

**THE EFFECTS OF LOCAL AUTHORITY BUDGET GUIDELINES
ON ADMINISTRATIVE EFFICIENCY:
THE CASE OF THE FORMER CITY COUNCIL OF NAIROBI**

BY

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DECLARATION

This research project paper is my original work and has not been presented for a degree in any other university.

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Dedication

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Abstract

The Local Authorities Budget Guidelines (LABG) was one of the major reform agendas undertaken by the Kenyan government in the mid nineteen nineties. The objective was to overhaul the local government sector and make local authority services more reliable and council operations more professional and transparent. The LABG reform was preferred because the council's annual budget was the basis for planning and implementing all council operations. LABG was to initiate international performance standards and financial controls in the preparation and administration of the annual budgets of local authority to enhance administrative efficiency and service delivery. The study sought to assess the effect of LABG on administrative efficiency in the former City Council of Nairobi by determining the effects of: (i) LABG standards and performance guidelines, (ii) LABG financial accountability guidelines and (iii) LABG financial disbursement guidelines on administrative efficiency. The study was underpinned by the institutional theory. Primary data was the main basis of the study. It was gathered through administration of questionnaires, oral interviews and discussions with a sample of senior officers of the present Nairobi City County. The selection of the respondents utilised the stratified sampling design to obtain proportionate allocations from each of the County's departments and fair representation of the overall population and key sub groups. The data analysis involved computation of the Pearson correlation coefficients. The results of the study showed that the LABG reform had moderately enhanced administrative efficiency in the former city council of Nairobi. Thus, whereas prior to the LABG reform the council's annual budget was prepared as a routine to comply with requirements of the local government Act, through LABG the annual budget was transformed into a performance based budget that correctly reflected the council's financial situation. Consequently, the administrators and policy makers were able to use the annual budget as a reliable tool for directing operations and making policy decisions. The study concluded by recommending that LABG should continue to be applied by the County governments for attainment of transparency and accountability in utilization of the scarce resources and continual improvement of local government performance and service delivery.

Abbreviations

CBD	Central Business District
CCN	City Council of Nairobi
FAG	Financial Accountability Guidelines
FDG	Financial Disbursement Guidelines
GOK	Government of Kenya
GTZ	Small Towns Development Project of the Republic of Germany
LABG	Local Authorities Budget Guidelines
LA	Local Authority
LASDAP	Local Authority Service Delivery Action Plan
LATF	Local Authority Trust Fund
LC	Local Council
LG	Local Government
MOB	Management by Objectives
MoLG	Ministry of Local Government
MS	Microsoft
NCC	Nairobi City County
SD	Service Delivery
SPG	Standards and Performance Guidelines
SPSS	Statistical Package of Social Sciences

CHAPTER ONE

1.0 THE EFFECT OF LOCAL AUTHORITY BUDGET GUIDELINES ON ADMINISTRATIVE EFFICIENCY: THE CASE OF THE FORMER CITY COUNCIL OF NAIROBI

1.1 Study Background

Local government (LG) service delivery system in Kenya has a unique potential like in many other developed and developing countries as it affects the day-to-day activities of citizens at the grassroots level. It is an integral part of the public service which traces its roots to the era of the British colonial administration. The independent government adopted the colonial system through enactment of the local government regulations of 1963. After independence government was more concerned with identifying indigenous Kenyans to replace the departing expatriates by adopting a Kenyanization policy (Kingombe, 2012). Later, gradual reorganizations were made to the LG system which culminated in enactment of the 1977 LG Act, (Cap 265). The Act legally constituted Local Authorities (LAs) as the institutions to bring services closer to the people, coordinating decision-making, resource allocation and service delivery at community levels, (Asingo, 2008; O'Meara *et al*, 2011).

According to Siele (1995) the system of local government in Kenya involved the Ministry of Local Government (MoLG) and various types of LAs or local councils (LCs or council); comprised of cities, municipalities, towns and urban and county councils as the main actors. Their mandate was to provide basic services such as; water and sanitation, healthcare, education, general infrastructure, security, employment and other economic activities. Their operations were regulated by the LG Act, Cap 265 which empowered them to manage their affairs subject to the control and supervision of the MoLG. An important aspect of this control was the approval

of the annual budget (estimates of income and expenditure) by the MoLG. The LAs were authorized to make and enforce by-laws and raise funds through rates, fees and usage charges. The local councils were run on a dual system of two structures; standing committees of councillors (the political arm) headed by mayors; and departments of managers and support staff headed by the town or county clerks. Even though, each LA had its unique structure based on its size and category (Okibo, 2012).

During the period leading to 1995, the MoLG was confronted with citizen's complaints because of the poor state or non-existence of local services and problems relating to the management of the LCs. The infrastructure facilities were not maintained and continued to deteriorate and they were lacking necessary skilled personnel, finances and other resources for providing services. Almost all the LAs had huge amounts of outstanding liabilities of unpaid salaries, unremitted statutory deductions and private supplies. Some of the LAs financial positions could not even be established due to poor record keeping or lagging behind in preparing the statutory annual accounts reports (Omamo, Government of Kenya (GOK) Commission, 1995). The MoLG addressed the challenges by initiating structural reforms. The LG Act was revised and the council's annual budget was made the basis for planning and controlling all its operations. However, over time annual budget preparation became relegated to a mere formality for accessing government funding; the annual budgets were based on unrealistic assumptions and did not reflect the true situation of the councils. The MoLG then embarked on a more comprehensive and far reaching reform agenda to revamp the local authorities and equip management with necessary skills to turn around their operations and enhance service delivery (Siele, 1995).

One of the earliest and most significant of these reforms was the Local Authorities Budget Guidelines (LABG) of 1995¹: the topic of this study. LABG was initiated by the MoLG with assistance of an international donor agency of the Republic of Germany of “the Small Towns Development Project, “GTZ”. LABG was aimed to restructure the LAs by assisting managers to plan, implement and monitor annual work programmes professionally and transparently. The use of standards and performance measurement was introduced to tackle the challenges of revenue shortfalls and expenditure overruns. For smooth implementation of LABG the LG Act was amended to increase government disbursements to LAs and allow local community and stakeholders to participate in the preparation and monitoring of LAs budgets. The latter measure was meant to involve local community and stakeholders in the development of their LA and ensure proper utilization and accounting for the government disbursements. In addition, the LAs were legally bound to submit to MoLG quarterly performance reports for monitoring of actual performance results against the budget (Hamisi, 2009). Inherent problems of the LCs internal structures (Omamo GOK Commission, 1995)² were rectified by restructuring the functions of the different committees to align them to those of administrative departments. The departmental reports were to become the basis for making policy decisions (Siele, 1995). Against this background, the study seeks to undertake a case study of the effect of the local authority budget guidelines on administrative efficiency, in the former city council of Nairobi.

¹Siele R. K. A., *Local Authority Budget Guidelines*, August 1995

²Omamo Government of Kenya Commission (1995). “*The Commission of Inquiry on Local Authorities in Kenya*”. Government Printer, Nairobi.

1.2 Statement of the Problem and Research Question

The Kenyan local authorities were semi-autonomous government agencies which not only received central government funds, but also collected own revenues from local taxing. They had critical linkages to various other government ministries which had direct impact on the management of local affairs (Siele, 1995). They coordinated the provision of services for the other government ministries and nongovernmental organizations at community level and were sometimes avenues for participation in the implementation of national policies (Mboga 2009). One of the major issues that the Kenyan government has grappled with since independence is how to ensure administrative efficiency in local authorities; or how to make them manage their operations professionally and transparently and deliver sustainable quality and reliable services (Karanja and Tambo, 2012). As already stated, several reform measures have been undertaken over the years to make the dream of creating an efficient LA with sufficient capacity to deliver services a reality.

It is in this context that LABG was instituted in 1995 (Siele, 1995). LABG was a little different from previous reform measures because, it aimed to overhaul the annual budget - the basis for planning and implementing all council operations; to adopt it to internationally accepted financial standards and performance guidelines. Hence, despite the failures of previous reforms, LABG was expected to bear fruit. As Curristine (2005) observes; budget guidelines in government agencies provide comparative performance information for improved decision making, efficiency and accountability and continuous improvement in service delivery. Comparative statistics and effective use of comparative information can reduce costs and improve local service delivery (Jones, 1997; Rivenbark and Carter, 2000; Ammons, 2001; Ammons and Lombard, 2010).

Although some studies have been carried out on the local authorities in Kenya, (Kiptoo and Muthoni, 2013; Owino and Mwaniki, 2005; and Kamau, 2012) none of these studies have directly focused on the effects of LABG. This is surprising given the far reaching nature of the LABG reforms, particularly because it aimed to completely overhaul the local government sector and thereby improve the management skills of the council managers through provision of appropriate tools. Consequently, we still know very little about LABG despite its prominence in the reform agenda. It is against this background that this study embarks to fill the existing knowledge gap using the example of the effect LABG on administrative efficiency in the former city council of Nairobi. The study therefore addresses the following research question:

What was the effect of the Local Authority Budget Guidelines on administrative efficiency in the former City Council of Nairobi?

Governments need performance benchmarks if they are serious about the efficient delivery of quality services and the citizens need municipal benchmarks to know how to judge the service delivery performance of their local government. Similarly, mayors, city council members, managers, departmental heads and other officials require national standards, statistical norms, rules of thumb and comparative information which are the nature of drive for efficient management and continuous improvement Ammons, (2005). In this regard, the study identified three salient features of LABG as performance benchmarks for determining the effect of LABG on administrative efficiency in the former City Council of Nairobi. These include LABG standards and performance guidelines, LABG financial accountability guidelines and LABG financial disbursements guidelines.

The study therefore sought to answer the following research sub questions:-

- (i) What was the effect of LABG standards and performance guidelines on administrative efficiency in the former City Council of Nairobi?
- (ii) What was the effect of the LABG financial accountability guidelines on administrative efficiency in the former City Council of Nairobi?
- (iii) What was the effect of LABG financial disbursement guidelines on administrative efficiency in the former City Council of Nairobi?

1.3 Objectives of the Study

1.3.1 Main Objective

Assess the effect of LABG on administrative efficiency in the former City Council of Nairobi.

1.3.2 Specific Objectives

- (i) Determine the effect of LABG standards and performance guidelines on administrative efficiency in the former City Council of Nairobi.
- (ii) Determine the effect of LABG financial accountability guidelines on administrative efficiency in the former City Council of Nairobi.
- (iii) Determine the effect of LABG financial disbursement guideline on administrative efficiency in the former City Council of Nairobi.
- (iv) Make policy recommendations based on the study findings.

1.4 Justification of the Study

LABG has been adopted by the Nairobi County and inevitably the county is expected to be more efficient, accountable and responsive in its delivery of services in order to meet the citizens' needs. An exploration of the effect of LABG on administrative efficiency will avail information that can be used to improve the new county's performance. As Curristine, (2005) observes, to gain the benefits of reforms, governments must ensure they are correctly implemented, have a long-term approach, realistic expectations, and persistence. The study therefore, seeks to provide some insights into LABG performance and how the reform can be applied to improve administrative efficiency and service delivery in the County of Nairobi and other Counties of the Republic of Kenya.

Civil organizations may also utilize the information from the study to restructure their performance targets with respect to the preparation of the county budgets. The national government may utilize the information when formulating performance-related policies and regulations for the national and county governments. It is also expected that the findings will add knowledge to the existing literature on budget guidelines and administrative efficiency and spur further research on the subject.

1.5 Scope and Limitations of the Study

This study was limited to the former City Council of Nairobi and targeted the seventeen departments of the current Nairobi City County. Primary data was collected by use of a detailed questionnaire, oral interviews and discussions with senior officers of MoLG and Nairobi City County. Secondary data from obtained from availed documents such as periodic annual budgets and accounts reports. During data collection, the housing and development department was excluded due to difficulties of accessing its office premises located in Dandora away from the

others located at City Hall in the city centre. Another limitation related to accessibility of some of the targeted respondents who were engaged in the reorganization and restructuring of departments and staff deployments for transformation of the former city council into the Nairobi City County.

1.6 Literature Review

16.1 Introduction

This chapter reviews various researchers' views on the effect of budget standards and performance guidelines in order to identify the gaps for the study. The chapter is organized around the specific issues of the objectives of the study; namely, the effect of standard performance guidelines (SPG) on administrative efficiency, the effect of financial accountability guidelines (FAG) on administrative efficiency and the effect of financial disbursement guidelines (FDG) on administrative efficiency.

One of the major issues that the Kenyan Government has grappled with since independence is how to establish administrative efficiency in delivery of services by its local authorities (Karanja and Tambo, 2012). To address this challenge, in 1995 MoLG undertook the LABG reform agenda with the objective, to overhaul the local government sector to make the LAs more reliable and their operations more professional and transparent (Siele, 1995). It was presumed that standards and performance measurement could lead to improved efficiency in service delivery, quality of services and help the citizens to know how to judge the service delivery performance of their governments. Similarly mayors, city council members, managers and policy makers, require standards, statistical norms, rules of thumb and comparative information which are the nature of drive for efficient management and continuous improvement (Ammons, 2005).

1.6.2 SPG and Administrative Efficiency

Several authors have contended that establishing clearly defined goals and objectives helps employees to focus more on the specific tasks for attaining the set corporate goals. For example, Drucker, (1954) came up with the practice of management by objectives (MOB) as a principle of management aimed at harmonizing individual manager's goals with those of the organization to improve the organisation's overall performance. The principle, he argues, provides an opportunity for managers to collaborate in identifying key areas for results and establishing appropriate performance standards against which results can be measured. That clearly defined objectives help employees to focus on specific tasks and corporate goals. The objectives should contain quantifiable performance targets and the employees should be involved in setting the performance targets. This motivates employees to identify better ways of carrying out the tasks to meet the targets. The benefits include ensuring every employee's contribution fits into the organization's goals and individual employees understand their roles and feel more valued. It also creates standards for measuring the quantity and quality of employees' work, and to monitor the performance of the Organization (Locke and Latham, 2002).

Taking a middle of the road view, Ashton and Sung, (2005) argue that targets can sometimes be viewed as an extreme form of management which all employees will not positively respond to. The scholars conditionally support the use of standards if it is combined with performance appraisal activities to ensure the goals are consistently being met in an effective and efficient manner. Taking the contrary view Deming, (1994) argues that lack of understanding of systems commonly results in the misapplication of objectives. Similarly, Sherrer, (2010) argues that setting production targets encourages the application of resources to meet the targets through any available means and often results in poor quality.

As argued by the cited scholars, for an organization to draw benefits from the use of standards and performance measurement, it is necessary that the organization establish processes that can encourage participative goal setting, deciding and agreeing on the preferred course(s) of action and formulation of results-oriented objectives (Locke and Latham, 2014). The performance standards must be measurable, achievable and time bound; and this requires enforcement of purposeful planning, performance appraisal and purposeful leadership (Sherrer, 2010). The researcher argues that in the study of the effect of the LABG reform on the Kenyan local authorities it was necessary to take into account the effect of leadership wrangles that have been the rule rather than the exception in the course of directing the affairs of Kenya's local government since the pre-independence era. This culminated in the formulation of the Kenyan devolved government system in August, 2010. As already alluded to in the introduction chapter, where the political and administrative structures work in harmony, the local authority services tend to be provided effectively; and the opposite is true where the two structures are in conflict (Negandhi, 2009). The political and administrative arms of government have rarely worked in harmony for achievement of the local authority's goals in Kenya (Karanja and Tambo, 2012). Due to interferences from the Ministry of Local Government and pressures of political parties, when making policy decisions, committees were more inclined toward ensuring political survival than attaining administrative efficiency and service delivery (Owino and Mwaniki, 2005).

A case study undertaken on the local authority of Meru concluded that the council was facing various challenges in service delivery. The challenges included shortage of sufficient and competence human resources, inconsistency in politics, unclear structure of powers and functions to undertake the service delivery, inadequate financial and physical resources, inaccessibility to community for services, and poor public participation (Kamau, 2012). A search

of the literature at the time of this writing produced no relevant references to scholarly reports on the effect of LABG-SPG on the local authorities in Kenya. It is reasonable then to examine the effect of LABG on administrative efficiency in the Kenyan local authorities.

1.6.3 FAG and Administrative Efficiency

A number of scholars argue that there is a strong relationship between financial accountability and service delivery and by connotation, administrative efficiency. A primary responsibility of policy makers and administrators is to ensure that the organisation is accountable for its programs and finances. Whatever the mission or size, all organisations should have policies and procedures established so that the policy makers and officers understand their fiduciary responsibilities. This will ensure the assets are managed properly and the purposes of the organisation are carried out. In addition, effective internal controls are required to protect the organisation's assets, direct the management and ensure that the organisation is accountable for its programs and finances (Cuomo, 2005).

Frost, (2000) argues that the goal of accountability should be to improve performance and not to place blame and deliver punishments. Systems of budget reporting are established to support the accounting for public expenditures, and the provision of information on performance to be used by implementers, managers and politicians to improve service delivery (Williamson, 2003). Similarly, Keefer and Khemani, (2005) support the need for financial accountability guidelines arguing that “there may be a functioning electoral system, but due to information asymmetries or social polarization, the outcomes may still be biased against the poor”. Nzabona, (2009) provides evidence of the usefulness of accountability by citing an example of contracts and financial accountability in Rwanda where the local community has the authority to verify public projects' work done before payments are effected for every phase completed. This ensured quality work

was done and reduced Ghost contractors. The absence of accountability guidelines results in mismanagement and embezzlement of funds by the officials of the local councils and contributes to their poor financial performance (Lawal, 2002).

Taking a more cautious stand, Shan, (2002) argues that, financial accountability guidelines per se, may not be effective if not combined with taking action against institutions which render inadequate accountability. “The public institutions or operators who actually deliver services to people might not do so in the proper way if left to their own devices. There must be a system designed to compel their proper behaviour or to force them to account for improper behaviour” (Wolf and Hassel, 2000). To complete the performance information loop completely, one must not only demonstrate good results but also, that they are the expected or planned results (Hendricks, 2007). Ultimately, effective accountability to Parliament or to the established government regulatory body requires the public servants to support their minister through their actions, advice and information (Segsworth, 2003). For this to happen, useful and unambiguous accountability measures or indicators of quality must be in place showing increasing benefits, decreasing costs or a combination of the two. Furthermore, for effective accountability the compliance model requires that every step of the process should be thoroughly documented, (Hendricks, 2007).

While considering the cited views of the various scholars, it is notable that many of the studies carried out on the local authorities in Kenya conclude that they were in very poor state in terms of management and service delivery. Some of them are even close to financial insolvency, (Owino and Mwaniki, 2005 and Kiptoo and Muthoni, 2013). Similarly the local daily media have often cited a number of cases attesting to the local authorities’ weak financial management. For example, the daily nation of 25th July, 2012 reported that the local councils owed Kshs17.2

billion to its creditors. A search of the literature at the time of this writing produced no relevant references to scholarly reports on the effect of LABG financial accountability guidelines in the local authorities in Kenya. It is reasonable then to examine the effect of LABG on administrative efficiency in the Kenyan local authorities.

1.6.4 FDG and Administrative Efficiency

Various scholars argue in favour of accounting for government disbursements. Financial disbursements from central government to public institutions for delivery of services to the citizens should have accountability systems to enforce the implementation of the approved programs (Reinikka and Svensson, 2002). The institutions should be made to account for the resources allocated and utilised through monitoring by external agencies (Mullins, 2010). In institutions with accountability systems, resources are properly managed and substantial benefit accrue to the citizens by way of high productivity and reduced wastage (Nwadiani and Igbineweka, 2005). Weak aspect of financial reporting that occurs on funds disbursement alters the spending pattern from the optimal pattern and generates inefficiencies (World Bank, 2005). “The flow of information both down to local authorities and upwards from the bottom must be in place in order to keep accountability relationships between the different actors involved” (The Cambodian Corruption Assessment Report, USAID, 2004).

Mullins (2010) strongly advocates for financial disbursement guidelines to be enforced because “The public entities that utilize public resources for public service delivery can only be coerced to account for the resources allocated, used and spent through monitoring by external agencies”. Going beyond that Gautam (2009) precisely describes the ways to be used by public agencies in overseeing the use of public funds. They should, “Involve the total adherence to internal controls and include measures to limit the potential risk of fraud and mismanagement of finances”. It is

argued further that accountability systems translate into efficient budget formulation, resource allocation and budget utilization; they result in employee motivation and better facilities (Reinikka and Svensson, 2002). Budget monitoring and control can lead to an effective organizational system that inform, energize and promote professionalism (Gibbon, 2004). Accountability is only effective where action is taken against institutions which do not adequately account for allocated resources (Shan, 2002).

On a more critical note, some of the scholars argue that in spite of the increase in public funds disbursements, developing countries still report: poor financial management, lack of infrastructural development and non-delivery of services to the rural and urban dwellers. This situation is not unconnected to the mismanagement and embezzlement of these funds by the officials of the local government councils (Lawal, 2002). Specifically, it has been reported that, poor performance in service delivery in Kenya, seems to have reached an epitome in the wake of the alleged inconsistencies in funds disbursement due to inadequate monitoring (World Bank, 2005). It is reasonable then to examine the effect of LABG financial disbursement guidelines on administrative efficiency and service delivery in the Kenyan local authorities.

1.7 Theoretical Framework

The study is underpinned by the institutional theory and specifically, the role of institutional norms (Kondra and Higgins 1998). Institutions are “the rules of the game in a society or more formally, they are the humanly defined constraints that shape human interactions in society” (North, 1990). Kraft, (2007) defines the institutional theory as “Policy-making that emphasizes the formal and legal aspects of government structures”. The theory considers the process by which structures, including schemes, rules, norms and routines become established as authoritative guidelines for social behaviour (Scott, 2004). Scott further states that in public

institutions, work arrangements are not only preordained by natural economic laws (guidelines) but are shaped as well by cultural, social and political processes. The existence of rules ultimately benefits all participants in an institution as it helps to clarify the probable range of decisions available to societal actors not directly involved running the particular organisation. Weingate (2002) conceptualises institutions as collections of rules and incentives that establish the conditions for bounded rationality, and a “political space” within which many interdependent political actors can function. It is further argued that institutional norms deal with the appropriate domains of operation, principles of organising, and criteria of evaluation (Greenwood and Higgins, 1988). Thus, values and beliefs external to the organisation play a significant role in determining the organisational norms of “Institutional” organisations. These values and beliefs are conformed to the rules and other requirements in order to increase the organisations’ legitimacy (DiMaggio and Powell, 1991; Meyer and Rowan, 1977).

LABG involved developing and applying budget guidelines to assist the local councils to plan, implement and monitor their yearly performance (Siele, 1995). LABG was to do this by introducing the use of external norms (standards and performance measurements) in the management of the Kenyan local authorities. Based on the arguments of the cited scholars, the study of the effect of LABG on administrative efficiency can be suitably underpinned by the institutional theory. This is because it is trying to seek out: if the use of standards and performance measurements does influence administrative efficiency in organisations/institutions such as local authorities? Intrinsically, LABG was to revolutionise the rules of work performance and behaviour of the members of local authorities in Kenya. Naturally, institutions generally resist change because it upsets the existing status quo. For this reason, the participation of other stakeholders is very vital when instituting reforms. Therefore, the Kenyan government

enacted the Local Authority Service Delivery Action Plan (LASDAP) to help spearhead the LABG reform. Thus LASDAP injected additional institutional norms to reinforce the LABG reform and this is well supported by the argument of North (1990) that the major role of the institutional theory is to reduce uncertainty in performance of duties in public institutions.

In summary, the study of the effect of LABG is an exploration into the resultant institutional changes in the work performance and behaviour of members of the Kenyan LAs, as a result of the LABG reform. Some proponents of institutionalism argue that performance measurement with its seeming rationality can also be seen as a step towards mythologizing public service providers as rational (economical) organisations. In their opinion if there are obvious gaps between the reported performance and the real performance it is likely that any stakeholder group whose interests are served by pointing at the discrepancies will draw attention to the gaps (Modell, 2004). In conclusion, the study of the effect of LABG on local authorities is more closely connected to the institutional theory. The local authority will benefit if stakeholders can play their vital role of using the availed LABG norms to determine its legitimacy and service delivery.

1.8 Study Hypothesis

1.8.1 Major Hypothesis

LABG enhanced administrative efficiency in the former city council of Nairobi.

1.8.2 Specific Hypotheses

- (i) LABG standards and performance guidelines enhanced administrative efficiency in the former city council of Nairobi.

- (ii) LABG financial accountability guidelines enhanced administrative efficiency in the city council of Nairobi.
- (iii) LABG financial disbursement guidelines enhanced administrative efficiency in the city council of Nairobi.

1.9 Operationalization of Variables

Table 1: Operational Variables and Indicators

General Variables	Variable Name	Specific Variable	Variable Indicators
Dependent Variable	Administrative Efficiency	Administrative Efficiency	Responsiveness
Independent Variable	LABG Reforms	Standards and Performance Guidelines	(i) Target setting (ii) Performance Appraisal
		Financial Accountability Guidelines	(i) Expenditure Control (ii) Adherence to Internal Controls
		Financial Disbursement Guidelines	(i) 65% of disbursements applied to development expenditure (ii) Budget Approval

Author: The Researcher

The table summarizes the parameters measured in the study of the effect of LABGs on Administrative Efficiency in the former CCN. The research questionnaire was built on these parameters as shown in appendix. The variable indicators are expounded in the definition of concepts below and also in the findings in chapter 3.

1.10 Definition of Concepts

1.10.1 Adherence to Internal Controls

Internal control is a method of organising in which an organisation protects itself and ensures that it has control over its accounting, daily and business procedures and that these policies are being followed. In the study, adherence to internal control is defined in terms of the way the former city council followed LABG policies.

1.10.2 Administration Efficiency

In general efficiency is a measurable concept quantitatively determined by the ratio of output to input. In this study administrative efficiency is the capacity of an organization to produce desired results with a minimum expenditure of resources such as, time, money and material (Locke 2004).

1.10.3 Budget approval

Budget approval is defined in the study as the consent to the annual financial statements of income and expenditure estimates prepared by a local authority by the Minister for Local Government in Kenya.

1.10.4 Expenditure Control

Expenditure control for this study is the act of exercising authoritative influence over the arrangement, use and expending of resources in the course of running the business affairs of an organisation.

1.10.5 Financial Accountability Guidelines and

The study defines financial accountability guidelines as policies and procedures for responsible performance of tasks by accounting for the public resources availed for the specified public programmes.

1.10.6 Financial Disbursement Guidelines

Financial disbursement guidelines refer to the guidelines set by central government to direct the transfer and use of funds to and by the appropriate government body, with the aim of maximizing welfare for improving on the standards and quality of life of its citizens (David and Van, 2003).

1.10.7 Local Authority Budget

A local authority budget is a financial statement prepared prior to a defined period specifying the revenue and expenditure policies to be pursued during that period in order to attain a particular council's objectives. It sets forth performance objectives for each department and offers a means for comparing actual performance against planned objectives. It also facilitates managerial monitoring and supervision and helps to ensure central coordination among the various departments and committees (Siele 1995).

1.10.8 Local Authority Budget Guidelines (LABG)

Is a major reform agenda that was undertaken by the Ministry of Local Government in collaboration with the donor agency of the Republic of Germany GTZ in 1995, to overhaul the local government sector and in particular, to make local authority services more reliable and council operations more professional and transparent. The reform targeted the council's annual budget, which is the basis for planning and implementing all council operations (Siele, 1995).

1.10.9 Performance Appraisal

Performance appraisal/review is the process by which a manager or consultant examines and evaluates the work of an employee or department or organisation by comparing it with pre-set standards, documents the results of the comparison and uses the results to provide feedback to the employee, department or organisation.

1.10.10 Responsiveness

Responsiveness for the purpose of the study refers to the extent of prompt and proper reactions of individuals, departments and committees of the former CCN to the LABG reform. It indicates how they internalised and applied LABG policies to achieve the intended reform objectives. In the study responsiveness is the measure of administrative efficiency, i.e., the dependent variable.

1.10.11 Standard Performance Guidelines

Standard performance guidelines (SPG) describe the performance elements that tell employees what they have to do and also include the standards that tell them how well they have to do it. In this study, SPG refers to the budgeting principles and norms contained in the local authority budget guidelines.

1.10.12 Target Setting

Target setting is a tool for optimising the business of an organisation through ensuring that participants in a group with a common goal are clearly aware of what is expected from them. Target/goal setting involves establishing specific, measurable, achievable, realistic and time-targeted (S.M.A.R.T.) goals (Doran, 1981).

1.11 Research Methodology

1.11.1 Data Collection

The study used both primary and secondary data from the present Nairobi City County but primary data was the main source of data for the study. The primary data was gathered through oral interviews, discussions and completed questionnaires. The questionnaires contained both open and close ended questions. The close ended questions sought to gather predetermined information based on the operational indicators and the open-ended questions sought to collect qualitative information. Secondary data was obtained from the regular annual accounts and budget reports. The target population was the entire Nairobi City County. Stratified sampling method was preferred for the study to ensure the sampled data represented not only the overall population, but also each of the departments. It was observed that every department participated in the budgetary process through its appointed senior officers who coordinated the budgetary functions. Accordingly, the selection of respondents for distribution of questionnaires was restricted to the identified participants. The selected respondents included at least two (2) senior officers from every department except for, the departments of the treasurer (finance and accounts), the city engineer and planning as shown in table as shown in table 1.11 below. In total thirty nine questionnaires were distributed and twenty six were completed and returned.

Table 2: The Sample Design

Departments		Distributed Questionnaire	Received Responses
1	Town Clerk (Admin)	2	1
2	Treasurer	4	2
3	Human Resource	3	2
4	Procurement	2	2
5	City Engineer	5	2
6	Planning	3	2
7	Legal	2	2
8	Social Services	2	1
9	Education	2	2
10	Public Health	2	1
11	Inspection	2	2
12	Environment	2	2
13	Investigations	2	2
14	Internal Audit	3	2
15	ICT	2	1
16	Decentralisation	1	0
Total		39	26 (67%)

Source: Research Data

1.11.2 Data Analysis

The research questionnaire was formatted to utilize the Likert scale of 1 to 4; whereby, 1 = Strongly Disagree, 2 = Disagree, 3 = Agree, and 4 = Strongly Agree. The interpretation of the scores was sequential, that is, 1 denoted the lowest score and 4 denoted the highest score. The collected data was coded and edited for completeness, relevance, consistency and uniformity. Statistical packages for social scientists (SPSS) and Microsoft Excel tools were applied for data analysis. The Pearson correlation analysis was carried out to determine the relationships between the dependent and independent variables. Tables and figures were used to clearly portray the various aspects of the report.

CHAPTER TWO

2.0 HISTORICAL AND CONTEXTUAL BACKGROUND

2.1 Introduction

This chapter presents an overview of the Kenyan local government system and the genesis of the local authority's budget guidelines (LABG) reform agenda. It also outlines the details of the provisions of the LABG reform. LABG was targeted to restructure the internal committees and departments of the local authorities and establish benchmarks for gauging administrative efficiency and service delivery. The chapter is concluded with a description of administrative efficiency in relation to the LABG reforms and its resultant effect on the Kenyan local government performance and service delivery.

2.2 Kenyan Local Government System

A local government system is a form of public administration that addresses local problems and needs of the different localities in the country through an elected council. This is done under the institution of local authorities, established in accordance with a relevant act of parliament. The act gives powers and responsibilities to the local authorities to provide public services and to coordinate affairs of a particular locality, under the guidance and supervision of a ministry of local government. The local government system gives citizens an opportunity to fully participate in development at the local level and broaden the base for their involvement in the collective life of the community. It enables the local communities to make direct contributions to the social, economic and political growth of their areas and to be involved in service delivery, environmental protection, and problem solving activities in a way that promotes self-reliance and social cohesion. As such, local authorities are unique social, political and economic units

which provide a suitable forum for discussion and generation of development agenda by the local communities through their elected representatives (The Omamo GOK Commission, 1995).

Prior to the adoption of the devolved government system in April 2013, the system of local government in Kenya involved the Ministry of Local Government (MoLG) and various types of local authorities (LAs) or Local councils (LCs) comprising cities, municipalities, towns, and urban and county councils as the main actors. Their mandate was to provide basic services such as; water and sanitation, healthcare, education, general infrastructure, security, employment and other economic activities. Their operations were regulated by the Local Government Act, Cap 265 which empowered them to manage their affairs subject to the control and supervision of the MoLG. The LAs were authorised to make and enforce by-laws and raise funds through rates, fees and usage charges (Mboga, 2009). The LAs were run on a two-tiered system comprised of committees of elected and nominated councillors headed by mayor and administrative departments of managers and support staff headed by the town or county clerk. The structure of each of the different LAs was unique according to its size and category, (Okibo 2012).

2.3 Linkage between Local Government and National Government Systems

Siele (1995) explained that the Kenyan local government system formed an integral part of the greater public service network and had critical linkages to various other government ministries that bore a direct impact on the management of the local authorities' affairs. Therefore, although the local authorities had powers to manage their own affairs, they were subject to the control and supervision of the MoLG and in particular, the Minister for local government who approved their annual estimates of income and expenditure and was answerable to Parliament on their behalf. Each local authority had to consider the effect of the other ministries' plans during the budgetary process and was expected to work closely and cooperate with the district development

committees (DDCs). The DDCs are the ones who had exclusive responsibility for coordinating the development activities of the central and local government units, non-governmental organisations (NGO's) and local community groups, at distinct level.

2.4 The Local Authority Budget Guidelines

When Kenya attained independence in 1963, it inherited a local government system that was not designated with local community needs in mind. The post independent government commenced to make amendments; but the changes were characterised by abruptness and fragmentation which had no room for any considered logical and coordinated evolution. The general grants given to the local authorities by central government became increasingly inadequate to meet the increasing demand for services. In its concern to save the situation, the government appointed various commissions and working parties to look into and advise on the reforms necessary to make the local government system in Kenya a more effective instrument for the provision of the local services and development (The Omamo GOK Commission, 1995).

Against this background, the LABG reform was initiated by the MoLG in 1995. It was one of the most significant reforms undertaken with the objective: to overhaul and revamp the operations and management of the local authorities in Kenya. LABG was to assist council managers to plan; implement and monitor the annual work programmes more professionally and transparently for enhanced service delivery. The MoLG was assisted in the preparation of the LABG initiative by an international donor agency of the Republic of Germany, the GTZ. The LABG reform was preceded by preliminary studies and training workshops that were conducted countrywide by the MoLG and the donor agency. Both councillors and administrative staff participated in the studies and workshops which were aimed to review the LAs capabilities for implementation of LABG (Siele, 1995). The preliminary studies revealed that one of the main reasons why the local

councils were unable to provide quality services was because of insufficient taxing authority at local levels and the consequential shortfalls in revenue collections (The Omamo GOK Commission, 1995).

To pave the way for implementation of LABG, the governments undertook two other complementary reforms; the Local Authorities Trust Fund (LATF) and the Local Authorities Service Delivery Action Plan (LASDAP). The two reforms were established by enactment of the LATF Act No.8 of 1998 that authorised the transfer of 5% of national income tax collections to LATF for meeting the LAs' revenue shortfalls. The same LATF Act also incorporated the enforcement of LABG that required that the LAs commence to prepare and submit quarterly and annual reports to the MoLG for the continuous monitoring and evaluation of their performance (Hamisi 2009). The local councils were directed to utilize part of the LATF disbursements to settle their accrued creditors and stabilise their finances. The bulk of the disbursements (at least 65%) were to be utilised for capital development to build the capacity for improving service delivery. The LASDAP empowered the local communities to participate in the planning of development projects and drawing action plans for the local authority's annual budget. Their participation was meant to encourage them to monitor the utilization of the allocated development funds during the budget implementation. This way, LASDAP was to make LAs accountable to the local community for the LATF disbursements and services delivery.

2.5 LABG and the Local Authority Annual Budgeting Process

The council's yearly budget was the basis for planning and implementing all council operation. LABG required the local authorities to consider and use clear criteria for defining the functions of the standing committees and setting up departments to ensure there was clear correspondence between the committees and departments responsible for specific tasks and sectors. LABG

recommendations for determination of the internal organisation of the local authorities as stipulated in the reform document (Siele, 1995) were as follows³:-

- i. Apart from the Finance Committee, which was a statutory requirement of the Local Government Act, a council could decide on the number and types of its other committees and departments. These other departments had to be decided based on some clearly specified rationale for organising the committees and departments.
- ii. Administrative departments were to be separate from service departments.
- iii. The clerk's department was to coordinate all departmental activities vis-à-vis the council's resident. It also had regulatory enforcement and public relations functions.
- iv. The treasurer's department was to have responsibility for general coordination of all revenue generating activities and accounting.
- v. Every major local service area was to operate within one department or one section of a department.
- vi. Strong and clear linkages were to be established between the standing committees of the elected councillors and the Administrative departments. Cases where a department would report to more than one committee were to be eliminated.

The budgetary process provided for participation of all stakeholders in the budgetary preparation, monitoring and control. The key officers who were identified as the Treasurer, the Town Clerk and Heads of Departments (HODs), had direct roles to play in the preparation of the budgets. They were to develop the budgetary policies, set the budget goals, and decide the budget responsibilities and timetables. The Treasurer as the chief financial advisor to the council had the direct role of coordinating the preparation of the budget. The Town Clerk as the chief executive

³ Siele R. K. A., Local Authority Budget Guidelines, August 1995 (The recommendations are copied verbatim from this document)

officer and legal advisor to the council was to ensure that the budget activities were linked to the departmental objectives. The heads of departments were responsible for their departments' budget proposals and implementation after approval. They were supposed to identify and quantify their proposals for discussion and also responsible for planning and forecasting the needs of their departments and preparing management reports for monitoring the budgets during implementation. The guidelines further provided for the budget functions to be organised around budget responsibility centres which were to be management units within the various departments of the local authority charged with the responsibility to collect revenues and or incur expenditures. The budget centre was to monitor the implementation and prepare the variance analysis reports.

Team approach was advocated throughout the budgetary process to reflect the relationship between the budget levels and the activities of the various departments for service provision. The teams were to be established as budget committees. The number of members for each team was to depend on the number of departments and would be varied from council to council. The functions of the budget committee were to include; reviewing budget objectives and ceilings, reviewing budget policies and guidelines, reviewing the accounting reports of the various departments, developing budget timetable, receiving and reviewing budget proposals from departments, formulation of the master budget and presentation of the budget to the MoLG for approval. The budget committee was also to be in charge of reviewing the final approved budget by the Minister of Local Government and evaluating actual performance against the budget. The town clerk, treasurer, works officer, heads of service departments and administrative officer, were to form the minimum composition for the committee.

2.6 Administrative Efficiency

Public administration is the detailed and systematic execution of public law (Wilson, 1966). Although Martins (1988) argues that politics and administration interact to improve the performance of state organs, Goodman (1900) argues in the contrary that in fact, certain aspects of administration are harmed by politics and should be shielded from it. According to Goodman, there are two basic functions of government, the expression of the popular will (politics) and the execution of that will (administration). But although analytically, it is possible to separate administration from politics, practically, it is impossible (Wilson 1887).

Attainment of administrative efficiency in the former city council of Nairobi was elusive because the two main actors, the politicians and the administrators who played the roles of policing and execution of programs for running the activities of the council, often pursued conflicting interests. According to Owino and Mwaniki (2005), the polarities emanated from the reigning election system which directed that the local councillors were to be elected or nominated by the political parties, or appointed by the minister of local government. The mayor, deputy mayor and chairpersons of the various standing committees were then to be elected by councillors during the first full council meeting in accordance with the prescribed rules of the national election body. The elected mayor held office for two years, after which the mayoral elections were held again. This meant that within a single five years' electoral cycle, the councils had at least three separate mayoral elections. Because of the comparatively short reign of most of the mayors, deputy mayors and chairpersons of the various committees, the driving incentive for decision making was to secure their re-election. Consequently, the combined effects of frequent mayoral and committee chairpersons' elections and the discretion granted to the nominees and appointees

of councillors adversely influenced the management and stability of the former city council (Owino and Mwaniki, 2005).

2.7 Conclusion

Generally, the attainment of administrative efficiency in government agencies largely depends on whether the government of the day is an entrepreneurial government, and whether the public is, informed and committed to ensuring that the popular laws are implemented (Osborne and Gaebler, 1992). The LABG reform was carefully drawn to incorporate necessary measures that were able to transform the management of the Kenyan LAs to achieve the government intended goals of enhanced administrative efficiency and reliability in service delivery for spearheading national growth and development at local community levels. But its success depended on how effectively the government and the public participated in monitoring the performance to minimise the possible conflicting pressures of the political and administration dichotomy that was prevalent in Kenyan local government institutions during the implementation period.

CHAPTER THREE

3.0 STUDY FINDINGS, INTERPRETATIONS AND DISCUSSIONS

3.1 Introduction

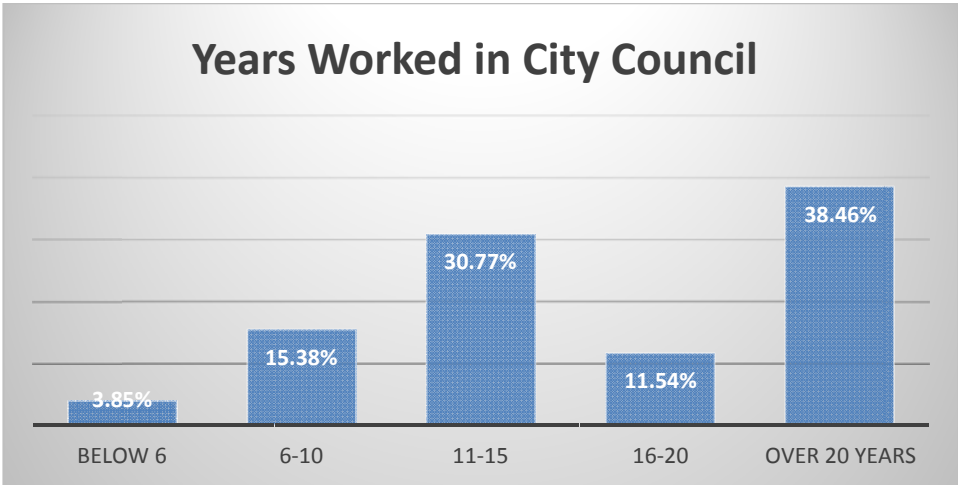
This chapter presents findings and discussion on the effect of LABG on administrative efficiency in the former city council of Nairobi. As already pointed out in the justification, LABG has been adopted by the new Nairobi County government. The chapter first presents a summary description of the respondents' profiles. This is important because it shows the representativeness, relevance and suitability of the respondents, in terms of their academic qualifications and service tenure. Next the chapter presents findings and discussions for each of the three hypotheses of the study. This commences with an overview, giving a brief description of the dependent and independent variables and the variable indicators of the hypothesis followed by results of the regression analysis, summary findings and drawn conclusions. The chapter ends with an overall conclusion of the effect of LABG on administrative efficiency in the former City Council of Nairobi.

3.2 Response Rate and Demographics

Of the 39 questionnaires administered, 26 responses were returned duly completed giving a response rate of 67%. According to Mugenda (1993), a response rate of more than 50% is sufficient for statistical reporting. An analysis of the demographics of the respondents employed in the study was done to show the representativeness of their responses. Of the sampled 26 respondents, 77% were male and 23% were female; evidencing that the population of the former city council of Nairobi was dominated by male employees. In terms of age, the majority (77%) were aged between 36-45 years, 19% between 46- 55 years and 4% between 25-35 years. This

demonstrates that most of the employees were in their active years. However, considering the small proportion of the youth (between 25-35 years) at only 4% of the total respondents' population, it appears the youth were not rightly represented in employment and consequently, succession planning was not seriously considered by the former city council of Nairobi. The findings on education levels indicate that 42% of the respondents had bachelor's degree, 16% had master's degree and 38% had diploma while 4% did not indicate education levels. Therefore the respondents were academically well qualified to complete the questionnaires. An analysis of the respondents' tenure of service is as presented in figure 3.2.

Figure 1: Respondents Length of Service



Source: Research Data (2013)

As shown in figure 3.2, 38% of the respondents had worked for over 20 years and only 4% had worked for less than 6 years. It is therefore very likely that most of the respondents were already working in the former city council of Nairobi when LABG was introduced. It is not surprising therefore, that the respondents' knowledge of LABG and its implementation status was fairly good at 61% and 50%, respectfully.

3.3 The Effect of LABG Standards and Performance Guidelines on Administrative Efficiency.

3.3.1 Overview

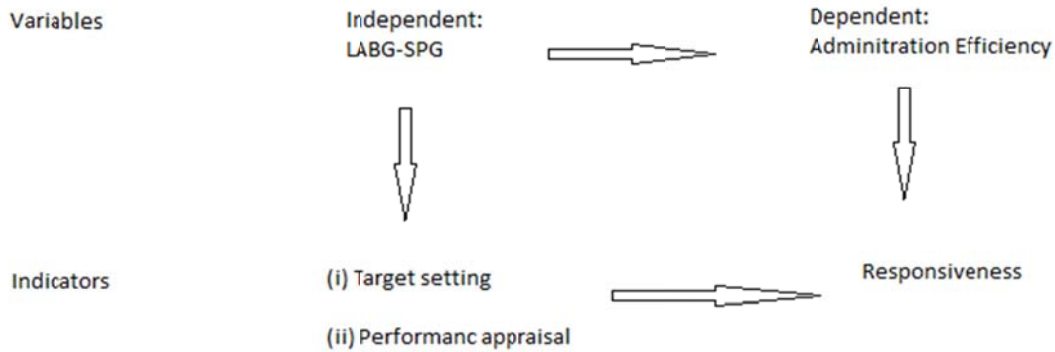
This section presents findings and discussion of Hypothesis 1, which states that, SPG enhanced Administrative Efficiency in the former city council of Nairobi. The dependent variable in this regard is administrative efficiency and its variable indicator is responsiveness. Responsiveness as already explained in the definition of terms refers to how promptly and properly the individuals, departments and committees of the former city council of Nairobi reacted to the LABG reforms by internalising and applying its policies to achieve the intended objectives. For this hypothesis 1, responsiveness is a measure of how promptly and properly, the SPG management tools of target setting and performance appraisals were applied to improve administrative efficiency. Under this section information was sought on matters such as: (i) whether the former CCN provided summary information of the budgetary trends such as, previous years' estimates and actual performance (ii) if departments developed action plans and programmes for meeting service delivery objectives which were translated into financial plans for the annual budget and, (iii) whether the performance appraisal were regularly carried out. More details of the measured parameters for responsiveness are shown in section B1 of the questionnaire (Appendix).

On the other hand, the independent variable is SPG, and the variable indicators are target setting and performance appraisal. Target setting and performance appraisal are principal features of SPG that were identified for the study. As already defined in the definition of terms, they are basic management tools within LABG for guiding the budget administration processes including planning, preparation, monitoring and evaluation. Target setting tools were to ensure the former CCN developed organisational, departmental and individual goals and objectives for guiding the

operations of the former CCN. They cover the process of establishing and executing specific, measurable, achievable, realistic and time-targeted (S.M.A.R.T.) goals for improving work performance as defined by (Doran, 1981). Performance appraisal refers to the SPG measures which were instituted for evaluating the performance results of individual employee, departments and the entire organisation based on the targets/objectives. They included preparation of quarterly performance reports for internal appraisals and submission to the MoLG. Details of the parameters measured under these indicators are covered in the questionnaire (Appendix)

The relationship between the dependent and independent variables is as illustrated in figure 3.3.1.

Figure 2: Relationship between Administrative Efficiency and SPG



3.3.2 The Effect of Target Setting on Responsiveness.

The effect of target setting on responsiveness was tested using the Pearson correlation analysis and the results are shown in tables 3 below.

Table 3: Correlation Showing Effect of Target Setting on Responsiveness

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.030	.484		2.128	.044
Target performance	.577	.149	.621	3.885	.001

a. Dependent Variable: Responsiveness

The analysis yields the model:

$$Y = 1.030 + 0.577X$$

Where;

Y= Responsiveness

X= Effect of Target Setting

The results show a moderately strong positive Pearson correlation ($r = 0.621$) suggesting that there is a relationship between target setting and responsiveness. Thus SPG target setting reforms can lead to enhanced responsiveness and by extension enhanced administrative efficiency. This positive correlation is in tandem with the study findings that showed that through the LABG reform, the former city council's budgetary process had experienced a positive transformation. The respondents concurred by observing that after LABG, the council's annual budget correctly reflected the council correct financial situation. It no longer merely prepared to comply with requirements of the Local Government Act, often based on unrealistic assumptions and bearing no relationship to the council's day to day operations (Siele, 1995).

The SPG target setting reforms had provided performance based tools for planning operations, detailing the expected costs of service delivery and defining how the finances were to be raised. The management was led to prepare strategic plans and develop goals and objectives (for the corporate organisation and various departments) and draw up action plans for the various operational units. The action plans provided inputs for the budget preparation and appraising achieved performance. Gradually, the annual budget reflected the city council's true financial position and had become the management tool for directing utilization of the council's scarce resources and a reference guide for the policy makers.

The findings showed that, after the LABG reforms, the former city council followed a fixed budget timetable that was drawn to direct the budgetary functions: supported by majority (80%); planning tools such as strategic plans and capital improvement plans were always carried out: supported by majority (85%). The annual budget document identified units and departmental goals: supported by majority (78%); and provided summary information of budgetary trends showing estimates and actual results of expenditure and revenue levels: supported by majority (80%). The council had a standing budget committee comprised of representatives from all departments that coordinated the budget administration: supported by majority (80%). In addition a description of the process used to develop; review and adopt the annual budget was always included in the budget document: supported by majority (77%).

3.3.3 The Effect of Performance Appraisal on Responsiveness

The effect of performance appraisal on responsiveness was tested using the Pearson correlation analysis on the observed findings of the study and results are presented below.

Table 4: Correlation Showing Effect of Performance Appraisal on Responsiveness

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.058	.465		2.278	.032
Performance appraisal	.574	.144	.631	3.989	.001

a. Dependent Variable: Responsiveness

The analysis yields the regression equation:

$$Y = 1.058 + 0.574X$$

Where;

Y= Responsiveness

X= Effect of Performance Appraisal

The results show a moderately strong, positive Pearson correlation ($r = 0.631$). This shows that there is a fairly strong positive correlation between performance appraisal and responsiveness which suggests that increased application of SPG performance appraisal measures can lead to enhanced responsiveness and by extension enhanced administrative efficiency. In concurrence with the correlation results, the findings against the performance appraisal revealed that LABG led the city council to ensure the annual budget document specified financial policies to be pursued during the budget period for attaining set objectives. The various departments were made to formulate the long and short term plans for achieving the set revenue and expenditure objectives. The annual budget was structured to also facilitate the preparation of comparative reports of actual versus planned results for performance monitoring and evaluation. As a result,

the city council was provided the means for realising revenue targets to the maximum extent possible and containing expenditures within the predetermined ceilings. The regular performance appraisals for departments and individual employees were also used to promote achievement of revenue growth and expenditure control. Highlights of the observed findings are reported in the next paragraph.

The annual budget clearly outlined financial policies: supported by majority (83%), and stated the short and long-term plans: supported by majority (78%). The budget document contained revenue enhancement targets for departments, sections and individuals: supported by majority (78%). The budget document contained expenditure targets for departments, sections and individuals set within expected income levels: supported by majority (75%). Employee's performance appraisals considered measured achievements of set targets for revenue growth and expenditure control: supported by majority (75%); and quarterly and annual reports of budget versus annual levels of financial performance were always prepared by each department of the former city council: supported by majority (80%).

3.3.4 Conclusion

The study findings and results of the Pearson correlation analysis suggest that SPG enhanced Administrative Efficiency in the former City Council of Nairobi. However, the correlation coefficients were just showed a fairly positive strong of $r=0.621$ and $r=0.631$, for responsiveness to target setting and responsiveness to performance appraisal, respectively. The findings for the target setting reforms shows that the reforms enabled the former city council to adapt performance based tools for planning the operations by detailing in the annual budget the expected costs of service delivery and defining how the finances were to be raised. As a result, the annual budget began to reflect the former city council's true financial situation and became a

reliable management tool for directing utilization of the scarce resources and a reference guide for making policy decisions.

Similarly, the findings from the study of the performance appraisal reforms revealed that the reforms led the former the city council to formulate and include in the budget document the financial policies to be pursued during the budget period for attaining its objectives. The corporate organisation and its various departments were made to formulate and review on annual basis the long and short term plans for achieving the set revenue and expenditure objectives. In addition, the departments continually prepared quarterly comparative reports of actual versus planned performance levels to facilitate monitoring and evaluation. This helped the LA to remain focused to achieve the set objectives. As a result of the performance appraisal reform, progress was made in terms of enhancement of revenue growth and containment of expenditures within the predetermined ceilings. Furthermore, the performance appraisals for individual employees and departments were based on achieved targets levels for revenue growth and expenditure control. This also enhanced administrative efficiency.

However, although generally the study findings show that LABG-SPG reforms positively impacted on administrative efficiency in the former city council, the respondents in their comments and discussions indicated that, full realisation of the LABG reform agenda had been constrained by the following:

- (i) Limited knowledge of the LABG by the budget officers, senior managers, councilors and other participants such as the stakeholders and external customers.
- (ii) Unavailability of financial resources for conducting trainings and workshops to update the above mentioned actors on LABG.

- (iii) The guidelines involved computing and maintaining a number of ratios which tended to over shadow it's more important role of synchronising the budget to the requirements of the organisation.

In conclusion, the study findings and the Pearson correlation results support the Hypothesis 1: LABG Standard Performance Guidelines enhanced Administrative Efficiency in the former City Council of Nairobi. More specifically, it is hypothesised that target setting and performance appraisal are effective management tools that can be used to enhance administrative efficiency and should continue being applied by the new Nairobi City County government and other County governments to improve performance and service delivery.

3.4 The Effect of LABG Financial Accountability Guidelines on Administrative Efficiency.

3.4.1 Overview

This section presents findings and discussion of Hypothesis 2, which states that, FAG enhanced administrative efficiency. The dependent variable in this regard is administrative efficiency and its variable indicator is responsiveness. Responsiveness as already explained in the definition of terms refers to how promptly and properly the individuals, departments and committees of the former city council of Nairobi reacted to the LABG reforms by internalising and applying its policies to achieve the intended objectives. For this *hypothesis 2*, responsiveness is a measure of how promptly and properly, the FAG management tools of expenditure control and adherence to internal controls were applied to improve administrative efficiency in the former CCN. Under this section information was sought on matters such as: (i) whether the annual budget presented major categories of revenue sources (ii) if the annual budget presented revenues by major types

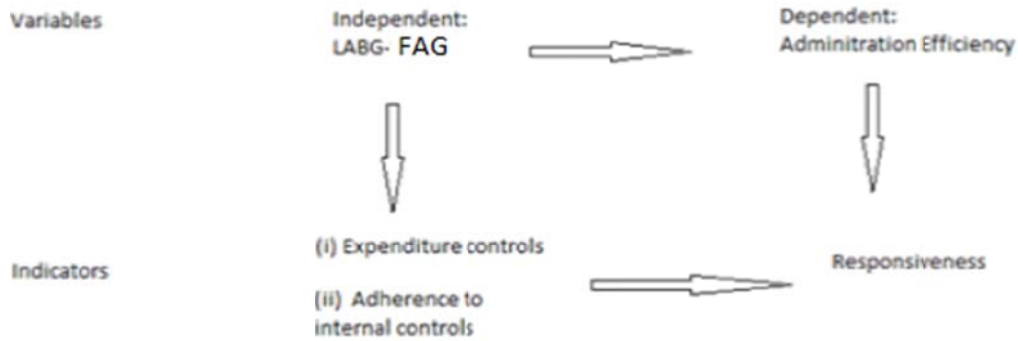
e.g., land rates, parking fees, etc. and (iii) whether the annual budget presented major expenditure categories. More details of the measured parameters for responsiveness are shown in section B2 of the questionnaire (Appendix).

On the other hand, the independent variable is FAG, and the variable indicators are expenditure control and adherence to internal controls. Expenditure control and adherence to internal controls are principal features of SPG that were identified for the study. As already defined in the definition of terms, they refer to the basic management tools within LABG for guiding the budget administration processes including planning, preparation, monitoring and evaluation. The FAG expenditure control tools were to ensure the arrangement; use and expending of resources in the course of running the business affairs of the former NCC applied the specified measures for maintaining expenditures within realisable revenue limits. The FAG adherence to internal controls involved the incorporation of international accounting and reporting standards in the annual budgetary functions for enhancement of financial accountability and transparency in the management of NCC's scarce resources. The reform had budget centres (units) created in all departments for coordinating budget preparation, expenditure control, revenue collection and compilation of the quarterly performance reports. Details of the parameters measured under these FAG indicators are covered in the questionnaire (Appendix).

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Relationship between the dependent and independent variables is as illustrated in figure 3.4.1.

Figure 3: Relationship between Administrative Efficiency and FAG



3.4.2 The Effect of Expenditure Control on Responsiveness.

The effect of expenditure control on responsiveness was tested using the Pearson correlation analysis on the observed findings of the study and the results are shown in table 3.4 below.

Table 5: Correlation Showing Effect of Expenditure Control on Responsiveness

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.674	.333		4.993	.000
1 The Effect of FAG Expenditure Control on Responsiveness	.4481	.103	.670	3.776	.001

a. Dependent Variable: Responsiveness

The analysis yields the model:

$$Y = 1.674 + 0.4481X$$

Where:

Y= Responsiveness

X= Effect of Expenditure Control

The results showed a moderately strong positive Pearson correlation ($r = 0.670$), showing that there is a fairly strong positive relationship between expenditure control and responsiveness. This implies that attending to expenditure control measures to maintain expenditures within budgeted ceilings can lead to enhanced responsiveness and by extension administrative efficiency. Indeed one of the major objectives of the LABG reform was to control the city council's expenditures within its revenue limits (Siele, 1995). In tandem with the correlation results, the study findings showed that the adaption of LABG introduced expenditure control measures in the budgetary processes for budget preparation, implementation, monitoring and reporting which assisted the former city council to contain its annual expenditure levels within the predetermined ceilings.

The findings also revealed that, the eventual annual budget was more realistic, committing only realisable revenue from identified sources and detailing the anticipated full costs of service provision. The respondents observed that after LABG the annual budget document defined development expenditure: supported by majority (85%), defined and presented a reserve fund balance supported by majority (65%), presented revenue by major categories and sources supported by majority (82%) and also presented types of revenue, e.g. land rates or parking fees supported by majority (82%). In addition, summaries of revenue and expenditure trends were presented by major categories showing actual results for the immediate previous financial period, current period forecast and the budget estimates supported by majority (78%). Measures were also undertaken to control accumulation of outstanding debts by disclosing in the budget document; a list of all outstanding debt obligations supported by majority (80%), a description of the council's debt policy supported by majority (72%), a description of the council's debt limit

supported by majority supported by majority (67%) and a description of the council’s debt servicing plan supported by majority (72%).

3.4.3 The Effect of Adherence to Internal Controls on Responsiveness

The effect of adherence to internal controls on responsiveness was tested using the Pearson correlation analysis on the observed findings of the study and the results are presented in table below.

Table 6: Correlation Showing Effect of Adherence to Internal Controls on Responsiveness

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.651	.333		4.993	.000
1 The Effect of FAG Adherence to Internal Controls on Responsiveness	.393	.103	.640	3.776	.001

a. Dependent Variable: Responsiveness

The analysis yields the model:

$$Y = 1.651 + 0.393X$$

Where;

Y= Responsiveness

X= Effect of Adherence to Internal Controls

The results show a moderately strong positive correlation ($r = 0.640$) indicating that there is a causal relationship between adherence to internal controls and responsiveness. This implies that adherence to internal controls measures during budget administration leads to enhanced responsiveness and by extension administrative efficiency. The findings showed that, the incorporation of internationally accepted accounting and reporting standards in the annual

budgetary functions had enhanced the city council financial accountability and transparency in the management of its scarce resources. For example, budget centres (units) were created in all departments and charged with the responsibilities of coordinating budget preparation and monitoring, revenue collection, expenditure control and regular compilation of the variance analysis reports showing comparisons between actual results and the budget). The budget units through their departmental heads regularly submitted the quarterly variance reports to the central budget committee that ensured the central coordination of the budgetary functions.

The central budget committee had authority to use the reports to revise the original budget levels and redirect the scarce resources as deemed necessary to achieve set objectives. The central budget committee also ensured the preparation of city council's monthly, quarterly and annual cash flow projections and the timely submission of annual accounts reports and tax returns to Kenya National Audit Office and Kenya Revenue Authority, respectively. The sampled findings suggest that the former city council followed internationally accepted accounting and reporting principles and practices, supported by majority (80%), had established budget units in all departments, supported by majority (80%), regularly prepared and submitted quarterly performance reports for the Ministry of Local Government, supported by majority (72%) and also prepared monthly and quarterly cash flow reports, supported by majority (75%). The council also disclosed expected events likely to have adverse financial implications and/or disrupt service provision, supported by majority (60%). The annual accounts reports and tax returns to the relevant organisations were also submitted, supported by majority (67%).

3.4.4 Conclusion

The study findings and the Pearson correlation results indicate that FAG enhanced Administrative Efficiency in the former City Council of Nairobi. However, it is necessary to add

that the correlation coefficients showed a moderately strong positive causal relationship ($r = 0.670$ and $r = 0.640$) for responsiveness to expenditure control and adherence to internal controls, respectively. The study revealed that as a result of the FAG's expenditure control reforms, the council's budget incorporated measures for enhancing revenue generation and containing expenditures within the predetermined ceiling. As a result the revenue and expenditure budgets became more balanced and the inherent incidences of expenditure overruns and accumulation of outstanding debts were minimised. The findings against LABG-FAG adherence to internal controls showed that, through this reform, the former city council had created budget units in all departments charged with the responsibilities of coordinating the functions of budget preparation and monitoring, revenue collection, expenditure control and the regular compilation of variance analysis reports (reports of comparisons between actual results and budget). As a result the annual budget was always in sync with the operations of all the departments and feedback information was readily availed to the Treasurer's department for the timely preparation and submission of the periodic accounts reports, tax returns and remittances to the relevant statutory organisations such as the Kenya National Audit Office (KENAO) and Kenya Revenue Authority (KRA). These reforms had enhanced administrative efficiency as confirmed by the positive correlation results of the Pearson correlation analysis.

- (i) The budget officers and other participating officers were regularly trained.
- (ii) The local government budget circulars were more strictly enforced by all the heads departments as often they only partially adherence to the guidelines.
- (iii) There were no incidences of expenditure misappropriations that still occurred as a result lapses in enforcement of the LABG accountability measures.

- (iv) The appointments of senior officers and independence performance of duty were not sometimes compromised by political pressure from the Mayor and his team.

In conclusion, the study findings and the Pearson correlation results support the Hypothesis: LABG-FAG enhanced Administrative Efficiency in the former City Council of Nairobi. It can therefore be adduced that expenditure control and adherence to internal controls are effective management tools that can be used to improve administrative efficiency and should continue to be applied by the new Nairobi City County government and other County governments to improve performance and service delivery.

3.5 The Effect of LABG Financial Disbursement Guidelines on Administrative Efficiency.

3.5.1 Overview

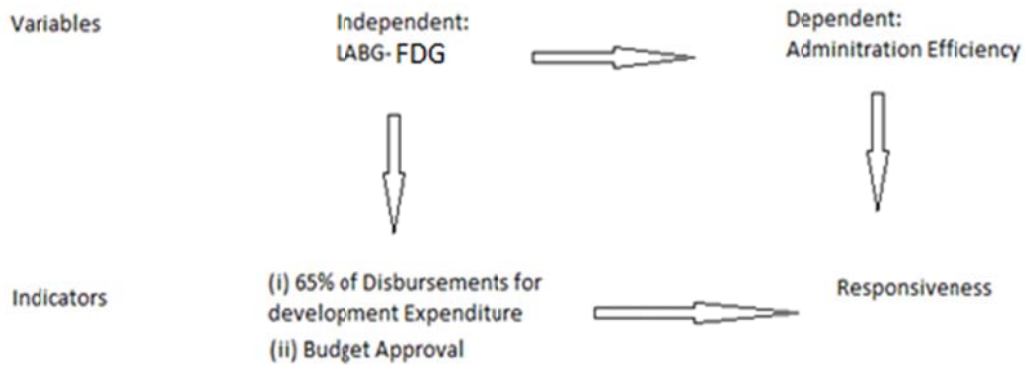
This section presents findings and discussion of Hypothesis 3: FDG enhanced administrative efficiency. The dependent variable in this regard is administrative efficiency and the variable indicator is responsiveness. Responsiveness as already explained in the definition of terms refers to how promptly and properly the individuals, departments and committees of the former city council of Nairobi reacted to the LABG reforms by internalising and applying its policies to achieve the intended objectives. For *hypothesis 3*, responsiveness is a measure of how promptly and properly, the FDG management tools of 65% of disbursement for development expenditure and budget approval were applied to improve administrative efficiency in the former CCN. In this section information was sought on matters such as: (i) whether the former CCN always utilised 65% of the LATF disbursements to finance its capital projects. (ii) if the former CCN budget for personnel emoluments (including salaries and wages for employees and councilors)

did not exceed 50% of the total recurrent and development expenditure budget, and (iii) whether capital projects financed by government disbursements were listed and provided for in the approved budget. More details of the measured parameters for responsiveness are shown in section B3 of the questionnaire (Appendix).

On the other hand, the independent variable is FDG and the variable indicators are 65% of disbursement for development expenditure and budget approval. FDG are the legal regulations that were enshrined in the Act to control access and utilization of government disbursements by the local authority. Firstly, at least 65% of the disbursement had to be utilized for development expenditure and the local authority was required to append in the annual budget document a listing of the capital projects as proof of its compliance to the 65% rule. In addition, the development expenditure for previous, current and estimate periods were comparatively reported in the annual budget. Budget approval, for the purposes of this study, refers to the degree of observance of LABG procedures and practices as were outlined in local government annual budget circulars. The approval of the annual budget by MoLG could be withheld if the regulations were not fulfilled.

The relationship between the dependent and independent variables is as illustrated in figure 4.

Figure 4: Relationship between Admin. Efficiency and LABG-FDG



3.5.2 The Effect of 65% of Disbursements for Development Expenditure on Responsiveness.

The effect of 65% of disbursements for development expenditure on responsiveness was tested using the Pearson correlation analysis on the observed findings and the results are shown below.

Table 7: Correlation Showing Effect of 65% of Disbursements on Responsiveness

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.661	.333		4.993	.000
1 The Effect of FAG Adherence to Internal Controls on Responsiveness	.401	.103	.641	3.776	.001

a. Dependent Variable: Responsiveness (Administrative Efficiency)

The analysis yields the model:

$$Y = 1.661 + 0.401X$$

Where; Y= Administrative Efficiency

X= Effect of FDG 65% of Disbursements for Development Expenditure

The results showed there is a moderately strong Pearson correlation ($r = 0.641$) that shows there is a positive causal relationship between 65% of disbursements for development expenditure and responsiveness. This implies that the allocation of 65% of government disbursements for development expenditure had enhanced administrative efficiency. The council's development projects were continually funded and monitored by the MoLG and the management was compelled to implement and account for the development funds. This helped the former city council to grow its asset base and expand its capacity for service delivery.

The respondents reported that the requirements of LABG and the local government Act for accessing the government disbursements were, initially, an uphill task for the former city council as it faced serious financial constraints due accumulated outstanding debts. However, consistent adherence to LABG and the Act regulation of reserving at least 65% of the annual disbursements for development expenditure ensured that the council at least implemented some of the planned capital projects each financial year. Similarly, the limiting of expenditure for personal emoluments (for employees and councillors) to less than 50% and for asset repairs and replacement to at least 10% of total expenditure enhanced the responsiveness to capital development by extension, administrative efficiency. The 65% of government disbursement for development expenditure regulations were mandatory for budget approval by the MoLG. Therefore the annual budget document had to avail evidence of adherence by appending a listing of government supported projects, other funding sources and proof that remittances for statutory deductions were made to the relevant authorities.

The findings show that consistent observation of the above regulations eventually improved the former city council’s financial accountability, and coupled with transparent utilization of the scarce resources enhanced administrative efficiency. The annual expenditure budget for personal emoluments (salaries and wages for employees and councillors) was on average maintained below 50% of total annual expenditure budget: supported by majority (55%) and 10% of the total annual expenditure was reserved for asset repairs and replacement: supported by majority (72%). At least 65% of the annual disbursement was usually allocated to development expenditure: supported by majority (62%). In addition, the annual budget document appended a listing of the government supported projects and the funding sources, supported by majority (58%). The responsiveness to 65% disbursement rule was apparently quite effective as supported by the respondents’ observation that on average, the former city council never missed any of the disbursements as a result of failure to adhere to set regulations; supported by majority (58%).

3.5.3 The Effect of Budget Approval on Responsiveness

The effect of budget approval on responsiveness was tested using the Pearson correlation analysis on the observed findings and the results are shown in the table below.

Table 8: Correlation Showing Effect of Budget Approval on Responsiveness

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.102	.333		4.993	.000
1 Financial Disbursement Guidelines	.587	.103	.630	3.776	.001

a. Dependent Variable: Responsiveness

The analysis yields the model:

$$Y = 1.102 + 0.587X$$

Where;

Y= Administrative Efficiency

X= the Effect of FDG Budget Approval

The results showed a moderately strong positive correlation ($r = 0.630$) showing the existence of a positive correlation between budget approval and responsiveness. This implies that increased application of FDG budget approval measures led to enhanced responsiveness and by extension, administrative efficiency in the former city council of Nairobi. The budget approval measures directed the former city council to apply its scarce resources as prioritised in the annual budget to attain the set objectives.

The findings showed that the former city council complied with FDG budget approval requirements such as full participation of all departments in the preparation and implementation of the annual budgets and carrying out of regular performance appraisals. Local communities participated in budget planning and were availed information of the council's funding sources and allocations for their prioritised projects. As a result, the council's data processing capability had been expanded and improved to readily avail the required budget information. The annual budget timelines were observed and requisite information was incorporated in the budget document before presentation to the MoLG for the approval. The respondents in general agreed (65%) that these measures greatly improved the quality of the annual budget to the extent that, it correctly reflected the former city council's situation. However, they did not agree that there were improvements in debt and cash flow management.

In summary, the findings show that quarterly budget reviews were always carried out: supported by majority (72%) and the budget was always balanced: supported by majority (60%). Staff

performance appraisals were participatory and regularly carried out on annual basis: supported by majority (77%) and the data processing capacity had greatly improved such that budget information was readily available for decision making: supported by majority (72%). It was further agreed that service delivery had improved: supported by majority (70%) and customer confidence had also improved: supported by majority (67%). In addition, various stakeholders had become participants in the council's budget planning activities: supported by majority (65%) and enforcement of ethical and professional rules had also improved: supported by majority (70%). The findings also reported disagreements or marginal unresponsiveness in the areas of debt and cash flow management. Asked whether the former city council, had cleared outstanding debts for unpaid salaries, statutory deductions and other creditors, the majority of the respondents disagreed (-62%) and that a reserve fund balance was maintained for meeting unforeseen contingencies, majority of the respondents disagreed (-52%). However, it was explained that the debt and cash flow management portfolios were affected by the huge amounts debt that had accumulated from the previous. It was also due to the inherent problems encountered in trying to collect of outstanding monies for outstanding rates and rental fees because of the poor maintenance of past records.

3.5.4 Conclusion

The study findings and the Pearson correlation results indicate that FDG enhanced Administrative Efficiency in the former City Council of Nairobi. This shows that, FDG 65% of disbursements for development expenditure and budget approval, are effective management tools that can be applied to enhance administrative efficiency. Nevertheless, the correlation coefficients just show a moderately positive relationship of $r = 0.641$ and $r = 0.630$; for 65% of disbursements for development expenditure and budget approval, respectively. Complying with

FDG 65% of government disbursements for development expenditure, the former city council regularly allocated funds for development projects and accounted for its utilisation of government disbursements to obtain MoLG approval of its subsequent annual budgets. These measures helped the former city council to grow its assets' base, expand capacity for service delivery and improve administrative efficiency.

Similarly, the findings also show that FDG budget approval measures enhanced responsiveness in the former city council by directing the application of the scarce resources as prioritised in the annual budget, in order to attain set objectives. The budget approval measures elicited the participation of all the departments in the preparation and implementation of the annual budget. Additionally, the performance appraisals measures for reviewing compliance with budgetary procedures and achievement of set targets by departments and individuals greatly enhanced responsiveness. Also the participation of external stakeholders in budget planning and evaluation compelled the city council to avail information on funding sources and the priority projects for meeting the identified needs of the local communities and accounting for the utilisation of funds. Consequently, the council's data processing capability was expanded and improved to process and avail the increased budget information.

The respondents in their comments observed that the effect of LABG-FDG on administrative efficiency could have been more fully realised due the following reasons:

- (i) The inherent debt and cash flow management problems.
- (ii) The councillors unduly prevailed on the executive to do business with them without following the prescribed procurement procedures and had huge amounts the council money channelled to their businesses.

- (iii) The allocation of funds for capital projects sometimes failed to allocate funds for uncompleted projects forcing them to stall.
- (iv) Some lapses in accountability causing occasional frauds.
- (v) The automation of systems and processes was slow and did not enable the former city to take advantage of available technological advancements to improve service delivery.

In summary, the study findings and the Pearson correlation results support the Hypothesis: FDG enhanced Administrative Efficiency in the former City Council of Nairobi. This leads to the conclusion that FDG, 65% of disbursements for development expenditure and budget approval, are effective management tools that can be applied to enhance administrative efficiency. Thus, they should continue to be applied by the new Nairobi City County government and other County governments to improve performance and service delivery.

CHAPTER FOUR

4.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

4.1 Summary

The overriding purpose of this study was: to determine the effect of LABG on administrative efficiency: The case of the former City Council of Nairobi. To accomplish that goal, it was necessary to reach some prerequisite goals including determination of what administrative efficiency means and how to measure the effect of LABG on administrative efficiency in local government institutions. This assumed a high degree of importance and is amplified in the literature review in chapter one. As it became necessary three aspects of LABG were identified for the study of its impact on administrative efficiency, namely; SPG, FAG and FDG. To provide for the possibility of measuring the effect of LABG on administrative efficiency, three models based on the three aspects were developed and the research was conducted. This chapter reports the conclusions and recommendations that resulted from the study.

The research was carried out through administration of questionnaires as detailed under the research methodology in chapter one. The primary aim of the LABG reform was to assist the former city council of Nairobi to adopt LABG management tools for directing its annual budgetary processes including preparation, monitoring, reporting, and performance evaluation and making policy decisions. The selected three aspects of study encompassed the main features of LABG, namely: following internationally accepted standards of performance, adapting financial accountability practices and adhering to internal controls and legal provisions for applying government disbursements.

The key questions of the SPG model sought to know whether the council's budgetary process followed a fixed timetable and provided summary information on significant budgetary issues and financial performance trends. Other questions covered the area of planning for the operations seeking to know whether strategic and capital improvement plans were undertaken for the entire organisation, departments and major revenue, expenditure and service units. The FAG model sought out the resultant effects of LABG expenditure control and revenue enhancement measures. Lastly, the FDG model, investigated the status of the council's compliance to internal controls and legal provisions, such as, the timely remittances of statutory deductions and taxes, observance of the timelines for preparation and submission of statutory reports and adherence to the budget approval procedures set out in the Local Government Act and annual circulars.

It was noted in the introductory chapter that prior to the LABG reform, the former city council's annual budget was prepared merely to comply with requirements of the Local Government Act and bore no relationship to the actual situation of the affairs of the city council. Therefore, it is very notable from the study findings the council's annual budget after the LABG reform correctly reflected its true situation. The LABG reform revised the budgetary processes to have them adapt internationally accepted principles and practices and the revision gave rise to a performance based annual budget. The annual budget became the basis of directing the scarce resources. It was used by both administrators and councillors as a reliable tool for directing operations and making policy decisions. In conclusion, the LABG reform agenda positively impacted on both work performance and accountability and enhanced administrative efficiency in the former city council of Nairobi. In summary the findings lead to the recommendation that LABG should continue to be applied by the County governments for continuous improvement in performance, accountability and transparency. Ultimately, LABG should continue to be applied

by the counties for the efficient utilization of the scarce resources to render quality services to the citizens.

The results of the Pearson correlation analysis showed that the effect of LABG was positive and moderately strong. This tends to suggest that the county governments should continue to apply LABG to improve performance and service delivery. However, as noted by Curristine (2005) to gain the benefits of the reforms, the county governments must ensure they are correctly and persistently implemented, have long-term approach and realistic expectations. This is an uphill task and requires great effort and cooperation of the administrators and policy makers. As propounded in the theoretical framework in chapter 1, “to successfully implement institutional reforms, the governments have to deal with many internal and external constraints and conflicts which potentially decrease their economic efficiency”. In fact it was noted in the respondents’ comments and during interviews, that conflicts between the administrators and politicians and pressure from the citizens and stakeholders were obvious in the former city council of Nairobi. The conflicts tended to compromise the council’s ability to fully embrace technical professionalism and transparency such as advocated by the LABG reform. It is also important to remember that the overriding objective of public institutions is to promptly respond to the citizens’ needs and sometimes one may be forced to overlook the technical and/or professional requirements. In the same context, even though the study findings support the fact that LABG should be applied persistently to continually improve administrative efficiency; it might sometimes be inevitably compromised to respond the urgent needs of citizens.

4.2 Conclusions

In summary, the study findings and the Pearson correlation results support the three Hypotheses set out in the study. In the case of the first hypothesis, the findings show that SPG enhanced Administrative Efficiency in the former City Council of Nairobi. The application of SPG target setting and performance appraisal measures led the former city council into planning operations and detailing the expected costs of service delivery, defining how the finances are to be raised and drawing up strategic plans, goals, objectives and action plans for all the various operational units. Coupled with regular performance appraisals for departments and individual employees, the council managed to achieve and sustain revenue growth and expenditure control. Therefore in conclusion, target setting and performance appraisal, are effective management tools that can be used to enhance administrative efficiency. They should be continually applied to improve performance and service delivery in the Counties

The findings and the Pearson correlation results also supported the second Hypothesis: FAG enhanced Administrative Efficiency in the former City Council of Nairobi. The study findings showed that FAG expenditure control and adherence to internal controls positively reformed the budgeting functions in the former city council. Expenditure control measure ensured that the expenditures levels were maintained within the budgeted ceilings. The measures elicited responsiveness from administrators and politicians and enhanced administrative efficiency. Similarly, the incorporation of international accounting and reporting standards in the annual budgetary functions had enhanced the city council financial accountability and transparency in the management of its scarce resources. These again led to improvements in administrative efficiency. Therefore, in conclusion one can say that expenditure control and adherence to internal controls are effective management tools for enhancing administrative efficiency and

should continue to be applied by the new Nairobi City County government and other County governments to improve performance and service delivery.

The study findings and the Pearson correlation results also supported the third Hypothesis: FDG enhanced Administrative Efficiency in the former City Council of Nairobi. FDG, 65% of disbursements for development expenditure and budget approval, encouraged the council to continually fund its development projects. In addition regular monitoring by the MoLG helped the management to implement and account for the development funds. As a result, the former city council grew its asset base and expanded its capacity for service delivery. On the other hand, the budget approval measures directed the former city council to apply its scarce resources as prioritised in the annual budget to attain the set objectives. Thus FDG measures of 65% of disbursements for development expenditure and budget approval are effective management tools for enhancement of administrative efficiency. In conclusion, it is recommended that they should continue to be applied by the new Nairobi City County government and other County governments to improve performance and service delivery.

In summary conclusion, the study has shown that the choice of the LABG reform by MoLG for the LAs in Kenya was a wise move and its implementation by the former city council of Nairobi, was fairly well done and relatively successful. As evidenced by the study findings, the reform was able to realise the anticipated benefits to a reasonable extent. This was despite some of the noted constraints reported by the respondents in the study findings in chapter 3. Therefore, LABG institutional theory norms of SPG, FAG and FDG, if accurately and persistently applied and adhered to, can help public institutions to improve administrative efficiency and service delivery.

4.3 Recommendations

Based on the findings of the study, the following recommendations are adduced by the researcher:

- 1) Future Government reforms in the local authorities should not only include preparatory seminars and workshops for jump starting the reforms, but should also provide for update seminars and workshops during the implementation stage. In this regard, in planning the financing of future reform project this factor should be taken into consideration. This will guarantee their accurate and continuous implementation. This was recommended by most of the respondents who attributed its necessity to the fact that the employee' turnover for the managerial cadres was relatively high in the former city council of Nairobi.
- 2) To reap the benefits of LABG, the local or county governments (policy arm) should regularly review the issues highlighted in the quarterly variance reports, decide corrective measures and continually monitor the county's performance to ensure that the issues are satisfactorily attended. The respondents argued that chairpersons of committees, heads departments and managers, should be made to account for their actions or inactions, to improve administrative efficiency. For this purpose, they advised that the inspection and internal audit departments should be empowered and strengthened by adequate finances and qualified staff to perform more effectively and independently.
- 3) The LABG reform measures for accounting for the government disbursements through LASDAP during planning, execution and evaluation of development projects, should be strictly followed to ensure that the planned projects are actually implemented and funds are availed to complete all on-going projects. For better utilisation of development

disbursements and improved policing of the projects, the county governments should consider the possibility of partnering with the societies and professional organisations to develop relevant and quality projects that can improve the welfare of the citizens.

- 4) The LABG reform addressed only the annual budget portfolio, but the study revealed that the local government organisations are in need of more reforms to improve all other operational areas. For example, the local organisations should adopt and strictly follow the government procurement rules for competitive procurement of goods and services and curb political interferences during the procurement processes as noted by the respondents. And for hiring of the human resource capital, a human resource policy of utilizing independent manpower consultants for recruitment of professional staff could be adopted to minimise the reported corrupt influences including political interference and nepotism practices on the part of the senior managers during identification, selection and recruitment.
- 5) The national government should assist the local government to find solutions to the inherent cash flow and debt management problems. Based on the study findings, it is recommended that, the national government should assume responsibility for the collection of outstanding property rates and rent moneys and the settlement of outstanding liabilities. In addition, the local authorities should be extended with loans to help them for undertake deliver the urgently required services to the citizens.
- 6) Further research needs to be carried out to investigate the seriousness of the respondents concern that the implementation of LABG required the computation of so many ratios. This is because quite a number of respondents noted that the greater part of the budget

officers' time and effort was consumed in trying to achieve the correct ratios. As a result, accuracy was sometimes compromised and the reports did not reflect the true situation.

4.4 Future Research

Resulting from the study findings and the respondents' comments, further research is strongly recommended in the following two areas:

- (i) The governments should critically review the use of LABG in the counties and consider the possibility of undertaking a study to develop national benchmarks with a view to simplify its application and reduce the noted shortfalls. A task force should be formed to formulate and adopt a standard reporting template which can be used by every County. The task force should draw membership from each County central budget committee and also the National Budget Office.

- (ii) The issue of political interferences especially in the procurement goods and services as reported by the respondents in 4.3.4 also needs to be researched further with a view to finding a permanent solution to curb the menace. Again this can be carried out by a task force drawing its representatives from the counties and national governments.

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APPENDIX

THE QUESTIONNAIRE

SECTION A: RESPONDENT'S DETAILS

Q1. Gender F M

Q2. Age in years:

Under 25 25-35 36-45 46-55 Over 55

Q3. Education (highest level achieved):

Primary School Certificate High School Certificate Diploma

Bachelor Degree Master Degree PhD

Q5. Years of work in the City Council of Nairobi:

Below 6 6-10 11-15 16-20 Over 20 Years

Q6. Years of work in the current position:

Below 3 3-4 5-6 Over 6 years

SECTION B: LOCAL AUTHORITY BUDGET GUIDELINES (LABG)

B1: LABG-Standards and Performance Guidelines (SPG)

Q6. (a) How well do you know the LABG standards and performance guidelines?

1. Not at all 2. Somehow 3. Well 4. Very Well

For each of the statements, please use the point scale below to indicate your level of agreement by ticking in one of the given boxes.

1	2	3	4	5
Strongly disagree	Disagree	Agree	Strongly Agree	Don't Know

B1 (i)	The Effect of SPG-Target Setting	1	2	3	4	5
Q7.	The City Council provided a budget calendar (timetable).					
Q8.	The City Council provided summary information on significant budgetary issues conveyed in an easy to read format.					
Q9.	The City Council provided summary information on budgetary trends such as, previous years' budget estimates and actual performance.					
Q10.	Other planning processes such as, strategic plans and capital improvement plans were carried out.					
Q11.	The departments had a clear meaningful written mission statement which reflected its purpose, values and people served.					
Q12.	Each department developed action plans and programmes for meeting service delivery objectives which were translated into financial plans for the annual budget.					
Q13.	The City Council had a budget coordination team (committee) composed of representatives from all the key departments.					
Q14.	The implications of other long-term planning processes were always discussed by the budget committee.					
Q15.	The effects of other planning processes on the current budget were always explained.					
Q16.	A description of the process used to develop; review and adopt the annual budget was included in the budget document.					
B1 (ii).	The Effect of SPG-Performance Appraisal	1	2	3	4	5
Q17.	The annual budget clearly outlined the City Council's financial policies.					
Q18.	The annual budget outlined non-financial policies or goals that provided the context for decision making and service delivery.					
Q19.	The annual budget clearly stated the City Council' short-term plans.					
Q20.	The annual budget clearly stated the City Council' long-term plans.					
Q21.	The budget document had a forwarding message that highlighted the issues facing the City Council.					
Q22.	The forwarding message contained highlights of the issues facing the City Council in developing the annual budget.					
Q23.	The budget document identified units or departmental goals.					
Q24.	The identified departmental goals were linked to the overall City Council's goals.					
Q25.	The budget document contained revenue enhancement targets for departments, sections and individuals.					

Q26.	The budget document contained expenditure targets for departments, sections and individuals set within the expected income levels.					
Q27.	The annual budget showed and explained staffing levels					
Q28.	The City Council carried out quarterly and or annual employees' performance appraisals.					
Q29.	The employee's performance appraisals considered measured achievement of set targets for revenue growth and expenditure control.					
Q30.	Quarterly and annual financial reports comparing actual and budgeted levels of performance were always prepared by each department of the City Council.					

Q31. Would you say that the LABG standards and performance guidelines were fully implemented? Yes No

Q32. In your opinion did their implementation lead to improved efficiency in the management of the City Council's operations? Yes No

Q33. What do you think could have been done to assist the LABG standards and performance guidelines improve administrative efficiency at City Council of Nairobi?

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B2: LABG-Financial Accountability Guidelines (FAG)

Q34. (a) How well do you know the LABG-financial accountability guidelines?

1. Not at all 2. Somehow 3. Well 4. Very Well

Q34. (b) How often did the City Council follow the LABG financial guidelines when preparing and implementing the annual budget?

1. Never 2. Rarely 3. Regularly 4. Always

Please rate the City Council’s performance on the following titles since the introduction of the LABG using the point scale below to indicate your level of agreement by ticking for each statement in one of the given boxes.

1	2	3	4	5
Strongly disagree	Disagree	Agree	Strongly Agree	Don’t Know

B2: (i) The Effect of FAG-Expenditure Control	1	2	3	4	5
Q35. The annual budget presented major categories of revenue sources					
Q36. The annual budget presented revenues by major types e.g., land rates, parking fees, etc.					
Q37. The annual budget presented major expenditure categories.					
Q38. The expenditure was presented by function or organizational units.					
Q39. The annual budget presented summaries of revenue and expenditures for prior year, current year and budget year/period.					
Q40. The budget defined and presented a reserve fund balance.					
Q41. The budget document defined Capital expenditure.					
Q42. The budget indicated the total amount set aside for capital expenditure.					
Q43. The financial data on current debt obligations was included in the budget document.					
Q44. The City Council’s debt policy was described in the budget document.					
Q45. The City Council had a debt limit described in the budget document.					
Q46. The City Council described its debt servicing plan.					
B2: (ii) The Effect of FAG-Adherence to Internal Controls	1	2	3	4	5
Q47. The City Council followed accounting practices which conformed to the internationally accepted accounting and financial reporting standards.					
Q48. The City Council established budget centres or units in all departments whose responsibility was to collect revenues or incur expenditure.					
Q49. The City Council prepared and forwarded to the Minster for local					

government comprehensive quarterly financial reports of actual versus budgeted levels of performance within two weeks after the end of quarter.					
Q50. The City Council prepared monthly, quarterly and annual cash flow projections.					
Q51. The City Council prepared comparative cash flow reports of actual versus projected level on monthly, quarterly and annual basis.					
Q52. The City Council accurately disclosed all occurrences or events likely to have adverse financial implications on its programmes service delivery.					
Q53. The City Council regularly submitted statutory reports and returns to the relevant institutions such as, the Kenya National Audit Office, KRA within the stipulated timelines.					

Based on the financial accountability guidelines, what do you suggest could have been done to improve the administrative efficiency of the city council of Nairobi?

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B3: LABG-Financial Disbursement Guidelines (FDG)

Q54. (a) How well did you know the LABG **financial disbursement guidelines** / the **Local Authority Transfer Fund (LATF) Guidelines**?

1. Not at all [] 2. Somehow [] 3. Well [] 4. Very Well []

Q54. (b) How often did the City Council follow the LABG financial disbursement or LATF guidelines in preparing and implementing the annual budget?

1. Never [] 2. Rarely [] 3. Regularly [] 4. Always []

For each of the following statements, please use the point scale below to indicate your level of agreement by ticking one of the boxes on the right numbered 1-5.

1	2	3	4	5				
Strongly Disagree	Disagree	Agree	Strongly Agree	Don't Know				
B3: (i) The Effect of FDG 65% of Disbursements for Development Expenditure				1	2	3	4	5
Q55. The City Council budget for personnel emoluments (including salaries and wages for employees and councilors) did not exceed 50% of the total recurrent and development expenditure budget.								
Q56. The City Council always utilised 65% of the LATF disbursements to finance its capital projects.								
Q57. For government supported projects, the City Council provided evidence of other funding sources.								
Q58. The City Council budget included 10% allocation for assets repairs and replacement.								
Q59. The City Council never missed any LATF disbursement due to failure to comply with the legal provision that stipulated that outstanding statutory debts for deductions of taxes, NSSF etc, must be cleared for the councils to access further LATF disbursements.								
B3: (ii) Effect of FDG Budget Approval				1	2	3	4	5
Q60. At least 65% of the government disbursement included in the approved budget was reserved for financing capital projects.								
Q61. The capital projects financed by government disbursements were listed and provided for in the approved budget.								
Q62. Project programmes supported by government disbursements were accompanied by support documentation providing evidence of expected benefits or revenue to be realized from the project.								
Q63. Since the introduction of the LABG, quarterly and annual reviews of financial performance reports are carried out by all the departments								
Q64. Stakeholders participated in budget planning and had prior information of the funding sources and allocations to prioritized projects								
Q65. The City Council had a general reserve fund to provide a sufficient working capital balance, to meet unforeseen contingencies and any deficit balance on the general revenue account								

Based on the financial disbursements guidelines what do you suggest should have been done to improve administrative efficiency of the Nairobi city council?

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