EFFECT OF EQUALIZATION FUND ON THE IMPLEMENTATION OF INFRASTRUCTURE PROJECTS IN MARGINALIZED AREAS IN GARISSA COUNTY, KENYA

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ABSTRACT

The main objective of this study was to assess the effect of equalization funds on the implementation of infrastructure projects in the marginalized areas in Kenya. The theory of fiscal federalism anchored the study. A mixed methods research design was applied. The study targeted 84 county officials drawn from water, education and health departments, 30 elected Members of County Assembly and 6 Commission for Revenue Allocation officials from the Economic Affairs directorate. A census sample for the county officials was taken while the Members of County Assembly and the Commission for Revenue Allocation officials were purposively sampled. The study used primary data and this was collected using a semi-structured questionnaire and interview guides. Qualitative data was analysed using content analysis while for the data obtained from the questionnaires; both descriptive analysis and inferential analysis were conducted. Descriptive statistics to be computed include frequencies, percentages, mean and standard deviation while the Pearson's correlation coefficients and regression estimates formed the inferential statistics in this study. A multiple linear regression model was used to show the relationship between the equalization fund and the implementation of infrastructure projects in the marginalized areas in Garissa County. The study found that equalization fund had an insignificant positive effect on the implementation of these projects. Hence, in order to enhance the implementation of infrastructure projects in marginalized areas within Garissa County, it was necessary that the relevant stakeholders took in to account the role of fiscal transfers and how they could be designed to enhance their effectiveness or efficacy in steering significant infrastructural development.

Key words: Equalization funds, Infrastructure projects, Marginalized areas

INTRODUCTION

In several ways, the pace at which an economy grows can be gauged by the level of infrastructural development in the nation. Many regions in Kenya have historically suffered great marginalization in as far as infrastructure development is concerned despite having enormous economic potential that can be exploited for the benefit of the regions and the national economy at large (Njoka et al., 2016). This has led to the sustained lack of the basic foundations of development rendering marginalized areas the poorest in the nation.

The issue of marginalization is well recognized in the Kenyan Constitution 2010. Article 216 (4) for instance, mandates the Commission on Revenue Allocation (CRA) to determine, make known and on a regular basis review a policy that provides the criteria through which marginalized areas can be identified. It is also stipulated under Article 201(b)(iii) that public expenditure should support equitable development of the nation where special provisions should be made for groups and areas that are marginalized.

In line with the constitutional requirements, CRA (2013) defines a marginalized area as a region where accessibility to various communication and transport means along with vital basic services such as water is substantively below the level that other regions within the country enjoy in general. The constitution calls for measures aimed at providing basic services to marginalized areas to the level that is required to bring the quality of those services to the levels that citizens in other regions generally enjoy. With the advent of devolution, fiscal transfers can prove to be a crucial tool for reversing the marginalization trend in the country.

Marginalized areas are viewed to be at a disadvantage when it comes to meeting various development needs such as infrastructure compared to other regions within a nation. The performance of countries in tackling marginalization is varied especially within the context of devolution or decentralization. According to Frank and Martinez-Vazquez (2015), regional disparities in infrastructural development in the United States have been effectively minimized as most states have effective processes for ensuring adequate delivery of infrastructure projects.

A common problem accompanying fiscal decentralization is the occurrence of fiscal disparities arising when lower level governments do not have the capacity to deliver comparable services at comparable tax rates (Shen, Jin, & Zou, 2012). Consequently, central governments provide equalization grants to governments at the lower levels to compensate for the horizontal fiscal disparities and equalize the fiscal conditions among these governments (Brosio & Jimenez, 2015). The horizontal fiscal disparities among various lower level governments emanate from the disparities in fiscal capacities and/or spending needs of these governments.

Equalization transfers may originate from the national government, or may be redistributed directly from wealthy jurisdictions to poor ones (Allers & Ishemoi, 2010). Under the second policy and criteria for sharing revenue among marginalized areas produced by the Commission for Revenue Allocation (CRA) in 2017, the allocation to the equalization fund, criteria for identifying marginalized counties, revenue sharing criteria, the management of the equalization fund and project identification are the main areas of concern.

Marginalized areas in Kenya lag behind in as far as infrastructural development is concerned (Njoka et al., 2016). The First Marginalization Policy adopted by CRA in 2013 used county as the unit of focus (CRA, 2013). However, in the second policy, the principle of equity was invoked leading to the recognition that pockets of extreme marginalization existed even in the areas considered to be prosperous. As per this policy, CRA has shifted from recognizing marginalized counties and in its place, singled out particular areas by considering the sub locations where communities recognized as marginalized lived (CRA, 2018). The main motivation behind this new approach is the view that such an approach will guarantee that the

resources allocated towards improving services in the areas that lagged behind are adequately targeted so that maximum impact is realized.

Garissa County is one of the counties that was identified as marginalized and eligible recipient of the equalization fund under the first marginalization policy drafted by CRA. Based on the second policy, the number of areas classified as marginalized within the county's constituencies is as follows; Balambala (20), Dadaab (12), Fafi (12), Garissa Township (2), Ijara (25) and Lagdera (12) (CRA, 2018). Generally, the very basic infrastructure and producer goods required in supporting sustainable livelihoods in these areas such as roads, healthcare centres, schools, and transport facilities are very inadequate and poorly developed (Wanyande, 2016). As a result of these challenges, the residents of these areas have been highly disadvantaged in terms of development and capacity-building.

According to Njoka et al. (2016), infrastructure is among the critical pillars for development and resilience in marginalized areas and financing is crucial for instituting and sustaining any interventions taken. The Constitution of Kenya 2010 sets out to put an end to rooted marginality in several counties by providing for the allocation of increased resources to counties (Finch & Omolo, 2015). Nevertheless, the impact of fiscal transfers which are among the major instruments for channeling funds to counties on the implementation of infrastructure projects in marginalized areas within counties remained unexplored. This study sought to fill this gap.

LITERATURE REVIEW

Implementation of Infrastructure Projects in Marginalized Areas

This study considered the implementation of infrastructure projects in marginalized areas. Marginalization is attributed to different factors that can either be common to or distinct from one area to another or both. Several nations have conducted studies aimed at determining marginalized areas through the use of different criteria. In China, marginalization is viewed in terms of regional disparities based on various disparity measurements (Hoshino, 2011). In Mexico, such areas were identified using various wellbeing indices whereby poorer regions consistently ranked low in wellbeing when compared to the rest of the country (Dana, 2008).

It has been argued by Barimani and Karsami (2013) that due to the failure to consider the existing capacity, the implementation of infrastructure projects in marginalized areas has been accompanied by delays in a large number of projects which imposed high economic and social costs in these areas. Skobla and Filcak (2016) also argues that a key challenge in infrastructural development in marginalized regions has been the failure of infrastructure projects to address locally rooted marginality embedded firmly in structural conditions in these areas.

Frank and Martinez-Vazquez (2015) explored the implementation of infrastructure projects carried out by the various states in the United States. The study noted that being a highly decentralized nation, the different states typically managed local infrastructure investment right from planning to implementation. According to the study, most of the states in the US had an effective process for ensuring adequate delivery of infrastructure projects. Citing the findings of a performance assessment in all the 50 states, the study found out that different states were able to respond more quickly in solving problems for instance, providing solutions related to inefficiencies, quality issues and cost overruns in the delivery of infrastructure projects.

The study by Bardhan (2012) empirically evaluated the effect of decentralization on the delivery of public services in developing nations focusing on Brazil and Bolivia. The study compared the condition of services before and after decentralization in these nations. The study found that after 10 years of decentralization, the access to basic infrastructure in areas such as sanitation and education in Brazil had nearly doubled. This was

attributed to continuous reforms that led to the growth in resource allocations across localities, particularly to poorer ones. In Bolivia, the study observed a massive shift in the provision of infrastructural services in smaller and poorer municipalities due to the doubling of the national tax revenues.

In Nigeria, Lawal (2014) explored the efficiency in the delivery of rural infrastructure projects by local governments. A survey was conducted. The study found that despite the provisions for decentralized delivery of infrastructure projects, many rural areas in the country lacked ample, inexpensive and sustainable infrastructure services. The study found that a large number of the local governments did not have the funds required to provide and maintain their infrastructure. This trend was worse in local governments that had for many years of existence, been challenged by poorly maintained and uncompleted infrastructure projects.

From the several studies conducted in Kenya, it was evident that marginalized area struggled to efficiently deliver infrastructure projects. For instance, Cannon and Ali (2018) conducted a review of the implementation of devolution and its effect in Mandera County. The study established that the county would have witnessed considerable economic transformation since the institution of devolution due to the substantial amount of funds received and political power. Nevertheless, due to graft, corruption and resource misallocations, the county had not been able to rip optimal benefits from devolution. Due to the misappropriation of devolution funds and the returning of some funds to the National Treasury, many projects initiated in several areas such as electrification, water supplies, dams, and sewerage had stalled. As a result, the improvement of critical infrastructure in the county had been greatly constrained.

Sirite, Ongori, and Bosire (2017) assessed the challenges that county governments in Kenya encountered in delivering quality public services. The study focused on Turkana County and found that the funds allocated to the county were inadequate, limiting the capacity of the county to carry out projects in various functional areas. As a result of insufficient funds, the quality of projects delivered and the effectiveness of the execution processes were compromised since the county could not employ qualified personnel or access the relevant technology and proper materials that were required. This was compounded by the fact that allocation criteria of most of these funds did not consider very significant structural conditions particular to the county and the red tape involved in the disbursement of these funds which led to delayed projects.

Morowa and Kisimbii (2018) investigated the factors that influenced the timely completion of water projects in marginalized regions in Kenya specifically Tana River County. The study employed a mixed methods research design and found that lack of adequate funds was a major hindrance to the timely delivery of projects noting that 73 percent of ongoing projects faced delayed completion. The study found that the water budgets were normally inadequate and contractors were not paid on time thus, stalling the projects. The study noted that generally, a substantial number of development projects in the county lacked adequate funding to successfully sustain their project activities and that the limited resources at the disposal of the project implementation team were channeled towards the actual implementation of the project activities without taking into account how the funds would sustain the project activity.

Equalization Fund and Implementation of Infrastructure Projects

Ferede (2014) examined the incentive impacts of equalization grants on fiscal policy in Canada. Using panel data obtained from Canadian provinces over the period 1981-2008, the study found that the equalization-grant allocation system encouraged spending among recipient provinces, mainly on health-care services, resource conservation, industrial assistance, environment and housing. The findings of this study revealed that for every $1.00

increase in per capita equalization grants, recipient provinces further increased spending by an additional $0.64 in in per capita total expenditure. Overall, the findings suggested that the equalization system that in place in the nation significantly influenced the spending decisions of recipient provinces.

Fan, Iyer, Kapur, Mahbub, and Mukherjee (2018) carried out a review of the intergovernmental fiscal transfers for health in seven states in India. The focus was on equalization funds. The study established that the impact of these funds on eradicating the horizontal imbalances among states was limited to an extent. The study also pointed out that the grant design was unfair where some states barely profited from the transfers despite the fact their health indicators were similar across the states. These equalization grants also had several conditions attached to them as far as the revenue expenditure that states would have to undertake was concerned. As a result, not all the grants were in essence disbursed. The study further noted that the amount of equalization grants given were not sufficient enough to alter the health spending levels in these states in the long run. The study concluded that these equalization grants had limited impact in achieving equalization thus raising numerous questions about their efficacy.

Wanyande (2016) examined the link between devolution and territorial development inequalities in Kenya. A desktop study approach was used. The study found that with devolution, poor counties were now empowered to implement development projects. The study observed that equitable development required an initial strong push for underdeveloped rural counties and poor counties that were unable to raise their own revenue so as to reach a certain level of basic services. However, the equalization fund and other measures of revenue transfers were still not enough to realize equitable development. The study found that the amounts of transfers in the form of equalization fund were very meagre, too little to result to significant impact on marginalization. The study

argued that unless these funds were deployed strategically, they were likely to be materially unimportant.

Theoretical Framework

Theory of Constraints

This theory is attributed to Goldratt (1984) and is anchored on the premise that each and every system is faced with a constraint or a bottleneck that acts as a hindrance to the system's performance. The notion behind this theory is to identify and find ways of managing that particular constraint and thereafter, undertake performance evaluation once the improvements have been instituted. As per this theory, the constraints that a system faces will determine its output whether they are recognized or not. Therefore, it is necessary for an organization's senior management to find proper means of minimizing the system's constraints in their entities so that the set goals and objectives are realized (Noreen, Smith, & Mackey, 2008).

The applicability of the theory of constraints to this research was justified by the fact that project financing was a constraint that county project teams encountered when executing infrastructure projects more so in the marginalized areas that did not enjoy the same level of infrastructural development as other regions. The proper way of dealing with such a challenge was identifying means of countering financing obstacles so that the implementation of infrastructure projects in these areas was not hindered (Ruhl, 2011). Lack of adequate funding hindered the efficient and effective implementation of infrastructure projects in counties as demonstrated by project delays, for instance, which had contributed to project cost overruns. When such constraints were identified and effective ways of dealing with them established at early stages, their impact on infrastructure projects in counties could be minimized.

This theory guided the study's overall and specific objectives. It was relevant in addressing infrastructure project implementation in marginalized areas in Garissa County. For such

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The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

projects to be implemented smoothly, the constraints likely to hinder the successful execution process ought to be lessened. These constraints may pertain to project funds, for instance. Given the resource constraints that county governments faced, this theory informed the study of how fiscal transfers channeled to counties by the national government could help these devolved units supplement their own source revenues and set aside adequate funds to finance the implementation of infrastructure projects particularly in marginalized areas.

METHODOLOGY

A mixed methods research design was applied in this study. This design was adopted in order to comprehend the research problem better as the data obtained was different but complementary. The design was also applied so as to maximize on the strengths and minimize on the weaknesses of the quantitative and qualitative approaches. The study targeted senior and middle level management Garissa county officials placed in three county departments namely water, education and health, elected members of the Garissa County Assembly (MCAs) and officials from the Commission for Revenue Allocation. The study considered officials in the three outlined sectors because these were the priority sectors considered in the CRA's 2017 Second Policy and Criteria for Sharing Revenue among Marginalized Areas. Hence, the equalization fund was channeled to projects in these sectors. County officials at the senior and middle management levels were considered since they better understood the issues of fiscal transfers' policy compared to staff at the lower levels.

The MCAs and the CRA officials were also targeted because they were better placed to provide in depth information pertaining to the different fiscal transfers to county governments and their impact on project/programme implementation by virtue of their roles in the fiscal transfers' process. The CRA officials considered in this study were drawn from the Economic Affairs directorate of the commission which was responsible for making recommendations for division of revenues between the two levels of government.

Given that the number of targeted county officials was small and it was practicable to easily reach out to them, a census sample was considered in this case. Therefore, the sample size for the county officials was 84. On the other hand, 8 elected MCAs and 3 CRA officials were purposively sampled and they acted as the key informants for this study.

The study used data obtained from primary sources. This data was gathered from the Garissa County Government officials using a semi-structured questionnaire and interview schedules for the MCAs and CRA officials. The information obtained using the interview guides was used to complement the data obtained using the questionnaire.

A pilot test was conducted in order to assess whether the instruments were reliable or not and whether their validity was guaranteed. The pretesting of the research questionnaire was undertaken on 10% of the sample population. To this end, questionnaires was administered to 8 county officials. County officials from the other departments not considered for the main study took part in the pilot study since they were believed to be conversant with different county issues beyond their departments.

In this study, the expert opinion of two devolution experts and the research project supervisor was sought. They were requested to scrutinize and gauge the appropriateness and relevance of the content in the questionnaire. Relying on their comments, the required adjustments in readiness for the main study were made. The validity of the interviews in this study was enhanced by ensuring careful documentation and the participants checking the data to ensure that what they said was written down and was not misrepresented. Triangulation was undertaken to enhance accuracy of the findings by use of mixed methods, different research instruments and also combining different data analysis techniques.

In ascertaining whether the questionnaire could be relied on, the Cronbach alpha test was conducted. The results drawn from the pilot study were coded and input into the statistical package for social sciences (SPSS) so that the coefficients of reliability for each and every construct in the instrument were computed. Coefficients that were greater or equal to 0.7 for all the constructs were a pointer that the questionnaire was reliable.

The first step in undertaking the data collection involved seeking clearance from the relevant university department. Authorization to conduct the study was also obtained from the Garissa County and CRA managements. Visits to the institutions for approval, introductions and appointment booking were also undertaken. The questionnaires were self-administered using the drop and pick later method with the help of two research assistants. Face to face interviews were carried out as well.

Different analyses will be conducted. Qualitative data analysis was conducted using content analysis and the findings presented using direct quotes or in a narrative form. For quantitative data, both descriptive analysis and inferential analysis were conducted. Descriptive statistics that were computed consisted of frequencies, percentages, mean and standard deviation. Inferential analysis entailed both correlation analysis and regression analysis. In this case, Pearson's correlation coefficients revealed the nature or kind of association between equitable share, equalization fund and conditional grants and the implementation of infrastructure projects in the marginalized areas in Garissa County.

Regression analysis was instrumental in quantifying the effect of equitable share, equalization fund and conditional grants on the implementation of infrastructure projects in marginalized areas in Garissa County. This was demonstrated by the beta coefficients. The associated significance values showed whether the effect was significant or not based on a critical significance value of 0.05. The relationship between these variables were expressed using a multiple linear regression model as provided in the following equation;

$$Y = \beta_0 + \beta_1 X_1 + e$$

Where: Y = Implementation of infrastructure projects in marginalized areas in Garissa County, X_1 = Equalization fund, β_1 = Beta coefficients, β_0 = Constant Term, ε = Error term

The quantitative findings in this study were presented using charts and tables.

FINDINGS AND DISCUSSIONS

A total of 84 questionnaires were administered to Garissa County officials drawn from the water, education and health departments where 69 questionnaires were satisfactorily filled and returned. This represented a successful response rate of 82.1% for the questionnaire. The number of MCAs and CRA officials successfully interviewed was 6 and 2 respectively. This represented a 75.0% and 66.7% successful response rate for the MCAs and CRA officials respectively. These response rates were considered adequate for data analysis and reporting in accordance with Kothari (2013) who recommended a response rate of 50.0% and above.

Equalization Fund

The study sought to establish the effect of equalization fund on the implementation of infrastructure projects in marginalized areas in Garissa County, Kenya. To meet this objective, the study first examined the nature of equalization fund channeled to the county. The county officials' views on whether all the marginalized areas in Garissa County had been accurately identified based on the existing CRA policy were first sought.

The study established that 50 (72.5%) of the county officials were of the view that the marginalized areas in Garissa County had not been accurately identified based on existing CRA policy while 19 (27.5%) of these officials believed that these areas had been accurately identified. The study also examined whether the disbursement of equalization fund revenues to Garissa County was timely and smooth. All the county officials (100.0%)

asserted that these disbursements had not been timely and smooth. The county officials further reacted to some items presented on the nature of the equalization fund received by the county. They rated their level of agreement with them on a five point Likert. The mean of the responses and standard deviation linked to each of the eight (8) items are presented in Table 1.

Table 1: Descriptive Analysis for Equalization Fund

Statement	Mean	Std. Dev.
I find the design of the equalization fund adequate in creating incentives for the county to grow its own source revenue to support the delivery of services in the priority sectors.	2.696	1.102
I find the current arrangement for managing the revenues from the equalization fund adequate in supporting efficient service delivery in marginalized areas in this county.	2.565	0.977
All the marginalized areas in this county have been accurately identified based on existing criteria.	2.493	1.052
The amount of revenues received as equalization fund has had significant impacts on development in the marginalized areas in this county.	2.478	1.079
I find the criteria for sharing revenues from the equalization fund among marginalized areas adequate in supporting the equity principle.	2.435	1.064
The existing framework for sharing revenues from the equalization fund has adequately supported the prioritization of projects specifically meant to improve services in marginalized areas in this county.	2.188	0.845
I find the current equalization mechanisms in the nation highly efficient in addressing the fiscal capacity disparities across regions.	2.087	0.870
There has been improved speed and consistency in the disbursement of the revenues from the equalization fund for use to this county.	1.957	0.794
Valid N	**2.362**	**0.628**

Source: Field Data (2021)

The findings presented in Table 1 showed that on average, the county officials neither agreed nor disagreed that they found the design of the equalization fund adequate in creating incentives for the county to grow its own source revenue to support the delivery of services in the priority sectors. This is supported by a mean score value of 2.696. The study also noted that the county officials on average, neither agreed or disagreed that they found the current arrangement for managing the revenues from the equalization fund adequate in supporting efficient service delivery in marginalized areas in the county as revealed by a mean score value of 2.565. In contrast, the county officials on average, disagreed that all the marginalized areas in the county had been accurately identified based on existing criteria as shown by a mean value of 2.493.

The county officials on average, also disagreed that the amount of revenues received as equalization fund had significant impacts on development in the marginalized areas in the county given a mean value of 2.478. It was also established that on average, the county officials disagreed that they found the criteria for sharing revenues from the equalization fund among marginalized areas adequate in supporting the equity principle. This finding is supported by the mean of responses of 2.435. The findings of the study also revealed that the county officials on average disagreed that the existing framework for sharing revenues from the equalization fund had adequately supported the prioritization of projects specifically meant to improve services in marginalized areas in the county. This is demonstrated by a mean value of 2.188.

The county officials also on average disagreed that they found the current equalization mechanisms in the nation highly efficient in addressing the fiscal capacity disparities across regions given a mean score value of 2.087. The county officials further disagreed, on average, that there had been improved speed and consistency in the disbursement of the revenues from the equalization fund for use to the county as revealed by a mean score value of 1.957. From the composite mean of 2.362, it can be deduced that the county officials, on average, disagreed with the statements presented on the equalization fund received by the county. Their responses though varied, they were clustered around the mean as shown by the overall standard deviation of 0.628 which was less than the mean.

The study further sought the county officials' opinions on how the revenues from the equalization fund had affected the implementation of infrastructure projects in the marginalized areas in the county. From the responses given, it was evident that an overwhelming majority of the county officials indicated that equalization fund revenues have had little to no significant impact on the implementation of infrastructure projects in the marginalized areas in the county. This observation was attributed to the view that the amounts of equalization funds allocated to the county were too meagre and were yet to be released from the national treasury for use by the relevant departments for use. The county officials decried that the budgetary allocations in form of equalization fund were only on paper but not actualized to allow for significant infrastructural development.

Implementation of Infrastructure Projects in Marginalized Areas in Garissa County

The extent of implementation of infrastructure projects in the marginalized areas in Garissa County was also assessed. This was achieved by asking the county officials to react to various statements presented on the implementation of infrastructure projects in the marginalized areas in the county based on a five point Likert scale.

Table 2: Implementation of Infrastructure Projects in Marginalized Areas in Garissa County

Statement	Mean	Std. Dev.
a) There are minimal cost variances in the infrastructure projects carried out in marginalized areas within the county	2.319	0.993
b) All the infrastructural projects undertaken in marginalized areas within the county have adhered to the specified quality standards.	2.261	0.918
c) There is strict adherence to project budgets in the infrastructure projects carried out in marginalized areas within the county.	2.203	1.023
d) The level of satisfaction with the infrastructure projects undertaken in marginalized areas within the county among the residents is high.	2.130	0.765
e) There has been enhanced sustainability of infrastructure projects in marginalized areas within the county.	2.072	0.846
f) All the infrastructure projects undertaken in marginalized areas within the county are completed within the stipulated time.	1.841	0.559
Valid N	**2.138**	**0.616**

Source: Field Data (2021)

The findings outlined in Table 2 show the mean and standard deviation for each of the items in the construct. The findings revealed that on average, the county officials disagreed that there were minimal cost variances in the infrastructure projects carried out in marginalized areas within the county given mean of 2.319.

The county officials also on average disagreed that all the infrastructural projects undertaken in

marginalized areas within the county had adhered to the specified quality standards as illustrated by a mean score of 2.261. The study also noted that the county officials on average, did not agree that there was strict adherence to project budgets in the infrastructure projects carried out in marginalized areas within the county as supported by a mean value equal to 2.203. The county officials also disagreed that the level of satisfaction with the infrastructure projects undertaken in marginalized areas within the county among the residents was high, on average. This is demonstrated by a mean value of 2.130.

The study findings also showed that on average, the county officials disagreed that there had been enhanced sustainability of infrastructure projects in marginalized areas within the county given a mean value of 2.072. The county officials further disagreed, on average, that all the infrastructure projects undertaken in marginalized areas within the county were completed within the stipulated time as suggested by the mean value of 1.841. Based on the composite mean score value of 2.138 for the construct, the study concluded that the county officials on average disagreed with the statements presented on the implementation of infrastructure projects in the marginalized areas in Garissa County. This meant that there was poor implementation of water, education and health related infrastructure projects in the marginalized areas in Garissa County. This observation was supported by the MCAs who unanimously noted that these projects had not been executed as per the expectations.

Qualitative Interview Analysis

Equalization Fund

The nature of equalization fund disbursed to Garissa County from the perspective of the key informants was assessed. With regards to whether all the marginalized areas within counties had been accurately identified based on existing CRA policy, the CRA officials maintained that these areas had been adequately identified. Their responses were quoted as follows: -

> "Yes. The marginalized areas were objectively identified using the available statistics." ………. "Yes! The areas have been well identified. What is not clear, however, is the cutoff point (what point do we say these are the neediest areas bearing in mind the amount being share is not sufficient)."

The views of the CRA officials were not supported by the MCAs who argued the process of identifying these areas had been politicized and that a large number of needy areas were not accessed due to insecurity. The MCAs also unanimously pointed out that the disbursement of equalization funds to the county had not been timely and smooth. The MCAs just like the county officials also argued that the criterion used to share the equalization fund did not support equity as the far flung areas were not getting the much needed support.

The views of the MCAs pertaining to whether equalization fund had assisted in reducing the infrastructural gaps in marginalized areas revealed the funds had not achieved much since they had not been disbursed for a long time, existing only on paper. The MCAs noted that the fund had not been received for the past four years. In relation to this, the opinion of the CRA officials regarding whether the amount of revenues received by counties as equalization fund could have significant impact on infrastructural development in marginalized areas in the long run were sought. One of the CRA officials highlighted that: -

> "Yes it can have an impact if the implementers will stick to the projects which will impact the livelihood of citizens although the amount is not sufficient bearing in mind the state these regions were before devolution"

The other official indicated that the fund could lead to significant infrastructural development in marginalized areas in the long run since when resources are available for a certain course, it is expected that the intended purpose of the fund

shall be realized with time. With regards to the extent the existing criteria for sharing equalization fund revenues supported the equity principle, one of the CRA officials noted that the criteria used was relatively fair because it was based on how underdeveloped the region was. In support of this view, the other official underscored that: -

> "The equalization fund in itself is an equalizing factor whose purpose is to bring those marginalized areas to a reasonably comparable level with other areas in terms of service delivery."

On how efficient the existing framework for sharing equalization fund revenues was in supporting the prioritization of projects specifically meant to improve services in marginalized areas, one of the CRA officials noted that the framework sought to ensure that the priority projects identified by the locals for their area were funded. This would bring basic services which were far or not there, closer to the people. The other official, however, noted that the existing framework was ineffective. They argued that: -

> "The existing framework is not effective at all. There is no clear way of identifying the needed projects which would the country achieve the objective of the equalization fund. It has led to stalled projects as there is no release of funds from the national government because the framework lacks transparency."

The MCAs also reiterated that there had been poor prioritization of projects due to little or on public participation and this had led to implementation of identical projects. Pertaining to the adequacy of the arrangement for managing the equalization fund, the MCAs noted that the arrangement was not adequate since there was no direct account for accountability and that the fund could not be separated from other funds channeled to county. One of the MCAs also added that there were no adequate funds management procedures and

sufficient monitoring and evaluation system in the county.

The CRA officials were further implored to indicate whether they found the existing equalization mechanisms in the country efficient in addressing the fiscal capacity disparities across regions in the country as far as infrastructural development was concerned. The responses of these officials were divergent. One of the official noted that these mechanisms were efficient since the equalization fund criteria was based on the identification of infrastructural gaps in these areas. On the contrary, the other official underlined that: -

> "Not at all. This is an area which as a country are still struggling to find the best way to address infrastructural gap across all counties."

On whether the existing design of the equalization fund created incentives for the counties to grow their own revenues to support the delivery of infrastructural projects in marginalized areas, the CRA officials unanimously noted that the fund did not create such incentives. One of them noted that this was not the intention of the fund while the other stated that the fund had not been used as envisioned in the constitution. One of the CRA officials also observed that the equalization fund had not affected much the implementation of these projects because it had not been utilized. The other official argued that the fund had affected the execution of these projects since it sought to reach the far flung areas that had been neglected.

The above findings resonated well with the findings of Fan et al. (2018) who found that the impact of equalization funds on the eradication of the horizontal imbalances among states in India was limited to an extent. This is because not all the funds were in essence disbursed and the amount given were not sufficient enough to alter the spending levels in these states in the long run. The findings of this study were also consistent with the observation by Wanyande (2016) that the equalization fund and other measures of revenue

transfers were still not adequate enough to realize equitable development. The study found that the amounts of transfers in the form of equalization fund were very meagre, too little to result to significant impact on marginalization.

Regression Analysis

Table 3 contains the model summary results.

Table 3: Model Summary Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.775a	0.641	0.606	0.356023

a Predictor: (Constant) Equalization fund

Source: Field Data (2021)

From the above findings, the R Square (coefficient of determination) obtained was 0.641. This value implied that equalization fund explained 64.1% of the variance in the implementation of infrastructure projects in the marginalized areas in Garissa County. The rest of the variance (35.9%) in the implementation of these projects was explained by other factors left out in this study. These findings, therefore, suggested that equitable share, equalization fund and conditional grants predicted a significant proportion of the variance in the implementation of infrastructure projects in the marginalized areas in Garissa County.

Table 4: ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.592	1	5.864	46.264	.000b
	Residual	8.239	65	0.127		
	Total	25.831	68			

a Dependent Variable: Implementation of infrastructure projects in the marginalized areas in Garissa County
b Predictor: (Constant) Equalization fund

Source: Field Data (2021)

The study tested whether the regression model for the study was a good fit for the data based on the ANOVA results outlined in Table 4. In this case, the F statistic and the associated significance value were examined. The results show that $F(3, 65) = 46.264$ and associated $p=0.000$. Given that the p value associated with the F statistic was less than 0.05, it was inferred that the model used in this study was a good fit for the data, that is, it was significant and this also suggested that equalization significantly predicated the implementation of infrastructure projects in the marginalized areas in Garissa County. Therefore, the regression model estimated could be applied in predicating the value of implementation of infrastructure projects in the marginalized areas in Garissa County when the values equalization fund are known.

Table 5: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.094	0.219		-0.451	0.651
	Equalization fund	0.077	0.078	0.073	0.983	0.224

a Dependent Variable: Implementation of infrastructure projects in the marginalized areas in Garissa County

Source: Field Data (2021)

The study discovered that though equalization fund had a positive effect on the implementation of infrastructure projects in the marginalized areas in Garissa County, this effect was not significant as shown by ($β$=0.077, p=0.224). The findings meant that although increasing equalization fund by a unit would lead to 0.077 units increase in the implementation of infrastructure projects in the marginalized areas in Garissa County, holding all other factors constant, this increase would be insignificant. These findings compared with that of Wanyande (2016) who found that the amounts of transfers in the form of equalization fund were very meagre or too little to result to significant impact on marginalization. The study findings also concurred with that of Fan et al. (2018) that the impact of equalization funds on the eradication the horizontal imbalances among states was limited to an extent. However, the findings of this study contradicted the findings of Ferede (2014) that the equalization system that in place in Canada, significantly influenced the spending decisions of recipient provinces.

CONCLUSION AND RECOMMENDATIONS

The study's major purpose was to assess the effect of fiscal transfers on the implementation of infrastructure projects in marginalized areas in Garissa County, Kenya. The study considered infrastructure projects implemented by the water, education and health departments in this county.

The study also noted that while the county officials and the MCAs believed that the formula used in dividing the equitable share revenues among counties did not support equity, the CRA officials maintained that the formula supported equitable distribution of the available resources. These officials argued that since the amount of revenues to be shared were not adequate, many counties believed that they had not been allocated their rightful share. A consensus however existed among the county officials, MCAs and CRA officials that the formula used to distribute equitable share among counties did not consider all the key factors affecting service delivery particularly in marginalized areas within the counties. The MCAs in particular found the formula irrelevant to the county needs.

The objective of the study was to establish the effect of equalization fund on the implementation of infrastructure projects in in marginalized areas in Garissa County, Kenya. From the study, it was evident that the equalization fund allocated to the county existed only on paper and its use had not been actualized as stipulated in the constitution. The study noted the equalization fund had not been, for a long time, disbursed for use by the relevant county government departments by the National Treasury due to lack of a transparent framework as alluded by one of the CRA officials. The study also established that there was consensus among the county officials, MCAs and CRA officials that equalization fund had not assisted in reducing the infrastructural gaps in the marginalized areas in Garissa County. This was attributed to failure to disburse the allocated funds and which were also found to be inadequate.

Based on the findings obtained, the study concluded that the implementation of infrastructure projects in marginalized areas in Garissa County was poor. The study also concluded that even though equalization fund did not significantly affect the implementation of infrastructure projects in marginalized areas in Garissa County when combined with other fiscal transfers, it was worth considering. Since the effect of equalization fund on the implementation of these projects was positive, it was concluded that enhancing its efficacy could enhance the effect it had on the implementation of infrastructure projects in marginalized areas in the county.

Recommendations for Policy Implications

The national government should devise adequate resource mobilization mechanisms through its agencies such as the Kenya Revenue Authority in order to increase the amount of revenues that can be shared with the county governments. The study also recommends that the National Assembly and

the Senate in conjunction with other key stakeholders such as the Commission on Revenue Allocation should lobby for continuous significant increments in the percentage of equitable share channeled to the county governments.

The study also recommends that CRA should carry out extensive expenditure needs assessment especially in marginalized areas in order to determine the prevailing fiscal structural gaps and other key factors affecting service delivery in these areas. Such data or information can then be used to inform the choice of a range of key indicators that are relevant in improving the fairness of the existing equitable share allocation formula.

The study recommends that CRA in consultation with other stakeholders should improve its existing framework for sharing equalization fund revenues so that proper identification of the much needed or priority projects in marginalized areas is undertaken towards the realization of the key objectives of the funds.

The study recommends that for increased lobbying by the National and County Assemblies, the Senate and other relevant stakeholders for the release of equalization funds to the relevant counties by the National Treasury. This way, the fund will be actualized as stipulated in the constitution. These stakeholders could also lobby for increments in the equalization fund by national government so that the fund can have significant impact at the grass root level.

The study also calls for the Commission on Revenue Allocation to institute a concrete framework that supports transparency in the allocation and use of these funds in order to handle the issue of delayed disbursements. The study recommends that CRA should enforce an established fund management framework and procedures in order to ensure that there is accountability in the use of equalization funds channeled to counties.

The Commission on Revenue Allocation should also continuously conduct assessments to determine the far flung areas that have been left out in the process of identifying marginalized areas in counties. Procedures meant for ensuring transparency in this process should be instituted to ensure that the process is not politicized.

Recommendations for Areas of Further Study

The study suggests that a similar study can be replicated in other counties in order to determine how different counties have used fiscal transfers to boost infrastructural development in the marginalized areas within their areas of jurisdiction. A study that explores the impact of Kenya's fiscal transfer policy on general service delivery in counties can also be carried out. The study recommends that a study to determine the factors affecting the efficiency of fiscal transfers in bringing the much needed development transformation in counties and more so in marginalized areas can be conducted. The study calls for a study on the challenges facing the actualization of equalization fund in Kenya over the years. A comparative study that explores the design of different fiscal transfers in different countries and the lessons for Kenya can also be undertaken towards improving the efficiency of the country's fiscal transfers' policy. A study on consensus building when generating the allocation formulas for the different fiscal transfers can also be carried out.

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