

# Comparative Analysis Of County Government Allocation Versus Absorption Rate: A Case Study Of County Governments In Western Region, Kenya.

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DOI: 10.29322/IJSRP.11.04.2021.p11247

<http://dx.doi.org/10.29322/IJSRP.11.04.2021.p11247>

**Abstract-** County Governments in Kenya have been consistently accused of poor budget absorption. However, there are no comprehensive studies that have been advanced to assess revenue allocation against absorption rate in County Governments. The implementation of the New Constitution has been said to be amongst the greatest challenges encountered under the new dispensation. Devolution, though holding the key to great development and transformation for the Country, has been labelled the most complex and least understood aspect of the New Constitution of Kenya. Revenue allocation within Counties as a part of the process geared towards this realization needed to be scrutinized and gain insights as to how the functions are funded and the absorption rate of the same funds. The paper was guided by Separation of Powers theory. The paper was guided by comparative research design. Through use of comparative research design, the study established variation-finding comparison sought to establish a principle of variation in the character or intensity of a phenomenon by examining systematic differences between instances. The County Executive Committee members (CECs) and Chief Officers in charge of Finance (Treasury) were selected to aid in collection of research data as research respondents. The study used secondary data both from the National Government Treasury and from the department of Finance in all the four counties from western Kenya. Panel data used for the years 2015-2019. Quantitative data was analyzed using inferential statistics. This involved the use of chi square and regression model. On conclusion, it is expected that the shade more insights to resource allocation to the three fully devolved functions of health, water and sanitation and agriculture in order to determine how much is allocated to each of the functions, availability of a resource allocation formula as a budgeting tool as well as the absorption rate.

**Index Terms-** Government allocation, absorption rate, Western Counties, Kenya

## I. INTRODUCTION

The promulgation of a new constitution in the Country in 2010 ushered in a new political dispensation of devolved governance in Kenya. The creation of autonomous sub-national units, referred to as County Governments, marked the dawn of a

new era where the Government would be much closer to the people. The importance of proximity between the people and their Government is a fundamental pillar of a democratic Republic such as Kenya. This importance is highlighted in the very first article of the Constitution, which states that all sovereign power in Kenya belongs to the people of Kenya, 2 and that the three organs of the government are to function as agents through which the people exercise their sovereign power. Devolution brings some core Governmental functions and powers closer to the issues affecting citizens on a day to day basis. In principle, it shortens the bridge between the sovereign people and the government, and in so doing it allows the Government to act with greater fidelity to the interests of its Principal i.e. the people. This principle is evident in the objects of devolution that are set out in Article 174 of the Constitution of Kenya (2010).

The objectives of devolution as stipulated in Article 174 of the Constitution of Kenya (2010) are to promote democratic and accountable exercise of power, to foster national unity by recognizing diversity, to give powers of self-governance to the people and enhance the participation of the people in the exercise of the powers of the State and in making decisions affecting them, to recognize the right of communities to manage their own affairs and to further their development, to protect and promote the interests and rights of minorities and marginalized communities, to promote social and economic development and the provision of proximate, easily accessible services throughout Kenya, to ensure equitable sharing of national and local resources throughout Kenya, to facilitate the decentralization of State organs, their functions and services, from the capital of Kenya and finally to enhance checks and balances and the separation of powers.

This constitutional provision ideally means that legitimate administrative power and resources were devolved to the 47 County Governments who were then set on the journey of establishing the necessary structures to enable them to discharge their mandates in compliance with the Constitution. The Fourth Schedule of the Constitution specifies the functions that either level of government is responsible for, and in so doing it delineates what range of services either level ought to provide in the performance of their assigned functions. Its instruments define its area of authority and basis for representation on its political leadership platform with their own staff, budget and revenue generation capability (Kiama, 2014). County Governments therefore have legal authority to make executive and regulatory

decisions in the interests of the citizens. They also have access to funds that are collected and availed for the express purpose of funding County budgets that enable County governments to implement these decisions.

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

## II. STATEMENT OF THE PROBLEM

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

The implementation of the New Constitution has been said to be amongst the greatest challenges encountered under the new dispensation (Christian Roschmann, 2012). Devolution, though holding the key to great development and transformation for the country, has been labelled the most complex and least understood aspect of the New Constitution of Kenya (Yash P. Ghai, 2011). The success of devolution is intrinsically tied to adequate resource allocation which then enables the levels of government to effectively perform their functions (Kangu, 2015). Moreover, stark issues in the devolution of services have emerged, the healthcare crisis for instance, serving as a clear indicator of a rough transition, and a possible complete failure of the devolution of health services (Oyugi B. O., 2015).

Resource allocation within counties as a part of the process geared towards this realization needed to be scrutinized and gain insights as to how the functions are funded. Despite the fact that the National Government allocates funds to the county Government, very few studies exist to establish the absorption rate. It is against this background that this paper assessed resource allocation to the three fully devolved functions of health, water and sanitation and agriculture in order to determine how much is allocated to each of the functions, availability of a resource allocation formula as a budgeting tool as well as the absorption rate.

It was against this background that the present paper aimed to carry out a comparative analysis of county Government

allocation versus absorption rate in county Governments in Western Kenya.

## Purpose of the Study

The study aimed to carry out a comparative analysis of county Government allocation versus absorption rate in County Governments in Western Kenya.

## Hypothesis of the study

**Ho1:** There is no relationship between allocation and absorption rates in County Governments in Western Kenya.

## III. LITERATURE REVIEW

This study was guided by Separation of Powers Theory. A key theory used in the justification of devolution is that of separation of powers. Founded on the belief that power corrupts and absolute power corrupts absolutely, this theory states that governmental power ought not to be concentrated in one person but instead dispersed in various organs. Application of this theory, as propounded by French jurist Montesquieu, curbs the abuse of power and therefore prevents those in power from interfering with citizens' rights (John Osogo Amabani, 2014). Traditionally, this was understood to mean that the three arms of government; the judiciary, legislature and executive, ought to be distinct and independent of one another. Horizontal separation of powers is where the government is divided into separate arms with different and distinct functions (Oluoch, 2015). Devolution is a type of vertical separation of powers, where power is vested in two levels of government as opposed to having a singular central government (Nigel Bowles, 2014). The devolved units are seen to be closer to the public (Oyugi L, 2008). This bolsters the public participation of local communities, enabling them to cater to their specific needs and necessary developmental projects (Nhede, 2013).

The theory on separation of powers and public choice theories reinforces the need for accountability and public participation in the county governments in resource allocation and relevant to the study analysis on resource allocation at the county level compared to what the national government allocates to the devolved functions.

## IV. EMPIRICAL LITERATURE

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

Njihia (2017) sought to assess the challenges affecting budget absorption in the county governments. The study

specifically sought to assess the delays in disbursement of funds from national government, manpower capacity, delays in procurement process and capacity of oversight committee members' on budget absorption in County Governments. Descriptive research design was used to conduct the research in Nakuru, Nyandarua and Laikipia Counties. The target population for the study was 270 comprising of 69 directors and 201 heads of departments. The sample size comprised of 18 directors and 55 department heads. Data collection was done using self-administered questionnaires administered using the drop and pick later method. Data analysis was done using means, mode and standard deviations frequencies and percentages. In addition, chi square analysis and multiple linear regression analysis were used to determine the extent to which the challenges affect budget absorption. Data was then presented in Tables, graphs and charts for easy interpretation and discussion. The study found out that there were delays in disbursement of funds from the national governments to county treasuries and from the county treasuries to various department projects and activities. Further, procurement functions in the county governments were inefficient owing to the lead time and bureaucracies involved in procurement. Although budget oversight committees were present they were inefficient and compromised in conducting their jobs. However these factors did not significantly contributed to the low levels of budget absorption since they only accounted for 6.0%.

V. RESEARCH METHODOLOGY

**Research Design**

Comparative research design allows the study of variation in variables that are controlled in the case of a particular society. This applies in particular to variables that are societal level feature. Through use of comparative research design, the study established variation-finding comparison seeks to establish a principle of variation in the character or intensity of a phenomenon by examining systematic differences between instances. In other

words, through comparative analysis, the study established the variation between budgetary allocation and absorption of funds in the county Governments in western Kenya ( Pickvance, 20001).The current study applied an interactive level of interaction whereby, the two methods were mixed at different points in the process of research prior to the final interpretation of the results.

**Study Population**

The population shall consisted of all the Four Counties in western Kenya namely: Bungoma, Busia, Kakamega and Vihiga. The County Executive Committee members (CECs) and Chief Officers in charge of Finance (Treasury) were selected to aid in collection of research data.

**Research data and sampling Techniques**

The study used secondary data both from the National Government Treasury and from the department of Finance in all the four counties from western Kenya. Panel data was used for the years 2015-2019. As Cooper and Schindler (2008) explained secondary data is a useful tool for evaluating public records, reports, government documents, and opinions. Secondary data analysis is efficient and economical (Ngumi, 2013).

**Data Analysis**

Quantitative data was analyzed using inferential statistics. This involved the use of chi square analysis.

**Study Results**

**Hypotheses Testing**

The following null hypothesis guided the study;

Ho1: There is no relationship between allocations and absorption ratse of funds in County Governments in Western Kenya.

The study used Chi square test to establish if they exists any degree of association between allocations and absorptions. Summary of the findings was as presented in Table 1

**Table 4.1 Chi square Test of allocations and absorptions**

Chi-Square Tests	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.016 <sup>a</sup>	5	.605
Likelihood Ratio	10.187	5	.116
Linear-by-Linear Association	1.915	1	.176
N of Valid Cases	36		

a. 16 cells (44.4%) have expected count less than 5. The minimum expected count is 1.89.

From the results in Table 4.4, the Chi square value ( $\chi$ ), was 12.016 at  $p=0.605$ , which is more than 0.05, implied that there was no association of allocation and absorption rates of funds in County Governments in western Kenya.

The study further carried out ANOVA test to establish if there is any relationship between attitude towards teaching profession and gender of students.

Summary of the results were as shown in Table 2

**Table 2 ANOVA Test between allocation absorption rates**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	197.170	1	97.170	12.142	.897 <sup>b</sup>
	Residual	28010.735	5	22.603		
	Total	28207.905	6			

a. Dependent Variable: Allocation  
b. Predictors: (Constant), Absorption

From the results in Table 2, the F-statistics was recorded as 96.17 at p=0.897, at 95% confidence level, implied the model did not fit between the allocation rate and absorption rate.

The study therefore accepted the null hypothesis and concluded that there is no relationship between allocation rate and absorption rate in County Governments in Western Kenya.

## VI. CONCLUSION

There is no relationship between allocation rate and absorption rate of funds in County Governments of Western Kenya.

## VII. RECOMMENDATION

There is need for both National and County Governments to establish reasons why there is no association between funds allocated and those absorbed in county Governments in western Kenya.

## VIII. SUGGESTIONS FOR FURTHER RESEARCH

The study was carried out in County Governments in western. Future studies are encouraged to be carried out in other remaining counties to compare the findings.

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