

**THE IMPACT OF CONSTITUENCY DEVELOPMENT FUND IN
REDUCING LEVELS OF POVERTY IN NAIROBI PROVINCE**

BY

MIGWI MARTIN MWANGI

D61/76853/2009

**A RESEARCH PROJECT PRESENTED IN PARTIAL
FULFILMENT OF THE REQUIREMENTS OF THE MASTER OF
BUSINESS ADMINISTRATION (MBA) DEGREE, SCHOOL OF
BUSINESS, UNIVERSITY OF NAIROBI.**

NOVEMBER, 2011

DECLARATION

I hereby declare that this is my original work and has not been submitted for any award at this or any other university.

Student:

Signature.....

Date.....

Migwi Martin Mwangi

D61/76853/2009

Supervisor:

Signature.....

Date.....

Dr. Josiah Aduda

Chairman, Department of Finance & Accounting

University of Nairobi

DEDICATION

To my lovely wife Teresia, my dear children Eunice and Eugene who have been a great source of inspiration and joy in my daily endeavors to better my best.

ACKNOWLEDGEMENTS

From the formative stages to the final draft of this Master of Business Administration project, I owe an immense debt of gratitude to my supervisor, Dr. Josiah Aduda for his invaluable support. His careful guidance, constructive criticism and patience enabled me to complete the project in time.

Many thanks to all my lecturers, fellow Mba students with whom we did group discussions together.

Much gratitude to all who encouraged me to join this programme like Muhia, Gakero, Waweru and Charles.

I would also like to thank those who agreed to fill the questionnaires for without your time and cooperation, this project would not have been possible. Special thanks goes to the proposal presentation panel and colleagues present during the presentations.

Thanks to my brother Patrick for partially sponsoring the course.

I also wish to thank Gladys for typing this work

Finally, and most importantly, I sincerely thank our Almighty God for giving me the strength and providing means to undertake this study. To each of the above, I extend my deepest appreciation.

ABSTRACT

Poverty has been a major concern of many governments world over and many poverty reduction programs have been developed over time and across regions. The CDF as a form of devolved and parallel funding which was introduced in 2003 to facilitate development closer to constituents, 75% of the fund is allocated equally amongst all 210 constituencies, whereas the remaining 25% is disbursed on the basis of constituency poverty index. A 15 members CDC convened and elected by the MP manages the affairs of the CDF in every constituency.

This study determines the impact of constituency development fund in reducing poverty levels in Nairobi Province. A census study was conducted focussing CDF in all the constituencies of Nairobi Province. Data was collected from CDC members and selected slum dwellers in all the 8 constituencies.

The results were evident that if the fund is properly managed and more allocations made there would be a significant change in the lifestyles of the urban poor measured by the changes in Social Economic Status indicators (SES) such as education, health facilities, and housing among others. Transparency should be upheld in all CDF transactions for reasons of accountability. Project risk analysis and appraisal should be encouraged to avoid starting and financing unviable projects and finally involving all the stakeholders in the selection, monitoring and evaluation of CDF projects.

TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT.....	v
TABLE OF CONTENTS	vi
LIST OF TABLES	x
LIST OF FIGURES	xii
LIST OF ABBREVIATIONS	xiii
CHAPTER ONE	1
1.0 INTRODUCTION	1
1.1 Background of the Study	1
1.2 Statement of the Problem.....	6
1.3 Objective of the Study.....	7
1.4 Significance of the Study.....	8
CHAPTER TWO	9
2.0 LITERATURE REVIEW	9
2.1 Introduction	9
2.2 Poverty.....	9
2.2.1 Urban Poverty	12
2.2.2 Urban Poverty Incidence	12
2.3 Definition of Corporate Governance.....	13
2.3.1 Pillars of Good Corporate Governance	14
2.4 Functions of Constituency Development Funds.....	14

2.4.1 Constituency Development Fund National Board of Management (32 members).....	14
2.4.2 Composition of the Constituency Development Committee (CDC) 15 members	15
2.5 Theoretical Framework	16
2.5.1 Agency Theory	16
2.5.2 Accountability Theories	17
2.5.3 Role Theory of Accountability.....	19
2.6 Empirical Studies.....	21
2.7 Chapter Summary	23
CHAPTER THREE.....	25
3.0 RESEARCH METHODOLOGY.....	25
3.1 Introduction	25
3.2 Research Design.....	25
3.3 Population.. ..	25
3.4 Sample.... ..	25
3.5 Data Collection	26
3.6 Data Analysis	26
3.7 Data Reliability and Validity.....	27
CHAPTER FOUR.....	29
4.0 DATA ANALYSIS AND PRESENTATION OF FINDINGS	29
4.1 Introduction	29
4.2 Background Information.....	29

4.2.1	Age of respondent.....	29
4.2.2	Employment.....	30
4.2.3	Gender of Respondent	31
4.2.4	Number of years of Education.....	32
4.2.5	Family Status	33
4.3	Ownership of Residential House	34
4.4	Awareness of existence of CDF.....	35
4.5	Satisfaction with the Contribution of CDF.....	35
4.6	Participation in choosing Project ideas	36
4.7	Formulation of CDF Projects	37
4.8	Satisfaction with Formulation of CDF Projects.....	38
4.9	Membership of CDF Committee	39
4.10	Involvement in the Implementation of CDF Projects	40
4.11	Satisfaction with Implementation of CDF Projects	41
4.12	Benefits derived from CDF	42
4.13	Ways of making CDF more Beneficial	43
4.14	Role in the CDC.....	43
4.15	Role of CDC Committee Aspects	44
4.16	Range of Budget	45
4.17	Performance of CDC Functions by another Department	46
4.18	Other body Performing Functions of CDC	47
4.19	Composition of CDC	48
4.20	Appointment of Chair of Committee	49
4.21	Reasons for lack of Committee or its Equivalents	50
4.22	Role of CDC Committee in Promoting Corporate Governance	50

4.23 Projects overseen this Year	51
4.24 Purposes of CDC in enhancing Poverty Reduction in Constituencies	51
4.25 Definitions of Committees Responsibilities in a Service Charter.....	53
4.26 Annual update and Approval by the Board of Directors	54
4.27 Independent non executive Director as chair of Committee.....	55
4.28 Engagement of outside Expertise	56
4.29 Frequency of Meetings in a year	57
4.30 The Regression Model	58
4.31 Summary and Interpretation of Findings.....	60
CHAPTER FIVE	63
5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	63
5.1 Summary... ..	63
5.2 Conclusions	65
5.3 Policy Recommendations	66
5.4 Limitations of the Study	67
5.5 Suggestions for Further Studies	67
REFERENCES	69
APPENDICES	75
APPENDIX I: LETTER OF INTRODUCTION	75
APPENDIX II: QUESTIONNAIRE.....	76
APPENDIX III: LIST OF CONSTITUENCIES IN NAIROBI PROVINCE.....	84

LIST OF TABLES

Table 4.1: Age of respondent.....	30
Table 4.2: Employment	31
Table 4.3: Gender of Respondent.....	31
Table 4.4: Number of years of Education	32
Table 4.5: Family Status.....	33
Table 4.6: Ownership of Residential House	34
Table 4.7: Awareness of existence of CDF	35
Table 4.8: Satisfaction with the Contribution of CDF	36
Table 4.9: Participation in Choosing Project Ideas.....	37
Table 4.10: Formulation of CDF Projects.....	38
Table 4.11: Satisfaction with Formulation of CDF Projects	39
Table 4.12: Membership of CDF Committee	40
Table 4.13: Involvement in the Implementation of CDF Projects.....	40
Table 4.14: Satisfaction with Implementation of CDF Projects	41
Table 4.15: Order of Benefits derived	42
Table 4.16: Role in the CDC	44
Table 4.17: Role of CDC Committee Aspects	45
Table 4.18: Range of Budget	45
Table 4.19: Performance of CDC Functions by another Department	46
Table 4.20: Other body Performing Functions of CDC	47
Table 4.21: Compositions of CDC.....	48
Table 4.22: Appointment of Chair of Committee	49
Table 4.23 Descriptive Statistics for the role of CDC in enhancing Corporate Governance.....	51

Table 4.24: Descriptive Statistics on Purposes of CDC in enhancing Poverty	
Eradication in Constituencies	52
Table 4.25: Definitions of Committees Responsibilities in a Service Charter.....	53
Table 4.26: Annual update and Approval by the Board of Directors.....	54
Table 4.27: Independent Non Executive Director as Chair of Committee.....	55
Table 4.28: Independent Non Executive Director as Chair of Committee.....	56
Table 4.29: Frequency of Meetings in a Year	57
Table 4.30: Model Summary	58
Table 4.31: ANOVA (b).....	59
Table 4.32: Coefficients	59

LIST OF FIGURES

Figure 4.1: Age of Respondent.....	30
Figure 4.2: Employment.....	31
Figure 4.3: Gender of Respondent	32
Figure 4.4: Number of Years of Education.....	33
Figure 4.5: Family Status	34
Figure 4.6: Ownership of Residential House.....	34
Figure 4.7: Awareness of Existence of CDF	35
Figure 4.8: Participation in Choosing Project Ideas	37
Figure 4.9: Formulation of CDF Projects	38
Figure 4.10: Satisfaction with Formulation of CDF Projects.....	39
Figure 4.11: Membership of CDF committee.....	40
Figure 4.12: Involvement in the Implementation of CDF Projects	41
Figure 4.13: Satisfaction with Implementation of CDF Projects.....	42
Figure 4.14: Order of Benefits Derived.....	43
Figure 4.15: Role in the CDC.....	44
Figure 4.16: Range of Budget.....	46
Figure 4.17: Performance of CDC Functions by another Department.....	47
Figure 4.18: Other body Performing Functions of CDC	48
Figure 4.19: Composition of CDC.....	49
Figure 4.20: Appointment of Chair of Committee.....	50
Figure 4.21: Definitions of Committees Responsibilities in a Service Charter	54
Figure 4.22: Annual update and Approval by the Board of Directors	55
Figure 4.23: Independent Non Executive Director as Chair of Committee	56
Figure 4.24: Independent Non Executive Director as Chair of Committee	57
Figure 4.25: Frequency of Meetings in a year.....	58

LIST OF ABBREVIATIONS

CDC	Constituency Development Committee
CDD	Community Driven Development
CDF	Constituencies Development Fund
CDFB	Constituency Development Fund Board
CEO	Chief Executive Office
CEP	Council of Economic Priorities
CMA	Capital Markets Authority
CPRC	Chronically Poor Research Centre
IA	Internal Audit
IAF	Internal Audit Function
IMF	International Monetary Fund
KIHBS	Kenya Integrated Household Budget Survey
KNBS	Kenya National Bureau of Statistics
LATF	Local Authority Transfer Fund
MDGs	Millennium Development Goals
MP	Member of Parliament
NAO	National Audit Office
NARC	National Rainbow Coalition
NDP	National Development Plan
NGO	Non- Governmental Organization
NPEP	National Poverty Eradication Plan
NTA	National Tax Payers Association
OECD	Organization for Economic Co-operation and Development
PPA	Participatory Poverty Assessment

PRSP	Poverty Reduction Strategy Paper
SES	Social Economic Status
SPSS	Statistical Package for Social Sciences
WB	World Bank
WMS	Welfare Monitoring Survey

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

At the Millennium Summit in September 2000, 191 member countries of the United Nations General Assembly adopted the Millennium Declaration, which outlined measures necessary to attain peace, security and development. The Millennium Declaration, among other things, mainstreamed a set of interconnected and mutually reinforcing goals into the global agenda. They agreed upon 8 Millennium Development Goals (MDGs) and 18 targets and 48 indicators that would be used to measure progress towards those goals with a global target of 2015. One of these goals is to eradicate extreme poverty and hunger (World Bank, 2008).

Global poverty rates have been declining. In developing countries, poverty rate decreased from 28% in 1993 to 22% in 2002. The decline has been mainly as a result of falling rural poverty from 37% to 29% over the same period (World Bank, 2008). Urban poverty rates have remained nearly constant at 13%. Recent estimates show that the number of people in the developing world living in poverty decreased from 1.9 billion in 1981 to 1.4 billion in 2005 (Chen and Ravallion, 2009). Although poverty rates are declining, there are mixed regional trends in reducing poverty. Much of the progress in poverty reduction has been confined to East Asia and the Pacific (Chen and Ravallion, 2009; World Bank, 2008). The rate of decline in poverty has been much slower in Sub-Saharan Africa and South Asia.

Absolute poverty remains high and persistent in many countries in Sub-Saharan Africa including Kenya. Official statistics estimated the poverty headcount ratio (per cent of

population) to be 51% for Sub-Saharan Africa in 2005 and 46% for Kenya in 2005/2006 and (KNBS, 2007; World Bank, 2008). Sub-Saharan Africa is not only poor, but also the region with the highest share of its population living in chronic poverty. Estimates indicate that half of the Chronically Deprived Countries in the world are found in Africa, with about one-quarter of the world's chronically poor living in Sub-Saharan Africa (CPRC, 2009). Panel data estimates show that between 30% and 40% of the absolute poor population in Sub-Saharan Africa is chronically poor - between 90 and 120 million people (CPRC, 2005). Whereas, the annual GDP growth rate in Sub-Saharan Africa increased from 3.6% in 2000 to 6.4% in 2007, per capita GDP annual growth rates have been lower, increasing from about 1% to 4% over the same period.

Reducing poverty, increasing GDP growth rates, and increasing per capita incomes are a primary focus of public policy in most countries in Sub-Saharan Africa. Many countries in the region have formulated Poverty Reduction Strategy Papers (PRSP) and are committed to achieving the Millennium Development Goal (MDG) of halving poverty and reducing hunger by 2015. High poverty incidence has motivated poverty research in Sub-Saharan Africa. Sub-Saharan African governments are increasingly making investments in poverty monitoring through welfare monitoring surveys (with technical support from the World Bank) to inform policy decisions and poverty reduction interventions. Welfare monitoring surveys focus on inter-temporal changes in aggregate poverty within a population, and are mainly concerned with poverty incidence, poverty gap and poverty severity at a particular point in time. The welfare monitoring surveys have been complimented by participatory poverty assessments.

The World Bank's Poverty Assessments, for example, have as a component a participatory poverty assessment (PPA).

According to Kessides (2006), Nairobi the capital city of Kenya, 60% of its population live in slums and levels of inequality are dangerously high, with negative implications for both human security and economic development. Poverty in the city is severest amongst those with low levels of education, another cause for concern given that considerably fewer children attend the later stages of school in Nairobi than in Kenya's rural areas, and many slum areas have few or no public schools. Meanwhile gender inequalities remain severe, with female slum-dwellers being five times more likely to be unemployed than males.

The Government of Kenya has prepared a poverty reduction strategy paper (PRSP) to guide the poverty reduction effort. One major weakness in the government's PRSP is lack of in-depth information for implementing and monitoring the strategy (Government of Kenya 2001, Alemayehu et al. 2001).

The Constituency Development Fund (CDF), which was established through the Constituency Development Fund Act of 2003, is one of the ingenious innovations of the National Rainbow Coalition (NARC) Government of Kenya. CDF is an annual budgetary allocation by the Central Government to each of the country's parliamentary constituencies. Unlike other development funds that filter from the central government through decisions over the utilization of the funds are primarily by the constituents. In essence, the CDF should provide individuals at the grassroots the opportunity to make

expenditure choices that maximize their welfare in line with their needs and preferences (Kimenyi 2005).

If local population is better informed about their priorities, the choices made can be expected to be more aligned to their problems and circumstances. The CDF can therefore be considered a decentralization scheme that provides communities with the opportunity to make spending decisions that maximize social welfare. The CDF is an example of what is generally referred to as Community Driven Development (CDD) initiatives that empower local communities by providing fungible funds (often from the central government and sometimes from donor sources). Although the CDF takes a relatively small amount of national resources- 2.5 percent of government's ordinary revenue collected every year, its impact can be significant if the funds are efficiently utilized. Because the Fund benefits communities directly, it stimulates local involvement in development projects and as a result constituents have more information about projects funded under this program. This is evidenced by regular commentaries in the media and reports by members of parliament on the status of the CDF projects. As a result of the involvement of communities in decision making and monitoring resource use, theory predicts that programs such as CDF would result in high levels of efficiency and that the selection of the projects would vary across jurisdictions in line with development priorities. These efficiency outcomes largely arise from the role that communities play in decision making and monitoring the use of funds. But constituencies are not created equal. Constituencies vary widely in various aspects that may impact on the efficiency of CDF.

Kimenyi (2005) adds that some of these aspects include size of the jurisdictions, population size, density and diversity, scope of economic activities, degree of urbanization, levels of education, poverty, etc. These dimensions are expected to

impact on the project choices and the extent. Several countries have had similar initiatives for some time now. Good examples include the India's Members of Parliament Constituency Development Fund and Solomon Island's Rural Constituency Development Fund. Funding per constituency is fairly uniform but some allowance is made for poverty levels so that higher poverty areas receive slightly more resources. There are also some restrictions such as limits on the share of funds that go to a particular type of project.

Nekesa et al (2009) argue that, constituencies provide a natural laboratory to test functional theories of community driven development and decentralization. Simply, we should expect to observe systematic differences in the utilization of CDF across constituencies depending on factors influencing citizen demand and characteristics of the constituencies. There are indications that CDF is helping provide services to communities that for many years did not benefit substantially from government services. In particular, the poor have in the past experienced serious problems accessing basic services that are now made available through CDF. Nevertheless, there are increasing concerns about the utilization of CDF which suggest that the funds are not being utilized optimally. Given the importance of this program, an in-depth analysis of both institutional, design and implementation factors that impact on the efficiency of the use of funds is necessary.

The CDF marks a shift in development thinking towards the need for citizens to be empowered so as to be active agents in their own development following failure of the post-independence centralized big project development models (Mansuri and Rao, 2003; Triantafillou and Nielsen, 2001; Drydyk, 2005).

The launch of the CDF has therefore been hailed as one of the most positive and remarkable developments in post-independence Kenya (Kimenyi, 2005; Oyugi, 2008). The programme contains elements of some of the programmes which have been championed by international development institutions such as the World Bank (Narayan, 2002, Nyamori, 2008).

This study outlined a framework for analyzing the impact of CDF on poverty reduction in Nairobi Province with a special emphasis on the slums.

1.2 Statement of the Problem

The CDF as a form of devolved and parallel funding which was introduced in 2003 to facilitate development closer to constituents, 75% of the fund is allocated equally amongst all 210 constituencies, whereas the remaining 25% is disbursed on the basis of constituency poverty index. The administration of the fund required the setting-up of a complex set of new organisational arrangements and procedures from national to district and locational level (CDF Act 2003).

The system has been dogged by controversy, with many CDF projects either stalling or failing to take off. Lack of transparency, misappropriation of funds, inadequate funding levels, failure to establish viable ventures and shoddy performance by contractors have been cited as some of the reasons for this (Oxfam 2009). Despite there being a raft of programmes aimed at poverty reduction sponsored both by government and other stakeholders, limited achievements have been made. Factors contributing to this lack of progress include the uncoordinated manner in which the programmes are being implemented, the many players operating in the urban sector without a clear mandate,

and the absence of an urban development policy for Nairobi and other urban centres across the country (Kessides 2006). Urban poverty in Kenya is now so severe that donors, NGOs and the government of Kenya alike can simply not afford to ignore it. While statistics differ, over a third of Kenya's urban population is living in poverty by any measure. Recent World Bank/Cities Alliance figures indicated levels closer to a half, and also suggest that by 2020, urban poverty will represent almost half (48.9%) of the total poverty in the country.

Kimenyi (2005) studied the efficiency and efficacy of CDF. Kiriti and Ng'ang'a (2007) did a study on poverty in Kenya and identified various measures of levels of poverty. Oyugi (2008) conducted a study on effects of economic growth on poverty reduction. Kimenyi (2009) did a study urban poverty and vulnerability. Keya (2010) carried out a study on the role of internal Audit in promoting accountability and governance of CDF in Nairobi Province. Mokaya (2010) carried out a study on the role of Audit Committees in promoting CDF accountability, governance and management in Nairobi Province.

There existed a research gap since no study had been conducted on the impact of CDF on poverty reduction in Nairobi Province. This study therefore sought to fill this gap by focusing on the impact of CDF on poverty reduction in Nairobi Province.

1.3 Objective of the Study

The objective of the study was to determine the impact of CDF in reducing the levels of poverty in Nairobi Province.

1.4 Significance of the Study

This study will be of benefit to the following constituent parties:-

CDF Committees

The research findings are useful to CDF managers and Nairobi Province departments as the results will make them appreciate their impact and the challenges in eradicating poverty in Nairobi Province.

Academia

The study will add to the wide academia gap of knowledge in this area of CDF impact on poverty eradication which may in turn be used to trigger subsequent studies in the sub areas of the same topic.

Government

Revenue Allocation Authority is likely to lead to reduction of administrative burdens on CDF programmes and poverty eradication among the 210 Constituencies of the country. The CDF Revenue Allocation Authority will inform the government on achievement made so far on funds allocation to Constituencies on poverty eradication.

The International Monetary Fund (IMF) and World Bank (WB)

The IMF has been pushing governments in developing countries to give up commercial goods productions and services provision so as to be handed by the citizens. The findings of this study will give them an opportunity to review the effectiveness and impact of CDF on poverty eradication in Kenya.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the related literature on the subject under study as presented by various researchers, scholars, analysts and authors. The review has drawn materials from several sources that are closely related to the theme and objective of the study. The chapter contains the following major areas: general literature, theoretical framework, empirical studies and chapter summary.

2.2 Poverty

Poverty has been a major concern of many governments world over and many poverty reduction programs have been developed over time and across regions. Despite these efforts, poverty continues to be a key impediment to both human and economic prosperity (OECD, 1999). As put in various policy documents, for instance, the Sessional Paper No. 10 of 1965 on African Socialism and its Application to Planning in Kenya, the Government of Kenya directed its efforts to fighting poverty, disease and ignorance as part of its development objectives.

Consequent to this, various National Development Plans (NDP), Participatory Poverty Alleviation Programs (PPAP), National Poverty Eradication Plans (NPEP) and Poverty Reduction Strategic Papers (PRSP) have spelt out strategies to fight poverty. These policies notwithstanding, poverty levels have continued to increase. For instance in 1971, the number of Kenyans regarded as poor was 3.7 million, increasing to 11.5 million in 1994 and further to 13.3 million in 1997. According to the Welfare Monitoring Survey (WMS) of 1994, the incidence of poverty in Kenya was 47% in the rural areas and 29% in the urban areas. The absolute poverty line was Kshs. 980 per

capita per month for rural areas and Kshs.1490 per capita for the urban areas. This has since increased to Kshs. 1239 and 2648 for the urban and rural areas respectively. Mwabu, et al. (2002) estimated that the number of poor Kenyans had shot up to 15 million (about 56% of the total populations) in the year 2000.

World Bank (2005) categorizes poverty depending on the approach used in measuring it. For example, the income based definition of poverty seeks to specify a level of income per capita in a household below which the basic needs of the family cannot be met. However, it does not acknowledge variations in costs of similar goods for different consumers. The vital importance of non-market household production and non-monetarised exchanges in poor families is not counted.

The basic needs approach involves specifying a set of minimal conditions of life, usually the quality of the dwelling place, degree of crowding, nutrition adequacy and water supply. The proportion of the population lacking these conditions is used to estimate the degree of poverty. The advantage of this approach is that different conditions appropriate to different settings can be specified. However this reduces comparability of estimates in different situations. Similarly, it does not take into account the willingness of people to accept various tradeoffs deliberately, for example, a lower quality of dwelling for reduced transportation time and expense at work.

In the participatory approach, respondents from communities are themselves invited to identify perceptions on their needs, priorities and requirements for minimal secure livelihood. Some sacrifice of comparability of estimates in different communities or at different times is traded off for better information on the identified demands of the individuals themselves. At times, such analyses supplement and reinforce the

quantitative measures and at other times they reveal a very different experienced reality.

Despite the many facets of defining poverty, World Bank (2000) admits that we have misconceptions about the poor, why they are poor and what is needed to help them out of this vicious cycle. Regardless of the many definitions of poverty and its multidimensional perspective, we can conclude that overall poverty takes many forms including lack of income and productive resources to ensure sustainable livelihood, hunger and malnutrition, ill health, limited access to education and other basic services, increased morbidity and mortality rates, homelessness and inadequate housing, unsafe environments, social discrimination and exclusion. It is also characterized by lack of participation in decision-making in civil, political, social and cultural life.

According to the participatory poverty assessment study in Tanzania (World Bank, 1997), wealth is associated with the ability to meet basic needs, particularly food. In that study, poverty was associated with skipping meals, cutting meals to one or two per day, involuntary changing diets, sending children to eat at neighbour's homes, and children performing poorly in schools as hunger makes them skip classes and affects their attention in class.

Hardcore poverty is an indicator of the inability of a household to meet its basic needs even when all income is spent on food. To measure this, a hardcore poverty line is needed. In 1997, this line was established at Ksh.927 per month per adult in rural areas and Ksh.254 in urban areas (Republic of Kenya, 2000).

2.2.1 Urban Poverty

The vast majority of urban East Africans have always lived in slums. The term slum is a euphemism which has little precise meaning but is generally a reference to that part of an urban area which is considered to have qualities of dirt, smell and untidiness which the user deprecates. A slum can refer to almost any urban condition, and the word varies in its usage according to history and culture. The slums of Nairobi were the living areas of the majority of the peoples in the city; specifically the term refers to the conditions of housing, sanitation, wages, rents and occupations of peoples of the city. The term refers to the collection of attributes which together describe the conditions under which people live (UN 2001).

2.2.2 Urban Poverty Incidence

According to the 2005/2006 KIHBS, there were nearly 17 million people or approximately 50% of the total population living in absolute poverty. In terms of the urban population, there has been a reduction in the level of absolute/overall poverty since 1997; but in relation to the other two measures of poverty used – food poverty and hardcore poverty - there have actually been increases. Thus urban food poverty increased from just over 38% in 1997 to nearly 41% in 2006, while the percentage of hardcore poor rose slightly from under 8% to just over that percentage. This means that while some of the urban population has been lifted out of poverty by the recent growth boom, others sank into even deeper poverty with the effect that the proportion of Nairobi's residents who are very poor actually grew in the same period. Given growth in Nairobi's overall population size between 1997 and 2006, the absolute number of the very poorest will have actually grown by considerably more than the above

percentage increases suggest. Moreover in some cities, such as Nakuru and Mombasa, a full half of the population is now food poor.

The KIHBS calculated that Nairobi hosts nearly a third (29.5%) of the country's total urban food poor, the latter now being estimated as 4.1 million by the Kenya Food Security Sector Group.

2.3 Definition of Corporate Governance

Though corporate governance is not a new issue according to Vinten (1998), there is no universally accepted definition. It has been defined variously by different authors, committees and organizations. Sir Arthur Cadbury in his report (Cadbury, 1992) adopted a broad definition that corporate governance is the system which companies are directed and controlled. This involves the establishment of structures and processes through which management is accountable to shareholders with the objective of structures and processes that increases the shareholders value.

The Capital Market Authority (CMA) in 2002 defined it as “the process and structure used to direct and manage business affairs of the company towards enhancing prosperity and corporate accounting with the ultimate objective of the realizing shareholders’ long-term value while taking into account the interests of other stakeholders.

Essentially governance addresses the leadership role within the institutional framework (Private sector Corporate Governance Trust 2002). Woccu (2002) defines governance as the system designed to control and distribute power within an organization.

2.3.1 Pillars of Good Corporate Governance

Good corporate governance is founded upon the attitudes, ethics, practices and values of the society. It enhances accountability, power sharing, and representation and owner participation. It also defines the sense of right and wrong, fair and just, work ethics and continuing social responsibility (Murungi and Maina, 2004). The OECD principles (1999) focused on fairness, transparency, accountability and responsibility.

2.4 Functions of Constituency Development Funds

According to the CDF Act 2003, there is a board known as the Constituencies Development Fund Board (CDFB) as a body corporate with perpetual succession and a common seal and shall in its corporate name perform the following functions: sue and sued; take purchasing or otherwise acquiring, holding, charging or disposing of movables and immovable property; borrow money or making investments; and doing or performing all other acts or things for the proper performance of its functions (CDF Act 2003).

2.4.1 Constituency Development Fund National Board of

Management (32 members)

The CDF board is currently administered by a board of management consisting of:- the Permanent Secretary of the Ministry of Economic Planning; the Permanent Secretary Ministry of Finance; the Clerk of the National Assembly; the Attorney General; eight persons, qualified in matters relating to finance, accounting, engineering, economics, community development, or law, appointed by the Minister; four persons, qualified in matters of relating to finance, accounting, engineering,

economist, community development or law; the CEO as ex-officio member and Secretary to the Board; the Minister then shall appoint the Chairperson of the Board from amongst the eight persons appointed; four nominees, two of whom shall be men. The total of 32 (thirty two) names taking into account regional balance of the people of Kenya; appoint nine (9) persons, at least one from each of the eight organizations and at least a third of the appointees to be from either gender, to be members of the board. The name of the person proposed to be appointed as the CEO to be submitted to parliament for approval before the appointments are made. (CDF Act, 2003).

2.4.2 Composition of the Constituency Development Committee

(CDC) 15 members

The CDF Act 2003 provides for the establishment of CDC for every constituency, which shall be constituted and convened by the elected member of parliament, to have a maximum of fifteen (15) members, comprising of elected Members of Parliament; two Councillors in the constituency; one District Officer in the constituency; two persons representing religious organization in the constituency; two men representatives from the constituency; two women representatives from the constituency; one person representing the youth from the constituency; one person nominated from among the active NGOs in the area if any; a maximum of three other persons from the constituency such that the total number does not exceed fifteen (15); and an Officer of the Board seconded to the CDC committee by the board who shall be ex-officio.

2.5 Theoretical Framework

2.5.1 Agency Theory

Agency relationship is a contract under which one party (the principal) engages another party (the agent) to perform some service on its behalf (Jensen and Meckling, 1976). Agency problem arises as a result of separation of ownership from control and it takes two forms: one is the conflict of interest between shareholders and management and the other is the conflict between shareholders and debt holders. The shareholders through the board delegate the day to day decision making to the managers or agents. Managers are charged with using and controlling the economic resources of the firm.

Johnstone (2002) argued that agency theory is based on the notion that the delegation responsibilities by the principal to professional managers requires the presence of mechanism that either align the interest of principals and agents or monitor the performance of managers to ensure that they use their knowledge and the firm's resources to generate the highest possible return for the principal. More specifically the agency theory suggests that the best option for owners is to design contracts that align manager/owner interest. Agency theory is concerned with aligning the interest of owners and management and is based on the perception that there is an inherent conflict between a firm and its management.

To guard against management failures, Modoveanu et al (2001) suggests that shareholders should enact ratification, monitoring and sanctioning mechanisms. These mechanisms are for validating the decisions of the agents of giving financial approval or veto for an initiative or actionable plan of the agent. Johnstone (2002) observed that the primary means of monitoring is via the annual accounts whose

reliability is enhanced by the audit report. However, accounts may be inadequate for monitoring purpose due to information asymmetry.

Various corporate governance mechanisms can be used to monitor management's behaviour and these include board of directors, an effective audit committee and both internal and external audit. The demand for good corporate governance now equally applies to the public sector as well as the private sector, and hence CDF.

Accordingly, the management of such institutions must give equal attention to the processes and governance mechanisms of their institutions (Balderston, 1974). Internal auditing was identified as one of the key participants to promote good governance in the corporate sector (Kadir, 2000); hence, management of CDF should realize the importance of the internal audit function in CDF management accountability and governance. Moreover, Kinfu (2006) has also noted that one of the strongest means to monitor ethics and governance in institutions can be through the audit function. These statements clearly indicate the contribution that IAF can have towards enhancing effective CDF governance.

2.5.2 Accountability Theories

Accountability requires an account of the extent to which the objectives for which the resources were entrusted have been achieved. This accountability is described as a contract between an agent and a principal and arises from a duty upon the agent and the rights of the principal (Gray, et al., 1987). The principal can be entirely passive and this will not matter to the agent whose duty nevertheless is to account - the passive principal is merely waiving his or her rights to the information (Stewart, 1984). On the other hand, it has been argued by Tricker (1983) that the agent only has a duty to account to principals who demand information and are willing to enforce the contract.

Much of the research on corporate accountability suggests that regulation is the only way to ensure that companies provide complete and comparable reports. Gray et al. (1987) suggest a compliance with standards approach, and the proliferation of reporting guidelines mainly on environmental issues. Many academics consider that only mandated, standardized reporting will produce the comprehensive information needed to assess corporations' performance. A more persuasive argument for the use of legislation in making companies more accountable is that social and environmental matters are too complex and crucial to be left entirely in the already over-burdened hands of corporations. Thus, by opening up organizations in order to inform stakeholders, it enables the stakeholders, rather than management of organizations, to express their choices about critical issues. One of the problems associated with reporting against mandatory standards however, is the question of who ensures compliance with those standards and what penalties apply for non-compliance. For implementing agencies it can be argued that accountability should be more focused on accounting for their actions and effects on society, rather than accounting for their financial performance (Bebbington & Gray, 1993).

According to Ebrahim (2003), agency accountability is a dynamic concept and arguably more complex than simply making agents transparent and allowing public scrutiny, which highlights the issue of competing stakeholder interests. Organizations must deal with competing requirements of various stakeholders, and most often choose to satisfy the needs of their primary stakeholders first and often at the expense of secondary stakeholders' needs as their principle goal is aligned with the needs of these primary stakeholders. Brown & Moore (2001) postulate that since agencies are not coherently aligned with one another they must, like other organizations, also prioritize

their stakeholders. This can have dire consequences for their existence as their goals to provide welfare may not always be aligned with the goals of their donors.

Slim (2002) in an overview of the agency Accountability literature over a period of ten years, outlines two kinds of accountability for agents: performance accountability and voice accountability. Performance accountability requires agents to be accountable for what they do. This kind of accountability is focused on accountability to donors and clients and is similar to corporate-style accountability that firms have to their primary stakeholders - shareholders and investors - which they discharge via published accounts and other reporting that indicates how much has been spent, what targets were set and whether they have been achieved.

Voice accountability on the other hand, requires agents to be accountable for what they say. That is, they are accountable to an abstract purpose (Brown & Moore, 2001). This form of accountability is similar to what Najam (1996) calls accountability to themselves where agents are accountable for their goals and aspirations, and for their mission. This requires a different way of thinking about accountability than the corporate-style reporting model that can be applied to performance accountability and a basic conflict appears as demands for greater performance accountability may come at the expense of voice accountability. The task of providing statements of income and expenditure, descriptions of programs, and targets and achievements is less subjective than providing an account of goals and missions.

2.5.3 Role Theory of Accountability

Role systems theory was originally seen as a way to describe how organizations manage to inculcate or produce reliable behaviour on the part of their members (Katz & Kahn, 1998). Moreover, role theory places a great deal of emphasis on interpersonal

relationships. Furthermore, it postulates a central role for interpersonal expectations, emphasizes the importance of the consequence of compliance, and links tasks and activities to individuals (Ferris et al, 2000). Besides these striking similarities regarding the structure and functioning of role systems and accountability systems in organizations, the former perspective provides what people feel are important new insights regarding when and where accountability is produced and the organizational systems that are relevant. This seems to be a deficiency in current views of accountability theory. Thus, people feel that a role systems theory perspective adds value to any treatment of accountability in work settings.

Accountability has largely been one of explaining reactions to anticipated reviews. Thus, Ferris et al (2000) describe examples of both the cognitive and behavioural consequences of having to face the expectations of another party. This is almost the essence of role theory. Role theory has proven useful for the explanation of organizations because of its consideration of several factors and dimensions in a unified framework. These factors and dimensions have specific applications to accountability which warrant discussion. One is that a role theory approach incorporates a multitude of intrapersonal, interpersonal, and person-organization dynamics which help guide our approach to several issues. The framework developed herein suggests that variables, such as general cognitive ability, social intelligence, conscientiousness, generalized efficacy, trait stress, and self-monitoring, among others, may be of particular interest.

Variables, such as agreeableness, locus of control, and personal and work values, among others, are related to how one interprets and responds to environmental cues, and might help explain and predict behaviour related to accountability perceptions (Patten, 2002).

2.6 Empirical Studies

Analytical work on determinants of poverty in Kenya is at best scanty. Most of the available studies are descriptive and focus mainly on measurement issues. Earlier poverty studies have focused on a discussion of inequality and welfare based on limited household level data (Bigsten 1981, Hazlewood 1981, House and Killick 1981). One recent comprehensive study on the subject is that of Mwabu et al. (2000), which deals with measurement, profile and determinants of poverty. The study employs a household welfare function, approximated by household expenditure per adult equivalent. The authors run two categories of regressions, using overall expenditures and food expenditures as dependent variables. In each of the two cases, three equations are estimated which differ by type of dependent variable. These dependent variables are: total household expenditure, total household expenditure gap (the difference between the absolute poverty line and the actual expenditure) and the square of the latter. A similar set of dependent variables is used for food expenditure, with the explanatory variables being identical in all cases. Mwabu et al. (2000) justified their choice. The major assumption of the welfare function approach is that consumption expenditures are negatively associated with absolute poverty at all expenditure levels. Thus, factors that increase consumption expenditure reduce poverty.

Notwithstanding such weaknesses, the approach is widely used and the Mwabu et al. (2000) study identified the following as important determinants of poverty: unobserved region-specific factors, mean age, size of household, place of residence (rural versus urban), level of schooling, livestock holding and sanitary conditions.

Another recent study on the determinants of poverty in Kenya is Oyugi (2001), which is an extension to earlier work by Greer and Thorbecke (1986). The latter study used household calorie consumption as the dependent variable and a limited number of household characteristics as explanatory variables. Oyugi (2001) uses both discrete and continuous indicators of poverty as dependent variables and employs a much larger set of household characteristics as explanatory variables. An important aspect of Oyugi's study is that it analyses poverty both at micro (household) and meso (district) level, with the meso level analysis being the innovative component of the study.

Kimenyi (2005) studied the efficiency and efficacy of CDF. Kiriti and Ng'ang'a (2007) did a study on poverty in Kenya and identified various measures of levels of poverty. Oyugi (2008) conducted a study on effects of economic growth on poverty reduction. Kimenyi (2009) did a study urban poverty and vulnerability

Oxfam (2009) concluded that poor urban governance in respect of planning and managing the affairs of the Nairobi city is a major driving factor of urban poverty and vulnerability.

Fogarty (1996) examined accountability standard-setting process and found that institutionalization, through the basis of separated procedures and the formal characteristics of assessment, enables the organizations to achieve tolerable decisional freedom.

Jebet (2001) acknowledges the fact that in Kenya, little is known about the different governance practices in the country. Mucuvi (2002) found that there was generally a high level of awareness about corporate governance among the motor industry in Kenya. Her results indicated that a large number of firms in motor industry had taken deliberate steps to implement the corporate governance policies. Linyiru (2006)

examined the depth of corporate governance in Kenyan banking industry and contended that there was significant positive relationship between good corporate governance practices and financial performance in the Kenyan banking sector. Maina (2007) studied corporate governance practices in insurance industry in Kenya and revealed that some weaknesses in the corporate governance among the insurance companies in Kenya.

More recently, Oriku (2010) carried a research on the perceived role of Audit Committee in accountability, governance and management of CDF in Nairobi Province and found out that AC can play a vital role in CDF accountability, governance and management.

Keya (2010) conducted a research on the role of internal audit in CDF accountability and governance and found out that IA can greatly promote CDF accountability and governance.

No research study however, has been undertaken examining the impact of CDF on poverty eradication in Nairobi Province. This research study, therefore seeks to fill that gap.

2.7 Chapter Summary

Corporate governance, the system by which corporations are directed and controlled, has been around since the early stages of the 19th century when the separation of management and ownership became inevitable due to increase in the size of business as well as sophistication of business operations requiring specialized expertise.

Overall, good management aims at ensuring that CDF affairs are run efficiently, responsibly, viably, in an accountable manner, transparently and compliance with legal

framework all with a view to observing stakeholders rights, fairness and equitable treatment of all voters and stakeholders. Research on good management and accountability in CDF is minimal due to lack of sufficient literature on the field thus literature from research on other forms of corporations was reviewed.

There is no doubt that CDF is a novel concept and one that is expected to have major positive impact on development at the grassroots. In addition to advancing the welfare of the people through community projects, CDF has a salutary effect on participation which is itself pivotal to empowerment of communities.

Because of the apparent positive evaluation by beneficiaries of CDF, there is high probability that other developing countries will seek to emulate the Kenyan concept. There are indications that a number of countries in the region, intend to study the Kenyan model with the hope that they can legislate similar programmes. As such, understanding the operations of CDF, particularly the aspects that impact on efficiency and poverty eradication is crucial. It is therefore recommended that a rigorous study to identify the main sources of concerns that are emerging be undertaken so as to avert major failures in the future. Such a study would offer concrete recommendations on reforms and also the type of information and data that should be required of all CDF projects for effective monitoring and evaluation. Finally, a better understanding of CDF can provide important information that should help in design of other decentralization schemes that may be implemented (Kimenyi 2005).

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets to explain the research design, population of interest, methods of data collection and the techniques that were used in data analysis and finally data reliability and validity.

3.2 Research Design

A census study was used for the purpose of this research. Mugenda and Mugenda (2003) observe that this method is the best suited for gathering descriptive information since the researcher makes an attempt to collect data from members of population with respect to one or more variables. Thus the descriptive was appropriate as it sought to ascertain the impact of CDF on poverty reduction in Nairobi province.

3.3 Population

The population of the study was composed of all the CDF in Nairobi's eight constituencies and the source was from E-government through website www.cdf.go.ke.

3.4 Sample

The sample composed of 10 CDC members from each of the 8 constituencies in Nairobi and 10 slum dwellers from 8 slums, each representing a constituency chosen randomly. 10 respondents from each of the slums were targeted to provide the required information for the study.

3.5 Data Collection

The research study utilized primary data. Primary data was collected by way of a questionnaire. The questionnaires were administered to both residents of the slums and the CDC members in Nairobi Province. The questionnaires consisted of both closed and open ended questions and were administered through a drop and pick later method to the CDC members and slum dwellers walking in to the CDF offices randomly in need of services. The drop and pick approach was considered an appropriate method for the study because it gave the respondents time to fill the questionnaire and allow the researcher an opportunity to review the questionnaire before picking it to ensure completeness of responses.

Such questions were preferred because they provided an opportunity for in-depth probing of issues. A standardized questionnaire was developed to allow comparison of results amongst the various respondents of the 8 constituencies.

3.6 Data Analysis

Data collected was validated, coded and checked for any coding errors and omissions. Thereafter, it was run through the Statistical Package for Social Sciences (SPSS) version 18. The output from the data analysis was tabulated and represented in frequency distribution tables, pie charts and bar graphs and summarized by calculating averages and/or percentage frequencies for clear presentations of the research findings. This facilitated quick and easy exploration of data to help identify the impact of CDF on poverty reduction in Nairobi.

Alkema, Faye, Mutua & Zulu (2007) argue that in poverty measurement the goal is to determine the poverty status of households (or individuals) based on differences in Social Economic Status (SES) indicators. Poverty itself can be considered to be a latent

variable, its manifest variables are the SES indicators. Poverty groups are defined by pulling together combinations of indicators that are similar, e.g. a group with low asset ownership and low food security.

Multiple regression model was used for it allowed simultaneous investigation of the effect of two or more variables Zikmund (2003). It was of the following form:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n$$

Where;

Y = poverty reduction

X₁ = Education

X₂ = Health

X₃ = Housing

β = coefficient of correlation

n = other factors such as amenities, expenditure, household and individual security.

Poverty reduction was measured by the extent of change of the SES indicators such as education, housing and access to health facilities. For the purpose of this study any person earning less than Sh. 200, lives in a temporally house, shares sanitary facilities with other residents among others was said to be poor and the extent of contribution of CDF since 2003 in efforts to improve those SES indicators was measured.

3.7 Data Reliability and Validity

According to Mugenda & Mugenda (2003), validity is the degree to which results obtained from the analysis of the data actually represents the phenomenon under study.

The reliability and validity of data collected for research was controlled through formulation of relevant research questionnaire by considering the research questions

that expressed a relationship between variables. The questions were stated in an unambiguous form to be tested empirically, choosing the appropriate data collection method that suited the research questions and using a sampling technique that ensured that the sample was representative and minimized bias. In other words, the researcher used the contingency questions in the questionnaire to ensure that data collected was reliable.

Contingency questions are subsequent questions asked after the initial questions and whose responses depend on the responses given for the initial questions (Mugenda & Mugenda 2003). Peer review of the questionnaire was important to enhance validity.

CHAPTER FOUR

4.0 DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

This chapter presents the analysis of data collected from the two sets of administered questionnaires. 80 questionnaires were administered to the slum dwellers and another 80 to the CDC members. The researcher managed to obtain 55 completed questionnaires by the slum dwellers and 73 from CDC members making it a total of 128 out of 160 representing an 80.00% response rate.

4.2 Background Information

This section comprised of questions which helped determine the background information of the respondents. All the respondents were from the eight constituencies of Nairobi province namely Dagoreti, Starehe, Kamukunji, Langata, Makadara, Westlands, Embakasi and Kasarani.

4.2.1 Age of Respondents

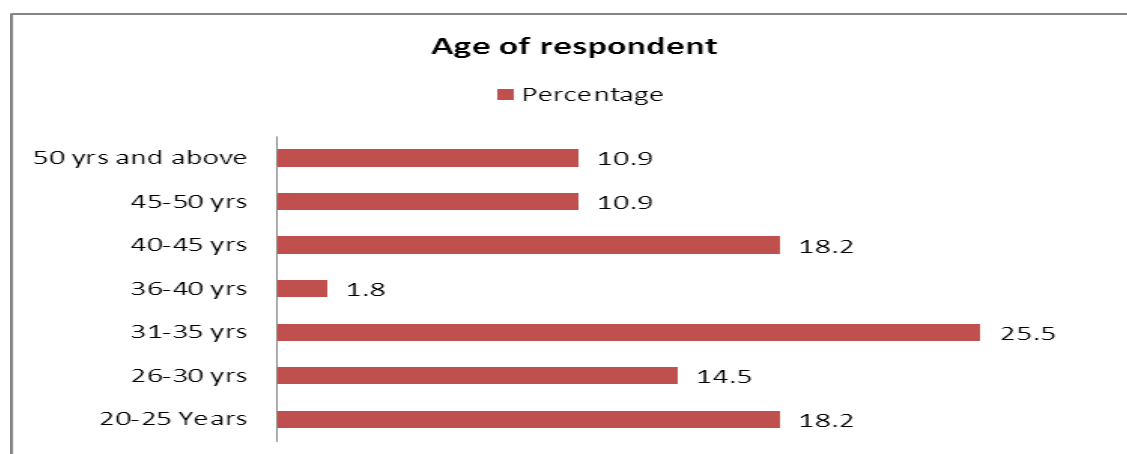
Majority (25.5%) of the respondents were aged between 31-35 years of age, 18.2% were each aged between 20-25 years and between 36-40 years, 14.5% of them between 26-30 years, 10.9% each between 45-50 years and 50 years and above and the remaining 1.8% between 36-40 years as shown in table 4.1 and figure 4.1 below.

Table 4.1 Age of Respondent

Age	Frequency	Percentage
20-25 Years	10	18.2
26-30 yrs	8	14.5
31-35 yrs	14	25.5
36-40 yrs	1	1.8
40-45 yrs	10	18.2
45-50 yrs	6	10.9
50 yrs and above	6	10.9
Total	55	100.0

Source: Research Data 2011

Figure 4.1 Age of Respondent



4.2.2 Employment

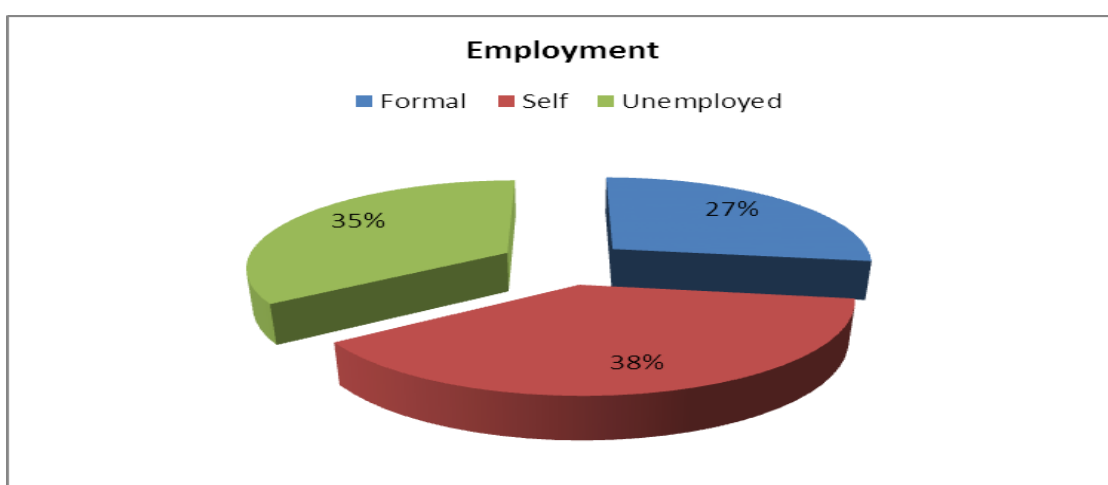
Majority (38.5%) of the respondents were self-employed, 34.5 of them were unemployed and the remaining 27.3% were in formal employment as shown in table 4.2 and figure 4.2 below.

Table 4.2 Employment

Employment	Frequency	Percentage (%)
Formal	15	27.3
Self	21	38.2
Unemployed	19	34.5
Total	55	100.0

Source: Research Data 2011

Figure 4.2 Employment



4.2.3 Gender of Respondents

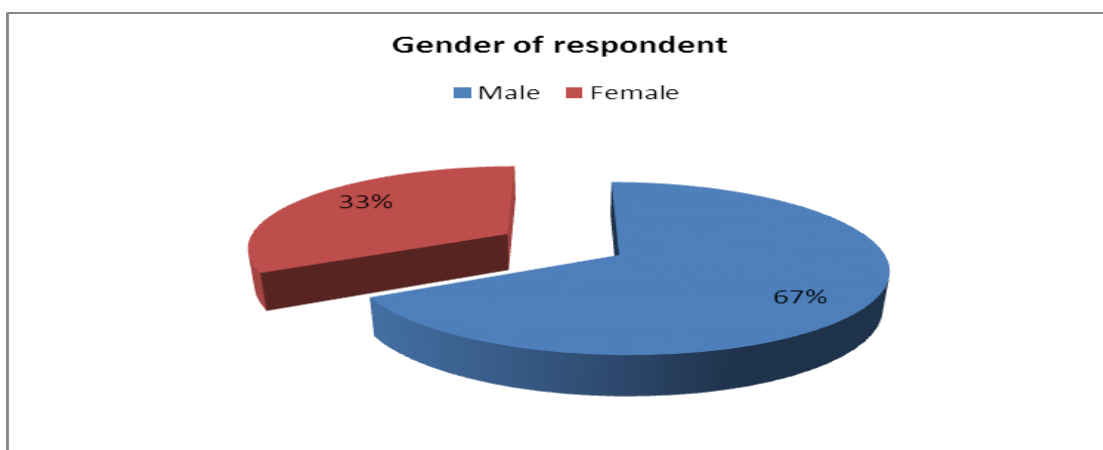
Majority (67.5%) of the respondents were male while the remaining 32.7% of them were female as shown in table 4.3 and figure 4.3 below.

Table 4.3 Gender of Respondent

Gender	Frequency	Percentage (%)
Male	37	67.3
Female	18	32.7
Total	55	100.0

Source: Research Data 2011

Figure 4.3 Gender of Respondents



4.2.4 Number of years of Education

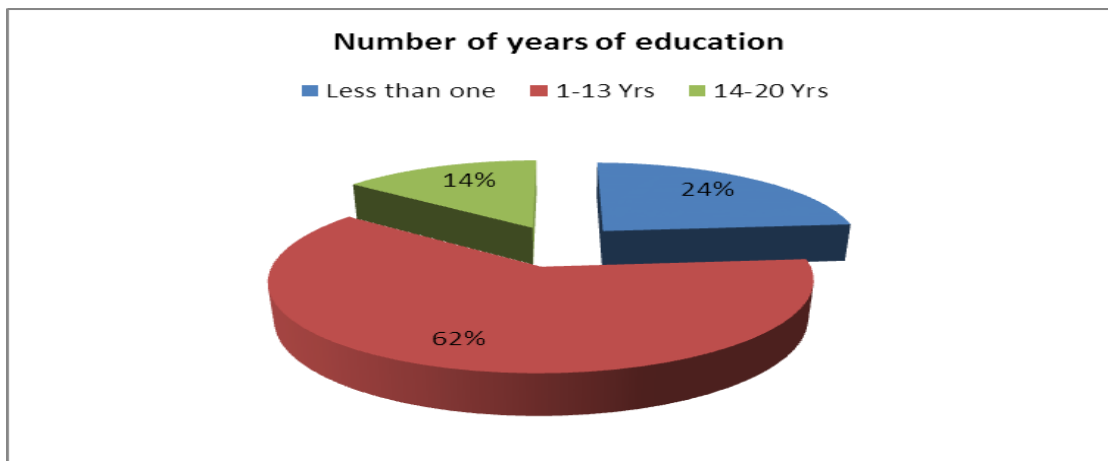
61.8% of the respondents indicated that they had been in pursuing education for between 1-13 years, 23.6% of them for less than one year and the remaining 14.5% for between 14-20 years as shown in table 4.4 and figure 4.4 below.

Table 4.4: Number of Years of Education

Education years	Frequency	Percentage (%)
Less than one	13	23.6
1-13 Yrs	34	61.8
14-20 Yrs	8	14.5
Total	55	100.0

Source: Research Data 2011

Figure 4.4 Number of Years of Education



4.2.5 Family Status

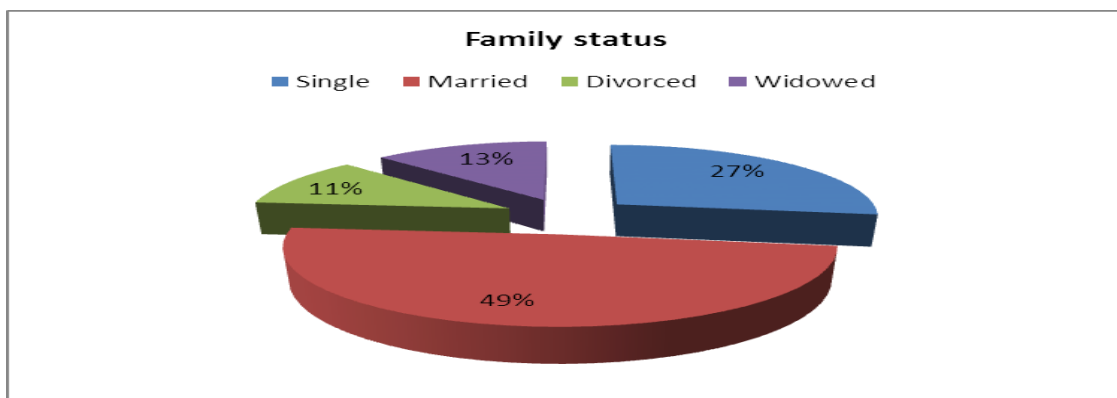
49.1% of the respondents were married, 27.3% were single, 12.75 of them were widowed and the remaining 10.9% of them were divorced as shown in table 4.5 and figure 4.5 below.

Table 4.5: Family Status

Family status	Frequency	Percentage (%)
Single	15	27.3
Married	27	49.1
Divorced	6	10.9
Widowed	7	12.7
Total	55	100.0

Source: Research Data 2011

Figure 4.5 Family Status



4.3 Ownership of Residential House

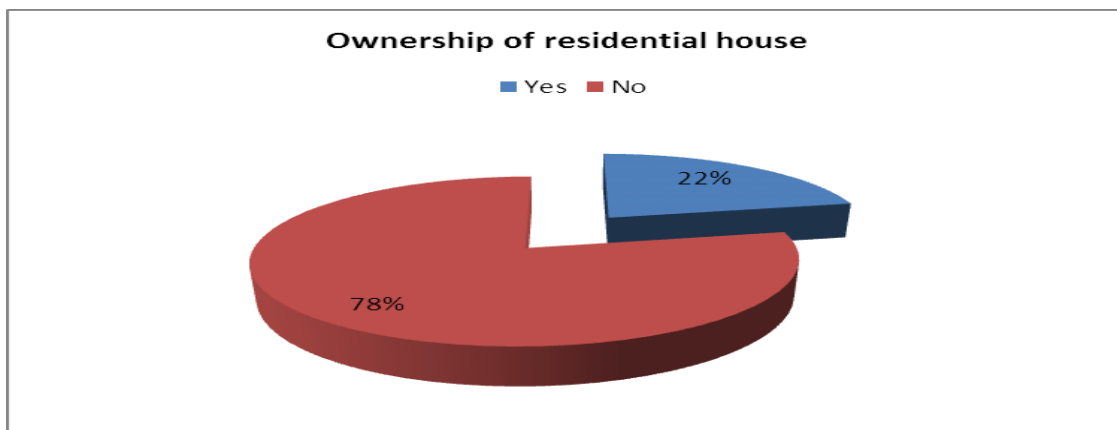
Majority (78.2%) of the respondents indicated that the residential houses in which they lived were not theirs and the remaining 21.8% indicated otherwise as shown in table 4.6 and figure 4.6 below.

Table 4.6: Ownership of Residential House

Ownership of house	Frequency	Percentage (%)
Yes	12	21.8
No	43	78.2
Total	55	100.0

Source: Research Data 2011

Figure 4.6 Ownership of Residential House



4.4 Awareness of Existence of CDF

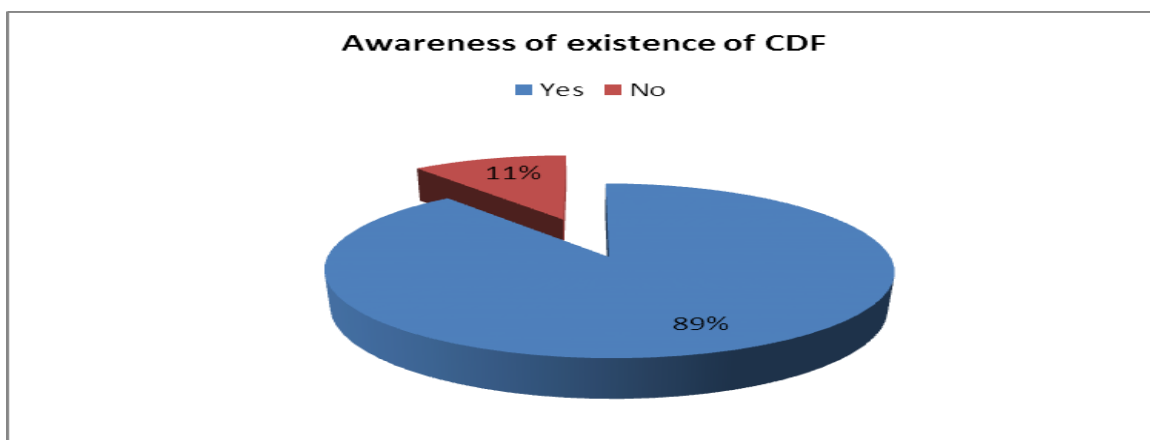
Majority (89.1%) of the respondents indicated that they were aware of the existence of CDF in their area and the remaining 10.9 were of a contrary opinion as shown in table 4.7 and figure 4.7 below.

Table 4.7 Awareness of Existence of CDF

Awareness of existence	Frequency	Percentage (%)
Yes	49	89.1
No	6	10.9
Total	55	100.0

Source: Research Data 2011

Figure 4.7 Awareness of Existence of CDF



4.5 Satisfaction with the Contribution of CDF

Majority (47.3%) of the respondents indicated that they were dissatisfied with the contribution of education in their constituencies. However another 34.5% of respondents indicated that they were satisfied with the contribution of education in their respective constituency. 96.4% of respondents categorically indicated that they were dissatisfied with the contribution of CDF in provision of health facilities

while another 65.4% of the same respondents were of the opinion that CDF had contributed little in enhancing sanitation in their respective constituencies. 85.5% mentioned that they were dissatisfied with what CDF was doing to maintain security in their constituencies. 47.3% of the respondents indicated that they were dissatisfied with housing conditions and another 78.2% categorically indicated that little was done by CDF in maintenance of roads in their respective constituencies as shown in table 4.8 below.

Table 4.8 Satisfaction with the Contribution of CDF

Statement	Satisfied		Neutral		Dissatisfied		Non response		Total	
	Count	%	Count	%	Count	%	Count	%	Count	%
Education	19	34.5	10	18.2	26	47.3	0	0	55	100
Health facilities	2	3.6	0	0	53	96.4	0	0	55	100
Sanitation	13	23.6	6	10.9	36	65.4	0	0	55	100
Security	0	0	8	14.5	47	85.5	0	0	55	100
Housing	13	23.6	0	0	26	47.3	16	29.1	55	100
Roads	5	9.1	0	0	43	78.2	7	12.7	55	100

Source: Research Data 2011

4.6 Participation in choosing Project ideas

69.1% of the respondents indicated that they had participated in choosing projects before, 20% of them had not participated in choosing projects while the remaining

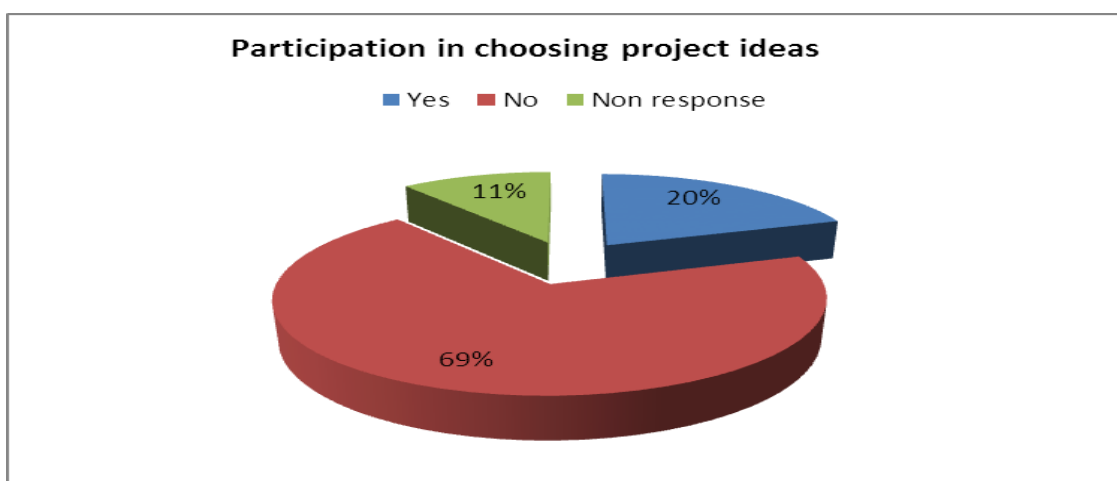
10.9% did not give their opinion on this aspect as shown in table 4.9 and figure 4.8 below.

Table 4.9 Participation in Choosing Project Ideas

Participation	Frequency	Percentage (%)
Yes	11	20.0
No	38	69.1
Non response	6	10.9
Total	55	100.0

Source: Research Data 2011

Figure 4.8 Participation in Choosing Project Ideas



4.7 Formulation of CDF Projects

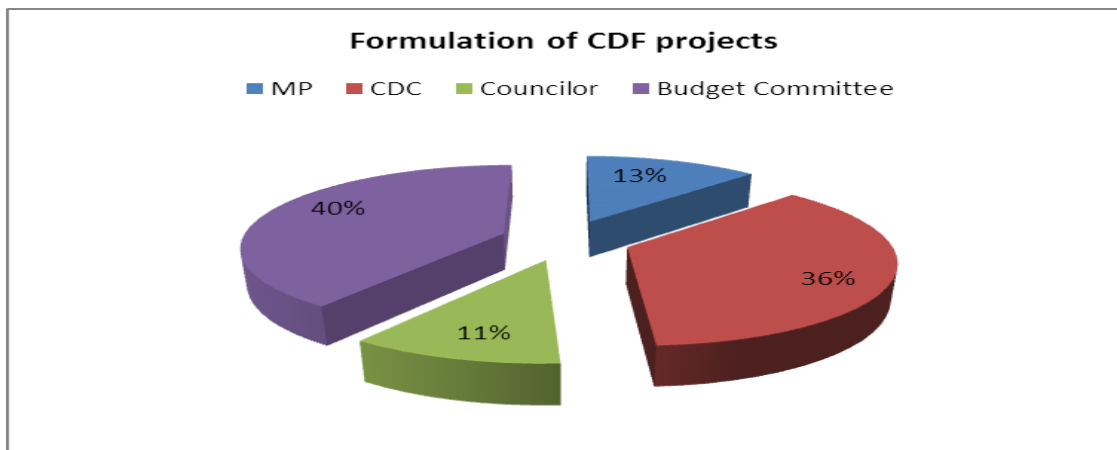
40% of the respondents indicated that the budget committee should be involved in the formulation of the CDF projects and closely followed by 36.4% of them who indicated that CDC should be responsible for the formulation of CDF projects. 12.7% of them were of the opinion that the area MP should be the one responsible to formulate CDF projects and the remaining 10.9% of them preferred the civic councilors should be the ones formulating CDF projects as shown in table 4.10 and figure 4.9 below.

Table 4.10 Formulation of CDF projects

Formulation	Frequency	Percentage (%)
MP	7	12.7
CDC	20	36.4
Councilor	6	10.9
Budget Committee	22	40.0
Total	55	100.0

Source: Research Data 2011

Figure 4.9: Formulation of CDF Projects



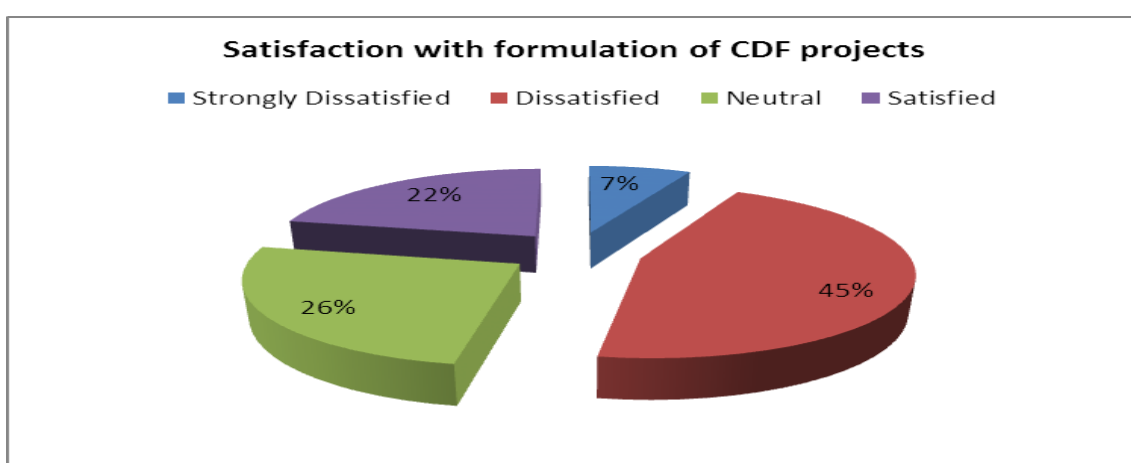
4.8 Satisfaction with Formulation of CDF Projects

Majority (45.5%) of the respondents indicated that they were dissatisfied with formulation of CDF projects in their constituencies, 25.5% of them were neutral, 21.8% were satisfied and the remaining 7.3% of them were very dissatisfied as shown in table 4.11 and figure 4.10 below.

Table 4.11: Satisfaction with Formulation of CDF Projects

Satisfaction	Frequency	Percentage (%)
Strongly Dissatisfied	4	7.3
Dissatisfied	25	45.5
Neutral	14	25.5
Satisfied	12	21.8
Total	55	100.0

Figure 4.10 : Satisfaction with formulation of CDF projects



4.9 Membership of CDF Committee

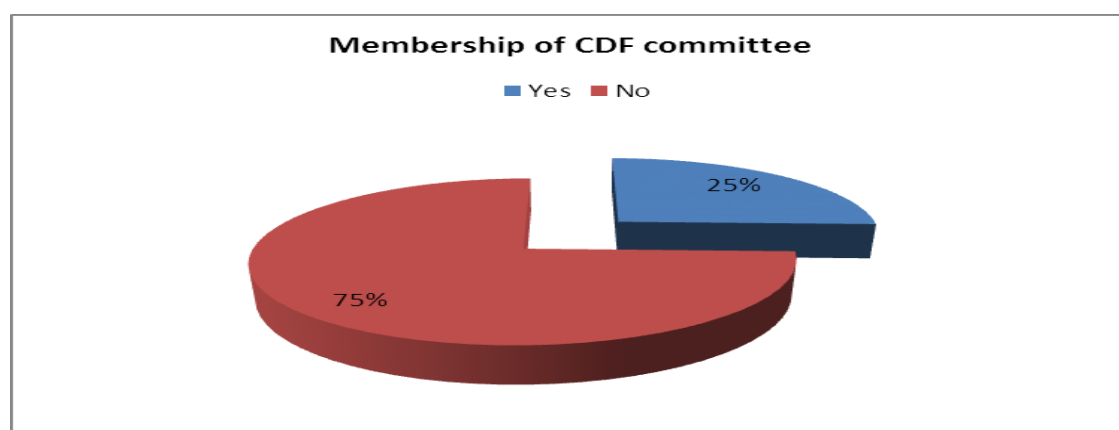
74.5% of the respondents indicated that they were not members of the CDF committee and the remaining 25.5% were of a contrary opinion as shown in table 4.12 and figure 4.11 below. For those who indicated that they were members, they were involved on health, housing and security matters. Those who were not in the CDF committee sighted corruption in selection of members, discrimination and nepotism as the major reasons as to why they were excluded.

Table 4.12 Membership of CDF Committee

Membership	Frequency	Percentage (%)
Yes	14	25.5
No	41	74.5
Total	55	100.0

Source: Research Data 2011

Figure 4.11:Membership of CDF Committee



4.10 Involvement in the Implementation of CDF Projects

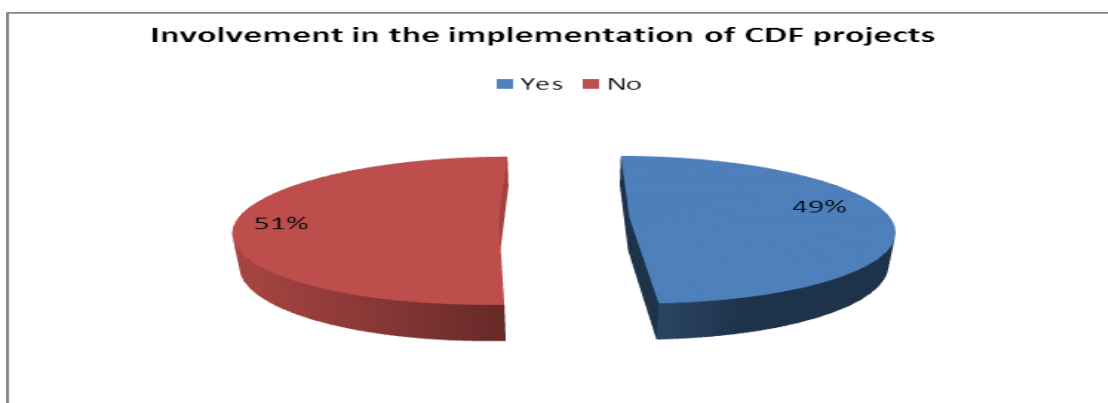
Majority (50.9%) of the respondents indicated that they were not involved in the implementation of CDF projects while the remaining 49.1% indicated otherwise as shown in table 4.13 and figure 4.12 below. Those who were not involved in the implementation CDF projects sighted corruption in selection of members, discrimination and nepotism as the major reasons as to why they were excluded.

Table 4.13 Involvement in the Implementation of CDF Projects

Implementation	Frequency	Percentage (%)
Yes	27	49.1
No	28	50.9
Total	55	100.0

Source: Research Data 2011

Figure 4.12 Involvement in the Implementation of CDF Projects



4.11 Satisfaction with Implementation of CDF Projects

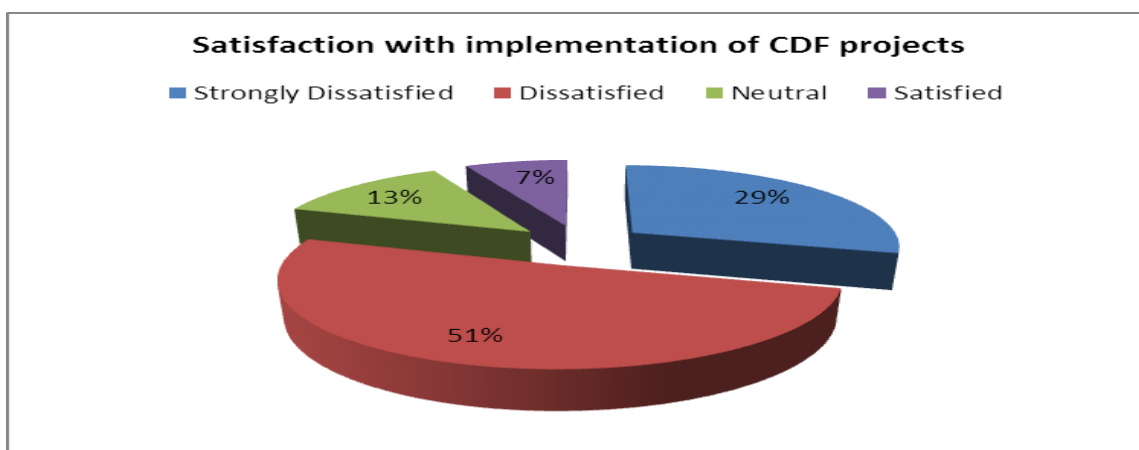
50.9% of the respondents indicated they were dissatisfied with the implementation of CDF projects in their respective constituencies, 29.1% of them were strongly dissatisfied, 12.7% were neutral and the remaining 7.3% of them indicated that they were satisfied as shown in table 4.14 and figure 4.13 below.

Table 4.14: Satisfaction with Implementation of CDF Projects

Satisfaction	Frequency	Percentage (%)
Strongly Dissatisfied	16	29.1
Dissatisfied	28	50.9
Neutral	7	12.7
Satisfied	4	7.3
Total	55	100.0

Source: Research Data 2011

Figure 4.13: Satisfaction with Implementation of CDF Projects



4.12 Benefits derived from CDF

74.5% of the respondents indicated that there were benefits derived from CDF while the remaining 25.5% indicated otherwise as shown in table 4.15 and figure 4.14 below.

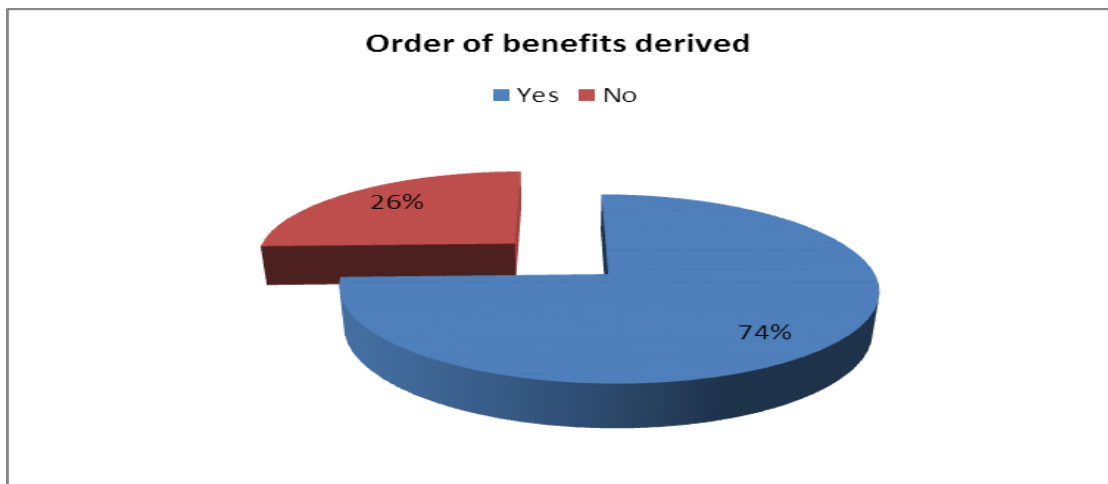
Majority of the respondents ranked the benefits as follows: housing facilities, sanitation, better health facilities, security provision and roads.

Table 4.15: Order of Benefits Derived

Benefits derived	Frequency	Percentage (%)
Yes	41	74.5
No	14	25.5
Total	55	100.0

Source: Research Data 2011

Figure 4.14: Order of Benefits derived



4.13 Ways of making CDF more Beneficial

Respondents were required to indicate the ways in which CDF can be beneficial: Majority of the respondents indicated that political interference should be avoided as much as possible when managing funds, transparency to be upheld in all CDF transactions, project risk analysis and appraisal to be encouraged, consultation with relevant expatriates, enhancing effective internal control strategies, equitable allocation of resources to other parts, initiating monitoring and evaluation of projects and involvement of all the stakeholders of CDF.

4.14 Role in the CDC

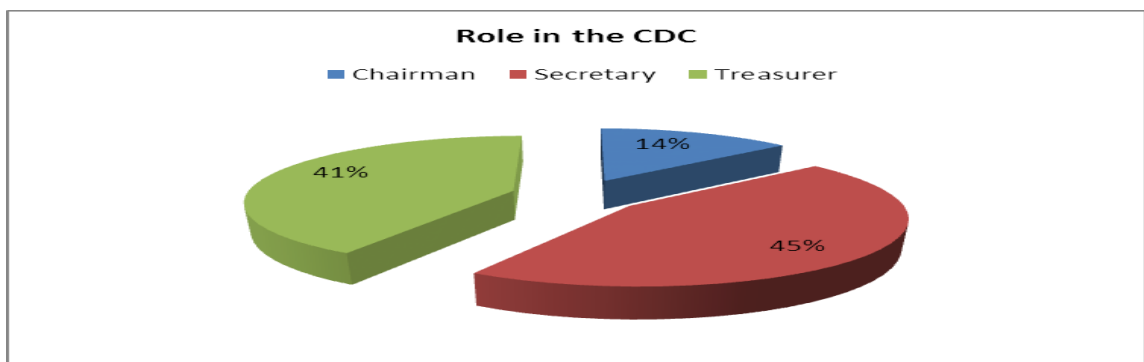
Majority (47.3%) of the respondents in this research were members of the CDC, 23.6% were secretaries to the CDC, 21.8% were treasurers and the remaining 7.3% were chairmen to the CDC as shown in table 4.16 and figure 4.15 below.

Table 4.16 Role in the CDC

Role in the CDC	Frequency	Percentage (%)
Chairman	4	7.3
Secretary	13	23.6
Treasurer	12	21.8
Member	26	47.3

Source: Research Data 2011

Figure 4.15: Role in the CDC



4.15 Role of CDC Committee Aspects

Respondents were required to indicate the various CDC aspects applied in their constituencies. Their responses are as shown in table 4.17 below.

Majority (82.2%) of the respondents indicated that their constituencies prepared at least some budgets or cash budgets. Another 71.2% of them also indicated that their constituencies prepared capital expenditure budgets and another 41.1% of them indicated that their constituencies prepared both material/purchases and labor costs budgets.

Table 4.17 Role of CDC Committee Aspects

Aspect	Yes		No		No response	
	C	Percentag e	Frequenc y	Percentag e	Frequenc y	Percentag e
Preparation of any budget	60	82.2	0	0	13	17.8
Preparation of material/purchases budget	30	41.1	30	41.1	13	17.8
Preparation of labor cost budgets	30	41.1	30	41.1	13	17.8
Preparation of capital expenditure budgets	52	71.2	8	11.0	13	17.8
Preparation of cash budget	60	82.2	0	0	13	17.8

Source: Research Data 2011

4.16 Range of Budget

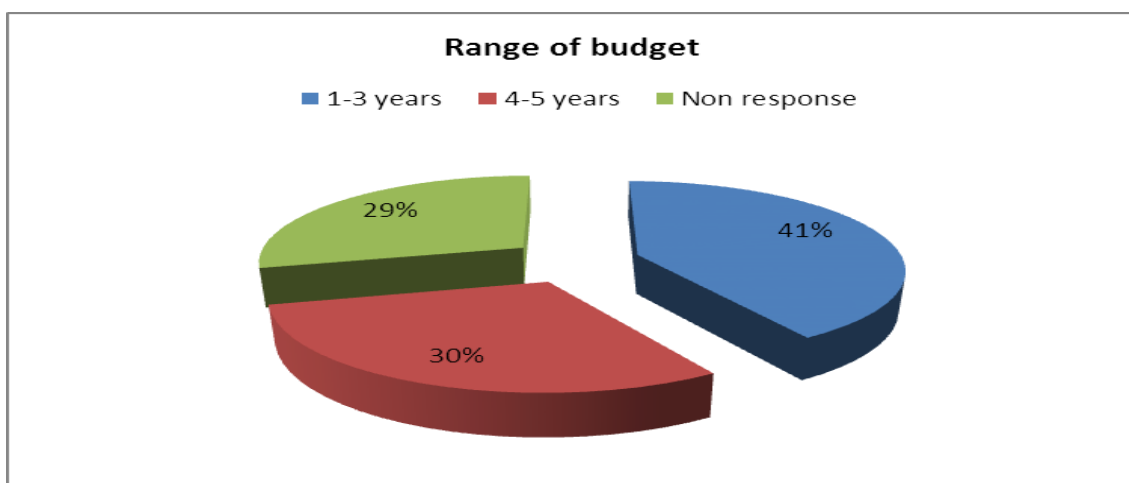
Majority (41.1%) of respondents indicated that the budgets ranged between 1-3 years, 30.1% ranged between 4-5 years and the remaining 28.8% did not indicate the range of their budgets as shown in table 4.18 and figure 4.16 below.

Table 4.18: Range of Budget

Range of budget	Frequency	Percentage (%)
1-3 years	30	41.1
4-5 years	22	30.1
Non response	21	28.8
Total	73	100.0

Source: Research Data 2011

Figure 4.16: Range of Budgets



4.17 Performance of CDC Functions by another Department

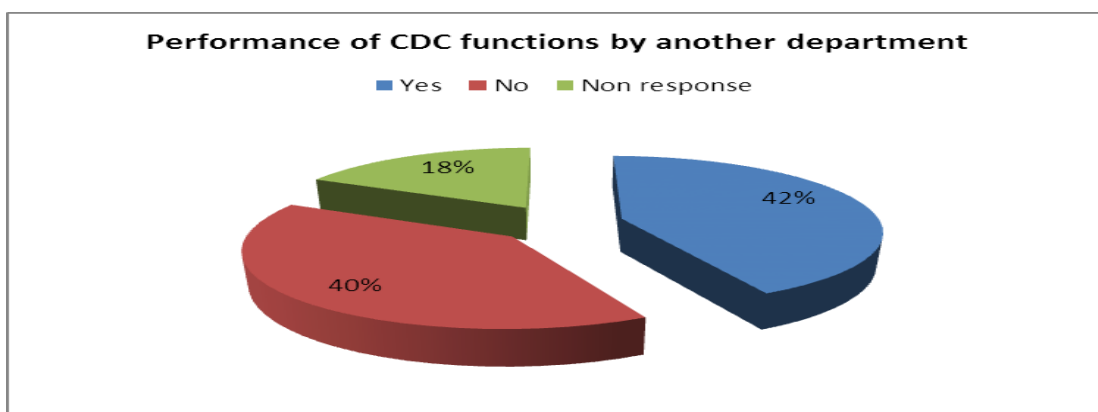
Majority (42.5%) of respondents indicated that the functions of CDC were performed by another department, 39.7% indicated otherwise and the remaining 17.8 did not give any response as shown in table 4.19 and figure 4.17 below.

Table 4.19: Performance of CDC Functions by another Department

Performance	Frequency	Percentage (%)
Yes	31	42.5
No	29	39.7
Non response	13	17.8
Total	73	100.0

Source: Research Data 2011

Figure 4.17: Performance of CDC Functions by another Department



4.18 Other body Performing Functions of CDC

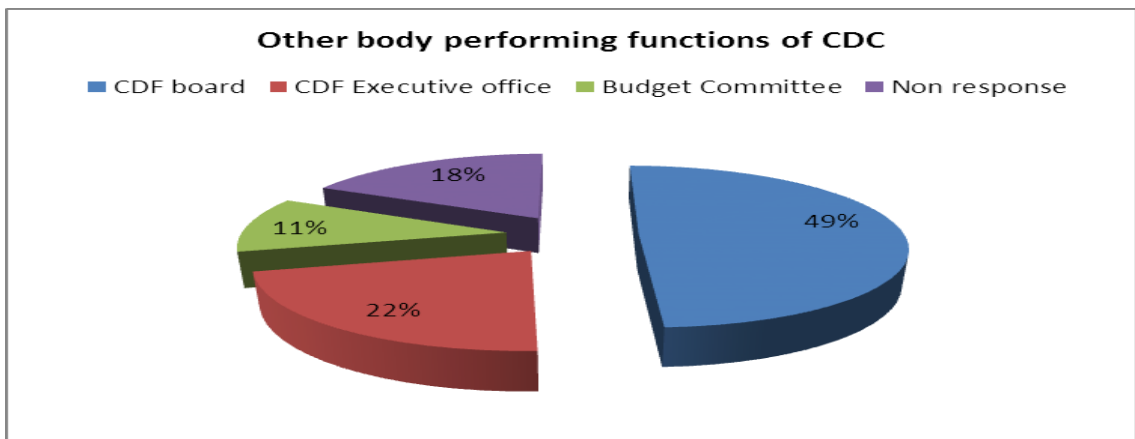
49.3% of the respondents indicated that the functions of CDC were performed by the CDF Board, 21.9% by CDF Executive Office, 11.0% by the Budget committee while the remaining 17.8% did not give their responses on this aspect as shown in table 4.20 and figure 4.18 below.

Table 4.20 Other body Performing Functions of CDC

Body	Frequency	Percentage (%)
CDF board	36	49.3
CDF Executive office	16	21.9
Budget Committee	8	11.0
Non response	13	17.8
Total	73	100.0

Source: Research Data 2011

Figure 4.18: Other body Performing Functions of CDC



4.19 Composition of CDC

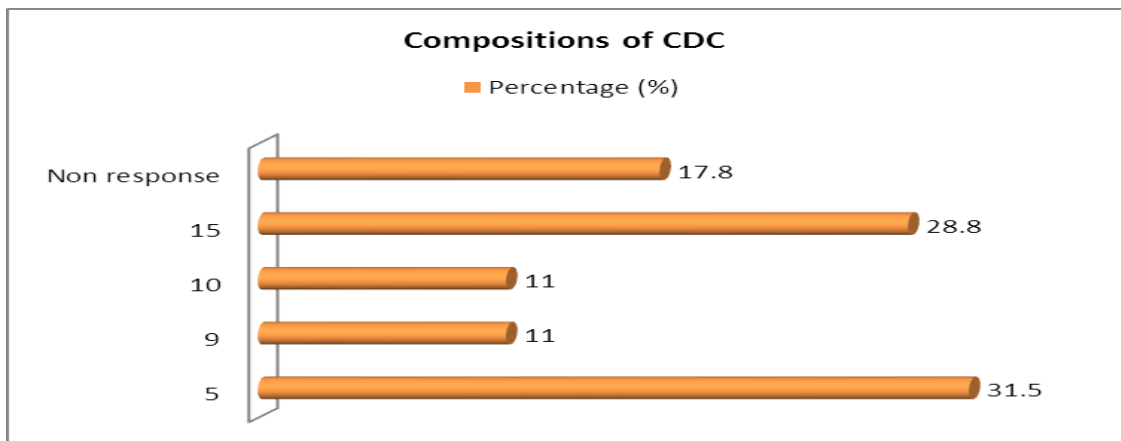
31.5% of respondents indicated that CDC should comprise 5 members, 28.8% 15 members and 11% each 9 or 10 members. 17.8% of them did not give their opinion on this aspect as shown in table 4.21 and figure 4.19 below.

Table 4.21: Compositions of CDC

Members	Frequency	Percentage (%)
5.00	23	31.5
9.00	8	11.0
10.00	8	11.0
15.00	21	28.8
Non response	13	17.8
Total	73	100.0

Source: Research Data 2011

Figure 4.19: Composition of CDC



4.20 Appointment of Chair of Committee

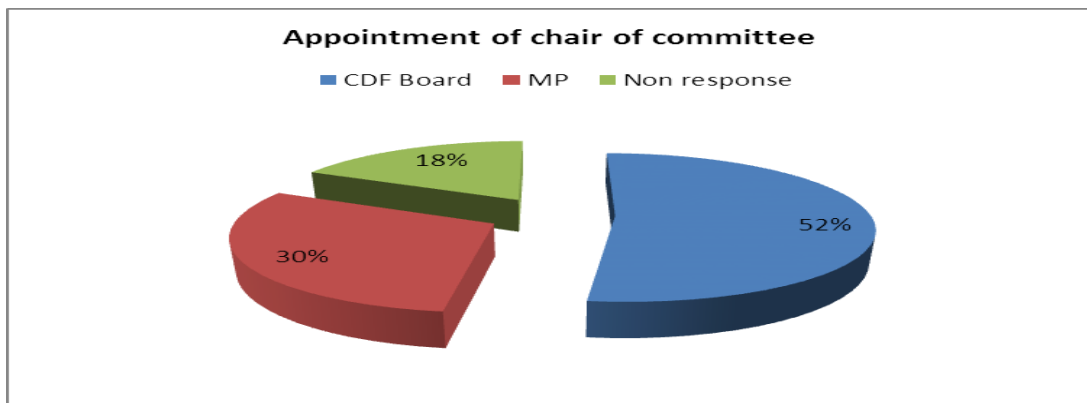
52.1% of the respondents indicated that CDF Board should appoint the chair of the committee while 30.1% preferred the area MP to do that appointment and the remaining 17.8% did not express their opinion on this aspect as shown in table 4.22 and figure 4.20 below.

Table 4.22: Appointment of Chair of Committee

Appointment	Frequency	Percentage (%)
CDF Board	38	52.1
MP	22	30.1
Non response	13	17.8
Total	73	100.0

Source: Research Data 2011

Figure 4.20: Appointment of Chair of Committee



4.21 Reasons for lack of Committee or its Equivalent

Respondents unanimously agreed that some constituencies lacked committees because of lack of decentralization of authority and division of labour

4.22 Role of CDC Committee in Promoting Corporate Governance

According to the responses given, majority of the respondents agreed that to a very great extent, CDC performed all the mentioned roles in promoting corporate governance and accountability of CDF management in their constituencies as shown by mean scores ranging between 4.0667 and 4.7333. The findings are as shown in table 4.23 below.

Table 4.23: Descriptive Statistics for the role of CDC in enhancing Corporate Governance

	Mean	Std. Deviation
Assist in planning CDC projects	4.7333	.68561
Appraisal of CDF projects	4.7333	.68561
Receiving feedbacks on CDF projects	4.0667	.79972
Accountability standards in CDF	4.3833	.71525
Maintenance of accounting policies	4.2500	.85618
Ensuring proper bookkeeping enforcement	4.2500	.85618
Pursuing CDF projects feasibility studies	4.2333	.67313
Enhance managerial perspectives	4.2692	.71717
Advance warning on CDF failures	4.0833	.80867
Project performance evaluation	4.7288	.69059
Valid N (listwise)		

Source: Research Data 2011

4.23 Projects overseen this Year

Majority of the respondents indicated that they had overseen construction of water points, construction of laboratories in secondary schools and maintenance of roads as the major projects overseen this year.

4.24 Purposes of CDC in enhancing Poverty Reduction in Constituencies

According to the responses given, majority of the respondents agreed that to a very great extent, CDC performed all the mentioned roles in enhancing poverty reduction in constituencies as shown by mean scores ranging between 4.0167 and 4.9333. It is only item 3 and 4 which had means of 2.8333 and 3.3333 implying that CDC had not done

much in enhancing vigilant and effective overseeing of the CDF financial reporting process and internal control as well as reviewing and making recommendations on CDF management programs for compliance with code of conduct in respective constituencies. The findings are as shown in table 4.24 below.

Table 4.24 :Descriptive Statistics on Purposes of CDC in enhancing Poverty Reduction in Constituencies

	Mean	Std. Deviation
Prioritizing projects to be funded	4.5167	.72467
Allocating funds to projects identified	4.3833	.71525
Vigilant and effective overseeing of the CDF financial reporting process and internal controls	2.8333	.94181
Review and make recommendations on CDF management programs for compliance with code of conduct	3.3333	.89569
Consider appointment of CDF internal auditor	4.5167	.72467
Discuss with the external auditor before the CDF budgeting commences	4.2333	.67313
Quarterly, half-yearly and year-end review of CDF financial statement	4.0167	.74769
Review and communication between external auditor (s), budget committee and CDF management	4.9333	17.29688
Consider major findings of CDF internal investigations , budget and CDF management	4.4333	.90884
Consider any related project transactions that may arise within the CDF management	4.2167	.66617

Have explicit authority to investigation any project or matter within CDF requiring funding	4.4667	.89190
Have full access to CDF information for budgeting purposes	4.46	.897
Outsourcing expertise to facilitate project implementation	4.4576	.89678
Valid N (listwise)		

Source: Research Data 2011

4.25 Definitions of Committees Responsibilities in a Service Charter

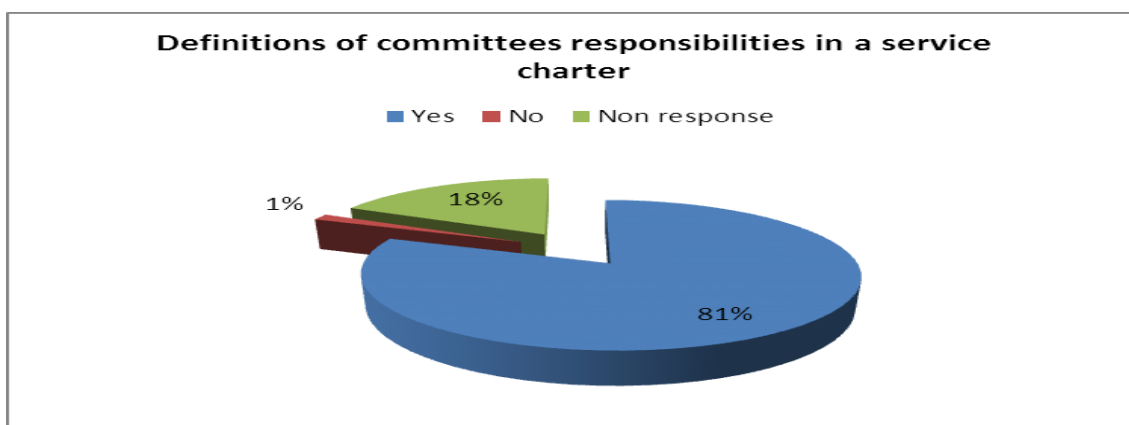
Majority (80.8%) of respondents indicated that the responsibilities of the CDC should be defined in a service charter and only one respondent was of the contrary opinion. 17.8% of the respondents did not give their response on this aspect as shown in table 4.25 and figure 4.21 below.

Table 4.25: Definitions of Committees Responsibilities in a service Charter

Definitions	Frequency	Percentage (%)
Yes	59	80.8
No	1	1.4
Non response	13	17.8
Total	73	100.0

Source: Research Data 2011

Figure 4.2:Definitions of Committees Responsibilities in a service Charter



4.26 Annual update and Approval by the Board of Directors

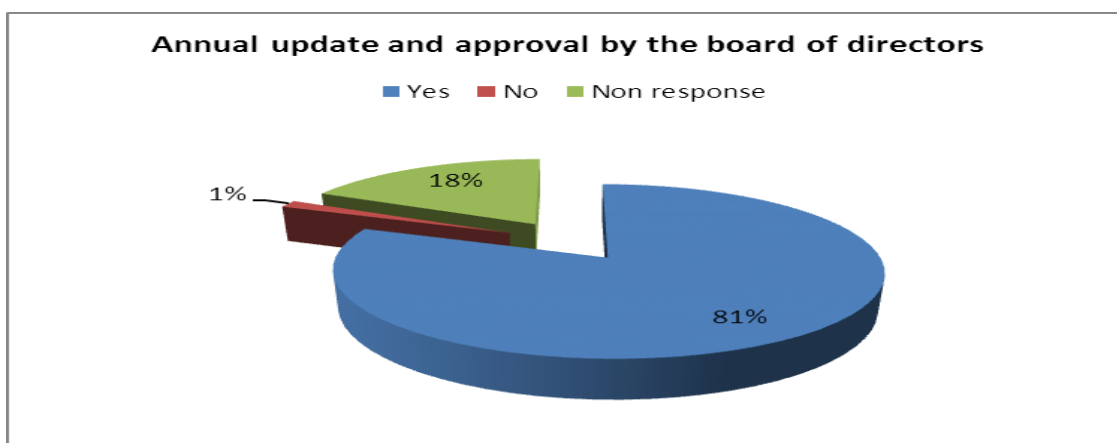
80.8% of the respondents indicated that the service charter should be updated annually and approved by the board of directors while 1.4% of them were of the contrary opinion and the remaining 17.8% did not respond on this aspect as shown in table 4.26 and figure 4.22 below.

Table 4.26:Annual update and Approval by the Board of Directors

Annual update	Frequency	Percentage (%)
Yes	59	80.8
No	1	1.4
Non response	13	17.8
Total	73	100.0

Source: Research Data 2011

Figure 4.22: Annual update and Approval by the Board of Directors



4.27 Independent non executive Director as chair of Committee

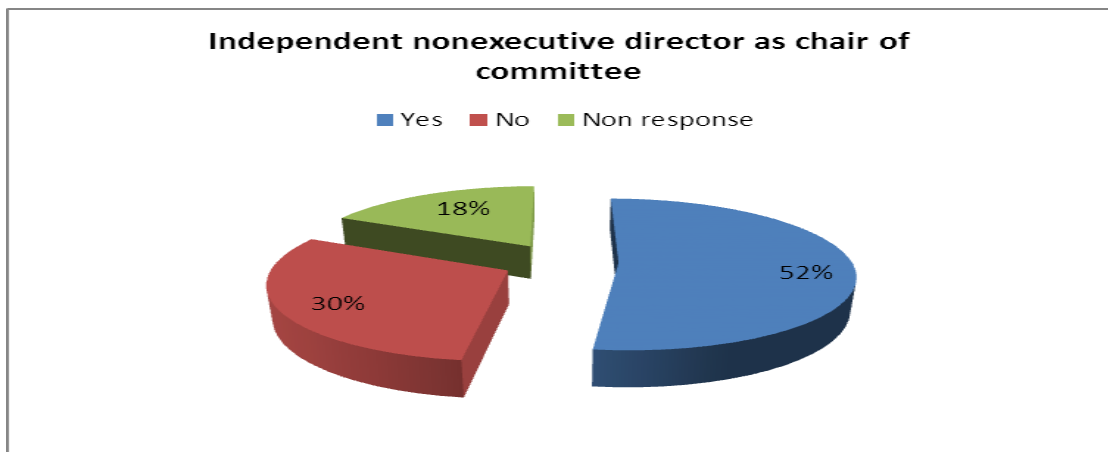
52.1% of the respondents indicated that the chair of the committee should be an independent non-executive director while the remaining 30.1% were of the contrary opinion and the remaining 17.8% did not give their opinion on this aspect as shown in table 4.27 and figure 4.23 below. They also unanimously agreed that committee members should have knowledge in the field of accounting and finance. They further agreed that the same committee members should have knowledge, industry experience and financial expertise to serve effectively in their roles.

Table 4.27: Independent Non Executive Director as Chair of Committee

Independence	Frequency	Percentage (%)
Yes	38	52.1
No	22	30.1
Non response	13	17.8
Total	73	100.0

Source: Research Data 2011

Figure 4.23: Independent Non Executive Director as Chair of Committee



4.28 Engagement of outside Expertise

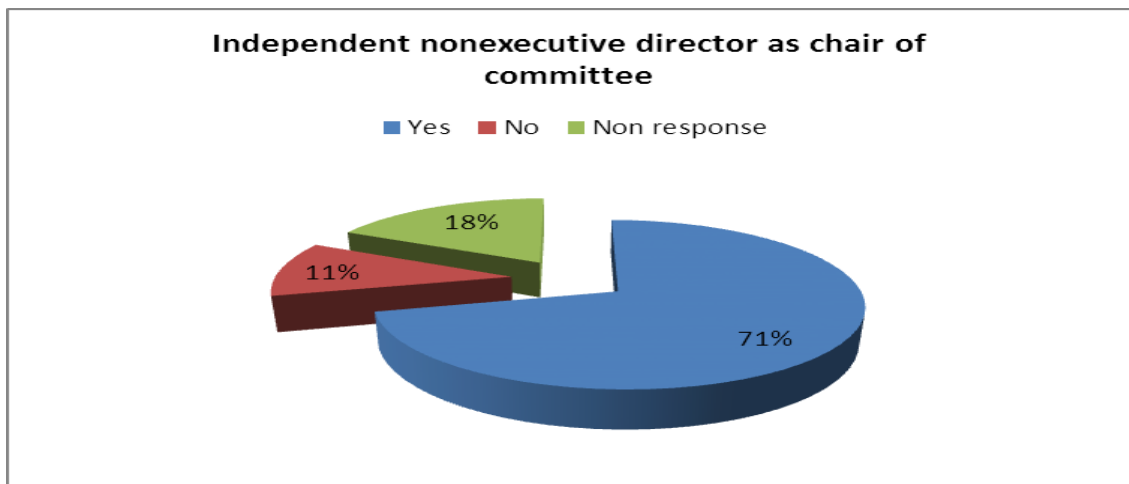
71.2% of the respondents indicated that CDC should engage outside experts as appropriate, 11% of them were of the contrary opinion and the remaining 17.8% of them did not express their opinions on this aspect as shown in table 4.28 and figure 4.24 below.

Table 4.28:Independent Non Executive Director as Chair of Committee

Engagement	Frequency	Percentage (%)
Yes	52	71.2
No	8	11.0
Non response	13	17.8
Total	73	100.0

Source: Research Data 2011

Figure 4.24: Independent Non Executive Director as Chair of Committee



4.29 Frequency of Meetings in a year

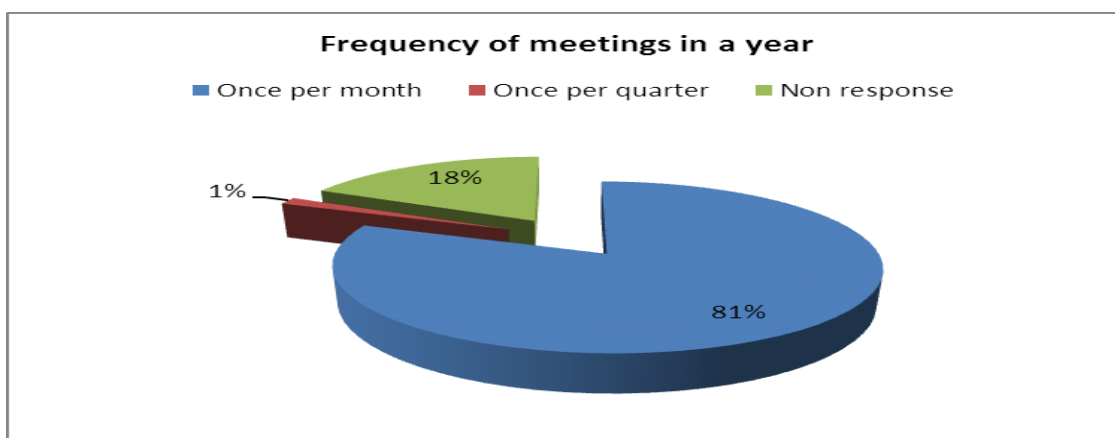
Majority (80.8%) of the respondents indicated that CDC committee should meet once in a year, one respondent indicated that meetings should be held once in a quarter and the remaining 17.8% of them did not express their opinion on this aspect as shown in table 4.29 and figure 4.25 below.

Table 4.29: Frequency of Meetings in a Year

Frequency	Frequency	Percentage (%)
Once per month	59	80.8
Once per quarter	1	1.4
Non response	13	17.8
Total	73	100.0

Source: Research Data 2011

Figure 4.25: Frequency of Meetings in a Year



4.30 The Regression Model

The research study wanted to establish the impact of CDF in reducing poverty levels in Nairobi province. The research findings indicated that there was a very strong positive relationship ($R= 0.898$) between the variables. The study also revealed that 80.6% of poverty reduction in Nairobi Province can be explained by CDF allocation. From this study it is evident that at 95% confidence level, the variables produce statistically significant value for education and statistically not significant for health and housing. This implies that much has not been done on these sectors regardless of some impact on them. Nevertheless the study can be relied on to explain poverty reduction as a result of CDF allocation. The findings are as shown in the tables 4.29, 4.30 and 4.31 below.

Table 30: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.898(a)	.806	.160	.77879

Source: Research Data 2011

Table 31 ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.050	3	2.683	4.424	.008(a)
	Residual	30.932	51	.607		
	Total	38.982	54			

Source: Research Data 2011

Table 4.32 Coefficients

Model	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.221	.658		1.856	.069
Education	.430	.120	.510	3.596	.001
Health facilities	.287	.182	.233	1.575	.122
Housing	-.404	.358	-.169	-1.126	.265

Source: Research Data 2011

From this study it was evident that at 95% confidence level, the variables produce statistically significant values for education and statistically not significant values for health and housing (low t-values, $p > 0.05$) for education and (high t-values, $p < 0.05$) for health and housing. Positive impact was recorded for education and health ($\beta = .510$ and $\beta = .233$ respectively). However, a negative effect was reported for housing implying that the housing conditions in the slums were still worse and devastating for most slum dweller ($\beta = -.169$).

The results of the regression equation below shows that for a 1-point increase in the independent variables, poverty reduction is predicted to have a difference by 1.221 given that all the other factors are held constant. The equation for the regression model is expressed as:

$$Y = a + \beta_1X_1 + \beta_2X_2 + \beta_3X_3$$

$$Y = 1.221 + 0.430X_1 + 0.287X_2 - 0.404X_3$$

Where Y=Poverty reduction

X1 = Education

X2 = Health facilities

X3 = Housing

4.31 Summary and Interpretation of Findings

The research study wanted to establish the impact of CDF in reducing poverty levels in Nairobi province. The research findings indicated that there was a very strong positive relationship between the variables. Majority of the respondents indicated that they were not satisfied with what CDF had done in facilitation of education, provision of better health facilities, regulation of sanitation, security provision, housing and roads maintenance in their respective constituencies and that they were not involved in choosing project ideas. Majority of the respondents also unanimously indicated that the houses in which they lived in were not theirs but residential indicating that many of them were under the poverty line regardless of their knowledge about the existence of CDF in their areas.

It was clear from the respondents that the budget committee should be formulating the CDF projects and that they were dissatisfied with the formulation of projects in their constituencies. Majority of the respondents as well indicated that they were not

members of the CDF committees and those who indicated that they were members had been involved on health, housing and security matters. Those who were not members sighted corruption in selection of members, discrimination and nepotism as the major reasons as to why they were excluded. Further, respondents indicated that they had never been in the implementation of CDF projects sighting corruption in selection of members, discrimination and nepotism as the major reasons as to why they were excluded hence their dissatisfaction with the level of implementation of projects. Majority of the respondents further indicated that there were benefits derived from CDF and ranked them as housing facilities, sanitation, better health facilities, security provision and roads respectively according to their importance.

Majority of the respondents as CDC members were either members of the committee, secretaries to the committee and treasurers of the committee respectively. All the respondents indicated that their committees prepared all the mentioned budgets and those they majorly ranged between 1-3 years. Majority of the respondents also indicated that the functions of CDC were sometimes performed by CDF committee but some indicated that CDC was independent in its functions in their constituencies. Majority of the respondents further indicated that CDC should comprise of between 5-15 members and that the CDF board should appoint the chair of CDC. Further, majority of the respondents agreed to a very large extent that CDC performed all the mentioned roles in promoting corporate governance and accountability of CDF management in their constituencies to eradicate poverty.

Some of the projects overseen by CDC in constituencies included construction of water points, construction of laboratories in secondary schools and maintenance of roads. Respondents further categorically indicated that to a very great extent, CDC

performed all the mentioned roles in enhancing poverty eradication in their constituencies.

Further, respondents indicated that CDC responsibilities should be defined in a service charter and that the charter should be updated and annually approved by the board of directors. They further indicated that the chair of the committee should be a non-executive director and that the members of CDC should have knowledge in the field of accounting and finance, industry experience and expertise to ensure quality input to the committee. Respondents unanimously agreed that external experts should be engaged appropriately and that the committee should meet at least once in a month.

From this study it was evident that at 95% confidence level, the variables produce statistically significant values for education and statistically not significant values for health and housing (low t-values, $p > 0.05$) for education and (high t-values, $p < 0.05$) for health and housing. Positive impact was recorded for education and health ($\beta = .510$ and $\beta = .233$ respectively). However, a negative effect was reported for housing implying that the housing conditions in the slums were still worse and devastating for most slum dweller ($\beta = -.169$).

The research findings also indicated that there was a very strong positive relationship ($R = 0.898$) between the variables. The study also revealed that 80.6% of poverty eradication in Nairobi Province can be explained by CDF allocation. From this study it is evident that at 95% confidence level, the variables produce statistically significant value for education and statistically not significant for health and housing. This implies that much has not been done on these sectors regardless of some impact on them. Nevertheless the study can be relied on to explain poverty eradication as a result of CDF allocation.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

In summary, the response rate of the survey was 80.00%. The aim of the discussion was to establish the impact of CDF on poverty reduction in Nairobi Province, why the findings were the way they were and if they were consistent with or contrary to the previous empirical findings. The discussions and presentations were guided by the objective of the study which was to determine the impact of CDF on poverty reduction in Nairobi Province.

Majority of the respondents unanimously indicated that the houses in which they lived in were not theirs but residential indicating that many of them were under the poverty line regardless of their knowledge about the existence of CDF in their areas. Majority of the respondents as well indicated that they were not satisfied with what CDF had done in facilitation of education, provision of better health facilities, regulation of sanitation, security provision, housing and roads maintenance in their respective constituencies and that they were not involved in choosing project ideas. It was clear from the respondents that the budget committee should be formulating the CDF projects and that they were dissatisfied with the formulation of projects in their constituencies. Majority of the respondents as well indicated that they were not members of the CDF committees and those who indicated that they were members had been involved on health, housing and security matters. Those who were not members sighted corruption in selection of members, discrimination and nepotism as the major reasons as to why they were excluded. Further, respondents indicated that they had

never been in the implementation of CDF projects sighting corruption in selection of members, discrimination and nepotism as the major reasons as to why they were excluded hence their dissatisfaction with the level of implementation of projects. Majority of the respondents further indicated that there were benefits derived from CDF and ranked them as housing facilities, sanitation, better health facilities, security provision and roads respectively according to their importance.

Majority of the respondents as CDC members were either members of the committee, secretaries to the committee and treasurers of the committee respectively. All the respondents indicated that their committees prepared all the mentioned budgets and that they majorly ranged between 1-3 years. Majority of the respondents also indicated that the functions of CDC were sometimes performed by CDF committee but some indicated that CDC was independent in its functions in their constituencies. Majority of the respondents further indicated that CDC should comprise of between 5-15 members and that the CDF board should appoint the chair of CDC. Further, majority of the respondents agreed to a very large extent that CDC performed all the mentioned roles in promoting corporate governance and accountability of CDF management in their constituencies to eradicate poverty. Some of the projects overseen by CDC in constituencies included construction of water points, construction of laboratories in secondary schools and maintenance of roads. Respondents further categorically indicated that to a very great extent, CDC performed all the mentioned roles in enhancing poverty reduction in their constituencies.

Further, respondents indicated that CDC responsibilities should be defined in a service charter and that the charter should be updated and annually approved by the board of

directors. They further indicated that the chair of the committee should be a non-executive director and that the members of CDC should have knowledge in the field of accounting and finance, industry experience and expertise to ensure quality input to the committee. Respondents unanimously agreed that external experts should be engaged appropriately and that the committee should meet at least once in a month.

5.2 Conclusions

From the study findings it would be safe to conclude that, the CDF plays a very great role in reduction of poverty in constituencies. The conclusion is supported by the results the various descriptive and inferential statistics.

Earlier poverty studies have focused on a discussion of inequality and welfare based on limited household level data (Bigsten 1981, Hazlewood 1981, House and Killick 1981). One recent comprehensive study on the subject is that of Mwabu et al. (2000), which deals with measurement, profile and determinants of poverty.

The study employs a household welfare function, approximated by household expenditure per adult equivalent. The authors run two categories of regressions, using overall expenditures and food expenditures as dependent variables. In each of the two cases, three equations are estimated which differ by type of dependent variable. These dependent variables are: total household expenditure, total household expenditure gap (the difference between the absolute poverty line and the actual expenditure) and the square of the latter. A similar set of dependent variables is used for food expenditure, with the explanatory variables being identical in all cases. Mwabu et al. (2000) justified their choice. The major assumption of the welfare function approach is that consumption expenditures are negatively associated with absolute poverty at all

expenditure levels. Thus, factors that increase consumption expenditure reduce poverty.

Oxfam (2009) concluded that poor urban governance in respect of planning and managing the affairs of the Nairobi city is a major driving factor of urban poverty and vulnerability.

Jebet (2001) acknowledges the fact that in Kenya, little is known about the different governance practices in the country. Mucuvi (2002) found that there was generally a high level of awareness about corporate governance among the motor industry in Kenya. Her results indicated that a large number of firms in motor industry had taken deliberate steps to implement the corporate governance policies. Linyiru (2006) examined the depth of corporate governance in Kenyan banking industry and contended that there was significant positive relationship between good corporate governance practices and financial performance in the Kenyan banking sector. Maina (2007) studied corporate governance practices in insurance industry in Kenya and revealed that some weaknesses in the corporate governance among the insurance companies in Kenya.

5.3 Policy Recommendations

From the study findings it would be safe to conclude that, the CDF plays a very great role in reducing levels of poverty in constituencies. Therefore to make CDF more beneficial political interference should be avoided as much as possible when managing funds as MPs have been found to have a hand in the appointment of the CDC members.

Transparency should be upheld in all CDF transactions for reasons of accountability. Project risk analysis and appraisal be encouraged to avoid starting and financing unviable projects which turn out to be cash cows of particular individuals.

CDC should be encouraged to do consultation with relevant expatriates to enhance effective internal control strategies, equitable allocation of resources.

CDC should also Initiate monitoring and evaluation of projects and involve all the stakeholders of CDF in this endeavor.

5.4 Limitations of the Study

The researcher encountered quite a number of challenges related to the research and most particularly during the process of data collection. Due to inadequate resources, the researcher conducted this research under constraints of finances and therefore collected data from the Nairobi province only in this study.

Time allocated for the study was insufficient while holding a full time job and studying part time. However the researcher tried to conduct the study within the time frame as specified.

Some respondents were biased while giving information due to reasons such as fear of exposure of sensitive information which cause conflict with their MPs and for fear of losing their jobs besides having busy schedules at their work place.

5.5 Suggestions for Further Studies

Arising from this study, the following directions for future research in Finance were recommended as follows: First, this study focused on constituencies in Nairobi

Province and therefore, generalizations cannot adequately extend to other constituencies outside Nairobi Province. Based on this fact among others, it is therefore, recommended that a broad based study covering all constituencies in all Provinces be done to find out the impact of CDF on poverty reduction.

Secondly, further studies should be conducted focusing on the effect of CDF project implementation in reducing the levels of rural poverty.

Finally, it is also suggested that future research should focus on the different aspects of CDF management on the performance of institutions.

REFERENCES

- Alemayehu, Geda, N. de Jong, M. Kimenyi and G. Mwabu, (2001). 'Determinants of Poverty in Kenya: Household Level Analysis', *KIPPRA Discussion Paper*, July.
- Alkema L, Faye O, Mutua M, Zulu E (2007). *Identifying Poverty Groups in Nairobi's Slum Settlements: A Latent Class Analysis Approach*
- Bebbington, J., and Gray, R., (1993). *Corporate Accountability and the Physical* Boston.
- Brown L.D& Moore M.H (2001). *Accountability, Strategy and international NGOs* working paper no. 7
- Cadbury A. (1992). *Financial Aspects of Corporate Governance: An analysis of corporate governance in UK*
- Chemengich, and F. Munene (1999). *Poverty in Kenya: Identification, Measurement and Profiles*, Nairobi: University of Nairobi, Ministry of Finance and Ministry of Planning and National Development.
- Chen, S. and Ravallion, M. (2009). The Changing Profile of Poverty in the World. In: von Braun, J., Hill, R. V. and Pandya-Lorch, R. (Ed.), *The Poorest and hungry: Assessments, Analyses and Actions*. IFPRI, Washington, D.C, pp. 69-76.
- CMA (2002). "Guidelines on corporate governance practices by public listed companies in Kenya.
- Constituency Development Act 2003
- CPRC (2005). *The Chronic Poverty Report 2004–2005*. The Chronic Poverty Research Centre, Manchester.
- CPRC (2009). *The Chronic Poverty Report 2008–09: Escaping Poverty Traps*. The Chronic Poverty Research Centre, Manchester

- Drydyk, J. (2005). *“When is development more democratic?”* Journal of Human Development Vol. 6 No. 2, pp. 247-67.
- Ebrahim, A. (2003). *Accountability in Practice: Mechanisms for NGOs*, World Development, Vol. 31 No, pp. 813-29.
- Economic Commission for Africa (ECA) (2003). *Public Sector Management Reforms in Africa*, Development Policy Management Division, Addis Ababa.
- Ferris, G.R., Mitchell, T.R., Canavan, P. J., Frink, D.D., & Hopper, H. (2000). *Accountability in Human Resource Systems*. Human Resource Management Review Vol. 14 1-17.
- Fogarty, T.J. (1996). *Financial Accounting Standard Setting as an Institutionalized action field: Constraints, opportunities and dilemmas*, Journal of Accounting and Public Policy, Vol. 11 (4): 331-356.
- Fowles, A. J. (1993). *“Changing notions of accountability”*, Accounting, Auditing & Accountability Journal, Vol. 6 No. 3, pp. 97-108.
- Government of Kenya, 2001, *Poverty Reduction Strategy Paper (PRSP) for the Period 2000-2003*. Nairobi: The Government Printer.
- Gray, R., Bebbington, J. and Collinson, D. (2006). *“NGOs, civil society and accountability: making the people accountable to capital”*, Accounting, Auditing and Accountability, Vol. 19 No. 3, pp. 319-48.
- Gray, R., Bebbington, J., and Collison, D., (1970). *NGOs, Civil Society and Accountability: Making the People Accountable to Capital*, Accounting, Auditing & Accountability Journal, Vol. 19 No. 3, pp319-348.
- Greer, J. and E. Thorbecke (1986). ‘Food Poverty Profile Applied to Kenyan Smallholders’, *Economic Development and Cultural Change*, Vol. 35, No. 1

- Hampel Report (1989), *Committee on Corporate Governance: Final Report*, London
Gee Publishing Ltd.
- Hazlewood, Arthur, (1981), 'Income Distribution and Poverty: An Unfashionable
View' in Tony Killick. *Papers on the Kenyan Economy: Performance,
Problems and Policies*. Nairobi: Heinemann Educational Books Ltd.
- Jebet C. (2001). *A Study of Corporate Governance: the Case of Quoted Companies in
Kenya* UoN Unpublished
- Jensen M. C. et al (1976). "Theory of the firm: managerial behavior, agency costs
and ownership structure", *Journal of financial economics* Vol. 11 pp. 305 –
360.
- Johnson, P. (2002), *International Governance of Victorian Local Governments: The
Challenges of good corporate governance*. Web page. Journal.
- Katz, D., & Kahn, R.L. (1998). *The Social Psychology of Organizations* (2nd ed.)
New York: Wiley.
- Kenya Government (2003). *Constituency Development Fund Act*, Government
Printer, Nairobi.
- Kessides, C. (2006). *La Transition Urbaine en Afrique subsaharienne*. Cities Alliance,
SIDA and the World Bank: Washington.
- Keya, P. (2010). *A survey of the role of internal audit in promoting corporate
governance in CDF fund management*, UON unpublished.
- Kimenyi, S. (2005). "Efficiency and efficacy of Kenya's Constituency Development
Fund: theory and evidence", Department of Economics Working Paper 2005-
42, University of Connecticut, Boulder, CT.
- Kiriti and Ng'ang'a (2003). *Poverty in Kenya, 1994 – 1997: A Stochastic Dominance
Approach*

- Linyiru, B. M. (2006). A Survey of Corporate Governance Practices of Banks in Kenya
UoN Unpublished
- Maina A. (2007). A Survey of Corporate Governance Practices in Insurance Industry in Kenya. *UoN Unpublished*
- Mansuri, G. and Rao, V. (2003). *Evaluating Community-based and Community-driven Development: A Critical Review of the Evidence, Development Research Group*, World Bank, Washington, DC.
- Modoveanu Michnea et al (2001). “Agency theory and the design of an efficient governance mechanism, Rotman School of management, University of Toronoto.
- Mokaya O. (2010). A Survey of Role of Audit Committee in Promoting Corporate Governance in CDF Fund Management, *UON Unpublished*
- Mucuvi E.M. (2002). *A Survey of Corporate Governance Practices in the Motor Vehicle Industry in Kenya*
- Mugenda O and Mugenda A. (2003). *Research Methods Qualitative and Quantitative Approaches*
- Murungi K and Maina D.T (2004) *Co-operative Management in Developing Countries*
- Mwabu, G., Kimenyi, M. S., Kimalu, P., Nafula, N. and Manda, D.K. (2003).
Predicting Household Poverty: A Methodological Note with a Kenyan Example
African Development Review 15(1), 77-85.
- Najam, A. (1996). *NGO Accountability: A Conceptual Framework*, Development Policy Review, Vol. 14, pp. 339-53.
- Narayan, D. (2002). *Empowerment and Poverty Reduction: A Sourcebook*, The World Bank, Washington, DC.

- National Taxpayer Association Report NTA (2010) No. 1, pp. 101-32.
- Nekesa Praxides (2006). *Desk study on CDF*
- Nyamori, R (2008). *Making Development Accountable: A critical analysis of the systems of accounting and accountability for the constituency development Fund in Kenya*, Journal of Accounting & Organization Change, Vol. 5 No. 2, 2009, pp. 197-227.
- Organization for Economic Cooperation & Development, OECD (April, 1999). *OECD Principles of Corporate Governance*, Ad hoc Task Force on Corporate Governance.
- Oxfam (2005). *Corporate Governance Practices Kenya*
- Oyugi, L. (2008). *“Effects of economic growth on poverty reduction: Discussion Paper No. 10*, Institute of Policy Analysis and Research, Nairobi.
- Oyugi, L., (2001). *“The determinants of poverty in Kenya.” African Journal of Economic Policy*. Forthcoming.
- Patten, J.E. (2002). *Groups: Interaction and Performance*. Englewood Cliffs, NJ: Prentice -Hall.
- Republic of Kenya (2000). *The Interim Poverty Reduction Strategy Paper 2000-2003*, Preliminary Draft Paper Prepared by the Government of Kenya.
- Slim, H., (2002). *By What Authority? The Legitimacy and Accountability of Non-Governmental Organizations*, the Journal of Humanitarian Assistance,
- Triantafillou, P. and Nielsen, M.R. (2001). *“Policing empowerment: the making of capable subjects”*, History of the Human Sciences, Vol. 14 No. 2, pp. 63-86.
- Tricker, S. A., (1983). *On the Edge of the Organization- the Role of the Outside Director*, Wiley, London.

World Bank (1997). *Development in Practice: Taking Action to Reduce Poverty in Sub-Saharan Africa*, Washington, D. C.: World Bank.

World Bank (2000), *World Development Report 2000/2001: Attacking Poverty*.
Washington, DC: World Bank.

World Bank (2008), *World Development Report*, Oxford: Oxford University Press.

Zikmund W.G (2003). *Business Research Methods* Thompsons 7th Edition

APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Dear Respondent,

REF: REQUEST FOR RESEARCH DATA

I am a postgraduate student at the University of Nairobi, pursuing a course leading to a Master degree in Business Administration (MBA). In a partial fulfilment of the requirements of the stated course, I am conducting a Management Research Project entitled **impact of CDF on poverty reduction in Nairobi Province**.

To achieve this, your constituency is one of those selected to participate in this study. I therefore kindly request you to fill the attached questionnaire to generate data required for this study. This information will be used purely for academic purpose and your name and that of your constituency will not be mentioned anywhere in the report. Findings of the study, shall upon request, be availed to you. Your assistance and cooperation will be highly appreciated.

Yours sincerely,

Migwi Martin Mwangi

D61 / 76853 / 2009

Researcher/ Student

University of Nairobi

APPENDIX II: QUESTIONNAIRE

SECTION A: (To be filled by the slum dwellers)

A) GENERAL QUESTIONS

1. Name of the constituency? _____
2. Your name (optional) _____
3. Age _____
4. Employment (tick appropriately)
Formal []
Self []
Unemployed []
5. Gender
Male []
Female []
6. Number of years of education
Less than one []
Between 1 – 13 years []
14 – 20 years []
More than 20 years []
7. Family status (tick appropriately)
Single []
Married []
Divorced []
Widowed []
8. Do you own the house you live in?
Yes []
No []
9. Are you aware that CDF exists in your area?
Yes []
No []

10. Indicate your level of satisfaction with the contribution of CDF to the following projects in your area where **5** most satisfied, **4** satisfied, **3** Neutral, **2** dissatisfied, **1** strongly dissatisfied

Education []

Health facilities []

Sanitation []

Security []

Housing []

Roads []

Others (Specify) _____

11. Have you ever participated in choosing project ideas?

Yes []

No []

If yes which ones _____

If no why _____

12. In your opinion, who do you think should formulate the CDF projects? (tick appropriately)

MP []

CDC []

Councillor []

Budget committee []

Residents []

Other (Specify) _____

13. Indicate your level of satisfaction with formulation of CDF projects in your area where **5** most satisfied, **4** satisfied, **3** Neutral, **2** dissatisfied, **1** strongly dissatisfied

5 4 3 2 1

[] [] [] [] []

14. Are you a member of CDF committee

Yes []

No []

If yes what role do you play in it _____

If No why _____

15. Have you ever been involved in the implementation of CDF projects?

Yes []

No []

If yes which one(s) _____

If no why _____

16. Indicate your level of satisfaction with implementation of CDF projects in your area where **5** Most satisfied, **4** Satisfied, **3** Neutral, **2** Dissatisfied, **1** Strongly dissatisfied.

5 4 3 2 1

[] [] [] [] []

17. Are there benefits you derive from CDF ?

Yes []

No []

If yes list the following in terms of importance according to you (housing, roads, security, sanitation, education, health facilities, others (specify)

If no skip _____

18. In what ways could CDF be more beneficial _____

Many thanks for your time and cooperation.

SECTION B : (To be filled by the CDC members)

CDC Members Questionnaire

1. What is the name of the constituency? _____

2. What is your role in the CDC? (tick appropriately)

Chairman

Secretary

Treasurer

Member

Other (Specify) _____

3. Kindly answer the following questions by ticking the appropriate box.

Role of CDC committees aspects	Yes	No
a). Does your constituency prepare any budgets?		
b). Does your constituency prepare materials/purchases budgets?		
c). Does your constituency prepare labour costs budgets?		
d). Does your constituency prepare capital expenditure budgets?		
e). Does your constituency prepare cash budgets?		

4. Do you prepare other types of Budgets, Please specify _____

What range do your budgets cover?

1-3 Years 1-5 Years Over 5 Years

5. Are the functions of the CDC performed by another body?

Yes

No

Please specify the body _____

CDF board

CDF executive office

Budget committee

Other, (please specify) _____

6. How many members should you recommend to compose your CDC? (Write the number)_____

7. Who should appoint the chair of the committee?

CDF board []

CDF executive office []

MP []

Councillors []

Minister for Finance []

Other, (please specify) _____

8. If your CDF does not have a committee or equivalent, please give reason (s)

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

9. The CDC committee can play a great role in promoting corporate governance and accountability of CDF management in your constituency.

Do you agree with this statement? Please indicate the role using appropriate scale

5. Strongly agree

4. Agree

3. Neutral

2. Disagree

1. Strongly disagree

Roles	5	4	3	2	1
Assist in planning CDC projects					
Appraisals of CDF projects					
Receiving feedbacks on CDF projects					
Accountability standards in CDF					
Maintenance of accounting policies					
Ensuring proper bookkeeping enforcement					

Pursuing CDF projects feasibility studies					
Enhance Managerial perspectives					
Advance warning on CDF failure (s)					
Project performance evaluation					
Any other please specify	<hr/> <hr/>				

10. Identify projects that you are overseeing this year (2011)_____

11. “The CDC has a number of purposes in enhancing poverty reduction in your constituency. Do you agree? Please indicate the roles using appropriate scale, **5**. Strongly agree **4**. Agree **3**. Neutral **2**. Disagree **1**. Strongly disagree

	Purposes	5	4	3	2	1
i).	Prioritizing projects to be funded					
ii).	Allocating funds to projects identified					
iii)	Vigilant and effective overseers of the CDF financial reporting process and internal controls					
iv)	To review and make recommendations on CDF management programs for compliance with code of conduct					
v).	Consider e appointing of CDF internal auditor.					
vi)	Discuss with the external auditor before the CDF budgeting commences.					
vii	Quarterly, half-yearly and year-end review of CDF financial statements.					
vii	Review any communication between external auditor(s), budget committee and CDF management.					
ix)	Consider major findings of CDF internal investigations, budget and CDF management responses					

x)	Consider any related project transactions that may arise within the CDF management					
xi)	Have explicit authority to investigation any project or matter within CDF requiring funding					
xii)	Have full access to CDF information for budgeting purposes					
xii)	Obtain external; professional advice and to invite outsiders with relevant experience to attend the CDF budgeting processes projects implementation and evaluation if necessary.					
Any other please specify						
(i)_____						
(ii)_____						

12. Do you agree? (Please indicate the appropriate scale for question no. 12-16), **5**.

Strongly agree **4**. Agree **3**. Neutral **2**. Disagree **1**. Strongly disagree

Should the committees responsibilities defined in a charter?

5 4 3 2 1

If yes, should the charter be updated annually and approved by the board of director?

5 4 3 2 1

13. Should the chair of the committee be an independent non-executive director?

5 4 3 2 1

14. Should committee members have knowledge in the field of accounting and finance?

5 4 3 2 1

15. Should committee members have knowledge, industry experience and financial expertise to serve effectively in their role?

5 4 3 2 1

16. Should committee members engage outside experts as appropriate?

5 4 3 2 1

17. How many times should the committee meet in your constituency in a year?

None at all

Once per month

Once per quarter

Once per year

Other (Specify)_____

Many thanks for your time and cooperation.

APPENDIX III: LIST OF CONSTITUENCIES IN NAIROBI PROVINCE

1. Dagoretti
2. Embakasi
3. Kamukunji
4. Kasarani
5. Langata
6. Makadara
7. Starehe
8. Westlands