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EMPIRICAL ANALYSIS OF DETERMINANTS OF RECURRENT PUBLIC SPENDING IN KENYA

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Abstract

Kenya's spending is experiencing phenomenon growth with recurrent expenditure accounting for over sixty percent, with development expenditure and transfer to the counties accounting twenty-four percent and fifteen percent, respectively. High recurrent spending is expected to impact negatively on various real macroeconomic variables including employment, interest rates and exchange rate and economic growth. The increase especially recurrent spending continues to be experienced despite the various austerity measures that have been initiated and implemented by the government since 2009. The purpose of the study was to examine the determinants of recurrent public expenditures in the country focusing on salaries/wages, social contribution and non-wage related variables such as rent & utilities, travelling expenses, hospitality and other consumables. For the study, most of the data obtained from secondary sources, triangulated by primary data. Data collected was analyzed using descriptive and inferential statistics. Before estimating the significance of the variables using error correction model, both stationarity and cointegration test were conducted. Notable findings include increase in recurrent spending over the years with significant increase reported from 2010/11 FY. The increase if not checked will have negative ripple macroeconomic effects. In terms of significance, all variables were significant except office and general supplies. The significant variables included salaries, wages and social contribution, rent and utilities, pension, travelling, foreign trips, consumables (snacks, teas), trainings and hospitality. There are however concerns that if immediate actions are not put into considerations these expenditure items, may get out of *control with a number of accompanying negative ripple effects notwithstanding Kenya's narrow fiscal space which has led a large bulk of development expenditure debt financed. In lieu of this, it is recommended that appropriate measures are put in place to streamline public services to ensure that there are no overlapping roles at all levels of government. This may need to be undertaken through a consultative process where appropriate job evaluation is undertaken for updating the staffing norms at both national and county governments. Equally important is to consider merging or privatizing/concessioning them the numerous state corporations that seem to duplicate efforts notwithstanding the embedded bureaucracy and continuous government bailout of a number of these organizations in line with Public Finance Management Act of 2012. The public service commission should consider conducting professional staff audit and payroll to weed out any existence of ghost workers. The government should also consider reviewing some of the expenditure items that contribute to the non-wage expenses with the view of scraping them as part of austerity measures as contained in the government circulars, and where possible consider alternative sources of utilities especially water and electricity that are cost effective, while optimizing on the use of available office space. Constitutional amendments are necessary, in areas where there could be duplication of efforts and which have minimal additions to the country's productivity and eventually economic growth.*

Keywords: Recurrent Expenditure, Salaries & Allowances, Transfer Payments, Austerity Measures

INTRODUCTION

Governments continue to experience phenomenal growth in expenditures partially aimed at stimulating economic growth and the provision of public goods (IEA, 2014; Okech & Lelegwe, 2015; Parashina & Olweny, 2017). In developing countries, expenditure needs exceed the available resources and the situation is exacerbated by government's narrow fiscal space that has led to a large bulk of expenditures financed through debt-financing. The existence of a large informal sector worsens the ability to initiate and implement effective mechanisms of collecting public revenues in terms of taxes, levies and fees, while the attempt to raise more tax revenue is considered a disincentive for private sector investment. Public spending in itself is useful in principle because it increases the level of aggregate demand in an economy and can compensate for failings in other components of aggregate demand, such as a fall in household and private spending. For instance, the effective use of public resources would result into increased production, employment, income and welfare of the populace (World Bank, 2007).

From the Keynesian Economics, the government not only could but should use public expenditure as a tool of economic policy to manage a national economy by enhancing aggregate demand in order to counteract unemployment, while at the same time stimulate national income.

In Kenya, since independent in 1963, recurrent expenditure has been more than development expenditure. The public sector contributes to GDP growth rate through provision of government services such as education, health and administration, and productive activities in areas of agriculture, manufacturing, transport, communication and trade. The government plays a leading role in determining the pattern of financing its operations through public sector reforms, which determine directly how much of the country should borrow and how those resources should be allocated in order to enhance economic growth. The main government expenditure strategy has been restructuring and rationalizing overall expenditure (Okech & lelegwe, 2015). The 2018/19 budget show that recurrent expenditure constitutes about 60 percent, development 24 percent of the total expenditure (below the 30 percent threshold, and transfers to counties at 15 percent. Available data show that about 55 percent of recurrent spending is on payment of salaries, wages, allowance and social contribution. It is estimated that the government has over 700,000 workers in the public sector, which is however considered one of the largest public work force compared to other sub-Saharan African (SSA) countries that are similarly situated (KIPPRA, 2015, Parashina & Olweny, 2017). An implication is that a significant percentage of public revenue is spent on the wages, and benefits leaving a small percentage for capital expenditure.

The high percentages imply that out of the public revenue collected more than half is spent on salaries and other related expenditure items. If other expenditure items including pensions, interest payments, rent, utilities, traveling and training expenditures are considered, it implies that an insignificant percentage is available for development spending. The high percentage of public revenue spent on wages and non-wage expenditure is expected to crowd out resources that could otherwise be used on development priorities such as infrastructure and social development necessary for productivity and eventually long term economic growth and development (GoK, 2014; Parashina & Oleny, 2017). The high recurrent spending has other ripple effects including large fiscal deficits - in terms of macroeconomic instability such as inflation (wage-price spiral), current account deficit, unsustainable public debt (associated with narrow fiscal space), and finally loss of competitiveness of the economy (GoK, 2014). There are also fears that, there may be limited resources to finance critical flagship projects meant to increase productivity in the country and drive towards the envisaged competiveness in the Vision 2030, the realization of “the Big Four Agenda”.

In the recent past, there have been attempts to contain the increment by the government by initiating various strategies including pay cut for senior government officers, harmonization of salaries for civil servants, merging of state corporations and parastatals, reductions in international travels, use of government facilities for conference, seminars and workshops (GoK, 2016). There is, however, no empirical study that has been contacted to evaluate the effectiveness of the strategies since public sector recurrent spending continues to increase currently accounting for over 70 percent of the country's budget (considering the national and county spending). Whereas a few studies and reports such as Okech & Lelegwe (2015), IEA (2014), GoK (2014), have attempted to explain this, none has empirically examined the significance of the causes, other than Parashina and Olweny (2017) which only looked at wages, salaries, allowances and macroeconomic variables such as inflation. Against this background, this study intended to examine the factors contributing to the upward trend in recurrent public spending through the use of econometrics tools by considering wages, salaries, social contribution and non –wage related factors such as travelling, rent, utilities, hospitality, training, consumables, office and general supplies, among others.

Research Objective and Significance

The purpose of the study was to examine the determinants of public sector recurrent spending in the county in real terms. In order to realize this, twofold objectives were pursued namely: to examine the influence of salary, allowances and social contribution on public sector recurrent spending in the country; and to examine influence of non-wage spending on recurrent expenditures in the county. The findings of this study will be relevant to various stakeholders including government, commissions, students of public finance, leadership and governance, strategic human resource management and economics, reward managers, international partners, researchers, workers, among others. The findings would provide data that may empirically provide evidence based information on the significant causes of recurrent spending for debate and dialogue among key stakeholders. Students of Public Finance, Leadership and Governance, and Economics will access current information regarding public revenue and expenditure as key area of study. Similarly, the study findings may provide reference materials to trade unions and civil servants in their quest for higher factor rewards and how these impact on the employers and the economy in general. Employees/workers would benefit from the study through enhanced knowledge and information on their roles with regard to wage related issues. Equally to benefit would be academicians/researchers who will access current literature relating to wage and public spending in their academic endeavors.

Scope of the Study

In the recent past, government expenses especially recurrent public pending has shown an upward trend. This in the process is viewed to negatively impact on the government's ability to realize its flagship projects as enshrined in the Vision 2030. In this regard, the study endeavored to examine the significant expenditure items that have continued to contribute towards this trend. The study targeted broad spending on recurrent expenditure items at both National and County governments as well as state corporations and constitutional offices. Due to time and resource constraint, the study relied more on data from key secondary sources with gaps identified filled using primary data collected from key stakeholders including those responsible for budgeting, planning, accounting as well as authority to incur expenditures (AIE). In the study, both theoretical and conceptual literature was reviewed with the view of linking the past theories and studies to the current study aimed at further defining the problem and the development of the model necessary for estimating the significance of the variables using error correction model.

Conceptual Framework and Model

As indicated in the figure 1, the endogenous variable was recurrent spending, while the exogenous variables were salaries, wages and allowances and social contribution, non-wage expenses such as consumables, transport & travelling expenses, rent, training, subsidies, utilities, hospitality, and finally, transfer payments including pensions, social protection including welfare gains for elderly, marginalized persons.

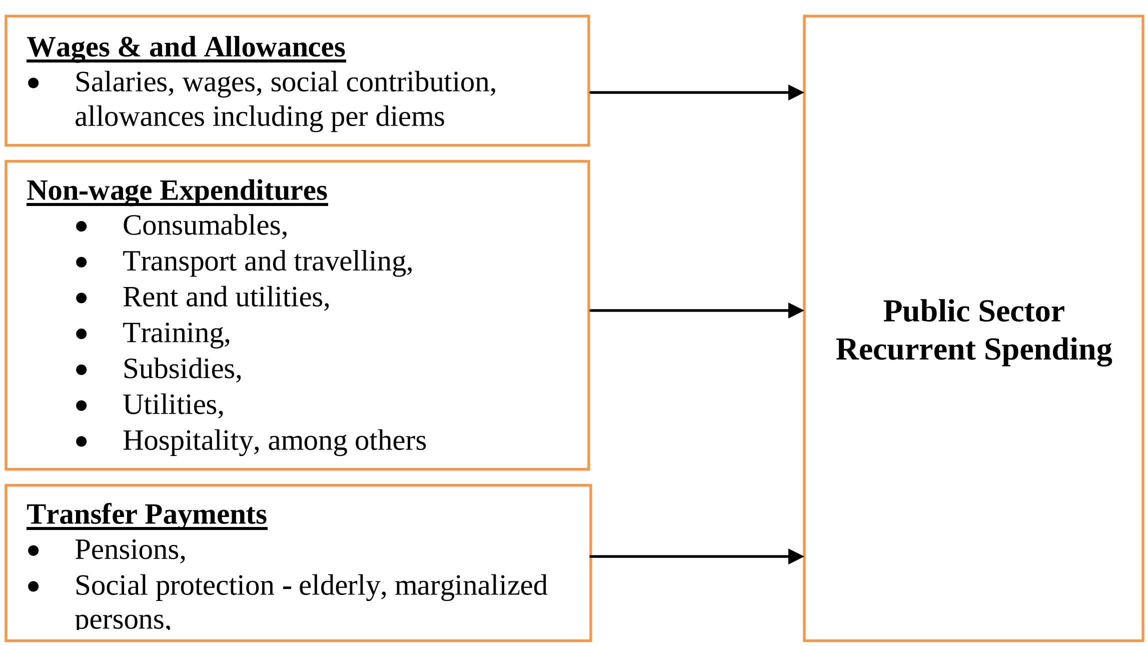

Figure 1: Conceptual Framework

Model Estimation

Based on the theoretical literature reviewed and the conceptual framework, public recurrent spending (PsRs) was assumed could be affected by the government payments in terms of wages/salaries, and allowances (GovWs), non-wage related (Nwrfocs) items such as utilities, conferences, transport and travelling expenses, allowances, rent & utilities, and Transfer payments (TrPyts) including welfare gains, pensions, payments to marginalized groups including the elderly and people with disabilities. This was conceptualized and functionally summarized in the form:

$PsRs = \beta_0 + \beta_1 GovWs + \beta_2\ Nwrfocs + \beta_3 TraPy_t + \varepsilon_{t.}$……………………………..1

Where:

PsRs = the amount in Kenya shillings spent by the government on recurrent expenditures

$ß_0$ = the intercept term

GovWs = A vector on wage related expenses such as salaries and allowances, among others

Nwrfocs = a vector on non wage related factors such as utilities, rent, transport and travelling expenses, trainings, hospitality, subsidies, consumables such as stationary, snacks, office supplies, among others

$TrPyts_t$ = Transfer payments that include payments in terms of pension and welfare gains to the marginalized and elderly persons.

β_1, $\beta_{2,}$ $\beta_{3,}$ = factor coefficients to be estimated

ε_t = the residual error of the regression

RESEARCH METHODOLOGY

In the study, both descriptive and inferential research designs were used to study the research problem. Descriptive design is concerned with intense investigation of problem solving situations in which problems are relevant to the research problem. The research focused on determining the factors influencing recurrent spending in the public sector in Kenya and therefore, it was necessary to explore in details the causes of the phenomenon. In addition, inferential design was adopted to analyse the significance of the independent variables on the dependent variable. In the study, most of the data was obtained from secondary sources with primary data collected to supplement it. For the purposes of this study, sampling was used to select the limited number of respondents from the entire population specifically to triangulate the information obtained from secondary sources. Two-stage sampling was used to identify the sample unit by first dividing the country into counties which formed the cluster from which simple random sampling was applied using table of random numbers to select ten (10) counties. The sampling unit constituted those in charge of budgeting, accounting and payroll at both county and National government. This was informed by the nature of the information that was required as indicated in the objectives and data collection. This also facilitated the collection of secondary data through document analysis.

The study relied heavily on secondary data supported by primary data. Secondary data was collected from secondary sources including statistical abstracts, economic surveys, Constitution of Kenya, 2010, Public Finance and Management Act 2012, financial reports by the Controller of the Budget and Auditor General, Medium Term Expenditure Framework (I & II) and other published relevant reports from Salaries and Remuneration Commission (SRC). Others included commissioned related studies. Primary data was collected using structured questionnaire that contained both open and closed ended questions. Data was collected for the period ranging from 2000 to 2017. This was informed by the fact that it was around this period the economy experienced continuous surge in public spending and also availability of the data. Data collected was converted into real terms with 2005/06 financial year as the base period. The choice of base period was informed by relative stability of the consumer price index (CPI). Research tools were prepared, followed by training of the Research Assistants (RAs) that were involved in data collection.

During data collection, a deliberate effort was made to ensure consistency in source for all the series. A pilot study was carried out on a few respondents from the target population and errors detected corrected. Data was analysed using SPSS to obtain various descriptive and inferential statistics. In view of the fact that time series data exhibit inherently some strong trends, the non-random disposition of the series might undermine the use of some of econometrics tests such as F and t-tests. This is because they can cause rejection of a hypothesis which would have otherwise not been rejected. Thus error correction model (ECM) was estimated after conducting stationarity and co integration.

ANALYSIS AND FINDINGS

Trend Analyses of Recurrent and Development Expenditures

A comparison was made between the development and recurrent spending over the study period. Figure 2 provides the summary of the trend. As illustrated in the figure, government expenditure has continued to grow over the years with the expenditure falling below Ksh. 500 billion between 2000/01 FY up and 2005/06 FYs. This however, increased to Ksh. 1 trillion in 2011/12 FY. The increment was experienced in the subsequent FYs reaching over Ksh. 2 trillion in the 2014/15 FY and Ksh.2.65 billion in 2016/17 FY. The increase could be linked to the implementation of the new constitution that was promulgated in 2010, which either introduced/increased departments, commissions, senate, county governments and assemblies in 47 counties. The increase in the expenditure was however, higher in recurrent spending expenditure which seemed to consume a large amount of public resources. In most of the instance, the recurrent expenditure almost doubled the development expenditure. The high levels of recurrent spending means that very limited scarce resources were left for purposes of development spending that is inevitable for the realization of the aspirations of the government as reiterated in the Vision 2010. Arguably, this means that areas of productivity, social welfare and economic development are denied critical resources**.**

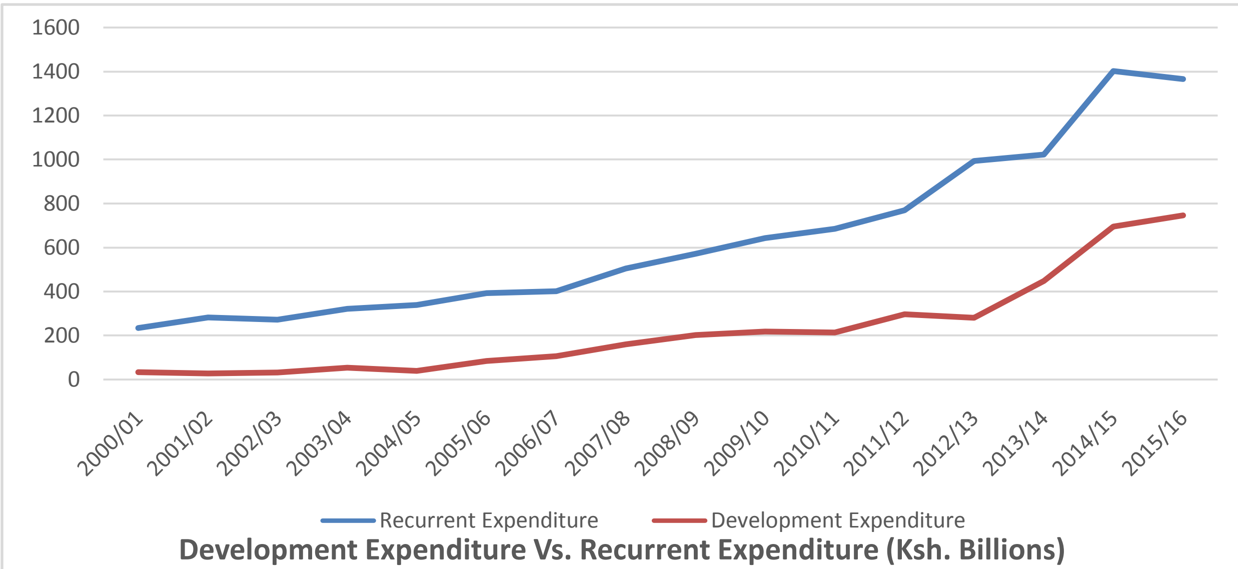

Figure 2: Comparison between Development and Recurrent Expenditures

As illustrated in the figure, in the early years of 2000 to 2005, development expenditure in government was growing insignificantly. This could be linked to the fact that around this time, the country was undergoing political reforms with lots of learning on management and spending of public resources. From 2004/05, recurrent expenditure gained momentum and started increasing significantly, with some sluggish growth reported in development spending. Worth noting is that around this time, the new regime had settled in the office, and was in the process of implementing the manifesto of enhancing service delivery to the populace and creation of employment opportunities. The leaders seemed to have adopted populist policies aimed at the masses who them seemed to have been marginalized.

In the end resources were channeled towards non productive sectors hence the growth in recurrent expenditures. While, the development expenditure seemed not to have increased beyond Ksh 1 trillion, recurrent expenditure increased beyond Ksh. 2 billion, representing more than 100 percentage increase over development spending. The spending on recurrent expenditure by the government, is considered the highest in Sub-Saharan Africa (SSA). This is expected to contribute towards various negative ripple effects including crowding out resources that could be used in other development priorities such as social and infrastructure development necessary for long term growth and development; large fiscal deficits with macroeconomic instability in terms of inflation which may lead to wage-price spiral. Others include unsustainable public debt arising from high wage bill with may lead to refinancing and sovereign risks; and finally, loss of competitiveness of the economy, current account deficit, sluggish growth and unemployment.

Given the narrow fiscal space, the government has continued to borrow to fill the resource gaps in its budget as was experienced with Eurobond, M-Akiba and syndicated loans, commercial loans and the purported memorandum of understandings (MoUs) that African countries including Kenya signed with Chinese government. On the economic front, this is inflationary, raising the cost of living and continued demand for higher salaries (leading to wage-spiral), weakens of the shilling, thereby raising the cost of imported raw materials and upsetting the economic apple cart even more. Also, there is less money made available to pay the debt, which unless checked may lead to the danger of Greek-like meltdown. Arguably, if the trend in the spending continues to increase, this will eventually strain the government's budget and need for the introduction of other measures for increased government revenue which are likely to affect consumption and savings at the household level. The reduction in consumption and savings will directly and indirectly have multiple ripple effects including decline in welfare at household level, catastrophic spending which eventually trap households in abject poverty.

High recurrent spending also contribute towards the inability to access basic services at household level including health, education, food and shelter, among other basic needs. If not checked, in the end, denies the economy the much needed resources for infrastructure and key social services like health and education that have been identified by the government as the economic drivers in the realization of the much hipped annual GDP growth rates envisaged in the Vision 2030 at 10 percent. The current state of government expenditure is a pointer that the country's vision 2030 may be a pipe dream. At the moment, there are no resources to fund critical flagship projects since most monies go to offset the costs of recurrent expenditure and repayment of public debt. This has been witnessed in the government's decree that no new projects should be initiated before the completion of the on-going development projects which, however, seem to have stalled. Whereas this is considered important, a number of key flagship projects that will drive the economy are hanging in abeyance. Thus, when the government is talking about freezing pay rise, implementing pay cuts and retrenchment in the civil service is a reality which requires public debate and dialogue. With the increasing menace of malaria, emerging diseases, HIV/AIDS pandemic and road accidents, one may expect public spending on health alone to increase exponentially unfortunately, this seem not to be case where less than 4 percent of the country's budget is allocated towards health.

Non-wage Expenditures and Recurrent Spending

Non-wage expenditure items that were considered include government expenditures on consumables, transport & Travelling Expenses, training, subsidies, utilities, and hospitality, among others. Available statistics as summarized in figure 3shows that over the years since 2000/01 FY, the non-wage expenditure has substantially increased from below 50 billion in 2000/01 FY and 2001/02 FY to almost 400 billion in the 2016/17 FY.

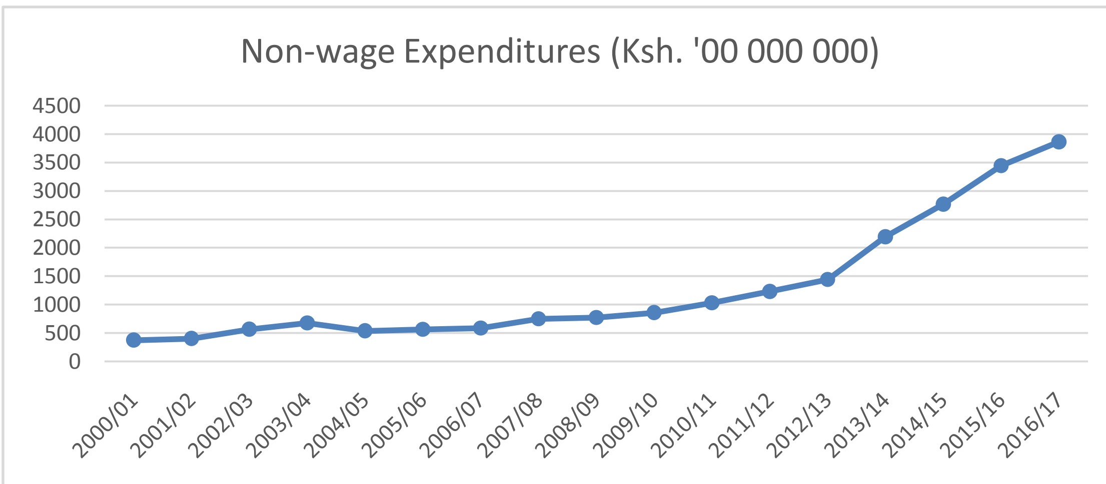

Figure 3: Trend Analyses of Non-Wage Recurrent Expenditures

Initially the non-wage expenditure had been increasing insignificantly up to 2009/10. This however, increased at a high growth rate from 2010/11, as evidenced with the steep slope of the graph reaching almost Ksh. 400 billion in 2016/17 FY. The expenses are likely to increase further with the creation of Chief Administrative Secretary (CAS) positions within the cabinet in late 2017. This is because the positions come with various privileges like staff, vehicles, security and other expenses enjoyed by senior state officials, like the principal secretaries, directors and senior staff.

In the country, maintaining law makers (MPs, Senator and MCAs) is one of the costly burden to the state. At the moment, there are a total of 416 lawmakers, including MPs and senators with each entitled to a salary of over one million a month including allowances. In addition, the MPs enjoy generous medical cover, a mortgage facility and a car grant worth Ksh.

5 million each. Furthermore, they are each entitled to a driver, a bodyguard, a secretary and a fully staffed office in their constituencies. This is likely to worsen in the 2018/19 if the proposals of the Services and Facilities Committee that were recently tabled in parliament are adopted. Equally of concern are Members of the County Assemblies (MCAs), as well the leadership of their assemblies including Speakers, Majority and Minority Leaders who enjoy perks, but of lower figures. There have also been cases where the office of the president has been accused of spending resources on frequent trips abroad. For instance, a report released in November last year by the Controller of Budget that revealed over Ksh. 1 billion was spent on these trips in 2016/17 FY. In addition, government officers continue to be driven around in multiple fuel guzzlers, despite the directive of the Ministry of Finance in 2009 to switch to smaller vehicles. There are fears that payments towards pensions are likely to increase since a number of civil servants have reached the mandatory retirement age which was increased to 60 years from 55 years a few years ago. Figure 4 provides a summary of the components of recurrent expenditures between 2000/1 and 2016/17.

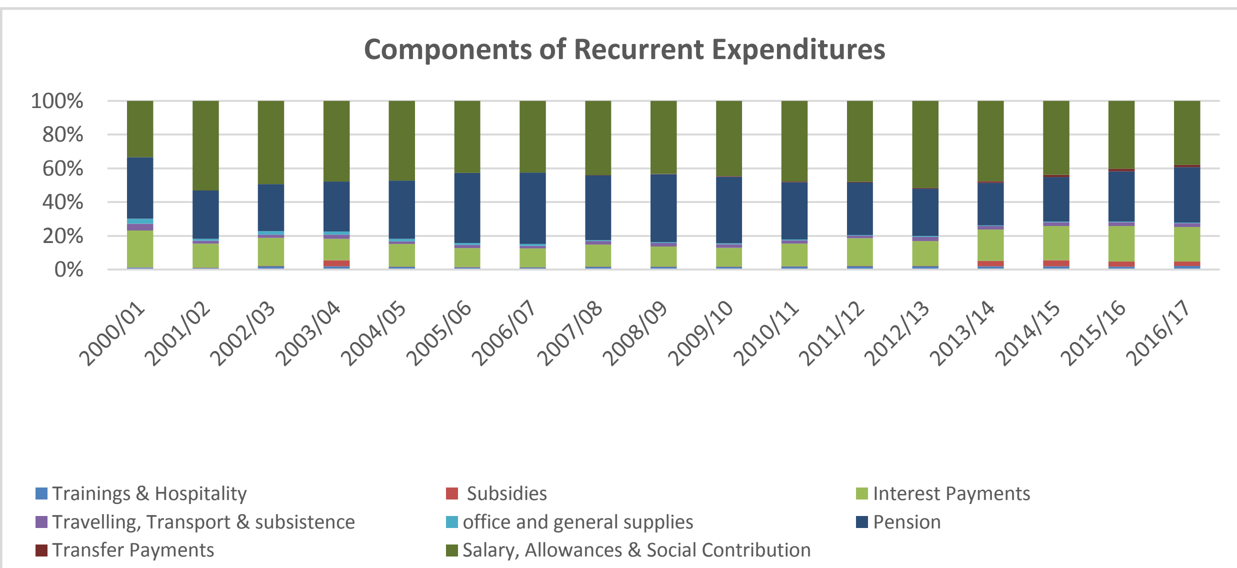

Figure 4: Components of Recurrent Expenditures

Triangulated using the primary data, a number of items were identified by the respondents as contributors towards the trend among these were training and hiring facilities, purchase of new vehicles and the maintenance of the old fleet, and purchase of stationary. Respondents also reported travelling expenses, advertising, legal fees, state parties and many foreign trips contributed to high recurrent spending. Others expenditure items identified included transfer payments in the form of social protection, to the marginalized and persons living with disabilities, payments to numerous regional and international bodies, purchase of luxurious vehicles, and turning five-star hotels into residential homes by some counties, numerous foreign trips and workshops by Members of Senate, National Assembly, Executive and Members of County Assembly (MCA), to supposedly learn modern farming/production techniques, best practices in management. These are accompanied by huge expenses including allowances, air fares, communication and ground expenses which in the process argument recurrent spending. All these are happening despite the circular issued by National Treasury (GoK, 2014). Sloppy management of public resources in the public sector was also identified as a contributing factor. According to the respondents, this has in away contributed towards leakage of revenue from the system. This is also explained by the number of prosecution associated with mismanagement of public resources.

Payment of interest towards loans borrowed domestically and externally was also identified as a contributing factor. According to the respondents, Ministries and County governments still spent a sizeable chunk of allocated funds on non-essentials such as gifts, travel, meal allowances, flowers, snacks and refreshments which effect funds that would otherwise be spend on productive sectors. This observation was supported by the numerous Auditor General reports, where a lot of monies seem to be spent on these expenditure items, while some monies are not accounted for by those responsible. Equally, the country's debt-servicing ratio, which increased from an average of about 11 per cent of GDP during 1970–1983 to a high of over 50 per cent of GDP has positively affected recurrent spending.

Regression Analysis

Before estimating the regression model, various statistical tests were conducted. These included multicolliearity, stationarity and cointegration. The results are reported herein.

Correlation Analysis

In order to examine the relationship between factors affecting recurrent expenditure a correlation analysis was carried out on the composite mean of salaries and allowances, number of civil servants and duplication of duties. Findings showed that, there was positive relationship between, salaries and allowances and duplication of duties with a Pearson Correlation value of r=.471, this relationship was significant at the 0.05 level (p=.020). There was also a positive relationship between numbers of civil servants with Pearson Correlation value of, r=.443. This relationship was significant at the 0.05 level (p=.030). There was a positive relationship between salaries and allowances and number of civil servants with Pearson Correlation value of, r=.390. This relationship was however not significant at the 0.05 level (p=.060). Transfer of payment which was considered as a non-wage item was found to have no significant relationship with included salaries and allowances (r=-.034, p=.876), number of civil servants (r=.218, p=.307) and duplication of duties (r=.194, p=.364).

Stationarity

This study carried out a stationarity test on recurrent expenditure through Augmented Dickey-Fuller test, the results are illustrated in table 1. According to the findings the null hypothesis for the test was, H_0 – recurrent expenditure has a unit root, which means that recurrent expenditure was assumed to be non-stationary. The test statistics in this case is -9.78 which is lower than the critical values. Therefore the null hypothesis is rejected and concluded that the recurrent expenditure data was found to be stationary.

Table 1: Stationarity of Recurrent Expenditure

Null Hypothesis: D(RECURRENT_EXPENDITURE) has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 0 (Automatic - based on SIC, maxlag=3)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-9.786707	0.0000
Test critical values:	1% level	-4.800080	
	5% level	-3.791172	
	10% level	-3.342253	

*MacKinnon (1996) one-sided p-values.
Warning: Probabilities and critical values calculated for 20 observations and may not be accurate for a sample size of 14

As reflected in the tables, there is one cointegrating factor for each export category. This implies that it is possible to formulate and estimate error correction models to capture the short-run and long-run dynamics. This thus allowed for the estimation of error correction model.

Error-Correction Model

Error correction model was estimated and results reported in Table 2. The estimation for the error correction model for the recurrent spending began with 3 lags of the regressors which were then reduced sequentially by eliminating the insignificant lags based on the Akaike AIC criteria to achieve a more parsimonious model. Results obtained in the model estimation show R-squared was 0.9338, implying that 93.38% of variance in recurrent expenditure in government is explained by salary, allowance and social contribution, interest payments, rent, utilities. Other factors accounting towards this include office and general supplies, pension, subsidies, training and hospitality, transfer payments, travelling, transport and subsistence and other operating expenses and charges including legal fees. The F-statistics was 9.405187 with P-value of 0.006512 at 95% confidence level. This shows that the model was statistically significant in predicting the dependent variable in this case recurrent spending. The results are summarized in Table 2.

Table 2: Model Estimation results

Goodness of fit	**Test statistic**	**Prob**		
Adjusted R-squared	.834522			
R-squared	.933809			
S.E. of regression	185512.8			
F-statistic	9.405187	0.006512		
Dependent Variable= Recurrent Expenditure				
Variable	**Coefficient**	**Std. Eror**	**t-Statistic**	**Prob**
(Constant)	-138627.4	655691.7	-0.211422	0.8396
Salary allowances and social contribution	3.309530	0.714897	0.629377	0.0004
Interest payments	7.611207	0.857915	8.871748	0.0000
Office and general supplies	37.72217	153.3341	0.246013	0.8092
Pension	5.127592	1.145640	4.475746	0.0005
Subsidies	35.03201	5.464573	6.410751	0.0000
Training and hospitality	73.76240	14.87300	4.959485	0.0002
Transfer payments	91.07497	8.015225	11.36275	0.0000
Travelling, transport and subsistence	68.83333	11.06379	6.221495	0.0000
Other operating expenses and charges	27.78789	3.208624	8.660376	0.0000

As shown in Table 2, coefficients for all the variables except office and general supplies were statistically significant. The significance of salary, allowances and social contribution further supports existing. As indicated earlier, there has been an upward trend in this expenditure item over the years to the extent that almost fifty percent of recurrent spending is in terms of salaries, allowances and social contribution. This could be linked to the number of government employees who attract factor rewards in the form of salaries and wages as well as allowances and social contribution. This increase could also be attributed to the implementation of the new constitution that took effect in 2010 that created a two tier system of government. This system of government has more government employees and the government has to spend more on their salaries, allowances and social contribution. There is also the presence of many constitution implementation commissions and now the government has to pay for their salaries, allowances and social contribution. The 2010 constitution also increased the number of constituencies which in the country which brought an increase in the number parliamentarians who are paid by the government.

In the recent past, the government pay out in terms of interest payment has also been increasing with fears that this is expected to increase further. This is demonstrated in the continuous borrowing (internally and internally) by the government as a result of budget deficit and the inability of state corporations to repay loans that were guaranteed. Pension is another key variable that is significantly affecting recurrent spending. The significance is compounded by the government's deliberate attempt in the mid 2000's to increase retirement age from 55 years to 60 years. In the recent past, the government has introduced social protection schemes meant to caution marginalized persons as well as those with living with disabilities. This has seen continuous increment in transfer payments hence the significance of the variable. As part of enhancing competitiveness articulated in the Vision 2030, the government has been providing subsidies to farmers which in the process have impacted on recurrent spending.

CONCLUSION AND RECOMMENDATIONS

In summary, a number of factors significantly contribute towards increment in recurrent spending. Leading contributors include salaries, allowances, social contribution and non-wage expenses. The non-wage expenditure items include payments in terms of rent, utilities such as water and electricity, training and hiring facilities, vehicle maintenance and purchase of stationary. It is therefore necessary for the government to strategically engage with stakeholders on these expenditure items to evaluate how they impact on the realization of the country's aspirations as envisaged in the Vision 2030 and the "Big Four Agenda". Equally important is to consider whether it is necessary to employee workers on permanent and pension terms for purposes of containing pension and other related expenses.

This study recommends that the government should streamline the public services to ensure that there are no overlapping roles. Roles that are found to be overlapping should be merged and individuals reassigned where they can add value if not retrenched. This however, requires stakeholder engagement to minimize on court cases from those who are likely to affected notwithstanding the fact that legal fees were found as one of the contributing factor towards recurrent spending. This could also be done through a consultative job evaluation that will feed into the development of staffing norms necessary in guiding the government (both national and county government. The public service commission should also conduct public service audit of the payroll to weed out "ghost workers" if any. Most of the commissions and constitutional offices created by the new constitution may need to revisited where possible through a referendum. Equally important is the implementation of the recommendations of the Task force that reviewed the existence of the numerous state corporations and parastatals that seem to be duplicating efforts. The institutions have not only been considered bureaucratic but also contributors towards interest payments associated with poor performance and bail outs in line with the Public Finance Management Act of 2012.

The government should also consider paying reasonable wages to its employees and that these should be pegged on experience, qualification and performance. The study also recommends for the government to review some of the expenditure items that contribute to the non-wage expenses with the view of scraping off items that are not appropriate. This should go along in implementing the various government circulars that have from time to time emphasized austerity measures including reduction in traveling expenses by the executives at both national and county governments. Others include developing and implementing a consultative policy on allowances, hospitality and training, among others.

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