

**FISCAL DECENTRALISATION AND PERCEIVED SERVICE  
PERFORMANCE OF SELECTED COUNTY GOVERNMENTS IN KENYA**

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**C82/CTY/38691/2016**

**A THESIS SUBMITTED TO THE SCHOOL OF HUMANITIES AND SOCIAL  
SCIENCES IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR  
THE AWARD OF THE DEGREE OF DOCTOR OF PHILOSOPHY  
IN PUBLIC POLICY AND MANAGEMENT**

**APRIL 2022**

**Declaration**

This thesis is my original work and has not been submitted to any other institution for any award.

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## **Dedication**

To my family.

## **Acknowledgements**

I thank the almighty God for his grace and divine providence. I am profoundly grateful to my supervisors, Prof. David Minja and Dr. George Kosimbei, for their continuous support, commitment and invaluable insights throughout the study period. Special thanks goes to the Doctor of Philosophy in Public Policy and Management class of 2017 for their encouragement, to Rose Nyamweya and Isaac Keter for making sure that I obtained the necessary research permits and to Susan Serem for editing my work. I also thank the data collection team, comprising of Priscilla, Benson, Evans, and Dr. Kiptum for demystifying data analysis. To all who offered assistance in one way or another, please accept my appreciation. Finally, I thank my family and friends for being patient and supportive throughout my studies.

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## Operational Definition of Terms

<b>Absorption rate:</b>	The percentage of expenditures as compared to the fiscal budget of a devolved government
<b>Accountability:</b>	The degree to which a devolved unit provides an explanation or a justification for their action or their inaction to its citizens
<b>Citizens:</b>	Inhabitants of a given county
<b>County:</b>	A region as created by the Constitution of Kenya 2010 exercising administrative, legal and political functions in Kenya.
<b>Fiscal decentralization:</b>	Policies and laws in place to increase the fiscal operations; locally generated revenue, expenditure decentralisation, intergovernmental fiscal transfers and county government borrowing.
<b>Intergovernmental fiscal transfers:</b>	Conditional or unconditional fiscal transfers from the national government to a devolved unit
<b>Locally generated revenue:</b>	Income that county governments raise within their respective jurisdictions.
<b>Opinion leaders:</b>	Individuals who hold significant verbal views on a common societal issue.
<b>Perceived Performance:</b>	The perceived satisfaction with the services provided by the devolved unit which include access to water supply, healthcare, education, road infrastructure among others
<b>Public participation:</b>	The ability of citizens to attend meetings/consultations, discuss and make resolution on significant issues in their respective Counties.
<b>Service Delivery:</b>	The provision of public services, for example, clean water supply, roads and healthcare intending to better the quality of life of the citizens in a given jurisdiction
<b>Service Performance:</b>	The actual performance metrics of the public services as provided for by the county government as per the agreed public service delivery standards.

**Subsidiarity Principle:** Relates to specific tasks being assigned to the government level closest to the place where the problem has occurred.

### **List of Abbreviations /Acronyms**

<b>AIDS:</b>	Acquired immunodeficiency syndrome
<b>CDF:</b>	Constituency Development Fund
<b>CRA</b>	Commission for Revenue Allocation
<b>CILOR</b>	contribution in lieu of rates (CILOR),
<b>HIV</b>	Human immunodeficiency virus
<b>KIPPRA:</b>	Kenya Institute for Public Policy Research and Analysis
<b>KNBS:</b>	Kenya National Bureau of Statistics
<b>LATF:</b>	Local Authority Transfer Fund
<b>OECD:</b>	Organisation for Economic Co-operation and Development
<b>OSR:</b>	Own Source revenue
<b>RMLF:</b>	Road Levy Maintenance Fund
<b>SNG:</b>	Sub-National Government
<b>USAID:</b>	United States Agency for International Development
<b>WB:</b>	World Bank

## Abstract

Globally, the public has been dissatisfied with the centralized approaches to service delivery at local levels; coupled with underperformance in development aspects. Therefore, fiscal decentralisation is widely recognized as an approach that seeks to improve public service delivery at the local government levels. However, despite the fiscal decentralization framework, the service performance at the county level is still wanting. Thus, the study sought to examine how fiscal decentralization affects service performance at selected county governments in Kenya. The study objectives include: examining the effect of locally generated revenue (LGR), expenditure decentralisation, intergovernmental fiscal transfers (IGFT) and county government borrowing on the service performance of selected county governments in Kenya. Further, the study assessed the mediating effects of accountability practices on service performance of selected county governments in Kenya. The study was anchored on fiscal decentralisation, agency and New Public Management (NPM) theories and adopted an interpretivism philosophical approach and employed a descriptive design with a target population of 400 opinion leaders from Kiambu, Vihiga and Baringo Counties. The study sampled 103 using a random sampling technique and interviewed nine selected directors from budget, finance and planning departments. The data were collected using questionnaires and document review. The questionnaire was validated through panel review, piloting and exploratory factor analysis and was then subjected to an inter-consistency test using a Cronbach's coefficient statistic  $\geq 0.70$  indicating that the instrument was reliable. Data was analysed using descriptively and subjected to an inferential statistics at 0.05 significance levels. The diagnostic tests were conducted ensure that all the assumptions regarding the linear regression were not violated. The study achieved a 91% response rate from the opinion leaders and 66.7% from directors. The correlational analysis indicated that service performance positively correlated with LGR; expenditure decentralization, IGFT and accountability practices and negatively correlated with county government borrowing. Regression analysis indicated that all fiscal decentralization components were statistically significant, ( $F(5, 88) = 15.38, p < 0.00$ ) in explaining 47% change in service performance with locally generated revenue,  $\beta = 0.2072$  ( $t = 2.75, p < 0.05$ ); expenditure decentralization,  $\beta = 0.2903$  ( $t = 3.55, p < 0.05$ ); intergovernmental fiscal transfers,  $\beta = 0.3108, (t = 3.43, p < 0.05)$ ; and county government borrowing,  $\beta = -0.1389$  ( $t = -2.61, p < 0.05$ ). The mediating effect of accountability practices was statistically significant ( $F(5, 88) = 19.56, p < 0.05$ ), in explaining 53% change in service performance. Based on the findings, the study rejected all the null hypotheses and concluded that LGR, expenditure decentralization, IGFT and county government borrowing have a significant effect on service performance. Accountability practices mediate the relationship between fiscal decentralization and service performance. The study recommendation includes; the county governments should seek and integrate new revenue bases, involve citizens in the annual fiscal budgeting process, ensure timely fiscal transfers from the national government and establish a policy framework to support borrowing by the county governments. Regarding policy implications, the county government should adhere to the public finance management Act during the fiscal budgeting process and deepen their revenue bases. The study contributes to the existing knowledge by delving into the elements of fiscal decentralization under the new constitutional dispensation in Kenya. Recommendations for further studies include studies on how decentralization impacts the capacity of the county governments, how decentralization improves the quality of governance at the local level and how the East African Community could affect governance and service delivery at the sub-national levels.

# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

The sections provide an in-depth review of the study variables and focus on the importance of the decentralised governance systems and their effects on service delivery at local levels. The chapter begins with an exposition of three essential components: challenges that impede service provision and delivery at the sub-national levels and the fiscal decentralization elements and initiatives in Kenya. Additionally, the chapter presents the problem statement, research objectives, justification, scope, significance and limitation of the study.

### 1.1 Background to the Study

Sub-national governments in African countries play a significant historical role on issues of governance, development, and devolution of power (Iddawela, Lee & Rodríguez-Pose, 2021). In the performance of their allocated and devolved functions, the sub-national governments face significant demographic changes, economic growth, and revenue pressures which affect the spending patterns. In return, this affects the quality of service delivery at the local level. Once the performance of the sub-national government slows, usage of public funds wanes with a subsequent decline in public service quality (Dougherty & Phillips, 2019).

Extant studies have advocated for a separation of policymaking, service provision, and regulation to ensure efficient service delivery (Ahmad *et al.*, 2005). However, empirical literature indicates that governance structures influence the performance of public agencies based on the statutes that support these structures (Knott & Payne, 2004). In

other instances, effective service delivery depends on intergovernmental relations between the different tiers of government (Donald *et al.*, 2020). Nevertheless, Sow and Razafimahefa (2015) assert that spending on education and health requires adequate institutional arrangements that include the autonomy of local authorities, a robust accountability framework, and local institutional capacities. Abdumlingo and Mwirigi (2014) note that service performance at the local government level is affected by delays in intergovernmental transfers.

### **1.1.1 Perceived Service Performance**

Service performance draws heavily from the emphasis on performance perceived by the customers rather than on variations between prior expectations and perceived performance (Lee, Lee & Yoo, 2000). Perceived performance measures anchor on an evaluative component that captures the satisfaction construct in many instances. Thus, several studies have strongly linked perceived performance to satisfaction (Wirtz & Mattila, 2001). It is considered an excellent measure of service satisfaction in virtually all industries (Lee *et al.*, 2000). Although service quality has worked in specific sectoral contexts, differences in the quality of services are more pronounced when performance-based measures are adopted and applied (Phillips, 2018).

Service performance measures the customer experience and satisfaction against specific service standards (Phillips, 2018). Decentralization trends and the resultant devolution of power to the lower levels mean that service delivery is a devolved activity of the sub-national governments. These devolved services include health, education, social services, and law and order in developed countries (Phillips, 2018). Service delivery indicates the adequacy with which a public sector organization meets the needs of the

public in terms of the quality and quantity of the services delivered. Essentially, these means that the service performance of the local government unit should emphasize the quality of the service delivery (Sadik-Zada, 2018).

Despite the heightened importance of measuring service performance at the subnational government levels, there is a dearth of literature on perceived service performance. Public-sector organizations commonly use the following measures for service performance: inputs, activity levels in terms of the services delivered at hospitals, schools; outputs as measured by the number of public goods; outcomes, cost involved in service provision; customer satisfaction; service quality, and timelines (Jurlina & Slijepčević, 2010). However, the quality and quantity of delivered service can be an effective measure of service. This approach provides a better insight into the effectiveness of the sub-national government in delivering critical public services. Besides, outcome levels need to be identified for decentralization to be successful. Thus, service outcomes can include time spent in healthcare facilities, the number of students enrolled, expenditure per kilometer of the road constructed, and the ratio of students to teachers (Hadiana, 2020).

Reviews and studies highlight divergent views on the measurement of service performance within the sub-national governments. Extant literature indicates that service performance in the sub-national governments measured through efficiency (Sow & Razafimahefa, 2015), local government responsiveness (Besley & Bugress, 2002), and service delivery (Mahal, Srivastava & Sanan 2000). Empirical studies examine a range of measures through which fiscal decentralization promotes the efficiency in allocation of responsibilities and functions among the various government

levels. These measures of service performance include; the levels of economic development, the strength of the institutional and political capacities and frameworks across all government levels of government, its redistributive and equalization policies, , the population, and its geography (Dougherty & Phillips, 2019).

### **1.1.2 Fiscal Decentralisation**

Extant literature highlights the three important features of fiscal decentralization, that is, the expenditure assignment, the revenue decisions; the design of an Intergovernmental Fiscal Transfers structures and the establishment of appropriate legal mechanisms, allocation and monitoring of financial resources between the different governmental units (Farooqi, 2013). These important aspects of fiscal decentralization have been informed by several studies including Dziobek, Gutierrez Mangas & Kufa, (2011) who observed that the decentralization initiatives and trends vary across contexts, with most countries centralizing the tax revenues and policies while decentralizing the expenditures decisions. In these contexts, the national governments collect all the significant revenue bases while leaving minor revenue base to the local government units, however, the fiscal decentralization instruments are similar across each context; tax, fiscal transfers and loans (Martinez-Vazquez *et al.*, 2017).

Martinez-Vazquez Lago-Peñas and Sacchi, (2017) reported that more than four-fifths of the seventy-five developing studied have undergone some form of decentralisation, however, the number of administrative tiers varying across jurisdictions. Majority of nation states have three levels of governments, 25 have two levels while 50 countries have four government levels (Veiga & Kurian, 2015). For instance, evidence from Europe suggests that the scale of fiscal decentralisation is comparatively higher in

OECD countries than in their Eastern European counterparts (Aristovnik, 2012). The proposition is that decentralisation in Europe has been advanced by the European Union, as a way of realising greater integration of the European Union (EU)(Ahmad & Tanzi, 2002).

In Europe, the European Integration project has favoured fiscal and political decentralization and seeks to advance equity and efficiency at all government levels ranging from the local to the European Union level. Though the EU project has been put into turmoil by the Brexit processes (Tselios & Rodríguez-Pose, 2020), the decentralization initiatives have been supported by the EU institutions (Díaz-Serrano & Rodríguez-Pose, 2015). This has given prominence to the rise of the regional governments in Belgium, France, Italy and Spain (Gemmell, Kneller & Sanz, 2013). However, Spain and Italy have opted to implement asymmetric decentralisation with Spain moving faster towards a federal structure (Ahmad & Tanzi, 2002).

Despite the European ideal which promotes decentralization initiatives, decentralization levels vary from state, country and region. In progressive EU states, there is a significant increase in autonomy in terms of political and fiscal while some countries have regressed towards substantive decentralization. For instance, Spain, Italy, Germany, Austria and Belgium have the highest degree of decentralization but Greece, Baltic States, Ireland and Portugal remains highly centralized and therefore their sub-national governments are often seen as administrative divisions (Tselios & Rodríguez-Pose, 2020). Decentralisation in Spain which largely evolved in 1975 (Canavire-Bacarreza, MartínezVazquez & Yedgenov, 2016), takes a quasi-federal system with three-tier governments, the national, the regional or autonomous

communities (ACs) and the local which includes provinces and municipalities, with most of the service delivery being offered by the autonomous Communities (İrepoğlu, 2016).

Decentralisation in France dates back to 1982 and is a four-tier system comprising of the central government, regions, *départements* and municipalities (Garello, 2016). At the lowest level of governments are the municipalities which are gathered in associations (*syndicats*) and are often deprived of fiscal power. Decentralisation in Albania started with the democratisation process and was further promoted by the Constitution of 1998 which stressed the three-level government of the state, county and local government structure with the local government being considered as the principal of decentralisation of power and local autonomy (Isufaj, 2014).

In the Asian context, decentralization initiatives are driven by political and institutional factors (Wang & Ma, 2014). For instance, decentralisation in Japan takes a three levels of the central government, prefectures and municipalities, all of which are directly elected. The prefectures can be considered equivalent to regional government and cover wider areas, whereas the municipalities are composed of villages, towns and cities (Miyazaki, 2016). Decentralisation in China carries many features of fiscal federalism but contains five levels ranging from the township at the lowest level, the county and prefecture at middle levels, the provincial and central government at the highest levels (Shen, Zhao & Zou, 2014; Shen, Jin, & Zou, 2012). The trends are progressively increasing accountability at the local level while reducing fiscal independence at the higher levels (Niu, 2013).

In the developing Asian economies, decentralisation initiatives in Myanmar were politically instigated initiated by the 2008 constitution, which saw the formation of a three-tier government of state and regional governments with partially elected assemblies and directly appointed chief ministers (Nixon & Joelene, 2014). In the Indonesian cases, the process was politically initiated in 2002 and spawned a three-tier government structure; the central, the provincial and the local governments with the local governments carrying out most of the sub-national spending (Lewis, 2014). In Thailand, decentralisation is a four-tier system made up of central government, provincial (PAO), municipalities, and sub-district (SAO) (Wongpredee & Sudhipongpracha, 2014).

The Latin American countries of South America have essentially decentralised their operations but the initiatives are at different levels. Colombia can be considered as the most fiscally decentralised country in South America as it began its decentralisation initiatives in 1986 with the introduction of elections for mayors of local authorities (Bird, 2012). The decentralisation initiatives in Peru began as a political process in 2002 and takes a three government levels; the national, the regional and local governments (Martinez-Vazquez, 2013).

The decentralization initiatives in Africa have been largely driven by political changes that include multi-party systems and the push for autonomy, however, Africa remains the least decentralised continent (Veiga & Kurian, 2015). For instance, decentralisation in South Africa was initiated by the political factors compelling the 1996 constitution and structured the state into three government levels; national, provincial and local governments (Moche, Monkam & Aye, 2014; Kirira, 2012; Ahmad & Tanzi, 2002).

The decentralization was also driven by the need to reconstruct the state after the apartheid era (Karlsson, Pampallis & Sithole, 1996; Republic of South Africa, 1998; Devas, 2005). Ethiopia, Nigeria, and Sudan decentralised their operations as a result of ethnic divisions and consequent political instability (Aspinall & Fealy, 2003). In Uganda, decentralization was a means of national reconstruction (Asimwe & Musisi, 2007), while in Rwanda, it was adopted for national reconciliation and empowerment (Kauzya, 2007).

The same case of decentralization initiatives was observed in Uganda, where a politically instigated constitutional change created a three government levels; the central, districts and local authorities (Nangoli, Ngoma, Magoola & Kituyi, 2015; Tumushabe, Muyomba-Tamale & Mushemeza, 2010; Okidi & Guloba, 2006). In other instances, decentralization is a result of a deterioration in the quality of public service. For example, the Ghanaian state initiated decentralization in 1993 as a way of improving public administration among other issues; promoting a democratization processes that would enhance governance and promote development initiatives at the local levels. This resulted in a decentralised system consisting of four tiers; the central, Regional, District and Local authorities (Akorsu, 2015).

Decentralisation initiatives vary in depth and their success largely depends on the policy design, motivation of the political elite and context (Cabral, 2011), and has been pursued by both unitary and federal states based on different reasons (Ahmad & Tanzi, 2002). Decentralization has been publicized as a remedy to improving the efficiencies in delivery of public services contingent on the following conditions; first, effective accountability at various institutional levels, and higher local institutional capacity.

Second, the appropriate level of expenditure decentralisation and third, commensurate revenue decentralisation (Dougherty & Phillips, 2019).

#### **1.1.2.1 Locally Generated Revenues**

The primary concern arising from locally generated revenue is in the revenue framework defining the revenue assignments and the revenue sources and bases for the sub-national government (Rodríguez-Pose & Krøijer, 2009). The revenue assignment allows discretion to the sub-national governments to implement programs that are important to their residents (Yao, 2007). Assigning substantial tax bases to the local government units increases their legitimacy of revenue-raising efforts and the expenditure decisions that reflect local needs (Farooqi, 2013). Thus, a well-structured revenue assignment system clarifies the powers granted to each level of government to levy specific taxes and the discretion accorded to every level of government in charging and managing the tax administration (Bahl, 2008).

The locally generated revenue is obtained from revenue assignment. It is derived from the income raised by the local governments within their respective jurisdictions (Abiola & Kizito, 2014) from a several sources such as the tax and nontax revenues that sub-national governments should receive (Adenugba & Ogechi, 2013; Yao, 2007). These revenue sources should be easily administered, stable, and connected to the benefit received by the local population (Llanto, 2009). However, the tax efficiencies is contingent on the actual autonomy of the local government units to determine their tax base (Rodríguez-Pose & Krøijer, 2009).

Empirical studies on revenue decentralization have highlighted the varied levels of revenue decentralised in other jurisdictions and contexts. Dziobek *et al.*, (2011) study indicated that the average revenue collection for national governments is about 88%. Comparatively, It is considerably lower in emerging and developing economies, whose average collection is about 91%; yet higher in advanced economies, whose collection is about 82% (Lewis & Smoke, 2017). In France, local tax revenues account for approximately 55% of the total revenues of the local government units but vary according to the sub-national level. Municipalities generate 60.6% of own-source revenue, departments (municipalities and associations) collect about 58.6 %, while the regions generate 41.7 per cent (Garello, 2016).

In Central and Eastern European Countries, the local tax revenues range from as low as 1.3% in Albania, 84% in Belarus, and higher (94%) in Lithuania (Rodríguez-Pose & Krøijer, 2009). The subnational governments in Japan collect 33% own-source revenues (Miyazaki, 2016) while China reported modest figures of around 48%(Shen *et al.*, 2012). Studies in Indonesia reported that local tax revenues make up around 7% of the local budgets (Lewis & Smoke, 2017). Generally, the figures for the own-source revenues tend differ depending on the level of economic development. The subnational governments generate a 27 per cent share on average, whereas in advanced countries the figure is 37 per cent and 23 per cent in emerging economies and developing countries respectively (Sow & Razafimahefa, 2017).

The studies show significant differences in the levels of revenue decentralization with the sub-national governments in developing and emerging economies having low levels of revenue decentralization when compared to those in developed economies. These

modest levels plausibly highlight relevant discrepancies in revenue decentralization in other contexts. This confers researchers with the opportunity of examining and validate the levels of revenue decentralization. Moreover, most studies were undertaken in the advanced economies with limited or no studies conducted in Sub-Saharan Africa.

### **1.1.2.2 Expenditure Decentralization**

Expenditure decentralization comprises two related issues; expenditure assignments and expenditure autonomy (Rodríguez-Pose & Krøijer, 2009). Expenditure assignment relates to the responsibility of the government at the local level to provide the assigned services within their jurisdiction. However, the nature of expenditure decision at sub-national levels of governments tend to be similar in many countries but the actual level and degree of assignment for the specific nature of national government expenditure varies considerably (Roy, 2005).

Martinez-Vazquez & McNab (1997) considers the expenditure responsibilities as primal to the design of fiscal decentralization and therefore require a distinct structures for the assignment of spending responsibilities among the various government levels. An efficient expenditure decentralization requires a matching arrangements between the decision-making authority and responsibilities. However, many countries lack clear formal rules for expenditure assignment because of their inability to delimit the expenditure responsibilities for each level of government (Mekonnen & Kassie, 2011).

The effective expenditure autonomy at the subnational level is contingent on expenditure assignments. In several cases, when expenditure assignments are unclear or ambiguous, the subnational budgetary position is compromised thus authority for

expenditure decisions of the sub-national governments is constrained (Rodríguez-Pose & Krøijer, 2009). Empirical studies on expenditure decentralization have highlighted the different levels of expenditure to sub-national levels in other jurisdictions and contexts. Globally, the average expenditure assignments to sub-national governments are about 17%, and the figure ranges from 21 per cent in developed countries to 28 per cent in developing and emerging economies (Dziobek *et al.*, 2011)

Other studies in other contexts report different figures for expenditure decentralization. Sow and Razafimahefa(2015) observed that the average expenditure decentralization in subnational governments ranges from 35 per cent. In advanced economies, it is relatively about 40 per cent and about 25 per cent in emerging markets and developing countries. Martinez-Vazquez (2013) reported higher figures of about 35 per cent to 50 per cent in Peru. In China, Shen *et al.*, (2012) observed that expenditure decentralization to the subnational governments is about 26 per cent. Furthermore, Shen *et al.*, (2012) reported lower figures of between 19.6 per cent for developing countries, 22.3 per cent for transition economies, and 32 per cent for OECD countries. In Japan, Miyazaki, (2016) observed that expenditure decentralization to subnational governments is around 58 per cent on the ratio of 30 per cent for the local municipal governments, and 28 per cent for the regional prefectures.

The level of expenditure decentralization by the national governments is on average three times those of sub-national governments and the studies show that expenditure decentralization at sub-national levels varies across countries but it seems like developed countries like Japan(Miyazaki, 2016) are spending more of the expenditure sub-nationally with commensurate improvements in service provision. In essence, the

national governments in advanced economies tend to decentralise more expenditure to sub-national governments. Modest figures for expenditure decentralization seemingly highlight relevant discrepancies concerning expenditure assignments and autonomy in other contexts of developing economies. This confers researchers the option to examine the levels of expenditure decentralization. Moreover, most studies were undertaken in the advanced economies with limited or no studies out of Sub-Saharan Africa.

### **1.1.2.3 Intergovernmental Fiscal Transfers**

The intergovernmental fiscal transfers represent the flow of resources from higher to the lower levels of government and are common in both developing and developed economies (Alam, 2014). These transfers include a variety of public financing mechanisms between central and local government units and include sharing of tax raised, subsidies, subvention, and grants (Bahl, Boex & Martinez-Vazquez, 2001). These transfers are used to match revenues and expenditure requirements of local government units while ensuring equity and impartiality in the distribution of financial resources (Durham & Verwey, 2012).

The organization of intergovernmental fiscal systems differs from state to state with the variation reflecting the extent of the willingness of the national government to intervene in the economy, the degree of heterogeneity of their respective populations, the government intervention measures, and the diverse historical and geographical uniqueness of each country (Fjeldstad, 2001). The diversity not only affects context-specific functions and structures (Bird, 1990) but also effective policy implementation. The design and execution of these fiscal transfers tend to affect accountability practices at the local government units, thus affecting service delivery (Ahmad *et al.*, 2005).

The intergovernmental transfers generated from national revenues are either unconditional grants (general-purpose) or conditional grants (specific-purpose) transfers (Amusa & Mathane, 2007; Shah, 2016). It implies that the countries that have decentralised their fiscal decisions do it based on shared revenues; general-purpose and specific-purpose grants to the local government units (Searle & Ahmad, 2005). The general-purpose transfers are granted as general budgetary support with no conditions and are designed to reduce vertical horizontal inequalities among rich and poor localities (Shah 2016). Gildenhuis (2008) noted that unconditional grants intrude less on the independence of local government units while providing efficiency, fairness, flexibility, predictability, and giving room for local leaders to meet local preferences (Kitchen, 2007).

The conditional transfers spell out the type of expenditure to be financed, whether capital or operating expenditure or both, and in some instances, the specific level of performance or service delivery results (Shah, 2016). Conditional transfers may also be designed to motivate local government units to spend funds on specific projects or services (Kitchen, 2007). On the other hand, Amusa, Mabunda, and Mabugu (2008) argued that the expenditure of conditional transfer tends to mirror national priority programs and is absorbed under strict planning, accounting, and reporting conditions attached. In other instances, conditional grants on specified projects or services can generate positive externalities on the public services. For instance, the cost-reimbursement approaches to healthcare services (Kitchen, 2007).

The empirical studies on intergovernmental fiscal transfers are as diverse as their context. For example, empirical evidence shows that intergovernmental transfers in

developing and transition countries comprise about 60 per cent of the sub-national government's total expenditure and about 30 per cent in OECD countries (Veiga & Kurian, 2015; Schroeder & Smoke, 2003). However, Alam (2014) reported that these transfers account for 38 per cent in developed economies and about 70 per cent of sub-national expenditures in developing countries.

In a specific context, intergovernmental transfers differ across countries and regions. For instance, Miyazaki (2016) observed that the transfers in Japan, make up 31 per cent of the sub-national spending which is split into 15 per cent unconditional grants and 16 per cent conditional grants. Garello (2016) reported that the fiscal transfers in France are approximately 40 per cent of the local tax revenues. In Indonesia, unconditional transfers make up less than 60 per cent of sub-national government's revenues while unconditional transfers make up 26 per cent. Lewis and Smoke (2017) indicated that the intergovernmental fiscal transfers in Indonesia have increased from 15 per cent to 35 per cent. In Spain, the fiscal transfers form 95 per cent of the revenues for the regional governments; however, there is asymmetric decentralization where autonomous communities transfer a fixed quota to the national government (İrepoğlu, 2016).

The studies showed varied levels of fiscal transfers with the mixed outcome on service delivery whether positive in Japan (Miyazaki, 2016) and OECD countries (Veiga & Kurian, 2015) or negative in Indonesia (Lewis & Smoke, 2017). The transfers create incentives, which finance the sub-national expenditure and positively impact fiscal management, efficiency, and public service delivery (Shah, 2007). Essentially, the intergovernmental transfers in advanced economies have promoted decentralization

initiatives (Miyazaki, 2016), while these transfers in developing economies are still facing significant challenges related to expenditure assignments and fiscal dependence (Tumushabe *et al.*, 2010). Moreover, most studies have been undertaken in the advanced economies with limited or no studies being carried out in Sub-Saharan Africa.

#### **1.1.2.4 Sub-national Government Borrowing**

The appropriate means of financing capital assets within the subnational government levels is an important subject in public policy and administration. The capital financing and spending arrangements for the sub-national governments are vital for economic development and public service delivery (Lewis & Oosterman, 2011). Indeed, the general take is that governments should ideally borrow to fund public infrastructural projects. Borrowing is typically more efficient for the government only for the possible inefficiencies in the capital allocation mechanisms and crowding-out effects (Hong *et al.*, 2021).

Sub-national fiscal borrowing has been on the increase and is becoming one of the key sources of the local government finances (Vulovic, 2011). However, the decision by sub-national governments to use debt financing depends largely on the given country's regulations and policy framework. These legal regulations and policies reflect the system of decentralization and determine the level of autonomy of the local government units (Sinde, 2016). The sub-national fiscal borrowing referred to as sub-sovereign public debt may result in unsustainability in public finances and portends negatively on the public finance consolidation targets (Hernández de Cos, & Pérez García, 2013)

There are specific contexts where the local government units has been allowed to borrow from the financial institutions and markets. This scenario is mainly happening in the developed economies, where fiscal decentralization is at the highest levels. For instance, the sub-sovereign public debt in Europe holds a significant part of the total government debt (Foremny, 2014). In particular, the federated states tend to have higher sub-sovereign public debt. For example, the sub-sovereign debt is 18% of GDP in Spain (Hernández de Cos, & Pérez García, 2013) and is also higher in Germany (Foremny, 2014). On the converse, the non-federated states tend to have low levels of sub-sovereign public debt (Ahmad & Tanzi, 2002). Statistics show the subnational government debt in France represents 9 per cent of the total government debt (Garello, 2016); comprising 36 per cent of government debt in Japan (Miyazaki, 2016).

Sub-national government debt accounts for 16 per cent of the total public debt and ranges from roughly 1 per cent in Greece to 53 per cent in Canada (Ahrend, Curto-Grau & Vam Malle, 2013). In the developing economies context, few countries have explored the issuance of sub-sovereign public debt because of the political, economic, legal, and regulatory constraints. Subnational governments in Sub-Saharan Africa for instance, are heavily reliant on fiscal transfers from the central government (Inanga & Osei-Wusu, 2004). This indicates that the subnational governments can also be dependent on borrowing to finance their activities (Veiga & Kurian, 2015).

In the Kenyan context, Article 212 of the Constitution of Kenya, 2010, mandates county governments to borrow on the condition that the loan is approved by the respective county assemblies and guaranteed by the national government. The Public Finance Management Act of 2015 contains provisions and conditions that guide the borrowing

by the county governments. Section 58 of the Public Finance Management Act provides for counties to seek short-term borrowings for purposes of managing cash flows however, longer-term borrowing can only be made for capital expenditures such as infrastructure.

### **1.1.3 Accountability Practices**

Accountability is concerned with the triadic relationship between the citizens and politicians as well as public officials. This relationship is based on the commitments of the public officials to review, demonstrate and assume responsibility for the performance, in light of public expectations and the means used to provide the service (Abd Aziz *et al.*, 2015). Accountability is also fostered by the proximity of the public institutions such as health and education to the local populations. In this manner, the preferences of local constituencies inform the local government officials of the effectiveness of decisions that would satisfy their citizens (Sow & Razafimahefa, 2015).

Accountability is vital in examining the conduct of government officials, monitoring and preventing power concentration, and enhance the effectiveness in public administration and improve learning capacity (Abd Aziz *et al.*, 2015). Every government tries to appear reliable to the public and therefore seeks to avoid unethical actions by establishing and enforcing anti-corruption laws and ethical codes (Salminen & Ikola-Norrbacka, 2010). Further, accountability considers the broader question of stewardship over the efficient use of public resources as well as financial reporting. Accountability in the public sector requires the public officials to explain the source and usage of public resources (Almquist *et al.*, 2013; Jorge de Jesus & Eirado, 2012)

because the public perceives their governments to be inefficient and performs poorly concerning services delivery (Hui *et al.*, 2011).

Lederman, Loayza, and Soares (2005) opine that accountability improves service provision since informational asymmetries are less pronounced in a decentralised set-up (Nas, Price & Weber, 1986). Sow and Razafimahefa, (2017) note that a system of accountability benefits from fiscal decentralization when there is capacity in the management of fiscal budgets at the local level. This ensures that the sub-national government efficiently provides public goods and guards against misuse of resources. The study further avers that accountability fosters significant spending in public investments and particularly in growth-enhancing sectors such as health and education. They noted that any accountability measure unanchored on the democratic process hinders the fiscal decentralization initiatives.

Bahl (2008) further observes that local taxes make locally elected officials more accountable to their citizenry in public services delivery. However, service provision is affected by the assignment of responsibilities that allows the shifting of accountability from sub-national governments to national governments. This shift allows for the matching financing with expenditure responsibilities at the different government levels (Ahmad *et al.*, 2005).

In Malaysia, significant efforts to enhance service delivery have been adopted. A study by Said, Alam, and Aziz (2015), however, found that accountability in administrative, diplomatic, educational, and health services was low hence affecting service delivery. In the United States, Han and Hong (2019) observed that levels of accountability

positively affect performance while Rana, Riaz, and Irfan, (2019) noted that accountability affected the efficient delivery of public service in Pakistan.

#### **1.1.4 Fiscal Decentralisation in Kenya**

At independence, Kenya had a three-tier decentralised structure: national, federated, and local governments at the lowest level as provided for by the sessional paper No. 1 of 1965. The subsequent local authorities Act of 1967 created the local authorities to replace the federal systems. Due to the political and parochial interests, parliament passed a constitutional amendment that repealed the regional governments and replaced them with appointed provincial administrators (Mitullah, 2012).

The creation of local authorities did not portend much for decentralization. The necessary fiscal and administrative aspects were lacking and the local authorities were supervised by a government ministry. This meant that political decentralization was the only initiative envisioned in the original Act. Furthermore, three major public services including healthcare, primary education, and roads were transferred to the national government in 1969 while public services such as market maintenance, feeder roads, and slaughterhouses fell under the purview of local authorities (Mitullah, 2012). This dispensation saw them increase their financial dependence on the national government thus losing their significance to the local population (Mitullah, Odhiambo, & Kichamu, 2005). In 1988, a service charge was introduced; however, the ministry of local government was, primarily responsible for its collection but hardly remitted the collection to the local authorities.

In 1999 the Local Authorities Transfer Fund (LATF) was established to decentralise funds to local authorities. It aimed at improving service delivery, financial management, local revenue mobilization, and accountability (Mogeni, 2017; Otieno, Odundo, & Rambo, 2014). LATF can be considered a proxy for fiscal decentralization before the new constitutional dispensation in 2010. This is because it allowed unconditional transfers with requisite fiscal autonomy, and expenditure discretions aligned to the preferences of the local population. LATF steadily increased in fund amounts and contributed to improved services (Mitullah, 2012).

Other vital decentralised funds in 1999 included the Free Primary Education Fund, the HIV/AIDS funds, and the Water Services Trust Fund, meant to finance the investment outlay of supplying water and sanitation services (KIPPRA, 2006). In 2003, the national government introduced the Road Maintenance Fuel Levy (RMLF), a decentralised fund for infrastructure (Mitullah, 2012). Additionally, decentralization initiatives were the introduction of the Constituency Development Fund (CDF) which comprised 2.5% of the total national revenue (Kobia & Bagaka, 2008). When all the decentralised funds are put into consideration, LATF can be considered to be a form of intergovernmental transfers with no political decentralization initiatives, while the CDF lacked both the administrative decentralization initiatives.

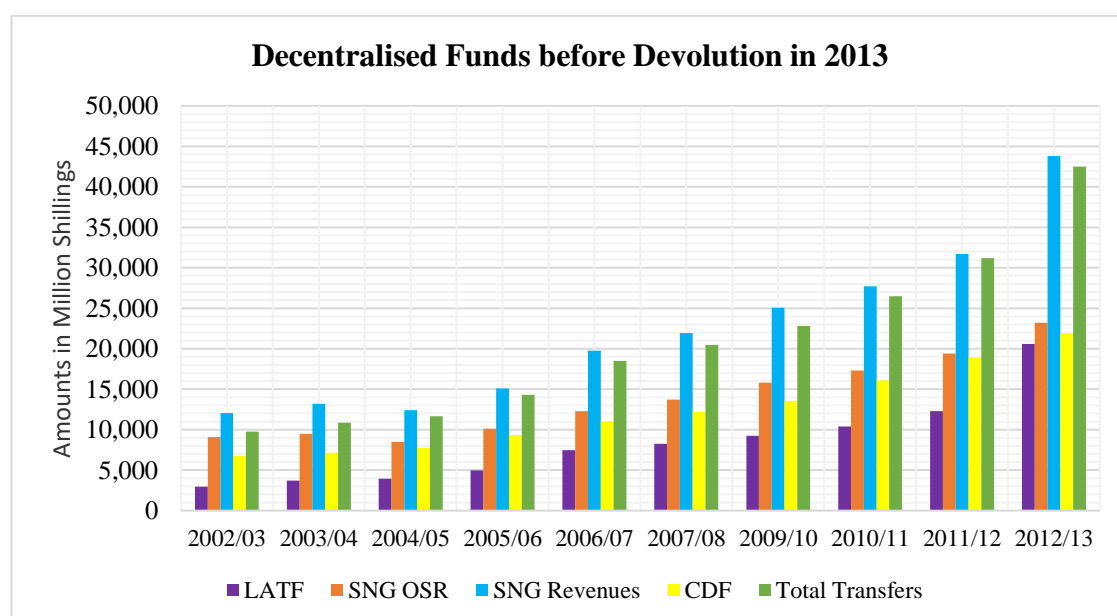
**Table 1.1 Fiscal Decentralization Before Introduction of Devolution**

Amounts in Million Shillings					
Nature of fund	2002/03	2003/04	2004/05	2005/06	2006/07
LATF	2,970	3,719	3,930	4,986	7,461
SNG OSR	9,100	9,497	8,495	10,112	12,289
<b>SNG Revenues</b>	<b>12,070</b>	<b>13,216</b>	<b>12,425</b>	<b>15,098</b>	<b>19,750</b>
CDF	6,773	7,146	7,735	9,333	11,036
<b>Total Transfers</b>	<b>9,743</b>	<b>10,865</b>	<b>11,665</b>	<b>14,319</b>	<b>18,497</b>

	2007/08	2009/10	2010/11	2011/12	2012/13
LATF	8,250	9,250	10,400	12,300	20,610
SNG OSR	13,700	15,800	17,300	19,400	23,200
<b>SNG Revenues</b>	<b>21,950</b>	<b>25,050</b>	<b>27,700</b>	<b>31,700</b>	<b>43,810</b>
CDF	12,223	13,574	16,090	18,880	21,888
<b>Total Transfers</b>	<b>20,473</b>	<b>22,824</b>	<b>26,490</b>	<b>31,180</b>	<b>42,498</b>

**Data Sources:** LATF annual reports, KNBS reports, Controller of Budget

**Figure 1.1: Decentralised Funds 2002-2013**

**Data Sources:** LATF annual reports, KNBS reports, Controller of Budget

As indicated in Table 1.1, the funds allocated to LATF increased from Ksh. 1 billion in 1999 to Ksh. 20.6 billion in 2013. The own-source revenues include: business permits, market fees, cess, land rates, vehicle parking, house rents, park fees, water and sewerage fees and among other sources that are considerably higher than fiscal transfers from the national government. However, the local government units were inept in collecting local revenues hence their source revenue was low (Mitullah, 2012).

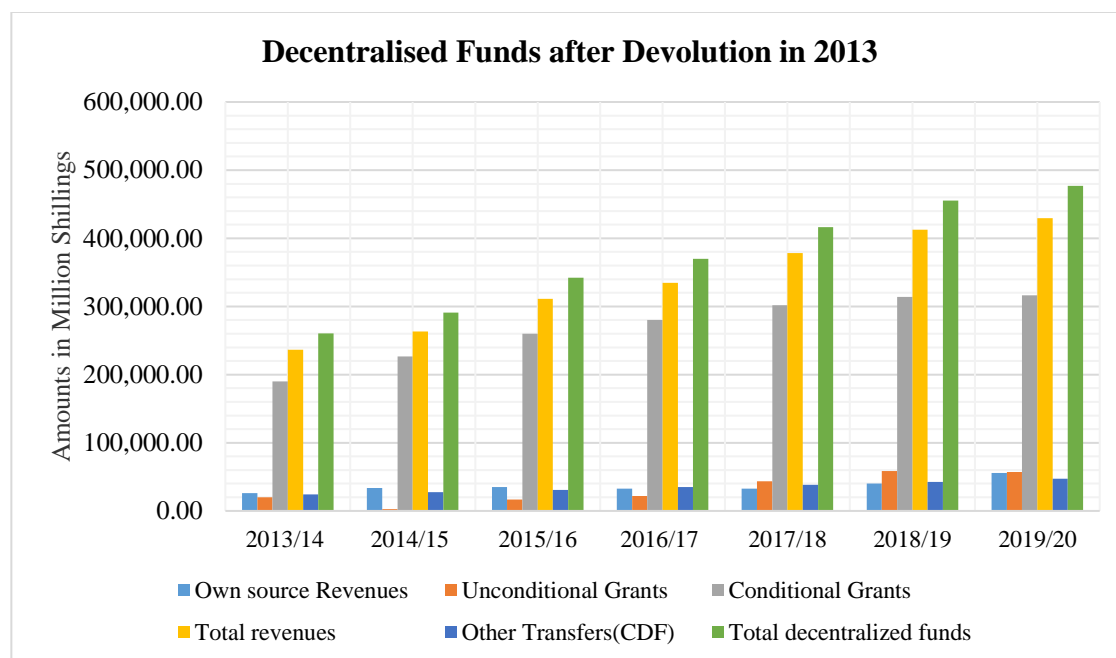
After the promulgation of the Constitution of Kenya in 2010, decentralisation took effect. The administrative, political and fiscal decentralization split the territorial state into 47 county governments (Wagana & Iravo, 2017). Decentralization in Kenya is two-tier national and county governments with subjugated urban (town and municipal) and draw their legal authority from the county government structure. The Constitution of Kenya, 2010 split the total government revenues into; a minimum of 15 per cent for the county governments, 84.5 per cent for the national government, and 0.5 per cent as an equalization fund (The Constitution of Kenya, 2010).

The Constitution of Kenya 2010 supports the devolution initiatives by providing justifying reasons that include self-governance, equitable sharing of resources, and promoting social and economic development (Wagana & Iravo, 2017). Accordingly, the subnational governments in Kenya have both administrative and political structures. The administrative structure comprises an appointed county executive committee headed by a directly elected governor and supported by a secretary. The political structures consist of legislative arms which constitute a majority elected and a few appointed Members of the County Assembly (MCAs), led by a speaker, elected from other persons. Thus, fiscal decentralization is seen in the administrative, legal and political structures when the county executives draft the county fiscal budgets and submit them for approval by the county assembly (Constitution of Kenya, 2010).

**Table 1.2 Fiscal Decentralization After Devolution**

	Amount in Million Shillings						
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Conditional Grants	190,000	226,660	259,774	280,300	302,000	314,000	316,500
Unconditional Grants	20,000	2,603	16,598	21,898	43,681	58,481	57,095
Own source Revenues	26,296	33,848	35,021	32,522	32,491	40,304	55,863
<b>Total SNG revenues</b>	<b>236,296</b>	<b>263,112</b>	<b>311,394</b>	<b>334,721</b>	<b>378,172</b>	<b>412,786</b>	<b>429,458</b>
Other Transfers (CDF)	24,360	27,659	30,911	35,098	38,345	42,470	47,347

**Data Sources:** Controller of Budget (various reports), KNBS reports

**Figure 1.2: Decentralised Funds 2013 -2019**

**Data Sources:** Controller of Budget (various reports), KNBS reports

As per Table 1.2, the funds assigned to the county governments increased from Ksh. 219.7 billion in 2013 to Ksh. 436.31 billion in the 2019/2020 financial year. Between the 2013/2014 and 2019/2020 financial years, the government allotted county governments Ksh. 2.4 trillion, geared towards enhancing service delivery and boosting performance. Despite the constant allocations of funds to devolved government units, the citizens have given a low rating to the County Governments on the provision of services. The devolved services include: county planning and development, agricultural development, animal control and welfare, health services, pollution control, county

public works and services, local transport and road infrastructure, trade development and regulation, pre-primary education, village polytechnics and craft centres, firefighting services and disaster management, and promotion of governance and local levels (Constitution of Kenya, 2010).

A review shows that county governments have hired a significant number of staff, which has increased the wage bill through increased allotment to recurrent expenditure instead of investments in development projects (Kilelo, Beru & Nassiuma, 2015). Controller of Budget (2020) observed that 41.7 per cent of the total revenue goes to personnel emoluments against the provisions of Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015. The Ethics and Anticorruption Survey (2018) reported that 52.2% of citizens rated essential services provision, including firefighting services and disaster management deficient while 43.9% of citizens ranked the provision of county public works as mediocre.

A study by the Kenya Alliance of Residents Association in 2019 reported that 36 per cent of respondents felt that devolution had increased levels of corruption which adversely affects service delivery. Only 20% of respondents indicated going to county meetings whose agenda revolved around development projects. Kiambati (2020) examined the service delivery in the county governments in Kenya and observed that there were low levels of transparency within the devolved governments (Sanger, 2008; Demirkaya, 2006).

## 1.2 Statement of the Problem

Globally, the centralized governance structures have impaired the delivery of local public services as highlighted by their low-performance scores in developmental objectives (Faguet, 2014). In contrast, studies show that decentralised governance structures are responsive to the needs of the local citizenry, but their service delivery is contingent on the context of implementation (Farooqi, 2013). This is attributable to the budgetary pressure arising from the constraints in the available financial resources that are split into public service delivery and local development needs (Jurlina & Slijepčević, 2010). Because of this, there is a need to measure the effect of fiscal decentralization on the economy, society, and politics (Martinez-Vazquez *et al.*, 2017).

Several studies have examined fiscal decentralization in different context (Estache & Sinha, 1999; Davoodi & Zou, 1998; Ebel & Yilmaz, 2002; Rodríguez-Pose & Ezcurra, 2010; Bojanic, 2018) among others. These authors observed that fiscal decentralization faces several legal, institutional, and political challenges. Studies drawn from the African context attributed failure in decentralization initiatives to several challenges namely: limited legislative and regulatory changes; centralization of resources; limited fiscal transfers; weak local revenue base; and lack of local planning capacity (Robinson, 2007). For instance, Cabral (2011) observed that information on the effect of fiscal decentralization on service delivery is insufficient because of the absence of empirical studies within the sub-Saharan African context.

In Kenya, the studies on fiscal decentralisation have focused on poverty reduction (Mwiathi, Wawire & Onono, 2018), strengths and weaknesses of decentralised systems (Abdumlingo & Mwirigi, 2014; Kobia & Bagaka, 2014), implementation and

effectiveness of Constituency Development Fund (CDF)(Kobia & Bagaka, 2008; Simiyu, Mweru & Omete, 2014; Muna, 2016; Kinyanjui, Bulitia & Machogu, 2017). Weak governance, lack of prioritization, and absence of goodwill affected revenue decentralization in Kenya (Cannon and Ali, 2018). Other studies by Wamae, (2014); Mugambi and Theuri, (2014) were short on methodological, contextual, and conceptual gaps, limiting their surveys.

Reports indicate that service delivery among the sub-national governments in Kenya has been elusive as 53 per cent of citizens were unsatisfied with service delivery (Transparency International, 2016). It is against this background of limited empirical literature; and existing contextual and methodological gaps that this study sought to examine the effects of fiscal decentralization on the perceived service performance of selected county governments in Kenya.

### **1.3 Objectives of the study**

1. Determine the effect of locally generated revenue on the perceived service performance of selected county governments in Kenya.
2. Examine the effect of expenditure decentralisation on the perceived service performance of selected county governments in Kenya.
3. Evaluate the effect of intergovernmental fiscal transfers on the perceived service performance of selected county governments in Kenya.
4. Establish the effect of county government borrowing on the perceived service performance of selected county governments in Kenya.

5. Assess the mediating effect of accountability practices on the relationship between fiscal decentralisation and the perceived service performance of selected county governments in Kenya.

#### **1.4 Hypotheses of the study**

**H<sub>01</sub>:** Locally generated revenues have no significant effect on the perceived service performance of selected county governments in Kenya.

**H<sub>02</sub>:** Expenditure decentralisation has no significant effect on the perceived service performance of selected county governments in Kenya

**H<sub>03</sub>:** Intergovernmental fiscal transfers have no significant effect on the perceived service performance of selected county governments in Kenya

**H<sub>04</sub>:** County government borrowing has no significant effect on the perceived service performance of selected county governments in Kenya

**H<sub>05</sub>:** Accountability practices have no mediating effect on the relationship between fiscal decentralisation and the perceived service performance of selected county governments in Kenya

#### **1.5 Justification and Significance of the Study**

Fiscal decentralization reflects numeral fiscal independence and accountability at the devolved government levels. The primary reasons why fiscal decentralization has been espoused and implemented in Kenya include doing away with the ineffective and inefficient centralized governance structure and improving the service delivery in public sector organizations. In theory, fiscal decentralization is projected to strengthen responsiveness to the local needs and improve the performance of government; however, this seems inconclusive (Bahl, 1999; Jensen, 2002; Fjeldstad, 2001; Tanzi,

2000; Pepinsky & Wihardja, 2011). Kyriacou, Muinelo-Gallo and Roca-Sagalés (2015) argued that fiscal decentralization can be counterproductive. Therefore, this study addressed these issues by coming up with recommendations on how to improve the service performance of county governments in Kenya.

The constitution of Kenya 2010 provides a new policy environment for decentralised funds making it important to have an in-depth understanding of the service performance of the county governments since the new constitution was adopted. Kiambu, Vihiga, and Baringo counties were selected based on the distinct overall absorption rate of funds assigned in the financial year 2017/2018. Kiambu and Vihiga Counties are extreme outliers with Kiambu having the highest overall absorption rate of 85.5% while Vihiga had the lowest overall absorption rate of 48.5%. Baringo, on the other hand, had a median absorption rate of 74.8% (Controller of Budget, 2019).

The findings will benefit county governments largely because the study addressed the key issue in service performance. Both the executive and county assemblies will be informed as to whether fiscal decentralization has improved performance and use the findings to bolster their legal and administrative frameworks to develop interventions that will enhance performance.

The citizens stand to benefit from the study as a result of improved service performance. The study also contributes to empirical literature for use by future researchers and form a basis for further studies in the area of county government performance.

### **1.6 Scope of the Study**

This study was limited to fiscal decentralization and perceived service performance of three selected county governments, Baringo, Kiambu, and Vihiga in Kenya. The study population comprised 400 opinion leaders drawn from three purposefully selected counties. The study also had nine (9) directors drawn from the selected counties as key informants.

### **1.7 Limitations of the Study**

Due to budgetary constraints, the study was limited to the selected county governments in Kenya hence, generalization may fall short of all the sub-national governments in Kenya. The study targeted representativeness that could generate inferences based on the sample used.

The study used perceptual measures of performance as such results are limited to the data collected. The opinion leaders' perceptions were considered authentic information on devolution.

The researcher sought approval from Vihiga County Government to interview the directors, but after numerous requests and visits to the county, feedback was not received. The response rate was however considered appropriate in drawing conclusions and realizing the objectives of the study.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

#### 2.1 Introduction

This section reviews relevant literature related to the foundations and conceptual aspects that anchor the study. This review is relative to the problem statement, theoretical background, empirical and practical problems regarding fiscal decentralization, and service performance.

#### 2.2 Empirical Literature

##### 2.2.1 Fiscal decentralisation and Service Performance

Studies on fiscal decentralization and performance have produced mixed results. Jurlina and Slijepčević's (2010) examined the performance of the local government units in Croatia and the findings indicated that regional development priorities are not included in sub-national budgets resulting in regular budgetary overruns. The study appreciated the key role of the performance measurement in fostering efficient allocation of public resources, a crucial objective of the local governments. Findings indicated that fiscal decentralization improved the efficiency of the public sector. Conversely, the fiscal dependency of sub-national governments on intergovernmental transfers negatively affected the public sector (Gemmell *et al.*, 2013).

The assertion that service delivery depends on resource adequacy, socio-political context, local participation levels, and accountability arrangements is corroborated by empirical evidence from Bangladesh and India (Farooqi, 2013). Nonetheless, Sow and Razafimahefa, (2015) assert that spending on education and health requires adequate institutional arrangements. These arrangements include autonomy of local authorities,

a non-lethargic accountability framework, and local institutional capacities. Mugambi and Theuri (2014) on the other hand, opined that public participation ought to be enhanced in sub-national units by setting up support systems.

Many governments in Africa, Latin America, and to some extent Asia have different ideological descriptions and have tested various decentralised service provision models for over two decades. In most cases, the quality of decentralised public services has either remained unchanged or declined (Robinson, 2007). For instance, Faguet (2004) reported a decline in the quality of healthcare service provision under decentralization in six Latin American countries. Other empirical studies have concentrated on the effectiveness of decentralization reforms and most examined educational and health outcomes in several countries including: Bolivia, Switzerland, Argentina, Italy, and Spain among others. These studies have confirmed positive effects on educational outcomes and mixed results for the health outcomes (Martinez-Vazquez *et al.*, 2017).

Within the European context, Adam, Delis and Kammass (2012) evaluated the relationship between fiscal decentralization and public sector efficiency in OECD countries. Their findings showed that higher fiscal decentralization initiatives had a positive impact on the quality of the education and health services. Makreshanska and Petrevski (2016) also examined decentralization and fiscal performance in Eastern and Central Europe using panel data of 11 former transition economies between 1996- 2012. The study reported that the decentralization of government services increased efficiency in the provision of goods and services in these European Countries. In examining the Italian context, Calamai (2009) reported that decentralization could aggravate regional inequalities in economic outcomes and public spending.

Davoodi and Zou (1998) studied 46 developed and developing countries and the findings showed that fiscal decentralization negatively correlated with economic growth in developing economies but found not in developed economies. Within the same context, Rodríguez-Pose and Ezcurra (2010) found that fiscal decentralization negatively associated with economic growth in OECD countries whereas Estache and Sinha (1999), note that decentralization increases spending on infrastructure at national and sub-national levels.

In the Asian context, Sow and Razafimahefa, (2015) reported that fiscal decentralization initiatives positively correlated with subnational government efficiency in developed economies. On the contrary, it negatively affected efficiency in developing and emerging economies. They pointed out that fiscal decentralization improves the efficiency in the delivery of public goods and services contingent on three conditions: commensurate political and administrative decentralization initiatives; expenditure decentralization with accompanying revenue decentralization; or else fiscal decentralization initiatives could aggravate service delivery.

Teng and Gu (2007) examined the intergovernmental linkages in China and found that good linkages positively correlated to the achievement of effective policy implementation. Mahal, Srivastava, and Sanan (2000) examined decentralization and service delivery in India and established a connection between service delivery and decentralization. According to Besley and Bugress's (2002) findings on federated states in India, decentralization improves local government responsiveness and service delivery. In Indonesia, Pepinsky & Wihardja, (2011) established no evident effect of

decentralization on economic performance. Owing to conditional funding from the central government, Francis and James (2003) observed improvements in service provision (education and water provision) in Uganda's local government.

In a nutshell, the aforementioned empirical studies have demonstrated linkages between fiscal decentralization initiatives and service delivery in OECD countries (Adam *et al.*, 2012) and Central and Eastern Europe (Makreshanska and Petrevski, 2016). These studies, have used varied methodologies to demonstrate a positive linkages between fiscal decentralization and service delivery. The use of varied methodologies and contexts in the reviewed studies presents other researchers with the prospects for undertaking research hinged on the constitutionally entrenched fiscal decentralization initiatives in sub-Saharan Africa using a different methodology.

### **2.2.2 Locally Generated Revenue and Service Performance**

Studies have shown that revenue decentralization is unidirectional and takes a top-down approach save for the Spanish context where revenue decentralization takes two forms: one common system for the regional governments and other autonomous systems for the semi-autonomous regions of Basque Country and Navarra (İrepoğlu, 2016). The common systems take a top-down approach while the autonomous system takes a bottom-up approach with autonomous regions collecting all the taxes and remitting some percentage to the national government (Faguet, Fox & Pöschl, 2014). There are also differences in the type and nature of revenue decentralization between different countries. In OECD countries, revenues for the sub-national governments comprise income tax, profits, and capital gains, which are potentially strategic in attracting populations and businesses. In contrast, in non-OECD countries such as India,

Thailand, and Brazil, revenues are drawn from taxes on goods and services (Veiga & Kurian, 2015).

In Africa, the revenue decentralization in South Africa sees the provincial governments having virtually no own source revenue while the local governments derive their revenue, to the tune of 84 per cent, from property taxes and user charges (Ahmad & Tanzi, 2002). In the case of Uganda, local authorities retain about 65 per cent of the revenue, and remit 35 per cent to the central government (Okidi & Guloba, 2006). According to Veiga and Kurian (2015), when sub-nationals' own source revenues finance the service provision at the local government levels, it yields a positive perception of the performance of public services from citizens. This in turn, enhances efficiency, accountability, and good governance. From these studies, it is clear that revenue decentralization positively impacts service delivery in the education and health sector for developing, emerging, and advanced economies (Sow & Razafimahefa, 2015).

Beer-Tóth (2009) examined local financial autonomy in Hungary and found that due to weak sub-national revenue efforts, taxes assigned to the local level were not sufficiently productive leading to poor performance by the sub-national governments. The study found that tax assignment to local governments positively correlated with the national economic performance. In a study of tax assignments, Bird, (2009) notes that mainstream literature only accounts for the tax charged on property and user service charges as the appropriate source of sub-national taxes. Ter-Minassian and Craig, (1997); Llanto, (2009) concur and further observe that the ideal candidates for sub-national government taxes are levies on stable and evenly distributed bases, with steady

yields, which allows alignment of tax receipts to set performance targets. In concurrence, Joumard and Kongsrud (2003) further contend the existence of limited tax sources allocated to sub-national governments without introducing inefficiency and resulting in a poor distribution of resources.

Studies in Sub-Saharan Africa have sought to highlight how revenues influence service delivery in sub-national governments. Scott and & Enu-Kwesi (2018) evaluated the effect of revenue mobilization on service delivery in local governments units in Ghana. The study observed that revenue mobilization efforts positively correlated with service delivery. In examining regional inequality among South African subnational governments, Amusa and Mabugu (2016) used panel data from 234 South African Municipalities. The findings indicated that revenue decentralization presented local authorities with the motivation that reduce inter-municipal inequality. Additionally, they contend that the differing levels of resource bases and decentralization resulting in poor performance of some local governments could be emanating from inter-regional inequalities and resource distribution.

Lessmann (2009), echoes this view, and advances that notion that wealthier regions with expanded tax bases are more likely to provide superior quality of services while jurisdictions with low revenue bases will likely perform poorly in terms of service delivery. Amusa and Mabugu (2016) used a regression model to analyse the data. These studies adopted a mixed-method approach using focus groups. They demonstrated that revenue decentralization could either have a positive or negative effect in the respective cases of Ghana and South Africa's local authorities. This allows researchers to conduct

studies hinged on the constitutionally entrenched sub-national governments using varied methodologies.

### **2.2.3 Expenditure Decentralisation and Service Performance**

In sub-Saharan Africa, subnational governments' expenditure decentralization is weak. A manifestation evidenced, especially in sub-national governments with weak taxing powers (Ahmad & Tanzi, 2002). According to Tidemand (2009), Uganda exhibits higher degree of devolution compared to many other sub-Saharan African countries. Its decentralization initiatives see the local governments managing approximately 25% of public expenditure compared to decentralization initiatives in Tanzania which lag behind those of Uganda, and as of 2009, local governments were managing approximately 22% of the public expenditure. Livingstone and Charlton (2001) observed that the local authorities in Uganda have unreasonable assumptions regarding local revenue collections hence the expenditure levels are inconsistent and unmatched by local revenues. The studies demonstrate improved efficiency in public service delivery in advanced economies through expenditure decentralization. Equivocally, there is a depiction of the negative impact on emerging economies (Sow & Razafimahefa, 2015).

Other empirical studies done in Eastern European Countries have shown significant differences in the distribution of expenditures decentralization. These studies include Dabla-Norris (2006) who examined the challenges of fiscal decentralization in transitioning economies of Eastern Europe. The findings indicated that sub-national government units in Kazakhstan and Georgia lack the formal decentralization of expenditure responsibilities. This in turn, negatively affects the performance of both

sub-national and regional governments. Lavrov, Litwack, and Sutherland (2002) studied the fiscal federalist relations in Russia and reported ambiguity in the decentralization of the authority resulting in a large number of unfunded mandates which overtly affected the performance of local governments.

Other studies done in Asian countries of the Republic of Korea and Thailand by MartinezVazquez (2011) examined the challenges and opportunities of fiscal decentralization in Asia. The findings indicated that the performance of sub-national government units was adversely affected by a lack of clarity in expenditure assignments. The study also pointed to the presence of clear expenditure assignment in Japan and this aspect has consequent impacted positively on the performance of its sub-national governments. Morgan and Trinh (2017) also examined intergovernmental relations indicating significant challenges that included a lack of clarity and overlapping expenditure assignments, a disconnect between responsibilities delegated and authority, which revealed inadequate discretion in expenditure decisions. Further, Rauf *et al.*, (2017) examined the impact of expenditure decentralization on the education system in Pakistan using time-series data. The findings showed that the assignment of expenditure responsibilities improved the enrolment of pupils at the primary school level, leading to an improved enrolment ratio in Pakistan.

Based on varied methodologies that include exploration of panel data by (MartinezVazquez, 2011) among others, these studies have shown that expenditure decentralization directly affects service delivery in various sectors contingent on expenditure assignments. This gives more researchers opportunities to conduct studies

hinged on the constitutionally entrenched sub-national governments using varied methodologies.

#### **2.2.4 Intergovernmental fiscal transfers and Service Performance**

In Sub-Saharan Africa, the fiscal transfers form a large part of the revenues for the subnational governments as indicated by a study in Uganda. The study showed that the intergovernmental conditional transfer accounts for 80 per cent channeled towards centrally determining priorities (Okidi & Guloba, 2006). This has translated into improvements in service delivery (Lewis, 2014) as observed by Francis and James (2003) whose findings indicated that decentralization in Uganda is heavily reliant on conditional grants from the central government. The findings concur with Lewis and Smoke's (2017) which reported that intergovernmental transfers comprised 85 per cent of sub-national governments' budgets and were the main source of revenue for subnational governments.

Among OECD countries, intergovernmental fiscal transfers have tended to dampen local revenue generation in that the transfers are important public sector finance, thus, the subnational government's transfer dependency is associated with higher administrative expenditures in the local budget (Schroeder & Smoke, 2003; Lewis and Smoke (2017). Due to this reason, transfers are critical for the success of fiscal decentralization initiatives (Durham & Verwey, 2012). However, the intergovernmental fiscal arrangements are in the long – run unsustainable due to the following reasons; the heavy burden on central governments, lack of incentive and motivation by sub-national units to collect their revenues, and the exaggerated poverty alleviation effects (Schroeder & Smoke, 2003).

Other studies have sought to define the nature and effects of transfers and include Sudhipongpracha and Wongpredee (2017) who carried out a comparative study of intergovernmental grant systems in Indonesia and Thailand and found that unconditional grant structure in Thailand is ineffective in improving service provisions. The study further found that Indonesia's general-purpose grant allocation scheme met the objectives of service delivery by allocating more funds to underprivileged regions. Further, Shair-Rosenfield, Marks, and Hooghe (2014) analyzed the intergovernmental grant systems in Indonesia and Thailand and concurred Indonesia's decentralization regime has been labelled a "big-bang" approach, unlike Thailand's which has been criticized as slow in progress.

A comparative study of health system governance in Kenya and Indonesia found that both countries experienced similar challenges relating to good governance and service delivery in their respective jurisdictions (McCollum *et al.*, 2018). Based on varied methodologies these studies have shown that intergovernmental fiscal transfers have a direct effect on service delivery. This gives more researchers opportunities to conduct studies hinged on the constitutionally entrenched sub-national governments using varied methodologies.

### **2.2.5 Sub-national Government Borrowing and Service Performance**

Studies that have explored the borrowing aspects by the subnational governments include those done by Leigland (1997); Peterson and Hammam (1998), and Freire and Petersen (2004) evaluated the relationship between local government borrowing and the performance of infrastructural projects. Vulovic (2011) argues that local

government borrowing may affect infrastructure service delivery directly from the subsidiarity principle since infrastructure investment are financed and implemented by the devolved units. Jackson (2007) examined the municipal credit rating and observed that sub-national borrowing indirectly affects the quality of sub-national governance.

Conversely, other studies have explored the negative impacts of subnational borrowing and reported negative consequences of borrowing both on service delivery and the macroeconomic environment. Mikesell (2007) studied fiscal administration in subnational governments and acknowledged that while sub-national debt can have significant benefits, borrowing to finance operating expenditure cannot be sustained in the long- run. This is because it could impact macroeconomic stability negatively, which in turn affects the performance of public entities. This is in line with Dafflon's (2002) observation that any government borrowing to finance operating expenditure shortfall would result in unsustainable debt. Based on the varied methodology, these studies have shown mixed results of subnational borrowing on service delivery. This allows other researchers to research using varied methodological approaches based on constitutionally entrenched sub-national governments.

### **2.2.6 Mediating Effect of Accountability Practices**

The empirical literature on accountability examined how accountability practices at the subnational level could directly or indirectly impact service delivery. For instance, Kluvers, (2003) focused on accountability in subnational government noting that local government officials are held accountable by the local population for new initiatives and relationships performance. In a study that focused on the local finance reforms in the Philippines, Llanto (2009) found that fiscal decentralization has changed the policy

and institutional structure and has inspired greater accountability and improved delivery of services. Thus, decentralization made the government more accessible to the citizens and responsive to their needs. Escobar-Lemmon and Ross (2014) also examined the perceptions of accountability in Columbia using survey panel data. Evidence showed that extensive decentralization increased the perceptions of citizens on how accountable government was thought to be in terms of public consultation and sharing information.

Bojanic (2018) used panel data to examine the impact of fiscal decentralization on accountability among Latin American countries. The findings showed decentralization improved accountability and civil liberties in the long run. The study also observed that as fiscal autonomy increases, the local government becomes more inclusive enhancing citizen participation. Martinez-Vazquez *et al.*, (2017) validated the findings reporting a bidirectional relationship between decentralization and accountability. They conclude that local accountability improves governance. Ochieng (2017) examined the relationship between expenditure decisions and accountability in Kenya's devolved health sector and found that ambiguity in the decentralization of responsibilities and accountability resulted in challenges in coordination and health services provision. On the other hand, other variables influencing fiscal decentralization include the political and institutional mechanisms such as corruption which negatively affects the efficiency of public services (Sow & Razafimahefa, 2015).

The above empirical studies have depicted linkages between fiscal decentralization, accountability, and service delivery. The foregoing studies have demonstrated a positive linkages between fiscal decentralization, service delivery, and accountability based on varied methodologies. Research opportunities thus abound for researchers

based on varied methodological and contextual approaches hinged on the constitutionally entrenched fiscal decentralization initiatives in sub-Saharan Africa.

### **2.2.7 Summary of Empirical Literature and Research Gaps**

The following are some studies undertaken on the field of fiscal decentralisation which contributes to the development of this study.

**Table 2.1 Summary of Literature and Research Gaps**

<b>Author</b>	<b>Focus of the study</b>	<b>Findings</b>	<b>Limitations</b>	<b>Gap</b>	<b>Focus on the current study</b>
Martinez-Vazquez, Lago-Peñas & Sacchi(2017)	Evaluate the impact of fiscal decentralisation on the economy, society and politics	decentralisation improves governance through local accountability	The use of meta-analysis to make generalization	The study was exploratory and thus is insufficient in generalization	The study explored the levels of decentralisation
Akin, Hutchinson and Strumpf, (2005).	Examine whether decentralisation leads to higher allocative efficiency in health sector	Local government health officials are progressive allocating reduced budgetary amounts	The use of meta-analysis and secondary data	The study was limited to local authorities and thus is insufficient in generalization	and measured their effect on service performance of county governments in Kenya.
Livingstone and Charlton (2001)	Examine the revenue decentralisation in local authorities in Uganda	The decentralised authorities are deficient in their tax-raising potential.	The use of meta-analysis and secondary data	The study was exploratory and used limited sample.	The study described the expenditure decentralisation

Sow and Razafimahefa (2017)	Explores the impact of fiscal decentralization on fiscal policy performance in advanced and developing economies	Decentralised expenditure is linked to a stronger fiscal balance	The use of meta-analysis and secondary data	The study focused on fiscal performance	and estimated its contributions to service performance of selected counties in Kenya.
Tidemand(2009)	Comparative analysis of effects fiscal decentralization of service delivery of local authorities in East Africa	There are varying differences in expenditure decentralization among East African countries	The study focused only on the level of expenditure decentralization	The study was exploratory and thus is insufficient in generalization	The study described the expenditure decentralisation
Sow & Razafimahefa (2015)	Determine the effect of fiscal decentralisation on service delivery in several countries	Fiscal decentralisation can improve the efficiency of public service delivery.	The study used secondary data and quantitative modelling	The study was comparative and provided a basis for analyzing decentralisation	and estimated its contributions to service performance of selected counties
Shen, Zhao & Zou, (2014).	Examine the effect of fiscal decentralisation on service provision in China	Decentralised public services delivery system is faced with growing	The study used secondary data	The study was contextual to China	in Kenya.

		inequality across the country			
Lewis (2014).	Evaluate the implementation of decentralisation in Indonesia	Inter-governmental performance grants positively impact on service deliver	The study was descriptive on the state of decentralisation	The study was specific and contextual to Indonesia	The study described the levels of intergovernmental
Francis and James (2003)	Evaluate the impact of fiscal decentralisation in Uganda	Service delivery is heavily reliant on the conditional grants	The use of the meta-analysis to make a generalization	The study was exploratory and thus is insufficient in generalization	transfers and estimated its contributions on service performance of selected counties in Kenya.
Escobar-Lemmon & Ross(2010)	Examine the relationship between accountability and decentralisation in Columbia	Decentralisation does improve perceptions of accountability	The study used a limited sample and therefore lacks generalization	The study was explorative and contextual to Columbia	The study explored the Accountability mechanisms and measured their contribution to
Ochieng(2017)	Evaluate how accountability impacts on service delivery in	Ambiguity in the assignment of	The study used a limited sample and	The study was explorative and	

	the devolved health services in Kenya	responsibilities and accountability affects the performance of the health sector.	therefore lacks generalization	limited to the health sector	service performance of county governments in Kenya
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**Source: Research Reviews (2020)**

## **2.3 Theoretical review**

The study applied the following theories and models; Model on fiscal decentralization, the Decentralization theorem, the Agency Theory and New Public Management theory.

### **2.3.1 Model on Fiscal Decentralisation**

The models on fiscal decentralization examine the efficiency of sub-subnational governments in matching local preferences and increasing government accountability (Lockwood, 2008). In the model, greater decentralization occurs with increased competition for available resources in an economic environment (Epple & Nechyba, 2004). The standard model assumes that the two levels of government: the national and sub-national governments are considered benevolent and they therefore seek to maximize the sum of utilities of residents within their jurisdiction and, this, in turn, generates negative or positive externalities for other regions.

Thus, under the assumption of homogeneity in households, each sub-national government seeks to maximize the welfare of its local constituents. These competitive forces tend to generate externalities of one type or another with the potential of causing economic distortions. This situation arises when local officials are unable to access policy instruments, thus necessitating the inter-jurisdictional spill-overs, or the local expenditures inherently generates benefits or costs to other jurisdictions (Epple & Nechyba, 2004).

Thus, two possible allocations of tax and spending powers exist. Either fiscal centralization exist in a single national government, or fiscal decentralization in the different sub-national government. In a single national government where fiscal

centralization exists, the government sets the levels of the local public good;  $g_1$ , and  $g_2$ , and the taxes;  $\tau_1$ , and  $\tau_2$ . The national government purposively seeks to maximize public welfare as measured by the utilities of different individuals.

The process takes the following model

Maximize the utilities of persons;  $\mu_1 + \mu_2$

Subject to budgetary constraints;  $g_1 + g_2 = \tau_1 + \tau_2$

$g_1 + g_2$  are sum total of the public goods, while  $\tau_1 + \tau_2$  is the sum total of the taxes.

The equation takes the following format

$$\mu_1 + \mu_2 = \phi_0^i g_1 + g_2 = \tau_1 + \tau_2$$

In both cases,  $g_1 \neq g_2 \neq 0$  and that,  $\tau_1 \neq \tau_2 \neq 0$

In the case of a sub-national government where fiscal decentralization exists and the subnational government in region  $i$ , sets the level of local public good,  $g_i$ , and taxes,  $\tau_i$ .

The sub-national government purposively seeks to maximize public welfare as measured by a single utility (because of homogeneity of utilities).

The process takes the following model

Maximize the utility;  $\mu_1$

Subject to budgetary constraints;  $g_i = \tau_i$

The equation takes the following format

$$\mu_1 = \phi_0^i g_i = \tau_i$$

In both cases,  $g_i \neq 0$  and that,  $\tau_i \neq 0$

Upon differentiation,

$\int \mu_1 + \mu_2 = \int g_1 + g_2 = \tau_1 + \tau_2$  is marginal utility of the national government

$\int \mu_i = \int g_i = \tau_i$ , is marginal utility of the subnational government

Thus, with fiscal decentralization, the marginal benefit of the good in each region (i.e.,  $\mu_i(g_i, g_j, \vartheta_i)$ , where  $\mu_i$  denotes the derivative with respect to the  $t^{\text{th}}$  element) is equated to the marginal cost of the good, unity. However, the sub-national government,  $i$ , ignores the spillover effect  $\mu_2(g_i, g_i, \vartheta_j)$ , of its public good provision on the other region, and this forms the source of inefficiency.

The sub-national governments tend to fail to internalize spillovers with the commencement of decentralization. With centralization, spillovers are internalized with ease because the government is benevolent. The standard model on fiscal decentralization captures the coordination failure regarding the decentralization cost. However, it fails to define the weighty matter of non-accountability. To capture preference-matching benefit, the central government is assumed to set a uniform level regarding the provision of local public goods in all regions. The standard model of fiscal decentralization has limitations concerning the equity in benefits and the tax paid. The challenge is that the proportion of the benefits derived from the decentralization received by each individual will not be equal but proportional to the tax paid. Furthermore, there is a challenge in measuring the economic scale efficiency attached to the provision of public good (Tiebout, 1961).

Due to the two limitations of the standard model on fiscal decentralization, the new political economy approach was advanced. First, the legislative centralization models show that regional elected delegates are benevolent, thus, the level of the public good

provision at the regional level of government is insensitive to regional preferences and reduces preference matching (Besley & Coate, 2003; Lockwood, 2002). Furthermore, Besley and Case (1995) advanced the electoral control models which endogenize the levels of accountability within the sub-national government structures (Persson & Tabellini, 2000)

The Decentralization Theorem has the following ideals;

First, if there are no spillovers ( $\mu_2 = 0$ ) and regions are identical ( $\vartheta_1 = \vartheta_2$ ), then centralization and decentralization are equally efficient.

Second, if there are no spillovers ( $\mu_2 = 0$ ) and regions are not identical ( $\vartheta_1 \neq \vartheta_2$ ), then Decentralization is more efficient than centralization.

Third, if there are spillovers ( $\mu_2 \neq 0$ ) and regions are identical ( $\theta_1 = \theta_2$ ), then centralization is more efficient than decentralization

The following conditions are assumed. First, uniformity of tax, ( $\tau_1 = \tau_2$ ) is not crucial in the generation of the cost of centralization systems. Second, preferences are homogeneous within a region. Third, expenditure spillover is the main reason for the inefficiency in fiscal decentralization and arises from tax competition (Wilson, 1999). The spillovers between regions exist only with decentralization i.e., is endogenously determined by the allocation of fiscal powers.

### **2.3.2 Theory of Fiscal Decentralisation**

Fiscal decentralization as a theoretical concept draws from the works of Tiebout (1956), Musgrave (1959), and Oates (1972) and hinges on the premise of effective and efficient resource allocation in the public sector. The authors proposed that decentralization increases allocative efficiency and promotes greater transparency. The first-generation theory referred to as fiscal federalism argues that decentralization improves the economic efficiency in the provision of public goods because sub-national governments have a competitive advantage in defining local preferences over national governments given their institutional and physical proximity (Gemmell *et al.*, 2013).

The principle of fiscal federalism theorizes that different levels of governments ought to provide goods and services efficiently within given jurisdictions (Ryan & Woods 2015). The theory of fiscal federalism is now distinguished into either first generation theory or second generation theory (Prakash, 2012). The first-generation theory is principally normative and presumes that public decision-makers and elected leaders are keen to maximize social welfare within their jurisdictions (Musgrave, 1959; Oates, 1972). The theory focuses on the decentralization of expenditure functions and responsibilities to the sub-national units while holding revenue responsibilities within the national government in order to realize efficiency and equity in services provision (Rubinfeld, 1987; Weingast, 2009; Prakash, 2012).

Theoretically, fiscal decentralization is postulated to increase allocative efficiency by initiating diversity in delivering public goods and services with a commensurate scope for matching heterogeneity in preferences (Akin, Hutchinson & Strumpf, 2005). The decentralization of expenditure assignments and responsibilities catapults through the

proximity with which the sub-national government units match the provision of public goods to local preferences relative to the centralized systems (Oates, 2005). Furthermore, decentralised public services accrue more benefits due to the mobility of households as individuals relocate to communities that suit their preferences (Tiebout, 1956). The theory holds that fiscal decentralization provides a valuable "laboratory" for fiscal experiments (Oates, 2005).

Weingast (2009) notes that the distinction between the first- and second-generation theories should not be overemphasized since there is no clear distinction between the generations. Literature on first-generation theory offers significant applications. The second-generation theory presumes that the government officials are guided by political institutions that do not necessarily seek to maximize the welfare of their citizens (Oates, 2005; Garzarelli, 2004; Montinola, Qian, and Weingast, 1995). Due to the information asymmetries, certain entities would likely have informational advantages on preferences, cost, or efforts, and thus optimization of the service delivery is impeded by these asymmetries (Oates, 2005).

Because of these informational asymmetries, there is the need to assign different roles to different actors in the government (Oates, 2005). Musgrave (1965) assigned taxes to central governments since the central governments are expected to perform an expanded role in income redistribution and macroeconomic management. Musgrave (1959), called for a structure for the assignment of various function and roles to different levels of government and corresponding fiscal instruments to match these functions (Oates, 1999). The fiscal categories identified by Musgrave include allocation, redistribution and stabilization. The levels of fiscal federalism are being

measured based on the responsibilities of sub-national governments in the fiscal policy categories (Schneider, 2006).

Oates (1972) posits that the differences in local tastes, preferences, and expenses provide probable efficiency gains derived from the assignment of responsibility for the provision of public sector services at the lowest government level. Economic efficiency stimulates mobility within the local population in search for locations that would match their preferences (Martinez-Vazquez *et al.*, 2017). Accordingly, technical efficiency, administrative efficiency, and accountability ought to be considered in tax assignments (Farooqi, 2013).

Therefore, revenue assignments ought to ideally assign efficient and easily administered tax bases such as property and land rates to the sub-national governments while assigning progressive taxes such as the income and corporate tax to the national governments. National governments wield greater responsibility in the redistribution of income, and maintenance of macroeconomic stability (Farooqi, 2013). Ideally, it should provide national goods whose benefits are national in scope. Likewise, services that may cover an area larger than one local jurisdiction should be provided by the national government to guarantee cost-effectiveness. National governments should play some role in setting the minimum performance standards while all other public services are assigned to the sub-national governments (Prakash, 2012).

In role assignment, different subnational governments tend to generate externalities that stem from inefficiencies in the provision of local services. These inefficiencies arise from the failure to internalize inter-jurisdictional externalities (Oates, 2005). Due to this

national government should be given a role in providing compensatory grants for spillover of benefits from the state-level provision of services. This calls for inter-jurisdictional functions namely: intergovernmental fiscal transfers normatively used to improve the efficiency in service delivery, and provide an equitable allocation of resources (Veiga & Veiga, 2013).

Bahl (2008) also argues that the assignment of some expenditure decisions to the sub-national governments may not necessarily result in welfare gain by the residents mainly because the government wants to enjoy economies of scale or in the presence of externalities in the delivery of services. Therefore, resource scarcity will critically challenge the ability of local governments to undertake even basic duties, for example holding meetings or hiring staff (Crawford & Hartmann, 2008). Thus, local leaders should decide on services to be provided, beneficiaries, set capacity, and quality (Bahl, 2008).

The theory has several limitations. The political influence of the economic policy impinges on the accrued social welfare benefits. Usually, the economic policy is influenced by politicians whose main agenda is their re-election and not benevolent social planners. This introduces disequilibrium to the decentralization initiatives (Hatfield, 2006). Further, the levels of output efficiency tend to vary across regions due to dissimilarities in preferences and finance (Martinez-Vazquez *et al.*, 2017). Fiscal decentralization could result in allocative inefficiencies in addition to low levels of accountability and governance (Fukasaku and De Mello, 1999; Prud'homme, 1995; World Bank, 1999).

In other instances, the transparency and accountability challenges and the rigid centralist leaning governance structures in low-income economies have held back effective and sustainable decentralised programs (Shleifer & Vishny, 1993). With the low levels of accountability and transparency and the existing corruption may increase in decentralised government units because of the closeness between local government executives and citizenry (Tanzi, 1995).

This theory is relevant as it forms the basis for understanding the link between fiscal decentralization, accountability, and performance. Bahl, (1999) noted that increased transparency and decentralization initiatives will likely increase the political accountability which would compelling politicians to spend and tax efficiently and this in turn improve service performance. Ultimately, fiscal decentralization is considered a way of improving the participation, accountability and transparency of local leaders regarding policy-making (Putnam, Leonardi & Nanetti, 1994; Ebel & Yilmaz, 2002).

### **2.3.3 Agency Theory**

The Agency Theory, commonly known as the principal-agent model, was proposed and developed by Stephen Ross (1973) to explain the behaviours of principal and agent within the concept of decentralization. The theory assumes that the principal chooses to enter into a contract with an agent so that the principal can cut costs and also tap into the agent's expertise (Van Slyke, 2006). Therefore, the principal has specific objectives while the agents with the required expertise are expected to achieve specified objectives. Founded upon the agency concept, the theory is dependent on the information flows between the principal and agent. The imperatives to the theory are

information asymmetry, adverse selection, and moral hazard problems (Van Slyke, 2006).

Though the agency theory derives from the private sector, its relevance in the study is anchored in the triadic relationship between public officials at different government levels, the politicians at the local government levels, and the local citizens (Gailmard, 2012). The theory provides a flexible framework for modelling various arrangements within an institution. It helps institutions to compare their potential for achieving desired behaviour from the agents. Given performance parameters such as making coordinated decisions, enhanced service delivery, and effective policy implementation, the responsiveness of the local government officials in aligning the goals of the public with those of politicians (Grant & Keohane, 2005; Ashworth & Skelcher, 2005; Bovens, 2006).

The theory implicitly assumes that government institutions have custodial interest in public affairs, and would therefore seek to maximize public welfare, due to either acts of benevolence or, the electoral pressures within the democratic governance system (Oates, 2005). In the first instance, the national government acting as a principal formulates these functions, seeking to structure intergovernmental fiscal relations. The local governments acting as agents behave in ways that seek to promote the objectives of central government officials within a contextual setting where the central government has information disadvantages and control over the fiscal activities of decentralised public agents (Oates, 2005).

This creates a situation called administrative federalism where local governments are by large, agencies that respond to the directives of the central government officials (Inman, 2003). The information acquisition is endogenous, and in principle, the central authority cannot assemble required information about local conditions. The failure of the central government officials to obtain such information reflect the low value of information placed by the central government as compared to local government officials (Cremer, Estache & Seabright, 1996). This results in local government officials having informational advantages over the local conditions resulting in spill-overs and externalities. Since the spill over benefits require local information on the valuation of the benefits, the central government loses out on inter-regional redistributive programs because the behaviour of the local government has spill over effects on other jurisdictions (Padovano, 2004).

In the second instance, the politicians at the national legislature or local representatives may form a loose regional alliance seeking special benefits for their jurisdictions, a behaviour that result in inefficient budgetary outcomes (Besley & Coate, 2003). This type of behaviour affects other jurisdictions as it increases the externalities in all the jurisdictions. In the third instance, take a specific context where the electorate collectively are the principals while the elected officials are agents. According to Tommasi and Weinschelbaum (2003), the common agency model capture the problem of the control of public officials by the citizens themselves. This in effect is derived from the design of the 'optimal contract' that involves the reward scheme for the elected official. Any incompetence and underperformance by the elected officials result in a situation where elections are seen as "incomplete contracts". In such a setting, the

probability that the welfare of a given jurisdiction determines the election of the government.

The agency theory in the public sector discourse has certain limitations; If monitoring intensity, frequency, and formality increase then there is a likelihood of alignment of the principal-agent relationship (Frey, 1993). This will minimize the challenges of the agency relationship as the goals are managed. In other instances, there is a challenge in the measurement of the performance goals for the public goods and services. Therefore, the extent of the agency problem cannot be estimated since the benchmark for the problem cannot be ascertained (Kamara, Ofori-Owusu and Sesay, 2012).

Critics argue that the model is biased because it challenges an individual agent's loyalty, identification with the institution, professionalism and instead stereotypes their behaviour as self-seeking (Perrow, 1986; Donaldson, 1990; Kayode *et al.*, 2013) while ignoring the possible opportunistic nature of the principals. Further, within the political environment, the majority of the public perceptions can be attuned to the political officials because of inducements leading to failure to acknowledge the agency's problems. The use of inducement on the public also allays the public but results in accountability and transparency issues (Mewes, 2011).

#### **2.3.4 New Public Management Theory**

The rise to prominence of the New Public Management (NPM) theory can be considered a practical alternative to the traditional public accountability and organizational best practice (Hood, 1995). The theory developed during the 1980s as a response to increasing criticism of the inefficiencies of the public sector (Alonso,

Clifton & Díaz-Fuentes 2015; Keisu, Öhman & Enberg 2016; Willis *et al.*, 2016). It was part of a reform agenda and paradigm shift driven by the financial crises, the inflexible administrative systems, and public dissatisfaction with the provision of public services (Farooqi, 2013; Hood, 1991a). New Public Management is the process whereby formal systems are broken down and new systems installed to introduce efficient and responsiveness to the public sector by employing private sector techniques of delivering services (Savoie, 2003).

NPM was considered an ideology of structuring the public sector and comprised of sets of beliefs and values drawn from the managerial techniques of the private sector organizations and proposes a decentralised framework for public service delivery where decentralization serves as the main feature in NPM mechanisms. It is achieved through disaggregation of organizations into smaller units and decentralization of financial and operational autonomy. In this manner, new and distinct decentralised arrangements are created based on financial and operational autonomy levels creating executive agencies or semi-autonomous organizations and corporations (Farooqi, 2013).

The theory focuses on remedying apparent shortfalls associated with the public sector's performance. Proponents lay prominence on strategies to reduce the organization's size and operational efficiency (Pollitt & Bouckaert 2003; Van de Walle & Hammerschid, 2011). These reforms brought by New Public Management have introduced distinct policies (Dunleavy & Hood, 1994; Flynn, 2002; Barzelay, 2002) and hybridization (Christensen & Laegreid, 2002) and have been affected all over the world (Alonso *et al.*, 2015). Nevertheless, New Public Management reforms have varied significantly across many countries (Ferlie *et al.*, 1996) based on their political systems and history

(Demmke, 2007; Pollitt & Bouckaert, 2011). The NPM gives the staff a direct role in service provision and governs the public through discursive/deliberative democracy (Farooqi, 2013)

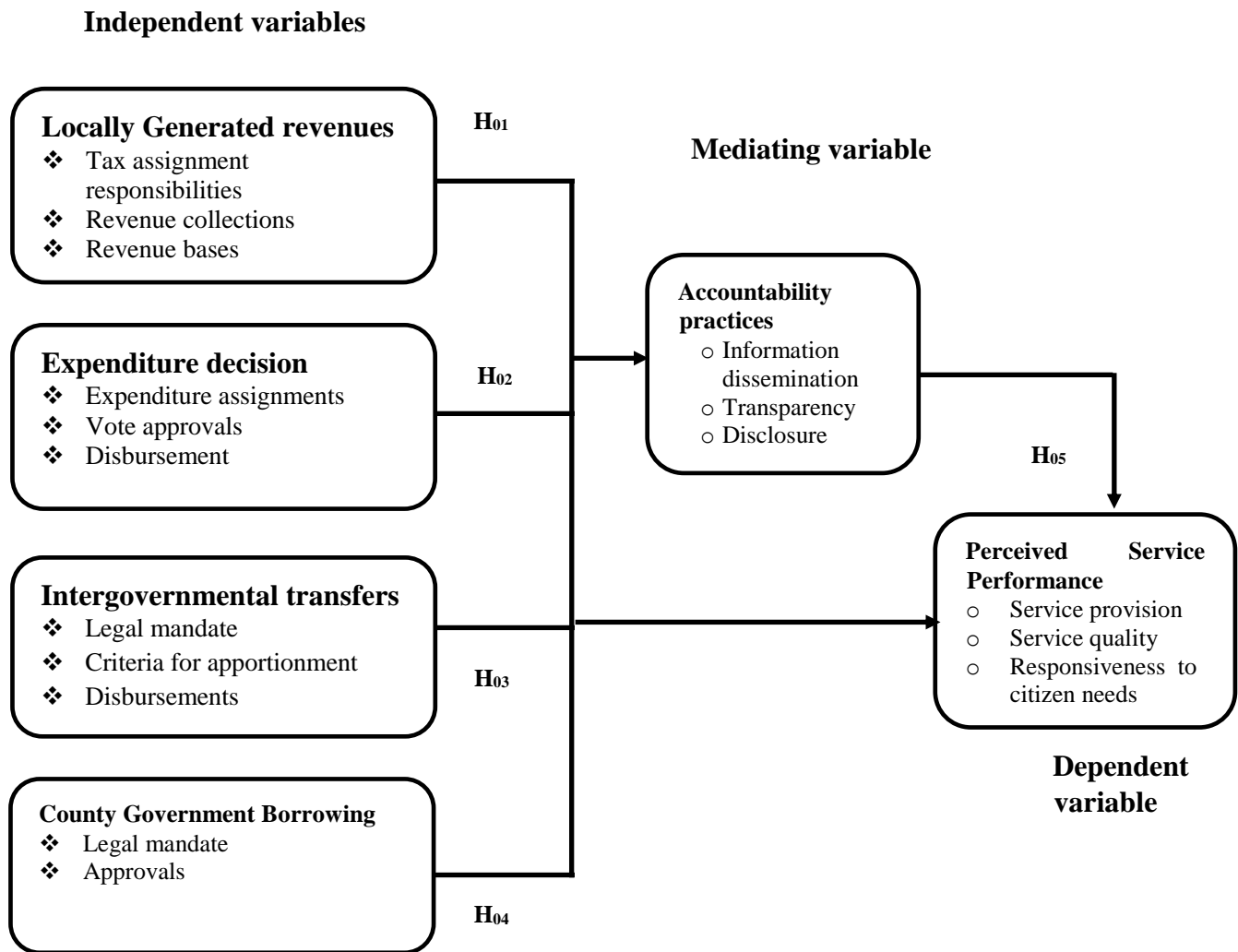
The NPM reforms require a paradigm shift from a hierarchical command-driven structure to a more market-based relationship. It also advocates for changes to the organization's structural arrangements, values, culture; the organizational capacity to undertake new responsibilities; and the readiness of key stakeholders to initiate reforms (Farooqi, 2013). Lončar (2015) notes that the application of NPM reforms in France in health services' efficiency points to weak outcomes. NPM proposes that a decentralised service provision framework fosters economy, effectiveness and efficiency, by disintegrating large organizational structures into leaner organizational forms operating in proximity to delegated financial control; and the use of market-based mechanisms such as professional management, performance management, and contracting (Farooqi, 2013).

The implementation of New Public Management reforms is greatly influenced by country-specific culture, institutional settings, local laws, and traditions (Torres & Pina, 2004). New Public Management regulates public sector policies aimed at enhancing performance. Therefore it is a significant approach to modern public sector governance that seeks to enhance responsiveness to its citizens' needs and improve service delivery (Asif & Dawood, 2017). NPM manages its relations with clients through feedback structures and systems such as market research, and consumer complaints procedures, while representative democracy governs the relationship with the public (Farooqi, 2013).

New Public Management is however not without criticism. Bačlija (2010) criticized New Public Management on three fronts. First, the study argued that New Public Management only causes excitement but is devoid of content since few tools of management were borrowed from the private sector practice based on personal judgments. The second criticism emanates from studies that found that New Public Management did not reduce the cost-of-service provision, a major concern in the public sector (Hood, 1991; Hood & Dixon 2015). Lastly, the study argues that New Public Management is an instrument for the elite who do not seek to offer public services efficiently but instead seek to usurp more power. However, New Public Management theory is applicable to this study as it provides a foundation for understanding efficient service delivery at the county level.

## **2.4 Conceptual Framework**

The conceptual model presented here was derived from the literature review. It highlights the researcher's schematic interpretation of the relationships of the study variables. The conceptual framework explains the relationship between the perceived service performance of county governments (as the dependent variable) and the locally generated revenue, expenditure decentralization; inter-governmental fiscal transfers, and county government borrowing (as components of the independent variable) mediated by Accountability practices.



**Figure 2.1: Conceptual Framework**  
 Source: Author (2020)

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

The chapter constitutes; the research philosophy, the research design, the target population, the sample size, operationalization and measurement of variables, the data collection instruments and procedures, the validity and reliability of the instruments, data analytical procedures, and statistics used in the analysis.

#### **3.2 Research Philosophy**

Research philosophy contains important postulations about how the universe is viewed (Saunders, Lewis & Thornhill, 2009) and provides the backdrop from which specific methodological decisions in research are made. The philosophy shapes the researcher's knowledge by directing the research process and by selecting the specific methods to be used, and the strategies used to obtain, analyse and interpret information.

The study adopted an interpretivist approach premised on the foundation that knowledge is affixed in the subjective reality externally separated from the actors (Willis, Jost & Nilakanta 2007). Interpretivism advances knowledge by separating humans from their actions as social actors, therefore, the interpretation of the social roles emanates from the meaning assigned to these roles. The study sought to interpret the meanings given by the social actors from an individual's personal experiences (Thanh & Thanh, 2015) while keeping a holistic focus and stressing the importance of context (Della Porta & Keating, 2008; Willis *et al.*, 2007).

### **3.3 Research Design**

The study employed a descriptive designs and was cross-sectional in the time dimension. The study was descriptive as it tried to describe the features of specific phenomena and produce an accurate profile of factors, events, and situations (Cooper & Schindler, 2014). The study sought to profile the fiscal decentralization process immediately after the new constitutional dispensation therefore the study examined the ideals of fiscal decentralization versus the current decentralization initiatives as detailed in the study. Since the decentralization initiatives in Kenya are still nascent, the study sought to describe in detail the characteristic features of the devolution initiatives in Kenya. Descriptive research is an extension of and a forerunner of explanatory research and should be considered a means rather than an end in itself (Saunders *et al.*, 2009). Based on this aspect, the study measured the perceptive influences of decentralization on service performance to illustrate the impact of the process.

### **3.4 Operationalization and Measurement of Variables**

The dependent variable in the study was the service performance of selected county governments in Kenya, the independent variable was service performance. A measure refers to the empirical depiction of the underlying construct that cannot be observed directly but validated by the relationship between the indicator and the construct. On the other hand, measurement is the translation of observations into numerical values involving two steps: first, the identification and the definition of what is to be measured followed by the development of the operational definition of the concept under consideration (Depoy & Gitlin, 2011). The operationalization of the variables was concerned with the identification of the actual measurement scales for assessing the variables of interest (Zikmund *et al.*, 2010) and attained through the examination of the

behavioural dimensions, properties, or aspects that connote the variable translated into measurable elements or indicators of the concept (Sekaran & Bougie, 2010). The study first identified and defined the measures to be used as presented in Table 3.1.

**Table 3.1: Operationalization and Measurement of Variables**

<b>Independent</b>			
<b>Variable</b>	<b>Operationalization</b>	<b>Indicators</b>	<b>Measurement</b>
Locally generated revenue	<ul style="list-style-type: none"> <li>• Tax assignment responsibility</li> <li>• Classify and cluster revenue sources</li> </ul>	<ul style="list-style-type: none"> <li>• Legal mechanisms for tax collection</li> <li>• Revenues collection</li> </ul>	The ability of the county government to assign tax, classify, cluster and collect local revenues on a Likert scale of 1 – 5
Expenditure decentralisation	<ul style="list-style-type: none"> <li>• Expenditure assignment</li> <li>• Allocation criteria</li> <li>• Disbursement</li> </ul>	<ul style="list-style-type: none"> <li>• Legal mechanisms for spending</li> <li>• Expenditure allocation</li> <li>• Disbursement</li> </ul>	The ability of the county government to budget, allocate and expend monies as planned on a Likert scale of 1 – 5
Intergovernmental fiscal transfers	<ul style="list-style-type: none"> <li>• Legal mandate</li> <li>• Criteria for apportionment</li> <li>• Disbursements</li> </ul>	<ul style="list-style-type: none"> <li>• Legal mechanisms for transfers</li> <li>• Allocative criteria</li> <li>• Disbursements</li> </ul>	The decisions of the county government regarding the fiscal transfers from the national government and development partners on a Likert scale of 1 – 5

County Government borrowing	<ul style="list-style-type: none"> <li>• Legal mandate</li> <li>• Approvals</li> </ul>	<ul style="list-style-type: none"> <li>• Legal mechanisms for transfers</li> <li>• Approvals</li> </ul>	The decisions of the county government regarding the mandate to borrow monies to fund their fiscal budgets on a Likert scale of 1 –5
<b>Mediating</b>			
Accountability practises	<ul style="list-style-type: none"> <li>• Information dissemination</li> <li>• Public participation</li> <li>• Level of disclosure</li> <li>• Sanctions</li> </ul>	<ul style="list-style-type: none"> <li>• Levels of information disclosure</li> <li>• Application of sanctions</li> </ul>	The decisions of the county government regarding information dissemination, disclosure and corrective measure for non-compliance thereof on a Likert scale of 1 –5
<b>Dependent</b>			
Service performance	<ul style="list-style-type: none"> <li>○ Responsiveness</li> <li>○ Service provision</li> <li>○ Satisfactory levels</li> </ul>	<ul style="list-style-type: none"> <li>○ Satisfactory levels</li> <li>○ Service provided</li> </ul>	The effectiveness of the county government to provide quality services and be responsive to the citizens' needs on a Likert scale of 1 –5

**Source: Research Reviews (2019)**

### **3.5 Site of the Study**

Based in Kenya, the study drew subjects drawn from the three purposively selected counties of Kiambu, Baringo, and Vihiga. The counties were selected for the study using the overall absorption rate of funds assigned in the financial year 2017/2018 which would indicate the efficiency of the county government in delivering public services. Lower absorption rates would be interpreted as lower effectiveness accompanied by low satisfaction levels in public service delivery. On the converse, higher rates would signify better efficiency with the use of resources inferring that the counties were effective in service delivery to the public with consequent higher satisfaction. Kiambu and Vihiga Counties are extreme outliers with Kiambu having the highest overall absorption rate of 85.5% while Vihiga had the lowest overall absorption rate of 48.5%. Baringo's median absorption rate was 74.8% (Controller of Budget, 2019).

Baringo County covers 10,976.4 square kilometres (KNBS, 2020). Its headquarters is located in Kabarnet town and has seven sub-counties namely: Baringo North, Baringo Central, Koibatek, East Pokot, Marigat, Tiaty East, and Mogotio. It borders Samburu and Laikipia Counties to the East, Elgeyo Marakwet County to the West, West Pokot County to the North, Nakuru and Kericho Counties to the South, and Uasin Gishu County to the South West. The county has a population of 666,763 with a density of 61 persons per square kilometer (KNBS, 2020). The economy of the county is agriculture-based with maize, finger millet, sorghum, and cassava as the main crops. The county also has some cash crops, which include coffee, pyrethrum, cotton, and macadamia nuts. Honey, beef, and mutton also contribute to the county's economy.

Table 3.2: Funds absorptions rates for 2017- 2018.

**Table 3.2: Funds Absorption rate for 2017-2018**

County	Development absorption rate	Recurrent absorption rate	Overall absorption rate
<b>Baringo</b>	<b>99.3</b>	<b>36.4</b>	<b>74.8</b>
Bomet	93.1	46.9	79.3
Bungoma	92.6	42.3	76.7
Busia	93.5	45.1	78.0
Elgeiyo/Marakwet	97.1	49.0	78.3
Embu	92.0	59.0	82.1
Garissa	98.3	42.7	81.8
Homa Bay	80.6	42.8	68.0
Isiolo	81.3	72.4	78.1
Kajiado	78.7	37.2	62.6
Kakamega	91.5	69.0	81.7
Kericho	92.9	48.8	79.1
<b>Kiambu</b>	<b>91.0</b>	<b>66.1</b>	<b>85.5</b>
Kilifi	81.5	73.1	78.6
Kirinyaga	97.1	42.3	80.7
Kisii	88.7	56.5	78.8
Kisumu	90.3	23.6	69.8
Kitui	87.4	72.0	81.2
Kwale	85.4	52.1	70.7
Laikipia	99.4	53.5	84.2
Lamu	84.6	35.8	68.3
Machakos	91.0	33.3	73.4
Makueni	91.7	44.8	74.4
Mandera	87.2	67.4	77.9
Marsabit	93.7	74.0	85.0
Meru	79.6	25.3	63.3
Migori	74.7	68.6	72.7
Mombasa	83.9	76.0	81.5
Murang'a	82.7	72.5	79.0
Nairobi City	88.4	26.1	72.9
Nakuru	80.2	25.6	59.3
Nandi	86.9	33.3	70.0
Narok	97.0	58.6	84.1
Nyamira	87.7	27.9	69.2
Nyandarua	89.4	44.2	74.4
Nyeri	82.4	45.8	70.9
Samburu	89.9	37.8	74.2
Siaya	77.5	30.5	60.1
Taita/Taveta	80.4	12.7	60.4
Tana River	66.4	36.5	53.7
Tharaka -Nithi	84.7	67.7	78.8
Trans Nzoia	67.7	54.0	63.6
Turkana	91.0	46.7	74.2
Uasin Gishu	94.3	52.5	78.5
<b>Vihiga</b>	<b>62.0</b>	<b>17.5</b>	<b>48.5</b>
Wajir	97.9	22.9	68.5
West Pokot	87.2	57.2	78.1
<b>Total</b>	<b>87.3</b>	<b>48.1</b>	<b>74.8</b>

**Source: Office of Controller of Budget (2018).**

Vihiga County covers an area of 563.8 square kilometers. Its headquarters is located in Mbale town. The county has five sub-counties, namely Emuhaya, Hamisi, Luanda,

Sabatia and Vihiga. It borders Nandi to the East, Siaya to the West, Kisumu to the South, and Kakamega to the North. The county has a population of 590,013 with the highest population density of 1,047 persons per square kilometre compared to the national average of 82 persons per square kilometre (KNBS, 2020). The county undertakes crop farming in tea, coffee, beans, maize, and bananas and animal farming in dairy, poultry, fish, and pigs.

Kiambu County covers an area of 2,538.6 square kilometres with its headquarters located in Kiambu town. The county has thirteen sub-counties namely: Gatundu North, Gatundu South, Githunguri, Juja, Kabete, Kikuyu, Lari, Limuru, Kiambaa, Kiambu, Ruiru, Thika West, and Thika East. It has a population of 2,417,735 with a density of 952 persons per square kilometre (KNBS, 2020). The County is bordered to the South by Kajiado and Nairobi Counties, Murang'a and Nyandarua to the North, Machakos to the East, and Nakuru County to the West. Tea and coffee farming are the county's main cash crops.

### **3.6 Target Population**

The target population comprised opinion leaders from Baringo, Kiambu, and Vihiga Counties. The County Public Participation Departments uses the following groups of leaders: one (1) male and one (1) female each for youth, persons with disabilities (PWD), and political and civil society leaders from every sub-county. Besides, there were two (2) women leaders, three (3) business and three (3) religious leaders (Episcopal, Pentecostal, and Muslim) for each sub-county constituting (16) opinion leaders per sub-county (County Government of Kiambu, 2019; County Government of Baringo, 2019; County Government of Vihiga, 2019).

Based on the County Public Participation Departments, the total number of participants per sub-county was 16 (County Government of Kiambu, 2019; County Government of Baringo, 2019; County Government of Vihiga, 2019). To arrive at the target population, the total number of participants per sub-county was multiplied by the total number of sub-counties per county as shown in table 3.2. Kiambu has thirteen (13) sub-counties; Vihiga has five (5) sub-counties while Baringo has seven (7) sub-counties. Based on the calculation, Baringo had 112, Vihiga had 80 and Kiambu had 208 opinion leaders making up a target population of 400 opinion leaders. The use of opinion leaders in the research is supported by Chaudhry and Irshad (2013) who affirmed that opinion leaders are well informed and respected on decisions regarding the topic of interest. Further, the study used nine (9) directors from the finance, budget, and planning departments (or equivalent) from the three counties as key informants. The total population of the study was therefore 400 as detailed in table 3.3.

**Table 3.3: Target Population**

County	sub-counties	Opinion leaders type	Opinion leaders per sub-county	Opinion leaders per County
Kiambu	13	PWD	2	26
		Youth	2	26
		Political	2	26
		Civil Society	2	26
		Women	2	26
		Business	3	39
		Religious	3	39
		<b>Number of opinion leaders/county</b>		
Vihiga	5	PWD	2	10
		Youth	2	10
		Political	2	10
		Civil Society	2	10
		Women	2	10
		Business	3	15
		Religious	3	15
		<b>Number of opinion leaders/county</b>		
Baringo	7	PWD	2	14
		Youth	2	14
		Political	2	14
		Civil Society	2	14
		Women	2	14
		Business	3	21
		Religious	3	21
		<b>Number of opinion leaders/county</b>		
<b>Total Population of the study</b>				<b>400</b>

**Source:** County Governments of Kiambu, Vihiga and Baringo (2019)

### 3.7 Sampling Techniques and Sample size

This study employed a multistage sampling method which involves the use of more than one sampling technique. First, the study purposively selected counties based on their performance index drawn from their absorption of fiscal transfers from the national government. The purposive selection of the counties was appropriate as it allowed for an in-depth inquiry (Muna, 2016), provided a deeper understanding (Neuman, 1994), and constructing an objective judgment (Burns & Grove, 2010) as to why there were differences in the absorption rates.

Secondly, the study employed a proportionate stratified random sampling procedure in the selection of opinion leaders. The study delineated the opinion leaders according to their nature and characteristics.

Based on the data from the respective counties, the three counties had a total population of 400 opinion leaders. Using the formula adopted from Chava and Nachmias (1996); Kothari and Garg (2014), the size of respondent opinion leaders was;

$$n = \frac{Z^2 pqN}{e^2 (N - 1) + Z^2 pq}$$

**Where:**

**n** = Sample size

**N**-Study population

**Z**- Standard normal deviation at the required confidence level(95%) = 1.96

**p**- is the proportion in the target population estimated to have characteristics being measured taken as 0.9

**e**- is the margin of error

**q** = 1 – p=0.1

The calculation of the sample was as follows:

$$n = \frac{(1.962)(1.962) (0.9) (0.1) (400)}{(0.052)(0.052) (400 - 1) + (1.962)(1.962) (0.9) (0.1)} = 103$$

The study randomly picked the 103 opinion leaders and randomly selected nine (9) directors from the finance, budget and planning departments (or equivalent) of the sampled counties as detailed in table 3.3.

**Table 3.4: Sampling Frame**

County	County Population (N)	Sampling percentage	Opinion leaders sample size (n)	Directors	Total sample number
Kiambu	208	52	53	3	56
Vihiga	80	20	21	3	24
Baringo	112	28	29	3	32
<b>Total</b>	<b>400</b>	<b>100</b>	<b>103</b>	<b>9</b>	<b>112</b>

**Source:** County Government of Kiambu, Vihiga and Baringo (2019)

The study purposively selected the directors from the budget, finance and planning departments because of their in-depth knowledge of the state of fiscal decentralisation in their respective counties.

### 3.8 Data Sources

The study used both primary and secondary sources of data. The primary data was obtained from opinion leaders and directors in the departments of finance of the counties using questionnaires and interviews with the key informants respectively. The secondary data sources were published reports and information on devolution obtained from the varied sources.

The opinion leaders were sampled from private sector bodies such as the non-governmental organizations and lobby groups involved in the governance issues. These individuals usually participate in structured conversations with county government officials during the public participation exercises.

### **3.9 Research Instruments**

The data collection tool for study comprised questionnaires, interviews and documentary reviews.

#### **3.9.1 Questionnaire**

The study used a questionnaire as the main data collection tool. It contained a mix of closed-ended and open-ended questions and was administered by research assistants. The instrument was appropriate because it allowed the study to reach a large group of respondents within a short time. Additionally, questionnaires allow for relevant statistical analysis of the phenomena of interest. Further, questionnaires are easy to interpret and suitable for descriptive or explanatory research.

#### **3.9.2 Interviews**

Interviews involve collecting data through the presentation of oral-verbal stimuli and replies obtained verbally. It can either be personal or telephone interviews. Interview suitability is in its advantages. The instrument confers the researcher with the ability to control the sequence and content of the questions. Interviews also gives liberty to the researcher to ask probing questions that draws more on the study objectives.

#### **3.9.3 Documentary Review**

The study collected secondary data on fiscal decentralization from the Constitution of Kenya 2010, World Bank Development Reports, and the Constitutional Agencies such as Auditor General, Controller of Budget (COB), and Commission on Revenue Allocation (CRA).

### **3.10 Reliability and validity of the research instrument**

#### **3.10.1 Pilot Testing**

The pilot study helped refine the instrument, improve its reliability and reduce errors during data collection and processing. Piloting also ensured objective articulation of items in the research instruments and simultaneously increased the likelihood of successful data collection. Saunders *et al.*, (2009) recommends that results from the pilot study should be used to make adjustments where necessary and ensure the instrument measures what it was supposed to measure. Research instruments were piloted in Uasin Gishu County where the researcher distributed ten (10) questionnaires and interviewed three (3), directors. Lancaster, Dodd and Williamson, (2010) recommends that posits that pilot studies should constitute one (1) per cent to ten (10) per cent of the sample size to increase accuracy. The results indicated that the instruments were long, the researcher simplified the questions in the instruments enabling the respondents to complete the questionnaire within the given timeframe.

#### **3.10.2 Validity**

Validity addresses three critical issues: first, the relationship between a concept and its measurement (Depoy & Gitlin, 2011). That is, whether the instrument accurately measures what was envisioned to measure; the accuracy of the cause-and-effect relationships, and the generalisability in the external environment (Sekaran & Bougie, 2010). The study carried out the following validity tests: content, criterion-related, and construct validity.

Content validity was authenticated through domain specification, systematic review of the literature and empirical studies, and the construction of indicators from the previous studies (Depoy & Gitlin, 2011).

After the ascertainment of the content validity, the researcher used exploratory factor analysis to determine the construct validity (Cooper & Schindler, 2014; Garson, 2013; Sekaran & Bougie, 2010). The rule of thumb was the items standardized loading estimates  $\geq 0.5$ , an average variance explained  $\geq 0.5$  to indicate adequacy for convergent validity and  $\geq 0.5$ , while composite reliability  $\geq 0.7$  indicated adequate convergence or internal consistency, indicating no definitional construct overlap (Hair *et al.*, 2010).

$$\text{Average Variance Explained(AVE)} = \frac{\sum \lambda^2}{\sum n_i}$$

$$\text{Composite Reliability} = \frac{(\sum \lambda)^2}{(\sum \lambda)^2 + \sum (1 - \lambda)^2}$$

Where  $\lambda$  is the rotated factor loading estimates  $\geq 0.5$  for the items in the variable.

**Table 3.5: Indicators for Construct validity**

<b>Variables</b>	<b>Number of items</b>	<b>Average variance extracted</b>	<b>Composite reliability</b>
Locally generated revenue	9	0.54571	0.72206
Expenditure decentralisation	15	0.56179	0.74192
Inter-Government fiscal transfers	12	0.59132	0.77729
County Government borrowing	12	0.59107	0.77457
Accountability mechanisms	11	0.53735	0.71176
Service Performance	15	0.53161	0.70341

**Source: Research Data (2020)**

The statistical values in Table 3.5 illustrated construct validity as measured by the average variance extracted and composite reliability. The average variance extracted (AVE) statistics ranged from 0.5316 to 0.5913 and attained the minimum value of 0.5, thereby confirming convergent validity. The statistical values for the composite reliability ranged from 0.703 to 0.774 and were well above the critical value  $\geq 0.7$ , thereby confirming construct validity. Consequently, it can be confirmed that there was no construct overlap between the items of the variables.

### **3.10.3 Reliability**

Reliability is the degree to which statistically significant results are consistently obtained from the instrument in different context over time (Denzin & Lincoln, 2003) and can be replicated using the same tool and methodology (Saunders *et al.*, 2013; Kothari, 2011). Reliability may fail to be achieved as a result of errors in the instrument such as observer error or respondent error (Robson, 2002). To guarantee the reliability of the research tool, the researcher first trained the research assistants to reduce external sources of variation (Saunders *et al.*, 2013).

The reliability in the study was assessed by the Cronbach's alpha coefficient with Cronbach's alpha value  $\geq 0.7$  indicating that the instrument is reliable (Field, 2009; Cooper & Schindler, 2014). The study has adopted a cut-off criterion  $\geq 0.70$  for confirming the adequacy of the instrument for confirmatory purposes (Cooper & Schindler, 2014).

**Table 3.6: Reliability Coefficients for the study**

<b>Variables</b>	<b>No of cases</b>	<b>Number of items</b>	<b>Cronbach coefficient</b>
Locally generated revenue	94	10	0.7471
Expenditure decentralisation	94	16	0.8009
Inter-Government fiscal transfers	94	12	0.7065
County government borrowing	94	12	0.8809
Accountability mechanisms	94	14	0.8258
Service performance	94	17	0.8022

**Source: Research Data (2020)**

As drawn from Table 3.6, the Cronbach's Alpha coefficient values ranged from 0.747 to 0.880 and were well above the threshold  $\geq 0.7$ , affirming that the questionnaire had the acceptable measurement and scale.

### **3.11 Data Collection Procedure**

Once the researcher had obtained the requisite clearance (Appendix V and Appendix VI) from Kenyatta University, the researcher sought and was granted a NACOSTI research authorization (Appendix VII) and research permit (Appendix VIII). The researcher did a reconnaissance visit to the study area of Uasin Gishu County (for piloting purposes). Once this was done, the researcher visited the County Commissioners' offices in Kiambu, Vihiga and Baringo Counties (Appendix VIII, IX and X), the County Education Officers in Kiambu, Vihiga and Baringo Counties (Appendix XI, XII and XIII) and County Secretaries (Appendix XIV and XV) for requisite clearance and approvals.

Once the approvals were granted, the researcher secured the services of three research enumerators who were then trained on the formalities, ethical considerations and data collection procedures before the commencement of the data collection. The researcher then visited three counties to reach out to the respondents and later sent the research

assistants to distribute questionnaires and commence interviews. This process began in October 2019 and was completed in February 2020.

### **3.12 Data Analysis Procedures**

#### **3.12.1 Qualitative Data Analysis**

The qualitative data drawn from open-ended questions and interviews were transcribed and analysed inductively and deductively. The deductive-based analytical approaches include explanation building and pattern matching while inductive-based analytical approaches encompass narrative and template analysis (Saunders *et al.*, 2009). The analysis of qualitative data is heavily reliant on the researcher's interpretation and involved categorization and/or structuring through narrative analysis.

Because of the features of qualitative data, there is no standardized procedure for analysing qualitative data. Major analysis techniques are grouped into three main processes: condensation, grouping, and sequencing of meanings through narrative and thematic analysis (Saunders *et al.*, 2009). The thematic analysis involves emphasizing key insights and interpretations and the development of a summary report which distinguishes the main themes and the connections between them (Kombo & Tromp, 2011).

#### **3.12.2 Quantitative Data Analysis**

Data preparation involved several steps that included data checks for completeness, errors, and omissions. Data and information were coded and entered into a statistical software tool in order to reduce the raw form to classified forms appropriate for analysis.

In cases of missing data, the researcher utilized the list-wise deletion technique for data missing completely at random (MCAR) as recommended by Cooper and Schindler (2014). Thereafter, data were analysed using descriptive and inferential statistics.

### 3.12.3 Descriptive Statistics

Nominal and ordinal scaled data were analysed using frequency distribution while the data in interval and ratio scales were analysed through the use of means, standard deviation and skewness (Zikmund *et al.*, 2010; Depoy & Gitlin 2011). After which, the outputs were presented in a tabular format.

### 3.12.4 Empirical Models

#### 3.12.4.1 Direct Relationship

The direct relationship models represent conditions where both independent and dependent variables are linearly associated. The specific equation for this estimation is as follows:

$$Y = \beta_0 + \beta_1LGR + \beta_2ED + \beta_3IGFT + \beta_4CGB + \varepsilon \dots\dots\dots 3.1$$

**Where:**

**Y**-Perceived service Performance

**LGR** – Locally generated revenues

**ED** - Expenditure decentralisation

**IGFT** - Intergovernmental fiscal transfers

**CGB** - County government borrowing

$\varepsilon$  -Error term

$\beta_0$  -constant (Y- intercept)

### 3.12.4.1 Mediated Relationship

The mediated relationships model represents a situation where the bivariate relations between the predictor and criterion are linearly related but is informed by the inclusion of a third variable. This model explains how two variables relate, with mediating or an intervening variable, M, being hypothesized to intermediate between the predictor and the criterion variable (Fairchild & Mackinnon 2009). The study adopted step-wise equations as recommended by Baron and Kenny (1986). Model 3.1 was first estimated as a base model to determine the relationship between the service performance of the selected county governments and the elements of fiscal decentralization. The product of coefficients test was used to compute the mediated effect as the product of the  $\beta_i$  and  $\beta_5$  coefficients from equations 3.2 and 3.3 based on the Sobel test (Fairchild & Mackinnon 2009).

$$\text{Perceived service Performance} = \beta_0 + \beta_1\text{FD} + \varepsilon \dots\dots\dots 3.1$$

$$\text{ACCP} = \beta_0 + \beta_1\text{FD} + \varepsilon \dots\dots\dots 3.2$$

$$\text{Service Performance} = \beta_0 + \beta_1\text{FD} + \beta_5\text{ACCP} + \varepsilon \dots\dots\dots 3.3$$

**Where:**

**FD** –Fiscal decentralisation (independent variable)

**ACCP** – Accountability practises (mediator)

Based on the recommendation by Baron and Kenny (1986) three models were estimated to examine the presence of mediation effects of accountability practises on service performance of selected county governments. Model 3.1 estimated to determine

the relationship between perceived service performance of the selected county governments and the elements of fiscal decentralization. Model 3.2 estimated the association between the mediating variable (accountability practises) and the independent variable (fiscal decentralization). Finally, Model 3.3 regressed the dependent variable on both the independent and mediating variable. The three equations test must be statistically significant. If all the conditions are met as proposed by Barron and Kenny (1986), then the strength of the mediation effect is concluded as detailed in the following interpretation. If equation 3.1 to equation 3.3 are reduced to zero, then a single mediating variable exists, however, if equation 3.1 to equation 3.3 is not zero, then multiple mediating variables may be existing.

Additionally, an examination of the strength of the mediating variable is arrived by investigating the degree to which the effect is reduced. This was achieved through the use of the Sobel – Goodman Test which tests for either partial or full mediation effects. If the path (equation 3.1) to (equation 3.3) is reduced to zero, there is strong evidence that a single, dominant mediator exists, however, if the residual path (equation 3.1) to (equation 3.3) is not zero, then multiple mediating factors may be existing. Further, the power of the mediation is measured by the extent to which the effect is reduced (i.e., the change in the regression coefficient) (Kim, Kaye & Wright, 2001).

### **3.12.5 Diagnostic Tests**

Diagnostic tests are carried out before any linear regression is conducted. These tests checks for the following: the use of random sampling, the existence of linear relationship between variables, no perfect collinearity, the uni-dimensional specification of the relationship between the variables, the observation of normally

distribution and homoscedasticity (Wooldridge, 2009). These tests include; Normality test, Linearity test, Multi-collinearity tests and Homoscedasticity tests. According to Greene, (2002), the output of the regression equation should meet the tests of normality, linearity and multicollinearity.

Linearity refers to how the parameters and the disturbance error enter the equation as indicated by a variety of functional forms such as linear, log-linear and log-log (Green, 2002). In case of non-linearity between the variables, the remedies included: identification and exclusion of outliers from the analysis and the transformation of the variables in question (Saunders *et al.*, 2009; Hair *et al.*, 2010).

Normality presumes that the disturbances of the residuals tend to follow a normal distribution and is critical to data with less than 100 observations as it not only enables the derivation of the probability distributions of OLS regression estimators but also the use of the *t*,  $\chi^2$ - and *F* - statistical tests for regression models. Any departure from normality for small and medium samples size, ( $n \leq 2,000$ ) is assessed by the Shapiro-Wilk Test with the rejection of the null hypothesis indicating that data came from a normally distributed population (Hair *et al.*, 2010).

A test for linear relationship test for any form of association between the variables. A correlation coefficient assesses the association between two variables and indicates the direction of the relationship between the variables. The study utilized the correlation coefficient to tests the presence of a linear relationship between the variables (Cooper & Schindler, 2014).

High collinearity (Multicollinearity) among the independent variables is signalled when inter-correlation among the independent variables is above ( $r > 0.9$ ) (Hair *et al.*, 2010) or when the t-tests are not significant. Hair *et al.*, (2010) recommends  $VIF \leq 10$  and a tolerance  $\geq 0.1$  to test for the existence of a multi-collinearity. In case of multi-collinearity, the variable in question is excluded from analysis. Multi-collinearity was assessed by the use of the variance inflation factor (VIF) and tolerance values.

Homoscedasticity refers to the assumption that the dependent variable data values exhibits homogeneity of variances across the range of independent variable data values. Thus, if there is an unequal dispersions between the data values of the variables, the relationship is said to be heteroscedastic (Hair *et al.*, 2010). As per the recommendations by Warner (2008), heteroscedasticity is examined by the Breush-Pagan test.

### **3.13 Hypothesis Testing**

Hypothesis testing was carried with the aid of multiple regression analysis. Multiple regression is based on individual items or an index composed of a summation of items (Leung, 2011). However, due to the vast quantities of information in the variable, the researcher reduced them to a single index. This was achieved through the use of the arithmetic mean to reduce the vast quantity of information from the indicators of the variable to a single numerical indicator or index. According to Wu and Ye, (2009), the arithmetic mean with the formula,  $\bar{X}$  = serves two functions; reducing the effect of outliers and normalising the data. It also summarises individual responses to a single numerical indicator or an index. After the reduction of data into a single numerical index, the study used stepwise technique in the multiple regression analysis.

**Table 3.7: Hypotheses Test**

Objectives	Hypothesis	Empirical model	Hypothesis test	Decision Rule
Determine the effects of locally generated revenue on perceived service performance of selected County Governments.	Locally generated revenues have no significant effect on the perceived service performance of selected County Governments.	$\beta_0 + \beta_1 LGR + \varepsilon$	$H_{01}: \beta = 0$	Reject $H_{01}$ if $p \leq 0.05$ , otherwise fail to reject $H_{01}$ if $p > 0.05$
Examine the effects of expenditure decentralisation on perceived service performance of selected County Governments.	Expenditure Decentralisation has no significant effect on the perceived service performance of selected County Governments.	$\beta_0 + \beta_2 ED + \varepsilon$	$H_{02}: \beta = 0$	Reject $H_{02}$ if $p \leq 0.05$ otherwise fail to reject $H_{02}$ if $p > 0.05$
Evaluate the effects of intergovernmental fiscal transfers on perceived service performance of selected County Governments.	Inter-governmental fiscal transfers have no significant effect on the perceived service performance of selected County Governments.	$\beta_0 + \beta_3 IGFT + \varepsilon$	$H_{03}: \beta = 0$	Reject $H_{03}$ if $p \leq 0.05$ , otherwise fail to reject $H_{03}$ if $p > 0.05$
Establish the effects of county government borrowing on perceived service performance of selected County Governments.	County government borrowing has no significant effect on the perceived service performance of selected County Governments.	$\beta_0 + \beta_4 CGB + \varepsilon$	$H_{04}: \beta = 0$	Reject $H_{04}$ if $p \leq 0.05$ otherwise fail to reject $H_{04}$ if $p > 0.05$
Determine the mediating effects of Accountability practises on the relationship between fiscal decentralisation and the perceived service performance of selected County Governments.	Accountability practises have no mediating effect on the relationship between fiscal decentralisation and the perceived service performance of selected County Governments.	$Y = \beta_0 + \beta_1 ACCP + \beta_5 ACCP.FD + \varepsilon$	$H_{05}: \beta = 0$	Reject $H_{05}$ if $p \leq 0.05$ otherwise fail to reject $H_{05}$ if $p > 0.05$

### **3.14 Ethical Considerations**

The study sought voluntary participation from the participants. Individuals were informed of their right to choose to participate or not. In cases where the individual chose not to participate, the researcher sought a substantive replacement. Secondly, the researcher sought informed consent from the potential participants. Step three involved the researcher's assurance of confidentiality of the research participant information. Lastly, the researcher gave full disclosure to the research participants.

Compliance with ethical standards was adhered to throughout the research process. The researcher obtained authority from Kenyatta University Graduate School, a research permit from the National Council for Science Technology and Innovation (NACOSTI), and other research approvals from County Secretaries, County Commissioners, and Directors of Education of respective counties before commencing the research. The researcher verbally sought consent from the respondents before interviews and the administration of questionnaires. Confidentiality of the participants was also assured before administering the questionnaire or commencing the interview.

## **CHAPTER FOUR**

### **FINDINGS AND DISCUSSIONS**

#### **4.1 Introduction**

This chapter presents the study findings, hypothesis testing and discussions of the findings. The data analysis was chronologically undertaken based on the purviews of the questionnaire and the interview schedule. The response rate, social-demographic characteristics, and features of fiscal decentralisation are presented first, followed by the presentation of the descriptive statistics of the study variables and lastly, hypotheses are tested and discussed

##### **4.1.1 Response Rate and Distribution**

Once the data had been collected and upon the initial sorting and examination, 94 questionnaires were completed well and thereafter used in the analysis. This represents a 91 per cent response rate. Saunders, *et al.*, (2009) and Mugenda (2003) recommends a response rate of more 60 per cent to be adequate for study. Thus, the study considered the response rate to be sufficient to draw inferences.

For the qualitative aspects, the study managed to conduct six interviews with the directors in the finance and planning (or equivalent) departments of Kiambu and Baringo Counties indicating a 66.7 per cent response rate from the key informant interviewees. The researcher sought approval from Vihiga County Government to interview the directors but after numerous requests and visits to the county headquarters, no response was received. The study response rate was considered to be adequate as per the recommendations by Saunders, *et al.*, (2009). As such, a response rate of 66.7 per cent is considered appropriate for drawing conclusions and realizing

the objectives of the study. To identify the nature of the responses during the analysis, KIA refers to a respondent from Kiambu County, VIH refers to a respondent from Vihiga County and BAR refers to a respondent from Baringo County.

#### **4.1.2 Socio-demographic Information**

The distribution in Table 4.1 concerns the socio-demographic characteristics which include respondent type, gender, age distribution, education levels and period of residency in the county.

**Table 4.1: Socio-demographic characteristics of respondents**

<b>Variable</b>	<b>Categories</b>	<b>Frequency</b>	<b>Percentage</b>
County of origin	Vihiga	21	22.3
	Baringo	25	26.6
	Kiambu	48	51.1
	<b>Total</b>	<b>94</b>	<b>100.0</b>
Respondent type	Political	15	16.0
	Business	20	21.3
	Women	11	11.7
	Religious	12	12.7
	Youth	15	16.0
	PWD	9	9.6
	Civil Society	12	12.7
	<b>Total</b>	<b>94</b>	<b>100.0</b>
Gender	Male	52	55.3
	Female	42	44.7
	<b>Total</b>	<b>94</b>	<b>100.0</b>
Age distribution	21 to 30 Years	33	35.1
	31 to 40 Years	35	37.2
	41 to 50 Years	23	24.5
	51 to 60 Years	3	3.2
	<b>Total</b>	<b>94</b>	<b>100.0</b>
Level of education	Primary	4	4.3
	Secondary	7	7.4
	Certificate	12	12.8
	Diploma	19	20.2
	Undergraduate	46	48.9
	Graduate	6	6.4
	<b>Total</b>	<b>94</b>	<b>100.0</b>
Residency	Below 10 years	8	8.50
	11 to 20 years	11	11.70
	21 to 30 years	34	36.20
	31 to 40 years	18	19.10
	41 to 50 years	22	23.40
	Over 51 years	1	1.10
	<b>Total</b>	<b>94</b>	<b>100.0</b>
Mean residency years	Mean±SD (Range)	30.00 ± 11.30 (4 to 51)	

**Source: Research Data(2020)**

The distribution shows that 22.3 per cent of the respondents came from Vihiga County, 26.6 per cent came from Baringo County, and 51.1 per cent were from Kiambu County. The distribution also shows that youth and political leaders comprised 16 per cent each of the respondents, while religious and civil society leaders each comprised 12.7 per

cent. Business leaders comprised 21.3 percent, while women leaders comprised 11.7 percent. Persons with disabilities (PWD), on the other hand, comprised 9.6 percent. As far as gender is concerned, 55.3 percent were male, while 44.7 percent were female. This indicates that opinion leadership positions in the counties are shared equally between the two genders.

Concerning age group distribution; 35.1 per cent of the respondents were between the ages of 21-30, 37.2 per cent between the ages of 31-40 years of age, 24.5 per cent between the ages of 41-50 years while 3.2 per cent were between the ages of 51-60 years. This shows that a majority of the respondents fall between 21 to 40 years of age .this concurs with the national population structure which indicates that four-tenths of the population lies between 20 to 50 years (GoK, 2019).

Regarding the levels of education, the distribution shows that the majority of the respondents (48.9 per cent) had attained the undergraduate level of education, 20.2 per cent are diploma holders, 12.8 per cent had attained a certificate level of education, 6.4 per cent had attained graduate training, whereas 4.3 per cent had primary level of education. This indicates that majority of the respondents had the desired educational levels and could make informed responses.

Lastly, the research instrument sought to understand the residency of the respondents as it informed their knowledge of the regions/ geographical areas of the study. The distribution shows that 36.2 per cent of the respondents had lived in their respective counties for 21 to 30 years, 23.4 per cent for between 41 to 50 years, 19.1 per cent had been residents of the respective counties for between 31 to 40 years while 11.7 per cent

had been residents for between 11 to 20 years with the remaining 9.6 per cent either having lived for less than ten years or more than 50 years. This indicates that more than half of the respondents (78.7%), had lived in their respective counties for a duration between 20 and 50 years and therefore understand the unique requirements of the county residents.

#### 4.1.3 Socio-demographic Information of the Key informant

**Table 4.2: Socio-demographic characteristics of key informants**

<b>Variable</b>	<b>Categories</b>	<b>Frequency</b>	<b>Percentage</b>
Gender	Male	4	66.7
	Female	2	33.3
	<b>Total</b>	<b>6</b>	<b>100.0</b>
Age distribution	31 to 40 Years	4	66.7
	41 to 50 Years	2	33.3
	<b>Total</b>	<b>6</b>	<b>100.0</b>
Educational levels	Undergraduate	3	50.0
	Graduate	3	50.0
	<b>Total</b>	<b>6</b>	<b>100.0</b>
Years of service in the county	One to five years	4	66.7
	Six to ten years	2	33.3
	<b>Total</b>	<b>6</b>	<b>100</b>

**Source: Research Data (2020)**

The distribution in table 4.2 above shows that more than two-thirds of respondents were male, with the majority of them being aged between 31 and 40 years with a work experience of not more than ten years.

#### 4.1.4 Relationship between gender and other characteristics

The distribution in Table 4.3 examined the relationships between gender and the various socio-demographic characteristics using the chi-square distribution and the statistical outputs are illustrated in Table 4.3.

**Table 4.3: Relationship between gender and other characteristics**

<b>Gender – Age distribution</b>						
<b>Age distribution</b>	<b>Gender</b>				<b>Total</b>	
	<b>Male</b>		<b>Female</b>		<b>Freq</b>	<b>%</b>
	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>		
21 to 30 Years	19	57.6	14	42.4	33	35.1
31 to 40 Years	16	45.7	19	54.3	35	37.2
41 to 50 Years	15	62.5	8	34.8	23	22.3
51 to 60 Years	2	66.7	1	33.3	3	3.2
<b>Total</b>	<b>52</b>	<b>55.3</b>	<b>42</b>	<b>44.7</b>	<b>94</b>	<b>100.0</b>
Chi-square tests	$\chi^2 = 2.422$		df = 3		p = 0.486	
<b>Gender – education level distribution</b>						
<b>Level of education</b>	<b>Gender</b>				<b>Total</b>	
	<b>Male</b>		<b>Female</b>		<b>Freq</b>	<b>%</b>
	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>		
Primary	2	50.0	2	50.0	4	4.3
Secondary	4	57.1	3	42.9	7	7.4
Certificate	5	41.7	7	58.3	12	12.8
Diploma	6	31.6	13	68.4	19	20.2
Undergraduate	30	65.2	16	34.8	46	48.9
Graduate	5	83.3	1	16.7	6	6.4
<b>Total</b>	<b>52</b>	<b>55.3</b>	<b>42</b>	<b>44.7</b>	<b>94</b>	<b>100.0</b>
Chi-square tests	$\chi^2 = 9.021$		df = 5		p = 0.108	
<b>Gender – respondent type distribution</b>						
<b>Respondent type</b>	<b>Gender</b>				<b>Total</b>	
	<b>Male</b>		<b>Female</b>		<b>Freq</b>	<b>%</b>
	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>		
Political	11	73.3	4	26.7	15	16.0
Business	12	60.0	6	40.0	20	21.3
Women	0	0	11	100	11	11.7
Religious	5	41.7	7	58.3	12	12.8
Youth	10	66.7	5	33.3	15	16.0
People with disability	6	66.7	3	33.3	9	9.6
Civic society	8	66.7	4	33.3	12	12.8
<b>Total</b>	<b>52</b>	<b>55.3</b>	<b>42</b>	<b>44.7</b>	<b>94</b>	<b>100.0</b>
Chi-square tests	$\chi^2 = 18.546$		df = 6		p = 0.005	

**Source: Research Data (2020)**

The distribution in table 4.3 show that 62.5 per cent of respondents aged between 41 to 50 years were male, 57.6 per cent of respondents aged between 21 to 30 years were male while 54.3 per cent of respondents aged between 31 to 40 years were female. The statistic,  $\chi^2 = 2.422$ ,  $p \geq 0.05$  indicates that there was no statistically significant

difference between gender and age distribution. Thus, the study collected data from individuals with equal representation in both genders in all age groups.

From table 4.3, it is observed that 65.2 per cent of respondents who had attained an undergraduate level of education were male while 68.4 per cent of those held diploma qualifications were female. At the same time, 58.3 per cent of certificate holders were female. The statistic,  $\chi^2 = 9.021$ ,  $p \geq 0.05$  indicates that there was no statistically significant difference between gender and level of the education. Thus, both gender groups had equal representation in terms of the levels of education.

From table 4.3, it is noted that 73.3 per cent of political leaders and 66.7 per cent of youth, persons with disabilities (PWD) and civil society leaders were male. On the other hand, 58.3 per cent of religious leaders were female. The statistics,  $\chi^2 = 18.546$ ,  $p \leq 0.05$  indicates that there was a significant difference between gender and respondent type. Thus, it can be inferred that male voices/opinions were more represented than their female counterparts. This could indicate gender selection bias where the male respondents are preferred probably due to their education, empowerment and representation. This tallies up with a report by Greenacre (2016) which indicated that non-responses is at times attributable to education and awareness, while Barnes and Burchard (2013) observed that the participation of women in politics and leadership is low when compared to men. They concluded that women are less inclined to engage in polity when compared to men.

#### 4.1.5 Relationship between age and other characteristics

The statistics in Table 4.4 examined the relationships between the age and other socio-demographics using chi-square distribution and the statistical outputs are illustrated in Table 4.4.

**Table 4.4 Relationship between age and other characteristics**

<b>Age - Education distribution</b>										
<b>Levels of education</b>	<b>Age distribution</b>								<b>Total</b>	
	21 to 30 Years		31 to 40 Years		41 to 50 Years		51 to 60 Years		Freq	%
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Primary	1	25.0	1	25.0	2	50.0	0	0.0	4	4.30
Secondary	3	42.9	3	42.9	1	14.3	0	0.0	7	7.40
Certificate	4	33.3	4	33.3	4	33.3	0	0.0	12	12.8
Diploma	9	47.4	7	36.8	2	10.5	1	5.3	19	20.2
Undergraduate	16	34.8	20	43.5	9	19.6	1	2.2	46	48.9
Graduate	0	0.0	0	0.0	5	83.3	1	16.7	6	6.4
<b>Total</b>	<b>33</b>	<b>35.1</b>	<b>35</b>	<b>37.2</b>	<b>23</b>	<b>24.2</b>	<b>3</b>	<b>3.2</b>	<b>94</b>	<b>100.0</b>
Chi-square tests	$\chi^2 = 22.913$				df = 15		p = 0.086			

<b>Age – respondent type Distribution</b>										
<b>Respondent type</b>	<b>Age distribution</b>								<b>Total</b>	
	21 to 30 Years		31 to 40 Years		41 to 50 Years		51 to 60 Years		Freq	%
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Political	2	13.3	9	60.0	4	26.7	0	0.0	15	16.0
Business	5	25.0	7	35.0	7	35.0	1	5.0	20	21.3
Women	4	36.4	6	54.5	1	9.1	0	0.0	11	11.7
Religious	2	16.7	4	33.3	5	41.7	1	8.3	12	12.8
Youth	14	93.3	1	6.7	0	0.0	0	0.0	15	16.0
PWD	3	33.3	3	33.3	3	33.3	0	0.0	9	9.6
Civil society	3	25.0	5	41.7	3	25.0	1	8.3	12	12.8
<b>Total</b>	<b>33</b>	<b>35.1</b>	<b>35</b>	<b>37.2</b>	<b>23</b>	<b>24.2</b>	<b>3</b>	<b>3.2</b>	<b>94</b>	<b>100.0</b>
Chi-square tests	$\chi^2 = 36.731$				df = 18		p = 0.006			

**Source: Research Data (2020)**

The distribution in table 4.4, shows that 83.3 per cent of the respondents who had the graduate level of education were aged between 41 to 50 years while 43.5 per cent of those who had an undergraduate level of education were aged between 31 to 40 years. Further, the results show that 47.4 per cent of the diploma holders were aged between 21 to 30 Years. The statistic,  $\chi^2 = 22.913$  and  $p \geq 0.05$  indicate that there was no statistically significant difference between age and the level of education. This can be

taken to mean that the study collected data from individuals with equal representation in age groups and level of education.

The distribution on age – respondent type distribution shows that 93.3 per cent of the youth leaders were aged between 21 to 30 years, 60 per cent of political leaders and 54.5 per cent of women leaders were aged between 31 to 40 years, 41.7 per cent of religious leaders were between the ages of 41 to 50 years while 41.7 per cent of civil society leaders were aged between 31 to 40 years. The statistic  $\chi^2 = 36.731$ ,  $p \geq 0.05$  indicates that there was no significant difference between age and respondent type. Thus, it can be taken that the study collected data from individuals with equal representation in age groups and respondent types.

#### **4.2 Descriptive Analysis**

Descriptive statistical analyses provide a variety of techniques that uses measures of central tendency to reduce large data sets into a singular numerical index that can describe the original observations. This section used a 5 – point Likert-type scale which rated the level of agreement/disagreement with the items on a scale: 1- Strong agree (SA); 2 – Agree (A); 3 – Disagree (D); 4 - Strongly Disagree (SD); 5- Neutral (N). During the data analysis, the study used the three measures of central tendency; mean, standard deviation and skewness to reduce the large data sets into numerical scores which were then presented in Tables 4.5, 4.6, 4.7, 4.8, 4.9 and 4.10. The statistical range for the skewness is a measure of normal distribution data and that skewness statistic that is closer to 0 would indicate that data is trending towards normal distribution while skewness statistics of -1 to 1 have a substantially skewed distribution. This would qualify the data based on their distribution.

#### **4.2.1 Descriptive Statistics on Locally Generated Revenues**

The first independent variable of the study was locally generated revenues which represented the ability of the county government to design, plan, budget and collect revenue (permits, licences, cess) from local sources. The locally generated revenues are critical for sub-national units, especially in jurisdictions where the national government grants performance-based fiscal support. At the same time, locally generated revenues call for fiscal discipline on sub-national units given that they will seek to restrict local income to finance their expenditure requirements (Mutua & Wamalwa, 2017). In the study, the variable was conceptualised to describe the following processes: consultative meetings with citizens on revenues, the existing legal framework for setting up levies and taxes, efficiency and effectiveness in collecting revenue from local sources, and operationalized using the 10 indicators as illustrated in Table 4.5.

**Table 4.5: Descriptive Statistics on Locally Generated Revenues**

<b>Indicators</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Skewness</b>
Times and venues for consultative meetings are announced	94	3.575	0.999	-0.440
Citizens are consulted on revenue decisions during budget consultative meetings	94	3.319	1.007	-0.553
Citizen participate in consultative meetings and contribute towards the decisions to generate local revenues	94	3.394	0.906	-0.516
Citizens are provided with information on local revenue sources	94	3.585	0.822	-0.635
Taxpayer are informed about their rights and obligations	94	3.489	0.959	-0.380
Citizens inputs on local revenue sources are considered when setting taxes	94	3.383	0.791	-0.536
Existence of sufficient legal framework for taxation	94	3.840	0.833	-1.512
Locally collected revenues match the levels of development	94	2.968	0.909	0.064
Revenue collected by the county is adequate for service provision	94	2.649	0.826	0.153
Revenues collected by the county are not adequate for its needs	94	4.011	0.956	-1.002
<b>Aggregate Score</b>	<b>94</b>	<b>3.421</b>	<b>0.901</b>	

**Source: Research Data (2020)**

The statistics in Table 4.5 show that respondents affirmed that the county government carries out consultative meetings with citizens with the intent of seeking their views on the types and amount of revenues that can be locally generated (Mean = 3.575, SD = 0.999). Further, the respondents indicated that citizens do not participate in the decisions regarding the locally generate revenues (Mean = 3.394, SD = 0.906). Further, the respondents affirmed that citizens' input into revenue decisions is not considered in the fiscal policy plan (Mean = 3.383, SD = 0.791). The indications are that few individual participate in the budgetary decision processes as envisioned in the Constitution of Kenya, 2010. All county governments are legally bound to inform the public of the place, time and location of the budgeting processes at the ward level using

the most convenient media. Non – participation by the public arises from informational, economic and personal reasons. Therefore, economically or informationally-disadvantaged may not attend those exercises, thereby disenfranchising them.

The respondents further affirmed that county governments had sufficient legal framework and mandate to set – up levies and taxes (Mean = 3.840, SD = 0.833). Lastly, when the respondents were asked whether the locally generated revenues were adequate for the county to offer services, the respondents agreed that the local revenue was insufficient (Mean = 4.011, SD = 0.956). Due to this, the respondents also disaffirmed the statement that revenue collected by county governments matches the level of development witnessed in the county (Mean = 2.968, SD = 0.909). This infers that most citizens attribute the levels of development to the fiscal transfers and not locally generated revenues. The inference is supported by (Martinez-Vazquez, 2013) demonstrating that development spending by the subnational governments is heavily dependent on fiscal transfers.

On aggregate, locally generated revenue had a mean value of 3.421(SD = 0.901) indicating that respondents affirmed that aspects of local revenue sources are not sufficient to support the ability of the county governments to discharge their mandates. This finding is in tandem with Mpaata, Lubogoyi and Okiria (2017) who noted that revenue mobilization by lower levels of government in Uganda had not been beneficial, while Venables, (2010) avers that local politics affects local revenue collection which in turn affects service delivery. Pieters, (2015), on the other hand, noted that a sound revenue system is a critical condition for effective delivery of services since no entity can provide public goods and services without the funds.

#### **4.2.1.1 Qualitative Analysis on Locally Generated Revenues**

Concerning the locally generated revenue decisions, the major concern of the heads of the different sections under the finance and planning departments was the sustainability of the revenue bases and collection. Most of them asserted that the local revenue bases were not sustainable in the long – run and this would indicate that the counties are either falling short on revenue collections or the local revenue bases are limited. When the key informants were asked about the type of measures taken to increase local revenues, one key informant, KIA001 said that “the measures taken include, the coordination of the revenue collection function across all the sub-counties by strengthening the collection from all the revenue sources and seeking to tap into previously untapped revenue bases”. Another respondent KIA002 said “improving the legal framework and policy guiding revenue collection by streamlining the policies on revenue generation since the existing policy framework was inadequate”. On the same note, one key informant, BAR001 stated that “revenue collection can be improved through sensitization and awareness campaigns on the importance of paying the local taxes. Many traders tend to evade paying the local levies and taxes as they considered it a burden to their businesses and thus, play ‘cat and mouse’ with the county revenue officials. Therefore, by raising awareness on the importance of paying the local taxes (levies, permits and licences), the taxpayers would more likely comply and by extent increase the locally collected revenues”.

A World Bank report (2015) which used a frontier analysis indicated that the main revenue sources for county governments include: land and property tax, trade/building permits, business licences and permits, market fees, lease rents, parking fees, cess, liquor licences, advertisement and billboard fees. The report stated significant revenue

gaps with substantial unrealized county revenue potential ranging from Kshs 55 Billion and Kshs 173 Billion as compared to the Kshs. 35 Billion during the 2015 fiscal year. The most significant revenue potential sources for the county include: the land and property tax, building permits, business licences, liquor licences, parking fees and outdoor advertising fees.

The next concern on local revenue decisions was the adequacy of the locally collected revenues in improving the levels of services offered by the counties. Virtually all the key informants believed that the revenue collected was insufficient to meet the needs of the counties and therefore much needs to be done for the county governments to generate sufficient own-source revenues. The major themes covering the improvement in revenue collection are clustered into; one, the legislative and policy framework governing revenue collection, two, infrastructure and systems supporting the revenue collection efforts and three, education and informational aspects to support the revenue collection initiatives.

Concerning the need for a legislative and policy framework, one key informant, KIA001 said that “the county government has taken necessary measures which include drawing up critical legal framework and legislation that can aid in improving the revenue collection. This action will require overarching support from the county assembly in passing the legislation that will guide the revenue collection framework”. Further, ‘there is a need for stricter enforcement of the legislation to improve the amounts of revenues that have to be collected’. BAR003 said that “strengthening county enforcement units and establishing county courts and attorney’s office should increase compliance of the public towards the payment of levies and taxes”.

The county governments draw their legislative power for generating and collecting revenue from the Public Finance Management Act (PFMA) which enables them to draw up annual budgets for the county. KIA003 said that “every year, we are tasked with drawing up of the Finance Act that provides the basis through which we set up charges. Just like the Finance Act of the national government, it may also be used to amend existing acts that offer the basis for charging levies and fees”. The key informants are mainly tasked with spearheading the drafting of the Finance Bill which is then sent to the county assembly for approval. KIA002 affirmed that “I am tasked with ensuring that the Finance Bill is drafted and goes through all the stages in advance and within the time limits prescribed in the PFMA of 2012”.

Secondly, evidence suggests that most counties lack modern infrastructure and information systems that support revenue collection efforts. As indicated by one key informant, KIA002, "the county should introduce information management systems for collecting, managing, accounting and reporting the county revenues. Through automation of the revenue collection and management systems, the county will be able to identify and match the revenues streams with the entities/persons who are meant to pay thus improving the ease of follow-up. Further, there is a need for alternative modes of paying for the services, which are in addition to the existing cash system. This includes the use of pay bill numbers, USSD platforms and direct deposits to the county government bank accounts which improve the ease of paying up for the taxes and levies for services offered by the county". BAR003 said that "sealing of loopholes for revenue leakages can be done through installation and integration of electronic payment for all the county revenue payments".

Lastly, the educational and informational aspects of tax obligations should be considered as elicited by BAR002 who said that “the public should be sensitized on the need for them to pay taxes, inform the county on the defaulting entities and show solidarity and patriotism in payment of taxes”. Evidently, the public seems to appreciate the devolved systems but is disconnected from the fiscal decentralization aspects of revenue generation. Thus the county government should sensitize the public on their mandate of protecting decentralization/devolution by paying taxes and levies.

As elicited from the key informants, other measures relating to revenue decisions are the involvement and participation of the public. “It is through public participation of the draft Finance Bill that citizens’ opinions are used to inform the changes proposed in the bill”, said KIA002. The input from public participation is critical in informing the county officials on the draft Finance Bill that is to be passed by the county assembly. However, the respondents highlighted several challenges to public participation and these include; ignorance and low literacy levels, lack of interest, poor turnout, limited time frame and budgetary constraints. As observed by KIA001, “Given the limited time frames and budget constraints, the extent to which public participation of the draft finance bill is limited. As a result, all stakeholders’ views and proposals may not be captured and incorporated”. BAR001 said that “there is a lack of interest by the public in attending these forums. Further, conducting public participation forums is expensive in nature and therefore a few forums are held at the sub-county level and thus it doesn’t reach all the residents”. BAR002 stated that “the majority of the residents do not attend the public participation forums because most of them view such forums as a waste of time”.

Regarding revenue collection, the World Bank report (2015) indicated a clear disconnect between revenue collection and policy objectives at the local level. The rationale and the design of the local taxes and levies are ambiguous and, in most instances, they draw from the defunct local authorities without adequate review and refinement. Further, the report suggested that the counties cannot rely on the legal transitional provisions of the Constitution of Kenya, 2010 and therefore counties need at least two legislations for revenue collection and management. The first legislation is the Finance Act which draws and sets up the revenue bases from which charges, levies and taxes can be collected and separate legislation which will provide for an adequate regulatory function and collection procedures.

#### **4.2.2 Descriptive Statistics on Expenditure Decentralisation**

The second independent variable for the study was expenditure decentralisation which represented decisions by the county government to plan, budget and allocate the revenue received to fund the activities of the county government. Expenditure assignment comprises the policy decisions regarding the functions and expenditure responsibilities as assigned to the respective levels of government. The assignment of public services to the local government units can be based on various aspects which include: economies of scale, citizen preferences, proximity to beneficiaries, cost and benefit, spill-overs, and elasticity in budgetary spending (World Bank, 2005). In the study, the variable was conceptualised to describe the following processes: consultative meetings with citizens, the existing legal framework to allocate and fund county activities, and the efficiency in spending and operationalized using the 16 indicators illustrated in Table 4.6.

**Table 4.6: Descriptive Statistics on Expenditure Decentralisation**

<b>Indicators</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>	<b>Skewness</b>
Times and venues for consultative meetings regarding expenditure decisions are announced to citizens	94	3.500	1.045	-0.447
Citizen are consulted on expenditure decisions regarding budgetary allocations	94	3.329	0.885	-0.585
Citizen participate in consultative meetings regarding expenditure allocation	94	3.436	0.922	-0.669
Citizens provided information on expenditure decisions	94	3.426	0.861	-0.539
Citizens provided with information on services provided by the county	94	3.117	0.982	-0.305
The linkages between revenue collected and expenditure are identifiable	94	2.926	0.833	0.012
The linkages between local revenue, fiscal transfers and expenditure allocation are not clear	94	3.979	0.803	-1.046
The county's development expenditures are based on citizens' interest	94	3.426	0.989	-0.637
The county development expenditures are based on political interest	94	3.670	1.149	-0.899
Citizens are informed on projects being undertaken	94	3.298	0.902	-0.828
Citizens are satisfied with information concerning the expenditure decisions	94	2.681	0.793	0.209
Development expenditures are carried out as per budgetary allocation	94	3.255	1.067	-0.748
The county government sanctions any contravention of budgetary allocations for projects	94	2.851	0.915	-0.458
The county reprimands individuals who misappropriate of funds	94	2.872	0.895	-0.069
Citizens do not attend in budgetary consultative meetings	94	3.309	0.892	-0.836
Citizens do not participate in budgetary consultative meetings	94	3.351	0.936	-0.316
<b>Aggregate Score</b>	<b>94</b>	<b>3.277</b>	<b>0.929</b>	

**Source: Research Data (2020)**

The statistics in Table 4.6 shows that respondents affirmed that the county government holds consultative meeting with citizens on the budget proposals (Mean = 3.500, SD = 1.045). Respondents also affirmed that citizens do not participate in the consultative meetings on expenditure decisions (Mean = 3.426, SD = 0.922) nor do they access information on expenditure decisions (Mean = 2.426, SD = 0.982). This shows that few people can participate in the budget decision processes as envisioned in the

constitutional dispensation. The county governments are legally bound to inform the public of the place, time and location of the budgeting processes at the ward level using the most convenient media. However, non – participation is attributable to several factors that include informational, economic and personal. Therefore, economically or informational disadvantaged may not appear in those exercises, thereby disenfranchising them.

Further, the respondents affirmed that the public could not determine the linkages between the revenue generated and expenditure decision in the county's fiscal budget (Mean = 2.926, SD = 0.833). Concerning the legal framework and mandate to allocate and spend, the respondents affirmed that the implementation of development budgets is based on political interest (Mean = 3.670, SD = 1.149) as opposed to the interest of the citizens (Mean = 3.426, SD = 0.989). On the issue regarding the efficiency of the allocation process, the respondents affirmed that the expenditures are not carried out as per budgetary allocation (Mean = 3.255, SD = 1.067). Furthermore, the respondents felt that the county governments have neither sanctioned any contraventions in procurement (Mean = 2.851, SD = 0.915) nor have they reprimanded any funds misappropriation (Mean = 2.872, SD = 0.895). Accordingly, the expenditure decentralization initiatives face challenges arising from bureaucratic systems, political interest and misplaced priorities. Thus, the effectiveness of the decentralization is negatively affected, lowering service delivery.

On aggregate, expenditure decentralisation had a mean value of 3.277 (SD = 0.929) indicating that the respondents affirmed that expenditure decisions at the county level were inadequate to satisfy their expectations. This is in line with Goerl and

Seiferling(2014) who noted that expenditure assignment should be part of the comprehensive framework across all levels of government, otherwise, it will undermine the effectiveness of fiscal policy and increase macroeconomic risks. Mendoza and Martinez-Vazquez, (2000); McLure and Martinez-Vazquez (2000) also aver that lack of clarity in expenditure assignments will result in under-provision of services because each level of government attempts to free-ride on the other.

#### **4.2.2.1 Qualitative Analysis on Expenditure Decentralisation**

According to the key informants, concerns regarding expenditure decentralisation include: the legal framework supporting expenditure decisions, conditionalities attached to the expenditure decentralisation and organisational issues such as political interference. Expenditure decisions are mainly based on two Acts of parliament, the Public Finance Management Act (PFMA) of 2012 which provides the overall guiding framework for spending the funds allocated and the Public Procurement and Asset Disposal (PPAD) Act of 2016 which provides the policy framework for consumption and procurement function. As indicated by the key informants, most of the expenditure decisions formally follow the PFMA which stipulates the way a government entity should spend the allocated funds. As elicited from KIA003, “funds that have been allocated for in the annual budget of the county can only be spent once they have been approved by the county assembly. In cases where the assembly delays approvals, the county government is left in limbo concerning expenditure decisions until the legislative approvals have been granted”. One respondent, BAR001, observed that “the PFMA and PPAD Acts are the main legal framework for expenditure decisions.”

The second aspect relates to conditionalities attached to expenditure decentralisation which include: the ratio of the development and recurrent expenditure, the ratio of the staff remuneration component to the overall budget and other conditions from the national government which range from budgetary absorption, the settlement of the past obligations among others. These conditionalities may in some cases impede the effectiveness of service delivery in the county governments. For instance, “delays in payment of suppliers by the county government has seen some county government being sanctioned by the national government with accompanying delays in intergovernmental transfers” as observed by BAR002. In other cases, the control of county resources by the national exchequer hinders timely access by the counties which affects its mandate of ensuring efficient service delivery.

Lastly, expenditure decision at the county level tends to follow politics as informed by key informant KIA001. Several contextual organizational issues influence these decisions with the major issue being the political interference and expediency which tend to reduce the optimality in the allocation and utilisation of the county finances, organizational effectiveness in the use of these resources as indicated by KIA002 who noted, that "functions should be followed by money". This can be taken to indicate that some functions within the county are not getting the desired attention during budgeting and approvals, thus they could be allocated more roles and functions but do not receive commensurate funds to match the functions.

#### **4.2.3 Descriptive Statistics on Intergovernmental Fiscal Transfers**

The third independent variable for the study was related to the fiscal transfers from the national government and represented the decisions surrounding the fiscal arrangements

between the two governments and development partners. In most countries, expenditure requirements of sub-national governments are greater than the locally generated revenue power. This forms the basis for intergovernmental fiscal relations whose key objective is to avail extra resources to sub-national units to enable them to bridge the deficit between expenditure requirements and locally generated revenue. It is also expected to attain policy objectives, address horizontal inequalities, encourage local government spending on national priority areas or encourage sub-national governments to perform better (Martinez-Vazquez, 2011). The study considered the variable in the following steps: the existing legal framework for the transfers, regular and timely disbursements of the allocated funds and the effectiveness of the transfers in the devolved system and operationalized using the 12 indicators illustrated in Table 4.7.

**Table 4.7: Descriptive Statistics on Intergovernmental Fiscal Transfers**

<b>Indicators</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>	<b>Skewness</b>
Existence of a legal framework for fiscal transfers	94	4.234	0.795	-1.627
Fiscal transfers provided for in the national budget policy statement	94	4.000	0.748	-1.892
Fiscal transfers are part of revenues of the county government budget	94	4.138	0.560	-0.710
Fiscal transfers support the financial requirements of the county	94	3.936	0.773	-0.887
Funds are regularly remitted to the county as per schedule	94	2.947	0.932	0.433
Fiscal transfers take away the county's independence of the choice of use of funds	94	2.968	0.754	-0.439
Fiscal transfers reduce the sense of ownership of the projects	94	3.075	0.751	-0.012
Citizens are provided with information on transfers from central government	94	3.149	0.879	0.001
Citizens are provided with information on transfers from development partners	94	3.021	0.892	-0.044
County government is more responsive to the demands of the national government	94	3.404	0.987	-0.663
County government are more responsive to the needs of its citizens	94	3.362	0.853	-0.563
Fiscals transfer positively affects service delivery	94	4.000	0.892	-1.207
<b>Aggregate score</b>	<b>94</b>	<b>3.520</b>	<b>0.818</b>	

**Source: Research Data (2020)**

The statistics in Table 4.7 show that respondents affirmed that national government transferred funds to the county governments as provided for and supported by the existing legal framework (Mean = 4.234, SD = 0.795). Further, the respondents agreed that national government transfers are provided by the national budget policy statement (Mean = 4.000, SD = 0.748). The respondents also affirmed that transfers from the national government are part of the revenues received by the county government to support its budgetary allocation (Mean = 4.138, SD = 0.560).

Regarding the disbursement of the funds, the respondents affirmed that the fiscal transfers are not regular and timely (Mean = 2.947, SD = 0.932) but the transfers from

the national government have a positive effect on service delivery by county governments (Mean = 4.000, SD = 0.892). Furthermore, the respondents believed that fiscal transfers do not take away the independence of the choice of the use of funds by the county government (Mean = 2.968, SD = 0.754) nor does it reduce the sense of ownership of the projects by the county governments (Mean = 3.075, SD = 0.751). This implies that service delivery in the sub-national governments improves or declines drastically depending on the allocated and disbursed amounts of fiscal transfers.

On aggregate, intergovernmental fiscal transfers had a mean value of 3.520(SD = 0.818) indicating that respondents affirmed that intergovernmental fiscal transfers are a critical aspect as it promotes the ability of the county governments to respond to citizens' needs. These findings are in line with Caldeira and Rota-Graziosi, (2014); Ilzetzki, Mendoza and Vegh, (2013) who noted that intergovernmental grants promote local economies through transfer spending. Intergovernmental transfers also alleviate the disparities in revenue collection between urban- based and rural-based subnational governments given that such grants enable rural-based subnational governments to surmount cost barriers incurred in providing basic services to the public and enforcing tax collection efforts(Fjeldstad, Chambas & Brun, 2014).

#### **4.2.3.1 Qualitative Analysis on Intergovernmental transfers**

According to the majority of interviewees, there is a great and elevated dependency on the transfers from the national government for county governments' budgetary allocations. As indicated by respondent, KIA002, "the county government cannot move from its reliance on transfers and grants from the national government, however, enhancement of collection of own revenue can supplement these transfers". The

disbursements of the transfers are not timely as expected and thus affect the capability of the county government to discharge its duties and at the same time impinge on fiscal decentralisation. Because of the reliance on fiscal transfers from the national government, the key informants suggested the following actions that could be implemented to improve their own-source revenues. These include; improvement in the collection of own-source revenues and expanding/diversification of the local revenue sources and collection.

The second major concern is the conditions attached to the intergovernmental transfers. These conditions have hindered the efficiency of the fiscal transfers and as indicated by the key informants, the main conditions include; the legal framework governing the use of funds as prescribed in the PFMA of 2012, the policy framework as provided by the Controller of the Budget and the national treasury and other circumstantial issues that have arisen, for instance, payment of pending bills. “The legal framework restricts the use of funds for a specified purpose such as projects which are targeted by the national government or development partners, the fiscal capacity and efficiency of the county to use the allocated funds” as observed by key informant KIA002. Other legal issues regarding the transfers are the provision for sufficient budgetary allocation which allows for the transfers to be provided for in the county budgets.

The policy framework for these transfers is provided by the Controller of the Budget, which stipulates how these counties can access, and use funds. “The real challenge facing the counties is the procedures for the requisition and use of funds which include the following; the preparation of the budgets by the department, the approvals of budgets and the documentary requisitioning through the information systems before

the funds are released”, said respondent KIA001. The other issue raised by the key informants is the conditionalities made by the national government in the payment of the pending bills. The national government insists on counties paying all pending bills due to suppliers and service providers which may affect the cash flows of the county governments.

#### **4.2.4 Descriptive Statistics on County Government Borrowing**

The fourth independent variable for the study was related to county government borrowing. Subnational government seeks debt financing to offer services while at the same time bridging liquidity constraints. Borrowing also offers intergenerational equity by spreading the costs of projects such as infrastructure across generations. Undisciplined borrowing may result in disruptions in public service delivery or result in country-wide macroeconomic instability (Prud’homme, 1995; Tanzi, 1996) since sub-national units are perceived as less concerned with macroeconomic stability (Martinez-Vazquez, & Civelek, 2019; Ter-Minassian, 1997). The study considered the existing legal framework to borrow, use of borrowed funds and provision of information concerning borrowed funds and was operationalized using the 12 indicators shown in Table 4.8.

**Table 4.8: Descriptive Statistics on County Government Borrowing**

<b>Variable</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>	<b>Skewness</b>
Existence of a legal framework to support borrowing funds by the county from the national government	94	3.106	1.140	-0.391
County has a legal mandate to borrow from commercial institutions	94	3.074	1.246	-0.314
Legal framework for the maximum amount that can be borrowed	94	3.064	1.243	-0.467
The county government has the ability to borrow and repay the amounts borrowed	94	2.947	1.230	-0.145
The borrowed funds are used to fund capital projects and programmes	94	2.745	1.087	-0.447
Borrowing can significantly improve service provision	94	2.830	1.188	-0.370
Citizens are provided with information on the amount of money borrowed	94	2.606	1.007	0.089
Borrowing enhances the county's responsiveness to its citizens' needs	94	2.872	1.220	-0.295
Borrowing from commercial sources negatively affects service delivery	94	2.872	1.280	-0.039
Borrowing by county government may lead to the inability to meet debt obligations	94	3.830	1.249	-1.291
Borrowed funds not utilized for capital projects and programmes	94	2.968	1.257	-0.370
Citizens are not provided with information on the borrowed amounts	94	3.511	1.317	-0.643
<b>Aggregate score</b>	<b>94</b>	<b>3.035</b>	<b>1.205</b>	

**Source: Research Data (2020)**

The statistics in Table 4.8 show that respondents affirmed that the county government borrowing may result in their inability to repay the debts (Mean = 3.830, SD = 1.249). Similarly, respondents agreed that county governments do not give information to citizens on the amounts of monies borrowed (Mean = 3.511, SD = 1.317). On the other hand, respondents disaffirmed that borrowing from commercial sources such as banks negatively affects service delivery (Mean=2.872, SD=1.280). Further, respondents also disaffirmed that borrowed funds aids county governments in enhancing their responsiveness to citizen needs (Mean=2.872, SD= 1.220). The perceived opposition towards borrowing by the sub-national government arises because of personal beliefs on the functioning of the governments. The individuals tend to believe that only taxes

and levies form government revenues and therefore borrowing is left to the commercial enterprises.

On aggregate, county governments' borrowing had a mean value of 3.035 (SD = 1.205) indicating that respondents felt that county government borrowing is supplementary or secondary to the fiscal decentralisation aspects. These findings are in line with Reinhart and Rogoff (2010) who found that external government debt negatively influenced the economic development while Shah (2007) noted that high levels of government debt, especially on recurrent expenses, are likely to be harmful to growth and development since costs associated with the debts can deplete resources which could otherwise have been used in service delivery (Mothibi & Mncayi, 2019). Also, Plekhanov and Singh, (2006) indicated that allowing unrestricted borrowing authority to subnational governments is not the optimal solution to better fiscal performance. Rodden *et al.*, (2003) observed effective sub-national government borrowing requires a structure of hierarchical oversight or strong market mechanisms.

#### **4.2.5 Descriptive Statistics on Accountability Practices**

The fifth variable for the study was related to accountability practices as a mediator. Government officers wield enormous public powers with potential for abuse hence the need for accountability. Therefore, public accountability calls for a firm appreciation of the fact that public officers hold their positions on trust for the citizens (Ejere, 2013) of the respective jurisdictions and accountability is essential as a means of improving the quality of public services (Minja, 2013). The study considered the adequacy of information provided by county governments, grievance handling and existing

feedback mechanisms and was operationalized using the 12 indicators illustrated in Table 4.9.

**Table 4.9: Descriptive Statistics on Accountability Practices**

<b>Variable</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>	<b>Skewness</b>
Officers held to account for any malpractice	94	3.223	1.059	-0.414
The information provided by the county government is adequate	94	2.872	0.930	0.448
County government discloses all the necessary information to the public	94	2.787	0.937	0.124
There are comprehensive systems in place to ensure accountability in the county	94	3.138	0.798	-0.058
County government has put sufficient feedback mechanisms for its operations	94	3.128	0.907	-0.227
County government has put in place procedures for handling complaints and grievances	94	3.277	0.966	-0.373
County government has installed information management systems for reporting	94	3.457	0.838	-0.340
County government has operational front service operations	94	3.830	0.812	-0.986
County government manages its queues for improved service delivery	94	3.287	0.875	-1.032
Officers attending to citizens are courteous	94	3.011	0.999	-0.403
Public officers are never held accountable for corrupt practices	94	3.479	1.114	-0.008
Information provided by the county government is inadequate	94	3.926	1.147	-0.219
<b>Aggregate score</b>	<b>94</b>	<b>3.285</b>	<b>0.949</b>	

**Source: Research Data (2020)**

Results in Table 4.9 show that respondents agreed that information provided by county governments to its citizens was inadequate (Mean= 3.926, SD =1.147). The respondents also agreed that the front service desk (reception) is always operational when citizens seek services (Mean=3.830, SD=0.812). On the other hand, respondents disagreed (Mean= 2.872, SD=0.930) that information given by county governments is always adequate. Respondents also disagreed (Mean= 2.787, SD = 0.937) that county governments disclose all the necessary information to the public. At the same time,

respondents disagreed (Mean= 3.011, SD=0.999) that county government officers attending to citizens are always courteous. This implies that the effectiveness of services delivered is determined by the information disclosure and the considered nature of public servants.

On aggregate, accountability practices had a mean value of 3.285(SD = 0.949), indicating that respondents affirmed that accountability practices likely interfere with fiscal decentralization initiatives. This is consistent with Pollitt, (2010); Ossege, (2012); Radin, (2019) who aver that there are tensions between accountability and the ability to deliver desired results owing to their incompatibility with each other. Koppell (2005) takes account of the existence of several accountabilities disorders and notes that organizations attempting to satisfy diverging targets will likely lead to the system being dysfunctional, hence an attempt to please everyone and no one in particular.

#### **4.2.5.1 Qualitative Analysis on Accountability Practices**

Accountability as a practice is applied somehow uniquely in the public services domain. Accountability practices within counties tend to differ as elicited by the key informants and include the following activities: responsibility for one's actions, reporting mechanism and disclosure of information on the public services. Majority of the key informants indicated that the county governments always publicise the the activities and functions of the county government through; offices, websites, social media platforms, print media and forums. Key informant BAR002 said that "information dissemination is normally done through the county websites, social platforms and other media." These counties have put in place sufficient structures to enable dissemination of information to the public as and when required. On the question touching on one's

responsibility for actions, the key informants affirmed that counties always sanctioned and disciplined officers who breached the codes of practice.

#### **4.2.6 Descriptive Statistics on Service Performance of the County Governments**

The sixth variable for the study was related to the service performance of the selected county governments as a dependent variable. The major objective of fiscal decentralisation is the efficiency in delivery of services to the public. Sub-national governments are at the forefront in the delivery of these services which include: garbage collection, provision of schooling and infrastructure development. This has led to a deliberate effort of disaggregating larger government units to bring positive service performance effects because smaller organisations are viewed as having clearer goals (Walker & Andrews, 2015). This has resulted in increased attention on the performance of sub-national government units by policy-makers and citizens alike. The study considered the variables in the responsiveness to the needs of its citizens, consistency in policy application, prompt delivery of services and speed of resolution of issues raised by citizens and was operationalized by 17 items as illustrated in Table 4.10.

**Table 4.10: Descriptive Statistics on Service Performance of the County Government**

<b>Indicators</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>	<b>Skewness</b>
The quality of public services offered by the county is good	94	3.234	0.668	0.108
County government always provides coordinated services to the citizens	94	3.362	0.815	-0.027
County government is always responsive to the needs of the citizens	94	3.181	0.855	-0.302
The County government is closer to the citizens and always responsive to the needs of its citizens compared to the national government	94	3.521	0.947	-0.616
Policies are inconsistently applied in service provision at the county government	94	4.298	0.914	-1.715
Slow decision making always affects effective policy implementation	94	4.319	0.706	-1.672
County government seeks to resolve the problems raised by its citizens	94	2.564	0.797	0.004
County government always and promptly provide services	94	3.064	0.889	0.045
All staff are knowledgeable and answer queries from citizens	94	3.287	0.875	-0.395
County government always understands the specific needs of their citizens	94	3.223	0.882	-0.522
Political patronage and elitism determine service provision	94	4.064	0.960	-1.273
The speed of service delivery is always good	94	3.032	0.835	-0.168
Staff at county government always give prompt service	94	3.234	0.860	-0.039
Staff service citizens have the knowledge to answer all questions	94	3.532	0.826	-0.897
The service offered always meet expectations	94	3.064	0.669	-0.260
The quality of all services in the county are not good	94	3.681	0.806	-0.035
Policies are not always effectively implemented by the county government	94	3.957	0.717	-1.087
<b>Aggregate score</b>	<b>94</b>	<b>3.448</b>	<b>0.825</b>	

**Source: Research Data (2020)**

The statistics in Table 4.10 show that respondents affirmed that slow decision-making affects effective policy implementation (Mean = 4.319, SD = 0.706). Further, respondents affirmed that county governments are inconsistent as far as the application of set policies in service provision is concerned (Mean = 4.298, SD = 0.914). Respondents also agreed that political patronage and elitism determined service

provision (Mean = 4.064, SD = 0.960). This implies that service delivery effectiveness in the county government is influenced by political interest as opposed to citizens' demands. Thus the citizens can be considered to be disenfranchised by the bureaucracy and political capture.

Respondents further agreed that policies are not always effectively implemented by the county governments (Mean=3.957, SD= 0.717). Conversely, respondents disaffirmed that county governments resolve the problems raised by its citizens (Mean=2.564, SD 0.797). Respondents also disagreed that there was speedy delivery of service by the county governments (Mean= 3.032, SD 0.835). Ostensibly, gaps exist in the counties' service delivery systems which have led to dissatisfaction with the subnational governments.

On aggregate, the performance of county governments had a mean value of 3.448(SD = 0.825) indicating that respondents were moderately dissatisfied with the service performance of the county government. These findings are consistent with the studies by Stossberg and Blöchliger, (2017) who observed that fiscal decentralisation is linked to lower income inequality and is positively associated with economic growth (Blöchliger & Akgun, 2018). Fiscal decentralisation also has positive effects on educational outcomes (Martinez-Vazquez, 2011) responsiveness to local needs in terms of infrastructural investments(Faguet, 2004).

#### **4.2.6.1 Qualitative Analysis on Service Performance**

According to the key informants, the performance of the county governments is erratic with some indicating wanting, average and others saying that it is excellent. BAR002

quipped, “it has improved albeit with some challenges”, while KIA001 said that “the quality of the services offered by the county is wanting due to resource constraints.” The indications are that service delivery among the county government functions differs according to the departments and functions. In some instances, the quality of service is wanting because of the interaction between the service provider (county staff) and the public as is the case of the health services while in other cases it is excellent as is the case of support functions like the finance and planning which do not require the participation of the public. As observed by the key informants, some county departmental functions have provided information resources that aid service delivery in the departments. This has been achieved by the use of service charters which detail how the departments have organized and scheduled the time for accessing services. However, in some county departments in Baringo County, the use of service charters is non-existent.

The performance of the public service delivery systems emphasizes on operational efficiency and effectiveness and the pursuance of public service values. All public service organisations serve multiple objectives, have diverse clients, and deliver a wide range of services in undefined socio-political environments. Thus, the measurement of the performance of such a system is more complex and its measures must be judged against varied objectives and improvement in the overall welfare of the public. The performance of the county governments is fraught with challenges that include: resource constraints in terms of both financial and human resource issues such as motivation. BAR002 said that “not unless staff in the different departments are motivated in one way or the other, the performance of the delivery of the services of the county government will remain wanting.”

The study also gauged the effect of the components of fiscal decentralisation on the service performance of the selected county governments; the respondents (opinion leaders) were asked how these components affect the service performance in the county government structures. When the respondents, were asked about revenue generation, the responses indicate that revenue collection falls short and it has a consequent effect on the overall service performance of the subnational government units. The majority of the respondents indicated that insufficient own-source revenue collected affects fiscal decentralisation by impacting the ability of the county government units to provide services and secondly, the quality of the service offered is lowered. "Locally generated revenues are an important aspect of long-term sustainability of the fiscal decentralisation initiatives", said KIA025, while another respondent said that "locally generated revenues are of greater effect on service performance thus higher revenues will translate into better development". Respondent KIA035 avowed that "county government does not account for all the receipts and monies received in that some locally generated revenues are mismanaged by the county officials". BAR018 said that "availability of revenues dictates the efficiency of service delivery and development, in that revenue funds development projects."

Other reasons given by respondents include; wasteful spending by the county government officials, theft and pilferage of the funds, political interest, mismanagement of the financial resources through misallocation of the funds, and fraud. These reasons are seen as the major ways in which revenue affects the performance of the county governments. One respondent, VIH016 said that "the county has a small revenue base and therefore revenues collected is suboptimal with a consequent effect on the development of the county. The county government should,

therefore, seek ways to tax the citizens to increase its revenue bases”. In this regard, the respondents proposed several ways through which locally generated revenue can be tapped and this included; revenue mobilization initiatives that will focus on improving the amounts collected and generating new revenue bases. Some of the initiatives suggested were educating and sensitizing the locals on the importance of paying taxes, streamlining revenue collection initiatives, improving the policy and legal framework for collecting revenues, automation of revenue management systems, strengthening the revenue administration capacity of the staff, increasing the transparency and reporting mechanisms in the county and many others.

When the respondents were asked about the impact of the expenditure decentralisation on the service performance of the county governments, more than nine-tenths affirmed that these decisions negatively affect the service performance of the county governments. The main expenditure decentralisation aspects that have a direct effect were the higher recurrent expenditures, spending priorities and allocation and political interference. This is supported by the sentiments from respondents in the different counties including VIH011 who said that “the county government spends the funds allocated on the wrong projects or projects that do not have an impact on the citizens.” while VIH020 avowed that “the expenditure decisions should be based on the interest of the citizens rather than the political interest.” In Kiambu County, KIA035 said that “the political interest in the spending decisions are enormous and tend to influence the way funds are spent. Some of the projects are arrived at based on politicians’ interests and thus draw away critical resources that could be used for other purposes.”

It is evident that both revenue and expenditure decisions require public participation at its lowest unit of devolution and as indicated by the respondents, these decisions are implemented with fewer inputs from the citizens contrary to constitutional provisions. As derived from the responses, most respondents felt that citizens should not be left out of the budgeting process in their counties. This is informed by BAR022 who said: “citizens are not fully involved in decisions making because the time allocated for consultative meetings is short and thus fewer people can attend”. Others were calling for consideration of the informational needs of the citizens as part of revenue and expenditure decisions among other things information disclosure on the expenditure and budgetary mechanisms of the county.

Regarding the issue of intergovernmental fiscal transfers, the respondents affirmed that fiscal transfers largely impact the performance of the county governments. As drawn from respondent VIH008 “there is an overall dependence by the county government on the intergovernmental transfers which in turn affects the levels of development within the county. These transfers ensure equity and progress of the different counties per the needs of the county.” KIA026 said that “the fund transfers comprise the largest source of revenues the county government receives when compared to the locally generated revenues.” However, the transfers from the national government are not without impediments include; late and untimely disbursements, rules and regulations governing these transfers that include the policy framework from the controller of budget among other issues.

### 4.3 Relationship between demographic characteristics and study variables

This section assess the linkages between demographic characteristics and the study variables in order to determine the presence or absence of perceptual differences. Any significant difference would indicate differences in the population and signify perceptual difference and make an inference on whether the data was drawn from a normally distributed population.

To undertake the analysis, the study used a measure of central tendency (mode) to reduce the large data sets into a single numerical index that represented the original observations. Since the study had used a 5 – point Likert-type scale, the model for these items in a study variable would comprise the value of the response that appears most often and further it is the value that appears most likely in the responses of the items sampled. Once the index had been generated, cross-tabulation was done. The statistics in Table 4.11 examined for any association between the study variables and the county of origin using the chi-square distribution.

**Table 4.11: Relationship between study variables and County of origin**

<b>Variable</b>	<b><math>\chi^2</math></b>	<b>df</b>	<b>p-value</b>	<b>Conclusion</b>
Locally Generated Revenues	21.916	8	0.005	Significant
Expenditure Decentralisation	24.035	8	0.002	Significant
Intergovernmental Fiscal transfers	7.171	8	0.518	Not Significant
Government Borrowings	34.161	8	0.000	Significant
Accountability Practices	10.268	8	0.247	Not Significant
Service Performance	23.250	8	0.003	Significant

**Source: Research Data (2020)**

The statistics,  $\chi^2 = 21.916$ ,  $p < 0.05$  show significant differences concerning locally generated revenues. This indicates differences in perception towards locally generated revenues based on the county of residence. Residents from Kiambu County tend to

have a more positive outlook than the residents from Baringo and Vihiga Counties. The indications are that residents of Kiambu County view locally generated revenues more positively, are more informed and participate in those decisions and this illustrates that the county could be generating comparatively higher revenue from its local sources.

Additionally, there are significant differences in perceptions about expenditure decentralisation. The statistics  $\chi^2 = 24.035$ ,  $p < 0.05$  indicates that respondents differ significantly based on their county of residence. Respondents from Kiambu County tended to have a positive outlook compared to their counterparts in Vihiga and Baringo Counties who hold a divergent view. The indications are that residents of Kiambu County view expenditure decentralisation more positively, are more informed and participate in those decisions and this illustrates that the county could be spending funds on projects desired by its residents.

Table 4.11 further shows that there is no statistically significant difference in perception regarding intergovernmental fiscal transfers. The statistics  $\chi^2 = 7.171$ ,  $p > 0.05$  indicates that there was no perceptual difference in intergovernmental fiscal transfers as per the county. This indicates that residents of Kiambu, Baringo and Vihiga Counties view intergovernmental fiscal transfers positively by agreeing that fiscal transfers have a positive effect on service performance at the county level. This suggests that the counties could be spending fiscal transfer funds on projects desired by its residents.

As far as county government borrowing is concerned, the statistics,  $\chi^2 = 34.161$ ,  $p < 0.05$  indicate that there are significant differences in respondents concerning county government borrowing. Respondents from Kiambu County were indifferent to the

aspect of county government borrowing compared to respondents from Vihiga and Baringo Counties who held an opposing view. The indications are that residents of Kiambu County were indifferent to the borrowing by the county government, while residents from Vihiga and Baringo Counties were against borrowing.

Regarding accountability practices, the statistic  $\chi^2 = 10.268$ ,  $p > 0.05$  indicates that there were no perceptual differences between Kiambu, Baringo and Vihiga Counties regarding accountability practices. This indicates that residents of Kiambu, Baringo and Vihiga Counties agree that information provided by county governments to its citizens was inadequate.

As far as the service performance of selected county governments is concerned, the statistic,  $\chi^2 = 23.250$ ,  $p < 0.05$  indicates significant differences in perceptions of service performance based on counties. Respondents from Kiambu County had a more optimistic outlook of their government service performance compared to respondents from Vihiga and Baringo who held differing views. The indications are that residents of Kiambu County view the service performance of their government more positively, are more informed and participate in those decisions and this illustrates that the county government could be more informed about the local citizen's needs.

**Table 4.12: Relationship between study variables and gender**

Variable	$\chi^2$	df	p-value	Conclusion
Locally Generated Revenues	3.900	4	0.420	Not Significant
Expenditure Decentralisation	5.144	4	0.273	Not Significant
Intergovernmental Fiscal Transfers	5.487	4	0.241	Not Significant
County Government Borrowing	7.522	4	0.111	Not Significant
Accountability practices	5.583	4	0.232	Not Significant
Service performance	3.993	4	0.407	Not Significant

**Source: Research Data (2020)**

The statistics on Table 4.12 examined for any association between the study variables and gender using the chi-square distribution. The statistic,  $\chi^2$  ranged between 3.900 and 7.522 with  $p > 0.05$  indicating that there were no significant differences in perception between the genders of the respondents. It can be inferred to mean that both genders held a common view on locally generated revenue, expenditure decentralisation, intergovernmental fiscal transfers, county government borrowing, accountability practices and service performance of county governments.

**Table 4.13 Relationship between study variables and age**

Variable	$\chi^2$	df	p-value	Conclusion
Locally generated revenue	5.726	12	0.929	Not Significant
Expenditure Decentralisation	13.637	12	0.324	Not Significant
Intergovernmental Fiscal Transfers	14.507	12	0.270	Not Significant
County Government Borrowing	25.636	12	0.012	Significant
Accountability practices	12.414	12	0.413	Not Significant
Service Performance	11.545	12	0.483	Not Significant

**Source: Research Data (2020)**

The statistics in Table 4.13 examined for any association between the study variables and age using the chi-square distribution. The statistic,  $\chi^2$  ranged between 5.726 and 14.507 with  $p > 0.05$  indicating that there were no significant differences in perception according to the age group distribution of the respondents. It can be inferred that all age groups held a common view on: locally generated revenue, expenditure

decentralisation, intergovernmental fiscal transfers, accountability mechanisms and service performance of county governments. However, statistic,  $\chi^2 = 25.636$ ,  $p < 0.05$  for county government borrowing indicated that there were significant differences in the perception of respondents based on their ages with respondents aged between 41 to 50 years tending to have a more positive outlook of county government borrowing compared respondents aged between 21 to 40 years who held the opposing views.

**Table 4.14: Relationship between study variables and education level**

<b>Variable</b>	<b><math>\chi^2</math></b>	<b>df</b>	<b>p-value</b>	<b>Conclusion</b>
Revenue Decisions	13.695	20	0.846	Not Significant
Expenditure Decentralisation	18.654	20	0.573	Not Significant
Intergovernmental Fiscal Transfers	13.317	20	0.863	Not Significant
County Government Borrowing	25.118	20	0.197	Not Significant
Accountability practices	13.168	20	0.870	Not Significant
Service Performance	25.295	20	0.190	Not Significant

**Source: Research Data (2020)**

The statistics on Table 4.14 examined for any association between the study variables and level of education using the chi-square distribution. The statistic,  $\chi^2$  ranged between 13.168 and 25.295 with  $p > 0.05$  indicating that there were no significant differences in perception according to the level of education of the respondents. It can be inferred to mean that respondents across all levels of education held a common view on locally generated revenue, expenditure decentralisation, intergovernmental fiscal transfers, county government borrowing, accountability practices and performance of county governments.

**Table 4.15: Differences between Counties on Study variables**

Variable	F statistic	p-value	Conclusion
Locally Generated Revenue	7.802	0.001	Significant
Expenditure Decentralisation	1.980	0.144	Not Significant
Intergovernmental Fiscal Transfers	0.685	0.506	Not Significant
County Government Borrowing	11.582	0.000	Significant
Accountability practices	9.228	0.000	Significant
Service Performance	7.592	0.001	Significant

**Source: Research Data (2020)**

The statistics in Table 4.15 show that,  $F(2, 91) = 7.802$ ,  $p < 0.05$  indicates significant differences in perceptions regarding the locally generated revenues. The Tukey's post hoc indicate the presence of two perceptual bands with both Baringo and Vihiga counties having a lower approval rating at 3.2041 and 3.2773 respectively, while Kiambu County had a higher approval rating of 3.5958. These perceptual differences mean that Kiambu County manages to collect higher revenues from local sources than both Vihiga and Baringo County.

As drawn from Table 4.15 The statistics,  $F(2, 91) = 1.980$ ,  $p > 0.05$  indicates that there were no significant differences in perceptions in terms of expenditure decisions. Further, there were no significant differences in perceptions with regard to fiscal transfers ( $F(2, 91) = 0.6850$ ,  $p > 0.05$ ). The statistics,  $F(2, 91) = 11.582$ ,  $p < 0.05$  indicates that there were significant differences in perceptions regarding borrowing by the county government. The Tukey's post hoc indicates the presence of two perceptual bands with both Kiambu and Baringo counties having a lower approval at 2.8351 and 3.2049 respectively, while Vihiga county has a higher approval of 3.5958.

Further, the statistics show that,  $F(2, 91) = 9.228$ ,  $p < 0.05$  indicates that there were significant differences in perceptions concerning accountability practices. The Tukey's

post hoc indicates the presence of two perceptual bands with both Baringo and Vihiga counties having a lower accountability index at 2.8988 and 3.1980 respectively, while Kiambu County has a higher index of 3.4107. The statistics  $F(2,91) = 7.592, p < 0.05$  indicates that there were significant differences in perceptions concerning service performance. The Tukey's post hoc indicate the presence of two service performance bands with Baringo County having a lower performance index at 3.1004 while Vihiga and Kiambu counties having a higher service performance index of 3.3797 and 3.4485 respectively.

From the analysis, there are perceptual differences in the study population from the different counties regarding the study variables. The result shows significant perceptual differences in the study based on the county of origin. The most distinguishing aspect was that residents from the Kiambu county had significant positive attitudes towards the different elements of fiscal decentralization; locally generated revenues, expenditure decentralisation, county government borrowing and service performance when compared to both Vihiga and Baringo counties. The positive view of the elements could illustrate the fervour with which the residents of Kiambu County have about devolution. This is unique in that when the perceptual differences in the study population are compared against their socio-demographic characteristics, the results show that there were no perceptual differences in the elements of fiscal decentralization based on age, gender and level of education.

The insignificant differences in socio-demographic characteristics illustrate the challenges faced by the electorates in discerning the effects of devolution and in particular fiscal decentralisation. This could be attributable to the fact that devolution

is still relatively nascent in Kenya and thus the population is still grappling with the changes in the governance structures. The difference can be explained by the nature of participation in political leadership, governance or other aspects. Some of the differences in the results can be explained by the ethnic association which is based on a common identity (Fennema & Tillie, 2001). Thus, homogenous populations tend to share a common interest or shared values in terms of political associations. In this manner, their civic virtues would see the citizens of these counties contribute to a common good even if such contribution was detrimental to their interests. Secondly, cultural isomorphism explains some parts of political participation. When the communities are more homogenous in culture, there is a tendency for the perception to converge in the long-term on a specific ideal and thus there will be minimal differences in perceptions. This has been seen in western democracies, where the socioeconomic characteristics of the voters do not explain the differences in political participation (Coffe & Bolzendahl, 2011).

#### **4.4 Inferential Statistics**

The study sought to assess and measure the strength of linear relationship between the variables using the regression analysis. When using the regression analysis, there are a set of assumptions based on the disturbance term that includes; errors have zero means and are normally distributed, errors are linearly independent of one another, the error variances are constant and finite over all the values of  $x_i$ , no relationship between the error and corresponding  $x$  variate. To rectify the disturbance, the diagnostic tests were conducted to test whether one or more of the assumptions is not supported by the data and these tests included; test for normality, linearity, homoscedasticity, collinearity and presence of a linear relationship between the variable (Brooks, 2014).

#### **4.4.1 Diagnostic Tests**

This section presents a summary of the key diagnostic tests based on a set of assumptions made concerning the disturbance terms and the generalisability of the results (Brooks, 2014). This include; the control of Type I and Type II errors, tests for normality, linearity, and heteroscedasticity as well as multicollinearity. The most important test is the test for the assumption of a normal distribution of the data.

##### **4.4.1.1 Control of Type 1 and Type II Errors**

In hypothesis testing, the standard procedure is that  $H_0$  is typically rejected if the statistic is statistically significant at a chosen significance level ( $\alpha$ ) while not rejecting if the statistic is not significant. Nevertheless, two possible errors could be made concerning the interpretation of  $H_0$ : either,  $H_0$  is rejected, when it is true (Type I error) or not rejected when it is false (Type II error) (Brooks, 2014). Based on these inferences, attempts made to decrease the risk of a Type I error, incidentally, also increase the chances of a Type II error occurring (Depoy & Gitlin, 2011).

First, the study selected the sample size and alpha ( $\alpha$ ) level with conventional guidelines advocating for the use of alpha levels of 0.05 or 0.01. Secondly, the study chose a sample size and then specified the appropriate level of Type I error ( $\alpha$ ) at 0.05 and through this, the researcher was able to set the acceptable limits of error while keeping the probability of the existence of Type II error ( $\beta$ ).

##### **4.4.1.2 Test for Normality**

The study tested whether the data was drawn from a population that was normally distributed using the Shapiro-Wilk Test and graphical analysis. Further, the study used

both the Shapiro-Wilk tests and the graphical analysis method to assess the extent of departure from normal distribution. A finding of no significance ( $p > 0.05$ ) from the Shapiro-Wilk tests indicates that the hypothesis that data was drawn from a normally distributed population cannot be rejected.

**Table 4.16: Shapiro – Wilk Normality Test**

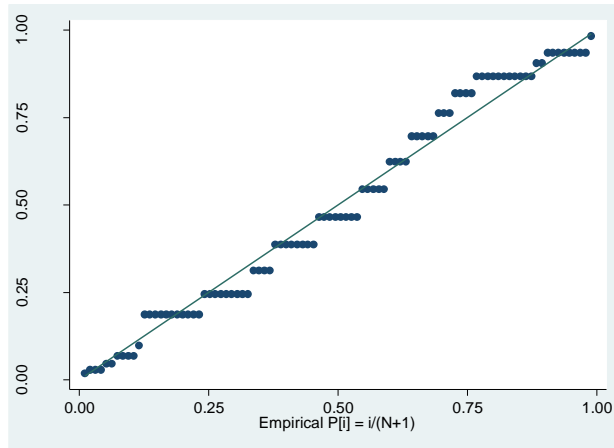
Variable	Obs	W	Z	p-value
Locally generated revenue	94	0.97839	1.166	0.12186
Expenditure decentralisation	94	0.94128	3.376	0.00037
Intergovernmental Fiscal transfers	94	0.85091	5.436	0.00000
County government borrowing	94	0.93318	3.662	0.00013
Fiscal Decentralization	94	0.95929	2.566	0.00514
Accountability practices	94	0.98484	0.382	0.35114

**Source: Research Data (2020)**

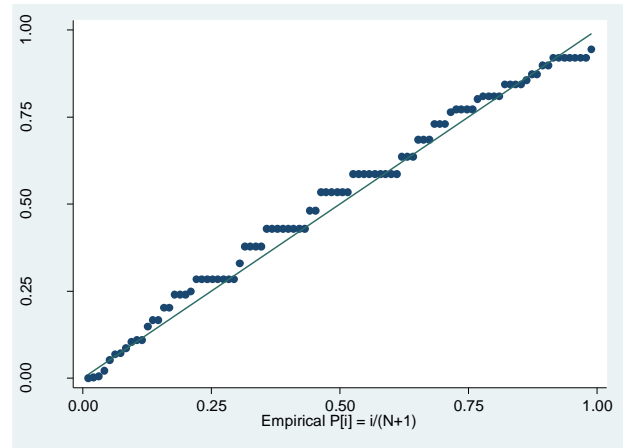
The W statistics from Table 4.16 indicated that all the values were significantly closer to 1 while, the test of significance, p-values  $> 0.05$ . The indications are that the following variables; expenditure decentralisation, fiscal transfers, county government borrowing and fiscal decentralisation violated the assumption of normality ( $p < 0.05$ ) and therefore the second test for normality was applied in line with the recommendations of Hair *et al.*, (2010).

The second test for normality was carried out through the analysis of histograms and normality plots (Figure 4.1). Since the use of histograms is simplistic in approach and the method is problematic for smaller samples, the study used the normality probability distribution which is a more reliable approach. The interpretation is that if the actual data distribution line closely follows the diagonal, the distribution is normal (Hair *et al.*, 2010). In all the cases as seen in Figure 4.1, the data appear to portray a normal

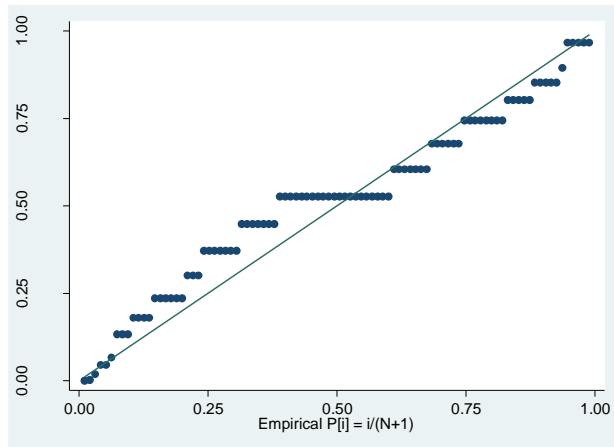
distribution since the data points for the study variables were closely shadowing the straight diagonal line of the normal distribution.



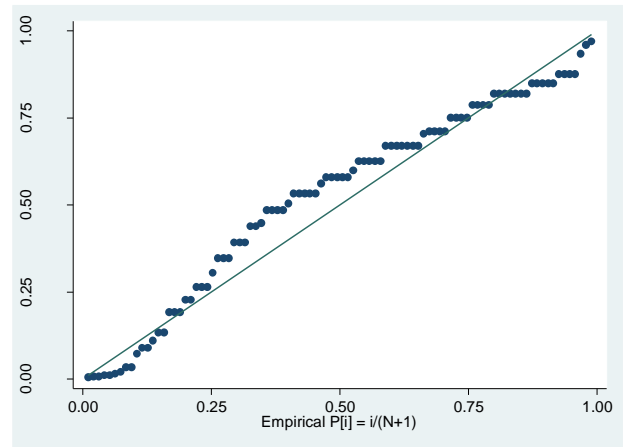
Normality plot for locally generated revenue



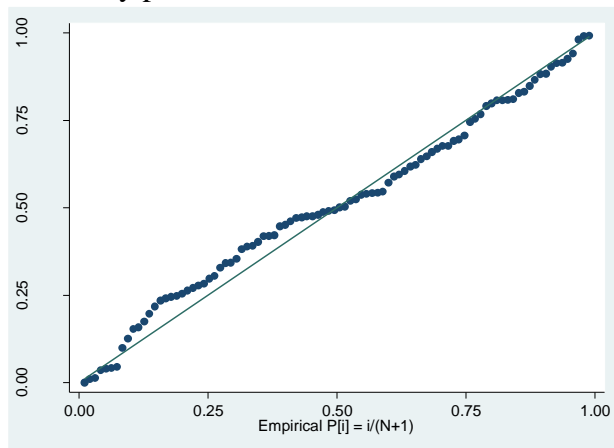
Normality plot for expenditure decentralisation



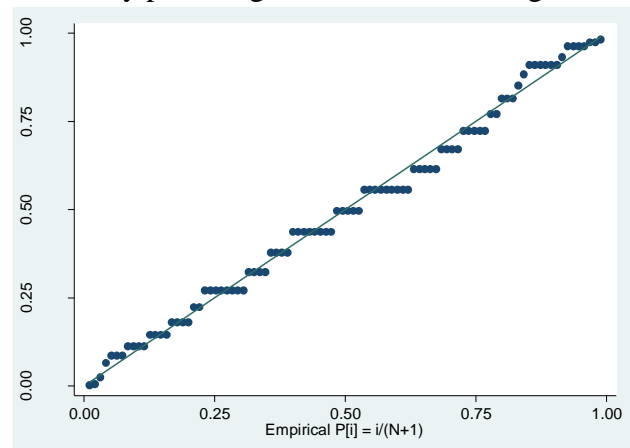
Normality plot for fiscal transfers



Normality plot for government borrowing



Normality plot for fiscal decentralization



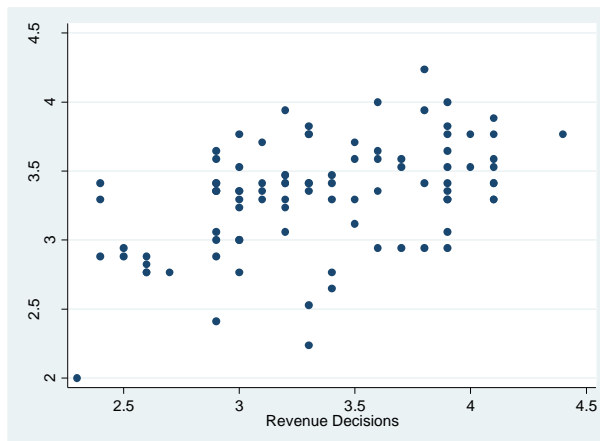
Normality plot for Accountability mechanisms

**Figure 4.1: Normality Plots for the Study Variables**

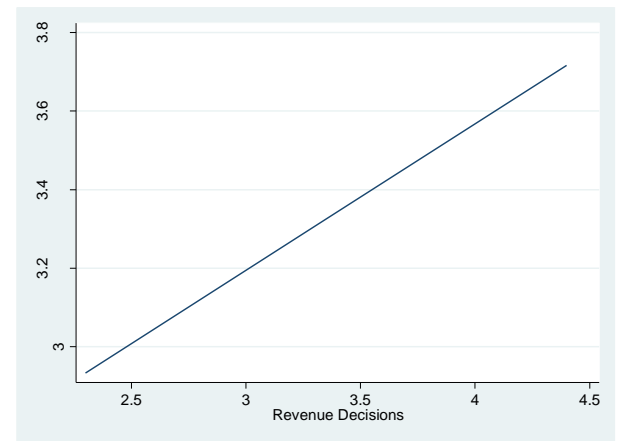
In all the cases as seen in Figure 4.1, the data appear to portray a normal distribution since the data points for the study variables were closely shadowing the straight diagonal line of the normal distribution.

#### 4.4.1.3 Test for Linearity

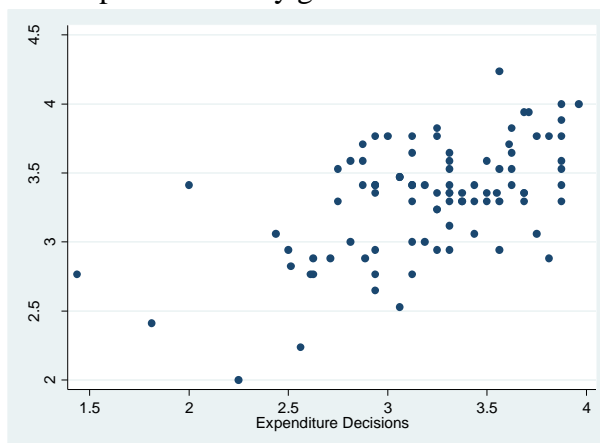
Linearity among the variables was examined through the scatter plots of the variable as a way of identifying any non-linear data patterns and testing for an alternative model (Hair *et al.*, 2010) as shown in Figure 4.2.



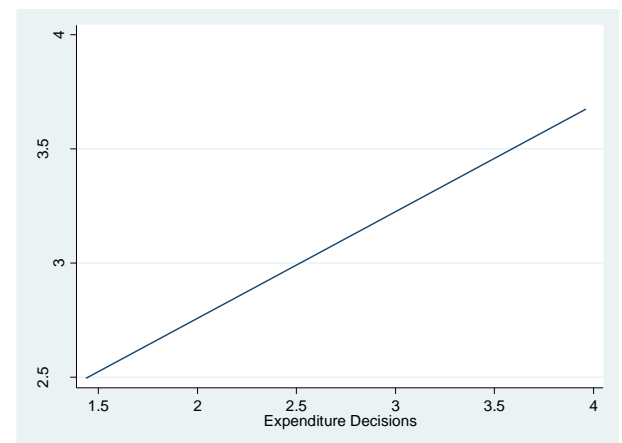
Scatter plot for locally generated revenue



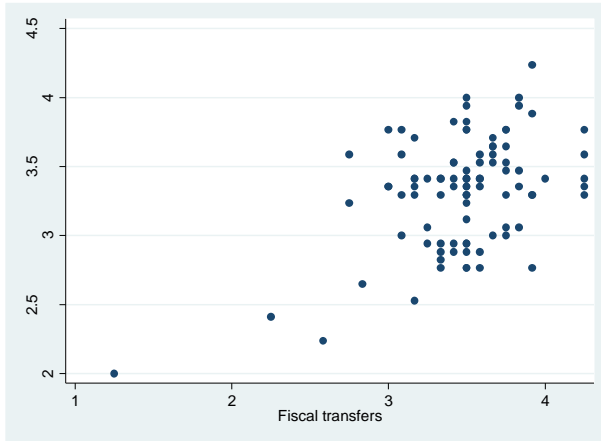
Curve fitting for locally generated revenue



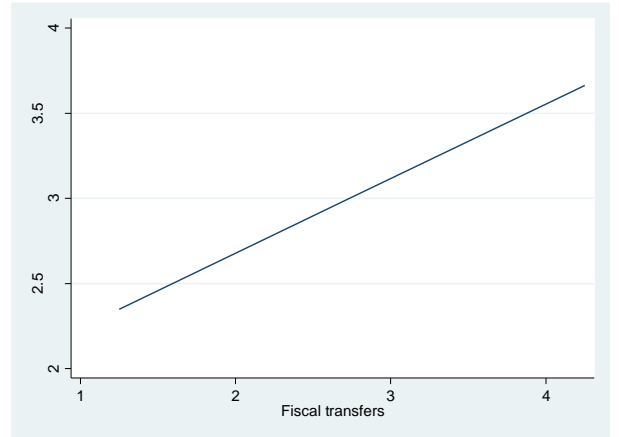
Scatter plot for expenditure decentralisation



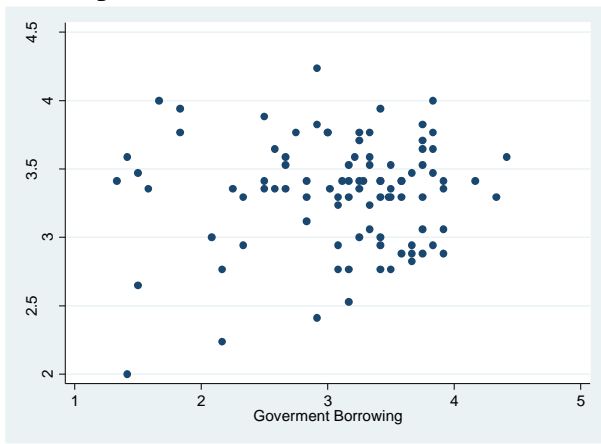
Curve fitting for expenditure decentralisation



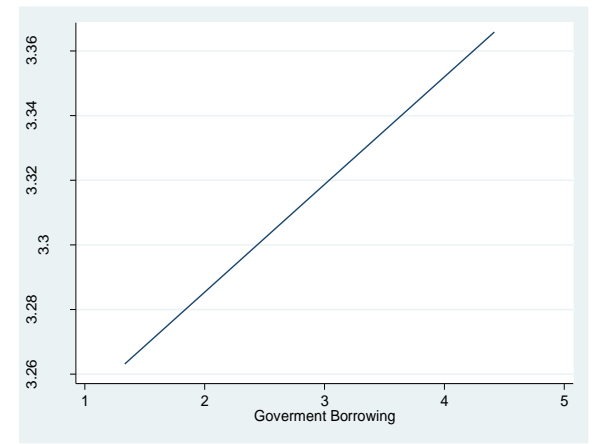
Scatter plot for fiscal transfers



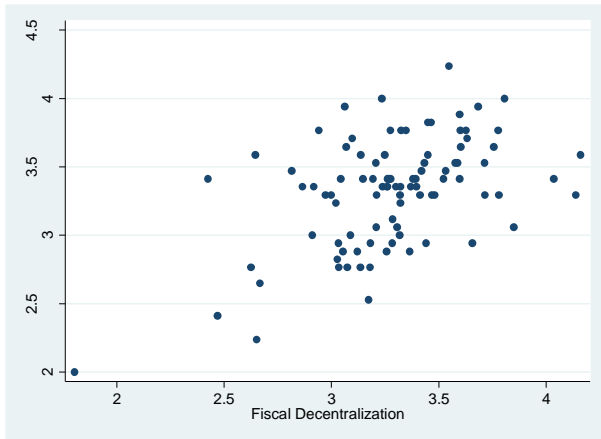
Curve fitting for fiscal transfers



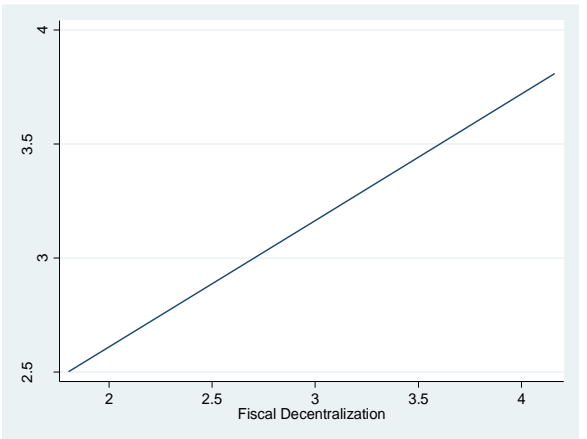
Scatter plot for government borrowing



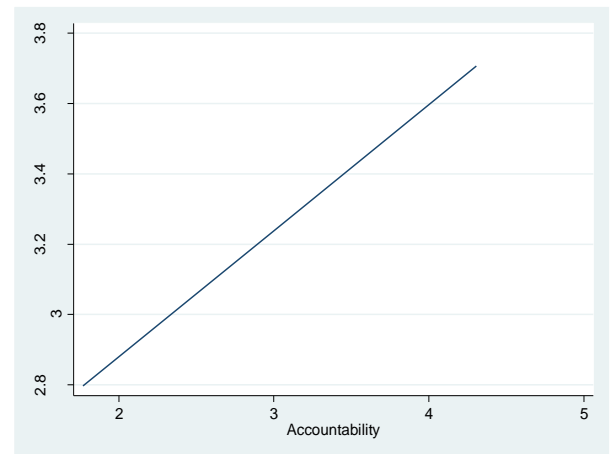
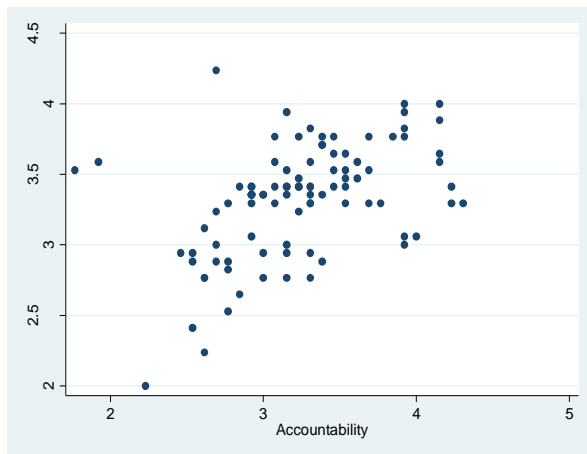
Curve Fitting for government borrowing



Scatter plot for Fiscal decentralization



Curve Fitting for Fiscal decentralization



Scatter plot for Accountability practices

Curve Fitting for Accountability practices

**Figure 4.2: Scatter and Curve Fitting Plots for the Study Variables**

Figure 4.2 displays the scatter and curve-fitting plots for the study variables. The graphical representation shows the presence of linearity between the study variables thus affirming the relationship between the independent and dependent variables. Hair *et al.*, (2010) affirmed the curve fitting and model equations serve to indicate two distinct aspects of linearity: (a) the existence of linearity between the variables and (b) the exclusion of non-linearity in the data because the association represents only the linear variables between the variables.

#### **4.4.1.4 Test for Heteroscedasticity**

Homoscedasticity was tested using Breusch-Pagan-Godfrey test with a finding of significance indicating that the null hypothesis is rejected and homoscedasticity cannot be assumed (Garson, 2013). Any observed heteroscedasticity in the data that is traceable to non-normality can be remedied by the use of robust regression models such as weighted least squares (Hair *et al.*, 2010).

**Table 4.17: Test for Heteroscedasticity**

Regression model	$\chi^2$ value	p-value	Conclusion	Action
Direct effect model	3.61	0.0573	homoscedasticity can be upheld	None
Mediated Effects model	0.99	0.3189	homoscedasticity can be upheld	None
	2.25	0.1333	homoscedasticity can be upheld	None
	0.43	0.5097	homoscedasticity can be upheld	None

Source: Research Data (2020)

#### 4.4.1.5 Test for Multicollinearity

The study used two common methods to detect for multicollinearity between the independent variables: a tolerance figure,  $1 / VIF \geq 0.1$  or variance inflation factor (VIF)  $\leq 10$  (Hair *et al.*, 2010). Further, the presence of multicollinearity in the data can be indicated by an  $r \geq \pm 0.9$  (Henson & Roberts, 2006). In cases where  $VIF \geq 10.00$  or  $1 / VIF < 0.1$  Sekaran & Bougie, (2010), Saunders *et al.*, (2009) suggest that the variable in question should be dropped from the analysis.

**Table 4.18: Collinearity Statistics**

Model	Variable	VIF	Tolerance	Conclusion	Reference
Direct effect	Dummy	1.22	0.8206	No multicollinearity	Table 4.20
	Locally generated revenue	1.56	0.6391	No multicollinearity	
	Expenditure decisions	1.53	0.6548	No multicollinearity	
	Fiscal transfers	1.46	0.6836	No multicollinearity	
	Government borrowing	1.44	0.6934	No multicollinearity	
Mediated effect	Locally generated revenue	1.35	0.7393	No multicollinearity	Table 4.21
	Expenditure decisions	1.56	0.6417	No multicollinearity	
	Fiscal transfers	1.53	0.6555	No multicollinearity	
	Government borrowing	1.34	0.7453	No multicollinearity	
	Locally generated revenue	1.45	0.6899	No multicollinearity	Table 4.22
	Expenditure decisions	1.58	0.6316	No multicollinearity	
	Fiscal transfers	1.56	0.6424	No multicollinearity	
	Government borrowing	1.45	0.6892	No multicollinearity	
	Accountability practices	1.87	0.5352	No multicollinearity	
	Locally generated revenue	1.77	0.5642	No multicollinearity	Table 4.23
	Expenditure decisions	1.61	0.6194	No multicollinearity	
	Fiscal transfers	1.78	0.5612	No multicollinearity	
	Government borrowing	1.45	0.6879	No multicollinearity	

Source: Research Data (2020)

Table 4.18 concerns the collinearity statistics as indicated by the variance inflation factor (VIF) and tolerance ( $1 / \text{VIF}$ ). The residuals of the independent variable for the direct and mediated effects models had VIF values between 1.22 and 1.83 which were less than 10.0 and the  $1 / \text{VIF}$  ranging between 0.5474 and 0.8206 and were greater than 0.1. This implies that collinearity between the independent variables was not encountered.

#### **4.4.1.6 Test for Linear Association**

The study used the Pearson correlation coefficient to test for the significant correlations between the predictor and criterion variable and coefficients are interpreted as follows strong correlation,  $r > 0.5$ , moderate correlation,  $0.3 > r < 0.5$  and weak correlation,  $r < 0.3$  (Heale & Twycross, 2015).

Before the correlation analysis was conducted, the researcher observed that data set held a vast quantity of information from the indicators of the variable. Due to this, the researcher had to choose the most appropriate way of reducing the data, with the aid of the arithmetic mean which serves two functions; reduce the effect of outliers and normalize the data. Through this analysis, the researcher reduced the vast quantity of information from the indicators of the variable and condensed the individual feedback to one numerical indicator or an index which were then used for further inferential analysis.

**Table 4.19: Correlation Analysis**

	Service Performance	Local Revenue decisions	Expenditure decentralisation	Fiscal transfers	Government borrowing	Accountability practises
Service Performance	1.0000					
Local Revenue Decisions	0.5823*	1.0000				
Expenditure decentralisation	0.5553*	0.4630*	1.0000			
Fiscal transfers	0.4660*	0.2622*	0.4571*	1.0000		
Government borrowing	0.0585*	-0.1192	0.2771*	0.4613*	1.0000	
Accountability practices	0.5954*	0.5710*	0.4686*	0.4951*	0.1058	1.0000

\*. Correlation is significant at the 0.05 level (2-tailed).

**Source: Research Data (2020)**

Table 4.19 concerns the correlations between the study variables. The dependent variable, county government service performance positively correlates with the locally generated revenue ( $r = 0.5823$ ,  $p < 0.05$ ), expenditure decentralisation ( $r = 0.5553$ ,  $p < 0.05$ ) and fiscal transfers ( $r = 0.4660$ ,  $p < 0.05$ ) while negatively correlating with county government borrowing ( $r = -0.0585$ ,  $p < 0.05$ ). These would indicate any shift in the measures of fiscal decentralisation would have a corresponding shift in service performance. Further, the accountability practices ( $r = 0.5954$ ,  $p < 0.05$ ). The indications are that any changes in the fiscal decentralisation would signal a shift in the performance of the county government.

#### 4.4.2 Regression Analysis

The analysis can be based either on individual items or a summation of items forming a scale (Leung, 2011). The researcher reduced the vast quantity of information from the indicators of the variable to a single numerical index using the arithmetic mean.

The testing for the hypotheses was done as described in the procedures listed in Chapter Three. There were two models: direct effects and mediated effects model. The direct effects model tested for the direct effects between the components of fiscal decentralisation and service performance of county governments while the mediated effects model tested for the mediating effects of accountability practises on the performance of county governments.

#### 4.5 Test of Hypotheses

The section relates to the direct effects model where the independent variables, the components of fiscal decentralization were regressed on the perceived service performance of the selected county governments in Kenya.

**Table 4.20: Effect of Fiscal Decentralisation on Perceived Service Performance of County Governments**

ANOVA Statistics							
Model	Sum of Squares	df	Mean Square	F		Sig.	
Regression	6.89852871	5	1.37970574	F(5, 88) = 15.38		0.0000	
Residual	7.89528401	88	.089719136				
Total	14.7938127	93	.159073255				
Model Summary							
R-squared = 0.4663		Adj R-squared = 0.4360		Root MSE = 0.29953			
Coefficient Estimates							
County performance	Unstd Coefficient	Std beta	Std. Err.	T	p	[95% Conf. Interval]	
Constant	1.17843		0.3084	3.82	0.000	0.5655	1.7914
Dummy	-0.1672	-0.1784	0.0805	-2.08	0.041	-0.3273	-0.0071
Revenues	0.2072	0.0259	0.0754	2.75	0.007	0.0576	0.3571
Expenditure	0.2903	0.3454	0.0819	3.55	0.001	0.1276	0.4531
Fiscal	0.3108	0.3302	0.0906	3.43	0.001	0.1308	0.4908
Borrowing	-0.1389	-0.2434	0.0538	-2.61	0.011	-0.2447	-0.0330

Source: Research Data (2020)

The statistics on Table 4.20 shows that ANOVA statistic,  $F(5, 88) = 15.38$ ,  $p < 0.05$ , shows that the independent variables are jointly significant in explaining variations in perceived service performance of selected county governments. The  $R^2 = 0.4663$  indicates that approximately 47 per cent of performance is explained by the application of the fiscal decentralisation components. The beta coefficients are: Vihiga  $\beta_1 = -0.1672$ , ( $t = -2.08$ ,  $p < 0.05$ ), locally generated revenue,  $\beta_2 = 0.2072$  ( $t = 2.75$ ,  $p < 0.05$ ); expenditure decentralisation,  $\beta_3 = 0.2903$  ( $t = 3.55$ ,  $p < 0.05$ ); intergovernmental fiscal transfers,  $\beta_4 = 0.3108$ , ( $t = 3.43$ ,  $p < 0.05$ ); and county government borrowing,  $\beta_5 = -0.1389$  ( $t = -2.61$ ,  $p < 0.05$ ). All the  $p < 0.05$  indicate that all the coefficients are significant.

Therefore, the regression equation indicates the predicted county government service performance is as follows:

$$Y = 1.1784 + -0.1671(\text{Vihiga}) + 0.2072 X_1 + 0.2903X_2 + 0.3108X_3 -0.1389X_4.$$

**Where;**

$Y$  = Perceived service performance of the selected county governments

$X_1$  = Locally generated revenues

$X_2$  = Expenditure decentralisation

$X_3$  = Intergovernmental fiscal transfers

$X_4$  = County government borrowing

These results reveal that the components of the fiscal decentralisation have an effect on perceived service performance of selected county governments in Kenya with the indication that increase in locally generated revenue by one unit would have a corresponding increase in county government service performance by 0.2072 units

while an increase of expenditure decentralisation by one unit would have a corresponding increase in county government performance by 0.2903 units. At the same time, the results reveal that an increase of intergovernmental fiscal transfers by one unit would have a corresponding increase in county government performance by 0.3108 units whereas an increase of county government borrowing by one unit would have a corresponding decrease in county government performance by 0.1389 units.

#### **4.5.1 Hypothesis One**

This hypothesis sought to determine the effect of the locally generated revenue on the perceived service performance of selected county governments in Kenya. The null hypothesis was stated as follows:

**H<sub>01</sub>:** Locally generated revenues have no significant effect on the perceived service performance of selected County Governments in Kenya.

The beta coefficient for locally generated revenues,  $\beta_2 = 0.2072$  ( $t = 2.75$ ,  $p < 0.05$ ); was statistically significant. The results in Table 4.20 shows that locally generated revenues have a significant effect on perceived service performance of the selected county governments in that a positive unit change in the locally generated revenues of the selected county governments in Kenya results in a 0.2072 unit increase in service performance. Based on the finding, the study findings rejected the null hypothesis that locally generated revenues have no significant effect on the service performance of selected county governments in Kenya and conclude that the locally generated revenues have a statistically significant positive effect on the perceived service performance of selected county governments in Kenya. The conclusion to the finding of the hypothesis

testing are explained using several bases namely, the nature of the variable, locally generated revenues, theoretical foundation underpinning the variable and hypothesis and the previous empirical studies.

The first basis used to explain the finding of the hypothesis testing is indicated by the nature of the variable itself. The study operationalised the locally generated revenues using the capability of county governments to classify and cluster different sources of revenue and the ability of county governments to collect and aggregate revenue from various sources. Collection of revenue is anchored in law and to ensure participation by the citizens, the county governments publicise the times and venues for consultative meetings to discuss the county government's sources of revenue. County governments collect levies, taxes and fees but the collected funds are not adequate for them to offer the services required by the citizens. This is shown by the mean of 3.421 and a low standard deviation of  $\leq 1.00$ .

Locally generated revenues by their nature are affected by economic, environmental, technological and demographic shifts and since local revenue generation is open to the external environment, the output of revenue systems and their administrative and political acceptability is exposed to rapid changes (Bartle, Kriz & Morozov, 2011). The study also noted that in order to attain maximum benefits, the local revenue policy should be developed as a hybrid of principles, practical considerations, political choices, taking account of historical realities and interactions among the devolved governments. The existence of laws and regulations that guide revenue collection also requires that these sources of revenue be unambiguously defined with responsibilities and answerabilities clearly defined (Coker, Eteng, Agishi, & Adie, 2015). Furthermore, one of the key considerations during the creation of a sub-national government unit is

the capacity to generate revenue internally and with its jurisdiction (Kithatu-Kiwekete, 2016).

The second basis is supported by the theoretical underpinnings of the fiscal decentralisation and agency theories. One of the key principles of fiscal decentralisation theory is the local generation of revenues by sub-national units. Subnational governments that collect their revenue for the purchase of goods or delivery of services through taxation is more likely to realistically undertake a cost-benefit analysis of providing that particular good or service since the residents who are taxed will hold the government accountable and therefore gives the government unit a reason to offer the good or service at the lowest possible cost hence increasing spending in line with the local preferences (Naald, 2003). The study also observed that one of the key economic functions of government is distributive justice; however, local governments commonly depend on regressive revenue sources and therefore risk overtaxing the rich to pay for public services and goods for the poor. The theory of fiscal decentralization asserts that with high taxation, the rich will move to a jurisdiction where they will not be as heavily taxed (Tiebout, 1956) leaving the poor without a tax base. Essentially, a properly structured revenue collection system, competent staff and automation of revenue should be undertaken to ensure the optimal generation of income in sub-national units.

The design and implementation of sub-national government financial resources indicate how citizens vote for leaders who will make public policy and citizens allocate themselves funds by paying the taxes (Von Hagen, 2002). Agency theory suggests that the principal and agent enters into a contract either implicitly or explicitly, in the hope that the agent will do the job as desired by the principal (Jubery, Moeljadi, Fajri, &

Atim, 2017). The key foundation of the agency theory is the assumption that information asymmetry exists between the principal and the agent. Stempień, (2012) observes that the agent seeks to maximize his or her return within the limitations and incentives offered by the principal. On the other hand, the principal seeks to structure the relationship with the agent such that he/she gets the most out of the agent's efforts resulting in a conflict of interest. The citizens can be viewed as principals who avail the funds by paying the taxes (Von Hagen, 2002) while the leaders are agents given the mandates and resources to implement general policies to achieve the desired objectives (Bossert, 1998). Subnational governments, therefore, collect revenue from the citizens and are expected to be responsive to citizen needs by offering the required services promptly.

Empirical studies have directly linked local tax revenues with service performance of subnational governments. Jubery *et al.*, (2017) observed that income from rates and licences have a significant positive effect on the performance of local governments while Edogbonya, Sule and Sule(2013) avers that locally generated revenue has a positive impact on capital projects. A study by Bodman, Campbell, Heaton and Hodge, (2009) found that revenue decentralization increases medium-term economic growth and improved budget balance in sub-national units. Mutua and Wamalwa (2017) observed that Nairobi City County lacks a comprehensive policy and legislative framework to support its revenue administration, hence affecting revenue mobilization resulting in local revenue collection falling short of its targets. To attain efficient revenue collection, the study recommends comprehensive revenue automation in addition to enhanced administrative capacity and efficient collection practices. In Nakuru County, Henry, Bogonko and Ong'iyo (2018) found that the county government

attained improved efficiency in its revenue collection when it automated its systems. Odoyo *et al.*, (2013) in a study to determine the effects of the automated revenue collection system in Homabay County established a strong positive relationship between automation and effectiveness in revenue collections.

According to Mutua and Wamalwa (2017), Nairobi City County has a thin revenue base hence affecting the revenue collected. The study further established that the county is not able to undertake revenue forecasting and monitoring because of the lack of a revenue database. In Uganda, Mpaata *et al.*, (2017) found a positive and significant relationship between the existing tax base and the delivery of basic community services. Therefore, to improve on its collections, local governments need to establish stable sources of revenue with low mobility between jurisdictions (Fjeldstad & Heggstad, 2012)

#### **4.5.2 Hypothesis Two**

This hypothesis sought to examine the effect of the expenditure decentralisation on the perceived service performance of selected county Governments in Kenya. The null hypothesis was stated as follows:

**H<sub>02</sub>:** Expenditure decentralization has no significant effect on the perceived service performance of selected County Governments in Kenya

The beta coefficient,  $\beta_3 = 0.2903$  ( $t = 3.55$ ,  $p < 0.05$ ) was statistically significant. The results in Table 4.20 shows that expenditure decentralisation has a significant effect on the service performance of the selected county governments in that a positive unit

change in the expenditure decentralisation results in a 0.2903 unit increase in service performance. Based on the finding, the study findings rejected the null hypothesis that expenditure decentralisation has no significant effect on the service performance of selected county governments in Kenya and concludes that the expenditure decentralisation has a statistically significant positive effect on the service performance of selected county governments in Kenya. The conclusion to the finding of the hypothesis testing are explained using several bases namely, the nature of the variable, expenditure decentralisation, theoretical foundation supporting the variable and hypothesis and the previous empirical studies.

The first basis used to explain the finding of the hypothesis testing is indicated by the nature of the expenditure decentralisation. The study operationalised expenditure decentralisation using the legal foundation for the county government to spend, established delegated authority to incur expenditure and approval and disbursement of funds. Opinion leaders opine that the public cannot determine whether the money used for budgetary allocations by the county government is coming from its sources or the national government and although county governments frequently announce the times and venues for citizens to discuss the budget expenditure, the ultimate decisions by county officials to undertake development projects are based on political interests. This is shown by the mean of 3.277 and diverse opinions with a standard deviation of  $\leq 1.00$ .

There should be a clearly defined assignment of expenditure responsibilities in order for expenditure decentralisation to be realized, failure of which the service provider will be undermined (Morgan & Trinh, 2017). Expenditure assignment also needs to be dynamic given advances in technology, changes in people's preferences, human capital,

and relative resource endowments of the varied regions of a country (Martinez-Vazquez, McLure & Vaillancourt, 2006). Expenditure functions of a sub-national government determine the extent to which it is reliant on grants with local governments having limited expenditure responsibilities easily financing its budget (Hart & Welham, 2016). World Bank (2012) contends that spending efficiency is more important than the level of spending, therefore it is important to assign expenditure responsibilities during the design of fiscal decentralization initiatives (Martinez-Vazquez, 2001). Additionally, expenditure assignment cannot be considered as a stand-alone without taking into account the revenue sources, otherwise, the sub-national governments will experience capacity issues and unfunded mandates and challenges in the service delivery of services (Maseko, 2010). As such, funds must follow functions (Hart & Welham, 2016).

The second basis is the theoretical support of fiscal decentralisation and agency theories. One of the key principles of fiscal decentralisation is expenditure decentralisation to sub-national units. The theory deals in the distribution of expenditure responsibilities to various levels of government depending on the legal separation of powers and responsibilities (Negussie, 2016).

The theory of fiscal decentralization provides in a general way, a normative framework for the assignment of functions to distinct levels of government and the applicable fiscal instruments for executing these functions (Oates 1998). The theory of fiscal decentralisation highlights assignments of expenditures among governments intending to improve the welfare of society (Musgrave, 1984).

The agency theory describes the relationships between the public officials as agents and citizens as the principals who seek to maximize their welfare maximised from the fiscal decisions taken by their leaders (Bowie & Norman, 2008). The theory shows that leaders have a significant influence in designing government expenditure and selection of projects that benefit the citizens (McKie & Walle, 2010). The perspective of agency theory in the design and implementation of sub-national government resources essentially examines how citizens vote for leaders who will make public policy and them as principals avail the funds by paying the taxes (Von Hagen, 2002). The theory is versatile enough for it to be used in the interpretation of the effects of institutional arrangements on the accountability(Gailmard & Patty 2007).

Previous empirical studies have link expenditure decentralisation with the performance of subnational governments. Martinez-Vazquez *et al.*, (2017) noted that decentralization of expenditure authority results in greater public sector efficiency. Oates (2005) supports this thesis and observes that in the presence of varied preferences and needs by citizens, public service provision by a decentralised government regime will largely result in increased citizen welfare. In local municipalities in Brazil, Gonçalves (2013), avers that participatory budgeting led to expenditure allocations that closely reflected citizen preferences. Devkota (2014) empirically studied the impact of fiscal decentralisation on per capita GDP of local governments and established that expenditure decentralization indices positive influenced per capita district GDP while Ganaie *et al.*, (2018) found that expenditure decentralization positively affected the state domestic gross product in India.

Goerl and Seiferling (2014) and Fedelino and Ter-Minassian (2009) noted that governments make mistakes of amending expenditure mandates in isolation hence affecting performance. The study further noted that expenditure decentralization must be anchored in law. Hobdari *et al.*, (2018) note that spending responsibilities are best spelt out at lower-level legislation rather than in constitutions because changes to the intergovernmental relations are necessary at any time. Lewis, Kuan and Searle (2010); Nasution, (2016) opine that lack of legal documents laying out the functions of each level of government is attributed to the unclear assignment of roles between local and central governments and this can affect service delivery while Keng'ara, (2014) observes that disbursement of funds is the most essential phase of implementing projects hence affecting performance.

#### **4.5.3 Hypothesis Three**

This hypothesis sought to evaluate the effect of intergovernmental fiscal transfers on the perceived service performance of selected county Governments in Kenya. The null hypothesis was stated as follows:

**H<sub>03</sub>:** Inter-governmental fiscal transfers have no significant effect on the service performance of selected county governments

The beta coefficient,  $\beta_4 = 0.3108$ , ( $t = 3.43$ ,  $p < 0.05$ ) was statistically significant. The results in Table 4.20 show that inter-governmental fiscal transfers have a significant effect on the performance of the selected county governments given that a positive unit change in intergovernmental fiscal transfers has a 0.3108-unit change increase in the service performance of selected county governments in Kenya. Based on the results,

the study findings rejected the null hypothesis that inter-governmental fiscal transfers have no significant effect on the performance of selected county governments in Kenya and conclude that the inter-governmental fiscal transfers have a statistically significant positive effect on the service performance of selected county governments in Kenya. The conclusion to the finding of the hypothesis testing are explained using several bases namely, the nature of the variable itself, inter-governmental fiscal transfers, the theoretical foundation supporting the variable and hypothesis and the previous empirical studies.

The first basis used to explain the finding of the hypothesis testing is indicated by the nature of the variable itself. The study operationalised inter-governmental fiscal transfers using the legal framework and timely fund transfers to the county governments. Thus, intergovernmental fiscal transfers are part of the revenues received by the county government for their budgetary allocation and these transfers have a positive effect on service delivery at the local government levels as indicated by the mean of 3.520 and a standard deviation of  $\leq 1.00$ .

Intergovernmental fiscal transfers system entails a fiscal relationship between the different tiers of the government which enables the local government units to deliver on their mandate (Hendriks, 2016). Fiscal transfers advance national or regional objectives, which include equity and fairness among the population and are a key feature in financing subnational governments besides helping the sub-national government match the expenditure needs (Shah, 2006). Transfers from national governments play a pivotal role in financing the expenditure responsibilities of local government units and bridging the financing gap created by the low locally generated

revenue (Rodríguez-Pose, & Krøijer, 2009). Given the important role played by the transfers in financing sub-national units, the funds can at times result in negative incentives for subnational units to raise revenue from local sources largely because the increase in locally generated revenues could prompt reductions in the transfers from the national government (Dabla-Norris, 2006).

Generally, intergovernmental transfers are categorised into unconditional and conditional transfers (Shah 2016). On the other hand, conditional transfers when allocated to specific investment projects, tend to encourage expenditures in identified areas. While both conditional and unconditional transfers increase the available financial resources of sub-national units, conditional transfers limit local public policy options resulting in undesired public investments (Boadway & Shah 2007). Therefore, deciding between unconditional and conditional transfers is a major public policy option since each category of transfer offers the sub-national unit diverse incentives concerning expenditure decentralisation and revenue mobilization (Brun, & El Khdari, 2016).

The second basis is the theoretical underpinnings of the fiscal decentralisation theory. One of the key principles of fiscal decentralisation is intergovernmental fiscal transfers. The theory of fiscal decentralization assigns an important policy instrument to the intergovernmental transfers (Oates 1999; Tiebout, 1956). Fiscal decentralization theory indicates that intergovernmental fiscal transfers can provide fiscal equalization and thus combat disparities across different sub-national units, they are used for revenue-sharing purposes, and they can internalize spillover effects to other local governments (Smart & Bird 2010).

Previous studies have linked intergovernmental fiscal transfers and the service performance of subnational governments. Rauf *et al.*, (2017) observed that fiscal transfers have a positive impact on the delivery of public services in Pakistan while Fan *et al.*, (2018) notes that careful design of intergovernmental fiscal transfers is fundamental in ensuring that government funding facilitates local service delivery efficiently and equitably. Choudhry and Perrin (2007) and Kitchen (2007) opines that intergovernmental transfers promote horizontal equity by enhancing the fiscal capacities of subnational governments hence providing a comparable quality of services at comparable tax rates.

According to Chen, Mulaki and Williamson, (2014), national governments frequently apply conditional grants to achieve efficiency and equity in the delivery of core health services. For instance, a study in Rwanda observed that conditional grants promoted responsiveness to local populations' needs and impacted positively on access and quality of healthcare services (USAID, 2010). The study by Tonhodzai, Nyikadzino and Nhema, (2015) notes that conditional grants are given to local governments to support capital expenditure such as the renewal of urban infrastructure such as the expansion of sewerage works. Prakash (2012) observes that national governments usually specify the purpose for use of the funds such as addressing issues that the national government considers of high importance and with across regional spill-over effects but may not be considered very important by sub-national governments.

Unconditional grants provide budgetary support and are aimed at preserving local government autonomy and boosting inter-jurisdictional equity (Broadway & Shah,

2009). Bradford & Oates (1971a, 1971b) argued that grants may affect the fiscal performance of subnational governments by freeing up extra funds for the sub-national governments and thus confer benefits in the form of tax reduction (Masaki, 2018). A study by Dahlberg et al., (2008) found that transfers tend to increase local spending. Other authors have indicated that found that grants expand local tax revenues hence increasing service delivery of sub-national governments(Brun and Khdari, 2016; Zhang, 2013; Caldeira and Rota-Graziosi, 2014). In so far as transfers from development partners are concerned, Boschmann, (2009) opines that significant progress has taken place regarding the coordination of support for subnational governments in undertaking common project designs hence ensuring a more equitable distribution of funds and mainstreaming procedures in many African and Asian countries.

#### **4.5.4 Hypothesis Four**

This hypothesis sought to establish the effect of the county government borrowing on the perceived service performance of selected county governments in Kenya. The null hypothesis was stated as follows:

**H<sub>04</sub>:** County government borrowing has no significant effect on the perceived service performance of selected county governments in Kenya.

The beta coefficient,  $\beta_5 = -0.1389$ ( $t = -2.61$ ,  $p < 0.05$ ) was statistically significant. The results in Table 4.20 show that county government borrowing has a significant negative effect on the service performance of the county governments in that a positive unit change in the county government borrowing has a -0.1389 -unit decrease in the service

performance. Based on the finding, the study findings rejected the null hypothesis that county government borrowing has no significant effect on the service performance of selected county governments in Kenya and concludes that county government borrowing has a statistically significant negative effect on the performance of selected county governments in Kenya. The conclusion to the finding of the hypothesis testing are explained using several bases namely, the nature of the variable, county government borrowing, theoretical foundation underpinning the variable and hypothesis and the previous empirical studies.

The study operationalised the county government borrowing using the mandate of the county government to borrow from public and private sources. Opinion leaders disagreed that borrowed funds have supported the county government in enhancing its responsiveness to citizen needs, improved the service offered by the county government or used to fund projects. At the same time, they disagreed that borrowing funds from commercial sources such as banks negatively affects service delivery. This is shown by the mean of  $\leq 3.5$  and diverse opinions regarding county government borrowing as shown by the standard deviation of  $\geq 1.00$ .

Governments world over seek financing from commercial sources, multi-lateral agencies, governments or internally (from individual residents) to finance its delegated expenditure requirements. The main reasons governments borrow include; funding short-term cash deficits, financing income-generating investments, finance capital expenditure or budget deficits. Borrowing per se is not a source of revenue but a financing mechanism of governments given that the funds borrowed have to be repaid (Devas & Alam, 2008).

Several positive outlook are associated with subnational government borrowing and they include additional project funding and promoting intergenerational equity (Martinez-Vazquez & Vulovic, 2017). The study further notes that while borrowing by local governments can have significant benefits, it can also be complex and can sometimes have a serious impact, jeopardising fiscal sustainability and macroeconomic stability due to moral hazard hence justifying borrowing controls. Lenders such as central governments need to be sure that a sub-national government do not become overstretched in its borrowing hence affecting the ability to service the debt (Devas, & Alam, 2008).

The second basis is mounted on the theoretical underpinnings of the Agency and New Public Management theories. Agency theory deals with delegated relationships whereby a principal delegates certain authority to its agents on the strengths of an explicit or implicit contract (Stempień, 2012). In this regard, decisions made by the agent impact the welfare of the principal. The agency theory contends that there exists information asymmetry in favour of the agent and the agent expects to maximise his utility and that the intentions of the principal and agent may be divergently resulting in conflicts of interest (Masanyiwa, Niehof & Termeer, 2013). With the assumption of moral hazard, it is hypothesised that the agent may even undertake actions that adversely affect the welfare of the principal.

New Public Management points to the challenges and shortfalls of performance of the public sector to the nature and practices of public sector activity (Kalimullah, Alam, & Nour, 2012). New Public Management cherishes minimal government,

debureaucratization, decentralization, performance management and envisions a more efficient mechanism for offering public goods and services and improving the performance of government (Kelly, 2000). The reforms towards New Public Management were adopted as a response to the differences noted in the weak performance of the government sector when compared to the private sector (Pallott, 1999; Tabrizi *et al.*, 2018).

Glor(2001) observes that despite high debt, Canada reduced its public services compared with countries with lower debt levels an indication that increased borrowing does not necessarily translate to improved performance. Difficulties such as accumulated public debt tend to initiate change in the public sector (Yamamoto, 2003; Fatemi, & Behmanesh 2012). The key public finance problems that New Public Management is expected to cure are inconsistent voting arrangement, which may lead to sub-optimal high deficits and debt (Sarr, 2015).

Previous studies have confirmed a direct link between subnational government borrowing and performance. Deng and Chen (2017) noted that fiscal decentralization leads to an increase in sub-national borrowing while, Zafra-Gómez, Rodriguez Bolivar and Alcaide Munoz, (2012) argue that states that decentralised their services face challenges of financial performance and thus require appropriate regulation mechanisms, otherwise, there is a risk of a significant increase in the levels of debt (Christensen & Lægreid, 2015) which could affect the delivery of services. A study by Mikesell (2007) found that the major motivation for local government borrowing is to finance fiscal deficit while Wang and Gao (2011) contend that an increase in sub-national debt is attributable to anti-crisis operations and impulsive investment by sub-

national government (Ying & Wenjie, 2019). At the same time, Miao and Fu (2015) demonstrated that competition for growth by sub-national governments resulted in sub-national government debt increase which could affect service delivery.

Kahkonen and Gooptu, (2016) examined the management of the subnational debt in China and reported that the local government debt strategy is unplanned and sensitive to infrastructural requirements and economic development incentives. Further, the study reported that local governments do not have fiscal autonomy to borrow and hence used informal approaches to finance capital expenditure. This has significant effect on the performance of the sub-national governments. The study by Reinhart and Rogoff (2010) contended that government debt adversely affected economic performance in selected OECD countries. At the same time, Tsui (2011) studied China's local government debt associated with local government borrowing for investment in large infrastructure projects and found that the infrastructure development created a significant risk and was not sustainable. Wu, (2014) observed that local government debt was non-linearly related to economic performance of subnational governments in China. The study also found significant regional differences in the levels of debt and recommended region-specific approaches to the management of debt problems, especially for the less developed regions.

Alm and Indrawati, (2004) contends that there are short-term macroeconomic justifications for limiting sub-national government borrowing, especially in depressed economic environments. The study also noted that the concept of sub-national government access to credit markets generates considerable discomfort because the national governments are often drawn into the process, hence creating significant moral hazard problems. Smoke, (2019) posits that central government oversight and support

in sub-national credit markets are important. The study also contends that the politicisation of lending decisions, result sub-optimality in the utilization of the loans where non- deserving subnational governments are given loans or in other occasions the loans are used for nonviable projects. The political interference has also on some occasions created opportunities for undermining loan repayment by sub-national units.

#### 4.5.5 Hypothesis Five

The relationship between variables is often multifaceted and may be altered by, or informed by the inclusion of a third variable (Fairchild & Mackinnon 2009). Three models; 3.1, 3.2 and 3.3 were estimated and decisions were arrived at based on the recommendation in Chapter Three. In order to determine mediation, all the three-regression equation must be significant (Baron & Kenny, 1986).

The mediation model considered the following model equations sequentially;

$$\text{Perceived Service Performance} = \beta_0 + \beta_1\text{FD} + \varepsilon \dots\dots\dots \mathbf{3.1}$$

$$\text{ACCP} = \beta_0 + \beta_1\text{FD} + \varepsilon \dots\dots\dots \mathbf{3.2}$$

$$\text{Perceived Service Performance} = \beta_0 + \beta_1\text{FD} + \beta_5\text{ACCP} + \varepsilon \dots\dots\dots \mathbf{3.3}$$

When the mediation conditions by Baron and Kenny (1986) had been fulfilled, the mediation effects were then tested using the Sobel-Goodman Test, with a test of significance indicating the effect of the mediating variable. Finally, the strength of the mediation or degree to which the effect is reduced (i.e., the change in the regression coefficient) indicates how powerful the mediator (whether partial or full mediation) (Kim *et al.*, 2001; Fairchild & Mackinnon, 2009) was tested.

### Model One: Effect of Fiscal Decentralization on Perceived Service Performance

Table 4.21 shows the results of the first step in the mediated effects model which is concerned with the regression of dependent on the independent variable.

**Table 4.21: The Effect of Fiscal Decentralization on Perceived Service Performance**

ANOVA Statistics							
Model	Sum of Squares	df	Mean Square	F		Sig.	
Regression	6.51201627	4	1.62800407	F(4, 89) = 17.50		0.0000	
Residual	8.28179645	89	.093053893				
Total	14.7938127	93	.159073255				
Model Summary							
R-squared = 0.4402		Adj R-squared = 0.4150		Root MSE = 0.30505			
Coefficient Estimates							
Service performance	Unstd Coefficient	Std beta	Std. Err.	t	p	[95% Conf. Interval]	
Constant	1.0475		0.3075	3.41	0.001	0.4366	1.6585
Revenues	0.1643	0.2051	0.0739	2.22	0.029	0.0175	0.3110
Expenditure	0.3012	0.3583	0.0832	3.62	0.000	0.1358	0.4666
Fiscal	0.3168	0.3366	0.0922	3.44	0.001	0.1336	0.5000
Borrowing	-0.1097	-0.1928	0.0523	-2.10	0.039	-0.2136	-0.0058

**Source: Research Data (2020)**

The statistics on Table 4.21 shows that ANOVA statistic,  $F(4, 89) = 17.50$ ,  $p < 0.05$ , shows that the independent variables are jointly significant in explaining variations in service performance of selected county governments. The  $R^2 = 0.4402$  indicates that approximately 44 per cent of performance is explained by the application of the fiscal decentralisation components. The beta coefficients are: locally generated revenue,  $\beta_1 = 0.1643$  ( $t = 2.22$ ,  $p < 0.05$ ); expenditure decentralisation,  $\beta_2 = 0.3012$  ( $t = 3.62$ ,  $p < 0.05$ ); intergovernmental fiscal transfers,  $\beta_3 = 0.3168$ , ( $t = 3.44$ ,  $p < 0.05$ ); and county government borrowing,  $\beta_5 = -0.1097$  ( $t = -2.10$ ,  $p < 0.05$ ). All the p-values  $< 0.05$  which indicate that all the coefficients are significant.

Therefore, the regression equation indicates the predicted county government service performance is as follows:

$$Y = 1.0475 + 0.1643 X_1 + 0.3012X_2 + 0.3168X_3 -0.1097X_4...$$

**Where;**

Y = Perceived Service performance of the selected county governments

X<sub>1</sub> = Locally generated revenues

X<sub>2</sub> = Expenditure decentralisation

X<sub>3</sub> = Intergovernmental fiscal transfers

X<sub>4</sub> = County government borrowing

### **Model Two: Effect of Fiscal Decentralization on the Accountability Practices**

Table 4.21 illustrate the second step in the mediated effects model and is focused on the regression of the mediating variable on the independent variable.

**Table 4.22: The Effect of Fiscal Decentralization on Accountability Practises**

ANOVA statistics							
Model	Sum of Squares	df	Mean Square	F	Sig.		
Regression	8.19294865	4	2.04823716	F(4, 89) = <b>19.32</b>	0.0000		
Residual	9.43499704	89	.106011203				
Total	17.6279457	93	.189547803				
Model Summary							
R-squared = 0.4648		Adj R-squared = 0.4407		Root MSE = 0.32559			
Coefficient estimates							
Accountability practises	Unstd Coefficient	Std beta	Std. Err.	t	p	[95% Interval]	Conf.
Constant	0.3753		0.3423	1.10	0.276	-0.3049	1.0555
Revenues	0.3958	0.4159	0.0888	4.45	0.000	0.2192	0.5723
Expenditure	0.1185	0.1291	0.0895	1.32	0.189	-0.0595	0.2964
Fiscal	0.3548	0.3454	0.0994	3.57	0.001	0.1573	0.5523
Borrowing	-0.0247	-0.0397	0.0580	-0.43	0.672	-0.1400	0.0907

**Source: Research Data (2020)**

The statistics on Table 4.21 shows that ANOVA statistic,  $F(4, 89) = 15.38$ ,  $p < 0.05$ , shows that the independent variables are jointly significant in explaining variations in accountability practices at the county governments. The  $R^2 = 0.4648$  indicates that approximately 47 per cent of accountability practises is explained by the application of the fiscal decentralisation components. The beta coefficients are: locally generated revenue,  $\beta_1 = 0.3958$  ( $t = 4.45$ ,  $p < 0.05$ ); expenditure decentralisation,  $\beta_2 = 0.1185$  ( $t = 1.32$ ,  $p > 0.05$ ); intergovernmental fiscal transfers,  $\beta_3 = 0.3548$ , ( $t = 3.57$ ,  $p < 0.05$ ); and county government borrowing,  $\beta_5 = -0.0247$  ( $t = -0.43$ ,  $p > 0.05$ ). The t – statistic for the revenue decisions and fiscal expenditures ( $p > 0.05$ ) are statistically significant indicating that the coefficients are significant.

Therefore, the regression equation indicates the predicted accountability practises as follows:

$$Y = 0.3958 X_1 + 0.3548X_2$$

**Where;**

Y = Accountability practises of the selected county governments

X<sub>1</sub> = Locally generated revenues

X<sub>2</sub> = Intergovernmental fiscal transfers

**Model Three: Mediated Effect of Accountability practices on Perceived Service Performance.**

Table 4.23 shows the final step in the mediated effects model is concerned with the regression of the dependent variable on both the mediator and independent variable.

**Table 4.23: Mediated Effect of Accountability Practices on Perceived Service Performance**

ANOVA statistics							
Model	Sum of Squares	df	Mean Square	F	Sig.		
Regression	7.78794502	5	1.557589	F(5, 88) = 19.56	0.0000		
Residual	7.0058677	88	.079612133				
Total	14.7938127	93	.159073255				
Model Summary							
R-squared = 0.5264		Adj R-squared = 0.4995		Root MSE = 0.28216			
Coefficient estimates							
Service Performance	Unstd Coeffici.	Std beta	Std. Err.	t	p	[95% Conf. Interval]	
Constant	0.6670		0.2987	2.23	0.028	0.0735	1.2606
Revenues	0.2301	0.2640	0.0851	2.70	0.008	0.0609	0.3993
Expenditure	0.2156	0.2565	0.0784	2.75	0.007	0.0599	0.3714
Fiscal	0.2013	0.2139	0.0921	2.19	0.032	0.0183	0.3843
Borrowing	-0.0592	0.1041	0.0504	-1.18	0.243	-0.1593	0.0408
Accountability	0.2103	0.2296	0.0916	2.29	0.024	0.0277	0.3928

**Source: Research Data (2020)**

The statistics on Table 4.23 shows that ANOVA statistic,  $F(5, 88) = 19.56$ ,  $p < 0.05$ , shows that the independent variables are jointly significant in explaining variations in perceived service performance of county governments. The  $R^2 = 0.5264$  indicates that approximately 53 per cent of performance is explained by the application of the fiscal decentralisation components. The beta coefficients are: locally generated revenue,  $\beta_1 = 0.2301$  ( $t = 2.70$ ,  $p < 0.05$ ); expenditure decentralisation,  $\beta_2 = 0.2156$  ( $t = 2.75$ ,  $p < 0.05$ ); intergovernmental fiscal transfers,  $\beta_3 = 0.2013$ , ( $t = 2.19$ ,  $p < 0.05$ ); county government borrowing,  $\beta_4 = -0.0592$  ( $t = -1.18$ ,  $p > 0.05$ ) and accountability practises  $\beta_4 = 0.2103$  ( $t = 2.29$ ,  $p < 0.05$ ). The  $t$  – statistic for the revenue decisions, expenditure decisions, fiscal expenditures and accountability practices ( $p > 0.05$ ) are statistically significant indicating that the coefficients are significant.

Therefore, the regression equation indicates the predicted county government service performance is as follows:

$$Y = 0.6670 + 0.2301X_1 + 0.2156X_2 + 0.2013X_3 + 0.2103X_5$$

**Where;**

Y = Perceived service performance of the selected county governments

X<sub>1</sub> = Locally generated revenues

X<sub>2</sub> = Expenditure decentralisation

X<sub>3</sub> = Intergovernmental fiscal transfers

X<sub>5</sub> = Accountability practices

This hypothesis sought to determine the mediating effect of accountability practices on the perceived service performance of selected county governments in Kenya. The null hypothesis was stated as follows:

**H<sub>05</sub>:** Accountability practices have no mediating effect on the relationship between fiscal decentralisation and the perceived service performance of selected county governments in Kenya

**Table 4.24: Summary of the Mediated Test statistics**

Parameters	Model 1		Model 2		Model 3		% Change (Model 3 – 1)
	Beta	t	Beta	t	Beta	T	
Constant	1.0475	3.41*	0.3753	1.10	0.6670	2.23*	-57.03
Revenues	0.1643	2.22*	0.3958	4.45*	0.2301	2.70*	28.60
Expenditure	0.3012	3.62*	0.1185	1.32	0.2156	2.75*	39.70
Fiscal	0.3168	3.44*	0.3548	3.57*	0.2013	2.19*	36.46
Borrowing	-0.1097	-2.10*	-0.0247	-0.43	-0.0592	-1.18	
Accountability					0.2103	2.29*	
R <sup>2</sup>	0.4402		0.4648		0.5264		+8.623
Adjusted R <sup>2</sup>	0.4150		0.4407		0.4995		
F	17.50*		19.20*		19.56*		
Sig.	0.000		0.000		0.000		

**Sobel-GoodMan Mediation effects**

Variable	Sobel test	GoodMan Test	Std. Err	p-value	Decision
Revenues	2.04101	2.08285	0.04078	0.0413	
Expenditure	1.14696	1.23850	0.02172	0.2514	
Fiscal	1.93092	1.98686	0.03755	0.0469	
Borrowing	-0.4187	-0.4633	0.01121	0.6431	

\* at 0.05 significance levels

The summary statistics in Table 4.24 indicates the steps taken in arriving at the mediating effects. In the model one equation, the elements of fiscal decentralization process explain 44.02 % of the variance in the service performance of selected county governments with an effect size of 0.1643 ( $t = 2.22$ ,  $p < 0.05$ ) for locally generated revenue; 0.3012 ( $t = 3.62$ ,  $p < 0.05$ ) for expenditure decentralisation; 0.3168, ( $t = 3.44$ ,  $p < 0.05$ ) for intergovernmental fiscal transfers; and -0.1097 ( $t = -2.10$ ,  $p < 0.05$ ) for county government borrowing. Model two equation illustrates the significant effect of fiscal decentralization in explaining 46.48% of the variance in accountability practices (the mediating variable) with an effect size of 0.3958 ( $t = 4.45$ ,  $p < 0.05$ ) for locally generated revenue and  $\beta_1 = 0.3958$  ( $t = 3.57$ ,  $p < 0.05$ ) for intergovernmental fiscal transfers. Model three equation of the mediating effect shows that the elements of fiscal decentralization and accountability practise account for about 52.64% variance in the

service performance of selected county governments with an effect size of 0.2301 ( $t = 2.70$ ,  $p < 0.05$ ) for locally generated revenue; 0.2156 ( $t = 2.75$ ,  $p < 0.05$ ) for expenditure decentralisation; 0.2013, ( $t = 2.19$ ,  $p < 0.05$ ) for intergovernmental fiscal transfers; and 0.2103 ( $t = 2.29$ ,  $p < 0.05$ ) for accountability practises. These results show the mediation effect of the accountability practices increases the explanatory power from 44.02 per cent to 52.64 per cent, a 8.623 per cent increase in explanatory power.

The first step in interpreting mediation is the fulfilment of the first three conditions given by Baron and Kenny (1986) who affirmed that model one (Table 4.21) to model three (Table 4.23) must be statistically significant ( $p < 0.05$ ). Generally speaking, mediation occur; first, when the predictor variable significantly affects the mediator and significantly affects the criterion variable in the absence of the mediator; second, the mediator has a significant unique effect on the dependent, and the effect of the independent variable shrinks upon the addition of the mediator to the model.

The second step in testing for the mediation effects involves Sobel – Goodman Test, where a test of significance would indicate the presence of the mediation effects. In the study, the Sobel - Goodman test statistic for local revenue decision,  $S = 2.041$  ( $p < 0.05$ ) and intergovernmental fiscal transfers,  $S = 1.9309$  ( $p < 0.05$ ) were statistically significant while those for expenditure decision  $S = 1.1469$  ( $p > 0.05$ ) and county government borrowing,  $S = -0.4187$  ( $p > 0.05$ ) were not significant. This indicated that the accountability practices has a statistically significant mediating effect on the relationship between fiscal decentralization and the service performance of selected county governments in Kenya. Based on the results, the study, therefore, rejected the null hypothesis that accountability practices have no significant mediating effects on

the relationship between fiscal decentralization and the service performance of selected county governments in Kenya and conclude that accountability practices have a significant mediating effect on the relationship between fiscal decentralization processes and service performance of the selected county governments in Kenya.

The findings reported from this hypothesis is explained using several bases namely; the nature of the variable, supported by the theoretical underpinnings and the previous empirical studies. The first basis is the nature of accountability practices. Accountability concentrates on the demand side of good governance and seeks to strengthen the voice of citizens in demanding greater responsiveness from public officials. Transparency in the public sector is largely held to be necessary and need to be nurtured and enabled (Bannister & Connolly, 2011) while appreciating that public entities are not always amenable to provide the kind of transparency desired by the citizens (Cucciniello & Nasi, 2014; Roelofs, 2019).

There has been an increase in transparency requirements in the public sector leading to mounting concerns regarding the quality of information and whether the information can be trusted (Fenster, 2015). Contingent upon the cultural context and government capability, increased transparency may undermine trust (Grimmelikhuijsen *et al.*, 2013; Grimmelikhuijsen & Meijer, 2014) argue that the release of information by public entities may result in confusion or some jurisdictions, distrust of government is so deep that citizen perceptions are marginally influenced by increased release of information. The advocates of transparency maintain that greater access to government information is necessary for a better quality of government services (Bauhr & Grimes, 2012). Increased publicity and open and non-discretionary processes also have positive effects

on selected performance in the public sector (United Nations, 2015) since it increases the risks of detection of corruption especially if sanctions are credible (Radin, 2019).

Integrity systems in the public sector encompass a multitude of players charged with specific policy area which span both national and subnational levels of government and thus, putting in place mechanisms for inter-institutional coordination is critical to safeguarding effective enactment as well to prevent fragmentation which can result in ineffective policy implementation (OECD, 2017). Inclusive policymaking can be considered an integrity value, as it supports the public interests (Nolan-Flecha, 2017). Government efforts to increase citizen participation and input into policymaking results in improved trust in public institutions and policies (Nolan-Flecha, 2017) and policy outcome were more favourable when there were more participation public interest groups (Traber, 2013).

The second basis is provided by both New Public Management theory and fiscal, decentralisation theory. The New Public Management theory tend shift accountability from input and processes to output and outcomes (Babajani, 2010), thus governments officials are now forced to adopt the systems of budgeting, accounting and financial reporting. This approach is the main reason of replacing the traditional system which tended to be bureaucratic, focused on processes rather than outcomes, and emphasized instructions instead of results, accountability, customer focus and performance measurement (Fatemi & Behmanesh, 2012).

Two types of accountability are considered under New Public Management approach, accountability to leaders and accountability to citizens. Therefore, under New Public

Management, accountability of leaders and governments towards citizens is critical. Greenwood, (2017) notes that New Public Management inspired ambitions of enhanced performance and accountability in the United Kingdom created significant short term efficiency gains.

The fiscal decentralisation theory theorizes that fiscal decentralisation requires more than just decentralising of financial resources. It argues that control over these financial resources is equally important and decentralisation should be a focus on governance and empowerment of the citizens (Oates, 2005). Wallis and Oates (1988) also observe that one of the main benefits of fiscal decentralisation is increased government accountability. The theoretical case for a positive relationship between fiscal decentralization and accountability rests on the assumption that devolving revenue and expenditure functions to local government boosts the individual rights of residents of the respective jurisdictions, increases citizen participation in decision-making processes and increases the accountability of elected leaders to the unique needs and demands of their electorate (Bojanic, 2018). As a result, fiscal decentralisation realigns the flow of power, where locally elected leaders are no longer accountable to the central government but are accountable to the local electorate hence increasing accountability given that the electorate can monitor the quantity and quality of service delivery (Mbate, 2017).

Previous studies established a link between accountability and service performance from two different perspectives, organizational and individual accountability. Organizational accountability emphasizes the efforts of stakeholders to monitor the behaviours of leaders in order to ensure that the goals of an organization are achieved,

individual accountability on the other hand is related to an individual state of mind which is influenced by the individual's endogenous and exogenous conditions (Hall *et al.*, 2004). The study identified four precursors to accountability: environmental factors, organizational factors, job factors and formal accountability system. Fiscal decentralization is one of the organizational factors which influence accountability. Han and Hong, (2019) in a study on the impact of accountability on public organizations' performance found that the levels of accountability positively and significantly affect organizational performance. Studies by Caseley (2006) and Kim (2005) found that accountability requirement is positively correlated to performance while Risakotta and Akbar, (2018) found that internal accountability had a positive effect on the organizational commitment which in turn improves performance. In Pakistan, Rana *et al.*, (2019) found that accountability had a significant positive effect on public service delivery.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

The chapter presents a summary, conclusion and implications of the study findings. The chapter finalizes with the recommendations for further studies. In addition to the summary and conclusion, the chapter covers other areas such as contribution to the study and suggestions for further research.

#### **5.2 Summary**

Fiscal decentralization in Kenya was promulgated by The Constitution of Kenya 2010, as the main pillar to improve governance and empower communities. The constitutional dispensation split the state into 47 counties as the main sub-national government at the local level. The initiative has all the elements of decentralization which is the political, administrative and fiscal decentralization. In reality, this is the highest form of devolution and entails three elements but the most significant form is fiscal decentralization which when supported by political and administrative decentralization. Fiscal decentralization is made up of expenditure decentralization, revenue decentralization, intergovernmental fiscal transfers and sub-national government borrowing.

The study investigated the influence of fiscal decentralization on the service performance of selected county governments in Kenya. The study used descriptive research which was cross-sectional in approach and selectively used three counties of Baringo, Kiambu and Vihiga based on their budgetary absorption rates. The study use questionnaires and interviews as the main data collection instruments which were

analysed qualitatively and descriptively. The descriptive analysis was reported in frequencies and percentages and presented in tabular formats while the regression analysis was used to test the hypotheses.

The respondents were largely made up of business leaders, youth and political leaders with good representation from the religious, civic leaders and persons with disabilities. Accordingly, there were more male respondents with the majority of them being aged between 21 to 60 years and having an undergraduate level of education. Most of the respondents had resided in the counties of origin for a minimum of over ten years.

The study examined the relationship between the socio-demographic variables and the results showed that significant difference between gender and age distribution, gender distribution and level of education but there were significant differences between gender and respondent type with the male being dominant in representation. Further, there were no differences between age and level of education or between age and respondent type.

### **5.3 Summary of Research Objectives**

#### **5.3.1 Locally generated revenues**

The first objective sought to determine the effect of locally generated revenue on the perceived service performance of selected county governments in Kenya. The descriptive statistics indicated that the respondents affirmed that the county government carries out consultative meetings but there is minimal participation by the citizens and thus the input from citizens on revenue decisions is not considered in the fiscal policy plan. Further, the county governments have sufficient legal framework and mandate to

set – up levies and taxes, however, the locally generated revenues are not adequate for the county to offer services, and thus the revenue collected by county governments cannot be matched with the level of development witnessed in the counties. Thus, development spending by the subnational governments is dependent on fiscal transfers from the national government.

According to the key informants, the revenues collected are insufficient to meet the financial needs of the counties because the counties are either falling short on revenue collections or the local revenue bases are limited. Revenue collection efforts are hindered by several reasons that include; the rationale for the local taxes, lack of awareness of the importance of paying local taxes, and lack of infrastructure and management systems to help the sub-national governments in Kenya to administer and manage revenue collection efforts. The existing local revenue bases of these sub-national governments are not sustainable in the long – run, therefore, there is a need to expand the revenue bases. This is achieved through the formulation of a critical legal framework and legislation by the county assemblies to aid in improvements in revenue collection. Regarding the local revenue decisions, the electorate in these sub-national governments rarely participate in the formulation of the budget policies and this has led to a perceptual disconnect between revenue collection and policy objectives at the county level.

### **5.3.2 Expenditure Decentralization**

The second objective sought to examine the effect of expenditure decentralisation on the perceived service performance of selected county governments in Kenya. The descriptive statistics indicated that the respondents affirmed that there is minimal

participation in the consultative meetings on expenditure decisions nor do they access information on expenditure decisions. The citizens are not able to establish the linkages between the revenue generated and expenditure decision in the county's budget. The respondents believed that the implementation of development budgets is based on political interest as opposed to the interest of the citizens. There is a notion the expenditures decisions are not carried out as per budgetary allocation. In cases of misappropriation, the respondents felt that the county governments have neither sanctioned any contraventions in procurement nor have they reprimanded any funds misappropriation. Accordingly, the expenditure decentralization initiatives are facing challenges arising from bureaucratic systems, political interest and misplaced priorities. Thus, the effectiveness of the expenditure decentralization is lessened by the actions of the public officials and this affect service delivery.

According to the key informants, the concerns regarding expenditure decentralisation include the legal framework supporting expenditure decisions, the conditionalities attached to the expenditure decentralisation and organisational issues such as political interference. Significant challenges are influencing the effectiveness of the expenditure decisions that include, the ratios of the recurrent and development expenditures, absorption rates and delays in disbursement of funds. All these factors are affecting the mandate of the sub-national of ensuring efficient service delivery. Regarding the participation of the electorate in the expenditure decentralization, few individuals participate in the budget policy statements at the ward level and therefore there are perceptual differences between the revenue and expenditure decisions. Many of the electorates hold the opinion that their concerns on development would be best addressed by the fiscal transfers from the national government and this slows the

expenditure decentralization initiatives when the national government delays the unconditional transfers. There are several contextual organizational issues influencing expenditure decisions with the major issues being political interference and expediency which tend to reduce the optimality in the allocation and utilisation of the county finances, organizational effectiveness in the use of these resources.

### **5.3.3 Intergovernmental fiscal transfers**

The third objective sought to evaluate the effect of intergovernmental fiscal transfers on the perceived service performance of selected county governments in Kenya. The descriptive statistics show that the intergovernmental fiscal transfers are supported by a legal framework and are provided for by the national budget policy statement to support the budgetary policies of the sub-national governments in Kenya. According to the respondents, the fiscal transfers are not regular and timely but have a positive effect on service delivery by county governments. The funds are unconditional and confer the sub-national governments with the choice of the utilization of funds by the county government.

According to the key informants, the sub-national governments in Kenya are heavily reliant on fiscal transfers from the national government for their operations. Their financial dependency is further worsened by the untimely disbursements of the same and this cripples the functions of the county governments and hampers the delivery of the services, thus affecting devolution. Besides, the regulation of the budgetary policies of the sub-national governments by the controller of the budget is affecting the delivery of the services. Most of the respondents avowed that the ignorance of the procedures of expenditure decisions is influencing the expenditure allocations that include; the

preparation of the budget by the county department, the approval of budgets by the county assembly, and the documentary requisitioning of monies through the information systems (IFMIS), the approvals by the controller of the budget before the funds are released.

#### **5.3.4 County government borrowing**

The fourth objective sought to establish the effect of county government borrowing on the perceived service performance of selected county governments in Kenya. The descriptive statistics showed that the respondents perceived that the county government borrowing may result in their inability to repay the debts and that the county government may not provide information to citizens on the amounts of monies they would have borrowed. Any borrowing from commercial sources such as banks aids county governments in enhancing their responsiveness to citizen needs and may not necessarily negatively affects service delivery. The individuals perceived that only taxes and levies form the government revenues and therefore borrowing is best left to the commercial enterprises.

#### **5.3.5 Accountability practices**

The fifth objective sought to assess the mediating effect of accountability practices on the relationship between fiscal decentralisation and the perceived service performance of selected county governments in Kenya. The descriptive statistics showed that sub-national governments providing insufficient information to their citizens was inadequate therefore it can be inferred that county governments do not disclose all the necessary information to the public. Though service provision at the counties is good, the respondents avowed that that are not comprehensive systems for ensuring

accountability in the county because the public officials are never held accountable for corrupt practices. These sub-national governments have installed sufficient feedback mechanisms for ensuring optimal service delivery to their citizens. The key informants avowed that accountability involves responsibility for one's actions, reporting mechanism and disclosure of information on the public services. The majority of the key informants indicated that the county governments always disseminated information of the activities and functions of the county government through officers, websites, social media platforms, print media and forums.

### **5.3.5 Service Performance of the County Governments.**

The main objective of the study was to examine the effects of fiscal decentralisation on the perceived service performance of selected county governments in Kenya. The descriptive statistics showed that public officials have been perceived to be affecting policy implementation with the county government being inconsistent in the provision of services to the public. There is the perception that service delivery is influenced by political patronage and elitism. However, most of the time the county government officials are perceived to be offering solutions to the challenges facing its citizens but there are gaps in the service delivery systems which have led to dissatisfaction with the sub-national government's units in Kenya. According to the key informants, the service performance at the subnational units is erratic and sometimes wanting in some instances. The quality of the proximal services offered by the county is wanting due to resource constraints. The indications are that service delivery among the county government functions differs according to the departments and functions.

#### **5.4 Conclusion**

First, the locally generated revenue decisions have an effect on the perceived service performance of selected county governments in Kenya. This is drawn from the positive effect of the local revenue decisions that are assumed to influence the service performance of the county governments through their impact on budgetary elements.

The expenditure decentralization has an effect on the perceived service performance of selected county governments in Kenya. This is because the county governments are seen to undertake and implement budgetary allocations into projects.

Intergovernmental fiscal transfers have an effect on the perceived service performance of selected county governments in Kenya. This is based on the tangible evidence of the transfer and thus it is easier to link the improvements in service performance to the transfers from the national government.

County government borrowing has a significant negative effect on the perceived service performance of selected county governments in Kenya. The conclusion is based on the fact that the sub-national government borrowing is perceived to draw away the money that could be used to enhance service delivery.

Accountability practices have a mediating effect on the relationship between fiscal decentralisation and the perceived service performance of selected county governments in Kenya. This is drawn from the effect of the accountability practices on the revenue decisions and intergovernmental fiscal transfers and thus is indirectly linked to fiscal decentralization.

## 5.5 Contributions to Knowledge

Given the findings, conclusion and explanations advanced, the study contributes to the existing knowledge in public policy and management. The extant literature had advanced the studies on fiscal decentralization in several contexts in the developed countries (Dziobek *et al.*, 2011; Martinez-Vazquez *et al.*, 2017; Makreshanska & Petrevski, 2016) among others. Several studies have examined the impact of fiscal decentralization on service delivery: (Mahal *et al.*, 2000; Ahmad *et al.*, 2005; Donald *et al.*, 2020), the efficiency of the subnational units in developed economies (Sow & Razafimahefa, 2015) and aggravate regional inequalities (Calamai, 2009). The earlier studies in sub-Saharan Africa include those done by Kauzya(2007); Asimwe and Musisi(2007) while Veiga and Kurian, (2015) consider Africa to be the least decentralised continent. These studies gave an overview of the decentralization initiatives in general but did not delve more into detail the individual elements of fiscal decentralization; revenue decentralization, expenditure decentralization and intergovernmental fiscal transfers.

The current study uses the case of subnational governments in Kenya and seeks to generalize its findings to the counties in similar contextual circumstances. Furthermore, generalization can be applied to counties with nascent decentralization initiatives based on the earlier research and studies. The study also contributes to the existing knowledge in terms of examining the influence of the elements of fiscal decentralization on the service performance of sub-national governments in Kenya. Previous research on these elements has been considered by a few researchers in a different context (Farooqi, 2013; Dziobek *et al.*, 2011; Lewis & Smoke, 2017; Shen *et al.*, 2012; Martinez-Vazquez, 2013) among others.

## **5.5 Recommendations**

### **5.5.1 Recommendations for the Study**

Based on the conclusion, the following recommendations are advanced;

The county governments in Kenya should seek to integrate new revenue bases to the existing ones from which they will be able to draw and capture large business entities and individuals to increase the collection of tax revenue by the sub-national units. The counties should integrate modern infrastructure and information systems that support revenue collection efforts while sensitizing the local population on the need to pay local taxes.

Regarding expenditure decentralization, the study recommends the involvement of the local citizenry in the budgetary processes and appreciation of the expenditure allocation by the county government. The challenge is that most of the citizenry only understand the function of the county but cannot appreciate where the funds come from.

On the issues concerning the intergovernmental transfers, there is the need for the national government to disburse the funds timely and efficiently as this improves the capacity of the county governments to perform their mandate of providing public services to its citizens. Secondly, the national government ought to support the county governments in the administration and development of revenues sources and bases.

### **5.5.2 Policy Recommendations**

The study recommends that the government establishes a legal framework for the county governments to engage in borrowing and support the endeavours to borrow for capital expenditures.

There is a need to improve the fiscal autonomy of the sub-national governments and in turn enhance revenue and expenditure decentralization at the county level. Through these initiatives, the sub-national governments can improve service delivery.

### **5.5.3 Recommendations for Future Research**

The study examined the elements of fiscal decentralization on service performance.

There is a need to conduct an in-depth review of the impacts of fiscal decentralization on a wide scale in sub-national counties in Kenya. This is based on the fact that devolution initiatives in Kenya are still nascent and therefore there is a lot of experimentation with fiscal decentralization. These studies may take exploratory case study approaches on both high and low-performing counties to unravel how decentralization is impacting the local electorate.

Other researchers and studies may seek to evaluate the impact of political and administrative decentralization impacts on the overall performance of the counties and how decentralization is improving governance at the local level. This is based on the fact that fiscal decentralization is one element of decentralization with other elements remaining unexplored.

Based on the European Ideal (European Union), there is a shift towards an East African confederation which is a supranational governance system as illustrated by the adoption of the new east Africa passports throughout the region. In this regard, other studies may seek to explore how the confederation of the East African Community may affect governance and service delivery at the sub-national levels.

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## **APPENDICES**

### **Appendix I: Introductory Letter**

Dear Participant,

#### **RE: REQUEST FOR INFORMATION**

I am a doctoral student at the Department of Public Policy and Administration of Kenyatta University with a study titled

*“Fiscal decentralization and perceived service performance of selected county governments in Kenya.”*

This information on the questionnaire is designed to define and explain how the fiscal decentralization has impacted on the service performance of your county government. The questionnaire is to be used to gather information which will guide the study.

The outcome of research helps to understand and appreciate the challenges facing the fiscal decentralization both internally and externally and thus the outcome of this research can be used to improve the efficiency and effectiveness of fiscal decentralization within the county governments.

The responses obtained will be kept strictly confidential with only the researcher and supervisor having access to this information. The identification number on each questionnaire will only be relevant for follow-up procedures if further clarifications are required by the Faculty team or my supervisor.

Once, you assent to your participation, the questionnaire takes approximately 30 minutes to complete and the respondent can choose to complete at your own free time or let me know when you are available for us to complete. Thanking you in advance for your support.

Yours Sincerely

**Andrew K. Rutto**

## Appendix II: Questionnaire

Instructions for filling the questionnaire:

### Section One: Respondent demographic characteristics

The questions in this section relates to the information relating to respondent's demographic characteristics **PLEASE TICK THE BOX WITH THE APPROPRIATE CHOICE**

1. County: \_\_\_\_\_
2. Sub county: \_\_\_\_\_
3. Department(s) service is sought: \_\_\_\_\_

#### 4. Gender?

Male  Female

#### 5. Age in years?

18 to 20 Years  21 to 30 Years

31 to 40 Years  41 to 50 Years

51 to 60 Years  Above 60 Years

#### 6. Level of education

Primary level  Secondary level

Certificate level  Diploma level

Bachelors level  Masters level

Doctorate level  Others (specify) .....

7. Years you have lived in the County .....

**PART B: LOCALLY GENERATED REVENUE**

The questions attached in this section concerns the decision by the county government in generating revenues within its jurisdiction. Since you are knowledgeable in these processes, please rate the level of agreement/disagreement with the **statements** by **TICKING** the most appropriate choice that best represents your view/opinion by **choosing the most appropriate choices from Strongly Agree(SA); Agree(A); Disagree(D); Strongly Disagree(SD) and Neutral(N).**

	Variable	SA	A	D	SD	N
1	County Government frequently announces the times and venues for consultative meetings for discussing the sources of revenue (taxes, licence, levies, permits, cess, fees etc) for county operations					
2	Citizens are consulted on decisions regarding the sources of revenue during the budget consultative meetings at sub-county levels					
3	Citizens participate at the consultative meetings and contribute towards the decisions to generate local revenues (taxes, licence, levies, permits, cess, fees etc)					
4	The County Government informs the citizens and residents their sources of revenue (taxes, levies or fees)					
5	The citizens are regularly informed by the County about their rights and obligations as a taxpayer					
6	County Government always takes into account the inputs of the citizens before setting taxes, levies, cess or fees					
7	The law allows the County Government to charge taxes, fees or levies for the services(such as health, garbage collection)					
8	The revenue (taxes, licence, levies, permits, cess, fees etc) collected by County Government always match with the level of development witnessed in the County					
9	The levies, taxes and fees collected by the County Government is always adequate to offer services needed by the citizens					
10	The levies, taxes and fees collected by the County Government are NOT adequate for the services required by the citizens					

1. In your opinion do local revenue sources affect the performance of County Government?

Yes  No

Explain your answer above

.....  
.....  
.....

Indicate your recommendation on the effects of local revenue sources on the performance of County Government

.....  
.....  
.....  
.....

### **PART C: Expenditure decentralization**

The questions attached in this section concerns the decision on the expenditures by the county government. Since you are knowledgeable in these processes, please rate the level of agreement/disagreement with the **statements** by by **TICKING** the most appropriate choice that best represents your view/opinion **by choosing the most appropriate choices from Strongly Agree(SA); Agree(A); Disagree(D); Strongly Disagree(SD) and Neutral(N).**

	<b>Variable</b>	<b>SA</b>	<b>A</b>	<b>D</b>	<b>SD</b>	<b>N</b>
1	County Government frequently announces the times and venues for citizens to discuss the budget expenditure decisions (water, education, roads, developmental among others).					
2	Citizens are consulted on decisions regarding the budgetary allocations (developmental and recurrent expenditures) during the budget consultative meetings at sub-county levels					
3	Citizens participate in the consultative meetings and contribute towards the decisions regarding the expenditure allocations.					
4	The County Government informs the citizens of their expenditure allocation (water, education, roads, educational projects among others).					
5	The County Government frequently provides information to the citizens on the state of services provided by the County Government.					
6	It is possible for the public to link the use of funds (expenditure allocations) to the revenues collected (taxes, licence, levies, permits, cess, fees etc) by the county government.					
7	It is not possible for the public to determine whether the money used for budgetary allocations by the county government is coming from its own sources (taxes, licence, levies, permits, cess, fees etc) or from the national government.					
8	The decisions by county officials to undertake developmental projects are based on the interests of the citizens and residents alike					
9	The decisions by county officials to undertake developmental projects are based on political interest.					
10	The citizens are regularly informed about the projects being undertaken by the County Government.					

<b>11</b>	The citizens are satisfied with the level of information given to the citizens in regard to the use of funds by the county government.					
<b>12</b>	The developmental projects carried by the County Government are implemented as per their budgetary allocation					

1. In your opinion do spending decisions affect the performance of county government?

Yes

No

Explain your answer above

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.....

Indicate your recommendation on the effects of expenditure decentralization on the performance of county governments

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## PART E: INTERGOVERNMENTAL FISCAL TRANSFERS

The questions attached in this section concerns the decisions used county government regarding the monies received from the national government. Since you are knowledgeable in these processes, please rate the level of agreement/disagreement with the **statements** by by **TICKING** the most appropriate choice that best represents your view/opinion by **choosing the most appropriate choices from Strongly Agree(SA); Agree(A); Disagree(D); Strongly Disagree(SD) and Neutral(N).**

	Variable	SA	A	D	SD	N
1	The National government transfers funds to the county governments are provided and supported by the existing laws					
2	The national government transfers are provided by the national budget policy statement					
3	The funds from the National government are part of the revenues received by the county government for its budgetary allocation					
4	The transfers from the national government support the financial requirements of the county government					
5	The national government transfers funds to the county regularly as per the schedule					
6	The transfers from the national government take away the independence of choice of the use of funds from the county government					
7	The transfers from the national government reduce the sense of ownership of the county projects and programs and the ensuing accountability					
8	The County government always provide the citizens with information concerning the transfers from the national government					
9	The County government always provide the citizens with information concerning the transfers from the developmental partners (USAID, JICA, GTZ etc.)					
10	The county government is always more responsive to demands made by the national government					
11	The county government is always more responsive to the needs of its citizens and residents of the county					
12	The transfers from the National government always impact positively on service delivery by county governments					

1. In your opinion do intergovernmental fiscal transfers affect **the** performance of County Governments?

Yes

No

Explain your answer above

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.....

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2. Indicate your recommendation on the effects of effects of intergovernmental fiscal transfers on the performance of county governments

Explain your answer above

.....

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**PART E: COUNTY GOVERNMENT BORROWING**

The questions attached in this section concerns the decision used by the county government in borrowing funds for its expenditure decisions. Since you are knowledgeable in these processes, please rate the level of agreement/disagreement with the **statements** by **TICKING** the most appropriate choice that best represents your view/opinion **by choosing the most appropriate choices from Strongly Agree(SA); Agree(A); Disagree(D); Strongly Disagree(SD) and Neutral(N).**

	<b>Variable</b>	<b>SA</b>	<b>A</b>	<b>D</b>	<b>SD</b>	<b>N</b>
1	The County Government is allowed by law to borrow monies from the national government					
2	The County Government is allowed by law to borrow monies from commercial and private institutions such as banks, financial institutions and other private sector bodies					
3	The legal framework provides a maximum amount of monies that can be borrowed by the county government					
4	The county government has the ability to borrow and repay any funds from external sources (government and private institutions)					
5	The borrowed funds are always used to fund projects (such as roads, schools, hospitals) only					
6	The borrowed funds have greatly improved the service provided for by the county government (building roads, hospital and providing water etc.)					
7	The county government frequently provide the citizens with information touching on the amount of borrowed funds					
8	The amounts of borrowed funds have aided the County Government in enhancing its responsiveness to citizen needs					
9	Borrowing funds from commercial sources such as banks negatively affects service delivery (public services, building roads, hospitals and providing water etc.)					
10	Allowing County Governments to borrow funds may result in the inability to repay the debts					
11	The amount of borrowed funds are not always utilized for county projects and programs					
12	County government does not give information to citizens on the amounts of monies borrowed from external sources					

**PART F: ACCOUNTABILITY**

The questions attached in this section concerns the accountability of the county government to its citizens with regard to its fiscal budgeting processes. Since you are knowledgeable in these processes, please rate the level of agreement/disagreement with the **statements** by by **TICKING** the most appropriate choice that best represents your view/opinion by **choosing the most appropriate choices from Strongly Agree(SA); Agree(A); Disagree(D); Strongly Disagree(SD) and Neutral(N).**

	<b>Variable</b>	<b>SA</b>	<b>A</b>	<b>D</b>	<b>SD</b>	<b>N</b>
1	Officers in county government are always held to account when malpractices are reported					
2	Information given by the County Government is always adequate					
3	You are convinced that the county government always discloses all the information they need to					
4	There are always comprehensive systems in place to ensure accountability in the county					
5	A feedback mechanism is always in place at the County Government					
6	Citizens are frequently called upon to participate in budget preparation in the county					
7	An efficient customer complaint or grievance procedure always exists in the county offices					
8	An information management system for reporting is always in place at the county government					
9	The reception is always open when you seek services					
10	The queues for services are always well managed					
11	There are always no individuals skipping the queues					
12	The officers attending citizens are always courteous					
13	The public officers in county government are never held to account when corrupt practices are reported					
14	The information given by the county government is always not adequate					

1. In Your opinion, how can accountability be improved in the county?

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## PART G: COUNTY GOVERNMENT PERFORMANCE

The questions attached in this section concerns to performance of the county government with regard to the quality of the services delivered to its citizens. Since you are knowledgeable in these processes, please rate the level of agreement/disagreement with the **statements** by by **TICKING** the most appropriate choice that best represents your view/opinion **by choosing the most appropriate choices from Strongly Agree(SA); Agree(A); Disagree(D); Strongly Disagree(SD) and Neutral(N).**

	<b>Variable</b>	<b>SA</b>	<b>A</b>	<b>D</b>	<b>SD</b>	<b>N</b>
1	The quality of services (such as health, garbage collection fire station services, county roads maintenance, street lighting) in the county are good					
2	County government always provides coordinated services to the citizens					
3	County government is always responsive to the needs of the citizens					
4	The County government is closer to the citizens and always responds better to the needs of its citizens compared to the national government					
5	Lack of consistency in policies frequently affect the performance of the county government					
6	Slow decision making always affects effective policy implementation					
7	County government solves all problems raised by its citizens					
8	County government always provide services (such as health, garbage collection fire station services, county roads maintenance street lighting) at the time they promise to do so					
9	All county government staff have the knowledge to answer customers' questions					
10	County government always understands the specific needs of their citizens					
11	Political interests always affect the performance of the county government					
12	Speed of service delivery is always good					
13	Staff at county government always give prompt service					
14	County staff have the knowledge to answer all questions in their respective departments					
15	Quality of services offered always meet expectations					
16	The quality of services offered in the county is not good					
17	Policies are not always effectively implemented by the county government					

1. In a scale of 1-10, (where 1 is poor and 10 is best) please rate the performance of the County Government

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**THANK YOU FOR YOUR CO-OPERATION.**

### Appendix III: Factor Analysis results

#### Measure of Sampling Adequacy for factor analysis

Variable	Kaiser-Meyer-Olkin	Bartlett's Test of Sphericity			Decision criteria
		$\chi^2$	df	p	
Revenue decisions	.775	243.090	36	.000	Adequate
Expenditure decisions	.786	501.649	91	.000	Adequate
Inter Government fiscal transfers	.650	339.165	66	.000	Adequate
Government borrowings	.779	564.020	66	.000	Adequate
Accounting practices	.771	424.625	55	.000	Adequate
Performance	.775	243.090	36	.000	Adequate

The criteria for running factor analysis is that KMO statistics should be greater than 0.5 with a test of significance ( $p < 0.05$ ).

#### Exploratory Factor Analysis for Revenue Decisions

	Factor			h <sup>2</sup>
	1	2	3	
Consultative meetings with citizens	0.736			0.617
Citizen consultation on revenue decisions	0.796			0.656
Citizen participation on consultative meetings	0.696			0.615
Revenue matched with levels of development	0.775			0.613
Information provision on revenue		0.660		0.585
Citizen obligation as a taxpayer		0.858		0.748
Citizens input on revenue		0.655		0.601
Legal framework for taxation		0.548		0.627
Revenue adequacy to service provision			0.866	0.787
				<b>Total</b>
Sum of squares(eigenvalue)	2.589	2.136	1.125	5.847
PercentPer centage of trace	28.765	23.733	12.495	64.994
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 4 iterations.				

### Exploratory Factor Analysis for Expenditure Decisions

	Factor				h <sup>2</sup>
	1	2	3	4	
Consultative meetings with citizens	.857				.786
Citizen consultation on revenue decisions	.818				.679
Citizen participation on consultative meetings	.780				.720
Information provision on expenditures	.757				.672
Information provision on service provision	.708				.530
Developmental projects based on citizen interest	.734				.786
Citizens are informed on projects undertakings	.655				.499
Development projects are carried out as per budgetary allocation	.583				.466
Sanctions on contravention of procurement of projects		.678			.636
Reprimands on cases of misappropriation		.845			.738
Revenue- expenditure linkages		.791			.682
Revenue - expenditure decision cannot be linked			-.567		.419
Developmental projects based on political interest				.782	.707
Citizens are satisfied with regard to the expenditures			.806		.736
					Total
Sum of squares(eigenvalue)	4.474	2.076	1.300	1.205	9.055
Percentage of trace	31.960	14.831	9.287	8.608	64.685

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 7 iterations.

### Exploratory Factor Analysis for Intergovernmental transfers

	Factor				h <sup>2</sup>
	1	2	3	4	
Legal framework for fiscal transfers	.802				.666
Transfers provided for in the budget policy statement	.757				.654
Fiscals transfers positively impact on service delivery	.794				.636
Fiscal transfers support financial requirements of the county	.618				.423
Funds are regularly transferred as per schedule		.612			.529
Citizens are provided with information on transfers from central government		.787			.667
Citizens are provided with information on transfers from developmental partners		.856			.736
County government are more responsive to the needs of its citizens		.688			.647
County government are more responsive to the demands of the national government			.873		.838
Fiscal transfers are part of revenues of the county government			.663		.655

Fiscal transfers take away the independence of the choice of use of funds				.819	.684
Fiscal transfers reduce the sense of ownership of the projects				.780	.691
Sum of squares(eigenvalue)	2.523	2.441	1.440	1.423	7.827
Percentage of trace	21.022	20.339	11.999	11.857	65.217
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 6 iterations.					

Exploratory Factor Analysis for Governmental borrowing

	Factor			h <sup>2</sup>	
	1	2	3		
Legal mandate to support borrowing		.849		.787	
Legal mandate to borrow from commercial and private institutions		.842		.799	
Legal framework for the maximum amount that can be borrowed		.578		.637	
Ability to borrow and repay the amounts borrowed	.535			.496	
Borrowings used to fund projects	.682			.617	
Borrowing significantly improves service provision	.743			.741	
Citizens are provided with information on the amount of money borrowed	.774			.617	
Borrowing enhances the responsiveness to its citizens	.794			.761	
Borrowing from commercial sources negatively affects service delivery			.674	.543	
Inability to meet debt obligations			.724	.633	
Borrowed funds not utilized for projects and programmes			.621	.612	
Citizens are not provided with information on the borrowed amounts			.711	.661	
				Total	
Sum of squares(eigenvalue)	3.164	2.429	2.310	7.903	
Percentage of trace	26.371	20.244	19.253	65.868	
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 4 iterations.					

Exploratory Factor Analysis for Accountability practises

	Factor			h <sup>2</sup>
	1	2	3	
Accountability of the officers in their duty			.749	.602
County government discloses all the information			.817	.764
Information provided by the county government is adequate	.592			.642
Comprehensive structures to ensure accountability in the county	.653			.615
County government has put sufficient feedback mechanisms	.792			.716
County government has put in place procedures for handling complaints and grievances	.612			.471

County government has installed information management systems for reporting	.819			.691
County government has operation front service operations		.585		.559
County government manages its queues for improved service delivery		.808		.709
No individual skips queues		.837		.840
Officers attending to citizens are courteous		.733		.652
Accountability of the officers in their duty			.749	.602
County government discloses all the information			.817	.764
				Total
Sum of squares(eigenvalue)	2.764	2.546	1.950	7.260
Percentage of trace	25.131	23.145	17.723	65.999
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 6 iterations.				

Exploratory Factor Analysis for Performance

	<b>Factor</b>				<b>h<sup>2</sup></b>
	1	2	3	4	
Quality services	.837				.725
Services to citizens	.832				.742
Responsiveness to citizens	.622				.535
Improved responsiveness	.564				.509
Service provision	.751				.735
Lack of consistency				.855	.796
Slow decision making				.889	.692
Problem solving			.731		.608
Staff knowledgeable			.588		.648
Understanding citizen needs			.817		.718
Political patronage			.646		.762
Service speeds		.710			.555
Prompt services		.760			.708
Staff knowledgeable		.573			.548
Meeting expectations		.645			.620
					Total
Sum of squares(eigenvalue)	3.384	2.361	2.276	1.879	9.900
Percentage of trace	22.560	15.741	15.176	12.529	66.006
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 9 iterations.					

The decision for using an item of a variable to calculate construct reliability is that the factor loading for that item should be  $\leq 0.5$ .

## Appendix IV: Cross Tabulation results

### Differences in perceptions according to gender

Gender – Revenue Decisions						
Responses	Gender				Total	
	Male		Female			
	Freq	%	Freq	%	Freq	%
Neutral	1	50.0	1	50.0	2	2.1
Strongly Disagree	12	70.6	5	29.4	17	18.1
Disagree	14	51.9	13	48.1	27	28.7
Agree	23	50.0	23	50.0	46	48.6
Strongly Agree	2	100.0	0	0.0	2	2.1
Total	52	55.3	42	44.7	94	100.0
Chi-square tests	$\chi^2 = 3.900$		df = 4		p = 0.420	

Gender – Expenditure Decisions						
Responses	Gender				Total	
	Male		Female			
	Freq	%	Freq	%	Freq	%
Neutral	1	33.3	2	66.7	3	3.2
Strongly Disagree	8	72.7	3	27.3	11	11.7
Disagree	19	46.3	22	53.7	41	43.6
Agree	22	59.5	15	40.5	37	39.4
Strongly Agree	2	100.0	0	0.0	2	2.1
Total	52	55.3	42	44.7	94	100.0
Chi-square tests	$\chi^2 = 5.144$		df = 4		p = 0.273	

Gender – Fiscal Transfers						
Responses	Gender				Total	
	Male		Female			
	Freq	%	Freq	%	Freq	%
Neutral	3	100.0	0	0.0	3	3.2
Strongly Disagree	3	75.0	1	25.0	4	4.3
Disagree	7	38.9	11	61.1	18	19.1
Agree	33	55.0	27	45.0	60	63.8
Strongly Agree	6	66.7	3	33.3	9	9.6
Total	52	55.3	42	44.7	94	100.0
Chi-square tests	$\chi^2 = 5.487$		df = 4		p = 0.241	

Gender – Government Borrowings						
Responses	Gender				Total	
	Male		Female			
	Freq	%	Freq	%	Freq	%
Neutral	11	52.4	10	47.6	21	22.3
Strongly Disagree	5	71.4	2	28.6	7	7.4
Disagree	15	51.7	14	48.3	29	30.9
Agree	14	46.7	16	53.3	30	31.9
Strongly Agree	7	100.0	0	0.0	7	7.4
Total	52	55.3	42	44.7	94	100.0
Chi-square tests	$\chi^2 = 7.522$		df = 4		p = 0.111	

Gender – Accountability practises						
Responses	Gender				Total	
	Male		Female			
	Freq	%	Freq	%	Freq	%
Neutral	2	100.0	0	0.0	2	2.1
Strongly Disagree	13	72.2	5	27.8	18	19.1
Disagree	19	50.0	19	50.0	38	40.4
Agree	18	51.4	17	48.6	35	37.2
Strongly Agree	0	0.0	1	100.0	1	1.1
Total	52	55.3	42	44.7	94	100.0
Chi-square tests	$\chi^2 = 5.583$		df = 4		p = 0.232	

Gender – County Performance						
Responses	Gender				Total	
	Male		Female			
	Freq	%	Freq	%	Freq	%
Neutral	1	100.0	0	0.0	1	1.1
Strongly Disagree	11	73.3	4	26.7	15	16.0
Disagree	23	54.8	19	45.2	42	44.7
Agree	16	48.5	17	51.5	33	35.1
Strongly Agree	1	33.3	2	66.7	3	3.2
Total	52	55.3	42	44.7	94	100.0
Chi-square tests	$\chi^2 = 3.993$		df = 4		p = 0.407	

## Differences in Perceptions according to Age

<b>Age – Revenue Decisions</b>										
Responses	Age								Total	
	21 to 30 Years		31 to 40 Years		41 to 50 Years		51 to 60 Years		Freq	%
Neutral	1	50.0	1	50.0	0	0.0	0	0.0	2	2.1
Strongly Disagree	6	35.3	4	23.5	6	35.3	1	5.9	17	18.1
Disagree	11	40.7	11	40.7	4	14.8	1	3.7	27	28.7
Agree	14	30.4	18	39.1	13	28.3	1	2.2	46	48.9
Strongly Agree	1	50.0	1	50.0	0	0.0	0	0.0	2	2.1
Total	33	35.1	35	37.2	23	24.5	3	3.2	94	100.0
Chi-square tests	$\chi^2 = 5.726$		df = 12		p = 0.929					

<b>Age – Expenditure Decisions</b>										
Responses	Age								Total	
	21 to 30 Years		31 to 40 Years		41 to 50 Years		51 to 60 Years		Freq	%
Neutral	2	66.7	0	0.0	1	33.3	0	0.0	3	3.2
Strongly Disagree	2	18.2	4	36.4	4	36.4	1	9.1	11	11.7
Disagree	17	41.5	17	41.5	6	14.6	1	2.4	41	43.6
Agree	12	32.4	14	37.8	10	27.0	1	2.7	37	39.4
Strongly Agree	0	0.0	0	0.0	2	100.0	0	0.0	2	2.1
Total	33	35.1	35	37.2	23	24.5	3	3.2	94	100.0
Chi-square tests	$\chi^2 = 13.637$		df = 12		p = 0.324					

<b>Age – Fiscal transfers</b>										
Responses	Age								Total	
	21 to 30 Years		31 to 40 Years		41 to 50 Years		51 to 60 Years		Freq	%
Neutral	1	33.3	1	33.3	0	0.0	33.3	1	3	3.2
Strongly Disagree	0	0.0	2	50.0	2	50.0	0	0.0	4	4.3
Disagree	8	44.4	5	27.8	4	22.2	1	5.6	18	19.1
Agree	21	35.0	24	40.0	14	23.3	1	1.7	60	63.8
Strongly Agree	3	33.3	3	33.3	3	33.3	0	0.0	9	9.6
Total	33	35.1	35	37.2	23	24.5	3	3.2	94	100.0
Chi-square tests	$\chi^2 = 14.507$		df = 12		p = 0.270					

<b>Age – Government Borrowings</b>										
Responses	Age								Total	
	21 to 30 Years		31 to 40 Years		41 to 50 Years		51 to 60 Years		Freq	%
Neutral	9	42.9	6	28.6	4	19.0	2	9.5	21	22.3
Strongly Disagree	2	28.6	3	42.9	1	14.3	1	14.3	7	7.4
Disagree	11	37.9	14	48.3	4	13.8	0	0.0	29	30.9
Agree	10	33.3	12	40.0	8	26.7	0	0.0	30	31.9
Strongly Agree	1	14.3	0	0.0	6	85.7	0	0.0	7	7.4
Total	33	35.1	35	37.2	23	24.5	3	3.2	94	100.0
Chi-square tests	$\chi^2 = 25.636$		df = 12		p = 0.012					

<b>Age – Accountability Practises</b>										
Responses	Age								Total	
	21 to 30 Years		31 to 40 Years		41 to 50 Years		51 to 60 Years		Freq	%
Neutral	0	0.0	1	50.0	1	50.0	0	0.0	2	2.1
Strongly Disagree	6	33.3	4	22.2	7	38.9	1	5.8	18	19.1
Disagree	18	47.4	15	39.5	4	10.5	1	2.6	38	40.4
Agree	9	25.7	14	40.0	11	31.4	1	2.9	35	37.2
Strongly Agree	0	0.0	1	100.0	0	0.0	0	0.0	1	1.1
Total	33	35.1	35	37.2	23	24.5	3	3.2	94	100.0
Chi-square tests	$\chi^2 = 12.414$		df = 12		p = 0.413					

<b>Age - Performance</b>										
Responses	Age								Total	
	21 to 30 Years		31 to 40 Years		41 to 50 Years		51 to 60 Years		Freq	%
Neutral	1	100.0	0	0.0	0	0.0	0	0.0	1	1.1
Strongly Disagree	8	53.3	2	13.3	4	26.7	1	6.7	15	16.0
Disagree	15	35.7	18	42.9	9	21.4	0	0.0	42	44.7
Agree	9	27.3	13	39.4	9	27.3	2	6.1	33	35.1
Strongly Agree	0	0.0	2	66.7	1	33.3	0	0.0	3	3.2
Total	33	35.1	35	37.2	23	24.5	3	3.2	94	100.0
Chi-square tests	$\chi^2 = 11.545$		df = 12		p = 0.483					

## Differences in Perceptions according to Education Levels

### Education levels– Revenue Decisions

Responses	Educational levels												Total	
	Primary		Secondary		Certificate		Diploma		Undergraduate		Graduate		Freq	%
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%		
Neutral	0	0.0	0	0.0	0	0.0	1	50.0	1	50.0	0	0.0	2	2.1
Strongly Disagree	0	0.0	1	5.9	2	11.8	4	23.5	10	58.8	0	0.0	17	18.1
Disagree	1	3.7	3	11.1	6	22.2	7	25.9	9	33.3	1	3.7	27	28.7
Agree	3	6.5	3	6.5	4	8.7	7	15.2	24	52.2	5	10.9	46	48.9
Strongly Agree	0	0.0	0	0.0	0	0.0	0	0.0	2	100.0	0	0.0	2	2.1
Total	4	4.3	7	7.4	12	12.8	19	20.2	46	48.9	6	6.4	94	100.0
Chi-square tests	$\chi^2 = 13.695$				df = 20				p = 0.846					

### Education levels – Expenditure Decisions

Responses	Educational levels												Total	
	Primary		Secondary		Certificate		Diploma		Undergraduate		Graduate		Freq	%
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%		
Neutral	0	0.0	0	0.0	1	33.3	0	0.0	2	66.7	0	0.0	3	3.2
Strongly Disagree	1	9.1	0	0.0	2	18.2	2	18.2	5	54.5	0	0.0	11	11.7
Disagree	3	7.3	6	14.6	5	12.2	11	26.8	13	31.7	3	7.3	41	43.6
Agree	0	0.0	1	2.7	4	10.8	6	16.2	23	62.2	3	8.1	37	39.4
Strongly Agree	0	0.0	0	0.0	0	0.0	0	0.0	2	100.0	0	0.0	2	2.1
Total	4	4.3	7	7.4	12	12.8	19	20.2	46	48.9	6	6.4	94	100.0
Chi-square tests	$\chi^2 = 18.674$				df = 20				p = 0.543					

### Education levels – Fiscal transfers

Responses	Educational levels												Total	
	Primary		Secondary		Certificate		Diploma		Undergraduate		Graduate		Freq	%
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%		
Neutral	0	0.0	0	0.0	0	0.0	1	33.3	2	66.7	0	0.0	3	3.2
Strongly Disagree	0	0.0	0	0.0	2	50.0	0	0.0	1	25.0	1	25.0	4	4.3
Disagree	0	0.0	1	5.6	2	11.1	4	22.2	10	55.6	1	5.6	18	19.1
Agree	4	6.7	5	8.3	7	11.7	13	21.7	28	46.7	3	5.0	60	63.8
Strongly Agree	0	0.0	1	11.1	1	11.1	1	11.1	5	55.6	1	11.1	9	9.6
Total	4	4.3	7	7.4	12	12.8	19	20.2	46	48.9	6	6.4	94	100.0
Chi-square tests	$\chi^2 = 13.317$				df = 20				p = 0.863					

### Education levels – Government Borrowings

Responses	Educational levels												Total	
	Primary		Secondary		Certificate		Diploma		Undergraduate		Graduate		Freq	%
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%		
Neutral	0	0.0	0	0.0	4	19.0	5	23.8	11	52.4	1	4.8	21	22.3
Strongly Disagree	0	0.0	1	14.3	0	0.0	1	14.3	5	71.4	0	0.0	7	7.4
Disagree	1	3.4	2	6.9	2	6.9	7	24.1	14	48.3	3	10.3	29	30.9
Agree	3	10.0	4	13.3	6	20.0	6	20.0	11	36.7	0	0.0	30	31.9
Strongly Agree	0	0.0	0	0.0	0	0.0	0	0.0	5	71.4	2	28.6	7	7.4
Total	4	4.3	7	7.4	12	12.8	19	20.2	46	48.9	6	6.4	94	100.0

Chi-square tests		$\chi^2 = 25.118$				df = 20				p = 0.197				
<b>Education levels – Accountability practises</b>														
Responses	Primary		Secondary		Certificate		Diploma		Undergraduate		Graduate		Total	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Neutral	0	0.0	0	0.0	0	0.0	0	0.0	2	100.0	0	0.0	2	2.1
Strongly Disagree	2	11.1	2	11.1	3	16.7	6	33.3	4	22.2	1	5.6	18	19.1
Disagree	0	0.0	2	5.3	5	13.2	7	18.4	22	57.9	2	5.3	38	40.4
Agree	2	5.7	3	8.6	4	11.4	6	17.1	17	48.6	3	8.6	35	37.2
Strongly Agree	0	0.0	0	0.0	0	0.0	0	0.0	1	100.0	0	0.0	1	1.1
Total	4	4.3	7	7.4	12	12.8	19	20.2	46	48.9	6	6.4	94	100.0
Chi-square tests		$\chi^2 = 13.168$				df = 20				p = 0.870				
<b>Education levels - Performance</b>														
Responses	Primary		Secondary		Certificate		Diploma		Undergraduate		Graduate		Total	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Neutral	0	0.0	0	0.0	0	0.0	1	100.0	0	0.0	0	0.0	1	1.1
Strongly Disagree	2	13.3	2	13.3	3	20.0	3	20.0	5	33.3	0	0.0	15	16.0
Disagree	1	2.4	3	7.1	7	16.7	9	21.4	22	52.4	0	0.0	42	44.7
Agree	1	3.0	2	6.1	2	6.1	6	18.2	16	48.5	6	18.2	33	35.1
Strongly Agree	0	0.0	0	0.0	0	0.0	0	0.0	3	100.0	0	0.0	3	3.2
Total	4	4.3	7	7.4	12	12.8	19	20.2	46	48.9	6	6.4	94	100.0
Chi-square tests		$\chi^2 = 25.295$				df = 20				p = 0.190				

**Differences in Perceptions according to the Respondent Type**

<b>Respondent Type – Revenue Decisions</b>																
<b>Responses</b>	<b>Respondent type</b>														<b>Total</b>	
	<b>Political</b>		<b>Business</b>		<b>Women</b>		<b>Religious</b>		<b>Youth</b>		<b>PWD</b>		<b>Civic Society</b>		<b>Freq</b>	<b>%</b>
	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>		
Neutral	0	0.0	0	0.0	0	0.0	1	50.0	0	0.0	0	0.0	1	50.0	2	2.1
Strongly Disagree	3	17.6	4	23.5	3	17.6	2	11.8	3	17.6	1	5.9	1	5.9	17	18.1
Disagree	3	11.1	2	7.4	4	14.8	5	18.5	5	18.5	3	11.1	5	18.5	27	28.7
Agree	9	19.6	13	28.3	4	8.7	4	8.7	7	15.2	4	8.7	5	10.9	46	48.9
Strongly Agree	0	0.0	1	50.0	0	0.0	0	0.0	0	0.0	1	50.0	0	0.0	2	2.1
Total	15	16.0	20	21.3	11	11.7	12	12.8	15	16.0	9	9.6	12	12.8	94	100.0
Chi-square tests	$\chi^2 = 20.111$				df = 24				p = 0.690							

<b>Respondent Type – Expenditure Decisions</b>																
<b>Responses</b>	<b>Respondent type</b>														<b>Total</b>	
	<b>Political</b>		<b>Business</b>		<b>Women</b>		<b>Religious</b>		<b>Youth</b>		<b>PWD</b>		<b>Civic Society</b>		<b>Freq</b>	<b>%</b>
	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>		
Neutral	0	0.0	0	0.0	1	33.3	0	0.0	0	0.0	1	33.3	1	33.3	3	3.2
Strongly Disagree	2	18.2	3	27.3	1	9.1	2	18.2	1	9.1	1	9.1	1	9.1	11	11.7
Disagree	7	17.1	8	19.5	4	9.8	5	12.2	6	14.6	5	12.2	6	14.6	41	43.6
Agree	5	13.5	9	24.3	5	13.5	4	10.8	8	21.6	2	5.4	4	10.8	37	39.4
Strongly Agree	1	50.0	0	0.0	0	0.0	1	50.0	0	0.0	0	0.0	0	0.0	2	2.1
Total	15	16.0	20	21.3	11	11.7	12	12.8	15	16.0	9	9.6	12	12.8	94	100.0
Chi-square tests	$\chi^2 = 14.699$				df = 24				p = 0.929							

<b>Respondent Type – Fiscal Transfers</b>																
<b>Responses</b>	<b>Respondent type</b>														<b>Total</b>	
	<b>Political</b>		<b>Business</b>		<b>Women</b>		<b>Religious</b>		<b>Youth</b>		<b>PWD</b>		<b>Civic Society</b>		<b>Freq</b>	<b>%</b>
	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>	<b>Freq</b>	<b>%</b>		
Neutral	0	0.0	1	33.3	0	0.0	0	0.0	0	0.0	0	0.0	2	66.7	3	3.2
Strongly Disagree	0	0.0	4	100.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	4	4.3
Disagree	1	5.6	2	11.1	4	22.2	4	22.2	5	27.8	1	5.6	1	5.6	18	19.1
Agree	11	18.3	11	18.3	7	11.7	7	11.7	9	15.0	7	11.7	8	13.3	60	63.8

Strongly Agree	3	33.3	2	22.2	0	0.0	1	11.1	1	11.1	1	11.1	1	11.1	9	9.6
Total	15	16.0	20	21.3	11	11.7	12	12.8	15	16.0	9	9.6	12	12.8	94	100.0
Chi-square tests	$\chi^2 = 35.272$				df = 24				p = 0.064							

**Respondent Type – Government Borrowing**

Responses	Respondent type														Total	
	Political		Business		Women		Religious		Youth		PWD		Civic Society		Freq	%
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Neutral	2	9.5	3	14.3	3	14.3	3	14.3	5	23.8	3	14.3	2	9.5	21	22.3
Strongly Disagree	2	28.6	2	28.6	0	0.0	1	14.3	0	0.0	1	14.3	1	14.3	7	7.4
Disagree	2	6.9	7	24.1	6	20.7	4	13.8	5	17.2	2	6.9	3	10.3	29	30.9
Agree	7	23.3	7	23.3	2	6.7	3	10.0	4	13.3	2	6.7	5	16.7	30	31.9
Strongly Agree	2	28.6	1	14.3	0	0.0	1	14.3	1	14.3	1	14.3	1	14.3	7	7.4
Total	15	16.0	20	21.3	11	11.7	12	12.8	15	16.0	9	9.6	12	12.8	94	100.0
Chi-square tests	$\chi^2 = 14.204$				df = 24				p = 0.942							

**Respondent Type – Accounting Practises**

Responses	Respondent type														Total	
	Political		Business		Women		Religious		Youth		PWD		Civic Society		Freq	%
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Neutral	1	50.0	0	0.0	0	0.0	1	50.0	0	0.0	0	0.0	0	0.0	2	2.1
Strongly Disagree	5	27.8	7	38.9	1	5.6	2	11.1	1	5.6	1	5.6	1	5.6	18	19.1
Disagree	4	10.5	6	15.8	6	15.8	4	10.5	8	21.1	5	13.2	5	13.2	38	40.4
Agree	5	14.3	6	17.1	4	11.4	5	14.3	6	17.1	3	8.6	6	17.1	35	37.2
Strongly Agree	0	0.0	1	100.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	1.1
Total	15	16.0	20	21.3	11	11.7	12	12.8	15	16.0	9	9.6	12	12.8	94	100.0
Chi-square tests	$\chi^2 = 19.892$				df = 24				p = 0.703							


**Respondent Type – Performance**


Responses	Respondent type														Total	
	Political		Business		Women		Religious		Youth		PWD		Civic Society		Freq	%
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Neutral	0	0.0	0	0.0	0	0.0	0	0.0	1	100.0	0	0.0	0	0.0	1	1.1
Strongly Disagree	2	13.3	7	46.7	0	0.0	2	13.3	2	13.3	0	0.0	2	13.3	15	16.0
Disagree	7	16.7	5	11.9	5	11.9	7	16.7	8	19.0	5	11.9	5	11.9	42	44.7

Agree	5	15.2	7	21.2	6	18.2	2	6.1	4	12.1	4	12.1	5	15.2	33	35.1
Strongly Agree	1	33.3	1	33.3	0	0.0	1	33.3	0	0.0	0	0.0	0	0.0	3	3.2
Total	15	16.0	20	21.3	11	11.7	12	12.8	15	16.0	9	9.6	12	12.8	94	100.0
Chi-square tests	$\chi^2 = 22.204$				df = 24				p = 0.567							

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## Appendix V: NACOSTI Research Permit

  
REPUBLIC OF KENYA

  
NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 838298 Date of Issue: 23/September/2019

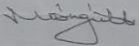
**RESEARCH LICENSE**




This is to Certify that Mr.. Kimutai Rutto of Kenyatta University, has been licensed to conduct research in Baringo, Kiambu, Nairobi, Nyandarua, Uasin-Gishu, Vihiga on the topic: FISCAL DECENTRALISATION AND PERFORMANCE OF SELECTED COUNTY GOVERNMENTS IN KENYA for the period ending : 23/September/2020.

License No: NACOSTI/P/19/1747

838298  
Applicant Identification Number

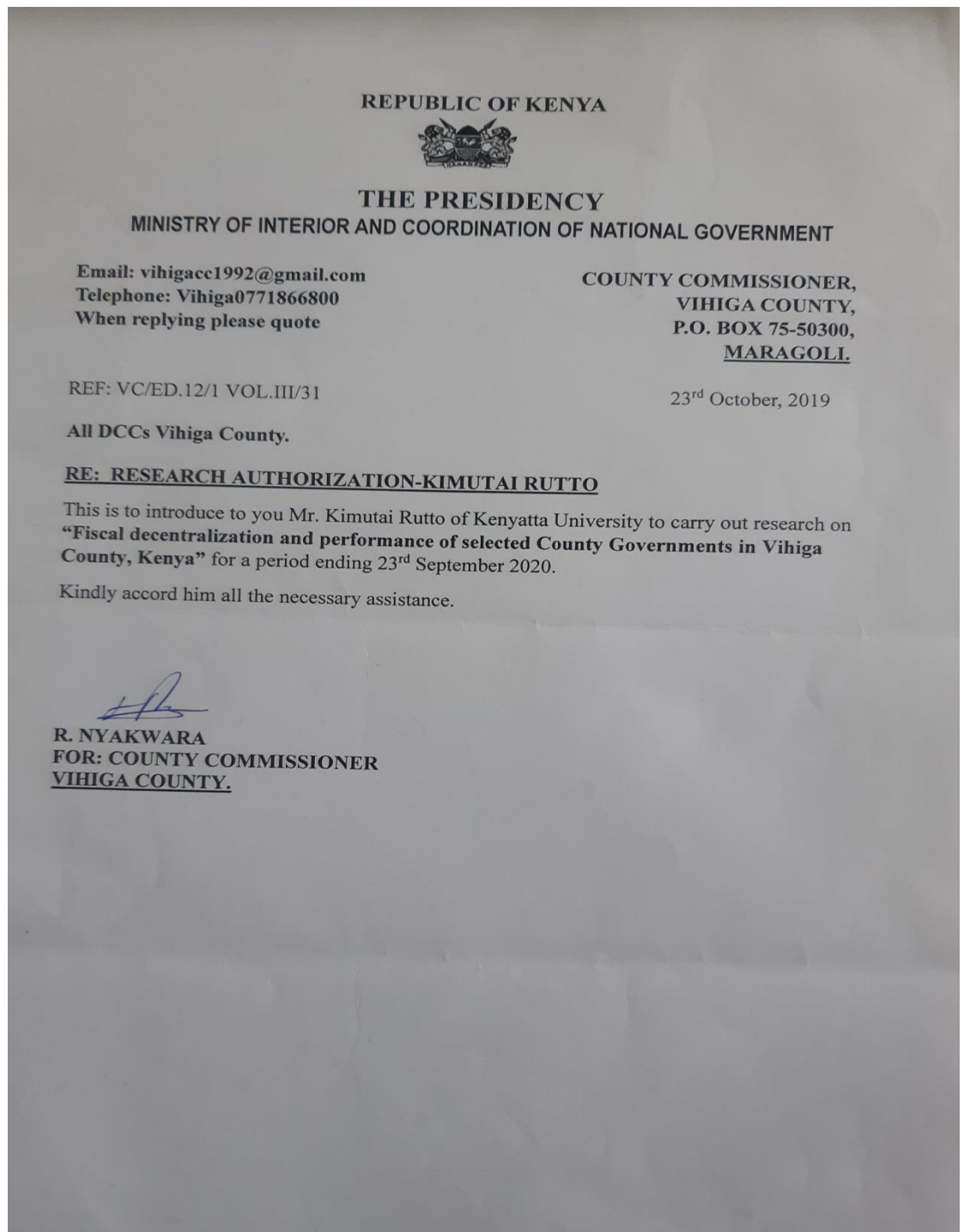
  
Director General  
NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY &  
INNOVATION

Verification QR Code



NOTE: This is a computer generated License. To verify the authenticity of this document,  
Scan the QR Code using QR scanner application.

**Appendix VI: County Commissioner Approval Letter, Vihiga**



**Appendix VII: County Commissioner Approval Letter, Baringo**



**OFFICE OF THE PRESIDENT**

Telephone. 053-21285  
Fax. (053)-21285  
E-Mail:  
baringocountycommissioner@yahoo.com  
baringocountycommissioner@gmail.com

**MINISTRY OF INTERIOR  
AND CO-ORDINATION  
OF  
NATIONAL GOVERNMENT**

COUNTY COMMISSIONER'S OFFICE  
BARINGO COUNTY,  
P.O. BOX 1 - 30400  
**KABARNET.**

When replying please quote:

REF.NO: **ADM.18/1 VOL.II/130**

22<sup>ND</sup> OCTOBER, 2019


All Deputy County Commissioners  
**BARINGO COUNTY**

**RE: RESEARCH AUTHORIZATION**

Reference is made to licence No.NACOSTI/P/19/1747 dated 23<sup>rd</sup> September, 2019 from the Director General – NACOSTI.

This is to confirm that **Kimutai Rutto** of **Kenyatta University** has been authorized to carry out research on "**Fiscal Decentralization and Performance of Selected County Governments in Kenya**", for the period ending **23<sup>rd</sup> September, 2020.**

Please accord him the necessary support.

  
HENRY WAFULA  
COUNTY COMMISSIONER  
**BARINGO COUNTY**

COUNTY COMMISSIONER  
BARINGO COUNTY

P O. Box 1 - 30400, KABARNET

## Appendix VIII: County Commissioner Approval Letter, Kiambu



**OFFICE OF THE PRESIDENT**  
MINISTRY OF INTERIOR AND CO-ORDINATION OF NATIONAL GOVERNMENT  
COUNTY COMMISSIONER, KIAMBU

Telephone: 066-2022709

Fax: 066-2022644

E-mail: [countycommkiambu@yahoo.com](mailto:countycommkiambu@yahoo.com)

When replying please quote

County Commissioner  
Kiambu County  
P.O. Box 32-00900  
**KIAMBU**

Ref.No: **ED.12 (A)/1/VOL.III/150**

**2<sup>nd</sup>OCTOBER, 2019**

Rutto A. Kimutai  
Kenyatta University  
P.O. Box 43844-00100  
**NAIROBI**

**RE: RESEARCH AUTHORIZATION**

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Reference is made to National Commission for Science, Technology and Innovation Letter Ref No. NACOSTI/P/19/1747 Dated **23<sup>rd</sup> September, 2019**.

You have been authorized to conduct research on "*Fiscal Decentralisation and performance of selected County Government in Kenya.*" The data collection will be carried out in *Kiambu County for a period ending 23<sup>rd</sup> September, 2020.*

You are requested to share your findings with the County Education Office, Kiambu upon completion of your research.

  
**FESTUS KIMEU**

For: COUNTY COMMISSIONER  
**KIAMBU COUNTY**

Cc National Commission for Science, Technology and Innovation  
P.O. Box 30623-00100  
**NAIROBI**

County Director of Education  
**KIAMBU COUNTY**

All Deputy County Commissioners  
**KIAMBU COUNTY**

---

## Appendix IX: County Director of Education Approval Letter, Baringo

REPUBLIC OF KENYA



MINISTRY OF EDUCATION  
STATE DEPARTMENT OF EARLY LEARNING & BASIC EDUCATION

OFFICE OF THE COUNTY DIRECTOR  
(BARINGO COUNTY).

Our Email: countyedubaringo@gmail.com  
Tel / Fax: 053/21282

P.O. BOX 664  
KABARNET

REF: CDE/BAR/RESEARCH.GEN/VOL.II /180

22/10/2019

Mr. Kimutai Rutto  
NACOSTI/P/19/1747  
Kenyatta University

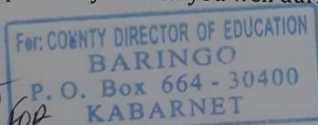
### RE: RESEARCH AUTHORIZATION

Reference is made to research authorization letter Ref. No. 838298 dated 23/09/2019 on the above subject.

This is to inform you that you have been authorized to carry out research on "**Fiscal Decentralisation and performance of selected County Governments in Kenya - Baringo County**" for a period ending **23/09/2020**.

The authorities concerned are therefore requested to give maximum support so that this research is completed within schedule.

I take this opportunity to wish you well during this research in our county.



*[Signature]*  
Karati Moses N.  
County Director of Education  
Baringo County

## Appendix X: County Director of Education Approval Letter, Kiambu



### MINISTRY OF EDUCATION State Department of Early Learning & Basic Education

Telephone: Kiambu (office) 020-2044686  
FAX NO. 020-2090948  
Email: [directoreducationkiambu@yahoo.com](mailto:directoreducationkiambu@yahoo.com)

COUNTY DIRECTOR OF EDUCATION  
KIAMBU COUNTY  
P. O. Box 2300  
KIAMBU

*When replying please quote*

KBU/CDE/DEPT 8/Vol. I/(58)

2<sup>nd</sup> October, 2019

Rutto A. Kimutai  
Kenyatta University  
P.O Box 43844-00100  
**NAIROBI**

#### **RE: RESEARCH AUTHORIZATION**

Reference is made to the National Commission for Science Technology and Innovation letter Ref. No NACOSTI/P/1747 dated 23<sup>rd</sup> September, 2019.

The above named has been authorized to carry out research on "*Fiscal decentralization and performance of selected county governments in Kenya*" for a period ending 23<sup>rd</sup> September, 2020.

Please accord him the necessary assistance.

  
  
**LEAH ROIKO**  
For: COUNTY DIRECTOR OF EDUCATION  
**KIAMBU COUNTY**

## Appendix XI: County Director of Education Approval Letter, Vihiga



**MINISTRY OF EDUCATION**  
**STATE DEPARTMENT OF EDUCATION**

Telegrams: .....  
Telephone: (056) 51450  
When replying please quote

COUNTY EDUCATION OFFICE,  
VIHIGA COUNTY,  
P.O. BOX 640,  
**MARAGOLI.**

REF: CDE/VC/ADM/VOL.2/39/150

22<sup>nd</sup> October, 2019

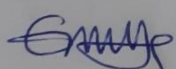
**TO WHOM IT MAY CONCERN**

**RE: AUTHORITY TO CONDUCT RESEARCH**  
**Mr. Kimutai Rutto**

Reference is made to your letter **Ref No. NACOSTI/P/19/1747** dated 23<sup>rd</sup> September, 2019.

Permission is hereby granted to the above named student from Kenyatta University- to conduct research on "**Fiscal decentralization and performance of selected County Governments**" in **Vihiga county ,Kenya** to enable him write a project as required by his Institution.

Kindly note, in order for the office to be informed a copy of the same be shared with the County Education office for intervention purposes upon completion of the research.

 *for:*  
*County Director of Education*  
*Vihiga County*


Hellen Nyang'au (Mrs)  
County Director of Education  
**VIHIGA COUNTY**

**Cc**  
County Commissioner  
**VIHIGA**

## Appendix XII: County Government Approval Letter, Baringo

**BARINGO COUNTY GOVERNMENT**

Tel/Fax. 053021077  
Email. csbaringo@baringo.go.ke

  
BARINGO COUNTY GOVERNMENT

Baringo County Government,  
P.O. BOX 53-30400,  
KABARNET

**OFFICE OF THE COUNTY SECRETARY**

REF/BCG/CS/RES/100/VOL.I/90 DATE: 22<sup>nd</sup> October, 2019

**TO WHOM IT MAY CONCERN**

REF: PERMISSION TO CONDUCT RESEARCH IN BARINGO COUNTY GOVERNMENT – MR. KIMUTAI RUTTO

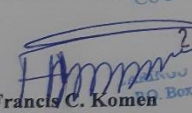
The above mater refers.

This is to introduce to you the above named as a researcher from the Kenyatta University undertaking a Doctorate in Public Policy and Management. He wishes to carry out research on “**Fiscal Decentralization and performance of selected County Governments in Kenya**” the selected Counties in Kenya are Baringo, Kiambu, Nairobi, Nyandarua Uasin-Gishu and Vihiga.

This is to request you to accord him the support he requires during this vital task.

Thank You.


Yours Sincerely, *COUNTY SECRETARY*

  
Francis C. Komon *22 OCT 2019*  
BARINGO COUNTY GOVERNMENT  
Box 53 - 30400, KABARNET

**COUNTY SECRETARY & HEAD OF PUBLIC SERVICE**

Cc. H.E. Governor  
H.E. Deputy Governor

## Appendix XIII: County Government Approval Letter, Kiambu



**COUNTY GOVERNMENT OF KIAMBU**  
COUNTY SECRETARY AND HEAD OF PUBLIC SERVICE  
P.O Box 2344 - 00900 Kiambu, Kenya

Tet: +254 709 877 000    Email: info@Kiambu.go.ke    Website: www.Kiambu.go.ke    Twitter: @KiambuCountyGov

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Ref: KCG/ED/11/VOL.1/239

Date: 29<sup>th</sup> January, 2020

✓ Rutto Kimutai  
KENYATTA UNIVERSITY

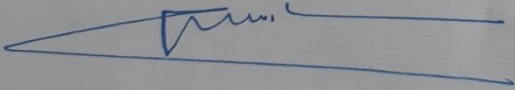
**RE: AUTHORITY TO CONDUCT RESEARCH IN KIAMBU COUNTY ON "FISCAL DECENTRALISATION AND PERFORMANCE OF SELECTED COUNTY GOVERNMENTS IN KENYA"**

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This is in reference to your request to conduct research in the County Government of Kiambu on "**Fiscal Decentralization and Performance of Selected County Governments in Kenya**" for a period ending 23<sup>rd</sup> September, 2020.

This is to let you know that you have been allowed to conduct the research under the guidance of the Chief Officer, Department of Finance & Economic Planning.

Kindly ensure you give a copy of your research findings to this office after completion of the research.



**BENSON M. MBARI**  
**FOR: COUNTY SECRETARY & HEAD OF PUBLIC SERVICE**

CC. Chief officer- Department of Finance & Economic Planning