

ABSTRACT

Debt can be rewarding in cases of moderate use, but can be disastrous in cases of imprudence. Excessive debt has been a key challenge to Kenyan local authorities, constraining service delivery and undermining financial sustainability. The Government established and decentralized the Local Authorities Transfer Fund (LATF) to enable local authorities reduce the debt burden. The purpose of this study was to assess and document information on the contribution of LATF towards debt reduction at the Council, as well as identify institutional vulnerabilities that may perpetuate further indebtedness. We sourced primary data from 162 community members, including opinion leaders and civil servants. The study found that the debt portfolio had reduced steadily from KES 157.4 million in the 1999/00 to KES 98.4 million in the 2010/11, while allocations to the Council had increased from KES 11.7 million to KES 57.4 million over the same period of time. The analysis found that LATF allocation significantly correlated with outstanding debts, suggesting up to 99% chance that access to LATF resources may have contributed to debt reduction. To achieve financial sustainability, the Government must address various institutional vulnerabilities, including corruption (76.5%), procurement malpractices (59.3%), revenue collection inefficiency (58.0%), outdated accounting systems (54.9%), political influence (39.5%), nepotism (38.9%), and weak internal audit and control systems (30.9%). The study emphasizes that County Governments must take a bold step to enforce key legislations, including Public Officers Ethics Act, as well as the Anti-Corruption and Economic Crimes Act to dismantle corruption cartels, as well as initiate appropriate reforms programs.