

INVESTIGATION OF DONOR FUNDING PRACTICES AND AIDED PROJECTS FOR CAPACITY BUILDING: A CASE OF WORLD VISION KENYA

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ABSTRACT: *The role played by donor agencies in improving living standards of families' households, groups and individuals in any country especially in arid and semi-arid areas cannot be underestimated. There has been a significant increase in activities from donor agencies such as Community-Based Organizations (CBO), Faith-Based Organizations (FBO) and Non-Governmental Organizations (NGOs) among others with regards to funding of various projects especially in arid and semiarid areas where the government has failed to deliver services to its people (Adera, 2012). However development projects, initiated and/or funded by these donor agencies, perform poorly and many become non-operational on termination of donor support. However, few studies have been conducted to establish the sustainability of these donor funded projects. This poses a gap that this study sought to fill through an investigation of the donor funded project and their financial sustainability. The study specifically determined the effect of accessibility of donor funding, donor training, and donor funding policies on financial sustainability. The study was guided by principle agency theory. The study adopted descriptive survey research design. The target population included 10 projects under world vision in five counties. Stratified sampling technique was used to select a sample size of 133 employees and 40 community leaders. Data was collected from the respondents using questionnaires as the principal data collection instrument. The data was analyzed using descriptive statistics such as means, standard deviation, skewness and kurtosis and inferential statistics such as Pearson correlation and multiple regression model was used to aid in generation of results. Capacity building impacts aspects of identifying an efficient communication strategy, identifying more efficient uses of technology and engaging in collaboration with community members and this in turn increases sustainability and donor capacity building which was positively correlated to sustainability beta coefficient 0.296, $p < 0.05$ does affect sustainability. The study benefited both project implementers and their donors in improving the relationship between donor and the project sustainability.*

KEYWORDS: Community-Based Organizations (CBO), Faith-Based Organizations (FBO) and Non-Governmental Organizations (NGOs)

INTRODUCTION

Hawkins and Mann (2007) reported that projects that continued to be implemented during the 80s performed poorly that project overruns were costly both to the World Bank and the

beneficiary countries and that the bank's loss of focus resulted in poor supervision that ultimately affected the outcomes of these projects. Project sustainability is a major challenge in many developing countries. Large number of projects implemented at huge costs often tend to experience difficulties with sustainability. All major donors, such as the World Bank, the Asian Development bank and the bilateral aid agencies have been expressing concerns on this matter. According to Khan (2000), while the trend with implementation is showing significant improvement, the trend with post implementation sustainability is rather disappointing - increasingly, fewer projects are being sustained. This means that while huge expenditures are being incurred by these countries in implementing projects, poor sustainability is depriving them from the returns expected of these investments. This further means that while the debts from development expenditure are increasing, gains from these expenditure have either not been forthcoming fully or been accrued at a lower rate.

Many explanations for the success or failure of funded projects come from the donors themselves (Font *et al*, 2012). There is a myriad of donors of aid to both developed and developing countries, including multilateral (World Bank, United Nations Development Programme, Asian Development Bank, European Union) and bilateral donors (national cooperation/development aid agencies), non-governmental organizations, and foundations. However, some of the donor aided project are faced with some challenges, for instance there is a lack of transparency in decision making about development assistance (Rashid, 2005). While development assistance is often assumed to be apolitical, in reality practice has been closer to enlightened self-interest (Wilson, 2007). There is evidence of donors partly choosing aid recipients based on potential trade benefits (Younas, 2008) or because of historic ties with former colonies. Donor rankings based on how they allocate aid across countries (allocative performance) are common, with income, population and policy the most commonly used criteria (Anderson and Clist, 2011). Moreover, donor performance goes beyond allocation, to include the donors' commitment, flexibility, and control, among others. In a study of aid practice measures UN agencies were found to perform far worse than bilateral aid, and all agencies made only marginal improvements on aid transparency and improving ineffective aid channels. There was no discernible improvement (or weaker performance) on specialization, selectivity, and overhead costs despite agencies claiming the contrary (Easterly and Williamson, 2011).

Problem formulation

One of the greatest challenges facing donor funded project in developing countries (such as Kenya), is how to sustain and support this project financially. The primary reasons why NGOs need to find different strategies for long-term survival are: lack of donor commitment, inflexibility of donors, Despite the increase in donor funding to government and NGOs projects, the state of failure of projects in Kenya particularly in marginalized regions in particular is on the increase. Therefore, it is paramount to investigate the relationship between donor funded project and their financial sustainability.

LITERATURE REVIEW

Capacity building

Capacity building is about improving our ability to learn and adapt through change (Macadam, et al. 2004). Given the current context facing NGOs target groups in this counties (e.g. long-running droughts; uncertainty and complexity associated with climate change; access to resources like water and people; and changing consumer preferences) improving how they adapt through these conditions for resilient and sustainable building can be seen as a priority for development . However, improving their ability to adapt is not straightforward and progress can be hindered. For instance, the push toward privatization of knowledge can slow adaptation because knowledge and information are viewed as tradable commodities (Carney 1995; Leeuwis 2000; Marsh and Pannell 2000). Further, human and social capacity technology is seen as the adaptation solution (Vanclay and Lawrence 1995). Finally, the capacity building NGOs focus on how best to build and support an individual or groups ability to adapt (e.g. extension, farm advisers, natural resource management and community development services) may suffer from limited support and development (Nettle 2003; Campbell 2001; Bouma 1999).

Donor Funding

Donors should communicate in a coherent manner with a partner government, resolving differences of view on policy to the minimum desired by the partner government to enable it to make informed choices. Inconsistent messages from donors impose a cost on partner governments. Resolution of these differences reduces these costs but should respect the desire of a partner government for consideration of policy choices. Donors and partner governments may achieve greater coherence through a lead donor representing all donors engaged in the sector or crosscutting issue(OECD,2005).Donors must be confident that the policies their assistance supports are based on sound information. Many of the diagnostic tools for policy making are well established, and, since they form the basis for planning and allocating public resources, ownership by partner governments has traditionally been high. However, they may not be applied with sufficient coverage and consistency, the basic statistics that the tools require may not be collected sufficiently well or poor communications within a partner government may prevent analytic work being shared. The challenge for donors is in assisting governments to raise quality, coverage, consistency, transparency and relevance of analytic work to policy development and reform. There are many possible goals which donors might have in these engagements with processes of policy change, such as: encouraging the adoption of new ideas and programs by development partners and promoting the uptake of pro-poor measures by national governments,, improving the effectiveness of key players and the relationships between them, or building public support for a policy or political commitment to deliver public goods (Jones, 2010).

The extent to which a delegating donor assesses a lead donor's policies and procedures should be dependent on the scope and frequency of the delegated co-operation arrangements – A delegating donor assesses relevant policies and procedures of the lead donor. Evidence suggests that the aid policies and procedures of Australia and New Zealand in the Pacific may be more closely aligned than they are with those of other donors to the region. Japan has very specific rules and procedures for delivering assistance. Its overall aid policy is very closely linked to

broader foreign policy objectives and as a consequence there is a reluctance to introduce broader issues of conditionality into project design. There is also a strong emphasis on large capital projects, which from a very early stage in the design are driven by the private sector objectives of Japan's implementing agency. Under these circumstances the private contractor is concerned to deliver the project within a given time frame with little concern for the activities of other donors. A similar situation exists with some of the other bilateral donors such as China and Taiwan (Australian Agency for International Development, 2001).

METHODOLOGY

Descriptive survey research design was used in this study. The target population was top management staff from the 10 projects in 4 counties (Turkana, Uasin Gishu Elgeyo marakwet and West Pokot) under World Vision Kenya. Stratified random sampling techniques was used and. Reliability was determined by administering Crobach alpha test to evaluate the alpha value for all the variables under study and statistical values of alpha above 0.7 was regarded significant in terms of internal consistency of the variables under study.

RESULTS

Donor Funding

On findings on Accessibility of Donor funding in table 4.4, respondents who have ease of access to donor funding (mean =4.4), approval of utilization of donor funds is done within the timeframe provided (mean=4.51). It was also found that money channeled without lot of Bureaucratic Access of donor funds is well coordinated and managed (mean=4.65). The NGO have designated person who coordinates donor finance for easy access (mean=4.95). Not only are donor funds well-coordinated and managed but also donors have set an indicative ceiling on their grant funds and money that is used to finance one activity cannot be used to finance another (mean=4.51). In general Accessibility of Donor funding has immensely improved over the years

Table 4.4 Accessibility of Donor funding

	Mean	Std. Deviation	Skewness	Kurtosis
Ease of access to donor funding	4.4	0.492	0.402	-1.859
Approval of utilization of donor funds is done within the timeframe provided	4.51	0.534	0.504	0.483
Money are channeled without lot of many Bureaucratic	4.65	0.511	-0.009	0.66
Access of donor funds is well coordinated and managed	4.69	0.721	1.37	2.867
The NGO have designated person who coordinates donor finance for easy access	4.95	0.428	-5.091	31.431
Donors have set an indicative ceiling on their grant funds and money that is used to finance one activity cannot be used to finance another	4.51	0.513	0.072	-1.692

Correlation Analysis

Correlation analysis is a method of assessing the relationship between variables/factors. To be precise, it measures the extent of association between the ordering of two random variables although; a significant correlation does not necessarily indicate causality but rather a *common linkage* in a sequence of events. Thus, the study analyzed the relationships that are inherent among the independent and dependent variables as well as among the independent variables/factors. The results regarding this were summarized and presented in table below. From the table, it is clear that there is positive and significant relationship between the various independent factors and donor funding at 0.01 level of significance. The table shows donor funding at 46.8%, Donor training contributes 15.5%, and Sustainability represents the largest and most significant effect. The table also shows that Accessibility to donor funding would result in 54.1% while Donor Training would result in 25.8%.

Table 4.1 Correlation Analysis

	Accessibility of Donor Funding	Donor Training	Donor Funding	
Accessibility of Donor funding	0.541**	1		
Donor Training	0.042	0.258**	1	
Donor Funding	0.474**	0.360**	0.229**	1

Source: Survey Data, 2012

Regression results**Table 4.2 Multiple Regression Results**

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
(Constant)	0.844	0.135		6.271	0.000		
Donor funds	0.153	0.044	0.169	3.517	0.000	0.479	2.089
Donor capacity building	0.233	0.04	0.279	5.802	0.000	0.479	2.088
Donor financing	0.256	0.05	0.249	5.092	0.000	0.466	2.147
R Square		0.622					
Adjusted R Square		0.618					
F		139.914					
Sig.		.000					
Durbin-Watson		1.336					

a Dependent Variable: Donor capacity building

Hypothesis testing

Donor funds as evidence of $\beta_1=0.169$, $p<0.05$, infer that donor funds had an effect on sustainability for capacity building therefore rejecting the null hypothesis that donor funds has no significant effect on sustainability for capacity building. Thus, increasing donor funds will lead to increase in sustainability. A statement supported by t-test value of 3.517. This implies that an increase in one unit of donor funds increases capacity sustainability by 0.169 units. Findings in table above donor capacity building had estimated coefficient of 0.279 with p values 0.000 which was less than 0.05 level of significance, therefore rejecting the null hypothesis that donor capacity building had no significant effect on sustainability and concluded that donor capacity building had significant effect on sustainability of the project. Thus increase in donor capacity increases sustainability of the project.

Table 4.10 Multiple Regression Results

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
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a Dependent Variable: capacity building

CONCLUSION

These study findings provide direct evidence of an association between donor funding and capacity building and an indication of its magnitude effect. From the study findings there is enough prove to conclude that donor funding is associate with a higher capacity sustainability. The study also provides some preliminary evidence that level of access to donor funds plays a vital role in improving financial sustainability. Specifically, for projects with high level of access to donor funds, capacity building sustainability is likely to improve. This is because through capacity building donors are able to come up with better ways of achieving their set goals and are in agreement with the beneficiaries and thus financial sustainability is realized.

RECOMMENDATIONS

From the study findings it was deduced that donor funding has a profound effect on success of a project. The findings suggest that projects with access to donor funds are most likely to be financially stable. Therefore individuals who have been put in charge as project managers and implementers should have the required skill and professionalism in order for financial sustainability to be realized.

Further Recommendations

The limitation of this study is 10 projects in 4 counties (Turkana, Uasin Gishu Elgeyo marakwet and West Pokot) in under World Vision Kenya. Only four counties were included in the sample. Thus, for future research, the researcher should try to include all the projects under World Vision in Kenya and extend this research by investigating the actual impact of donor funding on those projects. Further the study should also put into consideration the influence of Economic and Political affiliations on the relationship between donor financing policies and capacity building sustainability.

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