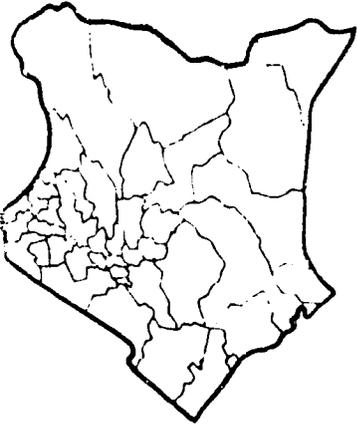
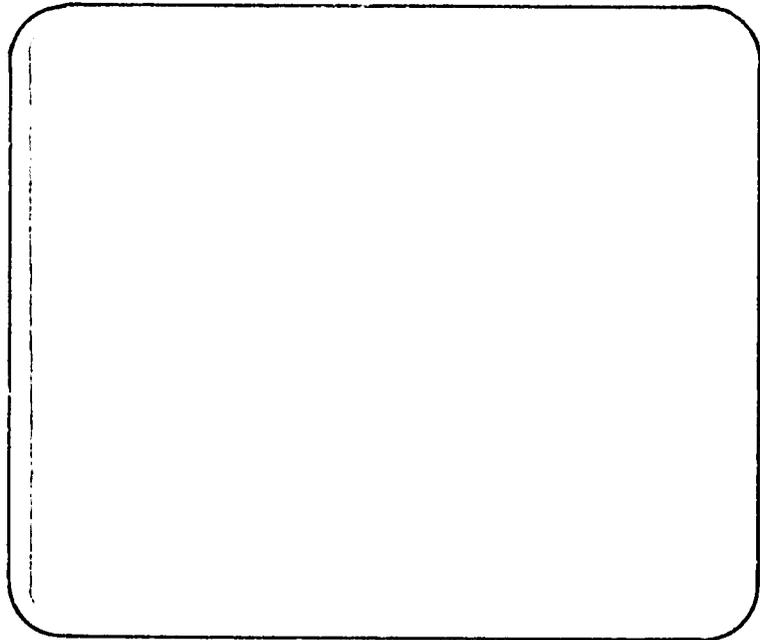


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RESOURCE MANAGEMENT FOR RURAL DEVELOPMENT PROJECT



SUCCESSFUL LOCAL GOVERNMENT IN
KENYA: LESSONS FROM KARATINA
TOWN COUNCIL AND MURANG'A COUNTY
COUNCIL

Paul J. Smoke

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Local government finance in Kenya and the rest of Africa is an underexplored topic, and there is not much widely available literature that deals with the issues involved. A potentially useful method of understanding how to design productive local government fiscal and managerial reforms is to examine cases of local authorities that function effectively in particular developing countries. This paper considers the case of two local authorities in Kenya which are widely regarded to be successful. The fiscal role of local authorities in Kenya is briefly described and some of the problems that hinder their effective operation are concisely outlined.¹ This is followed by an examination of Karatina Town Council and Murang'a County Council, two local authorities that have been relatively effective in spite of the various obstacles to productive performance generally faced by local governments in Kenya.²

The System of Local Government in Kenya

The legal basis of the local authority system is set forth in the Local Government Act, Chapter 265 of the Laws of Kenya.³ This act details the political and administrative organization of local government, sets forth the

¹The role of local authorities is described and their performance is evaluated in greater depth in RMRD Discussion Paper No. 10 (1989).

²Officials of Karatina Town Council and Murang'a County Council provided much assistance for this paper to the author and Dr. Dele Olowu, who made field visits to both sites to collect information.

³The current Local Government Act dates back to 1963, but has been amended many times over the years, including several times (1982, 1984, 1986, 1988) during the past decade. None of these amendments have made major changes to the legislation.

allowable functions, powers and responsibilities of different types of local authorities, and firmly establishes strict control of local authorities by the Minister for Local Government. Most local authority functions set forth in the Local Government Act are permissive, i.e., the local authorities may undertake the provision of these services if they wish, subject to the approval of the Minister for Local Government. There are, however, no specific guidelines in the legislation for deciding under what conditions local authorities should be allowed to provide particular services.

Several Acts of Parliament, including the Local Government Act, the Rating Act, the Valuation for Rating Act and the Regional Assembly Act, technically give local authorities in Kenya the right to raise income from a wide variety of sources. No source of revenue, however, is reserved exclusively for any particular type of local authority, and no source is automatically available. As is the case with expenditures, these acts give the Minister for Local Government virtually exclusive control over the types of revenues that a particular local authority may raise and the rates it may charge.

Local government in Kenya is far from being a homogeneous entity. The Local Government Act authorizes four kinds of local authorities which serve different types of populations and provide different services. Municipal councils are established in large urbanized areas and have substantial service provision responsibility. They provide many basic urban services, including roads, sanitation, water, sewerage, housing, and social services. The largest and oldest of these councils are also required to provide primary education and health care, with the help of government grants for teachers' salaries. Town councils are generally in smaller urban areas and do not have as much service responsibility. None are responsible for health and education, and few have

water or sewerage schemes. Both municipal and town councils tend to provide some local revenue-generating services, such as markets, busparks, and slaughterhouses.

County councils are in almost every case geographically identical with districts, the administrative subdivisions of the central government. The service area of a county council is all of the land area of its district not under the jurisdiction of a municipal or town council. County councils have had substantially fewer service responsibilities since health, education, and maintenance of most roads were transferred to the central government in 1970. They do provide social services, maintain some secondary roads, construct and operate market and slaughter facilities, and generally share in the provision of veterinary services.

The final type of local authority in Kenya is the urban council. These are located in emerging urban centers being prepared for transition to town, and ultimately municipal, councils. They often provide marketing and other basic facilities but do not have full fiscal independence. They are under the jurisdiction of the county council in which they are located. The county council helps the urban councils to develop self-sufficiency, and the urban councils provide one means for the county council to work closely with the residents of specific areas under their overall jurisdiction.

The relative importance of local governments in public spending has decreased significantly since Kenya's early years of independence. During the 1960s, local governments accounted for almost one-fifth of all public-sector spending in Kenya. After the transfer of certain local authority revenues and service functions to the central government in 1970, the importance of most local authorities declined suddenly and dramatically. For example, aggregate county

council expenditures fell by 85 percent from 1969 to 1970.⁴ Local authorities in Kenya, particularly those in rural areas, have never regained their former importance, although they are still more important than local governments in many other African nations.

In fiscal year 1985/86, local government accounted for only 5.5 percent of total public-sector recurrent revenues and 5.0 percent of total government recurrent expenditures, with about 80 percent of this being provided by the 20 municipal councils.⁵ If only expenditures on goods and services are considered, local authorities accounted for 8.5 percent of the total, the bulk of which was again provided by municipal councils. The role of local government in capital expenditures is more significant. Local authorities accounted for 15.9 percent of total public sector gross fixed capital formation in 1985, with municipal councils alone accounting for 11.9 percent; however, it is important to note that the bulk of local authority capital financing comes from the central government's Local Government Loans Authority and the parastatal National Housing Corporation.

Although the local government sector does not have a very large fiscal role in Kenya relative to the central government, municipal councils provide most of the major public services within their jurisdictions, and other types of local authorities provide services that are extremely significant to their constituents and directly affect economic productivity. Thus, the issue of the effectiveness of local authorities is of considerable importance to the success of Kenya's economy.

⁴Oyugi (1983), p. 134.

⁵Economic Survey, 1987.

Local Government Fiscal Problems⁶

The basic pattern of services provided by the central government and local authorities in Kenya is generally rational on economic grounds. Services for which externalities or economies of scale are important are usually provided centrally or subsidized, and services that are more clearly local in nature tend to be provided by local authorities. There are a few services for which responsibility is not clearly or rationally assigned or self-assigned, but the basic division of responsibilities is reasonable. Local governments in Kenya also have legal rights to a wide variety of revenue sources, subject to the approval of the Minister for Local Government. In reality, however, there are problems with both service delivery and revenue generation.

The most significant problem facing a majority of local authorities is a lack of effective access to sufficiently productive, reliable, and collectible financial resources. Many sources of local authority revenue are relatively static, subject to extreme fluctuations in response to changes in the local economy, or subject to arbitrary control by the central government. In many areas, local taxes are inequitable and inefficient, although a variety of offsetting factors probably prevent serious spatial efficiency effects from occurring.

The correspondence between expenditures and revenue sources is, in general, fairly reasonable for municipal councils, but often inadequate for councils in rural areas. Across all types of councils, there are unsatisfactory guidelines and procedures for setting tax rates and user fees. The lack of a rational basis for determining rates and charges often means that they are set at a level

⁶For a more detailed discussion and evaluation of the local government system in Kenya, see Smoke (July 1987) and RMRD Discussion Paper No. 10 (1989).

inadequate to cover the costs of service provision. There is also a lack of central government grant programs for local authorities even though they are clearly needed in some areas.

Major intergovernmental and institutional factors have the most dramatic impact on the ability of local authorities to perform their fiscal functions. Restrictive, cumbersome, and inefficient policies and control procedures in the Ministry of Local Government can cause or further complicate local authority problems. The inconsistent and arbitrary assignment of revenue authority to local authorities has historically been a particularly important problem, creating enormous artificial fiscal disparities and differences in spending levels across local authorities.⁷ Less serious, but significant, are the poorly defined and inconsistently implemented relationships that exist between local authorities and certain central government institutions, including the District Development Committees and some government ministries.

Local institutional deficiencies are significant in most Kenyan local authorities. Poor financial management, lack of employee incentives, and inadequate training exacerbate many local authority revenue and expenditure difficulties. Probably the most serious local institutional constraint is the deficient revenue collection system that exists in a majority of local authorities. Dishonesty, lack of collection and enforcement staff, poor payment compliance by central government agencies and parastatals, inadequate legal enforcement authority, and political pressure by elected councillors not to raise taxes and enforce tax collection are all significant problems in many areas. Some of these are beyond the control of local authority administrative officers, while others exist due to local negligence.

⁷See Smoke (June 1987) and Smoke (July 1987).

The result of these problems and constraints is that a majority of local authorities in Kenya are struggling to make ends meet, and some have been for many years. Many consistently run deficits, and a significant number are heavily in debt to the government's Local Government Loans Authority, which they are unable to repay. Access to capital is insufficient, investment in infrastructure is generally inadequate and maintenance is poor, and many services are of low quality and are not provided at sufficient levels.⁸

The various types of local authorities suffer in different ways. Older, more established municipal councils are plagued by an inability to provide major services adequately and to maintain or replace deteriorating infrastructure. Newer municipal and town councils are often faced with the problem of finding a way to provide basic infrastructure without the massive infusion of central government grant aid that helped to build the infrastructure in the older urban areas. County councils are in a particularly precarious position: many of them, especially in the more rural areas, are able to provide few tangible services, have few reliable sources of revenue, and maintain unnecessarily large employee rolls.

Government Efforts at Reforms⁹

The Government of Kenya has long been aware of many of the problems outlined above and is making efforts towards relieving them. Possibilities for local government reform are currently being examined as part of a broader program of decentralization and privatization through the District Focus for Rural

⁸Details are provided in Chapter 4 of the Government of Kenya's Sessional Paper No. 1 of 1986, "Economic Management for Renewed Growth."

⁹See RMRD Discussion Paper No. 10 (1989) for more details.

Development Strategy¹⁰ and the government's structural adjustment efforts. The Government's rural-urban balance strategy provides a blueprint for simultaneously stimulating the growth of urban centers and their agricultural hinterlands in a way that is consistent with macroeconomic goals and policies. Given the rapid growth of population and public service demands at a time when Government is working to restrain the growth of central public expenditures, the importance of local authorities as public service providers is expected to increase in the coming years.

Recent policy documents have outlined the role of local authorities in stimulating economic development by providing vital services that support private sector activity and economic growth. Sessional Paper No. 1 of 1986 has stated that the foundation for the rural-urban balance strategy "must be dynamic and competent District Development Committees and local government authorities." More recently, the Sixth National Development Plan for 1989-93, which was released in March 1989, has outlined the government's intentions to strengthen local authorities. The government has also demonstrated its faith in the institution of local government by creating more than 20 new urban councils during the past two years and upgrading a number of others to town or municipal council status.

Among the developing countries in Africa seeking to reform local government, Kenya possesses many of the features that would be expected to support successful local government. First, Kenya has displayed remarkable political stability on a continent where coups and revolutions are regular events. Second, the Kenyan

¹⁰Launched by President Moi in 1983, the District Focus for Rural Development is supposed to decentralize the government decision-making process and strengthen district capacity to design and implement development projects. See the District Focus for Rural Development handbook (1987) and Cohen and Hook (1986) for more information.

economy has had its ups and downs in response to droughts and shifts in the world prices of oil and agricultural commodities, but it has experienced positive annual growth during the entire period since attaining independence in 1963. Third, in contrast to many developing countries, Kenya does have a history of semi-autonomous local government, which played a very prominent role in public service provision during the colonial era and the first decade of independence. By and large, there is a viable institutional and legal structure in place, which could, with certain reforms, permit local government to have an important role to play in the development process. Even in their current state, local governments in Kenya play a more significant role than many of their African counterparts. Finally, as noted above, there is widespread official recognition by the Kenyan government that local authorities should be strengthened in order that they could fulfill their unique and important responsibilities more effectively.

The Government of Kenya has already taken a number of steps to improve local authority performance. During the past year or so, it has standardized the rate and base of agricultural cess across all rural local authorities; instituted an urban services charge to ensure that greater cost sharing in service provision takes place in cities and towns; begun to develop guidelines for setting charges and other revenue rates; supported a project designed to simplify and standardize local authority accounting procedures; and, initiated attempts to improve training and technical assistance through Kenyan institutions and donor aid.

In spite of a seemingly conducive climate for local authority reform and the efforts already underway, the process of designing and implementing a comprehensive and effective reform package will undoubtedly be a long and difficult one. There is some resistance to strengthening local authorities, which are often portrayed in the media as inefficient and corrupt, and more

research needs to be done in order to design an acceptable and productive package of reforms. Part of the process for determining which types of reforms are most appropriate is to examine cases of local governments that have been successful in Kenya in spite of the various obstacles they have faced. The remainder of this paper considers two such cases. Karatina Town Council is examined as a case of effective urban local government, while Murang'a County Council is examined as a case of successful rural local government.

Case Study of Karatina Town Council

In a country where local authorities are plagued by numerous problems and are under frequent attack from national politicians and the central government, Karatina Town Council stands out as one of the few local authorities generally considered to be doing a highly effective job. This brief case study presents some background on the local economy of the area in which Karatina is located, details some data that illustrate the town council's superior performance, and outlines some of the principal factors that seem to explain the council's success.

Background: Profile of the District and Town

Karatina is a small, thriving town located in Nyeri District, Central Province, about 100 kilometres north of the capital city of Nairobi. The district is bordered by Mt. Kenya to the east and the Aberdare mountain range to the west. The volcanic soils and generally abundant rainfall provide highly productive agricultural land, and more than 85 percent of the district's nearly 700,000 people earn their living by farming. Coffee is the major cash crop, but tea and a variety of basic food crops, such as maize and beans, are also widely

grown. Horticultural crops, such as tomatoes and onions, are becoming more popular. In addition, livestock production is very important, with zero-grazing becoming increasingly common¹¹. Most agricultural production in the area occurs on smallholdings.

Nyeri District has four local authorities within its boundaries. Nyeri Municipal Council is a major urban centre and district headquarters located about 20 kilometres northwest of Karatina Town. Karatina Town Council is the only other independent urban-based local authority in the district. Nyeri County Council has service responsibility for all areas of the district not under the jurisdiction of Nyeri Municipal or Karatina Town Council. Finally, Othaya Urban Council is under the jurisdiction of the county council.

Karatina Town itself is very small, covering an area of only 407 acres. The population in the last national census (1979) was 3,138 people. Today, it is estimated to have a population of around 10,000, with perhaps as many as an additional 20,000 living in unplanned settlements bordering on the town boundaries. Karatina is governed by a town council of six councillors elected from six wards within the town boundaries and two councillors appointed by the Minister for Local Government, one of whom is the District Officer (DO), the senior divisional officer of the District Administration.

Karatina Town is located at the crossroads of several major highways and on a Kenya Railways line, making it a critical link point for transporting produce and travellers to many parts of Kenya. It has been a popular trading area since at least the end of the nineteenth century, before a town was even established on the site. The town is served by generally good infrastructure, including water

¹¹Zero grazing involves the cultivation of high quality grasses on contained parcels of land to support the grazing of improved breeds of livestock.

and sewerage, a sub-district hospital, four secondary schools, two large primary schools, and several nursery schools. Also in place are a large market that attracts an estimated 20,000 customers per week, a buspark, good telephone and electrical services, a town stadium, street lighting, and a modern slaughterhouse. Plans have been drawn to construct additional primary and secondary schools, a fire station, a library, and a social hall. The council would also like to expand and improve its water supply, sewerage system, and housing estates.

Although Karatina Town's economic success is largely attributable to its role as a major wholesale and retail agricultural market, there are several industries which are important for the local economy. It is the home of the East African Industries (EAI) Mt. Kenya Regional Trade Service Centre, and the Government, through the Kenya Industrial Estates, has put up industrial sheds designed to promote small-scale industrial development. Also located in Karatina are several bakeries, several medium-to-large saw-milling industries, a salt manufacturing plant, an animal feeds factory, a tyre retreading firm, a printing press, and a roofing tiles manufacturer. There is a thriving commercial area in the town centre with over 500 active business premises.

Karatina's main development problem is its lack of land. About one-third of its current acreage is owned by Kenya Railways, which has not paid its land rates for many years, and much of the rest of the land is developed or being developed. Recent attempts to expand the boundaries of the town council have ended in frustration. The town borders on highly productive agricultural land, the owners of which require a prohibitively high price to induce them to sell; furthermore, the county council is opposed to the town council taking over part of the land under their jurisdiction. Without more land for development, the town will at

some point be unable to participate directly in industrial and residential expansion. This is an issue that local leaders are continuing to try to deal with.

In spite of the land constraint, however, Karatina has clearly been a major Kenyan success story. It has what is often reputed to be the largest open-air market in East Africa, and the thriving nature of the local economy is evident even to a traveller briefly passing through the town. Land prices have more than doubled over the past three years, new construction and development are proceeding at a rapid rate, and local banks have recently reported annual increases of around 10 percent in their loan portfolios¹². Karatina already has a branch office of every major commercial bank in the country, and other financial institutions have built or are planning to build offices here.

Karatina is widely cited as one of the most effectively functioning local authorities in Kenya, and it is often visited by donor representatives and officials from other Kenyan local authorities as a showcase of good local government. The council is in good financial shape, and in recent years has completed or begun a new market, a new bus park, tarmac roads throughout the town, and expanded water and sewerage systems. A number of other Kenyan local authorities are basing their own infrastructure development programmes on the experiences of Karatina. The following sections document the achievements of the Karatina Town Council and examine some of the more important factors underlying its success.

Karatina Town Council Performance

Tables 1 and 2 respectively present recent historical data on Karatina Town

¹²More details are provided in the MATRIX report to USAID (1988).

TABLE 1:
 KARATINA TOWN COUNCIL REVENUES, 1979-87
 (thousands of Kenya pounds*)

REVENUE	1979	1981	1983	1984	1986	1987
Land Rates	29.1	23.2	27.7	42.1	42.4	50.1
Poll Rates	2.8	2.9	5.5	4.1	3.6	4.7
Licenses	10.8	17.5	19.7	27.6	28.9	38.2
Works, Sewerage Sanitation	6.2	8	8.5	9.6	12.4	16.2
Housing**	8	3.7	12.6	14.5	10.2	13.7
Markets	21	27.8	30.5	36.9	44.5	66.1
Slaughterhouse	6.3	10	9.5	10.6	15.4	22.7
Bus Park	3.3	7.6	7.6	8.4	7.5	11.3
Community Services	0.4	0.7	1.3	1.3	2.7	4.1
TOTAL REVENUE	87.9	101.4	133.8	171.4	215.4	246.1

*One Kenya pound is equal to 20 Kenya shillings. As of December 1989, there were 21.8 Kenya shillings to the U.S. dollar, so that one Kenya pound was worth just under a dollar.

**Housing accounts are kept separately from the general accounts, but the two have been aggregated for purposes of this analysis.

TABLE 2:
KARATINA TOWN COUNCIL EXPENDITURES, 1979-87
(thousands of Kenya pounds*)

EXPENDITURES

	1979	1981	1983	1984	1986	1987
Councillors' Allowances	2.3	9.2	7.2	9.3	6.8	6.8
Clerk/Treasurer Departments	32.4	45.8	43.3	55.5	64.5	76.4
Works, Sewerage, Sanitation	33.9	34.7	51.5	54.8	63.8	55.1
Housing**	5.2	0.1	5.1	8.3	7.7	7.9
Markets	4.7	6.2	10.6	11.6	12.2	13.8
Slaughterhouse	7.4	8.5	10.4	13.5	12.6	13.3
Bus Park	8	0.5	0.7	1.4	0.7	1.6
Community Services	3.5	2.5	2.9	4.9	5.7	6.1
TOTAL EXPENDITURE	100.8	111.4	133.6	159.3	173.9	180.7
SURPLUS/(DEFICIT)	(12.9)	(10.0)	0.3	12.1	41.6	65.2

*One Kenya pound is equal to 20 Kenya shillings. As of December 1989, there were 21.8 Kenya shillings to the U.S. dollar, so that one Kenya pound was worth just under a dollar.

**Housing accounts are kept separately from the general accounts, but the two have been aggregated for purposes of this analysis.

Council revenues and expenditures. Karatina has only during the past five or six years become relatively consistent in terms of good financial performance. Prior to 1983, with a few exceptions, the council tended to run deficits. Although Karatina has long been a booming market place, town officials experienced significant problems with revenue collection. Management practices were not very effective, and the town had not been keeping adequate records.

During a several year period beginning in the early 1980s, a new group of senior officers, including the town clerk, the treasurer, and the chief accountant, were appointed to the Karatina Town Council. At around the same time, the Ministry of Local Government began to provide training and technical assistance to selected local authorities, and the World Bank, the British Overseas Development Administration and the United States Agency for International Development began to intensify their urban development efforts. Karatina was among the original urban centres invited to submit a proposal to acquire development loans under the ongoing USAID Small Towns Development Programme being administered by the Ministry of Local Government/Local Government Loans Authority and the National Housing Corporation. They were the first town in the country to submit a capital development plan and the first to receive capital funds under the programme¹³.

During much of the eighties, there has generally been a significant growth of public revenues and expenditures in Karatina. Expenditures on major services, especially works, sewerage, sanitation, housing, and community services have expanded at a substantial rate, although efforts to cut costs and control expenditures during the past two years have resulted in expenditure reductions

¹³All local authorities in Kenya are now required to file a capital development plan, known as a Local Authority Development Programme (LADP) with the Planning Department of the Ministry of Local Government and Physical Planning.

for some services. Revenues from business licenses, housing, markets, slaughterhouse, and works, sewerage and sanitation charges have, with few exceptions, been rising steadily, due both to increasing economic activity and better revenue collection. Between 1986 and 1987, the two most recent years for which data are available, total revenues jumped by 14.3 percent, from 215.4 thousand pounds to 246.1 thousand pounds. As revenues have been rising more rapidly than expenditures, the council has been running surpluses since fiscal year 1983, with particularly significant surplus growth occurring during the past few years. As of 30th June 1988, the council held significant surplus balances on its general, renewals, and housing funds.

Infrastructure development has proceeded rapidly in Karatina since the early 1980s. There has been an ongoing sewerage development project, and the council is now planning to refurbish and expand its water supply. Under the USAID Small Towns Development Programme, a spacious open air/covered market complex and an expanded and improved bus park have been constructed, and the tarmacking of all major town roads is currently being completed. The council has acquired a hotel and a number of shops which earn rental income for the council, and improvements to other services have also been proceeding.

Karatina's new revenue-generating projects have been particularly prominent in increasing revenue yields. Tables 3 and 4 respectively show the tremendous growth of revenue collected from the new market and the bus park. Revenue from gate charges at the market has steadily increased over the years from 339,437 Kenyan shillings (Ksh.) in 1979 to a projected yield of Ksh. 2,372,360 in 1988. Although there was a period of decline in 1985-86 during the construction of the new bus park, this facility has generated a healthy surplus since 1980, with very substantial increases in revenue occurring in 1987-88.

TABLE 3:
GATE CHARGE REVENUE FROM KARATINA TOWN COUNCIL MARKET
(thousands of Kenya shillings)

Year	Kenya Shillings	Percent of Total Revenue
1979	339.4	23.9
1980	463.1	24.1
1981	537.3	27.4
1982	570.6	26.5
1983	655.4	22.7
1984	738.7	25.6
*1985	351.1	28.2
1986	890.1	31.2
1987	1,319.4	26.5
**1988	2,372.4	30.5

TABLE 4:
KARATINA TOWN COUNCIL BUS PARK REVENUES AND EXPENSES
(thousands of Kenya shillings)

Year	Revenue	Expenses	Surplus
1979	66	160	(94)
1980	92	8	84
1981	152	10	142
1982	136	18	118
1983	180	17	163
1984	107	20	87
*1985	31	21	10
1986	149	15	134
1987	226	31	195
**1988	870	566	304

*Prior to 1985, local authorities operated on a calendar year basis. The first six months of 1985 were treated as a separate financial year in order to bring local authorities in line with central government's July 1 to June 30 financial year. As of July 1, 1985, all local authorities use the new financial year, so that financial year 1986 runs from July 1, 1985 to June 30, 1986.

**The data for 1988 are estimates calculated by the Karatina Town Council.

Karatina has a mixed but improving record on debt repayment. One problem in the council's recordkeeping system is that they have failed to keep an adequate loan register over the years. This, coupled with the poor records kept by the Local Government Loans Authority, means that it is not possible to get a reliable figure on total indebtedness.¹⁴ It is clear, however, that the council has outstanding principals and interest accrued on loans of at least 8-10 million shillings, not including the new USAID projects. The council has regularly serviced their National Housing Corporation loans for housing schemes, but over the years, they have fallen seriously behind in payments on their Local Government Loans Authority Loans for the Town Hall, earlier roads improvements, and the sewerage scheme. In 1986, the council was required to reschedule its LGLA debts, but they have not been able to keep up fully with the payments agreed upon under the rescheduling agreement. This situation is expected to improve when water supply and sewerage improvements are completed, and better enforcement in revenue collection generates a surplus from these services and improved yields from other sources of revenue.

The new market, bus park, and tarmac roads have been financed by loans totalling about Ksh. 30 million from the LGLA through the USAID Small Towns Development Programme. No payments have yet been made on these loans because the council is still in a grace period, but various internal and independent feasibility studies indicate that, although a more modestly designed facility would have generated a greater surplus, the council will be able easily to meet its payments on the market loan and still generate a healthy surplus from market fees. It is less clear that the bus park will be as successful. Consultants

¹⁴An independent consulting firm has been engaged to update and audit the Local Government Loans Authority's accounts.

have argued that the bus park fees are too low and revenue collection enforcement is still inadequate. If it indeed proves to be necessary, the council will be likely to institute higher charges. As the roads project does not generate revenue, loan repayments will have to be subsidized out of the general fund and surpluses from other services. Some independent consultants question whether this can be done, but the council's own studies show that by regularly revaluing land, raising land rates and licensing fees, and applying portions of surpluses from the market and other facilities, they will be able to meet the repayment schedule. During the past few years, the council has built up reserves of more than Ksh. 4 million. In addition, the newly instituted urban services charge is expected, based on actual collections in its first three months, to raise an additional Ksh. 1.6 billion per year. This new revenue alone can cover the Ksh. 1.5 million annual payment on the new roads.

This section has highlighted Karatina Town Council's successes. The council clearly is still plagued by many problems that require the attention of the council itself or the Ministry of Local Government. Nevertheless, compared to local authorities in many other urban areas in Kenya, Karatina has done an excellent job of providing services in a financially responsible and efficient manner.

Reasons for Karatina's Success

Although it is difficult to state with certainty the reasons why Karatina Town Council has been so successful in a country where local government is generally beset by performance problems, there are a number of factors which seem to play a role. Many of these factors are highly interrelated, and it is difficult to list them in order of the importance of their contribution. Some

of the key issues and factors include the following:

1. Location: Karatina's location in a high-density, fertile agricultural area on a Kenya Railways line and near the intersection of several major highways is surely an important reason for its success. These locational factors give the town many important advantages over many other urban centres in Kenya. The town has a reputation for being a regional market centre, and it is estimated that more than 75 percent of the market customers are nonresidents. Location, however, cannot be seen as the only major determinant, as some other Kenyan towns with similar locational advantages have not enjoyed Karatina's success.

2. Good Management: Karatina Town Council has a well-qualified management team with significant training and practical experience. Although the council is short of accounting staff and there are some delays in producing the accounts required by the Ministry of Local Government, a reasonably good and improving set of internal records and accounts are kept, and they are well-utilised as management tools. Part of the town council management's success is a result of individual personalities, but the overall management style--nature and quality of records kept, willingness to consult with constituents and groups relevant for a particular decision, innovative approaches to difficult problems, etc.--is superior to that employed by many other local authorities in Kenya. In addition, there has been significant continuity in managerial positions. The Town Clerk, the Town Treasurer, and the Town Accountant have all been in Karatina for at least 8-10 years. In many other Kenyan local authorities, frequent turnover of the principal senior officers is a major problem.

3. Town Size: Although the small size of Karatina Town Council's jurisdiction will become a problem for future expansion, it has also been advantageous in certain respects. The close proximity of numerous highly active business enterprises may promote frequent interaction among commercial activities. It also generates the impression of a thriving atmosphere which is attractive to potential entrepreneurs and investors, creating a process in which dynamic economic activity stimulates further investment and economic growth.

The small size of Karatina Town makes management of public facilities by the town council somewhat easier. It is not normally difficult to enforce collection of business licenses and land rates on developed land because everything is so concentrated geographically. Furthermore, illegal activities that deprive the council of revenue are difficult to hide, and unapproved development activities cannot take place without local officials being aware of them.

4. Interventions by Government and Donors: Karatina town officials have benefitted from a variety of Government programmes, including financial management training and technical assistance from the Ministry of Local Government for project planning and implementation activities. As noted above, Karatina has also been a major beneficiary of funds under the USAID Small Towns Programme. The new market and buspark funded under this programme in Karatina have both generated substantial revenue and seem to have stimulated business in the town. Karatina is the only town under the USAID programme that has been able to use programme funds to tarmac the major roads under its jurisdiction. This roads project has been approved because of the

continually improving financial situation and good management of the town council.

5. Increasing Land Values: Many of the factors listed above, including location, good management, and the funding of new infrastructure facilities by the Government and donors have contributed to a highly dynamic growth of the local economy. The substantial increases in land values resulting from this growth have led to significant increases in property values and higher land rate revenues for the council. These revenues were a significant factor in the approval of the town's road tarmacking project. They can also be used to continue to improve the level and quality of other council services, thereby stimulating further the already attractive investment climate.

6. Local Participation: The Karatina Town Council has made important efforts towards involving local people in the planning of council services. The councillors are very accessible to the local people, and specific projects are not planned without some direct consultations with intended beneficiaries. For example, representatives of market hawkers were involved in planning the location and the design of the new market, and two changes in the design of the concrete stalls were made as a result. Market hawkers also had a say in how the stalls in the new market were allocated. In some cases where new markets are built, stalls are allocated to councillors and powerful local leaders, who may then sublet them at higher rents. In Karatina, however, the regular hawkers in the old open market who had licenses with the council for many years were

given strong preference in the stall allocation process.

Another example of local participation occurred when the council was determining whether to charge public transport operators a per-entry or monthly fee to the new buspark, the operators were consulted. From the council's point of view, a per-entry fee cost more in terms of on-site personnel and was more open to corruption. From the point of view of the Matatu Vehicle Owners Association, a monthly fee represented a large sum of money, and they preferred a per-entry charge. In the end, the council was able to convince the operators that the monthly fee was no more than the sum of daily per-entry fees, and some acceptable payment arrangements were worked out.

These cases of interaction with the beneficiaries have led to the construction of facilities that better meet local needs and the institution of fee structures that are acceptable to all parties, leading to better cooperation in revenue collection. Local participation of this nature seems to be rare in many other Kenyan local authorities.

7. Willingness to Learn From the Experiences of Other Councils:

Before the Karatina Town Council went ahead with the designs of their new market and buspark facilities, officials spent time touring the country to see what other councils had been doing. They learned some valuable lessons from the successes and failures of other local authorities, and these were reflected in the planning process and the physical designs of the proposed facilities.

8. Willingness to Innovate: The elected and appointed officials of Karatina Town Council have been willing to try innovative methods of

dealing with their problems. Some of the factors mentioned above display this willingness. In addition, other measures are under consideration. For example, the council is currently considering the privatisation of certain types of revenue collection in the hopes that, even after the contracted firm takes its percentage fee, the council's revenue yield will increase. They are also considering retaining an advocate to improve revenue collection from land rate defaulters, an option rarely used in Kenya.

When the new market and bus park were opened, the town council created the position of chief enforcement officer to supervise revenue collection. They hired a former policeman for this position, and the results seem to be successful. The council also instituted a system in which senior town officials make unannounced regular visits to the market on a rotating basis in order to keep an eye on revenue collection. There is a strong feeling among town officials that the new measures have provided an effective check on cheating. Even the casual observer at the market entrances can see that revenue collection is quick and efficient, and council officials feel that there is now very little, if any, pocketing of public funds by revenue collectors.

Another example of Karatina's innovation is illustrated by the council's attempts to take charge of its water and sanitation needs. Although most municipal councils in Kenya run their own water supplies, few town, urban, or county councils have been able to do so successfully. After careful planning, Karatina Town Council has recently received Parliamentary approval to create a Karatina Town Water Authority. This authority will manage the town's water supply,

and will be empowered to pay for improvements to the supply out of water charges. This authority will also be responsible for the continued expansion of the town's ongoing sewerage project.

9. Good Working Relationship Between Elected Councillors and Management: A major problem in many Kenyan local authorities is an antagonistic relationship between locally elected politicians and the senior managers appointed by the Ministry of Local Government to administer the council. Politicians often do not like to raise taxes and harshly enforce the collection of revenue from their constituents, and they may push for particular development projects that do not represent the best use of council funds.

While tensions between councillors and senior managers have certainly existed in Karatina and continue to arise from time to time, the working relationship between the councillors and managers is generally good, and there seems to be a good spirit of cooperation. Both groups seem to have been relatively objective and fair in the selection and design of major development projects in the town. In addition, the councillors have been quite willing to raise license fees and other fixed-fee sources of revenue on a regular basis, thereby improving the elasticity of the local tax base. Furthermore, the councillors have generally been willing to set reasonable user charges and to increase land rates to pay for infrastructure development in Karatina Town.

10. Good Working Relationship with the Central Government: Karatina has long enjoyed a productive and cooperative working relationship with the Planning Department, the Finance Department, and

the Engineering Department of the Ministry of Local Government. Council officials provide the information required by the Ministry on a relatively timely basis. Although council officials have some recommendations for improving Ministry procedures and policies, they have been generally satisfied with how they are treated by the Ministry.

The Town Council also enjoys a good relationship with the Nyeri District Administration. Town officials work hand-in-hand with the District Commissioner, the District Officer, and the district representatives of the various operating ministries, and they feel that the District Development Committee has been generally supportive of their efforts to develop Karatina Town and the surrounding area.

Some local government officials in Kenya argue that Karatina Town Council has been very effective because it has been the beneficiary of so many donor funds. In fact, all of those resources were disbursed on a loan basis through the Local Government Loans Authority, and Karatina officials had to demonstrate their financial and managerial capacity before getting the funds. As noted earlier, Karatina was the first local authority to submit a capital development plan in response to the announcement of the new USAID Small Towns Programme. The senior management have worked closely with the elected councillors and the central government to establish their credentials as a successful local authority. The officers and councillors have clearly managed to convince the central government, donors, and members of the public that they work hard, are honest, and are serious about development.

Case Study of Murang'a County Council

Just as Karatina Town Council is considered a showcase urban local authority, the Murang'a County Council is among the most effective rural local authorities in Kenya. This brief case study presents some background on the local economy of Murang'a District, details some data about the county council's excellent performance, and highlights some of the major factors behind the council's effectiveness.

Background: Profile of the District

Murang'a District is one of the five districts of Central Province. The district's land rises gradually from east to west, ending in the eastern slopes of the Aberdare mountains, the third highest range in Kenya. The northeastern part of the district is located in the lower southern slopes of Mt. Kenya. Due to the proximity of the Aberdares and Mt. Kenya, the district is endowed with fertile volcanic soils and good rainfall, although the extreme eastern part of the district is semi-arid.

Given the favourable conditions, agriculture is the backbone of Murang'a District's economy. According to the most recent District Development Plan (1989-93), 98 percent of the families in the district earn their living from agriculture. About 80 percent of the district's arable land is farmed by smallholders, although there are significant areas of large agricultural land holdings in some parts of the district. Both cash crops and subsistence crops are cultivated, and dairy activities are widespread.

Coffee is the dominant cash crop in the district, with tea being a distant second. Cultivation of both tea and coffee is significantly on the rise. Other cash crops include cotton, sisal, pyrethrum, and tobacco. Pineapple is the most

important horticultural crop, and is the only one of which significant quantities are exported. Other horticultural crops include cabbage, tomato, and kale.

A large variety of fruits, including mangos, avocados, bananas, citrus fruits, plums, and pears are cultivated. Food crops grown in the district include maize, beans, potatoes, sorghum, peas, cassava, and yams. Although agricultural yields are higher than in some other parts of Kenya, greater production could be realized with better husbandry practices, and efforts are being made towards this end. Livestock production and dairy activities are significantly on the rise as veterinary and artificial insemination services improve.

The farmers in Murang'a District are well organized, and this helps to facilitate improvements in agricultural production. Co-operative societies play a major role in the economy of the district. These societies help farmers to mobilize resources and to market what they produce. The District has a total of 91 co-operative societies, 21 of which are involved exclusively with coffee production.

The 1979 Census reported a population in Murang'a District of 648,333. Assuming a 3.82 percent growth rate, the population in 1989 is estimated to be 983,365, making it one of the most populous districts in the country. Much of the district is very densely populated, with four out of the five administrative divisions having densities of more than 300 persons per square kilometre. According to the 1981/82 Household Budget Survey, the mean smallholder household monthly income in Murang'a District was nearly Ksh. 1200, placing it among the top third of Kenya's districts in terms of income level. The Kikuyu are the dominant tribal group, accounting for more than 95 percent of the district's

population.

Murang'a District is generally well served by most kinds of infrastructure. Although some expansion is required to meet the needs of a growing population, reasonably adequate systems of health facilities, schools, water supplies, and other basic infrastructure exist in most parts of the district. The road network connecting the district to other parts of the country is generally adequate, but more development of the rural road system is required.

There are six local authorities functioning in Murang'a District, with only two of them being autonomous. The Murang'a Municipal Council is responsible for the provision of public services within Murang'a Town, the district headquarters. There are four new urban councils, Maragua, Kandara, Kangema, and Makuyu. The urban councils and all other areas in the district outside of Murang'a Town are under the jurisdiction of the Murang'a County Council. The county council has been particularly active in providing rural access roads, social services, and basic infrastructure in the small trading centres in rural parts of the district.

Murang'a County Council Performance

As noted earlier, county councils tend to have the most serious financial and managerial problems of all types of local authorities. They have limited revenue sources and few clear mandates with respect to service provision, and many county councils are unable to function effectively. In a 1987 report on local authority finances, only four of the thirteen county councils studied regularly ran budget surpluses.¹⁵ The best performer among these was Murang'a County Council.

Data on the revenues and expenditures of Murang'a County Council for four

¹⁵Smoke (June 1987).

recent years are presented in Tables 5 and 6. It can be seen that, even in its "worst" year (1986), the council ran a surplus equivalent to nearly ten percent of its total expenditures. In its "best" year (1984), the surplus was equal to fifty-eight percent of total expenditures.

The most obvious reason for the Murang'a County Council's extraordinary financial condition is the tremendous amount of revenue collected from agricultural cesses each year. Murang'a was one of the original county councils in Kenya to be allowed to charge an ad valorem tax on the initial sale of coffee. As noted earlier, recent steps taken by the Government of Kenya have standardized agricultural cess at a fixed rate on a fixed set of crops, so that other county councils in agricultural areas now have the opportunity to benefit from this highly productive source of revenue.

During the four years under consideration, agricultural cess accounted for an average of 56.6 percent of total council revenues. The bulk of this revenue comes from coffee. Even more extraordinary is the income earned by the council from its investments, most of which resulted from surplus coffee cess revenue from previous years. During the years being considered, interest on investments accounted for an average of 24.9 percent of total revenues. This figure declined over the period because the council made significant capital investments with some of its savings and because several financial institutions in which the council had been keeping its funds collapsed, so that the council incurred some losses.

Murang'a County Council has provided a wider range and higher quality of services than most other county councils in Kenya have been able to do. Furthermore, much of the council's expenditure goes directly to service provision, rather than being wasted on bloated wage bills. In many county

TABLE 5:
MURANG'A COUNTY COUNCIL REVENUES
(thousands of Kenya pounds*)

REVENUE	1983	1984	1986	1987
Agricultural Cess	917.8	1054.8	1071.8	1308.2
Interest on Investments	550.1	560.3	400.1	377.3
Licenses	68.1	85.4	93.1	84.9
Market Fees	62.7	74.1	69.8	68.1
Poll Rates	10.3	10.1	1.9	5.5
Nursery School Fees	67.9	90.2	101.6	93.2
Plot Rents & Land Rates	36.7	36.1	49.6	46.3
Veterinary Fees	11.8	7.5	7.5	--
Slaughter Fees	9.6	13.7	15.9	15.4
TOTAL REVENUE	1757.9	1961.4	1859.5	2041.1

*One Kenya pound is equal to 20 Kenya shillings. As of December 1989, there were 21.8 shillings to the U.S. dollar, so that one Kenya pound was worth just under a dollar.

TABLE 6:
MURANG'A COUNTY COUNCIL EXPENDITURES
(thousands of Kenya pounds*)

EXPENDITURES	1983	1984	1986	1987
Clerk's Department	78.9	157.4	218.8	206.4
Treasurer's Department	69.5	88.7	98.3	104.1
Councillors' Allowances	36.9	43.8	45.9	38.5
Community Development	82.3	84.1	87.3	97.4
Sports	11.9	11.5	31.3	28.8
Youth Centres	31.4	45.8	45.4	47.9
Nursery Schools	205.7	222.2	296.8	305.5
Children's Homes	104.2	64.2	68.7	57.5
Veterinary Services	40.2	41.5	46.5	49.4
Forestry Services	4.2	5.1	5.5	6.3
Markets and Trading Centres	100.1	103.6	120.8	102.7
Works	367.5	363.5	618.6	398.8
TOTAL EXPENDITURES	1,143.1	1,243.9	1,706.1	1,467.4
SURPLUS	614.9	717.4	153.2	573.7

*One Kenya pound is equal to 20 Kenya shillings. As of December 1989, there were 21.8 shillings to the U.S. dollar, so that one Kenya pound was worth just under a dollar.

councils in Kenya, expenditures for salaries and emoluments account for 70-90 percent of total expenditures. In Murang'a County Council, the figure, although it varies somewhat across years, is closer to 40-50 percent.

Murang'a County Council has a road maintenance unit that is larger and better equipped than many of the central government's district-level road maintenance units. In fact, they have taken over the responsibility for maintaining some central government roads, while in many county councils the norm is for the council to ask the Ministry of Transport and Communications to maintain the county roads that the council is unable to take care of. During the past several years, Murang'a County Council has, with the help of contractors, upgraded about 300 kilometres of new rural access roads at a cost of Ksh. 48 million, and a new phase of this roads programme is about to begin. When contractors are involved, the council always works closely with the central government for the award of tenders.

Another major achievement of Murang'a County Council is the provision of perhaps the most extensive and highest quality system of nursery schools of any rural council in Kenya. When the council started the programme in 1980, it built and equipped five model nursery schools. Today, there are more than six hundred nursery schools operating in the system. Most of these, in line with the Government's policy on cost-sharing, were built on a Harambee (self-help) basis, but the full operating and maintenance costs, including teachers' salaries, are borne by the council.

The Murang'a County Council currently has four urban councils within their jurisdiction. Most of these were upgraded from county council trading centres to urban councils because of the great efforts of county council officials to improve the physical and institutional infrastructure in the area. Most of the

urban councils have a modern market and a slaughterhouse, and all have tarmac or high quality murrum roads. This new infrastructure seems to have helped to stimulate and integrate the district economy, although its full effects are not likely to be realized for some time. In a few cases, the county council has, with the cooperation of the parastatal Kenya Power and Lighting, extended electricity lines at its own expense to serve market areas.

Murang'a is one county council that has worked diligently with the urban councils on institutional development, helping them to improve their financial and managerial capacity. When these urban councils are upgraded to town councils, they should be in a good position to manage effectively their finances and to provide adequate services for their constituents.

The Murang'a County Council has also been involved in the provision of a wide variety of other services. It operates and maintains a number of village polytechnics, which were built on a Harambee basis. These institutions teach a variety of practical skills and trades to school leavers in Murang'a District. The council operates a number of youth centres, two children's homes, a tree nursery, a hotel, a tenant-purchase housing scheme, and veterinary services. It provides significant support for the Murang'a School for the Deaf and for a locally based home for the aged, and has recently constructed a mortuary for the district hospital. The council also recently finished construction of a new five-story headquarters building to house its own operations, and it is financing the construction of the Kikuyu Historical Museum in Murang'a.

Perhaps the most noteworthy thing about the performance of Murang'a County Council is that it has provided virtually all of the above services, including the construction of infrastructure, out of its own locally raised funds. It has taken a few loans from the Local Government Loans Authority and the National

Housing Corporation for specific projects over the years, but they represent a very minor portion of the council's development projects. As of 30th June 1988, the council had an outstanding external loan balance of 16,597 Kenya pounds, less than one percent of its fiscal year 1987 total revenues.

In short, the Murang'a County Council has been very successful at raising revenue and providing a wide variety of relatively high-quality services in their jurisdiction, in a few cases even stepping in where the central government does not have the resources to provide a particular service for which it is normally responsible. The only possible cloud on the horizon is the recent reduction in the coffee cess rate. Murang'a has historically been allowed to charge a three percent cess on coffee. When the cess rate was standardized across a variety of crops last year, the council was faced with the prospect of having the coffee rate reduced to one percent. Although it will gain some revenue from the extension of cess to crops which had previously not been taxable by local authorities, this is not likely to be nearly enough to offset the potential losses attributable to the lower rate on coffee. A notice allowing the continuation of a three percent cess on coffee was published in the Kenya Gazette by the previous Minister for Local Government, but it was rescinded by his successor. Thus, it seems likely that Murang'a County Council will be required to maintain its coffee cess rate at one percent.

The only other issue that should be noted is that some analysts may consider the Murang'a County Council to be overly dependent on coffee cess. A serious failure of the coffee crop one year could possibly lead to a disastrous drop in council revenue. This has not happened, even during the 1984 drought, and it could also be argued that the council has sufficient reserves to be able to deal with a bad year or two. The fact that so much of the council's revenue comes

from coffee, however, does have distributional implications. Murang'a collects much lower per capita revenues from other common sources of revenue, such as land rates, trade licenses, market fees and user charges, than many other county councils.¹⁶ It has not needed to resort to high taxes on other sources because the coffee cess has been so productive. The equity dimensions of this situation require further exploration, but one thing is clear: even if Murang'a must learn to live permanently with a one percent coffee cess, it has many options for raising taxes on other sources that are currently undertaxed relative to other county councils.

Reasons for Murang'a's Success

By almost any standards, the Murang'a County Council must be considered a highly effective local government. By Kenyan standards, its success is phenomenal--few of the other thirty-eight rural local authorities in the country have come anywhere near to Murang'a in terms of effective revenue collection and service provision, and the council outperforms most urban-based councils as well. As with the Karatina Town Council case, there are a variety of interrelated factors that have influenced the superior performance of the Murang'a County Council. The more significant ones would surely include the following:

1. Location: Murang'a District's location in a highly fertile agricultural area near major highways is a key factor in its success. The District is endowed with some of the best coffee-growing land in the country, and the council's remarkable performance would not have been possible without the substantial revenue raised from coffee production.

¹⁶See Smoke (February 1987) and Smoke (June 1987).

2. Historical Accident/Luck: Most of the white settler areas during the colonial days were given the power to raise revenue either from land rates or agricultural cess. Murang'a County Council was one of the local authorities fortunate enough to have been allowed to raise revenue from a cess on coffee. For the most part, those councils that have historically been allowed to charge coffee cess have been much more successful in raising revenue than those that were given the power to levy agricultural land rates. However, too much should not be made of this issue. There are other county councils in which coffee is a very significant crop and cess is permitted, and few of them have been anywhere near as successful as Murang'a County Council.

3. Good Management: As was seen to be the case with Karatina Town Council, Murang'a County Council has long had highly trained and experienced senior management. Although there is certainly room for improvement, the council keeps reasonably good records and accounts, and generally produces the required documents for the Ministry of Local Government in a timely manner. Internal auditing is regularly conducted, a process which is greatly neglected in many Kenyan local authorities. Given the excellent reserve position of the council and good investment policy (in spite of central government constraints on how local authorities can use surplus funds), cash flow problems are not encountered.

As was the case with Karatina, there is a continuity of senior management in Murang'a and a "team spirit" in the way they operate. Murang'a also enjoys a long-term relationship between elected councillors and senior management. A number of senior councillors have

been re-elected many times. The current chairman has been a councillor for twenty years, and he has held the chair's position for thirteen of these. The county treasurer started working for the council as a bookkeeper thirty years ago, and he has held the senior financial management position for the past eleven years. The county clerk has held his current office for eight years, and many of the major departmental heads have also been working for the council for at least three to five years. This managerial stability helps to create a continuity in policy and a cooperative atmosphere among senior officers who know very well the environment in which the council must operate.

4. Good Working Relationship Between Elected Councillors and Management: The elected councillors of Murang'a County Council have a long-standing policy of not interfering in the administration of the council. They seem to be content to make major policy decisions about raising revenue and allocating resources, and they largely leave the technical design of programmes and day-to-day operations of the council to the senior management. Both the elected councillors and the management agree that, in spite of occasional controversy, there is an excellent cooperative working relationship between the two groups. The absence of the types of tensions that exist in some other local authorities has allowed the council to concentrate on its work and to avoid petty arguments.

5. Good Working Relationship with the Central Government: Officials of the Ministry of Local Government have only good things to say about their relationship with both the officers and councillors of the Murang'a County Council. Given the amount of construction done by

the council, its officers must work on a regular basis with planners, engineers, and finance officers from the Ministry, even if the work is being done by consultants. Ministry officials consider Murang'a County Council as a role model for other rural local authorities.

As noted earlier, the council works cooperatively with other central government ministries as well. Various ministries have been involved with the tendering for certain projects, including the major ongoing road construction project. The council assists the Ministry of Transport and Communications with some of its road maintenance duties in Murang'a District, and the council also worked with the Ministry of Health in designing the county mortuary it built for the district hospital.

During the past few years, Murang'a County Council has developed satisfactory relations with the District Development Committee. For a number of years, there had been significant tensions between the council and the DDC, and there were long delays in the implementation of certain council projects due to confrontations over council project priorities, which are subject to DDC approval. Much of this conflict seems to have been highly political, and recent efforts on both sides have led to a more productive relationship.

6. Responsiveness to Public Needs for Services: The Murang'a County Council has been responsive to public needs expressed by its constituents through councillors, the press, and other public forums. Complaints by coffee growers several years ago that the council was not doing enough to maintain existing coffee access roads and open new ones led to the establishment of the large-scale rural access roads

programme described earlier. Positive public reaction to the council's model nursery school programme led to a massive expansion of the nursery school system throughout the district. Expressions of concern over the poor state of infrastructure in important trading centres in the district led to the development of a package of basic facilities in these centres, as outlined in the previous section.

7. Good Public Image: The success of the Murang'a County Council in providing many basic services and the council's responsiveness to public controversy and calls for particular services, have led to a good public image of the council among the residents of the District, central government officials, and donors. This is a fairly rare occurrence in Kenya, where newspapers are full of stories about local authority problems and Members of Parliament regularly decry the inefficiency of local authorities. Murang'a County Council, however, does seem to be a case where people feel that the local authority is their grassroots organisation. There is a sense that constituents can approach the council when they have service needs, and that the council is providing them with the services they want. This is likely to make residents more willing to pay the taxes levied on them by the county council.

8. Ease of Revenue Collection: Murang'a County Council, unlike many other local authorities in Kenya, does not have to put a great deal of effort into collecting its principal source of revenue. Coffee cess is collected by the coffee marketing board when it buys coffee from local farmers or the cooperative societies that act as their agents. The board then sends a cheque to the county council to cover

the amount of cess due. Good records on coffee sales are necessarily kept by the board, so it is difficult for the council to be cheated of cess due to them. Thus, the county council is virtually assured of collecting the revenue that it due to it from its major source of revenue.

Officials from county councils in less fortunate positions than the Murang'a County Council often suggest that Murang'a is successful because they have access to so much revenue from coffee cess. While it is true that Murang'a could not be as successful as it is without its superior revenue position, it is also true that other councils with substantial coffee cess or land rate revenue have been less effective than Murang'a. A number of other factors, including creative and efficient management, productive working relationships among elected councillors, managerial staff and the central government, and a good public image have contributed significantly to the overall success of Murang'a County Council.

Lessons for Other Local Authorities

The brief cases given above raise a number of issues and lessons that may be relevant for other local authorities in Kenya and elsewhere. Some of these "lessons" may seem extremely obvious, and none of them are very surprising, but it is instructive to see how various policies and procedures have worked in particular cases. Bringing about the desired result of improved revenue and expenditure performance may be very difficult and challenging in many local authorities, so that it is worthwhile to study successful policies further and to try to devise ways of instituting them more widely. Some of the lessons suggested by Karatina and Murang'a include the following:

1. Location can be an important determinant of whether a local authority can be successful because it is an important determinant of the area's economic potential and the revenue base of the authority. Both Karatina Town Council and Murang'a County Council are located in high-potential agricultural areas, and have been highly successful in raising revenue from agricultural based taxes. The town council has good linkages to its agricultural hinterland, and marketing fees are one of the most important sources of revenue. Agricultural cess is the dominant source of revenue for the rural council, and the revenue derived from it has been used to improve significantly the provision of certain basic services. There are many other local authorities in Kenya, however, that are located in highly productive areas but have not been very effective. This suggests that good location can be an important factor, but it is certainly not sufficient to guarantee that a local authority will be successful in raising revenues and providing services to their constituents.

2. Good management practices are essential for local authorities to be effective. This means developing good managerial techniques and having well-qualified staff in place. As noted earlier, lack of adequately trained and experienced staff and poor managerial techniques are among the most pressing problems of Kenyan local authorities. Both Karatina Town Council and Murang'a County Council have managerial problems and some lack of trained staff, but officials of both councils have made significant efforts to develop effective management techniques, to keep reasonably good records, and to use their records

to help them in planning their development activities and day-to-day operations. They have also taken advantage of training programs available to them.

3. Continuity of management can contribute to effective performance by a local authority. In the case of both Karatina Town Council and Murang'a County Council, the same group of senior administrators have been serving the local authority for at least 8-10 years. During that time, they have had an opportunity to understand the local area and to develop an effective working relationship among themselves and with the elected councillors, and it is easy to see how this situation could contribute to their success. This suggests that the Ministry of Local Government and the Public Service Commission should re-examine their policy of frequently re-posting senior local authority officers. Some Kenyan local authorities have very little continuity of leadership because senior officers are so frequently transferred.

4. Local authority officials should work hard to develop good internal and external relations, as this can facilitate their work and improve their chances of success. Tensions between elected and appointed officials and between councils and external organisations vital to effective council performance are often a problem in Kenyan local authorities. Some disagreements are unavoidable and may lead to better decisions, but hostile relations are obviously counter-productive. There is a generally cooperative relationship between elected councillors and appointed managers in both Karatina Town Council and Murang'a County Council. The councillors focus on general

policy formulation and project prioritisation, but leave technical and managerial issues to their administrators. Both councils also have good working relationships with the Ministry of Local Government, other ministries with whom they must work closely, the district administration, and the District Development Committee. Obviously, these good relations facilitate the work of the local authorities and allow better performance. Even difficult relations can be improved through effort from all relevant parties, as was demonstrated by the case of Murang'a.

5. Local authorities can be more effective when they are responsive to the needs and preferences of their constituents and the beneficiaries of particular development projects. There are a number of documented instances in Kenya where the failure of local authorities to consult or react to the needs of the local people resulted in the dismal failure of certain development projects and the disillusionment of affected residents and commuters. Such cases include the location and/or design of markets or informal sector (jua kali) sheds in places considered inappropriate by the users of these facilities, and the allocation of plots or market stalls by methods considered by the established merchants to be unfair. There are also cases in which local authorities have set unaffordable fare structures for public services or failed to react to public complaints about problematic services. The examples given in the brief case studies indicate that both the Karatina Town Council and the Murang'a County Council have made efforts to consult with their constituents when making major decisions of various types, including the need for

providing particular services, the location and design of public facilities, and the charges levied for use of facilities and provision of services. When local people are more closely involved in the decision-making process, they feel that the council is working with them to promote development in the area. The people are more likely to be cooperative in these circumstances, and development projects are more likely to be successful.

6. Local authority enterprises, if properly designed and managed, can raise significant surplus revenues. All of the entrepreneurial activities provided by the Karatina Town Council, such as the marketplace, the bus park, and the slaughterhouse, generate substantial surplus revenues that can be used to subsidize public services that are not self-financing. Other types of enterprises, such as the hotel being opened by the Murang'a County Council, can also be productive revenue raisers and provide services that are lacking in the local authority's jurisdiction.

7. Local authority officials can learn a great deal from looking at the successes and failures of other local authorities. In designing some of its new infrastructure projects, the Karatina Town Council was saved from making some bad design decisions because officials took the time to make field visits in order to understand why similar projects had not been successful in other local authorities. Similarly, other councils can learn from the successes of councils such as Karatina and Murang'a when they are looking for ways to improve revenue collection, keep records, and improve service delivery.

8. Local authority success is an ongoing and cumulative process

that builds on itself. Ten years ago, Karatina Town Council was a mediocre performer with an inadequate revenue collection record, a successive string of recurrent budget deficits, and a very poor loan repayment record. The arrival of new and aggressive managers began the process of turning the situation around. Over time, the improvements that the council has made in its performance have slowly generated a new confidence in the council on the part of its constituents, the central government, and donors. As Karatina progressively came to be seen as a responsible council that was serious about development, more resources and support from the central government and donors were forthcoming. The council's capable handling of additional resources has further solidified its position as a successful local government.

Kenya can certainly learn some important lessons from the experiences of effective local authorities, such as Karatina Town Council and Murang'a County Council. Successful cases of this nature should be studied more carefully, particularly with respect to specific managerial practices they employ. Other local authorities may be able to incorporate in their own way of operating some form of the various strategies and practices used by successful local authorities. It is important to recognize, however, that the central government has a significant role to play in helping to develop and disseminate to the local authorities appropriate management practices. It is also necessary for the central government to provide a climate that is generally conducive to the adoption of innovative strategies and techniques which have the potential to improve local authority effectiveness.

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