



Urban Economy and Market Development in Homa Bay County, Kenya

I. Background

Cognizant of the rapid urbanization that is happening in Africa, governments must realign their priorities and approaches to make use of the productivity advantage rendered by cities. Kenya is responding to rapid urbanization by implementing fundamental structural and policy adjustments which have had a positive impact on the growth of the country. Nevertheless, the economy is still faced with the challenges of poverty, high unemployment, an undeveloped infrastructure and an economy that is prone to internal and external shocks. Thus, the government of Kenya has a huge task of responding to these challenges by taking advantage of the many potential economic assets, embedded in a growing youthful population, a vibrant private sector, an investment friendly environment and abundant natural resources.

In response to rapid urbanization, the government of Kenya has constitutionally structured the state into 47 economic and legislative divisions called counties. However, the counties in Kenya continue to grapple with the complex challenges of devolution. Limited financial capacity is particularly a major challenge facing these new governmental units. The county governments often face an uphill task of delivering adequate public services to sustainably steer development in their economies. Upon realizing how enormous their socio-economic task is, many county governments have sought to build partnerships so they are able to draw on international expertise. Consequently, a number of collaborations between county governments and UN-Habitat have been initiated. Homa Bay County, which is located along the southern shores of Lake Victoria, is among those that have partnered with UN-Habitat.

II. UN-Habitat's Collaboration with County Governments in Kenya

UN-Habitat has been supporting the government of Kenya even before the decentralization process in the state. UN-Habitat has provided technical assistance on numerous projects aimed at developing sustainable infrastructure and improving revenue management systems. UN-Habitat has also provided tools calibrated to the local context which has assisted in the evaluation of urban development initiatives and has assisted policy makers at the municipal level in making informed decisions.

UN-Habitat supported projects in Kenya continue to impact local economic growth. Presently, UN-Habitat is supporting different ongoing projects in Homa Bay, Kiambu, Nairobi, Mombasa, Kisumu and Turkana and other counties with an overall objective of leveraging rapid urbanization to achieve sustainable economic development.

III. UN-Habitat Collaboration with Homa Bay County Government

Most counties in Kenya face challenges in regards to the generation and management of local revenues. The UN-Habitat supported revenue enhancement project in Kiambu County has been quite successful and has triggered interest

from various local governments including Homa Bay. UN-Habitat and the county government of Homa Bay have also had a successful collaboration in a range of aspects starting from when Homa Bay was a local municipality. On the basis of successful projects in the past, which were supported by UN-Habitat, the county government of Homa Bay sought specialized support for revenue enhancement and local economic development. Consequently, UN-Habitat took on a role of a technical advisor and conducted a rapid financial assessment of the county in collaboration with local government officials of Homa Bay.

A picture of a busy section in Homa Bay town



IV. The Purpose of a Rapid Financial Assessment for Homa Bay

The rapid financial assessment is aimed at assessing the general economic conditions of the city and the current fiscal situation of the local government. A rapid financial assessment is vital as it serves as a baseline upon which progress towards the envisaged change can be measured and inform in formulating and implementing viable alternatives.

A reliable and relevant baseline necessitates examining the county's available resources, commitment level of key players, types of challenges faced and an analysis of the revenue system. The rapid financial assessment also involves a SWOT analysis of the revenue system, while examining viable alternatives and providing recommendations on the courses of action to improve revenue generation.

The rapid financial assessment in Homa Bay entailed the formation of a joint County – UN Habitat team. This was followed by data collection and analysis along with discussions on preliminary findings. The last step was the formulation of a transformative approach for revenue enhancement and local economic development.



V. Baseline Assessment Findings

In compliance with the constitution, the county government of Homa Bay has set up a regulatory framework for revenue collection and local economic development. However, the system is faced with financial and technical gaps of varying magnitude which has had a significant impact on revenue collection.

Homa Bay County is currently experiencing a rapid growth in its commercially based economy, with a vibrant SME sector. This is evident as markets have been mushrooming rapidly in small shopping and trade centers adjacent to key public infrastructures and amenities. Key amongst the findings of the rapid financial assessment was the influence that infrastructures like markets and roads have on economic development and revenue collection. This provided the first indicator for an intervention- i.e infrastructural improvement. This would not only act as a quick win for revenue enhancement but would also help promote sustainable economic growth.

Furthermore, despite the fact that, at the point of assessment, almost all counties in Kenya were still heavily dependent on national government for funding of both their recurrent expenditure and development budgets, the county government's level of support and resource allocation to its functional units in the field have been shown to be pivotal to increasing revenues.

VI. Upgrading Nyakwere Market Facility

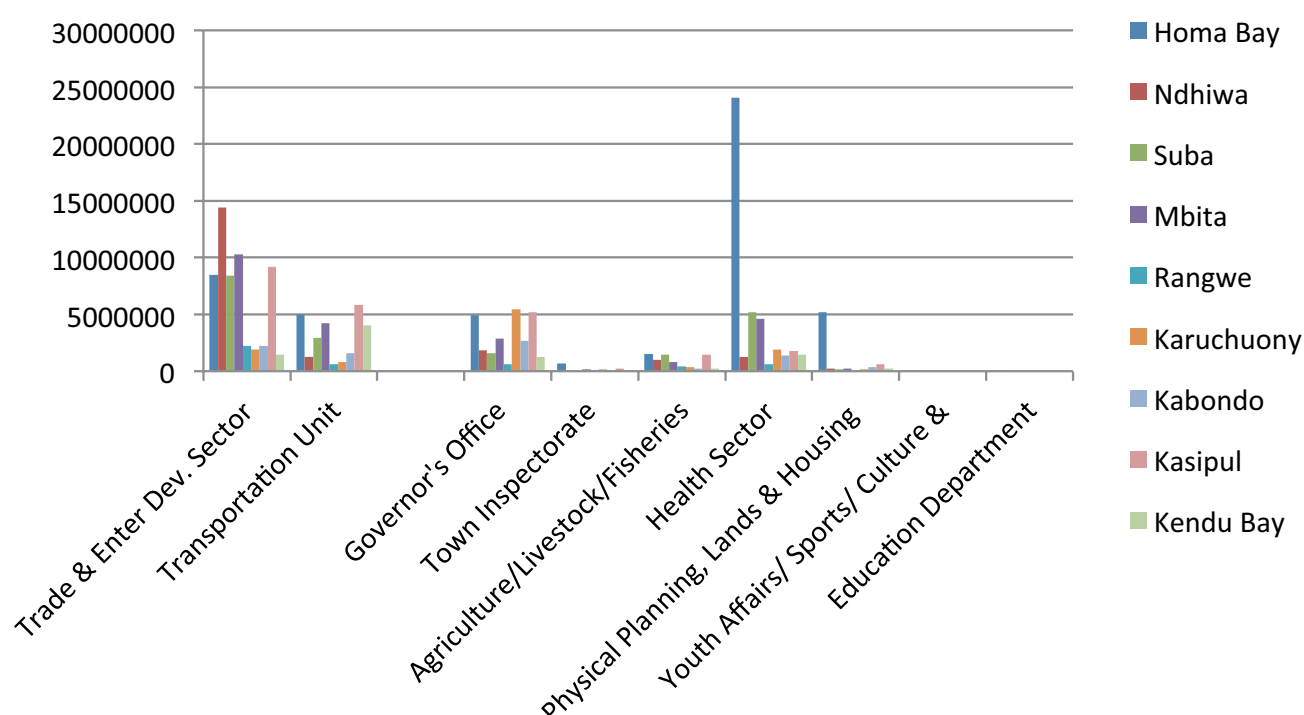
Infrastructural development, such as upgrading of markets, public spaces, and increasing access to roads has been shown to be a critical component of local economic development. With the results from the rapid financial assessment, recommendations were made to pilot a market construction project. This is

expected to have further implications on the economy as there is a strong positive correlation between improved infrastructure, effective provision of public goods and overall economic expansion as reflected by increased investments, land values and level of industrialization.

As a result, the Homa Bay County government and UN-Habitat's Urban Economy and Municipal Finance Branch are implementing the improvement and transformation of Nyakwere open air market. This involves the improvement of the sanitation, security, space and overall sustainability of Nyakwere market. These interventions aim at using such improvements as an economic catalyst to bring about an increase in land values, investment and trade. The project will constitute planning, construction and managing; and is expected to cost over USD 250,000.

Nyakwere open air market serves over 20,000 people in Wan'gchieng ward, most of whom are subsistence farmers and small traders. Market days are attended by people from neighboring counties such as Kisumu, Kisii, Migori, Kericho and Siaya. However, the markets in Nyakwere are very unpredictable due to dependence on weather conditions. Its current dire status has also triggered anger between aggrieved traders and revenue collectors, affecting the collection of fees and sometimes paralyzing collection completely. Upgrading the market is expected to reduce unpredictability caused by weather conditions which would effectively increase operational time and the number of people trading. It is also expected that such improvement will encourage compliance and increase collection of fees. Furthermore, improvement of the Nyakwere market is expected to trigger a ripple effect in the area by increasing economic activity and reducing the level of unemployment.

2014/2015 Revenue Collection per Stream

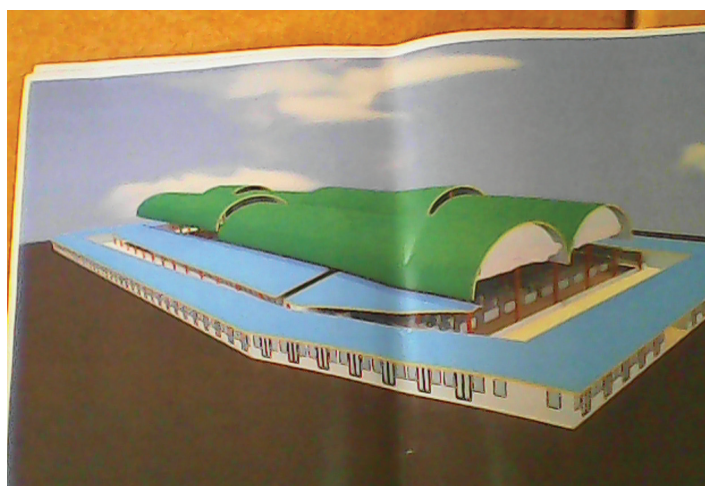


Source: UN-Habitat

Pictures of current Nyakwere Market



Computer aided designs of Upgraded Nyakwere market



VII. Lessons Learned

There are fundamental lessons that emerged from this project. First, we learned the importance of obtaining an objective baseline, which serves as a basis to measure and monitor interventions. Without a baseline such as the rapid financial assessment conducted for Homa Bay County, we would have been forced to use unsubstantiated assumptions, which could have easily led to skewed decisions, affecting the overall sustainability of subsequent project activities.

Secondly, we learned that the county has a reasonable level of expertise and a huge unexploited revenue potential. Existing structures, including technical and financial capacities, however, are overstretched. Due to such capacity gaps;

county led and self-funded economic assessments, feasibility studies and pilots are not easy to carry out. Like the rest of the counties in Kenya, Homa Bay often depends heavily on outsourced consultancies for technical expertise. Although this method can be effective for certain projects, it cannot replace internal county professionally skilled staff. This necessitates the need for a one off externally supported capacity building project that can be implemented in phases particularly in areas that require pragmatic decision making. These capacity building activities can especially help in establishing a multi-level self-assessing mechanism that assist managers to forecast, detect and redress revenue matters with accuracy.