

**INFLUENCE OF PUBLIC FINANCIAL MANAGEMENT REFORMS ON
BUDGET IMPLEMENTATION BY KENYAN CITY COUNTIES**

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**A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF
BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS IN PARTIAL
FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF A
DEGREE IN MASTER OF BUSINESS ADMINISTRATION (FINANCE) OF
JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND
TECHNOLOGY**

OCTOBER, 2017

DECLARATION

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

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This project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

This research Project is dedicated to my parents, Mr. W. H. Magani and Mrs. Sophia Magani; My spouse Linet Magani, all my siblings Lilian, Phoebe, Storney, George, Pamela, Nelson, Adams, Robert, Bonface and Augustine Magani. My son Philvan Maburi Magani also deserves a special mention here.

ACKNOWLEDGEMENT

First of all, I am very thankful to the almighty God for granting me physical and intellectual strength to accomplish this task. I owe credit to Dr. Joseph Gichure, my University Research Supervisor, for his unreserved guidance, professional counsel and meaningful insights which helped me to complete this project. My family cannot go unmentioned for their encouragement and exemplary support throughout my studies. I also appreciate my friends, course mates, instructors and examiners, whose immeasurable input, critiquing and thoughts were vital for the completion of this research project. The JKUAT Nakuru Campus staff members also deserve a special mention in this page for their selfless support.

ABSTRACT

The pursuit of Public Financial Management Reforms (PFMR) is centered on, among other functions, enhancing transparency in governance, increasing prudential allocation of financial capital, accountability in financial management, separating policy and management functions. In Kenya, the PFMRs seek to ensure both fiscal efficiency and discipline in the use of public finances thereby enhancing public service efficiency and safeguarding available resources to be used in the best interest of the people. The objective of the study was to examine the influence of IFMIS Re-Engineering, parliamentary oversight, fiscal decentralization, active public participation on budget implementation by Kenyan city counties. The study was based on modern portfolio theory, agency theory, resource-based theory and stakeholder theory and relied on an ex-post-facto research design with a survey method to determine the relationships between the study variables. The population of the study was 55 comprising of staff members from budget office, directorate of economic planning, IFMIS departments and accountants from all sectoral departments of each of the three city counties under study. A sample of 36 respondents was selected proportionately from the three city counties. Structured questionnaires and interview schedules used to collect the data were self administered. The returned questionnaires were then cleaned, coded and scrutinized thoroughly for completeness. The researcher collected data from the treasuries, directorates of economic planning, budget offices, IFMIS departments and sectoral departments of Nairobi city county, Mombasa city county and Kisumu city county respectively. The study also relied on interview schedules to obtain first-hand data from IFMIS department in each of the counties under study. The resultant data was analyzed using SPSS version 24. Statistical measures such as means, percentages and standard deviation were used to interpret the data. Both linear regression analysis and a Spearman correlation analysis were done to show the relationships between the study variables and the findings presented in tables. The study revealed strong positive and statistically significant correlation between fiscal decentralization, parliamentary oversight and public participation with budget implementation while IFMIS re-engineering had a negative and statistically insignificant correlation with budget execution. The study recommended further research on IFMIS to come up with a more effective system or consideration of a complete overhaul for better system for public financial management. Studies should also be done to unearth the interrelation between adoption of PFMR and performance of counties in rural areas in Kenya.

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LIST OF ABBREVIATIONS AND ACCRONYMS

AT	:	Agency Theory
CRA	:	Commission for Revenue Allocation
DEA	:	Data Envelopment Analysis
EMU	:	European Monetary Union
FDI:		Foreign Direct Investment
ICT	:	Information and Communication Technology
IFMIS:		Integrated Financial Management Information Systems
MPT	:	Modern Portfolio Theory
NCLR:		National Council for Law Reporting
NPM	:	New Public Management
PB	:	Performance Budgeting
PFM	:	Public Financial Management
PFMR:		Public Financial Management Reforms
SFA	:	Stochastic Frontier Analysis
SMEs	:	Small and Medium Enterprises

DEFINITION OF TERMS

- Active Public Participation** : Active public involvement in public policy, decision making, governance and public service (Irvin and Stansbury, 2004)
- Budget Implementation** : Execution of planned revenues and expenditures
- Budget** : The budget is detailed quantitative estimation of an organization's expenses and revenues, or internal and external cash flows for a specified future period reflecting the goals, interests, and expectations (Khan, & Hildreth, 2002).
- Fiscal Decentralization** : A process through which a central government devolves upon sub national governments decision-making powers, authority over and responsibility for aspects of public finance (Lao-Araya, 2002)
- IFMIS Re-Engineering** : Full cycle end-to-end computerization of Public Financial Management to entail public expenditure management processes such as budget formulation, budget execution and accounting aided by a fully integrated system for financial management across government departments, agencies and institutions (Diamond & Khemai, 2005).
- Parliamentary Oversight** : Instituting checks and balances, requiring answerability of persons entrusted with budget execution roles, and taking action on non performance, poor performance on misappropriation of public resources to ensure the revenues and expenditure a
- Public Financial Management Reforms** : Developments and changes in the field of public finance that are essential for national development and meant to address inefficiencies, corruption and poor management of public funds and enhance accountability (Guthrie, 2005).

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Governments from all over the world have been implementing reforms affecting the public sector organizations. The reform agenda has been widely promoted on grounds that the public sector is organized on wrong principles, inefficiencies, corruption and poor management of public funds thus the need for reinvention and institutional renewal. Besides, the pursuit of reforms in many parts of the world is centered on, among other functions, enhancing transparency in governments, separation of policy and management functions, enhancing performance, and devolution of government activities (Guthrie, Olson, & Christopher, 1999). According to Wakhungu (2014) reforms are put in place to address gaps that have been identified, especially regarding the devolved systems of government, inadequate strategy orientation and lapsed strategy as well as to build on institutional transformation.

Drawing from the European Policy Brief of 2012, uncertainty of the European monetary union and failure to reverse the momentum of the European bond market uncertainties are noted despite numerous changes in economic governance (Aiginger, Cramme, Ederer, Liddle, & Thillaye, 2012). This has been evidenced by the economic recession, souring unemployment, the mounting euro scepticism and the most recent Brexit. The reforms in Europe had policy priorities in boosting investment, supporting SMEs and entrepreneurship, boosting trade and bringing people back into work. In particular, the structural reforms emphasize on product market reforms, labour market reforms, tax structure reforms as well as public administration reforms to keep Euro afloat and the Euro area united, avoid competitive devaluations and protectionist national responses. However, a disintegration of the European Monetary Union (EMU), infamously referred to as Brexit, occurred despite the significant reforms to strengthen the EMU governance (Griesse, & Deroose, 2014).

In Australia, quite a number of government policy changes have influenced the structure and operations of the Australian economy. The policies have been executed to induce higher levels of productivity to support higher living standards (Borland, 2001; & Parham, 2002). Australia has majorly implemented micro-economic reforms to improve the efficiency of the operations as well as the distribution of resources of

the economy (Borland, 2001). Some of the reforms include deregulation of access to finance, floating the currency, significant decline in barriers to trade and Foreign Direct Investment (FDI), commercialization of government business entities, strengthening competition and changing the institutional arrangement to reign in budget deficits and to empower the central bank with the duty to adjust the monetary policy.

According to Francesco (2013) Singapore is considered one of the world's known beneficiaries of reforms and high national development, thanks to highly competent and least corrupted public administration. From the onset, the leadership of Singapore focused on reforming the public sector towards achieving a level of efficiency comparable to the Scandinavian countries, Germany, France and Switzerland among other wealthy western countries. It is on this basis that the high level economic performance is attributed to the country's commitment to reforms. In addition, it is worth noting that the quest for a reformed economy and the development agenda for Singapore began from the pursuit of an effective government founded on the principles of the rule of law; dynamic, forward-looking public service leadership; customer-centric and consultative government; incorruptible systems and efficient use of financial resources. Besides, the development in Singapore has been driven by the desire for a robust social security, sustainable economic growth, societal cohesiveness and congenial international business supported by strong national identity and resilience (Francesco, 2013).

1.1.1 Public Financial Management Reforms

The necessity of money in the public sector may be obvious, but in many parts of the world, good public financial management is often taken for granted. Public Financial Management (PFM) faces a number of issues among them, rampant corruption, poor management of public resources, wrong prioritization of projects and initiatives as well as administrative and managerial inefficiencies (Kiilu, & Ngugi, 2014). As a result, governments are encouraged to apply best practices in undertaking various strategic reforms for addressing their varied national development agenda (Bovaird, & Loffler, 2009). The Public Financial Management Reforms (PFMR) are developments and changes in the field of finance that are essential to national development. The reforms are widely sought to address the wrong principles upon which the public sector is organized, inefficiencies, corruption and poor management of public funds

thus the need for reinvention and institutional renewal. The pursuit of PFMR is centered on, among other functions, enhancing transparency in governance, increasing prudential allocation of financial capital, accountability in financial management, separating policy and management functions. The adoption of PFMRs makes it possible to reorganize financially troubled organizations, enhance economic performance and devolution of government activities (Guthrie, Olson, & Christopher, 1999). According to Njenga, Omondi, and Omete, (2014) the reforms are undertaken to deal with fiscal crises, public pressure, donor pressure, political crises and demands for regional affiliations to improve economic performance, public service delivery, and better living standards. In addition, the reforms are pursued to address gaps identified in the devolved systems of government and public organizations to remedy inadequate strategy orientation and lapsed strategy as well as to build on institutional transformation (Wakhungu, 2014).

In Liberia, the new Ministry of Finance and Development Planning works around public sector financial management reform to address severe economic decline during the civil crisis, a period characterized by lack of transparency and accountability in the management of public resources. According to Brunson (2017) the civil crisis in Liberia led to the collapse of PFM institutions, failure of systems and deteriorated human capacity which culminated into near complete absence of procedures in the management of public resources. In response, however, the government of Liberia enacted a PFM Act in 2009 and further instituted a PFM steering committee to undertake the strategic oversight and coordination of the country's PFMR agenda. In addition, the government rolled out an Integrated Financial Management Information System (IFMIS) as a budget management and accounting system to improve public expenditure and management process. The IFMIS uses modern Information and Communication Technologies (ICT) to enhance greater accountability and transparency across all government departments, agencies and public organizations (Brunson, 2017).

In Kenya, the new constitution promulgated in 2010 positioned fiscal decentralization and PFM at the center of public financial management policy reforms to ensure both fiscal efficiency and discipline in the use of public finances. The PFMR introduced a different way of managing public resources, enhance public service efficiency and safeguarding available resources to be used in the best interest of the people

(Wakhnungu, 2014; Kiilu, & Ngugi, 2014; Njenga, Omondi, & Omete, 2014). As such, there is a PFM Act No. 18 of 2012 created to achieve a better public finance management as envisioned under public finance, chapter 12 of the constitution. The Act is an Act of Parliament meant to provide for effective management of public finances by national and county governments.

The PFM Act and the constitution of Kenya 2010 exemplify both national and county governments as autonomous and inter-dependent institutions each entrusted with the duty to formulate, plan, implement and report their budgets and plans without interference of the other. In this regard, there exists a Commission for Revenue Allocation (CRA) entrusted with the responsibility of allocation financial resources to devolved governments, state organs and other public organizations and the office of the Controller of Budget also undertakes audits of the governments and makes recommendations based on the fair and honest opinion about their performances regarding the management of public finances.

However, the allocation, management and audits of public finances requires openness. In addition, the PFMR seek to enhance accountability, public participation, equitable sharing of revenue, tax burden, debt burdens/benefits, equitable development, as well as prudent and responsible use of public resources, responsible financial management and clear fiscal reporting. Since the PFM reforms ensued in Kenya, the country has seen a number of changes in budget formulation, public participation, procurement, external audit, revenue collection, budget execution, and parliamentary oversight among others (Wakhungu, 2014).

1.1.2 Budget Implementation

Budgets have become necessities in every aspect of human or organizational life without which, the personal or organizational interests, aspirations, goals and objectives can hardly be achieved. According to Ahmad and Ahmad (2014) the budget is the basis of financial planning that helps to monitor, control and guide national economy towards planned development and ensures proper resource utilization. It is detailed quantitative estimation of an organization's expenses and revenues, or internal and external cash flows for a specified future period, reflecting the gains, interests, and expectations (Khan, & Hildreth, 2002). It is an effective tool for planning, coordination, monitoring, controlling resource movements, decision making, performance evaluation and communication.

The success of any organization depends on how effectively and efficiently the budget is planned and executed. However, budget implementation is challenging to many public organizations since such institutions are required to make accurate forecasts for the execution of certain programs and development projects using economic parameters (Gachithi, 2010). Besides, the implementation of such budgets can be difficult, especially when unforeseen needs or costs cause fluctuations in the flow of resources. In such cases, it is very necessary to conduct budgetary reviews to identify budget variances and to ensure effective implementation. Studies have been done on budget preparation, implementation and reforms (Onyiah, Ezeamama, & Ugwu, 2016; Ahmad, & Ahmad, 2014; Gachithi, 2010; Kiilu, & Ngugi, 2014).

Ahmad, & Ahmad (2014) studied the obstacles of preparing and implementing budgets in Jordan and established the lack of understanding about the necessity of budgets and unrealistic estimations as impediments to budget preparation and execution. Onyiah, Ezeamama, & Ugwu, (2016) studied Nigerian budget implementation reforms and established that poor project conceptualization, design and planning practices impacted resource management and that poor budget implementation constrained the achievement of development goals evidenced by many abandoned projects. Mkasiwa (2013) opines that the problems related to budget implementation can be solved through budgetary reforms under New Public Management (NPM) framework that entails Performance Budgeting (PB) and incorporates planning into the budgeting process. Such problems include fund disbursement delays, execution delays, wrong prioritization, operational inefficiencies, misappropriation of resources, lack of capacity and corruption. Effective budget implementation requires much focus on the organization's performance indicators and management systems to address the execution problems. Kiilu and Ngugi (2014) observe that effective budget implementation improves the comprehensiveness of budget operations, building better links between annual allocations and medium-term policy objectives.

In Kenya, Budget implementation by the county governments follow the approval of each county's supplementary budget which comprises allocations for both recurrent and development expenditure. In order to finance the budget, the Kenyan city counties and all other county governments expect to receive finances raised from equitable share of revenues raised nationally, conditional and unconditional grants and to

generate local revenues. When it comes to budget implementation , each county entrusts economic sectors (ministries) with the duty to deliver services that meet the needs of the citizenry. Such sectors of the economy vary from county to county and are established by law depending on the public needs for which the county governments are expected to serve.

1.1.3 Kenyan City Counties

According to the Urban Areas and Cities Act 2011, a city is any area conferred the status of a city while a city county refers to a city which is also a county (National Council for Law Reporting (NCLR), 2012). In Kenya, the County Governments Amendment Act supplement number 34 of 2016 outlines three incorporated and gazetted city counties including Nairobi City county, Mombasa city county and Kisumu city county. These, among other counties are devolved governments that operate with autonomy yet they draw some interdependence with the national government. There are a total of 47 county governments in Kenya out of which only the aforementioned three counties are classified as city-counties. The devolved governments were established to address among other issues, inequitable distribution of resources, accountability issues, enhance public participation in public policy issues, to hasten socio-economic empowerment of the citizens, enhance equity in regional and national development. The counties emerged as a result of reforms in governance to address the needs and interests of the people.

However, all the county governments, including the city counties, have their budgets largely funded by the equitable share of national revenues from the national government, additional allocations (conditional or unconditional) from the national government's share of revenues, locally generated resources, debt financing, grants, foreign investment partners and donors. The county governments often prepare their consolidated annual budgets, budget policy documents, fiscal policy papers and the corresponding implementation plans which are submitted to the national government whereupon the Commission on Revenue Allocation (CRA) allocates resources to the counties. The CRA in consultation with other stakeholders thus reviews and evaluates the budget proposals and allocates resources equitably to the county governments based on such parameters as county population, contribution to the national cake, poverty levels, land area covered by the county and fiscal responsibility among other factors. In this regard, the CRA formular for revenue allocation to the county

governments considers the said parameters and that guide the sharing of state resources. The CRA formula for revenue allocation is as follows:

$$CA_i = 0.45PN_i + 0.26ES_i + 0.18PI_i + 0.08LA_i + 0.02FE_i + 0.01DF_i$$

Where: CA = Revenue Allocated to county; I = County 1, 2, 47; PN_i = Revenue Allocated to a county on the basis of population factor; ES_i = Revenues allocated to a county on the basis of Equal Share factor. This is shared equally among the 47 counties; PI_i = Revenue allocated to a county on the basis of Poverty Factor; LA_i = Revenue allocated to a county on the basis of the Land Area Factor; FE_i = Revenue allocated to a given county on the basis of Fiscal Effort; DF_i = Revenue allocated to a given county on the basis of Development Factor. Once the revenues are allocated and disbursed to the counties, the devolved governments execute their respective budgets independently. While the budgetary allocations vary depending on the socio-economic factors, it has been witnessed that the performance achievements also vary per county. Table 1 shows the annual revenue allocations made to the Kenyan city counties for the entire period that the county governments have been operational from the financial year 2012/2013 to the financial year 2016/2017. The said budgetary allocations were meant to cater for among other things, recurrent and development expenditure. In particular, the CRA itemized the allocations to such areas as level five hospitals, refurbishment of county offices, leasing of equipment, free maternal health care, compensation for use fees foregone, fuel levy fund, emergency fund.

Table 1.1: Total Allocations to County Governments (Equitable & Conditional Transfers)

County/ Financial Year	Mombasa City County Ksh	Nairobi City County Ksh	Kisumu City County Ksh
FY 2012/2013	257,348,388	551,081,044	275,559,579
FY 2013/2014	4,347,575,931	9,896,236,826	4,866,678,745
FY 2014/2015	4,876,499,637	12,945,531,236	5,416,106,404
FY 2015/2016	5,920,733,428	13,633,213,384	6,334,176,498
FY 2016/2017	6,309,693,626	14,614,500,87	6,811,407,625
TOTAL	21,711,851,011	51,640,563,367	23,703,928,851

Source: (Commission on Revenue Allocation, 2016).

1.2 Statement of the Problem

The government of Kenya has undertaken various reforms to enhance the effectiveness of PFM. These initiatives are founded on legislations and acts of parliament that are subjected to review time and again. The PFMRs are widely promoted considering that the public sector has been organized on wrong principles, faces corruption, fiscal inefficiencies, misappropriation of resources and poor management of public funds thus the need for reinvention and institutional renewal. The public sector development focuses more on finances while paying little attention to efficient management of public finances. For instance, the Kenyan county governments have been reporting inconsistent performance evidenced by low absorption of recurrent and development budget estimated at 39.8% and 26.1% respectively despite the expected absorption rate of 50.0%. A report from the office of the controller of budget indicates that out of the Ksh. 119.29 billion issued by the Exchequer for half of the financial year 2014/2015, only Ksh.103.7 billion were utilized yet part of the expenditure could not be accounted for. Despite the need for PFM reforms to enhance transparency, fiscal discipline, enhance economic performance and to address the lapsed development, there is no scholarly evidence on whether budget implementation influences the extent to which county governments achieve the objectives of devolution. However, a number of studies have been done on Public financial management reforms yet no study has focused on attainment of devolution objectives through efficient and effective budget execution. Francesco (2013) studied the reform of the public administration of Singapore while Kiilu and Ngugi (2014) examined the effect of public financial management reforms on effective management of public funds in Kenya. Njenga, Omondi and Omete (2014) also assessed the correlation between PFMR and economic performance of the Kenyan public sector. None of these studies focused on the influence of Public Financial Management Reforms on budget implementation by Kenyan city county governments in pursuit of the devolution agenda hence the need for the study.

1.3 Objectives of the Study

This study will be guided by one general objective and four specific objectives

1.3.1 General Objective

To establish the influence of public financial management reforms on budget implementation by Kenyan city counties

1.3.2 Specific objectives

1. To examine the influence of IFMIS Re-Engineering on budget implementation by Kenyan city counties
2. To investigate the influence of parliamentary oversight on budget implementation by Kenyan city counties
3. To establish the influence of fiscal decentralization on budget implementation by Kenyan city counties
4. To determine the influence of public participation on budget implementation by Kenyan city counties

1.4 Research Hypotheses

1. **H₀**: IFMIS re-engineering has no significant influence on budget implementation by Kenyan city counties
2. **H₀**: Parliamentary oversight does not significantly influence budget implementation by Kenyan city counties
3. **H₀**: Fiscal Decentralization has no significant influence on budget implementation by Kenyan city counties
4. **H₀**: Public participation does not significantly influence budget implementation by Kenyan city counties

1.5 Significance of the Study

This research study examined the influence of reforms in public financial management on budget implementation by city counties in Kenya to the citizenry. This study was considered useful, not only to the Kenyan city counties, but to all the 47 county governments in Kenya as its recommendations will guide the achievement of efficient and effective budget implementation. The study was also taken to be pivotal to the national government from where resources are allocated and disbursed, the office of the controller of budget and county chiefs as it highlighted important

correlates of effective budget implementation. In addition, sectoral accountants, county treasury staff, public policy implementors and public resources managers also stand to gain significantly as the study provides managerial insights into successful budget implementation. Besides, scholars and researchers in the field of finance stand to benefit from the study as it builds critical literature on budgeting and public financial management.

1.6 Scope of the Study

This study was conducted in all the incorporated Kenyan city counties including Nairobi city county, Mombasa city county and Kisumu city county and involved employees from each county's treasury, budget offices, directorate of economic planning per county, IFMIS officers as well as accountants in charge of budget formulation and execution from the various sectors of the said county governments. The study was done over a six-month period beginning April, 2017 to September, 2017 with a budget estimate of Ksh. 71,500.

1.7 Limitations of the Study

The study was limited by the heightened political activities ahead of the August 8th general elections. Considering the political tension that ensued after the announcement of the presidential results, movement across the counties wasn't an easy affair and hence the collection of the filled questionnaires was constrained to some extent. Given the varying sectoral arrangement of each city counties, the researcher noted that the research settings were not purely homogeneous and hence chose to use a judgmental sampling technique to select the study participants. The researcher also noted and suspicion on the part of a few respondents regarding the purpose of the study and fear of victimization. As such, the researcher clarified to the respondents that the required data were meant for academic purposes only and the participants were assured of utmost confidentiality regarding their identities. Besides, the interpretation of the study findings was confined to the data provided by the respondents and the secondary data obtained from financial reports and the findings were generalized and construed to relate to all the Kenyan city counties.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a detailed review of the information from other researchers who have conducted research in similar field of study. The specific areas covered in this chapter include a review of literature on theories that guide the study, empirical studies that relate to the influence of public financial management reforms on budget implementation by city counties in Kenya, conceptual framework, summary of reviewed literature and research gaps that still exist.

2.2 Theoretical Review

This study was guided by four theories; Modern Portfolio Theory, Agency Theory, Resource based theory and Stakeholder Theory of Management.

2.2.1 Modern Portfolio Theory

The Modern Portfolio Theory (MPT) is a theory of portfolio choice developed by Harry Markowitz (Omisore, Yusuf, & Nwifo, 2012). The MPT is a sophisticated investment decision approach that aids in classifying, estimating and controlling both the kind and amount expected risk and return. There are a number of government activities and projects that can be organized into portfolios, each with its own budget consistent with the MPT used in financial decision making and asset management under conditions of risk and uncertainty (Khan & Hildreth, 2002). The theory attempts to maximize portfolio expected return for a given level of portfolio risk or equivalently minimize risk for a given level of expected return, by carefully choosing proportions of various assets (Fabozzi, Gupta, & Markowitz, 2002). This implies that for the Kenyan city county governments, combining different investment options whose returns are not perfectly positively correlated, MPT seeks to reduce the total variance of the portfolio return while assuming that investors are rational and markets are efficient. Mathematically, the MPT formulates the concept of diversification in investing with the aim of selecting investment assets having collectively lower risks than any individual asset. With regards to budgetary allocations and appropriations, the MPT aids the devolved city county governments in describing investment options in terms of the inherent risks and expected returns, determining the allocation of resources among classes of investments or budget items, reconciling risks and returns

and measuring performance. Investors thus choose to invest in portfolios that reduce their exposure to individual asset risk by holding a diversified portfolio of assets.

2.2.2 Agency Theory

The Agency Theory (AT) was developed in the economics literature in the 1960s and 1970s (Namazi, 2013). The theory later extended to finance and managerial accounting realms to determine the optimal amount of risk-sharing, optimal-incentive contracting and establishing accounting control mechanisms to monitor behaviours and actions. The AT primarily relates to situations in which one person (the agent) is engaged by another person (the principal) to act on his/her behalf. In this case, the state officers charged with the responsibility of budget execution take managerial decisions and actions on behalf of the governments which serves the needs of the public. Both the agents and the principal are utility maximizers motivated by pecuniary and non pecuniary items that cause incentive problems under conditions of uncertainty and information asymmetry. When the principal is well informed about the actions of the agent, then it becomes more possible to curb agent opportunism and thus the agent is bound to act and behave in the interests of the principal. The agency model explains the central problems in hierarchical interactions between budget participants in policy implementation and policy-making concerns hence the role of city county governments in service delivery to the public. It also concerns problems that arise when the city county budget participants conflict and when both the agents and the principal have different attitudes and preferences towards risk.

2.2.3 Stakeholder Theory

The stakeholder theory was developed by Richard E. Freeman in 1984 as an approach that seeks to introduce business-based ideas to the management and administration of the public sector. According to this theory, a stakeholder refers to a person or group who can affect or be affected by the achievement of the organization's objectives. The theory presents an approach by which public decision-makers scan their environments in search of opportunities and threats. In this regard, budget participants and public financial management reforms implementation agents undertake detailed environmental scan on the social, political and economic sectors in search of opportunities and threats to growth and development in order to prioritize the appropriation of public resources across various elements of the public budget policy.

According to Gomes (2006) an organization's effectiveness is measured by its ability to satisfy not only the stakeholder, but also the agents who have a stake in the organization. This satisfaction comes when the stakeholders are sufficiently engaged and involved in organizational decision-making and policy implementation. As Onduso (2013) observes, the entire budgeting process should enlist the input and participation of as many stakeholders as possible for the organizational executives to keep the interest of all stakeholders aligned in the same direction since theory's core function is to balance the interests of all stakeholders. The theory has three aspects that mutually support each other. These are the instrumental approach, normative approach and descriptive approach. The instrumental approach identifies the connection between organizational goals while the normative approach identifies the moral guidelines for operations and policy implementation as the descriptive approach explains organizational characteristics and behaviours (Donaldson & Preston, 1995).

2.2.4 Resource-Based Theory

The resource-based view is a widely cited and an influential management theory that explains the internal sources of an organization's sustained competitiveness. The theory has been established from its prime foundation by Penrose, who provides a logical explanation of the causal relationships between organizational resources, production capability and overall performance. According to Ross, Westerfield and Jaffe (2009) the theory is chiefly concerned with organizational efficiency and innovative utilization of resources. In the case of the context of this study, there are a total of 47 counties in Kenya which even though all of them are classified as county governments, they are endowed with uniquely varying resources, operate in different settings to serve varied the needs of the Kenyan citizenry and exhibit varying performances.

In fact, the proponent of this theory avers that the productive resources controlled by organizations could vary significantly from one entity to another and in the same sense organizations are perceivably fundamentally heterogeneous even if they are in the same industry or category. This theory further views resources and products generated by the said resources as two sides of the same coin. Among the most important resources any organization requires to gain competitive advantage are intellectual capital, financial resources and firm-specific assets which of course have to be inimitable, tacit in nature, synergistic and not substitutable. This theory

postulates that every organization that seeks to achieve excellent performance must be able to assemble and exploit an appropriate combination of the said resources. In the context of budget execution by the Kenyan city counties, this makes it possible for policy stakeholders, budget staff, county leadership, economic planners, project implementors and other stakeholders to understand how the available resources can be utilized to improve organizational performance.

2.3 Empirical Review

This section entails a detailed review of empirical studies carried out by various scholars and researchers on areas that relate specifically to public financial management reforms and budget implementation. In particular, the empirical review covers literature on the influence of IFMIS re-engineering, parliamentary oversight, fiscal decentralization and active public participation on budget implementation.

2.3.1 Integrated Financial Management Information Systems (IFMIS) Re-engineering

One of the most common PFM reform practices involves the adoption of the Integrated Financial Management Information system (IFMIS) among other Enterprise Resource Planning (ERP) systems. The IFMIS system is an automated information system that interlinks planning, budgeting, expenditure, management and control, accounting, audit and reporting. According to Diamond and Khemai (2005) IFMIS refers to the computerization of public expenditure management processes, including budget formulation, budget execution and accounting with the help of fully integrated system for financial management. In its very basic nature, IFMIS system initially incorporated only a few modules while other PFM practices remained manual (Bosire, 2016). Such IFMIS modules include general ledger, budgetary accounting, accounts payable, accounts receivable, cash management, e-Procurement, fixed assets and non-core systems including payroll system, budget development, and project ledger (Njeru, 2016). To introduce a full cycle end-to-end integrated approach for PFM, Hendricks (2012) notes that many developing countries adopt IFMIS re-engineering to promote efficient and effective PFM, enhanced accountability, reduced fraud, security of data management and comprehensive financial reporting and enhances public service delivery.

According to Bosire (2016) IFMIS encompasses internal and external dimensions that enhance service delivery to citizens, businesses and other stakeholders as it holds the potential for improving public administration. It also strengthens financial controls, facilitates a full and updated picture of commitments and expenditure on a continuous basis hence making interactions between the Government and Citizens (G2C), Government and Businesses (G2B) as well as Government to Government (G2G) more friendly and convenient. IFMIS enables efficient resource allocation mechanisms, improves management information for decision-making and improves financial controls by availing reliable and timely financial information. In addition, IFMIS uses standard data classification for recording financial events, transaction processing and reporting and tracking financial events and summarizing financial information. It also supports adequate management reporting, policy decisions, fiduciary responsibilities and the preparation of auditable financial statements as it guides the transition of task in PFM processes from budget preparation and execution to accounting and reporting. According to Njeru (2016) the IFMIS is prime and highly customized to suit various working environments as it is modelled around an accounting system to operate as per the needs of the environment where it is installed.

A number of empirical studies done on IFMIS adoption and implementation support the above literature (Bosire, 2016; Wakhungu, 2014; Guthrie, 2005; Mkasiwa, 2013; Njenga, Omondi, & Omete, 2014). Dener and Young (2013) carried out a study seeking to explore the effects of IFMIS publishing budget data from public finance websites of 198 economies. The study sought to identify potential areas of improvements in budget transparency and further provide guidance on effective use of IFMIS platforms on open budget data publishing. The study findings revealed that despite the wide availability of financial management information systems used by 198 governments globally, only 24 countries had evidence of good budgetary practices.

Hendricks (2012) also examined the guidelines for effective implementation of IFMIS by the Public sector of South Africa. The study sought to identify the challenges and risks involved in the implementation of the IFMIS in South Africa. Some of the challenges identified in the study include lack of capacity, lack of commitment, as well as institutional and technical challenges. The study also recommended capacity building programmes, stakeholder commitment, establishment of an effective change

management team and an elaborate implementation plan for successful IFMIS adoption.

Aminatu (2015) also carried out a study on the impact of IFMIS on economic development in Ghana using a case study research design. The study focused on the Ghana IFMIS using both qualitative and quantitative data spread over a 10 year period from the Ministry of Finance and Economic Planning. The study considers among other economic performance indicators, the Gross Domestic Product (GDP), economic growth and resource allocation. The study findings revealed that much of the country's economic performance relies on the efficiency of the public and private sectors, government fiscal policies, interest rates and the regulatory environment. Considering that IFMIS was implemented for the first time in Kenya in 2003 and further re-engineered in two phases with the first phase running through 2011-2013 and the second phase running through 2013-2018 with a number of components, it is not a first-time innovation in the country. According to Njeru (2016) the IFMIS systems re-engineering comprised of many components including: Re-engineering for business results for improved financial management; Plan-to-budget system for planning, policy objectives and budget allocation; procure to pay system for supply chain management; revenue to cash system for auto-reconciliation of revenues and payments; record to report system to interface with the Central Bank of Kenya (CBK); ICT to support and communicate to change systems for better performance.

Bosire (2016) also studied the impact of IFMIS on financial probity in the public sector in Kenya using the Ministry of Foreign Affairs as a case. The study used a case study design and drew from both agency theory and systems theory and relied on 40 users of IFMIS in the ministry of foreign affairs. Then findings of the study indicate that 74.8% of the financial performance of the public sector can be attributed to the adoption of IFMIS re-engineering practices. In addition, the study established that IFMIS implementation affects the overall procurement performance in government ministries in Kenya where management commitment, capacity and training and the level of IFMIS adoption positively influence financial probity.

2.3.2 Parliamentary Oversight

The national budget is a key economic policy tool of every government as it constitutes most comprehensive statement of priorities for economic growth and

development agenda. The entire budgeting process involves quite a number of stakeholders from all levels of administration and government, hence the perceivable struggle over participation in financial decisions and control of resources in governments across the globe (Wehner, 2004). In developing countries, many legislative entities embrace budget activism and parliamentary participation in the entire budget process. Parliamentary participation in budgeting entails budget policy development, deliberations and consensus building on the budgetary trade-offs, execution and oversight roles. With regards to the core concern of this study, parliamentary oversight is undertaken in every budget process for many reasons. According to Wehner (2004) the legislature has a legal obligation to ensure the revenues and spending measures it authorizes are fiscally sound, match the needs of the citizenry with the available resources and that the budget policy document is implemented properly and efficiently. Parliamentary oversight is also done to enhance checks and balances by requiring answerability of state officers or persons entrusted with budget execution roles, and to take action on non-performance, poor performance or misappropriation of public resources (Pellizo, Stapenhurst, & Olson, 2005). Izah (2014) opines that oversight functions carried out appropriately can deter the executive tendency towards dictatorship and inequitable distribution of resources.

A study done by Santiso (2014) on legislatures and budget oversight in Latin America with emphasis on strengthening public finance accountability in emerging economies noted serious constraints on the role of legislature in budget oversight. The study involved countries in Latin America including Chile, Mexico, Argentina, Peru and Brazil with emphasis on the entire budget process from budget policy formulation, approval, execution to oversight and auditing. The study findings on the effect of parliamentary oversight on budget transparency indicated that Chile was the most transparent in budget formulation, approval, execution, oversight and auditing of the public budget followed by Argentina, Mexico and finally Peru respectively. In fact, the study further revealed that the parliamentary oversight in Peru was very deficient.

The study findings also indicated a high budget rigidity in Brazil due to strategic capital expenditure allocation and thus subjected to intense political bargaining over the execution of appropriation amendments. Moreover, the study reveals that the legislative budget oversight is hindered by the gap between the approved and executed budgets due to weak execution capacity of sector ministries hence the 15%

underspending in Peru relative to the budget figures. However, the study indicates that the Latin American parliaments possess important budgetary powers which they seldom exploit fully due to capacity constraints, governance constraints, inappropriate executive-legislative relations and adverse political economy orientations.

In South Africa, according to Quist, Certan, and Dendura (2008), parliamentary oversight of the budget process involves monitoring and reviewing the entire process including the broad fiscal challenges, facing then government, expenditure controls, and budgetary trade-offs that affect present and future spending. A study done by Khumalo (2016) on fiscal oversight by legislatures and the role of parliamentary budget office reviewed international trends and innovations in budgetary oversight in the South African context revealed that many legislatures have played only limited roles in budget formulation, review and approval. The study attributed the limited roles played by the parliaments to a number of reasons including lack of expertise and technical staff, lack of impact assessment of the legislation passed by parliament and inadequate time-frame for undertaking the entire budgeting process.

In addition, the study further classified legislatures into three broad categories including budget-making legislatures, budget-influencing legislatures, and legislatures with little or no role. In the South African scenario, the study revealed constitutional powers vested in the parliament to hold the executive to account, ensure proper stewardship of public resources, as well as accept or reject Money Bills. It also recommended high quality research and analysis focused on long-term trends emerging social issues and concerns and an activist parliament or an activist judiciary to support financing of progressive realization.

Kizito and Aminu (2013) examined the role of legislative oversight on budget performance of government ministries, departments and agencies in Nigeria using a survey method, descriptive statistics and analytical approach to analyze both primary and secondary data. The study findings indicated that though oversight activities have increased in recent times, their effectiveness in promoting targeted budget outcomes have been negligible. Despite the increased parliamentary oversight activities, the study indicates that the legislative oversight role failed to mitigate corruption and hence being ineffective in budget implementation. The study findings also identify the implications of poor budget implementation to include high poverty rates, poor housing, inadequate supply of fundamental social amenities, unemployment, income

inequality and decay in infrastructure. The study thus recommended policy options on effective utilization of oversight activities to accelerate efficient budget implementation and economic performance.

In Kenya, Shifwoka (2014) conducted a study on the effect of oversight role of parliament on budget implementation and noted that the legislative oversight keeps an eye on the activities of the executive arm of government while holding the executive accountable on behalf of the country's citizens. The study used a descriptive methodology with a correlation survey design using a population consisting of 38 accountants and auditors working at parliament. The study findings revealed that the parliamentary oversight influences budget implementation in Kenya by $R^2=56.8\%$ and $\beta = 0.636$. It also established that the legal framework underlying then budgetary process had the greatest effect on budget implementation.

2.3.3 Fiscal Decentralization

Fiscal decentralization is a process through which a central government devolves upon sub-national governments decision-making powers, authority over and responsibility for various aspects of public finance (Lao-Araya, 2002). Some of the most important aspects of public finance that are decentralized to devolved units of governments relate to revenue, expenditure, borrowing and fiscal policy. In a fiscally decentralized state, the national government controls only the central government finance while the devolved governments are completely responsible for all aspects of devolved public finance aiming to deliver public services more efficiently and effectively. This study details the effect of fiscal decentralization on public budget implementation. A study done by Martinez-Vazquez, Lago-Penas, and Saachi (2015) reviewing the impact of fiscal decentralization on the economy, society and politics examines the proper measurement and the potential endogeneity of fiscal decentralization. The study also takes into account the impact of fiscal decentralization reforms on political institutions using a survey that presents a balanced view of what is known and what is yet to be known hence opening room for further research on fiscal decentralization. The study findings depict much optimism about the success of decentralized fiscal systems as has reportedly been witnessed in many parts of the world especially where fiscal decentralization is well designed and implemented.

Another study by Boetti, Piacenza, and Turati (2010) relating fiscal autonomy with spending efficiency of local governments in Italy notes that economies around the world executing financial reforms seek to increase fiscal autonomy of lower tiers of governments. Such governments also purpose to align spending with funding responsibilities and hence increase their efficiency in provision of essential public services. The study used a sample of 262 Italian municipalities in Turin province to investigate the role played by tax decentralization, as measured by the degree of fiscal autonomy in covering the costs of providing essential public services. Relying on non-parametric (DEA) and parametric (SFA) frontier techniques to examine efficiency performances and related determinants, the findings showed that autonomous municipalities with higher share of current spending covered by own taxes exhibit less inefficient behaviours. The study also indicates that the strictness of budget constraint due to some fiscal discipline rules enhances spending efficiency hence the need for reforms tending to tax decentralization.

In a study done by Neyapti (2005) investigating the relationship between fiscal decentralization and budget deficits in Turkey using panel data techniques, strong empirical evidence shows that expenditure decentralization has significant negative correlation with budget deficits. This is in tandem with the findings of a study by Kis-Katos and Sjahrir (2014) done in Indonesia investigating the effects of the Indonesian decentralization and democratization process on budget allocation at the sub-national level. In addition, the study indicates that country size significantly re-inforces the said relationship in terms of lowering budgetary deficits. The study also presents significant evidence justifying negative effect of revenue decentralization on budget deficits only when there is good governance. However, the study findings call for a caution about immediate policy recommendations towards higher fiscal decentralization.

Samadi, Keshtkaran, Kavosi, and Vahnedi (2013) studied the effect of fiscal decentralization on under-five mortality in Iran by examining the relationship between fiscal decentralization indicators and health outcomes. The study assessed the effect of fiscal decentralization in medical universities and fiscal decentralization in provincial revenues on the under-five mortality rates in the Iranian provinces over the period between 2007-2010 using panel data methods and established cross-sectional dependency amongst the studied variables. The findings, however, revealed that fiscal

decentralization in the health sector had a negative impact on the mortality rate. It also showed a negative correlation between the under-five mortality and the density of physicians, hospital beds, and provincial GDP per capita, but a positive relationship with Gini co-efficient, urbanization and unemployment. It is on this basis that the study supported fiscal decentralization in the health sector and cautious implementation of development policies.

In addition, Elhiraika (2007) studied the relationship between fiscal decentralization and public services delivery in South Africa using provincial level data from South Africa. The study examined how fiscal decentralization impacts basic service delivery, focusing on own-source revenue since South Africa is pre-dominantly a state characterized by relatively high degree of fiscal decentralization in terms of expenditure responsibilities and administration. The study established that in South Africa, despite the focus of sub-national government financing on equity and redistribution, huge disparities exist across provinces regarding per capita revenue as well as per capita expenditure on health and education. However, the study recommends increased fiscal decentralization and greater revenue autonomy in order for sub-national governments to improve service delivery by enhancing transparency and shifting accountability to the local population.

In Kenya, Wakhungu (2011) studied the impact of public finance management reforms on financial performance of commercial state-owned enterprises using a descriptive survey research design with a sample of 30 out of 168 commercial state enterprises. The study relied on both primary and secondary data and established that the credibility of budgets influence the financial performance of the state owned commercial organizations to a great extent. The study findings also revealed that the comprehensiveness and transparency of the decentralized budget greatly influenced the financial performance of the organizations.

Further, the study findings showed that the predictability and control exercised in budget execution had significant impact on the financial performance of the state-owned enterprises. Policy based budgeting, accounting, recording and financial reporting in the organization also impacted the financial performance of the organizations to a great extent. Concurring with Bagaka (2008), fiscal decentralization in form of Constituency Development Fund (CDF) in Kenya promotes allocative efficiency and equity, but at a cost of exporting tax burdens from capital projects to

the central government. As a result, the study recommended a expansive implementation of PFMRs to other government-owned organizations to enhance their performance achievements.

2.3.4 Public Participation

In pursuit of every government's development agenda, there are a number of stakeholders who are involved and thus encouraged to participate actively in matters of socio-economic and political progression. According to Irvin and Stansbury (2004) public participation in public decision making, governance and public service is an exercise undertaken not only in the United States of America, but as well in many other countries all over the world. The idea behind public participation in the undertakings of governmental development agenda is based on the belief that public involvement produces a more public-preference decision-making by the administration and a better appreciation of the larger community among public. However, it could as well help to stem the deterioration public trust evidenced by widespread hostility toward government entities.

A study done by Irvin and Stansbury (2004) on the worth of citizen participation in decision-making provides a litmus test for agencies to consider in allocating resources of public interest. The study reviews the citizen participation literature from a global perspective and analyzes key considerations for determining whether public participation can be relied upon as a policy-making mechanism. The study argues for increased public participation in government decision-making owing to a number of benefits that accrue including; reduced dissent, increased public trust, and enhanced development.

According to Blahna and Yonts-Shepard (2008) in their study of public involvement in resource planning in the USA, an evaluation of the public involvement methods used in U.S forest service land management planning is undertaken. The study observes that public participation in resource utilization and government administrative policy-making is entrenched in every congressional act as per the constitutional requirement. The study findings indicate that some goals of public participation are not met due to barriers such as complex and technical planning process, lack of agency guidance on conducting interactive public involvement and internal power struggles that affect policy making and implementation. The study thus

suggests substantive, interactive public participation and social impact assessment to ensure the interests of all parties are taken into account.

In tandem, Tanaka (2007) also conducted another study in USA on engaging the public in national budgeting and observed that successfully engaging the public in national budgeting does not solely solve the complicated budget and fiscal policy dilemmas but is an important part of the strategy to encourage good government practices and politically viable, yet responsible fiscal policies. The study notes that active public involvement makes citizens more knowledgeable about government, public policy, they become less cynical in their attitudes towards government and can thus exercise meaningful oversight.

In addition, Piper and Lieres (2008) also conducted a study that sought to establish the correlation between citizen participation and local governance in South Africa drawing from the participatory budgeting in Brazil's Porto Alerge. The study sought to assess whether formal public participation has made local governance more democratic and made the delivery of public services more efficient. The study findings indicate the existence of a negative correlation between citizen participation and service delivery, suggesting that much has not been achieved in terms of budget execution. Some of the reasons pointed out for the failure of public participation in enhancing budget implementation are poor policy implementation, a lack of political will and commitment to community participation by political elites and poor design of public participation institutions.

Mulindwa (2013) conducted a study on participatory budgeting in a decentralized local government framework in Uganda using Wamala District local government as a study site to explore the implementation of participatory budget and its outcomes. Considering the exercise of participatory rights by the citizens, the study used a purposive sampling strategy to collect data from the adult Ugandan citizens in Wamala District and established an inability of the participatory budgeting to achieve its goals due to a number of reasons, including poor power relations, inadequate locally raised revenues and citizens' lack of knowledge, skills and competencies in public sector financial management. The study suggests public empowerment to enable citizens exercise their civil, social, political and economic/financial citizenship rights and responsibilities effectively.

In Kenya, Mugambi and Theuri (2014) conducted a study centered on the challenges encountered by county governments in budget preparation in Kenya using Kilifi County as a case study. The study sought to establish whether the devolved governments adhere to proper planning and budget preparation procedures and the extent to which political influence affect budget preparation process. The study relied on a descriptive analysis and found out that the county governments adhere to the budget preparation procedures. However, it emerged that the high political influence and public participation affected the budget preparation process, hence the suggested need for enhanced public participation at the county level. The high level of political participation was observed to affect the budget process by increasing time spent and prioritization of projects within the budget. The study also recommended that publicity be enhanced and views of the public be incorporated in the budget by the treasury staff. This was in tandem with the observation made by Wacera (2016) in a study to assess the effect of citizen participation on budget implementation in Kenyan counties.

2.3.5 Public Finance Management ACT 2012

The Public Finance Management Act number 18 of 2012 is an Act of parliament meant to provide for effective management of public finances by the national and county governments. It was enforced to make the management of public finances more efficient, effective, participatory and transparent, thereby enhancing accountability and better service delivery to the Kenyan people. In accordance with chapter 12 of the constitution of Kenya, the Act defines the parliamentary oversight responsibility, national government responsibilities and county government responsibilities with regard to management and control of public finances. The Act also outlines the relationship between national and county governments on budget and economic matters involving revenue sharing, budget policy decisions, appropriation of resources, financial reporting, and service delivery among others. In this study, the Public Finance Management Act (2012) is considered as a confounding factor in the relationship between PFMR and budget execution, and thus its influence examined.

2.3.6 Budget Implementation

According to Ahmad and Ahmad (2014) the budget is the basis of financial planning that helps to monitor, control and guide the national economy towards planned

development and ensures efficient and effective resource utilization. The budget is detailed quantitative estimation of an organization's expenses and revenues, or internal and external cash flows for a specified future period reflecting the gains, interests, and expectations (Khan, & Hildreth, 2002). It is an effective tool for planning, coordination, monitoring, controlling resource movements, decision making, performance evaluation and communication as it helps in utilization of the available human, financial and physical resources.

The success of any organization depends on how effectively and efficiently the budget is planned and executed. However, budget implementation is challenging to many public organizations since such institutions are required to make accurate forecasts for the execution of certain programs and development projects using economic parameters (Gachithi, 2010). Besides, implementation of such budgets can be difficult, especially when unforeseen needs or costs cause fluctuations in flow of resources. In such cases, it is very necessary to conduct budgetary reviews to identify budget variances and to ensure effective implementation. A number of studies have been done on budget preparation, implementation and reforms (Onyiah, Ezeamama, & Ugwu, 2016; Kiilu, & Ngugi, 2014; Andrews, 2010 and Scheers, Sterck, & Bouckaert, 2005).

Scheers, Sterck, and Bouckaert (2005) examined the result-oriented financial management reforms using lessons from Australia and Britain with a critical focus on result-based budgeting and reporting. The study evaluated the influence of parliamentary control, political accountability, the role of managers, political decision-making process, financial control and critical factors of success or failure on budget execution. The study recommended sufficient attention to education and training as a means of enhancing the competencies of the persons involved in the budget execution exercise, a good monitoring system and further recommended periodic budgetary evaluation and adjustments for efficient and effective budget execution. Andrews (2010) studied how far PFMRs have come in Africa, focusing on the strength of PFM systems in 31 governments. The study examined the patterns of strengths and weaknesses across the countries' PFM systems and established that budgets are made better than they are executed citing that the budget implementation practice lags behind the creation of processes and laws. This implied that the budget

preparation processes are comparatively stronger than budget execution and oversight and thus recommended adjustments in reform approach.

Onyiah *et al* (2016) analyzed the impact of the budget implementation and control reforms of the federal government of Nigeria on resource management, level of productivity and efficiency as well as personnel and overhead costs. The study relied on an ex-post facto descriptive research design and used a structured 5-point Likert scale questionnaires to collect data from accountants and economists in the federal civil service. The findings of the study revealed that poor project conceptualization, design and planning practices by ministries, departments and agencies impacted resource management and that poor budget execution constrained the achievement of development goals as evidence by many abandoned projects. The study further concluded that the budget being a veritable tool for planning, controlling, communicating, decision-making and value creation, the government should ensure that all ministries, departments and agencies abide strictly by the budget implementation reform strategies. It was also noted that the effectiveness of Medium Term Revenue Framework (MTRF), Medium Term Expenditure Framework (MTEF) and other budgetary reform strategies of the federal government are achievable through budget discipline, yet a lot still need to be done on financial and performance audit of budgetary allocations, timely publication and implementation of the audit reports (Onyiah, *et al*, 2016).

Kiilu and Ngugi, (2014) studied the effect of public financial management reforms on effective management of public funds in Kenya using the National treasury as a case. The study relied on a descriptive research design using a stratified random sampling technique and a regression model to determine the relationships between the identified variables. The study established that procurement reforms greatly influenced effective public fund management followed by budgeting reforms and adoption of IFMIS. It was noted in the study findings that effective budget implementation helps improve the comprehensiveness of budget operations, building better links between annual allocations and medium-term policy objectives. In addition, the study also recommended that budget implementation should focus on the organization's performance indicators, management systems and involve all stakeholders in order to tackle execution impediments such as fund disbursement

delays, budget execution delays, wrong prioritization, operational inefficiencies, misappropriation of resources, lack of capacity and corruption.

2.4 Conceptual Framework

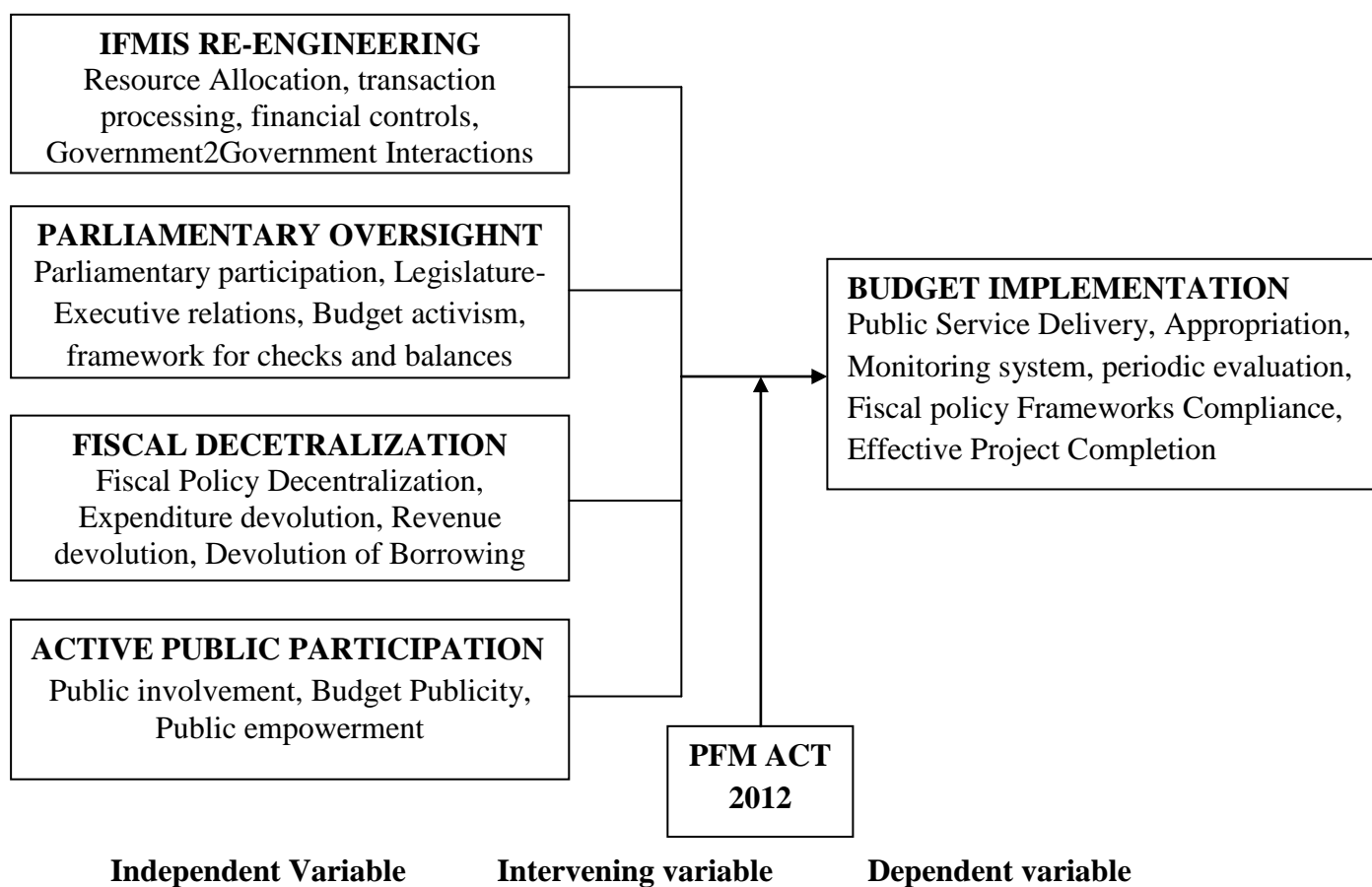


Figure 2.1: Conceptual Framework

Figure 2.1 shows the conceptual framework adopted in this study. The independent variables is studied in terms of IFMIS Re-engineering, Parliamentary oversight, fiscal decentralization and active public participation while budget implementation is construed as the dependent variable.

2.5 Summary of Reviewed Literature

This study sought to assess the influence of Public Financial Management Reforms on Budget Implementation in City-County governments in Kenya. The study was based on four theories namely, Modern Portfolio Theory, Agency Theory, Stakeholder Theory and resource based theory. In this chapter, an elaborate review of the existing literature on public financial management reforms and budget implementation among sub-national governments was done with particular focus on devolved units of

government. With regards to public financial management reforms, variables including IFMIS Re-engineering, Parliamentary oversight, fiscal decentralization and active public participation were detailed and further conceptualized in relation to public budget implementation. In fact, the aspect of budget implementation by city counties in Kenya was construed in terms of financial appropriation, efficient public service delivery, effective project completion as well as economic growth and development.

2.6 Research Gaps

Public finance management reforms are sought on grounds that the public sector is organized on wrong principles and to address fiscal crises and inefficiencies, corruption as well as poor management of public funds (Guthrie, 2005). Such reforms are also aimed at enhancing transparency in governance, increasing prudential allocation of financial capital, accountability in financial management, separating policy and management functions, enhancing economic performance, public service delivery, living standards and devolution of government activities (Guthrie, Olson, & Christopher, 1999). In sum, the PFMRs are undertaken to enhance the efficiency and effectiveness of budget implementation to enhance the people's living standards and to hasten economic growth and development. As such, budget implementation has attracted much attention in literature (Wacera, 2016; Ahmad, & Ahmad, 2014; Shifwoka, 2014; Mkasiwa, 2013; Gachithi, 2010; Piper and Lieres, 2008; Tanaka, 2007;and Neyapti, 2005).

Neyapti (2005) examined the relationship between fiscal decentralization and budget deficits in Turkey revealed strong empirical evidence showing that expenditure decentralization has significant negative correlation with budget deficits. The study was very particular on expenditure and never focussed on decentralization of revenues to sub-national governments in cities. Piper and Lieres (2008) conducted a study in South Africa relating citizen participation and local governance and observed a negative correlation between citizen participation and service delivery. Mulindwa (2013) also conducted a study on participatory budgeting in a decentralized local government framework in Uganda and suggested public empowerment to enable citizens exercise their civil, social, political and economic/financial citizenship rights and responsibilities effectively. However, this study was done in a rural setting and its findings may not be peculiar to the sub-national governments in the cities.

In Kenya, Shifwoka (2014) conducted a study on the effect of oversight role of parliament on budget implementation and noted that the legislative oversight crosschecks the activities of the executive arm of government while holding the executive accountable on behalf of the citizens. The study findings revealed that the parliamentary oversight influences budget implementation in Kenya by $R^2=56.8\%$ and $\beta = 0.636$. Wachera (2014) also did a study to assess the effect of citizen participation in budget implementation in Kenyan counties and recommended that publicity be enhanced and views of the public be incorporated in the budget. The study, however, did not consider the socio-economic and political diversity of various counties and treated all county governments equally.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

A research methodology is a procedure by which researchers go about their work of describing, explaining and predicting phenomena (Rajasekar, Philominathan & Chinnathambi, 2013). This chapter provides a road map and guidelines on how the objectives of this study could be achieved. It covers the research design, target population, sampling technique and sample size determination, research instruments, pilot-testing, data collection and data analysis procedure.

3.2 Research Design

According to Kombo & Tromp (2006), a research design is a systematic structure that outlines the methodology and procedure for conducting a study on a given topic. To address the research problem identified in chapter one, the researcher used an ex post facto descriptive research design to study the influence of Public Finance Management Reforms on Budget Implementation by Kenyan city counties. This design was preferable for this non-experimental research since it required the description of what has happened, what is happening and phenomena as they are. The ex post facto descriptive research design, thus applied to this study since it was the appropriate design for examining the relationships among such variables over some specified time holding factors constant by judicious selection of respondents to allow for sound and unbiased description of phenomena.

3.3 Target Population

The target population of the study comprised 55 respondents from the county treasuries, budget offices, county public service office, directorate of economic planning, IFMIS department and sectoral accountants for Nairobi, Mombasa and Kisumu city county governments respectively.

3.4 Sample Size and Sampling Procedure

According to Weiers (2011) a sample is a representative subset of the whole population. Sampling on the other hand, refers to the process of selecting a subset of the population.

3.4.1 Sampling Frame

A sampling frame is a list of the population from which the sample can be drawn. According to Sapsford & Jupp (2006) sampling frame refers to that which is used to identify the objects, individuals or elements in each sampling unit. The primary purpose of a sampling frame is to provide a way for selecting members of the target population. The sampling frame in this study consisted of respective county economists, sectoral accountants as well as county budget office employees since they are the officers involved in the budget policy formulation, execution and financial reporting. Table 3.1 shows the detailed statistics of the sampling frame used.

Table 3.1: Sampling Frame

County Department	Nairobi City County	Mombasa City County	Kisumu City County	TOTAL
Sectoral Accountants	13	10	11	34
Budget Office	3	3	3	9
County Treasury	2	2	2	6
County Economist	1	1	1	3
IFMIS in charge	1	1	1	3
Target Population	20	17	18	55
Sample size per County	13	11	12	36

3.4.2 Sample Size Determination

The sample size was determined by the use of Narssiuma's formula which is shown below.

$$n = \frac{N * C^2}{C^2 + (N - 1)e^2}$$

(n= sample size, N=Population size, e= tolerable error (5%), C=coefficient of Variation (0.5))

$$n = \frac{55 * 0.5^2}{0.5^2 + (55 - 1)0.05^2}$$

$$n=36$$

3.4.3 Sampling Procedure

The researcher used a judgmental sampling technique to select respondents for the study. The main consideration for determining the sample size was to ensure that the study represents the entire population while at the same time keeping the research manageable. The respective county economists, heads of budget offices, treasury employees, IFMIS officers, county public service accountants and various sectoral accountants were therefore eligible to be sampled.

3.5 Data Collection Instruments

The researcher used structured questionnaires with closed-ended questions to collect data from the sampled respondents from across the counties' sectors, county economists, heads of budget office and sectoral accountants for each of the three city counties. The questionnaires were administered via a drop-and-pick method and were supplemented with interview schedules for to obtain more detailed and specific data on the correlates of budget implementation. Besides, the researcher also relied on data from budget policy documents, fiscal strategy papers, periodic financial reports and budget outlook papers from each of the city counties.

3.6 Pilot Study

A Pilot test is a mini-study done in preparation for the main study. As Welman & Kruger (1999) note, the pilot study is important in detecting possible errors in the measurement procedures, identification of unclear questions in the questionnaire and determining the validity and reliability of the data to be collected. In this study, employees from Nakuru County treasury and budget office were used for the pilot test. SPSS version 20 was used to analyze the pilot data to determine the validity and reliability of the data research questionnaire (Kothari, 2004).

3.6.1 Validity of Research Instrument

According to Golafshani (2003) validity is concerned with whether the research measures what it is intended to measure or rather how true the research findings are. Robson (2002) identifies some unsystematic threats to reliability which include unforeseen happening before or during data collection, participants' refusal to cooperate and change of behavior of the participants. To guarantee validity, the researcher conducted both face validity and content validity tests on the instrument to ensure the objectives were clearly defined to operationalize the study expectation.

3.6.2 Reliability of Research Instrument

Reliability refers to the degree at which a researcher's data is free from error and hence yields consistent findings (Saunders et al, 2009). The data should be consistent over time to be an accurate representation of the population under study. Robson (2002) identifies five sources of unsystematic threats to reliability: factors due to interviewer error, unfavorable conditions under which measurements are made factors caused by the research subject, instrument reliability and data processing reliability. However, the researcher did a pilot study to test the extent to which the instrument can be relied upon. To ensure reliability of the instrument, careful wording and formatting of content was done. In this study, the researcher carried out the pilot study at Nakuru County Treasury and Cronbach alpha (α) with a reliability threshold ($\alpha \geq 0.7$) was deemed fit and acceptable to test the internal consistency of the instrument.

3.6.3 Reliability Analysis Results

The researcher determined the extent to which the research questionnaire could be relied upon prior to conducting the actual study by analyzing the data obtained from the pilot study. The pilot results obtained indicated that the research instrument met the reliability threshold and the reliability results were as shown in table 1.

Table 3.2: Reliability Analysis Results

Construct	Cronbach's Alpha	N of Items
IFMIS Re-Engineering	.722	9
Parliamentary Oversight	.779	8
Fiscal Decentralization	.764	7
Active Public Participation	.777	8
Budget Implementation	.749	9

3.7 Data Collection Procedure

The researcher obtained permission from the county administration and sought guidance on the appropriate approach to data collection. The researcher then administered the data collection instruments to the respondents by hand delivery. The researcher also conducted interviews to obtain first-hand information from judiciously selected IFMIS departmental respondents and also utilized treasury reports, budget implementation reports, fiscal strategy documents, county outlook papers and other relevant financial reports.

3.8 Data Processing and Analysis

Once the researcher collected the required data, the returned questionnaires were cleaned, coded properly and subjected to thorough scrutiny to ensure completeness. The data was analyzed using both descriptive and inferential statistics to determine the relationship between the PFMRs and budget implementation. The researcher used SPSS version 20 to analyze the collected data. Descriptive statistical measures such as percentages, means and standard deviation were used to interpret the study findings. In addition, the researcher did run a linear regression analysis and a Pearson Correlation analysis to show the relationship between the PFMRs and budget implementation. Besides the descriptive interpretation, the researcher used tables to present the findings of the study. In addition, the researcher relied on ANOVA to test the hypotheses and the coefficient of correlation was also used to validate the research hypotheses. The following regression equation was used to determine the effect of public financial management reforms on the budget implementation:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \hat{\epsilon}$$

Where:	Y	=	Budget Implementation
	a	=	Constant
	β_i	=	Coefficients to be estimated
	X ₁	=	IFMIS Re-engineering
	X ₂	=	Parliamentary Oversight
	X ₃	=	Fiscal Decentralization
	X ₄	=	Active Public Participation
	$\hat{\epsilon}$	=	Error term

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter entails a detailed account of the descriptive analysis of the research data obtained, the interpretation and discussion of the findings of the study as outlined in the research methodology. The chapter first presents the response rate as indicated by the used research instruments. It also provides details of the respondents' profile and the study findings. The said study findings are presented in tables and discussed in this chapter in respect of the specific study objectives and variables.

4.2 Response Rate

According to Schwarz (2013) a response rate represents the number of units in the net sample expressed as a percentage of the units in the gross sample. In this study, the researcher administered all the 36 questionnaires out of which 31 questionnaires were returned and cleaned and only 30 questionnaires were used in the analysis. Therefore, considering the count of all the returned questionnaires relative to those issued, a response rate of 86.1% was registered.

4.3 Respondents' Profile

The researcher examined the respondents' profiles in terms of their educational levels, prior work experience in management of public finance, budget policy as well as their experience at present work stations in the respective city counties where they are involved in undertaking budgetary issues.

4.3.1 Respondents Education Levels

The researcher sought to establish the academic qualifications of the respondents from whom the research data were obtained. Table 4.1 shows the distribution of the respondents according to their educational levels

Table 4.1: Distribution of Respondents by Education Levels

Respondents' Education Level	Frequency	Percent
Professional Course	1	3.3
Diploma	5	16.7
Degree	17	56.7
Masters and Above	7	23.3
Total	30	100.0

From table 4.1, the study found out that only 3.3% of the respondents had professional qualifications, while 16.7% have diploma have qualifications. Moreover, the study also established that 56.7% of the respondents have attained undergraduate degree qualifications and that 23.3% of them have masters and above qualifications implying that quite an overwhelming majority of the staff serving in budget policy and execution offices of the city county government departments are sufficiently qualified.

4.3.2 Prior Experience in Public Financial Management

The researcher also sought to find out the extent of the prior experience gained in public finance management by the staff of the identified city counties who were relied upon to provide the require research data. Table 4.2 shows the distribution of the respondents according to their prior experience in public financial management roles.

Table 4.2: Prior Experience in Public Finance Management

Prior experience in Public Finance Management	Frequency	Percent
0-5 Years	10	33.3
5-10 years	8	26.7
10-15 years	5	16.7
Over 15 Years	7	23.3
Total	30	100.0

The study results shown in table 4.2 indicate that 33.3% of the respondents have less than 5 years prior experience in public finance management, 26.7% of the respondents have prior experience ranging from between 5-10 years in PFM while 16.7% of the respondents have prior experience of 10-15 years and 23.3% have over 15 years prior experience in PFM. This implies that the budget policy and execution staff of the Kenyan city counties enjoy a mix of highly experienced and competent Public finance managers

4.3.3 Work Experience in Budget Policy-Making and Execution

This study also examined the respondents' work experience gained in budget policy making and execution. Table 4.3 shows the distribution of the respondents according to their relevant work experience in budget policy making and execution roles.

Table 4.3: Work experience in Budget Policy-making and Execution

Experience in Budget Policy-making and Execution	Frequency	Percent
0-5 Years	9	30.0
5-10 years	12	40.0
10-15 years	5	16.7
Over 15 Years	4	13.3
Total	30	100.0

Table 4.3 shows the respondents' work experience in budget policy-making and execution. Going by the findings, 40% of the respondents indicated that they have budget policy-making experience spanning between 5-10 years, 16.7% of them have 10-15 years relevant experience while 13.3% of the respondents have over 15 years relevant experience in budget policy and execution issues. However, only 30% of the respondents indicated that they have handled budget policy issues for less than 5 years. This implies that majority of the budget implementation staff are properly experienced and thus are competent enough to deliver value to the citizenry.

4.3.4 Experience at Present Work Station

Table 4.4 shows the respondents' experience, in years, at their present positions in the respective Kenyan city counties.

Table 4.4: Years worked at the present work station

Years worked at the present work station	Frequency	Percent
0-5 Years	14	46.7
5-10 years	9	30.0
10-15 years	1	3.3
Over 15 Years	6	20.0
Total	30	100.0

The results of the study show that 46.7% of the respondents have below 5 years of experience, 30% of the respondents have worked for a period ranging from 5-10 years and only 20% of the staff members have served at their present stations for over 15 years. This implies that they could be the employees of the previous local governments who were absorbed into the county governments. The findings further

revealed that an overwhelming majority of the respondents have served at their present work stations for a period of 5 years and below considering that the county governments have only been operational for the last five financial years.

4.4 Findings of the Study Variables

The researcher studied the influence of public financial management reforms on budget implementation by Kenyan city counties. Considering the numerous PFMRs, the researcher narrowed down to only four PFMR indicators that comprised the independent variable including IFMIS Re-engineering, parliamentary oversight, fiscal decentralization and public participation while the dependent variable was budget implementation by Kenyan city counties.

4.4.1 Descriptive Analysis of IFMIS Re-engineering

The analysis in this section is in line with the first objective of the study which sought to find out the perceptions held by the Kenyan city counties on the influence of IFMIS re-engineering on budget implementation. Table 4.5 shows the descriptive statistics and results in details.

Table 4.5: Descriptive Statistics for IFMIS Re-Engineering

Statements	SA	A%	I%	D%	SD	Mean	Std.
	%				%		Dev
The system promotes efficient and effective management of county budgets, enhances accountability, reduces fraud, enhances comprehensive financial reporting and public service delivery	13.3	73.3	13.3	0.0	0.0	4.00	.525
The system strengthens financial controls, facilitates a full and updated picture of commitments and expenditure continuously	20.0	56.7	20.0	3.3	0.0	3.93	.740
The integrated system enhances interactions between the county and national Governments for more effective policy execution	23	60.0	10.0	6.7	0.0	4.00	.788
The system enables efficient resource allocation and decision-making based on readily available, reliable and timely financial information	20.0	30.0	33.3	16.7	0.0	3.53	1.008
The system enhances data classification, recording, transaction processing, reporting and tracking of financial events of the county	20.0	70.0	6.7	3.3	0.0	4.07	.640
The County government has evidence of good budgetary practices thanks to the integrated financial management system	16.7	56.7	16.7	10.0	0.0	3.80	.847
There is lack of capacity and commitment to budget execution plan to utilize the integrated system at all county departments	26.7	30.0	26.7	16.	0.0	3.67	1.061
Executive commitment, capacity and training on IFMIS enhances procurement efficiency and financial probity in county ministries	33.3	66.7	0.0	0.0	0.0	4.33	.479
All activities in the departments do not run within the IFMIS	10.0	60.0	26.7	0.0	3.3	3.73	.785

According to the findings of the study, the respondents agreed (mean = 4.0; Std dev = 0.525) that IFMIS promotes efficient and effective management of county budgets, enhances accountability for resources, reduces fraud, enhances comprehensive financial reporting and public service delivery as observed in a study done by Bosire (2016) on the impact of IFMIS on financial probity in the Kenyan Public sector. The study also revealed (mean = 3.93; Std dev = 0.740) that the system strengthens financial controls, facilitates a full and updated picture of commitments and expenditure continuously and that the respondents agreed (mean = 4.00; Std dev = 0.788) that it enhances interactions between the county government and national governments for more effective policy execution. However, 75% of the interviewed respondents indicated that the IFMIS can be very useful when it can function effectively citing its ability to integrate the counties' departmental activities, capacity to generate instant reports and aid in monitoring and evaluation. In addition, the results of the study show that some of the respondents expressed mixed reactions (mean = 3.53; Std dev = 1.008) regarding the relevance of IFMIS to resource allocation and timely decision making based on readily available financial information.

In concurrence with the study by Hendricks (2012) the respondents also alluded (mean=4.07; Std dev=0.640) that the system enhances data classification, recording, transaction processing, reporting and tracking of financial events of the county and also opined (mean = 3.80; Std dev=0.847) that the County government has evidence of good budgetary practices supported by the integrated financial management system. Whereas some respondents expressed objection, others indicated (mean=3.67; Std dev=1.061) that there is lack of adequate capacity to address the integrated system issues at all county departments thereby affecting the overall commitment to budget execution plans and response to emergencies. In this regard, the interviewed respondents revealed that IFMIS suffers malfunctions and system downtimes considering many users from all counties, state departments, parastatals and agencies that rely on it. The study also established that the respondents agreed (mean=4.33; Std dev=0.479) that sufficient executive commitment, enhanced capacity and training on IFMIS use and operations can enhance procurement efficiency and financial probity in all sectoral departments of the county. From the results of the study, it was also noted that some of the respondents agreed (mean=3.73; Std dev=0.785) while others

expressed objection to the view that not all activities involving finances are undertaken within IFMIS citing system issues beside other challenges.

4.4.2 Descriptive Analysis of Parliamentary Oversight

The analysis in this section is in line with the second objective of the study which sought to find out the perceptions held by the Kenyan city counties on the influence of parliamentary oversight on budget implementation. The descriptive results are shown in table 4.6.

Table 4.6: Descriptive Statistics for Parliamentary Oversight

Statements	SA%	A%	I%	D%	SD%	Mean	Std Dev
The county government permits budget activism and parliamentary participation in the entire budget process	50.0	43.3	6.7	0.0	0.0	4.43	.626
The county assembly ensures all revenues and spending measures it authorizes are fiscally sound, matches the needs of the citizenry and that the budget is implemented properly and efficiently	0.0	56.7	36.7	3.3	3.3	3.47	.730
Oversight functions carried out always deter executive tendency towards dictatorship and inequitable distribution of resources	0.0	50.0	43.3	6.7	0.0	3.43	.626
The county government emphasizes transparency in formulation, approval, execution, oversight and auditing of the public budget	26.7	33.3	33.3	6.7	0.0	3.80	.925
Development is hindered by the gap between the approved and executed budgets	33.3	53.3	13.3	0.0	0.0	4.20	.664
There is a weak execution capacity by ministries, governance constraints and inappropriate executive-legislative relations	13.3	30.0	33.3	16.7	6.7	3.27	1.112
County assembly holds the executive to account and ensures proper stewardship of public resources	0.0	30.0	23.3	16.7	0.0	3.73	1.081
The legislative oversight role failed to mitigate corruption and hence is ineffective in budget implementation.	16.7	26.7	33.3	23.3	0.0	3.37	1.033

According to the results of the study, the surveyed respondents strongly agreed (mean = 4.43; Std dev = 0.626) that the county government permits budget activism and parliamentary participation in the entire budget process. However, it was observed from the study results, just like it was revealed by Wehner (2004), that the respondents agreed (mean = 3.47; Std dev = 0.730) that the county assembly ensures all revenues and spending measures it authorizes are fiscally sound, matches the needs of the citizenry and that the budget is implemented properly and efficiently. However, as indicated in a study done by Pellizo, Stapenhurst and Olson (2005), the study established that a considerable number of the respondents remained indifferent on this particular view. 50% of the respondents also agreed (mean = 3.43; Std dev = 0.626) that oversight functions carried out always deter executive tendency towards dictatorship and inequitable distribution of resources. Nonetheless, it emerged that despite the constitutional parliamentary role in budgets, independent oversight of budget implementation is affected by among other issues; political patronage, vested financial interests, political party affiliation, corruption and lack of technical capacity on the part of some of the persons entrusted with the oversight duty.

The respondents also concurred (mean = 3.80; Std dev = 0.925) that the county government emphasizes transparency in formulation, approval, execution, oversight and auditing of the public budget and also agreed (mean = 4.20; Std dev = 0.664) that development is hindered by the gap between the approved and executed budgets especially due to system dynamics and IFMIS related reasons. The study findings also indicate that some respondents noted (mean = 3.27; Std dev = 1.112) weak execution capacity by ministries, governance constraints and inappropriate executive-legislative relations as impediments to budget execution while others remained indifferent of made objections to the view. In addition, the findings of the study also indicate that only 30% of the respondents agreed (mean = 3.73; Std dev = 1.081) that the county assembly for their respective city counties holds the executive to account and ensures proper stewardship of public resources. The study also established (mean=3.37; Std dev=1.033) that the legislative oversight undertaken by the county assemblies failed to mitigate corruption and thus is ineffective in enhancing efficient budget execution hence confirming the assertions of Kizito and Aminu (2013) in their study relating legislative oversight and Budget Performance in Nigeria.

4.4.3 Descriptive Analysis of Fiscal Decentralization

The analysis in this section is in line with the third objective of the study, which sought to establish the perceptions held by the Kenyan city counties regarding the influence of fiscal decentralization on budget implementation. Table 4.7 shows the detailed descriptive results in this regard.

Table 4.7: Descriptive Statistics for Fiscal Decentralization

Statements	SA%	A%	I%	D%	SD%	Mean	Std. Dev
The county government takes responsibility for the devolved public revenue, expenditure, borrowing and fiscal policy	43.3	46.7	10.0	0.0	0.0	4.33	.661
Fiscal decentralization to the county is well designed and properly implemented	0.0	53.3	36.7	3.3	6.7	3.37	.850
Devolution enables the county government to align spending with funding responsibilities and hence the efficient provision of essential public services	6.7	70.0	10.0	3.3	10.0	3.60	1.037
Compliance with the budget policy and fiscal rules enhances spending efficiency hence the need for more tax decentralization	13.3	53.3	30.0	3.3	0.0	3.77	.728
Good governance and expenditure decentralization helps reduce the amount and impact of budget deficits	13.3	56.7	23.3	6.7	0.0	3.77	.774
Every county sector adopts economic development policies with cautious implementation of fiscal decentralization	0.0	46.7	33.3	20.0	0.0	3.27	.785
Despite the focus of county government financing on equity and redistribution, huge disparities exist across sub-counties regarding per capita revenue as well as per capita expenditure	20.0	63.3	13.3	3.3	0.0	4.00	.695

From table 4.7, the findings of the study established that the respondents strongly agreed (mean = 4.33; Std dev = .661) that their respective city county governments takes responsibility for the devolved public revenue, expenditure, borrowing and fiscal policy. The study findings also show that the respondents observed (mean = 3.37; Std dev = .850) that fiscal decentralization to the counties is well designed and properly implemented. In agreement with the findings of a study done by Neyapti (2005), this study also indicated (mean = 3.77; Std dev = .774) that good governance and expenditure decentralization helps reduce the amount and impact of budget deficits.

Majority of the respondents also agreed (mean = 3.60; Std dev = 1.037) that devolution enables the county governments to align spending with funding responsibilities and hence the efficient provision of essential public services. In accordance with the views of Boetti, Piacenza, and Turati (2010), the study findings indicated that the respondents also concurred (mean = 3.77; Std dev = .728) that compliance with the budget policy and fiscal rules enhances spending efficiency hence the need for more decentralization of tax. Moreover, the study revealed that the respondents also agreed (mean = 3.77; Std dev = .774) that in the presence of good governance and expenditure decentralization it is possible to reduce the amount and impact of budget deficits as established by Neyapti (2005). The results of the study also established that the respondents expressed divergent views (mean = 3.27; Std dev = .785) contradicting the notion that every sectoral department adopts economic development policies with cautious implementation strategies. Nonetheless, it also emerged that the respondents strongly agreed (mean = 4.00; Std dev = .695) that despite the focus of county governments financing on equity and redistribution, huge disparities exist across sub-counties regarding per capita revenue as well as per capita expenditure.

4.4.4 Descriptive Analysis for Public Participation

The analysis in this section is in line with the fourth objective of the study, which sought to examine the perceptions held by the respondents from the Kenyan city counties regarding the influence of public participation on budget implementation. The descriptive results are detailed in table 4.8.

Table 4.8: Descriptive Statistics for Public Participation

Statements	SA%	A%	I%	D%	SD%	Mean	Std. Dev
Public involvement produces a more public-preference decision-making and better appreciation of the devolved government	43.3	33.3	10.0	6.7	6.7	4.00	1.203
Goals of public participation in the entire budget process are met and citizen views are properly incorporated in the budget policy	13.3	40.0	20.0	26.7	0.0	3.40	1.037
The county embraces substantive interactive public participation and social impact assessment to consider the interests of all parties	40.0	36.7	13.3	10.0	0.0	4.07	.980
Effectively public budgeting engagement solves the complicated budget and fiscal dilemmas and encourages good governance	30.0	50.0	13.3	6.7	0.0	4.03	.850
The citizens are knowledgeable about the county government, public policy and thus exercise meaningful oversight	6.7	36.7	23.3	26.7	6.7	3.10	1.094
There is sufficient political will and commitment to public input	6.7	36.7	23.3	20.0	3.3	3.43	1.104
Members of the public are empowered to exercise their civil, social, political and economic/financial citizenship rights	13.3	50.0	23.3	13.3	0.0	3.63	.890
The high level of political participation is time-consuming and affects prioritization of projects within the budget	23.3	23.3	23.3	26.7	3.3	3.37	1.217

The study findings indicate that the respondents strongly agreed (mean = 4.00; Std dev = 1.203) that public involvement produces a more public-preference decision-making and better appreciation of the devolved government as observed by Irvin and Stansburry (2004). In addition, the participants also agreed (mean = 3.40; Std dev = 1.037) that through effective public involvement in budgeting, the goals of public participation in the entire budget process are met and citizen views are properly incorporated in the budget policy. In addition, the study revealed that the respondents strongly concurred (mean = 4.07; Std dev = 0.980) that the city counties embrace substantive interactive public participation and social impact assessment to consider the interests of all parties as suggested by Blahna and Yots-Shepard (2008) and also agreed (mean = 4.03; Std dev = 0.850) that the effective public budgeting engagement solves the complicated budget and fiscal dilemmas and encourages good governance.

However, it was noted that a lot more time need to be set aside for the public input. More financial and on-financial resources need to be allocated for publicity and the hosting of more interactive public forums to enhance citizen participation in budget formulation and execution. There were also divergent views (mean = 3.10; Std dev = 1.094) indicating that citizens are not sufficiently knowledgeable about the county government, public policy and thus hardly exercise meaningful oversight. On the same note, low public response was observed considering low turnout by the members of the public during budgeting forums requiring public participation.

It also emerged from the results of the study that the respondents had divergent opinion (mean = 3.43; Std dev = 1.104) on the political will and commitment to public input when it comes to budgeting and budget implementation. In addition, the study findings indicate that the respondents revealed (mean = 3.63; Std dev = 0.890) that whereas members of the public are empowered to exercise their civil, social, political and economic/financial citizenship rights, many others still need to be empowered and sensitized to participate very actively in budgeting and execution activities. Going by the outcome of the analyzed data, the study also found out (mean = 3.37; Std dev = 1.217) that the respondents observed that the high level of political participation is time-consuming and thus affects prioritization of projects for execution within the budget.

4.4.5 Descriptive Analysis of Budget Implementation

The analysis in this section is in line with the dependent variable which sought to establish the perceptions held by the respondents regarding budget implementation by the Kenyan city counties. Table 4.9 shows the descriptive results.

Table 4.9: Descriptive Statistics for Budget Implementation

Statements	SA %	A% %	I% %	D% %	SD %	Mean	Std. Dev
The county budget policy helps in performance evaluation and communication on available financial and non-financial resources	16.7	73.3	3.3	6.7	0.0	4.00	.695
There is sufficient attention to education and training to enhance the competencies of the persons involved in budget execution	3.3	56.7	26.7	13.3	0.0	3.50	.777
There exist good monitoring systems for periodic budgetary evaluation and adjustments for efficient and effective policy execution	13.3	43.3	30.0	13.3	0.0	3.57	.898
Poor project conceptualization, design and planning practices by ministries and county departments impact expenditure execution	23.3	46.7	23.3	0.0	6.7	3.80	1.031
Poor budget execution hinders achievement of development as evidence by many abandoned projects	53.3	40.0	6.7	0.0	0.0	4.47	.629
All ministries, departments and agencies strictly comply with the budget implementation reform framework	0.0	13.3	50.0	36.7	0.0	2.77	.679
Medium Term Revenue Framework, Medium Term Expenditure Framework and other budgetary reform strategies of the county government are achievable through enhanced budget discipline	16.7	70.0	10.0	3.3	0.0	4.00	.643
Comprehensive budget operations help in building better links between annual allocations and medium-term policy objectives	23.3	63.0	10.0	3.3	0.0	4.07	.691
The county leadership often addresses delays in fund disbursement, lack of capacity and rectifies wrong prioritization of resources.	0.0	40.0	23.3	26.7	10.0	2.93	1.048

The results of the study revealed that the respondents strongly held the view (mean = 4.00; Std dev = 0.695) that county budget policy helps in performance evaluation and communication on available financial and non-financial resources. As noted in the findings of Sceers, Sterck and Bouckaert (2005), the respondents also agreed (mean = 3.50; Std dev = 0.777) that there is sufficient attention to education and training to enhance the competencies of the persons involved in budget execution. The study findings also indicate that the respondents agreed (mean = 3.57; Std dev = 0.898) there exist good monitoring systems for periodic budgetary evaluation and adjustments for efficient & effective policy execution. However the findings revealed (mean = 3.80; Std dev = 1.031) that poor project conceptualization, design and planning practices by ministries and county departments impact expenditure execution as revealed by Onyiah *et al.* (2016). Among other factors that influence budget execution, the respondents pointed out to cash flow problems, late initiation of procurement process and hence late initiation of development projects, IFMIS issues, delays in fund disbursement, corruption and lack of political goodwill. It also emerged that the respondents strongly agreed (mean = 4.47; Std dev = 0.629) that poor budget execution hinders the achievement of development goals as evidenced by many abandoned projects.

In concurrence with the Annual County Governments Budget Implementation Review Report for the financial year 2015/2016, the recurrent expenditure by Nairobi City County accounted for 129.4% of funds released for recurrent activities while development expenditure accounted for 1,772.8% of the funds released for development activities. Moreover, the expenses on personnel emoluments during that financial year amounting to Ksh 13.47 billion translated to 56.2% of the total expenditure contrary to the 35% limit set by the Public Finance Management Act requirement at the time. Kisumu city county spent Ksh 4.61 billion on recurrent expenditure representing 82.3% of the annual recurrent budget which was a decline from 86.6% the previous financial year. The development expenditure for Kisumu county during the FY 2015/2016 recorded an absorption rate of 45.3% down from 47.4% attained the previous financial year. During the same period, Mombasa city county spent Ksh. 3.99 billion representing 69.1% of emoluments and 1.2% decline from the records of the previous fiscal period, yet it still surpassed the limits set by the PFM Act then (Controller of Budget, 2016). Table 4.10 presents the detailed budget execution data for the three Kenyan city counties.

Table 4.10: Annual County Governments Budget Expenditure Implementation

	City County	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17 (First 9 Months)
Actual Recurrent Expenditure (Ksh)	Mombasa	5.1 Billion	5.62 Billion	5.77 Billion	4.08 Billion
	Nairobi	15.1 ”	18.72 ”	19.78 ”	13.65 ”
	Kisumu	2.9 ”	4.99 ”	4.61 ”	3.48 ”
Actual Development Expenditure (Ksh)	Mombasa	0.112 Billion	2.04 Billion	2.77 Billion	1.49 Billion
	Nairobi	1.9 ”	2.3 ”	4.17 ”	1.48 ”
	Kisumu	0.5063 ”	1.51 ”	1.83 ”	1.13 ”
Development Expenditure Absorption Rate	Mombasa	2.4%	65.7%	82.4%	37%
	Nairobi	25%	33.5%	52.9%	12.9
	Kisumu	4.0%	47.4%	45.3%	36.5%

Source: Office of the Controller of Budget

Besides, the study findings revealed that the respondents indicated (mean = 2.77; Std dev = 0.679) an objection and indifference to the view that all ministries, departments and agencies strictly comply with the budget implementation reform framework. The results further indicated that the respondents agreed (mean = 4.00; Std dev = 0.643) that Medium Term Revenue Framework, Medium Term Expenditure Framework and other budgetary reform strategies of the city county governments are more achievable through enhanced budget discipline. It also emerged from the findings that the respondents opined (mean = 4.07; Std dev = 0.691) that comprehensive budget operations help in building better links between annual allocations and medium-term policy objectives. The study also established (mean = 2.93; Std dev = 1.048) that the participants had the perception that the government leadership does not always address delays in fund disbursements, lack of capacity and occasionally rectifies wrong prioritization of resources to meet the varied needs of the stakeholders. According to the findings of the study, the respondents indicated that some of the factors that influence budget execution relate to cash flow problems, late initiation of procurement process and hence late initiation of development projects, IFMIS issues, delays in fund disbursement, corruption and lack of political goodwill among others.

4.5 Inferential Analysis

This study majorly emphasized on how public financial management reforms influence budget execution by the Kenyan city counties. In particular, the PFMRs examined in this study include IFMIS Re-Engineering, parliamentary oversight, fiscal decentralization and public participation. Correlating each of the said PFMRs with Budget Implementation enabled the researcher to determine the relationships between each independent variable and the dependent variable of the study. Further, the researcher did a multiple regression analysis to assess the relationship between public financial management reforms and budget implementation.

4.5.1 Relationship between IFMIS Re-Engineering and Budget Implementation

This section outlines the results of correlation analysis between IFMIS Re-Engineering and Budget Implementation (Table 4.11). The findings are interpreted and discussed accordingly.

Table 4.11: Correlation between IFMIS Re-Engineering and Budget Implementation

		Budget Implementation
	Pearson Correlation	.202
IFMIS Re-Engineering	Sig. (2-tailed)	.284
	N	30

** . Correlation is significant at the 0.05 level (2-tailed).

The results of the study show that there is a weak, positive and statistically insignificant ($r = 0.202$; $p > 0.05$) relationship between IFMIS Re-Engineering and Budget Implementation. The findings contradicted the findings of Bosire (2016) indicating that even though IFMIS re-engineering is perceivably an important innovation meant to enhance accountability, eliminate fraud, facilitate accurate recording and processing of financial information besides other pros, it has not lived to its expectations considering a number of the identified shortcomings. The interviewed respondents indicated that despite its perceived benefits, IFMIS has not enhanced service delivery as expected. Some large and long-term projects done in phases are affected by lapse in transaction processing and release of funds due to the shortcomings attributed to the IFMIS.

4.5.2 Relationship between Parliamentary Oversight and Budget Implementation

This section outlines the results of correlation analysis between Parliamentary Oversight and Budget Implementation (Table 4.12). The findings are interpreted and further discussed in detail.

Table 4.12: Correlation between Parliamentary Oversight and Budget Implementation

		Budget Implementation
Parliamentary Oversight	Pearson Correlation	.492 ^{**}
	Sig. (2-tailed)	.006
	N	30

**^{*}. Correlation is significant at the 0.05 level (2-tailed).

From the results of the study, the researcher established a fairly strong, positive and statistically significant ($r = 0.492$; $p < 0.05$) relationship between parliamentary oversight and budget implementation. The findings of the study indicate that the oversight role done by the county legislature and the parliament is fairly commendable, but a lot more needs to be done in so far as execution of the county projects, priorities and expenses are concerned to benefit the citizenry. This outcome nearly matches the findings of Kizito and Aminu (2013) which revealed that parliamentary oversight failed to mitigate corruption and poor budget execution.

4.5.3 Relationship between Fiscal Decentralization and Budget Implementation

This section outlines the results of correlation analysis between Fiscal Decentralization and Budget Implementation (Table 4.13). The findings are interpreted and further discussed exhaustively.

Table 4.13: Correlation between Fiscal Decentralization and Budget Implementation

		Budget Implementation
Fiscal Decentralization	Pearson Correlation	.602 ^{**}
	Sig. (2-tailed)	.000
	N	30

**^{*}. Correlation is significant at the 0.05 level (2-tailed).

The study revealed that the relationship between fiscal decentralization and Budget Implementation was strong, positive and statistically significant ($r = 0.602$; $p < 0.05$). Concurring with Boetti, Piacenza and Turati (2010), the findings of this study indicated that more decentralization of powers, authority and responsibility over finances to the devolved governments enables the Kenya city counties to correct their fiscal imbalances and appropriate the revenues for effective and efficient project execution as budgeted for.

4.5.4 Relationship between Active Public Participation and Budget Implementation

This section outlines the results of correlation analysis between Active Public Participation and Budget Implementation (Table 4.14). The findings are interpreted and further discussed exhaustively.

Table 4.14: Correlation between Public Participation and Budget Implementation

		Budget Implementation
Public Participation	Pearson Correlation	.645 ^{**}
	Sig. (2-tailed)	.000
	N	30

** . Correlation is significant at the 0.05 level (2-tailed).

The study revealed that the relationship between public participation and Budget Implementation was positive, fairly strong, and statistically significant ($r = 0.645$; $p < 0.05$). It further indicated that active public participation in the entire budget process enables the city counties to understand the needs of the citizens, take into account their expectations and interests in establishing budgetary priorities and hence influences budget execution for the common good of the people. This view concurred with the findings of Blahna and Yonts-Shepard (2008) which recommended substantive, interactive public participation and social impact assessment to ensure the interests and expectations of the people are factored in in the entire budgeting process.

4.5.5 Relationship between Public Financial Management Reforms and Budget Implementation

This study assessed how public financial management reforms influenced budget implementation by the Kenyan city counties. Tables 4.15, 4.16 and 4.17 show the results of the multiple regression analysis.

Table 4.15: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.756 ^a	.571	.502	.32637

a. Predictors: (Constant), Public Participation, IFMIS Re-Engineering, Parliamentary Oversight, Fiscal Decentralization

Table 4.15 provides a detailed overview of the results of coefficient of determination (r^2) and correlation coefficient (R). The results of ($r^2 = 0.571$) and ($R=0.756$) reflected a strong positive correlation between the Public Financial Management Reforms and Budget Implementation by the Kenyan City Counties.

Table 4.16: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.543	4	.886	8.316	.000 ^b
	Residual	2.663	25	.107		
	Total	6.206	29			

a. Dependent Variable: BI

b. Predictors: (Constant), Public Participation, IFMIS Re-Engineering, Parliamentary Oversight, Fiscal Decentralization

Table 4.16 presents the findings of analysis of variance (ANOVA) which indicates that the Public Financial Management Reforms significantly influenced Budget Implementation by the Kenyan City counties ($F = 8.316$; $p < 0.05$) at 95% degree of confidence. These findings were based on the adoption of PFMRs to enhance budget execution by the devolved governments with specific interest in the Kenyan city counties.

Table 4.17: Results of Regression Analysis

Model	Coefficients ^a				
	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
B	Std. Error	Beta			
(Constant)	.872	.795		1.097	.283
IFMIS Re-Engineering	-.193	.219	-.138	-.881	.387
1 Parliamentary Oversight	.322	.226	.254	1.421	.018
Fiscal Decentralization	.314	.218	.285	1.443	.011
Public Participation	.328	.105	.468	3.133	.004

a. Dependent Variable: Budget Implementation

The outcomes of the regression analysis (Table 22) were interpreted using the following regression function: $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \hat{\epsilon}$ where Y, X₁, X₂, X₃ and X₄ represented Budget Implementation, IFMIS Re-Engineering, Parliamentary Oversight, Fiscal Decentralization and Public Participation respectively. The regression results were therefore interpreted as follows: $Y = 0.872 - 0.193X_1 + 0.322X_2 + 0.314X_3 + 0.328X_4$. These findings implied that the researcher failed to reject the first null hypothesis ($t = -0.881$; $p > 0.05$). The study also indicated that the second null hypothesis was rejected ($t = 1.421$; $p < 0.05$) and further revealed that the third null hypothesis was also rejected ($t = 1.443$; $p < 0.05$). Besides, the fourth null hypothesis was also rejected ($t = 3.133$; $p < 0.05$). In sum, the study revealed that budget implementation was significantly influenced by 0.322 parliamentary oversight, .314 fiscal decentralization, 0.328 public participation and that it was insignificantly influenced by -0.193 IFMIS Re-Engineering.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter entails the detailed summary of findings and conclusions from the study highlighting results that are most relevant to policy issues, decisions and undertakings relevant to effective adoption of public financial management reforms for enhanced budget execution. The chapter further provides detailed recommendations for specific areas requiring action and future research.

5.2 Summary of Findings

This section outlines the major findings of the study done in tandem with the specific objectives of the study as enumerated in chapter one. The findings are summarized in every paragraph per variable studied

As per the study findings, IFMIS can promote efficient management of county budgets, enhance accountability for resources, reduces fraud, enhances comprehensive financial reporting and public service delivery. The study shows that when stable, the system strengthens financial controls, facilitates a full and updated picture of commitments and expenditure continuously and enhances interactions between the city county and national governments regarding policy execution. In addition, it emerged that the use of IFMIS can be relevant to resource allocation and timely decision making based on readily available financial information. The respondents also alluded that the system enhances data classification, recording, transaction processing, reporting and tracking of financial events of the county provide that shortcomings are comprehensively addressed. The results, however, revealed that good budgetary practices exist despite the inadequate capacity to address the integrated system issues at the county level thereby impacting the overall commitment to budget execution plans. The study also established that executive commitment, enhanced capacity and training on IFMIS use and operations can enhance procurement efficiency and financial probity in all sectoral departments of the county. From the results of the study, it was also noted that mixed reactions exist as to whether or not all activities involving finances are undertaken within IFMIS citing system issues beside other challenges.

The study also revealed that the city county governments permit budget activism and parliamentary participation in the entire budget process. Even though the county assemblies have a duty to ensure all revenues and spending measures authorized are fiscally sound, matches the needs of the citizenry and that the budget is implemented properly and efficiently a considerable number of the respondents remained indifferent on this view noting that oversight functions carried out always deter executive tendency towards dictatorship and inequitable distribution of resources. The respondents indicated that the city county governments emphasize transparency in formulation, approval, execution, oversight and auditing of the public budget.

It also emerged that development is hindered by the gap between the approved and executed budgets especially due to system dynamics and IFMIS related reasons. The study revealed weak execution capacity by ministries, some governance constraints and in some cases, inappropriate executive-legislative relations as impediments to budget execution while some respondents remained indifferent of made objections to the view. The study also established that the legislative oversight role undertaken by the county assemblies failed to mitigate corruption and hence is ineffective in enhancing efficient execution

The findings of the study established that the Kenyan city counties take responsibility for the devolved public revenue, expenditure, borrowing and fiscal policy and that fiscal decentralization to the counties is well designed and properly implemented. The study also indicated that good governance and expenditure decentralization helps reduce the amount and impact of budget deficits and that embracing devolution fully enables the county governments to align spending with funding responsibilities and hence the efficient provision of essential public services. It also revealed that counties comply with the budget policy and fiscal rules thereby enhancing spending efficiency hence the need for more decentralization of tax receipts and other relevant government income. Moreover, the study revealed that in the presence of good governance and expenditure decentralization, it is possible to reduce the amount and impact of budget deficits. However, contradictions emerged on the notion that every sectoral department adopts economic development policies with cautious implementation strategies. It also emerged that despite the focus on equity and resource redistribution, disparities still exist across sub-counties regarding per capita revenue and per capita expenditure.

On active public participation, the study showed that that public involvement produces a more public-preference decision-making and better appreciation of the devolved governments and that the goals of public participation in the entire budget process are met and citizen views are properly incorporated in the budget policy. In addition, the study revealed that the city counties embrace substantive interactive public participation and social impact assessment to consider the interests of all parties considering that the effective public budgeting engagement solves the complicated budget and fiscal dilemmas and encourages good governance. However, it emerged that citizens are not sufficiently knowledgeable about the county government, public policy and thus hardly exercise meaningful oversight. It also appeared that the respondents had divergent opinion on the political will and commitment to public input and that whereas members of the public are empowered to exercise their civil, social, political and economic/financial rights, many others still need to be empowered and sensitized to participate very actively in budgeting and execution activities. Also, the participants observed that high level of political participation is time-consuming and thus affects prioritization of projects for execution within the budget.

The results of the study revealed that county budget policy helps in performance evaluation and communication on available financial and non-financial resources and that there is sufficient attention to education and training to enhance the competencies of the persons involved in budget execution. It also emerged that there exist good monitoring systems for periodic budgetary evaluation and adjustments for efficient & effective policy execution. However the findings revealed that in some cases, poor project conceptualization, design and planning practices impact expenditure execution and that poor budget execution hinders the achievement of development goals as evidence by many abandoned projects. Among other factors that influence budget execution, the respondents pointed out to cash flow problems, late initiation of procurement process and hence late initiation of development projects, IFMIS issues, delays in fund disbursement, corruption and lack of political goodwill.

Besides, the study findings indicated some objection and indifference to the view that all ministries, departments and agencies strictly comply with the budget implementation reform framework. The results further indicated that the Medium Term Revenue Framework, Medium Term Expenditure Framework and other

budgetary reform strategies of the city county governments are more achievable through enhanced budget discipline. It also emerged that comprehensive budget operations help in building better links between annual allocations and medium-term policy objectives. It also emerged from the respondents' perception, that the city counties and national government leaderships do not always address delays in fund disbursements, lack of capacity and occasionally rectifies wrong prioritization of resources to meet the varied needs of the stakeholders in a timely manner. However, a number of changes in budget execution were witnessed including; adherence to the PFM Act 2012, instituting the sectoral budget groups, enhanced oversight and public participation in the entire budget process.

5.3 Conclusions

The conclusions in this section were made in context of the stated objectives of the study.

The results of the study showed a slightly strong, positive and statistically insignificant relationship between IFMIS Re-Engineering and Budget Implementation. The findings revealed that although IFMIS re-engineering is perceivably an important innovation meant to enhance accountability, eliminate fraud, facilitate accurate recording and processing of financial information besides other pros, it has not lived to its expectations considering a number of the shortcomings pointed out by the respondents. From the results of the study, the researcher noted a fairly strong, positive and statistically significant relationship between parliamentary oversight and budget implementation. The findings of the study indicate that the oversight done by the county legislatures and the parliament is fairly commendable, but a lot more needs to be done in so far as execution of the county projects, priorities and expenses are concerned.

The study also revealed that the relationship between fiscal decentralization and Budget Implementation was strong, positive and statistically significant. The findings of the study indicated that more decentralization of powers, authority and responsibility over finances to the devolved governments enables the city counties to correct their fiscal imbalances and appropriate the revenues for effective and efficient project execution as budgeted for. However, the pursuit of further fiscal decentralization should be well calculated and regulated for both levels of governments to remain relevant to the economy. In line with the fourth objective, the

study revealed a strong, positive and statistically significant relationship between public participation and Budget Implementation indicating that active public participation in the entire budget process enables the city counties to understand the needs of the citizens, take into account their expectations and interests in establishing budgetary priorities.

5.4 Recommendations

The recommendations made herein were based on the study findings in relation to the existing literature. According to the findings presented in the previous chapter, the following recommendations were imperative: First, considering that despite IFMIS Re-engineering efforts in two phases following its adoption in Kenya in 2003, this study recommends a complete decentralization of the integrated financial management information system operations and maintenance to county governments to enable the users have additional rights to operate it, but with stronger controls and strict monitoring. The study recommended that the national treasury should reduce the turn round time for resolution of IFMIS issues and shortcomings whenever they arise and enhance knowledge sharing between IFMIS staff at both levels of government. The study also recommended continuous, effective and thorough training of all IFMIS users to enhance budget performance. The study also recommends that the government should consider a complete overhaul, or a comprehensive upgrade of the system or introduce a more functional and efficient system that is not prone to system downtimes, failure or complications.

In addition, the study recommended that the county assemblies, the relevant committees, parliament and other oversight organizations should commit to doing much better to enhance more effective oversight of the county resources and efficient budget execution. Thirdly, the study also recommends more fiscal decentralization to enhance public service and execution of budgeted projects. However, the pursuit of further fiscal decentralization should be well calculated to ensure both the national and county governments remain relevant. Noting that a number of counties have been returning resources not utilized to the exchequer, the study recommended that counties should properly utilize the available resources to satisfy the public interests and that members of the public be called upon to participate more actively in budgeting.

5.4 Areas of Further Studies

Based on the study findings, it is important that further research be done on IFMIS to come up with a more effective or a complete overhaul for there to be a better system for public financial management. Considering all the thematic areas of public financial management reforms, studies should as well be done to unearth the effectiveness of external audits and e-procurement on budget execution by the Kenyan city counties. Studies should also be done to determine the interrelation between adoption of Public Financial Management Reforms and budget performance of counties in rural areas in Kenya.

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APPENDICES

Appendix 1: Letter of Introduction

Geoffrey Magani

P. O. Box 105883-00101

NAIROBI

Dear sir/Madam,

RE: PERMISSION TO COLLECT RESEARCH DATA

I am a Master of Business Administration student at Jomo Kenyatta University of Agriculture and Technology doing a research entitled “**Influence of Public Financial Management Reforms on Budget Implementation by Kenyan City Counties**”.

This research forms part of the requirement for my masters qualification. I would appreciate if you would kindly take a little of your time to complete a questionnaire or answer questions in an interview with precision and accuracy.

Any information provided from you is purely for academic purposes and all responses will be treated with strictest confidentiality. Your cooperation is most valued and appreciated.

I, therefore, take this opportunity to thank you in advance for your quick return of your completed questionnaire

Thank you.

Yours faithfully,

Geoffrey Magani

Appendix 2: Research Questionnaire

Dear respondent,

This questionnaire is meant to collect data for research on the **Influence of Public Financial Management Reforms on Budget Implementation by Kenyan City Counties**. You have been identified as one of the respondents for this research and so you are requested to be honest and provide information exhaustively. The Information is purposely intended for academic purpose only and will not be divulged to any other use. Kindly complete all the sections hereunder.

SECTION A: BIO DATA

1. Educational Level

Professional Training Diploma Degree Masters
and above

2. Prior experience in Public Financial Management

0-5 years 5-10 years 10-15 years Over 15 years

3. Work experience in Budget Policy-making and Execution

0-5 years 5-10 years 10-15 years Over 15 years

4. Years worked at the present work station

0-5 years 5-10 years 10-15 years Over 15
years

SECTION B: IFMIS RE-ENGINEERING

The following statements relate to **IFMIS Re-engineering**. Using the key (Where: SA-Strongly Agree; A – Agree; I – Indifferent; D – Disagree; SD – Strongly Disagree) tick as appropriate to indicate the extent to which you agree or disagree with each statement.

No.	Statement	SA	A	I	D	SD
5.	The system promotes efficient and effective management of county budgets, enhances accountability, reduces fraud, enhances comprehensive financial reporting and public service delivery.					
6.	The system strengthens financial controls, facilitates a full and updated picture of commitments and expenditure continuously					
7.	The integrated system enhances interactions between the county and national Governments for more effective policy execution					
8.	The system enables efficient resource allocation and decision-making based on readily available, reliable and timely financial information					
9.	The system enhances data classification, recording, transaction processing, reporting and tracking of financial events of the county					
10.	The County government has evidence of good budgetary practices thanks to the integrated financial management system					
11.	There is lack of capacity and commitment to budget execution plan to utilize the integrated system at all county departments					
12.	Executive commitment, capacity and training on IFMIS enhances procurement efficiency and financial probity in county ministries					
13.	All activities in the departments do not run within the IFMIS					

State some shortcomings of IFMIS (if any) and make recommendations for improvement

SECTION C: PARLIAMENTARY OVERSIGHT

The following statements relate to **Parliamentary Oversight**. Using the key (Where: SA-Strongly Agree; A – Agree; I – Indifferent; D – Disagree; SD – Strongly Disagree) tick as appropriate to indicate the extent to which you agree or disagree with each statement.

No.	Statement	SA	A	I	D	SD
14.	The county government permits budget activism and parliamentary participation in the entire budget process					
15.	The county assembly ensures all revenues and spending measures it authorizes are fiscally sound, matches the needs of the citizenry and that the budget is implemented properly and efficiently					
16.	Oversight functions carried out always deter executive tendency towards dictatorship and inequitable distribution of resources					
17.	The county government emphasizes transparency in formulation, approval, execution, oversight and auditing of the public budget					
18.	Development is hindered by the gap between the approved and executed budgets					
19.	There is a weak execution capacity by ministries, governance constraints and inappropriate executive-legislative relations					
20.	County assembly holds the executive to account and ensures proper stewardship of public resources					
21.	The legislative oversight role failed to mitigate corruption and hence is ineffective in budget implementation.					

State some factors that have influenced budget oversight at the county?

How can the oversight initiatives be enhanced for better budget execution?

SECTION D: FISCAL DECENTRALIZATION

The following statements relate to **Fiscal Decentralization**. Using the key (Where: SA-Strongly Agree; A – Agree; I – Indifferent; D – Disagree; SD – Strongly Disagree) tick as appropriate to indicate the extent to which you agree or disagree with each statement.

No.	Statement	SA	A	I	D	SD
22.	The county government takes responsibility for the devolved public revenue, expenditure, borrowing and fiscal policy.					
23.	Fiscal decentralization to the county is well designed and properly implemented					
24.	Devolution enables the county government to align spending with funding responsibilities and hence the efficient provision of essential public services					
25.	Compliance with the budget policy and fiscal rules enhances spending efficiency hence the need for tax decentralization					
26.	Good governance and expenditure decentralization helps reduce the amount and impact of budget deficits					
27.	Every county sector adopts economic development policies with cautious implementation of fiscal decentralization					
28.	Despite the focus of county government financing on equity and redistribution, huge disparities exist across sub-counties regarding per capita revenue as well as per capita expenditure					

SECTION E: PUBLIC PARTICIPATION

The following statements relate to **Public Participation**. Using the key (Where: SA- Strongly Agree; A – Agree; I – Indifferent; D – Disagree; SD – Strongly Disagree) tick as appropriate to indicate the extent to which you agree or disagree with each statement.

No.	Statement	SA	A	I	D	SD
29.	Public involvement produces a more public-preference decision-making and better appreciation of the devolved government					
30.	Goals of public participation in the entire budget process are met and citizen views are properly incorporated in the budget policy					
31.	The county embraces substantive interactive public participation and social impact assessment to consider the interests of all parties					
32.	Effectively public budgeting engagement solves the complicated budget and fiscal dilemmas and encourages good governance					
33.	The citizens are knowledgeable about the county government, public policy and thus exercise meaningful oversight					
34.	There is sufficient political will and commitment to public input					
35.	Members of the public are empowered to exercise their civil, social, political and economic/financial citizenship rights					
36.	The high level of political participation is time-consuming and affects prioritization of projects within the budget					

How do citizens/stakeholders participate in budget implementation

Has the participation been effective? How can budgetary public participation be enhanced

SECTION E: PUBLIC FINANCE MANAGEMENT ACT 2012

The following statements relate to **PFM ACT 2012**. Using the key (Where: SA- Strongly Agree; A – Agree; I – Indifferent; D – Disagree; SD – Strongly Disagree) tick as appropriate to indicate the extent to which you agree or disagree with each statement.

No.	Statement	SA	A	I	D	SD
37.	The Public Finance Management Act number 18 of 2012 provides for effective management of public finances by the national and county governments					
38.	PFM Act makes the management of public finances more efficient, effective, participatory and transparent					
39.	The Act enhances accountability and better service delivery to the Kenyan people					
40.	The Act regulates the parliamentary oversight responsibility and government responsibilities with regard to management and control of public finances					
41.	The Public Finance Management Act (2012) affects the relationship between PFMR and budget execution at county government levels					

SECTION F: Budget Implementation

The following statements relate to **Budget Implementation**. Using the key (Where: SA-Strongly Agree; A – Agree; I – Indifferent; D – Disagree; SD – Strongly Disagree) tick as appropriate to indicate the extent to which you agree or disagree with each statement.

No.	Statement	SA	A	I	D	SD
42.	The county budget policy helps in performance evaluation and communication on available financial and non-financial resources					
43.	There is sufficient attention to education and training to enhance the competencies of the persons involved in budget execution					
44.	There exist good monitoring systems for periodic budgetary evaluation and adjustments for efficient & effective policy execution					
45.	Poor project conceptualization, design and planning practices by ministries and county departments impact expenditure execution					
46.	Poor budget execution hinders the achievement of development goals as evidence by many abandoned projects					
47.	All ministries, departments and agencies strictly comply with the budget implementation reform framework					
48.	Medium Term Revenue Framework, Medium Term Expenditure Framework and other budgetary reform strategies of the county government are achievable through enhanced budget discipline					
49.	Comprehensive budget operations help in building better links between annual allocations and medium-term policy objectives					
50.	The government leadership often addresses delays in fund disbursement, lack of capacity and rectifies wrong prioritization of resources.					

State some factors that have influenced budget implementation at the county

What changes in budget execution have you witnessed over the last five financial years

NO. 13 OF 2011

URBAN AREAS AND CITIES ACT

[Date of Assent: 27th August, 2011.]

[Date of Commencement: See Section 1.]

AN ACT of Parliament to give effect to Article 184 of the Constitution; to provide for the, classification, governance and management of urban areas and cities; to provide for the criteria of establishing urban areas, to provide for the principle of governance and participation of residents and for connected purposes

[Act No. 12 of 2012, Act No. 18 of 2012.]

PART I – PRELIMINARY

1. Short title and commencement

(1) This Act may be cited as the Urban Areas and Cities Act, 2011.

(2) Subject to subsection (3), this Act shall come into operation after the first elections held under the Constitution.

(3) Part VIII of this Act shall come into operation on the repeal of the Local Government Act (Cap. 265).

2. Interpretation

(1) In this Act, unless the context otherwise requires—

“**board**” means the board of a city or municipality constituted in accordance with section 13 and 14 of this Act;

“**Cabinet Secretary**” means the Cabinet Secretary responsible for matters relating to urban areas and cities;

“**capital city**” means a city conferred with the status of a capital city under this Act;

“**city**” means an area conferred with the status of a city under section 8 of this Act;

“**city county**” means a city which is also a county;

“**Citizen Fora**” means a forum for citizens organised for purposes of participating in the affairs of an urban area or a city under this Act;

“**transition period**” means the period between the commencement of this Act and three years after the first general elections; and

“**urban area**” means a municipality or a town.

(2) Despite subsection (1), until after the first elections under the Constitution, references in this Act to the expression “Cabinet Secretary” shall be construed to mean “Minister”.

Appendix 4: County Governments Amendment Act

THIRD SCHEDULE

(S. 6A(1))

PHYSICAL LOCATION OF COUNTY GOVERNMENTS

<i>County</i>	<i>Physical Location</i>
1. Mombasa	Mombasa City
2. Kwale	Kwale Urban Area
3. Kilifi	Kilifi Urban Area
4. Tana River	Hola Urban Area
5. Lamu	Lamu Urban Area
6. Taita/Taveta	Wundanyi Urban Area
7. Garissa	Garissa Urban Area
8. Wajir	Wajir Urban Area
9. Mandera	Mandera Urban Area
10. Marsabit	Marsabit Urban Area
11. Isiolo	Isiolo Urban Area
12. Meru	Meru Urban Area
13. Tharaka-Nithi	Kathwana Urban Area
14. Embu	Embu Urban Area
15. Kitui	Kitui Urban Area
16. Machakos	Machakos Urban Area
17. Makueni	Makueni Urban Area
18. Nyandarua	Oi Kaiou Urban Area
19. Nyeri	Nyeri Urban Area
20. Kirinyaga	Kerugoya Urban Area
21. Murang'a	Murang'a Urban Area
22. Kiambu	Kiambu Urban Area
23. Turkana	Lodwar Urban Area
24. West Pokot	Kapenguria Urban Area

2016	<i>County Governments (Amendment)</i>	No. 1
<i>County</i>	<i>Physical Location</i>	
25. Samburu	Maralal Urban Area	
26. Trans Nzoia	Kilale Urban Area	
27. Uasin Gishu	Eldoret Urban Area	
28. Elgeyo/Marakwet	Iten Urban Area	
29. Nandi	Kapsabet Urban Area	
30. Baringo	Kabarnet Urban Area	
31. Laikipia	Rumuruti Urban Area	
32. Nakuru	Nakuru Urban Area	
33. Narok	Narok Urban Area	
34. Kajiado	Kajiado Urban Area	
35. Kericho	Kericho Urban Area	
36. Bomet	Bomet Urban Area	
37. Kakamega	Kakamega Urban Area	
38. Vihiga	Vihiga Urban Area	
39. Bungoma	Bungoma Urban Area	
40. Busia	Busia Urban Area	
41. Siaya	Siaya Urban Area	
42. Kisumu	Kisumu City	
43. Homa Bay	Homa Bay Urban Area	
44. Migori	Migori Urban Area	
45. Kisii	Kisii Urban Area	
46. Nyamira	Nyamira Urban Area	
47. Nairobi	Nairobi City	

Appendix 5: Authority to Proceed to Field Work



**JOMO KENYATTA UNIVERSITY
OF
AGRICULTURE AND TECHNOLOGY**
P.O. Box 1063 - 20100 NAKURU, KENYA.

TEL: (051) 2216660 FAX: 2215664 CELL: 0714 716957

Email: nakurucbd@jkuat.ac.ke Website: www.jkuat.ac.ke

REF: HD333-C007-3687/2013

DATE: 10TH JULY, 2017

TO WHOM IT MAY CONCERN


Dear Sir/Madam,

RE: GEOFREY MAGANI HD333-C007-3687/2013

This is to confirm that Mr. Magani is a bona fide student of this University undertaking a Master programme in Business Administration at the Nakuru CBD Campus. He has finished his course work and is currently working on research project on: **INFLUENCE OF PUBLIC FINANCIAL MANAGEMENT REFORMS ON BUDGET IMPLEMENTATION BY KENYAN CITY COUNTIES.**

Any assistance accorded to him will be highly appreciated.

Yours Sincerely,


RUTH LIMARENG
ADMINISTRATOR, NAKURU CBD CAMPUS.
RL/NKR



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Setting Trends in Higher Education, Research and Innovation

Appendix 6: Research Permit From Nairobi City County

NAIROBI CITY COUNTY



Governor's Office
Fax: 22217704

City Hall
P .o. box 30075-00100
Nairobi
Kenya

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT

Ref: HRD/3/4 /985/2017

DATE: 5TH September 2017

Geofrey Magani
Jomo Kenyatta University of Agriculture & Technology
P. O. Box 1063-20100
Nakuru, Kenya

RE: RESEARCH AUTHORIZATION

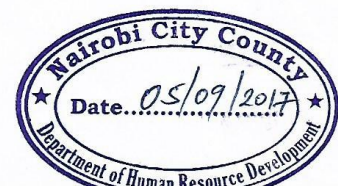
Reference is made to your application letter dated 10th July 2017, on the above subject matter;

The Nairobi City County has approved your request subject to the following;

1. The period for research will be (1) Week with effect from 5th September 2017 to 12th September 2017.
2. You will be allowed to information in specific areas of study in the County Finance Sector.
3. That during your research there will be no costs developing on the County
4. The research will be used for academic purposes only
5. That you undertake to indemnify the County against any claim that may arise from your research
6. You are not authorized to release any information without vetting and authority from this office.
7. You are expected to submit to undersigned copy of the final research document for the County's retention (within one week after research).

By a copy of this letter, the Chief Administrative Officer Finance Sector is requested to accord you the necessary assistance.


CHARLES CHOI
FOR: DIRECTOR HUMAN RESOURCE DEVELOPMENT



Appendix 7: Research Permit From Kisumu City County



**JOMO KENYATTA UNIVERSITY
OF
AGRICULTURE AND TECHNOLOGY**

P.O. Box 1063 - 20100 NAKURU, KENYA

TFL: (051) 2216660 FAX: 2215664 CELL: 0714 716957

Email: nakuru@jkuu.ac.ke Website: www.jkuu.ac.ke

REF: HD333-C007-3687/2013

DATE: 10th JULY, 2017

TO WHOM IT MAY CONCERN


Dear Sir/Madam,

RE: GEOFREY MAGANI HD333-C007-3687/2013

This is to confirm that Mr. Magani is a bona fide student of this University undertaking a Master programme in Business Administration at the Nakuru CBD Campus. He has finished his course work and is currently working on research project on: **INFLUENCE OF PUBLIC FINANCIAL MANAGEMENT REFORMS ON BUDGET IMPLEMENTATION BY KENYAN CITY COUNTIES.**

Any assistance accorded to him will be highly appreciated.

Yours Sincerely,



**RUTH LIMARENG,
ADMINISTRATOR, NAKURU CBD CAMPUS.**

RLNKR

*Co-Finance
Please allow him
Jony ADARM
6/9/17*



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Appendix 8: Research Permit From Mombasa City County



OFFICE OF THE COUNTY SECRETARY COUNTY GOVERNMENT OF MOMBASA

Ref.No.CGM/ADM.1/ (352)

Date: September 1, 2017

All Chief Officers
COUNTY GOVERNMENT OF MOMBASA

RE: AUTHORITY TO DO RESEARCH – GEOFREY MAGANI

The above mentioned subject refers.

Geofrey Magani is currently a Masters of Business Administration Student at Jomo Kenyatta University of Agriculture and Technology. He is currently conducting a research study on the topic '**Influence of Public Financial Management reforms on Budget Implementation by Kenya City Counties**' has requested for authority to carryout research in Mombasa County.

The County Government as a Public Organization do hereby grant authority to Geofrey Magani to carry out the research in Mombasa County.

By copy of this letter Geofrey Magani is requested to submit a copy of the report in both soft and hard copy to this office for record purpose.

Kindly accord him the necessary assistance required to enable him gather the information required.

A handwritten signature in black ink, appearing to read 'A B Haro Mrima'.

A B Haro Mrima
for: COUNTY SECRETARY

Betting and Control Building, 2nd Floor. P. O. Box 90440 - 80100 G.P.O. Mombasa.
telephone. +254 (0) 709 001 341 email: countysec@mombasa.go.ke
www.mombasa.go.ke