Effect of devolved fund disbursement on project implementation within the Kenyan constituencies

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ABSTRACT

Disbursement involves approval, allocation, release and transmission of funds or grants to projects for implementation. Funds are always disbursed according to funding and implementation schedules agreed upon by the parties and based on the submitted budget and work plan. The developed schedule with each grant recipient is necessary to ensure proper funding accounting, reporting and timely disbursement of funds during the implementation phase to the devolved units. Implementation is the carrying out, execution, or practice of a plan, a method, or any design for doing something. The government of Kenya has made deliberate efforts to decentralize most of its development projects over the past few years, through the use of decentralized funds key among them are, Local Authority Transfer Fund (LATF), Constituency Bursary Fund (CBF), Women and Youth Enterprise Fund and Constituency Development Funds (CDF). This was made possible through Constituency Development Act of Kenya, (2003) which was enacted in order to re-distribute resources to every corner of the country so that poverty levels can be alleviated. Devolved funds have been taunted as the most effective way of fighting poverty on the strength of their ability to bring governance closer to the people thereby addressing their priorities. In a perfect world every project would be "on time and within budget." But reality tells a very different story. Even if the budget and schedules are met, one must ask if the project delivered the results and quality expected. True project success must be evaluated on all the three components otherwise a project could be considered a failure. Delays in disbursement of funds lead to delay in land acquisition among other factors which eventually has a serious impact on the overall performance in the implementation of the development project. The impact of delays in acquisition resulted into cost overruns due to price variations and time overruns and had an impact also on the successful completion of the development project.

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Introduction

The process of disbursing funds is clearly stated within the CDF Act- Kenya (2003). All funds must be approved by the National Committee. The disbursements are made through the constituency bank accounts and records of amounts received and amounts spent submitted to the National Committee within thirty days after close of every financial year. These must be accompanied with a copy of bank statements. No other disbursements can be made for the succeeding financial year until the said records are duly received. As the national body mandated to manage the Fund, the National Committee may set out general conditions and requirements for the disbursement of funds, as well as impose reasonable restrictions in cases of previous misuse of funds provided such conditions and restrictions are submitted to Parliament for approval before implementation (Oparanya, 2008).

Disbursement simply means paying out in the discharge of an obligation, a debt or an expense. It involves approval, allocation/reallocation, release and transmission of funds/grants to projects for implementation. Disbursement literally means to take money out of a purse. Figuratively, to pay out money; to expend money; and sometimes it signifies to advance money. Joseph (2003) describes it thus, “Disbursement involves approval, allocation, release and transmission of funds or grants to projects for implementation”. Grants are funds disbursed by one party (Grant Makers), often a Government Department, Corporation, Foundation or Trust, to a recipient, often (but not always) a non-profit entity, educational institution, business or an individual. In order to receive a grant, some form of “Grant Writing” often referred to as either a proposal or an application is usually required. Most grants are made to fund a specific project and require some level of compliance and reporting. The Grant Writing process involves an applicant submitting a proposal (or submission) to a potential funder, either on the applicant’s own initiative or in response to a Request for Proposal from the funder (Joseph, 2003).

Project implementation is the mobilization, utilization and control of resources and project operation. A project is a series of activities (investments) that aim at solving particular problems within a given time frame and in a particular location. The investments include time, money, human and material resources. Before achieving the objectives, a project goes through several stages. Implementation is the carrying out, execution, or practice of a plan, a method, or any design for
doing something. As such, implementation is the action that must follow any preliminary thinking in order for something to actually happen. The word deployment is sometimes used to mean the same thing. The deliverables are produced as outputs from the processes performed as defined in the project management plan and other frameworks that might be applicable to the type of project at hand (Vio, 2002).

Most projects depend on donor and government sources for funding. Donor funding is used largely to implement projects, while the government’s contribution is used mostly to pay staff salaries, wages, travel allowances and other emoluments. The approval, allocation, release and transmission of funds/grants by donors and the governments often adversely affects the implementation and completion of the projects. The goal of such funds is to enable all people throughout the world to satisfy their basic needs and enjoy a better quality of life without compromising the quality of life of future generations (Edwards, 1997). A study conducted on Global Fund Processes by Garmaise (2011) revealed that many of the processes and procedures requested by ‘Funds’ are meant to ensure that projects succeed, even though; it may appear onerous and frustrating to project implementation and at times unduly bureaucratic or cumbersome amounting to delay of disbursements.

Governments are sometimes wary of devolving funds because of concerns about the risks of taking such an approach, particularly the danger of transferring control over the public purse to groups that may spend unwisely without regard to best value or probity, that are vulnerable to capture by particular interests or which, at worst, may be corrupt and misappropriate money. Several studies on fiscal decentralization in various countries have been carried out, some by notable persons such as Paul Smoke (2006). However, the verdict on whether the benefits of fiscal decentralization outweigh the costs has not been made, and indeed, will vary from context to context.

Disbursements of decentralized funds are established based on the belief that government at the local level has a better understanding of community needs. Decentralized funds are established to increase community participation in local decision making, enhance government transparency, speed up government responsiveness and improve quality of service delivery. Realizing that no meaningful growth and wealth creation can take place unless the various communities get access to resource, the Government of Kenya has created a number of alternative opportunities that allow allocation of resources directly to Districts and Communities. The establishment of development funds such as the Constituency Development Funds (CDF), The Community Development Trust Fund (CDTF), the Roads Fund, the Aids Fund, the Local Authority Transfer Fund (LATF) and the Constituency Education Bursary Fund was meant to improve the lives of ordinary Kenyans (Betty, 2007).

Popular support for Millennium Development Goals (MDGs) as development bench marks is waning both among the development workers and the government. Devolved funds have been taunted as the most effective way of fighting poverty on the strength of their ability to bring governance closer to the people thereby addressing their priorities. It has also been seen as a way of empowering citizens to be able to identify and implement projects that are beneficial to them. Despite the numerous claims of mismanagement of devolved funds especially the Constituency development fund, Local Authorities Transfer Fund, and the Constituency Bursary Fund, the funds are said to have achieved much in improving the lot for the poor. There is however a need for public interrogation of the extent to which the devolved funds are helping to realize the MDGs (Micah, 2007). In a perfect world every project would be “on time and within budget.” But reality tells a very different story. Even if the budget and schedule are met, one must ask if the project delivered the results and quality expected. True project success must be evaluated on all the three components otherwise a project could be considered a “failure.” Even with the best of intentions or solid plans, project can go awry if disbursements of funds are not managed properly (Edwards, 1997).

The communities believe that they should be consulted before the funds are disbursed to the communities, which they believe will facilitate proper use of these funds for what they are needed for. Devolved funds should offer equal resource distribution within the communities would help bridge the inequality gaps in the country. According to the government, they hope that CDF will help alleviate poverty by targeting projects using local information and encouraging community participation. Proper measures on monitoring and accountability should be put into place to ensure that communities benefited effectively from the devolved funds by ensuring that the communities are empowered on why the funds are dispatched to them and how they can benefit them. Effective decentralization is an essential principle of good governance and is linked to democracy and social economic and political development. The guidelines should be seen as an instrument for the implementation of decentralization (Oyugi, 2007).

Muchemi (2008) in his article based on the report by National Anti-Corruption Steering Committee which had sought to limit Members of Parliaments’ role on the management of Constituency Development Fund in Kenya. MPs should not be legally empowered to nominate more than one quarter of the Constituency Development Committee, it has been proposed. National Anti-Corruption Steering Committee has also proposed that MPs should not be automatic patrons and chairpersons of CDF teams to reduce corruption. “There is urgent need to further amend the current CDF Act with a view to reducing the power and influence of MPs in the allocation and management of the CDF as well as nomination of constituency development committees (CDFCs),” says the report by the steering committee.

Yasmin (2011) emphasized that the delay in release of funds after approval has been done is one of, if not the key, factor negatively affecting the project’s implementation. Funds are often disbursed at inopportune moments which do not correspond to the agricultural cycle. Inputs are not delivered in the critical periods in the agricultural cycle. In addition, the executing agencies at times lack competent personnel with the ability to develop the work plans with adequate leeway to go through the procedures and channels for the timely release of funds.

Oyugi (2007) stated that there was need to facilitate local horizontal linkages through the establishment of local urban poverty forums with links to the national level and a national urban forum. However, despite the perceived benefits of devolved funds, there are several obstacles that would need to be surmounted. Politics and the attitude of politicians is one key challenge that would need to overcome. The fear is that politicians with key roles within central government may be reluctant to devolve funds to other levels of governance.
In order to overcome this strong political will on the part of central government is needed to support and implement devolved funds. Funds cannot benefit people in the community if they, who are supposed to be stakeholders, are not allowed to participate in the disbursement of the funds and tracking how they are used. Even with the best of intentions or solid plans, project can go awry if disbursements of funds are not managed properly (Edwards, 1997).

On the issue of devolved funds; governance is an issue and that measures should be put in place to ensure transparency. The fund is meant to allow public participation in the identification of projects of high development priority with the intent of accelerating poverty reduction and/or wealth creation within their locality. However, various studies have shown that this noble idea for use of public resources has been shrouded in an environment of poor management. Such programmes such as CDF; provide an opportunity for commissioning research towards gaining a better understanding of implementation and targeting effectiveness, identifying best practices at the community level and developing guidelines and monitoring systems. This will in return stimulate transparent and effective allocation of project funds at the Constituency level. The Constituency Development Fund, the Local Authorities Transfer Fund and others have not achieved their goals under the Economic Recovery Strategy (Oyugi, 2007).

Decentralized funds are established to increase community participation in local decision making, enhance government transparency, speed up government responsiveness and improve quality of service delivery. The approval, allocation, release and transmission of funds/grants by donors and the governments often adversely affects the implementation and completion of projects. It is very clear from the literature review that myopic and visionless Members of Parliament (MPs) in Kenya have sought to punish people perceived to be opposed to their leadership. As such they have been excluded from all development projects funded by CDF as punishment for their political leanings. Schools, roads, health centers, bursary funds and any form of funding from the government have been reallocated from or delay in release of funds to clans who are not more amenable to the sitting MPs.

There is evidence that funds cannot benefit people in the community if they, who are supposed to be stakeholders, are not allowed to participate in the disbursement of funds and tracking how they are used. However, most existing research on the effects of devolved funds on implementation of projects is only centered on inputs and outcomes/outputs. Organizations use different models to devolve funds to local groups or partnerships ranging from neighbourhood management, Single Regeneration Budget (SRB) and New Deal Communities projects to area based partnerships and forums; which mainly focus on human capacity as a major input factor. There is no emphasis on disbursement of funds to projects even though it has serious impact on the overall performance in the implementation of the development of projects.

Despite considerable investment by government in the design and delivery of social programmes over the past 20 years,
some communities around the world are beset by seemingly intractable social problems such as long-term unemployment, family violence, drug and alcohol abuse, and youth crime. The impact of the wide-ranging economic and state sector reforms of the 1980s and 1990s, and the changing nature of the global economy, left many people in socially and economically disadvantaged circumstances. The accompanying political and social climate often did little to acknowledge these external forces and their impact on families and communities. More recently, attention has been focused on taking a community-driven approach to assessing local social service needs and designing locally responsive solutions. It is also assumed that such approaches (models) contribute positively to levels of social capital within the communities concerned (Robinson, 1997).

A research done by Olima in 2010 on Thika Dam Component of the Third Nairobi Water Supply Project- Kenya revealed that delays in disbursement of funds led to a delay in land acquisition among other factors which eventually had a serious impact on the overall performance in the implementation of the development of the project. The impact of delays in acquisition resulted into cost overruns due to price variations and time overruns and had an impact also on the successful completion of the development of the project. These delays were as a result of poor management of disbursement of funds to the project. The current situation in Kenya is that while some significant progress has been made in meeting some of the targets by the use of devolved funds such as CDF and Local Authority Transfer Fund (LATF), in many cases critics see the progress as patchy, too slow or non-existent (Micah, 2007).

**Methodology**

Data was analyzed by the use of both descriptive and inferential statistics. Other statistical measures included variance analysis, standard deviation and simple regression correlation analysis, frequency distribution, percentage formed additional basis for techniques employed. To determine effect of funds disbursement on projects implementation within the devolved systems in Kenya. An ordinary least square of the form was fitted:

\[ Y (\text{Implementation in }%) = \beta_0 + a_1x_1 + a_2x_2 + a_3x_3 + a_4x_4 + a_5x_5 + e \]

Where:

- \( Y \) = Project implementation in 
- \( \beta_0 \) = Beta, is the Y intercept
- \( a_1 \ldots n \) = represents net changes in each independent unit.
- \( X_1 \ldots n \) = Delay in release of funds, Funds disbursed, Funds required, Means of funding, Disbursement issued faced by committees.
- \( e \) = Error term

**Results**

Testing of research hypothesis, multiple regression analysis was done . The results of regressing the five independent variables against project implementation can be seen in the output in table 1 and 2.

From the significance tailed \( p = 0.000 \) which is < 0.05 and lower than 0.1, where level of significance (0.05), it shows that there is a direct association between funds disbursement and projects implementation within the constituencies in Kenya. The \( R=0.755 \) and \( R^2 = 56.9\% \) this implies that for every percentage increase in funds disbursement it explains 56.9\% projects implementation within constituencies in Kenya.

The results of the five independent variables that were entered into the regression model shown \( R(0.755) \) as the correlation of the five independent variables with dependent variable, after all the inter correlations among the five independent variables were taken into account. In the model summary table, the \( R \) square (0.569), which is the explained variance is actually the square of the \( R (0.755) \).

The ANOVA table shows that the \( F \) value of 14.274 is significant at .0001 levels. The results of the five independent variables that were entered into the regression model shows \( R(0.755) \) as the correlation of the five independent variables with dependent variable, after all the inter correlations among the five independent variables were taken into account.

In the model summary table, the \( R \) square (.569), which is the explained variance is actually the square of the \( R (0.755) \). The ANOVA table shows that the \( F \) value of 14.274 is significant at .0001 level. In the df (degree of freedom) on the same table, the first number represents the number of independent variables (5), the second number (59) represents the total number of complete responses. What the results mean is that 56.9\% of the variance (\( R \) square) in the project implementation has been significantly explained by the five independent variables .Thus the research hypothesis is sustained. The next table title coefficient helps one to see which among the five independent variables influences most the project implementation. In the column Beta under unstandardized coefficients, a delay in release of funds in months is highly significant with a negative of 0.013 which shows inverse relationship with projects implementation. Funds disbursed in Ksh are significant with a positive relationship of 1.185 with projects implementation. Total project funds required in Ksh is significant with a negative of 6.595 which is inversely related to projects implementation. Funds disbursed is significant with a positive of 0.091 which shows positive relationship with projects implementation. Disbursement issues faced by projects committees is significant with a negative of 0.060 shows an inverse relationship with projects implementation.

**Correlation**

In correlation analysis, delay in release of funds in months had \( r = -0.525, p = 0.000 \) in relation to implementation of projects. This shows that delay in release of fund is inversely related and highly significant to projects implementation. Means of funding, \( r = 0.331, p = 0.000 \) in relation to implementation of projects. This shows that means of funding is positively related and significant. Disbursement issues faced by project management committee, \( r = -0.449, \ p = 0.000 \) in relation to projects implementation. Disbursement issues were negatively related to projects implementation and significant. Funds disbursement had a positive relationship of 0.869 with total project funds required which was significant.

**Conclusion**

Descriptive results show that most of project committee members were males and educated. It shows that 17\% of these respondents who identified delay in release of funds as an issue affecting disbursement of funds. 25\% of respondents indicated that their problem arose from reallocation of funds, 36\% said that they were affected by piecemeal funding while 22\% of the remaining respondents said that they did not face any disbursement issues indicates further that reallocation of funds affected the disbursements of funds most followed; by piecemeal allocation of funds and finally by delay in release of funds. The
findings indicate that issues of disbursement of funds have a serious effect on implementation of projects.

Pearson Correlation Coefficient of negative 0.525 on effects of delays in release of funds to projects on their implementation. The average delay in months and average percentage completion of projects was 14.4 and 46.4% respectively. The results of this study revealed that there was a wide gap in the delay in funding of projects ranging between 21.81724 and 7.698276 months (14.4 + 7.41724). The strong negative correlation coefficient of 0.525 between delay in release of funds and implementation of projects indicates that project implementation depends on how fast and efficiently funds are released to projects. The evidence collected indicates that delay in release of project funds affects projects implementation negatively and leads to cost overruns.

Pearson Correlation Coefficient on the effects of means of funding on implementation of projects of positive 0.331 and an average funding rate of 2.0833 per project with a standard deviation of 1.2253 (2.0833 + 1.2253). It therefore follows that project implementation depends on the adequacy of funds released and the least number of times funds are transmitted to projects. Withdrawal of funds from a project always creates a negative impact on implementation of the given programme/project. The findings confirm that reallocations/withdrawal of funds affected implementation of project undertaken by Constituency Development Committee. Documents analysis also revealed that certain divisions in the county had most of their funds reallocated by the sitting MP through the approval of NMB. Schools, roads, health centres, bursary funds and any form of funding from the government have been reallocated to divisions more loyal to the sitting MP casting doubt on the principle of fairness on which devolved funds was founded. In view of these findings, it is clear from the evidence collected that the approval, allocation, release and transmission of funds/grants by CDFCs to PMCs often adversely affect the implementation and completion of projects. In this report, the study has shown that delay in release of funds, reallocation/withdrawal of funds from projects and piecemeal funding had effects on project implementation in the constituency with negative Pearson Correlation Coefficients of 0.525 and 0.449. The study also indicates that funds were not disbursed to 70% of projects for a period of more than 11 months bringing many project activities to a stand-still and impeding the momentum that had been gathered since the inception and therefore; projects not being completed on time and within budgets.

The way forward

In this report, the study has shown that even with the best of intentions or solid plans, project can go awry if disbursements of funds are not managed properly. It is against these findings that the report recommends that piecemeal funding requests which lack comprehensive planning should be discouraged. Projects need to be initiated only when full funding has been secured to avoid unnecessary delays and cost overruns. The Constituency Development Fund Act 2003- Kenya must be amended in order to give precisely the maximum number of projects that can be initiated in a given funding period. This will ensure that projects receive adequate funds at appropriate time for implementation. This report also recommends that a policy framework needs to be developed to guide the release of funds from Treasury to National Management Board (NMB), from NMB to Project Management Committees (PMC) in order to remove the unnecessary constant delays in release and transmission of funds to projects for implementation. Changes made must be able to speed up approval and reduce bureaucracy and administration processes by giving specific timelines along the disbursement chain.

The report recommends further that the reallocation or withdrawal of funds should not be encouraged by the NMB without verifying the request by CDFCs against the interests of the implementers (PMCs). This will reduce the ad hoc reallocation/withdrawal of funds initiated by members of parliament for political expediencies. The basic principle to be followed before any withdrawal is done in such a way that the withdrawal must have the least negative impact on the given project before it can even be considered.

The report further recommends that MPs should not single handedly appoint members of CDFCs since this has made such members only serve the interest of the sitting MPs. It is also necessary that MPs should not actively be involved in the disbursement processes; release, reallocation and allocation of funds to projects for effective implementation of projects.

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