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National Human Development Report for Kenya, 2017

DEVOLUTION AND HUMAN DEVELOPMENT

Enhancing Participation and Inclusiveness in Kenya's Socio-Economic Transformation

POPULAR VERSION

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A NOTE ON THE COVER DESIGN AND ILLUSTRATION

The cover design and illustration for this 2017 National Human Development Report (NHDR) for Kenya, is a reddish maroon that has arrows streaming outwards from one central point. The central point is represented by the solid map of Kenya as it has always been known over the last fifty or so years of independence. The streaming out to the counties as represented by the arrows, amplifies the effect of devolution on a once tightly held centre. The background shades are triangles combined with circles that portray the human element, with the circles representing the heads of people. There is certainly an emerging measure of equity inclusiveness and societal transformation captured by the relative similarities in size of the circles and triangles.

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Foreword

This is the eighth (8th) National Human Development Report (NHDR) for Kenya, whose thematic focus is on **"Devolution and Human Development."**

The report is further sub-titled, **"Enhancing Participation and Inclusiveness in Kenya's Socio-Economic Transformation,"** if only to amplify the timely and great policy significance of the subject of devolution under Kenya's Constitutional promulgation since the year 2010.

In a nutshell, devolution is now the centrepiece of Kenya's developmental framework. The policy measure is expected, to not only [re]shape the country's developmental trajectory in the foreseeable future, but even more fundamentally, to enhance greater public say and participation while also ensuring a more equitable, socio-economic transformation than ever seen before across the country's newly established 47 counties.

As expected, the implementation of devolution presents major challenges given its ambitious agenda and the expectations and promises made to citizens. But it also provides opportunities hitherto unavailable in the counties. Devolution thus presents challenges to the leadership at all levels of development policy-making, and to stakeholders and all other national and sub-national institutions charged with implementing it. Devolution calls for a more effective way to fast-track development within local communities for improved social and economic outcomes. It also calls for an inclusive, equitable and participatory process in policy-making and implementation. This report is intended to contribute to that process through a critical analysis of key aspects of devolution in Kenya as they have been implemented over the past four years.

Like all previous NHDRs for Kenya, the report has been produced with the expectation that it will play a catalytic role in shaping the policy debate on key challenges facing Kenya and in pointing out new opportunities that deserve to be exploited for the common good. Kenya is certainly moving away from a system of centralized development management that was followed soon after independence. One lesson from the long history of decentralization in Kenya is that this agenda will not succeed unless both the national level and devolved units of government cooperate in jointly addressing the bottlenecks hindering the implementation of devolution. This report looks at the facts behind the progress so far. It also gives an analysis of what needs to be done to ensure the country remains on course in fulfilling the promise of devolution.

Transitional challenges encountered by devolution so far indicate that, while the cost of devolution could be high, a lot has been achieved in some key areas. Those charged with the responsibility of managing the process at the devolved level are gradually coming to terms with those realities and responding well to the challenges encountered thus far. Since 2010 Kenyans have been engaged in a policy debate on what level of resources ought to be made available to the counties out of the national budget. It is therefore advisable that both levels of government work together to ensure that there is adequate capacity for effective and efficient delivery of services. The legal system; the institutional structures, as well as the requisite operational systems are now largely in place. The remaining main challenge is how to build on the momentum gained after the initial phase of implementation.

Compared to most African countries, Kenya's devolution process has been judged the most ambitious in its magnitude, coverage and its long-term goals. The results of implementation are so far encouraging even though the country also faces major challenges. As reform measures for improving implementation are put in place, both service delivery and accountability are expected to improve. At both levels of

Government, the Constitution leaves Kenya with no choices but to ensure that devolution works. The huge challenge of ensuring that it succeeds must be borne by all. All stakeholders, including political leaders and development partners must work in tandem to facilitate the promises of devolution.

The UNDP, other UN Agencies, along with Kenya's many international development partners have pledged to continue working closely with the Government of Kenya at both national and county levels in order to ensure that the benefits of devolution are realised and made available to all Kenyans as envisioned in the national constitution. Accordingly, this report has been prepared to point more categorically to the various policy actions that are needed in ensuring that devolution takes root and thrives. It is thus a call to all partners, to join in the journey of the development process that we must all take together.

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Special thanks are also due to the team from the National Treasury and Planning led by Joseph Mukui, Economic Planning Secretary, who chaired the NTC and others who included Moses Ogola, Director of Social and Governance; Grace Kimitei, Chrisantos Okioma, Naom Cheboi, Douglas Manyara, Florence Juma, and John Nyangena from the Kenya Institute of Public Policy and Research Analysis (KIPPRA). We also thank the team responsible for computation of the Human Development indices referred in the report and which was led by Robert Nderitu working closely with Stephen Ngugi, Hiram Mbatia, Andrew A. Imbwaga, Samwel Kipruto, and Paul Samoei (all from the Kenya National Bureau of Statistics) and assisted by Nicholas Kipyego and Jared Ichwara from UNDP.

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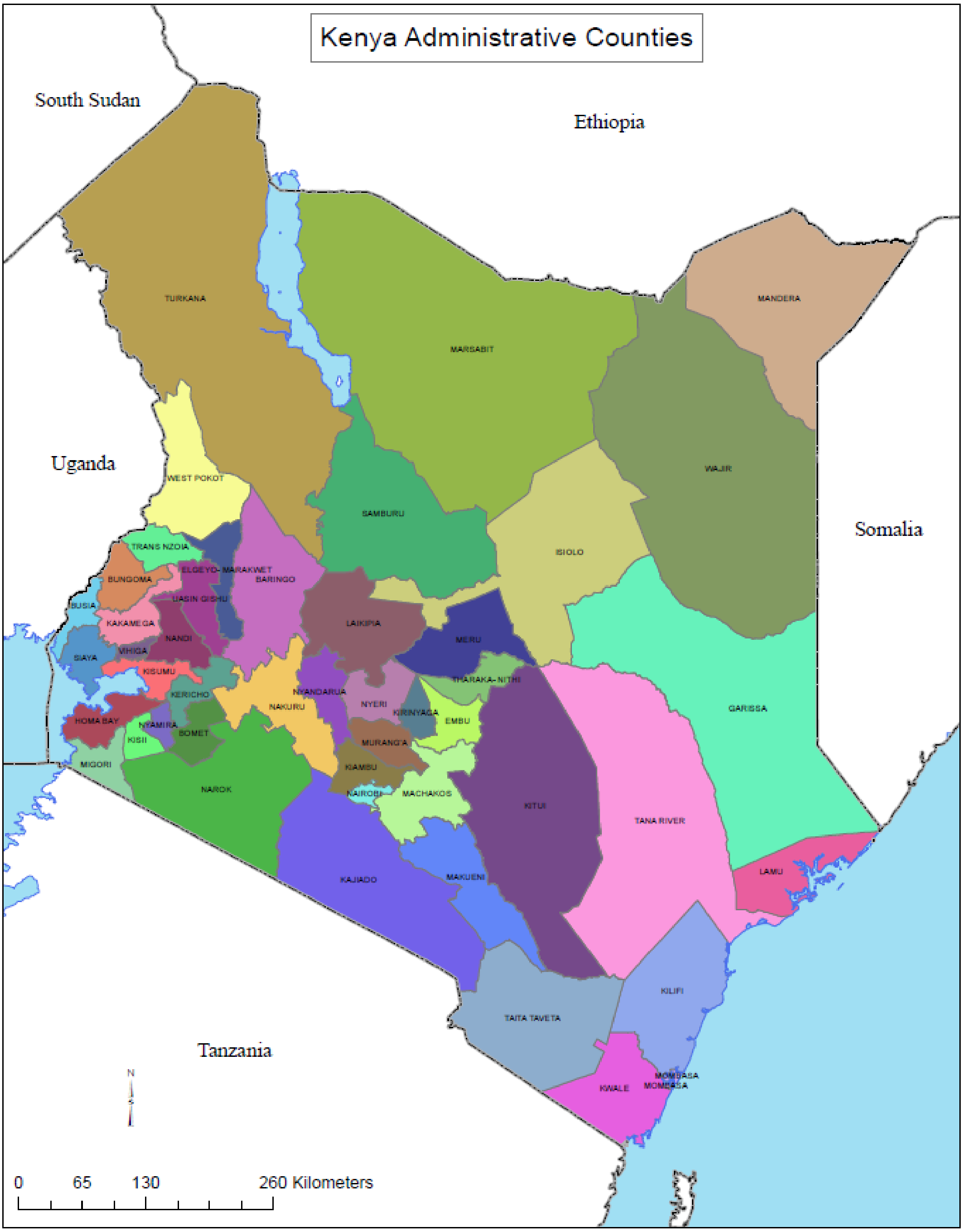
Kenya at a Glance

	PERIOD	VALUE
Economic Indicators		
GDP at Current Market Prices (Kshs Millions)	2016	7,194.1
Growth of GDP at Constants prices (%)	2016	5.9
GDP per capita constants (Kshs.)	2016	94,757.3
GDP per capita (Kshs) current	2015	141,644
GDP per capita (Kshs) ppp	2014	125,637.4
Unemployment rate (%)	2009	12.2
Unemployment rate (%)	2015/2016	7.4
Underemployment rate (%)	2015/2016	20.4
Underemployment rate (%) rural	2015/2016	26.6
Underemployment rate (%) urban	2015/2016	11.0
Inflation rate (%)	2015	6.6
Informal sector share of employment of employment (%)	2015	82.8
Wage employment 2015	2015	2,478,000
Socio-Democraphic Indicators		
Population statistics		
Population (projection in millions)	2015	44.2
Male (%)	2015	49
Female (%)	2015	51
Annual population growth rate (%)	2014	2.9
Age dependency ratio (per 100)	2014	79.57
Age dependency ratio (per 100)	2015	78.33
Fertility rate (%)	2014	3.9
Population density (per Km^2)	2014	73.9
Health		
Life expectancy at birth (years)	2014	58
Under 5 child mortality (per 1,000)	2014	52
Infant mortality (per 1,000)	2014	39
Maternal mortality rate (per 1,000)	2009	488
Maternal mortality rate (per 1,000)	2014	362
Medical personnel(per 1,000)	2015	301
Number of health institutions	2015	9,959
Education		
Gross enrolment rate of primary (%)	2015	103.6
Gross enrolment rate of secondary (%)	2015	62.9
Ratio of girls to boys in primary education (%)	2014	97
Adult literacy rate (%)	2014	78.01
Adult literacy rate (%) Male	2014	83.78
Adult literacy rate (%) Female	2014	74.01
County Data		
Number of counties	2015	47
Number of wards	2015	1,450

	PERIOD	VALUE
Number of elected MCAs	2015	1,450
Number of nominated MCAs	2015	772
Total number of MCAs total men and total women	2015	2222
Number of functions transferred to counties	2015	14
Total number of staff in counties	2014	126,998
Proportion of counties share of the latest audited national revenue (%)	2016/2017	32.3
Proportion of equalization fund out of the latest audited revenue	2015	0.7723
Geography		
Total geographic area of Kenya (Km^2)	2015	610,000
Land area (Km^2)	2015	580,609
Land mass (Km^2)	2015	29,391
Arable land (%)	2015	17
ASAL (%)	2015	72.5
Land under forest cover (%)	2015	7.1
Infrastructure		
Bitumen road coverage (%)	2015	17.1
Population with access to weather road within 2 km (%)	2015	30
Railway lines coverage (km)	2015	2,706
Installed electricity (MW)	2015	1,798.30
Share of household accessing grid electricity (%)	2015	20
Population with mobile subscription (per 100)	2015	78
Population accessing internet (per 100)	2015	60.9
Total port freight (million TNs)	2015	26.732
Container traffic – Twenty-foot Equivalent Units (TEU)	2015	1,076,118

Source: Kenya National Bureau of Statistic



Source: Stacey White (2001). Government Decentralization in the 21st Century. Washington DC: Centre for Strategic and International Studies.

Acronyms and Abbreviations Used in the Report

ADC	Africa District Council
AFR	Adolescent Fertility Rate
AIDS	Acquired Immune Deficiency Syndrome
AMS	Agriculture Machinery Services
AMS	Agriculture Mechanisation Stations
ASAL	Arid and Semi-Arid Lands
ATC	Agriculture Training Centre
Bn	Billion
BROP	Budget Review and Outlook Paper
CAP	Chapter
CARP	Capacity Assessment and Rationalization of the Public Service
CBEF	County Budget and Economic Forum
CDF	Constituency Development Fund
CDI	County Development Index
CEC	County Executive Committee
CFSP	County Fiscal Strategy Paper
CGA	County Government Act
CIC	Commission for the Implementation of the Constitution
CIDP	County Integrated Development Plan
CIMES	County Integrated Monitoring and Evaluation System
CoK	Constitution of Kenya
CRA	Commission on Revenue Allocation
CTP	Cash Transfer Programmes
C-WES	Constituency Women Enterprise Schemes
DANIDA	Danish International Development Agency
DC	District Commissioner
DFID	Department for International Development
DFRD	District Focus for Rural Development
ECD	Early Childhood Development
ECDE	Early Childhood Development Education
FY	Fiscal Year
GDP	Gross Domestic Product
GER	Gross Enrolment Rate
GHDR	Global Human Development Report
GII	Gender Inequality Index
GIZ	German International Cooperation
GNI	Gross National Income
GPT	Graduated Personal Tax
HD	Human Development
HDI	Human Development Index
HDR	Human Development Report
HIV	Human Immuno-deficiency Virus
HLP	High Level Panel
IBEC	Inter-governmental Budget and Economic Council
IBP	International Budget Project
ICJ	International Commission of Jurists
ICT	Information Communication and Technology
ICU	Intensive Care Unit
IFAD	International Fund for Agriculture and Development
IFMIS	Integrated Financial Management and Information System
IHDI	Inequality-adjusted Human Development Index

IMR	Infant Mortality Rate
JICA	Japan International Cooperation Agency
KADU	Kenya African District Union
KANU	Kenya African National Union
KDHS	Kenya Demographic and Health Survey
KIHBS	Kenya Integrated Household Budget Survey
KIPPRA	Kenya Institute for Public Policy Research and Analysis
Km	Kilometres
KNBS	Kenya National Bureau of Statistics
LAIFOMS	Local Authority Integrated Financial Operations Management System
LASC	Local Authority Service Charge
LASDAP	Local Authority Service Delivery Action Plan
LATF	Local Authority Transfer Fund
LE	Life Expectancy
LG	Local Government
LNC	Local Native Council
MCA	Member of County Assembly
MDGs	Millennium Development Goals
MDP	Ministry of Devolution and Planning
MMR	Maternal Mortality Ratio
Mn	Million
MPI	Multidimensional Poverty Index
MTEF	Medium Term Expenditure Framework
MW	Mega Watt
NALEP	National Agriculture and Livestock Extension Programme
NCBF	National Capacity Building Framework
NER	Net Enrolment Rate
NGO	Non-Governmental Organisation
NHDR	National Human Development Report
NIC	Newly Industrialised Country
NIMES	National Integrated Monitoring and Evaluation System
NIUPLAN	Nairobi Integrated Urban Development Master Plan
No.	Number
NTC	National Technical Committee
O&M	Operations and Maintenance
OCOB	Office of Controller of Budget
OECD	Organisation for Economic Cooperation and Development
OVC	Orphans and Vulnerable Children
PE	Personnel Emoluments
PFM	Public Finance Management
PFMA	Public Finance Management Act
PPP	Purchasing Power Parity
PWD	Persons with Disabilities
RMLF	Road Maintenance Levy Fund
SAE	Small Area Estimates
SDGs	Sustainable Development Goals
SHOMAP	Small Holder Marketing Programme
Ksh	Kenya Shillings
SID	Society for International Development
SIDA	Swedish International Development Agency
SRC	Salaries and Remuneration Commission
SSA	Sub-Saharan Africa
TA	Transition Authority
TB	Tuberculosis

TN	Tonnes
TVET	Technical and Vocational Education Training
TVT	Technical and Vocational Training
UACA	Urban Areas and Cities Act
UN	United Nations
UNCHS	United Nations Centre for Human Settlements
UNDESA	United Nations Department for Economic and Social Affairs
UNDP	United Nations Development Programme
US	United States
USAID	United States Agency for International Development
USD	United States Dollar
Vol	Volume
WDR	World Development Report
WEDF	Women Enterprise Development Fund
WHO	World Health Organisation

1 KEY CONCEPTS AND DEFINITIONS IN DEVOLUTION

1.1 Three Related Processes

Although there is great diversity in empirical studies about decentralization, the basic definitions presented in the literature surprisingly have a lot in common. Decentralization is generally broken down into three different but related processes:

i. **De-concentration** is a process whereby the central government disperses responsibilities for certain services to regional branch offices without any transfer of authority. Some scholars like R.F. Pinto do not consider this true decentralization because, based on his experience of Francophone West Africa, ultimate authority remains centralized which negatively affects service delivery.[1]

ii. **Delegation** refers to a situation in which the central government transfers responsibility for decision-making and administration of public functions to local governments. In this instance, local governments are not fully controlled by central governments but are accountable to them.

iii. **Devolution** happens when the central government transfers authority for decision-making, finance, and administrative management to quasi-autonomous units of local government. It would seem that the most recent literature considers devolution to be the purest, or at least, the most extensive form of decentralization. This can be seen in the survey of concepts and practices underlying governance decentralization edited by Cheema and Randinelli.[2]

These decentralization processes are then further categorized as political, administrative, or fiscal:[3]

- Political decentralization is generally defined as the extent to which political institutions track and mobilize the interests of citizens and turn them into policy decisions.
- Administrative decentralization concerns the ways in which political institutions turn policy decisions into allocative outcomes through fiscal and regulatory actions.
- Fiscal decentralization regards the extent to which local entities can collect taxes, undertake expenditures, and rectify imbalances.

1.2 Human Development and Human Empowerment

Human Development is both a goal and a process of empowering people to lead the lives they value by expanding their capabilities, freedoms, and choices (UNDP, 2009). It is a process of enlarging people's choices as they acquire more capabilities and enjoy more opportunities to use those capabilities. The

1 Rogerio F. Pinto, "Service Delivery in Francophone West Africa : the Challenge of balancing deconcentralization and decentralization", *Public Administration and Development* Bol.24, \no.3 (2014).

2 G. Shabbir Cheema and Dennis A. Rondinelli, *Decentralizing Governance: Emerging Concepts and Practices* (Brookings Institution, 2007).

3 From Stacey White (2001). Government Decentralization in the 21st Century, Washington DC: Centre for Strategic and international Studies.

principles of human development demand equity within and across groups, efficiency in the use of resources, empowerment in terms of provision of resources and opportunities for people to participate in the development process, sustainability (of environmental, social, economic and political policies), and inclusiveness. According to UNDP Human Development Report Office, human development implies that people must influence the process that shapes their lives. In all this, economic growth is an important means to human development, but not the goal. Human development is development of the people through building human capabilities for the people by improving their lives and by the people through active participation in the processes that shape their lives. It is broader than other approaches such as the human resource approach, the basic needs approach and the human welfare approach.

Human Empowerment: Human Empowerment may be defined as the process of enhancing an individual's or group's capacity to make purposive choices and to transform those choices into desired actions and outcomes (Alsop, Mette and Holland, 2006). This ability is influenced by agency and opportunity structure, where agency is the ability to make purposeful choices, while opportunity structure on the other hand comprises the institutional context within which people operate, their behaviour is governed and the outcomes of their choices are influenced. In this context, empowerment is defined as the expansion of freedom of choices and action, increasing one's authority and control over resources and decisions that affect them. The interaction between agency and opportunity structure means that empowerment is based on tackling the differences in capacities that deny actors the ability to make transformative choices.

The ability to make choices is an important aspect of empowerment. In conceptualising empowerment, Kabeer (1999) views it as the ability to make choices. According to this view, the ability to make choices are premised on the power of agency in making choices and the achievement of the choices made which can be evaluated as outcomes. Resources include materials as well as the human capital that are necessary to enhance the ability to exercise choice. Resources and agency together constitute capabilities.

2 A GENERAL SUMMARY OF THE MAIN MESSAGE

Kenya's HDR for 2017 assesses the extent to which decentralized systems of government or devolution (see Box 1) as put in place under Kenya's 2010 Constitution has contributed to raising the country's human development goals as defined by Kenyans themselves and as reflected in such indicators as county-level HDI, IHDI, GII, and MPI.

Box 1

Relationship Between Governance and Sustainable Development

"State capacity or the ability of states to form and implement policy across the whole of their territory is an essential prerequisite for sustainable human development. Many studies have demonstrated the importance of state capacity. For example, there is a causal link between the quality of public administration, conflict and civil war. However, capacity for sustainable development is not just about efficient administration; it also requires states to be responsive to the needs and demands of the people, and separate needs and rights of women and men, (and) multi-stakeholder engagement with institutions including parliament, courts, auditor generals, ombudsmen, anticorruption agencies, human rights commissions, civil society, media, and women's groups."

UNDP Discussion Paper, Governance and Sustainable Development, NY, March 2014.

Because the data were collected between 2013 and 2016, when devolution was only in its early implementation stages - a transition period- as it were, the report could not provide definitive indicators of progress in human development that can be attributed specifically to devolution as opposed to interventions by the national government. **The assessment however finds that, overall, a good start has been made in the right direction as defined by the Constitution, legal statutes and policy statements.**

There are however, many challenges of a transitional nature that the report identifies, which deserve rapid policy intervention at national and county levels. Among these is the absence of systematic recording, filing and retrieval of data on fiscal, economic, social and governance trends at the county level. County data management under the Constitution is the responsibility of devolved governments and it deserves more attention than it has received so far. A major set of challenges, however, originate from the unfinished business of transition from centralized to decentralized governance, which came under the responsibility of the now defunct Transitional Authority. These include the need for a full inventory of the assets and liabilities of the 175 County Councils and Municipalities that operated under the old Constitution. The harmonization of terms of employment between staff inherited from those defunct sub-national governments; those hired by the new counties and those transferred from the National to County Governments deserves urgent attention. The harmonization of laws that affect inter-governmental relations is another area of concern, and in that context, overlapping responsibilities between counties and between County and the National Governments need to be attended to. Urban governance, in particular, deserves a closer look by both national and county governments well beyond the proposed amendment of the Urban Areas and Cities Act of 2011, given the country's burgeoning migration from rural areas to towns and cities. Properly implemented, urbanization could help solve many of Kenya's human development problems at a lower social cost.

Performance between counties is uneven, and some core devolved functions have been implemented better than others. The core activities of the 47 County Governments are those contained in Schedule Four of the Constitution. Pre-eminently, these include agriculture, animal husbandry, health, early childhood education (ECD), urban planning and development, county infrastructure, trade and cooperatives. Progress has been made in the key areas of agriculture, health, county infrastructure, trade, water and environmental management. Some counties have done better than others. Here, the key solution lies in greater public accountability and more civic education. Significantly, it has proved easier to spend funds on recurrent expenditure than on capital (development) projects. County Governments clearly need greater institutional capability to execute the development budgets at their disposal, which are bound to grow with time. Intra- and inter-county politics appears to be a major constraint on development. In a democracy like Kenya, the solution to these clearly lies with the voter. That is why continuous civic education matters so much. Gender inequality at executive and legislative levels also remains a major challenge.

The public needs to distinguish the boundaries between county and national governments. In many cases, Kenyans interviewed for this report could not distinguish the responsibilities of the county government as opposed to those of the national government. The situation is even more confusing when it comes to the Constituency Development Fund (CDF) and other independent funds targeting youth and women. Wider dissemination of information to the voters would help strengthen devolution, and accountability.

The main message is that although an encouraging start has been made overall, performance varies between counties and while some devolved functions have enhanced public service delivery in a manner that will advance human development, other responsibilities (like those involving capital projects) have lagged behind. The challenge now is to build on the strengths and to correct the weaknesses.

3 SUMMARY OF THE MAIN FINDINGS

3.1 Anchoring Devolution

The main report of the KNHDR 2017 has been organised into seven substantive chapters. Chapter one deals mainly with the basic definitions and concepts relating to the scholarship on devolution while chapter 2 discusses the decentralised government structures as "key drivers of human development."

Chapter 3 is a central pillar in the report in so far as it discusses the main devolution tenet of "citizens' empowerment" as a key ingredient of Human Development. Chapter four in turn pays attention to issues relating to "urban governance" given the increasing urbanisation of Kenyan and other African populations. The necessary critical investments in Human Development at County level is examined in chapters five and six with the latter focussed on the importance of resource use efficiency. The short seventh chapter focusses on drawing conclusions and making relevant policy recommendations that would be expected to guide the future of devolution in Kenya. The main issues in each of the chapters are further summarised herebelow.

3.2 Conceptualising Devolution

In the introductory chapter one (1) the Report provides the theoretical and conceptual anchorage of devolution in current academic and developmental literatures. The chapter provides a review of the relationship between devolution in governance and the definitive concept of Human Development. The essence of good governance evidenced in such indicators as law and democracy are highlighted as vital ingredients of human development. The history (before and after) devolution in Kenya is highlighted right through to the present era of the SDGs via the MDGs interlude.

3.3 The Human Development Indices

Chapter two of the report provides information on the traditional index used to measure Human Development, i.e., the Human Development Index (HDI) and three more specific indices: the Inequality Human Development Index (IHDI), Gender Inequality Index (GII); and the Multi-Dimensional Poverty Index (MPI). The chapter also attempts to gauge the extent to which devolution has affected trends on the national and county level development. The letter and spirit of the objectives of devolution as detailed in the COK (2010) affirms that devolution will usher in transformation, both in the political economy and in the development of the country resulting in improved standards of living for all Kenyans. The chapter attempts to explain how these multiple human development indicators can serve in evaluating progress being made as devolution continues to unfold.

3.4 The Quest for Citizens' Participation and Empowerment

Chapter three in turn, dwells on the key themes of participation and empowerment with the empowerment of citizens at the County level seen as part of the bolstering of human development. Human Development itself is analysed in terms of wider access to resources, opportunities for income generation, and participation in decision making. It is acknowledged that after devolution was introduced in 2013, public education initiatives were undertaken by both county and national governments in order to enhance the empowerment of citizens at the local level. As a rule, the Constitution requires public participation in all policy-making processes, including planning and budgeting. For the most part, counties have put in place the necessary institutional frameworks for participatory policies and administrative procedures to facilitate implementation of devolved functions, notwithstanding the often uneven results. Counties have also developed the *County Integrated Development Plans* (CIDPs) and *County Budget and Economic Forums* (CBEF). Few County budgets and annual plans, however, make any reference to the CIDPs. After public consultation, county authorities identify their priority projects in development with agriculture being selected by most counties as the top priority area. Poverty reduction initiatives in most counties have in fact treated increasing agricultural productivity as well as value addition as the way to increase the incomes of household. In the social sector, counties have invested in early childhood education and technical and vocational training by hiring more instructors, buying equipment, and constructing better buildings. In the health sector, county governments have invested in improving, renovating, and equipping health facilities. Lack of adequate staff in health provision is a key constraint in this sector generally resulting in the increased number of functional facilities but with uneven access to healthcare. However, Gender equality seems to be better-addressed than before.

Inadequate impact of public participation and insufficient representation of women in public forums remains a problem. To facilitate participation of citizens in resource allocation, counties have, as required by the Constitution, established the CBEFs as a means of facilitating public consultation on public spending. Public participation takes the form of "town hall" meetings and *barazas* (open-air public meetings addressed by leaders). Preparation and validation of budget proposals is also done the same way. Political empowerment can therefore be assessed through political representation at these levels.

3.5 The Shortfall on Women's Participation

There is however, a major drawback in women's participation in these forums. Women are under-represented in the numbers of elected county legislators. However, this has been improved by the numbers of nominated women county legislators in comparison with the situation in the defunct county councils. The figures on political representation show that the constitutional requirement of not having more than two-thirds of one gender in elective and/or appointive positions could not be met through representation in any of the County Assemblies. Overall, the degree of participation varies from county to county. As the End of Term Report (2016) of the Transition Authority explains, and in spite of the many initiatives in bolstering awareness of citizens, most Kenyans (especially those in rural areas) are unaware of the division of functions between County and National Governments. Gender inequality in legislative institutions and enhanced public awareness remain challenges in promoting devolution.

3.6 The Challenge of 'Devolved Urban Governance'

Chapter four of the report pays attention to the challenges of devolved urban governance that deserve to be addressed by the County and National Governments collectively and proactively. The contention is premised on the anticipated rise in Kenya's urban-based population. Sub-Saharan Africa is experiencing probably the most rapid rate of urbanization of all the developing regions. In line with that reality, the percentage of Kenyan urban population is expected to rise from 25% in 2015 to 38.2% in 2040.[4] A World Bank study on urbanization trends in Kenya states that "by 2050 about half of Kenya's population will be living in cities".[5]This requires a lot of forward-looking planning to accommodate the rising urban population and to provide it with gainful livelihoods in a sustainable environment. It is one great challenge facing County authorities in the near to medium term. Preparations for this transition ought to begin right away, because, so long as it is well planned and implemented, urbanization could be a cost-effective solution to providing jobs, quality housing, and social services, thereby helping African countries meet the Sustainable Development Goals (SDGs).

4 UNDESA, *World Population Prospects* (2008); see Chapter Four.
5 World Bank, *Kenya Urbanization Review,* (Washington DC, World Bank, 2016), p.3

Under Article 184 of the Kenyan Constitution, a new classification of urban areas and a framework of urban governance should have been put in place by now. The workable and broadly supported legislation for that purpose had gone to the National Assembly before it was dissolved in anticipation of the 2017 August elections. Cities and municipalities in Kenya mobilize a considerable amount of public revenue within counties often in excess of what the rural areas of the country contribute in taxes to the County treasuries. This chapter therefore makes the case for improved planning management of urban areas that entails better and more-inclusive spatial planning. Under this, there has to be focus on improving infrastructure and job-creating investments targeting goods and services for local and global markets.

3.7 Investing in Human Development: Resource Use Efficiency

The two next chapters of the report focus on the all-important questions of investing in Human Development (Chapter 5) and optimising resource utilisation (chapter 6) at county level. The specific examples of income, longevity as well as literacy are important indicators of the evidence of prudent investment. On the other hand, it remains a given that efficiency in resource use must be applied if devolution is ever to succeed in the country. Such need for efficiency in resource use is called for in Article 10 of the Constitution, which lists national values and principles of governance, specifically with regard to public service. The constitution's Article 232 lays out the values and principles governing state employees. Amongst other objectives, the Constitution emphasizes 'equity' and 'the equitable provision of services' as a basis of interaction between service providers and beneficiaries of public service.

In Kenya's efforts to make devolution work for human development, county governments utilize resources targeted to literacy, health, and personal incomes starting with the least advantaged. One of the major arguments in support of devolution has been that an overly- centralized government had led to unequal regional and ethnic resource allocation for education, health and infrastructure. These problems were observed within counties and across counties. Although county governments now possess control over agriculture, County infrastructure, health and ECD, the extent to which their budgets give these areas priority varies widely. Side-by-side with the problem of ethnic and regional inequalities, Kenya's counties exhibit inequalities from within themselves, and between urban and less-urbanized areas within counties. This problem is also highlighted in the Transition Authority's End of Term Report.

Average personal earnings within counties hide disparities that are being increasingly politicized as exemplified by Kajiado, where an exceptionally high income is attributed to the wealthier suburbs of Ongata Rongai abutting Nairobi as compared to the rural and pastoralist southern part of the county. But it is not the only county with significant intra-county inequalities. Nairobi, Lamu, Mombasa, Tana River, Kilifi and Kwale also display wide internal inequalities. Since urbanization in Kenya will continue to rise, the best solution to this problem must lie in effective urban planning with strong rural connections that raises overall incomes.

There is information indicating some improvement in health indicators. Under the Constitution, health is almost wholly devolved to the counties. While in fact mortality rates fell after the adoption of the MDGs in 2002, maternal deaths seemed either to have remained constant or have risen in some areas. Recent trends however show an overall improvement in these indicators. More than any other factor, HIV and AIDS has been the cause of falling longevity, and the report makes the case for continued attention to HIV and AIDS at County level.

The report observes differences between the percentages of County budgets devoted to Human Development-promoting expenditures, directly or indirectly. These range from 77% in Nakuru to 39% in Bomet. On a per-capita basis, Human Development-promoting budget spending ranged from Ksh14,446 in Lamu to Ksh2,771 in Bomet, (see Chapter 6 below). The Kenya Public Finance and Management Act (2012) specifies that no more than 70% of the County budgets should be devoted to recurrent expenses (namely salaries, maintenance and operations) and this has been largely complied with. Whether the recurrent and development budgets have actually gone into Human Development-promoting expenditures, however, is hard to determine at this point and until specific tracking of expenditure is conducted. In the 15 counties for which salaries as part of total recurrent expenditure could be obtained, an average of 60% of the non-capital funds went to salaries but again there were gross variations from 42% in Kajiado to 77% in Embu. On average, 39% of all Human Development-focussed spending (i.e., agriculture, trade, education, public works, water and health) went to health. The report makes the case for generating more accurate county data assessing the impact of Human Development-related and other public spending. It calls for prioritizing the implementation of monitoring and evaluation of county-level Human Development-related public expenditure. This recommendation was also made by the Transition Authority in winding up its activities in early 2016.

Towards financing devolution, the Constitution gives County Governments' entitlement to at least 15 per cent of the ordinary revenues collected nationally as reflected in the latest audited national accounts, usually the financial year preceding the latest one. The legislation governing the allocation of revenue shares between national and county governments and across counties, and the expenditure process at all levels was completed two years after the promulgation of the Constitution. This legislation includes the Public Finance Management Act (2012); the County Government Act (2012); the Intergovernmental Relations Act (2012); the County Governments Public Finance Management Transition Act (2013); and the Urban Areas and Cities Act of 2011. Under the laws, county governments must subject public expenditure proposals to the participatory forum of the County Budget and Economic Forum prior to their submission for approval to the County Assembly. Expenditure proposals should follow the framework of the County Integrated Development Plan and its physical planning component. This report encountered wide variation in public participation in budget-making. County Integrated Development Plans played only a minor role in budgeting and deserve to be better linked to annual plans and budgets.

In addition, the revenue allocated to counties from the national treasury, count governments are entitled to locally-collected taxes and user-fees collected at county level after approval by the Office of the Controller for Budget. Own-raised resources have in fact been rising since 2013. County Governments collected Ksh 33.8 billion from local taxes and fees in fiscal year (FY) 2014/15, compared to Ksh19.1 billion in FY 2011/12. Most counties, however, have not met their projected levels of local revenue mobilization. In spending these funds, and despite the legislation, most Kenyans surveyed by this report claimed either to have had little influence on expenditure priorities to which such revenue is put. As past experience from Kenya's budgetary spending at the national level indicates, it is easier to exhaust recurrent expenditures, but difficult to spend development funds. An expenditure ratio out of budget allocation on the County Development Account was generally under 60%. This should be of great concern because, on average, counties allocated 36% of total budgetary spending to development projects over the period of this survey. Furthermore, some of the funds spent on the recurrent account, like "sitting allowances and international travel," appear questionable. A significant public survey finding on the efficiency of public spending by county leadership demonstrated greater approval in the lower-Human Development pastoralist regions than in the higher-Human Development agricultural counties. There was a general perception that under devolution, health services, and especially availability of service-providers, had improved but that was not always the case with access to medication. Overall, the extent to which county authorities have fulfilled the mandate of increasing Human Development-related spending appears mixed at this stage of Kenya's devolution process. The report found evidence of uneven and inadequate investment in health, early-child education, and better livelihoods, which must be addressed urgently

4 REPORT'S CONCLUSIONS AND POLICY RECOMMENDATIONS

4.1 Completing the Unfinished Business

There is a long agenda for action that is suggested by the KHDR 2017. The first set of that agenda is to complete the incomplete work on institutional reforms envisaged in the transition between the old and the new constitutions. This is best summarised by the legal and institutional reform priorities suggested in this report. Many of them were also suggested by the *End of Term Report* of the defunct Transition Authority. The priorities in this respect include:

- Finalizing the division of functions between the county and national governments in several fuzzy areas such as the allocation of duties;
- Appointment and promotion of health and agriculture staff;
- The delimitation of overlapping responsibilities between counties, and between county and national governments.

There is evidence of overlapping of duties on roads and highways as well as health, education, harbours and maritime activities that deserve to be streamlined. All these should be done side-by-side with the harmonization of public service ranking and salaries between newly-recruited staff at county level, employees previously in the national government now serving County administrations, and workers inherited from the 175 defunct municipalities and County Councils. A closely allied issue to the rationalization of functions and salaries is that of county-level pensions and what to do with the inherited local authority retirement funds. This is an urgent policy issue if Kenya is to resolve the discontent found in staff doing similar duties but receiving different salaries and benefits.

4.2 Entrenching Public Participation

Public participation is key aspect of Kenya's devolution policy and more should be done to make it systematic and capable of contributing to the policy process. Such effective participation is called for in policy making, budgetary resource expenditure, revenue mobilization, and identification of local development priorities. Public participation in devolved governance now requires a fresh examination and new strategies that will empower ordinary citizens in setting priorities at county and community levels. Participation is also uneven across gender. Women in particular are not as well represented as they should be at county executive levels. The situation, however, is better at legislative level, but not in county legislature committee level. Budget-making attracts more participation than strategic and physical planning. The last two in any case have not yet been fully institutionalized at county level. This area deserves close attention as devolution takes root.

4.3 Case for Closer Inter-County-Consultations

The report also recommends closer consultation between county governments themselves, where there are functional overlaps between counties. There are also emerging differences between counties. For instance, there are disagreements about boundaries of towns that straddle two or more counties. The urban areas include: Nyahururu, Moi's Bridge, Keroka, Matunda, Maseno and Sultan Hamud. Resolution of inter-county differences may require arbitration and new legislation. In that connection, the need for a new Urban Areas and Cities Act should be given top priority. Completing the inventory of assets and liabilities of the defunct local authorities is just as urgent.

4.4 Capacity and Resources for the IGRTC

There is an acute need to provide the *Inter-Governmental Relations Technical Committee* (IGRTC) with adequate capacity and resources to complete the unfinished work of the TA. Since the TA wound up in 2015, many of the proposed reforms in this report will be spearheaded by the Inter-Governmental Relations Technical Committee working in line with the policy directives provided by the Council of Governors (CoG) and the County Government Coordinating Summit. County governments down to ward level could also benefit from examining the emerging priorities highlighted in this report as they gain more experience and knowledge of the remarkable transition in governance that Kenya is going through.

4.5 Reliable Data and Statistics

At this early stage, reliable data and statistics that can be used in comparing the outcome in improved aspects of human development — like literacy and longevity — before and after devolution, is not readily available. It is even more difficult to assign the specific origin of any noted outcome to any of the two levels of government. Better data collection and dissemination is therefore a key recommendation of this report.

4.6 Conclusion: The Enormous Responsibility is on, "the People"

The greatest responsibility in accelerating progress towards the realization of the objectives for devolution as enshrined in the constitution rests on the Kenyan people themselves. The Constitution stipulates that power to rule at all levels of Government emanates from them. It should be their responsibility to hold all levels of Government accountable. This is one reason why continued civic education features prominently in this Human development report (HDR).

The report concurs with previous Kenyan and international development reports in assigning a highly critical role to good governance with public participation and accountability as a facilitator in raising the levels of human development. Devolution is viewed as an innovation towards better and more accountable governance. In this context, it is expected to enhance human development not just in Kenya, but elsewhere. The positive relationship between devolution and human development arises from the impact of good governance in creating an enabling environment for raising income and livelihoods, its impact on the economy, and its effect in empowering communities and people of both gender through participation and job creation. Devolution also has the effect of unleashing creativity and innovation and its overall benefits of improving capabilities at the devolved level including health, knowledge and skills and awareness. In addition, devolution has also been supported as a tool for bringing greater regional and ethnic economic equality compared to the past when the country had a strong centralized system.

5 HUMAN DEVELOPMENT INDICATORS APPLIED IN THE REPORT

The KNHDR has used a number of well-known Human Development Indices and it may be helpful explaining to readers how these indices are computed and used.

5.1 The Human Development Index

The first index is the Human Development Index (HDI). This is computed as a single composite index using a simple average of three components: longevity in life, educational attainment or level of knowledge, and a decent standard of living. For Kenya, the National HDI improved from 0.520 recorded in 2012 to 0.536 in 2015. This was primarily driven by improved education but also improvements in some areas of health, and incomes. In 2015, Counties' performance, however, reflect a wide disparity ranging from a HDI of 0.430 registered in Turkana County to 0.619 recorded in Nairobi. Some of the overall County HDI improvement reflects a higher standard of living resulting from the country's GDP growth rate, which rose from 5.3 per cent in 2013 and 5.6 per cent in 2015.

5.2 The Inequality Human Development Index

The second index used in evaluating progress in this study is the Inequality Human Development Index (IHDI), which is basically the HDI adjusted for inequality. The IHDI for Kenya in 2015 was 0.433, with Nairobi recording 0.534 at the highest end. The national IHDI reflects a declining trend, although Nairobi indicates lesser decline compared to the national average. Counties indicating wide inequality include: Kwale, Kilifi and Tana River, which is reflected in their IHDI relative to HDI. The latter findings resonate with Exploring Kenya's Inequality findings, which indicate that the three Counties of Tana River, Kwale and Kilifi have the highest income inequalities in Kenya with Gini coefficients of 0.617, 0.597 and 0.565, respectively.[6] The problem of intra-county inequalities encountered by the authors of this report suggests that greater attention must be paid to more equality within counties, a fact also emphasized by the KNBS/SID report (2013).

5.3 The Gender Inequality Index

The third index computed in 2015 is the Gender Inequality Index (GII), a composite index that averages three variables, namely, empowerment of women, reproductive health and labour force participation. The health dimension uses two indicators, maternal mortality ratio and the adolescent fertility rate. The empowerment dimension in 2012 used two indicators: parliamentary seats held by each sex and secondary and higher education attainment levels by sex. This changed in 2015 when disaggregation of magistrates' data by sex from the Judiciary was also included in the computation of the empowerment index. The labour dimension of the GII uses one indicator, namely women's participation in the labour force. According to this report, GII for Kenya has been improving but rather slowly. In 2015, the Kenyan GII average was 0.623 compared to 0.622 estimated in 2012. This is the case despite higher level of empowerment of women due to a mandatory higher number in parliament and requirement of appointments in top management positions in the public service following the promulgation of the Constitution in 2010. As a rule, the Constitution has limits of 66% representation of either gender in appointments and/or elective positions in the public sector. The inclusion of magistrates' disaggregated

6 KNBS and SID, *Exploring Kenya's Inequality* (Nairobi, KNBS and SID, 2013)

data in 2015 further improved the computation of this index. A review of counties' performance indicates wider disparities with Marsabit (0.729), Lamu (0.724), and Wajir (0.734) showing poorer performance in gender equality, on one hand, and Nyeri (0.502), Baringo (0.524) and Kiambu (0.524) on the other indicating better performance. Thus, although Kenya's overall gender equality in governance may be improving, there are serious differences between and within counties.

5.4 The Multi-dimensional Poverty Index

The fourth index computed is the Multi-dimensional Poverty Index (MPI), a composite measure designed to show the incidence of multidimensional deprivations and their intensity. The MPI levels in 2015 were analysed using health, education and standard of living. The lower a country's MPI, the better the living standards of its people. Kenya's MPI was 0.179 in 2015, which shows an improvement from 0.229 in 2012. This improvement is in line with changes in poverty levels as indicated by recent available data.

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