Effect of Funds Disbursement Procedures on Implementation of Donor Projects in Homabay County, Kenya

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Abstract
The Official Development Assistance (ODA) to Kenya excluding debt relief experienced marked variation in donor commitments over the last decade with a low of US $ 400 million in 2002 and a high of US $ 1.2 billion in 2007. However, actual disbursement of aid lagged behind, only 63% of 2007 aid commitment was realized hence uncertainty in implementation and eventually stalling. The study was guided by a conceptual framework where independent variable was funds disbursement while dependent variable was project implementation. The validity of the data was conducted through examination by experts. There is delayed receipt of funds by projects of up to 15 months with a positive correlation coefficient of 0.689 at 0.000 significance level between suppliers’ inability to honour contractual obligations and projects incurring cost overruns. Unresolved audit issues result in donors suspending aid and returning huge unspent funds to Treasury yielded a positive correlation coefficient of 0.681 at 0.000 significance level . Provision of staff to man key departments by donors is not a guarantee to completion of projects as scheduled with a negative correlation coefficient of 0.421 at 0.011 level of significance. The study contributes to knowledge on disbursement of funds and project implementation in Kenya’s public sector.

Keywords
Disbursement, Procurement, Replenishment, Implementation

1. Introduction

1.1. Background of the Study
Disbursement of funds is the most important aspect of project implementation. It is on this basis that scheduled project activities are translated into measurable outputs in the execution of the project objective by the Project Implementation Unit (PIU). Disbursement is a critical aspect of project financial management since projects are modeled on capital budgeting principles and as such, all relevant cash flows associated with the undertaking must be ascertained with a fair degree of accuracy so that the desirable returns are achieved within the set time periods. Therefore all decisions made during project implementation invariably have financial implications hence the need for utmost care and diligence in arriving on the same.

Capital budgeting in the context of public financial management refers to a decision to invest current funds in financing long term assets in anticipation of an expected flow of benefits over a series of years. These expenditures have long term implications and the benefits are normally evaluated as investment decisions though these are mostly infrastructure and social based programmes; such as roads, agricultural production and schools, health, facilities respectively. Further, the investment in long term programmes invariably requires large funds to be tied up in current assets such as inventories and receivables according to Pandey (2005). Therefore these investments are viewed as one single activity but staggered over a period of time in form of a logical sequence of sub-activities to achieve the goal of the project being implemented.

In making capital expenditure of any magnitude, GOK just like a business entity considers cash flow as a critical component that must be properly analyzed for planning reasons. Funds must be clearly designated and committed to the project so as to ensure successful implementation of activities without the possibility of stalling and subsequent abandonment. Prior arrangement for procurement of finances both internally; such as appropriation-in-aid and externally, in form of loans and grants, must be done.

Disbursement of funds may be defined as the release of funds from one entity, in this case the donor, to an appointed beneficiary of the borrower, that is the PIU for onward implementation of the project activities. These funds are usually in form of loan, grant or mixture of both. The disbursement process involves a donor making a commitment to release funds after loan approval when PIU places a request for first disbursement, replenishment or
direct payment. This is subjected to review by the donor and subsequent approval for release of a specified quantity of funds.

The GOK lays its budget for approval in parliament in form of annual estimates in June each year. The document contains what GOK proposes to generate as income from sources such as taxes, proceeds from its businesses as well as expenditures for the year, that is, July to June. The estimates are prepared in a zero based budgeting system whereby allocations for the year are spent and the balance, if any, surrendered back to Treasury. This is the most preferred system by most GOK entities as it is not only simple to implement, but compatible with the cash basis of accounting. GOK factors donor funds in its annual estimates but this only relates to committed as opposed to approved funds since the former is easier to access than the later. This helps eliminate huge funds gap in the budget.

The funds to be disbursed to the project must be applied for in form of a request. For direct payments, the borrower requests the donor to pay the supplier a stated sum of money and is ideal for huge contractual sums of money. The payments are effected from the donors host country and are in form of foreign currency. In regard to reimbursable expenditure the PIU is required to submit a fully supported and certified accountability form referred to as Summary of Expenditure (SOE). Procurement of goods, works and services is a critical aspect in implementation of project activities since it triggers expenditure. The progress made in implementation is measured on how much has been spent on various components of the project activities. Procurement rules and regulations for donors differ from the recipient country’s and in most cases the donor rules prevail. These may be one of the causes delay in disbursement of funds to the project since PIU staff are only conversant with the country’s laws and regulations as opposed to the donor’s.

### Table 5. Kenya’s Top Ten Donors

<table>
<thead>
<tr>
<th>S/No.</th>
<th>Particulars</th>
<th>US$ (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United States of America</td>
<td>642</td>
</tr>
<tr>
<td>2</td>
<td>IDA/World Bank</td>
<td>244</td>
</tr>
<tr>
<td>3</td>
<td>IMF Concessional Trust Funds</td>
<td>159</td>
</tr>
<tr>
<td>4</td>
<td>Japan</td>
<td>139</td>
</tr>
<tr>
<td>5</td>
<td>ADB</td>
<td>134</td>
</tr>
<tr>
<td>6</td>
<td>United Kingdom</td>
<td>131</td>
</tr>
<tr>
<td>7</td>
<td>Germany</td>
<td>129</td>
</tr>
<tr>
<td>8</td>
<td>France</td>
<td>128</td>
</tr>
<tr>
<td>9</td>
<td>European Union Institutions</td>
<td>118</td>
</tr>
<tr>
<td>10</td>
<td>Denmark</td>
<td>71</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>1895</strong></td>
</tr>
</tbody>
</table>

Source: OECD DAC World Bank Bilateral ODA by Sector for 2010/2011

Budget implementation is the core activity in any project whereby the funds disbursed are used in carrying out the actual project work. Funds allocated are used over a one year cycle and at close of the financial year, any unspent amounts are returned back to Treasury. The same funds are reapplied for in the next financial year but there is no guarantee of approval and this makes project implementation a big challenge. Most projects are not completed on time and implementation activities are punctuated with occasional stoppages of project works hence delayed benefits to intended citizens.

### Table 6. Aid by Sector

<table>
<thead>
<tr>
<th>S/No.</th>
<th>Particulars</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Education</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Health &amp; Population</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Other Social Sectors</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Economic Infrastructure &amp; Services</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Production</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Multi-sector</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Humanitarian</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Debt Relief</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>100</td>
</tr>
</tbody>
</table>

Source: OECD DAC World Bank

According to the Poverty Mapping exercise of 2003/2004 Nyanza Province in Western Kenya had the highest poverty incidence in the country (GOK 2006). The province which is densely populated and depends on agriculture has erratic rainfall pattern leading to crop failures. It also had the highest death rate in regard to children below five years due to malnutrition and diseases such as malaria. Basic infrastructure such as roads, health centers were also lacking. Therefore, interventions in various sectors that seek to eliminate these problems were identified and prioritized. For example, crop failures could be countered through increasing irrigated land to ensure secured production of staple and high value crops with better returns to farmers. It is against this background that the GOK has partnered with donors and set up a number of projects in the county to address the above socio-economic problems that bedevil that larger Nyanza province. The projects are designed towards meeting the goals of the GOK Vision 2030 economic, social and political pillars as well as MDGs in various sectors as shown in table 6.

The GOK, just like many other least developed countries, relies on donor aid to promote its economic, social, political and technological programs owing to balance of trade deficits experienced since independence. Donor funds are obtained from a number of sources such as countries, individual/global funds, international and bilateral banks/lenders. These include IMF, World Bank, ADB, IFAD, SIDA and Ford foundation among others. A comprehensive list of Kenya’s development partners (countries) is shown in table 5. The process of obtaining donor funds once the lending agreements have been concluded is lengthy and delicate. This adversely affects the disbursement process.
leading to delays in implementation of projects.

1.1.1. Historical Perspective of Donor Aid

The international aid system was born out of the ruins of the Second World War, when the United States of America used their aid funds to help rebuild Europe. The system came of age during the cold war era from the 1960s to 1980s. During this time, foreign aid was often used to support client states in the developing world. Even though funds were generally better utilized in countries that were well governed, they were instead directed towards allies. After the end of the cold war, the declared focus of official aid began to move further towards the alleviation of poverty and the promotion of development. The countries that were in most need and poverty became more of a priority. It is against this background that the international aid effectiveness movement began taking shape in the late 1990s. Donor governments and aid agencies began to realize that their many different approaches to aid requirements were imposing huge costs on developing countries and making aid less effective Kanbur (2000).

The key stakeholders in the donor funding environment are the donors, suppliers, borrowers and PIUs. The donors could be foreign states such as USA, England, financial institutions such as IMF, World Bank, ADB or foundations such as Global Fund for Malaria, Tuberculosis and HIV/AIDS. All these collectively are referred to as development partners. The donors avail funds to the borrower, in this case GOK, who acts as an agent for the PIUs which are constituted with the sole mandate of executing the project objective on its behalf. In the past, the interaction between donors and GOK has not been effective in the sense that a lot of committed aid remains undisbursed to various PIUs and this trend is a major concern among stakeholders since projects are taking unnecessarily long to complete and sometimes abandoned to the detriment of the intended beneficiaries.

1.1.2. Flow of Donor Funds/Disbursements

The flow of donor funds is usually expected to be a straightforward process. However, this is not the case. The process is much subjective and complex in nature thereby resulting in delays in receipt of funds by the P.I.Us. Generally, once a feasibility study has been conducted and the project found to be viable, the next step is to find a suitable financier in the sector and once the proposal is reviewed by experts of the intended financier and found satisfactory, the requisitioning country is invited for negotiations in regard to financing arrangements. Donors do place loan conditionalities that must be met by the requisitioning government before any approvals. These are, but not restricted to: - provision of counterparts funds by respective government, establishment of P.I.Us to run the project and opening of offshore account where funds are channeled in hard currency.

When all the conditions have been met by the borrower, then the loan agreement becomes effective. At this point, the PIU can make an application for 1st disbursement/withdrawal of funds (disbursement request). This application is registered in the donor’s system upon receipt. This application processing is reviewed for compliance and eligibility for financing. This will result in either the payment being approved or payment made to the beneficiary or the application may be rejected and returned to the borrower.

1.1.3. Disbursement Methods

The donor usually disburses loan proceeds to or on the order of the borrower, using four common disbursement methods. These are; direct payment, reimbursement, Reimbursement guarantee, and Special account. In Kenya, the most commonly applied methods are Direct Payment and Special Account. For Direct Payment the arrangement is such that, the donor makes payments, at the borrower’s request directly to a third party e.g. supplier, contractor, and consultant for eligible expenditures. This is suitable for major civil works progress payments, purchase of goods/equipment and consultants’ progress claims. Special Account/Revolving Fund method applies where the donor advances loan proceeds into a designated account of the borrower to finance eligible expenditures as they are incurred and for which the supporting documents will be provided at a later date. This is ideal for small and numerous expenditures of an operating nature. The borrower must ensure all the amounts deposited in the special account are fully accounted for before disbursement deadline date. After due date, the borrower must refund all advances still unaccounted for or remaining in this account. The GOK normally opens offshore special accounts where donor funds are channeled in hard currency. These are managed by Ministry of Finance (MOF) through Central Bank of Kenya. However, final allocation in the printed estimates does not tally with approved project annual work plans and budgets and moreover, total actual disbursements are often less than printed budget estimates disbursed in untimely and small tranches. The P.I.U staff must be knowledgeable on disbursement of funds process in order to institute prudent financial management of donor funds so that the project operations are not adversely affected due to insufficient/lack of funds.

1.2. Statement of the Research Problem

The GOK receives massive donor aid from various sources to fund a number of programs in the public sector. However, despite this fact, most projects experience erratic disbursement of funds from donors thereby leading to confusion and uncertainty in implementation of project activities. The Official Development Assistance (ODA) to Kenya excluding debt relief has experienced marked variation in the level of donor commitments (funds available for withdrawal by the borrower) over the last decade with a low of US $ 400 million in 2002 and a high of US $ 1.2 billion in 2007. However, actual disbursement of aid lagged
behind, only 63% of 2007 aid commitment was realized. This is a significant pointer that donor projects in the public sector may stall and fail to be completed within the stipulated time periods as set out in their logical frameworks. This is likely due to lengthy and complex procedures in obtaining funds by Project Implementation Units (PIUs). Projects are supposed to be implemented as planned in the implementation schedules strictly adhering to set milestones in order to realize desired goals for the beneficiaries. There is limited research work carried out in Kenya on disbursement procedures and their effect on implementation of public donor projects. This study proposal therefore seeks to fill this gap by assessing these procedures and their effect on implementation of public project activities in Homa Bay County.

1.3. Objectives of the Study

1.3.1. General Objective
i. To assess the donor funding environment paying attention to the effect of funds disbursement procedures on implementation of public sector donor projects in Homa Bay County.

1.3.2. Specific Objectives
i. Establish the impact of disbursement procedures on replenishment requests
ii. Establish the effect of disbursement procedures on procurement of goods, works and services.
iii. Investigate the effect of disbursement procedures on budget implementation
iv. Establish whether disbursement procedures affect the project life cycle.

1.4. Research Questions

a) What are the major challenges experienced by PIUs in seeking approval of replenishment requests submitted to donors?
b) What is the effect of disbursement procedures on procurement and settlement of bills for suppliers of goods, works and services?
c) What is the impact of disbursement procedures on budget implementation process?
d) Do PIUs have the institutional capacity successfully deliver on their mandate within the originally specified timeline?

1.5. Scope of the Study

The study undertakes to examine public sector projects funded by both GOK and donors in Homa Bay County, Kenya. It covers a seven year period i.e. 2005 – 2011.

1.6. Justification of the Study

Donor funded projects are faced with challenges during implementation and key among them is delayed receipt of funds. This leads to uncertainties in the implementation activities and sometimes abandonment of project activities. Due to scarcity of information on donor funds disbursement procedures in Kenya even amongst project implementers, the study seeks to establish the effect of these procedures on project implementation which all stakeholders such as suppliers, consultants, contractors and PIUs need to be aware of in advance in order to implement projects with least levels of interruption. This research contributes to knowledge and provides a basis for future studies.

1.7. Conceptual Framework

The study was guided by a conceptual framework as depicted in figure 1 below. The independent and dependent variables are explained here-below.

1.7.1. Loan Protocol Agreement

This is the main guiding document that spells out the terms and conditions for the issuance of the loan/grant funds. It is an agreement between the donor and the borrower specifying each party’s roles and responsibilities in regard to the funds approved. These terms and conditions remain in force until the loan funds are repaid back in full.

1.7.2. Replenishment/Disbursement Requests

This is an application by the borrower (GOK) or its appointed agent (project) to the donor requesting the latter for release of a stated amount of money to be utilized in project implementation activities. The request is accompanied by a number of supporting documents for the activities scheduled to be undertaken. The review of these applications is done within the country for most donors. However, there are instances where documents are reviewed in the donor’s host country especially in regard to direct payments to suppliers.
1.7.3. Procurement-Goods, Works and Services

These form the key components of project implementation whose activities are either classified as goods, works and services. In order for a project to undertake its activities, assets such as machinery, equipment and, consultancy and contractors/service providers must be procured. This must be done in full compliance with the lenders’ rules and regulations or best practice and this activity triggers expenditure.

1.7.4. Budget Implementation

This involves the translation of approved budget estimates for the project into actionable pieces of activities as contained in the annual work plan. This process yields the various project outputs deliverables that are intended to be achieved by the project. The main input in budget implementation is disbursement of funds.

1.7.5. Project Inception and Closure

The PIU comprises of staff with diverse expertise in functional areas relevant for the execution of the project such as finance, human resources, engineering, sociology and procurement. A PIU must be constituted and deployed to the project to designated project areas before any funds can be released to the project.

1.7.6. Government Policies

These are general statements that define the manner in which the project is run such as recruitment, gender parity, organization of public financial management. Government policies determine how and who to borrow from in addition to which sectors of the economy to prioritize funding.

2. Literature Review

2.1. Theories Justifying the Study

2.1.1. Agency Theory

This refers to a relationship modeled in terms of principal-agent interaction where the principal entrusts the agent with the power and responsibility to undertake certain tasks on his behalf. As demonstrated by Odedukun (2003), in this case, the donor can be referred to as the Principal
whereas the recipient country is the agent. The donor determines the level of funds to be disbursed and channels the same to the borrower who acts based on aid conditions agreements thereby deciding on expenditure patterns which eventually lead to outcomes such as economic growth, infrastructure development, access to education and health care.

The donor reviews these outcomes based on a structured monitoring and evaluation system and chooses the funding level to influence the choice of action by GOK and hence outcomes. This funding level chosen maximizes the donor’s preferences, subject to reaction by GOK who also has her own set of preferences and shows actions the latter would choose for each funding level.

The theory assumes that the donor and GOK are unitary entities such as governments represented by only a set of preferences and that the donor is concerned with the poor more than GOK. It is on this basis that the donor is able to institute conditionalities in loan protocol agreement based on actions by the recipient. The donor can induce GOK action through offer of unconditional funds disbursement hence the donor is dominant and better off given his preferences and the assumption that the donor cares more for the poor than the poor’s own government hence the borrower has no choice. According to Walker 2003, the agency theory model anchored on the fact that information asymmetries and pursuant of self-interests, principals lack basis to trust their appointed agents and will seek to mitigate these concerns by putting in place mechanisms to align the interests of agents with principals and to reduce the scope for information asymmetries and opportunistic tendencies. This position is reinforced by the Institute of Chartered Accountants of England and Wales (2005) who analyzed it further in terms of motives of agents and information asymmetries. Agents (GOK) are likely to have different motives to principals (donors) due to reasons such as financial rewards, labor market opportunities and relationship with other stakeholders not directly relevant to donors. The GOK is sometimes too ambitious in forecasting economic performance of the country than the practical reality would attest.

Jensen and Meckling (1976) assert that stakeholders may have differing interests as opposed to a single agent. In this case, GOK may be in possession of information which donors may not have and may not readily or wholly supply the donor with all critical information for decision making and therefore methods for aligning these must be crafted so that both parties are not disenfranchised. One such method is use of loan protocol document which among other things contains disbursement procedures that must be complied with, hence trust is created. However, from a practical perspective, these alignments sometimes tend to favor the donor at the expense of the recipient country to an extend that funds disbursement becomes so erratic and unpredictable.

2.1.2. Time Value of Money

According to time value of money concept, individual investors prefer possession of a given amount of cash now rather than the same amount at some time in future. This is mainly attributable to uncertainty of cash flows (risk), preference for consumption, and availability of investment opportunities. The GOK requires timely receipt of funds by PIUs in order to implement projects as scheduled in the annual work plans and budget lest the purchasing power is eroded with passage of time leading to overall cost escalation hence implementation bottlenecks.

2.1.3. Budgeting

Budgets are a core component in the for control systems for sound financial management. A budget is an estimation of costs, revenues and resources over a specified period of time reflecting a forecast of financial conditions and goals. During budget preparation, the process begins with an individual project’s forecast of activities to be undertaken during the year, targets, milestones and timelines for specific deliverables by designated officers. The resultant document is the annual work plan, which expresses activities and targets for a given period all expressed in monetary terms. It also details the source of financing whether loan, grant, GOK contribution or a mixture of all the three sources. The annual work plan forms the basis of the budget estimates after a rationalization process that among others determines which expenditure constitutes recurrent or development expenditure where the bulk of project funding lies.

2.2. Review of Empirical Studies

There are a number of researches conducted in the field of donor funding by various scholars. The perspective and context as perceived by researchers is diverse thereby eliciting debates. There have been debates about donor funding and whether it is necessary for the developing countries. Aid has in the past been directed towards least priority areas such as military instead of basic infrastructure and agricultural development such as roads, food production and health.

Nkamelu (2011) in a study conducted in Botswana between 1990 and 2007, established that at inception of a project, there was considerable delay between the time of loan commitment and application for first disbursement of funds averaging to 20.1 months. This trend had adverse effect on the preliminary activities such as assembly of PIU and project launch. Donors sometimes provide technical experts to the project, mostly foreigners at the expense of locals. This is also confirmed by N.M. Monaheng (2007) who argues that donors find expatriate technical staff as helpful in sensitive aspects of project management and control of budgets and are also knowledgeable about home office reporting requirements even when locals can competently handle the same tasks. Soumare and Gouhou (2009) points out that a delay in commencement of the project impacts on performance of the project in several ways including staff leaving for other opportunities that may arise thereby
weakening the caliber of staff recruited by PIU.

Bagoole (2011), in a review of periodic technical and financial reports of projects alongside interviews revealed that timing of disbursement of funds was affected by funds accountability requirements by financial partners prior to disbursement of funds thereby affecting effectiveness of agricultural projects. This tends to increase chances of failure to avail funds on schedule if such reporting is not done hence adversely affect implementation activities. The existence of intermediary institutions between donors and PIUs has led to delays compounded by protocols or inadequacies between funding agency and the PIUs. Besides, some projects do not submit financial accountability reports to the Auditor General for review and subsequent expression of opinion. This prompts donors to withhold disbursement until the audit on financial statements is done.

Donkor (2011) observes that governments pay a lot of money in form of interest due to delayed payments to contractors and should be committed in managing projects to ensure that there is adequate flow of funds in order to avoid delays in project commencement especially counterpart funds provision. This increases project costs and disrupts budget implementation as these were never factored in budgets and in effect are ineligible expenditures that donors would reject. The donors have placed rigorous reporting requirements for PIUs in certain specific formats at different timelines for monitoring and evaluation purposes as pointed out by Monaheng (2007). This enables control of the project and assessing whether it is on course in realizing its set targets. According to Bagoole (2011), a weak monitoring system contributes to incidences of unprofessional conduct and disclosure of false information which translates to wide variation in quality hence poor utilization of funds disbursed. This always leads to funds disbursement being suspended by donors thereby impeding implementation activities.

According to Gohou and Soumare (2009) for every $1 invested by donors in Africa, it attracts $2 more by donors or governments. A delay in commencement of implementation may impact adversely on its performance in several ways including high final financial costs due to escalation of unit prices for goods especially in the infrastructure sector. There is loss of 3-6 months by PIUs due to communication between MOF, parent ministry and PIU before accessing funds. This is attributable to the fact that information about transfer of funds by donor is not communicated to PIU on time so as to initiate requisition process and incomplete records on replenishment requests as pointed out by ADB (2006).

The budget implementation process is hampered by the fact that the flow of donor funds is quite erratic. Bulir and Lane (2002) observed that project funds disbursement to LDCs which are heavily aid-dependent is up to 7 times more volatile than domestic fiscal revenue. This view is supported by Ndaruhutse and Brannelley (2006) who assert that aid remains unpredictable and volatile both within year and between years thereby undermining expenditure process. This has a negative impact on spending and economic growth. In certain cases, there is over-optimism by government planners about levels of aid that can be disbursed in a given time. Besides, this leads to low absorption capacity for existing funds where projects end up utilizing only 70% of total allocated project funds at completion as pointed out by ADB (2009).

There is rampant abuse of procurement systems which raise governance and fiduciary issues, a basis for donors to withhold funds as found out by Mwega (2009). Procurement systems in projects are weak and cumbersome due to bureaucracies and need to be streamlined to make them clear to all stakeholders. Further, Mwega (2009) notes that both GOK and donor procurement regulations should be harmonized to eliminate conflicts that normally arise during their application. ADB (1991) reported in its Homa Bay -Rongo Road Project Performance Evaluation Report that while reviewing tender prequalification results various irregularities by PIU such as inclusion of four firms from non-member countries and irregular issuance of variation orders on the works were noted. GOK was also faulted for failure to adhere to contract provisions and invoking a law that barred local contractors from being paid in foreign currency. This led to suspension of funds disbursement to the project thereby compromising speed of implementation and the project stalled for 17 months.

Ndaruhutse and Brannelley (2006) argue that there can be low absorption capacity of existing funds resulting in slower than predicted disbursement. Often, the issue of absorption capacity by PIUs is raised by donors and this may be due to weak procurement systems in the recipient country. ADB (2009) asserts that there are procurement delays partly due to application of GOK procurement procedures which are sometimes inconsistent with donor rules and delays in responding to bank inquiries. Such inefficiencies within the system result in extended periods from initiation of procurement to actual delivery of goods, services and works. These impact negatively on timely project implementation and sometimes results in cost overruns. Ndaruhutse and Brannelley (2006) point out that weak procurement systems lead to delay in disbursements of funds and project schedules in East and Central Africa especially in Ethiopia and Zambia. This affects a project’s absorption capacity which in turn results in slower than predicted disbursement.

There are instances where a large portion of the project funds is tied to procurement. Odedukun (2003) argues that among stakeholders with vested interests in this aspect of funds disbursements are suppliers of goods/services. Therefore, the higher the proportion of aid that is procurement tied, the greater the vested interest and hence the shorter the delay in translating commitments to disbursement i.e. higher disbursement to commitment ratio. Strong suppliers from developed countries influence the donors in payment of their dues resulting in double standards. As a result, a higher fraction of procurement tied aid leads to greater share of committed aid volume being disbursed.

Bulir and Lane (2002) observed that donors (usually) are not natural, philanthropic givers of gifts as they are subject to national and international political interests that can
influence their decisions on program and services support to
the detriment of local needs hence donor interests override
local needs. Donors do set a number of conditions that
govern the entire disbursement of funds to recipients. It also
sets out the accountability criteria for previously disbursed
funds before additional tranches are released to PIUs. The
process is rigorous and time consuming and moreover, the
borrower must abide by all rules and regulations for
disbursement of funds failure to which may lead to
suspension of aid. On the same note Odedekun (2003),
political process and pressures that often lead to premature,
as opposed to delayed disbursements of aid commitments.
Political reasons have led to allocation of excessive funds
even before conditionalities are met. The donor country may
have vested interest in the loan disbursement process which
may not be in the best of the recipient country.

Burnside and Dollar (1997) argue that if only aid were
channeled to environments that practice sound macro-economic policy, it would spur growth and
development. However, there have been numerous cases in
which there has been no compliance to aid conditionality but
aid has been released. In most cases, donors apply the carrot
and stick concept in that more aid is given where there are
sound macro-economic policies in place by the recipient
country and reduced aid flow to those who fail to institute
and promote sound macroeconomic policies in their
operations as pointed out by Kaufmann (2012). Donors are
sometimes viewed as promoting their own self-interests
when setting conditions for the aid recipients Conditions are
imposed on unwilling recipients at the time of contract
signing where both parties know that these are only paper
conditions whose outcome is determined by the fact that both
parties need to maintain a sustainable normal relationship
and flow of aid. A case in hand are the austerity measures
introduced by World Bank in early 1990s such as Structural
Adjustment Programs(SAPs), which it has admitted as
having failed and hurt African economies. At the end of it all,
aid flows have not helped in developing Africa, neither have
they helped in development of policies they were meant to be
conditioned on.

2.3. Summary

From the literature review, it takes an average of 21
months from the loan approval date to meeting conditions of
first disbursement. This is attributed to policy conditions,
staffing/assembly of PIU and compensation to those
adversely affected by project implementation due to
relocation. Therefore, project aid to LDCs is up to 7 times
more unpredictable than domestic fiscal revenue due to
disbursement procedures. This tends to make project
implementation difficult and uncertain. Procurement
systems are complex and weak in the PIUs and this is
responsible for delays especially for procurement tied
disbursements. Goods, works and services must be procured
in a timely manner so as to achieve critical milestones during
implementation within scheduled timelines thereby realizing
higher funds absorption rates. There is loss of between 15-24
months of project implementation time due internal
processes which are dominated by bureaucracies in
government systems which interfere with budget
implementation. PIUs are therefore forced to request for
extension of implementation time due to year-in delays. For
every $1 invested by donors in Africa, it attracts $2 more by
donors or governments. A delay in commencement of
implementation may impact adversely on its performance in
several ways including high final financial costs due to
escalation of unit prices for goods and services. Project funds
absorption capacity is low and some projects hardly utilize
more than 70% of the total approved loan and subsequently
GOK requests for cancellation of the unutilized balances.
There is limited literature on disbursement procedures
conducted in Kenya and this research aims at addressing this
problem and contributes to knowledge in the area.

3. Methodology

3.1. Research Design

The study adopted a descriptive case study design since
the main aim was to describe record, analyze and make
deductions on the concerns that exist in donor funds
disbursement processes so as to make generalizations of the
whole population.

3.2. Study Area

The study was undertaken in Homa Bay County situated
in the former Nyanza Province; Western Kenya.

3.3. Target Population

The study targeted Project Co-ordinators and Heads of
Departments in functional areas such as finance,
procurement, audit, monitoring and evaluation in 9 donor
funded projects in Homa Bay County. The staffs are
stationed at the District Headquarters offices. Apart from the
staffs who are engaged in various functional areas, the study
also involved Project Steering Committee (PSC) Members.

3.4. Sample Frame

The sampling frame comprised of officers involved in
management of public projects funded by donors in
conjunction with the GOK in Homa Bay County for the
period 2005-2011. There were 9 such projects in Homabay
County and a census was conducted since the population is
small and also for convenience. A total of 5 staff per project
was interviewed hence 45 respondents.

3.5. Data Collection

Data was obtained from both primary and secondary
3.5.1. Sources of Data Collection
Data was gathered from secondary data, that is, existing scholarly literatures such as journals, research papers, websites and books. Data was also obtained from primary data through use of questionnaires and interviews from respondents at the project level.

3.5.2. Data Collection Procedure
Questionnaires and interviews were designed in such a way that they could generate as much information as possible in line with the study objective.

3.5.3. Instrument for Data Collection
i. Questionnaires
The project research involved use of questionnaires administered to respondents to collect primary data.

ii. Interviews
These were conducted in order to obtain in-depth qualitative information from target respondents and structured interviews were conducted for 2 project coordinators.

3.5.4. Reliability Tests for Data Collection Instrument
Data collected was tested for relevance and consistency of results in order to minimize errors. Internal consistency was used to test responses that are consistent across board and that the administration of the questionnaire and scoring is done with great care. All correlations were tested and retested. The reliability of the instrument was used to measure the degree to which the research instrument yields consistent results after repeated trials according to Mugenda and Mugenda (2003).

3.5.5. Validity Tests for Data Collection Instrument
Data collection instrument should yield data that enables one draw meaningful inferences from the scores. It should be able to measure intended content and the scores should predict a criterion measure and whether the scores obtained should be practical. The validity of the data was verified by my research supervisors in line with the research objectives.

3.6. Data Analysis
In this research, quantitative data analysis methods were adopted in addition to use of descriptive statistics. Items were measured on a likert scale and data evaluated through Statistical Package for Social Sciences (SPSS) computer software. The results obtained are presented in form of tables and graphs.

3.7. Data Presentation
Data collected is presented in form of tables and graphs.

3.8. Research Ethics
Before embarking on field work, it is imperative to obtain prior permission to conduct interviews and administer questionnaires from target respondents’ organization/management. The data collected shall be used purely for the academic purposes and shall not be divulged to unauthorized parties. The data shall be handled with utmost confidentiality. The findings from the research work shall also be shared with the organizations that were studied.

4. Results and Discussions
The following is the analysis of findings on the effect of funds disbursement procedures on implementation of public sector donor projects in Homa Bay County, Kenya.

4.1. Results
4.1.1. General Respondents’ Information
In regard to the level of education of the respondents, those who hold Masters Degree level accounted for 19.4%, while those who attained undergraduate degree as the highest academic qualification accounted for 50.0% and were the majority category for this study. Respondents who attained Diploma qualification accounted for 27.8% and were the second largest group in the study, while other qualifications accounted for 2.8%. Most of the respondents in the “Other” category were majorly Certified Public Accountants as indicated in Table 4.1 below.

Looking at the respondents’ experience with community projects, the study found that those who had between zero to one year of experience accounted for 13.9%, those who had between 2 to 5 years’ experience accounted for 47.2% and were the majority in the study, while those falling between 6 to 10 years of experience accounted for 38.9%.

A multiple correlation analysis was run by use of Statistical Package for Social Sciences (SPSS) software for various variables whose results are shown below:
Table 1. Effect of disbursement procedures on replenishment process correlations

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>X1</th>
<th>X2</th>
<th>X3</th>
<th>X4</th>
<th>X5</th>
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</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>Pearson Correlation</td>
<td>1 0.65 0.278 0.235 0.102 -0.103 -0.195</td>
<td>N 36 36 36 36 36 36 36</td>
<td>Sig.(2-Tailed)</td>
<td>0.706 0.101 0.167 0.555 0.55 0.254</td>
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<td></td>
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<tr>
<td></td>
<td>Sig.(2-Tailed)</td>
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<td></td>
</tr>
<tr>
<td>X2</td>
<td>Pearson Correlation</td>
<td>0.65 1 -0.032 -0.196 0.232 0.064 0.435**</td>
<td>N 36 36 36 36 36 36 36</td>
<td>Sig.(2-Tailed)</td>
<td>0.706 0.852 0.252 0.73 0.71 0.08</td>
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<td>Sig.(2-Tailed)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X3</td>
<td>Pearson Correlation</td>
<td>0.278 -0.03 1 0.133 0.023 0.257 0.256</td>
<td>N 36 36 36 36 36 36 36</td>
<td>Sig.(2-Tailed)</td>
<td>0.101 0.852 -0.44 0.896 0.13 0.132</td>
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<td>Sig.(2-Tailed)</td>
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<td>X4</td>
<td>Pearson Correlation</td>
<td>0.235 0.20 0.133 1 -0.173 -0.009 -0.002</td>
<td>N 36 36 36 36 36 36 36</td>
<td>Sig.(2-Tailed)</td>
<td>0.167 0.525 0.44 0.313 0.958 0.992</td>
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<td></td>
</tr>
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<td></td>
<td>Sig.(2-Tailed)</td>
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<td>X5</td>
<td>Pearson Correlation</td>
<td>0.102 0.23 0.023 -0.173 1 0.032 0.035</td>
<td>N 36 36 36 36 36 36 36</td>
<td>Sig.(2-Tailed)</td>
<td>0.555 0.73 0.896 0.313 0.855 0.837</td>
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<td></td>
<td>Sig.(2-Tailed)</td>
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<td>X6</td>
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<td>-0.103 0.06 0.257 -0.009 0.032 1 0.583**</td>
<td>N 36 36 36 36 36 36 36</td>
<td>Sig.(2-Tailed)</td>
<td>0.55 0.71 0.13 0.958 0.855 0</td>
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</tr>
<tr>
<td>X7</td>
<td>Pearson Correlation</td>
<td>-0.195 0.435** 0.256 -0.002 0.035 0.583** 1</td>
<td>N 36 36 36 36 36 36 36</td>
<td>Sig.(2-Tailed)</td>
<td>0.254 0.008 0.132 0.992 0.837 0</td>
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<td></td>
<td>Sig.(2-Tailed)</td>
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<td></td>
</tr>
</tbody>
</table>

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

Where

X1 Lengthy and complex review process
X2 Errors in documentation submitted by PIU
X3 Eligibility of expenses; taxes,fines & interest
X4 Conflict between donor procedures and GOK policies
X5 Counterpart funds must be adequately disbursed
X6 Summaries of expenditure (SOEs) are replenished within the country
X7 Unresolved audit matters

Table 2. Effect of disbursement procedures on procurement of goods & works & services correlations

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>Y1</th>
<th>Y2</th>
<th>Y3</th>
<th>Y4</th>
<th>Y5</th>
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<td>1 (0.464**) (0.585**) (0.492**) 0.699**</td>
<td>N 36 36 36 36 36</td>
<td>Sig.(2-Tailed)</td>
<td>0.004 0.000 0.002 0.000</td>
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<td></td>
<td>Sig.(2-Tailed)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Y2</td>
<td>Pearson Correlation</td>
<td>(0.464**) 1 0.689** 0.585** (0.501)**</td>
<td>N 36 36 36 36 36</td>
<td>Sig.(2-Tailed)</td>
<td>0.004 0.000 0.000 0.002</td>
</tr>
<tr>
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<td>Sig.(2-Tailed)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Y3</td>
<td>Pearson Correlation</td>
<td>(0.585**) 0.689** 1 0.643** (0.562**)</td>
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<td>Sig.(2-Tailed)</td>
<td>0.000 0.000 0.000 0.000</td>
</tr>
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<td>Sig.(2-Tailed)</td>
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</tr>
<tr>
<td>Y4</td>
<td>Pearson Correlation</td>
<td>(0.492**) 0.585** 0.643** 1 (0.548**)</td>
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<td>Sig.(2-Tailed)</td>
<td>0.002 0.000 0.000 0.001</td>
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<td>Y5</td>
<td>Pearson Correlation</td>
<td>0.699** (0.501**) (0.562**) (0.548**) 1</td>
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<td>Sig.(2-Tailed)</td>
<td>0.000 0.002 0.000 0.001</td>
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<td>Sig.(2-Tailed)</td>
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<td></td>
</tr>
</tbody>
</table>

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

Where

Y1 Timely payment of suppliers of goods, works and services
Y2 Cost overruns due to delayed payments
Y3 Suppliers' inability to offer goods & services promptly due to disbursement procedures
Y4 Direct payments to suppliers is a lengthy complex process
Y5 Procurement process for donor funds is clear and easy to understand for staff
Table 3. Effect of disbursement procedures on budget implementation correlations

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>Z1</th>
<th>Z2</th>
<th>Z3</th>
<th>Z4</th>
<th>Z5</th>
<th>Z6</th>
<th>Z7</th>
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<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.170</td>
<td>0.285</td>
<td>0.592**</td>
<td>0.563**</td>
<td>0.570**</td>
<td>0.566**</td>
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<td>0.920</td>
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<td>0.000</td>
<td>0.000</td>
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<td>0.285</td>
<td>0.681**</td>
<td>1</td>
<td>0.621**</td>
<td>0.028</td>
<td>0.057</td>
<td>0.294</td>
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<td>0.000</td>
<td>0.873</td>
<td>0.741</td>
<td>0.082</td>
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<tr>
<td>Pearson Correlation</td>
<td>0.592**</td>
<td>-0.24</td>
<td>0.028</td>
<td>0.403*</td>
<td>0.408*</td>
<td>0.576*</td>
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<td>0.161</td>
<td>0.873</td>
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<tr>
<td>Pearson Correlation</td>
<td>0.563**</td>
<td>-0.17</td>
<td>0.057</td>
<td>0.408*</td>
<td>0628**</td>
<td>1</td>
<td>0.605**</td>
<td>-0.21</td>
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<td>Sig.(2-Tailed)</td>
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<td>0.324</td>
<td>0.741</td>
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<td>0.576**</td>
<td>0.333*</td>
<td>0.603**</td>
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<td>0.238</td>
<td>0.082</td>
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<td>0.047</td>
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<td>Pearson Correlation</td>
<td>0.012</td>
<td>0.647**</td>
<td>0.351*</td>
<td>0.087</td>
<td>-0.209</td>
<td>-0.21</td>
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<td>Sig.(2-Tailed)</td>
<td>0.946</td>
<td>0</td>
<td>0.036</td>
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</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed)
*. Correlation is significant at the 0.05 level (2-tailed)

Where
Z1 Regular supervision mission visits by donor and GOK
Z2 Suspension of disbursement due to unresolved audit issues
Z3 Disbursement of funds harmonised to GOK annual printed estimates
Z4 Return of huge sums of unutilized funds to Treasury leads to reduction of subsequent disbursements
Z5 PSC in place and meets regularly to review implementation progress reports
Z6 Project’s funds absorption capacity
Z7 Structured monitoring and evaluation system in place
Z8 counterpart funds availability
Table 4. Effect of disbursement procedures on project life cycle correlations

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>ZZ1</th>
<th>ZZ2</th>
<th>ZZ3</th>
<th>ZZ4</th>
<th>ZZ5</th>
<th>ZZ6</th>
<th>ZZ7</th>
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<tr>
<td>ZZ1</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.005</td>
<td>-0.222</td>
<td>(0.421*)</td>
<td>0.019</td>
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<td>Sig.(2-Tailed)</td>
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<td>0.194</td>
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<td>0.809</td>
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<td>Pearson Correlation</td>
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<td>ZZ3</td>
<td>Pearson Correlation</td>
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<td>-0.48</td>
<td>1</td>
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<td>0.538**</td>
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<td>ZZ5</td>
<td>Pearson Correlation</td>
<td>0.019</td>
<td>-0.17</td>
<td>0.538**</td>
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<td>0.665</td>
<td>0.762</td>
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<td>Pearson Correlation</td>
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<td>0.235</td>
<td>-0.291</td>
<td>0.603**</td>
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**. Correlation is significant at the 0.01 level (2-tailed)
*. Correlation is significant at the 0.05 level (2-tailed)

Where
ZZ1 Project is likely to be completed on time
ZZ2 Lack of capacity to utilize funds allocated is likely to cause extension of project time
ZZ3 PIU’s ability to track disbursement flows and reporting deviations
ZZ4 Donors provide staff to man sensitive areas
ZZ5 Donors provide staff training & capacity building
ZZ6 PIU must be constituted before any disbursement can be released
ZZ7 PIU staff are commensurately paid and motivated

4.2. Discussions

The study revealed that it takes up to 15 months for a project to receive the first funds disbursement after signing of loan protocol agreement between Government and the donor. This is within range of the average of 20.1 months established in previous studies. Besides the study reveals that it takes 6 months for the project replenishment request to be honoured and funds disbursed to the project. This accounts for the within year delays in implementation of project activities resulting in projects not being completed on time.

The study also reveals that among the causes of the delay in approval of replenishment and direct payments request was attributed to lengthy and complex review processes. This is consistent with empirical studies conducted by Odedukun (2003). The failure of GOK to avail the counterpart funds for implementation activities also leads to delay in approval of replenishment request by the donor. Normally GOK is required to partially contribute a small percentage, usually less than 10% of the total project funding as a condition to loan disbursement. The summaries of expenditure in regard to the replenishment request are reviewed within the country. Most donors have set up country offices which handle all replenishment requests by reviewing the same and advising their head offices on whether to honour or turn down the request this helps reduce the disbursement delays. It was established that there is a strong positive correlation of 0.435 between errors in documentation made by PIU and unresolved audit matters as depicted in table 1 above. This in turn affects the accountability for previously disbursed funds hence funds may not be released to the project leading to delays. Further, it was revealed that there is a strong positive correlation of 0.583 between unresolved audit matters and the fact that SOEs are reviewed and replenished within the country as shown in table 1 above. This could be a pointer to weaknesses in verification processes for the submitted expenditures leading to errors remaining undetected until the audit stage.

Most respondents agreed that payment to suppliers for
goods works and services is not promptly done. This is partially attributed to disbursements that are procurement-tied in which case direct payment method of disbursement is used. Further it was established that instances of delayed payments to suppliers leads to projects incurring cost overruns. This increases the overall project costs, and may be attributable to weak procurement system which in turn leads to slow disbursement. Therefore contracted suppliers are unable to supply goods on time in the subsequent orders. There is a strong positive correlation of 0.689 between supplier’s inability to supply goods, works and services promptly with the project’s incurring cost overruns due to delayed payments as revealed in table 2 above. Besides the suppliers may not be able to perform their obligations since part of their working capital is tied up in unpaid bills. Direct payments processes are reviewed as lengthy and complex as established by the study and have a strong positive correlation of 0.585 with the fact that projects incur cost overruns due to delayed payments as shown in table 2 above. The complexity of the process, due to application of rigid donor procurement rules may be the cause. However, there is a strong negative correlation of 0.585 between projects incurring cost overruns due to delayed payments and suppliers’ inability to offer goods, works and services promptly due to disbursement procedures as per table 2 above.

There are regular Supervision visits by the donors and GOK to the PIUs which are meant to monitor and evaluate projects in regard to implementation progress. During the visits any difficulty experienced by the PIUs are addressed by both parties. This forum improves the communication process between the donor, GOK and PIUs whereby issues that arise during implementation are acted upon promptly. The study revealed that there is a strong positive correlation between regular supervision visits on project implementation progress and disbursements being harmonized to GOK printed estimates, a PSC in place, project absorption capacity and a structured monitoring and evaluation system for reporting purposes at 0.592, 0.63, 0.570 and 0.566 respectively as shown in table 3 above. When there are proper control mechanisms instituted, the project implementation is attainable. The study found out that although disbursement of funds from donors is harmonized to GOK annual budget and printed estimates, projects return huge sums of unutilized funds to the Treasury at the end of the financial year and subsequent disbursement to PIUs are usually reduced and this results in low absorption of funds. The study reveals that unresolved audit matters may lead to suspension of disbursement of funds to the project. This greatly affects the utilization of existing budget funds which when finally disbursed the funds may not fully utilized within the remainder period of the financial year. There is a strong positive correlation of 0.681 between disbursements of funds being suspended due to unresolved audit matters and return of huge sums of unutilized budgeted funds to Treasury as well as counterpart funds provision at 0.647. When donors withhold funds disbursement to the project, there is loss of time (year in) during implementation resulting in low absorption of funds and return of the same to Treasury at end of the year. It was established that there is a strong positive correlation of 0.570 between the project’s funds absorption capacity that enables utilization of funds and regular supervision mission visits on implementation progress as depicted in table 3 above. There is also a strong positive correlation of 0.628 between absorption capacity and project steering committee being in place as well as strong positive correlation of 0.630 with a structured monitoring and evaluation for reporting purposes.

PIUs must be constituted before any funds can be disbursed by the donor. In most cases the donors provide staff to man technical and sensitive areas such as procurement, finance and monitoring and evaluation. The GOK selects second staff to support the team provided by donors who provide capacity building to enhance staff career training and development in order to enhance efficiency in performance. The study revealed that there is a strong positive correlation of 0.538 between ability of PIU to track disbursement flows and reporting on deviations as per table 4 above. With the capacity building provided project staff are well remunerated and motivated and a strong positive correlation of 0.63 as clearly demonstrated in table 4 above. However, the study revealed that despite the donors providing staff to man sensitive departments, it does not result in early/scheduled completion of projects. The correlation between the above two variables is a strong -0.421 as per table 4 above.

Finally most projects are not completed on time as found out in the study this may be attributable to both year in and year end delays as confirmed in previous empirical studies. This forces the government to apply to the donors for extension of project implementation period.

5. Summary, Conclusion and Recommendations

The summary, conclusion, recommendation and areas for further research are contained as detailed below.

5.1. Summary/Conclusion

The PIUs are properly and timely constituted and are run by qualified and competent personnel in various functional areas. The donor and GOK continuously capacity build the staff through training and exposure to donor related aspects of management. The funds disbursement procedures for donor funds are stringent and are responsible for delay in receipt of funds by projects. From the study, it takes up to 15 months between loan approval and application for first disbursement. The main causes of delays of funds disbursement are mainly administrative; such as lengthy and complex review process for the summaries of expenditure submitted by PIUs. Also, the procurement procedures for the donor and GOK are in most cases conflicting hence loss of
valuable implementation time. There are regular supervisory visits by both the donor and GOK officials to assess project implementation progress. This is critical in addressing challenges experienced by the PIUs since direction is instantly given during such visitations and potential drawbacks to successful project implementation are eliminated. Even though the disbursement of funds by the donor is harmonized with the GOK calendar budget and printed estimates, there is concern that projects surrender back to Treasury huge sums of funds that remain unutilized at the end of the financial year. This affects implementation of scheduled activities contained in the annual work plan of the project. Late payment of suppliers due to non-availability of funds results in penalties in form of cost overruns charged on the project thereby increasing the overall cost of the project. Further, due to implementation delays, the projects are never completed on time thereby occasioning requests for extension of implementation time.

5.2. Recommendations

The donors and GOK need to design and harmonize funds disbursement procedures acceptable to both parties. The processes especially in regard to replenishment requests, the format and classification of expenses and their eligibility for financing by the donor must be expressly stated and clear. The procurement rules for donors and those of GOK must also be synchronized for simplicity and ease of application by PIUs since when the regulations by both parties conflict, the donors’ rules always prevail. Donors should move away from the habit of withholding disbursement of funds in the current year whenever there are issues that need to be addressed before disbursing funds. Instead, the subsequent tranche of funds in the new financial year may be withheld so as to minimize interruption with current year’s activities and eliminate delays. This also gives the PIUs ample time to address all issues raised in regard to previously disbursed funds. The GOK should discount all projected funds disbursements for the following year by use of especially where donors disburse less than they commit. This will help in ensuring more accurate budget planning for the projects. Further, projects should be allowed to retain the unspent funds at the end of the financial year so as to continue with project implementation activities since these remain outstanding and must be accomplished after all. PIUs are inconvenienced when they surrender unspent cash to Treasury yet implementation activities are on-going and when the same funds are reapplied for, the approval for release is not in full or sometimes declined.

5.3. Areas of Further Research

This research concentrated on funding of public projects in Homa Bay County by various donors. There is need for further research covering the entire country so as to get an accurate generalization of the effect of disbursement procedures on implementation of projects.

Abbreviations and Acronyms

ADB-African Development Bank  
GOK-Government of Kenya  
ICT-Information Communication Technology  
IFAD-International Fund for Agriculture and Development  
IMF-International Monetary Fund  
LDC-Least Developed Country  
MDG-Millennium Development Goal  
MOF-Ministry of Finance  
ODAC-Official development Assistance Committee  
OECD-Organization for Economic Development and Cooperation  
PIU-Project Implementation Unit  
PSC-Project Steering Committee  
SIDA-Swedish Development Agency  
SOE-Summary of Expenditure

REFERENCES

[8] Projects in Ghana  


