County Funds, Delays in Procurement Process, and Budget Absorption in County Governments in Kenya

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ABSTRACT

County governments in Kenya have been consistently accused of poor budget absorption. This article sought to assess misallocation of county funds and the delays in procurement process on budget absorption in county governments in Kenya. Descriptive research design was used. The study found out that there was misallocation of funds from the national governments to county treasuries and from the county treasuries to various department projects and activities which in effect affected the procurement processes. Procurement functions in the county governments were inefficient owing to the lead time and bureaucracies involved in procurement. The study therefore recommended for county governments in collaboration with commission for revenue allocation and the national treasuries to come up with a criterion for ensuring smooth flow of funds from the national treasury to the end user departments.

KEYWORDS

Budget Absorption, County Government, Kenya, Misallocation of Funds, Procurement Process

INTRODUCTION

The constitution of Kenya 2010 introduces devolution with the arrangement of a national government and 47 county governments as a way of bringing the government closer to the grassroots. It also clarifies the roles and responsibilities for the three arms of government; the executive, the legislature and the judiciary who will each independently prepare and submit their respective budgets to parliament. Parliament is now split into the National Assembly and the Senate and the constitution strengthens accountability mechanisms by providing for checks and balances in public finance management. It is anticipated that devolution will decentralize both economic and political power to the county governments by promoting democratic and accountable exercise of power and ensuring equitable sharing of national and local resources.

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

The results of devolution midwife to 47 county governments each with autonomy to plan, develop budgets, raise funds and deliver services to its citizens. In the devolved system of governance, Revenue is shared by the commission for revenue allocation (CRA) between the central government and the county governments. The county revenue allocation is budgeted and appropriated by the county government based on the principles set out in the Public Finance Management (PFM) Act of 2012. County governments are required to raise revenues to bridge gaps between the county budgets and the equitable share from the national government. Guidelines on the revenue collection and Budgeting and budget implementation are based on the Public Finance Management Act (PFMA), 2012.

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

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

The OCOB based on their roles and duties has been releasing quarterly and annual budget implementation reports of all the county governments in Kenya. The report on budget implementation for the financial year 2014/2015 indicated that although implementation in the first and second quarter was faced by numerous challenges the fourth quarter witnessed better performance in budget execution by the Counties.

In the analysis of the challenges of implementation of budgets in county governments in Kenya, the OCOB identified a number of issues faced by County Governments. These included: the failure to fully implement IFMIS by some County Governments, low absorption of development funds, failure to submit financial reports on a timely basis together with misallocation of county funds which yield to the violation of the procurement processes which this paper sought to address. Counties were also faced with inadequate staffing and low levels of staff capacity especially in public procurement and financial management despite the high expenditure levels on personnel emoluments. This affected budget implementation, resulting in low absorption of funds (ROK, 2015). Additionally, Counties did not have a monitoring and evaluation (M&E) framework to enable effective monitoring and evaluation of projects especially in the procurement functions.

In addressing the problem herein of misallocation of county funds and the effect it has on the procurement processes and in view of 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. Further, due to misallocation of county funds the absorption of funds for recurrent expenditure has been significantly high above the budgeted amounts while on the other hand absorption of funds in development expenditure fell significantly low this is as per the report on budget implementation for the financial year 2014/2015(ROK). The low budget absorption rates imply that there is a poor budget implementation performance in County
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