INFORMATION
Background to the Study

The democratization process going on in many countries is seeing the progressive shift in public management models from a tightly centralized government to devolved systems of government as the demands for more accountability and better service delivery rise. According to Tomaney and Pike [1], the motivation behind this approach in public affairs is on mechanisms which do not rest on resort to classical ideas of state authority and sanctions, but rather on the interaction of multiple actors also known as stakeholders. Accordingly, there is a growing inclination to vacate from the traditional government to the more engaging governance models where the stakeholders can have more input in the way their public affairs are managed and thus the sole undertaking of governance becomes that of ‘steering networks’ of multiple actors [2]. Keating [3], however, cautions that irrespective of its conceptualization, governance must not be seen to replace government; thus, the devolved units regardless of their levels of autonomy should be viewed strictly as governance units not governments per se which is a popular misconception. Thus, in a broad sense, the public sector is being subjected to transformation in order to enhance the efficiency, effectiveness and accountability of public service delivery [4].

Devolution is a kind of decentralization that changes communications in the system. It means the effect of system performance by transferring responsibility and authority to selected subject [5]. Devolution is the transfer of authorities and responsibilities to local departments of governmental organization by independent income and authority. It is defined as reassignment of personnel responsibilities to linear managers [6]. Devolution acts as effective tool for increasing efficacy of the public sector. Although there are improper consequences like horizontal imbalance among local government and endangering macro-economic stability. Thus are of the reasons mentioned for justification of decentralization ever growing trend is that these policies could help in obtaining goals like increase welfare, efficacy, reduction of casts, motivation of staff, preparation of future managers, control and economic growth [7]. Devolution is the main solution for organization
participation, helping and involvement and responsibility and in case knowledge it leads to value added. Some scholars believe that the managers should submit the affairs to subordinates and they obtain knowledge and question the conditions. In devolution the individuals should have required authorities and they are responsible for their acts [8]. There is a significant difference between devolution theatrical concept and what happens in reality. In scholars opinion the linear managers do not have authority over the final decision [9].

Ideally devolution has been premised on the argument that it would facilitate better governance in public services and that could lead to rapid economic development [4]. Indeed the argument in Kenya has been on the political-economic marginalization of certain areas thus causing them to lag behind in terms of development. However, with devolution now in its fourth year in Kenya and with mixed results over the success of devolution, key questions are emerging especially concerning the utilization of budgeted financial resources devolved by the state to the devolved governments. Though, some progress has been made in terms of service delivery and some infrastructural projects, the much expected accelerated economic development is yet to materialize. Reports are emerging on the misuse of funds, poor prioritization of capital projects, corruption and debt accrual by the county governments [10]. All these left unaddressed could eventually weaken the devolution process and erode public confidence in the system in the new mode of government, thus plunge counties in to cyclical poverty centrally to the purpose of this governance approach.

LITERATURE
Theoretical Framework
The study adopted Fiscal Federalism Theory developed by Hayek [11], Musgrave [12] and Oates [13]. This theory emphasized that, economic growth is achieved by way of fiscal decentralization or delegation of authority by the center to the regions to set their own households or local authority often referred to regional autonomy (autonomy). The theory of fiscal federalism is divided into two theoretical perspectives that according to traditional theories (first generation theory) and new perspective theories (second generation theories). This emphasis on the advantages locative of decentralization to gain ease of information from the public is a view of the traditional theory of fiscal federalism while according to Maggi and Ladurner [14] new perspective theories emphasize to look into every political decision taken by the government, how the government (executive and legislative) behave, act and think as well as their institutions. The study recognized the devolution entrenched in the Kenya Constitution 2010. Hence, this theory explains the existence of county government and the devolution of revenue to run both the recurrent and capital expenditure.

The promulgation of Kenya’s new constitution on the August 27th, 2010 marked a big change in the system of government and governance from the unitary government to a two tier devolved structure. This brings on board the National government and the country government this has surmounted to change dilemma because of such a drastic change in the structure of the government that had been in place for the last 37 years [15]. Burugu [15] contends that implementing devolution which is statutory granting of powers from the central government of a sovereign state to government at a Sub – national level as a regional, local or state level is a major challenge that Kenyans will be engaged in for the next five years.

Counties will be embraced as the new centers of power and resources. Therefore, knowledge on Devolution which in essence is transformation from central governance to devolved governance is necessary to facilitate the understanding of counties and know they will be run by the residents, professional’s business community, current local government employees and politicians. As a new phenomenon, county government will be the centers of development as they will have executive roles and 15% of developed funds. Therefore there is need to sensitize and prepare stakeholders for the big role and expectation from the residents, the central government and the development partners. County governments in their planning incorporate their contributions in meeting the Sustainable development goals regional goals, and The Vision 2030. Change management entails thoughtful planning and sensitive implementation, above all consultation with and involvement of the people affected by the changes [16].

Empirical Review
Uganda practices devolution through kingdoms, Tanzania through Jimbos. There is varying devolution system in place for instance; USA, Nigeria and India systems are federal in nature. Counties have to draw experiences from similar environments and factors that bring them closer and learn how they operate, benchmark their strengths and transfer that knowledge and experience to benefit the county. Counties should design and develop slogans to serve as a rallying call or marketing edge. California is known as the “Orange County” while New Hampshire’s slogan is “Live free or die” Ronald [17]. The formative years in Kenya 2012 – 2015 were for laying foundation by instilling the best management and leadership practices [15]. Kelleher, Christine A, Yackee and Susan Webb writing in the policy studies journal in their report, An empirical assessment of devolution policy impact state that sub – national levels of government provide more effective policy customers because they are closely tied
to their respective constituencies “Closer to the people”. Osborne [18] says devolution should be followed as it allows experimentation and innovation and has better response to citizen preferences, promotes political participation and sub – national control enhances policy making legitimacy.

Abbaszadeh and Rezaei [19] evaluated the performance of devolution to provinces trading and commerce organization and concluded that devolution leads to efficacy and efficiency in average level by the score between 50-60 from 100. They suggested insufficiency of studies of feasibility of planning. More so, lack of strategic plans at macro level, ambiguity in regulation and direction, lack of consideration and also staff training, imbalance between authorities and new responsibility and lack of feedback and control mechanism as reasons for cause of devolution failure.

In democratizing the governing process, public participation conveys valuable information about public needs and demands from the public to policy-makers and implementers, and vice versa. At the same time, it promotes responsiveness to public needs and facilitates the processes of policy formulation, implementation and community development [20]. Public participation in public policy-making and policy implementation also keeps public functionaries in check [21].

Financial decentralization, among other things, refers to the transfer of financial resources from central to local governments taking into account the responsibilities allocated to these institutions. This helps local authorities to manage autonomously their projects in order to promote the welfare of the citizens [22]. To be genuinely supportive of a financial decentralization process, the basic characteristic should include: transparency of allocation, predictability of the amounts available to local institutions and local autonomy of policy-making on resource utilization [23]. Hence, financial decentralization refers to downward transfer; by which central governments cede influence over budgets and financial decisions of local government [24].

According to Whelan [25], the most important unconditional grant to local government is the Equitable Share (ES) of nationally raised revenue. These grants are paid directly to all Counties in the County, and are based on a formula that takes into account the operating cost required by each individual County, to deliver basic services to local communities, specifically those sections that are too poor to pay for these services. In this regard, Whelan [25] is of the view that the grant is only partially needs-based. Where it wholly needs based, it would also have to take into account the revenue generated by each County across all households, and thus their ability to render these services with their own money.

According to Fourie and Opperman [26], although the Equitable Share is essentially an unconditional grant, in terms of determining the amount allocated to each municipality, the grant is broken down into specific components, also known as “funding windows”. These “funding windows” represent suggestions as to how the ES should be utilized, and although Whelan [25] suggests that it does not amount to legally forced spending, it is an attempt by national government attempting to ensure that the grant is utilized towards basic services to poor local communities. It can therefore be seen as efforts on the part of national government to ensure that citizens benefit from the grants, and that it is not used for day to day operational costs of the municipality, such as the payment of salaries for example.

**Conceptual Framework**

The conceptual framework of this study showed the influence of devolved funds, disbursement and use on poverty alleviation in Kenya. Devolved funds is supposed to assist the county government develop their respective counties as a sure means of alleviating poverty. The independent variables include the actual funds disbursed to the county government by the national government, capital expenditures and recurrent expenditure, whereas the dependable variable is level of poverty in each county. It is hypothesized that when the national government disburse funds to the county government who in turn spend such funds on capital expenditures with prudent recurrent expenditures then poverty in the counties will be alleviated indicated by reduced poverty rate as shown in figure 1. The intervening variable will be inflation and foreign exchange that is presumed constant in this study.
MATERIAL AND METHODS

Research Design

This study adopted quantitative descriptive design, taking secondary data of devolved funds disbursed to county government in 2013/2014 to 2016/2017 financial year from the Kenya Economic Survey (2013/2014 – 2016/2017). The study also collected data on county government capital and recurrent expenditure covering 2013/2014 to 2016/2017. The study collected data from Kenya Economic Survey to capture poverty rate in every county for the year 2016 when devolution was expected to have gained momentum to showcase the changes in poverty rate. In order to answer the main question whether the devolved disbursed fund from national government influenced poverty alleviation, the study came up with the following hypotheses;

HO1 There is no statistically significant influence of the devolved disbursed funds on poverty alleviation by the counties in Kenya. 

HO2 There is no statistically significant influence of capital expenditure on poverty alleviation by the counties in Kenya.

HO3 There is no statistically significant influence of recurrent expenditure on poverty alleviation by the counties in Kenya.

Data Analysis

Data collected was processed, coded and analyzed based on the research objectives. Both descriptive and inferential statistics were used. This was achieved with the help of the Statistical Package for Social Sciences (SPSS). Descriptive statistics involving the use of frequencies, percentages and means helped bring out the basic features of the data while inferential statistics to provide a basis for testing the relationships among the study variables and drawing meaningful inferences that can be generalized across populations of interest. Hence, the inferential statistical methods used in the study were the correlation and multiple regression analyses. Correlation analysis was used to determine the nature of the relationship between variables at a generally accepted conventional significant level of P=0.05 [27]. Multiple regression analysis was applied to analyze the relationship between a single dependent variable and each of the independent variables respectively. The beta (β) coefficients for each independent variable was generated from the model. Therefore, the regression model which was used in the study is assumed to hold under:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon \]

Where,

Y = Poverty Index  
X_1 = Disbursed Fund  
X_2 = Disbursed Fund  
X_3 = Capital Expenditure  
X_4 = Recurrent expenditure  
\varepsilon = Random or error term 
B_1, B_2, B_3, B_4, B_5, B_6 = Parameter estimates 
B_0 = intercept

RESULTS AND DISCUSSIONS

Financial Disbursement
The study established that the Kenya Government disbursed 189 billion Kenya Shillings in 2013/2014 financial year, Kshs. 232 billion in 2014/2015 financial year, Kshs. 258 billion in 2015/2016 financial year and Kshs. 280 billion in 2016/2017 financial year. This finding indicated that the financial disbursement to county government continuously increased in the succeeding years assumed to be targeting an equivalent reduction on poverty rate in the county governments.

According to the County Government Act 2013, each of the county government was to collect local revenue to meet any budget deficit that may occur in order to fully equip the counties to use the total cum collected to target poverty in each county. Local revenues were to be collected from single business permits and other rates as per the Act.

Local Revenue Collection by the County Government
The study established that the target revenue for 2013/2014 FY was Kshs. 16.3 billion compared to the target Kshs. 43.1 billion. In 2014/2015 FY, the county government collected Kshs. 33 billion compared to the target 50.4 billion. In 2015/2016 FY they collected 35.0 billion against targeted Kshs. 50.4 billion. This finding indicated that although local revenue collected by the county government increased over the financial years, such revenue were far less than the target set by the national government, an indication that revenue collection mechanism in place by the county governments were not efficient enough to enable them achieve the desired target goals. The shortfall of collection can easily affect the set stimulus of economic development meant to reduce poverty in the county governments.

**Expenditures by the County Governments**

The county government used the disbursed funds from the national government and the locally collected revenue on both recurrent and capital expenditures as shown in figure 5. Recurrent expenditures are used on salaries; pensions and other staff expenditures whereas capital expenditures were
used to help the county acquire capital and maintain them which directly goes to poverty alleviation. The study therefore established that the recurrent and capital expenditures were high in 2013/2014 financial year and slightly dropped in 2014/2015 financial year and sharply increased again in 2015/2016 financial year. It is important to note that recurrent expenditures were higher than capital expenditures in all the financial years indicating a possibility of slower economic development in the county governments leading to slow rate of poverty alleviation.

**Comparison of Disbursement and Expenditures**

The study established that in 2013/2014 the national government disbursed Kshs. 189 billions but the county government spent Kshs. 158.86 billion indication of a deficit of Kshs. 68.8 billion which was the highest deficit. In 2014/2015 the national government disbursed 232.85 billion and the county government spent Kshs. 236.3 billion incurring a deficit expenditure of Kshs. 3.45 billions. In 2015/2016 financial year the national government disburses Kshs. 258.5 billions whereas the county governments spent Kshs. 295.3 billions. This finding showed that the county government had high appetite for spending the disbursed funds leading to the indicated expenditure deficits which is normally a challenge to economic development meant to alleviate poverty in the counties.

**County Governments Expenditures as % of Disbursed Funds**

![Diagram of County Government Expenditures as % of Disbursements](image)
The study established that in 2013/2014 financial year recurrent expenditure was 86% and capital expenditure was 50% of national government disbursement which was the highest over the three financial years. There was a drop to 68% and 34% in recurrent and capital budget as % of the disbursed fund respectively in 2014/2015 financial year. The ratio increased again with 74% and 40% in recurrent and capital budget as % of the disbursed funds in 2015/2016 financial year. This finding indicated that recurrent expenditure took a larger % of the disbursed fund compared to capital budget another indicator of slow economic development in the counties’ leading to slow rate of poverty alleviation.

**Poverty Rates in the County Governments**

In order to understand changes in poverty alleviation by the county government occasioned by the devolved funds disbursed to each country each year, the study used poverty index from the Kenya Economic Survey 2017. The study established that the poorest county was Mandera with poverty rate of 89.1% with the richest county being county being Laikipia with poverty index of 21.8%. The study established majority of the poorest counties are either in arid or semi arid locations affected by comparative disadvantage of the harsh weather. This finding further indicates that although there was a visible change in the disbursement of the devolved funds, there was no marginal change in the poverty alleviation rates by the county government. Further analysis will bring out clearly whether there exist any statistical relationship between the disbursements, use of funds and poverty rate in the counties.

**Table-1: Correlation between Financial disbursement, use and Poverty Alleviation**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Poverty Index</th>
<th>Disbursement</th>
<th>Local_Revenue</th>
<th>Recurrent_Budget</th>
<th>Capital_Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Poverty Index</td>
<td>1</td>
<td>.090</td>
<td>- .413**</td>
<td>-.357</td>
<td>.332</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.547</td>
<td>.004</td>
<td>.014</td>
<td>.022</td>
</tr>
<tr>
<td>Disbursement</td>
<td>.090</td>
<td>1</td>
<td>.588**</td>
<td>.725**</td>
<td>.813**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.547</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Local_Revenue</td>
<td>-.413**</td>
<td>.588**</td>
<td>1</td>
<td>.964**</td>
<td>.215</td>
</tr>
<tr>
<td></td>
<td>.004</td>
<td>.000</td>
<td>.000</td>
<td>.147</td>
<td></td>
</tr>
<tr>
<td>Recurrent_Budget</td>
<td>-.357</td>
<td>.725**</td>
<td>.964**</td>
<td>1</td>
<td>.391**</td>
</tr>
<tr>
<td></td>
<td>.014</td>
<td>.000</td>
<td>.000</td>
<td>.007</td>
<td></td>
</tr>
<tr>
<td>Capital_Budget</td>
<td>.332**</td>
<td>.813**</td>
<td>.215</td>
<td>.391**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>.022</td>
<td>.000</td>
<td>.147</td>
<td>.007</td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).**

**. Correlation is significant at the 0.05 level (2-tailed).**
The study established insignificant correlation 0.090, p=0.547>0.05 between the devolved funds disbursed to the counties and poverty alleviation indicating that the more the national government increased the disbursement of the devolved fund, the insignificant the changes in poverty rates in the respective counties. The study established a negative correlation -0.413, p=0.004<0.05 indicating a strong correlation between local revenue collection and poverty alleviation indicating that when local revenue is enhanced to increase then poverty alleviation decreases by automatically increasing poverty rate in the counties. This finding showed that the enhanced local revenue collection by the counties was not used for acquiring county assets to fight poverty. There was negative correlation of -0.357, p=0.014<0.05 between recurrent budgets and poverty alleviation, indicating a strong correlation between recurrent budgets collection and poverty alleviation indicating that when there is an increase in recurrent budget automatically increased poverty rate in the counties. This finding showed that the high appetite of spending most of the disbursed funds to recurrent expenditure by the counties just increased poverty rates. A further negative correlation of -0.322, p=0.022<0.05 between capital budgets and poverty alleviation, indicating a strong correlation between capital budgets and poverty alleviation indicating that the less allocation of funds to capital budget contributed to the state of high poverty rate in the county governments. This finding showed that the unwillingness of the county government to appropriate the disbursed funds to capital expenditure just increased poverty rates.

### Table-2: Model Summary

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>.653</td>
<td>.426</td>
<td>.371</td>
<td>12.94768</td>
</tr>
</tbody>
</table>

The R² value indicates how much of the dependent variable, "poverty alleviation", was explained by the independent variables, "disbursed funds, local revenue collection, recurrent budget and capital budget". In this case, the R Squared is 0.426 indicating that 42.6% of the variation in poverty alleviation is explained by the independent variable. The difference, that is, 57.4% of the variation in poverty alleviation is explained by factors that are not included in this study.

### Table-3: Full Regression Model

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>46.935</td>
<td>7.725</td>
<td>6.076</td>
</tr>
<tr>
<td></td>
<td>Disbursement</td>
<td>3.660</td>
<td>0.00</td>
<td>.421</td>
</tr>
<tr>
<td></td>
<td>Local_Revenue</td>
<td>8.53</td>
<td>0.00</td>
<td>.625</td>
</tr>
<tr>
<td></td>
<td>Recurrent_Budget</td>
<td>9.013</td>
<td>0.00</td>
<td>-1.426</td>
</tr>
<tr>
<td></td>
<td>Capital_Budget</td>
<td>7.025</td>
<td>0.00</td>
<td>.413</td>
</tr>
</tbody>
</table>

As indicated in Table 5, from the unstandardized coefficients, the following equation was developed:

\[ y = 46.935 + 3.660x_1 + 8.53x_2 - 9.013x_3 + 7.025x_4 + \varepsilon \]

From the full regression model, the standardized coefficients indicate that apart from recurrent budget which had positive effect, disbursement, local revenue and capital budget had negative effect on poverty alleviation. The null hypotheses that there is no statistically significant influence of the disbursed devolved funds, local revenue and capital budget on poverty alleviation by the counties in Kenya were rejected because of p>0.05 making the alternate hypothesis to take precedence. The hypothesis that there is no statistically significant influence of the recurrent budget on poverty alleviation by the counties in Kenya was accepted due to p=0.037<0.05.

### SUMMARY AND CONCLUSION

The aim of the study was to use secondary data from Kenya Economic Surveys to analyze the influence of devolved financial disbursement and use on poverty alleviation in the county government in Kenya. The study found out that apart from recurrent budget which had relationship with poverty alleviation, disbursed fund, local revenue and capital budget did not have any relationship with poverty alleviation. The county governments did not statistically relate the disbursed fund and its use to poverty alleviation which is the main mandate of the county government by providing services geared towards reducing the rate of poverty in their respective counties.

### RECOMMENDATIONS

- The county governments should allocate much of the funds received towards capital budgeting rather than the current case where recurrent budget is given precedence.
The county governments should reduce much of its recurrent expenditure which currently is very high.

The county governments should enhance local revenue collection and accountability.

The county governments should develop models that factor in poverty rate in their use of funds in order to mainstream poverty in their development agenda.

National government should not interfere with County development agenda on development and especially initiatives that are context based.

REFERENCE
19. Abbaszadeh H, Rezaei A. The evaluation of consigning authority performance to provinces commerical organization. 2010.