

**THE EFFECT OF MEDIUM TERM EXPENDITURE  
FRAMEWORK ON OPERATIONAL EFFICIENCY OF THE  
GOVERNANCE, JUSTICE, LAW AND ORDER SECTOR IN  
KENYA**

**By**

**MARGARET NJERI KIGUNDU**

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**SUPERVISOR**

**NICOLAS T. SIMIYU**

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## **DECLARATION**

This research project is my original work and has not been presented for academic purposes in the University of Nairobi or any other University.

**MARGARET NJERI KIGUNDU**

Sign.....

Date.....

D61/60893/2013

This research project has been submitted with my approval as university supervisor.

Sign.....

Date.....

**NICOLAS T. SIMIYU**

**Lecturer,**

**Department of Finance and Accounting**

**University of Nairobi**

## **DEDICATION**

This project is dedicated to my beloved Leyla, my greatest inspiration and motivation. To my loving parents who encouraged me to begin the Master program and supported me both morally and financially throughout my period of study to attain a Master in Business Administration. Finally to Phoebe, Ann, Milcah, Peter and Leon for your unwavering support and encouragement for without family I would not have made it this far.

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## **ABSTRACT**

The Medium Term Expenditure Framework (MTEF) was introduced in Kenya in 1998 and it was first implemented in the budget in the financial year 2001/2002 after the failure of the Forward Budget Review Program, the Budget Rationalization Program and the Public Investments Program , The main aims of the Program were to increase fiscal discipline, Political accountability and public participation in financial matters and improve efficiency of government operations through the introduction of Budget Ceilings, Sector Working Groups and frequent Expenditure Reviews (PER, 2010). This study sought to investigate the relationship between medium term expenditure framework and operational efficiency in the Governance, Justice, Law and Order Sector (GJLOS). The specific objectives of the study were to establish the relationship between MTEF and budget balance in the GJLOS, MTEF stakeholder participation and fiscal discipline in the GJLOS, MTEF flexibility and allocative efficiency in the GJLOS and MTEF program focus and technical efficiency GJLOS. The study utilized a descriptive survey approach in collecting data from the respondents. The target population consisted of all the sectors of the Governance, Justice, Law and Order Sector (GJLOS). Data collected was both primary and secondary data. Data was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. Further the data was regressed to obtain t - values , p-values , specific coefficients and intercepts, standard errors among other values at given significance levels. The study found that MTEF allows the linkage of budget planning decisions in the light of emerging needs and also based on the available resources. It also found that MTEF provide a platform where various stakeholders are involved in presenting their decisions over what they consider is appropriate. The study concluded that MTEF ensures flexibility of expenditure and that it is linked to the revenue projections thereby minimizing budget deficit. The study recommended that MTEF be broken down to specific, achievable and measurable targets, which can be used to directly assess its impact on Government operations and also to discourage the mentality that keeps the budgeting process sinking back to incrementalism.

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## **LIST OF ABBREVIATIONS**

<b>GJLO</b>	Governance, Justice, Law & Order Sector
<b>MDAs</b>	Ministries, Departments and Agencies
<b>MDG</b>	Millennium Development Goals
<b>MoF</b>	Ministry of Finance
<b>MTBF</b>	Medium-term budgetary framework
<b>MTEF</b>	Medium-term expenditure framework
<b>MTFF</b>	Medium-term fiscal framework
<b>PBB</b>	Performance-Based Budgeting
<b>PEM</b>	Public Expenditure Management Reform
<b>PRS</b>	Poverty Reduction Strategies
<b>SAGAs</b>	Semi Autonomous Government Agencies
<b>SWG</b>	Sector Working Group

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the Study

The MTEF is a macroeconomic model that indicates fiscal targets and estimates revenues and expenditures, including government financial obligations and high cost government-wide programs such as civil service reform. To compliment the macroeconomic model, the sectors engage in “bottom-up” reviews that begin by scrutinizing sector policies and activities (World Bank, 1998)

According to the World Bank’s Public Expenditure Management Handbook (1998), MTEF consists of a top-down resource envelope, a bottom-up estimation of the current and medium-term costs of existing policy and, ultimately, the matching of these costs with available resources in the context of the annual budget process. The “top-down resource envelope”

The MTEF is intended to facilitate a number of important outcomes: greater macroeconomic balance; improved inter- and intra-sectoral resource allocation; greater budgetary predictability for line ministries; and more efficient use of public monies (World Bank, 1998). Improved macroeconomic balance, including fiscal discipline, is attained through good estimates of the available resource envelope, which are then used to make budgets that fit squarely within the envelope. MTEFs aim to improve inter- and intra-sectoral resource allocation by effectively prioritizing all expenditures (on the basis of the government’s socio-economic program) and dedicating resources only to the most important programmes. (World Bank, 1998)

A further objective of the MTEF is greater budgetary predictability, which is expected as a result of commitment to more credible sectoral budget ceilings. The MTEF also

endeavors to make public expenditures more efficient and effective, essentially by allowing line ministries greater flexibility in managing their budgets in the context of hard budget constraints and agreed upon policies and programs. This study aims at establishing the effect of medium term expenditure framework on operational efficiency of the Governance, Justice, Law and Order Sector (GJLOS).

### **1.1.1 Medium Term Expenditure Framework**

MTEF is a Government strategic policy and expenditure framework which balances what is available in resources against policy priorities of the Government (World Bank, 1998). It defines a 3 year rolling macro -economic framework which outlines overall resources available for the Government, and sets national expenditure priorities. It consists of a top down resource envelope, a bottom up estimation of current and medium term costs, and a matching of these costs to the available resources. It provides a linking framework which allows expenditures to be driven by policy priorities and disciplined by budget realities (World Bank, 1998). The MTEF has six basic stages namely; development of macroeconomic fiscal framework, development of sectoral expenditure frameworks, definition of sector resource allocations by setting the budget ceilings, preparation of sectoral budgets and finally political approvals (Le Houerou & Taliercio, 2002)

MTEF provides a link between the expenditure allocation according to policy priorities and the fiscal disciplines required by budget realities. Some of the concepts which underpin MTEF also overlap with the PBB approach and help to improve programme performance through better predictability in resource flows to programmes, planning beyond one year horizons and by managers searching for higher value of public money (Boex, Martinez & McNab, 2000: 92; Kąsek and Webber, 2009: 9) The MTEF is intended to facilitate a number of important outcomes: greater macroeconomic

balance; improved inter- and intra-sectoral resource allocation; greater budgetary predictability for line ministries; and more efficient use of public monies (World Bank, 1998a: 46) resources only to the most important ones.

### **1.1.2 Operational Efficiency**

Operational efficiency is the ratio of the resources expended by government agencies to the outputs produced or purchased by them. The resources can be measured in money terms or in terms of other inputs, such as work hours or years. Output is conventionally measured in volume terms, but qualitative dimensions can also be measured. These include the accuracy of payments (or of other transactions), the timeliness of services, the courtesy with which they are provided, and the satisfaction of recipients. In measuring operational efficiency, these qualitative indicators can be correlated with the volume of resources or other inputs (Joshi, 2011).

Operational efficiency deals with the relationship of budget inputs and program outputs. Over the years, many governments have sought to enhance operational efficiency by controlling the inputs; recently, a few have shifted to control of outputs. But while spending control always has been an essential feature of budgeting, the manner in which it is exercised has changed over the years. Budget control has gone through three stages: external control of spending items by central agencies; internal control on inputs by spending departments; and managerial discretion and accountability for producing outputs. In the formative years of their budget systems, all governments seek to establish external control.

In this context the study will look at efficiency in terms of fiscal performance. The three dimensions that have often been associated with fiscal performance are: fiscal discipline, allocative efficiency, and technical efficiency. In as much as an MTEF

constrains spending to resource availability, makes budget allocations in respect spending priorities, and generates cost effectiveness in the delivery of public goods and services, it should contribute directly to fiscal discipline, allocative efficiency, and technical efficiency. Moreover, there are synergies among these three dimensions of fiscal performance.

With fiscal discipline secured, governments should be free to focus on the microeconomic challenges of improving spending efficiency and not preoccupied with having to address the adverse macroeconomic consequences of persistent fiscal imbalances. It should also be easier to maintain fiscal discipline when improvements to both allocative and technical efficiency reduce abuse and waste. Moreover, against a background of fiscal discipline, new expenditure needs are more likely to prompt spending reallocations as opposed to requests for additional funding. Also both fiscal discipline and expenditure efficiency create fiscal space for productive spending on economic and social infrastructure, and for responding to fiscal risks.

MTFFs can promote fiscal discipline by addressing the root causes of deficit bias. By specifying an overall "top-down" resource constraint, an MTFF reins in the political tendency to over-commit resources (the common pool problem). By imparting a medium-term perspective to budgeting and taking into account the future fiscal costs of government policies and programs, a MTFF can seal information gaps that allow politicians to renege on commitments to implement affordable policies (the time consistency problem). A medium-term perspective also encourages governments to conduct discretionary stabilization in a symmetric, counter-cyclical manner, rather than asymmetrically which leads to rising deficits and debt (Kumar and Ter-Minassian 2007)



Prioritization guided by longer-term sector strategies should improve allocative efficiency. In so far as spending agencies prepare sector strategies, identify their resource needs, and allocate their budgets according to strategic priorities, this "bottom-up" prioritization should produce a shift to spending with higher economic and social returns. However, the full payout to prioritization requires that choices are also made as to how resources should be allocated across sectors, which is done as part of the reconciliation between the "top-down" and "bottom-up" approaches involving a lead agency which is normally the Ministry of Finance, and spending agencies.

The outcome of effective prioritization should be a change in the allocation of spending. In the short term, spending volatility by sector may increase following MTEF implementation as spending is reallocated to more productive sectors and programs. Thereafter, as spending decisions are guided by strategic priorities with a longer-term focus, sectoral spending should become less volatile, especially in the high-priority areas.

A third dimension of fiscal performance is technical efficiency. The better the economic and social outcomes achieved by spending programs from a given amount of budget resources, or the fewer resources used to achieve given outcomes, the more technically efficient is government spending. Improved technical efficiency may follow from an MTEF, but is more likely a consequence of an MTBF and MTPF, with the latter possibly having the largest effect as budgets are linked to results in the form of outcomes or outputs.

### **1.1.3. Medium Term Expenditure Framework and Operational Efficiency**

Operational efficiency or Technical efficiency as it is described in the MTEF Manual refers more basically to spending efficiency and cash flow efficiency, which entail a

matching of budgetary inputs and outputs and the resultant outcomes in a programme based budget which enables the attainment of the highest value from public expenditures and is meant to ensure delivery of high level public services at the lowest cost. This emphasis on the input-output-outcome framework is essential to achieve the best value from public expenditures. The objective of operational efficiency can be expressed as “doing the thing right”, or maximizing the delivery of outputs while minimizing the inputs used. (Kiringai and West, 2002).

One of the goals of introducing an MTEF is to enhance Operational efficiency through programme based budgets that focus on the result of spending and look at inputs in terms of what they achieve, the use of budget ceilings to ensure focus on priority programs and enhance allocative efficiency (MTEF Manual 2011), it is therefore expected that adherence to MTEF guidelines will increase operational efficiency of the Governance, Justice, Law and Order Sector (GJLOS).

Operational efficiency deals with minimization of waste and maximization of resource capabilities, in order to deliver quality products and services to customers. The connection between MTEF and Operational efficiency is that MTEF aims at maximizing delivery of outputs while minimizing costs of inputs and delivery thus improving efficiency. A fundamental requirement here is a radical shift from input oriented line item incremental budget to a prioritized well-costed output-oriented budget (Kiringai and Kulundu 2002).

#### **1.1.4. Governance Justice Law and Order Sector in Kenya**

The GJLOS Sector has fifteen (15) Sub-Sectors namely: State Department for Interior; State Department for Coordination of National Government; Office of the Attorney General and Department of Justice; The Judiciary; Ethics and Anti-Corruption

Commission (EACC); Office of the Director of Public Prosecutions (ODPP); Commission for the Implementation of the Constitution (CIC); Office of the Registrar of Political Parties (ORPP); Witness Protection Agency (WPA); Kenya National Commission on Human Rights (KNCHR); Independent Electoral and Boundaries Commission (IEBC); Judicial Service Commission (JSC); National Police Service Commission (NPSC); National Gender and Equality Commission (NGEC); and Independent Policing Oversight Authority (IPOA).

The Sector has ten (10) Semi-Autonomous Government Agencies and eleven (11) tribunals that perform specialized functions, namely: National Campaign against Drug Abuse Authority, The Kenya Citizens and Foreign Nationals Management Service, Kenya Copyright Board, National Crime Research Centre, Kenya School of Law, Council of Legal Education, Kenya Law Reform Commission, National Council for Law Reporting, Auctioneers Licensing Board, The Nairobi Centre for International Arbitration, Political Parties Disputes Tribunal, Education Appeals Tribunal, HIV and AIDS Tribunal, National Environment Tribunal, Rent Restriction Tribunal, Sports Dispute Tribunal, Energy Tribunal, Cooperative Tribunal, Property Tribunal, the Standards Tribunal, Business Premises Rent Tribunal

The Sector, which is premised in the political pillar of the Vision 2030, plays an important role in providing an enabling environment for social – economic development of the country as outlined in the 2<sup>nd</sup> Medium Term Plan (MTP II 2013-2017). The Sector has the responsibility of providing effective policing services; Coordination of National Government, peace building and conflict management; reviewing of laws; promotion and protection of human rights; registration services, administration and access to justice, prosecution and legal advice to Government

agencies. It also plays a major role in promoting integrity and the fight against corruption; management of electoral process; regulation of gaming industry; management of custodial and noncustodial offenders; spearheading implementation of the Constitution; and providing population management services. The Sector further plays a major role in the eradication of drugs and substance abuse; promotion of gender equality and freedom from discrimination; witness protection; crime research; government printing services; and regulation of political parties.

MTEFs take a strategic forward-looking approach to establishing spending priorities and resource allocation in the sector. The Sector Working Group (SWG) that constitutes the sub-sectors and SAGAs looks across the sector's programs and projects to see how spending can be restructured to best serve national objectives. Prioritization and formulation of budget proposals is expected to ensure that proposed programmes and projects are in line with the priorities outlined in the Second Medium Term Plan of Vision 2030

## **1.2 Research Problem**

In Le Houerou, Philippe and Robert Taliercio, (2002) drew preliminary lessons from experiences of nine African countries by a comparative assessment of the design and impact of MTEF on their public finance and economic management. They concluded that MTEF alone could not deliver improved public expenditure management in countries in which other key aspects of budget management, notably budget execution and reporting, remained weak. More importantly, their study recommended that comprehensive, detailed diagnoses of budget management systems and processes preceded MTEF in order to ensure appropriate design of budget reforms. For countries with weak capacity, a full-fledged MTEF could not be introduced all at once. They

proposed guidelines for sequencing the overall public expenditure management reform programme and phasing in its MTEF - specific components.

Furthermore, to have an impact, MTEF should be integrated with the budget process from the start, with MTEF outer year projections published as part of the budget document. In the view of differences in situations of each country, they suggested that these reforms were best managed by a set of overlapping, mutually reinforcing organizational structures, some of which should be specifically established to handle MTEF, though the Ministry of Finance should have ultimate responsibility. And lastly, they stressed that political motivations and incentives for launching MTEF explained in part why MTEF has been more successful in some African countries than others.

Brian Levy (2007) reported that “developing comprehensive MTEFs can be effective when circumstances and capacities permit. Otherwise, it can be a great consumer of time and resources and might distract attention from the immediate needs for improving the annual budget and budget execution processes”. He also introduced the preconditions that ought to be in place before MTEF implementation, including: reliable macroeconomic projections, linked to fiscal targets in a stable economic environment; a satisfactory budget classification and accurate and timely accounting; technical capacity and disciplined policy decision-making, consisting of budgetary discipline; and political discipline for fiscal management.

In Kenya, Ngao (2014) studied the effect of the medium term expenditure framework on the budgetary process in Kenya .Medium Term Expenditure Framework (MTEF) is intended to facilitate a number of important outcomes in the budgetary process including; improved inter- and intra – sectoral resource allocation, greater budgetary predictability for line ministries, promotion of consultation in decision making on

resource allocation, promotion of transparency and accountability and fiscal discipline. Mutuku (1993) studied Government expenditure, structural adjustment and the performance of agricultural sector in Kenya he found that development expenditure, recurrent expenditure, infrastructure, active population in agriculture and structural adjustment policies are important determinants of the agricultural sector performance.

Maina (2013) she did composition of Public Expenditure affect Economic growth evidence from Kenya. This study sought to examine the impact of public expenditure on economic growth in Kenya between 1981 and 2011 with a view of establishing which specific components of government expenditure have significant impact on economic growth.

Ochanda (2012) did an Investigation on the impact of MTEF on operational efficiency of Government Ministries in Kenya whose objective was to find out whether MTEF through its tool the setting of Budget ceilings has succeeded in enhancing operational efficiency of Government Ministries in Kenya.

These studies were too broad and did not address issues of the impact of medium term expenditure frame work on operational efficiency of the various sectors in Kenya. Therefore, this study attempts to answer the following research question: what is the impact of medium term expenditure frame work on operational efficiency of the Governance, Justice, Law and Order Sector (GJLOS) whereby the focus is in this particular sector.

### **1.3 Research Objectives**

This research objective have been classified into general and specific objectives.

### **1.3.1. General Objective**

To investigate the relationship between medium term expenditure framework and operational efficiency in the Governance, Justice, Law and Order Sector (GJLOS)

### **1.3.2. Specific Objectives.**

To establish the relationship between;

- i. MTEF and budget balance in the Governance, Justice, Law and Order Sector (GJLOS)
- ii. MTEF stakeholder participation and fiscal discipline in the Governance, Justice, Law and Order Sector (GJLOS)
- iii. MTEF flexibility and allocative efficiency in the Governance, Justice, Law and Order Sector (GJLOS)
- iv. MTEF program focus and technical efficiency Governance, Justice, Law and Order Sector (GJLOS)

### **1.4 Value of the Study**

**Policy:** To the GJLO Sector the study is invaluable to the various sub-sectors, departments and SAGAs management in that it has provided an insight into the various approaches towards operational budgeting and challenges of operational budgets to ensure efficient utilization of resources.

**Theory:** This research will make a contribution to the academic literature on the field of operational budgets in Kenya where very little is known about its structure and

application. This research will also help in adding more information to the current theories of finance and budget and help solve various hypotheses.

**Practice:** Finally Development partners would also benefit from an assessment of the quality of the MTEF programmes as they partially fund Government projects running toward the achievement of MTEF plans. The findings of the study will provide some insights to the GJLO Sector and the government at large on the challenges facing the operational budget within the Ministries and hence enable making of timely and appropriate interventions to mitigate the risks.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. Introduction**

A literature review discusses published information in a particular subject area, and sometimes information in a particular subject area within a certain time. Therefore, this chapter will involve the systematic identification, location and analysis of documents containing information related to the impact of medium term expenditure framework on operational efficiency of the Governance, Justice, Law and Order Sector (GJLOS).

#### **2.2. Theoretical Review**

Theory has proposed several ways in which medium term expenditure framework affects operational efficiency of the Governance, Justice, Law and Order Sector (GJLOS); this section is concerned with the literature that deals with impact of medium term expenditure framework on operational efficiency of the Governance, Justice, Law and Order Sector (GJLOS). The theories reviewed include The Keynesian Theory, the Monetarist Theory and the Ricardian Equivalence Theory.

##### **2.2.1 The Keynesian Theory**

The Keynesians posit that fiscal deficits could have a negative impact on the external sector, reflected through trade deficit, but only if the domestic economy is unable to absorb the additional liquidity through an expansion in output (Neaime, 2008). Hence, if the supply of output does not expand in response to the deficit, the surplus expenditure would only increase the level of imports, thereby resulting in a trade deficit and subsequent decline in the exchange rate: the twin-deficits hypothesis (Okpanachi & Abimiku, 2007). Keynesian economics, according to Okpanachi and

Abimiku (2007), teaches that an increase in government spending enhances domestic output. Deficit spending by the government stimulates the economy in the short-run by making households feel wealthier (Okpanachi & Abimiku, 2007), thus raising total private and public consumption expenditure. Through the resulting increase in the aggregate demand, budget deficit has a positive effect on macroeconomic activity, thereby stimulating savings and capital formation (Chakraborty & Chakraborty, 2006).

The resulting faster growth of nominal GDP would automatically produce faster growth of real GDP and demand would thus create its own supply, in stark contrast to Say's Law (Reynolds, 2001). The Keynesians recognize the possibilities of government spending crowding-out private (investment) spending through increased cost of credit (interest rate). Hence the recommendation by Musgrave (Okpanachi & Abimiku, 2007) that fiscal deficit should be implemented only during a depression when interest rates are likely to be unresponsive in order to avoid the dampening effect of rising interest rates on private investment expenditure. The Keynesians further posit that fiscal deficits could have a negative impact on the external sector, reflected through trade deficit, but only if the domestic economy is unable to absorb the additional liquidity through an expansion in output (Neaime, 2008). Hence, if the supply of output does not expand in response to the deficit, the surplus expenditure would only increase the level of imports, thereby resulting in a trade deficit and subsequent decline in the exchange rate: the twin-deficits hypothesis (Okpanachi & Abimiku, 2007).

### **2.2.2. The Ricardian Equivalence Theory**

The Ricardian equivalence theory holds that fiscal deficits, notwithstanding how financed would have no effect on private consumption, and interest rates would depend on some assumptions. The assumptions are that: an individual's internalize both the government's budget constraint and the utility of their offspring; the capital market is

efficient, in which the interest rate is the same for borrowers and lenders; and there are no distorting taxes (Frish, 2003). Gray and Stone, (2005) stated that "Ricardian equivalence implies that taxpayers do not view government bonds as net wealth; hence, its acquisition by individuals does not alter their consumption behaviour." Thus, Gray and Stone (2005) conclude that "correspondingly, the effects of government spending in a closed economy will be invariant to tax versus bond financing."

Fiscal deficit therefore simply represents a transfer of expenditure resources from the private to the public sector and "variation in budget deficit is neutral to economic activity" (Chakraborty & Chakraborty, 2006). Budget deficit, according to the Ricardian equivalence theory, also has no effect on private investment. Similarly, the Ricardian equivalence theory holds that debt- or tax-financed government deficits do not have any effect on the trade balance and the real exchange rate and hence the absence of a relationship between budget deficit and current account deficit (Okpanachi & Abimiku, 2007).

### **2.2.3 The Monetarist Theory**

To the monetarists, government deficits financed by domestic debt, constitute merely a transfer of resources from the private sector to the public sector with little or no effect on output. But, since in the view of the monetarists, the private sector is more efficient than the government, such a transfer could have a negative effect on output. On the contrary however, the monetarists argue that increased government expenditure financed by monetary expansion has a strong stimulative effect on the economy, and as such raises aggregate demand (Okpanachi & Abimiku, 2007).

An increase in government expenditure financed through bonds raises interest rates, which leads to a crowding-out of private investments. The increased supply of bonds

has a negative influence on investment as the growth of interest rates contributes to a substantial decrease in investment demand (Chakraborty & Chakraborty, 2006). On the external sector, government deficits to the monetarists cause a rising demand for imported foreign goods and assets, resulting in unfavorable balance of trade. This is the result of the excess money supply brought about by the debt instruments drawn on the central bank (Okpanachi & Abimiku, 2007).

### **2.3. Factors of Medium Term Expenditure Framework**

#### **2.3.1. Budget Balance**

The MTEF aims to deliver greater budget balance in terms of match between execution timelines and approved budgets and the MTEF revenue projections. Moon (1997) suggest that a useful indicator for assessing the match between execution and formulation is the budget deviation index (BDI) which is the sum of the absolute values of the differences between the approved budget and the executed budget expressed as a percentage of the approved budget. As Bevan and Palomba (2000) have pointed out, the BDI is subject to the level of aggregation at which it is calculated. As an alternative, they propose the 'sector implementation ratio" which is the "ratio between sector spending as a percentage of total spending in the initial budget and in the final outturns. The simple comparison of BDI between financial years does not, however, provide evidence that MTEF deliver budget predictability (and less deviation). According to the World Bank (1998) MTEF by virtue of its design is based on change in central budgetary decision-making processes. As a result of MTEF, the budgetary decision making process should become more accountable, legitimate and credible.

### **2.3.2. Stakeholders Participation in planning and budgeting**

MTEF can contribute to operation efficiency, because it provides a chance for stakeholder participation to address the sector needs linked to sector objectives and to make trade-offs between sectors explicit. MTEF can also contribute to operational efficiency by introducing sector ceilings within a realistic aggregate resource envelope, which can reduce the unpredictability of funding. A study on Ghana done by Bevan and David, (2001) indicated breakdown occurring earlier in the process, there is a dis-juncture between stakeholder participation and MTEF projections, which means that the MTEF has not contributed to stakeholder participation in the budgeting process.

According to the MoF, MTEF policy statement (1998-2000) in South Africa, MTEFs are associated with some level of stakeholder participation in the allocation process. The allocation process is however, partial. MTEF as a whole is not associated with the promised government allocations, or even allocations to all priority sectors, it is associated with some resource allocation to a subset of sectors. He asserts that, it may be that these MTEFs are only associated with participation of stakeholder in the budgeting process which would suggest a much narrower scope for the MTEF in practice than envisioned. Moreover, in Ghana, Bevan and David, (2001) established that there is no evidence of stakeholders participation in line with the MTEFs projections.

### **2.3.3. Flexibility**

The MTEF aims at making public expenditures more efficient and effective, essentially by allowing line ministries greater flexibility in managing their budgets in the context of hard budget constraints and agreed upon policies and programs. Spending ministries have considerable MTEF flexibility in selecting the plan projects they need to implement, subject to the sustainability of recurrent expenditure. The

MFDP develops the macroeconomic framework that ties together the macroeconomic objectives with the allocation of budgetary resources. Flexibility means MTEF can be able to adapt of extreme budget deficiencies. Improved MTEF flexibility, including fiscal discipline, is attained through good estimates of the available resource envelope, which are then used to make budgets that fit squarely within the envelope (Gray and Stone, 2005). MTEFs flexibility aim to improve inter- and intra-sectoral resource allocation by effectively prioritizing all expenditures (on the basis of the government's socio-economic program) and dedicating resources only to the most important ones. Moreover, to the extent that budgetary decision making is more legitimate, greater political accountability for expenditure outcomes should also ensue.

#### **2.4.4 Program Focus**

MTEF program focus is a projection of future budget amounts (revenues, expenditures, and the fiscal balance) if current policies are continued without change. The projection is constructed for each year covered by MTEF. Some governments prepare baseline projections that extend beyond the medium-term. The central budget office maintains the baseline projection and estimates the budget impact of proposed and approved policy changes. The MTEF program focus becomes more accountable when technical, professional expertise is brought to bear on it. In several cases the working groups that produce MTEF program include civil society representatives, some of whom are experts in their fields. Broom and McGuire (1995) suggests that opening up the MTEF program focus process to experts has the potential to make it more accountable to professional criteria and less responsive to political calculations. If MTEF program focus is designed properly, may be successful in building some pressure for greater accountability in the budgeting process. The MTEF should lend greater credibility to budget management through a well build program focus. With better data and hard

aggregate and sectoral budget constraints, the budget itself should become more and more focused on improvement of resource provision.

#### **2.4. Empirical review**

Alvaro, Filomena, Miguel and Joanna (2009) did a study on The Effectiveness and Efficiency of Public Spending on Tertiary Education in Europe. Effectiveness of Public Spending on Tertiary Education is essentially a regression of total tertiary education cost on the considered outputs and factor costs, including the explicit modeling of country-specific efficiency scores. Outputs considered were teaching measured by number of grandaunts, and research measured by the number of published reports in academic journals and author affiliations to the schools. The inputs considered were the number of students enrolled, cost of tertiary education, number of teaching staff and amount of time spent on the courses. The latter is evaluated using two different methods: a semi parametric method and the stochastic frontier analysis (SFA). They found that when funding to institutions depends more on outputs (e.g., graduations and publications) and less on historical attributions or inputs, efficiency tends to increase, Efficiency tends to be higher in countries where institutions are publicly evaluated by stakeholders and/or independent agencies and Institutions' autonomy to hire and dismiss academic staff and to set their wages is correlated with higher efficiency.

Brumby (2008) Carried out a research to Investigate the Impact of MTEF on Budgetary Outcomes, his study grouped MTEFs into 3 types, with MTFF being medium term fiscal framework meant to enhance macro-economic stability, MTBF medium term Budgetary framework responsible for setting budgetary ceilings within which resources are to distributed it would result in allocation efficiency, and MTPF

medium term performance frameworks which focus on inputs and outputs and impacts most on technical efficiency, he found that MTEFs improve fiscal stability with improved results as we move from an MTEF to a MTPF and they also improve allocation efficiency with greater results on an MTBF. Results on technical efficiency measured as health spending's impact on output of the health sector whether life expectancy or infant mortality was mixed. Using life expectancy as a measure of service delivery he found a positive effect of the MTPF but no effect from the introduction of other frameworks.

Le Houerou and Taliercio (2002) carried out an analysis of the success of MTEFs in 9 African countries; the analysis was based on internal World Bank and government documents, publications, working papers, press accounts, and interviews with country economists and other experts (including several in field offices). A standardized questionnaire was used in the interviews and to structure the case studies. A pre- and post-MTEF comparison was done for the four most developed MTEFs in the region. The data provide did not support for a link between the MTEF and reduced fiscal deficits. However the cases studied did provided limited support for the hypothesis that MTEFs are associated with reallocations of resources to government priorities. Using the Budget deficit index (BDI) the simple comparison of means did not provide evidence that MTEFs deliver greater budgetary predictability (and less deviation) and there was some anecdotal evidence that publication and dissemination of MTEFs led to greater civil society involvement in PEM issues.

Kigundu (2009) did a research in Kenya on The effect of MTEF on the budgetary process in Kenya. The Study methodology was a descriptive survey, the target population: all 9 sectors of MTEF all 40 ministries of which he took a census, he collected data using a questionnaire prepared using linkert scale, and analyzed the data



using pie charts, bar charts and comprehensive tables. His Main objective was to establish the effects of MTEF as a reform initiative on the budgetary process in Kenya, the specific objectives to determine predictability of the resource envelope, Compare incremental budgeting with MTEF, Find out significance of outer ceiling for MTEF outer years, Investigate importance of sector working groups and Determine the credibility, comprehensiveness and transparency of MTEF. Generally he found that the MTEF process is understood but doesn't achieve the expected and intended objectives, because of poor cash inflows, ritualistic following of the process with no regard to MTEF objectives.

Njenga (2009) analyzed the bridging of fiscal deficits for revenue productivity of the Kenyan Tax System. The study established that the Kenyan tax system was found to be productive with Total Revenue having buoyancy that was greater than unit. All the other tax sources, except Excise Duties, were found to be productive with buoyancy that was greater than unity. The current revenue profile of the nation was found to be sustainable to ensure optimal level of expenditure that facilitates formulation of fiscal policies that overcome the deficit. Lastly, Income tax was found to be the most productive component of the tax structure

Eugene (2008) conducted a study using The Efficiency Frontier as a Method for Gauging the Performance of Public expenditure (a case study of Belgium) focused on 3 ministries including the education Sector, the Health sector and Public safety and order. he found that although Belgium did not lie on the efficiency frontier it was close to it and therefore relatively efficient in comparison to other countries in the same region, in education Belgium was found to be less efficient than the countries around it as its outcome per unit of expenditure on education was low, in Public safety and order

Belgium did poorly by spending more in Public safety and order while yielding lower results compared to the other countries.

Ochanda (2012) investigated the impact of medium term expenditure framework on operational efficiency of government ministries in Kenya. The research found that adherence to MTEF ceilings has a negative impact on the performance of Government Ministries in Kenya. The study was however limited by the poor availability of information and inconsistency of the financial information gathered as compared to all other publications of the same, as well as Ministry re-organizations. The study recommend that links between budgeting and planning be strengthened, and IFMIS be rolled out to operational areas to improve efficiency and information consistency, as well as the setting up of efficient reward and sanction systems to encourage prudent fiscal responsibility.

Arnolds and Njuguna (2009) did a study on Improving the Financial Efficiency of Pension Funds in Kenya, taking a sample of 362 pension funds drawn from the Kenyan RBA register and applied data envelopment analysis to determine efficiency of the pension funds. They hypothesized that pension fund Governance, adherence to regulations, proper investment strategies, fund ethics, risk management, fund design, membership age, fund design and operational efficiency would all have an impact on financial efficiency of the Fund. The empirical results showed that pension fund governance, leadership and regulations do not influence the financial efficiency of these funds. The results however reveal that fund size is the most important determinant of financial efficiency of the pension funds.

## **2.5. Summary**

The reviewed literature has revealed that there is no agreement among economists either on the methodological grounds or on the basis of empirical results whether financing government expenditure by incurring a fiscal deficit is good, bad, or neutral in terms of its real effects on operation efficiency, particularly on investment and growth. In general way, there are three schools of thought concerning the economic effects of budget deficits on operational efficiency as Neoclassical, Keynesian and Ricardian thoughts. No single paradigm corresponds exactly to reality of operational efficiency. What comes out clearly in all studies is that the appropriate measures for efficiency in the public sector would be Performance evaluation, Transparency and accountability, decentralization of decision making and a means of comparing inputs to outputs or outcomes of the programs undertaken by Government.

## **2.6. Research Gap**

Generally previous researchers have done comparative studies between countries and regions whose scope has been wide. In Kenya, studies on impact of medium term expenditure framework on operational efficiency have not focused on the linkage between operation efficiency and MTEF. This research gap exists despite the results of empirical studies that have been done on operational efficiency in government ministries. Evidence should be sought to that there's a positive influence to increased fiscal discipline, Political accountability and public participation in financial matters and improve efficiency of government operations through the introduction of Budget Ceilings, Sector Working Groups and frequent Public Expenditure Reviews (PER, 2010).

There's need to investigate into the efficiency of the resource allocation or sharing should to find out whether the ratio in which the various Sectors receive their funding is in consistency with the long term Vision of the Government, and whether this sharing of resources is truly resulting in an improvement in the performance of these MDAs. A study of Government Departments and Agencies other than the ministries to see if there is a different impact MTEF has on these MDAs as compared to its impact on mainline Government ministries, and show the reason if any for the difference in the impact between these two groups.

This study seeks to bridge the knowledge gap by examining the effect of medium term expenditure framework on operational efficiency of the Governance, Justice, Law and Order Sector (GJLOS).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Introduction**

This chapter describes the procedures and methodologies that were used in carrying out the study to establish the impact of medium term expenditure framework on operational efficiency of the Governance, Justice, Law and Order Sector (GJLOS). The chapter comprised of the research design; target population, sample design, data collection, and data analysis.

#### **3.2. Research Design**

The study adapted descriptive survey approach in collecting data from the respondents. The descriptive survey method was preferred because it ensured complete description of the situation, making sure that there were minimum bias in the collection of data and finding out the what, where and how of a phenomenon. The main purpose of this research was to examine the impact of medium term expenditure framework on operational efficiency of the Governance, Justice, Law and Order Sector (GJLOS).

#### **3.3 Target Population**

The target population consisted of all the sectors of the Governance, Justice, Law and Order Sector (GJLOS). This included all the fifteen (15) sub-sectors and all the ten (10) Semi-Autonomous Government Agencies and eleven (11) tribunals of the Governance, Justice, Law and Order Sector (GJLOS). Therefore this study was a census of the entire population.

### **3.4. Data Collection**

The main tool for collection of primary data was a questionnaire. The research used a questionnaire as the main tool to collect data. The questions were designed in such a way as to elicit answers to all pertinent issues in order to provide solution(s) to the research problem. The questionnaire contained both structured and unstructured questions. The questionnaires were administered to the finance officer, economist and accountant of each MDA making a total of 108 respondents. Secondary data was used in this study. The data was obtained from the World Bank Reports, Budget outlook papers, Kenya bureau of Statistics, Department of Public Sector Reforms and Performance contracting and annual reports of the sub-sectors and SAGAs for a period of 5 years from 2010 to 2014.

### **3.5. Data Analysis**

Data analysis is the process of bringing order, structure and meaning to the mass of information collected. It involves examining what has been collected and making deductions and inferences (Kombo and Tromp, 2006). The data collected was coded, quantified and analyzed quantitatively. Quantitative data was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. The inputted data was then presented in the form of tables, graphs and pie charts. This provided for an easier analysis and interpretation of the data inputted. Further the data was regressed to obtain t - values , p-values , specific coefficients and intercepts, standard errors among other values at given significance levels. These values were used for further analysis.

#### **3.5.1. Conceptual model**

The relationship among the variables was estimated using a function:

**OP = f (MTEF)**

**OP = Operation Efficiency = Fiscal Performance**

MTEF = MTEF (principles)

### **3.5.2. Empirical Model**

The model that was used in this study was particularly multiple regression model as operation efficiency was assumed to depend on a number of several variables which were; budget balance, MTEF stakeholder participation, MTEF flexibility and MTEF program focus

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where

Y-represents the operation efficiency

$\alpha$  -this gives the operational efficiency value when all other variables are zero. It is measured when all the other factors are not present that what is the value of operation efficiency when the other values are held constant.

$X_1$ -budget balance

$X_2$ -MTEF stakeholder participation

$X_3$  –MTEF flexibility

$X_4$ - MTEF program focus

$B_1$ -  $B_4$  –are coefficients

$\varepsilon$  -the error term.

The values of X1 to X4 were calculated from the mean score response on each likert scaled data for each sector. The mean score was thus obtained for the respective variable for each respondent. These values were then utilized for regression analysis. The value of Y (operation efficiency) was mean average score for the likert scaled responses from the respondents

### **3.5.3 .Test of Significance**

The results of the regression analysis were interpreted based on the  $R^2$ , ANOVA, significance of F statistics and the significance of beta values from the coefficients of the X variables. Results are said to be statistically significant within the 0.05 level, which means that the significance value must be smaller than 0.05. Significance was tested at 5% level.



## **CHAPTER FOUR**

### **DATA PRESENTATION AND ANALYSIS**

#### **4.1 Introduction**

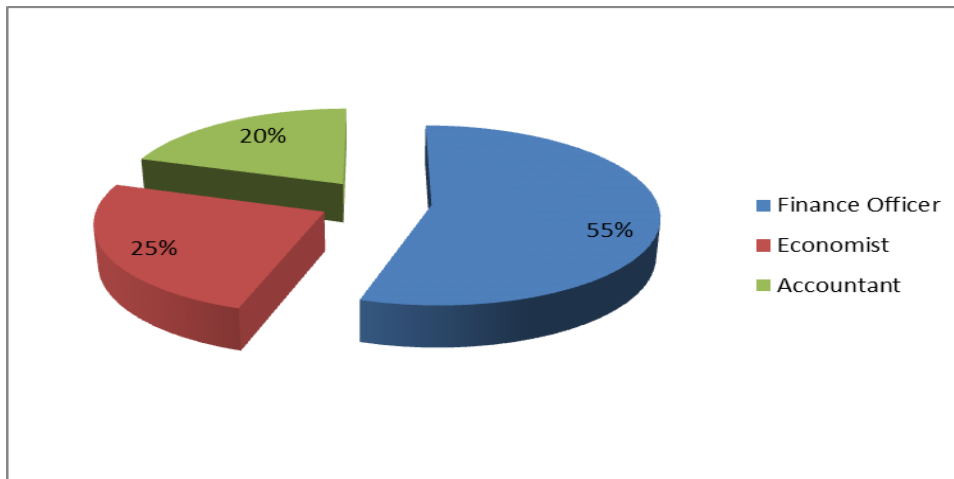
This chapter presents analysis and findings of the study as set out in the research methodology. The results were presented on the effect of Medium Term Expenditure Framework on Operational Efficiency of the Governance, Justice, Law and Order Sector In Kenya. The study sought to examine the effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in kenya. The chapter analyzes, presents and interprets the data collected from a sample size of 108 respondents out of which 90 respondents completed and returned the questionnaires duly filled in making a response rate of 83%. Mugenda and Mugenda (1999) stated that a response rate of 50% and above is a good for statistical reporting. The study made use of frequencies (absolute and relative) on single response questions. On multiple response questions, the study used Likert scale in collecting and analyzing the data whereby a scale of 5 points was used in computing the means and standard deviations.

#### **4.2. Demographic Information**

##### **4.2.1. Position in the GJLOS**

The respondents were requested to indicate their positions in the GJLOS and duration of work as Finance Officer/Economist/Accountant. The findings were as shown in the figure below:

**Figure 4.1. Position in the GJLOS**

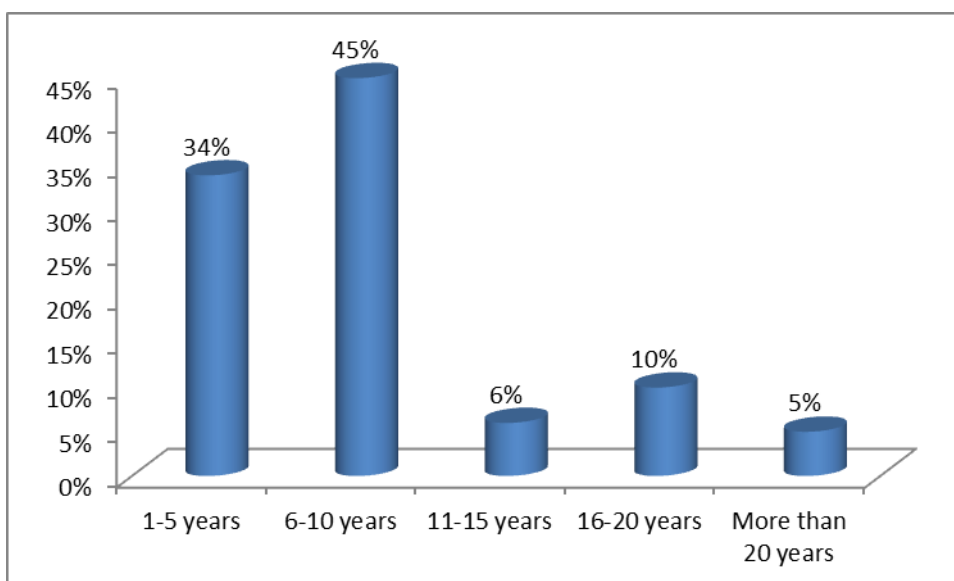


From the findings above 55% of the respondents indicated they were finance officers, 25% indicated they were economists while 20% indicated they were accountants. This implies that majority of the respondents were finance officers.

#### **4.2.2. Duration of Service**

The respondents were requested to indicate the years of service as Finance Officer/Economist/Accountant. The findings were shown in the figure below:

**Figure 4.2. Duration of Service**



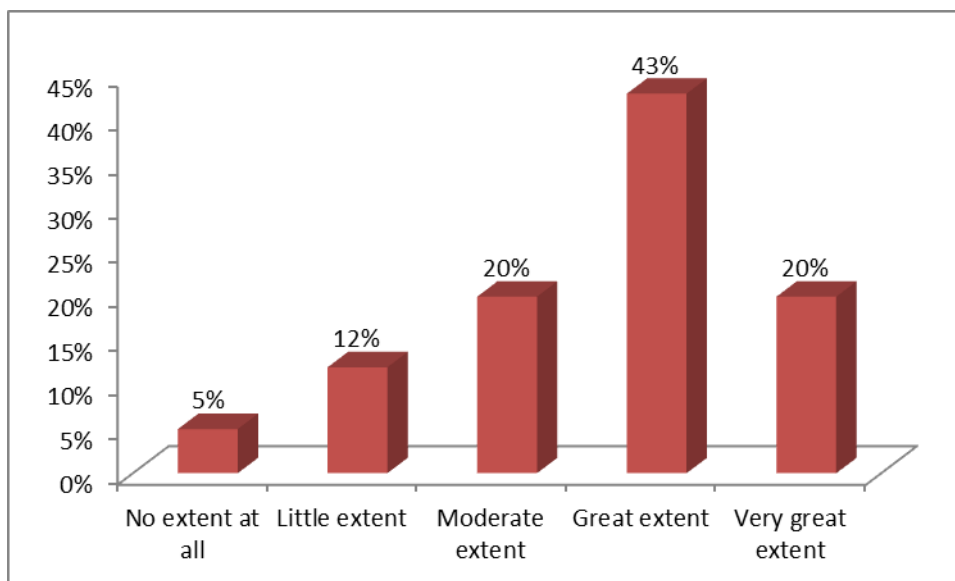
From the findings above 45% of the respondents indicated they had worked for a duration between 6-10 years, 34% indicated they had worked for a duration between 1-5 years, 10% indicated they had worked for a duration between 16-20 years. Further 6% of the respondents indicated 11-15 years while 5% indicated more than 20 years. This implies that majority of the respondents had worked as Finance Officer/Economist/Accountant for a duration between 6-10 years.

### 4.3. Budget Balance

#### 4.3.1. Extent to which budget balance has improved under MTEF

The respondents were requested to indicate the extent to which budget balance has improved under MTEF. The findings are illustrated in the figure below:

**Figure 4.3. Extent to which budget balance has improved under MTEF**



From the findings 43% of the respondents indicated that budget balance had improved under MTEF to a great extent, 20% indicate very great extent and moderate extent respectively. Further 12% of the respondents indicated that budget balance has improved under MTEF to a little extent while 5% indicated no extent at all. This

depicts that majority of the respondents indicated that budget balance had improved under MTEF to a great extent

#### 4.3.2. Extent to which MTEF contributed to operational efficiency

The respondents were requested to indicate the extent to which MTEF has contributed to operational efficiency through implementation of aspects of budget balance in the Governance, Justice, Law and Order Sector (GJLOS). The responses were placed on a five Likert scale ranging from 1 (No extent at all) to 5 (very large extent). The findings were as shown in table below.

**Table 4.1. Extent to which MTEF contributed to operational efficiency**

<b>Aspect</b>	<b>Mean</b>	<b>Std Dev.</b>
MTEF has improved the balance of the books of account	3.80	0.335
MTEF has enhanced the match between aggregate expenditure out-turn and original approved budget	4.02	0.129
MTEF has improved the estimation of macro-economic aggregates (revenue, expenditure, budget deficit net external and internal financing) including forward years budget estimates	3.88	0.227
MTEF has improved adherence to key budget timelines as set out in the budget calendar	4.09	0.145

From the findings the respondents agreed that MTEF has improved adherence to key budget timelines as set out in the budget calendar (mean=4.09), followed by MTEF has

enhanced the match between aggregate expenditure out-turn and original approved budget (mean=4.02). The respondents further agreed that MTEF has improved the estimation of macro-economic aggregates (revenue, expenditure, budget deficit net external and internal financing) including forward years budget estimates (mean=3.88), while the respondents also agreed that MTEF has improved the balance of the books of account (mean=3.80). this implies that MTEF has improved adherence to key budget timelines as set out in the budget calendar.

#### **4.3.3. Content analysis on how MTEF affected the budget balance**

The researcher was interested to know from the respondents what was the effect of MTEF on budget balance. This was important because the respondents would give concrete information regarding the issues at stake.

##### **4.3.3.1. Balance between aggregate expenditure out-turn and original approved budget**

The respondents indicated that MTEF links annual budget processes with agreed national priorities, and the budget ceilings are developed based on the revenue projections. Under the MTEF process, budgeting for expenditures is only allowed to the level of projected revenues.

##### **4.3.3.2. Estimation of macro-economic aggregates**

The respondents stated that MTEF has improved consistency in the macroeconomic forecasts, and the expenditures are based on hard budget constraints. MTEF has ensured that expenditures are within ceilings thus increasing macroeconomic stability.

#### 4.3.3.3. Adherence to key budget timelines

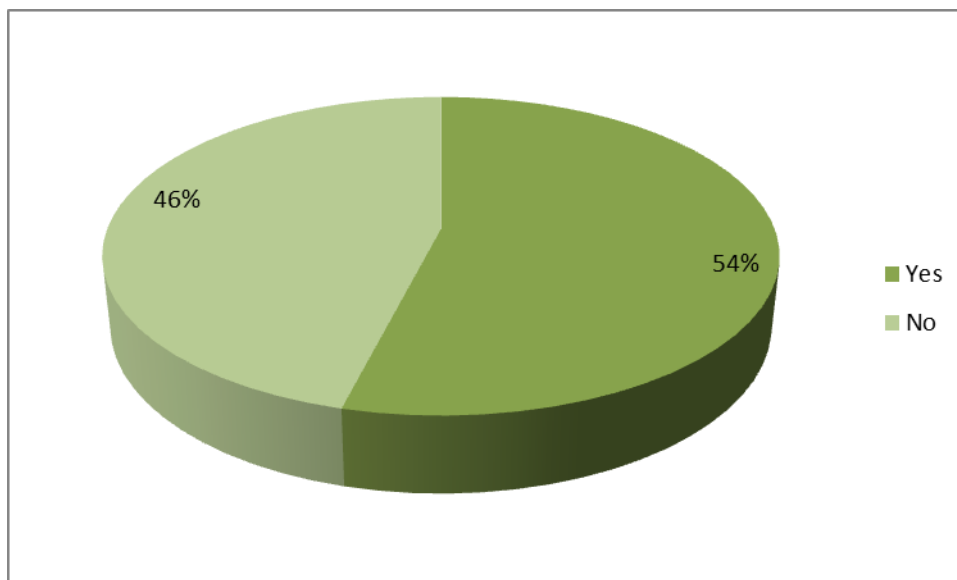
The respondents indicated that MTEF has had little influence on adherence to set budget timelines because the outer years rarely inform the budgetary processes going forward. Moreover the timelines provided during MTEF are not always the timelines provided during the final budget preparation.

#### 4.4. MTEF Stakeholder Participation

##### 4.4.1. Influence of MTEF stakeholder participation on operational efficiency

The respondents were requested to indicate whether stakeholder participation under MTEF influence the operation efficiency of the Governance, Justice, Law and Order Sector (GJLOS). The findings are illustrated in the figure below:

**Figure 4.4. Influence of MTEF stakeholder participation on operational efficiency**



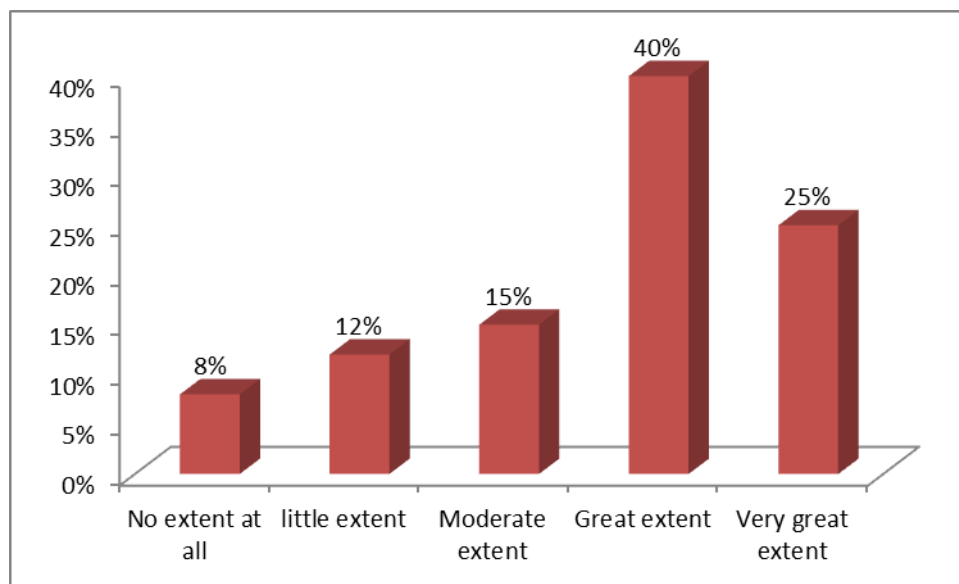
From the findings 54% of the respondents indicated that stakeholder participation under MTEF influence the operation efficiency of the Governance, Justice, Law and Order Sector (GJLOS) while 46% were of the contrary opinion. This implies that stakeholder

participation under MTEF influence the operation efficiency of the Governance, Justice, Law and Order Sector (GJLOS).

#### **4.4.2. Extent to which MTEF has improved stakeholder participation in operation efficiency**

The respondents were requested to indicate extent to which MTEF has improved stakeholder participation in operation efficiency of the Governance, Justice, Law and Order Sector (GJLOS) . The findings are illustrated in the figure below:

**Figure 4.5. Extent to which MTEF has improved stakeholder participation in operation efficiency**



From the findings above 40% of the respondents indicated that to a great extent MTEF has improved stakeholder participation in operation efficiency of the Governance, Justice, Law and Order Sector (GJLOS), 25% indicated very great extent, 15% indicated to a moderate extent. The respondents further stated that MTEF has improved stakeholder participation in operation efficiency of the Governance, Justice, Law and Order Sector (GJLOS) to a little extent while 8% indicate no extent at all. This depicts

that MTEF has improved stakeholder participation in operation efficiency of the Governance, Justice, Law and Order Sector (GJLOS) to a great extent.

**4.4.3. Extent to which MTEF has contributed to improvement of operational efficiency through implementation of aspects of stakeholder participation**

The respondents were requested to indicate the extent to which MTEF has contributed to improvement of operational efficiency through implementation of aspects of stakeholder participation in the Governance, Justice, Law and Order Sector (GJLOS). The responses were placed on a five Likert scale ranging from 1 (No extent at all) to 5 (very large extent). The findings were as shown in table below.

**Table 4.2. Extent to which MTEF has contributed to improvement of operational efficiency through implementation of aspects of stakeholder participation**

<b>Statements</b>	<b>Mean</b>	<b>Std Dev.</b>
MTEF has ensured linkage of decision concerning policy, planning and budgeting	4.09	0.186
MTEF has improved stakeholder participation in budgetary decision making	3.88	0.335
MTEF has improved participation of stakeholders in areas of priority	4.12	0.195
MTEF has improved decisions on government expenditures	4.02	0.245



From the findings the respondents agreed that MTEF has improved participation of stakeholders in areas of priority (mean=4.12), followed by MTEF has ensured linkage of decision concerning policy, planning and budgeting (mean=4.09). The respondents further agreed that MTEF has improved decisions on government expenditures (mean=4.02). Finally the respondents agreed that MTEF has improved stakeholder participation in budgetary decision making (mean=3.88). This depicts that MTEF has improved participation of stakeholders in areas of priority .

#### **4.4.4. Content analysis on how MTEF has improved stakeholders participation**

The researcher wanted to establish how MTEF has influenced stakeholders participation on the various aspects in in the Governance, Justice, Law and Order Sector (GJLOS).

##### **4.4.4.1. Linkage of decision concerning policy, planning and budgeting**

The respondents indicated that MTEF allows the linkage of budget planning decisions in the light of emerging needs and also based on the available resources. MTEF gives a stable focus on future budget planning decisions based on priorities, thus assist the government to implement the best options.

##### **4.4.4.2. Stakeholder decision making**

The respondents indicated that MTEF provide a platform where various stakeholders are involved in presenting their opinion over what they consider is appropriate. MTEF takes a strategic stakeholder decision making approach through the establishment of sectorial decision making priorities and matching them with the available resources.

#### 4.4.4.3. Stakeholder participation in areas of priority in Kenya

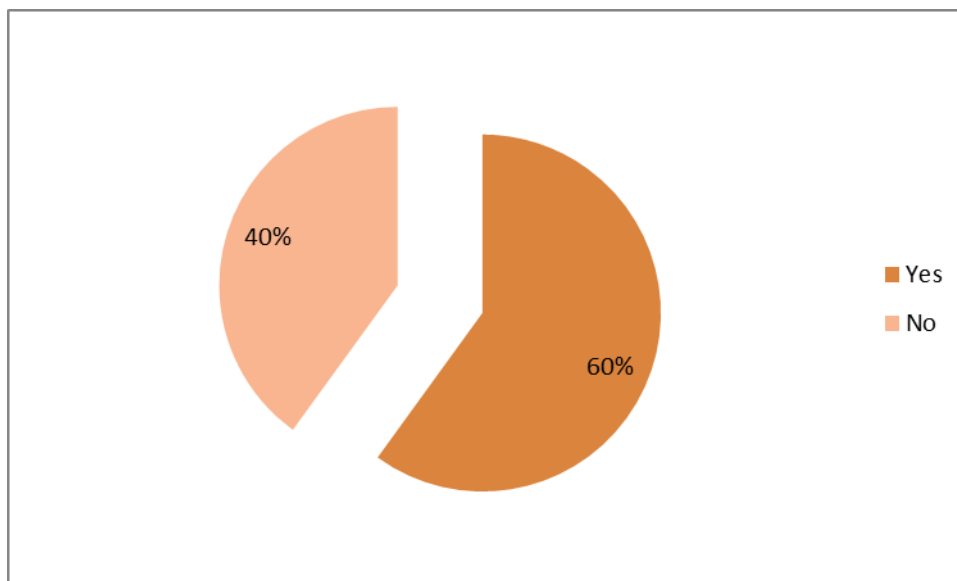
The respondents indicated that MTEF contributes to allowing the stakeholders participate in areas of priority in Kenya. The framework allows planning and sequencing of programs for timely implementation and realization of best decision making results. The respondents further said that MTEF stakeholder participation contributed to improvement of operational efficiency in the Governance, Justice, Law and Order Sector (GJLOS) through efficient resource allocation. MTEF has ensured that priority is given first consideration when sharing resources.

#### 4.5. MTEF Flexibility

##### 4.5.1. Influence of MTEF flexibility on operation efficiency

The respondents were requested to indicate whether MTEF flexibility as one of the factors of MTEF influence operation efficiency of the Governance, Justice, Law and Order Sector (GJLOS). The findings were shown in the figure below:

**Figure 4.6. Influence of MTEF flexibility on operation efficiency**

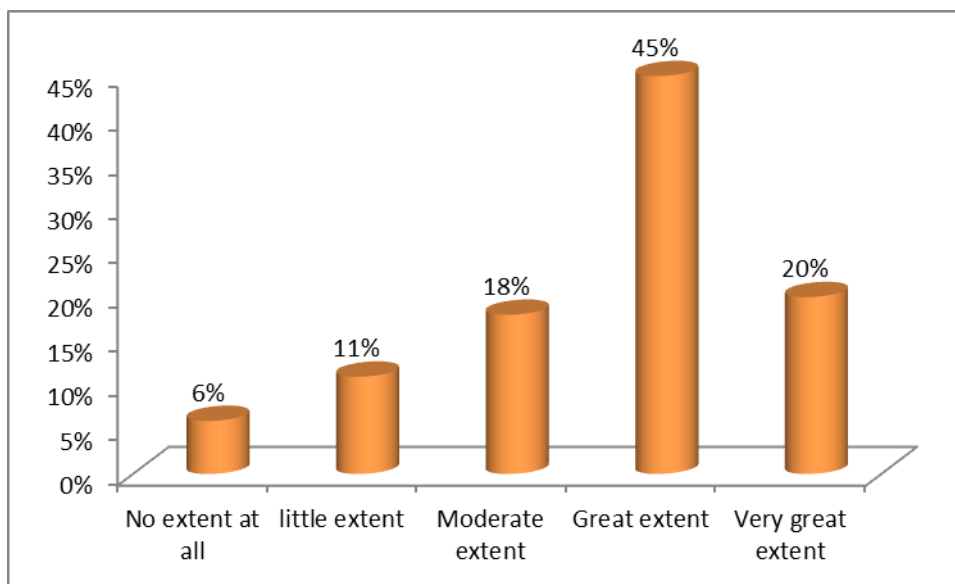


From the findings 60% of the respondents indicated that MTEF flexibility as one of the factors of MTEF influence operation efficiency of the Governance, Justice, Law and Order Sector (GJLOS) while 40% were of the contrary opinion. This implies that MTEF flexibility as one of the factors of MTEF influence operation efficiency of the Governance, Justice, Law and Order Sector (GJLOS).

#### 4.5.2. Extent of MTEF flexibility in Kenya

The respondents were requested to indicate Extent of MTEF flexibility in Kenya. The findings are illustrated in the figure below:

**Figure 4.7. Extent of MTEF flexibility in Kenya**



From the findings above 45% of the respondents indicated that to a great extent that MTEF is flexible, 20% indicated very great extent, 18% indicated to a moderate extent. further 11% of the respondents indicated to a little extent while 8% indicate no extent at all. This depicts that majority of the respondents indicated to a great extent that MTEF is flexible in Kenya.

**4.5.3. Extent to which MTEF has contributed to operational efficiency through implementation of aspects of MTEF flexibility**

The respondents were requested to indicate the Extent to which MTEF has contributed to operational efficiency through implementation of aspects of MTEF flexibility in the Governance, Justice, Law and Order Sector (GJLOS). The responses were placed on a five Likert scale ranging from 1 (No extent at all) to 5 (very large extent). The findings were as shown in table below.

**Table 4.3. Extent to which MTEF has contributed to operational efficiency through implementation of aspects of MTEF flexibility**

<b>Statements</b>	<b>Mean</b>	<b>Std Dev.</b>
MTEF has improved the flexibility of expenditure and revenue projections	4.14	0.226
MTEF has enhanced macroeconomic flexibility in Kenya	4.12	0.214
MTEF has enhanced flexibility in debt management	4.09	0.338
MTEF has improved adherence to set budget flexibility	4.02	0.176

From the findings respondents agreed that MTEF has improved the flexibility of expenditure and revenue projections (mean=4.14), followed by MTEF has enhanced macroeconomic flexibility in Kenya (mean=4.12), and MTEF has enhanced flexibility in debt management (mean=4.09). Respondents further agreed that MTEF has

improved adherence to set budget flexibility (mean=4.02). This implies that MTEF has improved the flexibility of expenditure and revenue projections.

#### **4.5.4. Content analysis on the influence of MTEF and flexibility**

The researcher wanted to establish how MTEF has influenced flexibility of expenditure on the various aspects in in the Governance, Justice, Law and Order Sector (GJLOS).

##### **4.5.4.1. Flexibility of expenditure and revenue projections in Kenya**

The respondents indicated that MTEF ensures flexibility of expenditure and that it is linked to the revenue projections thereby minimizing budget deficit. The respondents indicated that MTEF has brought realistic and flexible revenue projections so that there are no additional borrowing.

##### **4.5.4.2. Macroeconomic flexibility in Kenya**

The respondents indicated that MTEF has improved the flexibility and estimation of macroeconomic aggregates through review of previous budget and incorporation of projected macroeconomic assumptions and hence development.

##### **4.5.4.3. Contribution of MTEF through flexibility factor**

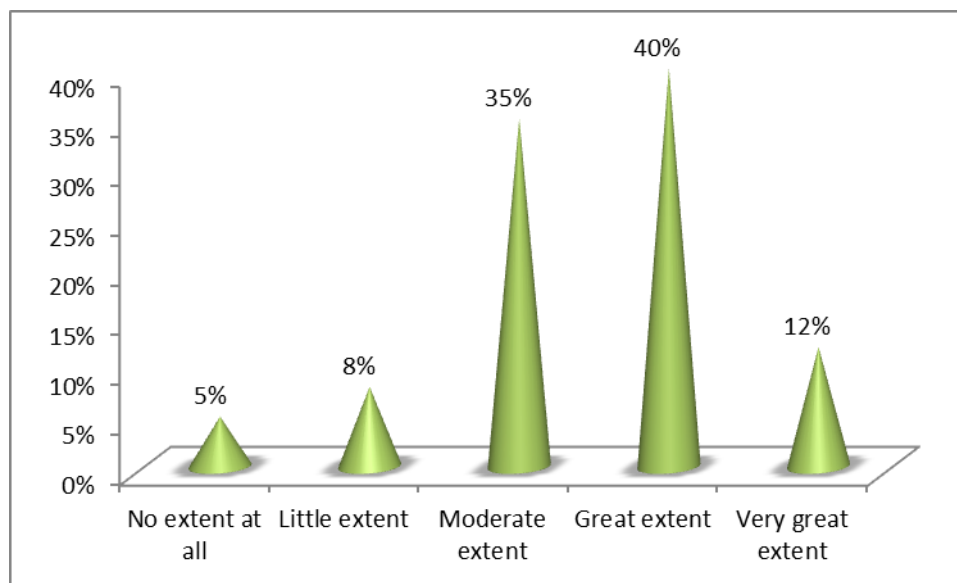
The respondents indicated that through flexibility factor MTEF has ensured that the aggregate expenditure remain within the limits of the approved budget therefore reducing over or under expenditure. MTEF has made the budget planning and implementation process to be a flexible one and which can adjust to changes if need be.

## 4.6. MTEF Program Focus

### 4.6.1. Extent to which program focus has improved under MTEF

The respondents were requested to indicate the extent to which program focus has improved under MTEF. The findings were as shown in the figure below.

**Figure 4.8. Extent to which program focus has improved under MTEF**



From the findings above 40% of the respondents indicated that to a great extent program focus has improved under MTEF, 35% indicated moderate extent, 12% indicated to a very great extent. The respondents further indicated that program focus has improved under MTEF to a little extent at 8% while 5% indicated no extent at all. This depicts that to a great extent program focus has improved under MTEF

### 4.6.2. Extent to which MTEF program focus has contributed to operational efficiency in the Governance, Justice, Law and Order Sector (GJLOS)

The respondents were requested to indicate the extent to which MTEF program focus has contributed to operational efficiency in the Governance, Justice, Law and Order

Sector (GJLOS). The responses were placed on a five Likert scale ranging from 1 (No extent at all) to 5 (very large extent). The findings were as shown in table below.

**Table 4.4. Extent to which MTEF program focus has contributed to operational efficiency in the Governance, Justice, Law and Order Sector (GJLOS)**

<b>Statements</b>	<b>Mean</b>	<b>Std Dev.</b>
MTEF has ensured set up of budgetary program focus for the future	4.09	0.235
MTEF has enhanced budgetary program focus by civil society, the private sector, legislature and professional expertise	3.89	0.126
MTEF has improved transparency and accountability in the budgetary program focus	4.02	0.186
MTEF program focus has instituted effective mechanisms for the monitoring of budgetary inputs, outputs and outcomes	3.68	0.335

From the findings respondents agreed that MTEF has ensured set up of budgetary program focus for the future (mean=4.09), followed by MTEF has improved transparency and accountability in the budgetary program focus (mean=4.02). The respondents further agreed that MTEF has enhanced budgetary program focus by civil society, the private sector, legislature and professional expertise (mean=3.89). Finally the respondents agreed that MTEF program focus has instituted effective mechanisms for the monitoring of budgetary inputs, outputs and outcomes (mean=3.68). This implies that MTEF has ensured set up of budgetary program focus for the future.

#### **4.6.3. Content analysis of MTEF program focus**

The researcher wanted to establish how MTEF program focus aspects have influenced operation efficiency in the Governance, Justice, Law and Order Sector (GJLOS).

##### **4.6.3.1. MTEF program focus contributions to preparation of a realistic budget**

The respondents indicated that MTEF program focus has involved all stakeholders in the budget making process to ensure transparency and coming up with a realistic budget making process. The MTEF program focus has ensured that past trends in expenditure and revenue collections largely inform projections on subsequent revenue and expenditure estimates thus making the budget more realistic.

##### **4.6.3.2. MTEF program focus contributions to budgetary scrutiny by civil society, the private sector, legislature and professional expertise**

The respondents indicated that MTEF program focus has enhanced participation of all stakeholders ie civil society, the private sector, legislature and professional expertise in the budget scrutiny process by making the budget document readily available to the stakeholders thus transparency and openness.

##### **4.6.3.3. MTEF program focus contributions to transparency and accountability in the budgetary making process**

The respondents indicated that MTEF has promoted transparency and accountability through improvement in activities such as revenue collection, disbursement of exchequer, development of personnel and implementation of the budget.



#### **4.6.3.4. Measures that can be taken to ensure that MTEF program focus achieve improvement in operation efficiency in GJLOS**

The respondents indicated that the measures that can be taken to ensure that MTEF program focus achieve improvement in operation efficiency in GJLOS include monitoring of budgetary inputs, outputs and outcomes, introduction of program based budgets among others.

#### **4.7. Inferential Statistics**

The study further applied multiple regressions to determine the predictive power of the effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in kenya

##### **4.7.1 Regression Analysis**

The researcher conducted a multiple regression analysis so as to test relationship among variables (independent) on effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in kenya. The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study.

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in kenya) that is explained by all the four independent variables (budget balance, MTEF stakeholder participation, MTEF flexibility and MTEF program focus).

## Model Summary

**Table 4.5. Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.797	0.635	0.592	0.043

The four independent variables that were studied, explain only 63.5% of effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in kenya as represented by the R<sup>2</sup>. This therefore means that other factors not studied in this research contribute 36.5% of effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in kenya. Therefore, further research should be conducted to investigate the effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in kenya.

## ANOVA Results

**Table 4.6. ANOVA of the Regression**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.534	10	1.267	9.475	.0031
	Residual	9.307	80	2.327		
	<b>Total</b>	<b>11.841</b>	<b>90</b>			

The significance value is 0.031 which is less than 0.05 thus the model is statistically significant in predicting how the MTEF factors (budget balance, MTEF stakeholder participation, MTEF flexibility and MTEF program focus) affect the operational efficiency of the governance, justice, law and order sector in Kenya. The F critical at 5% level of significance was 3.23. Since F calculated is greater than the F critical (value = 9.475), this shows that the overall model was significant.

**Table 4.7. Coefficient of Determination**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.127	0.2235		5.132	0.000
	Budget balance	0.652	0.1032	0.1032	7.287	.000
	MTEF stakeholder participation	0.587	0.3425	0.1425	3.418	.000
	MTEF flexibility	0.445	0.2178	0.1178	4.626	.000
	MTEF program focus	0.339	0.1937	0.0937	4.685	.000

Multiple regression analysis was conducted as to determine the effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in Kenya and the four variables. As per the SPSS generated table below, regression equation

$$(Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon) \text{ becomes:}$$

$$(Y = 1.127 + 0.652X_1 + 0.587X_2 + 0.445X_3 + 0.339X_4 + \epsilon)$$

According to the regression equation established, taking all factors into account (budget balance, MTEF stakeholder participation, MTEF flexibility and MTEF program focus) constant at zero, the effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in Kenya will be 1.127. The data findings analyzed also showed that taking all other independent variables at zero, a unit increase in budget balance will lead to a 0.652 increase in the effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in Kenya; a unit increase in MTEF stakeholder participation will lead to a 0.587 increase in the effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in Kenya, a unit increase in MTEF flexibility will lead to a 0.445 increase in the effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in Kenya, while a unit increase in MTEF program focus will lead to a 0.339 increase in the effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in Kenya.

This infers that budget balance contributes the most to the effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in Kenya. At 5% level of significance and 95% level of confidence, budget balance, MTEF stakeholder participation, MTEF flexibility and MTEF program focus were all significant, factors on the effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in Kenya.

## **4.8. Discussion of findings**

### **4.8.1. Budget Balance**

The study found that majority of the respondents indicated that budget balance had improved under MTEF to a great extent. Also the study found that MTEF has improved adherence to key budget timelines as set out in the budget calendar. The respondents indicated that MTEF links annual budget processes with agreed national priorities, and the budget ceilings are developed based on the revenue projections. The respondents stated that MTEF has improved consistency in the macroeconomic forecasts, and the expenditures are based on hard budget constraints. The respondents indicated that MTEF has had little influence on adherence to set budget timelines because the outer years are rarely inform the budgetary processes going forward. These findings concurs with a study by Moon (1997) who suggests that the MTEF aims to deliver greater budget balance in terms of match between execution timelines and approved budgets and the MTEF revenue projections.

### **4.8.2. MTEF Stakeholder Participation**

The study found that stakeholder participation under MTEF influence the operation efficiency of the Governance, Justice, Law and Order Sector (GJLOS). The study further found that MTEF has improved stakeholder participation in operation efficiency and areas of priority of the Governance, Justice, Law and Order Sector (GJLOS) to a great extent. The respondents indicated that MTEF allows the linkage of budget planning decisions in the light of emerging needs and also based on the available resources. The respondents indicated that MTEF provide a platform where various stakeholders are involved in presenting their decisions over what they consider is appropriate. The respondents indicated that MTEF contributes to allowing the stakeholders participate in areas of priority in Kenya. The findings are in contrary with

a study by Bevan and David, (2001) who established that there is no evidence of stakeholders participation in line with the MTEFs projections. Further the study states that breakdown occurring earlier in the process, indicate that there is a dis-juncture between stakeholder participation and MTEF projections, which means that the MTEF has not contributed to stakeholder participation in the budgeting process.

#### **4.8.3. MTEF Flexibility**

The study found that MTEF flexibility as one of the factors of MTEF influence operation efficiency of the Governance, Justice, Law and Order Sector (GJLOS). The study also found that to a great extent that MTEF is flexible in Kenya. The study further established that MTEF has improved the flexibility of expenditure and revenue projections. The respondents indicated that MTEF ensures flexibility of expenditure and that it is linked to the revenue projections thereby minimizing budget deficit. The respondents indicated that through flexibility factor MTEF has ensured that the aggregate expenditure remain within the limits of the approved budget therefore reducing over or under expenditure. The findings agrees with a study by Gray and Stone, (2005) who argues that MTEFs flexibility aim to improve inter- and intra-sectoral resource allocation by effectively prioritizing all expenditures (on the basis of the government's socio-economic program) and dedicating resources only to the most important ones. Moreover, to the extent that budgetary decision making is more legitimate, greater political accountability for expenditure outcomes should also ensue.

#### **4.8.4. MTEF Program Focus**

The study found that to a great extent program focus has improved under MTEF. The study also found that MTEF has ensured set up of budgetary program focus for the future. The respondents indicated that MTEF program focus has involved all stakeholders in the budget making processs to ensure transparency and coming up with

a realistic budget making process. The respondents indicated that MTEF has promoted transparency and accountability through improvement in activities such as revenue collection, disbursement of exchequer, development of personnel and implementation of the budget. The respondents indicated that the measures that can be taken to ensure that MTEF program focus achieve improvement in operation efficiency in GJLOS include monitoring of budgetary inputs, outputs and outcomes, introduction of program based budgets among others. The findings are in agreement with a study by Broom and McGuire (1995) who suggests that opening up the MTEF program focus process to experts has the potential to make it more accountable to professional criteria and less responsive to political calculations. If MTEF program focus is designed properly, may be successful in building some pressure for greater accountability in the budgeting process. The MTEF should lend greater credibility to budget management through a well build program focus. With better data and hard aggregate and sectoral budget constraints, the budget itself should become more and more focused on improvement of resource provision.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

In this chapter, a summary, conclusions and recommendations have been offered in line with the findings of the study and they are based on the objectives of the study. Recommendations for proposed policy action and further research have also been made.

#### **5.2. Summary**

##### **5.2.1. Budget Balance**

The study found that majority of the respondents indicated that budget balance had improved under MTEF to a great extent. Also the study found that MTEF has improved adherence to key budget timelines as set out in the budget calendar. The respondents indicated that MTEF links annual budget processes with agreed national priorities, and the budget ceilings are developed based on the revenue projections. The respondents stated that MTEF has improved consistency in the macroeconomic forecasts, and the expenditures are based on hard budget constraints. The respondents indicated that MTEF has had little influence on adherence to set budget timelines because the outer years rarely inform the budgetary processes going forward.

##### **5.2.2. MTEF Stakeholder Participation**

The study found that stakeholder participation under MTEF influence the operation efficiency of the Governance, Justice, Law and Order Sector (GJLOS). The study further found that MTEF has improved stakeholder participation in operation efficiency and areas of priority of the Governance, Justice, Law and Order Sector



(GJLOS) to a great extent. The respondents indicated that MTEF allows the linkage of budget planning decisions in the light of emerging needs and also based on the available resources. The respondents indicated that MTEF provide a platform where various stakeholders are involved in presenting their decisions over what they consider is appropriate. The respondents indicated that MTEF contributes to allowing the stakeholders participate in areas of priority in Kenya.

### **5.2.3. MTEF Flexibility**

The study found that MTEF flexibility as one of the factors of MTEF influence operation efficiency of the Governance, Justice, Law and Order Sector (GJLOS). The study also found that to a great extent that MTEF is flexible in Kenya. The study further established that MTEF has improved the flexibility of expenditure and revenue projections. The respondents indicated that MTEF ensures flexibility of expenditure and that it is linked to the revenue projections thereby minimizing budget deficit. The respondents indicated that through flexibility factor MTEF has ensured that the aggregate expenditure remain within the limits of the approved budget therefore reducing over or under expenditure.

### **5.2.4. MTEF Program Focus**

The study found that to a great extent program focus has improved under MTEF. The study also found that MTEF has ensured set up of budgetary program focus for the future. The respondents indicated that MTEF program focus has involved all stakeholders in the budget making process to ensure transparency and coming up with a realistic budget making process. The respondents indicated that MTEF has promoted transparency and accountability through improvement in activities such as revenue collection, disbursement of exchequer, development of personnel and implementation of the budget. The respondents indicated that the measures that can be taken to ensure

that MTEF program focus achieve improvement in operation efficiency in GJLOS include monitoring of budgetary inputs, outputs and outcomes, introduction of program based budgets among others.

### **5.3. Conclusion**

First, the study concluded that MTEF has improved adherence to key budget timelines as set out in the budget calendar. The study also concluded that MTEF links annual budget processes with agreed national priorities, and the budget ceilings are developed based on the revenue projections. Additionally, the study concluded that MTEF has improved consistency in the macroeconomic forecasts, and the expenditures are based on hard budget constraints.

Second, the study concludes that MTEF has improved stakeholder participation in operation efficiency and areas of priority of the Governance, Justice, Law and Order Sector (GJLOS) to a great extent. Further the study concludes that MTEF allows the linkage of budget planning decisions in the light of emerging needs and also based on the available resources.

Third, the study concluded that to a great extent that MTEF is flexible in Kenya. The study further concluded that MTEF has improved the flexibility of expenditure and revenue projections. Additionally the study concluded that MTEF ensures flexibility of expenditure and that it is linked to the revenue projections thereby minimizing budget deficit.

Fourth, from the regression analysis the study concluded that budget balance contributes the most to the effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in kenya. At 5% level of significance and 95% level of confidence, budget balance, MTEF stakeholder

participation, MTEF flexibility and MTEF program focus were all significant, factors on the effect of medium term expenditure framework on operational efficiency of the governance, justice, law and order sector in Kenya.

Finally, the study concluded that MTEF program focus has involved all stakeholders in the budget making process to ensure transparency and coming up with a realistic budget making process. The study also concluded that MTEF has promoted transparency and accountability through improvement in activities such as revenue collection, disbursement of exchequer, development of personnel and implementation of the budget.

#### **5.4. Recommendations**

1. This study recommends that MTEF be broken down to specific, achievable and measurable targets, which can be used to directly assess its impact on Government operations and also to discourage the mentality that keeps the budgeting process sinking back to incrementalism.
2. The study recommends implementation of expeditious rewards and sanctions through an efficient judicial system that would go a long way in improving operational efficiency of governance, justice, law and order sector, Departments and Agencies.
3. The study recommends improved budget execution with special emphasis on development budget and such key areas as core poverty programmes, where underperformance continues to occur.
4. The study recommends strengthened links between policy planning the annual budget and the MTEF framework to ensure programmes and projects are

implemented as planned and do not stall or incur excessive unplanned costs due to poor costing.

5. The study recommends improved transparency and consistency in budget presentation to ensure that budget documents are user friendly, accurate, timely and available when needed, particularly in relevant websites and offices, and rolling-out the IFMIS to all operational areas while improving its reliability

### **5.5.Suggestions for further studies**

The researcher recommends further research on Government Departments and Agencies other than the GJLOS to see if there is a different impact MTEF has on these institutions as compared to its impact on mainline Government ministries, and show the reason if any for the difference in the impact between these two group.

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## APPENDIX I: QUESTIONNAIRE

The following questionnaire aims at collecting information and data for use by the researcher to facilitate research in the field management. Your kind participation will go a long way in providing useful information required to complete this research. The information provided will be treated in utmost confidence. You need not indicate your name.

### SECTION A: BACKGROUND INFORMATION

1. Name of the Ministry / Department/ Agency (MDA)

.....  
.....

2. Current position of respondent

Finance Officer

Economist

Accountant

3. Years in service as a Finance Officer/Economist/Accountant

1-5  6-10  11-15  16-20  More than 20

4. When was the MTEF introduced in your MDA?.....

5. What stage of MTEF is now in place?.....

**SECTION B: BUDGET BALANCE**

6. To what extent has Budget balance in Kenya improved under MTEF?

No extent at all [ ]

Little extent [ ]

Moderate extent [ ]

Great extent [ ]

Very great extent [ ]

7. To what extent has MTEF contributed to operational efficiency through implementation of the following aspects of budget balance in the Governance, Justice, Law and Order Sector (GJLOS)? Rate your answer on a five point scale whereby 1=No extent at all, 2=little extent, 3=Moderate extent, 4=Great extent, and 5=Very great extent.

	1	2	3	4	5
MTEF has improved the balance of the books of account					
MTEF has enhanced the match between aggregate expenditure out-turn and original approved budget					
MTEF has improved the estimation of macro-economic aggregates (revenue, expenditure, budget deficit net external and internal financing) including forward years budget estimates					
MTEF has improved adherence to key budget timelines as set out in the budget calendar					

8. How has MTEF affected the balance between aggregate expenditure out-turn and original approved budget?

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

9. How has MTEF affected the estimation of macro-economic aggregates?

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

10. How has MTEF affected adherence to key budget timelines?

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

11. In which other ways has MTEF affected operation efficiency by improving budget balance in the Governance, Justice, Law and Order Sector (GJLOS)?

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

## SECTION C: MTEF STAKEHOLDER PARTICIPATION

12. Does stakeholder participation under MTEF influence the operation efficiency of the Governance, Justice, Law and Order Sector (GJLOS)?

Yes  No

13. Rate the extent to MTEF has improved stakeholder participation in operation efficiency of the Governance, Justice, Law and Order Sector (GJLOS)

No extent at all

Little extent

Moderate extent

Great extent

Very great extent

14. To what extent has MTEF contributed to improvement of operational efficiency through implementation of the following aspects of stakeholder participation in the Governance, Justice, Law and Order Sector (GJLOS)? Rate your response on scale of five units whereby 1=No extent at all, 2=little extent, 3=Moderate extent, 4=Great extent, and 5=Very great extent.

	1	2	3	4	5
MTEF has ensured linkage of decision concerning policy, planning and budgeting					
MTEF has improved stakeholder participation in budgetary decision making					
MTEF has improved participation of stakeholders in areas of priority					
MTEF has improved decisions on government expenditures					

15. How has MTEF contributed to linkage of decision concerning policy, planning and budgeting?

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

16. How has MTEF influenced stakeholder decision making?

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

17. How has MTEF influenced stakeholder participation in areas of priority in Kenya?

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

18. In which other ways has MTEF stakeholder participation contributed to improvement of operational efficiency in the Governance, Justice, Law and Order Sector (GJLOS) through efficient resource allocation?

.....

.....

**SECTION D: MTEF FLEXIBILITY**

19. Does MTEF flexibility as one of the factors of MTEF influence operation efficiency of the Governance, Justice, Law and Order Sector (GJLOS)?

Yes  No

20. Rate the level of MTEF flexibility in Kenya

No extent at all

Little extent

Moderate extent

Great extent

Very great extent

21. To what extent has MTEF contributed to operational efficiency through implementation of the following aspects of MTEF flexibility in the Governance, Justice, Law and Order Sector (GJLOS)? Rate your response on scale of five units whereby 1=No extent at all, 2=little extent, 3=Moderate extent, 4=Great extent, and 5=Very great extent.

	1	2	3	4	5
MTEF has improved the flexibility of expenditure and revenue projections					
MTEF has enhanced macroeconomic flexibility in Kenya					
MTEF has enhanced flexibility in debt management					
MTEF has improved adherence to set budget flexibility					

22. How has MTEF influenced the flexibility of expenditure and revenue projections in Kenya?

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

23. How has MTEF influenced macroeconomic flexibility in Kenya?

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

24. In which other ways has MTEF contributed to improvement of operational efficiency through flexibility factor?

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

**SECTION E: MTEF PROGRAM FOCUS**

25. To what extent has program focus in Kenya improved under MTEF?

- No extent at all [ ]
- Little extent [ ]
- Moderate extent [ ]
- Great extent [ ]
- Very great extent [ ]

26. To what extent has MTEF program focus contributed to improvement in operation efficiency through implementation of the following aspects in the Governance, Justice, Law



and Order Sector (GJLOS)? Rate your answer on a five point scale whereby 1=No extent at all, 2=little extent, 3=Moderate extent, 4=Great extent, and 5=Very great extent.

	1	2	3	4	5
MTEF has ensured set up of budgetary program focus for the future					
MTEF has enhanced budgetary program focus by civil society, the private sector, legislature and professional expertise					
MTEF has improved transparency and accountability in the budgetary program focus					
MTEF program focus has instituted effective mechanisms for the monitoring of budgetary inputs, outputs and outcomes					

27. How has MTEF program focus contributed to preparation of a realistic budget that is implemented as intended?

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28. How has MTEF program focus contributed to budgetary scrutiny by civil society, the private sector, legislature and professional expertise?

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29. How has MTEF program focus contributed to transparency and accountability in the budgetary making process?

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30. Which measures can be taken to ensure that MTEF program focus achieve improvement in operation efficiency in Kenyan Governance, Justice, Law and Order Sector (GJLOS)?

- i. ....
- ii. ....
- iii. ....