The first year of Kenya's devolution process was characterised by intense bargaining between organs of the county and the national governments. The most significant outcome of this process was acceleration of the transfer of functional responsibilities to counties, and growing calls for counties to be given more resources.

In the 2014/15 budget the allocation to counties is KES. 226.7 billion which constitutes 12.8% of the budget and 33% of the last (2011/12) audited revenues.

Devolution: Are we making progress?

Kenya's first county assemblies, governors and senators were elected on March 4 2013. In the fifteen months that have followed, most county governments have appointed executive committees, passed their first budgets and adopted their first Integrated Development Plans, and have begun recruiting their own staff. The first full year revenue sharing process was completed and the second post-election budget cycle under the government has just been concluded.

The first year of Kenya's devolution process was characterised by intense bargaining between organs of the county and the national governments. The most significant outcome of this process was acceleration of the transfer of functional responsibilities to counties and growing calls for counties to be given more resources.

The significance of the administrative changes brought about by devolution should not be underestimated. There are major institutional capacity challenges; counties are requesting assistance in the areas of planning, budgeting, human resources (HR), revenue enhancement and citizen outreach. Addressing these challenges will assist the counties to achieve the 80% absorption target set for the capital budget and to improve implementation.

1. Funding Devolution

Despite the fact that the funding criteria for devolution are clearly stipulated in the constitution, the debate about whether or not the funding is sufficient is still ongoing.

Key points to note:

- In the 2014/15 budget the allocation to counties is KES 226.7 billion which constitutes 12.8% of the budget and 33% of the last (2011/12) audited revenues. The currently allocated budget is in our view not enough and too late for the devolved function. The costing of the devolved functions and the basis for the division of revenues needs to be reviewed.

- Most of the counties have struggled in their efforts to raise internally generated revenues. Most counties still depend heavily on allocations from the National Government. Is this sustainable? Shouldn't counties be focusing on internal revenue enhancement strategies that do not necessarily lead to overtaxing of their citizens? Overtaxing of citizens is becoming a risk to the sustainability of county governments;

- There is a need for the standardisation and synchronisation of the county prioritisation process and needs. We have seen diverse strategies and application for funds in counties with similar demographics and profiles;

- The debate as to who is ultimately responsible for the utilisation of county funds rages on, a year later. Accountability and transparency must follow funding!

- Counties are now expected to spend at least 80% of the development budget while curbing waste and ensuring value for money.

2. Emerging challenges hampering devolution

Managing expectations has been a big challenge because devolution is no silver bullet. It has taken time to balance resource allocations, let alone improve equity of access to services. Many citizens believed that devolution would bring about dramatic change overnight such as upgraded infrastructure, more jobs and opportunities and better services. The reality has been very different, however. Key challenges in implementing devolution have included the following:

- Confusion with regard to the interpretation of various pieces of legislation in dealing with devolution. This has slowed down implementation and created mistrust between the various levels of government and institutions;

- The lack of capacity and ability of county governments to absorb the allocated funds in terms of the development agenda;

- An inadequate capacity and human resources skill mix to deliver the required quality of services to citizens;

- Bureaucratic processes arising from existing legislation in public procurement and financial management laws and regulations.

3. Are we reaping the benefits of devolution yet?

Citizens expected quicker benefits but there has some marginal improvement in delivery of services to Kenyans:

- **Increased public participation process** in the budget preparation and governance process;

- **Devolved development across the country:** Economically, enterprises and employment tended to concentrate in Nairobi and led to migration from rural to urban areas. There has been gradual change with opportunities for business and enterprise now emerging in the counties and attracting business people, workers and professionals back to their counties.

- **Improved absorption capacity:** The level of bureaucracy that was characteristic of the centralised system has reduced (though not to desired levels) and should result in better absorption and consequently more implementation of budgeted activities.

- **Improved local resource mobilisation:** there is better targeting and mobilization of local revenues but counties must guard against over-taxation.

4. Devolution ... the way forward

The challenges ailing devolution cannot be resolved overnight. However, a number of actions can be implemented to move the devolution agenda forward:

- **Division of revenue:** There is a need to review and rethink the criteria for division of revenue between the national government and county governments;

- **Budget process:** There is a need to review the budget process with a view of coming up with more realistic timelines to enable counties to plan and implement better.

- **Legislation:** There is a need to strengthen the legislative framework at both the county and national levels.

- **Capacity building:** There is a need to invest in capacity building programmes at the county level to improve efficiency and value for money.

- **Revenue Mobilization:** Counties should have a balanced approach between revenue enhancement and economic growth through the creation of conducive business environments.