

**FISCAL DECENTRALIZATION: FACTORS INFLUENCING COST
EFFECTIVENESS OF CONSTITUENCY DEVELOPMENT FUND
CASE STUDY OF KALOLENI CONSTITUENCY**

BY

CHILIBASI KENNEDY MGANGA

D61/70515/2008



A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENT OF THE MASTERS OF BUSINESS
ADMINISTRATION DEGREE

SCHOOL OF BUSINESS UNIVERSITY OF NAIROBI

OCTOBER, 2011

DECLARATION

This research project is my original work and has not been submitted for a degree in any other university

Chilibasi Kennedy Mganga

D61/70515/2008

Signed.....

Date.....16/11/2011

This approval has been forwarded for presentation with my approval as the university supervisor,

Signed.....

Date.....16/11/11

Dr. Aduda Josiah

Senior Lecturer,

Department of Finance and Accounting,

School of Business,

University of Nairobi.

DEDICATION

To my dear wife Ruth Mganga, my family Mr. Franklin Chilibasi and Mrs. Phoebe Chilibasi and Dina Chizi Chilibasi I thank you all for this opportunity, God bless you.

ACKNOWLEDGEMENT

To Almighty God be the glory and honor, for the grace and mercies during the entire period of study. I thank you lord for gift of life and the good health that you provided me during the period of my study.

My gratitude goes to all my lecturers, friends and colleagues who encouraged ,challenged and inspired me in my studies, particularly Mr.Titus Chai for the support he has provided towards the research work..

Special gratitude goes to the following people and institutions; my supervisor Dr. Aduda Josiah for the guidance, criticisms which has enabled me to progress towards this noble goal, I thank you very much. The Chairman of Kaloleni District Development committee Mr. Fredrick Ayieko for the guidance and assistance he provided during the research period.The Secretary of Kaloleni District Development committee Mr. Amani Bawata for the technical advice and assistance he provided during the research period.

I would also like to thank the Kaloleni Constituency Development Fund Committee under the chairmanship of Honourable Samuel Kazungu Kambi, Assistant Minister for Medical Services and Member of Parliament for Kaloleni Constituency.

The Civil Society Organizations, Head of Departments-Kaloleni District, and all the Project Management Committee members who contributed towards this noble, I thank you all for the special effort you have put towards making this research process a success.

I would like to pass my gratitudes to my family Mr. and Mrs. Franklin Chilibasi for the encouragement to fast track the research process and my dear wife Ruth Mganga for the special support she has provided towards the research.

TABLE OF CONTENTS	PAGE
DECLARATION	II
DEDICATION.....	III
ACKNOWLEDGEMENT	IV
ABBREVIATIONS	IX
ABSTRACT.....	XII
CHAPTER ONE	1
INTRODUCTION.....	1
1.0 BACKGROUND OF THE STUDY	1
1.2 STATEMENT OF THE PROBLEM.....	5
1.3 OBJECTIVES OF THE STUDY	7
1.4 IMPORTANCE OF THE STUDY	7
CHAPTER TWO	9
LITERATURE REVIEW	9
2.1 INTRODUCTION.....	9
2.2 REVIEW OF THEORIES	9
2.2.1 Theory of Public Finance in Federal System.....	9
2.2.2 The Pure Theory of Local Expenditures.....	10
2.2.3 The Theory of Fiscal Decentralization	11
2.3 EMPIRICAL LITERATURE ON FISCAL DECENTRALIZATION	12
2.4 LITERATURE REVIEW ON CONSTITUENCY DEVELOPMENT FUND.....	17
2.5 CONCLUSIONS	20
CHAPTER THREE	22
RESEARCH METHODOLOGY.....	22
3.1 INTRODUCTION.....	22
3.2 RESEARCH DESIGN.....	22
3.3 POPULATION.....	23
3.4 SAMPLE	23
3.5 DATA COLLECTION.....	24
3.6 DATA ANALYSIS	24
3.7 DATA RELIABILITY AND VALIDITY.....	26
CHAPTER FOUR.....	27
DATA ANALYSIS AND PRESENTATION OF FINDINGS	27

4.1.	INTRODUCTION	27
4.2.	DATA PRESENTATION	27
4.2.1.	Respondent Rate	27
4.2.2.	Mean of Responses to the Questions	27
4.2.3	Frequency Distribution Table	31
4.2.3.1	Increase of project materials prices reduces the quantity of project materials bought	31
4.2.3.2	Increase of project materials prices makes contractors to use low quality materials for the project for certain project allocation.....	32
4.2.3.3	Increase in the cost of the project materials prices increases the project implementation period.	33
4.2.3.4	Project contractors purchase cheap price materials less than what is quoted on the Bills of Quantity (BQ)	34
4.2.3.4	The Constituency Development Fund Committees do involve the Project Management Committee (PMC) in tracking expenditure of respective CDF projects.....	35
4.2.3.5	The Project Management Committee (PMC) do not track Bills of Quantity (BQ) specifications on the actual project.	36
4.2.3.6	The projects implemented by CDF reflect high cost compared to projects implemented by other development agencies.	37
4.2.3.7	Contractors do not influence securing of CDF project tenders.....	38
4.2.3.8	Delay in the disbursement of CDF funds contributes to the increased wear and tear of the ongoing projects.....	39
4.2.3.9	Delayed disbursement of CDF funds do factor in price variation on the allocation.	40
4.2.3.10	Litigation costs on CDF projects due to delayed disbursement adversely affect CDF projects quality.	41
4.2.3.11	Delay in the disbursement of CDF funds increases the projects labor costs.	42
4.2.3.12	The Constituency Development Fund committees and Project Management Committees know the CDF projects procurement policies and procedures.	43
4.2.3.13	The Constituency Development Fund committees and Project Management Committees know the technicalities guiding implementation of CDF projects.....	44
4.2.3.14	The Project Management Committees purchasing of project materials improves the quality of project materials.	45
4.2.3.15	The Project Management Committees do access the projects Bills of Quantity (BQ) for most projects.	46
4.2.3.16	The CDF and service providers (Line Ministries) continuously visit the CDF	

project sites during project implementation to evaluate the project progress.	47
4.2.3.17 The CDF and service providers (Line Ministries) stop contractors not adhering to the Bills of Quantity (BQ) specifications.	48
4.2.3.18 The technical specifications of the service providers(line ministries) are adhered to on implementation of CDF projects.....	49
4.2.3.19 The CDF and service providers (Line Ministries) Monitoring and Evaluation role should be delegated to Independent institutions to do the Monitoring and Evaluation role on their behalf.....	50
4.2.3.20 The public works officer continuously supervises implementation of CDF projects from the start.	51
4.2.3.21The CDF projects with weak structures have been supervised by public works officer.	52
4.2.3.22 CDF projects implemented by Public Works Office on full contract basis are of high quality compared to CDF projects implemented by consultants on labour contract basis.	53
4.2.3.23 CDF projects implemented by Public Works Office on full contract basis are of relatively low cost compared to CDF project implemented by consultants on labour contract basis.	54
4.2.3.24 The value Added Tax (VAT) of 16% deducted from the CDF project allocation reduces the quantity of materials that is available for the project implementation.	55
4.2.3.25 The value Added Tax (VAT) of 16% deducted from the CDF project allocation causes contractors to purchase low quality materials to ensure project phase completion.....	56
4.2.3.26 The value Added Tax (VAT) of 16% deducted from the CDF project allocation has contributed to delayed project completion.	57
4.2.3.27 CDF as a component of decentralizing funds contributing to pro-poor services should not be deducted VAT of 16%.....	58
4.2.3. Weighted Mean of Factors Influencing Cost Effectiveness of Constituency Development Fund	59
4.3. CORRELATION AND REGRESSION ANALYSIS	59
4.3.1. Coefficient of Variation	59
4.3.2. Strength of the model.....	60
4.3.3. Regression analysis.....	61
4.4. SUMMARY AND INTERPRETATION OF THE FINDINGS	63
CHAPTER FIVE	69
SUMMARY, CONCLUSIONS AND RECOMMENDATION	69

5.1.	SUMMARY	69
5.2.	CONCLUSIONS.....	70
5.3.	POLICY RECOMMENDATIONS.....	70
5.4.	LIMITATIONS OF THE STUDY	71
5.5.	SUGGESTIONS FOR FURTHER STUDY.....	72
REFERENCES.....		73
APPENDIX 1.....		78
APPENDIX 2.....		86

LIST OF TABLES

4.2.3.1 Increase of project materials prices reduces the quantity of project materials bought	31
4.2.3.2 Increase of project materials prices makes contractors to use low quality materials for the project for certain project allocation.....	32
4.2.3.3 Increase in the cost of the project materials prices increases the project implementation period.	33
4.2.3.4 Project contractors purchase cheap price materials less than what is quoted on the Bills of Quantity (BQ)	34
4.2.3.4 The Constituency Development Fund Committees do involve the Project Management Committee (PMC) in tracking expenditure of respective CDF projects.....	35
4.2.3.5 The Project Management Committee (PMC) do not track Bills of Quantity (BQ) specifications on the actual project.	36
4.2.3.6 The projects implemented by CDF reflect high cost compared to projects implemented by other development agencies.	37
4.2.3.7 Contractors do not influence securing of CDF project tenders.....	38
4.2.3.8 Delay in the disbursement of CDF funds contributes to the increased wear and tear of the ongoing projects.....	39
4.2.3.9 Delayed disbursement of CDF funds do factor in price variation on the allocation.	40
4.2.3.10 Litigation costs on CDF projects due to delayed disbursement adversely affect CDF projects quality.....	41
4.2.3.11 Delay in the disbursement of CDF funds increases the projects labor costs.	42
4.2.3.12 The Constituency Development Fund committees and Project Management Committees know the CDF projects procurement policies and procedures.	43
4.2.3.13 The Constituency Development Fund committees and Project Management Committees know the technicalities guiding implementation of CDF projects.....	44
4.2.3.14 The Project Management Committees purchasing of project materials improves the quality of project materials.	45
4.2.3.15 The Project Management Committees do access the projects Bills of Quantity (BQ) for most projects.	46
4.2.3.16 The CDF and service providers (Line Ministries) continuously visit the CDF project sites during project implementation to evaluate the project progress.	

.....	47
4.2.3.17 The CDF and service providers (Line Ministries) stop contractors not adhering to the Bills of Quantity (BQ) specifications.	48
4.2.3.18 The technical specifications of the service providers(line ministries) are adhered to on implementation of CDF projects.....	49
4.2.3.19 The CDF and service providers (Line Ministries) Monitoring and Evaluation role should be delegated to Independent institutions to do the Monitoring and Evaluation role on their behalf.....	50
4.2.3.20 The public works officer continuously supervises implementation of CDF projects from the start.	51
4.2.3.21The CDF projects with weak structures have been supervised by public works officer.	52
4.2.3.22 CDF projects implemented by Public Works Office on full contract basis are of high quality compared to CDF projects implemented by consultants on labour contract basis.	53
4.2.3.23 CDF projects implemented by Public Works Office on full contract basis are of relatively low cost compared to CDF project implemented by consultants on labour contract basis.	54
4.2.3.24 The value Added Tax (VAT) of 16% deducted from the CDF project allocation reduces the quantity of materials that is available for the project implementation.	55
4.2.3.25 The value Added Tax (VAT) of 16% deducted from the CDF project allocation causes contractors to purchase low quality materials to ensure project phase completion.....	56
4.2.3.26 The value Added Tax (VAT) of 16% deducted from the CDF project allocation has contributed to delayed project completion.	57
4.2.3.27 CDF as a component of decentralizing funds contributing to pro-poor services should not be deducted VAT of 16%.....	58
4.2.3. Weighted Mean of Factors Influencing Cost Effectiveness of Constituency Development Fund	59

ABBREVIATIONS

AAIK	Action Aid International Kenya
CBF	Constituency Bursary Fund.
CDF	Constituency Development Fund
CDFC	Constituency Development Fund Committee.
CGD	Center for Governance and Development
DA	District Assemblies
ESP	Economic Stimulus Programme
FPE	Free Primary Education Fund
NACC	National Aids Control Council.
HRBA	Human Rights Based Approach
LATF	Local Authority Transfer Fund.
MOE	Ministry of Education
NFDP	National Fund for Disabled People.
NTA	National Taxpayers Association.
PELRF	Poverty Eradication Loan Revolving Fund.
PPOA	Public Procurement Oversight Authority
REPLF	Rural Electrification Programme Levy Fund.
RMLF	Road Maintenance Levy Fund.
VAT	Value Added Tax
VDSF	Veterinary Development Service Fund.
WSTF	Water Services Trust Fund.
YEF	Youth Enterprise Fund.

ABSTRACT

The study aim to determine factors influencing cost effectiveness of Constituency Development Fund case study of Kaloleni constituency. In carry-out the research 61 questionnaires were distributed to Head of Departments in Kaloleni District, Civil Society Organisations, Constituency Development Fund Committee members and Project Management Committees.

The study is a descriptive research which adopted cross-sectional study technique where different strata were used to carry-out data collection, the stratas being Head of Departments in Kaloleni District, Civil Society Organisations, Constituency Development Fund Committee members and Project Management Committees.

Implementation of CDF projects was evaluated from the perspective of the variables persistent in the implementation process and how these factors influence cost effectiveness. variables such as Variation of materials prices, Compliance, Delay in government disbursement of CDF funds to the constituency, Technical incapacities of the Constituency Development Fund committees and the Project Management Committees, Monitoring and Evaluation of the CDF projects by the CDF committee and service providers (Line Ministries), Ministry of Roads and Public Works supervision, Value Added Tax (VAT) cumulatively impact on the level of cost effectiveness by 81%.

Ministry of Roads and Public Works supervision, Variation of materials price, Value Added Tax (VAT) was observed to significantly impact on cost effectiveness of CDF by approximately 200% effect positively as well as negatively dependent on the scenario of the projects implementation.

CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND OF THE STUDY

Kaloleni Constituency is situated in the Coast Province of Kenya, Kilifi County. It has a per Capita income as per fiscal year 2008-09 of 53.197 and 66.369 for fiscal year 2009-10. As per the 2009 census Kaloleni constituency has a total population of 120,359 people, 132,565 households, a population density of 42,692 people per square kilometer, household density of 5,924388644 household per square kilometer and area of 252,924 square Kilometre. Since the inception of Constituency Development Fund, Kaloleni Constituency has been allocated a total of Ksh 338,514,513 as at the fiscal year 2009-2010.

According to the Institute of Economic Affairs (2006) defines fiscal decentralization as delegation of spending responsibilities and powers to raise revenues at the sub national governments thus the provision of public good at the sub national government through fiscal decentralization components such as CDF are meant to provide pro-poor services and also delegation of the spending responsibilities.

Institute of Social Accountability(2011) on its proposal to the national assembly on decentralization of sectors it defines fiscal decentralization as the transfer of financial responsibility to develop local revenue generation and expenditure mechanism as well as management of intergovernmental transfers from the national government to sub national government.

The Vision 2030, first medium term plan(2008-2012) acknowledges Constituency development Fund (CDF) as one amongst the fourteen categories of devolved funds which has significantly contributed towards the process of provision of public good to the Kenyan citizens . The CDF was established through the enactment of CDF Act 2003 by

the 9th Parliament of Kenya. 2.5 percent of the ordinary revenue would be devolved by dividing three quarters of the 2.5 percent revenue amount equitably amongst the 210 constituencies and the remaining one quarter based on the poverty index of the constituencies where the poorest constituencies are supposed to benefit, see CDF Act (2007). On the day to day operations of the CDF the respective ministries under which CDF operates may provide circulars and guidelines to control the operations of the fund.

The fund at the constituency level is apportioned according to the provisions of section 21 CDF Act (2007) in which administration costs are awarded 3% of the total annual allocation, recurrent costs 3% of the total annual allocation, sports activities 2% of the total annual allocation, monitoring and evaluation 2% of the total annual allocation, environmental activities 2% of the total annual allocation. The amendment of the CDF Act in 2007 incorporated new aspects of managing the fund as well as filled the gaps existent in 2003 version.

Devolution of funds is a mechanism through which the taxes collected can be reverted back to the public through structures that facilitates participation of the taxpayers in determining the distribution of public good (spending decisions) thus if the fiscal policy according Morekwa, Moses & Nahanson (2008) will encourage increase in taxes and thus reducing supply of money in the economy then the rewarding effect should be felt directly or indirectly on the provision of public good, development of a certain geographical area and thus improved living standards. It basically refers to government discretionary measures to influence the direction of the economy through changes in the level and composition of public expenditure and funding.

According to the CDF Act(2007) CDF is governed through the administrative structures of the government and local leadership, the projects are identified at the sub-location/location/ward level and proposed to the Constituency Development Fund Committee(CDFC) which is the governing organ at the level of the constituency selected by the area member of parliament which liaises with the district departmental heads to assess the viability of the projects then the CDFC priorities and prepares the project list(Second schedule) as well as the list of project description(Third schedule).The

DPC(District Project Committee) which is the governing organ at the level of the district evaluates the projects to ensure equitable representation of needs and no duplication of projects then approves projects for the CDFC to submit the second and the third schedules to the CDF board/clerk of the National Assembly.

CDF Act (2007) elaborates that implementation of the CDF projects involves either of the two methods (1) where the CDFC implement the project and handover the project to the community on completion, (2) The CDFC facilitates formation of committees, PMCs (Project Management Committees) at the level of the citizens/users which oversee the implementation of the projects on behalf of the citizens/users then handover to fellow citizenry upon completion.

According to the CGD/NTA(2010) the CDF procurement is guided by the Public Procurement and Disposal Act (PPDA) 2005 and Public Procurement and Disposal Act (PPDA) 2006 which specifies that projects worth Ksh 5,000 and below to be procured through cash imprest, projects worth Ksh 5,000-500,000 to be procured through quotations , projects worth Ksh 500,001-2,999,999 to be procured through restricted tendering, projects worth Ksh 3,000,000 and above for goods and Ksh 1,000,000 and above for services to be procured through open tender.

The Budget Highlights,Citizens Guide (2011) shows that allocation of CDF nationally have been increasing gradually over the years since its inception in fiscal year 2003-2004, the allocation has increased from 1.26 billion in the fiscal year 2003-2004 to 22.7 billion in fiscal year 2011-2012 as shown on the table in appendix 2.Under the new dispensation of devolved government the national allocation is projected to rise up to 25 billion but to be implemented alongside the county governments priorities and propositions guided by the CDF strategic objectives and plans, see (Daily Nation Newspaper,Thursday April,21 2011).

CDF as a component of the long-term fiscal policy can broadly be related to the several long-term policies and 5-years national plans such as Sessional paper No.10 of 1965 on African Socialism and Its application to Kenya and the Sessional Paper No.1 of 1986 on Economic Management for Renewed Growth, Economic Recovery Strategy (ERS) of 2003, Medium Term Expenditure Framework (MTEF) in 2000/2001, the Poverty Reduction Strategy Paper (PRSP) and the Poverty Reduction Growth Facility (PRGF) and currently vision 2030, see (Morekwa , Moses & Nahanson 2008)

According to Maina(2005) the government initiated decentralization plans before CDF such as sessional paper No 2 of 1961 on establishment of local authorities, Sessional Paper No. 10 of 1965 on African Socialism and its Application to Planning in Kenya which were intended to strengthen the process of fiscal decentralization in Kenya.

Vision 2030(2008-2012) confirms that in 1966 there was the Special Rural Development Programme which was intended to regionalize development programmes and it was further strengthened by the District Focus for Rural Development of 1983 which was intended to strategize the development process at the local level, thus CDF as a component of long-term development plan is a continuity of the fiscal decentralization efforts started since the colonial government era The 2010 constitution of Kenya will provide an opportunity for fiscal decentralization where 15% of the total revenue will be decentralized to the 47 counties country wide.

According to Vision 2030(2008-2012) the devolution process has disintegrated the revenue basket into fourteen devolved funds; Constituency Bursary Fund (CBF), Local Authority Transfer Fund (LAF), Community Initiative Account (NACC Fund), Constituency Development Fund (CDF), Poverty Eradication Loan Revolving Fund (PELRF), Water Services Trust Fund (WSTF), Free Primary Education Fund (FPEF), Road Maintenance Levy Fund (RMLF), Youth Enterprise Fund (YEF), Rural Electrification Programme Levy Fund (REPLF), National Fund for Disabled People (NFDP), Veterinary Development Service Fund(VDSF), which have played the role of

complementing the process of service delivery by different ministries thus improving the process of public service provision.

1.2 STATEMENT OF THE PROBLEM

Decrease in cost effectiveness contributes to the implementation of CDF projects whose materials are substandard thus contributing to the shortened lifespan of the projects, handing over of projects whose percentage of completion is not as per the contractual terms with relation to its implementation but they are documented to have achieved the contractual terms, delayed implementation of the CDF projects thus interfering with the process of improving service delivery at the sub national level as part of the strategies of improving pro-poor services, falling out of the users and technical requirements in relation to the users and technical specifications. Increase in cost effectiveness results in CDF projects whose lifespan is pro-longed due to standard materials used, percentage of completion as at the handing over being as per the contractual terms, projects implementation delay being reduced and the service delivery process being improved see (NTA 2011).

Mugo (2008) emphasizes on the intended objective by the ministry of planning and vision 2030 to incorporate targeting on the allocation of CDF with the objective of improving accuracy of information on need assessment and thus achieve cost-effectiveness as compared to the inaccurate and inefficient allocation of funds to political projects which are allocated on blanket basis.

Zyl(2010) highlights on the Faustian bargain existent between the parliamentarians and the constituents, in his study he highlights the allocation of government revenue towards CDF and the increasing number of countries adopting the CDF model .Political interference, inefficiency of the committees running the Fund, lack of financial and management systems and poor capacity to manage the funds have been cited as some of the bottlenecks of CDF, and thus decreasing value being derived from CDF due to decreased cost effectiveness.

Khasiani and Makau (2010) consider CDF as a major boost to development in the rural areas particularly the socio-economic development and as a means of central government recollecting more revenue particularly to the business entities implementing the projects at the local level. It has created efficiency in delivery of service in certain areas but it has also increased the burden of the exchequer. In most cases decreased cost effectiveness has been observed due to unaccountability, duplication of activities, and lack of financial capacity by managers of the CDF funds and poor prioritization of the projects.

Kimenyi (2005) carried-out an in-depth analysis of both institutional, design and implementation factors that impact on the efficiency of the use of CDF funds which he also identifies the CDF projects as "club goods" type as opposed to broad public goods whose efficiency can be analyzed along demographic indicators such as size of constituencies/population density and dispersion, strategic choice of projects to internalize benefits, diversity of preferences/socio-economic characteristics, interest groups, political economy of CDF

Bagaka (2008) in the study of the constituency development fund and the growth of government he highlights that fiscal decentralization has promoted allocative efficiency and equity but at a cost of exporting tax burdens (operations and maintenance) to the central government emanating from capital projects implemented at the local level thus it highlights increased allocative efficiency but decreasing operational efficiency at the level of the central government.

The study differs from the studies by Mugo (2008), Zyl (2010) and Bagaka (2008) on the basis that the study intends to test how independent variables such as Variation of materials prices, Compliance, Delay in government disbursement of CDF funds to the constituency, Technical incapacities of the Constituency Development Fund committees and the Project Management Committees, Monitoring and Evaluation of the CDF projects by the CDF committee and service providers (Line Ministries), Ministry of Roads and Public Works supervision, Value Added Tax (VAT) they influence cost effectiveness implementation of CDF projects.

The study tests the variables by evaluating the implementation process of CDF projects and analyzing the role the independent variables take during the implementation process and how they do affect cost effectiveness in implementation of CDF projects. For instance changes in the state of economy such as increase in inflation may result to an increase in the price of the project materials for the same amount of the CDF project allocation thus resulting into reduced percentage of implementation and completion of the CDF projects which would directly or indirectly increase the labour cost of doing the project thus resulting into reduced cost effectiveness in implementation of the CDF projects.

1.3 OBJECTIVE OF THE STUDY

To determine factors influencing cost-effectiveness of Constituency Development Fund projects in Kaloleni Constituency.

1.4 IMPORTANCE OF THE STUDY

The study will contribute to the body of knowledge existent on the efforts to demystify methodologies that will achieve efficiency in the utilization of taxpayers' money through service provision by different line ministries and diversified devolved funds. Value for money in public finance is a growing concern in the public sector in most of the developing countries due to the need to soften the effect of increased taxation by provision of quality public good and services.

In most of the developing countries like Kenya the fiscal policy effect has been on an upward trend which has had the effect of reducing the circulation of money in the economy thus adversely affecting the businesses due to reduced profit margins and sales volume.

The study will provide knowledge to the public on the factors to monitor on CDF projects being implemented to ensure cost effectiveness and quality projects are achieved.

The study will assist the CDF board and the Kaloleni CDF office to monitor and track cost effectiveness factors on utilization of Constituency Development Fund in the

respective projects and constituencies.

Chapter one of the research will focus on the background information of the CDF as a fiscal decentralization component, statement of the problem which is the research question, objective of the study and also highlight the importance of the study. Chapter two re-visits existing literature on fiscal decentralization and CDF as a component of fiscal decentralization. The third chapter touches on the study area, the population, the research design, the sample size and the data analysis process applied on the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

Chapter two re-visits studies done on different theories of public finance, public expenditure and fiscal decentralization. The study will also review empirical literature on fiscal decentralization, general literature on fiscal decentralization and literature on CDF as a component of fiscal decentralization. The objective of fiscal decentralization is to achieve cost effectiveness through production of public goods at the site, and achieve improved welfare of the subjects through spillover effects. CDF as a model of fiscal decentralization is supposed to be implemented in a cost effective way to enable improvement of service delivery at the sub national level.

2.2 REVIEW OF THEORIES

2.2.1 Theory of Public Finance in Federal System

The theory refers back to the public finance theory by Musgrave(1959) which emphasized on the role of fiscal policy in allocating, distributing and stabilizing the economy in a system consisting of the private sector and one level of government. The theory of public finance in the federal system highlights how the fiscal policy role of allocating, distributing and stabilizing the economy will be carried-out in an economy with various levels of government with the objective of achieving cost effectiveness through economies of scale.

The stabilization branch assumes the local governments can only exercise fiscal policy powers and do not have monetary authority. The local government can raise taxes and spend at factors standardized by the national government and there is perfect capital mobility.

The distribution branch highlights the differences in income and preference levels thus making it challenging to achieve equitable distribution of fiscal policy due to the fact

subjects of high income zones will resolute to low income zones to avoid high taxation thus the central government will play the role of determining the fiscal policy that will be efficient on distributing the wealth at sub national government.75% of the national CDF is distributed equitably among 210 constituencies and the remaining 25% of national CDF is distributed to the constituencies based on the poverty index where the constituencies with the highest poverty index benefit more.

The allocative branch assumes that the subjects have difference in income, tastes and preference thus if the fiscal package is not favorable to their income, tastes and preference they will move to the jurisdictions that have the fiscal package they need. Thus for certain public goods, fiscal decentralization is not preferred due to lack of economies of scale and spillover effects because the jurisdictions have congestion costs which increase with increase in the number of subjects per jurisdiction and reduce the benefit. The central government and the local government have a role in the provision of public good at the sub national government. The allocative branch can be reflected by the way the CDF District Project Committee (DPC) prioritizes CDF projects on behalf of the constituency based on the needs and preferences of the constituents.

2.2.2 The Pure Theory of Local Expenditures

The pure theory of local public expenditure highlights the no “market type” solution to determine optimal expenditure on public good. The theory highlights that if the taste and preferences of the subjects at the sub national government could be predetermined then the tax price of the public good would be equivalent to the preference thus optimal expenditure.

The subjects have different fiscal package preferences thus the spatial settings as explained in Tiebout(1956) existent at the sub national government will provide an opportunity for the subjects to move from one jurisdiction to the other thus contributing to the optimal expenditure.

For the optimal expenditure to be achieved the following assumptions should hold; the subjects are aware of the of the preference patterns, the different fiscal packages, there

are no employment restrictions on movement of the subjects from one jurisdiction to the other and the public goods have economies of scale. The theory applies to the cost effectiveness of CDF projects in the context that citizens get attracted to a project whose implementation was cost effective and offers quality service as compared to a project whose project was less cost effective.

2.2.3 The Theory of Fiscal Decentralization

The theory assumes that public goods are pre-determined, they enjoy economies of scale, they are provided by the branch governments at sub national level and all taxes are on pure benefit basis thus redistribution of taxes and transfers between individuals or jurisdictions is not allowed.

The theory also considers that the public good is not provided on a fee basis and it has spatial settings which allow spillover effects, sharing of the spillover effects, the public good is non-rivalry, some public good are available within the production site only and the difference in income and tastes of the subjects influence their demand for public good which may to an extent necessitate zoning in the provision of public good

The theory also highlights the fact that for certain public goods such as protection there may be congestion cost where increase in the population may reduce the gain from the public good.

The theory emphasizes on no redistribution of taxes and transfers between jurisdictions based on the fact that fiscal decentralization is supposed to create competition among the jurisdictions (constituencies) on aspects of cost effectiveness and improve cost effectiveness on the implementation of the CDF projects. The theory of fiscal decentralization emphasizes on the tastes and preferences of the constituents in determining the type of projects they need and they get to know the budgetary allocation thus holding sub national governments (constituencies) accountable to ensure cost effectiveness in the implementation of CDF projects.



2.3 EMPIRICAL LITERATURE ON FISCAL DECENTRALIZATION

Limi(2004)further the discussion empirically on whether fiscal decentralization stimulates economic growth, the study highlights inconsistency in empirical results with the economic theory of fiscal decentralization. It highlights the incapability of sub national governments to provide pro-poor service thus improving the subjects' welfare and not achieving the required economic growth, that is does not improve the purchasing power of the subjects irrespective of the capital investment. The study highlights that the assumption by Oates (1972) on the theorem of decentralization is unrealistic in the short-term because of the social issues controlling the subjects preference and tastes above the demand for public good. In the context of CDF projects they could have cost effectively been implemented in certain location of the constituency but due to social set-up constituents may not migrate from one location to the other in order to constantly benefit from the services of a cost effectively implemented CDF projects.

Smoke(2001) explains the role of fiscal decentralization in diffusing the pressures of vicious circle of national budgets deficits characterized with increased external borrowing and payment of interest rates whereas the local revenue is underutilized to facilitate local development process and provision of quality public good. With growing population of elites and increased demand for service most of the developing countries governments are forced into fiscal decentralization although due to constraints is not achieved suddenly. Smoke(2001) highlights the efforts of the elites in developing countries like Kenya to improve decentralization of fiscal resources in order to benefit from the broadened tax base by the government which has reduced the level of external borrowing and to cost effectively utilize the emergent fiscal decentralization model like CDF to improve service delivery.

Tiebout (1961) emphasizes the Richard Musgrave study on pure fiscal decentralization which considers pure fiscal decentralization possible in a scenario where the political variables are neutral. The study emphasizes the assumptions of public good such 'U' shape, predetermined, and sub national government agencies have to provide the public good at the grass root level for efficiency.

Oates (2006) furthers the discussion of the trade-off between gaining from uniformly providing public good by the central government to cater for the spillover benefits that arise from the public good but lose the preference of the local circumstances in the context of fiscal decentralization. In the context of the trade-off between sub national provision of public goods and national provision of public good, it explains sub national public good as local public good-not pure public good because it is subjected to congestion costs(increase in population amount to increase in input needed to provide the local public good, they are rival).

According to Oates (2006) if subjects within sub national jurisdictions were to be immobile then the marginal cost of providing the local public good would be equivalent to the tax contribution by individual subject thus new entrant into the jurisdiction would reduce the marginal cost of provision of the local public but would decrease the marginal labor product thus decrease the wage but improve the welfare due to reduced marginal cost of the local public good.

Jametti and Joanis(2010) discusses the vertical interaction of the national and sub national governments in provision of public good in the context of the intergovernmental transfers and trade-off highlighted by Oates(2006) thus in the scenario where the national and sub national governments jointly provide the public good at the national as well as at the sub national level the fiscal decentralization is distorted and it becomes partial.

UNDP Primer(2005) focuses on the role of fiscal decentralization in alleviating poverty and specifically highlights the positioning of the local governments and sub national governments in implementing pro-poor services(public good according to the tastes and preferences of the subjects) but also highlights the need of the national government monitoring of sub national(local government) in the provision of public good for sustainability. UNDP uses the HRBA(2003) in addressing fiscal decentralization where the subjects at the sub national government are the "claim holders" and the sub national government is the "duty bearer". The implementation of CDF projects is guided by the CDF Act (2007) and the Public Procurement and Disposal Act (PPDA)

2005 and Public Procurement and Disposal Act (PPDA) 2006 but the CDF Act (2007) allows the national government through the CDF board to monitor compliance of the constituencies to the law, to ensure cost effectiveness in the implementation of the CDF projects.

Constituency Development Funds Workshop (2009) furthered the discussion on fiscal decentralization models such as CDF replicated in most of the developing countries evaluating their effectiveness, sustainability levels and the viability of the policies guiding the fiscal decentralization processes. The workshop highlighted that the fiscal decentralization model inefficiently achieved its objectives because of fiscal illusion, project duplication and incompetent administration.

Calsamiglia, Garcia-Milà and McGuire (2006) they analyze the role of fiscal decentralization in assessing different levels at which provision of public good at the sub national governments can be carried out considering that certain services such health are provided as public good but they carry relatively rivalry characteristic. The study confirms the findings on implementation of CDF projects where inflated costs of medical equipments NTA (2011) contributes to the decreased cost effectiveness in the implementation thus necessitating further allocation of funds by the national government to meet the needs of increasing population at the constituency level.

Calsamiglia, Garcia-Milà and McGuire (2006) also highlight inequalities among sub national jurisdictions in the provision of essential goods thus bring the notion of solidarity in the sense that jurisdictions with more resources will transfer resources to jurisdictions with less resources but it observed that in this structure subjects will prefer centralized provision of public goods and services due to the fact that the economies of scale in production, spillover effects and difficulties observed in the distribution of resources to sub national jurisdictions will be eliminated.

The study highlights that provision of health and education is efficiently provided through fiscal decentralization due to low economies of scale (labor intensive) and have low spillover effects.

Boex, Heredia-Ortiz, Martinez-Vazquez and Yao(2006) further the discussion on the role of fiscal decentralization towards poverty reduction from the context that fiscal decentralization contributes to the provision of basic needs to the subjects of any sub national government thus contributing to reduction in poverty levels but an opposite scenario may arise if political factors are not aligned to the allocative rationale of decentralizing the fiscal resources. Fiscal decentralization will achieve efficiency due to competition of sub national governments. Tastes and income preference contribute to subjects locating jurisdictions where public goods and services suit them. Thus the objective of allocating CDF to the constituencies which is meant to ensure that diversified needs of the constituents are met through cost effective implementation of CDF projects.

Jametti and Joanis(2010) also highlights how uninformed the national and sub national subjects are about the contribution of the national and sub national government towards the public good provided thus creating political competition between the national and sub national government as compared to the scenario of fiscal decentralization where competition arises amongst the sub national government thus creating efficiency. The partial decentralization creates accountability problem between the national and sub national government because the subjects are imperfectly informed of the contribution of the national and sub national government. Cost effectiveness has caused competition between the national and sub national governments to associate themselves with projects which were cost effectively implemented.

Sacchi and Salotti(2011) furthers the discussion on the role of fiscal decentralization in regulating income inequalities and regional disparities in which it is observed that fiscal decentralization results to unequal distribution of income as well as the regional disparities.

Fisman and Gatti(2000) researched on the phenomenon of fiscal decentralization with relation to corruption, that it encourages rent seeking and thus not providing the targeted pro-poor services(public good at the sub national level). The study highlights that decentralization contributes to corruption and is mostly perpetrated by the legal

structure guiding the fiscal decentralization process; the empirical results show a negative correlation between corruption and decentralization thus confirming the benefits of fiscal decentralization. The CDF Act (2007) as a legal structure guiding implementation of CDF has loop holes for political interference due to the power vested on MPs to set-up CDF committees thus affecting cost effectiveness in some constituencies.

Ayee(1997)examines fiscal decentralization in Ghana which was administered through the DA(District Assemblies) and provided greater opportunity to the subjects to exercise their tastes and preferences, it provided pro-poor services closer to the subjects and improved on governance as the new breed of leadership emerged but DA(District Assemblies) as decentralization structures failed to achieve its objectives due to polarized political environment which interfered with provision of public good and thus caused the DAs to be overwhelmed by the operational costs. The central government was also against the fiscal decentralization thus sabotaged intergovernmental transfers. The study confirms the discussion by Tiebout(1961) which emphasizes political neutrality for timely intergovernmental transfers and the implementation of fiscal decentralization models(i.e. CDF) to cost effectively provide pro-poor services.

Elhiraika(2007) discusses the institutional incapacity of the sub national governments to raise and spend local revenues as well as intergovernmental transfers and the unwillingness of the central government to fiscally decentralize. The study emphasizes that some of the factors encouraging fiscal centralization is the economies of scale, spill-over effects and the capacity of the central government to monitor budgets on the provisions of public good. It concludes that in South Africa 43% of the provincial expenditure is funded by 4% of the local revenue which is 2% of the national revenue thus shows low level of fiscal decentralization.

Uchimura and Suzuki(2009) empirically measures fiscal decentralization in the Philippines where fiscal decentralization is characterized by intergovernmental transfers and internal revenue allocations. The study highlights the vertical fiscal gap existent where the sub national government expenditure is not equivalent to its

revenue thus the gap can be filled by broadening the sub national government revenue, reducing sub national government expenditure, realigning sub national government expenditure responsibilities or increasing intergovernmental transfers. The study confirms the discussion by Bagaka(2008) which highlights allocative rationale of CDF but the broadening of central government budgetary allocations to imply that to some extent the sub national governments(CDF) do not have cost effective systems of sustainability.

According to the Institute of Economic Affairs (2006) policy brief issue NO.6 highlights of prioritization of pro-poor services needs in the provision of public good at the sub national government thus resulting in duplication of provision of public good on the same needs and causing pilferage of decentralized funds. It thus emphasizes the need to evaluate the marginal cost of providing the decentralized services in relation to the value of the devolution process. Lack of political neutrality results in duplication of CDF projects towards the same pro-poor service thus providing loop hole for less cost effective implementation of the projects.

2.4 LITERATURE REVIEW ON CONSTITUENCY DEVELOPMENT FUND

Zyl(2010) highlights on the Faustian bargain existent between the parliamentarians and the constituents, in his study he highlights the allocation of government revenue towards CDF and the increasing number of countries adopting the CDF model .Political interference, inefficiency of the committees running the Fund, lack of financial and management systems and poor capacity to manage the funds have been cited as some of the bottlenecks of CDF, and thus decreasing value being derived from CDF due to decreased cost effectiveness.

PPOA(2009) in its CDF procurement review of 1st July 2007 – 30th June 2008 carried-out for Westlands constituency highlighted weaknesses as well as strengths. The constituency had complied with Public Procurement and Disposal Act (PPDA) 2005 and Public Procurement and Disposal Act (PPDA) 2006 as well as the Public Procurement & Disposal Regulations 2006 (PPDR).The study focused on compliance of the constituency office to the public procurement laws, policies and procedures and it was

observed, even though the tender committee was in place it contravened the procurement law because it had no contractual agreements with the suppliers of services. The review recommended the installation of asset and inventory control system as well as management of records in accordance with the public procurement laws and procedures. It shows non-existence of contractual terms which may contribute to decrease in cost effectiveness on the CDF projects being implemented because there were no terms of reference .

Mugo (2008) emphasizes on the intended objective by the ministry of planning and vision 2030 to incorporate targeting on the allocation of CDF with the objective of improving accuracy of information on need assessment and thus achieve cost-effectiveness as compared to the inaccurate and inefficient allocation of funds to political projects which are allocated on blanket basis.

NTA (2009) survey on Citizen Perceptions of public accountability and potential for public action CDF ranked the top with 53% in the category of highest rated devolved fund against Local Authority Transfer Fund (LATF) 24% and Constituency Bursary Fund (CBF) 23%. NTA further evaluates the usage of CDF on the basis of cost to value and thus conclude on the cost to value ratio of individual projects per constituency ,in its study it revealed that 444 million in 28 constituencies and 5 local Authorities had been used on projects which were not cost-effective see (Oywa and Opiyo 2011).

According to the AAIK(2010) public expenditure review in eight constituencies for the financial years (2005/2006 – 2008/2009) there was a 30% increase of people living below the poverty line despite CDF and LATF funds. According to the Kenya Integrated Household Baseline Survey (KIHBS) 2005/06, Malindi had 65% of the people living below the poverty line in 2009 compared to 61% in 2006, while 83% of people in Galole were living below the poverty line in 2009 compared to 42% in 2006. In Mandera 90% of people were living below the poverty line in 2009 compared to 60% in 2006. There was, however, a marginal reduction in Budalangi from 70% in 2006 to 69% in 2009. It confirms the limi(2004) discussion that fiscal decentralization does not necessarily

stimulate economic growth and it is reflected by the disparity of how cost effectively CDF projects are implemented and social issues hindering movement of the constituents to get services from cost effectively implemented projects.

Study by Kimenyi(2005) carries-out an in-depth analysis of both institutional, design and implementation factors that impact on the efficiency of the use of CDF funds, it also identifies the CDF projects as "club goods" type as opposed to broad public goods whose efficiency can be analyzed along the aspects of size of constituencies/population density and dispersion, strategic choice of projects to internalize benefits, diversity of preferences/socio-economic characteristics, interest groups, political economy of CDF. In Tiebout(1961) study it emphasizes political neutrality to achieve cost effective fiscal decentralization(CDF model) and the discussion is furthered by Calsamiglia, Garcia-Milà and McGuire(2006) which emphasizes on the consideration of the population of the jurisdiction to achieve cost effective provision of public good at the sub national government.

Bagaka(2008) in the study of the constituency development fund and the growth of government it highlights that fiscal decentralization has promoted allocative efficiency and equity but at a cost of exporting tax burdens (operations and maintenance) to the central government emanating from capital projects implemented at the local level thus it highlights increased allocative efficiency but decreasing operational efficiency at the level of the central government.

Khasiani and Makau (2010) refers to CDF as a major boost to development in the rural areas and as a means of central government recollecting more revenue particularly to the business entities implementing the projects at the local level .It has created efficiency in delivery of service in certain areas but it has also increased the burden of the exchequer. In most cases decreased cost effectiveness has been observed due to unaccountability, duplication of activities, and lack of financial capacity by managers of the CDF funds and poor prioritization of the projects.

According to Infotrak Harris(2011) survey carried out to test re-election of MPs in the 2012 elections indicated that 77% of citizens in Nyanza,74% in Eastern,67% in Western,44% in North Eastern and 56% in the Coastal regions of citizens interviewed expressed dissatisfaction with the incumbent Members of Parliaments(MP) due to inappropriate management of CDF.The statistics provide indicators that constituents are not satisfied with the less cost effective implementation of CDF projects.

Gutiérrez-Romero(2010)studied the role of CDF projects in influencing the voting patterns of the constituents in Kenya during the 2007 pre-election and post-election period. The study focused on factors such as the average number of projects being implemented per constituency, the type of projects being implemented in the constituency such as education, health, water and other projects, it also focused on role of ethnicity in influencing the elections.56% of the voting population in the 2007 elections who had the intention to re-elect their Members of Parliament(MP) was based on how cost effectively they had used CDF thus increasing the probability of MPs being re-elected by 0.101.MPs who implemented majority of the projects on education sector reduced the probability of being re-elected whereas MPs who implemented majority of projects on health and water sector increased their probability of being re-elected. The health and water sector projects provide rivalry in the provision at the constituency thus confirming the Calsamiglia, Garcia-Milà and McGuire(2006) discussion on the rivalry characteristics of health services as a public good

2.5 CONCLUSIONS

Fiscal decentralization has provided a paradigm shift on the process of provision of public good and services, the intended benefits of spill-over effects and public choice will accrue if the political factors are neutral to the objective of fiscal decentralization(CDF). The Kenya Government has exercised fiscal decentralization through devolved funds such as CDF but under the county system of government large scale fiscal

decentralization will occur where 15% of the national revenue from tax collection will be decentralized to the counties, thus the targeted cost effectiveness will be achieved on neutral political grounds towards fiscal decentralization.

In the context of Kaloleni Constituency it has so far received Ksh 338,514,513, which is equivalent to 0.3 billion since fiscal year 2003-2004 to fiscal year 2009-2010 see www.cdf.go.ke. Under the new fiscal decentralization set-up it will be entitled to 0.6 billion which is double the amount allocated in seven fiscal years allocated in one fiscal year.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The chapter deals with methods used to collect data, the research design used, the population, sample size, data collection tools and the data analysis process. The research focused on the interaction of the constituents with the devolved funds managers and the CDF projects, with the objective of determining factors influencing cost-effectiveness in the implementation of CDF projects.

3.2 RESEARCH DESIGN

The study used descriptive research design. The study was a cross-sectional study of the factors influencing cost effectiveness of CDF projects implementation in Kaloleni Constituency .The study focused on the in-depth understanding of the factors influencing cost-effectiveness on the CDF projects. The research was disintegrated into clusters which divided the respondent population into the following strata(a) service providers which were made up of the heads of departments(heads of expenditure sectors at the district level) which had a population of 24 members ,(b)CSOs(Civil Society Organizations)which were involved in tracking different expenditure sector and expenditure on CDF which had a population of 10 members,(c)Constituency Development Fund Committee(CDFC) of Kaloleni Constituency which had a population of 15 members, the Projects Management Committees(PMCs) of projects being implemented since fiscal year 2007-2008 to fiscal year 2009-2010 because implementation of CDF projects in years prior to fiscal year 2007-2008 was faced with inconsistency ,which was harmonized with the amendment of the CDF ACT 2003 to CDF ACT 2007 which paved way for deployment of fund account managers to advise on CDF project policies and procedures.

3.3 POPULATION

The population of the study was 116 projects. The population of the study was guided by the total number of projects allocated Constituency Development Funds (CDF) in the fiscal year 2007-2008 to 2009-2010 thus the total number of projects being 116. UN (2001) defines population as "universe" of a defined class of people, objects or events. The study was carried-out in the whole of the constituency being made up of 11 locations;

Ribe, Kambe, Ruruma, Mwawesa, Rabai, Tsangatsini, Mariakani, Jibana, Kayafungo, Mwanamwinga and Kaloleni Locations. It focused on projects implemented on the following sectors; education, water, health, sports, environment, infrastructure/equipments such as vehicles, tractors, graders) thus presenting inconsistency in the determination of factors influencing cost-effectiveness. It also excluded emergency fund allocation based on the legal provision guiding its utilization, recurrent expenditure allocation, office administration, and capacity building, monitoring and evaluation.

3.4 SAMPLE

The sample size of the study was 12 projects. Sarndal Swenson and Wreman (1992) define cluster sampling as technique in which the entire population of interest is divided into groups. The study used cluster sampling technique Patton (1990) which focused on the respondents for CDF projects funded between fiscal year 2007-2008 to 2009-2010 thus the total number of projects being 116. It is a probability sampling technique. Sampling reduces the costs related with data collection by targeting on respondents that represent the entire population. The sample was guided by the criteria of the fiscal year of the projects allocation and expenditure sector. The projects to be studied were determined by the expenditure sector within which the project was implemented. The study concentrated on projects implemented on the education, water, health, sports, environment, infrastructure/equipment which had a population of 116 projects. A probability sample of ten percent provided a project sample of 12 projects. Thus the respondent population were determined as follows, (a) service providers which were made up of the heads of departments (heads of expenditure sectors at the district level)

which had a population of 24 members ,(b)CSOs(Civil Society Organizations)which were involved in tracking different expenditure sector and expenditure on CDF which had a population of 10 members,(c)Constituency Development Fund Committee(CDFC) of Kaloleni Constituency which had a population of 15 members, the Projects Management Committees(PMCs) of projects being implemented since fiscal year 2007-2008 to fiscal year 2009-2010 sample which was made up of 12 projects thus one member per project hence amounted to 12 members.

3.5 DATA COLLECTION

The data collection was carried-out by way of interview using a structured questionnaire at the primary level. The CDF status report provided the secondary data which formed the baseline of the research sampling and data collection. One questionnaire was administered for every member of the strata;(a) service providers which were made up of the heads of departments(heads of expenditure sectors at the district level) which had a population of 24 members ,(b)CSOs(Civil Society Organizations)which were involved in tracking different expenditure sector and expenditure on CDF which had a population of 10 members,(c)Constituency Development Fund Committee(CDFC) of Kaloleni Constituency which had a population of 15 members, the Projects Management Committees(PMCs) of projects being implemented since fiscal year 2007-2008 to fiscal year 2009-2010 sample which was made up of 12 projects thus one member per project hence amounted to 12 members. The project selection was random from an expenditure sector to the other. The data collection process progressed randomly from an expenditure sector to the other dependent on the location of the project.

3.6 DATA ANALYSIS

The study used multiple regression analysis as the statistical skill which established the contribution of each independent variable towards the dependent variable(cost effectiveness of CDF).The analysis was a regression of factors influencing cost effectiveness of CDF against cost effectiveness of CDF. Wonnacott and Wonnacott (1990) define regression analysis as the statistical technique that identifies the relationship between two or more quantitative variables .The data analysis was carried-

out using SPSS version 17 which analyzed the data into descriptive statistics of frequency tables and graphs. The independent variables were Variation of materials prices, Compliance, Delay in government disbursement of CDF funds to the constituency, Technical incapacities of the Constituency Development Fund committees and the Project Management Committees, Monitoring and Evaluation of the CDF projects by the CDF committee and service providers (Line Ministries), Ministry of Roads and Public Works supervision, Value Added Tax (VAT). The dependent variable was cost-effectiveness of CDF.

$$C = a + (bx + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + b_6x_6)$$

a = represents the intercept or the constant.

b = percentage change of the factors influencing CDF Projects implementation cost-effectiveness

C = Cost-effectiveness of CDF

x = Variation of materials prices

x_1 = Compliance

x_2 = Delay in government disbursement of CDF funds to the constituency

x_3 = Technical incapacities of the Constituency Development Fund committees and the Project Management Committees

x_4 = Monitoring and Evaluation of the CDF projects by the CDF committee and service providers (Line Ministries)

x_5 = Ministry of Roads and Public Works supervision

x_6 = Value Added Tax (VAT)

F-test and T-test were carried-out to test whether there is a linear relationship between the factors influencing CDF project implementation cost-effectiveness. A Sequential Sum

of Squares table was used to provide measure of the contribution made by individual factors influencing cost effectiveness of CDF project implementation.

The data was calculated into the measures of central tendency; mean, mode, median which enabled creation of pictorial presentation of the data and determining the coefficient of determination.

3.7 DATA RELIABILITY AND VALIDITY

The questionnaires captured the names and contacts of the respondent for verification purposes in the process of data entry and the respondent population had been divided into strata for consistency. The projects being studied had common implementation policies and procedures thus ensuring consistency.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1. INTRODUCTION

The chapter presents the analysis and the findings of the data collected by the researcher on factors influencing cost effectiveness of constituency development fund case study of Kaloleni constituency. The study intended to establish whether factors influencing cost effectiveness of Constituency Development Fund positively or adversely affect the implementation of Constituency Development Fund projects. Frequency distribution tables, scatter graphs, explanatory notes and histograms are used to present the data.

4.2. DATA PRESENTATION

4.2.1. Respondent Rate

The study targeted a respondent sample of 61 respondents with regard factors influencing cost effectiveness of constituency development fund case study of Kaloleni constituency. 61 out of the 61 sample respondents filled-in and returned the questionnaire making a response rate of 100%. The 100% response rate was achieved through repeated field visits to remind the respondents.

4.2.2. Mean of Responses to the Questions

Questions	Q NO.	S.D	Sum	Response-Mean
Increase of project materials prices reduces the quantity of project materials bought	1	1.2	221	3.62
Increase of project materials prices makes contractors to use low quality materials for the project for certain project allocation.	2	1.2	203	3.33
Increase in the cost of the project materials prices increases the project implementation period.	3	1.2	209	3.43

Project contractors purchase cheap price materials less than what is quoted on the Bills of Quantity (BQ)	4	1.2	201	3.30
The Constituency Development Fund Committees do involve the Project Management Committee (PMC) in tracking expenditure of respective CDF projects.	5	1.2	216	3.54
. The Project Management Committee (PMC) do not track Bills of Quantity (BQ) specifications on the actual project.	6	1.0	164	2.69
The projects implemented by CDF reflect high cost compared to projects implemented by other development agencies	7	1.2	189	3.10
Contractors do not influence securing of CDF project tenders.	8	1.2	178	2.92
Delay in the disbursement of CDF funds contributes to the increased wear and tear of the ongoing projects.	9	1.1	234	3.84
Delayed disbursement of CDF funds do factor in price variation on the allocation.	10	1.1	227	3.72
Litigation costs on CDF projects due to delayed disbursement adversely affect CDF projects quality.	11	1.2	205	3.36
Delay in the disbursement of CDF funds increases the projects labor costs.	12	1.2	212	3.48
The Constituency Development Fund committees and Project Management Committees know the CDF projects procurement policies and procedures.	13	1.0	203	3.33
The Constituency Development Fund committees and Project Management Committees know the technicalities guiding implementation of CDF projects.	14	1.0	178	2.92

The Project Management Committees purchasing of project materials improves the quality of project materials.	15	1.2	185	3.03
The Project Management Committees do access the projects Bills of Quantity (BQ) for most projects.	16	1.1	191	3.13
The CDF and service providers (Line Ministries) continuously visit the CDF project sites during project implementation to evaluate the project progress.	17	1.0	195	3.20
The CDF and service providers (Line Ministries) stop contractors not adhering to the Bills of Quantity (BQ) specifications.	18	1.0	193	3.16
The technical specifications of the service providers(line ministries) are adhered to on implementation of CDF projects.	19	1.0	211	3.46
The CDF and service providers (Line Ministries) Monitoring and Evaluation role should be delegated to Independent institutions to do the Monitoring and Evaluation role on their behalf.	20	1.4	206	3.38
The public works officer continuously supervises implementation of CDF projects from the start.	21	1.1	196	3.21
The CDF projects with weak structures have been supervised by public works officer.	22	1.0	170	2.79
CDF projects implemented by Public Works Office on full contract basis are of high quality compared to CDF projects implemented by consultants on labour contract basis.	23	1.1	196	3.21
CDF projects implemented by Public Works Office on full contract basis are of relatively low cost compared to CDF project implemented by consultants on labour contract basis.	24	1.2	165	2.70

The value Added Tax (VAT) of 16% deducted from the CDF project allocation reduces the quantity of materials that is available for the project implementation.	25	1.1	168	2.75
The value Added Tax (VAT) of 16% deducted from the CDF project allocation causes contractors to purchase low quality materials to ensure project phase completion.	26	1.2	166	2.72
The value Added Tax (VAT) of 16% deducted from the CDF project allocation has contributed to delayed project completion.	27	1.1	155	2.54
CDF as a component of decentralizing funds contributing to pro-poor services should not be deducted VAT of 16%.	28	1.1	226	3.70
Valid N=61				

Question 9(delay in the disbursement of CDF funds contributes to the increased wear and tear of the ongoing projects) had the highest response mean of 3.84 followed with question 10 question 10(Delayed disbursement of CDF funds do factor in price variation on the allocation) had a response mean of 3.72 followed by question 28(CDF as a component of decentralizing funds contributing to pro-poor services should not be deducted VAT, of 16%.) which had a response mean of 3.70.Question 8 (contractors do not influence securing of CDF project tenders.) tied with question 14(The Constituency Development Fund committees and Project Management Committees know the technicalities guiding implementation of CDF projects.) with a mean response of 2.92.Question 27(the value Added Tax (VAT) of 16% deducted from the CDF project allocation has contributed to delayed project completion.) had the lowest mean response of 2.54.

4.2.3 Frequency Distribution Table

4.2.3.1 Increase of project materials prices reduces the quantity of project materials bought

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	3.3	3.3	3.3
Disagree	15	24.6	24.6	27.9
Neither agree nor disagree	4	6.6	6.6	34.4
Agree	23	37.7	37.7	72.1
Strongly agree	17	27.9	27.9	100.0
Total	61	100.0	100.0	

37.7% of the respondents which is 23 respondents agreed that increase of project materials prices reduces the quantity of project materials bought whereas 3.3% strongly disagreed. 6.6% of the respondents neither agreed nor disagreed that increase of project materials prices reduces the quantity of project materials bought. The question had a mean response of 3.62 and standard deviation of 1.2 as indicated on table 4.2.2.

4.2.3.2 Increase of project materials prices makes contractors to use low quality materials for the project for certain project allocation.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	5	8.2	8.2	8.2
Disagree	14	23.0	23.0	31.1
Neither agree nor disagree	6	9.8	9.8	41.0
Agree	28	45.9	45.9	86.9
Strongly agree	8	13.1	13.1	100.0
Total	61	100.0	100.0	-

On the question of increase of project materials prices makes contractors to use low quality materials for the project for certain project allocation 45.9% of the respondents agreed whereas 8.2 percent strongly disagreed. 14 respondents which make 23% of the respondents disagreed. The question had a mean response of 3.33 and standard deviation of 1.2 as indicated on table 4.2.2.

4.2.3.3 Increase in the cost of the project materials prices increases the project implementation period.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	4	6.6	6.6	6.6
Disagree	14	23.0	23.0	29.5
Neither agree nor disagree	8	13.1	13.1	42.6
Agree	22	36.1	36.1	78.7
Strongly agree	13	21.3	21.3	100.0
Total	61	100.0	100.0	

36.1% of the respondents agreed that increase in the cost of the project materials prices increases the project implementation period whereas 6.6% of the respondents strongly disagreed. 21.3% of the respondents strongly agreed. The question had a mean response of 3.43 and standard deviation of 1.2 as indicated on table 4.2.2.

4.2.3.4 Project contractors purchase cheap price materials less than what is quoted on the Bills of Quantity (BQ)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	5	8.2	8.2	8.2
Agree	11	18.0	18.0	26.2
Neither agree nor disagree	16	26.2	26.2	52.5
Agree	19	31.1	31.1	83.6
Strongly Agree	10	16.4	16.4	100.0
Total	61	100.0	100.0	

The question as to whether project contractors purchase cheap price materials less than what is quoted on the Bills of Quantity (BQ) observed that 19 respondents agreed whereas 26.2% of the respondents neither agreed nor disagreed. The question had a mean response of 3.30 and standard deviation of 1.2 as indicated on table 4.2.2.

4.2.3.4 The Constituency Development Fund Committees do involve the Project Management Committee (PMC) in tracking expenditure of respective CDF projects.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	3	4.9	4.9	4.9
Disagree	12	19.7	19.7	24.6
Neither agree nor disagree	8	13.1	13.1	37.7
Agree	25	41.0	41.0	78.7
Strongly	13	21.3	21.3	100.0
Total	61	100.0	100.0	

The research findings have it that 41% of respondents which represent 25 respondents agree that Constituency Development Fund Committees do involve the Project Management Committee (PMC) in tracking expenditure of respective CDF projects whereas 4.9% strongly disagree . The question had a mean response of 3.54 and standard deviation of 1.2 as indicated on table 4.2.2.



4.2.3.5 The Project Management Committee (PMC) do not track Bills of Quantity (BQ) specifications on the actual project.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	6	9.8	9.8	9.8
Disagree	24	39.3	39.3	49.2
Neither agree nor disagree	16	26.2	26.2	75.4
Agree	13	21.3	21.3	96.7
Strongly agree	2	3.3	3.3	100.0
Total	61	100.0	100.0	

39.3% disagreed that the Project Management Committee (PMC) do not track Bills of Quantity (BQ) specifications on the actual project whereas 13 respondents agreed. 26.2% neither agreed nor disagreed. The question had a mean response of 2.69 and standard deviation of 1.0 as indicated on table 4.2.2.

4.2.3.6 The projects implemented by CDF reflect high cost compared to projects implemented by other development agencies.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	3.3	3.3	3.3
Disagree	23	37.7	37.7	41.0
Neither agree nor disagree	12	19.7	19.7	60.7
Agree	15	24.6	24.6	85.2
Strongly agree	9	14.8	14.8	100.0
Total	61	100.0	100.0	

37.7% disagreed with the statement that projects implemented by CDF reflect high cost compared to projects implemented by other development agencies whereas 19.7% neither agreed nor disagreed. 24.6% and 14.8% agreed and strongly agreed respectively. The question had a mean response of 3.1 and standard deviation of 1.2 as indicated on table 4.2.2.

4.2.3.7 Contractors do not influence securing of CDF project tenders.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	6	9.8	9.8	9.8
Disagree	17	27.9	27.9	37.7
Neither agree nor disagree	19	31.1	31.1	68.9
Agree	14	23.0	23.0	91.8
Strongly agree	5	8.2	8.2	100.0
Total	61	100.0	100.0	

Majority of the respondents, 19 respondents out of 61 respondents neither agreed nor disagreed with the statement that contractors do not influence securing of CDF project tenders. 27.9% and 23% disagreed and agreed respectively. The question had a mean response of 2.92 and standard deviation of 1.2 as indicated on table 4.2.2.

4.2.3.8 Delay in the disbursement of CDF funds contributes to the increased wear and tear of the ongoing projects.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	2	3.3	3.3	3.3
Disagree	6	9.8	9.8	13.1
Neither agree nor disagree	10	16.4	16.4	29.5
Agree	25	41.0	41.0	70.5
Strongly agree	18	29.5	29.5	100.0
Total	61	100.0	100.0	

41% of the respondents agree with the question delay in the disbursement of CDF funds contributes to the increased wear and tear of the ongoing projects whereas 9.8% disagree and 29.5% of the respondents strongly agreeing. The question had a mean response of 3.84 and standard deviation of 1.1 as indicated on table 4.2.2.

4.2.3.9 Delayed disbursement of CDF funds do factor in price variation on the allocation.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	4	6.6	6.6	6.6
Disagree	7	11.5	11.5	18.0
Neither agree nor disagree	4	6.6	6.6	24.6
Agree	33	54.1	54.1	78.7
Strongly agree	13	21.3	21.3	100.0
Total	61	100.0	100.0	

33 respondents out of 61 respondents agree that delayed disbursement of CDF funds do factor in price variation on the allocation whereas 7 disagree and 4 strongly disagreeing. The question had a mean response of 3.72 and standard deviation of 1.1 as indicated on table 4.2.2.

4.2.3.10 Litigation costs on CDF projects due to delayed disbursement adversely affect CDF projects quality.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	5	8.2	8.2	8.2
Disagree	14	23.0	23.0	31.1
Neither agree nor disagree	5	8.2	8.2	39.3
Agree	28	45.9	45.9	85.2
Strongly agree	9	14.8	14.8	100.0
Total	61	100.0	100.0	

45.9% of the respondents agree that litigation costs on CDF projects due to delayed disbursement adversely affect CDF projects quality whereas 23% disagree and 8.2% neither agree nor disagree. The question had a mean response of 3.36 and standard deviation of 1.2 as indicated on table 4.2.2.

4.2.3.11 Delay in the disbursement of CDF funds increases the projects labor costs.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	1	1.6	1.6	1.6
Disagree	20	32.8	32.8	34.4
Neither agree nor disagree	4	6.6	6.6	41.0
Agree	21	34.4	34.4	75.4
Strongly agree	15	24.6	24.6	100.0
Total	61	100.0	100.0	

On the question whether delay in the disbursement of CDF funds increases the projects labor costs 1.6% of the respondents strongly disagreed ,6.6% neither agreed nor disagreed and 21 respondents out of 61 respondents which makes 34.4% were in agreement. The question had a mean response of 3.48 and standard deviation of 1.2 as indicated on table 4.2.2.

4.2.3.12 The Constituency Development Fund committees and Project Management Committees know the CDF projects procurement policies and procedures.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	3	4.9	4.9	4.9
Disagree	9	14.8	14.8	19.7
Neither agree nor disagree	18	29.5	29.5	49.2
Agree	27	44.3	44.3	93.4
Strongly agree	4	6.6	6.6	100.0
Total	61	100.0	100.0	

44.3% agreed that Constituency Development Fund committees and Project Management Committees know the CDF projects procurement policies and procedures whereas 29.5% neither agreed nor disagreed. 4.9% which is 3 respondents out of 61 respondents strongly disagreed. The question had a mean response of 3.33 and standard deviation of 1.0 as indicated on table 4.2.2.

4.2.3.13 The Constituency Development Fund committees and Project Management Committees know the technicalities guiding implementation of CDF projects.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	5	8.2	8.2	8.2
Disagree	17	27.9	27.9	36.1
Neither agree nor disagree	18	29.5	29.5	65.6
Agree	20	32.8	32.8	98.4
Strongly agree	1	1.6	1.6	100.0
Total	61	100.0	100.0	

Test on whether the Constituency Development Fund committees and Project Management Committees know the technicalities guiding implementation of CDF projects 32.8% agreed, 27.9% disagreed and 1.6% strongly agreed. The question had a mean response of 2.92 and standard deviation of 1.0 as indicated on table 4.2.2.

4.2.3.14 The Project Management Committees purchasing of project materials improves the quality of project materials.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	5	8.2	8.2	8.2
Disagree	18	29.5	29.5	37.7
Neither agree nor disagree	17	27.9	27.9	65.6
Agree	12	19.7	19.7	85.2
Strongly agree	9	14.8	14.8	100.0
Total	61	100.0	100.0	

29.5% disagreed with the idea that Project Management Committees purchasing of project materials improves the quality of project materials 19.7% and 8.2% agreed and strongly disagreed respectively. The question had a mean response of 3.03 and standard deviation of 1.2 as indicated on table 4.2.2.

4.2.3.15 The Project Management Committees do access the projects Bills of Quantity (BQ) for most projects.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	5	8.2	8.2	8.2
Disagree	15	24.6	24.6	32.8
Neither agree nor disagree	13	21.3	21.3	54.1
Agree	23	37.7	37.7	91.8
Strongly agree	5	8.2	8.2	100.0
Total	61	100.0	100.0	

37.7% of the respondents agreed that Project Management Committees do access the projects Bills of Quantity (BQ) for most projects whereas 21.3% and 24.6% neither agreed nor disagreed and disagreed respectively. 5 respondents out of 61 respondents strongly disagreed. The question had a mean response of 3.13 and standard deviation of 1.1 as indicated on table 4.2.2.

4.2.3.16 The CDF and service providers (Line Ministries) continuously visit the CDF project sites during project implementation to evaluate the project progress.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	3	4.9	4.9	4.9
Disagree	15	24.6	24.6	29.5
Neither agree nor disagree	15	24.6	24.6	54.1
Agree	23	37.7	37.7	91.8
Strongly agree	5	8.2	8.2	100.0
Total	61	100.0	100.0	

37.7% of the respondents agreed that CDF and service providers (Line Ministries) continuously visit the CDF project sites during project implementation to evaluate the project progress, 24.6% disagreed and also neither agreed nor disagreed. The question had a mean response of 3.2 and standard deviation of 1.0 as indicated on table 4.2.2.

4.2.3.17 The CDF and service providers (Line Ministries) stop contractors not adhering to the Bills of Quantity (BQ) specifications.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	3	4.9	4.9	4.9
Disagree	15	24.6	24.6	29.5
Neither agree nor disagree	17	27.9	27.9	57.4
Agree	21	34.4	34.4	91.8
Strongly agree	5	8.2	8.2	100.0
Total	61	100.0	100.0	

It is observed that CDF and service providers (Line Ministries) stop contractors not adhering to the Bills of Quantity (BQ) specifications where 21 respondents out of 61 agreed with the statement, 24.6% disagreeing and 4.9 strongly disagreeing. The question had a mean response of 3.16 and standard deviation of 1.0 as indicated on table 4.2.2.

4.2.3.18 The technical specifications of the service providers(line ministries) are adhered to on implementation of CDF projects.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	1	1.6	1.6	1.6
Disagree	11	18.0	18.0	19.7
Neither agree nor disagree	15	24.6	24.6	44.3
Agree	27	44.3	44.3	88.5
Strongly agree	7	11.5	11.5	100.0
Total	61	100.0	100.0	

A test on whether technical specifications of the service providers(line ministries) are adhered to on implementation of CDF projects observed that 44.3% of the respondents agreed with the statement whereas 18% disagreed.24/6% neither agreed nor disagreed. The question had a mean response of 3.46 and standard deviation of 1.0 as indicated on table 4.2.2.

4.2.3.19 The CDF and service providers (Line Ministries) Monitoring and Evaluation role should be delegated to Independent institutions to do the Monitoring and Evaluation role on their behalf.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	3	4.9	4.9	4.9
Disagree	23	37.7	37.7	42.6
Neither agree nor disagree	4	6.6	6.6	49.2
Agree	10	16.4	16.4	65.6
Strongly agree	21	34.4	34.4	100.0
Total	61	100.0	100.0	

The suggestion as to whether CDF and service providers (Line Ministries) Monitoring and Evaluation role should be delegated to Independent institutions to do the Monitoring and Evaluation role on their behalf observed that 37.7% of the respondents disagreed with suggestion whereas 16.4% and 34.4% agreed and strongly agreed respectively. The question had a mean response of 3.38 and standard deviation of 1.4 as indicated on table 4.2.2.

4.2.3.20 The public works officer continuously supervises implementation of CDF projects from the start.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	5	8.2	8.2	8.2
Disagree	12	19.7	19.7	27.9
Neither agree nor disagree	16	26.2	26.2	54.1
Agree	21	34.4	34.4	88.5
Strongly agree	7	11.5	11.5	100.0
Total	61	100.0	100.0	

In testing whether the public works officer continuously supervises implementation of CDF projects from the start 34.4% of the respondents were in agreement whereas 26.2% neither agreed nor disagreed.8.2% strongly disagreed with the statement. The question had a mean response of 3.21 and standard deviation of 1.1 as indicated on table 4.2.2.

4.2.3.21 The CDF projects with weak structures have been supervised by public works officer.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	6	9.8	9.8	9.8
Disagree	17	27.9	27.9	37.7
Neither agree nor disagree	23	37.7	37.7	75.4
Agree	14	23.0	23.0	98.4
Strongly agree	1	1.6	1.6	100.0
Total	61	100.0	100.0	

A test to demystify whether CDF projects with weak structures have been supervised by public works officer observed that 37.7% of the respondents neither agreed nor disagreed whereas 27.9% and 23% disagreed and agreed respectively. The question had a mean response of 2.79 and standard deviation of 1.0 as indicated on table 4.2.2.

4.2.3.22 CDF projects implemented by Public Works Office on full contract basis are of high quality compared to CDF projects implemented by consultants on labour contract basis.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	4	6.6	6.6	6.6
Disagree	14	23.0	23.0	29.5
Neither agree nor disagree	18	29.5	29.5	59.0
Agree	15	24.6	24.6	83.6
Strongly agree	10	16.4	16.4	100.0
Total	61	100.0	100.0	

29.5% of the respondents neither agreed nor disagreed with the statement CDF projects implemented by Public Works Office on full contract basis are of high quality compared to CDF projects implemented by consultants on labour contract basis whereas 23% disagreed and 24.6 agreed. The question had a mean response of 3.21 and standard deviation of 1.1 as indicated on table 4.2.2.

4.2.3.23 CDF projects implemented by Public Works Office on full contract basis are of relatively low cost compared to CDF project implemented by consultants on labour contract basis.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	8	13.1	13.1	13.1
Disagree	21	34.4	34.4	47.5
Neither agree nor disagree	16	26.2	26.2	73.8
Agree	13	21.3	21.3	95.1
Strongly agree	3	4.9	4.9	100.0
Total	61	100.0	100.0	

21 respondents out of 61 disagreed with the statement that CDF projects implemented by Public Works Office on full contract basis are of relatively low cost compared to CDF project implemented by consultants on labour contract basis, 21.3% of the respondents agreed with the statement whereas 13.1% strongly disagreed. The question had a mean response of 2.70 and standard deviation of 1.2 as indicated on table 4.2.2.

4.2.3.24 The value Added Tax (VAT) of 16% deducted from the CDF project allocation reduces the quantity of materials that is available for the project implementation.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	11	18.0	18.0	18.0
Disagree	21	34.4	34.4	52.5
Neither agree nor disagree	5	8.2	8.2	60.7
Agree	20	32.8	32.8	93.4
Strongly agree	4	6.6	6.6	100.0
Total	61	100.0	100.0	

34.4% of the respondents disagreed with the idea that the value Added Tax (VAT) of 16% deducted from the CDF project allocation reduces the quantity of materials that is available for the project implementation whereas 32.8% of the respondents were in agreement. The question had a mean response of 2.75 and standard deviation of 1.1 as indicated on table 4.2.2.

4.2.3.25 The value Added Tax (VAT) of 16% deducted from the CDF project allocation causes contractors to purchase low quality materials to ensure project phase completion.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	7	11.5	11.5	11.5
Disagree	27	44.3	44.3	55.7
Neither agree nor disagree	8	13.1	13.1	68.9
Agree	14	23.0	23.0	91.8
Strongly agree	5	8.2	8.2	100.0
Total	61	100.0	100.0	

44.3% disagree with the question whether Value Added Tax (VAT) of 16% deducted from the CDF project allocation causes contractors to purchase low quality materials to ensure project phase completion whereas 23% agree and 13.1% neither agree nor disagree. The question had a mean response of 2.72 and standard deviation of 1.2 as indicated on table 4.2.2.

4.2.3.26 The value Added Tax (VAT) of 16% deducted from the CDF project allocation has contributed to delayed project completion.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	9	14.8	14.8	14.8
Disagree	29	47.5	47.5	62.3
Neither agree nor disagree	8	13.1	13.1	75.4
Agree	11	18.0	18.0	93.4
Strongly agree	4	6.6	6.6	100.0
Total	61	100.0	100.0	

The research found-out that 47.5% disagree on whether value Added Tax (VAT) of 16% deducted from the CDF project allocation has contributed to delayed project completion whereas 6.6% strongly agreed. The question had a mean response of 2.54 and standard deviation of 1.1 as indicated on table 4.2.2.

4.2.3.27 CDF as a component of decentralizing funds contributing to pro-poor services should not be deducted VAT of 16%.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	1	1.6	1.6	1.6
Disagree	9	14.8	14.8	16.4
Neither agree nor disagree	14	23.0	23.0	39.3
Agree	20	32.8	32.8	72.1
Strongly agree	17	27.9	27.9	100.0
Total	61	100.0	100.0	

32.8% agree that CDF as a component of decentralizing funds contributing to pro-poor services should not be deducted VAT of 16% whereas 14.8% disagree and 1.6% strongly disagree. The question had a mean response of 3.70 and standard deviation of 1.1 as indicated on table 4.2.2.

4.2.3. Weighted Mean of Factors Influencing Cost Effectiveness of Constituency Development Fund

Factors Influencing Cost Effectiveness of Constituency Development Fund .	Weighted Mean of the answers
Variation of material prices	3.42
Compliance	3.06
Delay in government disbursement of CDF funds to the constituency	3.60
Technical incapacities of the Constituency Development Fund Committees and the Project Management Committees	3.10
Monitoring and Evaluation of the CDF projects by the CDF Committee and Service providers (Line Ministries)	3.30
Ministry of Roads and Public Works supervision	2.98
Value Added Tax	2.93

Weighted mean of the answers on the variables were as follows delay in government disbursement of CDF funds to the constituency had the highest weighted mean of 3.60 followed by variation of material prices with a mean of 3.42 and technical incapacities of the Constituency Development Fund Committees and the Project Management Committees which has a mean of 3.10. Value Added Tax had the least weighted mean of answers of 2.93.

4.3. CORRELATION AND REGRESSION ANALYSIS

4.3.1. Coefficient of Variation

If the predictor variable are correlated then the coefficient of correlation is greater than 0.5 thus if it happens to be greater than 0.5 then one the predictor variable must be dropped or removed from the model. Thus within the seven variables none of the predictor variable is greater than 0.5

Correlation Coefficient table

	X	X ₁	X ₂	X ₃	X ₄	X ₅	X ₆
X	1						
X ₁	-0.491163608	1					
X ₂	-0.07293741	-0.11363899	1				
X ₃	-0.593561574	0.321532334	-0.264816	1			
X ₄	-0.565142475	0.202466467	-0.29879	0.391470486	1		
X ₅	-0.351232743	0.095011858	-0.290767	0.115218179	0.183972322	1	
X ₆	-0.095527686	-0.25013055	-0.157204	-0.237869555	-0.17279309	-0.0902028	1

Source (Raw data from research)

Regression Statistics table

Regression Statistics	
Multiple R	0.902
R Square	0.813
Adjusted R Square	0.774
Standard Error	16.378
Observations	61

Source (Raw data from research)

4.3.2. Strength of the model

In table shows Coefficient of determination which explains the percentage of variation in dependent variable(factors influencing cost effectiveness of CDF) being explained by the changes in independent variables(Variation of materials prices, Compliance, Delay in government disbursement of CDF funds to the constituency, Technical incapacities of the Constituency Development Fund committees and the Project Management Committees, Monitoring and Evaluation of the CDF projects by the CDF committee and service

providers (Line Ministries), Ministry of Roads and Public Works supervision, Value Added Tax (VAT). Thus R^2 equals 0.813 which means that (Variation of materials prices, Compliance, Delay in government disbursement of CDF funds to the constituency, Technical incapacities of the Constituency Development Fund committees and the Project Management Committees, Monitoring and Evaluation of the CDF projects by the CDF committee and service providers (Line Ministries), Ministry of Roads and Public Works supervision, Value Added Tax (VAT)) explain 81.3% of the (factors influencing cost effectiveness of Constituency Development Fund) leaving 18.7% unexplained.

ANOVA findings in table shows that there is correlation between the predictor variables (Variation of material prices percentages, Compliance percentages) and response variable factors influencing cost effectiveness of CDF since P-value of $2.58249E-17$ is less than 0.05.

ANOVA Findings Table

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	7	63045.71041	9006.530058	33.57562304	2.58249E-17
Residual	54	14485.28959	268.2461036		
Total	61	77531			

Source (Raw data from research)

4.3.3. Regression analysis

$$C = 2.58249E-17 + (1.91x_1 - 0.53x_2 - 0.198x_3 - 0.07x_4 - 1.49x_5 + 2.76x_6 + .26x_7)$$

This means:

Constant = $2.58249E-17$, shows that if (Variation of materials prices, Compliance, Delay in government disbursement of CDF funds to the constituency, Technical incapacities of the Constituency Development Fund committees and the Project Management Committees, Monitoring and Evaluation of the CDF projects by the CDF committee and

service providers (Line Ministries), Ministry of Roads and Public Works supervision, Value Added Tax (VAT) were all rated as zero, the factors influencing cost effectiveness of Constituency Development Fund rating would be $2.58249E-17$

$X=1.91$ shows that one unit change in Variation of materials prices results in 1.91 unit increase in factors influencing cost effectiveness of Constituency Development Fund

$X_1= -0.53$ shows that one unit change in compliance results in 0.53 unit decrease in factors influencing cost effectiveness of Constituency Development Fund

$X_2= -0.198$ shows that one unit change in Delay in government disbursement of CDF funds to the constituency results in 0.198 unit decrease in factors influencing cost effectiveness of Constituency Development Fund

$X_3= -0.07$ shows that one unit change in Technical incapacities of the Constituency Development Fund committees and the Project Management Committees results in 0.07 unit decrease in factors influencing cost effectiveness of Constituency Development Fund

$X_4= -1.49$ shows that one unit change in Monitoring and Evaluation of the CDF projects by the CDF committee and service providers (Line Ministries) results in 1.49 unit decrease in factors influencing cost effectiveness of Constituency Development Fund

$X_5= 2.76$ shows that one unit change in Ministry of Roads and Public Works supervision results in 2.759 unit increase in factors influencing cost effectiveness of Constituency Development Fund

$X_6= 0.26$ shows that one unit change in Value Added Tax (VAT) results in 0.26 unit increase in factors influencing cost effectiveness of Constituency Development Fund.

Regression Coefficient Table

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
X 1	1.914	0.651	2.938	0.005	0.608	3.220	0.608	3.220
X2	-0.533	1.046	-0.510	0.612	-2.631	1.565	-2.631	1.565
X 3	-0.198	0.604	-0.327	0.745	-1.409	1.014	-1.409	1.014
X4	-0.070	0.880	-0.080	0.936	-1.834	1.693	-1.834	1.693
X 5	-1.490	0.900	-1.656	0.103	-3.294	0.314	-3.294	0.314
X6	2.759	0.996	2.769	0.008	0.761	4.757	0.761	4.757
X 7	0.265	0.692	0.383	0.703	-1.123	1.653	-1.123	1.653

Source (Raw data from research)

4.4.SUMMARY AND INTERPRETATION OF THE FINDINGS.

37.7% of the respondents which is 23 respondents agreed that increase of project materials prices reduces the quantity of project materials bought whereas 3.3% strongly disagreed.6.6% of the respondents neither agreed nor disagreed that increase of project materials prices reduces the quantity of project materials bought.

On the question of increase of project materials prices makes contractors to use low quality materials for the project for certain project allocation 45.9% of the respondents agreed whereas 8.2 percent strongly disagreed.14 respondents which make 23% of the respondents disagreed.

36.1% of the respondents agreed that increase in the cost of the project materials prices increases the project implementation period whereas 6.6% of the respondents strongly disagreed.21.3% of the respondents strongly agreed.

The question as to whether project contractors purchase cheap price materials less than what is quoted on the Bills of Quantity (BQ) observed that19 respondents agreed whereas 26.2% of the respondents neither agreed nor disagreed.

The research findings have it that 41% of respondents which represent 25 respondents agree that Constituency Development Fund Committees do involve the Project

Management Committee (PMC) in tracking expenditure of respective CDF projects whereas 4.9% strongly disagree

39.3% disagreed that the Project Management Committee (PMC) do not track Bills of Quantity (BQ) specifications on the actual project whereas 13 respondents agreed. 26.2% neither agreed nor disagreed.

37.7% disagreed with the statement that projects implemented by CDF reflect high cost compared to projects implemented by other development agencies whereas 19.7% neither agreed nor disagreed. 24.6% and 14.8% agreed and strongly agreed respectively.

Majority of the respondents, 19 respondents out of 61 respondents neither agreed nor disagreed with the statement that contractors do not influence securing of CDF project tenders. 27.9% and 23% disagreed and agreed respectively.

41% of the respondents agree with the question delay in the disbursement of CDF funds contributes to the increased wear and tear of the ongoing projects whereas 9.8% disagree and 29.5% of the respondents strongly agreeing.

33 respondents out of 61 respondents agree that delayed disbursement of CDF funds do factor in price variation on the allocation whereas 7 disagree and 4 strongly disagreeing

45.9% of the respondents agree that litigation costs on CDF projects due to delayed disbursement adversely affect CDF projects quality whereas 23% disagree and 8.2% neither agree nor disagree.

On the question whether delay in the disbursement of CDF funds increases the projects labor costs 1.6% of the respondents strongly disagreed, 6.6% neither agreed nor disagreed and 21 respondents out of 61 respondents which makes 34.4% were in agreement.

44.3% agreed that Constituency Development Fund committees and Project Management Committees know the CDF projects procurement policies and procedures whereas 29.5% neither agreed nor disagreed. 4.9% which is 3 respondents out of 61 respondents strongly disagreed.

Test on whether the Constituency Development Fund committees and Project Management Committees know the technicalities guiding implementation of CDF projects 32.8% agreed, 27.9% disagreed and 1.6% strongly agreed.

29.5% disagreed with the idea that Project Management Committees purchasing of project materials improves the quality of project materials 19.7% and 8.2% agreed and strongly disagreed respectively.

37.7% of the respondents agreed that Project Management Committees do access the projects Bills of Quantity (BQ) for most projects whereas 21.3% and 24.6% neither agreed nor disagreed and disagreed respectively. 5 respondents out of 61 respondents strongly disagreed.

37.7% of the respondents agreed that CDF and service providers (Line Ministries) continuously visit the CDF project sites during project implementation to evaluate the project progress, 24.6% disagreed and also neither agreed nor disagreed.

It is observed that CDF and service providers (Line Ministries) stop contractors not adhering to the Bills of Quantity (BQ) specifications where 21 respondents out of 61 agreed with the statement, 24.6% disagreeing and 4.9 strongly disagreeing.

A test on whether technical specifications of the service providers (line ministries) are adhered to on implementation of CDF projects observed that 44.3% of the respondents agreed with the statement whereas 18% disagreed. 24.6% neither agreed nor disagreed.

The suggestion as to whether CDF and service providers (Line Ministries) Monitoring and Evaluation role should be delegated to Independent institutions to do the Monitoring and Evaluation role on their behalf observed that 37.7% of the respondents disagreed with suggestion whereas 16.4% and 34.4% agreed and strongly agreed respectively.

In testing whether the public works officer continuously supervises implementation of CDF projects from the start 34.4% of the respondents were in agreement whereas 26.2% neither agreed nor disagreed.8.2% strongly disagreed with the statement.

A test to demystify whether CDF projects with weak structures have been supervised by public works officer observed that 37.7% of the respondents neither agreed nor disagreed whereas 27.9% and 23% disagreed and agreed respectively.

29.5% of the respondents neither agreed nor disagreed with the statement CDF projects implemented by Public Works Office on full contract basis are of high quality compared to CDF projects implemented by consultants on labour contract basis whereas 23% disagreed and 24.6 agreed.

21 respondents out of 61 disagreed with the statement that CDF projects implemented by Public Works Office on full contract basis are of relatively low cost compared to CDF project implemented by consultants on labour contract basis,21.3% of the respondents agreed with the statement whereas 13.1% strongly disagreed.

34.4% of the respondents disagreed with the idea that the value Added Tax (VAT) of 16% deducted from the CDF project allocation reduces the quantity of materials that is available for the project implementation whereas 32.8% of the respondents were in agreement.

44.3% disagree with the question whether Value Added Tax (VAT) of 16% deducted from the CDF project allocation causes contractors to purchase low quality materials to ensure project phase completion whereas 23% agree and 13.1% neither agree nor

disagree.

The research found-out that 47.5% disagree on whether value Added Tax (VAT) of 16% deducted from the CDF project allocation has contributed to delayed project completion whereas 6.6% strongly agreed.

32.8% agree that CDF as a component of decentralizing funds contributing to pro-poor services should not be deducted VAT of 16% whereas 14.8% disagree and 1.6% strongly disagree.

Weighted mean of the answers on the variables were as follows delay in government disbursement of CDF funds to the constituency had the highest weighted mean of 3.60 followed by variation of material prices with a mean of 3.42 and technical incapacities of the Constituency Development Fund Committees and the Project Management Committees which has a mean of 3.10. Value Added Tax had the least weighted mean of answers of 2.93.

The study used regression analysis to determine the relationship between factors influencing cost effectiveness of CDF. R^2 of 0.813 shows that there is a significant relationship between Variation of materials prices, Compliance, Delay in government disbursement of CDF funds to the constituency, Technical incapacities of the Constituency Development Fund committees and the Project Management Committees, Monitoring and Evaluation of the CDF projects by the CDF committee and service providers (Line Ministries), Ministry of Roads and Public Works supervision, Value Added Tax (VAT) and factors influencing cost effectiveness in implementation of CDF projects.

Ranking the variables from variables with much impact on cost effectiveness of CDF to the variables with less impact they rank as follows Ministry of Roads and Public Works supervision, Variation of materials price, Value Added Tax (VAT), Delay in government disbursement of CDF funds to the constituency, Monitoring and Evaluation of the CDF

projects by the CDF committee and service providers (Line Ministries) compliance, Technical incapacities of the Constituency Development Fund committees and the Project Management Committees.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1.SUMMARY

The Constituency Development Fund (CDF) was established through the enactment of CDF Act 2003 by the 9th Parliament of Kenya. The CDF Act requires 2.5 percent of the ordinary revenue to be devolved by dividing 75% of the 2.5 percent ordinary revenue amount equitably amongst the 210 constituencies and the remaining one quarter based on the poverty index of the constituencies where the poorest constituencies are supposed to be allocated more funds.

The study intended to determine factors influencing cost-effectiveness of Constituency Development Fund projects in Kaloleni Constituency where factors such as Variation of materials prices, Compliance, Delay in government disbursement of CDF funds to the constituency, Technical incapacities of the Constituency Development Fund committees and the Project Management Committees, Monitoring and Evaluation of the CDF projects by the CDF committee and service providers (Line Ministries), Ministry of Roads and Public Works supervision, Value Added Tax (VAT) were tested using structured questionnaire with a likert scale of 1 to 5 being represented with Strongly disagree being 1,disagree 2,neither agree nor disagree 3,agree 4 and strongly disagree being 5.

61 respondents were administered questionnaires and 100% respondent rate was observed. The data was analyzed using SPSS version 17 into frequency distribution tables, pie charts and narration. A multiple regressions model was used to test the contribution of independent variables towards the factors influencing cost effectiveness in implementation of CDF projects.

5.2.CONCLUSIONS

Variation of material prices influence factors influencing cost-effectiveness of Constituency Development Fund by 191% which implies that variation of material prices significantly affect cost effectiveness on implementation of CDF project by approximately 200% positively or negatively. If it negatively impact on particular project budgetary allocation then it implies that either the phase to be implemented will have to be compromised on the implementation targets or additional funding would be required to enable the project to achieve the planned workmanship level and quality.

Compliance influence factors influencing cost-effectiveness of Constituency Development Fund by 53% whereby if not observed reduces factors influencing cost effectiveness by 53%, whereas if observed they improve the factors influencing cost effectiveness by 53%.

Delay in government disbursement of CDF funds to the constituency influence factors influencing cost-effectiveness of Constituency Development Fund by 198% whereby if not observed reduces factors influencing cost effectiveness by 198%, whereas if observed they improve the factors influencing cost effectiveness by 198%.

Technical incapacities of the Constituency Development Fund committees and the Project Management Committees influence factors influencing cost-effectiveness of Constituency Development Fund by 7% whereby if not observed reduces factors influencing cost effectiveness by 7%, whereas if observed they improve the factors influencing cost effectiveness by 7%.

5.3.POLICY RECOMMENDATIONS

The CDF Act (2007) should be re-structured to address the changing conditions of the economic factors of production, for instance delayed disbursement of the CDF funds to the constituency adversely affects the implementation of CDF projects at the constituency level due to inflation of material prices.

The national CDF board should improve the level of financial literacy by training the

Project Management Committees before being given the responsibility of managing the projects being implemented. Improved financial literacy will enable efficient management of the CDF project implementation process.

The Ministry of Roads and Public Works should harmonize its costing procedures with other ministries whose projects are funded with CDF and other public fund to derive a scorecard that will enable cost effective implementation of projects across the ministries and government agencies.

The CDF Act (2007) should be revised to stiffen the selection criteria of Constituency Development Fund Committee (CDFC) members as well as the Project Management Committee(PMC) to strengthen implementation of CDF projects .

The Ministry of Finance and the Ministry of State for Planning, National Development and Vision 2030 through its policies and circulars should demand harmonization by the government agencies on demands of public good and services by the citizens the before allocation of resources by the sub national government agencies at the constituency/district level

5.4.LIMITATIONS OF THE STUDY

The CDF Act (2007) specifies that the number of the Constituency Development Fund Committee (CDFC) members is 15. In the context of Kaloleni Constituency the CDFC was made up of 12 members thus necessitating reallocation of the targeted 3 respondents to the Civil Society Organisations Strata thus rearranging the composition of the targeted respondent population.

The Constituency Development Fund is a fund managed by Constituency Development Fund Committee (CDFC) but carries political affiliation with it thus it adversely affects the willingness of the respondents to freely give information about CDF projects whereas some respondents are willing to give information with malicious intentions.

The departmental heads proved difficult to respond to the questionnaires due to the fact that they are mostly in the field. Some of the departmental heads had not interacted with

CDF projects thus not being in a position to respond to the questionnaires related to CDF.

The respondents in the Project Management Committee strata were geographically dispersed because they are located where the CDF projects are being implemented thus necessitating increased logistical costs to carry-out data collection and slow coverage of the data collection process.

Some of the respondents in the Civil Society Organizations strata could not be reached on their mobile phones to confirm their availability thus necessitating the research assistant to make trips to the location of the respondents several trips, thus communication was a limiting factor in carrying-out the research.

The Constituency Development Fund Committee (CDFC) initially felt that the research would be used for political reason such as providing information to the political opponents of the current constituency political leadership, it thus delayed the data collection process due to the need to provide assurance to the stakeholders on the objective of the study.

5.5. SUGGESTIONS FOR FURTHER STUDY

The study intended to establish the factors influencing cost effectiveness of Constituency Development Fund case study of Kaloleni Constituency. Further study can be carried-out to establish how the challenges facing implementation of fiscally decentralized projects affects cost effective implementation of the projects.

The study focused on Constituency Development Fund projects but further studies can as well focus on Local Authority Transfer Fund(LATF) to establish factor influencing cost effectiveness on their implementation.

REFERENCES

- AAIK(2010)HOW ARE OUR MONIES SPENT? The public expenditure review in eight Constituencies for the fiscal years (2005/2006 – 2008/2009).
- Ayee A(1997) The Adjustment of Central Bodies to Decentralization: The Case of the Ghanaian Bureaucracy African Studies Review, Vol. 40, No. 2 , pp. 37-57Published by: African Studies Association
- Bagaka O(2008). Fiscal Decentralization in Kenya: The Constituency Development Fund and the Growth of Government, Northern Illinois University.
- Boex J, Heredia-Ortiz E., Martinez-Vazquez J, Guevera T(2006) Fighting Poverty Through Fiscal Decentralization , Andrew Young school of policy studies at Georgia state university for Development Alternatives, Along with the Georgia state university and Boston Institute for Developing economies, implements the fiscal reform in support of Trade Liberalization project. USAID task order NO.03 under SEGIR:EP. Contract No.PCE-1-00-00-00015-00, PG 16-17
- Budget Highlights, Citizens Guide (2011)-Know where your tax money is going.
- Calsamiglia X, Garcia-Milà T & McGuire J(2006) Why do Differences in the Degree of Fiscal Decentralization Endure? Department of Economics and Business Universitat Pompeu Fabra and CREA, Management and Strategy Department Kellogg School of Management Northwestern University and Institute for Policy Research Northwestern University, Preliminary version: 2-6,19
- CDF Act(2007)Sec 21(7)(8)(9)(10)(11)(12)
- CGD/NTA(2010)Citizens Guide to public Procurement, public procurement procedures for Constituency Development Fund projects.
- Constituency Development Funds Workshop(2009)Center for International Development Rockefeller College of Public Affairs and Policy University at Albany, State

University of New York

Elhiraika B(2007) Fiscal Decentralization and Public Service Delivery in South Africa
,African Trade Policy Centre.

Fisman R, andmGatti R.(2000)Decentralization and corruption: evidence across countries
Columbia Business School and Development Research Group, The World Bank,
New York, NY,USA.

Gikonyo W.(2008)Open Society Initiative for East Africa,The CDF Social Audit
Guide,Popular Version,A handbook for communities.

Gutiérrez-Romero R.(2010) Decentralization, Accountability and the 2007 MPs Elections
in Kenya*, University of Oxford,Department of International Development.Pg.
10,11,13,14,31

HRBA(2003)The Human Rights Based Approach to Development Cooperation: Towards
a Common Understanding Among UN Agencies.

<http://opendata.go.ke/facet/counties/Kilifi?tags=cdf>

<http://opendata.go.ke/Population/2009-Census-Vol-1-B-Table-1-Population-and-Density/j2vg-j63y>

http://unstats.un.org/unsd/class/family/glossary_short.htm

Infotrak(2011)<http://area254.com/index.php/eng/Politics/OpenForum/Forum-Archives/KENYAN-MP-s>

Institute of Economic Affairs(2006) Fiscal Decentralization in Kenya:Priorities Issues for
Consideration: policy brief issue NO.6.February 2006.

Institute of Social Accountability(2011)proposals to the national assembly on the
decentralization sector of Kenya.

Jametti M. & Joanis M(2010) Area conference on public sector economics-, CESifo
Conference Centre, Munich. Determinants of Fiscal Decentralization: Political

Economy Aspects Pg 3-6,25

Khasiani K. and Makau P(2010)Decentralizing Public Functions to public agencies, entities and bodies -The case of Kenya.

Kimenyi S. (2005) Efficiency and Efficacy of Kenya's Constituency Development Fund: Theory and Evidence.

Limi A. (2004) Decentralization and economic growth revisited: an empirical note, Japan Bank for International Cooperation(JBIC)Institute and International Monetary Fund .

Maina, B.(2005). Monitoring and evaluation of support to decentralisation and local governance: Kenya Case Study. (ECDPM Discussion Paper 61). Maastricht: ECDPM

Morekwa E., Moses M. & Nahanson K.(2008) THE MONETARY AND FISCAL POLICY INTERACTIONS IN KENYA, Research Department, Central Bank of Kenya.

Mugo G.(2008) Poverty Statistics versus CDF: Which Way for Kenya?

Musgrave R(1959)The Theory of Public Finance, McGraw-Hill,

Nation Newspaper(2011),Thursday April,21 Back page.

NTA(2009) Citizen perceptions of public accountability and potential for public action,Citizen Report Cards-www.nta.or.ke.

NTA(2011) ,Citizen Report Card,www.nta.or.ke

Oates .E.(2006) IFIR WORKING PAPER SERIES ,On the Theory and Practice of Fiscal Decentralization, No. 2006-05,

Oates E.(1968) The Theory of Public Finance in a Federal System, The Canadian Journal of Economics / Revue canadienne d'Economique, Vol. 1, No. 1, pp. 37-54

Oates.E.(1972).Fiscal Federalism, New York: Harcourt Brace

Oywa and Opiyo(2011) Why local authorities may miss out on L.A.T.F money, The standard Newspaper

Patton, M. (1990). Qualitative evaluation and research methods (2nd ed.). Newbury Park, CA: Sage Publications.

PPOA(2009) Westland Constituency Development Fund Procurement Review 1st July 2007 – 30th June 2008.

Public Procurement and Disposal Act (PPDA) 2005

Public Procurement and Disposal Act (PPDA) 2006

Regional Development Dialogue(2008)Vol.29,No.2,Autumn ,Decentralization in Africa:
Yuichi Sasaoka,Politics of fiscal decentralization

Sacchi A. and Salotti S.(2011)Income inequality, regional disparities, and fiscal decentralization in industrialized countries.

Samuelson A.(1954) "The Pure Theory of Public Expenditures," Review of Economics and Statistics, pp. 87—9.

Sarndal Swenson and Wreman(1992) Model Assisted Survey Sampling, Springer-Verlag, New York.

Smoke P.(2001)Fiscal Decentralization in Developing Countries: A Review of Current Concepts and Practice, PP DGHR 2¹

The Constitution of Kenya(2010),County financial management guide

Tiebout M.(1956) A Pure Theory of Local Expenditures, The Journal of Political Economy, Vol. 64, No. 5 ,pp. 416-424

Tiebout M.(1961)An Economic Theory of Fiscal Decentralization ,Public Finances: Needs, Sources, and Utilization, National Bureau of Economic Research- 0-

87014-303-4, <http://www.nber.org/books/univ61-1>, (p. 79 - 96)

Uchimura H. and Suzuki Y (2009) Measuring Fiscal Decentralization in the Philippines
IDE Discussion Paper NO.209.

UNDP Primer(2005) Fiscal Decentralisation and Poverty Reduction PG 5-9,11

VISION 2030(2008-2012),FIRST MEDIUM TERM PLAN pg 138

Wonnacott T. and Wonnacott R. (1990), Introductory Statistics, 5th edition, Chichester:
Wiley

www.cdf.go.ke

Zyl V.(2010) Constituency Development Funds: African Parliaments' Faustian Bargain.

Appendix 1

Household Questionnaire

Fiscal Decentralization: Factors Influencing Cost Effectiveness of Constituency Development Fund Case Study of Kaloleni Constituency.

Section 1

Background Information

Constituency Name		Strata Name	
Project Name		Interview Date	
Project Activity		Questionnaire Number	

- My name is..... and I am currently doing Masters of Business Administration degree in finance on fiscal decentralization: factors influencing cost effectiveness of constituency development fund case study of Kaloleni constituency .
- You have been randomly selected from community members in this village for this interview. The purpose of this interview is to better understand the use of CDF in Kaloleni Constituency.
- The survey is voluntary and you can choose not to take part. The information that you give will be confidential and will only be used in informing the research.
- Specific names of the interviewee will be included on a voluntary basis.
- In order to get more information about the CDF projects implemented and the factors influencing cost effectiveness of those projects that have been implemented, we are conducting a survey of households in Kaloleni Constituency/District. .
- The information you provide will be useful to improve the utilization of CDF projects in your community, and will be useful for planning of future development programs in this area and also in the country.

Section 2: Variation of materials prices

No.	Read the statement below and tick appropriately	Tick where applicable below between choice 1 and choice 5.				
		1.	2.	3.	4.	5.
1.	Increase of project materials prices reduces the quantity of project materials bought	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
2.	Increase of project materials prices makes contractors to use low quality materials for the project for certain project allocation.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
3.	Increase in the cost of the project materials prices increases the project implementation period.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
4.	Project contractors purchase cheap price materials less than what is quoted on the Bills of Quantity (BQ)	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree

Section 3: Compliance

No.	Read the statement below and tick appropriately	Tick where applicable below between choice 1 and choice 5.				
		1.	2.	3.	4.	5.
1.	The Constituency Development Fund Committees do involve the Project Management Committee (PMC) in tracking expenditure of respective CDF projects.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
2.	The Project Management Committee (PMC) do not track Bills of Quantity (BQ) specifications on the actual project.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
3.	The projects implemented by CDF reflect high cost compared to projects implemented by other development agencies.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
4.	Contractors do not influence securing of CDF project tenders.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree

Section 4: Delay in government disbursement of CDF funds to the constituency

No.	Read the statement below and tick appropriately	Tick where applicable below between choice 1 and choice 5.				
		1.	2.	3.	4.	5.
1.	Delay in the disbursement of CDF funds contributes to the increased wear and tear of the ongoing projects.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
2.	Delayed disbursement of CDF funds do factor in price variation on the allocation.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
3.	Litigation costs on CDF projects due to delayed disbursement adversely affect CDF projects quality.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
4.	Delay in the disbursement of CDF funds increases the projects labor costs.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree

Section 5: Technical incapacities of the Constituency Development Fund Committees and the Project Management Committees

No.	Read the statement below and tick appropriately	Tick where applicable below between choice 1 and choice 5.				
		1.	2.	3.	4.	5.
1.	The Constituency Development Fund committees and Project Management Committees know the CDF projects procurement policies and procedures.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
2.	The Constituency Development Fund committees and Project Management Committees know the technicalities guiding implementation of CDF projects.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
3.	The Project Management Committees purchasing of project materials improves the quality of project materials.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
4.	The Project Management Committees do access the projects Bills of Quantity (BQ) for most projects.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree

Section 6: Monitoring and Evaluation of the CDF projects by the CDF Committee and Service providers (Line Ministries)

No.	Read the statement below and tick appropriately	Tick where applicable below between choice 1 and choice 5.				
		1.	2.	3.	4.	5.
1.	The CDF and service providers (Line Ministries) continuously visit the CDF project sites during project implementation to evaluate the project progress.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
2.	The CDF and service providers (Line Ministries) stop contractors not adhering to the Bills of Quantity (BQ) specifications.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
3.	The technical specifications of the service providers(line ministries) are adhered to on implementation of CDF projects.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
4.	The CDF and service providers (Line Ministries) Monitoring and Evaluation role should be delegated to Independent institutions to do the Monitoring and Evaluation role on their behalf.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree

Section 7: Ministry of Roads and Public Works supervision

No.	Read the statement below and tick appropriately	Tick where applicable below between choice 1 and choice 5.				
		1.	2.	3.	4.	5.
1.	The public works officer continuously supervises implementation of CDF projects from the start.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
2.	The CDF projects with weak structures have been supervised by public works officer.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
3.	CDF projects implemented by Public Works Office on full contract basis are of high quality compared to CDF projects implemented by consultants on labour contract basis.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
4.	CDF projects implemented by Public Works Office on full contract basis are of relatively low cost compared to CDF project implemented by consultants on labour contract basis.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree

Section 8: Value Added Tax (VAT)

No.	Read the statement below and tick appropriately	Tick where applicable below between choice 1 and choice 5.				
		1.	2.	3.	4.	5.
1.	The value Added Tax (VAT) of 16% deducted from the CDF project allocation reduces the quantity of materials that is available for the project implementation.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
2.	The value Added Tax (VAT) of 16% deducted from the CDF project allocation causes contractors to purchase low quality materials to ensure project phase completion.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
3.	The value Added Tax (VAT) of 16% deducted from the CDF project allocation has contributed to delayed project completion.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
4.	CDF as a component of decentralizing funds contributing to pro-poor services should not be deducted VAT of 16%.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree

Name and Title of Respondent(Optional)	Tel No:	Age

THANK YOU

Appendix 2

Year	Total Annual CDF Allocations
2003/4	1.26 billion
2004/5	5.6 billion
2005/6	7.2 billion
2006/7	9.7 billion
2007/8	10.1 billion
2008/9	10.1 billion
2009/10	12 billion
2010/11	14.3 billion
2011/12	22.7 billion

Source: -Nation Newspaper, Thursday April, 21 2011 Back page,

-Budget Highlights, Citizens Guide 2011/12-Know where your tax money is going