INFLUENCE OF DONOR FUNDED PROJECTS ON SOCIAL-ECONOMIC WELFARE OF THE RURAL COMMUNITIES IN KENYA

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ABSTRACT
About 70% of the world’s poor live in rural areas that are remote with poor infrastructure, limited services provision and far from the centers of power and decision-making. Though urban poverty is rising, the correlation between poverty and remoteness from urban centers is strong in most countries and it is expected to remain so until at least the second decade of the next. Therefore, the International Development Target of reducing the number of people living in extreme poverty will be achievable if the problem of rural poverty is confronted head-on. In some countries, progress has kept pace with the UN timeline of halving poverty by 2015, but other countries are falling well behind. Rural people are not only isolated from economic opportunities, they also tend to have less access to social services such as health, sanitation and education; for example, it is estimated that around 1 billion rural households in developing countries lack access to safe water supplies. Despite the above, this does not mean that rural areas have been neglected. Donors, in particular, have poured in money, mostly in the form of support mainly in agriculture and natural resources as a way of developing communities. Community development in itself is not a theory on how to develop rural areas but a means and outcome of making development possible at the level of a community. NGOs have become increasingly involved in providing health care, project development and services to people as well as ensuring social welfare. However, no study has been done on effects of donor funded projects on the social-economic welfare of the rural communities in Kenya. The current study
aims to bridge this knowledgeable gap. This study is designed to investigate the effects of donor funded projects on the social-economic welfare of the rural communities in Kenya. The study reviewed four variables namely level of project funding, management practices, capacity building and stakeholder involvement. The study adopted a descriptive research design. The study population was made up of 317 respondents from general public who are beneficiaries of the Rural Electrification. Data was gathered through self administered questionnaires.

Key words: Donor Funded Projects on Social-Economic Welfare of the Rural Communities.

Introduction
In March 2005, a step change in the relationship between aid donors and recipients was signaled by a new international agreement about the ways in which aid would be agreed and delivered. The Paris Declaration promised that donor agencies would align themselves behind the objectives for poverty reduction set by developing countries themselves, they would utilize local systems to deliver and track aid resources, they would coordinate and share information amongst themselves to avoid duplication, and both donor and recipient authorities would be mutually accountable for the results achieved (OECD DAC 2005).

These principles were further extended three years later, at a follow-on conference in Accra. Henceforth, it was agreed that donors would provide information on their planned programmes 3-5 years in advance, they would use country systems to deliver aid, rather than donor systems, and they would not impose their own conditions on how and when the aid resources would be used – rather they would use conditions based upon recipient countries’ own development targets and objectives (Accra Agenda for Action 2008).

Although these principles had for some years been informally accepted by some of these parties as being, in principle, desirable, the actual practice of aid was often far from meeting their aspirations. This was for a number of reasons. First, as a matter of detail, the procedures by which most agencies approve their country aid programmes are rooted in a calendar of events which is determined ultimately by their own parliamentary practice. This can affect everything from when the estimates for budgetary expenditures are accepted to whether or not expenditure commitments which extend beyond one or two years into the future, or which outlast the length of a particular parliament, can be made.
Secondly, and more fundamentally, aid budgets are vulnerable to changes in the economic and financial climate in industrialized countries, and the possibility of defending the integrity and wisdom with which aid funds are being, or have been spent is seen as having a crucial influence on the renewal of aid pledges. This means that aid ministers have to be able to defend the outcomes of their expenditures, and to demonstrate the transparency with which they have been made. Many developing countries’ budgetary systems make such demonstration difficult, and the outcomes of particular programmes of aid can often not be associated with particular expenditures made upon them in an unambiguous way.

Thirdly, developed countries aid lobbies and officials have views, often strongly held, about the best ways of tackling poverty in developing countries. Their opinions may be based upon experience in many different international settings, and/or research results which have identified key programmatic aspects necessary for effective targeting. Over the years since 2000 they have also been strongly influenced by the targets contained in the Millennium Declaration, adopted with the intention of halving world poverty by 2015.

The countries of Sub-Saharan Africa have been consigned to the bottom of the globe’s rich list. In 2008 for example, 47% of the population of sub-Saharan Africa lived on $1.25 a day or less (United Nations 2012). Decades of economic stagnation and declining living standards have turned Sub-Saharan Africa into the world’s poorest region (Calderón & Servén, 2010). United Nations Human Development Report figures show that the per capita income ratio in Sub-Saharan Africa fell from ninth of that in OECD countries in 1960 to an eighteenth by 1998 (UNDP, 2001, p. 16). Even though there has been a small recovery since the end of the 1990s, and despite ever increasing amounts of aid from NGO’s and from developed countries, Sub-Saharan Africa has failed to show any significant improvements in the vast amount of indicators that aim to assess levels of poverty (Clegg, 2010). Whilst there has been a decline in poverty levels in Latin America and Asia in the past forty years, Sub-Saharan Africa achieved a depressingly small improvement in this time (Economist 2009).

The past two decades have witnessed an increase in the official aid to NGOs, with the United States contributing nearly 50% of the funds to NGOs. Between 10 -15% (approximately 6 billion
dollars) was provided in support to development projects and programs to NGOs (ODI, 1996). From 1975 to 1988, the level of total overseas development assistance increased by 43% from US $27.3 to 48.2 billion, 11% growth from 27.3 to 30 billion dollars and from 1980 to 1988, the amount of aid allocated to NGOs rose from US$1.04 to 2.13 billion (Alan Fowler, 1992:p.17). In 2007, Aid by non-governmental organizations (NGOs) from all donor countries of the OECD’s Development Assistance Committee (DAC) amounted to $15.5 billion in 2003 (OECD 2007). Quoting the Overseas development institute, Firoze Manji et al, (2002: p.11), noted that, NGOs in 1992 distributed between 10 and 15% of all aid to developing countries. DFID allocates 8 % of its funds to NGOs, and the US government transfers 40% of its aid through NGOs programs.

In Kenya, a dramatic build up in nominal aid flows was experienced in the1980s, according to OECD-DAC statistics. There was a slackening of donor support in the 1990s but the nominal aid flows increased from US$ 393.4 million in 1980 to an average peak of US$1120.5 million in 1989-90, before declining to a low of US$ 308.85 million in 1999. There was some recovery thereafter in response to a new government in December2002 such that the net ODA to Kenya accounted for US $943 million in 2006, ranking it 23rd among 150 aid recipient developing countries. The 2006 Kenya Integrated Household and Budget Survey, (KIHBS) found that 46% of the total Kenyan population is absolutely poor, i.e. below the poverty line, whereas 49% of the rural population is absolutely poor (Kenya National Bureau of Statistics, 2007).

**Funding of Energy Sector**

Energy consumption is an indicator of economic growth. Access to modern energy is also a prerequisite for production growth and efficiency. The commercial and industrial sectors account for 63% of electricity consumption. The energy sector also generates 20% of Kenyan fiscal revenues (KBS, 2012). The Government of Kenya is acknowledging the importance of the energy sector and presents it as one of the priorities in the IP-ERS under the following objective: to “ensure adequate supply of affordable energy to stimulate economic growth (Mbeche, 2009). This objective translates into outcomes such as: reliability of supply, lower cost, less deforestation, increased access to modern forms of energy, regional equity, effective regulatory framework, and accountability.
The energy sector, mainly composed of electricity, biomass energy, and petroleum products is one of the key sectors of the Kenyan economy. Wide access to modern, reliable, and cost-effective energy is both a guarantee of the dynamism for the private sector, and a key to basic social services for poor Kenyans. The Kenyan government has been very pro-active in the sector since the last CG meeting in 2003. Cognizant of these successful efforts, donors have stepped up their commitments in the sector to over Shs. 20 billion (Njihia, 2010). However, the sector is still facing many challenges. The government of Kenya has been relying on donor funding for most of its projects. Budgetary estimates for Development expenditure in Kenya is largely donor funded.

Donor funding in Kenya is distributed across various sectors of the economy. These sectors of the economy are entrenched into the various government Ministries and Departments under which the execution of the various projects is undertaken. Donor funding is always made possible through an agreement between the development partners (The lending institution and the borrower in this case the Kenya government) (World Bank Report, 2012). The financing agreements are drawn and agreed upon by both parties through representatives. Donor funding for projects in Kenya is administered through External Resources Department of the National Treasury. External Resources Department provides the link between donor disbursements and the project management team. Project managers provide day to day planning, coordination, organization and control of project activities. There are many world Bank Funded projects in Kenya whose impact require investigation to find out whether there is any positive contribution to economic development and well being of the Kenyan society for whom the donor funding is sought or provided (World Bank Report, 2012).

**Statement of the Problem**

About 70% of the world’s poor live in rural areas that are remote with poor infrastructure, limited services provision and far from the centers of power and decision-making (Scoones & Wolmer, 2009). Though urban poverty is rising, the correlation between poverty and remoteness from urban centers is strong in most countries and it is expected to remain so until at least the second decade of the next century (Carney, 1999). Therefore, the International Development Target of reducing the number of people living in extreme poverty will be achievable if the
problem of rural poverty is confronted head-on. In some countries, progress has kept pace with the UN timeline of halving poverty by 2015, but other countries are falling well behind (BANKS & UP, 2009). Rural people are not only isolated from economic opportunities, they also tend to have less access to social services such as health, sanitation and education; for example, it is estimated that around 1 billion rural households in developing countries lack access to safe water supplies (Hunter, MacDonald & Carter, 2010).

Despite the above, this does not mean that rural areas have been neglected. Donors, in particular, have poured in money, mostly in the form of support mainly in agriculture and natural resources as a way of developing communities. Community development in itself is not a theory on how to develop rural areas but a means and outcome of making development possible at the level of a community (Jimu, 2010). NGOs have become increasingly involved in providing health care, project development and services to people as well as ensuring social welfare (GAO, 2009). However, no study has been done on effects of donor funded projects on the social-economic welfare of the rural communities in Kenya. the current study aims to bridge this knowledgeable gap.

Objectives of the Study

General Objective
The purpose of this study was to investigate the effects of donor funded projects on the social-economic welfare of the rural communities in Kenya.

Specific Objectives
i. To find how level of project funding influence social-economic welfare of the rural communities in Kenya.
ii. To examine how management practices influence social-economic welfare of the rural communities in Kenya.
iii. To examine how capacity building influence social-economic welfare of the rural communities in Kenya.
iv. To examine how stakeholder involvement influence social-economic welfare of the rural communities in Kenya.
Significance of the Study

This study sought to critique donor-funded projects through NGOs, their contribution towards social and economic development of the ordinary citizens and later suggesting practical ways forward on how the NGOs can implement donor-aided projects. The study will in general bring to afore critical issues concerning donor aided projects and development that will probably facilitate a new development perspective towards donor aided projects in Africa and Kenya in particular. The study will remain a useful self-examination tool for reflection among the Nongovernmental Organizations and also used as a reference in academia as well as the donor community.

Scope of the Study

The focus of this study is the World Bank funded projects in Kenya. The study will take a sample of 10% of the World Bank funded projects in Kenya. The study will also restrict itself on the government policies and lending agreements as relates to World Bank funded projects. The study will focus on the World Bank funded projects whose Headquarters is in Nairobi. The study will be limited to ten (10) years period of 2003-2012.

Limitations of the Study

One of the limitations of the study is in its scope. Since the study will focus on the World Bank funded projects only, the results will not be applicable to projects funded through other means. Thus, the recommendation for application would be limited to World Bank funded projects only.

The study also anticipates ambiguity in responses by the respondents. The respondents may want to paint a good picture to the projects under their docket and thus give distorted and ambiguous responses. The study will mitigate this by a designed questionnaire with a Likert scale.

Literature Review

Donor Funded Project on Social-Economic Welfare

Although aid has a positive impact on growth in developing countries with good fiscal, monetary and trade policies, it has little impact on countries where such policies are poor. Aid itself has small and insignificant impact on growth but aid interacting with good policy has a positive
impact on growth as suggested by Craig Burnside and David Dollar in their research paper. However, (Baliamoune-Lutz & Mavrotas, 2009) contradicts them, stating that linking aid to policy can be controversial, and that several studies show that such a link is empirically inexistent or is very weak once the sample, the control variables, or the specifications change.

**Conceptual Framework**

A conceptual is defined as an element of the scientific research process in which a specific concept is defined as a measurable occurrence or in measurable terms that basically gives a clear meaning of the concept. According to Mugenda and Mugenda (2003) conceptual framework is a diagrammatic presentation of the relationship between dependent and independent variables. In this study, the dependent variable is social economic welfare while independent variables are management, stakeholders’ involvement, capacity building and financial resources.

**Management**

Good governance means the effective management of resources in a manner that is open, transparent, accountable, equitable and responsive to people needs (EYONG, 2009). It also means that processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal (UN, 2011). The issue of good governance has been key to the functioning of successful NGOs although it is essential to all organizations (for-profit, private, public, and not-for profit) where resources must be managed in a manner that is
transparent, accountable, equitable and responsive to the needs of the people (Lekorwe & Mpabanga, 2007). Onyango (2009) acknowledges that organizations operate in complex and dynamic business environments and subsequently require complex, but flexible governance.

The issue of good governance today is widely regarded as one of the key ingredients for poverty alleviation and sustainable development which project managers must not lose sight. There are vital linkage between good governance and sustainable developments. Since most NGOs are aimed at becoming sustainable, then good governance becomes a vital aspect of NGOs existence. Participatory approach or management is essential to the achievement of sustainable development because it helps to ensure good accountability and effectiveness. NGOs in developing countries often lack institutional capacities and resources thus funds from donors are poorly managed. To ensure effective and proper management of resources, good governance becomes an important aspect of every project.

**Stakeholders Involvement**

In recent years, participation of the communities in development initiatives intended to benefit them has been acknowledged as important in achieving sustainable development. The question is: why? The assumption is that people themselves can better understand their economic and social milieu they face and probably have insights that can help shape initiatives intended to benefit them (Benjamin 2012). Ideally, a good stakeholder participation program will enable those who are interested in, or affected by a decision, have an opportunity to influence the outcome. Stakeholders play role and interact at multiple levels–from local to global level and their role and interaction determine the effectiveness of a development intervention.

A research done in Pakistan involving eighty randomly selected projects demonstrated the importance of stakeholder involvement. The researcher sought to establish why the rate of forest depletion in North West Frontier Province (NWFP) and adjacent northern areas remained one of the most threatened environmental issues despite the various forests related development projects that had been implemented. The final findings indicated that there was a low perceived interactions between the Forest Department and the project beneficiaries (local communities), local CBOs (Wattoo, Ali, Khan, & Shahbaz, 2010).
Capacity Building

The achievement of M.D.G and other international and national development targets in developing countries hinges on capabilities of individuals, organizations and societies to transform in order to reach their designed objectives. United Nation Development Programme (UNDP) defines capacity building as the ability to perform functions effectively, efficiently and sustainably. Capacity building is regarded as the enhancement of the competency of individuals and local communities to engage in activities in a sustainable manner for positive development, poverty reduction and also meeting the MDGs, (Hope, 2009). Capacity building involves strengthening performance capabilities by empowering those who are most marginalized by providing equal chances for community to access resources.

In the implementation of community projects, the beneficiaries need the ability to perform many functions to ensure they maximize on the outputs of the projects. A study conducted by Webbs Rogers (2003) for instance, shows that in order to produce more and more nutritious food the beneficiaries have to use agricultural knowledge and farming skills which are technical assets.

Capacity building is not only a stand-alone training interventions but rather a strategically coordinated set of activities aimed at improving the abilities of skills of individuals for a better performance. According to Kistern (1998), capacity development and skills training are determinants of successful developments. For a project to realize its objectives, the guidelines of the project cycle must be vigorously implemented. The cycle should however further incorporate participative process, social integration, capacity development and economic diversity. Kistern insists that human capacity development and skills training are important determinants of successful development.

Financial Resources

The sources and composition of project finance is another key factor that may influence the success of project implementation. Analysis on a number of researches has shown that sources of finance have a positive influence on projects. In his study, Kasoo (2010) reiterated in his findings that besides community participation, sources and composition of project finance has a bearing on project success as well. This was confirmed by Ayodele (2011) when he reported that one
major cause of abandonment of construction projects in Nigeria was due to inadequate funding/finance. His study report further emphasizes the importance of financial resources in project implementation. The study is in consonance with Yang and Jackson’s affirmation on the stalled pumped-hydro energy storage in the United States that financial uncertainties was the project’s limiting factor (Yang & Jackson, 2011).

Another study purposed to establish the influence of financing on institutional capacity of Early Childhood Education (ECE) centers in Kikuyu District in Kenya using descriptive survey, identified financing as a major impediment towards the realization of the institutional capacity (Kimani 2009). Most donors now days provide reliable flow of funds while monitoring the implementation of the projects closely. Some of these donor sources attach some conditionality before committing themselves to full funding arrangements. Their reliability however, has made it possible for most donor projects to succeed. Some of the conditions have a positive influence because they require the community members to actively participate in the project hence their high chances of success.

Research Methodology
The study adopted a descriptive research design. The study population was made up of 317 respondents from general public who are beneficiaries of the Rural Electrification. The sample size determined is 317 respondents. This was arrived at using Krejcie and Morgan’s method of determination of a sample for a given population size. Data was gathered through self administered questionnaires.

Data Analysis and Findings
Both vertical and horizontal communication among project team and the stakeholders is an important management characteristic that is bound to determine the ultimate success of projects of any nature. It was therefore necessary for the study to investigate whether communication had an influence on the social economic welfare of the rural communities. In order to establish the influence, the respondents were asked to rate the extent of communication among the project team and stakeholders during the program period. The results above indicate that all the respondents were engaged in communication at some point during implementation of the
projects. The researcher noted that the majority of the respondents recognized the importance of communication in project implementation with an overall of 69.9% and 22.2% of the respondents recording that the influence of communication was high and very high respectively; only 7.7% said the influence was moderate. Out of those who said the influence was high, 61.4% had very good communication.

From the analysis, it is noted that 10.3% of the respondents never planned their activities. According to information gathered, this faction implemented whatever the officials deemed right for the group without due consensus from all group members. Other results however, shows that 48.9% did moderate planning of their activities while 33.1% did shallow planning. The researcher noted from data collected that the 7.7% who did detail planning were mainly the Energy project team.

Another objective in this study was to investigate how involvement of stakeholders influenced the social economic welfare of the energy project beneficiaries. Categories identified for study were the community members, government officials & agencies and the local leaders. The analyzed findings in table 4.11 shows that 94.5% of the respondents admitted that community members were involved in the implementation of program while another 97.8% acknowledged that the government officials and agencies had knowledge of the program activities. 89.7% of the local leadership in the project areas were made aware of project intentions and got involved in implementation processes.

The study found that stakeholders were largely and moderately involved, the impact on project outcomes was 100% very high and 55.7% high. This contrasted with where the stakeholders were least involved, the impact was rated 7.2% high. On extent to which stakeholders are involved the study found that 42.3% were largely involved, 48.5% were moderately involved and 9.5% were least involved.

Among the variables investigated in this study is the capacity building of the programme beneficiaries. This is because achievement of programmes benefits and sustainability is tied on the capacity of the direct beneficiaries. In order to answer the study question on influence of capacity building on social economic welfare of rural communities, the researcher sought for
information on the training offered to the respondents, frequency of training, relevance and usefulness of training to the programme beneficiaries. Capacity building involves training for technical skills for practical application. The study undertaken showed that 98.5% of the respondents had their capacities developed at any given time during implementation of the program. 1.5% of the respondents had not been trained due to absenteeism during training sessions as established during the study. The study findings indicated that a larger number of respondents underwent through training for skills to be applied in conducting the program activities. Capacity building of especially community members has been established to have profound benefits in conducting project activities. The study respondents confirmed that the type of technical skills, knowledge and technology offered to them through training contributed to a great extent towards the management and resolving encountered project challenges.

From the analysis above, 84.2% of the respondents received a financial support of between 61-80% of their budget, 9.9% received 81-100% and 2.9% of the respondents got between 41-60% of their activity budget estimate. Further relationship analysis shows that none of those who received their funding within time had their project activities affected. However, those who received their funding late (84.6%) and very late (61.5%) reported that they had their project activities affected. Information acquired during data collection pointed that other factors like weather especially for crop projects affected project activities as well and not singularly delay in receiving funds. In overall, 72.3% of the respondents did not have their activities interrupted resulting from time taken to release funds, unlike remaining 27.7% who acknowledged their activities to have barged in due to late disbursement of funds. The significant difference between the two arose from the fact that majority received funding in good time and thereby limited interruptions of project activities were reported. The influence of funding duration on community projects was very high for those funded for five, four and three years representing 30.3%, 42.4%) and 27.3% respectively.

Conclusions
The study aimed at finding out the effects of donor funded projects on the social-economic welfare of the rural communities in Kenya. Based on the findings, the study made the following conclusions. This signified that stakeholder involvement has a great influence on projects and it’s
nearly impossible to achieve project outcomes without involving stakeholders in the project processes. These sentiments are reflected by Khwaja, (2009) and on a conceptual paper by Kirchoff, Koch, & Nichols, (2011) where it reported that understanding and involving customer stakeholders in management and coordination of demand (marketing) and supply (SCM) functions would offer the firm a competitive advantage and higher performance.

The researcher noted that beneficiaries were trained several times on different aspects to enhance their competence which was necessary for effective project implementation and solving of problems. Şekercioğlu, (2012) in his research also concluded that capacity building was necessary in order to achieve the goals of community-based biodiversity conservation and poverty reduction in the developing world. Similarly, Ahmed & Palermo, (2010) found out through their research on frameworks for education and peer review that community engagement enhance a community's ability to address its own health needs and health disparities issues.

Regarding funding of projects, research results pointed out clearly that financial resources are very important in any project and funding should be availed to a point where the projects can sustain themselves. These findings are in concurrence with research results on Abandonment of Building Projects in Nigeria (Olalusi & Otunola, 2012). Unlike in this study where only questionnaires were used to collect information, personal interview, questionnaire administration, and review of existing literature and journals formed the data base for Olalusi & Otunola and they concluded that the one of the major causes of abandonment of construction projects in Nigeria was due to inadequate funding/finance.

**Recommendation**

Successful implementation of community projects demands equal effort and involvement of both the donor (project team) and the beneficiaries for ownership and sustainability. In order to ensure donors come up with projects that will last long enough to have impact on the social economic welfare of the people, the study recommends that;

i. The researcher recommends that where community groups are the focus for projects funding, it should be emphasized that post primary education be a pre requisite. This
requirement will facilitate impartation of skills and dissemination of information and transfer of technology to the community and hence ease of project implementation and sustainability.

ii. There are numerous NGOs at present found operating in various parts of the country supporting similar or near similar activities. Donors should therefore capitalize on building on existing capacity to save on resources and evade duplication of activities.

iii. Community members should also be assisted to identify long term projects with a short payback period and also help them achieve an entrepreneurial mind set.

iv. Donors don’t have to financially support community projects with cash. Purchasing and delivering them materials or inputs minimizes the chances of embezzlement.

v. Identify and include as many stakeholders as possible in all project processes to minimize resistance and embrace ownership.

vi. Importance of planning and organization should be emphasized particularly among the Community members since this will save them and the donors extra resources and time.

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