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PUBLIC FINANCE
BUILDING BLOCKS FOR DEVOLUTION

A Baseline Survey on Devolution in Kenya with Respect to Public Financial Management Systems

– One Year On

The Institute of Certified Public Accountants of Kenya (ICPAK) is the professional body for Certified Public Accountants in Kenya established in 1978 by the Accountants Act, CAP 531. ICPAK is dedicated to development and regulation of the accountancy profession in Kenya so as to enhance its contribution and that of its members to national economic growth and development. In this regard, ICPAK wishes to advise the public that an Accountant by Law is an individual who has qualified by passing the three levels of the CPA examinations and is duly registered by the Institute of Certified Public Accountants of Kenya.

Published by:

CPA Centre, Thika Road
P. O. Box 59963 - 00200 Nairobi Kenya
Telephone : +254 (020) 2304226, 2304227
Fax : +254 (020) 8562206
Mobile : +254 727 531006 / 733 856262 /
721 469796 / 721 469169
Email: icpak@icpak.com
Website: www.icpak.com

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PREFACE

As the country sets in motion structures and systems to implement devolution, challenges and successes have been considerably high. This report 'Public Finance Building Blocks for Devolution' report is a culmination of the baseline survey conducted by the Institute. It focuses on the public finance management and other functional control systems adopted by the County Governments since their inception in March 2013.

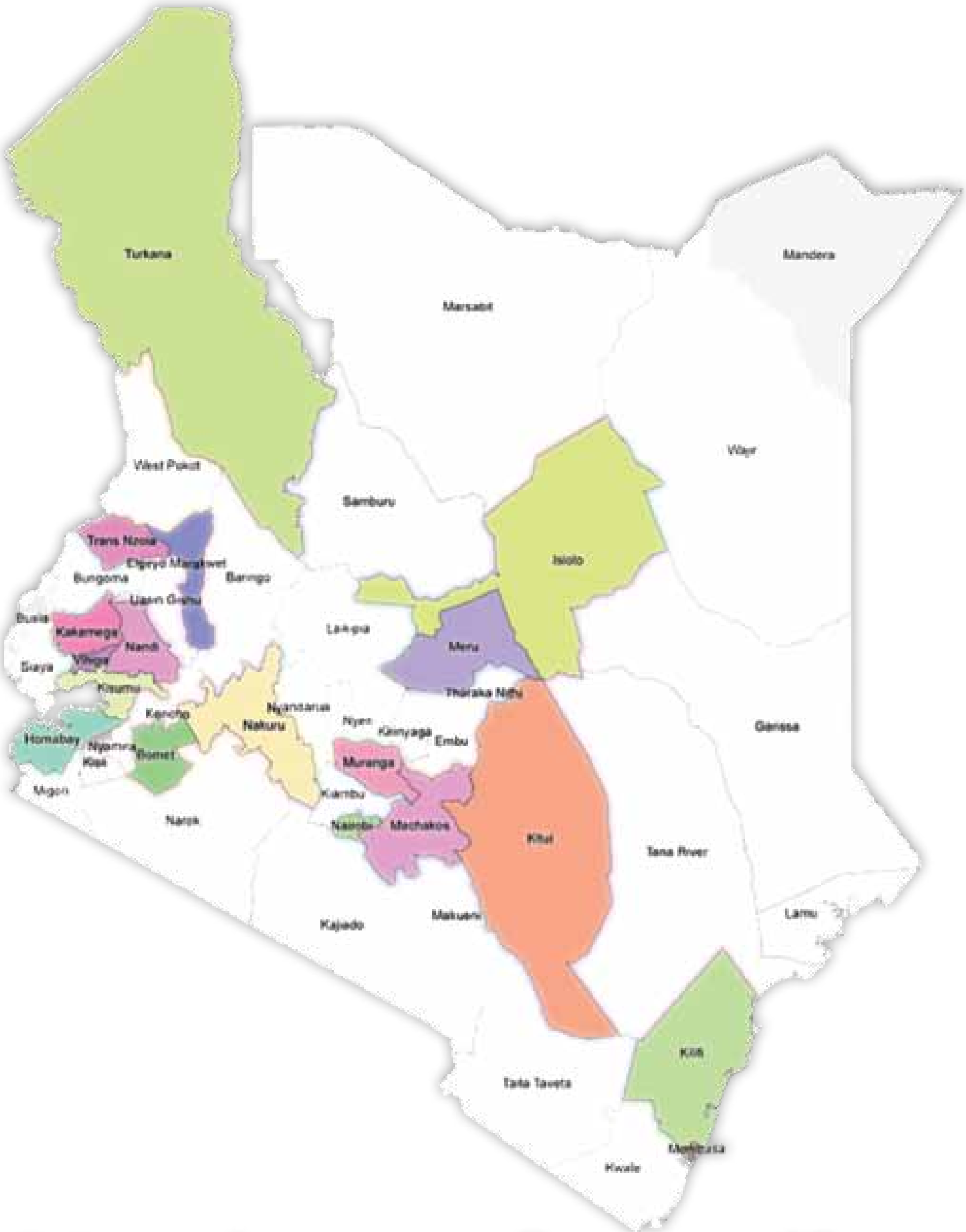
The report comes at a time when the country is setting its budgetary priorities geared towards growth of the economy and attainment of Vision 2030. The Institute prides itself as a key stakeholder in this process and hence seeks to make informed contribution through continuous research.

This report comparatively analyzes the functional priority areas within the counties and explores how public finance and human resource systems have been set-up by the counties. It notes the underlying challenges that hinder their effective performance and considers the extent of involvement and participation of the citizens and private sector in the affairs of selected Counties. Moreover, it examines the interrelationships between National and County Government institutions and makes succinct policy recommendations that would enhance the building of strong public financial management at the county level towards improved service delivery.

It notes the absence of strong and independent internal audit units, weak own revenue bases, un-standardized renumeration, strained relationship between County Assembly and the County Executive, high public expectations and other transitional challenges as some of the key impediments to growth and smooth functioning of devolution. Hence, strenghtening both human and financial resource capacity is vital to successful implementation of devolution.

I trust that the recommendations proposed by this research will go a long way in enhancing the development of the financial systems at the county level and position the devolved units as agents of prudent financial management for efficient and effective service delivery.

CPA Benson Okundi
Chairman - ICPAK



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The Council of the Institute wishes to acknowledge the invaluable contributions from the seventeen County Governments and the four constitutional offices who participated in this baseline survey. To their excellencies the Governors, staff and residents of Nairobi, Mombasa, Nakuru, Murang'a, Kisumu, Meru, Kakamega, Kilifi, Machakos, Vihiga, Elgeyo Marakwet, Turkana, Kitui, Homabay, Isiolo, Bomet and Trans- Nzoia counties, we remain grateful. Without your inputs the survey would not have been possible.

We acknowledge the significant contributions from the constitutional offices including the Office of the Controller of Budget, the Office of the Auditor General, the Transitional Authority, and the Commission on Revenue Allocation for their valuable inputs to the development of this report. Your experience and interaction with the counties provided critical insights on the devolved system of Government.

We further appreciate the tireless professional guidance and support from the Institute's Public Policy and Governance Committee and the Devolution Work Stream under the Chairmanship of CPA Benson Okundi who is also the chairman of the council. The Committee members include CPA Rashid Mohammed, CPA Abdulwahid Aboo, CPA Joash Kosiba, CPA Abdihafid Yarrow, CPA Ashif Kassam, CPA Andrew Tanui, CPA Kellen Kariuki, CPA Simon ole Nkeri, CPA Geoffrey Malombe and CPA Julius Mwatu.

We are indebted to the relentless efforts, dedication and team spirit of the Secretariat through the able leadership of CPA Edwin Makori - the Ag. Chief Executive Officer assisted by CPA Fredrick Riaga, the Senior Manager – Public Policy and Governance, CPA Georgina Malombe, Hillary Onami, Elias Wakhisi and CPA Nancy Kimathi for gathering, collating and analyzing the data from the survey and making this report what it is.

Last but not least, we appreciate the support and invaluable input from all who in one way or another contributed to the success of this report.

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ABBREVIATIONS

AMIS	-	Asset Management Information System
BPS	-	Budget Policy Statement
CDF	-	Constituency Development Fund
CEC	-	County Executive Committee Member
CFO	-	Chief Finance Officer
CFSP	-	County Fiscal Strategy Paper
CIDP	-	County Integrated Development Plan
CPA	-	Certified Public Accountant
CRA	-	Commission on Revenue Allocation
DFRD	-	District Focus for Rural Development
ERP	-	Enterprise Resource Programme
FGD	-	Focused Group Discussion
FY	-	Financial/ Fiscal Year
GAAP	-	Generally Accepted Accounting Practices
G-PAY	-	Government Payment Services
GIS	-	Geographic Information System
IBEC	-	Intergovernmental Budget and Economic Council
IBP	-	International Budget Partnership
ICPAK	-	Institute of Certified Public Accountants of Kenya
IFMIS	-	Integrated Financial Management Information System
IMF	-	International Monetary Fund
INCAR	-	Integrated National and County Assets Register Centre
IPSAS	-	International Public Sector Accounting Standards
KRA	-	Kenya Revenue Authority
LAIFOMS	-	Local Authority Information, Financial and Operations Management System
LATF	-	Local Authorities Transfer Fund
MS	-	Microsoft
OCoB	-	Office of Controller of Budget
PBO	-	Parliamentary Budget Office
PEF	-	Poverty Eradication Fund
PFM	-	Public Finance Management
PPP	-	Private Public Partnership
PSASB	-	Public Sector Accounting Standards Board
RDA	-	Regional Development Authorities
SID	-	Society for International Development
SPSS	-	Statistical Package for Social Sciences
TA	-	Transition Authority
TV	-	Television
UACA	-	Urban Areas and Cities Act
WEF	-	Women Enterprise Fund

EXECUTIVE SUMMARY

The Institute of Certified Public Accountants of Kenya undertook the baseline study on the county public financial management systems in support of the implementation of devolution in Kenya. The survey focused more on public finance management systems adopted by the County Governments. It proposes policy recommendations and proactive measures for possible adoption for effective implementation of devolution and improved service delivery.

The survey further sought to comparatively analyze the performance of county human resources; examine the roles and interrelationships between County and National Government institutions and; evaluate the participation of the citizens and private sector in county governance.

The study sampled seventeen (17) counties categorized under urban and rural counties; four (4) constitutional offices whose mandates touch on devolution; and a representative sample of the citizens across the selected counties.

A triangulated approach was adopted in the methodology to gather and collate data. Survey questionnaires, key informant interviews, Focused Group Discussion, and general observations were used in gathering primary data. A desktop review was also carried out considering reports from various Government departments and entities, scholars, Independent Commissions and offices to gather the secondary data. Data analysis was done using MS Excel and SPSS.

The following is the summary of the key findings and policy recommendations from the baseline study:

County Budget Priorities on Functions-:

Twenty five percent (25%) of the counties sampled had Infrastructure development as their key priority, twenty percent (20%) Health and about seventeen percent (17%) indicating water and sanitation. Despite the fact that Education is majorly a National Government function, fifteen percent (15%) of the counties sampled prioritised it.

The Transition Authority should expedite and complete the unbundling and transfer of functions to counties as this would help in clarifying and budgeting of the functions particularly the concurrent and residual functions. Lack of clarity on functions has heavily affected some sectors like roads and education among other sectors.

Public Finance Management-:

Thirty seven percent (37%) of the counties sampled relied on single business permits as their core sources of local revenues; thirty two percent (32%) relied on user-fees and charges with thirty one percent (31%) of them relying on property rates. This is partly because the rate of urbanization within counties is low. It emerged that counties were facing serious challenges on own revenue collection with some counties collecting less than what the defunct local authorities, municipal and or county councils used to collect when combined. Notwithstanding, counties such as Meru and Nakuru have partnered with the private sector including banks to automate their revenue collection systems in order to seal the collection loop-holes and enhance their own revenues.

While all the counties sampled had adopted the Integrated Financial Management Information System (IFMIS) in their operation and reporting, only half of them seemed to be proficient in its utilization. With thirty one percent (31%) indicating to have basic practical knowledge, more training and capacity building is needed especially with the Government plans of introducing e-procurement modules on IFMIS in the offing.

The National Treasury should further strive to update and enhance the IFMIS server capacity to reduce the number of instances of server down-time. Additionally, it should enhance the modules on IFMIS particularly the revenue collection module for comprehensive reporting.

In respect to Public Procurement and the Internal Audit functions, the survey found that even though all the sampled counties had established procurement units and internal audit functions, it was apparent that most lacked the services of professional staff in these key departments. The Public Procurement and Assets Disposal Bill 2014 and its subsequent regulations should be enacted as soon as possible to cure this.

The County Governments need to establish strong and independent internal audit units. Subsequently, they should establish and institutionalize Audit Committees separate from the Finance Committees. It is advisable that the stewardship role of the two committees should be discharged by regulated professionals in order to enhance the quality of internal controls.

The sampled counties identified the lack of operational capacity as the major constraint to effective public financial management. Inadequate human capital, lack of manuals and guidelines and weak internal control systems were identified as other underlying challenges.

We recommend that the Public Sector Accounting Standards Board (PSASB) expedites the process of developing generally accepted accounting principles and standards for maintenance of proper books of accounts. These should be coupled with templates and formats for financial statements and reporting for use by all public sector entities. This will inform quality and relevant capacity building among other interventions to deal with the underlying challenges.

Public Participation:

The sampled counties ranked public hearing at thirty two percent (32%) and newspaper adverts at twenty eight percent (28%) as the most preferred media of reaching out to the citizens and as means of obtaining feedback on county management. All counties reported to have engaged the public, in one way or another, in their policy development processes. However, feedback from the sampled members of the public unanimously indicated that public participation had not been effectively implemented by counties. Of the sampled counties, only Bomet County reported to have established a mechanism for obtaining feedback on quality of service delivery by establishing a 24-hour hotline.

The Institute has proposed a raft of measures for successful public participation to be achieved. These include the need for sensitization and capacity building of citizens on their rights and obligations; regular and timely disclosure of fiscal data and plans, budgets, forecasts and budget monitoring reports among others in simple and comprehensible language to enhance fiscal transparency and accountability. Channels as well as other opportunities for public participation in public financial management issues should be explored.

Human Resources

It emerged that forty one percent (41%) of the sampled counties had less than twenty five percent (25%) of professionals as compared to support staff. This implies a ratio of one professional to four support staff at best. However, for the health sector, the scenario was inverted. Across the sampled counties, the ratio was in favor of the professional staff against the support staff. These notwithstanding, attitudinal challenges among staff, un-standardized remuneration policies and resistance to change, hindered effective human resources performance at the county levels.

In this regard, the Transition Authority together with the National and County Governments should speed-up the process of staff rationalization and redeployment to reduce overlap and redundancy at the county level. They must think of lean public services characterized by the ability to deliver in an efficient and effective manner. Counties must therefore adopt performance management systems by which standards are established and recognized, outcomes and performance are measured and reward schemes institutionalized. They should further create conducive environment that would encourage entrepreneurship and investment through creativity and innovation in order to increase economic out-put and create more jobs within the counties.

Intergovernmental Relations

Seventy six percent (76%) of the counties indicated that their relationship with the National Government was good; six percent (6%) perceived it as bad, with eighteen percent (18%) painting a lackluster perception of relationship with the National Government.

The National and County Governments must adopt and nurture a structured cooperative approach in coordination and conflict resolution between the two levels of Government. Respect for rule of law and separation of powers is essential for sustenance of good relations between the two levels of Government.

1.0 BACKGROUND INFORMATION

Devolution is perhaps the most transformative aspect of the Constitution of Kenya (2010). The Constitution established a National Government and 47 County Governments, which are distinct but inter-dependent entities. These, the national and county Governments, are to conduct their mutual relations mainly on the basis of consultation and cooperation.

Devolution was poised as a perfect political and economic response to societal disparities, inequality, economic stagnation and inefficient use of public resources. According to Article 10(2) (a) of the Constitution of Kenya, devolution and sharing of power were identified as values and principles that would guide our governance system.

However, decentralization is not new in Kenya. The quest for this form of governance began as early as 1963 before the country got its independence. The *Majimbo* Constitution provided for devolution of Government to regional assemblies in the context of a bicameral, Westminster-type Parliament with a Senate and National Assembly (SID 2011). This did not last as the independence Government weakened it in three ways: by exercising much closer control over regional civil servants than the Constitution envisaged, by delaying implementation of provisions allowing regions to assume full responsibility for their own finances, and by delaying the transfer of functions to the regions. The system was later abolished in 1964 and replaced by provincial and district administrations (World Bank, 2012).

Several other decentralization programs have been instituted since independence to combat growing regional disparities. These include the Special Rural Development Program (1972), The District Focus for Rural Development (DFRD) in 1983, and Regional Development Authorities (RDA's).

Moreover, since the Mid-90s, Government introduced numerous decentralized initiatives in Kenya namely, Local Authorities Transfer Fund (LATF) in 1993, the Poverty Eradication Fund (PEF) in 2001, the Constituency Development Fund (CDF) in 2003 and Women Enterprise Fund (WEF) in 2007 among many others in a bid to decentralize decision making and participatory governance. A study by the Parliamentary Budget Office (PBO) in May 2011, entitled, *"Fund Accounts in Kenya: Managing Complexities of Public Financial Management",* identified forty six (46) devolved funds operated by the central Government by then.

Nevertheless, it is in 2010 that Kenyans voted overwhelmingly for the current Constitution that ushered in a devolved system of Government. This system devolves political and administrative powers to the counties. Schedule 4 of the Constitution delineates agriculture, health services, water, county planning and development among others as functions that shall be undertaken by county Governments.

Kenyans adopted this form of governance as a means to improved service delivery and accountability in the utilization of public resources. Among the more prominent arguments for devolution – is the issue of efficiency: the expectation that decentralizing functions to the lowest feasible level of decision making and implementation will optimize information flows and reduce transaction costs (SID 2011).

In addition, the 'economic dividend" of devolution arises through devolved administrations' ability to tailor policies to local needs, generate innovation in service provision through inter-territorial competition, and stimulate participation and accountability by reducing the distance between those in power and their electorates.

[1] See "On the Economic Dividend of Devolution"- Pose. A and Gill N. 2005

THEORETICAL FRAMEWORK

Devolution is understood from the broader concept of decentralization. Decentralization Theory relies on Richard Musgrave's (1959), Wallace Oates (1972) notion on *"Fiscal federalism"* which contends that the Central Government should have the basic responsibility for the macroeconomic stabilization function and income redistribution in the form of assistance to the poor.

According to Musgrave, there are three economic functions that should be assigned to the Government: *stabilization, distribution and allocation* (1989). In public finance theory, the stabilization function is assigned to the Central Government. According to Oates (1991), the distribution task should be the responsibility of the central or sub-central levels of Government. Furthermore, allocation function, the provision of public goods and services is best placed with local Government organs.

Oates (1991) formulated the decentralization theorem which confirms the inefficiency of uniform service provision by central Government. He argues that if there are no economies of scale from centralized provision, welfare can be maximized by diversifying services in accordance with local needs.

Therefore, decentralized levels of Government have their raison d'être in the provision of goods and services whose consumption is limited to their own jurisdictions. Tailoring outputs of such goods and services to the particular preferences and circumstances of their constituencies, decentralized provision increases economic welfare above that which results from the more uniform level of such services that are likely under national provision.

From the foregoing, decentralization is regarded as a process through which powers; functions, responsibilities and resources are transferred from central to local Governments and/or to other decentralized entities (Kauzya, J. M, 2005). It is a mechanism for bringing Government closer to the governed and helps to improve public administration by empowering local authorities to be the planning and decision-making bodies and thereby enhancing the capacity of Government to achieve local participation (Azeem Vitus et al, 2003).

The paper by World Bank Decentralization Thematic Team adopts the following definitions:

- **Political decentralization** aims to give citizens or their elected representatives more power in public decision-making. It supports democratization by giving citizens, or their representatives, more influence in the formulation and implementation of policies.
- **Administrative decentralization** is the transfer of responsibility for the planning, financing and management of certain public functions from the central Government and its agencies to field units of Government agencies.
- **Fiscal Decentralization:** Financial responsibility is a core component of decentralization. It involves the transfer to local Governments the funds to deliver decentralized function; and revenue-generating power and authority, to decide on expenditures. In this case, previously concentrated powers to tax and generate revenues are dispersed to other levels of Government.

In Sub-Saharan Africa, fiscal decentralization initiatives have always been geared towards improving service delivery. This is pegged on the fact that large segments of the population remain illiterate and do not have access to adequate health services and clean drinking water.

In Kenya, the financing mechanism of decentralized development has evolved over the years. It dates back to the independence time with the then form of devolution, commonly known as Majimbo. Since independence in 1963, the Kenyan Government has formulated different decentralization programs that include the District Development Grant Program (1966) and the Rural Works Programmes Grants in 1974 to provide discretionary funds outside ministries' budgets for small labour-intensive locally defined projects (Bagaka, 2008).[3]

[2] http://go.worldbank.org/WM37RM8600

[3] Bagaka, Obuya (2008.)

POST- 2010 AND THE IMPLEMENTATION OF DEVOLUTION IN KENYA

When Kenyans voted overwhelmingly for the new Constitution in 2010, they marked a critical moment in the nation's history. Embedded in the Constitution was a dramatic vision of transformation of the Kenyan state through new accountable and transparent institutions, inclusive approaches to Government, and a firm focus on equitable service delivery for all Kenyans through county Governments (World Bank 2012).

Thus, devolution formed the running thread and indeed, the cornerstone of the new Constitutional dispensation. Article 6 (2) describes the Governments at the two levels as being distinct and inter-dependent and which conduct their mutual relations on the basis of consultation and cooperation.

The principle of interdependence requires a certain measure of mutual respect between the two levels of Government. Article 189 (1) (a) in this regard requires that Government at either level shall perform its functions, and exercise its powers, in a manner that respects the functional and institutional integrity of Government at the other level, and respects the constitutional status and institutions of Government at the other level and in the case of county Government, within the county level.

Article 174 of the Constitution of Kenya 2010 identifies the objects of devolved Government as the promotion of democratic and accountable exercise of power; fostering of national unity by recognizing diversity; giving of powers of self-governance to the people and enhancing of the participation of the people in the exercise of the powers of the state and in making decisions affecting them; recognizing of the right of communities to manage their own affairs and to further their development; protection and promotion of the interests and rights of minorities and marginalized communities; promotion of social and economic development and the provision of proximate, easily accessible services throughout Kenya; ensuring of equitable sharing of national and local resources throughout Kenya, the facilitation of the decentralization of state organs, their functions and services, from the capital of Kenya; and enhancement of checks and balances and the separation of powers.

Article 175 sets out the guiding principles of devolved Governments. The county Governments should be based on democratic principles and separation of powers; be availed reliable sources of revenue to enable them to govern and deliver services effectively; and must ensure that each of the two genders have at least a third of its members in representative bodies in the county.

Article 176 of the constitution established the county Governments consisting of County Assembly and County Executive. The constitution guarantees' a minimum of 15% of national revenues' unconditional transfer to counties under the new dispensation.

These objects and principles reinforce the reasons why the Kenyan people sought a new dispensation. In them, the citizens made it clear that devolved Government in exercising its functions, in relating with the national Government and its citizens must adhere to these objects and principles (Task Force on Devolved Government Report, 2011).

Over the interim, the Constitution of Kenya 2010 provided for the country to prepare itself to usher in, this system of governance. Independent Commissions were established to oversee the re-structuring and or formation of the new dispensation. A number of devolution enabling pieces of legislation were enacted as follows:

- The Urban Areas and Cities Act 2011
- The County Governments Act 2012
- The Transition to Devolved Government Act 2012
- The Intergovernmental Relations Act 2012
- The Public Finance Management Act 2012
- The National Government Coordination Act 2013 among others.

The March 2013 General elections ushered in the County Governments. These new units embarked on a rigorous process of institutionalising functions and establishing crucial structures to effectively deliver on their constitutional mandate.

1.1 PUBLIC FINANCE MANAGEMENT UNDER THE DEVOLVED SYSTEM OF GOVERNMENT IN KENYA

The Constitution of Kenya, 2010 and the Public Finance Management (PFM) Act, 2012 have anchored public finance on the principles of accountability and clear fiscal reporting. Chapter twelve on Public Finance addresses the financing of the functions of the two levels of Government towards an equitable society based on openness, accountability and public participation in financial matters.

The Constitution further creates new institutions with varying powers and responsibilities over the management of public finances management at both levels of government. They include the Commission on Revenue Allocation (CRA), with the responsibility to make recommendations on the criteria for equitable sharing of national revenue; the office of the Controller of Budget to oversee the implementation of the national and county budgets; and the Auditor-General to audit the accounts of all entities funded from public funds, including National and County Governments.

Alongside the division of roles between the National and County Governments, the Constitution further introduces fiscal parity in the budget process where three arms of Government, that is the Judiciary, Executive and Legislature prepare individual budget unlike the past. The true test of implementation of the devolved governance system lies in strict fidelity to these established public finance and governance systems.

COUNTY PLANNING AND BUDGETING

The Constitution of Kenya (Article 220) recognizes the need for proper plans and budgets that are developed in a participatory manner. Schedule Four of the Constitution of Kenya gives the responsibility of county planning and development to the County Governments. Similarly, planning is elaborately provided for in both the County Government Act, 2012 and the Public Finance Management Act, 2012 as the basis for all county budgeting.

The County Government Act, 2012 provides various types of plans at the county level. In addition, the PFM Act requires every county Government to prepare a development plan that includes strategic priorities for the medium term; a description of how the County Government is responding to changes in the financial and economic environment, programmes to be delivered and a summary budget among other requirements. The following table illustrates types of county plans as stipulated by the County Government Act, 2012 :

Table 1: Types of County Plans

COUNTY PLAN	DESCRIPTION
1. County Integrated Development Plan	• 5-year county plan; • Informs the county's budget based on the annual development objectives and priorities.
2. County Sectoral Plan	• 10-year plan developed as a component part of the county integrated development plan; • Programme based; • Shall form the basis for budgeting and performance management; • Reviewed every five years by the county executive and approved by the county assembly but updated annually. • 10 year county GIS based database system spatial plan;
3. County Spatial Plan	• Component part of the County Integrated Development Plan; • Spatial depiction of the social and economic development programme; • Clear statements of how the spatial plan is linked to the regional, national and other county plans; • Indicate where public and private land development and infrastructure investment should take place; • Indicate the areas designated for conservation and recreation, among others.
4. City or Municipal Plan	• Each city or urban area shall develop an Integrated Development Plan which shall be aligned to the development plans and strategies of the county Governments (Section 37(1) of the Urban Areas and Cities Act 2011); • The Third Schedule of the Urban Areas and Cities Act 2011 provides for the preparation of the Integrated Urban Area or City Development Plan above.

The County Integrated Development Plan

Each county is required to develop a five-year county integrated development plan with clear goals and objectives, an implementation plan with clear outcomes, provisions for monitoring and evaluation; and clear reporting mechanisms.

The County Government Act provides an outline on the development of the CIDP. For instance each CIDP should have an institutional framework which must include an organization chart for the county. Important features of this section include: County Vision and Mission for the period; projected investment initiatives, development programmes such as infrastructure, physical, social, economic and institutional programs; proposed projects, plans and programs to be implemented and Measurable key performance indicators.

Equally, the CIDP must also contain vital county statistics. This includes the population and county sizes, Number of educational institutions; Maps and other appropriate documents.

Furthermore, resource mobilization and management is recognized as a key component to successful devolution. Subsequently, the County Government Act stipulates this section as a critical component of the CIDP. This resource mobilization framework contains budget projections and financial resources available for both capital project developments and operational expenditure. The financial strategy aims to address, revenue generation, asset management, financial management, capital financing, operational financing and cost-effectiveness strategies.

The county integrated development plan shall inform the counties' budget based on the annual development objectives and priorities. Each CIDP shall provide clear input, output and outcome performance indicators including:

(a) Percentage of households with access to basic services as stipulated by article 43[5] of the constitution;
(b) Percentage of a county's capital budget actually spent on capital projects for a particular financial year;
(c) The number of jobs created through any local development initiatives including capital projects and
(d) Financial viability of the integrated development plan.

Public participation in county planning is mandatory and should be facilitated through information communication technology based platforms, town hall meetings, budget preparation and validation, notice boards, development project sites as avenues for participation of peoples' representatives and citizen at county and decentralized units.[6]

The County Fiscal Strategy Paper

The PFM Act 2012 requires all County Governments to table a County Fiscal Strategy Paper (CFSP)[7] by 28th February in their respective County Assemblies. The County Treasury in preparing this paper must align it with the national objectives in the Budget Policy Statement (BPS).

Similarly, in preparing the CFSP, the County Treasury must specify the broad strategic priorities and policy goals that will guide the County Government in preparing its budget for the coming financial year and over the medium term. The County Treasury must also include in its CFSP the financial outlook with respect to county Government revenues, expenditures and borrowing for the coming financial year and over the medium term. Since it was the first time that counties were producing CFSPs, many of them faced challenges[8] such as:

(a) Failing to provide detailed information on budget implementation, spending information against targets at least down to the ministry level and preferably to the programme level;

[5] Art. 43 Economic and social rights;
[6] Section 91, County Government Act, 2012
[7] Section 117 of the Public Finance Management Act, 2012
[8] IBP et al, Analysis of the County Fiscal Strategy Papers, 2014

(b) Some CFSPs failed to provide projections for economic growth, inflation or other factors that would have affected the upcoming budget year. This can be attributed to the fact that most counties lack the capacity and data to project their own growth or inflation;
(c) Failure to provide clear narrative information about county priorities, particularly how those priorities would differ from those of the previous fiscal year.

COUNTY ASSETS AND LIABILITIES

The *Transition to Devolved Government Act, 2012* was enacted to among other objectives, provide for policy and operational mechanisms during the transition period for audit, verification and transfer to the National and County Governments of— assets and liabilities; human resources; pensions and other staff benefits of employees of the Government and local authorities. This Act further established the Transition Authority (TA) to perform the following in respect to assets transfer and management:

- Prepare and validate an inventory of all the existing assets and liabilities of Government, other public entities and local authorities;
- Make recommendations for the effective management of assets of the National and County Governments;
- Provide mechanisms for the transfer of assets which may include vetting the transfer of assets during the transitional period.

Besides, Parliament enacted the National Governments Coordination Act 2012, to establish an administrative and institutional framework for co-ordination of National Government functions at the national and county levels of governance. Section 21 of the Act stipulates that all property, assets, rights, liabilities, obligations, agreements and other arrangements existing and vested in, acquired, incurred or entered into' by or on behalf of the Provincial administration shall vest in the National Government. This meant that all assets and liabilities vested in the Provincial Administration reverted immediately to the National Government from the outset of County Governments.

The Transition Authority initiated a number of efforts to effectively manage assets of the National and county Governments including:

i) Issuing an order (a moratorium) barring all public entities from transferring assets and liabilities before March 2016;
ii) An Asset Management Information System (AMIS) was procured and installed where data on public assets, liabilities and staff was captured with capabilities for data protection, remote access to the data using laptop, mobile phone from anywhere on the globe via the internet on user rights basis. It is being populated with the incoming data on assets, liabilities and staff from Ministries, Departments and Agencies.
iii) Publishing the Regulations for Transfer of Assets and Liabilities,2012 during the Transition Period. The Regulations established a Technical Committee to oversee the same. The functions of the Committee included:
   a) To facilitate an audit of assets and liabilities in public entities and advise the Authority accordingly;
   b) Prepare and validate an inventory of all existing public assets and liabilities in public entities and submit a report to the Authority;
   c) Advise the Authority on the transfer of shared assets, and liabilities of public entities;
   d) Recommend to the Authority to review or reverse the irregular transfer of assets and liabilities in public entities that are affected during the transition period.
iv) The TA in collaboration with the Auditor General established an Integrated National and County Assets Register Centre (INCAR) to prepare an interim register of assets and liabilities of the 47 counties.

PUBLIC PARTICIPATION IN PUBLIC FINANCE

Public finance is important to the relations between citizens and the Government. In Kenya there has been low public participation in Public finance management in the past leading to inefficiencies and misallocation of resources. However, the Constitution of Kenya (2010) and the Public Finance Management Act 2012 provide avenues through which citizens can effectively influence policies on public finance.

Chapter Twelve of the constitution of Kenya 2010 (Article 201) introduces principles of public finance among them openness and accountability including public participation in financial matters. These principles if strictly adhered to can alter policy formulation and management of public resources for the improved livelihoods of many Kenyans.

Fiscal transparency can positively impact the economy in a numerous ways as indicated below:

i) Transparency can help attract cheaper credit
Research by IBP (2011) indicate that countries with higher levels of fiscal transparency have higher credit ratings and lower spreads between borrowing and lending rates, thus reducing Governments borrowing costs.
ii) Opacity in fiscal matters can undermine fiscal discipline
A study by the International Monetary Fund (IMF), 2007 finds that an important predictor of a country's fiscal credibility and performance is the level of transparency in its public finance systems and practices.

Equally, transparency and public participation can help shine the light on leakages and improve efficiency in public expenditures. In addition, fiscal transparency and participation can foster equity by matching national resources with national priorities.

According to International Budget Partnership, (IBP), Public participation in public finance management is based on the following basic principles:

(i) Participation should occur throughout the public finance management process;
(ii) Participation should occur across all parts of the Government; from the legislatures, implementers to oversight institutions;
(iii) Participation should have a legal basis. The Government should be obligated under law to engage the public in the budget decision making and should not discriminate against any individual or groups.
(iv) The purpose for public engagement should be publicized in advance. The Government should clearly specify the scope of the consultation.
(v) Multiple mechanisms for public engagement should be implemented. The Government should use appropriate forums at different points of time to obtain public inputs.
(vi) The Public should be provided with feedback on their inputs. The Government should publish reports of the inputs received from its public consultations and explain how these inputs have been used in budget decisions, execution and oversight.

In most economies, the budget provides a tangible focal point for discussion of community priorities and Government effectiveness. In Kenya, Section 35(1) and 125 of the Public Financial Management Act (2012) outlines the stages in the budget process at the National and County Government levels respectively in any financial year.

Further, section 137 of Public Finance Management Act 2012 establishes the County Budget and Economic Forum to provide a means for consultation by the County Government on the preparation of County Plans, the County Fiscal Strategy Paper and the Budget Review and Outlook Paper for the county and on matters relating to budgeting, the economy and financial management at the county level.

GENERAL CHALLENGES IN COUNTY PUBLIC FINANCE MANAGEMENT

In the financial year 2013/2014, counties cumulatively budgeted for Kshs. 275.8 billion to finance their expenditure. The budgets were financed by the national sharable revenue of Ksh. 190 billion, conditional grant of Kshs. 20 billion and Kshs. 67.8 billion from the local revenue (Controller of Budget Half Year Report, 2014). Nevertheless, in the implementation of their functions, counties experienced a number of challenges as pointed out by various oversight institutions. The Office of Controller of Budget, in its half year report identified the following challenges that could hinder effective implementation of devolution. They include:

i) *Low absorption of development funds*
The report indicated that the absorption rate for the development funds was 4.3 per cent for the first half of the FY 2013/14.

ii) *Underperformance in local revenue collections*
According to the report, The counties' target was to cumulatively collect Kshs.67.8 billion in the FY 2013/14 but in the first half of the Year, the actual revenue collection was Kshs.9.0 billion representing 13.2 per cent of the annual target.

iii) *Capacity of County Governments*
The report observed that there was inadequate technical capacity to support counties in the technical areas of budget preparation and legislation. It recommended that development of a harmonized budgeting framework to guide the preparation of budgets, reporting and implementation.

iv) *Integrated Financial Management Systems*
The report indicated that although all counties had installed both G-PAY and IFMIS to automate the management of financial transactions, operationalisation of the IFMIS system had been hampered by connectivity challenges and the inadequate capacity of the users.

v) *Increasing Wage Bill*
The report observed that the counties' wage bill for the first six months of the FY 2013/14 was 47.8% of the total counties expenditures. This was attributed to the overstuffed workforce, uncoordinated recruitment by the County Government units, and lack of policy guidelines on staff rationalization and harmonization.

1.2 INTERGOVERNMENTAL RELATIONS

The Constitution provides for National and County Governments as distinct and yet interdependent levels. Article 186 provides for the functions and powers of the National and County Governments respectively. The Intergovernmental Relations Act, 2012 provides a framework for consultation and cooperation between the National and County Governments and amongst County Governments and to establish mechanisms for the resolution of Intergovernmental disputes.

The National and County Government Coordinating Summit is established by the Intergovernmental Relations Act, 2012 as the apex body for Intergovernmental relations. The summit has however met only once since its establishment.

The Public Finance Management Act, 2012 also establishes shared institutions such as the Intergovernmental Budget and Economic Council (IBEC) to provide a forum for consultation between the National and County governments on matters related to budgeting, the economy and financial management; and Public Sector Accounting Standards Board (PSASB) that provides frameworks and sets generally accepted standards for the development and management of accounting and financial systems by all state organs and public entities .

1.3 RESEARCH LIMITATIONS

The research was limited by the following set of variables:

i) Scope
Given its scope as a baseline study, the survey was limited to a representative sample population of 17 counties out of the possible 47. This is based on the assumption that the variable characteristic of the sample represents the larger population.

Further, given the mandate of the Institute, the survey focused more on the public finance management system in its analysis of the county structures vis a vis the general administrative and political structures as stipulated by the constitution.

ii) Resources
The selection of the sample population was limited to the available financial and human resources of the Institute.

iii) Diverse clustering of sectors and budget formats by the target counties
Different counties used diverse planning and priority setting which affected the clustering of sectors and hence, the comparative analysis of the findings.

Equally, the counties employed different budget templates in their presentation of the budget data making it difficult to uniformly compare different budgetary allocations.

2.0 RESEARCH METHODOLOGY

The Institute considered this baseline survey as a way of assessing the status of implementation of devolution one year after the devolved structure of Government came into place and as a precursor to its engagements with the devolved system. This section seeks to outline the survey design including the specific objects of the research. It reiterates on the objectives; describes the research methodology, the sample selected, the procedures used in designing the instrument and collecting the data and, provides an explanation of the statistical procedures used to collate and analyze the data.

The Institute adopted a triangulated approach in its methodology. It chose a descriptive research utilizing both qualitative and quantitative methods to gather and disseminate data in the bid to establish the status of devolution and the effectiveness of the county public finance management structures; county human capital, Intergovernmental relationships and the level and structures of public participation.

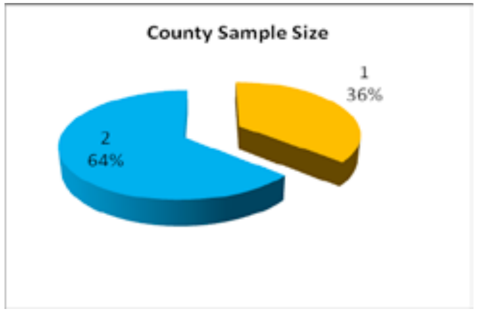
The following research tools were utilised to gather the primary data; Survey questionnaires, key informant interviews, focus group discussions and general observations. The survey tools were administered to a selected sample of key informants from the National Government and County Governments.

DESK REVIEW

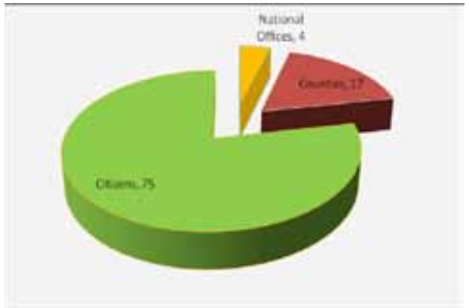
An extensive desk review to ascertain the gaps and inform the objects of the study was conducted. It reviewed various reports from various Government departments and entities, independent commissions, scholars and organizations on the respective subject matter within the research to gather the secondary data.

POPULATION OF STUDY –SAMPLE

Using stratified random sampling methodology, a sample size of seventeen (17) counties, four (4) constitutional offices and citizens of ranges of between 8-15 persons from the selected counties was identified for this study. The constitutional offices chosen for the survey were those that have a direct mandate on the devolution process. The citizens were drawn from various backgrounds for instance; business people, professionals, students etc.



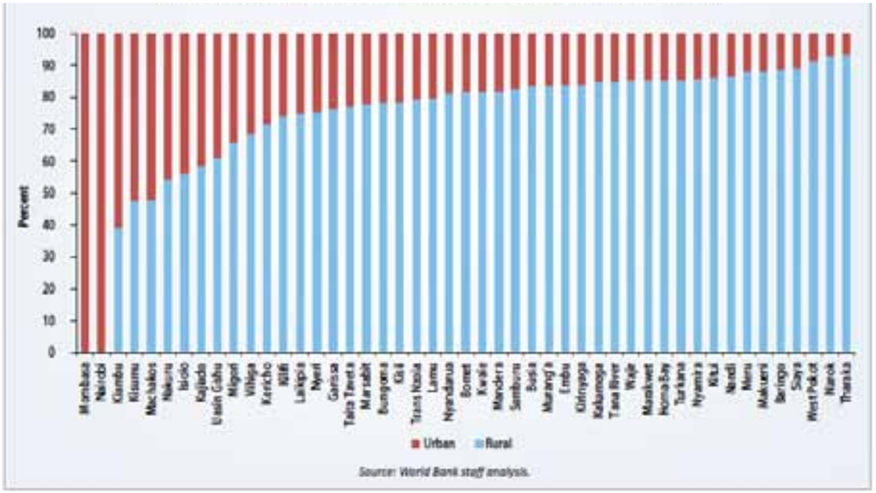
County Sample:



Seventeen (17) out of the forty seven (47) counties were selected in this study. This represents thirty six percent (36%) of the total population. The county sample was informed by regional disaggregation given the fact that there is a wide variance in the status of implementation of devolution among counties in various geographical setting.

The counties were stratified into two clusters; urban counties and rural counties. This was advised by the recent Word Bank ranking of counties and the Urban Areas and Cities Act 2011 (UACA). The Act sets the population threshold for classification of a city at 500,000 people, and for a municipality at 250,000 people. At present there are only two purely urban counties in Kenya with a population of over 500,000 people (Nairobi and Mombasa). The World Bank observes that despite rapid urbanization, most counties are pre-dominantly rural. The figure below indicates the World Bank ranking of the counties with the population index.

Figure 1: World Bank Urban - Rural Ranking

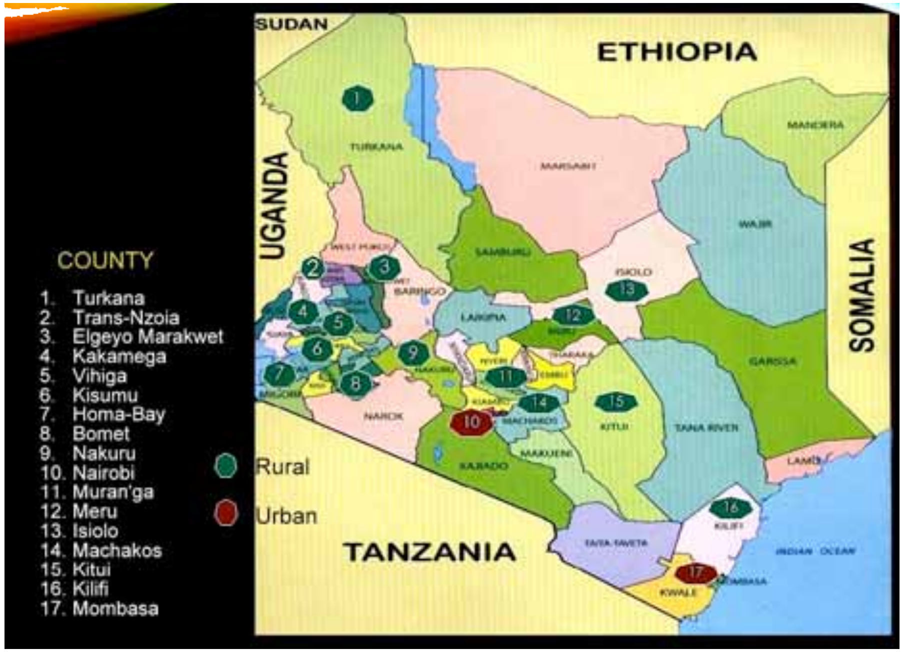


The figure below enlists the variable cluster and the counties selected for our study. The counties were stratified as follows; all urban counties and fifteen of the rural counties.

Table 2: County Stratification and Sample Selection

STRATIFICATION	COUNTY	
Urban Counties	1. Nairobi	2. Mombasa
Rural Counties	3. Kisumu	4. Murang'a
	5. Meru	6. Nakuru
	7. Kakamega	8. Kilifi
	9. Machakos	10. Vihiga
	11. Elgeyo- Marakwet	12. Turkana
	13. Kitui	14. Homabay
	15. Isiolo	16. Bomet
	17. Trans- Nzoia	

Figure 2: Selected County Sample



The target key informants in the counties were County Executive Committee (CEC) member in charge of finance and planning and or Chief Finance Officers (CFO), heads of Treasury or any other persons responsible for or with in-depth financial systems knowledge at the counties.

Constitutional Offices Sample

The following constitutional and independent offices with specific mandates on the devolved units were sampled;

1. Transitional Authority
2. Office of the Auditor General
3. Office of the Controller of Budget
4. Commission on Revenue Allocation

The target key informants in these offices were the Chairpersons and / or heads of those Institutions.

INSTRUMENTATION

The survey used questionnaires to collect primary data. The questionnaire included structured and unstructured questions and was administered through sending hard copies of the questionnaires to the respondents and picking them. Discussions were also held with the respondents to clarify issues that were not clear and to get qualitative information which the questionnaires would not have otherwise picked.
The structured questions were used to save on time as well as to facilitate an easier analysis; while the unstructured questions were used to encourage the respondents to give in-depth and felt response without feeling held back in revealing any information.

The survey instrument was divided into five sections for the constitutional offices and county officials:

Section One: Functions; items (a) to (c) sought to get information on the county budget priorities, the key achievements and the major challenges that the counties faced in discharging their mandate as stipulated fourth schedule of the Kenyan Constitution, 2010.

Section Two: Public Finance Management; items (a) to (k) sought to get information on other alternative major sources of revenue apart from the national transfers. This section also sought to analyse the effectiveness of the financial systems in place like IFMIS as well as other structures relating to finance like procurement and internal audit functions. The value of assets and liabilities inherited by the County Governments were also assessed; ascertaining whether the counties had set up asset registers and the underlying challenges if any in maintaining the asset registers.

Section Three: Public Participation and Service Delivery: items (a) to (e) sought to get information on how the County Governments engaged the public as provided for in the Constitution as well as the adequacy of the notice given to the citizens to be able to participate objectively. The mode of communication and feedback mechanism for information dissemination was also addressed in this section. Moreover, the session sought to establish whether the County Governments had established any initiatives to foster Public-Private Partnerships.

Section Four: Human Resource Management; items (a) to (d) sought to get information on the modes of recruitment of county officers and the ratio of professional and support staff in the counties. Performance based contracting and reward mechanism for high performers was also evaluated.

Section Five: Intergovernmental Relations; items (a) and (b) sought to underscore the relations between the two levels of Government and the perception of the status of dispute resolution between the two levels of Government.

The survey tool administered to citizens was almost similar to the one administered to the county officials and constitutional offices except that it sought to moderate the views from the two. This tool was divided into four sections.

Section One: Functions; items (a) and (b) sought to know whether the citizens were aware of the functions devolved to counties and establish the challenges that the counties faced in discharging their mandate.

Section Two: Public Finance Management; items (a) and (b) sought to establish whether the citizens were aware of how much money was allocated to the county and whether it was adequate.

Section Three: Public Participation and Service Delivery; items (a) to (e) sought to establish whether the citizens were involved by the county Governments in key decision making initiatives as stipulated in the constitution. It also sought to establish the adequacy of notice given to citizens when participation was required and the mode of communication that the County Government employed to call for public participation. The level of satisfaction of service delivery by the citizens was also evaluated.

Section Four: Others. This was an open question to citizens that sought to give them an opportunity to give their views on the issues that the structured questions did not address and to the best of their knowledge could be used to better implement the county functions.

In seeking to establish the areas of engagement with the Institute, the respondents were requested to suggest possible areas of engagement they thought the Institute could undertake to empower counties in discharging their mandate as per the Constitution.

The survey instrument was reviewed and approved by the Public Policy and Governance Committee of the Institute.

DATA COLLECTION

Survey questionnaires were mailed with a cover letter on 6th March 2014 by the Institute to the Seventeen (17) counties and the four (4) constitutional offices. The questionnaires to citizens were administered during the field visits by the researchers. The key Informants were requested to fill the questionnaires which were to be collected on a specified proposed date as per the cover letter. One week after the questionnaires were mailed, follow up calls were made to ensure the questionnaires were received by the informants and the visit dates affirmed. According to Suskie (1996), this timetable serves as a means of reminding informants to complete the survey tool without going to great expense. It also contributes to the likelihood of doubling the response rate. For this reason, the Institute was careful to avoid constructing a complex and lengthy questionnaire.

DATA ANALYSIS

The quantitative data collected was appropriately analyzed using descriptive statistics. The descriptive statistical tool helped the Institute to describe the data and determine the extent it will be used. This was included and reported using frequencies, percentages and mean. These generated quantitative reports which are presented through tabulations, charts and graphs.

Data analysis consisted examination of the survey for correctness and completeness, coding and keying in data and performing an analysis of descriptive responses according to frequency distributions and descriptive statistics. Microsoft Excel, the Statistical Package for Social Sciences (SPSS) and likerts type scale was used in analyzing the questions. All incomplete surveys were discarded from the analysis. Frequency tables and descriptive statistics were constructed to display results with respect to each of the five parts of the questions administered to county officials and the three parts of the questions administered to citizens.

3.0 RESEARCH FINDINGS

This section presents the results of the study. It categorizes the results into two sections presenting the general findings and specific county analysis.

3.1 GENERAL FINDINGS

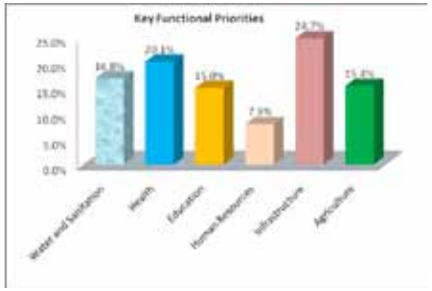
The general findings section is a summary of the core areas of the survey tool namely county functions; public finance management, public participation, human-resource management and Intergovernmental relations as follows:

FUNCTIONS

County Budget Priority Areas for 2013/2014

Schedule Four of the Constitution outlines functions for the National and County Governments. The functional assignment was not designed to be a 'one fit all' assignment for the counties. The drafters of the constitution, by allowing for a phased transfer of the functions, made it in such a way that only the county that had the necessary capacity to undertake a function would apply for such. However this was not to be the case after the Transition Authority with pressure from the counties did a big -bang transfer of the functions. This meant that all the counties were of the same capacity to undertake all the functions transferred.

Figure 3: County functional Priorities



The survey focused on county specific functional areas including water and sanitation, health, education, human resources and staffing; and infrastructural development among others.

The survey sought to find-out the County budget priorities for the financial year 2013/14 and the extent to which they reflect the citizens needs on the ground.

It emerged that twenty five percent (25%) of the counties sampled had Infrastructure as their key priority. Twenty percent (20%) indicated Health and about seventeen percent (17%) indicating water and sanitation.

Even though Agriculture was not on our ritcher scale, it emerged that fifteen percent (15%) of the counties sampled had agriculture as their key priority.

A further comparative analysis of the budgetary allocations to these functions for the FY 2013/14 to 2014/15 indicated that the counties have comparatively increased their sectoral allocations. The most notable sectors are health services and infrastructure development. However some sectors are projected to get a reduction in allocations. This implies a change of priorities as a result of changes in understanding of the devolution dynamics.

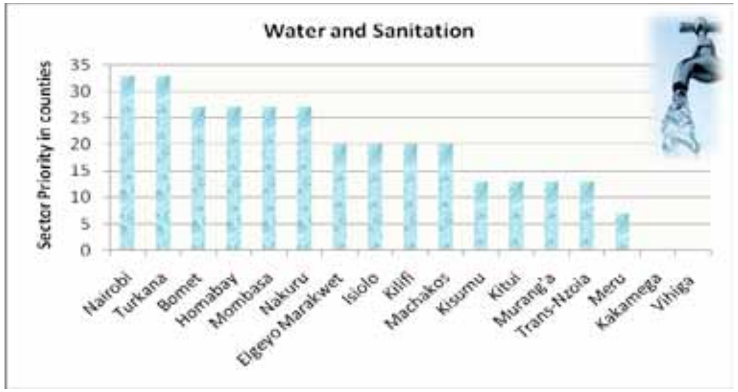
The survey further found a mismatch between what the counties qualitatively stated as their priorities and the actual budgetary allocations for the FY 2013/14. This indicated disconnect between planning and budgeting at the county levels.

These are comparatively analysed below:

(a) Water and Sanitation

From our analysis, Turkana, Nairobi, Nakuru, Mombasa, Bomet and Homabay identified water and sanitation as one of the key service delivery priorities for the year 2013/14. This was however not a key priority for Kakamega, Meru and Vihiga counties.

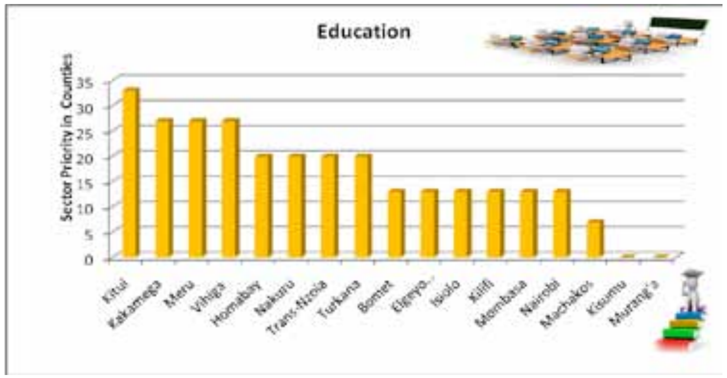
Figure 4: County Priority on Water and Sanitation



(b) Education

The survey shows Kitui, Kakamega, Meru and Vihiga prioritized education in their 2013/14 budget. This was least prioritised in Kisumu, Murang'a and Machakos.

Figure 5: County Priority on Education

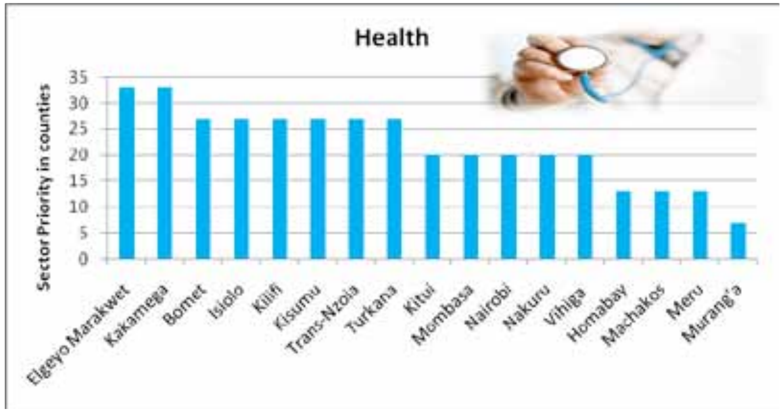


Education was significantly a lesser priority to a number of counties partly because it is a concurrent function with counties mandate limited to pre-primary education, village polytechnics, homecraft centres and childcare facilities. However, many that had significant allocation to education, considered the primary, secondary and tertiary education despite the fact that these are National Government functions.There is need for coordination between the two levels of Government to ensure not only that the level of education is enhanced equitably across the counties but also that there is smooth transition between the different levels of education.

(c) Health

The survey indicates that most of the counties sampled prioritised health in their 2013/14 budgets as illustrated below. This can be attributed to the fact that health-care ramains a challenge across the country and is an easy political tool.

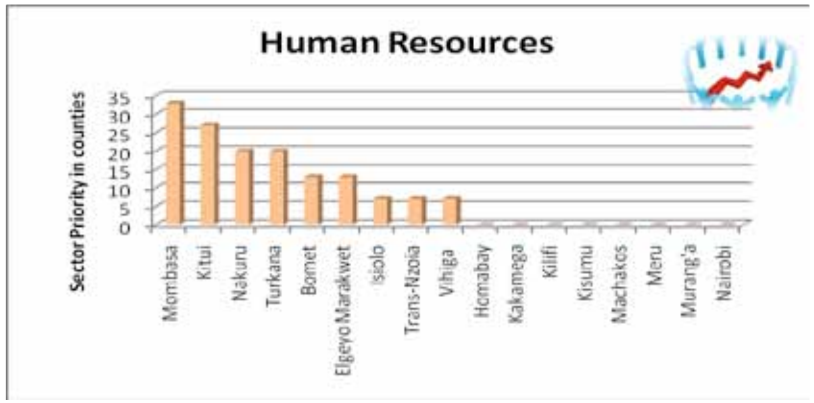
Figure 6: County Priority on Health



(d) Human Resource Development

Human resource development particularly staffing was a key priority in four counties, namely; Kitui, Mombasa, Nakuru, and Turkana. This was mainly attributed to among others, the counties trying to identify and recruit technical personel, sorting out previous payroll issues like in the case of Mombasa.Other counties also highlighted a huge wage bill owing to the huge numbers of seconded staff and who they complained, lacked the requisite expertise in their areas of duty.

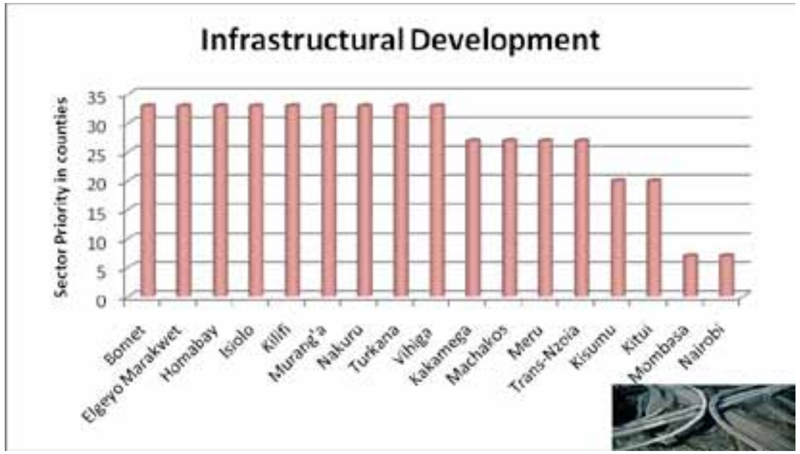
Figure 7: County Priority on Human Resources



(e) Infrastructural Development

From our analysis, only Mombasa and Nairobi did not prioritise infrastructural development in their 2013/14 budget. The rest of the counties identified infrastructure especially roads as key. This being a concurrent function it remains to be seen how both levels of Government play their roles effectively to ensure coordinated development across the country.

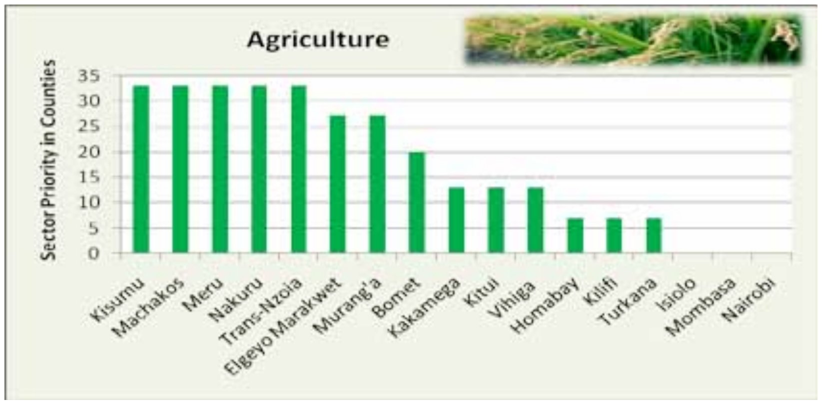
Figure 8: County Priority on Infrastructure



(f) Agriculture

Although agriculture was not on our ritcher scale, it turned out to be a cross cutting priority issue in most of the rural and peri-urban counties. As such, Nakuru, Trans Nzoia, Elgeyo Marakwet, Bomet, Meru, Muranga,and Kisumu gave agriculture a major priority.

Figure 9: County Priority on Agriculture



CHALLENGES FACING THE IMPLEMENTATION OF COUNTY FUNCTIONS

Based on the previous reports from the Controller of Budget and Auditor-General, the survey sought to ascertain the extent to which capacity, inadequate resources and absence of the necessary infrastructure remained a teething challenge for County Governments.

(a) Capacity

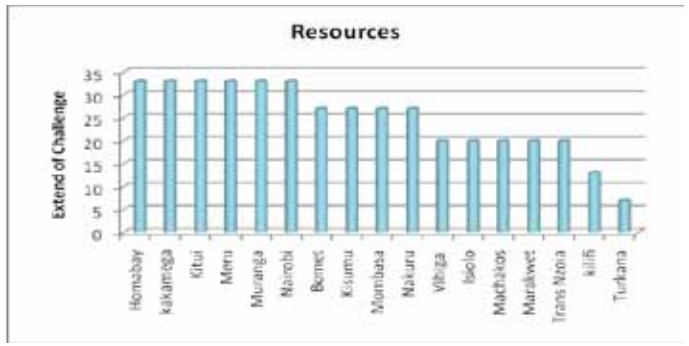
Lack of technical capacity was identified as a major challenge in most of the counties. This delayed the preparation of vital documents; this further led to delays in enactment of crucial bills hence delaying key decision making processes. Lack of requisite skills to manage IFMIS was cross-cutting and led to delayed processing of transactions and subsequent delay in generating reports.

Figure 10: Challenges facing counties- Capacity

(b) Resources

Most counties still identified inadequate financial resources as a barrier to effective service delivery. This was attributed to the initial high expectations of budgetary allocation to County Governments compared to the actual funds transferred. This was also attributable to over ambitious revenue collection targets set by the counties. Counties are expected to devise innovative ways of collecting revenue to avert budgetary deficits as a result of shortfall revenue collections. Few counties (Nakuru and Meru) have automated their revenue collections and other counties are advised to follow suit to maximise on the local revenues to avoid overreliance on the national shareable revenue.

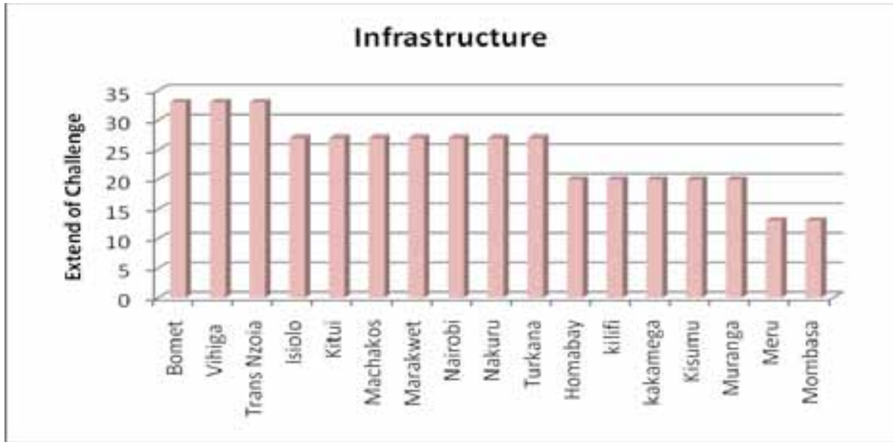
Figure 11: Challenges facing Counties - Inadequate Resources



(c) Poor Infrastructure

A larger number of the counties indicated that they inherited poor infrastructure thus hindering them from effectively implementating their functions.

Figure 12: Challenges Facing Counties - Poor Infrastructure



Most counties indicated that they are in the process of laying down the necessary infrastructure to enhance timely and efficient service delivery.

(d) Transitional Challenges

Apart from the challenges above, transitional challenges emerged as a cross-cutting impediment to succesful devolution. The following were identified as transitional issues:- resistance to change, un-standardized renumeration, attitudinal challenges by staff from previous backgrounds -Local authorities, central Government and the private sector; strained relationship between the County Executive and the County Assemblies; poor inherited systems; ineffective coordination between the National and County Governments and high public expectations coupled with their mis-understanding of the devolution parameters.

Other transitional challenges include: Competition for resources between county assemblies and the executive especially in the prioritization of projects, amount to be allocated to assemblies for operations and threats of impeachment by the County Assemblies among others.

Figure 13: Challenges Facing Counties - Transitional Challenges

PUBLIC FINANCE MANAGEMENT

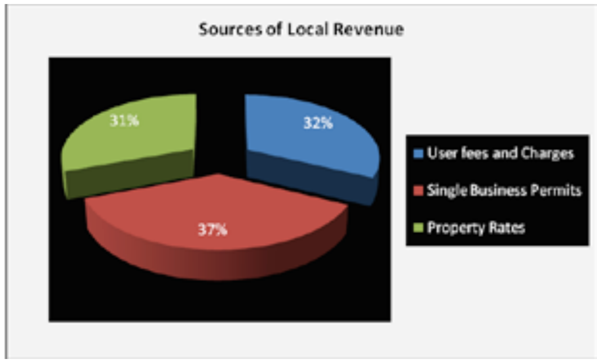
The Constitution and the Public Finance Management Act, 2012, provides principles governing public finances at the national and county levels. The research sought to identify the extent to which the public finance systems have been established and utilized at the county level.

The research focused on local revenue collection, public finance management systems such as IFMIS, LAIFOMS and G-Pay; Public procurement; status of assets and liabilities and the financial control mechanisms.

(a) Local Revenue Collection

From the survey, Property rates rank high in Nakuru, Mombasa and Trans-Nzoia as core source of local revenue. Elgeyo Marakwet, Turkana heavily rely on Single Business Permits while Kisumu, Kakamega, Kilifi, Bomet, Vihiga, Meru, Isiolo and Homabay rely highly on user fees and charges.

Figure 14: Key County Sources of Local Revenue



It emerged that counties are facing serious challenges in realizing their local revenue collection targets. This is occasioned by a number of factors including:

- Limited or narrow local revenue base
- Poorly trained personnel;
- Manual revenue collection systems prone to misappropriation ;
- Not all the County Revenue Officers (previously from LAs) have embraced the new system of Government (resistance to change).

That notwithstanding, some counties such as Meru and Nakuru have partnered with the private sector and banks to automate their revenue collection systems. Individual county local revenue collections are detailed in the County analysis section below.

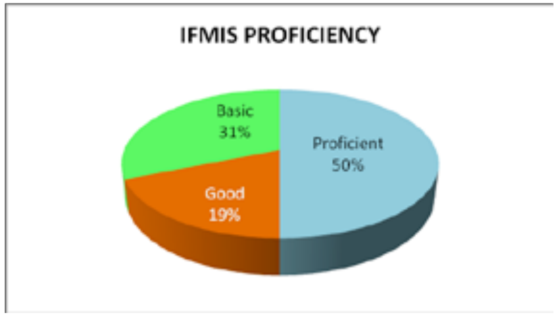
(b) Public Financial Management systems

The survey sought to establish the proficiency levels of counties in the utilization of computerized financial management systems. The survey focused on IFMIS and G-Pay as rolled-out by the National Treasury to counties.

IFMIS Proficiency

One half of the sampled counties indicated that they were proficient in the utilization of IFMIS with thirty one percent (31%) basic.

Figure 15: IFMIS Proficiency Level



While most counties rated their interaction with IFMIS as either proficient or good; the following challenges were noted:

i) System-User challenges still exist due to limited practical training on some of the key modules installed;
ii) Connectivity challenges are experienced in most of the counties – when the national server is down as it normally is the rest of the country is grounded.
iii) The system is poor in generation of reports especially the management reports and yet it is not integrated to other systems that are able to generate useful reports i.e. LAIFOMS, ERP etc
iv) Whilst the most active module in IFMIS is payment, the system cannot pay in batches and further charges recurrent items on development.
v) The system cannot receipt forcing counties to do manual receipts
vi) The system lacks the revenue collection module forcing some counties to rely on LAIFOMS for revenue collection such as Kakamega, Kisumu, Trans-Nzoia and Nakuru
vii) The system does not allow for reversals when an error has been committed

(c) Public Procurement

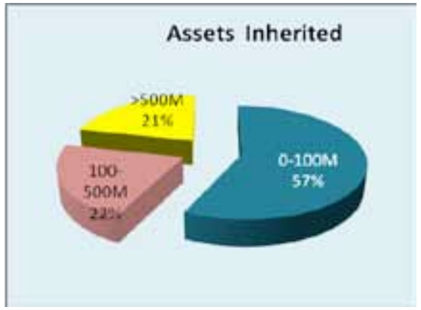
All the Counties have established Public Procurement units at County level. Nakuru, Trans-Nzoia and Elgeyo Marakwet have further established departmental procurement units and tender committees.

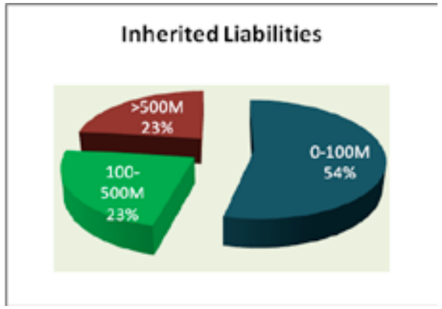
Most counties have the heads of departments constituting the procurement committee. Nonetheless, some lack procurement professionals in the procurement department(s) and committee(s). All counties indicated that oversight over county procurement is done by the County Assemblies. That notwithstanding, restrictive supply chain procedures tend to create lags in the public procurement processes.

(d) Status of Assets and Liabilities

All the Counties in the sample inherited to some extent assets and liabilities from the defunct Local Authorities and the Central Government. However, most of them are unclear on the value, location and transfer status of assets and liabilities they inherited. This is compounded by lack of clear documentation of the said assets and liabilities.

Figure 16: Assets and Liabilities Inherited





Asset registers

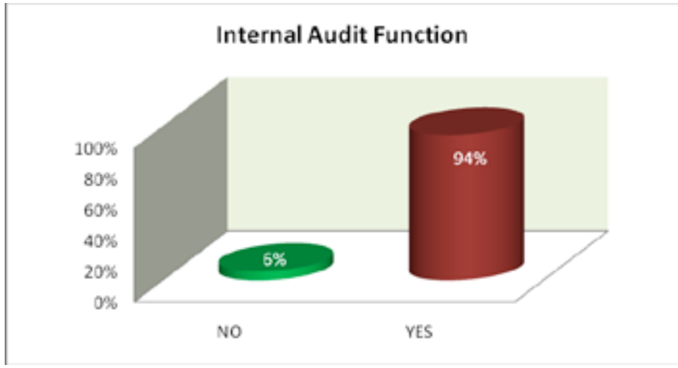
While most of the counties indicated to have put in place an assets register for new acquisitions, most lacked proper understanding of what an asset register is. They face the following challenges in maintaining those registers:

i. Valuation and transfer of ownership of assets as stipulated by the Transition to Devolved Government Act, 2012 is not yet complete.
ii. No documentation exist in some counties of the assets hence verification and justification of the figures becomes hard
iii. Most assets inherited are impaired and or obsolete.

(e) Internal Audit Function

Only Bomet had not institutionalized audit function in its governance structure. Other Counties in the sample have established internal audit functions pursuant to the CRA circular to all governors on the importance of the same dated 27th January 2014. This would help monitor and manage risk and adherence to set operation procedures and systems giving suggestions for improvement where there are inefficiencies. However, the units are under-staffed to effectively provide the intended internal assurance on compliance with established systems. There were instances where the internal audit function is still operated on the principles of pre-audits owing to lack of understanding of the more effective risk-based approaches.

Figure 17: Availability of Internal Audit Functions



Challenges facing Internal Audit Functions:

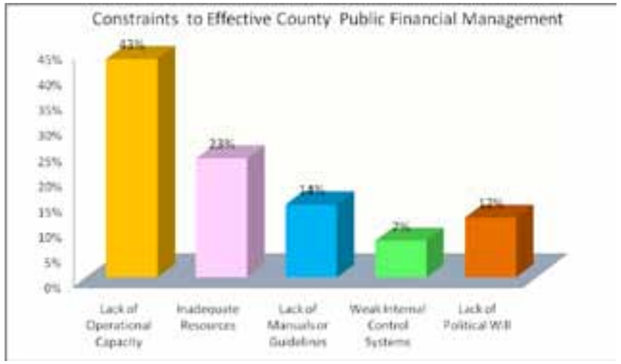
- There is lack of relevant skills and sufficient personnel in the internal audit function thus making them less effective;
- They also lack clear reporting lines;
- All the Counties are yet to establish independent internal audit committees;
- Some of the internal auditors lacked technical know-how on IFMIS system making it a challenge to effectively undertake an audit of the system.

Figure 18: Effectiveness of Internal Audit Functions

f) Main Constraints to effective County Public Finance Management

Forty three percent (43%) of the sampled counties identified lack of operational capacity as a major constraint. Twenty three percent (23%) inadequate resources; fourteen percent (14%) lack of manuals and guidelines; twelve percent (12%) indicated lack of political will and seven percent (7%) weak internal control systems.

Figure 19: Constraints to Effective County Public Finance Management



PUBLIC PARTICIPATION

Public participation in public financial management is a civic duty and an effort towards management of public resources. The public can participate through written submissions and petitions to the executive and County Assemblies. Public participation serves to guarantee public ownership of Government expenditure programmes.

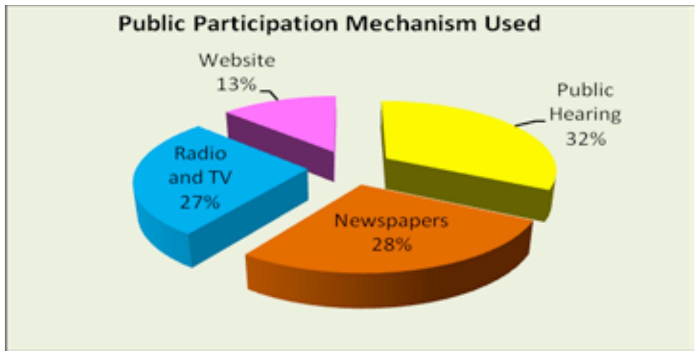
Public Participation Mechanisms

Public hearing is ranked as the highest medium employed when reaching out to the citizens and also getting feedback; newspapers rank second despite their low circulation and reach among the rural population. However, counties prefer it as an easy means of meeting the legal threshold.

Bomet has established a hotline for getting feedback on service delivery. Other counties could emulate Bomet and set up hotlines and other feed-back mechanisms to enhance participation.

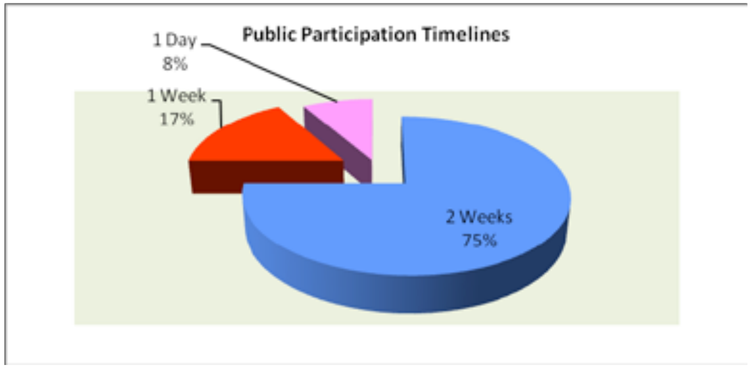
Twenty seven percent (27%) of the counties utilized national and local TV and radio stations. Some of the local radio stations broadcast in vernacular limiting access the residents who do not understand the language, particularly in cosmopolitan counties.

Figure 20: Public Participation Mechanisms Employed at the Counties



In terms of timelines set when calling for public participation, input or feedback, seventy five percent (75%) of the counties set a timeline of 2 weeks to receive public input while seventeen per cent (17%) give only 1 week for feedback. This is definitely not sufficient for public participation considering the size of the documents requiring input and the need for the citizens to interrogate the documents.

Figure 21: County Public Participation Timelines



PUBLIC-PRIVATE PARTNERSHIP

Only Nakuru, Elgeyo Marakwet, Turkana and Kakamega have entered into PPPs; Nakuru on large scale farming, Elgeyo Marakwet and Turkana on provision of health-care and Kakamega on fencing of the Kakamega forest respectively. Trans-Nzoia has also partnered with the private sector on town cleaning. Other counties in the survey are yet to institute any public private partnership.

HUMAN RESOURCE MANAGEMENT

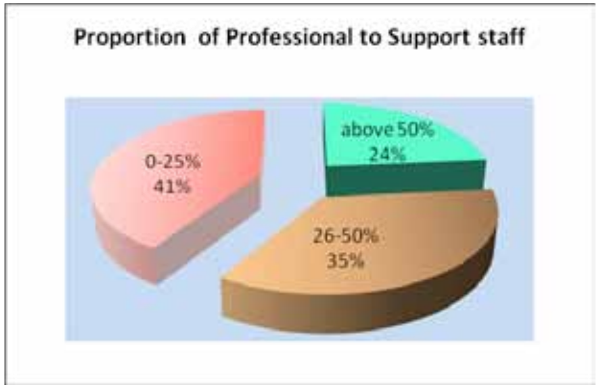
The survey set to establish the processes majorly used by counties in recruitment of staff and personnel; availability of performance management systems and the proportion of professional to support staff in the County Public Service.

We established that all the Counties inherited staff from the defunct local authorities. Another huge percent of staff has been seconded by the National Government and the Transition Authority. Currently, the Counties are absorbing the seconded staff through competitive processes.

On performance management, all the Counties are yet to establish performance management systems. Therefore, no rewards are given to best performing employees.

Finally, it emerged that over forty one percent (41%) of the sampled counties had less than twenty percent (25%) of professional to support staff. Twenty four percent (24%) of the counties had over fifty percent (>50%) professional staff while thirty five percent (35%) had twenty six to fifty percent (>26 <50%) proportion of professional to support staff. This is illustrated below:

Figure 22: Counties Proportion of Professionals to Support Staff

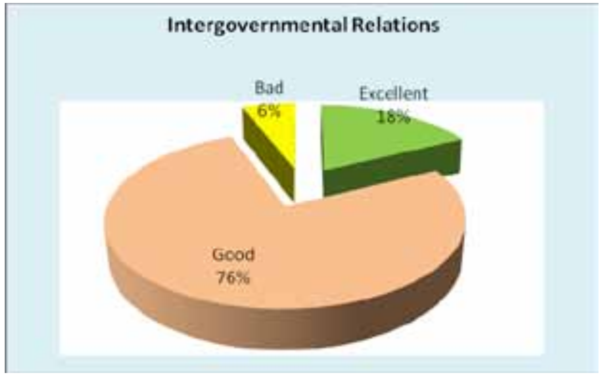


INTERGOVERNMENTAL RELATIONS

(a) Intergovernmental Relations

The survey sought to establish the intergovernmental relations and coordination mechanisms between the two levels of Government. Seventy six percent (76%) of the counties indicated that the relationship between them and the National Government is good. Six percent (6%) indicated that the relationship is bad while eighteen percent (18%) said that the relationship is excellent.

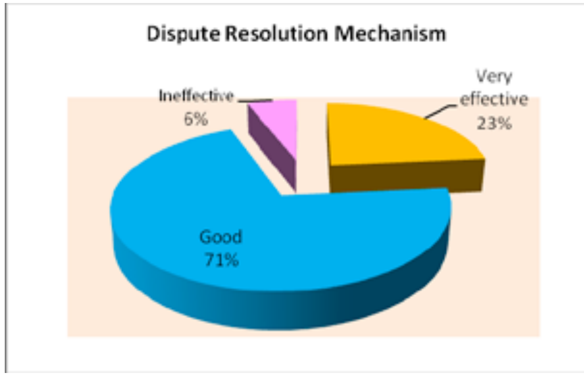
Figure 23: Intergovernmental relations



(b) Dispute Resolution and Coordination Mechansims

Seventy one percent (71%) of the counties indicated that the dispute resolution and coordination mechanism is good. Six percent (6%) indicated that it is ineffective while twenty three (23%) said that it is very effective.

Figure 24: Dispute Resolution Mechanisms



Source: Kenya Open Data Portal

3.2 COUNTY ANALYSIS

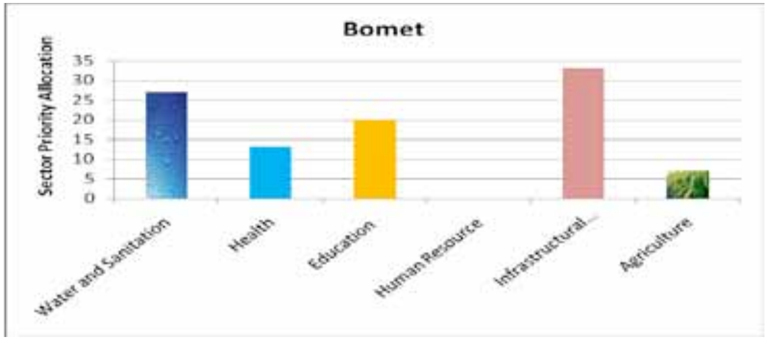
This section covers the specific county findings on the priority areas as explained by the key informants and compares the same as captured on the approved and provisional budgets for the FY 2013/14 and 2014/15 respectively. It further analyses the three core sources of local revenue i.e. property rates, Single Business Permits and user-charge fees.

There emerged a mismatch on the county priorities as qualitatively stated by the key informants when compared to the budgetary allocations. This implied that the priorities were not clearly stated and or were stated but not clearly defined through the budgetary allocations.

BOMET COUNTY

Functions
Bomet gave infrastructural development the highest priority in the FY 2013/14 . This was followed by health, water, agriculture and education respectively.

Figure 25: Bomet County Functional Priorities



Budget Allocation FY 2013/14
The Bomet County Government Budget for the Year 2013/2014 allocated funds to the sampled sectors as follows:

Table 3: Bomet County Budgetary Allocation on Functions

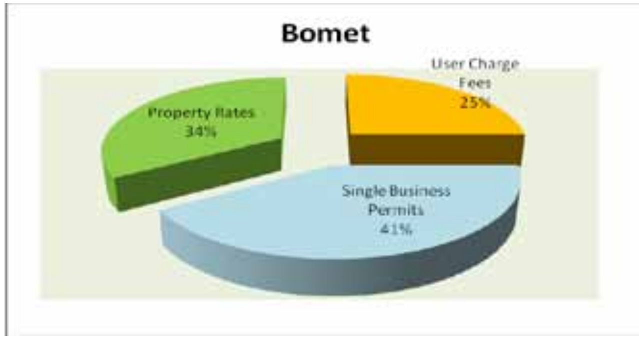
SECTOR	APPROX. ALLOCATION (KSH. MILLION)
	FY 2013/14
Water, Natural Resources and Environment	209
Health Services	295
Education	190
Infrastructure	472
Agriculture	148.5

Source: Bomet County Approved Budget 2013/14; NB-Summation of recurrent and development expenditure

Local Sources of Revenue

Single Business Permits formed the core source of local revenue for Bomet County as illustrated below;

Figure 26: Bomet County Key Local Sources of Revenue



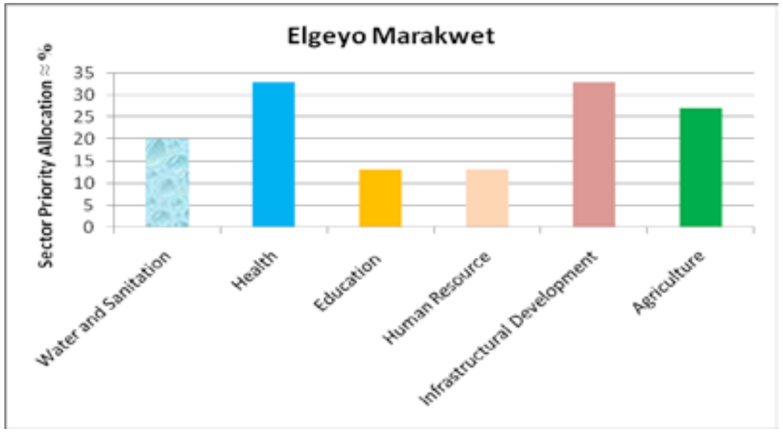

Tea Plantation

ELGEYO-MARAKWET COUNTY

Functions

Elgeyo Marakwet identified infrastructure as a key priority. Other priorities included health, agriculture, water, and sanitation and education in that order.

Figure 27: Elgeyo Marakwet County Functional Priorities



Budget Allocation FY 2013/14 - 2014/15

The allocations for Elgeyo Marakwet County Government Budget for the development expenditure of the sampled sectors for the Financial Years 2013/2014 and 2014/15 varied significantly as follows:

Table 4: Elgeyo Marakwet County Budgetary Allocation on Functions

SECTOR	APPROX. ALLOCATION(KSH. MILLIONS)		
	FY 2013/14	FY 2014/2015*	Projected Change
Water, Natural Resources and Environment	143	144	0.7%
Health Services	200	150	-25.0%
Education	87	150.9	73.4%
Infrastructure (Roads, Public works & Transport)	517	300	-42.0%
Agriculture	143	104	-27.3%

Source: Bomet County Approved Budget 2013/14; NB-Summation of recurrent and development expenditure

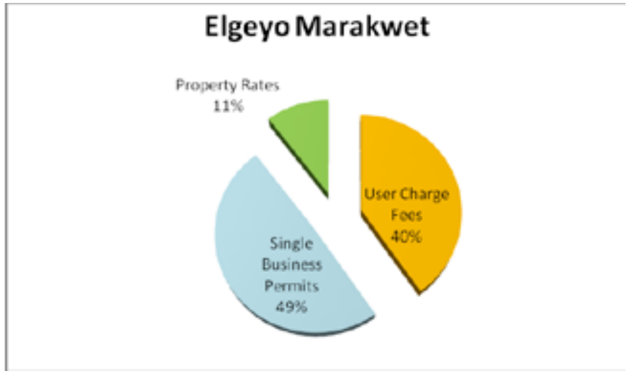
The development expenditures on infrastructure, agriculture and health are poised to reduce significantly in the FY 2014/15 with the allocations for water, natural resources and environment expected to increase.

Keiyo Valley

Local Sources of Revenue

Single Business Permits remains a major source of local revenue for Elgeyo -Marakwet County. The County also relies on user charges and fees; and property rates.

Figure 28: Elgeyo Marakwet County Key Local Sources of Revenue



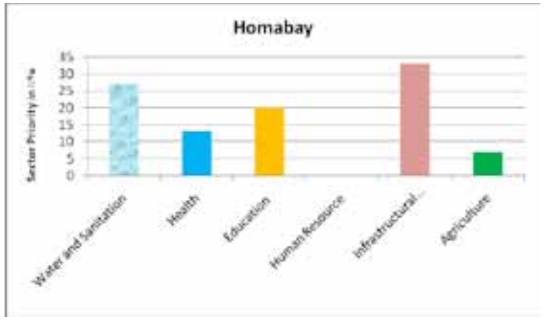
HOMABAY COUNTY

Functions

Homabay County identified infrastructure as a key priority. Other priorities included water and sanitation, education, health and agriculture in that order.

Roan Antelope in Ruma National Park

Figure 29: Homabay County Functional Priorities



Budget Allocation FY 2013/14 - 2014/15

The Homabay County Government Budget for the Years 2013/2014 and 2014/2015 allocated funds to the sampled sectors as follows:

Table 5: Homabay County Budgetary Allocation on Functions

SECTOR	APPROX. ALLOCATION(KSH. MILLIONS)		
	2013/14	**2014/2015***	**Projected Change**
Water, Natural Resources and Environment	221	170.4	-22.9%
Health Services	543	748.3	37.8%
Education	149.5	216.5	44.8%
Infrastructure	641	772.3	20.5%
Agriculture	279	333.0	19.4%

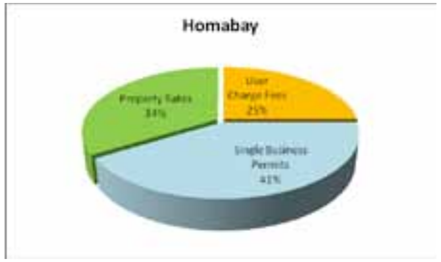
Source: Homabay County Budget 2013/14; NB-Summation of recurrent and development expenditure
**Provisional estimates*

The total sectoral allocations for Homabay County are projected to increase significantly in the FY 2014/15 with the exception of water, natural resources and environment.

Local Sources Revenue

Single Business Permits remains a major source of local revenue for Homabay County. The County also relies on user charges and fees; and property rates.

Figure 30: Homabay County Key Local Sources of Revenue



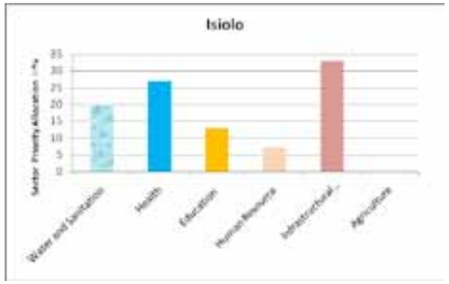
ISIOLO COUNTY

Functions

Isiolo County identified infrastructure as a key priority. Other priorities included health, water and sanitation, education, human resources and agriculture in that order.

Camels in Isiolo

Figure 31: Isiolo County Functional Priorities



Isiolo County Budget Allocation FY 2013/14 – 2014/15

The Isiolo County Government Budget for the Year 2013/14 and 2014/15 allocated funds to the sampled sectors as follows:

Table 6: Isiolo County Budgetary Allocation on Functions

SECTOR	APPROX. ALLOCATION(KSH. MILLIONS)		
	2013/14	**2014/2015***	**Projected Change**
Water sector	276	207	-25.0%
Health Services	262	125.9	-51.9%
Education	134	135	0.7%
Infrastructure	685	166	-75.8%
Agriculture	120	160	33.3%

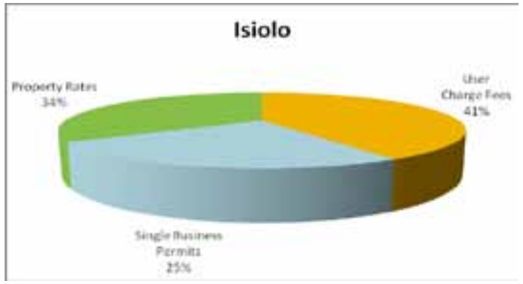
Source: Isiolo County Budget 2013/14; NB-Summation of recurrent and development expenditure
**Provisional Estimates*

The projected total sectoral allocations (considered in the survey) for Isiolo County have reduced significantly in the FY 2014/15 with the exception of the agricultural sector. The biggest reduction would be on infrastructure.

Local Source of Revenue

User charges and fees is a core source of local revenue for Isiolo. The County also relies on single business permits; and property rates.

Figure 32: Isiolo County Key Local Sources of Revenue



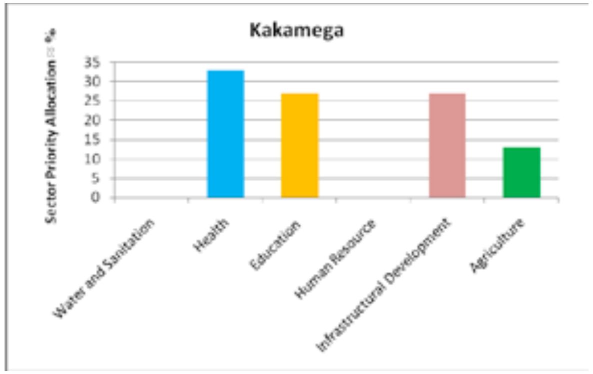
KAKAMEGA COUNTY

Functions

Kakamega County identified health as a key priority. Other priorities included infrastructure, education and agriculture in that order.

Bull Fighting

Figure 33: Kakamega County Functional Priorities



Kakamega County Budget Allocation FY 2013/14 – 2014/15

The Kakamega County Government Budget for the Years 2013/2014– 2014/15 allocated funds (Development expenditure) to the sampled sectors as follows:

Table 7: Kakamega County Budgetary Allocation on Functions

SECTOR	APPROX. ALLOCATION(KSH. MILLIONS)		
	2013/14	2014/2015*	Projected Change
Water, Natural Resources and Environment	105	1,000	852.4%
Health Services	1,273	2,000	57.1%
Education	800	1,000	25.0%
Infrastructure	2,325	2,000	-14.0%
Agriculture	376	999.69	165.9%

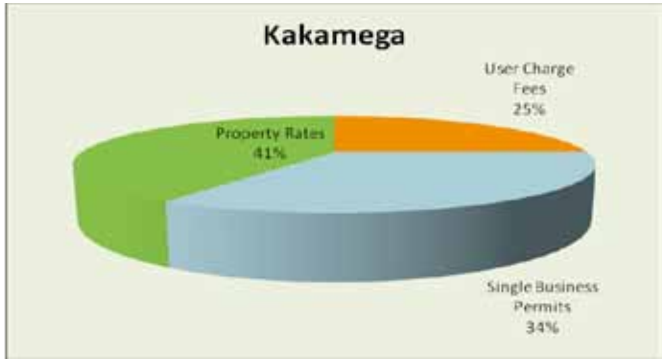
Source: Kakamega County Budget 2013/14; NB-development expenditure

The projected sectoral allocations for development expenditure in Kakamega County are projected to increase significantly in the FY 2014/15 with the exception of infrastructure. The biggest gainers will be water, natural resources, environment and forestry and; agriculture.

Local Source of Revenue

Property rates were the major core source of local revenue for Kakamega County. The County also relies on single business permits; and user charges and fees.

Figure 34: Kakamega County Key Local Sources of Revenue



KILIFI COUNTY

Functions

Kilifi County identified infrastructure as a key priority. Other priorities included health, water and sanitation, education, human resources development and agriculture in that order.

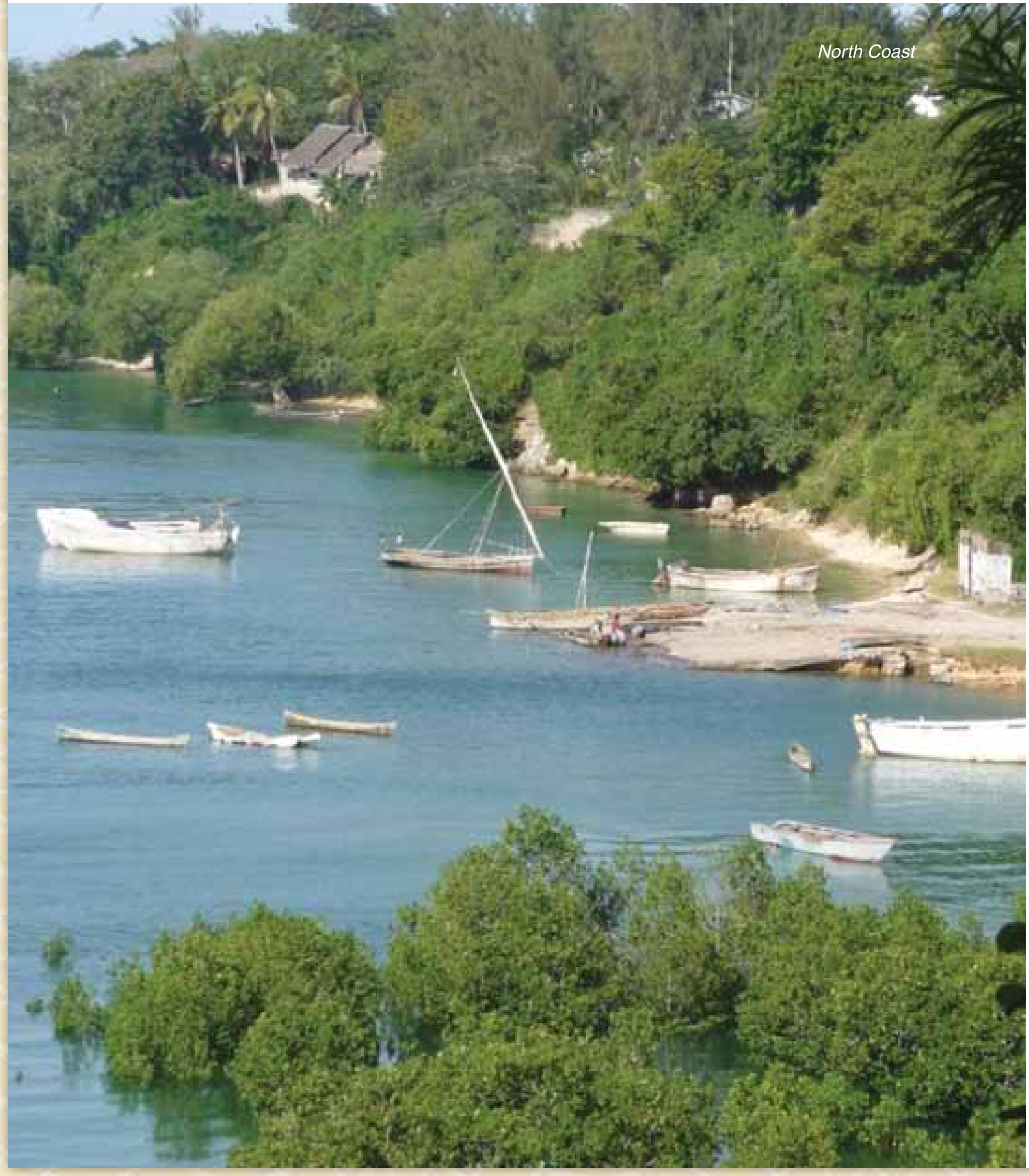
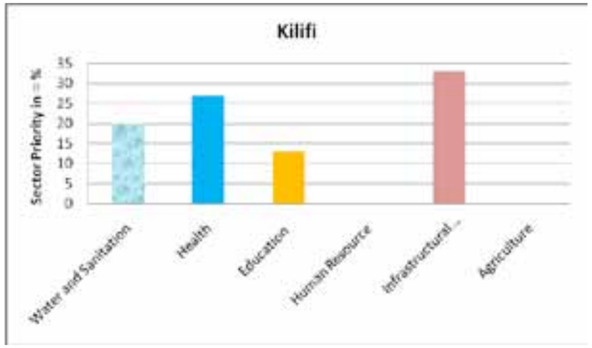


Figure 35: Kilifi County Functional Priorities



Kilifi County Budget Allocation FY 2013/14

The Kilifi County Government Budget for the Year 2013/2014 allocated funds to the sampled sectors as follows:

Table 8: Kilifi County Budgetary Allocation on Functions

SECTOR	APPROX. ALLOCATION(KSH. MILLIONS)
Environment and Natural Resources	495.6
Health Services	1,275
Education	900
Infrastructure	501
Agriculture	718

Source: Kilifi County Budget 2013/14; NB-Summation of recurrent and development expenditure

Local Source of Revenue

User charges and fees were the major source of local revenue for Kilifi. The County also relies on single business permits; and property rates.

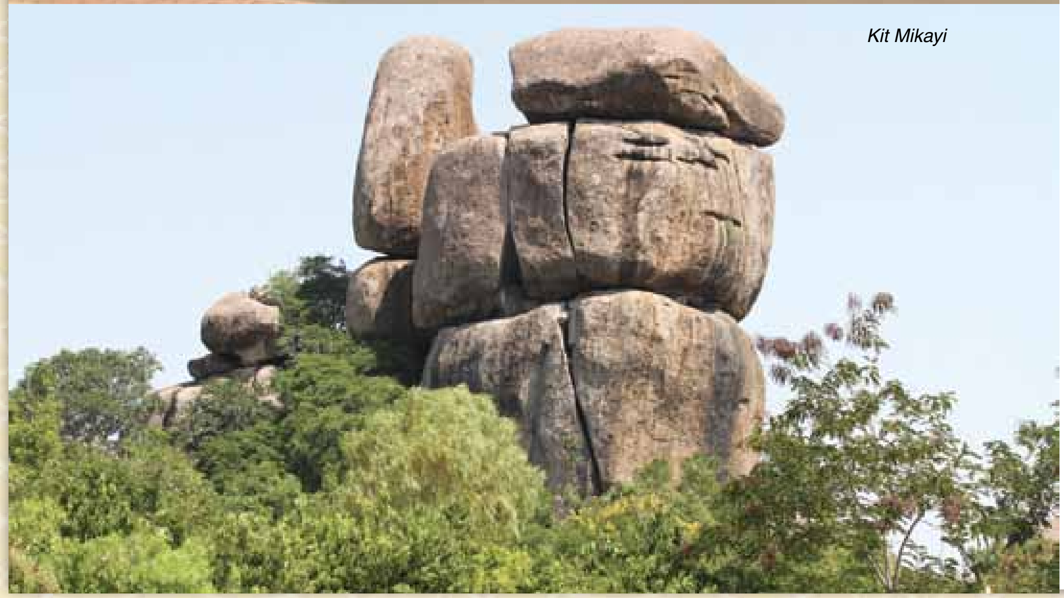
Figure 36: Kilifi County Key Local Sources of Revenue

KISUMU COUNTY

Functions

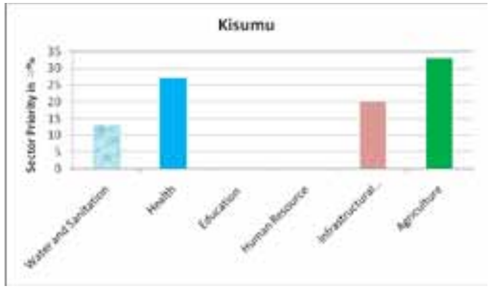
Kisumu County identified Agriculture as a key priority. Other priorities included health, infrastructure, water and sanitation in that order.

Kisumu International Airport



Kit Mikayi

Figure 37: Kisumu County Functional Priorities



Kisumu Budget Allocation FY 2013/14 – 2014/15

The Kisumu County Government Budget for the Years 2013/2014 and 2014/15 allocated funds to the sampled sectors as follows:

Table 9: Kisumu County Budgetary Allocation on Functions

SECTOR	APPROX. ALLOCATION(KSH. MILLIONS)		
	2013/14	2014/2015*	Projected Change
Water, Energy and Natural Resources	147	224	52.4%
Health Services	2,025	2,376.9	17.4%
Education	682	392.6	-42.4%
Infrastructure	284	531	87.0%
Agriculture and Fisheries	487	637	30.8%

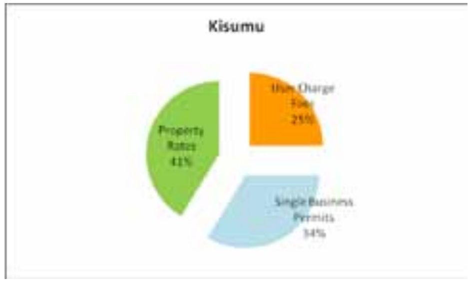
Source: Kisumu County Budget 2013/14; NB-Summation of recurrent and development expenditure
**Provisional Estimates*

The total sectoral allocations for Kisumu County for the FY 2014/15 are projected to increase with the exception of the education sector. More resources are being channeled to health services, agriculture and infrastructural development.

Local Source of Revenue

Property rates were the major source of local revenue for Kisumu County. The County also relies on single business permits and user fees/charges.

Figure 38: Kisumu County Key Local Sources of Revenue

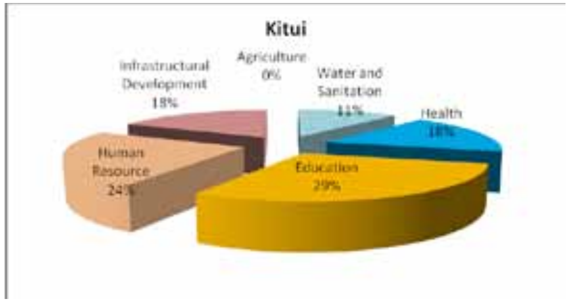


KITUI COUNTY

Functions

Kitui County identified infrastructure and water as the key priorities. Other priorities included health, food security, human resource management, and education in that order.

Figure 39: Kitui County Functional Priorities



Kitui County Budget Allocation FY 2013/14 – 2014/15

The Kitui County Government Budget for the Years 2013/2014 and 2014/15 allocated funds to the sampled sectors as follows:

Table 10: Kitui County Budgetary Allocation on Functions

SECTOR	APPROX. ALLOCATION(KSH. MILLIONS)		
	2013/14	2014/2015*	Projected Change
Water, Natural Resources and Environment	257	820.5	219.3%
Health Services	957	1,491	55.8%
Education	300	375.6	25.2%
Infrastructure	1,335	1,416	6.1%
Agriculture	436		NA

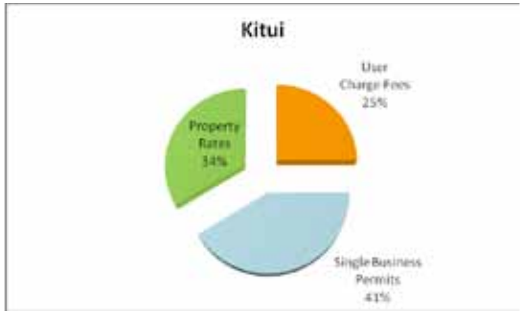
Source: Kitui County Budget 2013/14; NB-Summation of recurrent and development expenditure
**Provisional Estimates*

In 2014/15 Kitui County merged Agriculture with Water and Sanitation but generally, the sectoral allocations are poised to increase.

Local Source of Revenue

Single Business Permits are the core sources of local revenue for Kitui County. The County also relies on property rates and user fees/charges.

Figure 40: Kitui County Key Local Sources of Revenue



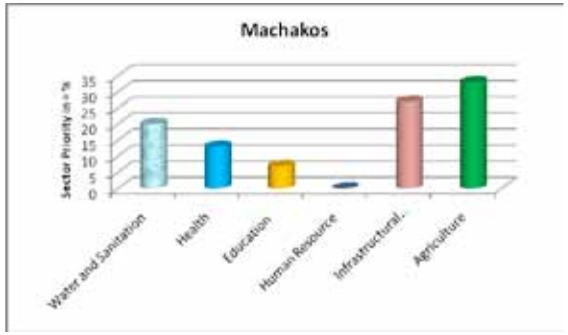
MACHAKOS COUNTY

Functions

Machakos County identified Agriculture as a key priority. Other priorities included infrastructure, water and sanitation, health, education and human resources in that order.

Machakos People's Park

Figure 41: Machakos County Functional Priorities



Machakos County Budget Allocation FY 2013/14

The Machakos County Government Budget for the Year 2013/2014 allocated funds to the sampled sectors as follows:

Table 11: Machakos County Budgetary Allocation on Functions

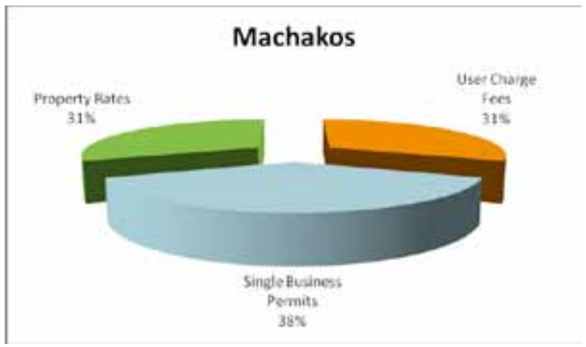
SECTOR	APPROX. ALLOCATION (KSH. MILLIONS)
Natural Resources and Environment	413
Health Services	579
Education	590
Infrastructure(sum of Public works and Transport)	1,362
Agriculture	422

Source: Machakos County Budget 2013/14; NB-Summation of recurrent and development expenditure

Local Source of Revenue

Single Business Permits were the major source of local revenue for Machakos County. The County also relies on property rates and user fees/charges.

Figure 42: Machakos County Key Local Sources of Revenue



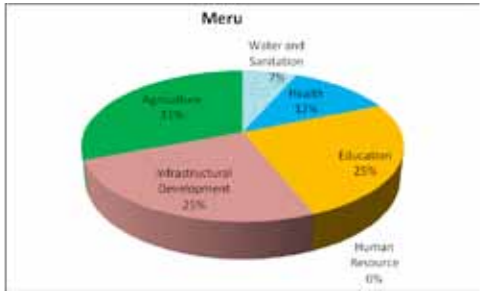
MERU COUNTY

Functions

Meru County identified Agriculture as a key priority. Other priorities included infrastructure, education, health, water and sanitation in that order.

Khat (Miraa) Farming

Figure 43: Meru County Functional Priorities



Meru County Budget Allocation FY 2013/14 -2014/15

The Meru County Government Budget for the Years 2013/2014 and 2014/15 allocated funds to the sampled sectors as follows:

Table 12: Meru County Budgetary Allocation on Functions

SECTOR	APPROX. ALLOCATION(KSH. MILLIONS)		
	2013/14	2014/2015*	Projected Change
Water, Natural Resources and Environment	346	449.9	30.0%
Health Services	534	1225.5	129.5%
Education	450	364.6	-19.0%
Infrastructure	952	740	-22.3%
Agriculture	437.5	418	-4.5%

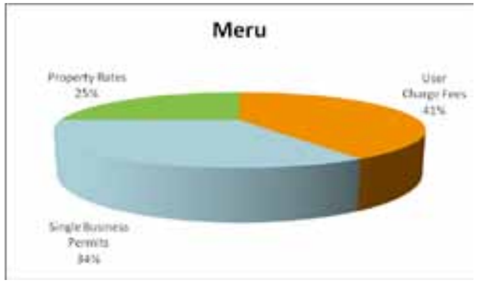
Source: Meru County Budget 2013/14; NB-Summation of recurrent and development expenditure
**Provisional Estimates*

The 2014/15 sectoral allocations project a significant increase to the health services with a reduction in infrastructure, education and agriculture.

Local Source of Revenue

User charges and fees were the major sources of local revenue for Meru County. The County also relies on property rates and Single Business Permits.

Figure 44: Meru County Key Local Sources of Revenue



MOMBASA COUNTY

Functions

Mombasa County identified Human Resources management as a key priority. Other priorities included health, water and sanitation in that order.

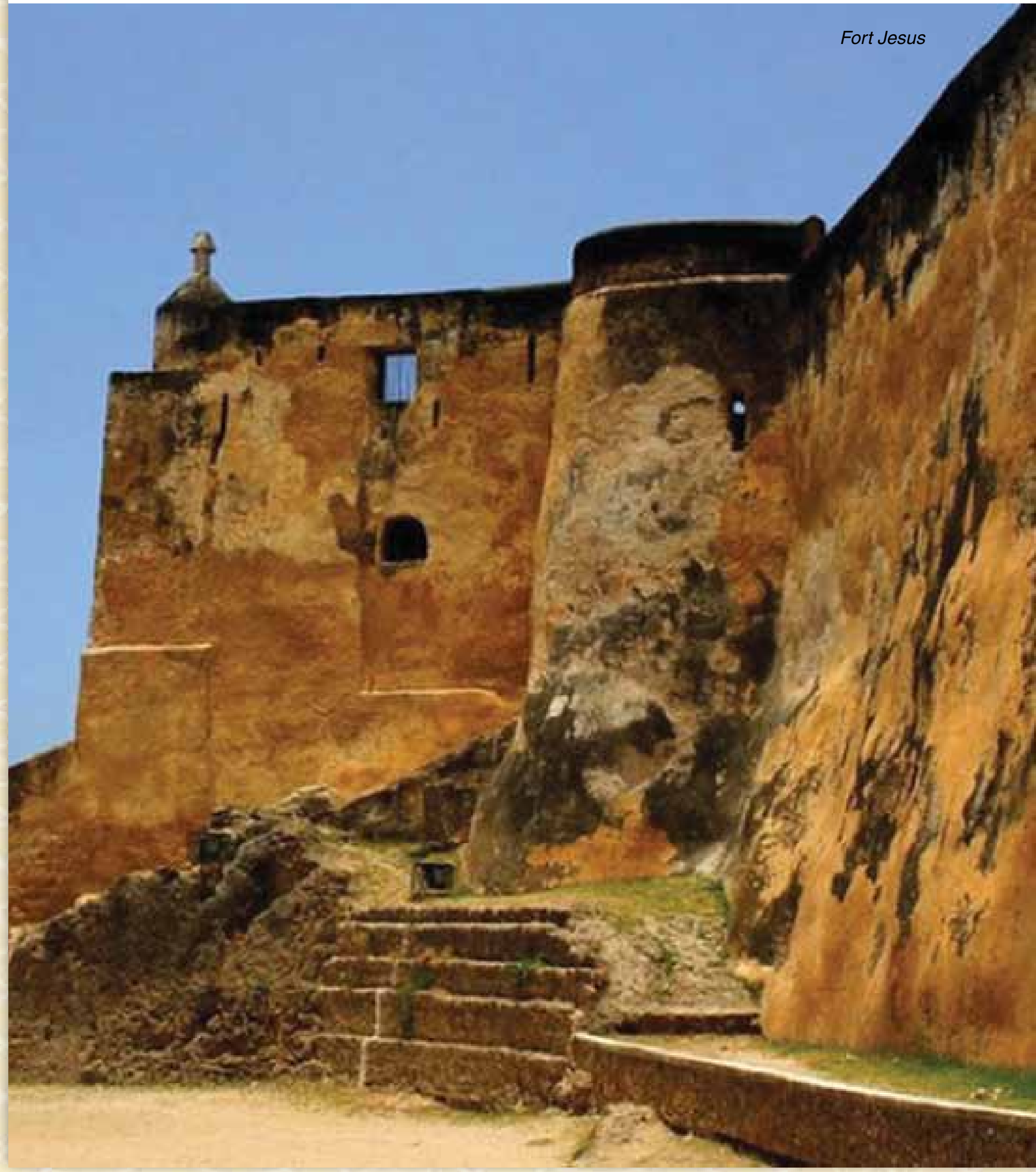
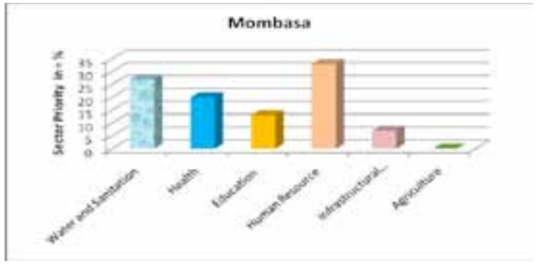

Fort Jesus

Figure 45: Mombasa County Functional Priorities



Mombasa Budget Allocation FY 2013/14 - 2014/15

The Mombasa County Government Budget for the Years 2013/2014and 2014/15 allocated funds to the sampled sectors as follows:

Table 13: Mombasa County Budgetary Allocation on Functions

SECTOR	APPROX. ALLOCATION(KSH. MILLIONS)		
	2013/14	2014/2015*	Projected Change
Water, Natural Resources and Environment	188	470	150.0%
Health Services	718	1,460.7	103.4%
Education	35	567	1520.0%
Infrastructure(Transport and Roads)	204	989	384.8%
Agriculture	148	174	17.6%

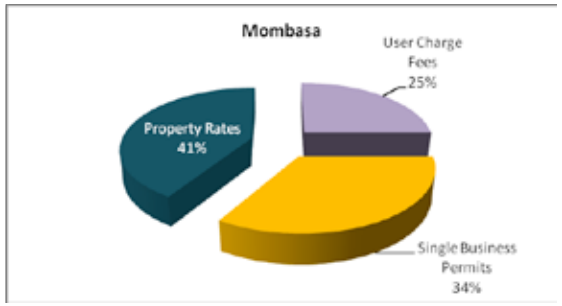
Source: Mombasa County Budget 2013/14; NB-Summation of recurrent and development expenditure
**Provisional Estimated*

The sectoral allocations for Mombasa County would increase significantly in the FY 2014/15 budgetary allocations with Health services, Infrastructure and Education taking a huge percentage of the resource envelope.

Local Source of Revenue

Property rates were identified as the major source of local revenue for Mombasa County. The County also relies on Single Business Permits and user charges.

Figure 46: Mombasa County Key Local Sources of Revenue



MURANG'A COUNTY

Functions

Murang'a County identified infrastructure as a key priority. Other priorities included Agriculture, health, water and sanitation in that order.

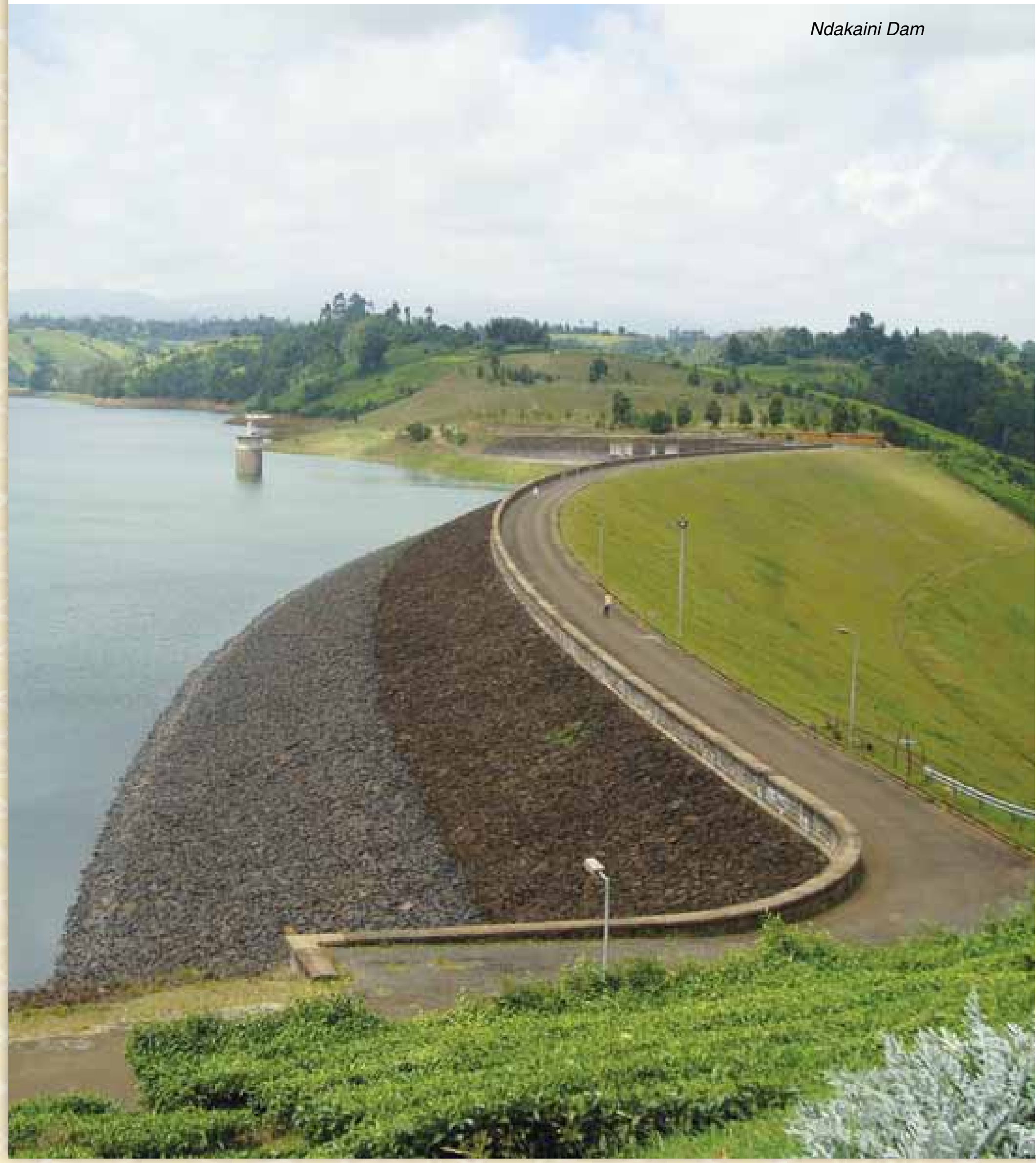

Ndakaini Dam

Figure 47: Murang'a County Functional Priorities

Murang'a County Budget Allocation FY 2013/14 – 2014/15

The Murang'a County Government Budget for the Years 2013/2014 and 2014/15 allocated funds to the sampled sectors as follows:

Table 14: Murang'a County Budgetary Allocation on Functions

SECTOR	APPROX. ALLOCATION(KSH. MILLIONS)		
	2013/14	2014/2015*	Projected Change
Water, Natural Resources and Environment	0	0	0.0%
Health Services	284	430	51.4%
Education	727	406	-44.2%
Infrastructure	333	730	119.2%
Agriculture	467	780	67.0%

Source: Murang'a County Budget 2013/14; NB-Summation of recurrent and development expenditure
**Provisional Estimates*

The projected budgetary allocations for FY 2014/15 indicate a huge increase in allocations to infrastructure and agriculture with a reduction in the education sector.

Local Source of Revenue

User charges and fees were the core source of local revenue for Murang'a County. The County also relies on property rates and Single Business Permits.

Figure 48: Murang'a County Key Local Sources of Revenue

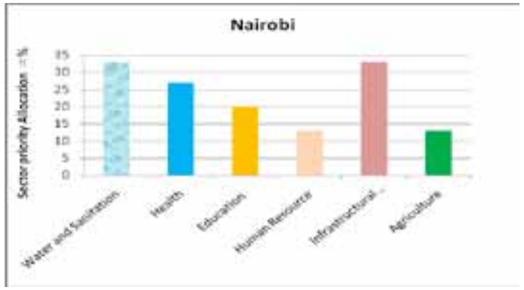
NAIROBI COUNTY

Functions

Nairobi County identified water and sanitation as a key priority. Other priorities included health, education and infrastructure in that order.

KICC

Figure 49: Nairobi County Functional Priorities



Nairobi Budget Allocation FY 2013/14 – 2014/15

The Nairobi County Government Budget for the Years 2013/2014 and 2014/15 allocated funds to the sampled sectors as follows:

Table 15: Nairobi County Budgetary Allocation on Functions

SECTOR	APPROX. ALLOCATION(KSH. MILLIONS)		
	2013/14	2014/2015*	Projected Change
Water, Natural Resources and Environment	2,836	1,450	-48.9%
Health Services	2,656	6,297	137.1%
Education	1,892	2,044.5	8.1%
Infrastructure	4,865	5,957	22.4%
Agriculture	427	807	89.0%

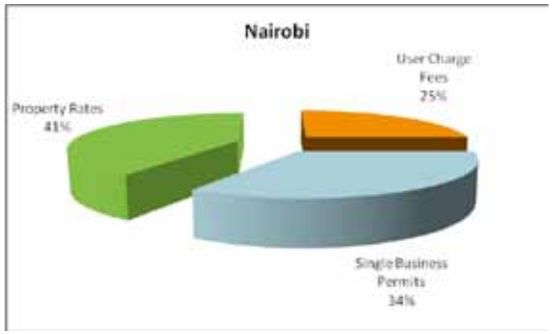
Source: Nairobi County Budget 2013/14; NB-Summation of recurrent and development expenditure
**Provisional Estimates*

The sectoral budgetary allocations for Nairobi County are projected to increase in the FY 2014/15 with Health services consuming a huge percentage of the allocations.

Local Source of Revenue

Property rates were identified as the major sources of local revenue for Nairobi County. The County also relies on Single Business Permits and user charges and fees.

Figure 50: Nairobi County Key Local Sources of Revenue



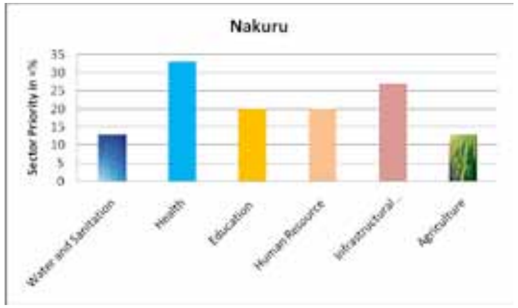
NAKURU COUNTY

Functions

Nakuru County identified Agriculture as a key priority. Other priorities included infrastructural development, water and sanitation, health, education and human resource development in that order.

Flamingos in Lake Nakuru

Figure 51: Nakuru County Functional Priorities



Nakuru County Budget Allocation FY 2013/14 – 2014/15

The Nakuru County Government Budget for the Years 2013/2014 and 2014/15 allocated funds to the sampled sectors as follows:

Table 16: Nakuru County Budgetary Allocation on Functions

SECTOR	APPROX. ALLOCATION (KSH. MILLION)		
	2013/14	2014/2015*	Projected Change
Water Sanitation and Environment	377	367.7	-2.5%
Health Services	2,542	2,935	15.5%
Education	726	655.7	-9.7%
Infrastructure	1,304	1,115.8	-14.4%
Agriculture	407	570	40.0%

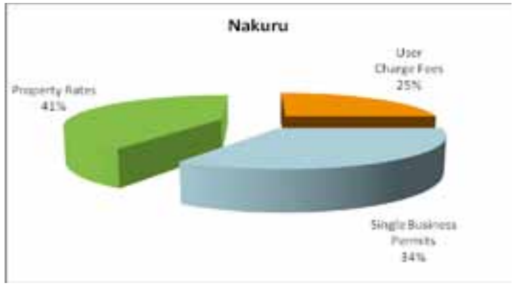
Source: Nakuru County Budget 2013/14; NB-Summation of recurrent and development expenditure
**Provisional Estimates*

Nakuru County is poised to reduce its budgetary allocation to infrastructure and water sectors while increasing allocations to agriculture and health services.

Local source of Revenue

Property rates were identified as the major sources of local revenue for Nakuru County. The County also relies on Single Business Permits and user charges and fees.

Figure 52: Nakuru County Key Local Sources of Revenue



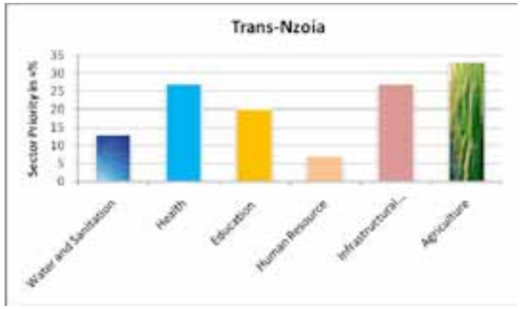
TRANS NZOIA COUNTY

Functions

Trans Nzoia County identified Agriculture as a key priority. Other priorities included infrastructural development, health, education, water and sanitation and human resource development in that order.

Maize Farming

Figure 53: Trans-Nzoia County Functional Priorities



Trans Nzoia Budget Allocation FY 2013/14 – 2014/15

The Trans Nzoia County Government Budget for the Years 2013/2014 2014/15 allocated funds to the sampled sectors as follows:

Table 17: Trans Nzoia County Budgetary Allocation on Functions

SECTOR	APPROX. ALLOCATION (KSH. MILLION)		
	FY 2013/14	FY 2014/15*	Projected Change
Water, Environment	568	370.2	-34.8%
Health Services	742	363.4	-51.0%
Education	44	259	488.6%
Infrastructure(Transport and Public Works)	20	340.2	1601.0%
Agriculture	190	258.7	36.2%

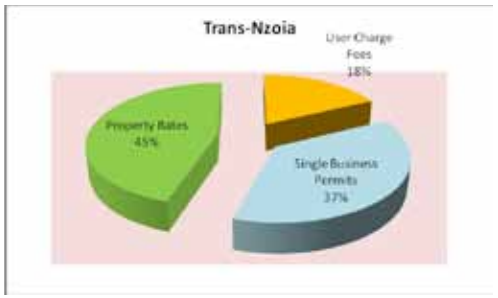
Source: Trans Nzoia County Budget 2013/14; NB-Summation of recurrent and development expenditure
**Provisional Estimates*

Trans Nzoia County budgetary provisions for the FY 2013/14 did not indicate capital expenditures in some of the sectors. The provisional estimates for the FY 2014/15 indicate a higher provision to infrastructure and education with significant reduction to health and water and environment sectors.

Local Source of Revenue

Property rates were identified as the core sources of local revenue for Trans Nzoia County. The County also relies on Single Business Permits and user charges and fees.

Figure 54: Trans Nzoia County Key Local Sources of Revenue



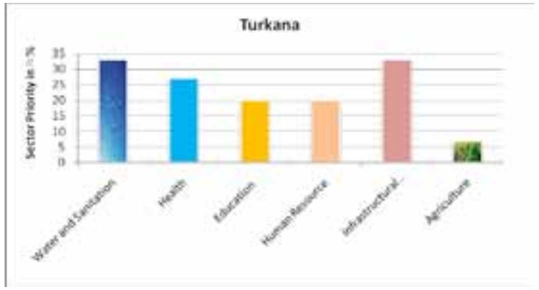
TURKANA COUNTY

Functions

Turkana County identified infrastructural development as a key priority. Other priorities included water and sanitation, health, education and human resource development in that order.

Oil Rig in Turkana

Figure 55: Turkana County Functional Priorities



Turkana County Budget Allocation FY 2013/14 – 2014/15

The Turkana County Government Budget for the Years 2013/2014 and 2014/15 allocated funds to the sampled sectors as follows:

Table 18: Turkana County Budgetary Allocation on Functions

SECTOR	APPROX. ALLOCATION (KSH. MILLION)		
	FY 2013/14	**FY 2014/15***	**Projected Change**
Energy, Environment and Natural Resources	208	425	104.3%
Health Services	1,395	1692	21.3%
Education	758	907	19.7%
Infrastructure	771	656	-14.9%
Water Services, Irrigation and Agriculture	711	901	26.7%

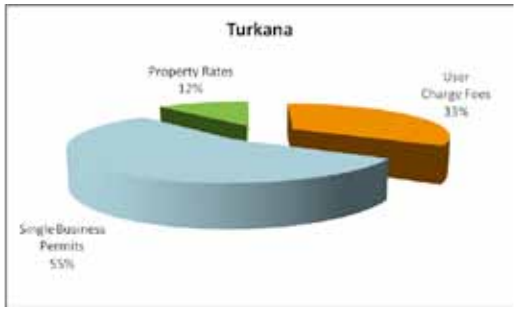
Source: Turkana County Budget 2013/14; NB-Summation of recurrent and development expenditure
**Provisional Estimates*

Turkana County is projected to increase its sectoral allocations in the FY 2014/15 with the energy sector getting a double allocation from the previous year. Health, Education and Water would consume the highest allocations.

Local Source of Revenue

Single Business Permits were identified as the major source of local revenue for Turkana County. The County also relies on user charges and fees; and Property rates.

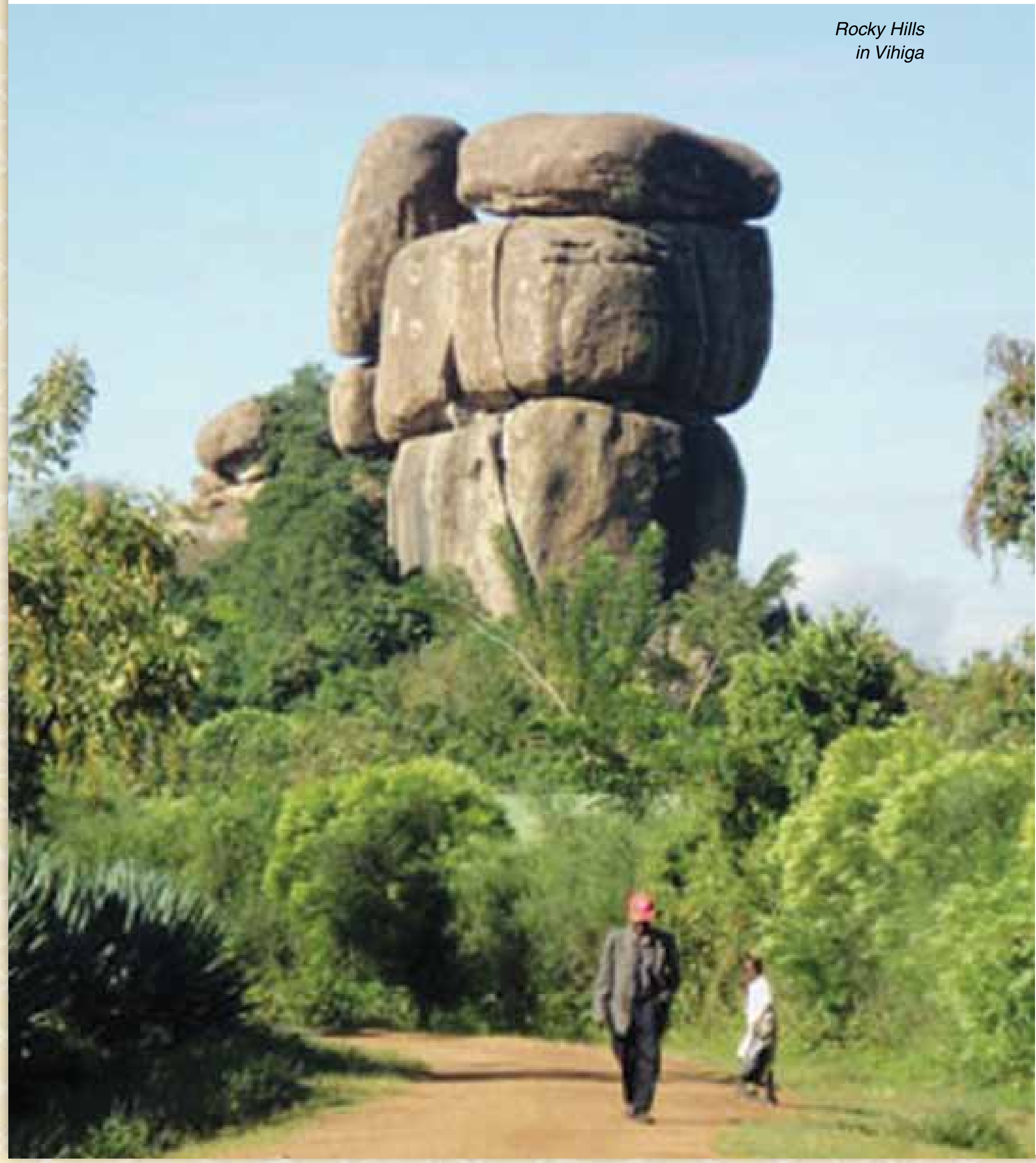
Figure 56: Turkana County Key Local Sources of Revenue



VIHIGA COUNTY

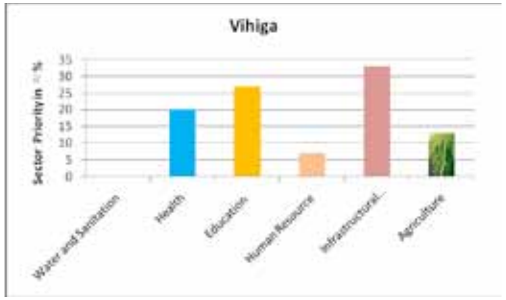
Functions

Vihiga County identified infrastructural development as a key priority. Other priorities included education, health, agriculture and human resource development in that order.



Rocky Hills in Vihiga

Figure 57: Vihiga County Functional Priorities



Vihiga County Budget Allocation FY 2013/14 – 2014/15

The Vihiga County Government Budget for the Years 2013/2014 and 2014/15 allocated funds to the sampled sectors as follows:

Table 19: Vihiga County Budgetary Allocation on Functions

SECTOR	APPROX. ALLOCATION (KSH. MILLION)		
	FY 2013/14	FY 2014/15*	Projected Change
Water, Natural Resources and Environment	136	148	8.8%
Health Services	594.8	615	3.4%
Education	123	337	174.0%
Infrastructure	243	506	108.2%
Agriculture	239	269	12.6%

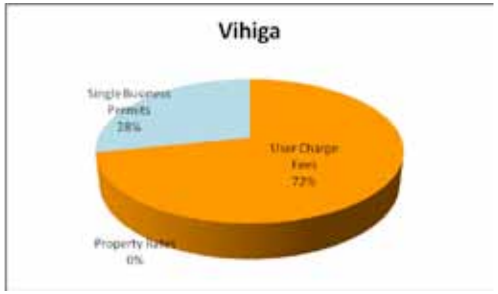
Source: Vihiga County Budget 2013/14; NB-Summation of recurrent and development expenditure
**Provisional Estimates*

The total sectoral allocations for Vihiga County are projected to increase significantly in the FY 2014/15 with Education and Infrastructure getting a significant percentage increase.

Local Source of Revenue

User charges and fees were identified as the core source of local revenue for Vihiga County. The County also relies on the Single Business Permits.

Figure 58: Vihiga County Key Local Sources of Revenue



4.0 MAIN POLICY RECOMMENDATIONS

This section provides the policy recommendations to the relevant offices on the key thematic areas of the research namely; Functions, Public Finance Management, Human Resources Management, Public Participation and Intergovermental Relations.

THE NATIONAL GOVERNMENT

Functions

1. The National Government should develop a comprehensive programme for an in-depth capacity building to assist County Governments effectively manage resources and provide services for which they are responsible for.

Public Finance Management - National Treasury

2. The Public Sector Accounting Standards Board (PSASB) should expedite the process of developing Generally Accepted Accounting Practices (GAAPs) and financial standards, minimum guidelines of maintenance of proper books of accounts and, formats and templates for financial reporting by all State organs and public entities. This will help in harmonizing county budgeting and financial reporting.

3. In respect to IFMIS, the National Treasury should:

(i) Strive to update and enhance the server capacity to reduce the number of instances of server down-time;

(ii) Roll out county connectivity through a more reliable medium such as fibre optic cables as opposed to modems which is the current medium for connectivity. Better still, Counties may consider clusters in which they make collective investment in laying connectivity infrastructure to compliment that of the National Government;

(iii) Conduct regular training of County Treasuries to enhance their technical skills on IFMIS;

(iv) Enhance the modules on IFMIS particularly the revenue collection module for complete and comprehensive financial reporting;

(v) Enhance accessibility and functionality of IFMIS modules involving the trial balances, statement of financial position, statement of financial performance which operate sub-optimally.

(vi) Provide for transaction system which can be done offline for subsequent uploading in the system, for instance, use of excel or Ms Office to do transactions then upload in the system. This will mitigate in the short-run IFMIS has connectivity challenges.

4. Public Procurement

(i) The review of the legal framework on public procurement should be expedited. Effective public procurement requires a clear, concise and responsive legal framework;

(ii) The National Treasury and the Public Procurement Oversight Authority should enhance the capacity of the Public Procurement officers at the county level. A sound public procurement system has to have a competent professional workforce equipped with relevant skills and knowledge for specific procurement jobs. County Governments should institute comprehensive training program for their procurement officers;

(iii) The counties should develop procurement plans aligned to the approved budgets and cash flow projections. By this, the procurement officers are obligated to meet County Government procurement needs efficiently and effectively. This will also ensure sound cash flow management;

THE TRANSITION AUTHORITY

Functions

1. The TA should expedite and complete the unbundling and assignment of functions. This will help in clarifying the categorization and budgeting of functions particularly the concurrent and residual functions. Lack of clarity on this has heavily affected some sectors like roads and infrastructure, education among others;
2. The TA should collaborate with the National Treasury and the Commission on Revenue Allocation to consultatively cost the entire National and County Government functions using an objective criterion. This will help in determining the actual cost of devolved functions essential in the vertical and horizontal division of revenue.

Public Finance Management

Section 35 of the Transition to Devolved Government Act 2012 provides that there would be no transfer of public assets and liabilities during the transition period. Serious legal and operational challenges accrue without the complete transfer and subsequently, comprehensive assets register:

3. Lack of an assets inventory compromises the quality of financial reporting. An exercise to set up an asset register must determine ownership and book carrying values of the assets and liabilities. This would enhance reliability and completeness of financial reports;
4. The TA in consultation with other stakeholders including the Intergovernmental Budget and Economic Council should develop a policy framework to guide the transfer of assets and liabilities;
5. The TA and the Auditor General, through the Integrated National and County Assets Register Centre (INCAR) should strive to finalize the Interim assets register and avail the Report to the Public;
6. The TA ought to have contracted the audit of assets to independent valuers and not the Office of the Auditor General. This posses a self-review threat and compromises the independence of the Office of the Auditor General which contravenes the Code of Ethics for Professional Accountants. Ideally, the Auditor General should review the independent valuers report to ascertain the correctness, reliability and ownership of those assets;
7. Lack of a comprehensive assets register leaves the assets vulnerable to loss or misuse during the transition period.

Human Resource Management

8. The TA should expedite the process of staff rationalization and redeployment to reduce overlap and redundancy at the county level;

9. The Salaries and Remuneration Commission in conjunction with the TA should develop mechanisms for harmonizing terms and conditions of service for staff especially those who previously worked in local authorities.

THE COUNTY GOVERNMENTS

Functions

The Counties should focus and prioritize on the functions, as transferred by the TA and in line with the 4th Schedule of the Constitution. This is to address scenarios where County Governments have prioritized and budgeted for functions delineated for the National Government; for instance the case of education beyond pre-primary education.

Public Finance Management

1. County Governments must complete their County Integrated Development Plans and align their priority setting and budgets with the Medium Term Plan 2013-2017 of Vision 2030. The CIDPs must be approved by the County Assemblies and availed to the public;
2. There is need for a paradigm shift from the traditional incremental and itemized budgeting approach to Programme Based Budgeting (PBB) which is output based to bring the budgeting process in conformity with the provision of the PFM Regulations.
3. It is prudent that Counties adopt a budgeting process that is driven by their revenue capacity as well as the expected outputs as opposed to the prevailing situation where budget are expenditure driven.
4. Most Counties had not established County Budget and Economic Forums: A strong County Budget and Economic Forum can help facilitate consultations and public participation in planning and budgeting at the county level.
5. There is need for regular training of County Treasuries to enhance their technical skills on IFMIS;
6. There is need to build the capacity of County Governments in the establishment and management of asset registers.
7. Counties should establish instruments for systematically assessing the performance of procuring departments with a view of ensuring compliance to set procurement rules and procedures;
8. Counties need to leverage on ICT in procurement processes to reduce direct physical intervention by procuring officials. The advent of web-based electronic procurement has been heralded as a "revolution" because of its potential to reduce the total cost of acquisition and transform procurement fraud control.
9. On internal audit function:
   (i) Counties need to establish strong and independent internal audit units. These units will be charged with the responsibility of county risk management and consequently be called upon to establish County Risk Management Frameworks by which to anticipate county risks and propose mitigating measures promptly;
   (ii) Subsequently, they should establish and institutionalize independent Audit Committee separate from the Finance Committee. The leadership of these committees should be driven by regulated professionals to enhance the quality of internal controls.
   A strong internal audit function will compliment the work of the statutory auditor by ensuring that through the internal controls, risks are mitigated long before the start of the statutory audits.
10. On revenue allocation, Counties need to develop strategies to strengthen collection of own revenue to curb against over-reliance on the national transfers. We propose that counties must:
   (i) Invest in ICT and cross-institutional engagements to realize maximum impact in own revenue collection;
   (ii) Leverage on domestic tourism as a source of revenue;
   (iii) Maximise on business licences and in so doing, develop the most economic approach to collecting this revenue. This may involve partnering with the KRA;
   (iv) Create a favourable environment that supports entrepreneurship and attract investments through reform of the business regulatory frameworks. This will enhance volumes of trade and consequently create taxation opportunities;
   (v) Lobby for share of royalty payments from extraction of natural resources within counties;

(vi) Private partnership in revenue collection: County Governments should partner with the private sector to devise innovative mechanisms of increasing their revenue collection and delivery of services;

(vii) Fiscal discipline: In assessing fiscal discipline criterion of the horizontal revenue share, the Commission on Revenue Allocation (CRA) should incorporate the efforts by counties to generate own revenue as a means of determining the equitable share of county allocation.

11. On Public Private Partnerships, County Governments should seek avenues to partner with the private sector through:

(i) Tapping into private capital to fund development initiatives;;

(ii) Outsourcing services from the private sector to enhance efficient and effective service delivery.

Human Resource Management

12. County Governments must establish lean public service characterized by ability to deliver in an efficient and effective manner. Counties must therefore adopt performance based management system by which standards are established and recognized; outcomes and performance are measured and; rewards schemes institutionalized.
13. Provide career development opportunities to the County public service.
14. The existence of two public service boards at the county level, though meant to facilitate and realize the separation of powers, is unnecessary and has yielded to uncoordinated recruitments, increased wage bill and duplication of efforts. There is an urgent need to rationalize recruitment by the two boards by creating a single County Public Service Board per county.

POLICY RECOMMENDATIONS ON PUBLIC PARTICIPATION

The Institute proposes the following measures for successful public participation to be achieved. The measures should be undertaken by all players including the CIC, CRA, TA, KLRC, National and County Governments and citizens at large.

1. **Public participation policy:** There is need for a consultatively developed policy and framework to guide the public participation process at the National and County levels. This will help us move away from tokenism to real and effective participation.

2. **Citizen capacity and awareness:** Counties should create awareness capacity build citizens on their rights; and the available opportunities for participation in public financial management. This will enhance the quality of inputs from the public in key policy documents such as county plans and budgets.

3. **Focus Group Approach:** The Government should take FGD approach on technical issues that require relevant expertise in public finance, economics or taxation among others. This is based on the fact that not every citizen will effectively contribute to public policy matters.

4. **Timely disclosure of information**: For fiscal transparency and public participation to be realized, regular and timely disclosure of fiscal data such as plans, budgets, fiscal forecasts and budget monitoring reports among other relevant documents is important. These should be prepared in a simple and clear language for the public.

5. **Timeliness and agenda:** The purpose for public engagement should be publicized in advance. The Government entities must clearly specify the scope and agenda of the consultation. The public must be given enough time to internalize the subject matter and develop their submissions. Best practice requires that the notice is given between fourteen (14) and twenty one (21) days.

6. **Feedback Mechanism:** The Public should be provided with feedback on their inputs. The National and County Governments should publish reports of the inputs received from its public consultations and explain how these inputs have been used or otherwise in budget decisions, execution and oversight.

7. **Budget allocation:** Counties should budget for public participation. Such allocation will assist in awareness creation for meaningful participation.

POLICY RECOMMENDATIONS ON INTERGOVERNMENTAL RELATIONS

The Institute proposes the following for effective intergovernmental relations:

1. There is need to adopt a collaborative approach in coordination and conflict resolution between the two levels of Government. The relationship in the first year of devolution can best be described as confrontational and frosty;
2. The Summit as established by the Intergovernmental Relations Act, 2012 has met only once since its inception. The Act stipulates that it meets twice a year. Regular meetings are necessary for timely resolution of any differences between the two levels of Government;
3. Respect for rule of law and separation of powers is essential for sustenance of good relations between the two levels of Government. Separation of powers is manifested horizontally through the relationship of the legislature, executive and the judiciary. This relationship is premised on the cornerstone principles of constitutional supremacy, parliamentary sovereignty and judicial independence. Similarly, one of the objects of devolution (art.174) is to enhance checks and balances and the separation of powers.

5.0 CONCLUSION

Devolution provides a unique opportunity for Kenyans to access services effectively and proximately. The ICPAK devolution survey identifies these opportunities and some of the challenges that may impede the attainment of devolution fruits.

The country started implementing devolution through the weak local governance framework inherited from the defunct local authorities and Central Government, poor infrastructure and inadequate facilities at the local level. In addition, counties faced the twin challenges of not only addressing the social delivery needs of their citizens, but also acting as the engines of growth towards achieving Vision 2030.

It is therefore important that county public finance systems and infrastructure are strengthened to optimize use of the scarce resources available. There is need to urgently address issues of unbundling and costing of functions and the capacity building of county Governments, particularly County Treasuries. Moreover, efforts should be directed towards full operationalisation of IFMIS and strengthening of the internal audit functions. Equally, there is need for national dialogue towards an effective public participation policy. Without a comprehensive framework, realization of the benefits of public participation will remain a mirage.

Indeed, while devolution presents Kenyans with opportunities for effective service delivery, the identified challenges if not speedily and comprehensively addressed might undermine its intended objectives. The Institute of Certified Public Accountants of Kenya (ICPAK) will continue championing for stronger county public finance and governance systems. ICPAK will seek to partner with National and County governments, and other non-state actors on matters relating to governance and financial accountability for successful devolution.

6.0 REFERENCES

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APPENDICES

APPENDIX I: COUNTY TOTAL REVENUES FY 2013/14

Table 20: Annual County Government Revenue 2013/14

County	Equitable Share	Conditional Grant	Annual Local Revenue Estimates	Total (Ksh Millions)
Baringo	3,247.85	382.56	280.00	3,910.41
Bomet	3,442.64	272.58	245.00	3,960.22
Bungoma	6,180.67	334.60	2,753.78	9,269.04
Busia	3,412.40	266.37	632.40	4,311.18
Elgeyo/Marakwet	2,392.01	744.50	100.33	3,236.84
Embu	2,807.08	557.20	439.61	3,803.89
Garissa	4,221.43	475.03	150.53	4,847.00
Homabay	4,121.43	1,604.79	140.68	5,866.89
Isiolo	2,235.58	187.89	360.00	2,783.48
Kajiado	3,227.41	284.38	517.00	4,028.79
Kakamega	6,515.51	840.70	3,500.00	10,856.21
Kericho	3,295.02	317.79	293.15	3,905.97
Kiambu	5,458.86	805.57	6,367.00	12,631.44
Kilifi	5,442.53	377.89	2,064.09	7,884.50
Kirinyaga	2,587.87	242.06	437.99	3,267.91
Kisii	5,188.30	635.95	1,229.19	7,053.45
Kisumu	4,155.30	711.38	3,417.12	8,283.80
Kitui	5,315.31	519.09	713.85	6,548.25
Kwale	3,748.95	280.45	642.36	4,671.76
Laikipia	2,523.01	234.82	1,306.10	4,063.93
Lamu	1,500.76	99.24	353.28	1,953.27
Machakos	4,950.62	523.08	2,541.87	8,015.57
Makueni	4,366.29	354.91	350.00	5,071.20
Mandera	6,550.23	230.31	437.40	7,217.94
Marsabit	3,795.59	272.86	44.00	4,112.45
Meru	4,749.44	758.42	658.00	6,165.87
Migori	4,269.10	490.97	795.37	5,555.44
Mombasa	3,801.76	545.82	7,345.85	11,693.42
Murang'a	3,917.40	404.43	1,300.04	5,621.87
Nairobi City	9,505.77	390.47	15,448.05	25,344.28
Nakuru	5,936.31	1,025.00	3,076.74	10,038.05
Nandi	3,477.90	408.95	139.00	4,025.85
Narok	3,867.59	278.79	5,323.46	9,469.84
Nyamira	3,038.64	278.44	100.00	3,417.08
Nyandarua	3,150.21	284.91	204.70	3,639.82
Nyeri	3,254.18	817.15	479.05	4,550.37
Samburu	2,598.15	206.94	223.55	3,028.64
Siaya	3,653.58	318,01	153.47	4,125.06
Taita/Taveta	2,420.63	205.85	214.12	2,840.60
Tana River	2,914.33	204.48	87.29	3,206.10
Tharaka Nithi	2,294.83	139.76	84.16	2,518.75
Trans Nzoia	3,729.87	193.13	501.50	4,424.51
Turkana	7,664.40	230.00	351.84	8,246.24
Uasin Gishu	3,796.63	270.26	1,682.42	5,749.31
Vihiga	2,831.56	196.97	204.27	3,232.81
Wajir	5,290.05	357.47	119.03	5,766.55
West Pokot	3,155.05	437.78	38.00	3,630.83
Total	**190,000.05**	**20,000.00**	**67,846.66**	**277,846.71**

Source: Office of the Controller of Budget

APPENDIX II: SCHEDULE FOUR OF THE CONSTITUTION OF KENYA – FUNCTIONAL ASSIGNMENT

PART 1 - NATIONAL GOVERNMENT

1. Foreign affairs, foreign policy and international trade.
2. The use of international waters and water resources.
3. Immigration and citizenship.
4. The relationship between religion and state.
5. Language policy and the promotion of official and local languages.
6. National defence and the use of the national defence services.
7. Police services, including—
(a) the setting of standards of recruitment, training of police
(b) and use of police services;
(c) criminal law; and
(d) correctional services.
8. Courts.
9. National economic policy and planning.
10. Monetary policy, currency, banking (including central banking), the incorporation and regulation of banking, insurance and financial corporations.
11. National statistics and data on population, the economy and society generally.
12. Intellectual property rights.
13. Labour standards.
14. Consumer protection, including standards for social security and professional pension plans.
15. Education policy, standards, curricula, examinations and the granting of university charters.
16. Universities, tertiary educational institutions and other institutions of research and higher learning and primary schools , special education, secondary schools and special education institutions.
17. Promotion of sports and sports education.
18. Transport and communications, including, in particular—
(a) road traffic;
(b) the construction and operation of national trunk roads;
(c) standards for the construction and maintenance of other roads by counties;
(d) railways;
(e) pipelines;
(f) marine navigation;
(g) civil aviation;
(h) space travel;
(i) postal services;
(j) telecommunications; and
(k) radio and television broadcasting.

PART 2 - COUNTY GOVERNMENTS

The functions and powers of the county are—
1. Agriculture, including—
(a) crop and animal husbandry;
(b) livestock sale yards;
(c) county abattoirs;
(d) plant and animal disease control; and
(e) fisheries.
2. County health services, including, in particular—
(a) county health facilities and pharmacies;
(b) ambulance services;
(c) promotion of primary health care;
(d) licensing and control of undertakings that sell food to the public;
(e) veterinary services (excluding regulation of the profession);
(f) cemeteries, funeral parlours and crematoria; and
(g) refuse removal, refuse dumps and solid waste disposal.
3. Control of air pollution, noise pollution, other public nuisances and outdoor advertising.
4. Cultural activities, public entertainment and public amenities, including—
(a) betting, casinos and other forms of gambling;
(b) racing;
(c) liquor licensing;
(d) cinemas;
(e) video shows and hiring;
(f) libraries;
(g) museums;
(h) sports and cultural activities and facilities; and
(i) county parks, beaches and recreation facilities.
5. County transport, including—
(a) county roads;
(b) street lighting;
(c) traffic and parking;
(d) public road transport; and
(e) ferries and harbours, excluding the regulation of international and national shipping and matters related thereto.
6. Animal control and welfare, including—
(a) licensing of dogs; and
(b) facilities for the accommodation, care and burial of animals.
7. Trade development and regulation, including—
(a) markets;
(b) trade licences (excluding regulation of professions);
(c) fair trading practices;
(d) local tourism; and
(e) cooperative societies.

APPENDIX II: SCHEDULE FOUR OF THE CONSTITUTION OF KENYA – FUNCTIONAL ASSIGNMENT
(Continued)

PART 1 - NATIONAL GOVERNMENT

19. National public works.
20. Housing policy.
21. General principles of land planning and the co-ordination of planning by the counties.
22. Protection of the environment and natural resources with a view to establishing a durable and sustainable system of development, including, in particular—
(a) fishing, hunting and gathering;
(b) protection of animals and wildlife;
(c) water protection, securing sufficient residual water, hydraulic engineering and the safety of dams; and
(d) energy policy.
23. National referral health facilities.
24. Disaster management.
25. Ancient and historical monuments of national importance.
26. National elections.
27. Health policy.
28. Agricultural policy.
29. Veterinary policy.
30. Energy policy including electricity and gas reticulation and energy regulation.
31. Capacity building and technical assistance to the counties.
32. Public investment.
33. National betting, casinos and other forms of gambling.
34. Tourism policy and development.

PART 2 - COUNTY GOVERNMENTS

8. County planning and development, including—
(a) statistics;
(b) land survey and mapping;
(c) boundaries and fencing;
(d) housing; and
(e) electricity and gas reticulation and energy regulation.
9. Pre-primary education, village polytechnics, homecraft centres and childcare facilities.
10. Implementation of specific National Government policies on natural resources and environmental conservation, including—
(a) soil and water conservation; and
(b) forestry.
11. County public works and services, including—
(a) storm water management systems in built-up areas; and
(b) water and sanitation services.
12. Fire fighting services and disaster management.
13. Control of drugs and pornography.
14. Ensuring and coordinating the participation of communities and locations in governance at the local level and assisting communities and locations to develop the administrative capacity for the effective exercise of the functions and powers and participation in governance at the local level.

APPENDIX III: SURVEY TOOLS

1. KEY INFORMANT'S INTERVIEW GUIDE

Baseline Survey on the Status of Implementation of Devolution in Kenya

Key Informant Interview Guide (Officials)

Introduction

The Institute for Certified Public Accountants of Kenya (ICPAK) is undertaking a baseline survey in ten Counties on the status of implementation of devolution. The survey seeks to provide information, tools and perspectives around the following objectives:

i) Assess the effectiveness of the County Governance structures established at the County level since March 2013;
ii) Comparatively analyze the performance of county human resources, financial, risk management and performance management systems in the delivery of services;
iii) Examine the role and interrelationships of both the County Government and National Government institutions at the County level;
iv) Comparatively evaluate the participation of the citizens and private sector in county governance across the ten counties and document best practices and challenges;
v) Make proposals on effective implementation of devolution in Kenya.

PART ONE: BASIC INFORMATION

Time interview started	
Name of respondent	
Organization/institution/office	
Position within the institution	
Date :	
Venue:	
County:	

PART TWO: INTERVIEW

1. FUNCTIONS

(Please select a number between 1 and 5 indicating your order of preference (that is, 5 indicating that you highly preferred, and 1 indicating that you least preferred)

a) What were your major County Government Budget priorities for 2013/14?

	5	4	3	2	1
Water and Sanitation					
Health					
Education					
Human Resources and staffing					
Infrastructural development					
Others (Specify)					

b) What is the major challenge facing County Governments in the implementation of the functions as delineated in the Fourth Schedule?

	5	4	3	2	1
Capacity					
Inadequate Resources					
Poor infrastructure					
Others (Specify)					

2. PUBLIC FINANCE MANAGEMENT

a) Apart from the minimum 15% Constitutional allocation, what is the other core source of revenue for the County Government?(Please Tick) select a number between 1 and 5 indicating your core sources of revenue(that is, 5 indicating that major sources, and 1 indicating that you least source)

	5	4	3	2	1
User charges and fees					
Single Business Permits					
Property rates					
Others (Specify)					

b) The National Treasury has rolled out the Integrated Financial Management Information System (IFMIS) to the Counties and other computerized financial management systems. Kindly rate your County Government's proficiency level in the adoption and utilization of these systems?(Please Tick)

- IFMIS/LAIFOMS Proficient_________ Good _________ Basic_________
- G-Pay Proficient_________ Good _________ Basic_________
- Other(Specify) Proficient_________ Good _________ Basic_________

c) Who is responsible for the procurement and disposal of assets in Counties?(Please Tick)

☐ Governor
☐ County Procurement Unit (Who are the Members)
☐ Others (Specify)

d) Has the County Government put in place any public procurement oversight mechanisms (Please Tick)

☐ No
☐ Yes (Explain)

e) Did you inherit any assets from either the former Central Government? (Please Tick)

☐ No
☐ **Yes**

f) Did you inherit any liabilities from either the former Central Governmen tor the Defunct Local Authorities or Both? (Please Tick)

☐ **No**
☐ **Yes**

g) Do you have an assets' register (Please Tick)

☐ **Yes**
☐ **No**

h) What challenges do face in the management of your assets' register?

____

____

____

i) What do you see as the main constraint to effective county public financial management? Please select a number between 1 and 5 indicating your main constraints(that is, 5 indicating that main constraint, and 1 indicating that you least constraint)

	5	4	3	2	1
Lack of operational Capacity					
Inadequate Resources					
Lack of manuals or guidelines					
Weak Internal control systems					
Lack of political will					
Others(Specify)					

j) Which measures have you taken to improve county public financial management? (Please Tick)

☐ Staff training
☐ Developing guidelines or manuals
☐ Others(Specify)

k) Do you have an Internal Audit function? (Please Tick)

☐ No
☐ Yes

l) If yes above, do you think the Internal Audit function is effective? (Please Tick)

☐ Very Effective
☐ Good
☐ Ineffective

3. PUBLIC PARTICIPATION AND SERVICE DELIVERY

a) What is your most employed mechanism to get citizens involved in the affairs of the County? Please select a number between 1 and 5 indicating your main mechanism(that is, 5 indicating that main mechanism and 1 indicating that you least employed mechanism)

	5	4	3	2	1
Public Hearings					
Newspapers					
Radio and TV					
Website/Online					
Others(Specify)					

b) What timelines have you set when calling for public participation, hearings or input in the affairs of the County? (Please Tick).

☐ 2 Months
☐ 1 Month
☐ 2 Weeks
☐ A day
☐ Others(Specify)

c) What feedback mechanisms do you employ in engaging with the public?

☐ Public Hearings
☐ Newspapers
☐ Radio and TV
☐ Website/Online
☐ Others(Specify)

d) Has the County Government established any initiatives to foster Public-Private Partnerships?

☐ No
☐ Yes (Explain)

4. HUMAN RESOURCE MANAGEMENT

a) What are the commonly used procedures in the recruitment and appointment of staff to the County Public Service?(Please select a number between 1 and 5 indicating your main mechanism (that is, 5 indicating that main mechanism and 1 indicating that you least employed mechanism)

	5	4	3	2	1
Advertisement & Competitive selection					
Secondment from the National Government					
Others(Specify)					

b) What is the proportion of Professional staff to Support staff in the County Government?

☐ Above 50%
☐ 26-50%
☐ 0- 25%

c) Which method do you employ in assessing the performance of County staff and officials in the delivery of services

☐ Performance Contracting
☐ Periodic staff appraisal and assessment
☐ Others(Specify)
☐ None

d) Do you have a reward mechanism for recognizing and motivating best performing County staff

☐ No
☐ Yes (Explain)

5. INTERGOVERNMENTAL RELATIONS

a) What is your view on the relationship between the National Government and the County Government?

☐ Excellent
☐ Good
☐ Bad

b) Is the mechanism of coordination and dispute resolution between the two levels of Government effective?

☐ Very Effective
☐ Good
☐ Ineffective

2. CITIZENS INTERVIEW GUIDE

Baseline Survey on the Status of Implementation of Devolution in Kenya

Key Informant Interview Guide (Citizens)

PART ONE: BASIC INFORMATION

Time interview started
Name of respondent
Organization/institution/office
Position within the institution
Date :
Venue:
County:

PART TWO: INTERVIEW (CITIZENS)

6. FUNCTIONS

(a) What is the major challenge facing County Governments in the implementation of the functions as outlined in the Fourth Schedule of the Constitution of Kenya, 2010? ((Please select a number between 1 and 5 indicating your order of preference (that is, 5 indicating highly preferred, and 1 indicating least preferred)

	5	4	3	2	1
Capacity					
Inadequate Resources					
Poor infrastructure					
Others(Specify)					

7. PUBLIC FINANCE MANAGEMENT

m) Do you know how much was allocated to the County Government by the National Government for the financial year 2013/2014?

☐ No
☐ Yes (Give amount)

n) Do you think the amount allocated to the County Government (as stated above) is adequate for the county to fulfill its functions?

☐ Adequate
☐ Insufficient (Explain)
☐ Remarks

8. PUBLIC PARTICIPATION AND SERVICE DELIVERY

e) Have you participated in any County Government activities? If yes, explain.

☐ No
☐ Yes (Explain)

f) Which activity has majorly involved citizens in the affairs of the County Government? (Please select a number between 1 and 5 indicating your preference (that is, 5 indicating the major activity, and 1 indicating the least activity)

	5	4	3	2	1
County Planning					
Budget Making					
County Assembly legislative process					
Others (Specify)					

g) What is the most employed mechanism of getting citizens involved in the affairs of the County? (Please select a number between 1 and 5 indicating the main mechanism used (that is, 5 indicating the main mechanism and 1 indicating the least employed mechanism)

	5	4	3	2	1
Public Hearings					
Newspapers					
Radio and TV					
Website/Online					
Others(Specify)					

h) What timelines has the County Government set to get feedback from citizens when calling for public participation, hearings or input?

☐ 2 Months
☐ 1 Month
☐ 2 Weeks
☐ A day
☐ Others(Specify)

i) Are you satisfied with the level of service delivery provided by the County Government? Explain

☐ No
☐ Yes (Explain)

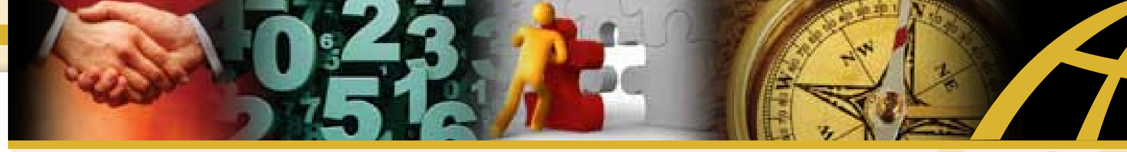
9. OTHERS

e) Please give any proposals for bettering implementation of County functions.

____

____

Notes



ICPAK Mission Statement

Our Vision

To be a globally recognized Professional Accountancy Institute

Our Core Credo

Credibility
Professionalism
Accountability

Our Mission

To develop and regulate the accountancy profession in Kenya through;

- Supporting the CPA(K) to be recognized globally as Competent Professionals who Add Value whilst Serving and Protecting the public interest
- Building Sustainable Institutional Capacity to provide that support

Our Core Values

- Respect
- Integrity
- Professionalism
- Team work
- Innovation

**Registered office and
Principal place of business**

CPA Centre, Thika Road
P. O. Box 59963 - 00200 Nairobi Kenya
Telephone : +254 (020) 2304226, 2304227
Fax : +254 (020) 8562206
Mobile : +254 727 531006 / 733 856262 /
721 469796 / 721 469169
Email: icpak@icpak.com
Website: www.icpak.com

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