

Decentralization and Poverty Reduction: Opportunities and Challenges in Kenya¹

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Yerinden Yönetim ve Yoksulluğun Azaltılması: Kenya'daki Fırsatlar ve Zorluklar²

Abstract

Kenya is the newest to join a growing number of countries opting for decentralization over centralization. Aimed to promote democracy, national unity, self-governance, equitable sharing of resources and creating checks and balances and the separation of powers; devolution in Kenya comes with massive expectations in a country that have failed to achieve its potentials. There exist challenges such as persistence of the old system, growing recurrent expenditure, shortage of qualified manpower, reported cases of corruption and lack of active local participation. Despite these challenges, a supportive constitution, vibrant civil society, and the democratic political structure of the country provide opportunities for devolution to succeed in Kenya.

Keywords : Decentralization, Local Government, Devolution, Kenya.

JEL Classification Codes : H72, H76.

Öz

Kenya, merkeziyetçiliğin yerine adem-i merkeziyetçiliği tercih eden dünyadaki en yeni ülkelerden sayılmaktadır. Dolayısıyla bununla demokrasiyi, ulusal birliği, kendiliğinden yönetimi, kaynakların eşit düzeyde paylaşımını, kuvvetler ayrılığının gelişimini sağlamayı amaçlayan Kenya, kendi potansiyelini sağlamamakla beraber bugün yetki devri toplumun beklentilerini artırmıştır. Kenya'da eski yönetim sisteminin devam etmesi, artan harcamalar, nitelikli insan gücünün yetersizliği, tespit edilmiş olan yolsuzluklar ve aktif biçimde olmayan yerel katılım gibi zorluklar bulunmaktadır. Bütün bu sorunlara rağmen, güçlü anayasal destek, aktif sivil toplum ve ülkenin demokratik siyasi yapısı Kenya'da, yetki devrinin başarı sağlanması amacıyla yönelik fırsatlar sunmaktadır.

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Anahtar Sözcükler : Yerinden Yönetim, Yerel Yönetim, Yetki Devri, Kenya.

1. Introduction

Decentralization of central government's fiscal, political, and administrative responsibilities to local governments as well as to the private sector has been ongoing for some time, mainly in the industrialized countries and lately (since mid-1980s) in the developing countries for different reasons. The term decentralization is not easily defined. Decentralization means different things to different groups depending on which of its various dimensions is used. Decentralization in its broadest sense means institutional restructuring that mainly involves transfer of central government functions to quasi-autonomous institutions, to countryside ministerial branches, to contracted private companies and individuals, to nongovernmental organizations (NGOs) and/or complete/partial privatization. Decentralization is ambiguous in comparison to its antonym: centralization, which is commonly defined as the concentration of power and resources in a single center (Schneider, 2003: 34).

A definition which classifies decentralization into three forms has widely being adopted. It distinguishes decentralization into fiscal, political, and administrative decentralization depending on the degree of decentralization employed by a central government (Rondinelli, 1999: 2). Fiscal decentralization is the pinnacle of effective decentralization since the operationalization of local government plans and responsibilities requires financial supports. Fiscal decentralization is the financial autonomy given to local governments in terms of access to revenues and authority to make expenditure decisions. Sources for these revenues could include locally collected taxes, funds transferred from national government, and/or borrowings (Litvack & Ahmad & Bird, 1998: 6; Rondinelli, 1999: 2).

Political decentralization involves increasing of democratic representation through inclusion of un/underrepresented groups such as women, youth, and people living with disability so that their interests are discussed on the tables of decision-making. "*Political decentralization aims to give citizens and their elected representatives more power in public decision-making.*" (Rondinelli, 1999: 2). It is the empowerment of communities to participate in politics of the country. It is not merely the tradition of conducting elections in every five years without the politicians being accountable to the electorates.

Administrative decentralization is concerned with the distribution of resources through fiscal and regulatory actions at the sub-national tier (Litvack & Ahmad & Bird, 1998: 6). It is the empowerment of local authorities to plan, finance and manage public functions transferred from the central government. It has three key types - deconcentration, delegation, and devolution - each with different characteristics and targets to achieve (Rondinelli, 1999: 2).

Deconcentration comprises of the assignment of duties from headquarter offices of government ministries to their branches at the countryside while the departmental heads at the headquarters still retain authority over the field officers at the branches. Deconcentration of public administration allows only a moderately more independent local authority than completely centralized systems of governance (Schneider, 2003: 38). Delegation enjoys more autonomy from central government in comparison to deconcentration. Under delegation, the central government allocates powers and responsibilities through constitutionally formed government parastatals, commissions, corporations, enterprises and/or agencies that are to some degree independent from the central government but accountable to it. The central government might be involved in the appointment of heads of these organizations but it cannot interfere, for example, charges imposed on users for goods and services they provide (Rondinelli, 1999: 3). Devolution is the constitutional reforms that create local governments which are elected directly and represent the will of the rural communities. In most cases, it requires the approval of citizens through national referendum. Devolution is the form of decentralization that reflects and underlines the definition of decentralization (Rondinelli, 1999: 3). Under devolved systems, the local authorities have clear and legally recognized geographical boundaries over which they exercise authority and within which they administer local decisions on resource use and service delivery (Ozmen, 2014: 416). Devolution enjoys the highest degree of autonomy from central government in comparison to other forms of administrative decentralized.

This categorization is important since the objective and the socio-economic impacts of these forms or stages of decentralization are different. Moreover, they adopt differently designed monitoring and evaluation programs. A blander in the assessment of the impact of decentralization on poverty reduction, economic growth or any other altimeter is the blankly generalization of these categorizations (World Bank, 2003: 186; 2008: XIV). For example, a central government deconcentration will not yield the same impact on poverty alleviation as implementation of devolution.

The rest of the paper is arranged into three sections and the conclusion. Section one comprehensively reviews theoretical and empirical literature that evaluates various decentralization programs in the developing countries. Section two tries to summaries the history of decentralization in Kenya and discusses the design of the recently implemented devolved governance system in the country. The third and final section summaries the result of an analysis we carried. The analysis tries to find out whether the recently implemented devolved system of governance in Kenya is creating economic convergence among the counties and whether there is the existence of elite capture at the sub-national level. We then conclude by highlighting opportunities and challenges of devolution in Kenya based on literatures and experience of the country.

2. Decentralization and Poverty Reduction

2.1. Reasons for Decentralization

There are various purposes and political motivations for central governments introduction of any type or degree of decentralization initiatives. Countries' rationales for decentralization includes, but not limited to in any way, to legitimize central authorities, to improve service delivery, because of internal reformist movements, external pressure from donor agencies, or a combination of any of these reasons. Decentralization in many developing countries in Latin America, Asia and Africa has been because of military or single party autocratic regimes' quest for popular recognition. For example, in Bangladesh the military government of President H.M. Ershad's introduction of decentralization in 1985 was mainly intended to legitimacy the regime and build popularity for regime's newly created Jatiyo Party (Crook & Sverrisson, 2001: 27). Similarly, in Cote D'Ivoire (Ivory Coast) the introduction of the *commune* system of decentralization in 1980 was an attempt by President Houphouet-Boigny to resuscitate the single ruling party - Parti Démocratique de la Cote D'Ivoire (PDCD) (Crook & Sverrisson, 2001: 24). Another political reason for decentralization which is common in heterogenous countries is to accommodate different regions or ethnic groups within the government (Ford, 1999: 6). A good example is the multi-ethnic federalism in Ethiopian which tries to accommodate the various ethnic groups in the country within the eleven federal states.

The justification that decentralization improves service delivery is based on a popular assumption that public expenditure decisions are more responsive and reflective of the interests of the citizens when made by a government tier that is closer to the people rather than by a remote central government (Ford, 1999: 6). This is to overcome central government bureaucratic bottlenecks that *"inhibits the potential for economic growth spatially, creates inefficiencies and stifles innovation in public service provision, and causes political inequality and alienation."* (Cox & Henderson & Raikes, 2014: 27). This economically motivated reason for decentralization is more common in the developed countries, although many developing countries have started imitating them. An example is the fiscal autonomy of the Scottish parliament. Whereby, though limited, the Scottish parliament was granted powers to collect tax; make laws; and functions to deliver services in several important sectors that include education, healthcare, environment, agriculture, and art policies since 2000 (Los Angeles Times, 1997).

Decentralization in many countries was because of reformists' movements agenda. These movements are not only limited to democratic environments but rather are of different kinds including leftist coalitions like the case of Indian's West Bengal state which decentralized as a result of the coming into power of the Left Front coalition led by the Communist Party of India [Marxist] (CPI[M]) in 1978; demand by the masses, for example, in the Philippines after the overthrowing of Ferdinand Marcos's dictatorial regime in 1986, the people demanded decentralization through nongovernmental organizations (NGOs) or people's organizations (POs); and even by military governments like the Ghanaian's District Assembly system that was introduced in 1989 by Jerry Rawlings' military government

which was "...based on radical populist ideas of direct participation and no-party people's democracy..." (Crook & Sverrisson, 2001: 15, 22, 30). Decentralization is also because of donor agencies pressure for reforms as in the case for many Africa countries (Devas & Grant, 2003: 307). These motives are important since they can have a great influence on the type and degree of decentralization in a country which in turn determine the level of success.

2.2. Linking Decentralization to Poverty Reduction

An important question for any governance reform agenda is how often such an agenda does considers and implements pro-poor policies? And decentralization is not different. A popular justification for decentralization is that it brings government closer to the electorate thus enhancing administrator's knowledge about and responsive to the needs of the people (Crook & Sverrisson, 2001: 5; Crook, 2003: 77). Both theoretical and the few empirical analyses available give mixed result on the relationship between decentralization and economic prosperity in general. Theoretically, decentralization has the potential to bring service delivery point closer to the people, enhance government responsiveness to public demands and thereby having the greatest possibility to improve efficiency and quality of public services, redistribute national resources, empower citizens, and reduce inequality as well as poverty (Rondinelli, 1992; Dethier, 2004: 5).

Due to the complexity of decentralization and lack of well documented program evaluations, it is hard to find good empirical studies on the effects of decentralization especially in the developing countries. Common assessment tools used by researchers to evaluate decentralization include measuring pro-poor economic growth, subnational governments' responsiveness, income redistribution, improving living standards, and its influence on inter-regional inequalities (Crook, 2003: 78-79). Researches show there is weak linkage between decentralization and pro-poor economic growth. One such research in Nigeria found that, despite agriculture been the dominant sector in the country, most local governments lack agricultural development programs and the same scenario is witnessed in Ghana and Cote d'Ivoire (Crook, 2003: 82).

Empirical researches on effective participation, whereby elected officials in decentralized systems in Africa listen to the voice of the citizens, shows disappointing results - leave alone to serve the poor and the disadvantaged. Sometimes even increased participation does not guarantee responsiveness as shown by Crook and Manor's 1992 survey of two District Assemblies (DA) in Ghana. They found that the Unit Committee meetings were participated well in terms of representation of different groups in the society (Crook & Manor, 1998: 228). But 70% of the survey "...respondents felt that the DA did not respond to their needs and only 22% felt it was better than the previous (unelected) system..." (Crook, 2003: 80). Another survey, this time in Kumasi City Council residents, found that majority of the respondents "*strongly disagreed that the City Council was sensitive to residents'*" needs (Kesseey, 1995: 304). There are worse cases in Africa than the Ghanaian District Assemblies. The communes' system in Cote d'Ivoire, like in Ghana, increased participation through local elections, but due to the political structure in the country that allows the dominance of few elite politicians made sure the communes to be

dominated by capital based mayors (Crook, 2003: 81). Crook and Manor's survey on the responsiveness of the communes founded that only thirty-six percent of the respondents were confident their communes could satisfy their developmental needs (Crook & Manor, 1998: 92). The good news is that when there is a strong political commitment decentralization can increase participation and responsiveness. A good example is India's West Bengal state. With the political willingness of CPI[M] as shown by Webster's (Webster, 1989: 206; Webster, 1990: 71) studies the share of representation of the peasants and the landless increased between 1978 and 1988 and there was perceived removal of vested interests in West Bengal politics. The same study found a positive result in terms of local government responsiveness under the panchayat system in West Bengal.

A popular argument among advocates of decentralization is its role in wealth redistribution. Setting up of semi-autonomous political and administrative units at the rural areas will at least in theory enable social equity as groups marginalized under central rules are included in the national budget. But in most cases, there is the tendency of political patronage whereby elite capture at the expense of the poor and the disadvantaged is witnessed especially when there are no pro-poor policy incentives among politicians. Therkildsen (1998: 6) recorded - in his study of local government and the provision of primary education in Tanzania - which the discussion of equity among councilors is mainly in relation to fairness in project distribution among different wards and not in relation to fairness among different groups. This is the case in most rural societies where locally elected leaders are delegates of their communities and it is simply an illustration of the logic of patronage politics (Crook, 2003: 83). The same can be said when it comes to inter-regional wealth redistribution.

We can conclude that to transform a society we need more than just changing from one policy to another. Decentralization is not a magical touch, it takes the right combination of political, administrative, and fiscal decentralization; good local-central relations; political ownership; and how well it is locally centered.

3. Decentralization in Kenya

3.1. Historical Review

Decentralization in Kenya dates to the colonial era. At independence, Kenya adopted a decentralized system locally known as the *Majimbo* (provinces/states) system with regional assemblies and bicameral parliament. The national leaders by then felt it will be divisive to implement the *Majimbo* system and only one year after gaining independence, the constitution was amended to abolish the senate house. But over the years a local government system, which was largely controlled by the central government under the ministry of local governments, existed. Mainly a deconcentration of administrative functions of the government, the system consisted of three tier local authority: Municipalities (Cities and larger towns), Town Councils (small towns) and County Councils (rural authorities). Since there was no constitutional obligation for intergovernmental transfers, the local governments depended mainly on locally collected rates and fees. Most could not even

afford to pay for their electricity bills and they were heavily in debt. A reason for their ineffectiveness. Due to their forceful way of collecting rates, they had a deteriorated relationship with the public - leave about been responsive to the citizens' needs. Other than the local authorities, there was also the provincial administrative system whereby the central government was represented by a provincial commissioner at the province level, a district commissioner at the district level, a district officer at the division level and a chief and sub-chief at the location and sub-location (village) levels respectively. Constitutionally working under the ministry of internal security and provincial administration. Adding that to the constituencies, the system was one mired with confusion and overlapping functions, rendering itself ineffective, nonresponsive, and unaccountable.

To legitimize the single party regime of Kenya Africa National Union (KANU) in the country, especially after the failed coup d'état in 1982, Kenya's second president Daniel Arap Moi introduced the District Focus for Rural Development (DFRD) in 1983. Through purported equitable redistribution of resource and active community participation in planning and implementation, the DFRD was to turn districts into centers of development. The citizenry participation was an illusion since the district level planning was carried out by the District Development Committee which were dominated by central government bureaucrats, KANU officials and ad hoc selected representatives (Ng'ethe, 1998: 44; Crook & Sverrisson, 2001: 33-36).

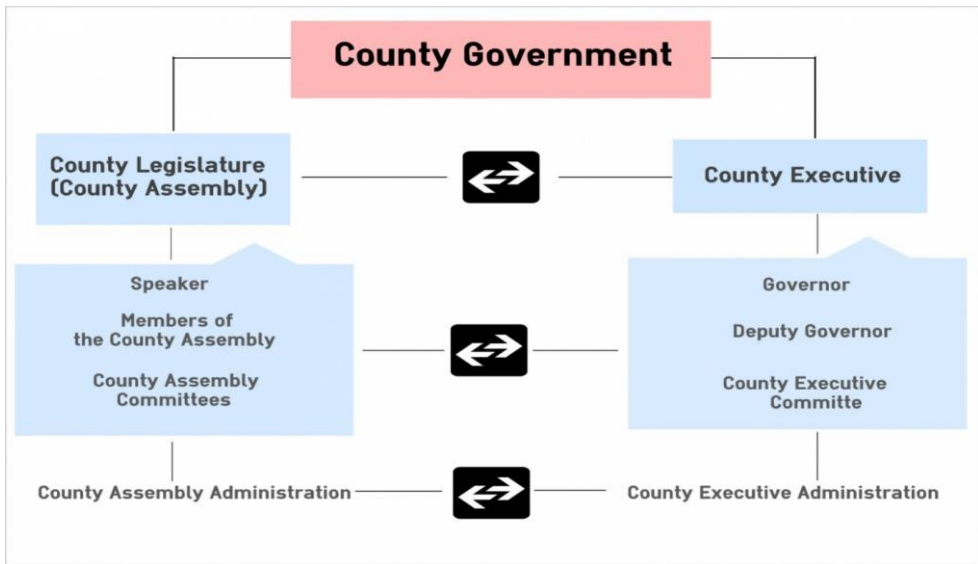
Under Kenya's third president, Mwai Kibaki, two devolved funds were introduced to enhance rural based development: The Local Authority Trust Fund (LATF) and Constituency Development Fund (CDF). Unlike DFRD which was mainly a political move without even legislative backing, LATF and CDF were based on statutory laws. LATF was to boast the funding for the local authorities' functions at the district level and it was released in the form of intergovernmental transfer of 5% of the total of income tax nationally collected (Ndii, 2010: 4). On the other hand, the CDF was devolved through the 210 constituencies under the management of a CDF committee appointed by the area MP. The fund was shared among the constituencies in a formula where 75% of the total amount was equally divided among 210 constituencies and the remaining 25% distributed according to the national poverty share. Although various anti-corruption bodies reported fund embezzlement, both LATF and CDF had high ratings among Kenyans.

3.2. Devolution in Kenya's 2010 Constitution

Since the restoration of multiparty system in Kenya in 1991, reformist leaders from the political elites and religious fraternities spearheaded for government reforms that can halt the growing inequality in a country where the richest 10% households controlled 42% of the total income while the poorest 10% households controlled less than 1% of the total income (Society for International Development (SID), 2004: 3). The post-election violence after the disputed presidential election in 2007 was mainly contributed by this inequality. To overcome this and many other problems, with the support of the international community, the coalition government which was formed in 2008 started the process of redrafting a new constitution after the previous one was rejected in a referendum on 21st November 2005. On

4th August 2010, a second referendum was held and 68.6% voted in favor of the new constitution, initiating a new dispensation in the country. An important pillar of the new constitution was the introduction of a two-tier government composed of a national government and 47 subnational governments known as county governments. Effective from the promulgation of the constitution of Kenya 2010 on 27th August 2010 and in the subsequent rollout of the devolved system of governance after the general elections in 2013, the country has embarked on a decentralization process that has been termed most rapid and ambitious process of decentralization in the world by the World Bank, due to its uniqueness in devolving substantial powers and resources to local authorities whose political and administrative structure are being developed from the scratch (World Bank, 2012: 13).

Figure: 1
The Structure of the County Government in Kenya



Source: Transparency International Kenya. Retrieved from <<http://www.tikenya.org/index.php/press-releases/327-the-county-government-and-its-structures>>, 25.09.2016.

The county government has both executive and legislative arms. Each county government is headed by a directly elected governor and the executive arm is composed of the governor, a deputy governor who is picked by the governor when running for office, and county executive committee appointed by the governor and approved by the county assembly. The county assembly which is the legislative wing of the county government is composed of directly elected Members of County Assembly (MCAs) from various wards plus nominated MCAs based on party majority while observing constitutional requirement of gender threshold and an ex-officio speaker elected by the MCAs. Figure 1 above summarizes the county government structure.

Decentralization in Kenya can be said to be a hybrid one in that the drafters of the constitution have spent some time to study and put into consideration success conditions for decentralization based on World Bank guidelines and successful cases. The current decentralization has all elements of devolution, that is, political, administrative, and fiscal decentralization. Locally elected autonomous county governors are now providing alternative political center to the presidency. Together with the election of the MCAs at the ward level, who are more powerful, autonomous, and legitimate than their predecessors - councilors under the previous local government system - the constitution of Kenya 2010 has introduced a political decentralization which few have witnessed its kind in Sub-Saharan Africa.

Administrative functions have also been devolved. The county executive is mandated to exercise administrative power at the county level. As explicitly described in the Fourth Schedule, Article 185 (2), 186 (1) and 187 (2) of the Constitution of Kenya 2010, the devolved functions of the county executive include departmental functions of sectors such as agriculture; county health services; control of air pollution, noise pollution, other public nuisances, and outdoor advertising.; cultural activities, public entertainments, and public amenities; county transport; animal control and welfare; county trade development and regulation; county planning and development; pre-primary education, village polytechnics, home craft centers and childcare facilities; implementation of specific national government policies on natural resources and environmental conservation; county public works and services; fire station services and disaster management; control of drugs and pornography; and ensuring and coordinating the participation of communities and locations in governance at the local level. The mandates of the county assembly on the other hand include enacting laws at the county level, acting as an oversight authority on the county executive and approves policies and plans for smooth operation and management of resources and county institutions (Commission on Revenue Allocation, 2017).

Article 203 of the constitution of Kenya 2010 clearly stipulates how revenue will be shared among the national and the county governments. Based on the concept of fiscal devolution, the constitution provides guidelines for sharing of both revenue base and the nationally collected taxes. As summarized in Table 1 below, this division of resources between the two levels of the government is based on principles of fiscal decentralization.

Table: 1
Revenue Sharing Principles

<ul style="list-style-type: none">❖ Prioritizing national interest, specifically national debt obligations;❖ Addressing the needs of the national government while ensuring counties deliver on functions allocated to them and meet their development needs;❖ Maximizing fiscal capacity and efficiency of county governments;❖ Addressing disparities between and within counties together with incorporation of affirmative action for disadvantaged areas and groups;❖ Optimizing county economic potentials;❖ Ensuring stable and predictable revenue allocations; and❖ Maintaining flexibility and ability to respond to emergencies.

Source: *SID Constitution Working Paper No. 5.*

To avoid unnecessary tax competition with and among national and county governments as well as double taxation of individuals and companies, the constitution under Article 209(3) categorizes the revenue base for both levels of government. The national

government imposes and collects income taxes, Value Added Tax (VAT), excise duties and customs tariffs. On the other hand, the county governments collect levies of property rates and licenses, entertainment taxes and other rates authorized through legislation. Each level of government can only administer the taxing area designated to it by the constitution. On the same note, no county government can collect taxes outside its boundaries (Kirira, 2011: 15).

Intergovernmental transfers are also stipulated in the constitution. The constitution set the cumulative minimum transfer to counties at 15 per cent of the centrally collected revenues, this threshold will be based on the most up-to-date national revenue receipts as per the records of auditor general office. To boost the living standards of people living in previously marginalized areas, the constitution mandates the national government to set up an equalization fund of 0.5 per cent of the nationally collected revenue which shall be utilized by the marginalized counties in provision of basic services like health, water, electricity, roads among other amenities. The equalization fund is to be transferred for a period of 20 years at least and maybe extended if the national assembly deems it necessary (Kirira, 2011: 17).

To avoid conflicts on how much money each county will receive from 15% national transfers, article 216 and 217(1) of the Constitution of Kenya mandates the senate assembly, while considering the recommendation of the Commission on Revenue Allocation (CRA), to develop and review once in every three years a county resource allocation formula. As shown in table 2, the current formula is comprised of six parameters - population, basic equal share, poverty, land area, fiscal responsibility, and development factor.

Table: 2
Revenue Sharing Formula

No.	Parameter	Current Allocation	CRA Revised Recommendation
1.	Population	45%	45%
2.	Basic Equal Share	25%	26%
3.	Poverty	20%	18%
4.	Land Area	8%	8%
5.	Fiscal Responsibility	2%	2%
6.	Developmental Factor	-	1%
	Total	100%	100%

Source: Commission on Revenue Allocation (CRA) 2016 retrieved from <<http://www.crakenya.org/wp-content/uploads/2016/03/rev-share.png>>, 25.09.2016.

The rationale behind the selection of every parameter is in accordance to the principles of resource sharing in a devolved system of governance. The population parameter provides stable and predictable allocation of revenues. It also ensures per capita transfers of to all counties. Population is also a good measure of expenditure needs of a county. "Provision of a basic equal share in a transfer system in meant to guarantee a minimum funding for certain key functions, such as administrative costs of setting up and a running a government" (Commission on Revenue Allocation, 2014: 13). The justification for the inclusion of poverty parameter is to ensure that the poorest of the poor get the highest allocation thus curbing inequality among counties. Poverty parameter is a good proxy for developmental needs and economic disparities among counties and boosts the convergence

efforts between marginalized/poor counties and the less poor counties. To overcome the extra costs incurred during service delivery in counties with large square kilometers, land area parameter was included in the formula. The larger the size of the county the more administrative costs it requires. Fiscal responsibility parameter is an incentive for county governments to observe fiscal discipline. In the first four financial years, the fiscal responsibility allocation is only for the development of financial management systems and to achieve fiscal prudence. Development factor parameter is a compliment of the poverty parameter and mainly is funds allocated for the provision of water, electricity, and roads (Commission on Revenue Allocation, 2014: 12-20).

To have sound financial management and accountability, the Public Finance Management Act of 2012 requires county governments to have an internal audit system. The law mandates county treasury executive which acts as accounting officer to submit financial statements annually to the Controller of Budget and the Auditor-General for audit within three months of the end of the financial year. At the same time county governments expenditure review reports are prepared quarterly by the Office of the Auditor-General. The Auditor-General tables these reports in parliament as well as publishing it for public scrutiny. The Controller of Budget is also responsible for ensuring that money is used lawfully before authorizing expenditure for the county governments.

4. Analyzing Devolution in Kenya

To understand the progress made since the implementation of the devolved system of governance in Kenya, we carried out two important hypothetical analysis. The first analysis is to find out whether there is a "catch-up effect", in that previously marginalized counties are growing faster than other counties. We were looking for the answer to the question: what is the possibility of existence of economic convergence between the poorest and less poor counties? To measure the existence of catch up effect, we carried out a comparative analysis of sample counties' share of total expenditure on development. The more the number of poorest counties spending more on development expenditure the higher the chances of economic convergence and vice versa. The rationale behind the selection of the share of development expenditure as a measure of economic convergence is the fact that spending more on physical infrastructure development is a prerequisite for any economy to attract highly needed private investors that can create employment for locals, transfer technological knowhow and improve the general living standards of the inhabitants. A better choice than development expenditure could have been measuring rate of annual Gross Domestic Product (GDP) growth but due to lack of sufficient data and the early stage of county system policy implementation, there is no separate annual GDP growth rate for counties in Kenya.

The second analysis is to find out the existence of elite capture at the counties level. Do county governments' budget implementation process favor projects that benefit elite groups more than the general community? To find out the answer to this question, we compared - both at individual county level and counties in general - the sample counties' share of development expenditure on road works and on pro-poor programs - share of

development expenditure on healthcare, early education, and water & swage. Here, counties' share of development expenditure on road works is proxy for elite capture, thus, very high development expenditure on road works shows the presence of elite capture. The logic of measuring elite capture using share of development expenditure on road works is because road works related contracts are very lucrative for contractors as well as politicians. In most cases, the short-term benefits gained by these two elite groups is enormous compared to what the larger populaces receive. On the contrary, for example, the construction of a single dispensary in a rural location can have a greater effect on the living standards of the inhabitants.

The data used is derived from the actual counties spending on various recurrent and development expenditures, which is available at both individual county treasury websites and Office of the Controller of Budget's (OCOB's) County Governments Budget Implementation Review Reports. For better comparison, the figures are changed from monetary values to percentage formats. Also for accuracy and completeness of the data, we used the counties expenditures of the financial year (FY) 2015/2016. The selection criteria for choosing the sample counties is based on a simple formula of first ranking counties as per the share of people living with poverty in a county based on 2009 national census and then selecting the bottom and top ten counties to represent the poorest and less poor counties respectively. Table 3 below lists the sample counties and their poverty rates in an ascending order.

Table: 3
Sample Counties

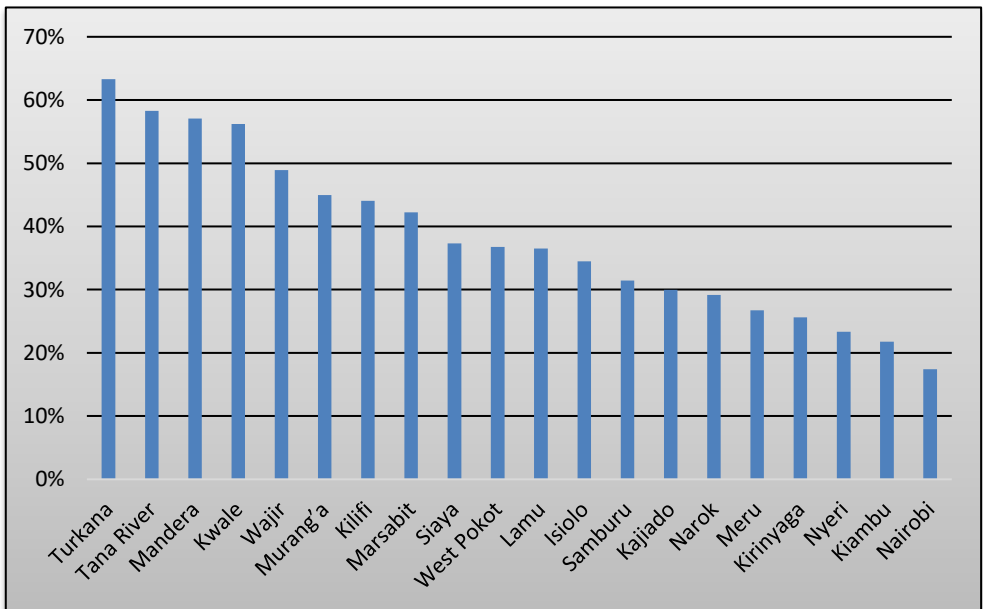
No.	County Name	Poverty Rate
1.	Kajiado	11,6 %
2.	Nairobi	22,5 %
3.	Kirinyaga	25,2 %
4.	Kiambu	27,2 %
5.	Meru	28,3 %
6.	Murang'a	29,9 %
7.	Lamu	32,7 %
8.	Nyeri	32,7 %
9.	Narok	33,8 %
10.	Siaya	35,3 %
11.	West Pokot	69,8 %
12.	Kilifi	71,4 %
13.	Isiolo	72,6 %
14.	Samburu	73,0 %
15.	Kwale	74,9 %
16.	Tana River	76,9 %
17.	Marsabit	83,2 %
18.	Wajir	84,0 %
19.	Mandera	87,8 %
20.	Turkana	94,3 %

Source: Own modification based on county fact sheets (CRA 2011).

On the comparative analysis of sample counties' share of total expenditure on development we found that counties on the bottom of the poverty ranking have spent more on developmental expenditures than the ones on top. As illustrated in figure 2, Turkana (63,29%), Tana River (58,29%), Mandera (57,07%) and Kwale (56,21%) counties have spent more than fifty percent of their total expenditures on developmental activities. While on the other hand, Nairobi (17,41%), Kiambu (21,76%), Nyeri (26,34%), Kirinyaga

(25,60%), Meru (26,73%), Narok (29,14) and Kajiado (29,96%) have spent below the counties' target of thirty percent for development expenditure. This is mainly due to the existing gap in terms of infrastructure between the poorest and the less poor counties. But, never the less, it shows the likelihood of economic convergence and reduction of inequalities, a major contributor to poverty.

Figure: 2
Counties' Share of Total Expenditure on Development

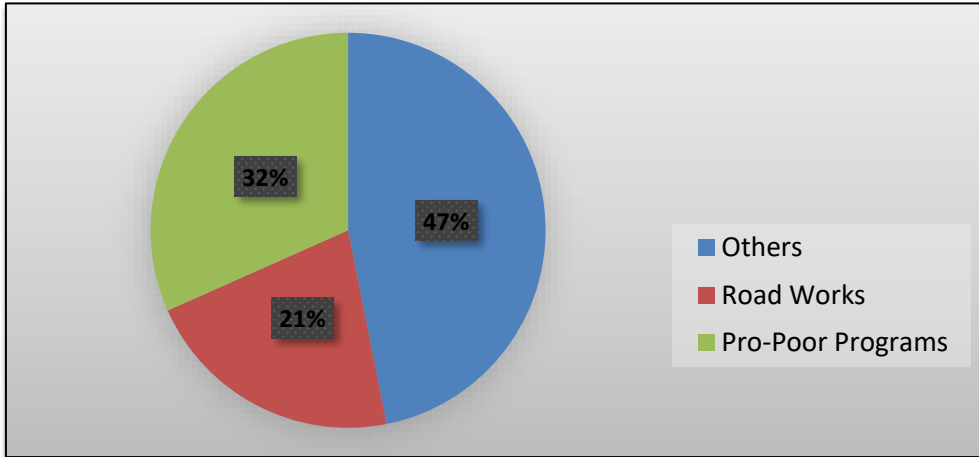


Source: derived using excel data analysis.

On whether county governments' budget implementation process favors projects that benefit elite groups more than they benefit the community in general at individual counties, we found that majority of the counties spent more money on pro-poor programs as shown in figure 4. Testing the same for counties in general we found that counties have spent 32% of their developmental expenditures on pro-poor programs which more than the 21% they spent on road works, meaning every three dollars spent on pro-poor programs there is two dollars spent on road works. These observations can be interpreted as lack of elite capture at the county levels, at least based on our testing mechanism. Using the same data, we also tried to analysis the difference between the poorest and the less poor counties in terms of spending on pro-poor programs and got a mixed result. The first ten slots in terms of expenditures on education and water & swage shows an evenly divided result. There are exactly five counties from each side of poverty spectrum. While health expenditures show a slight lead by the less

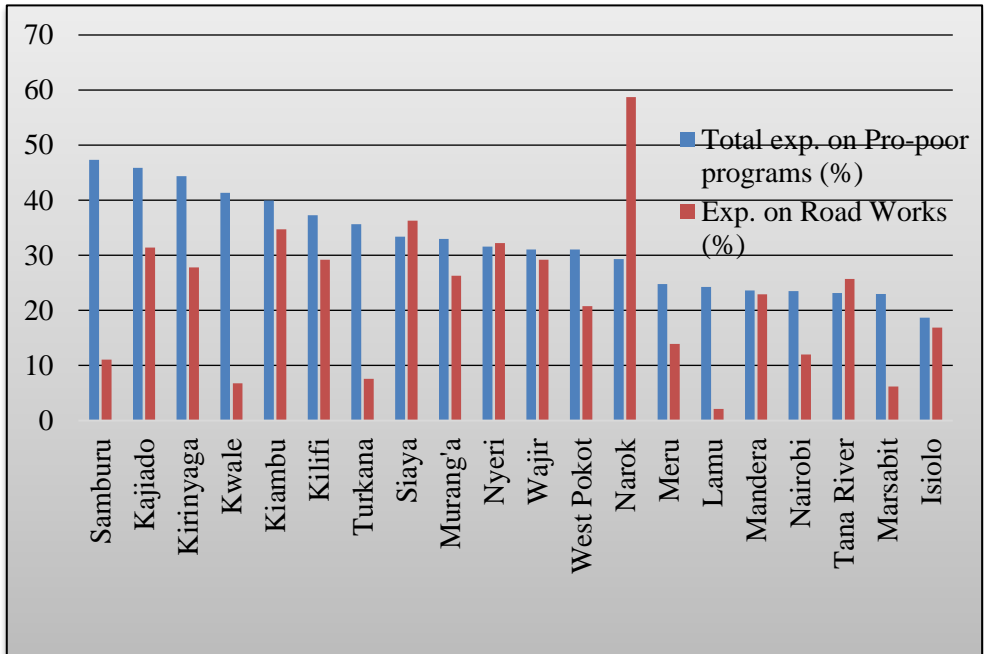
poor counties because of the availability of level five hospitals in more urbanized counties which receive more national transfers.

Figure: 3
Various Sectors' Share of Development Expenditure



Source: derived using excel data analysis.

Figure: 4
Counties' Share of Development on Road Works and Pro-Poor Programs



Source: derived using excel data analysis.

5. Conclusion

Experience shows transition period from a centralized system of governance to a devolved one is never smooth, the Kenya case is not different. A host of challenges including, but not limited to, persistence of the old system, growing recurrent expenditure, shortage of qualified manpower, reported cases of corruption and lack of active local participation. The continued existence of centrally controlled provincial and district commissioners at the lower tier of the system poses a threat to the autonomy of the county government. Sometimes standoffs are witnessed between the governors and the provincial/district commissioners on issues like whose responsibility is county security. A swelling wage bills is contributing to a recurrent expenditure that accounts for more than 65% of the county government expenditures. In 2015/2016 financial year, only personnel enumeration accounted for 61.9 per cent of the total recurrent expenditure and 40.2 per cent of total expenditure of county governments (Office of The Controller of Budget, 2016: 11).

There is lack of qualified and experienced personnel at the county levels as evidenced by low project execution and delayed submission of financial reports. Through technical support assistance by the World Bank and other institutions, there is hope the burden will

reduce in the medium-term period. Anti-corruption agencies are raising alarms over reported cases of corruption and nepotism at the county levels. Out of hand corruption can reverse the gains of devolution by worsening inequalities. One of the main objective of devolution in Kenya is to enhance community participation. But due to high rates of illiteracy in most counties, communities do not understand their roles in the new system reducing their participation capabilities, resulted in low citizen participation.

Despite these challenges, strong and supportive constitution, vibrant civil society, and democratic political structure of the country are providing opportunities for devolution to succeed in Kenya. The design of the new (2010) constitution of Kenya is the biggest opportunity for the success of decentralization in Kenya. Most important closures of the constitution in relation to devolution can only be amended through referendum. For example, the 15% nationally collected taxes that are transferred to the county governments cannot be reduced without referendum. Thus, unlike the old constitution (1963), the new constitution protects the local governments against central government aggressions. Also, a vibrant and independent civil society is constantly providing checks and balances to the government. Active civil society can play a lot of important roles like educating citizens on how best to participate in holding leaders accountable. Finally, the democratic history of Kenya and the existence a multiparty political system means underperforming politicians in both tiers of government can be voted out in general elects.

Devolution in Kenya is in its initial stages and its effectiveness or ineffectiveness cannot be evaluated yet. But the design and the progress in implementing devolution so far is promising success. To transform a society, we need more than just changing from one policy to another. Decentralization is not a magical tough, it takes the right combination of political, administrative, and fiscal decentralization; good local-central relations; political ownership; and how well its local centered. The design of the devolved system of governance in Kenya exhibits many of these characteristics but at the same time faces many challenges like existence of institutions at the county levels who directly report to the central government and who are constantly in contradiction with the county governors, swelling recurrent expenditures, mainly due to personnel transfers to the counties, are shrinking developmental expenditures at the county levels, lack of qualified and experienced labor force, constant reports of corruption and nepotisms in the counties and poor local participation due to high illiteracy at the grassroots. Despite these challenges, strong and supportive constitution, a vibrant civil society, and democratic political structure of the country provide hope and opportunities. For devolution to succeed in Kenya, these challenges ought to be minimized while more opportunities are being created and well utilized.

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