

## **THE EFFECT OF LOCAL COUNTERPART FUNDING DELAY ON PROCUREMENT OF DONOR FUNDED PROJECTS**

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### **ABSTRACT**

Local counterpart funding and community development in infrastructural project delivery has been very important in the lives of the rural poor. This is by improving the quality of life of the people through improved access to basic infrastructural development and services. Lack of proper flow of counterpart funding has affected many projects in Ghana but the impact of foreign aid to developing countries has been so helpful. This has improved public procurement delivery performance in the country. The country has received overwhelming development assistance from donor partners over the years. The Government of Ghana in an effort to protect and to effectively utilize these funds partly provides proportion of the needed funds to ensure that Donor funds are properly managed and used for the intended purpose. In this research, the effect of Local Counterpart Funding delays on Procurement of Donor Funded Projects is explored by identifying the factors causing delays and the effect of local counterpart funding delay on Donor funded public projects procurement delivery in Ghana. Selected stakeholders were included a questionnaire survey which was used to elicit firsthand information on Local counterpart funds and donor funded project delivery in Ghana. Purposive sampling technique was employed to select 85 respondents during the study. It was revealed that most community projects depend on external support for its execution. However, donor funded community project initiatives have been supported with local counterpart funding and this has been very beneficial to most communities. It was also identified that the most critical variables influencing local counterpart funding and donor funded project delivery are: bureaucracy in the procurement system, acquisition of land, poor information dissemination and lack of communication between parties. Generally, time and cost overruns have been noted as the key effects of delays in local counterpart funding on donor funded projects.

**Keywords:** Local; Counterpart; Funding; Projects and Delay

### **BACKGROUND OF THE STUDY**

Most developing countries have enjoyed lots of support and assistance from Multi-Donor agencies, countries and some financial institution like the World Bank and African Development Bank (ADB), This support includes the transfer of financial aid to partner countries. Ghana is no exception and are currently receiving support from the international community based on the government proven record of reducing poverty, good governance and sound economic management programs to develop and enhance the life of the people by coming up with public project (Mettle-Nunoo and Hildtch, 2000). Mac Lure (1995) as sited in Chinulwa (2004), supported that the flow of funds into developing countries plays an increasing role towards the budget process and services delivery in most African countries. But it is important to ensure that donor funds are properly managed by the implementing agencies and well managed for the intended purpose. Counterpart funding is provided by the beneficiary country to supplements the donor effort to complement the existing funding (Mosley *et al.*, 1987). In a report by the International Funds for Agricultural Development (IFAD) on counterpart funding in East

and West Africa, there have been numerous occasions where lack of counterpart funding has severally affected projects and program implementation. The reduction in government income and restraints on the general levels of spending, has increasingly affected most public projects in the area of project completion, hence the hold back on effective use of these projects (IFAD, 2012).

Studies on delay have shown that many countries shared common causes of delay although they are not in the same region. But the most significant issue faced by some of these countries is cash flow and financial difficulties faced by parties to the contract (Abdallah *et al.*, 2002). Though donors can delay the process for non fulfillment of conditionalities, Local Counterpart Fund from recipient government may be responsible for most delays in infrastructural projects developments (Bruton and Hill, 1991). This confirms Badu *et al.* (2011) assertion that traditional methods of financing have failed to resolve Ghana's infrastructural deficit.

Hence the need to explore the effect of Local Counterpart Funding delays on Procurement of Donor Funded Projects can therefore not be overemphasized. This is what was achieved in this study. In the process of the study, by identify the factors causing delays and their effect of local counterpart funding delay on Donor funded public projects delivery in Ghana. By this, strategies were developed to mitigate the effect of local counterpart funding delay on donor funded projects

### **INFRASTRUCTURAL DEVELOPMENT AND LOCAL COUNTERPART PARTICIPATION**

According to Kimenyi (2005), the introduction of community participation is designed to fight poverty through the implementation of developmental projects at the local level and particularly those that provide basic needs such as water and sanitation, Agriculture health and education. In Ghana many schools and health centers have been built and equipped through the community participation of projects which have provided a lot of result (Bagaka, 2008). The participation of local counterparts in infrastructural development has been very important. This has been fully supported by a World Bank report (1993) and Riddell (1996), while requesting for a strong local counterpart support in donor funding of Infrastructural developments. This is evident in a report by Tanaka (2006), in which the World Bank has supported approximately 190 lending projects amounting to \$9.3 billion between the years 2000 - 2005. In Ghana, most developmental projects are partly or wholly funded with donor funds. In a study of road funds in Ghana, Malawi and Tanzania it was reported that, the overall Government of Ghana (GOG) road sector funding from 1996 to 2001 was US\$ 1,121.00 million. Donor funding represents about 44%, which is 496.00 million (Andreski, 2008).

Looking at all these figures, many of these projects were done with contributions from the Local Assemblies or the central government and the beneficiary communities in kind, cash, materials, tools, labour, administration and supervisions, which are normally done through communal labour and self helps projects (Satterthwaite, 2002). Which support the earlier call by the World Bank, that the inclusion of local counterpart participation in the execution of donor funded projects increases the level of community investment and it is believed that more people and resources in communities are mobilized with fewer funds from the government and the district assemblies. Local counterpart fund was

developed to support community and municipal base initiatives (Satterthwaite, 2002). With this experience from the local counterparts participation in donor funded projects, public development should be jointly planned by both local and donor partners where both parties are contributing to the project. Akukwe (1999) revealed that community participation is a process of guaranteeing target communities to take active role in the conceptualization, design, implementation, and evaluation of externally funded programs designed in their interest.

Salterthwaite (2002) again in his work reported, that there is a growing tendency among donor agencies to concentrate their funding on governments that they judge to be very good in their administrative process. But this will penalize many of the poorest people in the world, who suffer not only from inadequate income and asset bases but also from incompetent governments.

Constraints in local counterpart participation had hindered the success of the possibility of effective participation between the different elements of urban development programs in developing countries; these constraints include factors that deals with the legal constraints, regulations and technical standards, planning methods, project management procedures, or absence of a workable model (Schubeler, 1996).

Slow disbursements of funds have also delayed the potential benefits of many aid programmes, while the real value of the committed resources has tended to decline due to inflation and currency depreciation (Aryeetey and Cox, 2001). This has been a major handicap to local counterpart funding. Lack of local government support in providing their counterpart funds on time to support the donor aid has been a major problem and this has impaired donor programmes and projects in many communities in the country (Roemer, 1988).

The International Fund for Agricultural Development (IFAD) (2012), reported that lack of counterpart funding slows down implementation of government's projects, this occurs mostly because of the reduction in the overall government's income and general restrictions in the levels of spending. But Stein (2001), recounted that the practice of local counterpart participation in the execution of donor funded projects increases the level of community investment and believed that more people and resources in communities are mobilized for lower-cost project with fewer fund from the government and district assemblies. This practice allow for re-allocation of funds to finance more infrastructural projects.

Delays in project delivery are very costly, complex and risky, because of its overall effect on the projects for all parties. Delay in Counterpart Funding was defined by Foreign Aid to Africa Report (1997), as the inability of Counterparts to raise the required portion of their local fund for project on time and this can be a major source of delay in most counterpart funding project delivery. But this may vary with projects and terms of implementation.

## **METHODOLOGY**

Questionnaire survey was used during data collection. This was relevant in eliciting information from persons who have had previous experience in the implementation of donor funded projects. The respondents were therefore selected based on their experience with such projects from a target population of 31 implementing organizations which have

been involved in donor funded projects over the years. A total of 85 respondents were identified in the sampling process and 62 answered and returned the questionnaire. The respondents include engineers and some selected managerial staff who have knowledge in the study area and some representatives of donor agencies. This includes respondents from the Education and Agric Ministries, selected departments in the road sector and Agencies. The Metropolitan, Municipal and Districts Assemblies (MMDA's) were as well involved as the representatives of the communities. This is because these institutions and organization have been involved in community development programmes.

Two sets of questionnaires were developed in accordance with the study objectives for the parties involved and in each case the questionnaires were divided into two parts. First part requested background information of the respondents while the second part of the questionnaire focused on the objectives of the study. A five scale points was adopted as part of the questionnaires and this is usually quite sufficient to stimulate a reasonably reliable indication of response direction according to Frary (1996). The study collected information on local counterpart funding on the execution of donor funded projects, and challenges faced by parties involved using Relative Importance Index (RII). The primary data received were categorized into distinct groupings ranging from very low to very high on a five point scale. Data was presented using tables and diagrams, with descriptive explanations using percentages.

## RESULTS AND DISCUSSION

A total of eighty five (85) questionnaires were sent to the respondents of which sixty two (62) were received representing a response rate of 73.8%. This was considered adequate for the analysis based on the assertion by Aibinu and Jagboro (2002) that the result of a survey could be considered as biased and of little value if the return rate was lower than 30–40%. This assertion indicates that the response rate of 73.8% was adequate for the analysis.

*Table 1: Ranking Causes of Delay in Local Counterpart Funding for donor funded projects*

Item	Causes of Local Counterpart Delays	Score for each factor						
		1	2	3	4	5	RII	Ranking
A	Bureaucracy in the procurement system	2	4	14	30	10	2.9	1 <sup>ST</sup>
B	Acquisition of Lands	4	10	16	22	8	2.6	2 <sup>ND</sup>
C	Poor information dissemination	4	14	6	36	0	2.5	3 <sup>RD</sup>
D	Lack of communication between parties.	4	10	18	28	0	2.5	3 <sup>RD</sup>
E	Funds disbursement by Local Counterpart	14	8	14	8	16	2.4	4 <sup>TH</sup>
F	Presence and adequacy of human resource	6	12	18	20	4	2.4	4 <sup>TH</sup>

G	Lack of accountably	16	6	6	26	6	2.4	4 <sup>TH</sup>
H	Procurement procedures	8	12	18	20	2	2.3	5 <sup>TH</sup>
I	Lack of effective management qualities by Local partners	12	14	12	20	2	2.2	6 <sup>TH</sup>
J	Disregards for conditions under the contract by parties.	16	12	10	12	10	2.2	6 <sup>TH</sup>
K	Delay in material delivery	10	14	22	12	2	2.1	7 <sup>TH</sup>
L	social-cultural obstacles	16	8	22	4	10	2.1	7 <sup>TH</sup>
M	Delay in site preparation	10	26	12	12	0	1.9	8 <sup>TH</sup>

Source: Field data 2014.

The causes as shown in Table 1 were analyzed using the Relative Impotence Index (RII). In ranking the causes, it was considered that those ‘causes’ with RII above 2.5 are critical. Consequently, ‘Bureaucracy in the public procurement system’ is the most critical cause of delay in Local Counterpart Funding in the opinion of the respondents, with a total mean score of 2.9 and therefore the highest ranked. In their opinion, the issue of Delay in site preparation was seen not too serious of a problem as ranked lowest with a total mean score of 1.9 in the table above.

Table 2: Effect(s) of delay of local Counterpart Funding

Effect(s) of delay of local Counterpart Funding		Score for each factor						
		1	2	3	4	5	RII	Ranking
F	Time overrun	4	8	10	28	10	2.8	1 <sup>ST</sup>
E	Cost overrun	4	4	22	26	4	2.6	2 <sup>ND</sup>
A	Leading to dispute between funding partied	14	18	8	16	4	2.1	3 <sup>RD</sup>
D	Protracted litigation by parties	24	8	16	8	4	2.1	3 <sup>RD</sup>
B	Leads to arbitration	18	10	14	14	4	2.0	4 <sup>TH</sup>
C	Total abandonment	18	12	12	14	4	2.0	4 <sup>TH</sup>

Source: Field data 2014

**Effect(s) of delay of local Counterpart Funding**

Respondents, revealed as shown in Table 2, that time overrun and cost overrun are the highest ranked with RII values of 2.8 and 2.6 respectively in effect of delay of local Funding of donor funded projects, with a lest of score of 2.0, which represent arbitration and total abandonments of project. The first and second ranked effects cannot realistically be eliminated. However, steps such as reviewing local counterpart participation in donor funding should closely be looked at in areas of funds generation, to avoid delay in the process.

**CAUSES AND EFFECTS OF LOCAL COUNTERPART FUNDING DELAY ON DONOR FUNDED PROJECTS**

The diagram has shown below illustrate the performance of the spokes, hubs and rim of the bicycle tire. The diagram distinguishes between the causes and effects of local counterpart funding delays in procurement of developmental projects. The diagram was constructed in a circular form with a flow chart from the center of the circle as the hub to the circumference as the rim of the circle, showing the steps and connections of the items with arrow heads.

This method of illustration was adopted to help people understand the process and was conceded as the simplest way to express the relationship between the causes and effects of the identified items. The relationship on the diagram was derive from the strength of the bicycle tire complete which are interrelated, that without the rim which represent the effects, the spokes will not stand while the hub hold the center together.

The first stage set up the central point as a pivot where all the causes were attributed to as in the case of the bicycle hub which holds the spokes into position. The second step was done by dividing the circle into thirteen equal parts from the central point of the circle.

From this stage operational lines denoting the causes of delays were constructed with arrow heads showing the direction of flow of the causes to the outer circumference (rim) of the circle. But before this stage the causes in the diagram have been categorized into three sections as shown within the first inner circle from the main center.

Finally the effects of local counterpart funding delay were outlaid in a double coloured outer circumference with arrow head in both directions. The colouring of the diagram was adopted to make interpretation and understanding of the information received from the respondents to give pictorial representation of the data and it is believed this has simplified the information received to the end user.

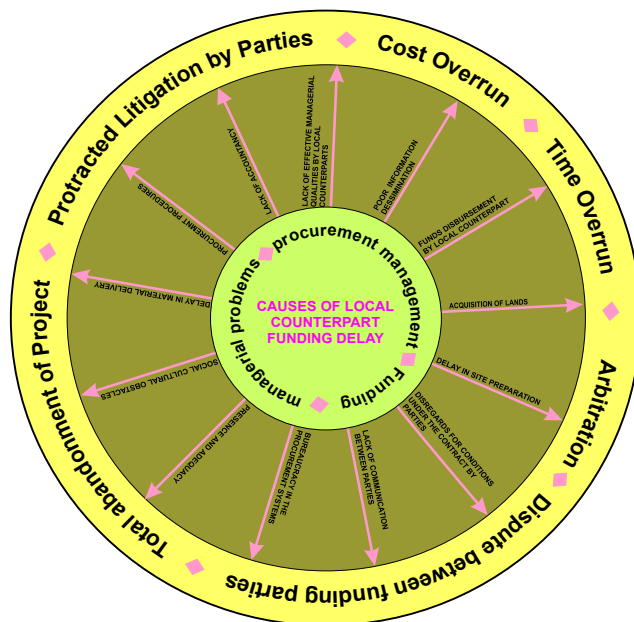


Figure 1: Causes and Effects of Local Counterpart Funding Delay Diagram

## **CONCLUSION**

The research revealed that Local counterpart funding and community development in infrastructural project delivery have been very important in the lives of the rural poor. This have provided quality of life through improved access of basic infrastructural development and services such as schools and health centers, provision of electricity, water and sanitation, and sometimes major project execution and maintenance of public facilities. The practice has also helped in poverty reduction in many communities through community participation by directing the benefits to the people of the community.

In spite of all these experiences, community participation in donor funded projects reveals problems with bureaucracy in the procurement system, fund raising, and capacity building of staff of the Assemblies which represent these communities. It is in this direction that recommendations are provided in the following areas.

With the benefits that communities have enjoyed from donor support on local community projects and the recent order by government of Ghana to District Assemblies to fully take up the 5 to 10 percent contributions by local counterparts as local support to donor funding of community projects, the establishment of local community development fund with offices in all 216 Districts Assemblies in Ghana will help reduce the financial challenges of the communities. The fund can be financed with a percentage of the common fund say two percent (2%), paid into this fund to provide the needed local support to fulfill the resource allocation of the District Assemblies and should come with legal backing which will require the appointment of officers for the management of the fund by the General Assembly or the Chief Executives of these Assemblies.

The involvement of Traditional Leaders throughout the entire process should be encouraged to ensure community involvement. Traditional leaders owe and have access to community lands and with their involvement the problem of land acquisition and other land issues that were seen as one of major delay factors in donor community funding support if not eliminated, could be reduced. The traditional leaders can also rally the community to support donor projects since most of the indigenes respect the words of their leaders.

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