

Changing Trends In Kenya: Prioritizing Development And People's Needs Using The New Local Authority Transfer Fund (LATF)

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Abstract:- This paper aims to explore the changing trends in Kenya as far the sharing of the “national cake” is concerned. During the colonial times, Local Authorities were intended to serve the settlers. The colonial authorities often failed to involve indigenous people in self-government in a meaningful way until they were pressured to do so by independence movements. After independence even though strong Local Government was established for the indigenous people, its functions were typically administrative and regulatory, having little to do with self-determination and economic development. The society is changing and these changes are driving changes in Local Governments. The society is becoming increasingly diverse and complex and as such, the needs of people are becoming increasing difficult to be met. These changing trends, this paper will show, provided a void that could be filled by the introduction of the Local Authority Transfer Fund (LATF) Act of January 1998. It's in the light of the increased allocation and eight years after the introduction of the fund, that the paper sought to assess its impact on service delivery to the residents of the County Council of Garissa. The paper used the use of questionnaires to the respondents. Data collected were analyzed using descriptive statistics where percentages based on frequencies were calculated. The findings of this paper show that LATF has improved service delivery, financial management, and reduced the outstanding debt of Local Authorities and that LATF, transfers 5% of national income tax to LAS, under a published formula as a general grant but with certain performance conditions. Allocations from the LATF are divided sixty percent to the service delivery account and forty percent to the performance account. It should be noted that the primary purpose of LATF is to enable Local Authorities (LAS) to improve and extend service delivery.

Key words: LATF, LAS, Local authorities, LATF Act, [1]

I. INTRODUCTION

This paper examines what seems like changing trends in the economies of the Kenyan post colonial state. Specifically it draws illustrations from Garissa county council. The paper is a continuation of a debate that aimed to identify the use and significance of LATF in the old and defunct system. The paper takes cognizance to the fact that the county council has been replaced by the devolved

system. However, as the findings of the paper will show, the workings in the county remain the same.

As per the stipulations of the Local Government Act Cap 265, Local Authorities in Kenya are single-tier semi-autonomous legal entities charged with the responsibility of providing vital local services such as water supply, primary education, basic health services, development of market centers, among others. In recognition of the fact that Local Authorities are closest to the people, it was envisaged by the government that transforming Local Authorities would enable them to be more responsive to the needs of the citizens and particularly the poor.

Lack of reliable and predictable financial resources, aggravated by lack of capacity in financial management led to poor performance and service delivery in Las in Kenya. The Government enacted the LATF Act of 1998 to enable the central government set side monies to supplement efforts by Las to provide services as required by the Local Government Act, Cap 265 (Government of Kenya/ UNCHS, 2001).

This paper argues that there are discernible changes in the way the Local governments in Kenya function. Specifically, the introduction of the Local Authority Transfer Fund (LATF) Act of January 1998 (World Bank, 2002). This paper argues that LATF has had numerous changes in the society. The objectives of the LATF Act, 1998 were (i) improving service delivery (ii) improving financial management and (iii) reducing the outstanding debt of Local Authorities. The LATF, transfers 5% of national income tax to LAS, under a published formula as a general grant but with certain performance conditions. Allocations from the LATF are divided sixty percent to the service delivery account and forty percent to the performance account. It should be noted that the primary purpose of LATF is to enable Local Authorities (LAS) to improve and extend service delivery.

To assist in this, all LAS are required to develop a Local Authority service delivery Action Plan (LASDAP), setting

out the authorities priorities for improving Local services. The LASDAP process allows LAS to plan the use of their resources (Local resources as well as LATF) in consultation with their citizens (MLG No. 8/2002).

This paper was driven by the increased allocation and eight years after the introduction of the fund, that the paper sought to assess its impact on service delivery to the residents of the County Council of Garissa. The paper involved administration of structured and semi-structured questionnaires to the respondents (34 Council employees and councillors, respondents who were considered to have vital information for the paper) of the questionnaires were properly filled and the response rate of eighty-five percent was considered adequate for the purposes of the paper. Data collected were analyzed using descriptive statistics where percentages based on frequencies were calculated.

[1]2 LOCAL AUTHORITY REFORMS IN KENYA AND THE INTRODUCTION OF LATF

In Kenya, the local government system remains much as it was at Independence, although the powers and functions have been seriously eroded (IDD - UOB, 2002). Central governments in the name of national unity and stability, weakened colonial-era local government institutions after independence and failed to create new ones with significant powers (Smoke, 1994).

Almost four decades after independence, while the Municipalities continued to maintain their basic functions, County Councils lost responsibility for most of the services with the major exception of feeder roads, maintenance, markets, providing school bursaries and business licensing. This happened through the transfer of functions Act in 1969 that transferred the functions of most local authorities in Kenya and vested these with the Central government (World Bank 2002). The report further notes that more recently, there's a renewed interest on restrengthening the role of local authorities at creating independent sector initiatives.

In 1983, the Government launched its first decentralization initiative through the District focus for rural development (DFRD) in an attempt to bring the administration of the Central Government closer to the people. The specific objective was to strengthen planning and implementation capacity at the district level, improve horizontal integration among operating Ministries and field offices and extend authority of District Officers for managing financial and procurement aspect of local project implementation.

The DFRD underwent two major revisions in 1987 and 1995. The last revision in 1995 was prompted by the need to introduce greater community participation into the planning and implementation of projects. This revision was prompted by the Commencement in 1995 of the Social Dimension Development (SDD) program aimed at

alleviating the impact of liberal market reforms on the poor.

Since the mid-1990s, under the KLGRP, efforts have been made to strengthen the local government system, so as to enable LAs to deliver services, increase local accountability, and to transfer some financial resources to LAs.

A key element in this, initiated in 1999/2000, is the Local Authorities Transfer Fund (LATF). This transfers 5% of national income tax to LAs, under a published formula, as a general grant but with certain performance conditions. Thus, for the first time in decades, some - albeit limited - resources are flowing from the centre to LAs.

Local authorities can rarely take significant action with lengthily review by central government and there are often Strict Constitutional or legal limits on the revenue raising and service provision powers of local authorities that prevent them from operating effectively. Further in some countries, poor institutional development many give powerful central government political figures greater opportunities that their counterparts in industrialized countries to direct a disproportionate share of central government technical and financial assistance to favoured local governments (Smoke, 1994).

According to the Annual Progress Report 2004/2005 of the Economic Recovery Strategy, it is argued that as decentralization evolves, more expenditure responsibilities at the local authority level require additional financial resources from central government. This also means an increase in resource allocation or revenue to LAs.

Lack of reliable and predictable financial resources, aggravated by lack of capacity in financial management, led to poor performance and service delivery in LAs in Kenya. As a result, most Las failed to implement programmes that could effectively promote local development, poverty reduction and enable LAs to repay loans advanced by the central government through the Local Government Loans Authority (LGLA). This poor resource base led to dilapidated and overburdened services in most LAs as reflected by poor maintenance of major roads, broken sewerage systems, inadequate water supply and lack of provision of new services as well as having in excess of 50 percent of urban residents staying in unserviced informal settlements (Government of Kenya/ UNCHS, 2001).

It is against this backdrop that the government enacted the LATF Act of 1998 to enable the Central Government to set aside annually monies calculated at 5 percent of annual national income tax collections. The purpose was to supplement efforts by LAs to provide services as required by the Local Government Act. Since the inception of the LATF and operationalization of the LASDAP, several

funds have been inaugurated to enhance local level development through the decentralized or commonly known as devolved funds. It is evident that there are several processes at both the local and national level aimed at ensuring development. However, the role of devolved funds like the LATF is clearly much enhanced. The outlay of the terrain for development suggests as multiplicity of actors including citizens, Councillors, members of Parliament, LAs, District Commissioner and Central Government is guided by several institutional frameworks; namely the LAs; the Provincial Administration; District Commissioner; District Departments; Central Government, such as the Ministry of Planning and National Development, Ministry of Health and members of parliament.

[1]3 SERVICE DELIVERY IN THE NEW ORDER

This section of the paper presents findings on the services that were offered before and after the introduction of LATF, whether there has been improvement in service delivery and limiting factors and possible solutions on improvement of service delivery.

[1]4 SERVICES OFFERED BEFORE AND AFTER INTRODUCTION OF LATF

The table ([1]1) below, presents the list of the services that were offered by the council before and after the introduction of LATF.

Table [1]1 Services offered before and after introduction of LATF

Service	Before	After
Garbage collection		
Maintenance of Markets		
Education (nursery school teachers& bursaries)		
water supply		
Health Service (dispensaries)		
Irrigation services		
Construction of classrooms		
Supply of desks/textbooks to schools		
Electrification of schools		
HIV/AIDS awareness		

From table [1]1 above the paper deduces that before the introduction of LATF major services that the council offered included garbage collection, Maintenance of markets, provision of education services and facilitation of water supply. After the introduction of LATF, the council started offering additional services. The major ones being construction of classrooms and dispensaries, purchase of water pumps for irrigation purposes, supply of

desks/textbooks to schools, electrification of schools and HIV/AIDS awareness. With the introduction of LATF the Council has more funds which have enabled it to offer more services. Pegged on more services, the objective of LATF of improvement on service delivery has been met. However, the impact felt by the residents can be assessed through another paper.

[1]5 QUALITY OF SERVICES OFFERED BY THE COUNCIL

(i)Improvement on service delivery

This paper contends that there has been an improvement in service delivery after the introduction of LATF. As analyzed in table 4.2 below, there has been an improvement according to 76% of the respondents while 17% feel that there’s no improvement and the rest (7%) are indifferent. LATF can therefore be said to have had a positive impact on improving service delivery

Table [1]2 Respondents rating of improvement in service delivery

Quality of service	N	%
Improved	22	75.90
Not improved	5	17.30
Do not know	2	6.90
Total	29	100.00

This paper contends that the services whose delivery has improved and why the respondents felt so. The findings are analyzed in table 4.3 below:-

Table [1]3 Services that have improved after introduction of LATF.

Service	n	%
Construction of classrooms	22	75.90
Construction of dispensaries	20	70.00
Maintenance of markets	19	65.50
Water pumps for irrigation	17	40.60
Electrification of schools	17	38.60
HIV/AIDS awareness	11	37.90

The respondents further explained their perceived improvement on service delivery as summarized below:-

[1]6 CONSTRUCTION OF CLASSROOMS

A number of classrooms in different schools had been put up. There has been enhanced

enrollment and access to education improving the literacy levels among school going children.

[1]7 CONSTRUCTION OF DISPENSARIES

A number of dispensaries constructed, some have been staffed and operationalized by

Ministry of public health and sanitation. More residents have access to medical services.

[1]8 MAINTENANCE OF MARKETS

Bringing markets closer to the residents which facilitate trade.

[1]9 WATER PUMPS FOR IRRIGATION

Increase food production and hence food security for residents.

[1]10 ELECTRIFICATION OF SCHOOLS

Improving learning conditions and hence literacy levels.

[1]11 HIV/AIDS AWARENESS

Reducing HIV/AIDS transmission and its better management of those infected

This enhances productivity of the residents.

(ii) Limiting factors on service delivery

This paper notes that there are people who feel that introduction of LATF has not led to improvement in service delivery. The limiting factors (Table 4.4) and ways of overcoming them as given are analyzed below:-

Table [1]4 Factors hindering improvement in service delivery

Limiting factor	n	%
Failure to adhere to the budget	2	33.30
Mismanagement of council funds	4	66.70
Insufficient funds allocated to projects	4	66.70
Lack of action on officers who misuse funds	4	66.70
Poor planning	3	60.00

From the results in table [1]4 above, inadequate funds for projects, mismanagement of council funds and lack of action on those responsible rank first on the limiting factors followed by inadequate funds, poor planning and non adherence to the budget.

1 .12 BUDGET MANAGEMENT

Preparation and submission of budget on time

All the respondents agreed that the council's budget is prepared and submitted in time. This has resulted to the Council not suffering any penalty for late submission of the annual budget thereby boosting its financial position. With the council receiving all funds it's in a position to offer all budgeted for services.

Implementation and completion of capital projects

Table [1]7 below summarises findings on implementation and completion of capital projects.

Table [1]7 Implementation and completion of projects

Frequency	n	%
Always	9	31.00
Sometimes	18	62.10
Never	2	6.90
Total	29	100.00

From table 4.7, 62% of the respondents feel that though the council strives to implement and complete projects, it's not always done, compared to 31% who agree that projects are always implemented and completed. 7% reported that projects are not implemented at all.

It appears that the concerned authorities should put mechanisms in place to ensure that budgeted for projects are undertaken. Hence residents will enjoy benefits that will accrue from implementation of the projects.

Adherence to LATF budget and effect of LATF in boosting Council's finances

The paper also sought the respondent's views on the Council's adherence to the LATF budget and whether LATF has boosted the council financially. The findings are tabulated in table 4.8 and table 4.9 below respectively.

Table [1]8 Extent to which the council adheres to the approved LATF budget

Extent	n	%
Always	2	6.90
Sometimes	14	48.30
Never	13	44.80
Total	29	100.00

According to 48.3% of the respondents, the council does not always adhere to the LATF budget. The council never adheres to the LATF budget according to 44.8% of the respondents, with 6.9 % agreeing that the council always adheres to its LATF budget.

From the findings, the council does not adhere to its budget implying that not all budgeted for projects are implemented. To this end, relevant authorities are supposed to ensure total compliance with approved budget.

CONCLUSION

This paper concludes by arguing that LATF has changed lives of many people in the county council of Garissa. Following the findings of the paper, the introduction of LATF, the council was able to offer additional services including construction of dispensaries and classrooms, electrification of schools, supply of desks/textbooks to schools, water pumps for irrigation and HIV/AIDS

awareness. Further, the paper contends, after the introduction of LATF, the quality of services offered improved according to 76% of the respondents. The services that improved most include construction of classrooms and dispensaries and maintenance of markets, inter-alia. However, 24% of the respondents felt that LATF has not led to improvement on service delivery due to mismanagement of funds, inadequate funds and poor planning.

The people at the grass root are best placed to identify needs that are of priority to them. From the results in table 4.5, 90% of the respondents agreed that the council holds the annual LASDAP meetings at ward level to identify projects to be undertaken. Further they concluded that the final list of projects generally reflects those identified during the consultative meetings. However, according to 10% of the respondents, the council does not hold the consultative meetings but chief officers together with councilors identify projects to be undertaken. This therefore implies that more awareness campaigns are supposed to be undertaken by the council about LATF and LASDAPS. This will ensure that all residents are brought on board when it comes to identification of projects to be undertaken. Further with greater awareness, demand for accountability is likely to go up leading to better utilization of LATF and hence improvement in service delivery. On the effectiveness of LASDAP, 95% of the respondents agreed that if properly conducted, it's an effective way of identifying projects to be undertaken. However 5% of the respondents feel it's ineffective due to limited funds and many small projects being undertaken. Therefore, an effort should be made to enlighten the residents on the need to undertake big though few projects, with a positive socio-economic impact.

The paper has argued that the preparation and submission of the council's annual budget ensures that the council is not penalized and gets the full allocation. This ensures that budgeted for funds are available in full for service delivery. Further, the service delivery component (60% of LATF allocation) is supposed to be spent on projects that tackle core poverty. This implies that adherence to the budget will lead to undertaking of identified projects that tackle core poverty. All the respondents in this paper agreed that the council has been preparing and submitting its annual budget within stipulated deadlines. This has enabled the council to avoid penalties for non compliance hence getting approved funds. However as tabulated in table 4.7, only 31% of the respondents agree that the council implements and completes all the budgeted for capital projects. 62% were of the opinion that the council does not always implement and complete all budgeted for projects, while according to 7% the council never implements and completes budgeted for projects. In addition, according to 45% and 48% (Table [1]8) of the

respondents, the council never and sometimes respectively spends according to the LATF budget. From the findings, it appears a lot of effort is needed to ensure that the council's expenditures are as per the approved budget and an enhanced completion rate of capital projects. The paper also sought the views of the respondents on the impact of LATF on the council's financial position. From table 4.9, 83% of the respondents agree that LATF boosted the council's financial position, with only 3% disagreeing with the rest being indifferent. This implies that with LATF, the council has more funds for achievement of its core function of service delivery.

Controls and their implementation are essential for any undertaking. The County Council of Garissa, like other public institutions is given funds/mandate to raise funds to spend in accordance with government financial regulations. The regulations are designed to ensure that if adhered to, the public will get value for its money. It's therefore critical that regular audits are done to find out whether the regulations are adhered to. It's due to this that the paper sought the views of respondents on regularity of internal and external audits and their perceived importance on management of funds. From table 4.10, internal audit is never done according to 86% of the respondents, with only 3% agreeing that it's always done. This could mean that either there is no internal audit unit or it's dormant/lacks the capacity to execute its duties. A concerted effort is therefore needed to establish and operationalize an independent and strong internal audit unit. In contrast, as shown in table 4.11, majority of the respondents (83%) agree that external audits are regularly done on LATF Accounts and the council in general. However 3% disagree that external audits are regularly done, with 14% being in different. From table 4.12, 56% of the respondents agree that audits are of value towards improving Management of funds and hence service delivery 44% of the respondents were however of the contrary opinion.

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