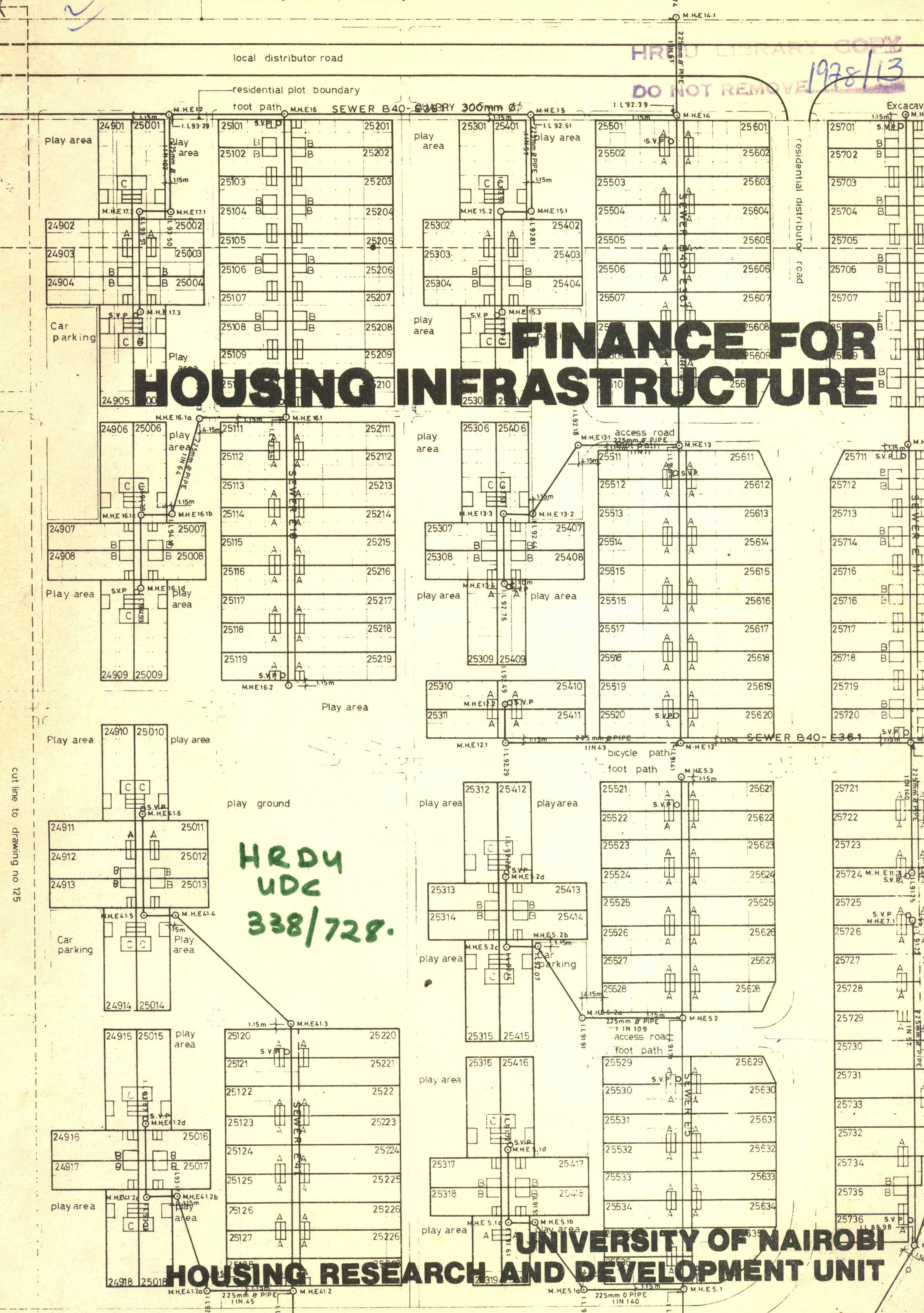
FINANCE FOR HOUSING INFRASTRUCTURE



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Finance for Housing Infrastructure

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ABSTRACT

In the next 20 years local authorities in Kenya will have to provide urban infrastructure (water, sewer, roads, street lighting) for an estimated 6 million new urban residents. This paper discusses sources of capital finance available to local authorities for these projects. The financing and construction of housing infrastructure is a necessary precondition for the expansion of site and service and all other shelter programmes. The author offers solutions to one of the most significant "housing" problems of Kenya's local authorities: the acquisition of the initial finance for infrastructure construction.

It is suggested that local authorities adopt self-financing policies and that a national capital coordinating agency be established in the form of a restructured Local Government Loans Authority. (LGLA) A restructured LGLA coordinating domestic and international efforts to secure capital finance for local authority infrastructure projects serves the interests of both local authorities and the Central Government.

The cover design, "Area 2 Layout of Foul Sewers," is used with the kind permisssion of the Design Team for the Dandora Site and Service Project, Nairobi, Kenya. Members of the Design Team were Mutiso Menezes International (Architects/Town Planners), I. B. Patel Mangat & Partners (Engineering/Infrastructure), and Armstrong & Duncan (Quantity Surveyors).

1. INTRODUCTION.

In the 1970's Kenya's housing debate progressed from whether to accept the site and service approach[1] to defining spheres of action for the Central Government, local authorities, and the individual home builder in site and service programmes.[2] This paper contributes to this latest discussion by examining local authorities' changing role in financing human settlements infrastructure. Lack of finance for infrastructure operates as a major constraint to the expansion of site and service and all other shelter programmes.

Infrastructure is restricted here to those elements usually considered as preconditions for housing: site preparation, water, sewerage, paths and roadways, and street lighting.[3] Other essential municipal services, such as education, public health, fire and police protection, complete a human settlements programme but are usually dealt with and financed separately because of their large recurring operating costs.

In major urban areas these facilities and services are commonly provided by local authorities. Local government has the responsibility for providing the elements of housing infrastructure,[4] but has it the corresponding right to raise sufficient revenue to meet its obligations?[5] The Central Government will have to make available sufficient revenue sources to enable local authorities to accomplish their task. Some criticize this approach arguing that local authorities are "creations" of the Central Government and must always rely on national grants to implement their local projects.

Unitary political and financial systems work successfully in some countries. What clearly does not work is a situation where the relationship is ambiguous; then local projects do not advance because local officers do not have direct access to funds or the power to implement projects. Often Central Government officers are so overloaded with national concerns (especially those of the primary city) that they cannot become involved in local projects either. Ambiguity of relationship - especially the financial relationship - between the local and national levels of government spells disaster. This paper investigates the state of local authority finances as they presently exist in Kenya and argues for the adoption of measures which will allow local authorities to be increasingly self-financing in the area of housing infrastructure.