INTERNATIONAL JOURNAL OF RESEARCH AND INNOVATION IN SOCIAL SCIENCE (IJRISS)
ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume IX Issue VII July 2025

Role of Government in Public Sector: Focus on Kenya

Connie Kivuti[1], Dr. Arbogast Akidiva[2]

[1]International Leadership University, Kenya

[2]School of and Governance and Governance Public Sector Management and Accountability International Leadership University, Kenya

DOI: https://dx.doi.org/10.47772/IJRISS.2025.907000470

Received: 19 June 2025; Accepted: 26 June 2025; Published: 23 August 2025

ABSTRACT

This paper investigates the role of government in the public sector with a specific focus on Kenya. It analyzes the government's functions in allocation, distribution, and stabilization, highlighting the strengths and limitations of its interventions. A systematic review methodology is used to evaluate the literature, policies, and comparative case studies. Findings indicate significant gaps in governance, policy implementation, and equity, which are contextualized by comparing Kenya with other developing nations. Recommendations are offered to strengthen public administration and economic performance.

Governments worldwide intervene in the economy to correct market failures, promote equity, and stabilize macroeconomic fluctuations. In Kenya, government involvement in public service delivery has increased, especially in areas such as healthcare, education, infrastructure, and economic development. This paper explores the effectiveness of these interventions by examining the government's allocative, distributive, and stabilization functions. The central research question guiding this inquiry is: How effectively does the Kenyan government fulfill its roles in the public sector compared to other developing countries?

This study employs a systematic literature review (SLR) to assess government functions in the Kenyan public sector. The analysis draws on peer-reviewed journals, policy documents, reports from the World Bank, IMF, and Kenya's Vision 2030 framework. Articles published between 2000 and 2025 were selected using inclusion criteria based on relevance, empirical focus, and regional context. The PRISMA model was adopted to identify, screen, and include sources. The findings are categorized under Musgrave's tripartite framework: allocation, distribution, and stabilization.

Scholars such as Musgrave (1959) and Samuelson (1954) established the foundation for understanding government intervention in the economy. In Kenya, studies by Mwabu (2000), Kimenyi (2005), and Therkildsen (2001) have explored challenges in governance, equity, and service delivery. The literature reveals consistent themes of inefficiency, corruption, and political interference affecting public sector outcomes.

Methodology: This study is a desk-top literature review on the Role of Government in the Public sector with a focus on Kenya.

Findings and Gaps Kenya: Kenya is the largest economy in the Eastern Africa region with an estimated nominal GDP of US$ 131.7 (IMF, 2025). Kenya Vision 2030 aims to make 'Kenya a middle-income country that that would provide a high quality of life to its citizens by 2030' in a clean and secure environment'. The Kenya Government should be cautious not to drive the country into debt scenario in pursuing this vision.

Recommendations: The Government needs to intentionally: strengthen governance institutions, especially the Ethics and Anti-Corruption Commission; Promote Meritocracy as opposed to tribal or regional biases; foster independence of Civil Societies, encourage Public Participation and Debates on government policies; Enhance free exercise of Political Will and Ethical Leadership; upholding Rule of Law, Protect Human Rights and Ensure equal access to opportunities and resources. It is critical for the government of the day to continuously and pragmatically provide public goods and services while observing financial and economic prudence.

Keywords: Public Sector, Market Failure, Kenya, Role of Government, mixed economy, distributive role, Pareto-efficiency.

Role of Government in Public Sector – with a Focus on Kenya.

INTRODUCTION

Countries may implement a command economy, a free-market or a mixed economy (Sloman, Norris, & Garrett, 2013). Most economies in the world adopt the mixed economy model in which decisions for goods production, supply and distribution are made and controlled by both the market and government (Sloman, Norris, & Garrett, 2013).

Murray Rothbard (1926-95) questioned the necessity of having governments providing goods and services arguing that markets factors of production and markets provide public gods and services (Tullock, Brady, & Seldon, 2002). However, A. C. Pigou (1920) and Paul A. Samuelson (1947) underscored the problems of having the market-takeover an economy.

Samuelson maintains that the problem is essentially technological because markets require a system on property rights. The market sector focus and drive are on their own interests rather than the altruistic motives nor purely philanthropic notions. In this regard, the writer concurs with McKevitt & Lawton, who argues that the public sector has a role to play as private interests do not always lead to progress (McKevitt & Lawton, 1994). There are divergent views on the level and nature of government interventions in economic activity gained prominence in 2000s and 2010s' (Sloman et al., 2013).

Market failure

Thriving economies experience market equilibrium depicted as Pareto-efficiency or optimum where it is not possible to improve an individual's lot without worsening someone else's lot (Arrow, K. & Debreu, G. (1954) and Bator, F. (1958) who coined the term that consisted of five parts: (i) Failure of existence; (ii) Failure by signal; (iii) Failure by incentive; (vi) Failure by structure; and (v) Failure by enforcement. Markets fail when they have high transactions costs or inefficient outcome (Akidiva, 2016).

However, externalities in production, absence of perfect competition, the need for provision of public goods and lack of adequate information, bring about a disequilibrium in the market leading to a market failure. Market failure, then, is defined in relation to normative Pareto-efficiency. Without government intervention, a hypothetical free market situation is unlikely (Atkinson & Stiglitz, 2015). Similarly, McKevitt and Lawton, (1994) argue that governments ought to address market failure by putting in place preemptive strategies to mitigate against possible or imminent failures.

Role of government

However, when this hypothetical perfect market does not exist, the government must avert the market failure and be the alternative to achieve efficiency, fairness and stability (McKevitt & Lawton, 1994; Atkinson & Stiglitz, 2015; Musgrave 1998). The government does this through public policies. In this regard, Theodore Lowi proposed three typology policies, depicting the roles of government in the public sector, namely, allocative, distributive and stabilization.

Kenya's government must ground all fiscal policies—in allocation, redistribution and stabilization—firmly within the 2010 Constitution's public-finance framework. Chapter 12 of the Constitution, which enshrines principles of public funds, revenue-raising, debt management, budgetary processes and spending controls, is the legal basis for Vision 2030 and related acts. Implementation of these roles also must respect the national values in Article 10 and the rights guaranteed in Chapter 4.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume IX Issue VII July 2025

Allocative Role of the Government

The government strategically directs funding to sectors—such as infrastructure, free education, healthcare and agriculture—that private markets under-provide, removing distortions and ensuring sufficient public-good provision (Ames et al., 2001; Sloman et al., 2013). Public goods are characterized by non-excludability and joint consumption "one man's consumption does not reduce another's" (Oakland, 1987; Holcombe, 1997)—necessitating state intervention to achieve efficient and equitable access.

Distributive Role of the Government

The government's distributive role centers on designing citizen-focused budgets to correct market-driven inequities in the allocation of goods and services (Akidiva, 2016; Sloman, Norris, & Garrett, 2013). Through mechanisms such as progressive taxation, subsidies, regulatory adjustments, and land-tenure reforms, the state seeks to make income and resource distribution more equitable and accessible, removing cultural, social, or economic barriers faced by the poor. Under the welfare-theorem rationale, when essential goods (e.g., housing) are unaffordable, the government should boost incomes rather than impose price controls (Ames, Brown, Devarajan, Izquierdo, & others, 2001).

Theoretical foundation underpinning Distributive Function

Distribution is deemed fair when it satisfies Pareto-efficiency—no individual prefers another's consumption bundle over their own (Varian, 1976)—and, in welfare terms, when allocations are envy-free (Pazner, 1977; Foley, p. 21). Pazner and Schmeidler further distinguish wealth-fairness (envy-free bundles) from income-fairness to capture equitable outcomes (Pazner, 1977).

Stabilization Role of the Government

Macroeconomic stability underpins development and private-sector growth (Ames et al., 2001). Stabilization policy—encompassing taxation, public spending, and monetary controls—manages aggregate demand and aims for full employment (Khan & Hildreth, 2004; Akidiva, 2016). However, government intervention can itself falter: allocative (constitutional) failures arise when policy serves political ends over public interest; bureaucratic failures occur when implementation is inefficient; and rent-seeking failures emerge when interventions generate social waste rather than surplus (Atkinson & Stiglitz, 2015; Wallis & Dollery, 2001).

Theoretical foundation underpinning Stabilization Function

Full employment—defined by classical economists as the state in which all willing and able workers find jobs at prevailing wages, with no involuntary unemployment—is central to economic stabilization (Ames et al., 2001). By ensuring that skilled and unskilled labor alike are absorbed into productive activity, the government mitigates cyclical downturns and sustains aggregate demand, which underpins private-sector growth and broader development objectives.

Kenya's Policy Framework and Vision 2030

Since independence, Kenya has pursued successive public-sector reforms anchored in its 2010 Constitution and articulated through long-term strategic plans. The centerpiece, **Vision 2030**, as set out in the First and Second Medium-Term Plans (2008–2012; 2013–2017), envisions a middle-income, industrializing nation with high living standards. The plans allocate flagship investments—such as coastal ecosystem management and the LAPSSET corridor—to accelerate growth, improve education and healthcare, and create jobs, particularly for youth (Government of Kenya, 2013). These macroeconomic strategies aim for inclusive growth, poverty reduction, and regional export diversification, underpinned by legal and institutional reforms to enhance transparency and accountability.

Distributive and Stabilization Measures

In its distributive role, the government prioritizes gender equity and empowerment of youth and women entrepreneurs, financed through progressive tax reforms and benchmarked against upper-middle-income peers (Government of Kenya, 2013). Stabilization efforts focus on sustaining 10 % GDP growth—via local savings, diaspora remittances, and foreign investment—and achieving full employment by creating one million jobs annually (Government of Kenya, 2013). The Bottom-Up Economic Transformation Agenda (BETA) launched in 2022 further targets cost of living, hunger eradication, and inclusive growth through five pillars: agriculture, MSMEs, housing, healthcare, and digital infrastructure (Office of the President, 2025; Thuranira, 2025).

Challenges and Institutional Constraints

Despite ambitious agendas, execution has lagged. The affordable-housing levy has yielded only 1,200 units by December 2024—far below targets—raising questions about government capacity versus private-sector efficiency (Thuranira, 2025). High-profile court rulings, such as the Busia High Court's nullification of ethnically biased KRA appointments, underscore persistent patronage and recruitment inequities (Nairobi Law Monthly, 2023). Mounting public debt—rising from 39 % of GDP in 2010 to 68 % in 2023—and corruption losses estimated at Kes 567.4 billion between 2013 and 2018 further erode fiscal space and public trust (Weisz, 2024). Addressing these governance and implementation gaps is crucial for realizing Kenya's stabilization and development objectives.

Policy Recommendations

Institutional Integrity: Empower the Ethics and Anti-Corruption Commission with prosecutorial autonomy and mandatory asset-declaration audits for public officers.

Performance-Based Budgeting: Link capital-investment disbursements to ex-ante cost-benefit analyses and ex-post audit scores.

Targeted Transfers: Replace generalized subsidies with means-tested cash transfers leveraging the Integrated Social Protection Registry.

Counter-cyclical Fiscal Rule: Legislate a debt ceiling aligned with Kenya's medium-term debt-sustainability threshold (≤ 55 % of GDP).

Public-Private Partnerships (PPP): Facilitate private delivery of affordable housing by providing land-value capture mechanisms, streamlined approvals and partial credit guarantees, rather than direct state construction.

CONCLUSION

Kenya's government remains pivotal in addressing market imperfections, yet effectiveness varies across Musgravian functions. While allocative and redistributive interventions yield measurable welfare gains, their impact is muted by governance deficits and macro-fiscal imbalances. A pivot towards rule-based, data-driven and institutionally robust policy implementation is imperative for realising Vision 2030 and the Sustainable Development Goals.

REFERENCES

1. Akidiva, A. K. (2016). Role and Scope of Government. Class Notes presented at the Public Sector Management and Accountability, International Leadership University, Nairobi.
2. Ames, B., Brown, W., Devarajan, S., Izquierdo, A., & others. (2001). Macroeconomic policy and poverty reduction. International Monetary Fund Washington, DC. Retrieved from https://www.researchgate.net/profile/
3. Atkinson, A. B., & Stiglitz, J. (2015). Lectures on Public Economics. UK: Princeton University Press. Retrieved from

4. Bator, F. M. (1958). The Anatomy of Market Failure. The Quarterly Journal of Economics, 72(3), 351. http://doi.org/10.2307/1882231
5. Bovaird, T., & Löffler, E. (Eds.). (2009a). The Changing Context of Public Policy. In Public Management and Governance, Second Edition (Second). UK: Routledge. Retrieved from https://books.google.co.ke/books/about
6. Bovaird, T., & Löffler, E. (Eds.). (2009b). Understanding Public Management and Governance. In Public Management and Governance, Second Edition (Second). UK: Routledge. Retrieved from https://books.google.co.ke/books/about
7. Çağatay, N., Keklik, M., Lal, R., & Lang, J. (2000). Budgets as if people mattered: democratizing macroeconomic policies. Social Development and Poverty Elimination Division, Bureau of Development Policy. New York: UNDP.
8. Government of Kenya. (2013). Second Medium Term Plan (2013 - 2017) Transforming Kenya: Pathway to Devolution, socio-economic development, equity and national unity). Nairobi: The Presidency, Ministry of Devolution and Planning.
9. Holcombe, R. G. (1997). A theory of public goods. The Review of Austrian Economics, 10(1), 1–22. http://doi.org/10.1007/BF02538141
10. Kabutu, Francis (2020). The Constitution of Kenya 2010: Panacea or nostrum. Strathmore Law School, Accessed June, 12th, 2025.
11. Khan, A., & Hildreth, W. B. (2004). Financial Management Theory in the Public Sector. Greenwood Publishing Group.
12. Macroeconomic policies also produce a variety of social outcomes by determining which groups get what out of the economi. (n.d.).
13. McKevitt, D., & Lawton, A. (Eds.). (1994a). Management in the Public domain. In Public Sector Management: Theory, Critique and Practice. SAGE.
14. McKevitt, D., & Lawton, A. (Eds.). (1994b). Professional Ethics and Government Agenda and Diffential Information. In Public Sector Management: Theory, Critique and Practice. SAGE.
15. Mwenda Thuranira (2023), Rethinking affordable housing: Why government should enable, not build, Times retrieved from /www.the-star.co.ke/business/commentary/2025
16. Muya Raphael, (2025), Impact of delays in the disbursement of funds on budget planning at the counties, Institute of Economic Affairs
17. Oakland, W. H. (1987). Theory of public goods. Handbook of Public Economics, 2, 485–535.
18. Pazner, E. A. (1977). Pitfalls in the Theory of Fairness. Journal of Economic Theory, 14, 458 – 466.
19. Schmid, G. (1995). Is Full Employment Still Possible? Transitional Labour Markets as a New Strategy of Labour Market Policy. Economic and Industrial Democracy, 16(3), 429–456. http://doi.org/10.1177/0143831X95163005
20. Sloman, J., Norris, K., & Garrett, D. (2013). Principles of Economics. Pearson Higher Education AU.
21. Therkildsen, O. (2001). Efficiency, accountability and implementation: public sector reform in East and Southern Africa. United Nations Research Institute for Social Development. Retrieved from http://unpan1.un.org/intradoc/groups/public/documents/un-dpadm/unpan044443.pdf
22. Tullock, G., Brady, G. L., & Seldon, A. (2002). Government Failure: A Primer in Public Choice. Cato Institute.
23. Varian, H. R. (1976). Two problems in the theory of fairness. Journal of Public Economics, 5(3-4), 249–260.
24. Wallis, J., & Dollery, B. (2001). Government failure, social capital and the appropriateness of the New Zealand model for public sector reform in developing countries. World Development, 29(2), 245–263.
25. Weizs, Seth. (2024). Kenya's economy: how is the government tackling the big challenges? Economics Observatory, International and Social Economic Council, https://economicsobservatory.com/kenyas-economy-how-is-the-government-tackling-the-big-challenges. accessed on June 2025
26. Winston, C. (2006). Government failure versus market failure: microeconomics policy research and government performance. Washington, D.C: AEI-Brookings Joint Center for Regulatory Studies.