Why Directive on SGR Cargo Could Kill Kenya's Small Towns and Cities

By Rasna Warah

A recent study by the University of Nairobi's School of Business says that Mombasa County has suffered economically due to the government's decision to force importers to use the standard gauge railway (SGR) instead of road transport from the port of Mombasa. The study says that since the implementation of the government directive the county has lost Sh17.4 billion – equivalent to 8.4 per cent of its annual earnings – and 2,987 jobs.

The study further notes that towns along the Mombasa-Nairobi highway have also been adversely affected, as businesses that depended on trucking – such as small restaurants, lodgings and other services that depend on long-distance drivers – are having to shut down. (I will not go into the viability or non-viability of the SGR itself, as this topic has been ably tackled by others, including the economist David Ndii.)

What does this mean for the country's future prospects? Well, for one, small towns along the Mombasa-Nairobi highway, such as Voi and Kibwezi, might experience depopulation, which will have negative economic and social consequences for them. (On the other hand, stops along the SGR route may also experience a boom, but that is something we can only speculate about at this stage.) It may also mean that inland dry ports and cargo terminals that are near Nairobi will further reinforce the position of the capital city and its environs as the nerve centre of economic activity – a phenomenon

known as “urban primacy” – which does not augur well for devolution and balanced economic development.

The six-lane Nairobi-Mombasa highway envisioned by the government may also not solve these problems because if importers are still forced to use the SGR, the towns along its route will not benefit substantially because it is trucks, and not private motor vehicles, that usually drive small-scale trade in these towns. (It also seems counterproductive to build a superhighway along the same route as the SGR; if the government’s intention was to promote railway use, why build a bigger road alongside it?)

Urban primacy – the concentration of people, capital, revenue and industrial production in one city – is common in countries that are in the early stages of urban development. In most so-called developing countries, the capital city is typically where people and economic activities are concentrated. Some countries, like India, have commercial hubs like the port city of Mumbai that are not capital cities but that do generate a disproportionately large amount of the country’s GDP, but these are usually the exception rather than the rule.

However, “primate cities” can be bad for the national economy as a whole because they create imbalances in the distribution of resources and populations that can lead to uneven development and political tensions. Kenyans’ clamour for devolution was a response to the fact that the capital Nairobi and selected agriculturally productive regions benefitted the most from the country’s public resources while cities, towns and other regions in the rest of the country did not.

Even Mombasa, a city with a long history going back centuries, and a natural deep-water harbour, has been unable to compete with Nairobi when it comes to public investments. This explains why, despite the city being at least a thousand years old, Mombasa’s population has only grown to about one million, about a fifth of Nairobi’s population. Yet until about a century ago, Nairobi did not even exist; it is an “accidental city” that grew rapidly due to a variety of factors, including being designated the capital of Kenya.

Devolution was expected to change all that, but as the government’s policy on SGR cargo has shown, national governments can still undermine the economy of a region by placing or diverting resources elsewhere.

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Little town blues

Unlike many Kenyans who have a rosy image of an idyllic rural or small-town life, with birds chirping, cows mooing and fresh air wafting in through the windows, and who believe that big cities are bad and full of vices, I am a die-hard urbanist who believes that the future lies in cities. Living in small-town Malindi has intensified my belief, not only because I do not get to enjoy the pleasures of urban living, like cinemas, street lighting and good restaurants, but also because I see a clear correlation between economic stagnation and an undiversified economy.

Malindi has depended largely on tourism, which is sporadic and dwindling. Lack of investment in this town has ensured that it does not attract people with a variety of skills. There is no university or large industry here that brings in a wide range of professionals and skilled labour. So the town has remained a backwater with nothing much happening and which mainly attracts sex tourists.

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Downtown Malindi has resembled a cattle market for decades – the chaos of boda bodas, the lack of pavements and street lighting and zero urban planning have made the experience of going to the central business district extremely nerve-wracking. Malindi is what happens to urban areas when they are not planned, when there is little respect for the citizens inhabiting them, and when there is little incentive to make them more attractive and environmentally sustainable.

Malindi dulls the senses of the locals, and makes them cynical. They have come to believe that Malindi is – and will remain – a town with poor infrastructure, a crumbling paradise for them and their grandchildren. Those who manage to escape the town never come back. Promises of infrastructure development usually do not materialise, even with devolution. The lack of opportunities and amenities in this seaside town has also ensured that Malindi remains an economically and socially divided city with a small group of wealthy foreigners, a very large majority of poor people, and a tiny middle class.

There are many who believe that this is the nature of urbanisation – that cities and towns cannot be planned and that they grow spontaneously and haphazardly and quite often accidentally, and so urbanisation is a process that should be allowed to evolve naturally. While this may be true – most cities start out as small, disorganised villages – urban planning and management are what makes cities liveable. Imagine a city with no sewerage system, no public park, no bus stop, no paved roads, no street lighting and no public services. Would it even be worth living in such a city? What would be the point?

In the early 1990s especially, when a wave of liberalisation and privatisation was sweeping the world, United Nations- and World Bank-types advocated for market forces to determine the provision of basic services such as water. It was assumed that the private sector would step in when governments didn't – or couldn't – provide basic services and that this would lead to greater efficiency. The withdrawal of the state from service provision – a conditionality of the IMF-World Bank structural adjustment programmes (SAPs) – led to immense hardship in poor countries, especially in the areas of health and education. Urban decay became the norm as services collapsed or became unaffordable.

However, these believers in the free market forgot that there are some things that even the private sector cannot be trusted to handle well, such as deciding which sections of a city should be allocated to public parks and whether the city should have a sewerage system. On the contrary, given the profit motive of the private sector, it is more likely than not to view a piece of idle land as real estate that can make a profit rather than a space that should be reserved and preserved for the public good. Which explains why nearly all public parks in Nairobi have been grabbed by private developers and why the art deco-style bungalows in Nairobi's Parklands area have almost all been demolished to pave way for ugly apartment blocks. No one tried to save these parks and houses by declaring them as part of Nairobi's heritage. On the contrary, the authorities and powerful individuals colluded in their destruction.

The difference between a liveable city and one which is unliveable lies in how it views its citizens, its heritage and its environment. Planning is an essential part of this process. Urbanisation without good urban planning is simply urban growth.

Cities and socio-economic development

Cities are the key to economic and social development. All over the developing world, indicators for health and education are better in urban than in rural areas, and Kenya is no exception. Kenyan urban populations tend to be healthier, more literate and wealthier than their rural counterparts. Agglomeration benefits and economies of scale brought about by populations concentrated in one

area also make cities economically efficient.

The 2009 Kenya census shows that nearly one-third of the country's population is now urban, but urbanisation levels are still way below those of other African countries. In fact, along with Burundi, Rwanda and Uganda, Kenya has among the lowest urbanisation levels in the world. This has implications for the country's economic prospects.

Even though urbanisation is shifting the locus of poverty to cities and to the informal settlements (slums) within them, rural poverty still remains a problem. While it is easier to ascertain the role of the formal economy in national development, the role of the informal urban economy is not so clear, but is nonetheless significant. Studies show that African cities are characterised by informality, both in housing and in economic activity. The informal economy accounts for as much as 40 per cent of GDP in African countries, and accounts for more than 60 per cent of urban employment in Africa. This "underground" or "invisible" economy is what keeps cities functioning, and should not be underestimated. It is what pushes rural folk to cities and quite often keeps them there for generations.

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This does not mean that rural development and agriculture should be neglected. The World Bank's Commission on Growth and Development makes a clear link between agricultural productivity and urbanisation; it emphasises that improved agricultural productivity complements, rather than hinders, urban growth. In fact, many towns in Kenya, such as Nakuru and Eldoret, grew because of agriculture. These farming towns have an agricultural base that sustains them and that creates other economic opportunities for people living in them.

I would, therefore, argue that Kenya remains poor because present and past governments have neglected the country's urban areas, and failed to see the link between sustainable urbanisation, sound urban planning and economic development. The directive on SGR cargo is a clear example of this blindness.

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Cities and devolution

The 1963 Local Government Act created 175 local authorities in Kenya that were financed partly by their own revenues. These local authorities were abolished under the new constitution. As required by Article 184 of the constitution, national legislation should provide for the governance and management of urban areas. The Urban Areas and Cities Act (Revised 2015 edition) does provide for a system of city and municipal boards and town committees that are charged with the task of adopting urban policies and strategies, including on service delivery and land use.

However, the population threshold set out by the Act is too high. The Act defines a city as one that has a population of more than 500,000, and currently only two cities (Nairobi and Mombasa) have attained this population level. It defines a town as one that has a population of between 70,000 and 249,000, which places only Kisumu, Nakuru, Eldoret and Kehancha (Migori County) in this category.

When it comes to declaring a territory a city, size should not matter. Geneva, for example, has a population of just 200,000 yet it is still considered a city and Switzerland's capital Bern has a population of just 130,000. Yet these cities enjoy all the amenities of urban life.

The 2017 Amendment Bill seeks to reclassify urban areas as those that have populations of at least 50,000, which could see the creation of a lot more municipal boards across the country. However, the criteria for the creation of these boards are rather restrictive, and could serve as a deterrent, especially in poor and largely rural counties.

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One of the conditions for the creation of a city or municipal board is that the city or town must have the capacity to generate sufficient revenue to sustain its operations. This is difficult for many of the poorer counties that rely on the national government to carry out operations, including the building of roads that are not part of the national highway network. Another condition is to have the capacity to effectively and efficiently deliver services, which was a tall order even back when cities and towns in Kenya were managed by city councils and municipalities. Public-private partnerships in service delivery could be an option, but these options are likely to remain unaffordable for the majority.

One of the pitfalls of devolution is that urban areas may suffer under a system where devolved funds are used to cater mostly for rural populations in the counties, rather than to the needs of urban dwellers. While this is understandable given the marginalisation of several regions under the previous centralised system, neglecting urban areas may come to haunt counties in the future.

But what happened to Mombasa was completely avoidable. To deliberately undermine an economic activity that employed thousands of people is nothing but economic sabotage on the part of the central government. This decision is likely to impact Mombasa's fortunes in profound ways.

I hope the city of Mombasa will not become the unfortunate casualty of a misguided government policy – based largely, I believe, on the realisation that SGR was a costly project that will most likely not pay for itself – that could have long-term and far-reaching effects not just on Mombasa but on the coastal region as a whole.

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