

**ENHANCING PUBLIC FINANCIAL MANAGEMENT IN COUNTY
GOVERNMENTS: THE CASE OF LAIKIPIA COUNTY**

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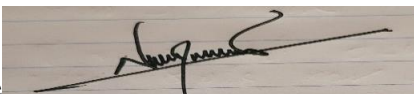
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DECLARATION

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ABSTRACT

County governments in Kenya have made significant efforts towards the establishment of the foundations for comprehensive public financial management practices. Despite the implementation of the public financial management systems being in its developmental stages, the counties have made considerable achievement in several fronts. The aim of this investigation was to assess the public financial management enhancing practices in county governments: the case of Laikipia county. The specific aims of the investigation was to assess the budget reliability and policy-based fiscal strategies as practices of enhancing public financial management in Laikipia County government. The investigation was anchored on two key theories: theory of fiscal decentralization and theory of financial controls. This study used interpretivism philosophy and adopted a descriptive research design. The research was a case study of Laikipia county government. Secondary data related to the study objectives was gathered for analysis. Secondary data was gathered from existing county records. Content and descriptive analysis were utilized to analyze the collected data. The findings established that budget reliability performance in terms of aggregate expenditure outturn and revenue outturn was below the minimum required level in Laikipia County. However, budget performance in terms of expenditure composition outturn was within the minimum required level. Further, policy-based fiscal strategies performance in terms of macroeconomic and fiscal forecasting was below the minimum required level in Laikipia County. However, the performance in terms of fiscal strategy, budget preparation process and legislative scrutiny of budgets was above the minimum required level. The study concluded that budget reliability and policy-based fiscal strategies are key towards service delivery. The researcher recommended that the County government of Laikipia should strengthen budget reliability indicators such as aggregate expenditure outturn, expenditure composition outturn and revenue Outturn. The county government should also strengthen policy-based fiscal strategies indicators including macroeconomic and fiscal forecasting, fiscal strategy, medium term perspective in expenditure budgeting, budget preparation process and legislative scrutiny of budgets. This will be vital in achieving improved implementation of budget as planned, resulting to provision of better services to the citizens.

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
AV	Averaging
CBROP	County Budget Review and Outlook Paper
CECM	County Executive Committee Members
CECs	County Executive Committees
CEOs	Chief Executive Officers
CFSP	County Fiscal Strategy Paper
CGA	County Government Act
CIDP	County Integrated Development Plan
COB	Controller of Budget
CoG	Council of Governors
COs	Chief Officers
CRA	Commission on Revenue Allocation
EACC	Ethics and Anti-Corruption Commission
ERS	Economic Recovery Strategy
IBM	International Business Machines corporation
ICTs	Information and Communications Technology
IFMIS	Integrated Financial Management Information System
KADU	Kenya African Democratic Union
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KPH	Kilometers Per Hour

NACOSTI	National Commission for Science, Technology & Innovation
NARC	National Rainbow Coalition
NYS	National Youth Service
PEFA	Public Expenditure Financial Accountability
PFM	Public Financial Management
PPAD	Public Procurement and Asset Disposal
RBM	Result-Based Management
RDP	Remote Desktop Protocol
ROK	Republic of Kenya
SOEs	State-Owned- Enterprises
SPSS	Statistical Package for Social Sciences
SRC	Salaries and Remuneration Commission
UPF	User Plan Function
WL	Weakest Link

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DEDICATION

I dedicate this work to my family and friends who gave me all the support that I needed to complete it on time.

CHAPTER ONE

INTRODUCTION

1.0 Overview

The study focused on enhancing public financial management in county governments: the case of Laikipia county. The specific objectives included to assess budget reliability as a practice of enhancing public financial management in Laikipia County government; and to assess the policy-based fiscal strategies as a practice of enhancing public financial management in Laikipia County government.

1.1 Background

Following the promulgation of Kenya's new constitution on 27 August 2010, a new era began with the introduction of a two-tier system of government. The Kenya Constitution (2010) provides for a national and County-based system of government and decentralized functions of power and administration. Prior to that time, Kenya's system of government, which began after independence in 1963, was characterized by centralized economic and political power with an inequitable and unequal distribution of resources and social inequalities. There was an initial attempt to transfer the system of government to Kenya, but it failed and could not be compared to the system set out in the 2010 Constitution. According to Mwangi (2018), Kenya's first attempt to introduce a two-tier system of government was made by Ronald Ngala, then President of KADU, who proposed the creation of an independent Senate from 1963 to 1966, based on decentralization of power from the Executive to other forms of government, such as a regional government called majimbo, which gave regional autonomy to the people and allow the people to run their own system of government. The idea did not develop because of the negative connotations named after opponents of the idea. At a transfer conference in 2016, Senate spokesman Ekwee Ethuro pointed out that the 2010 Constitution carries the heart and spirit of Ronald Ngala, particularly with regard to decentralization of issues (Devolution Conference Report, 2016).

The 2010 constitution clearly defines delegated government tasks and emphasizes the goal of decentralization. The main goal of decentralization is, for example, the decentralization of state organs, services and functions in a way that promotes a more equitable distribution of resources. The designer of the constitution predicts that this will open up opportunities for the community to participate directly in the decision-making process, including the initiation of development projects in their area. Implementation of the 2010 Constitution has resulted in the relocation of pre-school education, health facilities, road maintenance, administrative functions, water and sanitation, and agriculture (Constitution of Kenya, 2010). The objective of decentralization is to increase effective and adequate oversight of financial resources by local governments. Therefore, Counties must implement a solid financial management system to ensure efficient service delivery to everyone to improve resource efficiency.

Through Public Expenditure and Financial Accountability (PEFA), this study focuses on two pillars; A sound budget and policy-based strategy and budget planning. Budget reliability is focused on three indicators; The result of total costs, composition of costs and revenues. The extent to which redistribution between key budget categories during implementation has contributed to differences in budget composition is a measurable indicator of the extent to which overall budget expenditure results reflect the amounts originally approved, as defined in government budget documents and financial reports. expenditures and income variations between the budget authorized at the start and the year-end results.

Policy-based budgeting and budgeting strategies are focused on five indicators: macroeconomic and budget projections, budgeting strategies, medium-term spending planning, budgeting processes and legislative budget control. These measurable indicators include the ability of a region to develop solid macroeconomic and fiscal projections, which are critical for the development of a sustainable budget strategy and better budget allocation predictability, an analysis of the ability to develop and implement a clear budget strategy, a study of the extent to which the medium-term budget has been developed within an explicit medium-term budget ceiling, and measuring the effectiveness of relevant stakeholders' involvement.

In the KIPPRA (2018) Public Expenditure Report and Financial Reporting for Kajiado County, the analysis came to the conclusion that the actual income in terms of budget reliability for 3 years did not match the budgeted amount. Actual revenues are less than 92 percent of budget revenues, with a greater than 15% variation in revenue composition over the last two fiscal years due to overestimation of local income. On the expenditure side, total expenditures for the last three years have been less than 85% of total approved budget expenditures, with a disparity in spending of more than 15%. It is possible to allow and apply extensive administrative redistribution. The majority of the changes were made to the development budget. The actual cost of unexpected votes, on the other hand, is less than 1% of the budget.

County governments prepare medium-term expenditure estimates based on administrative, economic, and functional classifications, which are presented in both the budget forecast and the CFSP, but do not create scenarios or sensitivities when it comes to budget strategy and policy-based budget planning. analysis. A clear annual household calendar is available, allowing household units to make thorough estimations at least four weeks after receiving the household circular. Before being forwarded to the County assembly, the budget represents the proposed and approved line ministries by the County secretary. The executive presents the legislature with a draft yearly budget at least two months before the fiscal year ends, and the budget is always adopted before the conclusion of the fiscal year. Budget projections are based on ADP and CIDP, but only for essential ministries including education, health, and agriculture. The expenses of this strategic plan are not reflected in the budget predictions. Because the County only provides situational analysis of the main macroeconomic indicators (growth, inflation, exchange rates, and interest rates) in the CFSP, the fiscal plan is not very reliable. The government has selected a fiscal strategy, presented it to the legislature, and made it public, but it does not include time-based quantitative budgetary targets or qualitative aims for at least the fiscal year. An yearly internal report on the fiscal strategy's implementation is generated, but the reasons for departures from the aim are not explained. The County Assembly examines the CBROP and CFSP's financial policies, medium-term budget predictions, and medium-term priorities, as well as the budget projections' details of expenditures and income.

These procedures include special reviews, technical assistance and public consultation committees.

County fails to link policy development and planned activities with budget estimates due to a lack of practice of predicting uncertain economic occurrences and a lack of sensitivity analysis. The danger of insufficient budgets that are susceptible to change is ignored. As a result, the study indicates that additional changes are required to improve the policy/delivery platform by establishing a better macroeconomic and fiscal framework at the county level in order to transition to more effective budgeting. Because the CIDP and ADP are based on national economic projections and assumptions rather than those that are relevant to the County, needs are not adequately identified, and the strategic distribution of resource costs is not correctly specified for efficient service delivery.

1.1.1 Public Financial Management Practices

Although it is more frequently regarded as a tool for effective development and advancement, there is confusion over the accurate and precise definition of PFM around the world. Various scholars have attempted to define PFM practices despite discrepancies in descriptions of acceptable and factual words. PFM practices refers to a combination of policies, processes, regulations, and practices utilized by an administration to direct revenues, allocate public funds, and fulfill public expenditures, according to Lawson (2019). It also covers how the government reports on how money are spent and responds to audit findings. PFM, on the other hand, is defined by Bawole and Adjei-Bamfo (2020) as an area that emphasizes the need to prioritize and use resources in a way that ensures the efficient use of communal property, as well as the need to obtain value for money from the transfer of services to individuals and the achievement of management objectives. Although the two scientists clearly have different perspectives on PFM, they appear to agree that it is about providing services to the public in an efficient and effective manner. According to KIPPRA (2018), public financial management is linked to preserving the public interest in providing community services. As a result, Mutai, Oketch, Namusonge, and Sakwa (2017) assert that PFM practices is viewed around the world as a way for those in charge of managing resources to improve service delivery to the public.

Financial management practices, according to Mathenge and Muturi (2017) are activities aimed at preparing the company's future to ensure positive cash flow. Directing, controlling, regulating, and planning financial operations such as governmental procurement and business spending are the major components of financial management. Other management scientists, on the other hand, have questioned this approach, claiming that it ignores public influence in the financial management process (Bezes, 2018); Bundy, 2018). Experts in public finance think that FFM should involve the public, and that any attempt to exclude the public from the process is incorrect.

In Africa, the issue of public financial management has been studied in various countries. Kanya (2018) conducted a critical analysis of financial system in Tanzania and Ethiopia and showed that the governments of Tanzania and Ethiopia have implemented reforms to address the lack of financial controls that do not work in their systems. Both governments passed two regulations to improve control efficiency and effective control of facilities, which were successfully implemented. In Tanzania, the government has installed a new information technology system to improve public financial management, and the Ethiopian government has initiated reforms to monitor public funds. Mwabutwa and Pauw (2017) concluded that the Malawian government introduced mechanisms and reforms in the RBMP between 2001 and 2010, including major improvements in budget planning, execution, and evaluation. The researchers also point out that the Malawian government has successfully implemented RDP, resulting in improved public service delivery. For example, with little or no external assistance, the government has effectively deployed the IFMIS system to regulate payments and responsibilities. Furthermore, the administration has centralized the payment system and established a single cash account system for the administration of public funds. IFMIS is seen as a system for successful public financial management and resource allocation in various African countries, including Malawi. Under President Uhuru Kenyatta, Kenya embraced the system, which has been in use since 2014. RBM has also been implemented in Nigeria, Zambia, Rwanda, and Ghana, which supports the effective and efficient use of public resources for the common good.

The Public Finance Management Act of 2012 governs public financial management practices in Kenya, focusing on the fundamentals of tax monitoring, such as budget oversight agreements, proper financial management systems, and adequate accountability and control methods. Furthermore, public finance principles are critical for the administration of public funds and are used by all levels of government. All Kenyan authorities are required to follow public finance principles in order to make optimum use of resources.

Kenya is currently implementing a decentralized administrative system set out in the 2010 Constitution in its sixth year. Committee on Salary and Compensation (SRC) and expanded the functions of the Auditor General. The 2012 PFM Law emphasizes the role of the National Assembly and the State Treasury in overseeing public finances. ROK (2016) notes that this is because the government needs to increase efficiency in using limited public funds to address growing financial needs by carrying out various reforms. Reforms by the Kenyan government that have improved service delivery and increased tax revenues include revising the IFMIS and strengthening oversight and auditing. Despite these efforts, improvements are still needed in a number of areas to enhance them and ensure that they contribute to more efficient public-fund administration. For example, the government should develop financial reforms to increase the EACC's role in combating financial crimes like corruption as a method of safeguarding public resources. Furthermore, security measures must be adopted to ensure that IFMIS is not misunderstood and abused by the federal and state governments. It is disappointing that, despite the system's implementation, corruption cases are on the rise, with the majority of them being handled through the system. To improve County government performance, the central government must ensure that good public financial management procedures are used to close the corruption gaps that plague both county and central government service delivery.

1.1.2 Devolved Units of Government in Kenya

When the National Rainbow Coalition (NARC) came to power in 2002, the government wanted to find ways to improve the performance of public sector services. The application of the Wealth, Employment and Recovery Strategy (ERS) for the period 2003-2007 aims to assess the results of public services. The NARC

administration developed the ERS because of the need to reverse the negative direction of economic development that led to increased unemployment and poverty in the country. Good governance and democracy are core values of ERS, and in 2004 a performance measurement method called Results Management System (RBM) was introduced to support ERS implementation (Mutai, 2018; ROK, 2016).

Results-oriented management systems aim to change the way public institutions work in a decisive way to increase their efficiency. This ensures that government agencies work to achieve the results they want, including improving service delivery to the public and promoting sound financial management. The overarching goal of every government is to achieve its goals, especially those related to the provision of services to the public (Mutai, 2018). The introduction of RBM in the public sector in Kenya marked the beginning of the implementation of a performance management system. Public service efficiency management is related to the National Economic Development Blue Vision 2030 and the previous 2003-2007 ERS and openness, parallel integration, measurement considerations, stakeholder involvement, consideration and monitoring reporting (Mutai, 2018). At the County government level, oversight of its implementation is legally regulated by several sections of the 2012 Local Government Law (CGA) and the 2012 Public Finance Management Law (PFM). As a result, land is required to produce development plans and service delivery strategies that describe how the County will meet its objectives. This method ensures that the County is held accountable to the public for how they have spent or plan to spend the cash granted to them throughout a fiscal year.

An effective and efficient budgeting process, according to KIPPRA (2018), helps increase transparency and accountability in public services. Furthermore, the Kenyan government has instituted processes to ensure that county governments do not misappropriate public cash. Among these strategies is a strict demand that County governments adhere to established regulatory frameworks. To promote transparency and honesty, the National Treasury, for example, requires that all financial transactions in the regions run through IFMIS. In addition, this system allows the state treasury to monitor all transactions, which can facilitate any investigation if public funds are lost. Studies on the efficiency of the IFMIS system in combating corruption and misuse of

public funds have yielded varied findings. In Malawi, Mwabutwa and Pauw (2017) discovered that this system was quite effective. However, according to Kaimenyi (2016) and Muiruri (2018), while IFMIS is helpful in combating white-collar crime in Kenya, it is ineffective in Kenya, despite its success in other countries. The National Youth Service (NYS) 1 and 2 dubbed the theft of public funds in the mega-corruption scandal, where a total of Ksh. 1.8 billion. Eight billion public funds are lost each time (Wasuna, 2018) is sufficient evidence that the system is not working well in fighting corruption. The loss of public monies demonstrates how fragile the system is in terms of safeguarding public funds. In addition to the New York scam, there have been numerous scandals involving the Departments of Health, Treasury and National Planning, Water and Irrigation, and Oil and Energy, all of which have cost taxpayers billions of dollars. This is despite the implementation of IFMIS, a system designed to reduce corruption and increase transparency and accountability in government services.

1.2 Problem Statement

According to KIPPRA (2018), local governments in Kenya have put in a lot of effort to lay the groundwork for good Public Financial Management (PFM) in several areas. Although implementation of the UPF system is under development, County have made significant strides in several areas. For example, many Counties have established and implemented various UPF structures, encouraged timely preparation of budget documents, and strictly adhered to the schedule and procedures of the 2012 UPF Law. In addition, the implementation of IFMIS allows for timely and systematic budget preparation and implementation of County governance. However, the Kenyan public finance management sector still faces many challenges that may not be in line with the ideology of public finance. Mutai (2018) noted that since the establishment of the Delegated Management System in Kenya in 2013, the annual reports of the Budget Auditor and Controller show that several Counties have implemented expenditure mechanisms that are not in accordance with the provisions of the UPF Law. in accordance with 2012 as well as the 2015 PPAD Law. In particular, the report shows that the central government allocates more funds to delegated units each fiscal year than the recommended 15 percent of total national income and increases the distribution on a regular basis each fiscal year (CoB, 2017). However, Counties do not

have adequate accounting systems and adhere to weak controls that encourage misuse of these funds, leading to slow or limited outcomes for delegated units (Mutai, 2018, CoB, 2017).

With this in mind, Counties face challenges in achieving cumulative budgetary discipline outcomes, efficient service delivery at the local level, strategic allocation of resources and achieving their common goals. As a result, Counties are limited in implementing the UPF system effectively. According to studies by Njahi (2017), Mbae (2018) and Lerno (2016), the delegated government in Kenya must adhere to adequate financial planning, sound public finance practices, high quality and functioning internal controls, and adequate revenue mobilization. One of the ways is to improve effective public financial management practices. Despite the recommendations of various scholars, Mutai (2018) notes that several Counties have failed to adopt this practice, resulting in their failure to achieve their goals, as reported in a report by All Africa Advisors, a London-based consultancy that supports 47 Counties in Kenya in terms of performance.

An important area of public financial management is local revenue mobilization, and according to Mutai (2018) Counties are not doing well in revenue mobilization and collection. It is important to note here that the Counties lack of revenue means that insufficient funds are available to them and this can affect their performance in terms of thwarting or delaying service delivery in key economic sectors (Dubat, 2020). Therefore, it is necessary to conduct a study to educate local governments about the need for good public financial management to improve expected outcomes such as service delivery to the community. As such, the current study aimed to assess the public financial management enhancing practices in county governments: the case of Laikipia county.

1.3 Research Objectives

1.3.1 General Objective

The primary aim of the study was to assess the public financial management enhancing practices in county governments: the case of Laikipia county.

1.3.2 Specific Objectives

- i. To assess budget reliability as a practice of enhancing public financial management in Laikipia County government.
- ii. To assess the policy-based fiscal strategies as a practice of enhancing public financial management in Laikipia County government.

1.4 Research Questions

- i. What is the implication of budget reliability as a practice of enhancing public financial management in Laikipia County government?
- ii. What are the implications of policy-based fiscal strategies as a practice of enhancing public financial management in Laikipia County government?

1.5 Scope of the Study

The research was carried out in Laikipia County, which is one of Kenya's 47 devolved administrative divisions as defined by the Kenyan Constitution (2010). The investigation's scope was limited to a review of enhancing public financial management in county governments: the case of Laikipia county, with the findings expected to be used to make generalizations about service delivery throughout Kenya's 46 county administrations. Specifically, the investigator analyzed budget reliability and policy-based fiscal strategies as practices of enhancing PFM in Laikipia County government.

1.6 Justification of the Study

The rationale for this study was to identify knowledge gaps regarding the relationship between budget reliability and policy-based finance strategies and expected PFM outcome in Kenyan County governments. This research provides a new perspective on the discussion on enhancing PFM among Kenyans. The results of the investigation may be important to governments at the national and County levels, which mandate Part IV of the 2012 UPF Law to monitor and ensure the efficient allocation of resources to the 47 delegated units in accordance with legislative requirements. (Constitution of Kenya, 2010). The results are designed to show whether County governments are using their finances effectively to achieve their goals. Second, County governments may find the survey results particularly useful as they may use them to compare the need to comply

with appropriate UPF practices in order to improve their ability to improve service delivery. The Board of Governors (CoG) may also be interested in the results of a study to assess the performance of Laikipia Regency as a delegated entity.

The State Treasury, as the main decision maker and government agency in government, may consider survey results important in formulating better policies aimed at improving County government performance for the benefit of taxpayers. In addition, the results can help the National Treasury formulate the necessary steps to free the community from losing their funds by demanding good financial management of public funds by regional heads. The County government has been linked to ephemeral corruption, which has crippled expected PFM outcomes such as service delivery in most Counties since it began in 2013. The Ministry of Finance believes the survey results may be important for fighting corruption and refugees in Counties and insists that Counties consider their allocation of funds before making new allocations.

The survey may also be of concern to the general public, also known as 'Mwananchi', who are taxpayers and who expect state or County governments to provide them with quality services. In Kenya, due to many cases of theft of public money, the public has lost faith in state and local leadership and is calling for strong action to prevent such crimes. Therefore, the survey results may be of interest to the general public (particularly residents of Laikipia County) and help them understand whether their local government has made sufficient efforts to improve its performance by using central government funds efficiently and effectively. Finally, this study may be of use to future researchers and universities who may be concerned about examining the public financial management enhancing practices by Kenyan Counties or other African-assigned governments. This research also forms part of the literature that researchers may wish to review in the future as they conduct their research.

The study further makes significant theoretical contribution. Fiscal decentralization involves the transfer of responsibilities related to revenue and expenditure to the local or regional governments. Fiscal decentralization in Kenya has given county governments the power to come up with policies that can enhance their collection of revenues and also ensure that their expenditures are conducted in the manner that realizes their objectives. This research confirms the arguments of fiscal

decentralization theory. The theory guided the assessment of the policy-based fiscal strategies and their implications on expected PFM outcome by counties.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter takes a comprehensive review of relevant literature on the public financial management practices and their implication on service delivery by county administrations. It is organized into sub-sections encompassing the theoretical literature highlighting the key theories guiding the study; an assessment of empirical literature; summary of existing research gaps; the conceptual framework of the study indicating the conceptualized correlation between dependent and independent variables, and operationalization of the study variables.

2.2 Public Financial Management

Public financial management is very important to improve the quality of public service outcomes. Good governance includes effective public finance management as a key component (Choudhury & Mohanty, 2019). This has an impact on the availability of resources for investment, the profitability of public services, and the deployment of monies to address local and national goals. When there is sound financial management, accountability, and openness in the use of public monies, the general public is more likely to have higher faith in public sector institutions. The PFM strategy promotes fiscal and macro stability, directs public resources to national priorities, aids in the provision of efficient services for reducing poverty and promoting economic development, and makes public money more transparent and under control (Thom, 2019).

PFM encompasses all aspects of APBN growth, both upwards and downwards (Simson et al., 2011). Forward planning, mid-term spending reviews, and annual budgeting are examples of upstream processes, while revenue management, public procurement, regulation, secretariat, reporting and monitoring and evaluation, review and monitoring are examples of downstream processes (Norad, 2011). Strengthening the PFM system is essential for autonomous governance, more efficient use of public resources, promoting macroeconomic stability and reducing poverty. According to Mutai (2018); Njahi (2017) and Lerno (2016). On the other hand, Norad (2011) states

that the inefficient UPF system is the forerunner of an increased risk of corruption and can hinder development.

Lawson (2017) in his study on UPF changes in Malawi, Ghana, and Burkina Faso, not only supports good governance and transparency, but also helps deliver effective services, such as economic dependence and human development. Despite economic, political, and social changes in Malawi, Burkina Faso, and Ghana, UPF reforms have been successful in impacting service delivery to communities, according to the report. The reforms have improved government accountability and openness, resulting in enhanced public trust in the system.

Mwabutwa and Pauw (2017) examined UPF practices in Malawi from 2001 to 2010 and found that the government had made great progress in reform implementation. The Malawian government, for example, purchased and implemented IFMIS, which has proven to be effective in managing public funds. Malawi has also centralized its payment system by establishing a single treasury account system. Both were the main UPF reforms implemented in Malawi between 2001 and 2010. Their effects were reflected in better service delivery, reduced corruption and increased accountability and transparency.

Kamya (2018) shows that the Tanzanian and Ethiopian governments have successfully implemented UPF reforms in a comprehensive analysis of UPF reforms in Tanzania and Ethiopia. The researcher also points out that both countries' governments are focused on addressing serious flaws in financial regulation. For example, suppose you assign two tasks with the aim of providing effective control and increasing control effectiveness. While the UPF Ethiopia reform includes further development of the current system; Focus on legal basis, accountability, accounts and budgets; A hybrid approach, payments and consistency, Tanzania's PFM reforms are based on action guided by the introduction of new ICTs and disciplinary procedures.

In examining the impact of UPF reforms in Kenya on the performance of state-owned enterprises, Wakhungu (2014) found that corporate budget integrity, budget inclusion and transparency, external oversight, and budgetary security and control have a significant impact on public companies having a budget contribution. The researcher

adopted a descriptive design for this study, taking a sample of thirty out of one hundred and sixty-eight state-owned companies. In this study, both primary and secondary data were used, analyzed and presented with descriptive figures. To boost financial performance, the researcher suggests broadening the use of UPF reforms across all SOEs. The introduction and usage of a KPH system, which encourages openness and inclusion in the budget process, provides budget predictability, and allows external control of public financial management practices, are among these improvements.

In a Kenyan study by Mwengi (2016); Wakhungu (2014), Mwangi (2018); Mutai al. (2017) and Mutai (2018) showed that despite the implementation of IFMIS, County governments were still struggling to adopt reforms to improve UPF practices in transferred management systems. For example, Mwengi noted that Kenya changed its system of government after the proclamation of the 2010 Constitution to one that carried over in 2012, marginalization, resource allocation, bureaucratic inefficiency, ethnicity, rent-seeking, lack of public participation among many others. One of the mandates of the transferred management system is to promote high quality management for development and growth. Yet many of the decentralization problems to be solved have been shifted to Counties where accountability, corruption, misuse of public funds, ethnicity and nepotism, and political patronage prevail. This suggests that counties are not fully complying with the provisions of the 2012 UPF Law, which mandates them to establish a UPF plan that improves community service delivery while reducing instances of public money misuse and corruption. County governments can also enhance transparency by permitting public input in problems linked to the management, allocation, and usage of allotted monies, according to Mutai et al. (2017).

A study by Mutai (2018) highlights the important role of budget reliability and financial strategies and policy-based budgeting in County government performance. Similarly, a study by Abdallah (2018) found that budget reliability and strategy, as well as policy-based budgeting, play an important role in the work of local government in Kenya.

Nderitu and Koori (2018) utilized a descriptive research methodology to investigate "Standards of Public Sector Accounting and Financial Reporting in County Governments in the Central Region of Kenya." Secondary and primary data are used

by researchers. A questionnaire was used to collect primary data, while secondary data was taken from audited County government annual financial reports. A stratified random sample was used to choose participants, and a total of 266 people were chosen. The researchers discovered that counties in the central area have restricted access to financial data, which has a detrimental impact on decision-making processes and makes it difficult for stakeholders and communities to understand how their resources are being spent. Due to a lack of information, Counties in the region face challenges with accounting and reporting. Bookkeeping and reporting therefore had a significant impact on the County's work, investigators said.

2.3 Theoretical Literature

The study is centered on the assertions presented by two major theories related to fiscal decentralization and budgeting. These theories are the theory of fiscal decentralization and theory of financial controls.

2.3.1 Theory of Fiscal Decentralization

The theory of fiscal decentralization and regional economic growth was propagated by Musgrave (1959). According to the theory, fiscal decentralization is one of the principal notions in finance theory that can be employed when measuring policies in civic sector reforms. Fiscal decentralization involves the transfer of responsibilities related to revenue and expenditure to the local or regional governments. This means that the regional government is granted the duty of collecting taxes and generating other means of realizing income as well as planning how to spend the collected taxes to better the lives of the people in the community (Martinez-Vazquez & McNab, 2003).

According to Yushkov (2015), the theory of fiscal decentralization granted little attention to the aim of economic development and its role in enhancing economic growth and development in a country. Traditionally, the theory regarded fiscal decentralization as aiming to efficient resource allocation, economic stability and horizontal financial imbalances. It was traditionally believed that fiscal decentralization would greatly improve efficiency in resource allocation thereby enhancing the ability of the public desires to be responded to by representatives.

However, the theory of fiscal decentralization argues that efficiency is central in the functioning of decentralized administrative units.

Like decentralized units in federal states, the county governments in Kenya are expected to adopt policies that can increase their efficiency in terms of financial management and service delivery. Guided by the arguments presented in this theory, county governments need to ensure that their adopted financial management practices match their objectives which include better service delivery to the people. Fiscal decentralization in Kenya has given county governments the power to come up with policies that can enhance their collection of revenues and also ensure that their expenditures are conducted in the manner that realizes their objectives. The theory was pertinent in this study because its arguments on fiscal decentralization are relevant to the study. It guides the assessment of the policy-based fiscal strategies and their implications on expected PFM outcome by counties in Kenya.

2.3.2 Theory of Financial Controls

The theory of financial control was first put forward by Lars Estman (2009). The theory postulates that the most important segment of an institution is the existing and possibly functioning tax unit. Against this background, it is important to discuss the tax function and related considerations when discussing its internal characteristics and possible consequences. Accounting, economic computations, control models, payments, and financial instruments are examples of financial functions (Wakiriba, Ngahu & Wagoki, 2014). Financial control theory is an important starting point for human tasks now and in the future. This means that the theory is widely applied in modern institutions, especially in terms of tax supervision and control, which is part of the practice of managing public finances.

According to Stman (2009), organizational financial control theory gives more weight and focus to organizations that view them from a broad perspective. One focus sees people as the primary implementer of what the organization has accomplished and considers people's activities in connection to the company's products. Another section is concerned with the company's structure and cross-border transaction occurrences. Furthermore, this theory encompasses control structures in the sense of iterative procedures and strategies that businesses utilize to link current and future roles with

external and internal resources. According to Mutai et al. (2017), the above-mentioned fiscal control devices are significant from the perspective of individual enterprises as well as the larger monetary system. The fourth section explains how each organization handles specific questions. According to the notion, the structure and system of financial control operate in unison.

Financial control theory is fully appropriate for this study as it helps to understand the specific details of financial management for organizations and governments. In this manner, the theory helps in guiding the researcher concerning the issues surrounding the enhancing of public financial management practices in the county governments. Like an organization, county governments are required to adopt and maintain prudent financial management strategies to safeguard public funds and also enhance service delivery to the people. Financial control as argued in the theory is, therefore, crucial in the enhancement of expected PFM outcome by the devolved units of governance (Wakiriba et al., 2014).

2.4 Empirical Literature Review

2.4.1 Budget Reliability and Public Financial Management

Budget reliability plays a significant role in defining a county's financial success, according to empirical studies on the impact of budget reliability and policy-based fiscal strategies on service delivery. Sow (2015) studied the effect of fiscal decentralization on the efficiency of public service delivery and noted that fiscal decentralization was essential in improving the service delivery's efficiency. However, the researcher noted that in some conditions, the effect of the decentralization on the efficiency of service delivery might not be positive. The investigator further noted that the influence of fiscal decentralization depends on the adequacy of institutional and political settings and a notable degree of decentralized expenditure to attain positive outcomes. The findings also indicated that for an organization to realize the positive impacts of fiscal decentralization, there was need to sufficiently decentralize revenue as a way of enhancing service delivery. These conditions were necessary for fiscal decentralization to lead to efficiency in service delivery for organizations.

Kendie (2018) examined the determinants of effective public financial management in the Department of Agriculture Administration of the North Shoa Zone, Ethiopia. The efficiency of state financial management serves as the study's dependent variable. Budgeting, accounting and reporting, internal control, external audit, and governance were all listed as independent variables. To accomplish the research goals, the researcher utilized an explanatory and descriptive research design. This study reveals that effective public financial management is significantly influenced by budgeting, accounting and reporting, internal control, external audit, and governance. This study had a substantive gap as it was done in Ethiopia, which is a different setting from Kenya.

Osebo, Debebe, and Eshetu (2019) analyzed the impact of the budgeting process on organizational performance in the public finance sector and economic development of the Wolaita Zone. Both qualitative and quantitative research techniques are used. Five carefully chosen districts from the zone served as the study's locations. Additionally, a sample of 157 employees was chosen using a stratified or simple random sampling procedure. Multiple linear regression analysis and descriptive statistics were used to analyze the data gathered from the respondents. The findings demonstrated a connection between organizational performance and the effects of the budgeting process. This study demonstrates that budget planning's contribution to organizational effectiveness's success does not seem as promising as the others. It's not encouraging that their organization uses money and financial controls inefficiently. There is a conceptual gap because this study focused on organizational effectiveness rather than public financial management.

Kadenge (2001) examined the impact of budgetary accounting techniques on district-level public financial management in Kenya. The specific goals of this research are to: establish a relationship between district-level planning and management of public funds; establish a relationship between district-level control and management of public funds; and establish a relationship between district-level revenue optimization and management of public funds. A conceptual framework that links the research variables serves as its direction. The findings revealed a significant connection between district-

level budget planning, revenue optimization, budget control, and financial resource management in Kenya. However, this study did not focus on Laikipia County.

A study by Enu-Kwesi and Scott (2018) instigated a study on the role of budgeting practices in delivery of services in the Ghanaian public sector. The outcomes of the study indicated that the public rated service delivery in the country poorly whereas the officials of assemblies in the state ranked them as satisfactory. The key indicator of service delivery was efficient budgeting practice which the study noticed was missing. Additionally, the authorities did not have much regard to the rules and regulations governing budgeting policy in the country leading to a total disregard of the budgeting process. The researchers discovered a positive correlation between budgeting practices and service delivery. Another study by Pimpong and Laryea (2016) espoused a quantitative research methodology to conduct the study. Primary data was collected using a questionnaire to determine the importance of budget planning as a tax control tool for non-bank financial institutions. The researcher uses a step by step technique to create the model. In addition, regression analysis is used to measure the extent of the relationship with the planning and operating background of the company. The results of the investigation show that budget synchronization has a statistically significant positive correlation with service provision. This means that a sound budget process strengthens the fiscal declaration of the non-bank currency organization in Ghana.

In his study "The Impact of the Budgeting Process on the Financial Performance of the Kwale Regency Government," Abdallah (2018) discovered that the budgeting process had a substantial impact on the Kwale County's financial performance. The researcher employed a descriptive research design and a census approach to perform the study, which included all thirteen departments of the Kwale County Administration. The data was subsequently examined using IBM SPSS version 21, and the findings revealed a correlation between the budgeting process and improved regional financial performance. Based on the 2012 PFM Law, the researcher recommends that the Kwale County government produce a reasonable budget forecast.

Kibunja (2017) examined the Budget Process and Financial Results of the Muranga County Government, Kenya and found that the monitoring aspect of the County government's budget was weak, which led to the low financial results of Murandja

Regency. The researcher also found that the budget appraisal procedure was not effective enough because the regional financial reports were not made on time and the supervision was quite poor. For this study, a sample of 83 participants was used, who were systematically selected from 2,074 targeted County government employees. Secondary and primary data were used to conduct research. The researcher recommends that County governments review their policies to allow communities to participate in the budgeting process for added reliability.

Wakhungu (2014) indicates that the credibility and reliability of the state budget is dependent on the government's ability to change its revenue and expenditure plans in a study on the Impact of Public Financial Management Reforms on the Financial Performance of State-Owned Enterprises in Kenya. He discovered a link between household confidence and state-owned enterprise financial performance. Wakhungu discovered that the reliability of the budgeting process had a significant impact on the financial performance of state-owned firms in Kenya, using a sample of 30 participants from 168 target subjects.

2.4.2 Policy-based Fiscal Strategies and Public Financial Management

Okpala (2018) examined the relationship between the Tax Responsibility Act 2007 and public financial management practices in Nigeria. 500 senior officials from the Ministry of Finance, the Federation Budget Office, the Fiscal Responsibility Commission, and the National Assembly were arbitrarily chosen as the study population in a descriptive cross-sectional study that was conducted. To support the six formulated hypotheses, data were gathered using questionnaires and analyzed using descriptive and correlative methods. The analysis and reporting of consolidated debt and contingent liabilities, as well as the budget performance review, revenue trends and assumptions underpinning forecasts, fiscal strategy document, and risk from a medium-term perspective are all positively and significantly correlated with public sector financial management practices, according to the results. However, this study was conducted in Nigeria and therefore not applicable to the local context.

Kwarteng (2017) assessed the impact of public financial management and service delivery at the local government level in Ghana. Building connections between policy-based budgeting and service delivery is one of the specific goals. Other goals include

figuring out how well service delivery is supported by budget reliability and the effects of revenue production and distribution. Utilizing survey techniques and a descriptive research approach According to this study, policy-based budgeting and the provision of assembly services are closely related. When actual budget allocations are compared to the authorized budget plan, there is a great level of confidence in the assembly budget's ability to maintain financial discipline. The church's budgeted income cannot be met. The study also discovers a favorable direct association between service delivery and income distribution. The study was conducted in Ghana, which is a different environment from Kenya.

Hawke (2017) examined the achievements of the PEFA program and its implications for public financial management (PFM) reform in Asia and the Pacific. The discussion and practitioner training were held on the same day that the modified PEFA 2016 framework for evaluating public financial management performance celebrated its first anniversary. The Forum emphasized the wealth of expertise that Asia-Pacific nations have in handling PEFA evaluations, using the reports produced by PEFA evaluations to inform government plans for public finance management reform, and overseeing those plans' execution. The findings demonstrated that the fiscal approach made a substantial contribution to the development of public financial management. However, this study was not conducted in the Kenyan context.

2.5 Research Gaps Identified

According to the empirical analysis of literature above, most experts appear to agree on the role of PFM practices on county performance in Kenya, particularly when it comes to issues of service delivery. Several of the studies examined found that public financial management methods, such as trustworthy and valid budgets and policy-based fiscal plans, had an impact on service delivery by county administrations under devolved governments.

According to the analysis, the majority of research focused on the impact of budgeting practices as a PFM practice on county financial performance and did not consider the impact of budget reliability and policy-based strategies on county service delivery. Furthermore, no study has been done to investigate the impact of the above factors on the efficiency of service delivery by Laikipia County in particular, according to the

evaluation. As a result, this study sought to assess budget reliability and policy-based fiscal strategies as practices of enhancing public financial management in Laikipia County government.

2.6 Conceptual Framework

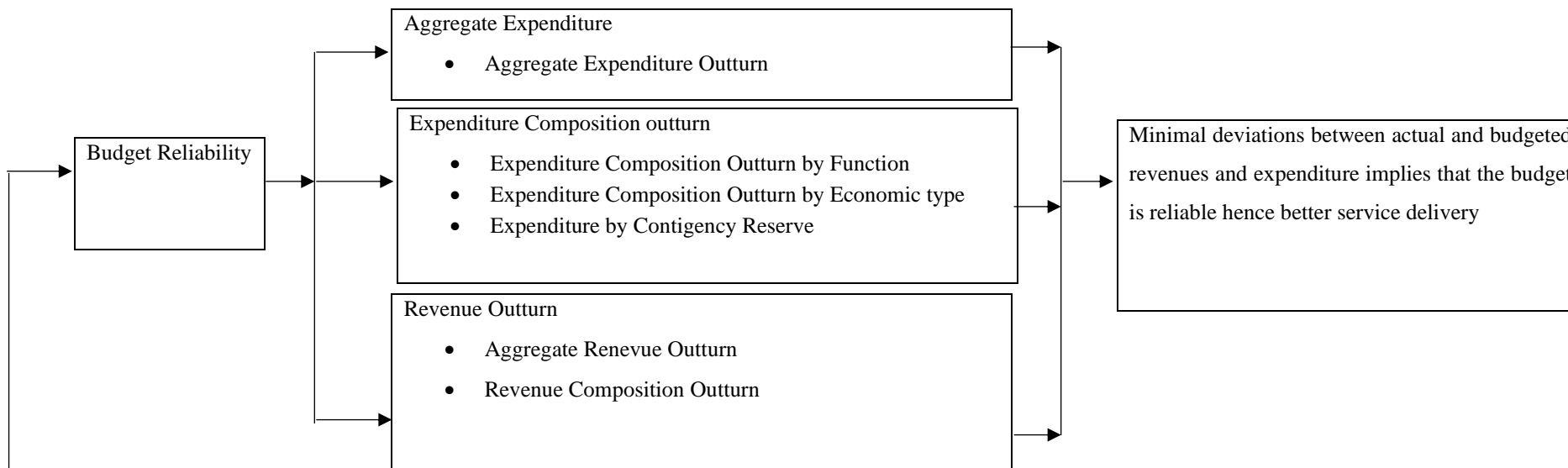
The study adopted the overall framework of Public Expenditure and Financial Accountability (PEFA) to conceptualize the nature of association between the independent variables and the dependent variable as shown in figure 2.1.

Public Financial Management Practices

Pillars

Indicator/Dimensions

Expected PFM outcome



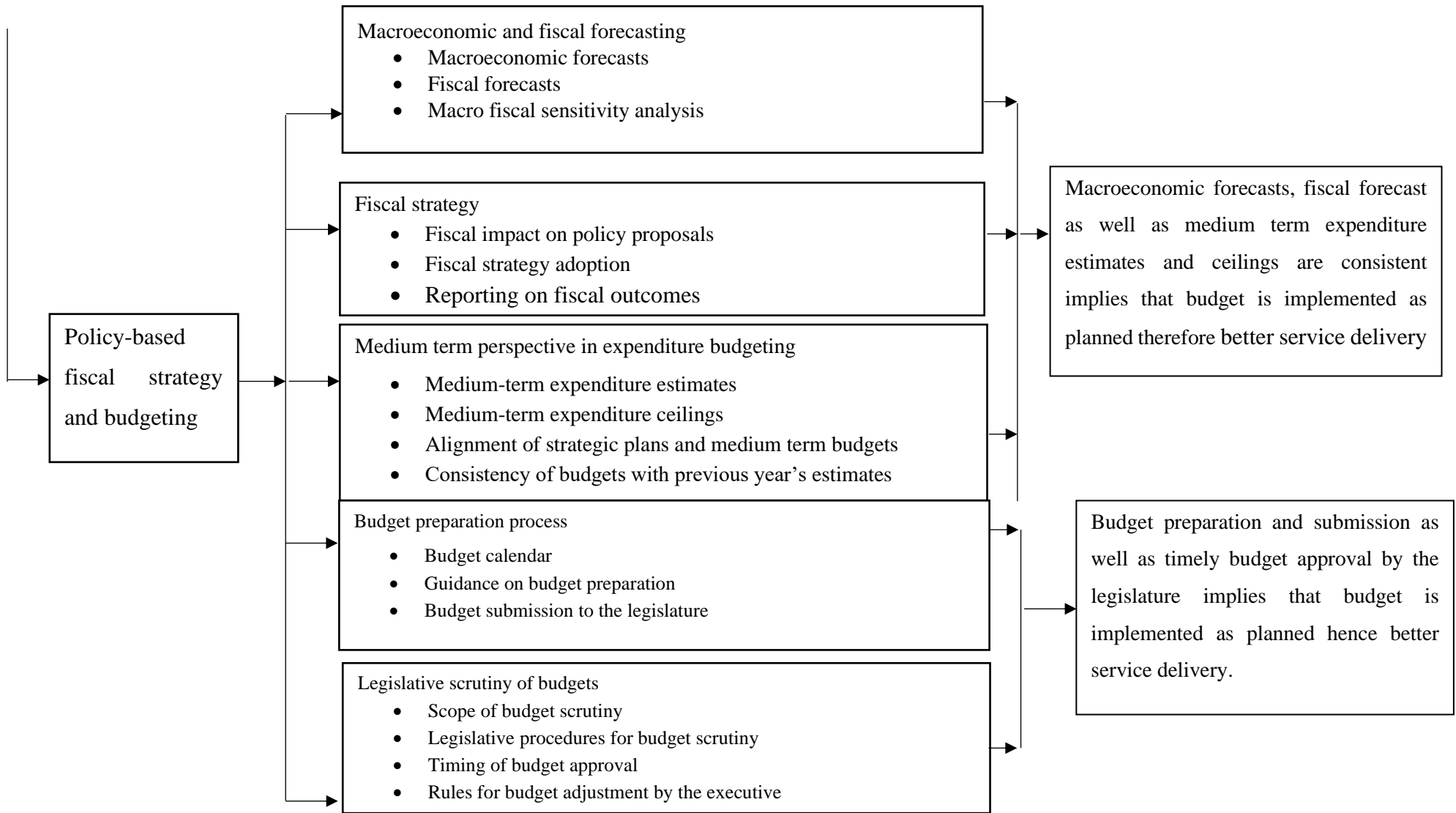


Figure 2.1: Conceptual Framework

Source : Own Compilation (2020)

2.7 Operationalization of the Study Variables

The operationalization and measurement of the study variables was guided by PEFA guidelines (2016).

Table 2.1: Measurement of Budget Reliability Indicators

Indicator Type	Dimension and Scoring	
	Score	Minimum Requirements for Score
Aggregate Expenditure Outturn	A	Aggregate expenditure outturn was between 95% and 105% of the approved aggregate budgeted expenditure in at least two of the last three years.
	B	Aggregate expenditure outturn was between 90% and 110% of the approved aggregate budgeted expenditure in at least two of the last three years.
	C	Aggregate expenditure outturn was between 85% and 115% of the approved aggregate budgeted expenditure in at least two of the last three years.
	D	Performance is less than required for a C score.

Expenditure Composition Outturn

	By Function	
	A	Variance in expenditure composition by program, administrative or functional classification was less than 5% in at least two of the last three years
	B	Variance in expenditure composition by program, administrative or functional classification was less than 10% in at least two of the last three years.
	C	Variance in expenditure composition by program, administrative or functional classification was less than 15% in at least two of the last three years.
	D	Performance is less than required for a C score
	By Economic Type	
	A	Variance in expenditure composition by economic classification was less than 5% in at least two of the last three years.
	B	Variance in expenditure composition by economic classification was less than 10% in at least two of the last three years.
	C	Variance in expenditure composition by economic classification was less than 15% in at least two of the last three years.
	D	Performance is less than required for a C score.

	From Contingency Reserves	Actual expenditure charged to a contingency vote was on average less than 3% of the original budget.
	A	
	B	Actual expenditure charged to a contingency vote was averaging between 3% and 6%, inclusive, of the original budget.
	C	Actual expenditure charged to a contingency vote was on average more than 6% but less than 10% of the original budget.
	D	Performance is less than required for a C score.
Revenue Outturn	A	Actual revenue was between 97% and 106% of budgeted revenue in at least two of the last three years.
	B	Actual revenue was between 94% and 112% of budgeted revenue in at least two of the last three years.
	C	Actual revenue was between 92% and 116% of budgeted revenue in at least two of the last three years.
	D	Performance is less than required for a C score.

Source: PEFA Guideline (2016).

2.7.1 Measurement and Operationalization of Policy-based Fiscal Strategies Indicators

The operationalization and measurement of the study variables was guided by PEFA guidelines (2016).

Macroeconomic and fiscal forecasting

Description

This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances. It contains three dimensions and uses **M2 (AV)** for aggregating dimension scores.

Table 2.2: Measurement of Policy-based Fiscal Strategies Indicators

Dimensions and scoring

Score	Minimum requirements for scores
Macroeconomic forecast	
A	The government prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and two following fiscal years. These forecasts, together with the underlying assumptions and an explanation of the main differences from the forecasts made in the previous year's budget, are included in budget documentation submitted to the legislature.
B	The government prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and two following fiscal years. These forecasts, together with the underlying assumptions, are included in budget documentation submitted to the legislature.

C	The government prepares forecasts of revenue, expenditure and the budget balance for the budget year and the two following fiscal years.
D	Performance is less than required for a C score.
Fiscal Forecast	
A	The government prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and two following fiscal years. These forecasts, together with the underlying assumptions and an explanation of the main differences from the forecasts made in the previous year's budget, are included in budget documentation submitted to the legislature.
B	The government prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and two following fiscal years. These forecasts, together with the underlying assumptions, are included in budget documentation submitted to the legislature.
C	The government prepares forecasts of revenue, expenditure and the budget balance for the budget year and the two following fiscal years.
D	Performance is less than required for a C score.
Macrofiscal sensitivity analysis	
A	The government prepares a range of fiscal forecast scenarios based on alternative macroeconomic assumptions, and these scenarios are published, together with its central forecast.
B	The government prepares, for internal use, a range of fiscal forecast scenarios based on alternative macroeconomic assumptions. The budget documents include discussion of forecast sensitivities.

C	The macrofiscal forecasts prepared by the government include a qualitative assessment of the impact of alternative macroeconomic assumptions.
D	Performance is less than required for a C score.

Fiscal Strategy

Description

This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

Dimensions and scoring

Fiscal impact of policy proposals	
A	The government prepares estimates of the fiscal impact of <i>all</i> proposed changes in revenue and expenditure policy for the budget year and the following two fiscal years, which are submitted to the legislature.
B	The government prepares estimates of the fiscal impact of <i>all</i> proposed changes in revenue and expenditure policy for the budget year and the following two fiscal years.
C	The government prepares estimates of the fiscal impact of <i>all</i> proposed changes in revenue and expenditure policy for the budget year.
D	Performance is less than required for a C score.
Fiscal strategy adoptions	
A	The government has adopted, submitted to the legislature, and published a current fiscal strategy that includes explicit time-based quantitative fiscal goals and targets together with qualitative objectives for at least the budget year and the following two fiscal years.

B	The government has adopted and submitted to the legislature a current fiscal strategy that includes quantitative or qualitative fiscal objectives for at least the budget year and the following two fiscal years.
C	The government has adopted and submitted to the legislature a current fiscal strategy that includes quantitative or qualitative fiscal objectives for at least the budget year and the following two fiscal years.
D	Performance is less than required for a C score.
Reporting on fiscal outcomes	
A	The government has submitted to the legislature and published with the annual budget a report that describes progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set. The report also sets out actions planned by the government to address any deviations, as prescribed in legislation.
B	The government has submitted to the legislature along with the annual budget a report that describes progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set.
C	The government prepares an internal report on the progress made against its fiscal strategy. Such a report has been prepared for at least the last completed fiscal year.
D	Performance is less than required for a C score.

Medium-term perspective in expenditure budgeting

Description

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic

plans. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

Dimensions and scoring

Medium-term expenditure estimates	
A	The annual budget presents estimates of expenditure for the budget year and the two following fiscal years allocated by administrative, economic, and program (or functional) classification.
B	The annual budget presents estimates of expenditure for the budget year and the two following fiscal years allocated by administrative <i>and</i> economic classification.
C	The annual budget presents estimates of expenditure for the budget year and the two following fiscal years allocated by administrative <i>or</i> economic classification.
D	Performance is less than required for a C score.
Medium-term expenditure ceilings	
A	Aggregate and ministry-level expenditure ceilings for the budget year and the two following fiscal years are approved by government before the first budget circular is issued.
B	Aggregate expenditure ceilings for the budget year and the two following fiscal years and ministry-level ceilings for the budget year are approved by government before the first budget circular is issued.
C	Aggregate expenditure ceilings for the budget year and the two following fiscal years are approved by the government before the first budget circular is issued.
D	Performance is less than required for a C score.
Alignment of strategic plans and medium-term budgets	
A	Medium-term strategic plans are prepared and costed for <i>most</i> ministries. <i>Most</i> expenditure policy proposals in the approved medium-term budget estimates align with the strategic plans.

B	Medium-term strategic plans are prepared for the <i>majority</i> of ministries, and include cost information. The <i>majority</i> of expenditure policy proposals in the approved medium-term budget estimates align with the strategic plans.
C	Medium-term strategic plans are prepared for <i>some</i> ministries. <i>Some</i> expenditure policy proposals in the annual budget estimates align with the strategic plans.
D	Performance is less than required for a C score.
Consistency of budgets with previous year's estimates	
A	The budget documents provide an explanation of <i>all</i> changes to expenditure estimates between the last medium-term budget and the current medium-term budget at the ministry level.
B	The budget documents provide an explanation of <i>most</i> changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the ministry level.
C	The budget documents provide an explanation of <i>some</i> of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level.
D	Performance is less than required for a C score.

Budget Preparation Process

Description

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

Dimensions and scoring

Budget Calendar	
A	A clear annual budget calendar exists, is generally adhered to, and allows <i>all</i> budgetary units at least six weeks from receipt of the budget circular to meaningfully complete their detailed estimates on time.
B	A clear annual budget calendar exists and is largely adhered to. The calendar allows budgetary units at least four weeks from receipt of the budget circular. <i>Most</i> budgetary units are able to complete their detailed estimates on time.
C	An annual budget calendar exists and <i>some</i> budgetary units comply with it and meet the deadlines for completing estimates.
D	Performance is less than required for a C score.
Guidance on Budget preparation	
A	A comprehensive and clear budget circular or circulars are issued to budgetary units, covering total budget expenditure for the full fiscal year. The budget reflects ministry ceilings approved by the cabinet (or equivalent) prior to the circular's distribution to budgetary units.
B	A comprehensive and clear budget circular or circulars are issued to budgetary units, covering total budget expenditure for the full fiscal year. The budget reflects ministry ceilings submitted to the cabinet (or equivalent). The approval of ceilings by the cabinet may take place after the circular's distribution to budgetary units but before budgetary units have completed their submission.
C	A budget circular or circulars are issued to budgetary units, including ceilings for administrative or functional areas. Total budget expenditure is covered for the full fiscal year. The budget estimates are reviewed and approved by Cabinet after they have been completed in every detail by budgetary units.
D	Performance is less than required for a C score.

Budget submission to the legislature	
A	The executive has submitted the annual budget proposal to the legislature at least two months before the start of the fiscal year in each of the last three years.
B	The executive has submitted the annual budget proposal to the legislature at least two months before the start of the fiscal year in two of the last three years and submitted it before the start of the FY in the third year.
C	The executive has submitted the annual budget proposal to the legislature at least one month before the start of the fiscal year in two of the last three years.
D	Performance is less than required for a C score.

Legislative Scrutiny of Budgets

Description

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. It contains four dimensions and uses the **M1 (WL)** method for aggregating dimension scores.

Dimensions and scoring

Scope and budget scrutiny	
A	The legislature's review covers fiscal policies, medium-term fiscal forecasts, and medium-term priorities as well as details of expenditure and revenue.
B	The legislature's review covers fiscal policies and aggregates for the coming year as well as details of expenditure and revenue.

C	The legislature's review covers details of expenditure and revenue.
D	Performance is less than required for a C score.
Legislative procedures for budget scrutiny	
A	The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to. The procedures include arrangements for public consultation. They also include internal organizational arrangements, such as legislature committees, technical support, and negotiation procedures.
B	The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to. The procedures include internal organizational arrangements such as legislature committees, technical support, and negotiation procedures.
C	The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to.
D	Performance is less than required for a C score.
Timing of budget approvals	
A	The legislature has approved the annual budget before the start of the year in each of the last three fiscal years.
B	The legislature has approved the annual budget before the start of the year in two of the last three fiscal years, with a delay of up to one month in the third year.
C	The legislature has approved the annual budget within one month of the start of the year in two or more of the last three fiscal years.
D	Performance is less than required for a C score.
Rules for budget adjustment by the executive	
A	Clear rules exist for in-year budget adjustments by the executive. The rules set strict limits on the extent and nature of amendments and are adhered to in <i>all</i> instances.

B	Clear rules exist for in-year budget adjustments by the executive, and are adhered to in <i>most</i> instances. Extensive administrative reallocations may be permitted
C	Clear rules exist which may be adhered to in <i>some</i> instances or they may allow extensive administrative reallocation as well as expansion of total expenditure.
D	Performance is less than required for a C score.

Source: PEFA Guideline (2016).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the methodology the researcher utilized when carrying out the investigation. The research philosophy, research design, population sampling, study method, data analysis, methodology and presentation, research quality, and ethical considerations are all covered in this chapter.

3.2 Research Philosophy

This study uses an interpretive approach that involves the researcher's interpretation of the elements of the research. This philosophy emphasizes qualitative analysis rather than quantitative analysis. Interpretation is associated with the philosophical position of idealism and is used to group various approaches including social constructivism, phenomenology, and hermeneutics; An approach that rejects the objectivist view that meaning exists in the world independently of consciousness (Collins, 2018). According to the interpretive approach, it is important for researchers as social actors to appreciate the differences between humans (Saunders, Lewis & Thornhill, 2012). In addition, the study of interpretivism tends to focus on meaning and can use many methods to reflect various aspects of the problem.

The main disadvantages associated with interpretation are related to the subjective nature of this approach and the large scope of bias on the part of the researcher. The primary data generated in an interpretive study cannot be generalized because the data is heavily influenced by personal perspectives and values. Hence, the reliability and representativeness of the data is also undermined to some extent. On a positive note, thanks to the adoption of interpretivism, qualitative research areas such as cross-cultural differences in organizations, ethical issues, leadership, and analysis of factors influencing leadership can be deepened (Thorne, 2016). Primary data generated by interpretive studies can be associated with high validity because the data in such studies are usually reliable and truthful.

3.3 Research Design

A research design, according to Creswell and Creswell (2017) is a strategy and plan of examination so comprehended as to obtain solutions to study queries. To perform the study, the researcher used a descriptive research design. Burns (2005) describes descriptive research as a design for providing and representing situations as they occur in their natural state, justifying existing practices, developing theories, and making decisions. Therefore, the descriptive research design involves collecting data that describes events related to practices for improving public financial management. In a descriptive research design, qualitative data is collected and pre-processed, and themes are used to guide the development of qualitative tools to further study the research problem. It's also appropriate because it answers the question; what, when, where and how research problems.

3.4 Target Population

In the case of this study, it was Laikipia County. The Laikipia County Government since the inception of devolution (2013), embarked on an ambitious programme to use startistical data to prioritise investments and determine the allocation of tax revenues. The county statistical abstract guides the government as well as investor on where to invest their money and other resources. Therefore, the statistical data in the county, informed the availability of the secondary data that was required for this study.

3.5 Sampling Design

The review encompassed all ministries of the Laikipia county administration.

3.6 Research Method

Both qualitative and quantitative content analysis research methodology were employed in this study where only secondary data related to budgets and policy-based tactics was gathered.

3.7 Data Analysis Approach and Presentation

Secondary data was qualitatively and quantitatively analyzed using content and descriptive analysis methods guided by PEFA Guidelines (2016). A content analysis

is a "research technique for making reproducible and accurate inferences from texts to the settings of their use," according to Krippendorff (2014). For scoring indicators with numerous dimensions, the researcher used Excel.

Most indicators had multiple dimensions, each of which was evaluated independently. PEFA assessment guidelines offered the total score for an indication, which was based on the scores for the individual dimensions (2016). The Weakest Link (WL) approach or the Averaging (AV) method were used to integrate the scores for several dimensions into the overall score for the indicator.

Weakest link method: M1 (WL). This strategy is used for multidimensional indicators when bad performance on one dimension is likely to dilute the impact of excellent performance on other dimensions. In other words, this strategy is used when the indicator's related dimensions have a "weakest link." The following are the stages in calculating the aggregate indicator score: Each dimension is initially assessed separately and given a score on the four-point calibration scale of A to D; The aggregate score for the indicator is the lowest score given for any dimension; Where any of the other dimensions score higher, a "+" is added to the indicator score. Note: It is NOT acceptable to choose the score for one of the higher-scoring dimensions and add a "-" for any lower scoring dimensions.

Averaging method: M2 (AV). This approach awards an aggregate indicator score based on an estimated average of the scores for each of an indicator's constituent dimensions, as indicated in a conversion table (table 1). This strategy is recommended for some multidimensional indicators where a low score on one dimension does not always negate the impact of a high score on another dimension of the same indicator. Despite the fact that all dimensions of an indicator are contained inside the same area of the PFM system, progress on some particular dimensions can be independent of the others in some cases. The following are the stages in calculating the aggregate indicator score: Each dimension is initially assessed separately and given a score on the four-point calibration scale; Refer to the **conversion table for indicator scores using the averaging method** (table 1) and find the appropriate section of the table—that is, whether there are two, three, or four dimensions for the indicator; Identify the row in the table that matches the scores for each dimension of the indicator; the ordering of

the dimension scores does not matter; Enter the corresponding overall score for the indicator.

The conversion table only applies to indicators that only use the M2 (AV) scoring method. Using it for an indicator labeled M1 (WL) will yield incorrect results. Conversion tables only apply to individual metrics and are not suitable for summarizing results across sets or subsets of metrics. A standard methodology for summarizing indicators has not been developed because each indicator measures a different topic and there is no standard quantitative relationship with other indicators.

Table 2.3: Conversion Table for Indicator Score Using the Average Method M2 (AV)

Dimension score			Overall M2 (AV) score	Dimension score				Overall (AV) score
2-DIMENSIONAL INDICATORS				4-DIMENSIONAL INDICATORS				
	D	D	D	D	D	D	D	D
	D	C	D+	D	D	D	C	D
	D	B	C	D	D	D	B	D+
	D	A	C+	D	D	D	A	D+
	C	C	C	D	D	C	C	D+
	C	B	C+	D	D	C	B	D+
	C	A	B	D	D	C	A	C
	B	B	B	D	D	B	B	C
	B	A	B+	D	D	B	A	C+
	A	A	A	D	D	A	A	C+
3-DIMENSIONAL INDICATORS				D	C	C	C	D+
D	D	D	D	D	C	C	B	C
D	D	C	D+	D	C	C	A	C+
D	D	B	D+	D	C	B	B	C+
D	D	A	C	D	C	B	A	C+
D	C	C	D+	D	C	A	A	B
D	C	B	C	D	B	B	B	C+

D	C	A	C+	
D	B	B	C+	
D	B	A	B	
D	A	A	B	
C	C	C	C	
C	C	B	C+	
C	C	A	B	
C	B	B	B	
C	B	A	B	
C	A	A	B+	
B	B	B	B	
B	B	A	B+	
B	A	A	A	
A	A	A	A	
NOTE: Dimension score can be counted in any order. It is only the quantities of each score that are important for aggregation.				
D	B	B	A	B
D	B	A	A	B
D	A	A	A	B+
C	C	C	C	C
C	C	C	B	C+
C	C	C	A	C+
C	C	B	B	C+
C	C	B	A	B
C	C	A	A	B
C	B	B	B	B
C	B	B	A	B
C	B	A	A	B+
C	A	A	A	B+
B	B	B	B	B
B	B	B	A	B+
B	B	A	A	B+
B	A	A	A	A
A	A	A	A	A

Source: PEFA Guideline (2016).

3.8 Research Quality

3.8.1 Study Trustworthiness

Trustworthiness is the ability of the research to be conducted in a truthful manner in a way that can justify any claims made in the research. Credibility, transferability, conformity and dependability are used in qualitative research as equivalents of reliability and validity in quantitative studies. The above was ensured in this study as described below;

Credibility: Jwan and Ong’ondo (2011) allude to the fact that credibility is about presenting authentic and truthful report from the point of view of an insider. It is,

therefore, crucial for investigators to ensure that they address credibility issues by appraising the main concepts involved in their researches and also offering a chain of evidence to back up their claims.

For this study, the supervisor reviewed the key terms of the study in an ongoing process to ensure that the researcher does not deviate from them in the analysis and presentation of the findings as well as in making inferences.

Transferability: This trustworthiness aspect implies the level at which the investigation can be generalized to other situations that have similar features. The researcher will ensure transferability of the study's findings by making sure that the findings correlate well with those of existing studies so as to make generalization easy.

Conformability: This is equivalent to objectivity in quantitative studies and signifies the degree to which the findings of the investigations are free from both exterior and interior influences from the investigator, the respondents or the organization in which the study is conducted. The researcher should try to minimize their influence on the study to avert any trustworthiness issues.

To ensure conformability, double checking of data was utilized where the researcher asked another person to repeat data coding and analysis while utilizing the same procedure for clarity purposes. This also ensured that the findings, conclusions and recommendations of the study are trustworthy.

Dependability: This is the equivalent of reliability of the study in quantitative studies and describes the extent to which the investigator provides detailed aspects of the study in such a way that another person can conduct the same study and arrive at the same results (Ritchie *et al.*, 2014).

To ensure dependability, the researcher gave detailed description of all the steps taken to conduct the research so that another investigator can easily replicate the study with minimal challenges.

3.9 Ethical Consideration

Researchers avoided presenting biased or incorrect results. Since the data was collected

from the County government treasury and national treasury reports, the quality of the information was guaranteed. Researcher sought ethical assistance from the Strathmore University Ethics Review Board. Approval from the National Commission for Science, Technology and Innovation (NACOSTI) was also obtained to conduct the research.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents the results and discussions based on the research objectives and methodology. The study's goal was to assess the public financial management enhancing practices in county governments: the case of Laikipia county.

4.2 Budget Reliability

The study sought to assess budget reliability as a practice of enhancing public financial management in Laikipia County government. A budget is considered trustworthy if it is implemented in accordance with agreed-upon estimations prior to the start of the fiscal year. To determine the extent to which this was the case in Laikipia County, three variables - aggregate expenditure outturn, expenditure composition outturn, and revenue outturn - were examined for three consecutive financial years - 2015/16, 2016/17, and 2017/18.

4.2.1 Aggregate Expenditure Outturn

This metric assesses how closely the total budget expenditure outturn matches the amount initially approved, as defined in county government budget documents and fiscal reports. According to the conceptual framework, this indicator has only one dimension.

Table 4.1 shows that in the last three financial years, Laikipia County's aggregate spending outturn was between 65 percent and 79 percent of the authorized aggregate planned expenditure. The indication received a D grade. This is because, according to the scoring methodology rules PEFA, the aggregate spending outturn in the last three years was less than 85% of the approved aggregate budgeted expenditure (2016).

Table 4.1: Aggregate Expenditure Outturn

Financial Year	Budget Estimates	Actual Aggregate expenditure	Total Expenditure Deviation %
2015/16	4,091,690,10 8	2,659,598,570	65
2016/17	4,813,753,06 8	3,465,902,209	72
2017/18	5,706,495,72 0	4,508,131,619	79

4.2.2 Expenditure Composition Outturn

This metric assesses how much reallocations between major budget categories during execution contributed to variance in expenditure composition. It has three dimensions: spending composition outturn by function, economic type, and contingency reserve expenditure.

The expenditure composition outturn by function dimension measures the difference between the original, approved budget and the end-of-year outturn in spending composition, by functional classification, for the last three years, excluding contingency items and interest on debt. Table 4.2 reveals that the range in expenditure composition by functional classification in Laikipia County was larger than 15% in at least two of the last three financial years. As a result, the dimension received a D, indicating that the performance fell short of what was required for a C.

Table 4.2: Expenditure Composition Outturn by Function (Ksh. Million)

Functional Head	Budget	Actual	Budget	Actual	Budget	Actual
	2015/16		2016/17		2017/18	
County Assembly	625	464	700	600	588	296
County Executive	148	132	1597	1463	690	575
Finance and Economic Planning	800	787	648	247	394	399
Agriculture	16	11	100	127	228	159
Environment and Natural Resources	35	33	47	63	221	69
Education, Youth Affairs, and social development	54	39	466	292	874	576
County Health services	261	202	525	444	1471	1254
Water and irrigation	492	254	178	125	402	194
ICT and Gender			50	36	87	65
Public Works, Roads, Transport and housing	617	349	500	345	718	505
Industrial and Enterprise Development	324	126	93	37	305	157
Total	3372	2397	5534	4309	6478	4919
Composition Variance (%)		29.2		22.1		24.1

The expenditure composition outturn by economic type dimension measures the difference between the original, approved budget and the end-of-year outturn in spending composition by economic classification for the previous three years, including interest on debt but omitting contingency items. The budget's economic classification is critical for illustrating changes in different categories of inputs, such as capital and recurrent expenditures. Table 4.3 shows that in at least two of the last three financial years, the variance in expenditure composition by economic categorization in Laikipia County was greater than 15%. As a result, the dimension received a D, indicating that the performance fell short of what was required for a C.

Table 4.3: Expenditure Composition Outturn by Economic Type (Ksh. Million)

Economic Head	Budget 2015/16	Actual	Budget 2016/17	Actual	Budget 2017/18	Actual
Compensation of employees	683.2	905.50	1,342.30	1,268.50	1,441.50	1,295.00
Use of goods and services	2096.5	1,504.30	1,981.40	2,483.90	2,085.90	2,576.30
Consumption of fixed capital	962.8	0	1,894.80	0	2,461.40	0
Interest	0	20	0.00	35	0.00	42.3
Subsidies	0	150	0.00	250	0.00	206
Grants	0	200	0.00	265.5	0.00	678.7
Social benefits	0	0	0.00	45.3	0.00	41
Other expenses	15	9.7	18.50	12.7	45.00	37.4
Total expenditure	3757.5	2,789.50	5,237.00	4,360.90	6,033.80	4,876.70
Composition Variance		25.8		16.7		19.2

The spending for contingency reserve dimension measures the average amount of money charged to a contingency vote over the last three years. This dimension recognizes that it is prudent to include a contingency vote to account for unanticipated circumstances, but that this sum should not be so substantial as to jeopardize the budget's credibility. In this study, the spending for the contingency fund was recorded in the budget as grants for natural disaster management in FY2015/16. In FY2016/17 and FY2017/18, the emergency fund was formed and allocated for. In Laikipia County, the expenditure charge to a contingency vote was 0.6 percent, which was less than 3% of the initial budget. As a result, the dimension received an A rating.

4.2.3 Revenue Outturn

This statistic assesses the revenue gap between the approved budget and actual revenue at the conclusion of the fiscal year. The revenue composition outturn and the aggregate revenue outturn are two dimensions. The aggregate revenue outturn dimension measures how far revenue outturns differ from the budgeted amount. According to Table 4.4, the deviation of local revenue and transfers from foreign organizations in the last three fiscal years was 85.3 percent, 38.1 percent, and 26.5 percent, respectively. This means that in two of the last three fiscal years, real revenue was less than 85 percent of anticipated revenue. As a result, the dimension received a D rating/score.

Table 4.4: Aggregate Revenue Outturn (Ksh. Million and percentage)

Year	Estimate	Actual	Actual in % of Estimate
2015/16	366.8	312.9	85.3
2016/17	1686.8	642.6	38.1
2017/18	1966.5	520.9	26.5

The fluctuation in revenue composition over the last three years is measured by the revenue composition outturn dimension. It tries to capture the accuracy of revenue structure estimates as well as the county government's capacity to collect the quantities of each income category as predicted. In two of the last three years, the actual revenue composition was less than 85 percent of anticipated revenue, according to Table 4.5. As a result, the dimension was awarded a D rating.

Table 4.5: Revenue Composition Outturn (Ksh. Million)

	Budget	Actual	Budget	Actual	Budget	Actual
Economic Head	2015/16		2016/17		2017/18	
Local Revenue	500	415	700.00	468	950	608
Grants from international organizations	1100	136	1544	219		
Total Revenue	1600	551	2244	687	950	608
Actual % of Budget		34.4		30.6		64

4.2.4 Rating Score of Budget Reliability

Table 4.6 shows the summary results on rating scores of budget reliability indicators in the County of Laikipia.

Table 4.6: Summary; Rating Score of Budget Reliability

Indicator	Sub-indicator	Score	Average score for indicator	Average score for the pillar
Aggregate Expenditure Outturn		D	D	D+
Expenditure Composition Outturn	Expenditure composition by function	D	C	
	Expenditure composition by economic type	D		
	Expenditure for contingency reserve.	A		
Revenue Outturn	Aggregate revenue outturn	D	D	
	Revenue composition outturn	D		

The average score for Budget Reliability was given a D+, from the Average Method M2 scoring methodology. According to the average technique, a low score on one dimension indicator does not always negate the influence of a high score on another dimension of the same indicator.

Budget management comprises coordinating funding and expenditure sources, as well as allocating those resources in accordance with organizational priorities and cost effectiveness. Understanding: sources of money and aligning them with outputs and objectives; long-term strategy, priorities, and how to prioritize; and how cost-effective activities are in attaining desired outcomes are all best practices for managing budgets. Comparing the Laikipia County's performance with best practice, it is evident that there is inefficiency in terms of resource mobilization as well as spending of the resources.

Based on the findings, there exists public financial management gaps. Revenue composition outturn received a low score, this is as a result of less revenue collection

compared to what is budgeted which is attributed by inaccurate forecast of the revenue structures. A low score in the aggregate expenditure outturn show less absorption of the budget as a result of less revenue collection by the county government. Therefore ambitious revenue forecast with ineffective revenue collection system lowers the amount of revenue collected thereby affecting budget absorption.

4.3 Policy-Based Fiscal Strategies

The study sought to assess the policy-based fiscal strategies as a practice of enhancing public financial management in Laikipia County government. Macroeconomic and fiscal forecasting, fiscal strategy, medium-term perspective in spending budgeting, budget preparation process, and legislative scrutiny of budgets are the five indicators that make up this pillar.

4.3.1 Macroeconomic and Fiscal Forecasting

This statistic assesses a country's capacity to provide reliable macroeconomic and fiscal predictions, which are critical for building a long-term fiscal plan and maintaining budget allocation predictability. It also evaluates the government's ability to forecast the budgetary impact of prospective changes in the economy. Macroeconomic projections, fiscal forecasts, and macro fiscal sensitivity analysis are the three dimensions. Macroeconomic and fiscal predictions are prepared by county governments. The government forecasts key fiscal indicators such as revenues (by kind), aggregate expenditure, and the budget balance for the current fiscal year and the two following fiscal years. These estimates, along with the underlying assumptions and an explanation of the notable deviations from expectations provided in the previous year's budget, are contained in budget papers submitted to the legislature. As a result, the dimensions received an A. Macroeconomic sensitivity analysis refers to the government's preparation of a number of fiscal forecast scenarios based on various macroeconomic assumptions, which are then released alongside the government's primary prediction. However, because the county administration does not prepare that, the grade was a D.

Table 4.7: Macroeconomic and fiscal forecasting

Dimensions	Score
Macroeconomic forecasts	A
Fiscal forecasts	A
Macro fiscal sensitivity analysis	D
Overall score	B

4.3.2 Fiscal Strategy

The ability of a country to create and implement a budgetary strategy is measured by this indicator. It also evaluates the government's ability to design and analyze the fiscal impact of revenue and expenditure policy proposals that assist the government in meeting its fiscal goals. There are three dimensions to it: Adoption of a fiscal plan, reporting of fiscal results, and policy proposals influence on the budget. The fiscal strategy adoption component received a B, according to Table 4.8. This means that Laikipia's county administration has established, submitted to the legislature, and made public a fiscal strategy. This strategy, however, does not include exact time-based quantitative budgetary goals and targets, as well as qualitative objectives, at least for the budget year and the next two financial years.

The county government received a C for reporting on fiscal results, indicating that it prepares an internal report on its progress toward its budgetary goal. At the very least, the report covers the most recent financial year. The county governments do not prepare fiscal impact analysis, therefore the dimensions were given a score of D.

Table 4.8: Fiscal Strategy

Dimensions	Score
Fiscal impact of policy proposals	D
Fiscal strategy adoption	B
Reporting on fiscal outcomes	C
Overall score	C

Using the Average Method (AV) scoring methodology, the overall score for the fiscal strategy indicator was a C as indicated in the conversion table for indicator scoring (table 2.3)

4.3.3 Medium term perspective in expenditure budgeting

The extent to which medium-term budget expenditure ceilings are factored into the establishment of expenditure budgets is measured by this statistic. It also examines how annual budgets are derived from medium-term budget projections, as well as how well medium-term budget projections and strategic goals align. It is divided into four sections: medium-term budget estimates, medium-term budget ceilings, strategic plan and medium-term budget alignment, and budget consistency with last year's estimates.

Table 4.9 shows that the medium-term expenditure estimates dimension was given a rating of A. This means that the Laikipia county administration develops medium-term expenditure projections, which are included in both budget estimates and the CSFP, and are classified into administrative, economic, and functional categories.

The medium-term expenditure ceilings dimension scored an A, indicating that after the budget circular is announced, spending ceilings (in the CSFP and budget estimates) are acknowledged.

The component for aligning strategic plans with medium-term budgets scored a D, suggesting that the county's strategic plans are limited to education, health, and agriculture. The strategic strategies and budget projections do not match.

The dimension of budget congruence with prior year's estimates received a D. This is because the medium-term estimates for the various medium-term expenditure framework periods were inconsistent, and the budget documents did not explain the variations.

Table 4.9: Medium term perspective in expenditure budgeting

Dimension	Score
Medium-term expenditure estimates	A
Medium-term expenditure ceilings	A
Alignment of strategic plans and medium-term budgets	D
Consistency of budgets with previous year's estimates	D
Overall score	C+

From the conversion table for indicator score using the Averaging Methods M2(AV), the overall score for Medium term perspective in expenditure budgeting was provided as C+ .

4.3.4 Budget Preparation Process

This indicator assesses the efficacy of relevant stakeholders' participation in the budget planning process, including political leadership, as well as the timeliness and orderliness of that participation. It has three parts: a budget calendar, budget preparation instructions, and budget submission to the legislature.

The budget calendar dimension received an A rating, as shown in Table 4.10. This means that a defined annual budget calendar exists in the Laikipia county government, is generally followed, and gives budgetary units at least six weeks from receipt of the budget circular to meaningfully complete their detailed estimates on time.

Budgetary units receive a budget circular or circulars, which may include ceilings for administrative or functional sectors, according to the budget preparation guidance dimension, which obtained an A. The budget expenses for the entire fiscal year are covered. After budget estimates have been developed in detail by budgetary institutions, the Cabinet reviews and approves them.

The budget proposal to the legislature dimension was awarded a score. The Laikipia county executive has presented the yearly budget proposal to the legislature at least two months before the fiscal year begins in each of the last three years. From the County Assembly records, annual budget proposal were submitted to the legislature on 21st April 2015 for the FY 2015/2016, 19th April 2016 and 25th April 2017 for FY 2016/2017 and FY 2017/2018 respectively. Therefore the dates were within the given annual budget submission timelines as provide for by the County Assembly standing order No.207 (i).

Table 4.10: Budget Preparation Process

Dimensions	Score
Budget calendar	A
Guidance on budget preparation	A
Budget submission to the legislature	A
Overall score	A

The overall score for Budget Preparation Process was given as A from the conversion table for indicator score using the Averaging Methods M2 (AV)

4.3.5 Legislative Scrutiny of Budgets

This metric measures the type and scope of legislative oversight of the annual budget. It assesses how thoroughly the legislature examines, debates, and adopts the annual budget, as well as how well the legislature's scrutiny procedures are developed and followed. The indicator also analyzes if there are any rules in place that allow budget amendments to be made during the year without the legislature's prior consent. It has four dimensions: budget scrutiny scope, legislative procedures for budget scrutiny, budget approval timeliness, and executive budget changes guidelines.

Table 4.11 indicates that the scope of budget scrutiny dimension had a rating of A. This means that the county assembly will assess fiscal policies, medium-term fiscal projections, and medium-term priorities, as well as expenditure and revenue data.

A score was assigned to the parliamentary procedures for budget examination. Specialized review panels, technical support, negotiation procedures, and public consultation arrangements are examples of budget inspection approaches. The yearly budget estimates submitted by the County Executive Member responsible for Finance before the 30th of April each year, as required by county assembly standing order No. 207 I were tabled within three days of submission. The budget estimates were tabled on 22nd April 2015, for the FY 2015/2016, 20th April 2016 and 27th April 2017 for the FY 2016/2017 and FY 2017/2018 respectively.

According to the timing of budget approval dimension, which obtained an A, the County Assembly discussed, adopted, and passed the annual budget within one month of the start of the fiscal year in two or more of the last three fiscal years. The budget

estimates were approved on 23rd April 2015 for the FY 2015/2016, , 21st April 2016 and 27th April 2017 for the FY 2016/2017 and FY 2017/2018 respectively.

The executive dimension's regulations for budget modifications received a C. The PFM Act contains the criteria and principles that allow for budget modifications, and they are often followed. Budget users can make changes to their budgets for up to 10% of their entire budget.

Table 4.11: Legislative scrutiny of budgets

Dimensions	Score
Scope of budget scrutiny	A
Legislative procedures for budget scrutiny	A
Timing of budget approval	A
Rules for budget adjustments by the executive	C
Overall score	B+

The overall score for Legislative scrutiny of budgets was given as B from the conversion table for indicator score using the Averaging Methods M2 (AV)

4.3.6 Summary; Rating Score of Policy-Based Fiscal Strategies

Table 4.12 shows the summary results on rating scores of policy-based fiscal strategies indicators in the County of Laikipia.

Table 4.12: Summary; Rating Score of Policy-Based Fiscal Strategies

Indicator	Sub-indicator	Score	Average score for indicator	Average score for the pillar
Macroeconomic and fiscal forecasting	Macroeconomic forecasts	A	B	
	Fiscal forecasts	A		
	Macro fiscal sensitivity analysis	D		
Fiscal strategy	Fiscal impact policy proposals	D	C	
	Fiscal Strategy Adoption	B		
	Reporting on fiscal Outcomes	C		

Medium term perspective in expenditure budgeting	Medium-term expenditure estimates	A	C+
	Medium-term expenditure ceilings	A	
	Alignment of strategic plans and medium-term budgets	D	
	Consistency of budgets with previous year's estimates	D	
Budget preparation process	Budget calendar	A	A
	Guidance on budget preparation	A	
	Budget submission to the legislature	A	
Legislative scrutiny of budgets	Scope of budget scrutiny	A	B+
	Legislative procedures for budget scrutiny	A	
	Timing of budget approval	A	
	Rules for budget adjustments by the executive	C	

4.4: Summary of key strengths and weakness of PFM System in Laikipia County

From the summary rating score of Budget Reliability and Policy –Based Fiscal Strategies a number of strengths and weakness were identified in the public financial management system of Laikipia County.

4.4.1: Strengths of the PFM system

Laikipia County Government had a consistent budget preparation process, which makes budget adoption and implementation easy for all the departments in the county to execute development projects as planned and budgeted.

The budget submission to the legislature achieved a high score, meaning that the Laikipia county executive provided the yearly budget plan to the legislature at least

two months before the fiscal year began in each of the preceding three years. The county assembly is able to approve the budget estimates on time because of the timely submission of the budget estimates. The timely approvals enables the executive implement the budget as planned.

The performance in terms of fiscal strategy in Laikipia county was above the minimum required level. This gives the executive the authority to establish and evaluate revenue and expenditure programs that satisfy the government's budgetary goals.

The high ranking for legislative budget scrutiny suggested that the county executive and the county assembly have a better working relationship during the budget process. This is a clear indicator that the county executive is able to implement the budget effectively.

There is strong synchronization of medium-term expenditure expectations by administrative, economic, and functional classification in both the budget estimates and the CSFP. This imply that the expenditure ceiling are approved after issuance of the budget circular.

4.4.2: Weaknesses of the PFM system

The county government has a less budget absorption given by a low score in the aggregate expenditure outturn. This problem in budget implementation can be attributed by over ambitious government projects compared to what the government can collect in form of revenue.

A low aggregate expenditure outturn score by the county show the level at which the county budget is absorbed and implemented. The actual expenditure is less than the budgeted amount. This variance is very critical in service delivery.

Strategic planning and medium-term finances are out of sync. The county has only prepared strategic plans for a few agencies, not all of them, and the strategic plans do not match the budget projections.

The county governments do not prepare fiscal impact analysis instead they use the projections by the national government, this shows lacks of capacity.

There was no consistency in medium-term estimates for the various medium-term expenditure framework periods, and the budget documents do not explain why the revisions occurred.

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides discussion of the findings, conclusions, and recommendations in accordance with the research objectives. The study's goal was to assess the public financial management enhancing practices in county governments: the case of Laikipia county.

5.2 Discussion of the Findings

5.2.1 Budget Reliability

Three variables were used to assess budget reliability: aggregate expenditure outturn, expenditure composition outturn, and revenue outturn. The indicators measured were the amount of variance in expenditure composition between the original approved budget and the end-of-year outturn, as defined in government budget documentation and fiscal reports, the extent to which reallocation between the main budget categories during execution contributed to variance in expenditure composition, and the measure of change in revenue between the original approved budget and the end-of-year outturn.

The low execution rate of the development budget resulted in an average variance of 72 percent between initial budget and actual expenditure. Budgeted data should be accessible for use in the first half of the financial year during the implementation phase, however the National Treasury frequently delays payment of funds. As a result, the procurement plan and the implementation are out of sync. Following the disbursement of money, the procurement procedure commences in the second part of the year, which speeds up the implementation of development expenditures. The results concur with the findings of Kendie (2018) who revealed that effective public financial management is significantly influenced by budgeting, accounting and reporting, internal control, external audit, and governance. The results also mirror those of Kadenge (2001) who

revealed a significant connection between district-level budget planning, revenue optimization, budget control, and financial resource management.

The execution rate was above 75% for all three years, but below 90% for two of them, according to CBROP data (Table 4.2). Budget execution rates are lowest in Public Works, Roads, Transportation, Housing Industrialization, and Enterprise Development, which is likely related to a low rate of capital consumption. The results agree with those of Osebo, Debebe, and Eshetu (2019) who found a connection between organizational performance and the effects of the budgeting process.

Employee compensation, use of products and services, and use of fixed capital were all separated into three categories in the initial budget. The allowed budget categories do not correspond to those recorded in the financial reports, which is a major issue in comparing projected and actual expenditure by economic categorization.

The county, on the other hand, reports on eight economic items in its financial accounts: employee salary, use of goods and services, fixed capital consumption, interest, subsidies, grants, social benefits, and other expenses. The primary reason for the difference in expenditure composition by economic classification is the absence of fixed capital consumption in each of the last three completed years. In addition, an almost 30% rise in wages over the baseline budget in FY2015/16, as well as a more than 20% increase in the usage of goods and services in FY2016/17 and FY2017/18, must be noted.

Actual revenues fell short of expectations in each of the three years. Actual revenue was less than 92 percent of predicted revenue in the last two fiscal years due to overestimation of local revenues, and the revenue composition divergence was more than 15%. Other factors for the county's income underperformance include revenue pilferage and fraud, slack compliance among taxpayers, insufficient employees, equipment, and funding, and structural inefficiencies in revenue management. The findings agree with those of Sow (2015) who established that fiscal decentralization was essential in improving the service delivery's efficiency. The results are also

consistent with the findings of Enu-Kwesi and Scott (2018) who discovered a positive correlation between budgeting practices and service delivery.

In each of the previous three years, aggregate expenditure outturn fell below 85% of authorized aggregate planned expenditure, with a variation of more than 15%. Administrative reallocations of this magnitude are possible and have been done in the past. The development budget was where the majority of the adjustments were made. Despite this, the actual amount spent as a result of a contingency vote was less than 1% of the overall budget.

5.2.2 Policy-Based Fiscal Strategies

Policy-based budgeting and budgeting strategies focused on five indicators: macroeconomic and budget projections, budgeting strategies, medium-term expenditure planning, budget planning processes and legislative budget control. These measurable indicators include the ability of a region to develop solid macroeconomic and fiscal projections, which are critical for the development of a sustainable budget strategy and better budget allocation predictability, an analysis of the ability to develop and implement a clear budget strategy, a study of the extent to which the medium-term budget has been developed within an explicit medium-term budget ceiling, and measuring the effectiveness of relevant stakeholders' involvement.

The Laikipia County Government produced medium-term expenditure estimates for administrative, economic, and functional classifications, which were included in the budget projections and CFSP, but no scenarios or sensitivity analyses were produced. A clear annual household calendar is available, allowing household units to make thorough estimations at least four weeks after receiving the household circular. The budget reflects the ministry ceiling, which is presented to the CECM for financial and economic planning and approval before being delivered to the County legislature. The executive presents the legislature with a draft yearly budget at least two months before the fiscal year ends, and the budget is always adopted before the conclusion of the fiscal year. Budget projections are based on ADP and CIDP, but only for essential ministries including education, health, and agriculture. The expenses of this strategic

plan are not reflected in the budget predictions. Because the Counties only give situational analysis of the main macroeconomic indicators (growth, inflation, currency rates, and interest rates) in the CFSP, the fiscal plan is not very stable. The government has selected a fiscal strategy, presented it to the legislature, and made it public, but it does not include time-based quantitative budgetary targets or qualitative aims for at least the fiscal year. An yearly internal report on the fiscal strategy's implementation is generated, but the reasons for departures from the aim are not explained. The County Assembly examines the financial policies, medium-term budget projections, and medium-term priorities outlined in the CBROP and CFSP, as well as the budget projections' expenditures and revenues. These procedures include special reviews, technical assistance and public consultation committees. The results concur with those of Kwarteng (2017) who established that policy-based budgeting and the provision of assembly services are closely related.

Counties are unable to combine policy development and planned activities with budget estimates due to a lack of practice in anticipating uncertain economic occurrences and a lack of sensitivity analysis. The risk of insufficient budgets that are vulnerable to change is not addressed. The results disagreed with the findings of Okpala (2018) that risk from a medium-term perspective are positively and significantly correlated with public sector financial management practices.

5.3 Conclusions

Based on the findings, the study concluded that budget reliability performance was below the minimum required level. Therefore to improve budget implementation, budget data is needed within the first half of the financial year of the implementation period and the National Treasury should disburse funds on time so that the procurement process can start at the first half of the financial year to give more time for implementation of development projects for effective service delivery.

The report indicates that more reforms are needed to strengthen the policy/performance platform by developing a better macroeconomic and fiscal framework at the county level in order to shift to more efficient budgeting. Because CIDP and ADP are based

on national economic estimations and hypotheses rather than those that are relevant to counties, needs are not correctly defined, and the strategic distribution of resource costs for effective service delivery is not properly specified.

5.4 Recommendations

Based on the findings, this research makes the following recommendations.

Due to a lack of practice in preparing for unknown economic events and a lack of a sensitivity analysis, the county fails to match policy development and scheduled activities with the budget estimate. The risk of having a budget that is insufficient and subject to change is not addressed. The County should therefore improve capacity in macro economic sensitivity analysis to link policy formulation and programme activities.

To improve performance on structural inefficiencies in revenue administration, the county should build personnel capacity, enforce tax compliance and invest on technological revenue collection systems

The county government should improve its capacity in adopting quantitative fiscal goals and targets because there is a low rate of fiscal plan adoption that does not include specific time-based quantitative fiscal goals and targets with qualitative objectives.

Fiscal impact analyses are not prepared by county governments. Capacity building is required for the county to be able to conduct in-depth analyses of its projections in order to improve service delivery.

The county should build budget estimate from ADPs and the CIDP and all departments should align the budget estimates with the costings of these strategic plans.

The inconsistency in budget estimates with the previous financial years shows lack of capacity in the budget formulation process. It is therefore recommended that the county should develop capacity in the budgeting process.

To move toward more performance-based budgeting, additional changes are needed to improve the policy/performance platform by creating a more stable macroeconomic and fiscal framework at the county level.

The county should also prepare macroeconomic focus to enable it study the nature of material welfare for improved focusing in the county for better service delivery.

5.5 Suggestions for Further Studies

The scope of this research was the Laikipia County Government and assessed the public financial management enhancing practices. The researcher suggests that further studies could consider focusing on other counties. This will facilitate comparisons of public financial management enhancing practices in different counties in Kenya.

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