AN ASSESSMENT OF CHALLENGES AFFECTING BUDGET ABSORPTION IN COUNTY GOVERNMENTS: A SURVEY OF SELECTED COUNTIES IN KENYA

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DECLARATIONAND RECOMMENDATION

DECLARATION

This research project is my original work and has not been presented for academic award in any other University for the purpose of examination

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RECOMMENDATION BY SUPERVISORS

This research project has been submitted for examination with our approval as university supervisors.

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DEDICATION

This research project is dedicated to my wife Rahab, my daughter Naomi and my sons Edward and Ashord, you have been a source of inspiration and strength throughout my master's course. I also dedicate this project to my mum and late dad who encouraged me to achieve this course, my sisters Elizabeth, Ruth and Priscilla and brothers Ibrahim, Francis, Obed and Timothy.

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May God bless abundantly.

ABSTRACT

County governments in Kenya have been consistently accused of poor budget absorption. However, there are no comprehensive studies that have been advanced to assess the challenges cited by the office of controller of budget on absorption rates in county governments. This study sought to assess the challenges affecting budget absorption in the county governments. The study specifically sought to assess the delays in disbursement of funds from national government, manpower capacity, delays in procurement process and capacity of oversight committee members' on budget absorption in County Governments. Descriptive research design was used to conduct the research in Nakuru, Nyandarua and Laikipia Counties. The target population for the study was 270 comprising of 69 directors and 201 heads of departments. The sample size comprised of 18 directors and 55 department heads. Data collection was done using self-administered questionnaires administered using the drop and pick later method. Data analysis was done using means, mode and standard deviations frequencies and percentages. In addition, chi square analysis and multiple linear regression analysis were used to determine the extent to which the challenges affect budget absorption. Data was then presented in Tables, graphs and charts for easy interpretation and discussion. The study found out that there were delays in disbursement of funds from the national governments to county treasuries and from the county treasuries to various department projects and activities. Further, procurement functions in the county governments were inefficient owing to the lead time and bureaucracies involved in procurement. Although budget oversight committees were present they were inefficient and compromised in conducting their jobs. However these factors did not significantly contributed to the low levels of budget absorption since they only accounted for 6.0%. The study therefore recommended for county governments in collaboration with commission for revenue allocation and the national treasuries to come up with a criterion for ensuring smooth flow of funds from the national treasury to the end user departments. There is need for both the county government and the national government to relook at the current procurement laws which are bureaucratic and influence budget absorption.

Key Words: Challenges, Budget Absorption and County Government.

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ABBREVIATIONS AND ACRONYMS

CBO - Central Budget Office

CRA - Commission for Revenue Allocation

CVI - Content Validity Index

M&E -Monitoring And Evaluation

NPM –New Public Management

OCOB -Office of Controller of Budget

OECD – Organization for Economic Co-operation and Development

PFM -Public Finance Management

PFMA -Public Finance Management Act

PPDA -Public Procurement and Disposal Act

PPOA -Public Procurement Oversight Authority

ROK – Republic of Kenya

SAPs -Structural Adjustment Programmes

SPSS - Statistical Package for Social Sciences

TI - Transparency International

UPE – Universal Primary Education

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The budget is a central policy document of government, showing how it will prioritize and achieve its annual and multi-annual objectives. Apart from financing new and existing programmes, the budget is the primary instrument for implementing fiscal policy, and thereby influencing the economy as a whole. Alongside other instruments of government policy – such as laws, regulation and joint action with other actors in society – the budget aims to turn plans and aspirations into reality. More than this, the budget is a contract between citizens and state, showing how resources are raised and allocated for the delivery of public services (Organization for Economic Co-operation and Development (OECD), 2014). Budget systems and procedures should be coordinated, coherent and consistent across levels of government.

The OECD (2014) principles of effective budgeting require that, budget execution should be actively planned, managed and monitored. In addition, allocations should be implemented fully and faithfully by the agencies of government, with oversight throughout. Cash disbursements should be profiled, controlled and monitored prudently. Authorizations should allow ministries and agencies some limited flexibility to reallocate funds throughout the year in the interests of effective management and value-for money (OECD, 2014).

The recent move to adopt decentralization has led a paradigm shift on governance, revenue collection and management. Kenya through the 2010 constitution adopted the devolution system of decentralization. Devolution entails the transfer from the central government to local governments the power to plan, mobilize resources and implement development programs (Prud'homme, 2003). The demand for devolution in Kenya arose from persisting perceptions and actual evidence of inequalities across Kenyan regions, which some people linked to the failure of over centralized budgeting and governance (Nyanjom, 2014).

The results of devolution gave birth to 47 county governments each with autonomy to plan, develop budgets, raise funds and deliver services to its citizens. In the devolved system of governance, Revenue is shared by the commission for revenue allocation

(CRA) between the central government and the county governments. CRA provides that, 34 per cent of the total revenue be allocated to the county government, 65.5 per cent to the national government and 0.5 per cent be allocated as equalization fund to the deeply marginalized regions. These figures are to be calculated based on the latest audited government accounts (CRA, 2013). The county revenue allocation is then budgeted and appropriated by the county government based on the principles set out in the Public Finance Management (PFM) Act of 2012. County governments are required to raise revenues to bridge gaps between the county budgets and the equitable share from the national government. Guidelines on the revenue collection and Budgeting and budget implementation are based on the Public Finance Management Act (PFMA), 2012.

The Public Finance Management Act (PFMA), 2012 clearly stipulates the principles and framework for public finance management by all government entities. The requirements and principles of public finance stipulated in Article 201 of the Constitution are: openness and accountability, including public participation in financial matters, equity in distribution of resources to ensure that resources are shared between the current and future generations. Further, it requires that public funds are used prudently for the intended purpose and in a responsible manner. Finally, the PFMA 2012 requires that there is clarity in fiscal reporting and responsible financial management. These constitutional principles are further expounded under Section 107of the PFMA, 2012 (ROK, 2012).

In order to ensure adherence to the principles of public finance by public entities, the Constitution of Kenya 2010 established oversight institutions that include Parliament, the office of Auditor General, the office of Controller of Budget, County Assemblies, among others. This study focuses on budgetary controls under the Office Of Controller of Budget (OCOB). The oversight role of the Controller of Budget is derived from Article 228 (4) of the Constitution. This article vests the duty of overseeing the implementation of national and county budgets to the controller of budget, the office also authorizes the withdrawals from public funds. The OCOB is also mandated to prepare and submit reports on budget implementation for both National and County Governments every four months to the Parliament and Senate houses as stipulated on Article 228 (6) of the PFMA, 2012.

The OCOB based on their roles and duties has been releasing quarterly and annual budget implementation reports of all the county governments in Kenya. The report on budget implementation for the financial year 2013/2014 indicates that although implementation in the first and second quarter was faced by numerous challenges the fourth quarter witnessed better performance in budget execution by the Counties. The budget absorption rate according to the OCOB improved from 32.2 per cent in the third quarter to 64.9 per cent in the fourth quarter. Analysis of absorption rate by vote heads revealed that recurrent expenditure recorded the highest absorption rate of 82.7 per cent while the absorption rate for development expenditure stood at 36.4 per cent in the financial year 2013/2014.Further analysis by region revealed that Nyeri County had the highest absorption rate of 93.9 per cent, followed by Bomet and Nyandarua with absorption rates of 93.5 per cent and 85.3 per cent respectively. On the other hand, Tana River County, Turkana County and Lamu County recorded the least absorption rates at 41.3 per cent, 41.9 per cent, and 44.2 per cent respectively (OCOB, 2014).

Analysis of the full year expenditure for the financial year 2013/2014 by economic classification indicates that counties spent 45.7 per cent of their budgets on personnel emoluments, while 30.5 per cent was spent on operations and maintenance. In addition, 21.6 per cent was spent on development while 2.2 per cent was spent on debt repayment and clearing pending bills (ROK, 2014). This shows that little emphasis was given on development expenditure as opposed to recurrent expenditure against the constitutional goal of using the devolved units to enhance development and public service delivery.

In Nakuru County the budget implementation report for the financial year 2013/2014 revealed that the county spent 50.42% on personnel emoluments, 40.67% on operations and maintenance while development expenditure formed 8.15%, 0.77% was spent in repayment of debts and pending bills. Nationally within the same period development expenditure was 22.3 per cent of the total county government expenditure (ROK, 2014). In the first quarter of financial year 2014/2015, the OCOB reported that the county was second among the three counties with the highest spending on recurrent expenditure. The county spent 49.18 per cent of personnel emoluments, 33.81% on operations and maintenance while development took

17.01per cent of the expenditure for the first quarter. In the same period, Nakuru County was rated second highest in recurrent expenditure (ROK, 2014b). Nakuru was motioned among the counties with the highest expenditure on domestic travels in the financial year 2013/2014 alongside Nakuru and Kajiado Counties. In the first quarter of financial year 2014/2015, Mandera County reported the highest expenditure on operations and maintenance at Kshs.1.02 billion followed by Nakuru County at Kshs.651.78 million and Nairobi City County at Kshs.627.12 million. The over expenditure was attributed to spending of funds at source, the use of development funds for payment of personnel emoluments as a result of recruitment of addition staff which was irregular and a sign of weak controls and planning by the County.

In the analysis of the challenges of implementation of budgets in county governments in Kenya, the OCOB identified a number of issues faced by County Governments. These included: the failure to fully implement IFMIS by some County Governments, low absorption of development funds and failure to submit financial reports on a timely basis. Counties were also faced with inadequate staffing and low levels of staff capacity especially in public procurement and financial management despite the high expenditure levels on personnel emoluments. This affected budget implementation, resulting in low absorption of funds (ROK, 2014). Additionally, Counties did not have a monitoring and evaluation (M&E) framework to enable effective monitoring and evaluation of projects.

1.2 Statement of the Problem

The management of finances in county governments are guided by the PFMA, 2012. Counties are therefore required to ensure, openness, accountability, public participation in financial matters, equity in distribution of resources, prudent use of resources, clarity in fiscal reporting and responsible financial management. In budget execution, public institutions are required to ensure allocations are implemented fully and faithfully. In addition, oversight, controls and prudent monitoring are essential to ensure that value-for money is delivered.

Reports by the OCOB on implementation of county budgets however has shown significant challenges. Absorption of funds for recurrent expenditure has been significantly high above the budgeted amounts. On the other hand absorption of funds in development expenditure fell significantly low. Nakuru County recorded low absorption rates in development expenditure of 0.77 per cent in the financial year 2013/2014 and 17.01 per cent in the first quarter of financial year 2014/2015. The low budget absorption rates imply that there is a poor budget implementation performance in County Governments evident through the high recurrent expenditure, and low development expenditure contrary to budget estimates. There are no comprehensive studies that have been advanced to assess the challenges cited by the OCOB affecting budget absorption rates in county governments such as delays in disbursement of funds from the national government, inadequate manpower and manpower capacity and delays in the procurement procedures. This study therefore sought to assess the challenges affecting budget absorption in the county governments of Nakuru, Nyandarua and Laikipia.

1.3 Research objectives

1.3.1 General Objective

The general objective of the study was to assess the challenges affecting budget absorption in County Governments in Kenya.

1.3.2 Specific Objectives

Specific objectives of the study were:

1. To assess the effect of delays in disbursement of funds from national government on budget absorption in County Governments in Kenya.
2. To assess the effect of manpower capacity of implementation team on budget absorption in County Governments in Kenya.
3. To determine the effect of delays in procurement process on budget absorption in County Governments in Kenya.
4. To establish the effect of capacity of oversight committees on budget absorption in County Governments in Kenya.

1.4 Research Questions

The study sought answers to the following questions:

1. How do delays in disbursement of funds from national government affect budget in County Governments in Kenya?
2. What are the effects of manpower capacity on budget absorption in County Governments in Kenya?
3. How do delays in procurement affect budget absorption in County Governments in Kenya?
4. Does the capacity of oversight committees affect budget absorption in County Governments in Kenya?

1.5 Justification of the Study

County governments have consistently been identified under the office of controller of budget alongside other public institutions having challenges in budget absorptions especially development expenditure. If not addressed, this problem would derail the much needed development at county levels. Preliminary investigation by the OCOB has identified some factors attributed to the low budget absorption but comprehensive studies have been done to substantiate the claims. It is therefore critical for research to focus on the factors contributing to low budget absorption rates, and remedies therefore. If properly implemented the research recommendations could translate to efficiency in utilization of public funds hence the much needed development at the county level would be achieved.

1.6 Significance of the Study

The findings of this study would be useful to various stakeholders. First, the County Governments of Nakuru, Nyandarua and Laikipia could understand the key contributing factors to the poor budget absorption therefore come up with informed strategies to address them. Secondly, counties with similar budgetary challenges could utilize these findings in addressing them. Findings of this study would also contribute to the existing empirical literature on public sector budget implementation therefore help scholars of the future in public finance management.

1.7 Scope of the Study

This study was conducted in three counties in Kenya: Nakuru, Nyandarua and Laikipia County. It sought to asses four challenges on how they affect the budget absorption. These include: the disbursement of funds from national government, manpower capacity in implementing departments, delays in procurement and capacity of oversight committees.

1.8 Limitations and Delimitations of the Study

This study was limited by a number of factors. First county governments are vast in size and geographical location. Thus the study surveyed survey all. Three counties were used to represent other counties. There may be variations in the way different counties manage their budgets thus the study in addition to using closed ended questions, had open ended questions for respondents to explain any variation with the stated questions. County governments are relatively new institutions, thus majority of the county staff could not have had full information on the functioning of different arms. The study therefore selected top and middle level managers in the counties since they are well versed and charged with the responsibility of managing the functions.

1.9Operational Definition of Terms

Budget–Is a government's forecast of revenue and planned expenditure usually produced on an annual basis (OECD, 2014).The county budget is enacted into a law by the county assembly, which authorizes the county executive to spend funds in accordance with a set of appropriations

Budget Absorption – Absorption capacity represents the extent to which a county is capable of effectively and efficiently spending its Structural Funds allocation (Ashok, 2009) and is expressed in percentage of the total allocation

Capacity –in this study refers to the ability of various teams to conduct their roles and responsibilities efficiently. This is determined by their number in relation to the volume of work, their knowledge and experiences.

Internal controls – these are policies and procedures put in place by the management of a government agency in order to ensure the agency achieves its objectives and complies with external laws and regulations (PFM Act, 2012)

Oversight committee – this is an independent committee constituted by the county assembly which, reviews the government's revenue collection and spending and issues its own statement on the execution of the budget and the strength of the PFM systems (PFM Act, 2012)

Public Finance Management– as adopted from the Public Finance Management Act, 2012, it encompasses the mobilization of revenue the allocation of these funds to various activities, expenditure, and accounting for spent public funds.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

The chapter discusses a review of relevant literature to the study. It focuses on the theoretical foundations then empirical literature review before presenting the conceptual framework on the study variables.

2.2 Theoretical Literature Review

There is no one single theory that explains the relationship between the determinants of budgeting in the county governments. To determine the relationship however, the study adopts three related theories: principal agent theory, Musgrave and Rostow's Development Model and the multiple rationality model of budgeting: budget office orientations and analysts' roles.

2.2.1 Agency Theory

This refers to a relationship modeled in terms of principal-agent interaction where the principal entrusts the agent with the power and responsibility to undertake certain tasks on\his behalf. At the heart of public budgeting are relationships among those who provide agency services and those who allocate resources to service providers. Schick (1988) has referred to these individuals as claimants and conservers, respectively. Others have entitled them more generally as agents and principals, respectively (Demski, 1998; Baiman, 1982; Holstrom, 1979). In other words, those who make claims on governmental resources are *agents* and those who allocate and ration the resources are *principals*. In this study therefore, the principal will be the national government while the agent would be the county government.

Traditionally, principal-agent models assume a hierarchical relationship between actors, goal conflict between principals and agents, and an informational advantage on the part of agents (Bendor, 1988). Where each is true, agents control the information, and the resulting behavior is modeled as "Agency Dominance." By relaxing the third assumption, where either the legislature or the executive control the distribution of information, the resulting behavior is modeled as "Legislative Dominance" or "Executive Dominance," respectively. Further relaxing the third assumption so there is not necessarily an informational advantage by either the principal or the agent, and relaxing the second assumption such that goals are not necessarily in conflict, then the resulting behavior can be modeled as an “Issue Network.” Each model is reviewed below.

In the context of the current study it views the agents as the national government and the county treasury as well as the county assembly, while the agent who implements the budget is the departments in the county executive. As a result for a budget implementation process to be efficient or for the county to realize an appropriate budget it is important for the stakeholders in the principal and agent side to create an understanding on the best strategies for allocation and disbursement of county resources.

2.2.2 Musgrave and Rostow's Development Model

The economist, Musgrave, and the economic historian, Rostow, separately suggested that the growth of public expenditure might be related to the pattern of economic growth and development in societies. They identified three stages in the development process could be distinguished and greatly determine the allocation of resources for development. The first stage referred as the early development stage is where considerable expenditure is required on education and on the infrastructure of the economy also known as social overhead capital. At this stage, private savings are inadequate to finance the necessary expenditure. In this stage, government expenditure represents a high proportion of total output.

In the second phase of rapid growth there are large increases in private saving and public investment falls proportionately. In the third stage there are high income societies with increased demand for private goods which need complementary public investment such as the motor car and urbanization. With reference to Musgrave and Rostow's Development Model, county governments in Kenya are in the initial stage of development characterized by inadequate savings and revenues to finance the necessary operations and development expenditure. In terms of budgetary implications therefore this calls for proper understanding on the population demographics, development needs for efficient allocation of resources only to the most essential while provisioning for generation of revenues necessary for the counties to take off to the second and third development levels. This could explain the imbalance in the budget absorption rates with the development budget absorption falling far behind the budget while other vote heads such as personnel emoluments are way above target.

2.2.3 Multiple Rationality Model of Budgeting

The study will be guided by the Multiple Rationality Model of Budgeting: Budget Office Orientations and Analysts' Roles. The model was developed by (Katherine & Willoughby, 2001). It attempts to find some middle ground between understanding budgeting as politics and budgeting as management (Alexander, 1999). The model investigates the role and decision behavior of the central budget office (CBO) analyst in state government.

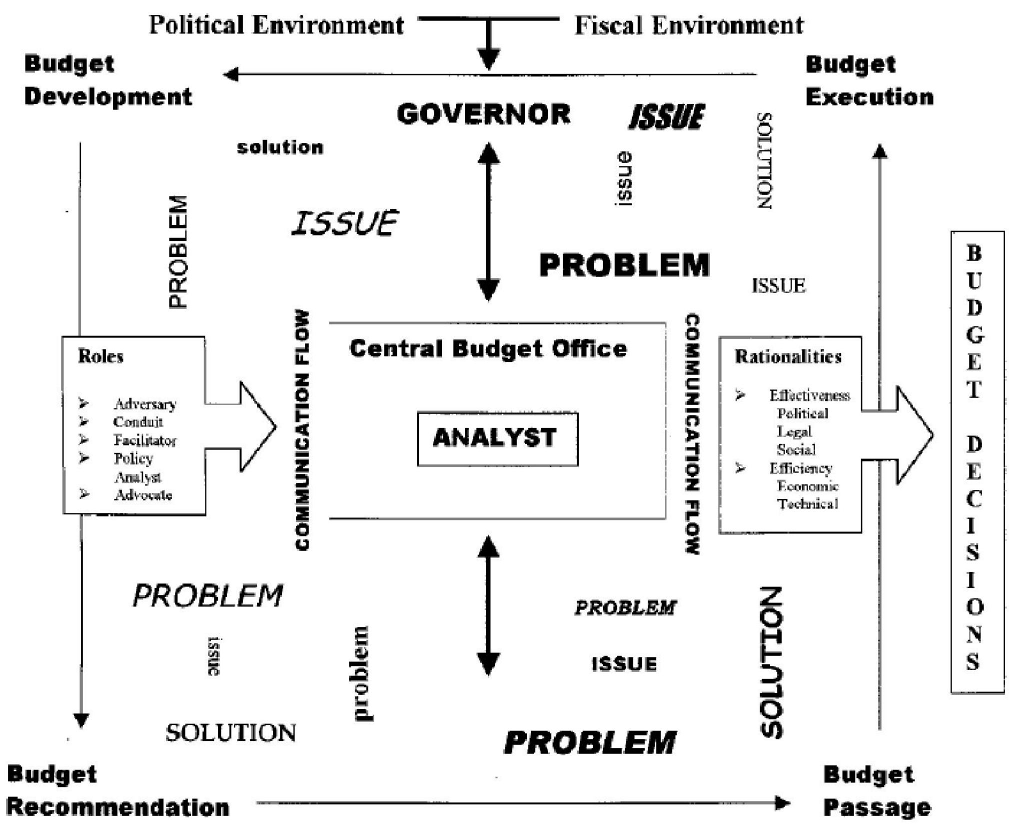

Figure 2.1: Model of Decision Environment of the Central Budget Office Analyst

Source: Rubin's (1997)

According to the model, analysts' budget decisions reflect their role(s) and decision rationalities. Political, fiscal and organizational factors will characterize the analyst's environment as constrained or slack. Organizational factors illustrated here include the chain of command and communication flow involving agencies, the CBO, and the governor. Issues, problems, and solutions swirl around the analyst at any given time in the budget cycle; some of these are big issues or big problems, and some are not. The lack of boundaries in the model illustrates the fluidity of budget decision making at any point during a typical cycle, reminiscent of Rubin's (1997) model of "real-time" budgeting.

For the analyst, understanding issues, problems, and solutions involves framing them in terms of effectiveness and efficiency. Effectiveness rationalities involve political focus that implies understanding what is important to whom in the process and when. Legal rationality considers the law related to a problem. Social framing considers the cultural reasons behind a problem or issue.

Whereas the goal of effectiveness decisions is characterized as social integration, the goal of efficiency decisions is characterized as maximizing utility or satisfaction (Thurmaier and Willoughby, 2001). In a discussion of the different possible means of framing problems, these authors note that the efficiency focus is of two types, economic and technical. Economic efficiency involves ranking issues, problems, and solutions from most important to least important. The goal of the analyst is to allocate scarce resources as efficiently as possible across and within programs. Technical efficiency is more specific involving choice of the most efficient means of production.

The CBO analyst will frame decisions differently, depending upon the political and fiscal environments of the state, budget office orientation (more strongly control or policy), communication flow between the governor, the CBO and agencies, and period in the budget cycle. The different roles illustrated on Figure 2.1 are evolutionary regarding level of integration of decision rationalities. In the context of the current study, this implies that the budgeting process and the budget absorption in the county governments is subject to both political and fiscal processes, however, the quality of budgets and their effectiveness addressing the development needs of the new administrative areas lies in the choice of the budget process and prioritization of key agenda by the economic and planning arm of the counties.

2.3 Empirical Literature Review

The section presents a review of literature on the studies done on the factors affecting budget absorption government institutions. The section reviews literature related to the four objectives: delays in disbursement of funds, manpower capacity on budget absorption, delays in procurement process and oversight committees.

Following numerous empirical studies that have been conducted to assess the concept of budget absorption, it has been concluded that absorption capacity is the degree to which a country is capable to spend, actually and efficiently, the financial resources allocated from the Structural Funds (Cace, Cace, Iova, & Nicol, 2009). Within the European context, it is important to acknowledge that the institutional factors which affect the capacity of absorption are manifest both within the European Union and at the national level. The European institutional factors are largely connected to the European Commission and to the fulfilled functions, particularly those concerning the transparency of structural funds allocation and the coherence of funds utilization (Horvath, 2005).

At the same level, Bauer (2001) stresses the presence of yet other factors specific to the administration such as overloading and lack of vertical and horizontal communication, which hinder the organizational capacities of the Commission. At the national level, the institutional factors identified relative to the absorption capacity are associated the real structure of the economy, to the institutions which set the salaries, to the capacity and capability of the economy, to the organization of the political system and to the economic policies. Thus, the differences between the capacities of absorption differ from country to country, the national factors being only slightly influenced by the Commission and being articulated to the conditions set by the regulations of the structural funds.

The absorption capacity is considered from two perspectives: the capacity of absorption of the institutional system established by a particular state to administer the funds that is capacity of absorption on the side of the offer and capacity of absorption on the side of the beneficiaries of the funds that is capacity of absorption on the side of the demand.

2.3.1 Delays in Disbursement of Funds on Budget Absorption

According to Ikoya, (2000) the unavailability of funds in the required amount and at the right time creates uncertainty in planning, disrupts operation and greatly increases cost of undertaking project activities. Some scholars view it as a problem of poor management of available resources because of existing dysfunctional resource management policies and structures especially at lower levels.

Lawal (2002) opines that the government disburse funds in order to provide essential social services to the citizens. Budget allocations or funds may be allocated adequately when there is accountability or strong institutions, (Devarajan and Reinikka, 2002). In all governments, resources earmarked for particular uses flow within legally defined institutional frameworks. Typically, funds pass through several layers of government bureaucracy down to service facilities, which are charged with the responsibility of spending the funds.

Peculiar challenges have been observed in developing economies on disbursement of funds for government institutions and projects. First, in developing countries, information on actual public spending at the frontline level or by program is seldom available. Secondly, in spite of the increase in public funds disbursement, developing countries still have very poor financial, infrastructural development and delivery of social services expected by the rural dwellers. This situation is not unconnected to the mismanagement and embezzlement of these funds by the officials of the local government councils (Lawal,2002).

To remedy this problem, a public expenditure tracking survey (PETS) was developed. According to Dehn, Reinikka, and Svensson (2003) PETS is designed to follow the flow of resources through various strata of government to determine how much of the originally allocated resources reach each level. It is therefore a useful device for locating and quantifying political and bureaucratic capture, leakage of funds, and problems in the deployment of human and in-kind resources. It can also be used to evaluate impediments to the reverse flow of information needed to account for actual expenditures.

A study by Reinikka and Svensson(2004) assessing funds transfer from National government to utilization at the grass root level revealed that over the period 1991-

1995, on average, only 13 per cent of the total yearly capitation grant from the central government reached the schools. Eighty seven per cent either disappeared for private gain or was used to finance various political activities at the local level. This implied that disbursement not only affected the release of funds but also loses misappropriations and diversion of funds to other functions.

Bagoole (2011) investigated the relationship between funds disbursement, monitoring, accountability and performance by focusing on universal primary education schools in Iganga District, Tanzania. The findings revealed a significant relationship between funds disbursement and performance of UPE schools. This implies that the time lines and adequacy of funding could affect the quality of education. The unavailability of funds in the required amount and at the right time creates uncertainty in planning, disrupts school operation and greatly increases cost of education. This scenario could also apply to the county governments where the disbursement of funds could affect performance evident in budget absorption.

A study conducted by Frumence, et al (2014) to assess the dependency on central government funding of decentralized health systems focusing on the experiences challenges and coping strategies in the Kongwa District, Tanzania revealed that: on the timely disbursement of funds from the central to the local government, comparatively, funds for personal emolument were disbursed on time and as per the budget approved by the national treasury. However, funds for other costs were disbursed late. Reasons cited for the late disbursement of funds included that the government depended entirely upon revenue collection to generate funds for the allocation and in most cases, the revenue collection were not enough to cover both personnel emoluments and other costs such as development. Secondly, bureaucracy involved in the approval funds prior to their allocation was a main cause of delay for this particular type of funds. Bureaucracies were orchestrated by the several organs involved in the approval of funds. To ensure continuity of activities amidst late disbursement of funds, hospitals resorted to the of the strategies such as to borrow money from other projects in order to continue with the implementation, obtain supplies and repair vehicles on credit to cope with the late disbursement of central government funds.

Nkamelu (2011) in a study conducted in Botswana between 1990 and 2007, established that at inception of a project, there was considerable delay between the time of loan commitment and application for first disbursement of funds averaging to 20.1 months This trend had adverse effect on the preliminary activities such as assembly of PIU and project launch.

Donkor (2011) observes that governments pay a lot of money in form of interest due to delayed payments to contractors and should be committed in managing projects to ensure that there is adequate flow of funds in order to avoid delays in project commencement especially counterpart funds provision. This increases project costs and disrupts budget implementation as these were never factored in budgets and in effect are ineligible expenditures that donors would reject.

2.3.2 Manpower Capacity on Budget Absorption

According to Kimmel (2009), results from numerous human resource management studies show that there is a positive relationship that exists between training and development and the performance of different organizations. He however, notes that it is not always clear if training and development is the main or the only cause of this effectiveness. In addition, Boselie, Dietz and Boon, (2005) argue that some studies seem to suggest that there is a likelihood that organizational performance is a precursor of investments in training and development, rather than the latter activities being the predecessor of organizational performance.

According to ILO (2010), equipping the workforce with the skills required for the jobs of today and those of tomorrow is a strategic concern in the national growth and development outlooks of all countries. As a result the G20 leaders pledged to support robust training strategies to meet the challenges of fostering strong, sustainable and balanced growth in each country and globally. The globalization of markets is accelerating the diffusion of technology and the pace of innovation. New occupations are emerging and replacing others. Within each occupation, required skills and competencies are evolving, as the knowledge content of production processes and services is rising. A major challenge observed in all the developed countries was simultaneously to enhance the responsiveness of education and training systems to these changes in skill requirements and to improve access to training and skills development.

In the past decade, favorable economic and private sector growth, coupled with bureaucratic inefficiencies, prompted many governments to reconsider the role of the public and private sectors in the production and distribution of goods and services. The government of Thailand took a very bold step in public sector reform by advocating the target of lean but efficient government (Behrmen, 1996). Human factors within budgetary controls may revolve around the degree to which organizations top management accepts the budget program as a vital part of company's activities. It can also be viewed in the context within with organizational management uses budgeted data.

According to Perrin, (2012), if a budgetary control program is to be successful, it must have complete acceptance and support of the persons who occupy key management positions. If lower or middle level management personnel sense that top management is lukewarm about budgetary controls, or if they sense that the top management simply tolerate budget as a necessary evil, then their own attitude will reflect similar lack of enthusiasm. Perrin further notes that budget is hard work and if top management is not enthusiastic and committed to budget program, then it is unlikely that anyone in the organization was either. Egan (2007) commented that in the administration of a budgetary control program, it is particularly important that the top management does not use budget as a club to pressure employees or as way to blame someone if something goes wrong. He further asserted that using budgets in such negative ways will breed hostility, tension, and mistrust rather than greater cooperation and productivity.

PFM Programme Office (2014) of Philippines states that an efficient budgeting team must possess the following competencies: fiscal planning and budget allocation, preparation of budget plans and annual budget submissions, participation in budget hearings and approval procedures, oversight of budget execution, implementation of budget execution and ensuring desirable budget outcomes.

A study conducted by Wanjau et al., (2012) to assess the factors affecting quality of service delivery in public hospitals revealed that, employee's capacity influenced the provision of service quality which was cited by a majority of the respondents. Similarly Argote, (2000) stated that highly skilled personnel in public health institutions were critical in producing high-quality outcomes and effective quality improvement in hospitals. Similarly, staff competencies on public finance planning management would translate into to more quality, all inclusive budget estimates.

2.3.3 Procurement Procedures and Budget Absorption

Supply chain management (SCM) is one of the key mechanisms enabling government to implement policy. Traditionally, SCM has been misunderstood and undervalued. Its strategic importance has not been recognized, and it has been under-capacitated. The negative effects of inefficient public sector SCM, particularly in the procurement phase of the chain, are well documented. Suppliers charge excessive prices; goods and services contracted for and delivered are of poor quality and unreliable; and there is corruption and waste. The private sector, by contrast, has tended to invest astutely in SCM in order to maximize shareholder value and ensure that its products and services match clients' needs. Many governments are starting to value the strategic importance of SCM to service delivery, value creation, socio-economic transformation and fiscal prudence. Public sector SCM tends to operate at low levels of professionalism and competence, with assigned little organizational status and not seen as a value driver. A mind-set shift is needed so that SCM is located amongst government entities' highly strategic functions to transform and create value through its activities. (Republic of South Africa, 2015)

Public procurement plays a greater role in developing countries than it does in developed nations. This is because in developing countries, governments are the main buyers of goods, services and works (Kenya Institute of Public Policy Research and Analysis (KIPPRA), 2006). In Kenya, the Public procurement and Disposal Act (PPDA), (2005), requires Procuring Entities to plan their procurements. A procurement plan helps Procurement Entities to achieve maximum value for expenditures and enables the entities to identify and address all relevant issues pertaining to a particular procurement before they can publicize their procurement notices to potential suppliers of goods, works and services.

Compliance with public SCM rules, legislation, norms and standards is critical to ensure that government's policy objectives are attained. To reduce waste, eradicate corruption and improve public sector performance, ethics, integrity, transparency and accountability need to be strengthened. Common governance and compliance failures result in fraudulent activities. These include fronting, bribery, nepotism, collusion, cover quoting, conflicts of interest, forgery and tender splitting. These are largely the result of: poor demand and procurement planning, resulting in large deviations and price escalations, poor development of specifications, dysfunctional bid committees, weakly-skilled SCM practitioners, poor contract and supplier management (Republic of South Africa, 2015)

According to Bills (2004) public procurement, accounts for a big portion of both public expenditure and need for goods and services in the economy. The public sector being regarded as the largest buyer, it affects competition in some markets through its purchasing behavior. The inception in of legislation in different countries has had a number of effects. They include; promotion of effective competition, investments and innovations, cost effects, promotion of ethics and transparency. The public sector, by conformity of its overall demand in certain markets, may be in a position to protect and promote competition; this may be done by maintaining a competitive market structure through deliberately sourcing of its requirements from a different range of suppliers, by encouraging suppliers to invest and innovate, or by helping firms to overcome barriers to entry. According to Michaeldes et al (2003) on the other hand, it can restrict and distort competition, e.g. by adopting procurement systems that have the result of restricting participation of certain entities in public tenders (Parry, 2010).

Before any procurement transaction is conducted, Procuring Entities must determine their procurement needs which must be consistent with their organization's objectives. In this regard, the Procuring Entity should assess whether or not, a particular procurement is necessary. The assessment should take account of; the need to ensure that the Procuring Entity uses its resources effectively and efficiently; how the proposed expenditure would contribute to the Entity's desired outputs; and the Procuring Entity's overall procurement philosophy in accordance with the provisions of the Public Procurement and Disposal Act (PPDA, 2005).

According to Basheka (2008) procurement planning is the primary function that sets the stage for subsequent procurement activities. Therefore, a mistake in procurement planning has wide implications for local governance. In Kenya, procurement planning is a fundamental function that impacts on effective or ineffective service delivery. There is no part of county government service delivery that does not depend on procurement planning; and yet the area remains a neglected (Ogubala & Kiarie, 2014).

A study by the Republic of Uganda (2013) to assess the causes of low absorption of funds in public programmes during July –Dec 2012 revealed that, despite reports from many institutions of inadequate funding by Government, there were deep rooted concerns that they failed to absorb the funds received between July- December 2012.The delays in use of funds were partly attributed to the pervasive problems in procurement that have been exacerbated by the limited budget credibility. Many accounting officers were cautiously initiating procurement processes forfear of rampant budget cuts. Disbursement of funds may be defined as the release of funds from one entity.

In Kenya, a study by Transparency International (TI) (2014) revealed that in 2007 the Public Procurement Oversight Authority (PPOA) estimated that procuring entities were buying at an average of 60% above the prevailing market price, an indicator that public procurement in Kenya did not receive the benefit of competitive procurement. The study revealed delayed procurement were as a result of procuring officers seeking for higher prices closely related to the procurement Evidence shows that an effective procurement system could save the government approximately 25% of its expenditure.

According to effectiveness of the procurement process is measured through achievement of key performance parameters notably: the timeliness, quality and quantity of the purchase. Identified some of the indicators of an effective procurement process as; acquisition of excellence comprising quality assurance systems and communication of quality standards, increased professionalism of procurement staff and the development of cross functional teams, the degree of internal customer satisfaction with procurement services and supplier management, including a reduced supplier base, supplier development and long term collaborative relationships.

A study conducted by Ndolo and Njagi (2014) to assess the role of ethics in procurement process effectiveness in the Water Sector in Kenya focusing on the Embu Water and Sanitation Company found out that, despite the firm implementing the government policy on procurement, its full adoption is a challenge since the firm lacks the capacity to do so. Lack of a procurement ethics training policy was evident since all the ethical practices were just mere guess work.

Kiama (2014) while assessing factors affecting implementation of Public Procurement Act in SACCO Societies in Kenya reveled that, many public procurement activities suffer from neglect, lack of direction, poor co-ordination, lack of open competition and transparency, differing levels of corruption and most importantly not having a cadre of trained and qualified procurement specialists, who are competent to conduct and manage such procurements, in a professional, timely and cost effective manner. Inflexible and bureaucratic systems of procurement contribute to unacceptable contract delays, increased costs, the potential for manipulation of contract awards and lack of fair competition, all of which create the perception in the population at large, that public expenditure is slow, ineffective, expensive and often corrupt.

2.3.4. Oversight and Budget Absorption

The need for accountability and efficiency of service delivery in public organizations across Africa and in Kenya, put's public organizations at the fore front in establishment of control systems. Most of the public sector reform programmes that have taken place in developing countries during the 21st century were introduced as part of the Structural Adjustment Programmes (SAPs) of the World Bank in the 1980s. However, most of the more recent reforms, under the influence of the New Public Management (NPM), have been driven by a combination of economic, social, political and technological factors, which have triggered the quest for efficiency and for ways to cut the cost of delivering public services. Additional factors, particularly for Africa, include lending conditionalities and the increasing emphasis on good governance. Budgetary control systems have been at the center of increasing organizational efficiency and controlling costs.

Budgeting is a set of procedures by which governments ration resources among claimants and control the amount each claimant spends (Kiringai, 2002). Within this context, the budget can be used for three purposes: as an instrument of economic policy; as a tool for economic management; and as an instrument for accountability. The budget is an allocation mechanism that attempts to maximize the contribution of public expenditure to national welfare (Surajkumar, 2005). This can be achieved by ensuring that the budget process successfully allocates scarce resources so that the marginal unit of expenditure achieves the same marginal benefit in each category of expenditure. In determining resource allocations, the budget should reflect the development agenda of a country through which it influences the attainment of national growth and investment targets (Needles, 2011).

According to Scarlett, (2008), budgetary controls refer to the principles, procedures and practices of achieving given objectives through budgets. The budgetary control system helps in fixing the goals for the organization as a whole and concerted efforts made for its achievements. It enables economies in the enterprise. Preetabh, (2010), highlighted the benefits of budgetary control as profit maximization; a budgetary control aims at maximization of profits or an organization through, proper lanning and co-ordination of different functions, proper control over various capital and revenue expenditures and putting resources into best use. Coordination; achieved through working of different departments and sectors. Waren,(2011) noted that within an organization , different departments have a bearing on one another, this therefore makes coordination of various executive and subordinates necessary in achieving of budgetary targets. Other budgetary benefits as indicated by Preetabh (2010) include; Specific time aims; the plans, policies and goals are decided by the top management

A study conducted by Paradza, Mokwena and Richards (2010) in South Africa to assess the role of Councilors therefore serve as the interface between the citizens they represent and the municipal officials who design and implement development polices. The councilor's job is not just to serve as the voice of the people, for the expression of their community needs, but also to act as a watchdog and ensure the municipality implements policies to address the needs of citizens. The Ward Councilors as chairperson the wards also raise concerns to council on behalf of ward members when residents experience problems relating to the financial management of a council. Councilors are also required to make recommendations to municipalities for the improvement of policies and programs within the broad framework of developmental local government.

In case study research by De Visser, Steytler and May (2009) on the performance of councilors in the Northern Cape and Free State, a number of issues that negatively impact on the performance of councilors was identified 24. These include high councilor turnover on the one hand and work-overload on the other, as councilors attempt to meet the requirements of their positions as specified in the Municipal Systems Act (2000). Another issue is a virtual collapse of municipal administration, with key appointments not being filled, making it impossible to continue with the daily functions of the municipality. This affects things like the implementation of development projects in municipalities.

In addition, a range of problems between the Executive Structure which was the decision-making structure in the municipality and ordinary councillors25. These included poor channels of communication from the municipal administration, non-functional ward committees, the centralization of decision-making to the Executive Committee under the Mayor and the lack of a meaningful mechanism for councilors to influence decision making, amongst others.

An in-depth analysis of 14 community protests from 2007 onwards, highlighted the poor performance of public representation as well as the dysfunctionality of local government administrative structures as being the main focal points of anger, directing community protests over service delivery (Booysen, 2009). The author argues that it was a sense of desperation over the disconnection of local councilors as well as a dearth of hearings from public officials that were the main causes for service delivery protests over this period. In this period, protest reasons concerned not only local issues but broader national ones, overlapping with the national government jurisdiction, including policies such as addressing the needs of the poor and their desperation and failure to change their poverty-stricken circumstances.

In Kenya, the County Assemblies have a fundamental role to consider their county governments' budget estimates with a view to approving them, with or without amendments, in time for the relevant appropriation law and any other laws required to implement the budget (Bonyo, 2013. However, before this is done, the Budget and Appropriations committee of the county assembly has a role to discuss and review the estimates and make recommendations to the county assembly; this includes taking into account the views of the County Executive and the public in line with the PFMA, 2012, 131(1) & 2. Therefore to be able to discharge their duties efficiently, all the Members of the County Assemblies engaging in the budget process, have to be conversant with all the provisions on Public Finance as provided for in Chapter Twelve of the Constitution of Kenya, 2010; the provisions in the Public Finance Management Act 2012, The County Governments Act 2012, The Intergovernmental Relations Act, 2012 and all other devolution related laws of Kenya.

The situation above has not been the case in county governments in Kenya. Bonyo (2014) observed that, whereas some Members of the County Assemblies are very knowledgeable and well informed of their role in the budget process, some are experiencing diverse challenges. This continues to affect the budget approval process in the various County Assemblies. Mugambi and Theuri (2014) while assessing the challenges encountered by County Governments in Kenya during budget preparation revealed that planning process was not adequately done and needed to be improved so as to issue a valid platform for preparing the budget. This shows that the MCA capacity was a critical issue that could have affected not only budgeting but also budget oversight. However Bonyo (2014) and Mugambi and Theuri (2014) did not assess the effects in budget oversight and its consequences to budget absorption.

2.3.5 Budget Absorption Rate

According to Mandl, Dierx and Ilzkovitz (2008) the analysis of efficiency and effectiveness is about the relationships between inputs, outputs and outcomes. In 1957, Farrell already investigated the question how to measure efficiency and highlighted its relevance for economic policy makers. It is important to know how far a given industry can be expected to increase its output by simply increasing its efficiency, without absorbing further resources. Since that time techniques to measure efficiency have improved and investigations of efficiency have become more frequent, particularly in industry. Nevertheless, the measurement of efficiency and effectiveness of public spending remains a conceptual challenge. Problems arise because public spending has multiple objectives and because public sector outputs are often not sold on the market which implies that price data is not available and that the output cannot be quantified.

According to Ashok (2009) financial performance is subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. Absorption capacity represents the extent to which a country is capable of effectively and efficiently spending its Structural Funds allocation, and is expressed in percentage of the total allocation. Experts relate absorption to three main features: macroeconomic capacity, the ability to co-finance the programmes and projects supported and local authorities to manage the programmes and projects.

Afonso, Schuknecht and Tanzi, (2005), computed composite indicators of public sector performance and public sector efficiency for 23 industrialized countries. In 2006, these indicators were computed for the New Member States and emerging markets. The OECD is working on composite indicators for education, inter alia for institutional characteristics (OECD, 2007). The problem with such composite indicators is twofold. First, the choice of the sub-indicators used is highly subjective and can therefore reflect prejudice.

2.4 Research Gaps

The literature review above has revealed that there is little emphasis on the use of budget absorption rate as an indicator of financial performance of public institutions and public projects. Secondly little emphasis has been given on the causes of low budget absorption in public institutions especially in the developing countries. Reports by OCOB highlight weak oversight committee, delays in procurement, delays in disbursement of funds from the central government and the lack of technical capacity as key factors behind the low budget absorption rate in county governments, however, no study has been conducted to substantiate this proposition. This current study sought to fill in these gaps by assessing the four challenges identified by OCOB to establish their effect on budget absorption in Nakuru, Nyandarua and Laikipia Counties.

2.5 Conceptual Framework

The study will be guided by the conceptual model on Figure 2.1.

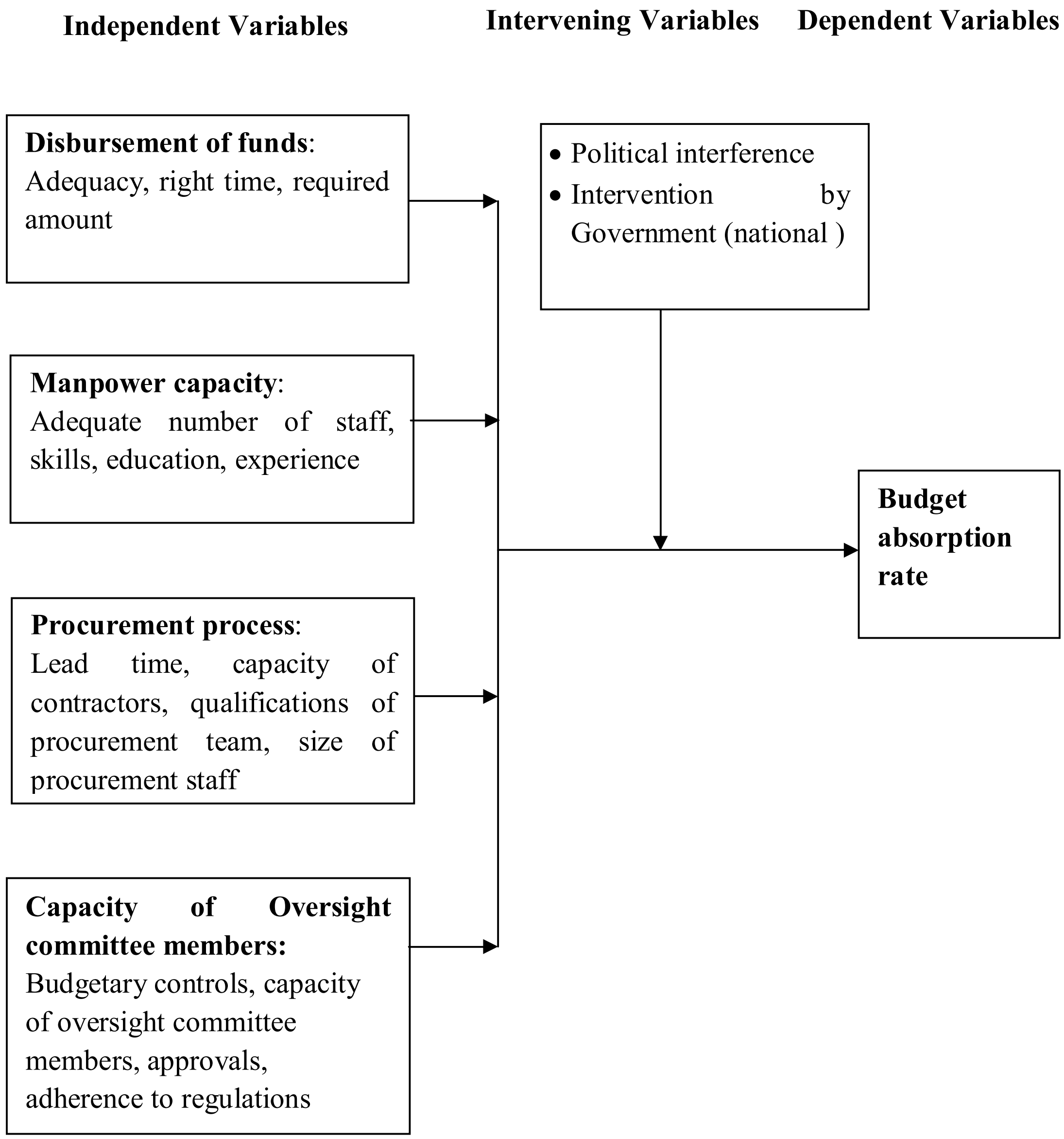

Figure 2.2: Conceptual Framework

Source: Author (2015)

The conceptual framework above shows that the budget absorption rate is a result of many interplaying factors that contribute to utilization of funds in the budgeted activities. The factors include the funds disbursement from the National government and the county governments too. This was substantiated in the current study based on the timeliness in disbursement of funds from the National Government and also from the county treasury to the specific user departments. In addition, the amounts of funds disbursed in relation to the individual projects needs are some of the parameters to be determined in assessing the disbursement.

The second variable under investigation to determine how it affects funds disbursement is the manpower capacity of the implementing departments. The capacity was determined on the basis of the number of staff, their qualifications, education, skills and experience in the execution of public projects. Thirdly, the study assessed the procurement processes to establish whether delays in procurement affect the budget absorption. This was measured by assessing the lead times, competencies of procurement staff, and the staff size. Finally, the study assessed the capacity of the budget oversight committees to determine their capacity to ensure proper utilization of funds and its relation to the budget absorption rate.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter provides information on the research design, target population for the study, sampling design and sample size, tools for data collection, and procedures for data analysis. It discussed the methodology used to assess the challenges to effective budget absorption in County Governments.

3.1 Research Design

This study adopted descriptive research design. The design gathers that data describes the existing conditions, identifying the standards against which existing conditions can be compared and determining the relationship that exists between specific events (Orodho, 2005). This study was designed to assess the challenges affecting budget absorption in County Governments. It involved collection of data about the four selected challenges, classification of data, analysis, comparison and interpretation of data, guided by theories, so as to meet the objectives of the study. This according to (Kombo & Tromp 2006) was best implemented using a descriptive research.

3.2 Study Location

The study was carried out in Nakuru, Laikipia and Nyandarua Counties. These are part of the 47 counties of the Republic of Kenya provided in the Constitution of Kenya 2010. In two audit reports by the office of the Auditor General, the three counties featured predominantly on poor budget absorption rates (ROK, 2014; ROK, 2013b) thus they formed suitable sites for the study.

3.3 Study Population

The target population for this study was made up of all heads of departments and directors in the county executives involved in the implementation of county government budget projects. Directors and heads of departments were considered important in the study due to their functions and roles in the county executives. They were involved in day to day activities on budget preparation and implementation, thus they had the necessary information on the challenges to budget absorption. In total the three counties constituted 69 directors and 201heads of departments thus the total target population was 270.

Table 3. 1. Distribution of Target Population

STAFF CATEGORY	TARGET POPULATION	
	Directors	Heads of Departments
Nyandarua County	21	66
Laikipia County	22	66
Nakuru County	26	69
SUB TOTAL	**69**	**201**
TOTAL	**270**	

3.4 Sampling Design and sample size

The study used stratified random sampling technique to select staff from each county to participate. This implies that random sampling was conducted among staff in each category. The population was divided into three strata based on the counties. The overall sample size was proportionately allocated between the two staff categories, i.e heads of departments and directors then between the three counties thus constituting groups. Random sampling technique was then applied under each group. According to Graveter & Forzzano (2003), stratified random sampling has a higher statistical precision compared to simple random sampling. This is because the variability within the subgroups is lower compared to the variations when dealing with the entire population. Because this technique has high statistical precision, it also means that it requires a small sample size which saves time, resources of the researchers.

The sample size was determined using the formula by Nassiuma (2000) as shown below.

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

Where:

n= Sample size

N= Population

C_v= Coefficient of variation (take 0.5)

e= Tolerance at desired level of confidence, take 0.05 at 95% confidence level

Therefore:

$$n = \frac{270 * 0.5^2}{0.5^2 + (270 - 1)0.05^2}$$

n = 73

Therefore the sample size comprised of 73top management staff of Nakuru, Nyandarua and Laikipia Counties. The sample distribution was obtained using the stratified random sampling technique where:

$$n_i = (\frac{n}{N})N_i$$

Where:

$n_{i=}$Sample of strata i

$N_{i=}$Population of Strata i

This was allocated proportionately as shown on Table 3.2.

Table 3.2: Sample Distribution

COUNTY	Distribution			
	Directors		Head of Department	
	(N)	(n)	(N)	(n)
Nyandarua County	21	5	66	18
Laikipia County	22	6	66	18
Nakuru County	26	7	69	19
TOTAL	**69**	**18**	**201**	**55**

3.5Data Collection Instruments

In order to assess the challenges of budget absorption, self-administered questionnaires were distributed among sampled staff in the three counties. Questionnaires allow collection of primary data from a large number of subjects and provide for investigation with an ease of accumulation of data (Graveter & Forzano, 2003). One set of a structured questionnaire was administered to all the sampled staff as the main data collection instrument. The questionnaires had both open and close-ended questions. The close-ended questions provided more structured responses to facilitate tangible recommendations. The open ended questions provided additional information that could not be captured in the close ended questions. The study also relied on secondary data on the county budget allocation and the utilizations for the financial years 2013/2014 and 2014/2015.

3.6 Validity and Reliability of Instrument

3.6.1 Validity

Adams, Jackson, & Marshall (2007) defines validity as the strength of conclusions and inferences of a research, which is dependent on the degree of accuracy in measuring what is intended in the research. Orodho (2005) defines validity as accuracy or truthfulness of a measurement in terms of the likelihood that research questions were misunderstood or misinterpreted and on whether the research instruments provides adequate coverage of research objectives.

To ensure validity in this study, an item analysis was done to see whether the objectives and items in the instruments measure actually what the study intended to do. Validity test were computed using content validity index (CVI) basing on four (4) point scale of relevant, quite relevant, somewhat relevant, and not relevant. The proportion of relevant and quite relevant were computed from three experts. If all the proportions are above 0.5, this indicated that the questions were relevant to the study variables.

3.6.2 Reliability

According to Mugenda and Mugenda (2003), a research instrument is termed as reliable if it yields consistent results after repeated trials. Reliability of the questionnaire was achieved by administering pilot questionnaires to selected middle level staff of Nakuru County. Selection was done carefully not to include staff who would participate in the actual study leading to contamination of the data. Pilot questionnaires were then analyzed using Cronbach's reliability coefficient in the statistical package for social scientists (SPSS, 21.0). The judgment on reliability of instruments was informed by Fraenkel & Wallen (2000) who state that an alpha value of 0.64 and above is considered suitable to make group inferences that are accurate enough. Upon computation a reliability coefficient of 0.64 was obtained meaning that the items in the questionnaire were reliable. The reliability test results were as shown below:

Average inter item covariance: .1428495

Number of items in the scale: 35

Scale reliability coefficient: 0.6360

3.7 Data Collection Methods

Before conducting this research authorization letter from the School of postgraduate studies of Kabarak University was obtained. The researcher then visited the county public service offices of the selected counties to request for authorization letter to administer interviews. The authority letter clearly indicated research area, purpose of research, and expected end date. The questionnaires were then administered using the drop and pick method. Staffs issued with questionnaires were given five days to complete before they were collected.

3.8 Ethical Issues

The study ensured ethics in the entire process by ensuring the following: Respondents were assured that the given information would solely be used for the purpose of achieving the research objective. Any personal information meant for research purposes was kept strictly confidential. Respondents' rights to decline to fill the questionnaire were also respected. The researcher also sought permission from the relevant authorities before embarking on the research.

3.9 Data Analysis

Data analysis involved cleaning, sorting, coding and entry of raw data into statistical software for the purpose of analysis and interpretation by use of statistical package for social science (SPSS 21.0). For this study, quantitative data was analyzed in two stages; descriptive statistics that is mode were used to determine the distribution of responses on individual items in the questionnaire. These findings were then presented using graphs and tables for every objective. Finally to determine the relationship between variables inferential statistics were used. Chi square analysis and regression analysis were used to determine the relationship between the challenges and budget absorption in the respective departments.

In performing the chi square tests calculations were done as shown:

$$df = (r - 1) * (C - 1)$$

Where r = the number of levels of for one categorical variable (independent variable) and C = the number of levels for the other categorical variable.

Therefore

$df = (5 - 1) * (5 - 1) = 16$

The tests were done at a significance level p = 0.05.

The critical χ^2 Value at df = 16 and p = 0.05 = 23.60.

$\chi^2$was computed for each element in the study and the judgment made based on the critical value and p value.

The regression was done based on the model below:

$$y_i = \beta_0 + \beta_1 X_i + \beta_2 X_{ii} + \beta_3 X_{iii} + \beta_4 X_{iv}$$

Where:	y_i	= Budget absorption rate
	$\beta_1, \beta_{2,} \beta_{3,} \beta_4$	= Coefficients of the independent variables
	x_1	= Delays in disbursement of funds
	x_2	= manpower capacity
	x_3	= Delays in procurement
	x_3	= capacity of oversight committees
	β_0	= Constant
	i	= 1, . . ., 4
	ε	= Error Term

CHAPTER FOUR

DATA ANALAYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

This chapter presents the results of data analysis for the study. Findings were presented and discussed based on the research objectives. The researcher distributed 73 questionnaires to 18 Directors and 55 Heads of departments who were charged with budget implementation at the county level. The questionnaires that were filled and returned were 66 which included 14 for directors and 52 for heads of departments. This implies that the response rate for the study was 90.4%.

4.2 Respondents Demographic Information

Several demographic characteristics were determined for the directors and heads of departments who took part in the study. These included their gender, age, their positions in the county governments, work experience. The findings are presented and discussed in this sub topic.

4.2.1 Gender

The study considered to genders, either male or female, the boy girl and transgender were not included in the study.

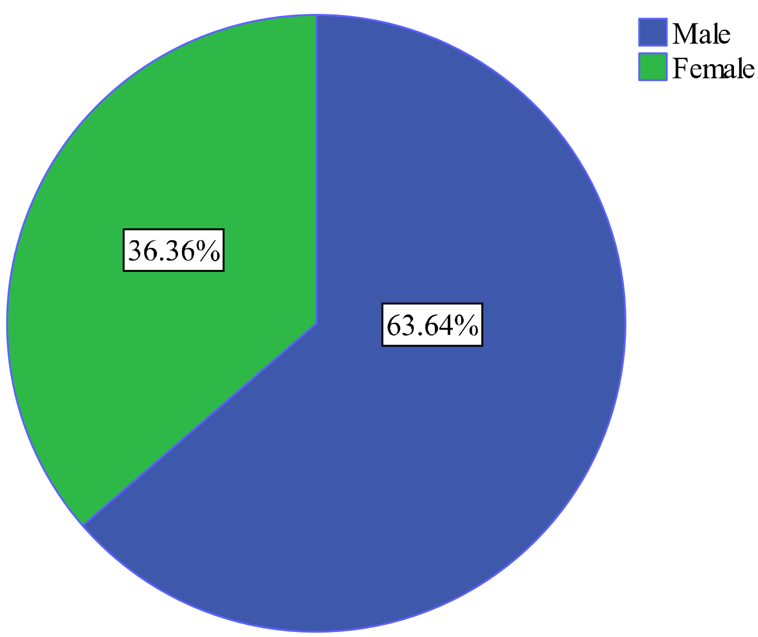

Figure 4.1: Gender

Source: Survey Data (2015)

It was found that men dominated the positions of director and heads of departments in the county governments since out of the 66 respondents, 63.64% were male while 36.36% were female. This shows that when County governments were selecting directors, they only adhered to the constitutional requirement of at least 30% female.

4.2.2 Age of the Respondents

The age distribution of directors and heads of departments of county governments were established and presented in Table 4.1.

Table 4.1: Age

	Position	N	Mean	Std. Deviation	Std. Error Mean
Age	Director	14	43	5.14	1.37
	Head of department	52	42	7.64	1.06

Source: Survey Data (2015)

The average age of Directors of County Governments who participated in this study was 43 years while that of heads of department was 42 years. This meant that the age distribution was not significantly different for the two cadres of staff.

4.2.3 Experience in the County Governments

The experience of directors and heads of departments of the three counties surveyed was also analyzed and the findings presented on Table 4.2 below.

Table 4. 2: Experience in the County Governments

	Position	N	Mean	Std. Deviation	Std. Error Mean
Duration of work in the County government	Director	14	2.50	1.29	0.34
	Head of department	52	3.00	3.76	0.52

Source: Survey Data (2015)

The results indicate that the average duration of work of directors in the county governments was two and half years (2.5) while that of heads of department was three years which is expected since county governments were established after the elections of March 2013. However some members of staff in the county served in the previous county councils. This study focused on employees who filled the positions that were stipulated in the establishment of county governments.

4.2.4 Previous Experience in Government Institutions

Directors and heads of department who participated in the study were also asked to indicate whether they had previous experience in working with the government. Their responses were analyzed and presented on Table 4.3.

Table 4.3: Previous Experience in Government Institutions

			Position		
			Director	**Head of department**	**Total**
Previous experience in government	Yes	Count	14	50	64
		% within Position	100.0%	96.2%	97.0%
	No	Count	0	2	2
		% within Position	0.0%	3.8%	3.0%
Total		Count	14	52	66
		% within Position	100.0%	100.0%	100.0%

Source: Survey Data (2015)

The findings on Table 4.3 indicate that all Directors (100.0%) who participated in this study had experience on working with the government while 96.2% of the directors had previously worked with the government. Overall, 97.0% of the participants in this study had previously worked with the government. This implies that other than their experiences in interacting with the county governments, they have interacted with the National government therefore they had knowledge on functioning of governments. All the directors and heads of departments (100%) who participated in this study indicated that their departments were charged with the responsibilities of implementing government projects at the county and sub county levels.

4.3 Timely Disbursement of Funds

This study investigated four factors in the utilization of funds in the county governments. The first factor was the timely disbursement where it sought to determine the funds disbursement to determine whether this contributed to the budget absorption. The level of agreement with the opinions were measured on a five point scale where 5 – Strongly agree, 4 – Agree, 3 – Not Decided (unsure), 2 – Disagree, 1 – Strongly Disagree. A summary of responses on the disbursements of funds is presented on Table 4.4. These are further analyzed to determine their relationship with utilization of budgets at the county using the chi square test. Since all the variables were categorical and were measured on a five point scale.

Table 4.4: Timely Disbursement of Funds

Statements	Frequency (percent)					χ^2	p
	5	4	3	2	1		
Funds from the national government are disbursed on reasonable time for utilization in projects	0 (0.0)	12 (18.2)	1 (1.5)	29 (43.9)	24 (36.4)	36.7	0.04
The national governments sends funds that are adequate as per the county project budgets	1 (1.5)	22 (33.3)	4 (6.1)	29 (43.9)	10 (15.2)	6.1	0.42
The funds set aside for development projects are availed promptly when needed	2 (3.0)	7 (10.6)	7 (10.6)	33 (50.0)	17 (25.8)	18.3	0.06
There are less bureaucracies involved in the release and disbursement of funds for development	2 (3.0)	16 (24.2)	5 (7.6)	33 (50.0)	10 (15.2)	34.8	0.02
Funds released are utilized for the same function at the county level	1 (1.5)	25 (37.9)	8 (12.1)	29 (43.9)	3 (4.5)	45.4	0.07
The national treasury ensures balance in disbursement of funds for various functions	0 (0.0)	23 (34.8)	11 (16.7)	15 (22.7)	17 (25.8)	16.4	0.65
The county treasure is very efficient in disbursement of funds for various projects as they are released from the national government	5 (7.6)	10 (15.2)	3 (4.5)	21 (31.8)	27 (40.9)	65.8	0.02

Source: Survey Data (2015)

The findings on timely disbursement of funds presented in Table 4.4 shows that there were delays in disbursement of funds from the national government to the county governments because 43.9% disagreed and 36.4% strongly disagreed that funds from the national government were disbursed on reasonable time for utilization in projects. Thus it can be concluded that there were delays in disbursements of funds from the national government to county government. Delays in disbursement of funds affected the efficiency of delivery of services in the government institutions as depicted by Donkor (2011). It contributed to increases project costs and disrupt budget implementation as these were never factored in budgets and in effect are ineligible expenditures that donors would reject

Regarding the adequacy of funds from the national government to county governments, the study revealed that the county government allocation was inadequate to support majority of development projects since 43.9% of the directors and heads of department in county governments disagree while 15.2% strongly disagreed that he national governments sends funds that are adequate as per the county project budgets. This was also observed in Tanzania by Frumence, et al (2014) who showed timely disbursement of personal emolument funds as opposed to development funds.

Further the study sought to know the speed with which development funds were availed for utilization in development projects. The findings showed that majority of the directors and department heads disagreed (50.0%) while 25.8% strongly disagreed that the funds set aside for development projects were availed promptly when needed. However 10.6% agreed while 10.6% were not sure whether the disbursement was prompt. This shows that there is a higher support to the fact that funds were not availed when demanded for projects.

On the bureaucracies in release of funds, 50.0% disagreed while 15.2% strongly disagreed that there were less bureaucracies involved in the release and disbursement of funds for development, on the other hand, 24.2% agreed that there were les bureaucracies. This responses in favor of the existence of bureaucracies were higher (65.2%) compared to those against (27.2%) which implies that indeed bureaucracies existed in funds disbursement. The above findings agreed with Bagoole (2011) in a study conducted among primary education schools in Iganga District, Tanzania which found the existence of bureaucracies in disbursement of funds performance of UPE schools.

On the utilization of funds for the same function as intended in the county governments, 43.9% disagreed while 4.5% strongly disagreed. On the other hand, 37.9% agreed while 1.5% strongly agreed that funds were utilized for the same function intended at the county level. Those against this opinion prevailed at 48.4% as opposed to 39.4% in favor. This implies that diversion of funds from the originally intended purpose was common in the three county governments investigated. A study by the National Taxpayers Association (2013) on the CDF in Kenya revealed that funds were diverted to other purposes without the express approval of the CDF Board. This implies that funds diversion was a common scenario which had a negative impact on the budget utilization in public institutions in Kenya, such as the County Governments.

On whether the national treasury ensured balance in disbursement of funds for different functions, there were mixed opinions since 34.8% agreed, 25.8% strong disagreed, while 22.7% disagreed, 16.7% were however not sure that the national treasury ensured balance in disbursement of funds for various functions. This was however not found to have a significant association with utilization of funds in county governments.

Efficiency of the county treasury in the allocation and distribution of funds across various functions was highly pointed as a key contributor to budget absorption since 40.9% of the respondents strongly disagreed while 31.8% disagreed that county treasure was very efficient in disbursement of funds for various projects as they were released from the national government. The remaining 15.2% agreed while 7.6% strongly agreed. This shows an overwhelming support of 72.7% of inefficiency of the county treasuries. Frumence, et al (2014) also cited negative effects of delays in funds disbursements especially in decentralized health systems Kongwa District, Tanzania. The decentralized units are synonymous to the county governments in Kenya.

4.4 Manpower Capacity

The second parameter of interest in this study was the manpower capacity at the county governments to which was meant to determine whether the county government had adequate staff to utilize budgets. Findings of the study were presented on Table 4.5.

Table 4.5: Manpower Capacity

Statements	**Frequency (percent)**					**χ^2**	**p**
	5	**4**	**3**	**2**	**1**		
The county has recruited enough staff charged with the implementation of projects	16 (24.2)	29 (43.9)	4 (6.1)	15 (22.7)	2 (3.0)	23.2	0.02
Staff in my department have the necessary skills to ensure that projects are implemented appropriately and funds utilized prudently in the defined functions	14 (21.2)	42 (63.6)	2 (3.0)	8 (12.1)		35.4	0.42
Staff in the various departments in the county recruited on merit of education relevant in ensuring proper implementation of projects	1 (1.5)	39 (59.1)	11 (16.7)	10 (15.2)	5 (7.6)	41.7	0.37
Staff in the department are well experienced in implementation of public projects	3 (4.5)	44 (66.7)	5 (7.6)	14 (21.2)	0 (0.0)	12.5	0.6
The county organizes frequent training and capacity programs to enhance professionalism in utilization of funds	2 (3.0)	27 (40.9)	9 (13.6)	23 (34.8)	5 (7.6)	67.3	0.03

Source: Survey Data (2015)

The findings on manpower capacity of the county governments revealed that the counties had recruited enough staff charged with the implementation of projects. This was according to 24.2% of directors and heads of department who agreed and 43.9% who strongly agreed. 22.7% disagreed while 6.1% was not sure. A report by The Institute of Social Accountability (2014) also revealed irregular recruitment in counties leading to bloated staffing across all the counties in Kenya which implied that this scenario was not specific to Nakuru, Nyandarua and Laikipa Counties only.

There was also agreement that staffs in various departments in the county governments had the necessary skills to ensure that projects were implemented appropriately and that funds were utilized prudently in the defined functions. This statement was supported by a vast majority of the senior staff in the three counties where 63.6% agreed and 21.2% strongly agreed; those with contrary opinion were few constituting 12.1% who disagreed. This is an indicator that other than having a high number, the level of skills and competencies were important in ensuring high budget absorption in county governments. However, this was contrary to the findings by Mwikali and Wafula, 2015 in Mombasa County which found out that, most of the County officers lack training both Technical and experiential since most of them have been brought on board as politically correct individuals hence it was hard to apprehend them in the event of failure to perform (GoK 2012).

Majority of the directors and heads of departments in county governments (59.1%) agreed that staff in their departments were recruited based on merit of education. On the contrary, 7.6% strongly disagreed and 15.2% disagreed that staff in the various departments in the county were recruited on merit of education relevant in ensuring proper implementation of projects. This implies that opinions in favour of recruitment on merit prevailed therefore it was a common practice that staff were recruited on merit. Consideration of education capacity for relevant in the implementation of county government projects contributed significantly towards budget absorption. This agrees with Wachira (2015) on value based recruitment based on the principles of the constitution of Kenya 2010 however, he further explains that there are no National Policies on affirmative action, employment equity and considerations of under-represented and marginalized groups required to harmonize standards of recruitment in the Public Service.

In regard to the experience of staff in project implementation, there was agreement that majority staff in the departments of county governments were well experienced in implementation of public projects. This was cited by 66.7% of the respondents who agreed and 4.5% who strongly agreed which implies that the statement was held by 71.2% of the staff while 21.2% disagreed. Experience in project implementation was significantly associated with utilization of funds. Finally on whether the on the job training of county governments influenced the utilization of budgets, there were mixed opinions where 43.9% were in agreement while 42.2% were of a contrary view that the county organized frequent trainings and capacity programs to enhance professionalism in utilization of funds. According to Sean (2010), training helps to identify and grow the personality and performance strengths that will make the organization's employees better and getting right person in the right job. Continuous training keeps employees at the cutting edge of industry developments.

4.5 Procurement Processes

Objective three of the study was investigating the procurement processes in relation to the utilization of county budgets. The scoring of various procurement practices was done and also the procurement practices observed were assessed to determine whether they had a significant effect in the budget absorption process. The findings were presented on Table 4.6 and discussed in the following section.

Table 4.6: Procurement Processes

Statements	Frequency (percent)					χ^2	p
	5	4	3	2	1		
The department are efficient in conducting functions of procuring project inputs	1 (1.5)	13 (19.7)	0 (0.0)	20 (30.3)	32 (48.5)	145.6	0.01
There is less bureaucracy in the procurement of inputs for use county projects	5 (7.6)	13 (19.7)	3 (4.5)	43 (65.2)	2 (3.0)	101.3	0.02
The time taken between requisition for procurement and the availing of the items does not affect the implementation of projects	0 (0.0)	7 (10.6)	1 (1.5)	38 (57.6)	20 (30.3)	98.2	0.05
The county has ensured that they have competent of contactors to avoid delays in execution of projects	2 (3.0)	36 (54.5)	7 (10.6)	13 (19.7)	8 (12.1)	23.2	0.06
The procurement team is competent in executing their roles	7 (10.6)	13 (19.7)	0 (0.0)	31 (47.0)	15 (22.7)	19.2	0.20
The department has enough staff to address the needs of user departments without delays	1 (1.5)	33 (50.0)	2 (3.0)	24 (36.4)	6 (9.1)	13.5	0.18
Some of the procurements are made when there is no reasonable time implement the planned activity	7 (10.6)	32 (48.5)	10 (15.2)	13 (19.7)	4 (6.1)	41.6	0.03

Source: Survey Data (2015)

Regarding the overall efficiency of the procurement functions at the county governments, the study revealed that majority of the directors and heads of departments were not confident with the performance of this function. This was seen in their responses where 48.5% strongly disagreed while 30.3% disagreed that the procurement departments were efficient in conducting functions of procuring project inputs, 19.7% were however of a contrary opinion where they agreed that the procurement function executed its roles well. The functioning of the procurement departments contributed significantly to the utilization of the county budgets. This was in agreement with the reports of the office of controller of budget that procurement functions were not performing their duties efficiently in the county governments. Ogubala and Kiarie (2014) while exploring the procurement planning and its efficiency in the county government of Nairobi realized the delays in procurement that affected the smooth functioning of the County Government's activities. This collaborates with the scenario in Nakuru, Nyandarua and Laikipia Counties on inefficiencies in procurement.

The procurement processes were characterized by lots of bureaucracies as revealed by 65.2% who disagreed that there was less bureaucracy in the procurement of inputs for use in county projects, a few 19.7% agreed and 7.6% strongly agreed that the bureaucracies were less. However, going by the majority it is evident that county government procurements were highly bureaucratic therefore affecting its efficiency. The scenario in county Governments collaborate with that by Mugo and Ngugi (2013) while studying the internal factors affecting procurement process of supplies in the public sector in Kenya government ministries found out that they were characterized by inflexible and bureaucratic systems of procurement which contributed to unacceptable contract delays, increased costs.

Further to the delays in procurement, majority of the directors and heads of departments who participated in this study denied that the time taken between requisition for procurement and the availing of the items does not affect the implementation of projects, 57.6% agreed while 30.3% strongly agreed that the time taken in the procurement influenced the projects implementation in which funds are utilized. This shows that delays in procurement were high in the county governments which could have affected the absorption of budgets especially in development projects. These findings collaborate by those by Musau (2015) in the Kenya pipeline company who found out that majority the respondents agreed that procurement process in the organization were lengthy and detrimental to the organizations performance. Both the Kenya pipeline and the county governments operate under the same procurement laws.

There were no challenges of competent contractors and suppliers as majority of the directors and heads of departments in the counties (54.5%) agreed that their governments have ensured that they have competent contactors to avoid delays in execution of projects, 3.0% strongly agreed while 19.7% disagreed and 12.1% strongly disagreed. A study by IPSOS (2015) revealed that some rogue contractors continued to operate in clear view of regulators in Kenya. This agrees with the over 40% of the staff who were not in agreement that the County governments had competent contractors and supplies since some were rogue.

The competency of procurement team was highly doubted by 47.0% of the directors and heads of department who disagreed and 22.7% who strongly disagreed that the procurement team was competent in executing their roles. On the other hand, 19.7% agreed while 10.6% agreed that their procurements teams were competent. However, those who voted against the competency of procurement team were higher compared to those in favor. Thus it can be deduced that the current level of budget absorption in county governments significantly attributable to the competency of procurement staff. This contradicts with Mwikali and Wafula, 2015 in Mombasa County which found out that, most of the County officers lack training both Technical and experiential since most of them have been brought on board as politically correct individuals. Karanja and Mugo (2010) on the other hand observed unethical behavior that led to fraud, theft, corruption, and other improper behavior in the public service which led to the governments' failure in achieving its goals. This scenario was also affirmed by IPSOS (2015) as a key contributor to inefficiencies in county governments.

When it comes to the numbers of staff in procurement, 50.0% of the respondents agreed and 1.5% strongly agreed that the numbers were enough. However, 45.5% were not in agreement that the number of staff was enough to perform the procurement functions of the county. In relation to the report by the Institute of Social Accountability (2014) on irregular recruitment in counties, this means that the county government procurement departments did not have shortages of staff however, their qualifications and ethical standards was wanting a factor that effected the budget absorption in the counties.

Lastly on the procurement processes affecting budget absorption, it was found out that as a result of the delays in procurement function, some of the procurements are made when there is no reasonable time to implement the planned activities. This opinion was held by 48.5% of the staff who agreed and 10.6% who strongly agreed, a few were of contrary opinion where 25.8% disagreed. While there have been developments in regulatory framework, there is still challenges to be addressed in order to realize full benefits of procurement planning in the county governments. Owalla (2012) identifies some of the notable challenges in procurement include; regulatory gap in procurement planning in County governments, institutional and professional capacity challenges political interference with implementation of regulations and the low level of implementation of Information Communication (ICT) tools (KIPPRA, 2010).

4.6 Capacity of Oversight Committee Members

The fourth factor that was investigated as to how it affected the utilization of county budgets was the capacity of the oversight committees which were charged with the duties of approval, follow up and evaluation of performance of the various projects implemented by the county governments. The capacity was assessed by focusing on five parameters outlined in the findings in Table 4.7.

Table 4.7: Capacity of oversight committee members

Statements	Frequency (percent)					χ^2	ρ
	5	4	3	2	1		
There are oversight committees in place to ensure proper utilization of county funds	6 (9.1)	44 (66.7)	4 (6.1)	12 (18.2)	0 (0.0)	6.7	0.25
Members of the oversight committees are selected on merit of qualifications and experiences	2 (3.0)	29 (43.9)	10 (15.2)	17 (25.8)	8 (12.1)	36.5	0.49
County budget oversight committee operates independently without the manipulation of the top management	0 (0.0)	15 (22.7)	21 (31.8)	22 (33.3)	8 (12.1)	43.1	0.03
The county budget oversight committee is impartial in the execution of its duties	1 (1.5)	23 (34.8)	17 (25.8)	21 (31.8)	4 (6.1)	17.4	0.14
The county budget oversight committee is properly financed to execute its mandate	2 (3.0)	21 (31.8)	10 (15.2)	33 (50.0)	0 (0.0)	86.2	0.03
Recommendations by the county budget oversight committee are taken seriously by implementing departments	0 (0.0)	36 (54.5)	12 (18.2)	16 (24.2)	2 (3.00)	72.1	0.02
The county budget oversight committee is efficient in responding to budgetary issues	0 (0.0)	24 (36.4)	17 (25.8)	25 (37.9)	0 (0.0)	25.6	0.43

Source: Survey Data (2015)

The findings revealed that majority of the directors and heads of departments of the county governments were in agreement on the existence of oversight committees in their counties, this view was held by 66.7% who agreed and 9.1% who strongly agreed, 18.2% however disagreed. Since over three quarters of the respondents were in agreement of the existence of oversight committees it implies that committees were in place according to the law. There were mixed opinions on whether the members of oversight committee were selected on merit since 43.9% agreed and3.0% strongly agreed while 25.8% disagreed and 12.1% strongly disagreed that members of the oversight committees are selected on merit of qualifications and experiences. PFM Programme Office (2014) identifies the competencies of an efficient budgeting team as: fiscal planning and budget allocation, preparation of budget plans and annual budget submissions, participation in budget hearings and approval procedures, oversight of budget execution, implementation of budget execution and ensuring desirable budget outcomes. However Bonyo (2014) observed that, whereas some Members of the County Assemblies are very knowledgeable and well informed of their role in the budget process, some are experiencing diverse challenges.

The independence of oversight committees was also another factor in question which was responded with mixed opinions since 33.3% disagreed, 12.1% strongly disagreed while 22.7%. However, of concern was the 31.8% who could not tell whether oversight committees operated independently or not. This implies that to a large extent, the independence of oversight committees was compromised to a level where it was difficult to determine whether they were independent or not. Further in explaining the independence of the oversight committee, it was established that it was not clear whether the budget oversight committees acted impartially in the execution of its duties. This was observed from the mixed opinions where 34.8% agreed, 31.8% disagreed while 25.8% were not sure whether the committee was impartial or not. These findings agree with a report by the International Budget Partnership (2010) which scored Kenya at 49 out of 100 in the 2010 in open Budget Index compared to 57 out of 100 in 2008,which indicates that the government provides some information to the public, but this is insufficient for citizens to fully hold the government accountable for its management of public resources.

As revealed by the directors and heads of departments at the county governments of Nakuru, Laikipia and Nyandarua, the county budget oversight committees were not properly financed to execute their mandate. This was seen from the 50.0% of the county officials who disagreed that the committees were well financed as compared to 31.8% who agreed and 3.0% who strongly agreed. Mugambi and Theuri (2014) while assessing the challenges encountered by County Governments in Kenya during budget preparation revealed that planning process was not adequately done due to the lack of facilitation of the budget formulation teams. According to the above finding, facilitation of budget oversight committees seemed to have stretched to the budget implementation too.

It was also revealed that recommendations by the county budget oversight committees were taken seriously by implementing departments as identified by 54.5% of the senior staff of the three counties, 27.2% felt that recommendations were not fully implemented therefore disagreed. The responses on the efficiency of oversight committees in responding to budgetary issues was met with varying opinions were 36.4% of the senior staff in the county government who took part in this study agreed, 37.9% disagreed while 25.8% disagreed that the county budget oversight committee were efficient in responding to budgetary issues. A study by Kamau and Mohamed, (2015) on the efficacy of monitoring and evaluation function in achieving project success in Kenya revealed that feedback from monitoring reports were not well adhered to in many county projects. This can be closely tied to the incorporation of oversight committee recommendations in the counties.

4.7 Budget Absorption in County Governments

This study was investigating the challenges of budget absorption in county governments of Laikipia, Nakuru and Nyandarua. Therefore the level of budget absorption was determined. Due to the sensitivity in disclosure of figures with exact amounts of budget absorption, the study relied on opinions of the directors and heads of department of the three counties. The findings were presented on Table 4.8

Table 4. 8: Performance of Budget absorption in county Governments

Statements	Very Good	Good	Fair	Poor	Very poor
Development expenditure	9 (13.6)	30 (45.5)	11 (16.7)	7 (10.6)	9 (13.6)
Recurrent expenditure	12 (18.2)	24 (36.4)	16 (24.2)	10 (15.2)	4 (6.1)

Source: Survey Data (2015)

As presented on Table 4.8, the budget absorption of the recurrent expenditure was rated slightly higher than that of development expenditure on a five point scale. From the findings 45.5% of the respondents rated the absorption of development expenditure good while 13.6% very good. On the other hand 10.6% rated absorption of development expenditure poor while 13.6% very poor. On the other hand, 36.4% rated the absorption of recurrent expenditure high while 18.2% very high. On the contrary, 15.2% rated absorption of recurrent expenditure poor while 6.1% very poor.

The overall departmental budget absorption rate was computed by obtaining the average score of the two. According to a report by the RoK (2014b) Nakuru was motioned among the counties with the highest expenditure on domestic travels and lead on development expenditure. Similar scenarios were observed in Nyandarua and Laikipia Counties.

4.8 Inferential Analysis

Inferential analysis in this study was performed using correlation analysis and regression analysis to determine the relationship between variables.

4.8.1 Correlation Analysis

Correlation analysis was done between independent and dependent variables to assess the strengthe and direction of the correlations. Correlation results were presented on Table 4.9.

Table 4. 9: Correlation Results

	Development expenditure	**Recurrent expenditure**	**Funds disbursement**	**Procurement**	**Manpower Capacity**	**Capacity of oversight committee**
Development expenditure	1.000					
	(0.00)					
Recurrent expenditure	0.3851*	1.000				
	(0.014)	(0.00)				
Funds disbursement	-0.0108	0.1539	1.000			
	(0.9314)	(0.2172)	(0.00)			
Manpower Capacity	0.0450	-0.0462	0.0358	1.000		
	(0.7200)	(0.7127)	(0.7755)	(0.00)		
Procurement	-0.0855	-0.0822	0.0890	0.2865*	1.000	
	(0.4948)	(0.5115)	(0.4775)	(0.0197)	(0.00)	
Capacity of oversight committee	0.1298	0.0729	-0.0032	-0.0555	0.4431*	1.000
	(0.2990)	(0.5610)	(0.9799)	(0.6580)	(0.0002)	(0.00)

The results of correlation analysis on Table 4.9 revealed that there was a positive and significant correlation between the absorption of development expenditure and that of recurrent expenditure (r = 0.3851,p = 0.0014). These correlations imply that the same factors affecting the absorption of development funds, affected the absorption of recurrent expenditure funds too. There was also a significant correlation between the delays in procurement and manpower capacity in county governments (r = 0.2865p = 0.0197). Further a positive correlation existed between the capacity of budget oversight committees (r = 0.4431, p = 0.0002).

4.8 Regression Analysis

In assessing the contribution of the four independent factors (timely disbursement, manpower capacity, procurement procedures and capacity of oversight committees) on independent variable) county budget absorption rates, the study used a regression analysis. The results of regression analysis are presented and discussed below:
Regression model 1 assessed the relationship between absorption of development expenditure and the predictor variables (funds disbursement, manpower capacity, procurement and capacity of oversight committees). Regression model 2 assessed the relationship between budget absorption rate and predictors variables while model 3 assessed the overall budget absorption.

Table 4.10: Regression Results

Variables		Model 1	Model 2	Model 3
Delays in disbursement of funds	β	0.008	0.225	0.076
		(0.096)	(0.184)	(0.404)
Manpower capacity	β	0.277	0.005	0.085
		(0.360)	(0.986)	(0.573)
Delays in procurement	β	-0.319	-0.210	-0.164
		(0.134)	(0.280)	(0.121)
Capacity of oversight committees	β	0.362	0.110	0.175
		(0.101)	(0.253)	(0.111)
Constant	β	3.348	1.205	-4.120
		(0.000)	(0.000)	(1.000)
Number of obs		66	66	66
F(4, 61)		0.90	0.80	0.98
Prob> F		0.472	0.530	0.425
R-squared		0.056	0.050	0.060

The values in parentheses are p-values. The asterisk (*) represents significance at 10% confidence level.

The regression results for model 1shows that delays in disbursement of funds, manpower capacity, delays in procurement and capacity of oversight committees have no significant effect on absorption of development funds in the county government since none of the Beta coefficients (β) was significant at 0.1. The R^2 = 0.056 which implies that the predictor variables accounted for only 5.6% of the variations in budget absorption, there are other factors outside the scope of this study which accounted for the remaining 94.4.%. Model 2 also revealed that all the predictor variables under investigation had no significant effect on absorption of recurrent expenditure in county governments since none of the Beta coefficients (β) was significant at 0.1. Model 3 also revealed that funds disbursement, manpower capacity, procurement and capacity of oversight committees accounted for 6.0% of the variations in overall budget absorption in county governments. However there were other factors accounting for 94% which had a negative impact on budget absorption. All the predictor variables under investigation had no significant effect on overall budget absorption in county governments since none of the Beta coefficients (β) was significant at 0.1.

The above results implied that delays in funds disbursement, manpower capacity, and speed of procurement and capacity of oversight committees did not have significant effect budget absorption in the county governments of Nakuru, Nyadarua and Laikipia as indicated in the audit reports by the office of controller of budget. These findings however disagreed with studies by Frumence, et al (2014) who cited negative effects of delays in funds disbursements especially in decentralized health systems. On recruitment Mwikali and Wafula (2015) in Mombasa County which found out that, most of the County officers lack training both Technical and experiential since most of them have been brought on board as politically correct individuals hence it was hard to apprehend them in the event of failure to perform. Ogubala and Kiarie (2014) while exploring the procurement planning and its efficiency in the county government of Nairobi realized the delays in procurement that affected the smooth functioning of the County Government’s activities. Musau (2015) in the Kenya pipeline company who found out that majority the respondents agreed that procurement process in the organization were lengthy and detrimental to the organizations performance.

Bonyo (2014) observed that, whereas some Members of the County Assemblies are very knowledgeable and well informed of their role in the budget process, some are experiencing diverse challenges. Mugambi and Theuri (2014) while assessing the challenges encountered by County Governments in Kenya during budget preparation revealed that planning process was not adequately done due to the lack of facilitation of the budget formulation teams. This implies that opinions by the OCOB of the factors affecting the effective budget absorption were not substantiated and required further research attention.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMEDATIONS

5.1 Introduction

The chapter presents a summary of the findings for the study, conclusions and recommendations. Recommendations for further research are also suggested.

5.2 Summary of Findings

The summary of findings consolidates and presents in brief the main findings of the study. The summaries are organized chronologically based on the research objectives.

The first objective for the study was to assess the effect of delays in disbursement of funds from national government on budget absorption in County Governments in Kenya. From the findings it was found out that there were delays in disbursement of funds from the national government to the county governments which significantly affected the implementation of development projects and well as projects depending on recurrent expenditure. Further, the funds disbursed were inadequate to meet the development needs of county governments. There were delays in release of funds when requested for absorption which also affected the level of absorption. Bureaucracies were also observed in release of funds which affected the budget absorption rates. Funds were also diverted from the originally intended purpose in the three county governments in favor of the recurrent expenditure meaning that funds allocated for development were diverted to recurrent expenditure, thus the low level of absorption of development funds. It was not clear whether and how the national treasure ensures balance in the disbursement of funds for various departments. The county treasuries were identified as very inefficient in disbursement of funds for various projects as they were released from the national government. Which influenced funds absorption in both development and recurrent expenditure. Overall the current practices in disbursement of funds was found to have a negative impact on budget absorption in the counties yet it was key in ensuring efficiency.

The second objective for the study was to assess the effect of manpower capacity of the implementation team on budget absorption in County Governments in Kenya. The findings on manpower capacity of the county governments revealed that the counties had recruited enough staff in the implementation of projects. The presence of adequate manpower was associated with the levels of budget absorption in various departments and counties since. There was also agreement that staffin various departments in the County Governments had the necessary skills to ensure that projects were implemented appropriately and that funds were utilized prudently in the defined functions. Majority of the directors and heads of departments in county governments agreed that staff in their departments were recruited based on merit of education. In regard to the experience of staff in project implementation, there was agreement that majority staff in the departments of county governments were well experienced in implementation of public projects. However, there were mixed opinions on whether the counties organized frequent trainings and capacity programs to enhance professionalism in absorption of funds. The individual elements of manpower capacity were found to have a significant effect on budget absorption.

The third objective of this study was to determine the effects of delays in procurement process on budget absorption in County Governments in Kenya. The findings revealed that the procurement departments were largely inefficient in conducting their functions of procuring project inputs. The procurement processes were characterized by lots of bureaucracies and that the time taken between requisition for procurement and the availing of the items negatively affected implementation of projects hence the budget absorption rates. There were no challenges of competent contractors and suppliers as majority of the directors and heads of departments in the counties indicated. The competency of procurement team was highly doubted. Although there were many staff in the procurement departments, the number of staff did not significantly affect the performance of procurement function which means that the number did not correspond with the efficiency levels. As a result of the delays in procurement function, some of the procurements are made when there is no reasonable time to implement the planned activities which further derailed budget absorption. Overall the procurement functions contributed negatively to budget absorption in the county governments.

In the fourth objective, the study sought to establish the effect of capacity of oversight committees on budget absorption in County Governments in Kenya.The findings revealed that budget oversight committees were in place in their counties, however there were mixed opinions on whether the members were selected on merit and whether they operated as independent entities. To a large extent the staff felt that the independence of oversight committees was compromised. It could not be substantiated whether oversight committees operated impartially or not. The county budget oversight committees were not properly financed to execute their mandate thus their efficiency was questionable. To some extent the recommendations by the county budget oversight committees were taken seriously by implementing. The committees' responses to budget queries also varied. However, it was observed that despite the mixed opinions there was s significant association between efficient response of oversight committees and absorption of county budgets in both development and recurrent expenditure.

5.3 Conclusions

From the findings of the study it can be concluded that the process of disbursement of funds from the national to the county governments was not smooth as seen from the delays in disbursement, inadequate project funds, and bureaucracies involved. This problem was aggravated by the county treasuries which delayed funds further. As a result, funds got to the final users late thus affecting the absorption levels though not in a significant way.

County governments had recruited enough staff to run its functions based on merit of education qualifications however, there was little efforts for training for productivity. Overall the manpower capacity was found not have be a significant challenge in the budget absorption rates at the Nakuru, Laikipia and Nyandarua counties. Thus it can be concluded that county governments do not face significant manpower shortages that can affect budget absorption

The procurement functions in county governments played the largest role in budget absorption owing to the delays, bureaucracies and in some instances incompetent manpower as a result projects inputs were procured late when there was no time to implement the activities. Compounded with the delays in disbursement of funds this could significantly affect the implementation of development projects hence low level of budget absorption.

County governments had budget oversight committees charged with ensuring that budgets were implemented as scheduled. However, these committees were not active in performing their roles. Their activities were subjects to external controls thus they did not operate independently and impartially as required by the law. This lowered their capacity to execute their mandate accordingly.

The study therefore concludes that although the expert reports by OCOB (2013; 2014) point out to delays in disbursement of funds, delays in procurement, lack of manpower and budget oversight committees, the situation did not hold in Laikipia, Nakuru and Nyandarua Counties in 2015. This could be attributed to the implementation of the recommendations or that the expert opinions were not substantiated. For instance, the reports cited the lack oversight committees which were already in place in the three counties sampled.

5.4 Recommendations

The county governments in collaboration with commission for revenue allocation and the national treasuries should come up with a criterion for ensuring smooth flow of funds from the national treasury to the end user departments as when needed. This will allow end users adequate time to implement projects to completion as scheduled without interruption from the flow of funds.

Manpower plays a significant role in enhancing performance of county governments. Although it may not be presenting a significant challenge to budget absorption, there is need to enhance staff training for enhanced efficiency since majority have been in the county government for only three years.

There is need for both the county government and the national government to relook at the current procurement laws, procedures and systems with a view to enhancing efficiency by minimizing the lead time so as to allow county governments' reasonable time for absorbing budgets into scheduled development projects.

The county assembly should disband the existing budget oversight committees as they have been compromised in discharging their oversight roles and form new one with clear mandate and standards to implement the laws accordingly. They should also institute mechanisms for disciplinary for failure to implement recommendations of committees to satisfaction.

5.5 Recommendations for further Research

The geographical scope of this study should be expanded by conducting similar studies in other counties and a comparative analysis done between the practices in counties with high absorptions in relation to counties with low budget absorption.

There is also need for an exploratory study to investigate a wide range of factors on their role in budget absorption rather than reliance on the recommendations by the OCOB.

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APPENDICES

Appendix I: Research Questionnaire

My Name is Gilbert Njihia, A student of Kabarak University and I'm conducting a study to assess the challenges of budget absorption in County Governments. You have been selected as one of the respondents to the study. I kindly request that you spare a few minutes to provide responses to this questionnaire. Please provide your response by ticking against the spaces provided in each question.

Section A: Respondent Demographic Information

1. Which Department are you working in? _______________

2. Kindly indicate your gender?

    Male ( ) Female ( )

2. Kindly indicate your age ? ______________ Years

3. Which of these best describe your position in the county government?

    Director ( ) Manager ( )

4. For how long have you worked with the county government? ________ years.

5. Do you have previous experience in working in government institutions?

    Yes ( ) No ( )

6. Is your office directly involved in the implementation of government projects at the county level?

    Yes ( ) No ( )

Section B: Disbursement of funds

In questions 7 – 13, indicate your opinion on the disbursement of funds by national and county government to your department? Rate your opinion on the scale: 5-Strongly Agree, 4-Agree, 3- Not decided, 2-Disagree, 1-Strongly Disagree

Statements	**5**	**4**	**3**	**2**	**1**
7. Funds from the national government are disbursed on reasonable time for utilization in projects					
8. The national governments sends funds that are adequate as per the county project budgets					
9. The funds set aside for development projects are availed promptly when needed					
10. There are less bureaucracies involved in the release and disbursement of funds for development					
11. Funds released are utilized for the same function at the county level					
12. The national treasury ensures balance in disbursement of funds for various functions					
13. The county treasure is very efficient in disbursement of funds for various projects as they are released from the national government					

Section C: Manpower capacity:

How would you rate the manpower capacity in your department in relation to project implementation and budget utilization? Rate your opinion on the scale: 5-Strongly Agree, 4-Agree, 3-Not decided, 2- Disagree, 1-Strongly Disagree

Statements	**5**	**4**	**3**	**2**	**1**
14. The county has recruited enough staff charged with the implementation of projects					
15. Staff in my department have the necessary skills to ensure that projects are implemented appropriately and funds utilized prudently in the defined functions					
16. Staff in the various departments in the county recruited on merit of education relevant in ensuring proper implementation of projects					
17. Staff in the department are well experienced in implementation of public projects					
18. The county organizes frequent training and capacity programs to enhance professionalism in utilization of funds					

Section D: Procurement process:

In questions 19 –24 indicate your level of agreement with the statements on how delays in procurement affect budget absorption.

Statements	**5**	**4**	**3**	**2**	**1**
19. The procurement department are efficient in conducting functions of procuring project inputs					
20. There is less bureaucracy in the procurement of inputs for use county projects					
21.The time taken between requisition for procurement and the availing of the items does not affect the implementation of projects					
22. The county has ensured that they have competent of contactors to avoid delays in execution of projects					
23. The procurement team is competent in executing their roles					
24. The procurement department has enough staff to address the needs of user departments without delays					
25. Some of the procurements are made when there is no reasonable time implement the planned activity					

Section E: Capacity of Oversight committee members:

In questions 26 – 27, indicate your opinion on the technical capacity of the oversight committee members? Rate your opinion on the scale: 5- Strongly Agree, 4-Agree, 3-Not decided, 2-Disagree, 1-Strongly Disagree

Statements	**5**	**4**	**3**	**2**	**1**
26. There are oversight committees in place to ensure proper utilization of county funds					
27. Members of the oversight committees are selected on merit of qualifications and experiences					
28. County budget oversight committee operates independently without the manipulation of the top management					
29. The county budget oversight committee is impartial in the execution of its duties					
30. The county budget oversight committee is properly financed to execute its mandate					
31. Recommendations by the county budget oversight committee are taken seriously by implementing departments					
32. The county budget oversight committee is efficient in responding to budgetary issues					

Section F: Budget Absorption

33. Kindly provide information on funds allocated and utilization in your department for development and recurrent expenditure in two financial years on the Table below.

	2013/2014 F/Y	**2014/2015 F/Y**
Allocation for development		
Actual utilization for development		
Allocation for recurrent expenditure		
Actual utilization for recurrent expenditure		

34. How would you rate your department in budget utilization for development and recurrent expenditure?

Statements	**Very Good**	**Good**	**Fair**	**Poor**	**Very poor**
Development expenditure					
Recurrent expenditure					

35. What is your own view on the budget absorption in your department?

____

____

____

____

36. What is your own view on the budget absorption in your county?

____

____

36. What would you recommend to be done to improve budget absorption in your county?

Thank you