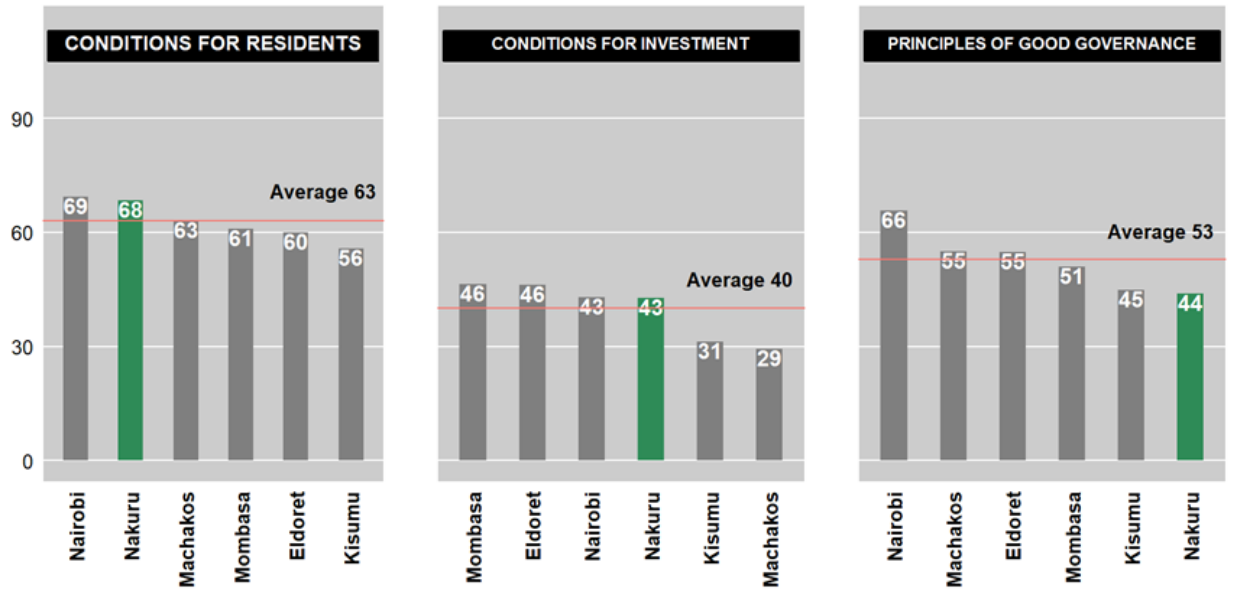


Chart 4: Nakuru Performance Disaggregated by Sub Clusters

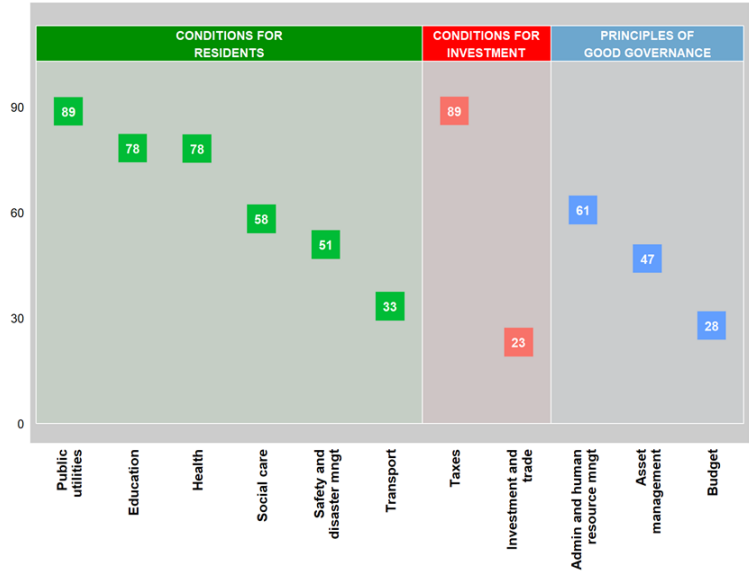
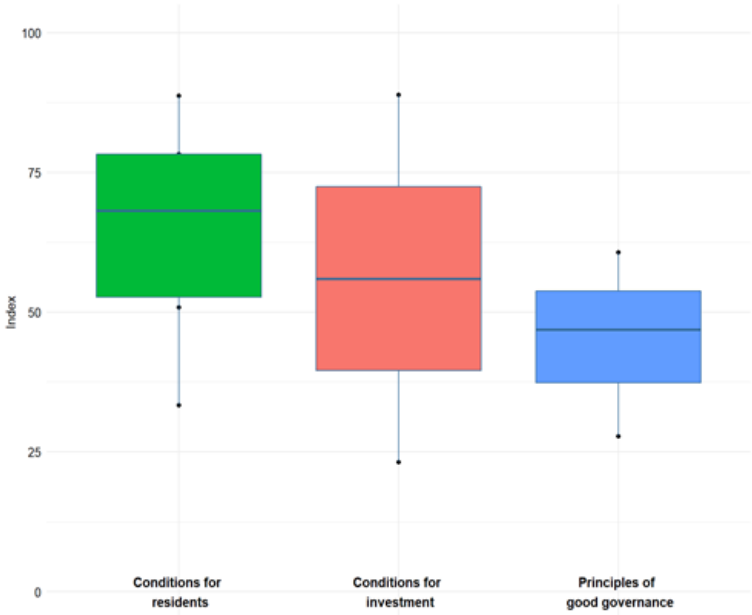


Chart 5: Box Plot Showing Spread of Scores by Clusters



Conditions for Residents

Overall performance in this cluster is explained by aggregation of individual performance in each of the six sub-clusters.

Analysis of this cluster reveals significant variations in scores and performance among the six sub clusters with the range of 33 to 89 points. Nakuru's above average performance in Conditions for Residents is attributed to excellent score of 89 in public utilities sub-cluster and above average score of 78 apiece in education and in health sub clusters.

Of note and one of the reasons explaining high performance on public utilities in Nakuru is that 90 out of 100 households have access to water supply which was above the national target of 80% by 2015. Secondly residents get 17 hours per day of water supply, third most reliable of the six urban areas.

On education, despite above average performance Nakuru is ranked fourth. Like the rest of urban areas, it has a plan for both Early Childhood Development and Education (ECDE) and Polytechnics but its ratio of ECDE to pupils, 1:76 is indeed higher than the average of 1:56.

Regarding health, Nakuru is ranked third with performance explained by relatively high (88%) of fully immunized children and recorded the lowest HIV prevalence (4.10%) among the six urban areas. Of note is the challenge with comparatively high cholera prevalence, 6.6 cases per 100,000 people. Further, although percentage of deliveries in a health facility in 2015 of 69.7 % is higher than the national average, Nakuru is ranked third on this indicator.

Overall cluster performance was undermined by average scores in social care and in safety and disaster management exacerbated by below average score in transport.

Factors such as comparatively high child poverty rates (34%) against a mean of 24.5% as well as relatively high unemployment rate (10%), 2 percentage points below the mean within the social care sub- cluster contribute to lowering overall performance.

Furthermore Nakuru is ranked second last on safety and disaster management due to relatively high cases of crime, 8.3 cases per 1000 population against a mean of 2.2 cases per 1000 population and indeed the highest. In the transport sub-cluster, Nakuru is ranked fourth with a score of 33. This sub–par performance is as a consequence of lack of policies on non-motorised transport and *boda-boda* as important foundation for traffic management.

Conditions for Investment

The weakest performance by Nakuru is in this cluster. Despite excellent performance (score of 89 points) in provision of tax friendly environment, Nakuru's overall performance in this cluster is undermined by weak performance in investment and trade (score of 23) sub-cluster.

Comparatively, Nakuru is ranked top on the taxes sub-cluster and fourth on the investment and trade sub-cluster. Nakuru not only provides information on taxes and other levies for business like the other five urban areas, its levies on single business permit for general merchant shop at Ksh 4,000 against a mean of Ksh 5,367 are the lowest.

Although Nakuru had the highest number of building permits issued, 1.79 per 1,000 population in 2015 albeit a minimal increase, 6% from the previous 2014.

However other factors contributed to lowering overall performance in the investment and trade sub-cluster. These factors include unavailability of data on the number of foreign direct investment, and the number of public-private partnerships contracts. The officers interviewed did not provide this information. Besides information on the number of business license issued was not provided.

Such a situation where information is not disclosed is treated as a case of lack of transparency. This together with circumstances where information for indicators is not available for whatever reasons are assigned a score of zero as per the UAPI methodology.

Principles of Good Governance

Of the three sub clusters that constitute the Principles of Good Governance cluster, performance on administration and human resources is above average while that on asset management is average. This is contrasted by weak performance in the budget sub cluster, with a score of 28. Overall performance in this cluster is scaled down primarily as a consequence of poor results in the budget sub-cluster.

With a score of 61 Nakuru is ranked third on administration and human resource management, It was noted that Nakuru keeps staff register that is accessible to the public upon formal request. Although Ksh 46 for every Ksh 100 is spent on staff salaries, the second lowest of the six urban, Nakuru has the highest staff size, 4 for every 1,000 urban population which is above the mean of 3 staff for every 1,000 population.

On asset management, Nakuru with a score of 47 is ranked last. Based on indicators used, it was reported that Nakuru owned one funeral home with the low overall score blamed on the relatively high number of companies (4) in which it holds shares and zero score because of providing no information on the number of urban area-owned-or-rented cars for the employees of the urban area administration. Overall a low score is indicative of the need for Nakuru to outsource and privatise none core functions.

Nakuru is ranked fourth on the budget sub-cluster. On the positive side, it posted the best revenue performance, that is about 99% of local revenue was realized against the target for 2015/16. Conversely local revenue mobilization per capita of Ksh 1,195 was ranked third. Further on expenditure management is wanting as Nakuru did not comply with expenditure threshold of 30% budget set aside for development, short by nine percentage points. Besides nearly 60% of the development budget was unspent by the end of 2015/16. Other notable factors affecting overall performance include having he second highest ratio of pending bills (accounts payable) to revenue, 22.1% and zero score for lack of information on debt levels.

Recommendations

The County of Nakuru should in the short term establish Nakuru city structures. In addition, they should also operationalize the County Statistics Office as a data repository and information centre not only for the entire County but also for the urban area of Nakuru. This is useful to facilitate planning and also as a way of promoting transparency.

Improving Service Delivery

Nakuru should prioritize and focus reforms in the following areas:

- Develop non-motorised and boda boda transport policies as foundation for overall traffic management and in facilitating and regulating public transport.
- Prioritize budgetary allocation and efficient spending towards child protection and welfare interventions
- Prioritize health budget towards maternal and child health interventions for improved child and maternal health outcomes.
- Establish collaborative mechanisms towards road safety campaigns to reduce cases of accidents

Improving Conditions for Investment

Nakuru should focus action on the following to provide for a favourable environment for businesses and investment:

- There is need to collect information that is important for understanding investment climate including on foreign direct investment, information or indicators of promoting private enterprise such as public private partnership contracts and so on.
- Improve transparency on parameters on conditions for investment by disclosing information on business licenses issued

Improving Principle of Good Governance

- Enhance automation and use of technology in revenue collection and administration to reduce tax leakages and increase efficiency. Focus efforts on public expenditure management by ensuring that expenditure and procurement plans are synchronized in order to increase uptake of development budget.
- Publicize information on public debt in various budget documents as a way of promoting budget transparency.
- Update asset register and consider rationalizing assets not necessary for performing core functions for effective asset management

Methodology

The Urban Areas Performance Index (UAPI) was adopted and modified from the Municipal Performance Index that has successfully been used by Lithuania Free Market Institute (LFMI) for seven years since 2011. This Index was compiled from a questionnaire with 67 questions (indicators) completed using information gathered from County officers and secondary data based on the year 2015. Data was collected from the six largest urban areas in Kenya which were covered in this research, namely: *Eldoret, Kisumu, Machakos, Mombasa, Nairobi and Nakuru* from November 2016 to May 2017

The Institute of Economic Affairs (IEA-Kenya) is a Public Policy think tank and a civic forum which seeks to promote pluralism of ideas through open, active and informed debate on public policy issues. The IEA-Kenya also provides research backup to policy makers, including Members of Parliament through research and advocacy. The IEA is independent of political parties, pressure groups and lobbies, or any other partisan interests.

© 2018 Institute of Economic Affairs

ACK Garden House, 5th Floor, 1st Ngong Avenue
P.O. Box 53989 - 00200, Nairobi, Kenya.
Tel: +254 - 20 - 2721262, +254 - 20 - 2717402
Fax: +254 - 20 - 2716231
Email: admin@ieakenya.or.ke
Website: www.ieakenya.or.ke

Written by:
John Mutua
Noah Wamalwa

Edited by:
Winnie Ogejo

Board of Directors:

1. Charles Onyango-Obbo - Chairman
2. Albert Mwenda
3. Sammy Muvellah
4. Geoffrey Monari
5. Raphael Owino

With Funding from

IDRC | CRDI
International Development Research Centre
Centre de recherches pour le développement international

USAID
FROM THE AMERICAN PEOPLE

UKaid
from the British people

AHADI
AGILE AND HARMONIZED ASSISTANCE FOR DEVOLVED INSTITUTIONS