Assessment of Factors Affecting Disbursement of Public Funds for Rural Road Projects in Kenya – A Case Study of Nakuru County

Jacquelyne Jerotich Legision1, Antony Wahome Ndirangu2, Dr. Peula Jepchumba Kiplagat3
1,2,3School of Human Resource Development.

ABSTRACT
Economic development of any country depends mainly on its infrastructure. Government of Kenya’s Vision 2030 aspires for the country to be firmly interconnected through a network of roads, railways, ports, airports, water and sanitation facilities, and telecommunications. Improvement of infrastructure is seen as fundamental to the growth of the identified driving sectors of the economy. In Kenya, road networks in the rural areas have greatly hampered the economic growth due to inaccessibility. Several development partners and more so, the Kenyan government has initiated several projects to improve this situation. One way of doing this has been allocation of funds towards improvement of roads in rural areas. Despite the heavy investment in this initiative the government still faces a number of challenges in relation to the development.

Keywords— Developments, Payment, Rural Roads, Variation

I. INTRODUCTION

The transport sector comprising of roads, rail, air, maritime and inland waterways and pipeline transport modes, are the engine of a country’s economic growth. In Kenya road is the predominant mode of transport in the country, accounting for over 80% of the land freight and passenger traffic. Roads are therefore the primary communication links to all sectors of the economy and the population. It is widely recognized that an efficient road infrastructure is a prerequisite for economic and social developments.

Better roads contribute to poverty reduction by lowering the costs of goods and services, improving access to social facilities and administration centers and improving safety and security. Therefore, any mishap in the road sector automatically affects the growth of the country [8]. Disbursement of public fund for Kenyan rural road projects has a serious effect on early completion of projects and its success. Although there have been efforts to improve fund disbursement by Government of Kenya (GOK) in the recent years, problems arising from fund disbursement are getting more severe. This study assessed the factors affecting disbursement of public funds for rural road projects in Kenya and specifically in Nakuru County.

Every financial year, GOK spends substantial amount of money in the roads industry therefore, necessary enhancements should be undertaken in this industry to improve project performance and efficiency. The regulators and the policy makers will use the finding in this research as reference for policy guidelines on service delivery and project management in the road industry. They will be able to use the findings of the study to formulate viable policies that will in turn boost productivity. It is in line with the objectives of Vision 2030 of fund management and provision of an optimal improvement of the road network conditions using timely and technically sound intervention programmes making Kenya a middle income country by 2030. The findings of this study will also enrich existing knowledge and hence will be of interest to both researchers and academicians who seek to explore and carry out further investigations by providing a basis for further research.

II. METHODOLOGY

The researcher adopted a descriptive research that used both quantitative and qualitative approach. Data was collected using both primary and secondary methods. Secondary method was more appropriate since it provided the historical records about disbursement of funds for rural road networks in Kenya. The researcher therefore assessed the factors that affect disbursement of public funds for rural roads in Kenya. Data was collected by use of both
structured and open ended questionnaire which was administered to prequalified road contractors as well as KeRRA management in Nakuru County. The study was conducted within Nakuru County. The target population for the study was 230 participants comprising of road contractors of categories G and H who operate under the Kenya Rural Roads Authority under the National Construction Authority (NCA) classification and the management of KeRRA in Nakuru County [3]. This class of companies was chosen for the study because of the projects they undertake. This was therefore achieved by acquiring initial list of contractors within the classification from the National Construction Authority and KeRRA. The data helped in locating the offices of the companies thereafter.

Random sampling was used to select the sample size for the contractors since they all had similar traits needed for the research. Stratified was used to select participants at KeRRA management team in Nakuru Region since the organization is classified in stratus of top, middle management and support staff. This sampling procedure was chosen for use in this study because it makes the study more focused, is less costly and less time consuming [11].

III. PRIOR APPROACH

According to Kenya Roads Board (2011), Kenya has 160,886 Kilometres of roads with 11,189 Kilometres unpaved. It has been estimated that road transport accounts for 80% of freight ton-miles and passenger miles in the country. It is because of the critical role played by road transportation that GOK has and continues to invest heavily in this sector. According to KACC [8], approximately 47% of the classified road network is in a disastrous condition. Investment in the road infrastructure requires massive financial and human resources. The average budget for Ministry of Roads and Public Works (MoRPW) is 40 Billion Kenyan shillings per financial year (FY) of which 10 Billion Kenyan shillings are from Roads Maintenance levy Fund [13].

Kenya Roads Board (KRB) is a State Corporation established under the Kenya Roads Board Act, 1999 and it is in charge of KeNHA, KURA and KeRRA. Its mandate is to oversee the road network in Kenya and coordinate its development, rehabilitation and maintenance and to advise the Minister for Roads on all matters related thereto. KRB Fund comprises of the Road Maintenance Fuel Levy, Exchequer from government, Transit Toll and Agricultural cess. Fuel levy was established in 1993 by the Road Maintenance Levy Act. Fuel levy is charged at the rate of Kshs 9 per litre of petrol and diesel [13]. The KRB Act, as amended by the Kenya Roads Act No. 2 of 2007 indicates that 22% of the RMLF is allocated equally to all constituencies, for road works in the constituencies. These funds are managed by the Constituency Roads Committees (CRCs) with coordination of Kenya Rural Roads Authority (KeRRA).

KeRRA is a state parastatal under the Ministry of Roads. It is responsible for the management, development, rehabilitation and maintenance of rural roads, classified as D, E and others. KeRRA has 47 Regional Offices in each of the 47 counties. Each office is headed by a regional manager who represents the Director General in each county. The stakeholders in the road industry endure to complain about the industry’s inability to deliver projects within the scheduled project period, budgeted project cost and acceptable project quality [11]. Contractors complain of late disbursements as one of the key issues that contribute to unsuccessful government funded road projects. An important factor which impedes the capabilities of contractors is irregular and delays in disbursement. Despite the heavy budget the government allocates to the road network, not much has been done since according to KACC [8] the road industry is in dreadful failure. There is evidence to support the proposition that disbursement of public fund affects the success of a project. The economic growth that is being experienced in Kenya and specifically in Nakuru County has led to an increase in economic activities. These economic activities require operational road network especially joining from the rural areas of the county. This thus prompted a research on the assessment of the factors that affect disbursement of public fund on rural road projects in Kenya.

It is important to note just like many developing countries, bureaucracy in the Kenyan civil service has a big impact on projects. Many civil servants are adamant when it comes to projects that do not directly benefit them. This therefore affects the success of rural road projects in Kenya.

Regulating authorities such as KRB is a board that is appointed by the minister of road. The minister is allocated 10% of the collected fund to use on the projects he/she so desire to undertake. In such cases depending on the ministers leaning some rural roads will have more advantage over others.

The logistics of fund disbursement is extensive since first a committee is formed. The committee proposes road projects in order of priorities. The proposed projects are forwarded to the PS of Ministry of Roads who issues instruction to the Chief Engineer to requisition finance from CFO. The disbursement is in cheque form and since it goes through a long process the rural road projects are affected.

The road industry operated under several legislations which act as the moderating variable. These legislations include; KRB Act [3], RMLF Act (1993), The Traffic Act and Ministerial Circulars. All these moderate fund disbursement for rural road projects in Kenya. The KRB Act [3] establishes the DRC and stipulates its membership to include all members of parliament from the district, chairman or mayor of every local authority in the district, the district road engineer amongst others.
IV. OUR APPROACH

The expected sample population was fifty nine, in which fifty two questionnaires were successfully returned for analysis. This was an 88% response rate as shown in the table below;

Table 1: Response Rate

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Total Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected respondents</td>
<td>59</td>
<td>100%</td>
</tr>
<tr>
<td>Received respondents</td>
<td>52</td>
<td>88%</td>
</tr>
</tbody>
</table>

This response rate can be considered extremely good since the general response rates have fallen over time. The response rate to this survey can be compared to the average survey response rates that are at 32.52 % [7].

Table 2: Distribution of the respondents

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rongai</td>
<td>10</td>
<td>19</td>
</tr>
<tr>
<td>Molo</td>
<td>8</td>
<td>15</td>
</tr>
<tr>
<td>Nakuru town east</td>
<td>17</td>
<td>33</td>
</tr>
<tr>
<td>Nakuru town west</td>
<td>12</td>
<td>23</td>
</tr>
<tr>
<td>Subukia</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>52</td>
<td>100</td>
</tr>
</tbody>
</table>

The reason for the distribution can be attributed to the fact that majority of the contractors were found within the main business centers due to convenience and accessibility.

The characteristics of the factors affecting disbursement of public funds for rural projects were first considered, and then followed by their influence on the rate of developments and undertaking of rural road projects. These characteristics included Sources of funds, Levels of bureaucracy, Regulating authority and logistics of fund disbursement. Descriptive statistics, correlation and regression analysis were used to conduct the analysis. Based on the results obtained, a discussion was made for each independent variable to justify its influence on funds disbursement for rural road projects. The subsequent section begins with the correlation results followed by regression results.

Table 2: Correlation results

<table>
<thead>
<tr>
<th>No</th>
<th>Independent Variable</th>
<th>Correlation model</th>
<th>Correlation model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Pearson Correlation</td>
<td>Spearman's rho</td>
</tr>
<tr>
<td>1</td>
<td>Sources of funds</td>
<td>.924**</td>
<td>.842**</td>
</tr>
<tr>
<td>2</td>
<td>Level of bureaucracy</td>
<td>.896**</td>
<td>.724**</td>
</tr>
<tr>
<td>3</td>
<td>Regulating authority</td>
<td>.824**</td>
<td>.823**</td>
</tr>
</tbody>
</table>
| 4   | Logistics of fund disbursement | .666** | .808** | The correlation results in Table 2 include Pearson correlation coefficients and Spearman's rho.  
* Correlation is significant at the 0.05 level (2-tailed).  
** Correlation is significant at the 0.01 level (2-tailed)  
Sample size n= 52  
Correlation between each variable and itself =1

V. CONCLUSION

The responsibility for roads infrastructure development, rehabilitation and maintenance is fragmented among different government Ministries and Departments. This fragmentation has led to inadequate coordination among the various players thereby undermining proper maintenance and rehabilitation of the road network in the country as explained below;

5.1 Sources of funds

KeRRA is a government institution funded through exchequer funds from the GOK, fuel levy for maintenance of roads and development partner funding. In Kenya, the main employer of roads projects is the government and as such greatly manipulates the industry. Respondents were of the view that, employers most often than not do not work within her budget. That is, they issue out a number of projects to road contractors without looking at the financial commitment resulting in numerous construction firms not being paid. This according to the respondents happen often but especially during election period as they used projects to entice the inhabitants for their votes.

5.2 Level of bureaucracy in the road industry

Within the government institutions the employees have adopted a bureaucratic approach which has interfered with their freedom such that there is a hierarchy which is impossible to question. At times tenders are issued to contractors without proper tendering procedure and at times some contractors are paid while others are kept to wait. Most contractors complain that they are not given sufficient information on the cause of the delay in fund disbursement.

5.3 Effects of the regulating authority on the rural road projects

Most of the respondents agreed that a mechanism for avoiding or reducing this problem needs to be taken in the form of contractual or statutory rights. This study revealed that the preferred alternative remedies for securing default disbursement debt from the employer are by adjudication and litigation.

Also, the Finance Act (2009) set up Constituency Roads Committees (CRC) in each constituency and is mandated to identify and prioritize roads to be included in the annual roads programme. These prioritized programs are implemented with KeRRA providing the technical inputs and supervision. Some of the members of CRC are not technical conversant with the road industry since they
are political appointees and leaders who at the end of the day will select roads based on their selfish interest.

5.4 Impact of logistics involved in disbursement of funds on rural road projects

It was evidenced that there is a laborious process in claiming for work done by contractors provided under standard forms of contracts and partly owing to the unprofessional attitude of the employers’ representatives who tends to delay matters. Starting with the contractor’s claim until disbursement made by the employer during the period of honoring certificate the whole process could take more than two months on the average. Irregular disbursement of funds to the contractor is further escalated if there is a dispute or disagreement about the value of work done or variation order. It may be necessary to amend the standard form of contract so as to expedite the whole payment process to lessen the enormous burden contractors go through with their cash flow while waiting for certification. Employer and its representatives must be sensitive towards promptness of submitting, processing, issuing interim payment certificates and honoring the certificates as these processes can generate negative impacts if not seriously attended to.

6.1 Sources of funds

It is a well-established fact that road infrastructure in the country is quite deficient and large investment is needed to build the required level of road facilities especially at the rural areas. It is also true that needed investment cannot alone be generated through public financing and therefore private funding needs to be geared up. Private sector financing in road development holds a very brilliant future.

From the study, the government is the main source of funding for rural road projects followed by donor. It was clear that most donor funded project record a higher success rate than government funded road projects. This is attributed to the fact that the donor funded projects are managed throughout its life cycle effectively and especially the feasibility of such projects are carried out efficiently. Therefore the government should borrow a lot from donor funded project are concentrate on the initial stage of project cycle by carrying out efficient feasibility study to ascertain the amount of fund needed for the rural road project.

6.2 Level of bureaucracy in the road industry

It was clear from the study that information dissemination was not properly channelled and thus resulted to irregular disbursement of funds. A suitable system of information dissemination should be implemented in the rural road network especially at KeRRA such that contractors may operate efficiently.

6.3 Effects of the regulating authority on the rural road projects

The concerned authority such as KeRRA should ensure that detailed designs and comprehensive feasibility studies are carried out before tendering. The concerned ministry should also establish authentic technical database to appropriately inform the planning process and shield it from corruption at project prioritization and selection phase. KRB should incorporate policies for compensation of contractors in the event they are at fault especially with regards to delayed disbursement.

6.4 Impact of logistics involved in disbursement of funds on rural road projects

A right to regular periodic disbursement was perceived as the most favorable option or remedy among the respondents. Many standard forms of contracts include such a right to facilitate contractors’ cash flow. The right however does not resolve or mitigate the contractors’ disbursement woes as the occurrence of irregular or non-payment in road construction contracts is quite common in the industry notwithstanding the availability of such a right under various standard forms of contracts. From the study it was observed that the road industry has been divided into various authorities. This fragmentation has led to inadequate coordination among the various players thereby undermining proper maintenance and rehabilitation of the road network. Most highways under KeNHA are viewed as better maintained and rehabilitated unlike rural roads which fall under KeRRA.

REFERENCES


