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Enhancing public financial management in Nairobi County: an assessment of budget reliability & transparency of public finances.

Wafula, Alvin Walubengo
Strathmore Business School
Strathmore University

ENHANCING PUBLIC FINANCIAL MANAGEMENT IN NAIROBI COUNTY: AN ASSESSMENT OF BUDGET RELIABILITY & TRANSPARENCY OF PUBLIC FINANCES

ALVIN WALUBENGO WAFULA

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DECLARATION

This project is my original work and has not been presented for the award of a degree in any other university.

16th June 2026

Signature……………………………………………Date………………………

Alvin Walubengo Wafula

MPPM/124172/2022

7/6/2026

We confirm that this proposal has been carried out by the candidate and submitted for examination with our approval as University Supervisors

Signature……………………………………………Date16.06.2026**………………………**

Supervisor: Dr. Bernadette Wanjala

Lecturer, Strathmore Business School

Date: 7/06/2026

DEDICATION

This work is dedicated to my family for their unwavering love, encouragement, patience, and support throughout my academic journey. Their belief in the value of education and their continuous motivation inspired me to persevere through the challenges encountered during this study. I also dedicate this work to all public sector practitioners and scholars committed to promoting accountability, transparency, and excellence in public financial management for sustainable development and improved service delivery.

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ABSTRACT

Public Financial Management (PFM) plays a critical role in promoting fiscal discipline, accountability, transparency, and effective service delivery within Kenya's devolved governance system. This study examined the influence of budget reliability and transparency on PFM performance in Nairobi City County. The study was anchored on New Public Management Theory and Agency Theory, which emphasize accountability, efficiency, and prudent management of public resources. A descriptive research design was adopted within a pragmatic research approach, integrating qualitative and quantitative methods. The findings revealed that budget reliability in Nairobi City County remained weak throughout the period under review. Actual expenditures consistently fell below approved budgets, ranging from approximately 75% to 84%, indicating delays or non-implementation of several planned projects and programmes. Significant reallocations of funds across sectors were observed, with recurrent expenditure, particularly personnel costs, receiving priority over development expenditure. The County also consistently failed to achieve its own-source revenue targets, collecting between 62% and 72% of projected revenues. The study concluded that although Nairobi City County has established formal budgeting and reporting structures, weaknesses in budget execution, revenue performance, fiscal disclosure, and public access to information continue to undermine effective PFM performance. The study recommends strengthening revenue forecasting and collection systems, improving compliance with approved budgets, enhancing fiscal disclosure practices, integrating extra-budgetary entities into financial reporting frameworks, and promoting timely publication of financial and performance reports to improve accountability, transparency, and service delivery.

Table of Contents

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS AND ACRONYMS

A-D	Four-Point Rating (A=highest, D=lowest)
AFI	Alliance for Financial Inclusion
APBN	Anggaran Pendapatan dan Belanja Negara (State Revenue and Expenditure Budget - Indonesia)
AV	Averaging
BIS	Bureau of Industry and Security
CABRI	Collaborative Africa Budget Reform Initiative
CBROP	County Budget Review Outlook Paper
CFSP	County Fiscal Strategy Paper
COFOG	Classification of the Functions of Government
CRA	Commission on Revenue Allocation
DATA Act	Data Accountability and Transparency Act
EACC	Ethics and Anti-Corruption Commission
ESA	European System of Accounts
EU	European Union
FY	Fiscal Year
GDP	Gross Domestic Product
GFS	Government Fiscal Statistics
GOK	Government of Kenya
ICT	Information Communication and Technology
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
KIPPRA	Kenya Institute for Public Policy Research and Analysis
M1	Method 1 (Weakest Link Method)

M2	Method 2 (Averaging Method)
NACOSTI	National Commission for Science, Technology and Innovation
NPM	New Public Management
OCOB	Office of the Controller of Budget
OSR	Own Source Revenue
PBB	Program Based Budgeting
PEFA	Public Expenditure Financial Accountability
PFM	Public Financial Management
PFMC	Public Financial Management Committee
PFMR	Public Financial Management Reforms
SCOA	Standard Chart of Accounts
SOEs	State Owned Enterprises
UPF	Use of Public Funds
WL	Weakest Link

OPERATIONAL DEFINITION OF TERMS

Aggregate expenditure	Aggregate expenditure captures total public spending against planned county budget allocations annually. It shows overall fiscal discipline and county government spending efficiency (Controller of Budget, 2021).
Budget classification	Budget classification organizes finances by function, program, or economic category. It supports planning, monitoring, and accountability of county resources (PEFA, 2016).
Budget documentation	Budget documentation includes supporting budget plans, revenue forecasts, and fiscal risks. It improves public understanding and participation in budgeting (Institute of Economic Affairs, 2020).
Budget reliability	Budget reliability measures how accurately actual expenditures align with approved county budgets. Reliable budgets reflect effective planning and sound fiscal discipline (PEFA, 2016).
County governments	County governments in Kenya implement devolved governance and manage localized public service delivery. They oversee local budgeting, development planning, and financial accountability (Kihara, 2021).
Expenditure composition outturn	This evaluates if spending follows the planned distribution across budgeted programs. It ensures funds are spent where intended within sectors (Ngugi & Kanyinga, 2021).
Expenditure outside financial reports	This includes county expenditures not disclosed in official financial statements. It undermines transparency and complicates oversight (Omweri, 2024).
Financial reports of extrabudgetary units	These are reports from entities operating county finances outside formal budget processes. They affect transparency and budget comprehensiveness (PEFA, 2016).

Performance achieved for service delivery	Actual service outcomes are measured against the set performance plans. They show the effectiveness of resource use and governance (Musiega, Tsofa, & Barasa, 2024).
Performance evaluation for service delivery	Evaluations assess service delivery effectiveness, efficiency, and goal achievement. They support informed improvements in county governance (Motsitsi & Hendriks, 2023).
Performance plans for service delivery	These outline service goals, indicators, and targets for county sectors. They guide resource allocation and monitoring outcomes (Mutua, 2024).
Public access to fiscal information	This allows citizens to obtain, scrutinize, and influence budgetary decisions. It enhances democratic accountability in county finance (Oluwu & Sako, 2021).
Public financial management	Public financial management ensures efficient use of funds in county service delivery. It involves planning, budgeting, execution, and reporting of financial resources transparently (PEFA, 2016)
Resources received by service delivery units	These are funds or inputs provided to departments delivering public services. Tracking ensures equity and efficiency in service access (Ng'ang'a, 2024).
Revenue outside financial reports	Unreported revenues are income streams omitted from financial disclosures and audit trails. This indicates weak revenue management practices (Ouma, 2022).
Revenue outturn	Revenue outturn measures actual county revenue against forecasts made in approved budgets. It indicates forecasting accuracy and fiscal sustainability (Maina, 2024).
System for allocating transfers	This system governs equitable distribution of intergovernmental funds to county departments. Clear rules ensure predictable, fair, and timely transfers (Osman, 2024).
Timelines of information on transfers	Counties need prompt transfer updates to plan and execute budgets efficiently. Delays hinder service delivery and financial operations (Ekiru, Otieno, & Wanjala, 2024).

Transparency of public finances: Transparency involves public access to timely and comprehensive financial information and plans. It promotes accountability in county budgeting and spending (International Budget Partnership, 2020).

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Public Financial Management (PFM) serves as the foundation of all government processes and activities. It involves raising revenue, allocating resources to different public activities, managing expenditures, and accurately recording and reporting how funds are used International Monetary Fund. (2023). "Public Financial Management (PFM) in public finance is fundamental for promoting governance and sustainable development" (Malakoane et al., 2020). The primary role of PFM is to transform institutions to achieve enhanced management and financial benefits (Miller, Hart, & Hardley, 2021).

Globally, Public Financial Management (PFM) reforms have progressively developed over time to improve service delivery and strengthen how governments handle public funds. These reforms are complex and have been ongoing for decades, with major support from organizations like the IMF and the World Bank. One important initiative, the Public expenditure and Financial Accountability (PEFA) program, the framework that this study will rely on, was created as a joint effort by multiple donors to evaluate PFM performance.

The PEFA program provides a framework for assessing and reporting on the strengths and weaknesses of public financial management (PFM) using quantitative indicators to measure performance. PEFA offers a common basis for examining PFM performance across national and subnational governments. Early reform efforts focused on improving governance and accountability, responding to fiscal crises and donor demands, managing post-conflict recovery, and aligning with regional standards. Today, PFM reforms have shifted toward modernizing financial systems and infrastructure. The current wave of reforms stands out from earlier efforts due to the large number of innovations, their broad implementation across countries, and the growing belief that these changes represent a fundamental shift in how governments manage public finances (Cangiano, Curristine, & Lazare, 2013). However, the expected results are yet to be realized (Motsitsi & Hendriks, 2023). PFM as a process measures the budget in relation to institutional performance to enhance the delivery of organizational outputs and guarantee efficacy in service delivery. (Hendriks & Maposa, 2020). When there is a challenge in reconciling the budgetary allocations with public service delivery like in many African countries, then the PFM process is wanting (Malakoane et al., 2020).

Kenya has implemented several practices to "enhance Public Financial Management (PFM) at the county government level, to improve transparency and service delivery and strengthen accountability" (Rono, 2024). A significant initiative is the adoption of the "Public Financial Management Reforms (PFMR) Strategy 2018-2023," which seeks to build on previous successes and address existing challenges in PFM systems. "This strategy emphasizes the importance of managing public resources in an efficient, effective, and equitable manner, aligning with the broader vision of a transparent and accountable public finance system" (Ng'ang'a, 2024). Kenya has also implemented the Integrated Financial Management Information Systems (IFMIS) across county governments. "IFMIS aims to streamline financial processes, reduce instances of corruption and fraud, and promote ethical standards by enhancing accountability and transparency" (Ekiru et al., 2024).

Staff competence, resource allocation, internal controls, and system quality within IFMIS significantly influence the performance of government ministries and, by extension, county governments (Ndarwa, 2024).Furthermore, the establishment of the Public Finance Management Committee (PFMC) has provided general direction on prudent financial management within county governments (Gichuhi & Muna, 2024). The PFMC's responsibilities include monitoring adherence tofinancial regulations, reviewing county spending, and making recommendations to ensure fiscal responsibility. This oversight mechanism is crucial in fostering a culture of accountability and "ensuring that public resources are used effectively for the purpose for which they are allocated" (Kipngeno, 2024).

Additionally, the Commission on Revenue Allocation (CRA) plays a pivotal role in recommending equitable sharing of revenue raised by the national government between national and county governments. In developing revenue-sharing formulas the Commission considers factors such as population, poverty index, land area, and fiscal responsibility, the CRA ensures that resource distribution aligns with the unique needs of each county, promoting balanced regional development and efficient public service delivery (Nyagah & Njoka, 2022).

1.1.1 Public Expenditure and Financial Accountability (PEFA) Framework

The Budget Reliability pillar focuses on ensuring that government budgets reflect actual expenditures, revenues, and fiscal discipline (Mpaima, 2023). It evaluates "aggregate expenditure outturn, expenditure composition outturn, and revenue outturn" to determine if governments allocate resources effectively and adhere to fiscal discipline (PEFA, 2023). Accurate budget execution enhances financial management and service delivery efficiency (Ong'unya et al., 2023).

The Transparency of Public Finances pillar promotes accountability by ensuring public access to "fiscal information, including budget classification, documentation, and performance data" (Pratiwi, Haliah, & Kusumawat, 2024). Transparency strengthens governance by enabling stakeholders to access timely financial information (Ondiek & Onyango, 2024). In Africa, where corruption often undermines governance, performance-based budgeting can enhance accountability, particularly at the county level (African Development Bank, 2019). Additionally, open data platforms improve stakeholder engagement, fostering informed decision-making and government accountability (Olowu & Sako, 2021). Overall, PEFA plays a crucial role in strengthening financial governance by assessing and improving PFM systems, ensuring budget credibility, and fostering transparency for effective public service delivery (Ong'unya et al., 2023).

China, Ghana, Tanzania, and Kenya's Makueni County undertook PEFA assessments to evaluate and strengthen their public financial management systems. In China, the assessment supported ongoing fiscal reforms and guided subnational capacity-building; Ghana used it to review PFM performance and refine its strategy; Tanzania aimed to measure reform progress; and Makueni sought to enhance fiscal discipline and service delivery. This study focused on the outcomes of the assessment with regard to the budget reliability and transparency of public finance pillars.

Tanzania's PEFA findings reveal persistent weaknesses in budget reliability and fiscal transparency, marked by shortfalls in revenue and expenditure execution, averaging only 88.1% of targets and, leading to unplanned borrowing, and limited public access to fiscal information. Under-reporting of non-tax revenues and externally financed projects, along with weak performance-based budgeting, further constrain accountability. These gaps highlight the need for stronger forecasting, in-year monitoring, and transparent fiscal communication, offering valuable lessons for Nairobi County.

Ghana's assessment reveals major weaknesses in budget reliability and transparency, characterized by expenditure overruns, off-budget commitments, and weak revenue enforcement that undermine fiscal discipline. Incomplete budget documentation, exclusion of extra-budgetary operations, and delayed reporting further limit accountability. Despite reforms like the PFMA (2016) and GIFMIS expansion, persistent capacity and reporting gaps continue to hinder fiscal discipline.

In China's Hunan Province, Chaling County's assessment reveals deep-seated weaknesses in budget reliability and transparency, with expenditure outturns exceeding approved budgets by more than double and high composition variances reflecting poor fiscal discipline and weak predictability. Overdependence on volatile higher-level government transfers and land sales revenues undermined budget reliability, while inadequate in-year expenditure controls and growing arrears further constrained service delivery. Despite some alignment of budget classification systems with international standards, transparency remains limited, budget documents omit key macroeconomic assumptions and fiscal data, and public access to financial information and performance reporting is minimal.

Makueni County's assessment reveals persistent weaknesses in budget reliability and transparency. Expenditure execution remains below 85 percent, with high composition variances and revenue outturns under 92 percent, reflecting weak budget reliability and constraining service delivery. While fiscal reporting systems like IFMIS and SCOA enhance consistency, key gaps persist, particularly the lack of service delivery data, performance indicators, and published evaluations, which undermines accountability and limits citizen oversight. Findings from China, Tanzania, Ghana, and Makueni reveal recurring weaknesses in budget reliability and fiscal transparency, ranging from expenditure overruns, revenue shortfalls, and weak forecasting to incomplete reporting and limited public access to fiscal information. These systemic gaps underscore the need for stronger fiscal discipline, credible budgeting, and enhanced transparency, all of which are critical for Nairobi County. As Kenya's capital and economic hub, Nairobi's fiscal performance directly shapes national stability and service delivery outcomes. A PEFA assessment would therefore provide a vital, evidence-based framework to identify structural weaknesses, enhance accountability, and position

Nairobi as a model for sound, transparent, and credible public financial management within the devolved system.

1.1.2 Fiscal Decentralization in Kenyan Counties and PFM

Fiscal decentralization is the process of transferring budgetary authority from central government to subnational (county) governments therefore, granting them power to make decision regarding taxes and expenses. It focuses on the organization of the public sector to create opportunities for growth and improved well-being. By decentralizing governance, "it can help rebuild trust in public policies and establish a foundation for wider policy consensus." Additionally, there are frequent grassroot calls to realize democratic ideals through decentralization (Martinez-Vazquez, Lago- Peñas, & Sacchi, 2017). Fiscal decentralization in Kenya is a key component of devolution, aimed at enhancing local governance, ensuring equitable resource distribution, and improving service delivery (Njenga, 2024).

The 2010 Constitution sought to address historical marginalization and promote participatory governance by ensuring counties receive a fair share of national resources (Ravishankar et al.,2024). The adoption of Kenya's 2010 Constitution represented a major transformation in the nation's governance structure, introducing a robust system of devolution aimed at promoting local development and service delivery. This move was largely driven by historical failures of centralized governance, including political interference, corruption, and poor resource allocation at the local level. The post-election violence in 2007 further intensified demands for reforms that would bring government closer to the people and ensure equitable development across regions. Before the implementation of the 2010 Constitution, Kenya's local governance operated under a dual system: deconcentrated provincial and district administrations under the Office of the President, and semi-autonomous elected local authorities overseen by the Ministry of Local Government. These local governments had limited fiscal capacity, depending primarily on property rates and allocations from the Local Authority Transfer Fund (LATF). The planning and budgeting processes were often fragmented, with initiatives like the Constituency Development Fund (CDF) creating parallel systems that weakened transparency and accountability (Smoke & Whimp, 2011).

The Constitution established 47 county governments, each with its own executive and legislative arms. This structure was designed to decentralize political and fiscal authority, making service delivery more efficient and responsive to local needs. Counties were guaranteed at least 15% of national revenue, with allocations determined by the Senate and guided by recommendations from the Commission on Revenue Allocation (CRA). Under the devolved system, counties are allowed to raise their own-source revenue, mainly through local taxes, fees, and charges. They inherited the local authorities' revenue systems, such as property taxes and business licenses. However, many counties lack the technical capacity to effectively implement revenue laws and manage collections. Kenya's fiscal decentralization, as outlined in the 2010 Constitution, represents a bold and transformative approach to governance. It provides counties with greater autonomy in managing public finances and delivering services. (Smoke & Whimp, 2011). However, for fiscal decentralization to succeed challenges such as financial mismanagement, corruption, and inefficiencies in county administrations need to be addressed (Omweri, 2024).

PFM is essential in ensuring the success of fiscal decentralization (Musiega, Tsofa & Barasa, 2024). The "Public Finance Management Act (2012) provides a legal framework to enhance transparency, accountability, and efficiency in financial resource utilization at both national and county levels" (Nyandemo, 2022). However, weak institutional capacity, inadequate oversight mechanisms, and political interference have hindered effective PFM reforms. Revenue allocation and intergovernmental transfers play a crucial role in fiscal decentralization (Osman, 2024). The Commission on Revenue Allocation (CRA) recommends the equitable distribution of resources, with counties receiving at least 15% of national revenue (Council of Governors, 2023). However, delays in fund disbursement and inadequate allocations have constrained county operations (Laji, 2019). Additionally, county governments struggle with generating own-source revenue (OSR) due to inefficient revenue collection systems and weak enforcement mechanisms (GOK, 2010), leading to over-reliance on national transfers (Maina, 2024).

Corruption remains a major impediment to fiscal decentralization, with frequent reports of misappropriation of county funds, irregular procurement, and weak internal controls (Nyandemo,2022). Strengthening oversight institutions such as the Senate, Controller of Budget, and Ethics and Anti-Corruption Commission (EACC) is critical. Furthermore, county expenditure is skewed toward recurrent costs, limiting funds for development projects (Council of Governors, 2023). Despite these challenges, fiscal decentralization has improved service delivery in infrastructure, healthcare, and local economic development (Kinyua, 2017).

Sustaining these gains requires governance reforms, capacity-building, and political commitment to upholding devolution's integrity (Farzad & Roshdieh, 2024).

Nairobi City County is one of Kenya's 47 devolved administrative divisions as defined by the Kenyan Constitution (2010). Nairobi Municipality became a city in 1950 through a Royal Charter of Incorporation issued by the British Protectorate. "It is bordered by Kiambu County to the north and west, Kajiado County to the south, and Machakos County to the east, covering a total area of 696.1 km^2." (Nairobi City County, 2023). "Nairobi City is located in south-central Kenya, approximately 140 kilometers south of the Equator and governed by 123 (85 elected and 38 nominated) Members of the County Assembly who legislate to ensure the smooth functioning of the city" (Nairobi City County, 2023).

Aggregate Expenditure Outturn fluctuation is a common phenomenon in Nairobi City County, as the actual expenditure deviates from the planned budget, due to delays in revenue collection andcompeting priorities (Kihara, 2021; Controller of Budget, 2021). "Nairobi City County faces a mismatch in its expenditure composition outturn, with a significant amount of the budget allocated to recurrent expenses such as salaries and overhead costs, leaving insufficient funds for capital investment in infrastructure and service delivery" (World Bank, 2019). Revenue collection is a major challenge for Nairobi City County, leading to fluctuations and unfavorable revenue outturn due to inefficiencies in revenue collection, corruption, and a weak taxpayer base (Ouma, 2022; Nairobi City County, 2020).

Table 1.1 below demonstrates the aggregate expenditure outturn in Ksh. for Nairobi County for the financial years 2019/20, 202/21 and 2021/22. The table demonstrates that in Nairobi county actual total expenditure does not corresponds to the originally approved budget, this may contribute to pending bills, poor prioritization, huge wage bills due to the resources being channeled to recurrent expenditure as opposed to development. The aggregate expenditure outturn was between 63% and 80 % which reflects a D score using the M1 scoring method. This is less than a C, which is between 85% and 115%, an indication that a lot needs to be done to improve this aspect of budget reliability.

Table 1.1: Aggregate expenditure Outturn Nairobi County FY 2019/20 to 2021/22

FY	Budget (millions)	Actual (millions)	Total Exp. Deviation (%)
2019/20	36,981.39	23,353.44	63.1
2020/21	37,881.74	30,135.65	79.6
2021/22	39,627.54	28,334.42	71.5

Source: OCOB: County Governments Annual Budget Implementation Review Reports

Transparency in budget formulation, documentation, and execution is crucial for effective public financial management (Mbigi, 2023). Nairobi City County adheres to a functional budget classification system. While progress has been made in budget classification, inconsistencies remain which undermine the effective monitoring and analysis of budget execution. (KIPPRA, 2021). Nairobi City County's budget documentation, while publicly available, lacks sufficient detail, limiting its comprehensiveness, which is a disservice to enhancing stakeholder engagement in the budgetary process (Institute of Economic Affairs (2020). Additionally, the budgeting process does not include detailed performance information connected to budget allocations (Mutua, 2024). The performance budgeting framework is underdeveloped lacking metrics for evaluating the impact of budget allocations on services (International Budget Partnership, 2020). Nairobi City County ranks poorly on transparency as access to fiscal information is limited (Open Budget Survey, 2019).

1.2 Statement of the Problem

Public Financial Management (PFM) encompasses the systems and processes that govern how governments mobilize, allocate, and account for public resources to ensure transparency, accountability, and efficient service delivery" (Wangari & Kibe, 2022; Musiega et al., 2024). In county governments, PFM is crucial in strengthening devolved governance by improving financial accountability and sustainability (World Bank, 2020).

Despite Kenya's reforms under the Public Finance Management Act (2012), Nairobi City County continues to face persistent PFM challenges, including revenue leakages, expenditure inefficiencies, weak oversight, and corruption (Owuor & Mutua, 2021; Wangari & Kibe, 2022). Political interference, non-compliance, and poor enforcement of financial controls further undermine fiscal discipline (Kamau & Wamugo, 2023). These weaknesses have contributed to rising public debt, persistent budget shortfalls, and lack of transparency &

delays in reporting, with Nairobi's debt reaching Ksh. 99.6 billion as of June 2021 (PEFA, 2023). Such issues reflect unreliable budgeting practices and limited openness in the management of public finances, which erode public trust and constrain service delivery. This study sought to examine budget reliability and transparency of public finances as key pillars for strengthening PFM in Nairobi City County. Assessing these two pillars contributes to improving Public Financial Management (PFM), thereby enhancing financial management practices, maximizing the benefits derived from public resources, and improving service delivery.

1.3 Objectives of the Study

1.3.1 General Objective

The primary objective of the study was to examine budget reliability and transparency of public finances as practices of enhancing public financial management in Nairobi City County.

1.3.2 Specific Objectives

The specific objectives of the study include the following;

i. To examine budget reliability as a practice of enhancing public financial management in Nairobi City County.
ii. To examine the transparency of public finances as a practice of enhancing public financial management in the Nairobi City County

1.4 Research Questions

i. What is the implication of budget reliability as a practice of enhancing public financial management in Nairobi City County?
ii. What is the implication of transparency of public finances as a practice of enhancing public financial management in Nairobi City County?

1.5 Scope of the Study

This study focused on enhancing Public Financial Management (PFM) in Nairobi City County, with particular emphasis on budget reliability and transparency of public finances as defined under the PEFA performance pillars. Within this scope, the study examined key indicators of budget reliability, including the credibility of aggregate expenditure outturns, the composition of expenditure against approved budgets, and the accuracy of revenue forecasts to assess whether the County's financial plans aligned with actual fiscal performance.

It further evaluated transparency of public finances through indicators such as the comprehensiveness of budget documentation, reporting of extra-budgetary operations, accessibility of fiscal information, and the quality and timeliness of financial reporting. By integrating these PEFA dimensions, the study analyzed the effectiveness of Nairobi's financial reporting, budgeting, expenditure management, accountability mechanisms, and revenue collection systems, with the aim of identifying systemic challenges and recommending measures to strengthen fiscal discipline, openness, and overall governance at the county level. Geographically, the study was confined to Nairobi City County, Kenya's capital and largest county in terms of economic activity and population. Nairobi was identified for this study based on its strategic importance as a financial and administrative hub, as well as the unique fiscal challenges it faced, such as high revenue demands, corruption risks, and complex service delivery needs. The study examined the current leadership period from Financial Year 2022/23 to 2024/25.

1.6 Significance of the Study

1.6.1 Policy Development Enhancement and Practice

The study sought to provide empirical evidence on the role of budget reliability and transparency of public finances in enhancing public financial management in Nairobi City County. The findings may be useful to county policymakers, financial managers, and oversight institutions in identifying areas that require reforms to strengthen budgeting processes, improve fiscal discipline, and promote transparency and accountability in the management of public resources. The study may also inform the development and implementation of policies aimed at improving service delivery and public trust in county governance

1.6.2 Public Governance and Service Delivery

The study is expected to contribute to improved governance by highlighting the importance of reliable budgeting and transparent financial management in the efficient utilization of public resources. By identifying existing gaps and challenges, the findings may support efforts to enhance accountability and ensure that public funds are utilized for their intended purposes. Ultimately, this can contribute to improved service delivery and better development outcomes for residents of Nairobi City County.

1.6.3 Academic Knowledge Expansion

The study is expected to contribute to the body of existing literature on public financial management in the context of Kenya's devolved system of governance, offering new perspectives and theoretical advancements in the field. The research will provide empirical evidence on the relationship between budget reliability, transparency of public finances, and public financial management performance. Researchers and scholars can build upon these findings to further explore and refine related topics. In addition, it will serve as a reference point for future studies, providing a foundation for interdisciplinary research and knowledge dissemination.

1.7 Summary of chapter one

This chapter introduced the study by providing the background to Public Financial Management and highlighting the importance of budget reliability and transparency of public finances in enhancing accountability, efficiency, and service delivery within Nairobi City County. The chapter presented the problem statement, research objectives, research questions, significance of the study, scope and limitations, and the conceptual framework guiding the study. It established the basis for examining how budget reliability and transparency of public finances influence PFM performance and laid the foundation for the subsequent chapters, which review relevant literature, describe the research methodology, present the findings, and discuss the conclusions and recommendations of the study.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter reviewed pertinent literature on public financial management practices and their impact on service delivery by county administrations. It was structured into several sub-sections, including a theoretical review outlining the key theories underpinning the study; an evaluation of empirical literature; a summary of existing research gaps; the study's conceptual framework illustrating the relationships between dependent and independent variables; the operationalization of the study variables; and a summary of the literature review in a tabular format.

2.2 Theoretical Review

This study was anchored on New Public Management (NPM) Theory and Agency Theory, which provide a foundation for understanding accountability, efficiency, transparency, and performance in the management of public resources. The theories explain how public institutions can improve financial management practices through results-oriented approaches, effective oversight mechanisms, and responsible stewardship of public funds.

2.2.1 New Public Management (NPM) Theory

The New Public Management (NPM) approach emerged in the late twentieth century as part of public sector reforms aimed at improving efficiency, accountability, and service delivery by adapting managerial practices from the private sector (Hood, 1991; Pollitt & Bouckaert, 2017). NPM emphasizes performance measurement, decentralization, and results-driven management as means of promoting fiscal discipline and transparency in government operations. In relation to Public Financial Management (PFM), the theory provides a useful framework for explaining how institutional and managerial reforms can strengthen budget reliability and transparency of public finances, two central dimensions of effective fiscal governance under the Public Expenditure and Financial Accountability (PEFA) framework.

A key tenet of NPM is performance-based budgeting, which links financial allocations to measurable outputs rather than inputs. This principle supports budget reliability by fostering credible revenue forecasts, disciplined expenditure control, and reduced budget deviations (Christensen & Lægreid, 2011; Osborne, 2010). Within the PEFA framework, indicators PI-1 to PI-3 assess the reliability of a government's budget by examining expenditure outturns, composition variance, and revenue performance.

In Nairobi City County, recurrent gaps between approved and actual budgets, along with unplanned expenditures and weak revenue mobilization (PEFA, 2023), illustrate ongoing problems of budget reliability. Applying NPM's performance-oriented principles can improve fiscal predictability and ensure that resources are allocated and used according to plan. Empirical evidence from Ghana and South Africa shows that performance-based budgeting enhances expenditure control and reduces fiscal indiscipline, contributing to more consistent implementation of planned budgets (Andrews & Van de Walle, 2013; Olowu & Wunsch, 2004).

NPM also places strong emphasis on transparency and accountability, which are fundamental for improving fiscal openness and public trust. Within the PEFA structure, indicators PI-4 to PI-9 assess transparency by examining the comprehensiveness of budget documents, management of extra-budgetary activities, and the timeliness and quality of financial reporting. Through tools such as open budgeting, e-procurement, and digital financial reporting, NPM encourages greater traceability of public funds and helps curb opportunities for corruption (Grindle, 2017; Mutonyi, 2019). Nairobi City County has introduced digital reforms in areas such as revenue collection and expenditure reporting (Wagana, 2017), reflecting NPM's influence.

However, delays in publishing budget information and incomplete fiscal disclosures continue to limit accountability. Comparative studies from Malaysia and Rwanda indicate that open governance reforms and public access to financial data enhance oversight and reduce misuse of public resources (Mimba, van Helden, & Tillema, 2007; Andrews, 2010). Another important NPM concept relevant to both reliability and transparency is financial decentralization, which gives subnational entities greater autonomy in planning and managing their resources. Properly implemented, decentralization enables local governments to align budgets with local priorities while maintaining credible financial reporting (Shah, 2005; Hope, 2012).

In Kenya’s devolved framework, Nairobi City County enjoys fiscal autonomy but still faces challenges such as weak internal control systems and limited technical capacity (Kamau & Wamugo, 2023). Lessons from Tanzania and Uganda show that well-designed fiscal decentralization can enhance budget reliability and transparency by strengthening local accountability mechanisms and oversight capacity (Smoke, 2015; Fjeldstad, 2001).

By aligning NPM principles with PEFA’s core dimensions of performance, this study situates budget reliability and transparency of public finances within a broader framework of efficiency, accountability, and results-oriented management. The integration underscores how managerial reforms, improved institutional practices, and technology-driven transparency can address Nairobi City County’s fiscal challenges, such as budget shortfalls, debt accumulation, and delayed reporting, while enhancing overall public financial management performance.

2.2.2 Agency Theory

Agency Theory, developed by Jensen and Meckling (1976), explains the relationship between principals (citizens) and agents (public officials) in the management of public resources. The theory argues that agents may pursue their own interests rather than those of the principals, leading to inefficiencies in the use of public funds. Within the context of county governments, this relationship highlights the importance of accountability and transparency in financial governance (Eisenhardt, 1989). In decentralized systems such as Nairobi City County, the ris ks of moral hazard and information asymmetry often weaken financial oversight and undermine fiscal discipline (Ross, 1973).

A central principle of Agency Theory is that strong accountability mechanisms are necessary to ensure that public officials act in the best interests of citizens. When these mechanisms are weak, issues such as misallocation of funds and irregular spending emerge (Bovens, 2007). For Nairobi City County, repeated audit concerns and inconsistent expenditure reporting illustrate how inadequate oversight structures contribute to unreliable budgeting and opaque financial management (World Bank, 2020). Establishing clear reporting standards, conducting regular audits, and encouraging public participation align with Agency Theory’s call to reduce the information gap between agents and principals (OECD, 2023).

Agency Theory also emphasizes that information asymmetry allows agents to manipulate financial information to their advantage (IMF, 2023). Limited public access to budgetary data in Nairobi City County has, in some cases, enabled practices such as procurement fraud and revenue leakages (Mugambi & Theuri, 2014). Promoting open budget platforms and enhancing financial disclosure requirements can help counter these challenges and strengthen budget transparency.

Effective oversight mechanisms, including internal controls, are crucial in minimizing agency risks World Bank. (2024). In Nairobi City County, weak expenditure controls and delayed financial reports have led to budgetary unreliability and growing debt (Owino & Kinyua, 2019). Reinforcing audit institutions such as the Office of the Auditor-General and enforcing compliance with fiscal regulations can help restore financial discipline (Andrews et al., 2014). Agency Theory further suggests that incentive structures can align agents' interests with those of the principals (Jensen, 1986). In this regard, performance-based budgeting provides a means of linking financial allocations to service delivery outcomes, thereby enhancing accountability (Moynihan, 2008). In Nairobi City County, aligning resource allocation with measurable results has been proposed as a way of improving efficiency and budget reliability (Kimani, 2021; Grindle, 2017).

Corruption weakens the principal–agent relationship by fostering rent-seeking behavior and eroding public confidence (Transparency International, 2023). Persistent corruption in Nairobi City County's procurement and revenue systems underscores the need for stronger anti-corruption measures and greater transparency (Ethics and Anti-Corruption Commission, 2023). The adoption of e-procurement and automated financial management systems can help curb such practices by improving traceability and accountability (World Bank, 2024). Legal instruments such as the Public Finance Management Act (2012) provide an institutional framework for financial accountability. Agency Theory supports the role of legislative and institutional oversight in ensuring agents act responsibly (OECD, 2023). However, weak enforcement of procurement and financial laws continues to undermine compliance in Nairobi City County (IMF, 2023). Strengthening these institutional mechanisms is therefore essential for achieving both budget reliability and transparency.

Public participation in budgeting processes further supports the principles of Agency Theory by enabling citizens to influence how resources are allocated and monitored (Fung, 2015). Despite ongoing participatory initiatives, limited civic awareness and bureaucratic resistance have reduced their impact in Nairobi City County (Michels & De Graaf, 2017). Enhancing

civic engagement and financial literacy can improve transparency and help ensure that budgetary decisions reflect public priorities (OECD, 2020).
The integration of digital financial management systems such as IFMIS can further reduce agency risks by automating transactions and minimizing human discretion (Diamond & Khemani, 2016). Nonetheless, implementation challenges, such as system manipulation and limited technical capacity, have constrained their effectiveness in Nairobi City County (World Bank, 2021). Strengthening system integrity and user accountability is therefore vital to improving fiscal transparency and budget reliability (IMF, 2023).

Agency Theory offers a valuable lens for understanding the fiscal management challenges facing Nairobi City County. Persistent issues of corruption, weak oversight, and unreliable budgeting stem from gaps in the principal–agent relationship (Moe, 2019). Enhancing budget reliability and financial transparency thus requires stronger institutional checks, active citizen participation, and robust digital systems that reduce information asymmetry and agency costs (World Bank, 2022). Applying these principles enables the county to achieve more disciplined, transparent, and accountable public financial management.

2.3 Empirical Literature Review

This section reviews existing empirical studies on budget reliability and transparency of public finances, highlighting key findings, methodologies, and gaps that inform the current study on Public Financial Management in Nairobi City County.

2.3.1 Public Financial Management

Public financial management is essential for improving the quality of public service delivery. Efficient management of public finances is a key component of good governance (Choudhury & Mohanty, 2019). It influences the availability of investment resources, the efficiency and profitability of public services, and the strategic allocation of funds to meet both local and national objectives. When public funds are managed with transparency and accountability, public trust in government institutions tends to increase (Mutai, 2022). “The PFM strategy supports fiscal and macroeconomic stability, aligns public spending with national priorities, facilitates efficient service delivery to reduce poverty and drive economic growth, and ensures greater transparency and oversight of public finances” (Thom, 2019).

Public Financial Management (PFM) covers all dimensions of the APBN's growth, both upward and downward (Simson et al., 2019). Upstream processes cover activities like long-term planning, setting medium-term spending plans, and creating yearly budgets. Downstream processes focus on managing revenue, handling public procurement, setting rules, providing administrative support, and carrying out reporting, monitoring, evaluation, and review. Strengthening the PFM system is crucial for promoting autonomous governance, ensuring more efficient use of public resources, enhancing macroeconomic stability, and reducing poverty (Mutai, 2022). Conversely, an inefficient Use of Public Funds (UPF) system increases the risk of corruption and can obstruct development efforts (Norad, 2019).

Improving Public Financial Management is essential for the effective allocation and use of public resources, thereby promoting economic stability and growth" (Cangiano, Gelb, & Goodwin- Groen, 2020). Globally, there is a growing emphasis on integrating digital technologies into PFM systems. "The Collaborative Africa Budget Reform Initiative (CABRI) has highlighted the importance of digitalization in enhancing PFM practices" (Cangiano et al., 2020). In adopting digital tools, governments can improve the efficiency of financial transactions, enhance data accuracy, and promote transparency. These advancements contribute to better fiscal management and support the achievement of broader development objectives (Gupta, Keen, & Shah, 2021).

In the Americas, countries have undertaken significant reforms to bolster their PFM systems. The World Bank's Public Financial Management and Institutional Strengthening Project aims to increase the effectiveness of public spending and strengthen financial reporting in several Latin American nations" (Prakash & Cabezas, 2022). These reforms focus on "modernizing budgetary processes, implementing integrated financial management information systems, and strengthening internal controls to promote transparency and accountability. Countries like Brazil and Mexico have implemented participatory budgeting to involve citizens in fiscal decisions, leading to more accountable governance (Prakash & Cabezas, 2022). In the United States, the "Digital Accountability and Transparency Act (DATA Act)" mandates comprehensive federal spending data disclosure, enhancing transparency and oversight. Such initiatives are critical for strengthening public trust and ensuring that resources are utilized effectively to meet developmental goals (Bergman & Hutchinson, 2020).

European nations have also been proactive in refining their PFM frameworks. European nations have prioritized harmonizing accounting standards and integrating digital technologies to improve PFM (Blöchliger, 2023). The European Union's adoption of the "European System of Accounts (ESA) 2010" has standardized financial reporting across member states, facilitating better fiscal monitoring and policy coordination. Additionally, countries like Estonia have embraced e- governance, implementing digital platforms for budgeting and expenditure tracking, which enhance efficiency and reduce corruption (Kraan & Wehner, 2021). "The World Bank's initiative on Improving Public Financial Management for the Green Transition highlights the integration of environmental considerations into fiscal policies" (Blöchliger, 2023). This approach ensures that budgetary allocations support sustainable development and address climate change challenges. By aligning financial management practices with environmental objectives, European countries aim to promote a green economy while maintaining fiscal responsibility. Such reforms demonstrate the adaptability of PFM systems to emerging global priorities (Kraan & Wehner, 2021).

Asian countries have recognized the importance of robust PFM systems in achieving economic stability and growth. The Alliance for Financial Inclusion (AFI), headquartered in Malaysia, has played a key role in advancing financial inclusion policies across the region (Jomo & Chowdhury, 2023). AFI's peer-to-peer learning model facilitates knowledge exchange and best practices among policymakers, leading to the development of effective PFM strategies. In focusing on capacity building and policy development, Asian nations are working towards more inclusive and resilient financial systems. The Philippines and Indonesia have undertaken comprehensive reforms to strengthen budgetary processes and financial oversight (Jomo & Chowdhury, 2023). The Asian Development Bank has supported these efforts through technical assistance programs aimed at improving financial management capacities. "These reforms have led to more disciplined fiscal policies and improved public service delivery, demonstrating the impact of targeted capacity development in PFM" (Abe & Okamura, 2021).

In Africa, efforts to enhance PFM are gaining momentum. "The African Development Bank's Public Finance Management Academy" has launched training programs aimed at strengthening the capacities of government officials in managing public finances. These initiatives focus on improving domestic revenue mobilization, fiscal stability, and the effective use of public resources (Mugume & Okoth, 2021). By investing in human capital and building strong institutions, African countries aim to deliver better services and reach long-term development goals.

Lawson (2017), in his study on Use of Public Funds (UPF) “reforms in Malawi, Ghana, and Burkina Faso, highlights that such reforms not only promote good governance and transparency but also contribute to the effective delivery of services that support economic self-reliance and human development.” Despite facing economic, political, and social transitions, these countries have successfully implemented UPF reforms that have strengthened service delivery at the community level. According to the report, the reforms have enhanced government accountability and transparency, leading to increased public trust in the system. Mwabutwa and Pauw (2017) analyzed Use of Public Funds (UPF) practices in Malawi from 2001 to 2010 and found that the government had made significant strides in implementing key reforms. Notably, the Malawian government adopted and operationalized the Integrated Financial Management Information System (IFMIS), which proved effective in enhancing the management of public finances. Additionally, the country centralized its payment system by introducing a Single Treasury Account (STA). These two major reforms, IFMIS and the STA, were central to Malawi’s UPF improvements during that period. These reforms led to better service delivery, less corruption, and increased accountability and transparency in managing public resources.

Ethiopia and Zambia have adopted economic reforms to attract foreign direct investment and improve fiscal management. These reforms include liberalizing exchange rates and strengthening institutional frameworks to promote transparency and accountability. Further, “Rwanda has implemented the Integrated Financial Management Information System (IFMIS) to enhance budget execution and reporting” (Makau & Kilonzo, 2023). Similarly, Tanzania's Public Financial Management Reform Program has focused on strengthening internal controls and audit functions. These initiatives have resulted in more transparent and accountable public financial systems, emphasizing the benefits of technological integration and regional cooperation (Makau & Kilonzo, 2023).

Kamya (2018), in a comprehensive analysis of Use of Public Funds (UPF) reforms in Tanzania and Ethiopia, demonstrates that both governments have made significant progress in implementing these reforms. The study highlights that both countries are actively working to address major weaknesses in financial regulation systems. In Ethiopia, UPF reforms focus on strengthening the existing framework, emphasizing legal foundations, accountability, budgeting, financial reporting, and consistent payment processes through a hybrid approach. In contrast, Tanzania's Public Financial Management (PFM) reforms are driven by the adoption of new information and communication technologies (ICTs) and the enforcement of stricter disciplinary measures. Both approaches aim to enhance financial control and improve the effectiveness of public fund management.

Kenya has taken a proactive approach in involving the public in the development of new laws intended to boost revenue and tackle economic challenges. The Ministry of Finance's initiative to include citizens in the legislative process demonstrates a strong commitment to transparency and inclusivity in Public Financial Management (PFM) reforms (Wambua & Mwangi, 2023). By incorporating public input, Kenya aims to craft policies that are not only effective but also socially acceptable, thereby increasing the legitimacy and success of fiscal measures. This inclusive approach is key to building public trust and making PFM reforms last over the long term.

Kenya has further undertaken substantial PFM reforms to enhance service delivery and strengthen fiscal responsibility. Key initiatives include "enactment of the Public Finance Management Act and implementation of the Integrated Financial Management Information System (IFMIS), both of which are intended to improve budgetary oversight and minimize financial mismanagement" (Mutua & Ndichu, 2022). Despite these advancements, challenges remain, particularly in system integration and limited institutional capacity. "Ongoing efforts are necessary to address these issues and fully realize the intended benefits of Kenya's PFM reforms" (Mutua & Ndichu, 2022).

A number of Kenyan studies by Mwengi (2019), Mutai et al. (2022), and Mutai (2017) reveal that despite "the rollout of the Integrated Financial Management Information System (IFMIS)," county governments still struggle to adopt reforms designed to enhance the use of public funds (UPF) within devolved governance systems. For instance, Mwengi highlights that following the adoption of the 2010 Constitution, in 2012, Kenya adopted a devolved system of governance to tackle challenges like marginalization, unequal distribution of resources, bureaucratic delays, ethnic tensions, corruption, and limited public involvement in decision-making.

A primary goal of the devolved governance system was to promote effective and accountable public financial management for local development and growth. However, many of the challenges previously faced at the national level have simply shifted to the counties, where issues such as corruption, misuse of public funds, lack of accountability, ethnic favoritism, nepotism, and political patronage continue to undermine governance. This indicates that county governments are not fully adhering to the requirements of the 2012 UPF legislation, which obligates them to establish UPF frameworks that enhance service delivery while curbing financial mismanagement and corruption.

2.3.2 Budget Reliability and Public Financial Management

Budget reliability has been widely recognized as a core pillar of sound public financial management (PFM), reflecting the extent to which actual government revenues and expenditures align with approved budgets. Within the Public Expenditure and Financial Accountability (PEFA) framework, budget reliability is operationalized through measurable indicators, including aggregate expenditure outturn, expenditure composition variance, and revenue outturn. These indicators collectively assess whether budgets serve as credible instruments for policy implementation and whether fiscal outcomes remain consistent with approved plans.

A substantial body of literature demonstrates that weak alignment between approved and executed budgets undermines fiscal discipline, institutional trust, and service delivery outcomes. Chakraborty and Shrestha (2024), in their study of South Asian countries, found that robust PFM practices such as expenditure control, fiscal discipline, and transparency mechanisms significantly improve alignment between planned and actual budgets. However, their analysis largely conceptualized budget reliability as an input into broader "budget credibility," rather than as an independent performance outcome measurable through PEFA indicators. This conceptual overlap limits the analytical clarity required for assessing subnational fiscal performance in devolved systems.

In African contexts, empirical evidence consistently points to persistent deviations between approved and executed budgets. Bigodza (2022), examining Ghana's public financial management system, identified political interference, weak institutional oversight, and non-compliance with budgetary procedures as key drivers of expenditure deviations. These findings were reinforced by the Ghana PEFA assessment, which recorded weak performance in budget reliability indicators, particularly in expenditure outturn and revenue forecasting. Similar patterns are observed in Tanzania and Uganda, where PEFA assessments highlight recurrent weaknesses in expenditure composition, revenue predictability, and budget execution controls. These challenges reflect structural inefficiencies in forecasting and implementation rather than isolated fiscal management failures.

In Kenya, the national PEFA assessment (2022) revealed that actual expenditures consistently fell below approved budgets, with execution rates frequently below the PEFA benchmark of 90 percent. These deviations were attributed to over-optimistic revenue projections, unpredictable external financing, and weaknesses in expenditure controls. At the subnational level, these challenges are more pronounced, particularly in large urban counties such as Nairobi City County, where complex service demands, revenue volatility, and high recurrent expenditure obligations contribute to persistent budget execution gaps.

Comparative studies from other jurisdictions further reinforce the importance of institutional capacity and fiscal discipline in achieving budget reliability. Oulasvirta and Rönkkö (2023) demonstrated that strong auditing frameworks and regulatory oversight in Finland enhance alignment between budgets and actual fiscal outcomes. Similarly, Müller (2022) found that automated reporting systems in Austria improved fiscal discipline through enhanced monitoring of expenditures and revenues. However, both studies are grounded in high-capacity governance environments, limiting their applicability to devolved systems with weaker enforcement structures.

In contrast, studies from developing economies highlight persistent structural constraints. Debebe and Eshetu (2019) observed that frequent reallocations and weak expenditure controls in Ethiopia undermined the reliability of approved budgets. Likewise, Mwakyusa (2021) and Avutia (2010) found that weak planning, limited financial controls, and inadequate stakeholder participation significantly contributed to deviations between approved and actual spending in Tanzania and Uganda respectively. These studies collectively emphasize that budget reliability is not only a technical budgeting issue but also a function of institutional capacity, enforcement strength, and fiscal discipline.

A key conceptual gap emerging from the literature is the tendency to conflate budget reliability with budget credibility. Several studies, including Chakraborty and Shrestha (2024), conceptualize credibility as the primary outcome, with reliability treated as a contributing factor rather than a distinct measurable construct. This has resulted in limited application of standardized PEFA reliability indicators in empirical research, particularly at subnational levels.

Furthermore, much of the existing evidence is derived from centralized governance systems or national-level analyses, with limited focus on devolved units. This creates a contextual gap, particularly for countries such as Kenya, where fiscal decentralization has significantly altered budget formulation and execution processes. In Nairobi City County, persistent deviations between approved and actual expenditures, coupled with revenue shortfalls and weak forecasting practices, highlight the need for a localized assessment of budget reliability using PEFA indicators.

Overall, the literature confirms that while budget reliability is widely acknowledged as essential for fiscal discipline and effective service delivery, its measurement remains inconsistently applied, conceptually blurred with credibility, and underexplored in devolved governance contexts. This justifies a focused PEFA-based evaluation of budget reliability in Nairobi City County to provide empirical clarity on the extent of budget execution alignment and to identify structural weaknesses affecting fiscal performance.

2.3.3 Transparency of Public Finances and Public Financial Management

Transparency in public finance is vital for sound fiscal management, shaping budget reliability and influencing policy implementation, particularly with regard to service delivery. Shkolnyk, Kozmenko, and Mershchii (2020) examined how public finance transparency influences corruption levels across diverse nations using econometric modeling. Employing secondary data and regression analysis, the study found that greater transparency reduces corruption and strengthens fiscal discipline through better access to financial information and accountable reporting. Under the PEFA framework, transparency is assessed through the availability of budget documents, reporting on fiscal risks, and clarity in intergovernmental financial relations. These indicators reflect how openly governments share financial information and how this affects fiscal discipline and trust. However, the study by Shkolnyk et al. (2020) focused on national-level systems and did not consider sub-national contexts where fiscal autonomy and governance complexity vary. Given Nairobi's devolved structure and fiscal complexities, a PEFA assessment is necessary to evaluate the strengths and weaknesses of its transparency pillar. This would help identify areas where transparency can better support and improve service delivery.

Patel (2023) investigated "how financial reporting standards affect the efficiency of public financial management (PFM) in Canada" using a mixed-methods approach that combined interviews and performance data analysis. The study found that stronger reporting standards improved the reliability and completeness of financial documents, supporting more accurate budget documentation and effective service delivery evaluations. These findings align with PEFA's transparency indicators, which assess the accessibility, comprehensiveness, and credibility of fiscal information as core elements of sound financial governance. However, the study also noted that limited institutional support and inadequate training among public officers hindered the effective implementation of these standards. While the research demonstrates how rigorous reporting frameworks enhance fiscal transparency, its context within a developed economy limits its relevance to Kenya's devolved system. Nairobi County, for example, faces challenges such as weak disclosure practices, inconsistent financial reporting, and limited public access to budget data, factors that reduce fiscal openness and accountability. Conducting a PEFA assessment on transparency in Nairobi would therefore help identify the strengths and weaknesses of its current PFM systems, providing a foundation for reforms that promote openness, institutional efficiency, and public trust in financial management.

MacLeod (2022) examined "how transparent financial reporting affects public financial management" in Scotland through a case study approach, finding that public access to fiscal information enhances trust and accountability. Timely publication of financial reports was shown to improve budget documentation and fiscal credibility -key indicators of transparency under the PEFA framework, which assess the comprehensiveness, accessibility and reliability of public financial data. However, delays and bureaucratic inefficiencies reduced these benefits. While the study offers useful insights, its focus on a centralized system limits its relevance to Kenya's devolved context. In Nairobi County, challenges such as delayed reporting and limited public access to financial data highlight the need for a PEFA assessment to evaluate transparency gaps and strengthen accountability in public financial management.

Rodríguez et al. (2022) analyzed factors influencing government financial transparency in several European countries using regression analysis. The study found that e-government systems, institutional quality, and citizen participation were key in promoting fiscal openness, with institutional strength proving more important than economic status. These findings reflect the PEFA transparency indicators, which emphasize the publication, accessibility, and timeliness of financial information such as budgets, in-year reports, and audit findings—elements essential for sound and reliable public financial management. However, since the study focused on European settings, its findings may not fully apply to Kenya's devolved framework, where political interests, administrative constraints, and varying institutional capabilities shape fiscal transparency differently. This highlights the need for a PEFA assessment in Nairobi County to evaluate existing transparency systems, uncover gaps in financial disclosure, and enhance the reliability of county budgeting and expenditure practices.

Müller (2022) analyzed "Austria's public financial management" using fiscal data from 2011 to 2021. The study found that clear budget classification and close monitoring of off-budget expenditures improved fiscal discipline and accountability, core aspects of transparency under the PEFA framework. Automated financial reporting systems enhanced the accuracy and timeliness of data, strengthening public access to financial information. However, bureaucratic delays often limited the impact of these reforms. While the research showed that legal frameworks combined with automation support transparent financial practices, it did not consider how such approaches could work in settings with limited institutional or technological capacity. This gap is significant in the Kenyan context, where counties such as Nairobi face ongoing challenges in timely financial reporting, accessibility of fiscal data, and oversight of extra-budgetary spending. A PEFA assessment in Nairobi County would help identify specific strengths and weaknesses in transparency and reporting systems, offering a clear foundation for improving public financial management and accountability.

Tanaka (2021) examined "Japan's Ministry of Finance and local government fiscal oversight" through case study methodology, utilizing audit reports and stakeholder interviews. The research found that while Japan maintains a robust and centralized budget classification system, inconsistencies in reporting off-budget expenditures at the local level weakened fiscal transparency, an indicator emphasized in the PEFA framework. The study stressed the need for harmonized monitoring protocols and enhanced intergovernmental coordination to strengthen fiscal transparency. The focus on Japan's highly developed system excludes challenges faced by emerging economies with less mature budget classification infrastructures. In contexts such as Nairobi County, where budget classification, reporting reliability, and disclosure of fiscal data remain uneven, these insights reveal a pressing need for localized assessment. Conducting a PEFA evaluation in Nairobi would provide a systematic appraisal of transparency gaps, offering evidence-based recommendations to enhance fiscal reporting, oversight, and public access to financial information.

Widajatun and Kristiastuti (2020) analyzed the impact of financial supervision, accountability, and transparency on local government performance in Indonesia, using quantitative data from regional financial reports. Their findings showed that greater transparency and stronger oversight significantly improved service delivery and institutional efficiency. This highlights the importance of internal control systems and regulatory compliance in promoting trust and service efficiency. These results align with PEFA's transparency indicators, which assess public access to fiscal information, clarity of budget documentation, and the reliability of financial reporting as measures of sound public financial management. While the study underscores the role of disclosure and accountability in strengthening governance, its applicability to Kenya's devolved framework remains limited. Nairobi County, in particular, operates within a different legal and institutional environment, marked by political complexity, administrative fragmentation, and uneven capacity for fiscal reporting. This creates a strong case for conducting a PEFA assessment to evaluate the strengths and weaknesses of transparency mechanisms within the county's public finance management process, thereby identifying reforms to enhance budget reliability and public confidence in local financial management.

Lim (2023) examined "the impact of financial reporting reforms on public financial management in Malaysia" through a longitudinal study supported by policymaker surveys. The research found that reforms improved fiscal discipline and strengthened budget classification, aligning with PEFA indicators on the transparency and comprehensiveness of budget documentation. However, institutional resistance limited broader reform uptake. The study also overlooked key aspects such as public access to financial information and fiscal transparency at subnational levels—both vital under PEFA's focus on public availability of budget data and reporting. These gaps underscore the importance of assessing Nairobi County's transparency mechanisms, where limited public access to fiscal reports and weak accountability structures may hinder effective financial management. A PEFA assessment would therefore provide valuable insights into both the strengths and weaknesses of Nairobi's transparency framework and guide reforms toward more open and accountable governance.

Gómez (2021) examined "financial reporting compliance and its impact on public financial management in Peru" using a quantitative approach. The study found that strong compliance improved financial accountability, reporting accuracy, and expenditure management, aligning with PEFA indicators that assess the transparency and consistency of fiscal reporting. However, weak technical capacity among public officials limited the effectiveness of these reforms. While the research demonstrated how compliance supports fiscal discipline, it did not address public access to financial information or transparency in resource allocation to service delivery units, key dimensions under the PEFA framework. These omissions highlight the need for a contextualized assessment in Nairobi County, where challenges such as limited disclosure of fiscal information, weak reporting systems, and uneven fiscal oversight persist. Conducting a PEFA assessment would help identify both strengths and gaps in Nairobi's public finance transparency, offering an evidence-based pathway to strengthen accountability and fiscal governance.

Bach (2020) investigated "the role of fiscal councils in enhancing transparency and accountability in public financial management," finding that they improve budget discipline, reduce misreporting, and strengthen public trust by mitigating information asymmetry between governments and the public. In the PEFA framework, transparency is assessed through the openness of budget documents, fiscal reporting, and disclosure of fiscal risks, all essential for credible financial governance. However, the study focused on national systems in developed countries, leaving a gap in understanding how such mechanisms function in devolved contexts. This underscores the need for a PEFA assessment in Nairobi County to evaluate existing transparency practices, identify weaknesses, and determine how openness in fiscal reporting affects transparency in public finances and service delivery.

Upadhaya et al. (2024) examined "the effectiveness of public financial management systems in promoting transparency and accountability" using a mixed-methods approach. The study found that digital systems and strong institutional frameworks significantly enhance fiscal openness, improve real-time reporting, and strengthen public confidence in financial governance. Within the PEFA framework, transparency is assessed through indicators such as public access to fiscal information, and clarity of budget documentation, all of which are vital for ensuring credible and accountable budget execution. However, the study did not explore how these mechanisms operate in decentralized contexts, where fiscal autonomy and varying technological capacities affect implementation. This creates a clear gap that justifies a PEFA assessment of transparency of public finances in Nairobi County to evaluate the strength of its transparency systems and identify areas needing improvement to enhance fiscal credibility and service delivery.

Igbokwe-Ibeto et al. (2021) examined Nigeria's Treasury Single Account (TSA) and its role in improving fiscal transparency and accountability through qualitative interviews and case studies. The study found that consolidating public accounts reduced revenue leakages, improved cash management, and strengthened fiscal discipline by enhancing traceability and oversight. These findings align with the Public Expenditure and Financial Accountability (PEFA) assessment for Nigeria (2019), which noted that while the country's budget system follows an administrative and economic classification compatible with the Government Finance Statistics (GFS) 2014 framework, transparency remained limited due to gaps in budget reporting and disclosure (PEFA, 2019, PI-4). Specifically, although recurrent and capital expenditures were integrated into a single budget framework, much of the fiscal data—particularly revenues and expenditures outside the budget—was not consolidated or publicly available.

Similarly, Abata and Adejuwon (2022) highlighted that political interference, weak institutional capacity, and corruption hinder fiscal transparency, echoing PEFA's (2019) findings that key fiscal information was not made publicly accessible in a timely or complete manner. The PEFA report also observed that Nigeria's budget documentation, while containing most essential economic and financial information, fell short in public disclosure and lacked clear mechanisms for performance monitoring. For instance, performance plans were limited to capital projects in major ministries and were not incorporated into quarterly budget execution reports, undermining evaluation of expenditure efficiency (PEFA, 2019).

Agu, Nkwo, and Eneiga (2024) emphasized that institutional reforms and public participation are vital to building trust in fiscal governance. This observation corresponds with PEFA's (2019) assessment that public access to fiscal reports remained weak, with citizens able to access only two of five basic fiscal reports and three of four additional datasets required for full transparency. Furthermore, the report identified limited advance communication of fiscal transfers to subnational entities, affecting local budget planning and transparency (PEFA, 2019).

Adeyemi (2022) assessed Nigeria's public expenditure monitoring through survey data collected from government accountants and analysts. The study identified fragmented budget classification, poor tracking of off-budget expenditures, and institutional inefficiencies, key aspects linked to PEFA transparency indicators, as primary causes of fiscal leakages. It concluded that robust institutional reforms, supported by financial technology and capacity building, are essential for improving expenditure transparency and public trust. Despite strong findings, the study's cross- sectional survey design limited deeper analysis of underlying systemic issues and lacked detailed case studies to contextualize reform outcomes over time.

Collectively, these findings underscore the critical importance of localized, evidence-based assessments like PEFA in identifying transparency gaps within public financial management systems. For Nairobi County, which operates in a decentralized context with diverse revenue sources and spending responsibilities, a PEFA assessment focused on transparency would help identify weaknesses such as incomplete budget reporting, limited public access to fiscal data, and weak performance monitoring. Such an assessment would not only benchmark Nairobi's fiscal transparency against international standards but also guide targeted reforms to enhance accountability, strengthen budget reliability, and build public confidence in financial governance.

Tesfaye (2023) "analyzed financial reporting in Ethiopia through qualitative interviews and secondary data analysis," finding that accurate and timely reports strengthened fiscal discipline, improved expenditure control, and reduced misuse of funds. However, weak enforcement of financial regulations limited the overall impact of these reforms, underscoring the need for consistent policy application across institutions to enhance transparency and accountability. The PEFA Assessment for Ethiopia (2019) supports these observations, noting that while the country's budget classification and reporting systems are largely aligned with international standards, gaps remain in public access to fiscal information. The assessment found that only a limited portion of essential budget documents and reports are made publicly available, restricting citizen oversight. Although intergovernmental transfers were rule-based and transparent, weaknesses persisted in enforcing reporting standards and ensuring timely disclosure of fiscal data. These findings suggest that despite progress in fiscal reporting and accountability, transparency challenges continue to affect effective oversight. Given the similarities in fiscal decentralization and administrative structures, a PEFA assessment on transparency of public finances in Nairobi County is necessary to identify comparable strengths and weaknesses. Such an evaluation would help pinpoint areas where improved reporting, disclosure, and public engagement could strengthen the county's financial governance.

Mwangoka (2021) analyzed "financial reporting practices in Tanzania to assess their effect on public financial outcomes." The findings showed that strong reporting systems improved expenditure control, reduced financial leakages, and supported efficient resource allocation, leading to better service delivery. However, limited technical capacity, especially the shortage of skilled financial staff, hindered effective implementation and interpretation of financial reports. The study highlighted the need for ongoing capacity building to sustain reforms but did not examine public access to fiscal information, an important aspect of transparency in public financial management. The PEFA (2017) assessment for Tanzania supports these findings, noting progress in reporting by extra-budgetary units (PI-6) but persistent under-reporting of non-tax revenues and externally funded projects. It also recorded a decline in the quality of budget documentation (PI-5) and public access to fiscal information (PI-9), despite available data that could easily improve transparency. Although initiatives such as the Medium-Term Expenditure Framework (MTEF) and performance audits showed progress, weak outcome definitions and limited use of information in decision-making remained barriers. These gaps highlight the need for a similar PEFA assessment in Nairobi County, where comparable challenges, fragmented reporting, low public disclosure, and inadequate technical capacity, may weaken fiscal accountability. Such an assessment would help identify both strengths and weaknesses in transparency, guiding reforms to improve openness and public trust in financial management.

Okello (2023) used econometric modeling to assess Uganda's public financial management, focusing on budget controls and fiscal performance. The study found a positive link between effective budget classification and better tracking of off-budget expenditures, which improved fiscal responsibility at both national and local levels. However, enforcement inconsistencies and institutional weaknesses at the subnational level posed challenges. The study recommended strengthening compliance and fiscal oversight mechanisms, but did not assess the comprehensiveness of budget documentation, the timeliness or accessibility of fiscal information to the public, or the transparency of transfers and performance reporting, core indicators of fiscal transparency under the PEFA framework. These gaps are particularly relevant to Nairobi County, where fiscal operations involve multiple departments and semi-autonomous units that require consistent and transparent reporting to ensure accountability.

Wanjiru (2024) conducted a case study on expenditure tracking across Kenya's national and county governments using government financial statements and expert interviews. The research showed that counties with stronger budget classification systems and tighter controls over extrabudgetary spending experienced better fiscal discipline and accountability. The study advocated for broader adoption of financial technologies and continuous capacity building to enhance fiscal performance. The reliance on a case study approach limits generalizability and lacks quantitative analysis across multiple counties. More importantly, the study did not examine key dimensions of fiscal transparency, such as the completeness of budget documentation, public access to fiscal information, and the reporting of transfers and service delivery performance, central indicators within the PEFA transparency pillar.

Mwangi and Nkuru (2024) examined "the link between financial reporting and performance in state corporations in Kenya" and found that tracking financial flows improved spending discipline, though weak system integration limited decision-making. While emphasizing the need for coordinated reporting, the study failed to address public access to fiscal data, an important measure of transparency under the PEFA framework, which stresses complete budget documentation and open financial reporting. This gap underscores the need to evaluate how transparency functions within devolved units like Nairobi County, where fiscal complexity demands greater clarity and accountability. A PEFA assessment would help identify strengths and weaknesses in Nairobi's financial reporting and disclosure practices, guiding reforms to enhance fiscal transparency and governance.

Mutua (2024) investigated how financial reporting enhances accountability in Kenya's public financial management. Using a qualitative design with interviews from policymakers and financial auditors, the study found that structured financial reports and clear budget classifications significantly strengthen accountability mechanisms. However, persistent issues such as data inaccuracies, reporting delays, and inadequate capture of expenditures outside formal reports limit effectiveness. The study emphasized the role of improved verification systems and timely financial disclosures. It concluded that while financial reporting is essential for accountability, its success depends on robust data governance and institutional coherence. The study is limited to Kenya and lacks quantitative analysis of how effective budget classification is across different tiers of government, highlighting the need to understand transparency as per the PEFA indicators at a different tier of government, such as Nairobi County.

Murigi and Musau (2023) conducted a mixed-methods study on financial governance in Nairobi City County, Kenya. Findings indicated that weak financial reporting practices contributed to poor governance outcomes and frequent fund misallocation. In particular, the lack of effective oversight mechanisms and inconsistent reporting standards hindered informed decision-making and accountability. The study concluded that stronger and standardized financial reporting frameworks are essential to improve governance at the county level. However, it did not explore the role of public access to fiscal data or evaluates the timeliness and adequacy of intergovernmental fiscal transfers, which are crucial for understanding the full scope of financial management in devolved systems.

2.4 Overview of literature review and research gap

The review of existing literature on public financial management shows persistent gaps in understanding budget reliability and the transparency of public finances, especially within devolved systems such as Nairobi County. While several studies address fiscal discipline and accountability, most, such as Chakraborty et al. (2024) and Zhang (2022), focus on non-African or centralized settings, making their findings less applicable to Kenya's devolved governance framework. Even local research (Ochieng, 2020; Wanjiru, 2024) often relies on limited qualitative data and narrow geographic coverage. Few studies explore how technical and political factors jointly shape budget credibility, revenue forecasting, and expenditure performance in counties. This leaves uncertainty about whether county budgets are implemented as approved and how closely actual revenues and expenditures match projections, issues central to PEFA's budget reliability indicators.

Research on the transparency of public finances also shows significant gaps at the subnational level. Much of the existing work (Bach, 2020; Shkolnyk et al., 2020) concentrates on national systems, overlooking the realities of devolved governance. International studies (Rodríguez et al., 2022; Upadhaya et al., 2024) highlight the importance of openness in public finance but are based on settings with stronger institutional capacity and advanced fiscal systems. In contrast, counties such as Nairobi operate under different constraints, including limited public access to fiscal data and fragmented reporting processes. Studies such as Tesfaye (2023) acknowledge weaknesses in financial disclosure but do not evaluate them in detail at the county level. Consequently, there is limited evidence on how counties perform in relation to key PEFA transparency indicators, including budget classification, budget documentation, reporting on extra-budgetary operations, and public access to fiscal information.

These gaps point to the need for a comprehensive PEFA assessment in Nairobi County. Such an exercise would provide an objective evaluation of how reliably the county executes its approved budget and how transparently it manages and reports public funds. By identifying strengths and weaknesses in budget reliability, fiscal reporting, and public disclosure, the assessment would support reforms aimed at improving accountability, service delivery, and public confidence in county financial management.

Table 2.1: Summary of Research Gaps

Author(s)	**Study Objective**	**Methodology Used**	**Findings**	**Research Gap**	**Type of Gap**	**How the Study Has Filled the Gap**
Various international PEFA-based studies	Assess PFM performance using PEFA indicators	Quantitative/ PEFA assessment	PFM improves with strong transparency and budget discipline	Limited focus on devolved county governments	Contextual gap	This study applies PEFA framework to Nairobi County
Chakraborty & Shrestha (2024)	Examine budget credibility and PFM linkages	Comparative quantitative analysis	Strong PFM improves budget alignment	Conflation of credibility and reliability	Conceptual gap	This study isolates budget reliability as a

						distinct construct
Bigodza (2022)	Assess budget deviations in Ghana	Case study analysis	Weak oversight leads to expenditure deviations	Limited subnational analysis in devolved systems	Geographical gap	Focus on Nairobi City County
Oulasvirta & Rönkkö (2023)	Evaluate audit systems and fiscal discipline	Documentary analysis	Strong audit systems improve budget reliability	Focus on high-income countries	Contextual gap	Applies findings to developing county context
Müller (2022)	Assess fiscal automation in Austria	Longitudinal data analysis	Automation improves reporting accuracy	Weak applicability to low-capacity systems	Technological/ context gap	Examines IFMIS in Nairobi County
Debebe & Eshetu (2019)	Examine expenditure control in Ethiopia	Empirical analysis	Weak controls reduce budget reliability	Limited comparison with urban counties	Structural gap	Focus on urban devolved system (Nairobi)
Shkolnyk et al. (2020)	Examine transparency and corruption link	Econometric modeling	Transparency reduces corruption	National-level focus only	Contextual gap	Focus on county-level transparency
Patel (2023)	Assess financial	Mixed methods	Reporting improves	Developed	Contextual gap	Applies to

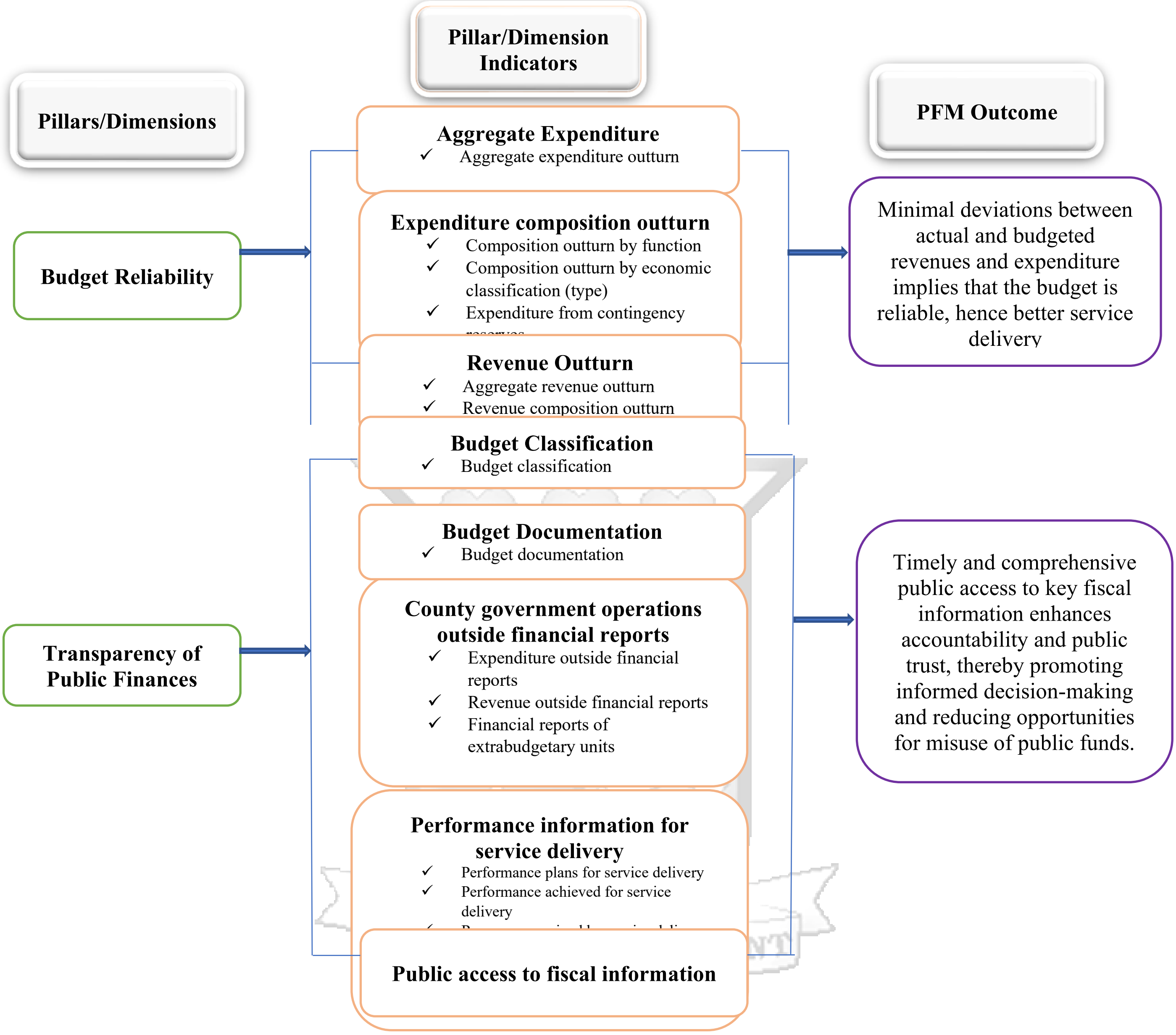
	reporting standards		fiscal management	country bias		Kenya's devolved system
MacLeod (2022)	Examine transparency and trust	Case study	Transparency improves accountability	Limited focus on developing countries	Contextual gap	Focus on Nairobi County
Rodríguez et al. (2022)	Assess determinants of transparency	Regression analysis	Institutional quality drives transparency	Limited subnational evidence	Geographical gap	Applies to county governance
Lim (2023)	Evaluate financial reporting reforms	Longitudinal study	Reforms improve fiscal discipline	Weak focus on public access to data	Conceptual gap	Includes transparency indicators
Gómez (2021)	Assess compliance and fiscal reporting	Quantitative study	Compliance improves accountability	No focus on public access to fiscal data	Conceptual gap	Includes PEFA transparency pillar
Bach (2020)	Assess fiscal councils and transparency	Qualitative study	Fiscal councils improve openness	National-level focus only	Contextual gap	Applies to Nairobi governance structure
Upadhaya et al. (2024)	Assess PFM systems	Mixed methods	Digital systems improve	Limited focus on devolved	Contextual gap	Focus on Nairobi County

	and accountability		transparency	governments		
Igbokwe-Ibeto et al. (2021)	Assess TSA and transparency	Qualitative case study	TSA improves accountability	Limited PEFA application	Methodological gap	Uses PEFA framework
Tesfaye (2023)	Assess financial reporting in Ethiopia	Qualitative + secondary data	Reporting improves fiscal discipline	Weak enforcement not fully analyzed	Analytical gap	Includes enforcement and transparency link
Wanjiru (2024)	Examine expenditure tracking in Kenya	Case study	Strong classification improves discipline	Limited quantitative PEFA analysis	Methodological gap	Uses PEFA indicators quantitatively
Mwangi & Nkuru (2024)	Assess financial reporting in SOEs	Mixed methods	Reporting improves performance	No public access dimension	Conceptual gap	Includes transparency of public finances
Murigi & Musau (2023)	Assess financial governance in Nairobi	Mixed methods	Weak reporting affects governance	No PEFA-based assessment	Methodological gap	Applies PEFA framework to Nairobi County

2.5 Conceptual Framework

A conceptual framework refers to a structured model that illustrates the relationship between study variables and guides the research process by showing how independent variables are expected to influence the dependent variable (Saunders, Lewis & Thornhill, 2023). It provides a logical and theory-driven representation of key concepts and their interactions, helping researchers explain and predict outcomes within a study context (Creswell & Creswell, 2022). The relationship between variables is also supported by contemporary public governance literature, which emphasizes that improvements in budgeting systems, transparency mechanisms, and institutional controls directly influence public sector performance through strengthened accountability and reduced information asymmetry (OECD, 2023). In this study, the presence or modification of independent variables such as budget reliability and transparency of public finances is expected to influence the dependent variable, Public Financial Management performance, through mechanisms explained by Agency Theory and New Public Management Theory, which emphasize accountability, efficiency, and results-oriented governance in public sector management (World Bank, 2024; IMF, 2023).

Figure 2.1: Conceptual Framework



Source: Researcher (2026)

2.5.1 Operationalization of Variables

This section presents the operationalization of study variables by outlining the specific indicators, measurement criteria, data sources, and theoretical foundations used to guide the empirical assessment of budget reliability and transparency of public finances in relation to Public Financial Management in Nairobi City County.

Table 2.2: Operationalization of the Variables

Variable	Specific Variable Name	Measurement/Indicators	Data Source	Theory Supported
Public Financial Management (Dependent Variable)	PFM Performance	Overall PEFA-based composite score derived from budget reliability and transparency indicators (budget execution, reporting quality, accountability, and fiscal discipline)	OCOB Reports; OAG Audit Reports; County Budget Documents; CIDP	Agency Theory; New Public Management Theory
Budget Reliability (Independent Variable)	Aggregate & Revenue Outturn	% deviation between approved and actual expenditure and revenue (95–105%, 90–110%, 85–115% thresholds)	OCOB Reports; County Treasury Records	Agency Theory; Fiscal Discipline Theory
Budget Reliability	Expenditure Composition Variance (By Function & Economic Type)	Variance in allocation across sectors and economic categories (<5%, <10%, <15%)	OCOB Reports; County Budget Estimates	Agency Theory; New Public Management Theory
Budget Reliability	Contingency Fund Utilization	% of contingency expenditure relative to original budget (<3%, 3–6%, 6–10%)	OCOB Reports; County Financial Statements	Fiscal Discipline Theory
Transparency of Public Finances (Independent Variable)	Budget Classification & Documentation	Use of GFS/COFOG classification and completeness of PEFA-required budget documents (10 elements)	County Budget Policy Statements;	New Public Management Theory; Transparency Theory

			OCOB Reports	
Transparency of Public Finances	Fiscal Reporting Integrity (Off-budget Activities)	% of expenditure and revenue outside official financial reports (<1%, <5%, <10%)	OAG Audit Reports; Revenue Records	Agency Theory
Transparency of Public Finances	Extra-budgetary Reporting & Service Delivery Performance	Timeliness of financial reporting; availability of performance plans, outputs, and outcomes	CRA Reports; CIDP; Sector Reports	Institutional Theory; Results-Based Management Theory
Transparency of Public Finances	Public Access to Fiscal Information	Availability of key fiscal documents (budget, in-year reports, audit reports, performance data) based on PEFA requirements	County Website; ATI Act portals; Bajeti Hub Kenya	Transparency Theory; Agency Theory

2.6 Chapter Summary

This chapter reviewed relevant theoretical and empirical literature on Public Financial Management, focusing on budget reliability and transparency of public finances. It highlighted key gaps in existing studies and presented the conceptual framework and operationalization of variables guiding the study. The review established the foundation for assessing Public Financial Management in Nairobi City County using a PEFA-based approach.

CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlined the methodology that was employed by the researcher in conducting the study. It covered the research philosophy, research design, target population, data analysis approach, presentation of findings, quality assurance of the research process, ethical considerations and a summary of the chapter.

3.1 Research Philosophy

Research philosophy refers to the basic beliefs and assumptions upon which the study was grounded, including ontological assumptions about reality, epistemological views on knowledge, and the methods through which knowledge was generated and interpreted (Saunders, Lewis & Thornhill, 2023). This study adopted a pragmatic research philosophy, which emphasized the practical application of research by integrating both qualitative and quantitative approaches to better understand public financial management enhancement practices in county governments, with specific focus on Nairobi City County.

Pragmatism rejects the strict divide between positivism and interpretivism and instead focuses on what works best in addressing the research problem (Creswell & Creswell, 2018). In this study, it justified the use of both numerical data, such as budget performance metrics and audit findings, and non-numerical data to achieve a more comprehensive understanding of public financial management practices.

According to recent methodological literature, pragmatic researchers are problem-centred and outcome-oriented, prioritizing practical implications and real-world relevance over strict philosophical alignment (Creswell & Creswell, 2022). The strength of this approach lays in its flexibility and its ability to link theory with practical solutions. However, it also required careful integration of different forms of data to avoid inconsistencies or interpretive conflicts.

3.2 Research Design

Research design is defined as "a strategy and plan of examination designed to obtain answers to research questions" (Bloomfield & Fisher, 2019). The study adopted a descriptive research design.

According to Saunders, Lewis and Thornhill, (2023), descriptive research design presents situations as they exist in their natural setting and is useful in justifying existing practices, developing theory, and informing decision-making. In this study, the design involved collecting data that described public financial management practices aimed at improving fiscal performance. Qualitative data was collected, pre-processed, and analysed thematically to support a deeper understanding of the research problem. This design was considered appropriate because it helped address questions relating to what, when, where, and how the study phenomena occurred (Wang & Cheng, 2020).

3.3 Target Population

Kothari (2017) defines a population as a group of individuals, items, or events sharing common characteristics that a researcher intended to study. Since the introduction of devolution in 2013, the Nairobi City County Government had implemented several initiatives to strengthen evidence-based planning and budgeting through the use of statistical data. The county's statistical reports, including the Nairobi County Statistical Abstract and budget implementation reports, played an important role in informing investment decisions and guiding public resource allocation.

These documents were used by both policymakers and investors to determine priority areas for funding. Therefore, the availability and use of statistical data in Nairobi City County provided an important source of secondary data for this study.

3.4 Research Quality

This section outlines the measures undertaken to ensure the credibility, reliability, and validity of the study findings. It explains the procedures used to enhance the accuracy, consistency, and trustworthiness of secondary data analysis within the PEFA framework, ensuring that the results accurately reflect the Public Financial Management performance in Nairobi City County.

3.4.1 Research Validity

In this study, research validity focused on ensuring that the secondary data accurately reflected the public financial management enhancing practices within Nairobi City County. Content validity was be applied as the primary test to determine whether the data sources comprehensively covered relevant aspects such as budget formulation, transparency, procurement processes, and audit practices. This involved reviewing official reports, audit records, policy documents, and financial performance evaluations to assess how well they aligned with the study's objectives. Triangulation was used to compare data from multiple credible sources (e.g., Office of the Auditor-General, Nairobi County Integrated Development Plans, and Controller of Budget reports) to verify consistency and depth. An acceptable rating for content validity is a minimum of 80% alignment with the study objectives, as suggested by Polit and Beck (2017), ensuring that the data is representative and sufficiently covers the domain under investigation.

3.4.2 Research Reliability

To ensure reliability, the study assessed the consistency and dependability of the secondary qualitative data across various sources and over time. Inter-coder reliability was used as the main test during the thematic analysis process. This involved independently reviewing selected documents and comparing the degree of agreement in identifying recurring themes and patterns. A Cohen's Kappa score was used to measure this agreement, with an acceptable reliability threshold of ≥ 0.75, indicating substantial consistency (McHugh, 2012). Additionally, document sourcing followed a structured protocol to ensure all included data came from verified, recent, and relevant government publications or independent audits. Maintaining a clear audit trail of document selection and analytical steps further enhanced the replicability and trustworthiness of the findings.

3.4.3 Research Objectivity

Trustworthiness refers to the extent to which a study is conducted in a credible, consistent, and justifiable manner, thereby enhancing confidence in the research findings. In qualitative inquiry, trustworthiness is commonly assessed through credibility, transferability, dependability, and confirmability, which correspond to reliability and validity in quantitative research designs (Lincoln & Guba, 2019). Credibility refers to the extent to which research findings accurately represent the phenomena under study and reflect participants' or data sources' realities. It is achieved through rigorous engagement with data, continuous review of analytical processes, and verification of interpretations against established study objectives (Nowell et al., 2017). In this study, credibility was enhanced through continuous supervision and systematic review of the analytical process to ensure alignment between findings and research objectives.

Transferability refers to the extent to which research findings can be applied to other similar contexts. It is strengthened through detailed descriptions of the research context, processes, and findings, enabling readers to assess applicability to other settings (Polit & Beck, 2021). In this study, transferability was ensured by grounding findings within existing literature and providing sufficient contextual detail on Nairobi City County's Public Financial Management environment. Confirmability refers to the degree to which research findings are shaped by the data rather than researcher bias or subjective interpretation. It is achieved through audit trails, independent review, and transparent documentation of analytical decisions (Connelly, 2016). In this study, confirmability was enhanced through independent verification of the analysis process to ensure objectivity and reduce potential bias in interpretation.

Dependability refers to the stability and consistency of research findings over time and under similar conditions. It is ensured through clear documentation of the research process, enabling replication or audit of the study procedures (Korstjens & Moser, 2018). In this study, dependability was achieved through detailed recording of all analytical steps and adherence to a systematic PEFA-based evaluation process.

3.5 Data Analysis Approach and Presentation

Secondary data were analysed using both qualitative and quantitative approaches guided by the Public Expenditure and Financial Accountability (PEFA, 2016) framework. The PEFA methodology defines the specific indicators used to assess Public Financial Management performance across the two pillars under review, and strict adherence to its scoring procedures was necessary to ensure validity and comparability of results. Content analysis and descriptive techniques were applied to secondary data to generate meaningful interpretations of fiscal performance. Content analysis was used to systematically interpret textual data from budget documents and audit reports, enabling valid and reliable inferences based on context and meaning (Krippendorff, 2018).

For indicators comprising multiple components, Microsoft Excel was used to compute and organize scores in line with PEFA scoring guidelines. Each indicator component was first assessed independently, and scores were assigned based on the PEFA four-point scale (A–D). The final indicator scores were then derived using PEFA aggregation rules, which specify the appropriate method for combining component scores depending on the nature of the indicator (World Bank, 2022).

The Weakest Link method (M1) was applied where overall indicator performance depended on the lowest-performing dimension. In this approach, each dimension was scored separately, and the lowest score determined the final indicator rating. This method ensures that weaknesses in any single dimension are not masked by stronger performance in others, thereby reflecting the principle that a single weak component can undermine overall Public Financial Management performance (OECD, 2023). The Averaging method (M2) was used where overall performance could reasonably be represented by the mean of all dimensions. Individual scores were aggregated using PEFA conversion rules to produce a final rating. This approach allows stronger performance in some dimensions to offset weaker performance in others, providing a balanced assessment of overall indicator performance (IMF, 2023).

The conversion table applied only to indicators designated for the M2 (AV) method. Using it for M1 (WL) indicators would yield incorrect results. The tables were also not used to aggregate across different indicators because each indicator measured a distinct aspect of public financial management, and no universal aggregation formula existed.

Table 3.1: Conversion Table for Indicator Score Using the Average Method M2 (AV)

2 – DIMENSIONAL INDICATORS			**4-DIMENSIONAL INDICATORS**	
Dimension Scores	**Overall (AV) Score**		**Dimension Scores**	**Overall (AV) Score**
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	C+
C, C	C		D, D, C, C	C
C, B	C+		D, D, C, B	C+
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	C
Dimension Scores	**Overall (AV) Score**		D, C, C, B	C+
D, D, D	D		D, C, C, A	C+
D, D, C	D+		D, C, B, B	C+
D, D, B	D+		D, C, B, A	B
D, D, A	C+		D, C, A, A	B
D, C, C	C		D, B, B, B	C+
D, C, B	C+		D, B, B, A	B
D, C, A	C+		D, B, A, A	B
D, B, B	C+		D, A, A, A	B+
D, B, A	C+		C, C, C, C	C
D, A, A	C+		C, C, C, B	C+
C, C, C	C		C, C, C, A	C+
C, C, B	C+		C, C, B, B	C+
C, C, A	C+		C, C, B, A	B
C, B, B	C+		C, C, A, A	B
C, B, A	B		C, B, B, B	B
C, A, A	B		C, B, B, A	B
B, B, B	B		C, B, A, A	B+
B, B, A	B+		C, A, A, A	B+
B, A, A	B+		B, B, B, B	B
A, A, A	A		B, B, B, A	B+
Note: the order of the scores within each group does not matter – only the frequency of each score is relevant for determining the average score.			B, B, A, A	B+

3.6 Ethical Considerations

The study upheld high standards of ethical research practice to ensure integrity, transparency, and accountability throughout the research process. The researcher ensured that all data were presented objectively, avoiding bias, misrepresentation, or selective reporting of findings. Secondary data were obtained exclusively from credible and authoritative institutional sources, including Nairobi City County Government reports, the National Treasury, the Office of the Controller of Budget, and the Office of the Auditor General, to ensure accuracy, validity, and reliability of information.

Ethical clearance was obtained from the Strathmore University Ethics Review Board to confirm compliance with institutional research ethics requirements. In addition, authorization was sought from the National Commission for Science, Technology and Innovation (NACOSTI) to ensure adherence to national research regulations governing academic studies in Kenya. These measures ensured that the study was conducted in line with established ethical standards, safeguarding research credibility and institutional compliance.

3.7 Chapter Summary

This chapter outlined the research methodology used in the study, including the research philosophy, design, and approach. It also described the data sources, methods of data collection, and procedures for data analysis guided by the PEFA framework. In addition, the chapter detailed the operationalization of variables, measures of research quality, and ethical considerations that ensured the credibility, reliability, and integrity of the study. Overall, the methodology provided a clear and systematic basis for assessing Public Financial Management in Nairobi City County.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the study's results and discussion in line with the research objectives and methodology. The study aimed to examine budget reliability and transparency in public finances as key practices for strengthening public financial management in Nairobi City County.

4.2 Pillar I: Budget Reliability

The study sought to examine budget reliability as a practice of enhancing public financial management in Nairobi City County. A budget is considered reliable when it is implemented as planned based on the estimates approved before the start of the financial year. Budget reliability is measured by looking at how much the actual revenue collected and the actual spending differ from what was originally approved in the budget. To determine the level of budget reliability in Nairobi City County Government, three key PEFA indicators were assessed: aggregate expenditure outturn, expenditure composition outturn, and revenue outturn over the three financial years FY2022/23, FY2023/24, and FY2024/25.

4.2.1 PI-1. Aggregate Expenditure Outturn

This indicator assesses the degree to which actual total expenditure corresponds to the originally approved budget. Under this dimension, the PEFA framework minimum requirements for scores are as shown in Table 4.1 below.

Table 4.1 Dimension and Scoring Aggregate Expenditure Outturn

Score	**Minimum requirements for scores** **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

Source: PEFA Guidelines (2016)

Table 4.2: Aggregate Expenditure Outturn (Ksh. Millions)

Fiscal Year	Approved Budget	Actual Expenditure	Deviation (%)
2022/23	39,613.9	33,238.4	83.91
2023/24	42,286.9	31,789.1	75.17
2024/25	43,564.3	33,523.5	76.95

Source: OCOB: County Governments Annual Budget Implementation Review Reports

Table 4.2 above shows that Nairobi City County's aggregate expenditure outturn remained consistently below the approved expenditure estimates for the FY 2022/23, 2023/24 and 2024/25.

In FY2022/23, actual expenditure was Ksh. 33,238.4 million against an approved budget of Ksh 39,613.9 million, representing an absorption rate of 83.91%. In FY2023/24, absorption declined further to 75.17%, with actual expenditure of Ksh 31,789.1 million compared to an approved budget of Ksh 42,286.9 million. In FY2024/25, expenditure performance improved slightly to 76.95%, with actual expenditure of Ksh 33,523.5 million against an approved budget of Ksh 43,564.3 million.

These results indicate persistent under-execution of the approved budget, suggesting challenges in budget implementation, project execution capacity, and revenue realization, where the targets are consistently not attained. In the context of Nairobi County, this underperformance may be attributed to several interconnected factors, including revenue collection shortfalls against projected targets, delays in exchequer releases, lengthy procurement processes, and slow implementation of development projects. Additionally, inadequate project preparedness, land and legal disputes, contractor underperformance, and competing expenditure pressures such as pending bills may constrain the absorption of allocated funds. Administrative inefficiencies and governance-related challenges can further delay decision-making and project execution. Consequently, these factors collectively hinder the County's ability to fully utilize its approved budget, resulting in lower-than-planned expenditure levels and reduced achievement of development and service delivery objectives. According to PEFA scoring methodology, where aggregate expenditure outturn falls below 85 % in at least two of the last three years, the indicator is rated D.

Table 4.3: Summary of scores and performance table

PI-1. Aggregate expenditure outturn (M1)	Score	Brief justification for score
1.1 Aggregate expenditure outturn	D	(*Aggregate expenditure outturn was below 85% of the approved budget in at least two of the last three years*). “Performance is less than required for a C score”

4.2.2 PI-2. Expenditure Composition Outturn

This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. It contains three dimensions, composition outturn by function, composition outturn by type and expenditure from contingency reserves. It uses the M1(WL) method for aggregating dimension scores.

4.2.2.1 PI-2.1 Composition outturn by function

This dimension assesses whether expenditure allocations across departments and sectors were implemented as originally approved. Under this dimension, the PEFA framework minimum requirements for scores are as shown in Table 4.4 below

Table 4.4: Dimensions and scoring for composition outturn by function

Score	Minimum requirements for scores Composition Outturn by Function
A	Variance in expenditure composition by program, administrative function or functional classification was less than 5 % in at least two of the last three years.

B	Variance in expenditure composition by program, administrative function or functional classification was less than 10 % in at least two of the last three years.
C	Variance in expenditure composition by program, administrative function 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

Source: PEFA Guidelines (2016)

Table 4.5: Expenditure Composition Outturn by Function (Ksh. Millions)

	2022/23		2023/24		2024/25	
Function Head	**Budget**	**Actual**	**Budget**	**Actual**	**Budget**	**Actual**
County Public Service Board	112.9	70.7	130.9	93.6	76.4	76.1
Office of Governor & Deputy (Executive)	5,891.3	5,658.5	0.0	0.0	0.0	0.0
County Assembly	2,409.3	1,748.8	2,680.0	1,945.0	3,560.1	1,757.7
ICT, E- Gov & Public Communications/**Innovation and Digital Economy**	472.2	110.1	459.0	145.8	455.3	216.2
Finance & Economic Planning	5,247.7	3,859.1	4,998.1	4,113.3	3,413.4	4,310.4

Health, **Wellness & Nutrition**	5,968.6	4,364.5	8,942.9	7,611.1	10,213.5	8,219.7
Urban Planning & Lands	373.5	212.8	0.0	0.0	0.0	0.0
Public Works & Transport Infrastructure	3,398.2	2,216.8	0.0	0.0	0.0	0.0
Education, Youth Affairs, Sports, Culture & Social Service	2,946.5	2,240.5	0.0	0.0	0.0	0.0
Trade, Commerce, Tourism & Co-op	802.4	608.6	0.0	0.0	0.0	0.0
Public Service Management	2,028.4	1,897.0	2,081.5	1,828.8	2,065.9	2,111.4
Agric, Livestock Development, Fisheries & **Forestry**	247.4	244.0	303.2	212.3	259.6	188.5
Environment, Water, Energy & Natural Resources	2,895.3	1,171.8	4,305.2	3,085.7	3,953.5	4,898.5
Urban Renewal & Housing	227.2	76.5				

Ward Development Programs	1,785.8	1,418.4	1,374.1	957.4	2,235.0	1,181.3
Liquor Licensing Board	250.0	224.0	300.0	269.5	351.0	308.5
Nairobi Metropolitan Services	4,557.2	4,557.2	0.0	0.0		
Emergency Fund	0.0	0.0	440.0	523.2	100.0	236.1
Boroughs & Public Administration	0.0	0.0	5,838.5	4,309.9	4,746.3	4,310.8
County Attorney	0.0	0.0	311.6	267.1	268.8	528.9
Built Environments & **Urban** Planning	0.0	0.0	1,167.9	607.5	1,594.1	883.2
Mobility & Works	0.0	0.0	3,214.3	2,049.2	3,758.2	1,641.5
Talent Skills Development & Care	0.0	0.0	2,597.1	1,965.7	3,685.8	1,509.9
Business & Hustler Opportunities	0.0	0.0	1,198.1	688.5	2,248.1	907.8
Inclusivity, Public Participation & Citizen Engagement	0.0	0.0	1,562.5	997.6	352.4	175.9

Nairobi Revenue Authority	0.0	0.0	382.0	117.9	227.0	61.3
Total	**39,613.9**	**30,679.4**	**42,286.9**	**31,789.1**	**43,564.3**	**33,523.5**
Composition Variance (%)	**16.7%**		**11.3%**		**33.5%**	

Source: OCOB: County Governments Annual Budget Implementation Review Reports

Table 4.5 above shows that Nairobi City County experienced significant reallocations during budget execution.

In FY2022/23, the overall composition variance was 16.7%, exceeding the PEFA threshold of 15 percent, with several departments recording under-expenditure, including ICT, Urban Renewal and Housing, and Ward Development programs. In FY2023/24, composition variance declined to 11.3%, reflecting improved adherence to functional allocations, although notable deviations were still observed across selected sectors. In FY2024/25, composition variance increased sharply to 33.5%, with departments such as Mobility and Works, Talent Skills Development, Business Opportunities, and the Nairobi Revenue Authority recording very low absorption while others exceeded planned spending. In addition, reports from the CFSP, OCOB, and OAG indicated that revenues and expenditures from extrabudgetary units, including Nairobi Metropolitan Services, the Emergency Fund, and the Nairobi Revenue Authority, were not fully captured in the financial statements, further contributing to the significant deviation.

These findings demonstrate frequent reallocations of resources from initially approved plans within the different departments. The reallocation of resources stem from unrealistic budgeting, revenue shortfalls, weak project planning, and procurement delays. When actual revenues fall below projections or projects are not implementation-ready, resources are often redirected to priority areas or programmes that can absorb funds more effectively. Similarly, delays in exchequer releases and cash flow constraints forces the county to prioritize essential expenditures such as salaries and other recurrent obligations.

Reallocations may also arise from unforeseen expenditures, including emergencies and infrastructure failures, as well as shifts in political and policy priorities during the financial year. In addition, the need to settle pending bills, weaknesses in budget discipline, and legal or intergovernmental factors can necessitate adjustments to approved budgets.

Across the three years, variance was more than 15 percent in at least two financial years (2022/23 and 2024/25). According to PEFA methodology, this results in a score of D.

4.2.2.2 PI-2.2 Composition Outturn by Economic Type

This dimension assesses the extent of deviation between actual and approved expenditure across economic categories. Under this dimension, the PEFA framework minimum requirements for scores are as shown in Table 4.6 below.

Table: 4.6 Dimensions and Scoring for composition outturn by economic type

Score	Minimum requirements for scores
Composition Outturn 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

Source: PEFA Guidelines (2016)

Table 4.7: Expenditure Composition Outturn by Economic Type (Ksh. Millions)

Fiscal Year	Economic Category	Budgeted (Ksh. Millions)	Actual (Ksh. Millions)	Absorption (%)
	Personnel Emoluments (PE)	13,029.5	12,186.3	93.53

2022/23	Operations & Maintenance (O&M)	17,340.5	16,441.6	94.82
	Development Expenditure	9,244.0	4,610.5	49.88
2023/24	Personnel Emoluments (PE)	19,373.8	18,270.0	94.30
	Operations & Maintenance (O&M)	14,458.2	10,250.6	70.90
	Development Expenditure	8,454.9	3,268.5	38.66
2024/25	Personnel Emoluments (PE)	18,078.4	18,302.3	101.24
	Operations & Maintenance (O&M)	11,226.3	11,130.8	99.15
	Development Expenditure	14,259.5	4,090.4	28.69

Source: OCOB: County Governments Annual Budget Implementation Review Reports

The results show that Personnel Emoluments (PE) and Operations & Maintenance (O&M) consistently recorded high execution, while Development expenditure remained significantly under-executed.

Development absorption was 49.88%, 38.66%, and 28.69%, while PE was 93.53%, 94.30% and 101.24% across the three years. PE exceeded 100% in FY 2024/25, indicating overspending.

These deviations reflect frequent reallocations away from development spending toward recurrent expenditure, from a PEFA perspective, this reflects structural imbalances in fiscal prioritisation and expenditure rigidity within the budget. This arises when the wage bill, administrative overheads, and statutory obligations expand faster than available fiscal space, thereby absorbing a growing share of available resources. In such a situation, development allocations are effectively used as a buffer to finance unavoidable operational costs, indicating limited discretion in budget execution and a constrained ability to protect capital investment programmes.

This pattern also points to weaknesses in medium-term expenditure planning and expenditure control frameworks, where capital budgets are not sufficiently ring-fenced or are planned without adequate assurance of financing sustainability. In addition, during implementation, departments may face pressure to maintain service delivery continuity, leading to in-year shifts that favour recurrent needs over long-term investment.

Since variance exceeded the PEFA threshold of 15 percent in at least two years, the score is **D**.

4.2.2.3 PI-2.3 Expenditure from Contingency Reserve

This dimension assesses whether contingency-related expenditure remains within prudent limits. Under this dimension, the PEFA framework minimum requirements for scores are as shown in Table 4.8 below.

Table 4.8: Dimensions and scoring from contingency reserves

Score	Minimum requirements for scores
Expenditure from contingency reserves	
A	Actual expenditure charged to a contingency vote was on average less than 3% of the original budget.
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

Source: PEFA Guidelines (2016)

Table 4.9: Actual Expenditure from contingency reserves (Ksh. millions)

Year	Emergency Expenditure threshold (3% of total	Budgeted Emergency Expenditure	Actual Emergency Expenditure	Deviation (%)

	approved budget) in millions			
2022/23	1,188.4	0.0	0.0	0
2023/24	1,268.6	440.0	523.2	118.9
2024/25	1,306.9	100.0	236.1	236.1

Source: OCOB: County Governments Annual Budget Implementation Review Reports

From the table above, In Nairobi City County, emergency expenditure remained well below 3 percent of the total approved budget. Although spending exceeded the emergency vote in FY2023/24 and FY2024/25, the overall share remained below the PEFA benchmark of 3 percent. This is largely due to the absence of a dedicated budget line for emergencies within the County budget. Emergencies are often unforeseen at the planning stage, and when they arise, resources are typically reallocated from various departments to respond to the situation, as has been observed during flooding incidents in Nairobi City County.

Additionally, the limited emphasis on explicit emergency budgeting at the national level during the budget formulation process also influences the County's approach, resulting in minimal or no structured allocation for contingencies within the annual budget.

According to PEFA methodology, where Actual expenditure charged to the contingency vote averages less than 3% of the original budget, it constitutes an A score.

Table 4.10: Summary of scores and performance table

PI-2. Expenditure composition outturn (M1)	**Score**	**Brief justification for score**
2.1 Composition outturn by function	D	(*Composition variance by program, administrative or functional classification exceeded 15% in at least two of the last three years*). "Performance is less than required for a C score."

2.2 Composition outturn by economic type	D	(*variance in expenditure composition by economic classification exceeded 15% in at least two of the last three years*). "Performance is less than required for a C score."
2.3 Expenditure for contingency reserve	A	Average expenditure charged to a contingency vote was on average less than 3% of the original budget. Emergency fund expenditure remained below 3% of total expenditure.

Overall Expenditure Composition Outturn Score = C

4.2.3 PI-3. Revenue Outturn

This indicator measures the change in revenue between the originally approved budget and end of year outturn. It contains two dimensions, aggregate revenue outturn and revenue composition outturn, and uses the M2(AV) for aggregating dimension scores.

4.2.3.1 PI-3.1 Aggregate Revenue Outturn

This dimension assesses how much the actual revenue collected differs from the originally approved budget. Under this dimension, the PEFA framework minimum requirements for scores are as shown in Table 4.11 below.

Table: 4.11: Dimensions and scoring for aggregate revenue outturn

Score	Minimum requirements for scores
Aggregate 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 Guidelines (2016)

Table 4.12: Aggregate Revenue Outturn (Ksh. Millions)

Fiscal Year	Budgeted	Actual	Deviation (%)
2022/23	39,613.9	32,060.0	80.93
2023/24	42,286.9	32,958.4	77.94
2024/25	43,564.3	36,015.2	82.67

Source: OCOB: County Governments Annual Budget Implementation Review Reports

Table 4.12 above shows that Nairobi City County's actual revenue was consistently below budget estimates, with the deviation being below 92% in all the three years, the score is D. These findings are consistent with reports from oversight bodies, like CRA and the OCOB, which show that counties often set revenue targets that are too high and difficult to achieve. Nairobi is not an exception. This is mainly because the County lacks a clear and reliable system to determine how much revenue it can realistically collect (revenue forecasting). Without proper revenue mapping, targets are often based on estimates rather than actual data, resulting in overambitious projections and consistent shortfalls in collection. Weak financial discipline, alongside gaps in the legal and policy framework guiding fees and charges, further worsens the situation.

Although the Commission on Revenue Allocation developed revenue mapping guidelines in the 2024/25 financial year to help counties set realistic targets, Nairobi County is yet to implement these guidelines. As a result, the County continues to set targets without a clear understanding of its true revenue potential, leading to persistent underperformance.

4.2.3.2 PI-3.2 Revenue Composition Outturn

This dimension measures the variance in revenue composition during the last three years. Under this dimension, the PEFA framework minimum requirements for scores are as shown in Table 4.13 below.

Table 4.13: Dimensions and scoring for Revenue composition outturn

Score	Minimum requirements for scores
Revenue Composition Outturn	
A	Variance in revenue composition was less than 5% in two of the last three years.
B	Variance in revenue composition was less than 10% in two of the last three years.

C	Variance in revenue composition was less than 15% in two of the last three years.
D	Performance is less than required for a C score

Source: PEFA Guidelines (2016)

Table 4.14: Revenue Composition Outturn (Ksh. Millions)

Fiscal Year	Revenue Source	Budgeted	Actual	Deviation (%)
2022/23	Local Revenues	19,027.6	11,751.4	61.76
	Transfers from National Government	20,586.3	20,308.6	98.65
2023/24	Local Revenues	21,682.9	14,057.9	64.83
	Transfers from National Government	20,604.1	18,900.5	91.73
2024/25	Local Revenues	21,411.9	15,431.9	72.07
	Transfers from National Government	22,152.3	20,583.3	92.92

Source: OCOB: County Governments Annual Budget Implementation Review Reports.

The results show persistent underperformance of local revenues compared to national transfers:

Local revenues achieved only 61.76%, 64.83%, and 72.07% of budget. Transfers from National Government remained relatively stable above 90%.

This means the County relies heavily on national transfers to run its budget. According to the county's CFSP, the main local revenue sources (revenue streams) such as land rates, business permits, and parking fees, are not performing as expected due to weak systems, outdated property valuation rolls limiting property rate collection, and poor enforcement. In addition, unclear or weak laws on fees and charges, unrealistic revenue targets, and revenue leakages further reduce collections. In FY 2023/24, Nairobi County, along with 41 other counties, was taken to court for failing to establish a tariff and pricing policy to regulate fees and charges for the services, as mandated under Section 120 of the County Government Act, and for the absence of primary legislation governing revenue streams. The gap between expected and actual revenue remains above 15% in all three years, resulting in a low (D) rating for revenue performance.

These issues make it difficult for the County to meet its own revenue targets, leading to frequent shortfalls and making its budget less reliable.

Table 4.15: Summary of scores and performance table

PI-3. Revenue outturn (M2)	**Score**	**Justification for score**
3.1 "Aggregate revenue outturn"	D	(*Actual revenue was below 92% of budget in at least two years of the last three years*). "Performance is less than required for a C score"
3.2 "Revenue composition outturn"	D	"(*variance in revenue composition was more than 15% in two of the last three years*). "Variance is less than required for a C score"

Based on the three indicators assessed:

Table 4.16: Overall Pillar I Rating: Budget Reliability

Indicator	**Score**
PI – 1 Aggregate Expenditure Outturn	D
PI – 2 Expenditure Composition Outturn	C
PI – 3 Revenue Outturn	D

Overall Budget Reliability Score (M2 Average Method) = D+

4.3 Pillar II: Transparency of Public Finances

Transparency of public finances is a core principle of sound public financial management. It ensures that government budgeting, reporting, and fiscal oversight are open, comprehensive, and accessible to citizens and other stakeholders. Under the PEFA framework, this pillar is assessed using five performance indicators, namely:Budget classification, Budget documentation, County government operations outside financial reports, Performance information for service delivery and public access to fiscal information. These indicators measure the extent to which fiscal and budget information is complete, reliable, and availed to the public in a timely manner.

4.3.1 PI–4: Budget Classification

The budget classification indicator measures the extent to which the government budget and accounts classification is consistent with international standards. There is only one dimension for this indicator.

The county government develops and reports its budget using an economic classification that follows the Government Financial Statistics (GFS) framework**.** This classification has been applied consistently across FY2022/23, FY2023/24, and FY2024/25. This is also consistent with the national legal framework established under the Public Finance Management (PFM) Act, 2012. The classification follows the Standard Chart of Accounts (SCOA), which is derived from Government Finance Statistics (GFS) standards.

Functional classification in accordance with the Classification of the Functions of Government (COFOG) is not applied. COFOG compliance was not achieved in any of the three financial years reviewed. The presentation of the revenue and the financials at the county level is classified by economic type and not an elaborate functional type as required under COFOG as shown in the table 4.17 below:

Table 4.17: Nairobi City County Presentation of Financial Statements

Description	**FY**	
Expenses	**Budget**	**Actual**
Employee costs	XX	XX
Use of goods and services	XX	XX
Transfers to other Government Entities	XX	XX
Depreciation and amortization costs	XX	XX
Other Grants and Subsidies	XX	XX
Finance costs	XX	XX
Social Benefits	XX	XX
Total expenses	**XX**	**XX**

Source: Nairobi City County Government Financial Statements

The PEFA framework minimum requirements for scores under this dimension are as shown in Table 4.18 below.

Table 4.18: Dimensions and scoring for Budget Classification

Score	Minimum requirements for scores
	Budget Classification
A	Budget formulation, execution, and reporting are based on every level of administrative, economic, and functional classification using GFS/COFOG standards or a classification that can produce consistent documentation comparable with those standards. Program classification may substitute for sub functional classification if it is applied with a level of detail at least corresponding to sub functional classification.
B	Budget formulation, execution and reporting are based on administrative, economic (at least "Group" level of the GFS standard -3 digits), and functional/sub functional classification, using GFS /COFOG standards or a classification than can produce consistent documentation comparable with those standards.
C	Budget formulation, execution and reporting are based on administrative, economic (at least level 2 of the GFS standard -2 digits), or a classification than can produce consistent documentation comparable with those standards.
D	Performance is less than required for a C score

Source: PEFA Guidelines (2016)

Table 4.19: Budget Classification Compliance

Classification Standard	FY2022/23	FY2023/24	FY2024/25
COFOG Functional Classification	No	No	No
GFS Economic Classification	Yes	Yes	Yes

The use of the GFS framework instead of the COFOG is not unique to Nairobi City County but reflects the broader public financial management framework applied across Kenya. The country's budgeting and financial reporting systems are built around the IPSAS, the GFS

framework, and the SCOA, which collectively support budgeting, accounting, reporting, and fiscal management requirements.
The primary justification for using GFS is its alignment with IPSAS and Kenya's financial reporting needs. Public sector entities, including national government institutions and county governments, prepare financial statements using economic and administrative classifications that identify the nature of expenditure and the spending entity responsible for it. This approach provides detailed financial information required for accounting, budget execution, and fiscal reporting, whereas COFOG focuses mainly on classifying expenditure by function or purpose. In addition, Kenya's PBB framework requires expenditures to be linked to programmes and sub-programmes to facilitate performance monitoring and the achievement of policy objectives. Through SCOA and IFMIS, financial transactions are recorded using multiple dimensions, including organization, programme, funding source, economic classification, and geographical location. This multidimensional structure is better supported by GFS than by a purely functional classification system.

Further, GFS enables Kenya to meet international fiscal reporting standards while maintaining compatibility with domestic budgeting and accounting practices. Although expenditure data can be mapped to COFOG functions for statistical and comparative purposes, which Nairobi County does not provide in a consistent format through its budget documents, GFS provides a more comprehensive framework for managing and reporting public finances.
Consequently, assessments of budget classification under the PEFA framework are likely to produce similar results across Kenyan public entities. This is because PEFA places significant emphasis on COFOG-compliant functional classification, while Kenya's budgeting and reporting systems are designed primarily around GFS, IPSAS, and PBB requirements.
In summary, although the county meets the minimum requirements for economic classification, the absence of COFOG-based functional reporting limits the comprehensiveness of budget classification, hence the score of C.

Summary of Scores and Performance Table

Table 4.20: PI–4 Budget Classification (M1)

Indicator	Score	Brief Justification
PI–4 Budget Classification	C	Budget formulation, execution, and reporting are based on administrative and economic classification using GFS standards (at least level 2 of the GFS standard – 2 digits) or a classification that can produce consistent documentation comparable with those standards. (*The county applies GFS economic standards but does not apply functional classification consistent with COFOG*).

4.3.2 PI–5: Budget Documentation

This indicator assesses the comprehensiveness of the information provided in the annual budget documentation, as measures against a specified list of basic and additional elements. It has only one dimension, under which the PEFA framework minimum requirements for scores are as shown in Table 4.21 below.

Table 4.21: Dimensions and scores for budget documentation

Score	Minimum requirements for scores
	Budget Documentation
A	Budget documentation fulfills 10 elements, including every basic element (1 -4).
B	Budget documentation fulfills 7 elements, including at least 3 basic elements (1 -4).
C	Budget documentation fulfills at least 3 basic elements (1 -4).
D	Performance is less than required for a C score

Source: PEFA Guidelines (2016)

Table 4.22: Compliance with PEFA Budget Documentation Requirements

No.	Element	FY2022/23	FY2023/24	FY2024/25
Basic Elements				
1	Forecast of fiscal deficit/surplus	Yes	Yes	Yes
2	Previous year budget outturn, presented in same format as budget proposal	No	No	No
3	Current fiscal year budget presented in the same format as the budget proposal.	Yes	Yes	Yes
4	Aggregated budget for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates.	Yes	Yes	Yes
Additional Elements				
5	Deficit financing composition	No	No	No
6	Macroeconomic assumptions	Yes	Yes	Yes
7	Debt stock disclosure	No	No	No
8	Financial assets disclosure	No	No	No
9	Summary of fiscal risks and contingencies	Yes	Yes	Yes
10	Budget implications of new policies/investments	Yes	Yes	Yes
11	Medium-term fiscal forecasts	Yes	Yes	Yes
12	Quantification of tax expenditures	No	No	No

The county government has made significant improvements in the completeness of budget documentation. Across the three financial years reviewed, at least three basic elements required under PEFA were consistently included in the budget documents. These include fiscal forecasts, current year budget proposals, and aggregated revenue and expenditure estimates. However, several additional elements remain missing, particularly those relating to deficit financing, debt stock, financial assets, and tax expenditure quantification.

Overall, the county meets all basic documentation requirements and several additional ones, but transparency gaps remain in debt-related reporting and tax expenditure disclosure.

Summary of Scores and Performance Table

Table 4.23: PI–5 Budget Documentation (M1)

Indicator	**Score**	**Brief Justification**
PI–5 Budget Documentation	B	(*The county provides most basic and several additional documentation elements, but key gaps remain in deficit financing and tax expenditure reporting*). "Budget documentation fulfils 7 elements, including at least 3 basic elements."

Dimension Rating = B

4.3.3 PI–6: County Government Operations Outside Financial Reports

This indicator measures the extent to which government revenue and expenditure are reported outside county government financial reports. It contains three dimensions, expenditure outside financial reports, revenue outside financial reports and financial reports of extrabudgetary units. It uses the M2 (AV) method for aggregating dimension scores.

The PEFA framework minimum requirements for scores under this dimension are as shown in Table 4.24 below.

Table 4.24: Dimensions and scores for operations outside financial reports

Score	**Minimum requirements for scores**
Expenditure Outside financial reports	
A	Expenditure outside government financial reports is less than 1% of total BCG expenditure.
B	Expenditure outside government financial reports is less than 5% of total BCG expenditure.
C	Expenditure outside government financial reports is less than 10% of total BCG expenditure.
D	Performance is less than required for a C score

Revenue Outside financial reports	
A	Revenue outside government financial reports is less than 1% of total BCG revenue.
B	Revenue outside government financial reports is less than 5% of total BCG revenue.
C	Revenue outside government financial reports is less than 10% of total BCG revenue.
D	Performance is less than required for a C score
Financial reports of extrabudgetary units	
A	Detailed financial reports of all extrabudgetary units are submitted to government annually within three months of the end of the fiscal year.
B	Detailed financial reports of most extrabudgetary units are submitted to government annually within six months of the end of the fiscal year.
C	Detailed financial reports of the majority of extrabudgetary units are submitted to government annually within nine months of the end of the fiscal year.
D	Performance is less than required for a C score

Source: PEFA Guidelines (2016)

Table 4.25: County Operations Outside Financial Reports

Item	FY2022/23	FY2023/24	FY2024/25
Expenditure outside financial reports	No	No	No
Revenue outside financial reports	No	No	No
Financial reports of extrabudgetary units	No	No	No

Revenues and expenditures outside official financial reports are funds the county collects or spends but are not recorded in its main budget and financial statements, while extrabudgetary units are those units linked to the county but operating financially outside the main budget. The assessment found that revenues and expenditures outside Nairobi County's official financial reports, such as those collected by the Nairobi Revenue Authority, Liquor Licensing Board, and funds managed through the County Emergency Fund, are not documented, making it hard to track the full use of public resources. In addition, extrabudgetary entities, including Nairobi

Metropolitan Services, and the liquor licensing board, operate financially outside the main budget and do not produce separate audited financial statements, further limiting transparency and accountability. This is despite the PFM Act 2012 and the County Governments Regulations 2015 demanding comprehensive reporting of public funds, special funds and entities controlled by the county to ensure transparency and accountability. As a result, fiscal transparency is weakened due to incomplete coverage of government operations, hence a dimension rating of D.

Summary of Scores and Performance Table

Table 4.26: PI–6 Operations Outside Financial Reports (M2)

Dimension	**Score**	**Brief Justification**
6.1 Expenditure outside financial reports	D	(*Due to lack of documented evidence confirming the proportion of operations outside financial reports, the indicator defaults to a D score as per the PEFA methodologies*) "Performance is less than required for a C score"
6.2 Revenue outside financial reports	D	(*Due to lack of documented evidence confirming the proportion of operations outside financial reports, the indicator defaults to a D score as per the PEFA methodologies*) "Performance is less than required for a C score"
6.3 Financial reports of extrabudgetary units	D	(*Extrabudgetary units do not submit audited reports, they are audited by the Auditor General*). "Performance is less than required for a C score"

Overall Score = D

4.3.4 PI–8: Performance Information for Service Delivery

This indicator assesses the service delivery performance information in the executive's budget proposal or its supporting and documentation in year-end reports. It determines whether performance audits or evaluations are carried out. It also assesses the extent to which information on resources received by service delivery units is collected and recorded. It contains four dimensions, performance plans for service delivery, performance achieved for service delivery, resources received by service delivery units and performance evaluation for service delivery. It uses the M2(AV) method for aggregating dimension scores. The PEFA framework minimum requirements for scores are as shown in Table 4.27 below.

Table 4.27: Dimensions and scoring for performance information for service delivery

Score	**Minimum requirements for scores**
Performance plans for service delivery	
A	Information is published annually on policy or program objectives, key performance indicators, outputs to be produced and the outcomes planned for most ministries, disaggregated by program or function.
B	Information is published annually on policy or program objectives, key performance indicators, outputs to be produced and the outcomes planned for most ministries.
C	Information is published annually on the activities to be performed under the policies or programs for the majority of ministries or a framework of performance indicators relating to the outputs or outcomes of the majority of ministries in place.
D	Performance is less than required for a C score
Performance achieved for service delivery	
A	Information is published annually on the quantity of outputs produced and outcomes achieved for most ministries disaggregated by program or function.
B	Information is published annually on the quantity of outputs produced or the outcomes achieved for most ministries.
C	Information is published annually on the activities performed for the majority of ministries.
D	Performance is less than required for a C score.
Resources received by service delivery units	
A	Information on resources received by frontline service delivery units is collected and recorded for at least two large ministries, disaggregated by source of funds. A report compiling the information is prepared at least annually.

B	Information on resources received by frontline service delivery units is collected and recorded for at least one large ministry. A report compiling the information is prepared at least annually.
C	A survey carried out in one of the last three years provides estimates of the resources received by service delivery units for at least one large ministry.
D	Performance is less than required for a C score.
Performance evaluation for service delivery	
A	Independent evaluations of the efficiency and effectiveness of service delivery have been carried out and published for most ministries at least once within the last three years.
B	Independent evaluations of the efficiency and effectiveness of service delivery have been carried out and published for the majority of ministries at least once within the last three years.
C	Independent evaluations of the efficiency and effectiveness of service delivery have been carried out for some ministries at least once within the last three years.
D	Performance is less than required for a C score

Source: PEFA Guidelines (2016)

4.3.4.1 Performance plans for Service Delivery

Indicator	Score	Brief Justication
Performance plans for service delivery	C	*(Information on service delivery performance plans is available on the CFSP but no framework of performance indicators)* Information is published annually on the activities to be performed under the policies or programs for the majority of ministries or a framework of performance indicators relating to the outputs or outcomes of the majority of ministries in place.

Nairobi County publishes annual information on service delivery performance plans through the County Fiscal Strategy Paper (CFSP) and the County Budget Review and Outlook Paper

(CBROP) for each of the three financial years under review. The CFSP outlines the County's development priorities, key sector objectives, and planned activities for the financial year.
However, while these documents provide information on the policies, programmes, and activities to be implemented across most county departments, they do not include clear performance indicators, expected outputs, or measurable outcomes. As a result, it is difficult to assess the extent to which the planned activities achieve their intended results.
Although performance planning information is published annually for the majority of departments, the absence of a comprehensive performance measurement framework limits the effectiveness of performance assessment. Consequently, this dimension is rated C.

4.3.4.2 Performance achieved for Service Delivery

Indicator	Score	Brief Justification
Performance achieved for service delivery	C	*(Information on performance achieved for service delivery is available on the CBROP but no M&E framework linking the achievement to performance indicators, hence difficult to assess the extent of achievement)* Information is published annually on the activities performed for the majority of ministries.

The Nairobi County CBROP provides information on the achievements and performance recorded against the key sector priorities identified in the County Fiscal Strategy Paper (CFSP) during the three financial years under review. The reports highlight activities undertaken and progress made in various sectors.

However, the County does not have a comprehensive monitoring and evaluation framework that links reported achievements to specific performance indicators, outputs, and outcomes. As a result, it is difficult to assess the extent to which the achievements reported remain relevant. It was also noted that while the County's development agenda and sector priorities are captured in the CBROP and expected to be derived from the CIDP and implemented through the ADP, this is not always the case. In some instances, the priorities reflected in annual planning and budgeting documents differ from those outlined in the CIDP. This may result from changes in policy direction and emerging priorities during implementation as a consequence of political interference.

Although the CBROP provides annual information on activities carried out across most county departments, it does not consistently report on the quantity of outputs delivered or the outcomes achieved. Consequently, this dimension is rated C.

4.3.4.3 Resources received for service delivery

Indicator	Score	Brief Justication
Resources received by service delivery units	D	*(No Information available on resources received by frontline service delivery units is collected and recorded, the available information is based on economic classification and not necessarily on the service delivery units/departments).* Performance is less than required for a C score.

4.3.4.4 Performance evaluation for service delivery

Indicator	Score	Brief Justication
Performance evaluation for service delivery	D	*(No Independent evaluations of the efficiency and effectiveness of service delivery are commissioned by the county.)* Performance is less than required for a C score.

Over the three financial years under review, it was noted that the county does not provide information on the resources received by service delivery units and neither does it provide independent evaluation reports on service delivery. Although the county prepares Performance plans for service delivery through the CFSP and attempts to report on the achievement through the CBROP, the absence of a framework for monitoring and evaluation makes it difficult to assess the extent to which the achievements are relevant where service delivery is concerned.

Without an evaluation report, performance achieved cannot be deduced. With regard to the resources received by service delivery units, the county government does not provide any information on the same, however, the OCOB reports provide information on the resources received by service delivery units, which are often the ministries within the county government of Nairobi. The absence information from these two dimensions results in a score of D for both.

Table 4.28: Service Delivery Performance Information

Element	**FY2022/23**	**FY2023/24**	**FY2024/25**
Performance plans for service delivery	C	C	C
Performance achieved for service delivery	C	C	C
Resources received by service delivery units	D	D	D
Performance evaluation for service delivery	D	D	D

Summary of Scores and Performance Table

Table 4.29: PI–8 Performance Information (M2)

Dimension	**Score**	**Brief Justification**
8.1 Performance plans for service delivery	C	*(Information on service delivery performance plans is available on the CFSP but no framework of performance indicators)* Information is published annually on the activities to be performed under the policies or programs for the majority of ministries or a framework of performance indicators relating to the outputs or outcomes of the majority of ministries in place.
8.2 Performance achieved for service delivery	C	*(Information on performance achieved for service delivery is available on the CBROP but no M&E framework linking the achievement to performance indicators, hence difficult to assess the extent of achievement)* Information is published annually on the activities performed for the majority of ministries.
8.3 Resources received by service delivery units	D	(*Disbursements on service delivery units are not transparently disclosed, this is likely because of lack of separation between the service delivery units and the ministries)* Performance is less than required for a C score
8.4 Performance evaluation for service delivery	D	(*Without a clear plan on performance at the start of the financial year, there are no independent evaluations conducted*). Performance is less than required for a C score

Overall Score = C

4.3.5 PI–9: Public Access to Fiscal Information

This indicator measures the comprehensiveness of fiscal information available to the public based on specified elements of information to which public access is considered crucial. This indicator has only one dimension. The PEFA framework minimum requirements for scores are as shown in Table 4.30 below.

Table 4.30: Dimensions and scoring for public access to fiscal information

Score	Minimum requirements for scores
Public Access to Fiscal Information	
A	The government makes availability to the public eight elements, including all five basic elements, in accordance with the specified time frames.
B	The government makes availability to the public six elements, including at least four basic elements, in accordance with the specified time frames.
C	The government makes availability to the public four basic elements, in accordance with the specified time frames.
D	Performance is less than required for a C score

Source: PEFA Guidelines (2016)

Table 4.31: Public Access Compliance

S/No.	Element	FY2022/23	FY2023/24	FY2024/25
Basic Elements				
1	Annual executive budget proposal documentation, available within one week of execution's submission to the legislature.	Yes	Yes	Yes
2	Enacted budget, approved by the legislature publicized within two weeks of passage of law.	Yes	Yes	Yes
3	In-year budget execution reports, (Budget Implementation Report), available within a month of issuance.	No	No	No
4	Annual budget execution report, available within six months of fiscal year's end.	No	No	No

5	Audited annual financial report, incorporating or accompanied by the external auditor's report.	No	No	No
Additional Elements				
6	Prebudget statements, available to the public at least 4 months before start of fiscal year.	Yes	Yes	Yes
7	Other external audit report. Non-confidential reports on consolidated operations, available within 6 months of submission.	No	No	No
8	Summary of the budget proposal, often referred as the Citizens' budget published within one month of the budget's approval.	Yes	Yes	Yes
9	Macroeconomic forecasts, published within one week of their approval.	Yes	Yes	Yes

The findings above show a clear pattern across FY2022/23, FY2023/24, and FY2024/25. Nairobi City County is transparent when planning the budget, but not when reporting how it is implemented. In all three years, the County consistently made key planning documents available on time, such as the budget proposals, approved budgets, pre-budget statements, citizens' budgets, and macroeconomic forecasts. This means the public may be well informed about what the County *plans* to do.

However, in the same three years, the County did not publish important follow-up reports, including in-year budget execution reports, annual execution reports, and audited financial statements within the required timelines. These are the reports that show how money was actually spent and whether it was used properly. What this means is that, people can see the plans, but not the results. This limits accountability, makes it hard to track spending, and weakens trust in how public funds are managed.
Summary of Scores and Performance Table

Table 4.32: PI–9 Public Access to Fiscal Information (M1)

Indicator	Score	Brief Justification
PI–9 Public Access	D	(*The county publishes key documents such as budget proposals and citizens' budgets, but does not provide execution and audit reports on time*). "Performance is less than required for a C score"

Dimension Rating = D

Overall, Pillar II Summary

Table 4.33: Pillar II Transparency of Public Finances – Summary Scores

Indicator	Score
PI–4 Budget Classification	C
PI–5 Budget Documentation	C
PI–6 Operations Outside Financial Reports	D
PI–8 Performance Information	C
PI–9 Public Access to Fiscal Information	C

Overall Transparency of Public Finances Score M1(Weakest Link) = D

4.4 Conclusion

Overall, Nairobi City County shows weaknesses in both how reliable its budget is and how transparent it is to the public. The County often fails to fully implement its budget, especially on development projects, and does not collect as much local revenue as planned. This leads to frequent changes in spending and makes the budget unreliable.

At the same time, while some basic budget information is shared with the public, there are still major gaps. Not all government activities are fully captured in financial reports, and there is limited information on how well services are actually being delivered.

The County needs to set more realistic revenue targets, spend more effectively, especially on development, and be more open and clearer about how money is collected, spent, and what results it achieves. Doing this would make the budget more reliable and help build public trust.

4.4.1 Summary of the key strengths and weaknesses

Table 4.34: Summary of the strengths and weaknesses

Pillar / Dimension	Strengths	Weaknesses
BUDGET RELIABILITY		

Aggregate Expenditure Outturn	The County consistently funds salaries and routine operations, ensuring continuity of basic government services.	Actual spending is consistently below the approved budget, meaning many planned activities, especially development projects, are not implemented due to delays and weak execution capacity.
Expenditure Composition (by Function & Economic Type)	Recurrent expenditure (Personnel Emoluments and Operations & Maintenance) is stable and predictable, supporting day-to-day operations.	Development expenditure is significantly under-executed, and funds are frequently reallocated from development to recurrent spending, limiting long-term investments and affecting service delivery outcomes.
Revenue Outturn	Transfers from the national government are stable and largely meet expectations, providing a dependable revenue base.	Local revenue consistently falls short of targets due to unrealistic projections, weak systems, poor enforcement, outdated valuation rolls, and leakages, leading to persistent budget shortfalls.
Financial Independence		Heavy reliance on national transfers limits the County's financial independence and flexibility in implementing its priorities.
Emergency Expenditure	Emergency spending remains low and within acceptable limits, showing some level of fiscal discipline.	Occasional overspending within the emergency vote indicates minor weaknesses in planning and expenditure control.

TRANSPARENCY OF PUBLIC FINANCES		
Budget Classification	The County uses an economic classification aligned with international standards (GFS), ensuring structured and consistent reporting.	Lack of functional classification (COFOG) limits understanding of how resources are allocated across sectors, reducing clarity of spending priorities.
Budget Documentation	Key budget documents (such as budget estimates and fiscal forecasts) are consistently prepared and available.	Important information, such as debt levels, financial assets, deficit financing, and tax expenditures, is missing, limiting completeness and transparency.
Operations Outside Financial Reports		Some revenues and expenditures managed by semi-autonomous entities and special funds are not fully reported, creating gaps in financial oversight and accountability.
Service Delivery Performance Information	Nairobi County publishes annual information on service delivery performance plans and results through the CFSP and CBROP. The CFSP outlines development priorities and planned activities, while the CBROP reports on the achievements and performance of these plans during the review period. However, there's no linkage of the framework of performance indicators and achievements	No published reports on actual service delivery outcomes, making it difficult to assess whether public spending achieves intended results.

Public Access to Fiscal Information	Some key documents (e.g., budget proposals and citizens' budgets) are publicly available on the County website.	Critical reports such as in-year execution reports and audited financial statements are not consistently published, limiting transparency and citizen oversight.

Nairobi City County struggles with budget reliability, as it often spends less than planned, underperforms in collecting local revenue, and frequently shifts money away from development projects to other areas. On the transparency side, the County shares some budget documents and basic information with the public, but there are serious gaps in reporting actual spending, service delivery results, and extrabudgetary operations. While some progress exists, both budgeting and transparency need major improvements to make the County's finances more predictable, accountable, and trustworthy.

4.5 Chapter Summary

This chapter presented the analysis and interpretation of findings on budget reliability and transparency of public finances in Nairobi City County. The results showed persistent challenges in expenditure absorption, revenue performance, and expenditure composition variance across the financial years under review. It was also established that while some improvements were observed in certain periods, overall budget reliability remained weak due to significant deviations from approved budgets. The findings further highlighted gaps in fiscal transparency, particularly in the reporting of extrabudgetary units and completeness of financial disclosures. Overall, the chapter demonstrated that weaknesses in both budget reliability and transparency continue to undermine effective Public Financial Management in the County.

CHAPTER FIVE
DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the key findings, conclusions, and recommendations of the assessment, based on the study's main objective of examining budget reliability and transparency in public finances as practices for strengthening public financial management in the Nairobi City County Government.

This chapter explains what the results mean in practice, why the weaknesses identified matter, and what can be done to improve budgeting, reporting, accountability, and public trust. The findings are drawn from the PEFA-based review of county financial documents and practices across three financial years (FY2022/23–FY2024/25). The chapter ends with conclusions, recommendations, and policy options that can support reforms in county public finance management.

5.2 Discussion of Findings

This section presents a discussion of the study findings in relation to the research objectives, PEFA framework, and existing empirical literature on budget reliability and transparency of public finances in Public Financial Management.

5.2.1 Budget Reliability

At its core, the study sought to assess whether the County implements its budget as planned because a reliable budget is one where actual revenue and spending closely match what was approved at the beginning of the financial year. Using the PEFA framework, the analysis focused on three key areas: aggregate expenditure (how much was spent overall), Expenditure composition (how funds were distributed across sectors) and revenue outturn (how much revenue was actually collected).

When these measures are applied to Nairobi, a consistent pattern emerges. Across all three financial years, the County spent significantly less than what was approved, with expenditure levels ranging between about 75% and 84%. This means that a large portion of planned activities were not carried out. This directly reflects the earlier finding that, although the budget is well prepared, it is not fully implemented. As a result, projects are delayed, some services are not delivered, and departments struggle to plan effectively.

A similar issue appears in how funds are allocated during the year. The study found large shifts in spending between sectors, especially in FY2024/25 where deviations were very high. Development projects, such as infrastructure and service improvements, were consistently underfunded, while recurrent costs like salaries were prioritized, even exceeding planned limits in some cases. This explains why citizens may not see tangible improvements on the ground, despite budgets being approved. It also reinforces the earlier point that budget reliability is weakened when actual spending does not follow the original plan.

Revenue performance further highlights the problem. The County consistently collected far less revenue than it had projected, with local revenues reaching only about 62% to 72% of targets. This gap of more than 15% in all three years shows that revenue estimates are unrealistic and not based on accurate data. Because of this, the County ends up relying heavily on national government transfers, which, although stable, limit financial independence. This finding is linked to the earlier observation that weak systems, poor enforcement, and outdated policies undermine revenue collection, making the overall budget less reliable.

These results strongly support the broader findings discussed earlier. From a New Public Management (NPM) perspective, the County is not fully achieving results-based budgeting, since resources are not being used as planned to deliver services. From an Agency Theory perspective, the gap between approved budgets and actual outcomes, as well as limited disclosure of fiscal risks, makes it difficult for citizens (principals) to trust that public funds are being managed as promised by the public officials (agents).

The findings are also consistent with both the literature and PEFA assessments in other counties such as Kajiado, Makueni, West Pokot, and Baringo, where similar challenges have been observed. These include under-spending, frequent reallocations, and poor revenue performance. This shows that Nairobi's situation is not unique, but part of a wider issue in Kenya's devolved system, where budgets are prepared well but not executed reliably.

In practical terms, what this means is that budget reliability is not just a technical measure, it directly affects people's lives. When the County cannot implement its budget as planned, essential services like healthcare, roads, and water projects may be delayed or not delivered at all. Therefore, improving budget reliability is essential not only for better financial management, but also for ensuring that citizens actually receive the services they are promised.

5.2.2 Transparency of Public Finances

Transparency is about whether the County openly shares complete, accurate, and timely information on how public money is planned, spent, and managed. Using the PEFA framework, the analysis focused on five key areas: how the budget is classified, how complete the budget documents are, whether all financial activities are reported, whether service delivery results are disclosed, and whether fiscal information is accessible to the public.

When these measures are applied to Nairobi, a mixed but largely concerning picture emerges, a situation that closely mirrors findings in both the literature and other county and country contexts. To begin with, Nairobi demonstrates some strength in how it structures its budget. The County consistently applies an economic classification system aligned with Government Financial Statistics (GFS), which supports standardized reporting. This reflects findings by Okello (2023) and Wanjiru (2024), who show that proper classification improves fiscal discipline and tracking of expenditure. However, Nairobi does not apply functional classification (COFOG), meaning it does not clearly show how resources are distributed across sectors. This limits transparency and makes it difficult to understand spending priorities. Similar gaps have been observed in Nigeria and Ethiopia, where incomplete classification weakens oversight, while counties such as Makueni and Kajiado have made relatively stronger progress in linking budgets to sectors and service delivery, demonstrating how improved classification enhances transparency and accountability.

A similar pattern is observed in budget documentation. Nairobi consistently prepares key budget documents such as fiscal forecasts and budget estimates, which is a positive step. This aligns with Patel (2023) and Gómez (2021), who find that strong reporting frameworks improve the reliability and completeness of financial information. However, Nairobi's documentation lacks important details such as debt stock, financial assets, deficit financing, and tax expenditures. Such omissions limit the completeness of fiscal reporting. This challenge is also reflected in Tanzania and Nigeria, where gaps in budget documentation reduce transparency. At the same time, counties like Makueni have demonstrated that more comprehensive and citizen-friendly documentation can improve public understanding and engagement, while Baringo and West Pokot exhibit documentation weaknesses similar to Nairobi, though with gradual reforms underway.

The study found that some revenues and expenditures, particularly those managed by entities like the Nairobi Revenue Authority, Liquor Licensing Board, and Nairobi Metropolitan Services, are not fully captured in the County's financial statements. In addition, these extrabudgetary units do not produce audited reports. This creates major gaps in financial oversight and accountability. Similar findings are reported by Adeyemi (2022), Igbokwe-Ibeto et al. (2021), and PEFA (2019) in Nigeria, where incomplete reporting of off-budget activities led to reduced transparency and increased risk of financial leakages. Müller (2022) and Tanaka (2021) further emphasize that effective monitoring of off-budget expenditure is critical for fiscal discipline. This challenge is also evident in counties such as Baringo and West Pokot, where off-budget operations are not fully integrated into financial reporting. In contrast, Kajiado and Makueni have taken steps to improve reporting coverage and oversight of such funds, showing that stronger institutional controls can enhance transparency.

Nairobi County publishes annual information on service delivery plans and achievements through the County Fiscal Strategy Paper (CFSP) and the County Budget Review and Outlook Paper (CBROP). These documents outline the County's development priorities, sector objectives, planned activities, and progress made during implementation. This provides the public with some information on what the County intends to achieve and the activities undertaken across most departments. However, the information provided is largely activity-based and does not include clear performance indicators, measurable outputs, or expected outcomes. In addition, the County lacks a comprehensive monitoring and evaluation framework that can link planned activities and reported achievements to actual service delivery results. Information on resources allocated to service delivery units is also limited, and although reports from OCOB provide some information on resource utilization, these reports are not readily accessible through the County's own platforms. As a result, it is difficult to determine whether the reported achievements have led to meaningful improvements in services and whether the resources allocated have been used effectively to achieve intended results.

The review also found inconsistencies between some priorities contained in the CIDP and those reflected in annual planning and budgeting documents. These differences may arise from changing policy directions, emerging priorities, and political influence during implementation. Consequently, annual reports often focus on activities undertaken rather than on the quantity of outputs delivered or the outcomes achieved.

This situation is inconsistent with the principles of results-based management advanced under New Public Management Theory, which emphasize measuring performance through clear indicators and reporting on results rather than activities alone. It also falls short of the requirements of the Access to Information Act, 2016, which encourages public institutions to make meaningful performance information available to citizens. Similar findings have been reported by Widajatun and Kristiastuti (2020) and Upadhaya et al. (2024), who argue that effective performance reporting strengthens transparency, accountability, and service delivery. While counties such as Makueni have made progress in linking planning, reporting, and citizen engagement, Nairobi continues to face challenges in demonstrating how public resources translate into measurable service delivery outcomes. As a result, citizens are unable to clearly assess whether county spending is achieving the intended development results.

Public access to fiscal information in Nairobi also reflects this mixed performance. The County publishes key documents such as budget proposals and citizens' budgets, which supports some level of openness. However, it does not consistently or proactively publish critical reports such as in-year execution reports and audited financial statements on its own platforms. This limits timely access to information and weakens citizen oversight. This finding is consistent with MacLeod (2022), who shows that delays in publishing financial reports reduce transparency and accountability, and with PEFA assessments in Ethiopia and Tanzania, where limited public access constrains oversight. At the same time, counties such as Makueni and Kajiado demonstrate stronger practices in making fiscal information accessible and engaging the public, while Baringo and West Pokot show similar constraints to Nairobi.

Taken together, these findings reinforce the broader issues observed in budget reliability. Shkolnyk, Kozmenko, and Mershchii (2020) demonstrate that greater transparency reduces corruption and strengthens fiscal discipline, while Rodríguez et al. (2022) emphasize the importance of institutional quality and access to information in promoting fiscal openness. However, in Nairobi, incomplete reporting, limited disclosure, and weak access to information reduce these benefits. From an Agency Theory perspective (Jensen & Meckling, 1976), this creates an information gap between citizens and government, making it hard for the public to trust or hold officials accountable.

In practical terms, this means that transparency is not just about making documents available, it directly affects how well government can be monitored and how effectively services are delivered. As also observed in studies from Uganda and Ghana, where improvements in reporting and public access strengthened fiscal accountability, better transparency leads to better outcomes. Where such systems are weak, as seen in Nairobi and similar counties, service delivery and public trust are affected.

5.3 Conclusion

The assessment shows that while Nairobi City County has made notable progress in establishing the foundations of transparent public financial management, particularly in budget preparation, standardized classification, and public access to key planning documents, significant gaps remain that affect both budget reliability and transparency of public finances**.** On one hand, the County has put in place basic transparency structures, which demonstrate commitment to openness and alignment with established public finance standards. However, these systems are not yet fully effective in practice. Weaknesses persist in two critical areas. First, budget reliability is undermined by limited disclosure of fiscal risks, incomplete reporting of financial obligations, and persistent gaps between planned and actual revenue and expenditure. Second, transparency gaps remain evident, particularly in the reporting of extra-budgetary operations, the absence of published service delivery performance information, and the inconsistent and sometimes lack of publication of budget execution and audit reports.
These challenges point to a broader issue of incomplete, inconsistent, and not easily accessible financial information, which limits the ability of citizens and oversight institutions to fully understand and monitor how public resources are managed. As a result, accountability is weakened, public participation is constrained, and trust in the County's financial management is affected.

At the same time, the findings show that improvement is both possible and achievable. Experiences from counties such as Makueni and Kajiado demonstrate that stronger fiscal transparency, through more comprehensive reporting, timely disclosure, and active citizen engagement, can significantly enhance accountability and service delivery outcomes. These examples provide practical lessons that Nairobi can adopt and adapt to its own context.
In this regard, a more deliberate focus on comprehensive fiscal disclosure, full integration of all financial activities, stronger performance reporting, and improved public access to information will be essential. Addressing gaps in budget classification, documentation, off-budget reporting, and transparency practices will not only strengthen fiscal governance but also improve budget reliability.

By closing these gaps and aligning its practices with both local and international best practices, Nairobi City County can enhance accountability, rebuild public trust, and ensure that its financial management translates into tangible improvements in service delivery and the overall well-being of its citizens.

5.4 Recommendations

Drawing from the findings and the weaknesses identified, this study offers the following recommendations.

5.4.1 Budget Reliability

To enhance budget reliability, Nairobi City County should strengthen the alignment between approved budgets, actual expenditure, and service delivery outcomes. The findings indicate that although performance-based budgets are prepared, limited attention is given to tracking and reporting actual results achieved from public spending. Consequently, it becomes difficult to assess whether allocated resources translate into the intended outputs and outcomes.
The County should therefore institutionalize a results-oriented budgeting approach by integrating performance monitoring into budget implementation and review processes. Budget execution decisions, including supplementary allocations and reallocations, should be informed by measurable performance indicators and service delivery achievements. County departments and entities should be required to regularly report on the attainment of planned targets, with corrective measures applied where significant deviations occur. Strengthening the link between resource allocation and performance outcomes would improve expenditure discipline, reduce unnecessary budget adjustments, and enhance the reliability of budget implementation.

In addition, the County should strengthen mechanisms for monitoring revenue and expenditure performance throughout the fiscal year. Regular reviews of budget execution would enable early identification of implementation challenges and facilitate timely corrective action, thereby reducing the variance between approved budgets and actual results.

5.4.2. Transparency of Public Finances

To improve transparency of public finances, Nairobi City County should enhance the completeness, accessibility, and comprehensiveness of fiscal information disclosed to the public. Although several budget documents are currently published, important fiscal information such as debt obligations, financing arrangements, tax expenditures, and fiscal risks is not always presented in a comprehensive and user-friendly manner. Furthermore, some key reports are not consistently published within timelines that support effective public scrutiny. The County should therefore improve the quality and presentation of budget documentation by ensuring that all key fiscal information required under the PEFA framework is disclosed in a clear, consolidated, and accessible format. Developing simplified budget summaries, citizen-friendly reports, and digital dashboards would facilitate a better understanding of the County's financial position by both citizens and oversight institutions.

The County should also strengthen the coverage of financial reporting by ensuring that all public financial activities, including those undertaken by extrabudgetary units and semi-autonomous entities, are captured within a unified reporting framework. Requiring all County entities to submit periodic financial reports for consolidation into a comprehensive County financial statement would improve accountability, eliminate gaps in reporting, and provide a more accurate picture of public resource utilization.

Further, Nairobi City County should adopt a more proactive approach to public disclosure by providing timely and continuous access to fiscal information. Regular publication of budget execution reports, project implementation updates, and sector-specific expenditure information would enhance transparency and strengthen public oversight. Leveraging digital platforms to provide real-time or near real-time fiscal information would further improve citizen engagement and support informed participation in public financial management processes.

Overall, these recommendations aim to ensure that Nairobi City County moves beyond simply preparing budgets to fully implementing, reporting, and communicating them effectively**.** By improving the completeness of financial information, integrating all financial activities into one system, linking spending to results, and enhancing public access to information, the County can significantly strengthen both budget reliability and transparency of finances, ultimately leading to better service delivery and increased public trust.

5.5 Limitations of the study

This study was limited in several ways. First, it focused only on two Public Expenditure and Financial Accountability (PEFA) pillars, budget reliability and transparency of public finances yet public financial management is a broad field that also includes areas such as internal control, audit, debt management, and fiscal risk management. As a result, some important dimensions of Public Financial Management (PFM) in Nairobi City County were not examined in depth.

Second, the study was confined to Nairobi City County. While Nairobi is Kenya's largest and most economically significant county, its fiscal environment is unique compared to other counties due to its high revenue base, complex service demands, and urban governance structure. This limits the extent to which the findings can be generalized to other devolved units in Kenya.

Third, the study relied on secondary data, given that the PEFA methodology is an internationally accepted framework, which also provides the measuring and scoring matrix, the analysis of the data could only be considered within the context of the PEFA methodology and scoring framework. Therefore, the study being confined to PEFA could not provide an in-depth analysis of the actual budget execution and transparency practices, particularly on some dimensions such as budget classification.

Lastly, some of the available data was aggregated or inconsistently reported across financial years, making it difficult to undertake strict year-to-year comparisons of budget performance indicators such as expenditure outturns and revenue realization.

5.6 Suggestions for further studies

Further research should go beyond procedural compliance to examine how budget reliability and fiscal transparency affect service delivery and public trust in Nairobi City County. In particular, future studies could examine how deviations between approved and implemented budgets affect actual development outcomes, how fiscal risks such as debt and pending bills influence long-term sustainability, and how transparency practices translate into meaningful citizen engagement. There is also need to assess whether published fiscal information is understood, and used by the public and oversight institutions to strengthen accountability.

In addition, future inquiry may focus on institutional and governance dimensions of public financial management, including the oversight of extrabudgetary units, the feasibility of adopting functional classifications such as COFOG alongside GFS, and the transition from cash-based to accrual-based reporting. Further comparative studies with other urban counties could help determine whether the challenges identified are systemic or unique to Nairobi's metropolitan context.

5.7 Chapter Summary

This chapter presented the summary of key findings, conclusions, and policy recommendations arising from the study. It highlighted the performance of budget reliability and transparency of public finances in Nairobi City County and discussed how these influence Public Financial Management outcomes. The chapter further outlined the implications of the findings and provided recommendations aimed at strengthening fiscal discipline, accountability, and transparency in county financial management systems.

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Appendix 1: Data Collection Tool - Nairobi City County: Budget Reliability And Transparency Of Public Finances

1. SECTION A – BUDGET RELIABILITY

1.1 Aggregate Expenditure Outturn

- Provide approved vs actual aggregate expenditure for the last three years.

Fiscal Year	Approved (Budgeted)	Actual	Deviations (%)	Comments
2022/23				
2023/24				
2024/25				

1.2 Expenditure Composition Outturn

- Provide expenditure composition by function (budgeted vs actual).
- Provide expenditure by economic type (recurrent vs development).
- Provide contingency reserve use (if any).

Fiscal Year	Function / Economic	Budgeted	Actual	Deviations (%)	Comments
2022/23					
2023/24					
2024/25					

1.3 Revenue Outturn

- Provide approved vs actual revenues for the last three years.
- Breakdown by revenue source (transfers, OSR, others).

Fiscal Year	Revenue Source	Approved	Actual	Deviations (%)	Comments
2022/23					
2023/24					
2024/25					

2. SECTION B – TRANSPARENCY OF PUBLIC FINANCES

2.1 Budget Classification

- Is the classification system comprehensive (function, economic, administrative)?
- Does it align with Government Financial Statistics Manual (GFS)/Classification of the functions of Government (COFOG)?

2.2 Budget Documentation

- Does the budget include macro assumptions, debt, fiscal risks, and performance information?
- Which components are missing?

2.3 County governments operations outside Financial Reports

- Are there expenditures or revenues outside financial reports? List examples.
- Are extrabudgetary units reported?

2.4 Public Access to Fiscal Information

- What fiscal documents are publicly available?
- Through which channels (website, noticeboards, brochures)?
- Are they timely and comprehensive?

2.5 Performance Information for service delivery

2.5.1 Performance Plans

- Are annual performance plans prepared for service units? Provide copies if available.

2.5.2 Performance Achieved

- Provide planned vs achieved outputs/outcomes.

Fiscal Year	Planned Outputs	Approved	Achieved Outputs	Variance (%)	Comments
2022/23					
2023/24					
2024/25					

2.5.3 Resources Received by Service Units

- Provide data on actual resources (funds, staff, supplies) received.
- Were they timely and sufficient?

2.5.4 Performance Evaluation

- Is there a system of evaluating service delivery performance?
- Are reports produced and followed up?

Ethical Approval

Strathmore
UNIVERSITY

9th January 2026

Mr Wafula Alvin,
alvin.wafula@strathmore.edu

Dear Mr Wafula,

RE: Enhancing Public Financial Management in Nairobi County: An Assessment of Budget Reliability & Transparency of Public Finances

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** research proposal. Your application reference number is **SU-ISERC3206/25.** The approval period is from **9th January 2026 to 8th January 2027.**

This approval is subject to compliance with the following requirements:

i. Only approved documents including (informed consents, study instruments, and MTA) will be used
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification
iv. Any changes, anticipated or otherwise, that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours
v. Clearance for the export of biological specimens must be obtained from relevant institutions.
vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) https://research-portal.nacosti.go.ke/ and obtain other clearances needed.

Yours sincerely,

Mr Ambrose Rachier,
Chairperson; SU-ISERC

Ole Sangale Rd, Madaraka Estate. PO Box 59857-00200, Nairobi, Kenya. Tel +254 (0)703 034000
Email admissions@strathmore.edu www.strathmore.edu