

Risk Analysis of Governance in Community Development Projects

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Abstract - Governance in a community development project could be referred as a process of decision making in order to achieve expectations, and management goals. The good governance ensures transparency in decision making and accountability. Governance in community development projects must achieve their set objectives which focus on the government is national development policy agenda. These projects had been identified five risk areas: financial, institutional, procurement, grievance and communication. This study analyzed the risk areas of "Gemidiriya" project in order to bridge the prevailing gap in empirical information. The study aims at administrative risk areas of community development projects, determining the success level of governance while identifying the relationship between risk areas assigning values to qualitative features to give a quantitative facet. Primary data were collected from a sample of 150 employees of the community development and livelihood improvement project through a field survey by the researcher playing the role of participant as observer. The study used the stratified random sampling method as the population of 500 employees had been divided into more relevant and significant strata based on their position. Reliability of the questions was listed and that was high (0.87). The structured interviewed type of questionnaire were administered for nearly three months to collect data. The correlation analysis showed that there was a strong positive relationship between financial risks and procurement risks. Overall, finance risks and procurement risks were above the expected level but communication, grievance and institutional risks were below the expected level due to weakness in disclosure policies, poor communication progress and absence of proper grievance handling mechanism. It is recommended that the necessity of trained staff whom should also have a sound working environment free from political intervention. The appraisals and compliance handling should be done by an independent team.

Keywords: Governness, Risks, Community development

I. INTRODUCTION

Community development projects mainly focus on economic and social empowerment while supporting to eradicate poverty. These projects are closely supervised by the Ministry of Economic Development and mainly funded by the World Bank.

Divineguma is one of the such community development projects started with the initial funding assistance of US\$51 to empower the beneficiary communities providing resources, enabling them to make their own decisions and improving their competencies through skills, technology and information in order to improve the economic and social well-being of under privileged societies. This project was implemented under three phases. In the first phase, 1000 villages were expected to be covered by 1034 village organizations in about 816 Grama Niladhari divisions. It could be noted that this project was managed by decentralized system as these projects were supervised at the village level by the village organizations consisting a few office representatives of these villages.

Governance and accountability mechanism were implemented in these projects from the lessons learnt from the previous community development projects in order to achieve the objectives of Second Community development and Livelihood project. According to the Annual Report in 2011 issued by the Ministry of Economic Development, a specific assessment of the governance identified the following five risk areas.

- a. Malfunctions in Project management level Governance system (Institutional).
- b. Financial management weaknesses (Finance).

- c. Irregularities in procurement and assets management (Procurement).
- d. Weaknesses in disclosure policies and procedures poor communications (Communication).
- e. Ineffective complaint and grievance redress mechanism (Grievance).

A. Problem Statement

Even though Governance and Accountability Mechanism had been already established, there was no reported evidence on the stated five risk areas. One of the major problems in community development programs is that there are many assessments, feasibility studies and planning in community development projects, but at the time of implementing, there is no specific evaluation process adopted to find the validity of the project. Among the identified risks only two risks: Finance and Procurement, have been achieved the targets but not the rest of three. Therefore, this paper finds out reasons why the other three risks were below the expected level. The main objectives of the study are;

1. To examine problem areas in the governance of the project.
2. To identify the relationship between each other risk areas.

This paper will help the project representatives, Government of Sri Lanka and the World Bank to minimize the inefficiencies in the process of governance while showing the reasons for the other three risks areas were below the expected level. This knowledge and guidance will be able to use for the forthcoming community development projects in the country.

II. LITERATURE REVIEW

The prevailing government emphasis good governance practices giving more opportunities to the general public to involve in decision making process in community development projects like Gemidiriya. As found evidences from literature, it could be noted that active participation of stakeholders of these projects are essential to address the burning issues of these communities. Thus, stakeholders should be empowered through good governance establishing decentralized institutions at the village level increasing the engagement level of the villagers in these projects.

A. Governance

The concept of "governance" is as old as human civilization. Governance simply means the process of decision making and the process by which decisions are implemented (or not implemented). Governance can be used in several contexts such as corporate governance, international governance, national governance and local governance (UNESCAP, 2013). Governance could be defined as a process of making decisions which define the expectations, systems and management, in this case, of a neighborhood (Kumara & Karunasekara-2014). It is influenced by authorized institutions in order to deliver services to an area and should also be shaped by communities. Governance can be a collective activity that is entered into by those whose lives are affected by the decisions that are made. Not only this, but through their positive contributions to the life of their community, people living there are able to shape the community in a way that suits them.

Bergh (2004) indicates that decentralization is a major point of discussion on the topic of good governance. From the point of view of 'good governance' devolution has many functions such as being a mode of administration that advocates bottom-up planning which captures, internalizes and addresses local needs and concerns. As such, it promotes responsiveness and accountability of policy makers to local needs and people. The administrative dimension undertakes to transfer the responsibility of functions from a central agency to one or more of its lower levels such as a state corporation.

Even though governance is very helpful for the success of any organization from small local organizations to large international organizations (Kumara, and Karunasekara, 2014) it is a group decision-making that addresses shared problems. Thus, governance considers on future directions and long-term strategic consideration which addresses the issues of policy in relation to internal programming (Tandon, R, 1991). Governance is a decision making processes, policy formulation and implementation capacity, development of personnel, information flows and the nature and style of leadership (Ogundia ,I, 2010). Contemporary theories on governance make a fundamental distinction between governance and government. Further, the fundamental point is if it is appropriate to even propose a universal of governance principle. Some argue that emphasis

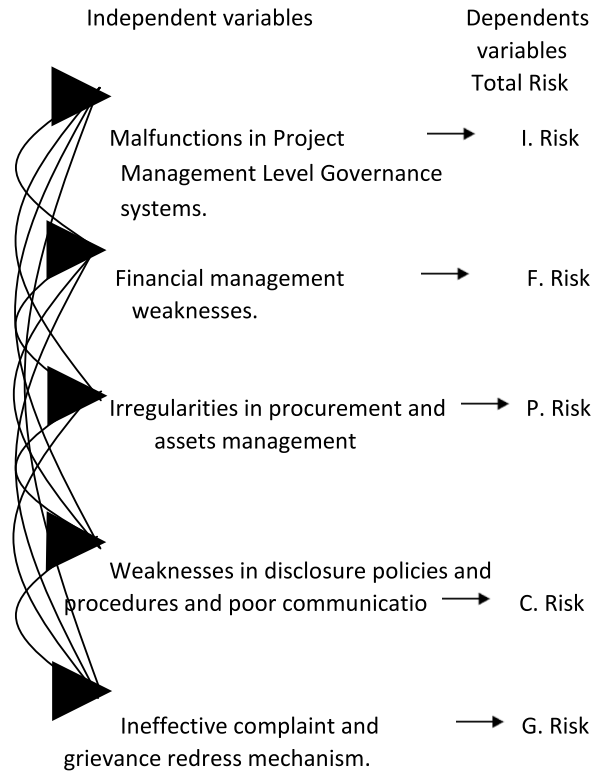
given on different aspects of governance may differ in different settings as societies value outcomes differently. (Graham,J, 2003).

Governance is a broader concept than government. Governments have the formal authority to act. They also have powers to enforce compliance with their activities, rules, and policies. In particular, governments have, and exercise, police power. In contrast, the broader concept of governance describes the way in which an organization chooses to engage in certain activities backed by goals shared by its constituents. Often, these activities do not derive from legal or formal responsibilities of the organization. Unlike governments, international organizations do not possess police power to enforce compliance with their activities, rules, and policies (Kumara, and Karunasekara, 2014). It does not mean that international organizations have no power to require compliance and their power differ from those of national or local governments. For instance, the World Bank can suspend a loan to a borrowing country that has deviated from the terms of its loan agreement with the Bank. The various theories of governance observe the difference between the concepts of governance from government (Lee,H ,Enrique,R and Carrington,W, 2008).

III. METHODOLOGY

The main objective of this study is to analyze risks of governance in community development projects. Independent and dependent variables as stated in the conceptual framework have been taken into account. The framework had been tested in many community development projects in the world wide and was used for this study as well.

A. Conceptual Framework



B. Calculating Risks

To analyze risks of governance of community development projects, the following formula which was introduced by Secondary Community Development and Livelihood Project in 2009 has been used in this study.

$$\text{Risk Score} = \text{Likelihood} * \text{Consequences}$$

(SCDLIP Manager.Government authorities, 2009)

It should be highlighted that the governance and the other elements in the formula are qualitative factors therefore, it has been assigned values according to the Project Appraisal report in 2009.

Risk scores or levels are dependent variables, the decisions would be taken according to the standard risks scores as stated the following table.

Table 01: Standard risk scores

Risk, Assessment Scores Received	Decision
Less than 06	Risk is Low
Between 08 – 12	Risk is Moderate
Between 14 – 20	Risk is High
More than 20	Risk is Top

Source- Project Appraisal Report-2009

The weightage of the other two elements are as follows.

Table-02: Weightage of the elements

Decision	Weightage	
	Likelihood	Consequence
Very high	5	5
High	4	4
Medium	3	3
Low	2	2
Very low	1	1

Source- Project Appraisal Report-2009

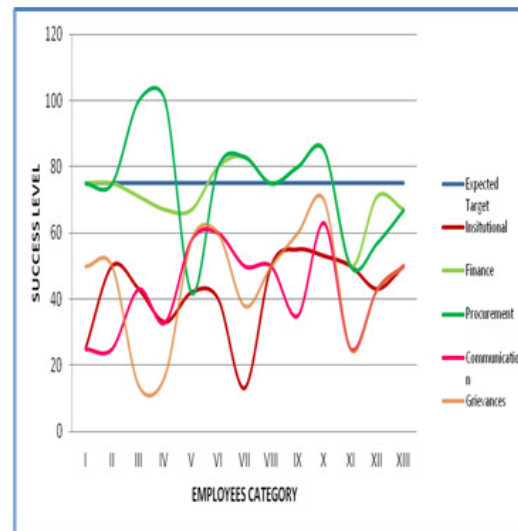
C. Population And Sample

It was taken almost three months to collect data from the relevant project staff using a structured questionnaire. Primary data were collected from a sample of 150 employees of the community development and livelihood improvement project through a field survey by the researcher playing the role of participant as observer. The study used the stratified random sampling method as the population of 500 employees had been divided into more relevant and significant strata based on their position.

D. Success Level Of Govenance

The figure 1 shows that the level of success against the employee category. Employees were categorized from the top to bottom management level.(I-IV: Top/ V-IX: Middle/X-XIII-Lower). The 3rd category employees show the highest progress level in procurement and the least progress level in grievance redress system. Even though progress level of finance and procurement were at satisfactory level in all employee categories, it was not in the 3rd and the 11th employee category.

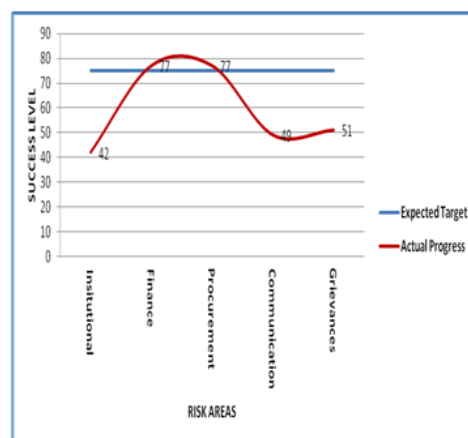
Figure 1: Success level of governance vs Employees Category



Source- Project Appraisal Report-2009

The figure 2 shows that only risks areas namely finance and procurement have been achieved the expected level of the donor of the project (The World Bank). This study finds out the reasons for not achieving the expected level by the rest of the three risks areas. Level of success in institutional, communication and grievance redress system of employees in all categories were lower than the expected level.

Figure 2: Policy Maker Success level of governance



Source- Project Appraisal Report-2009

IV. DATA ANALYSIS

As the structured questionnaire was used in this study, the reliability of the questionnaire was tested and the value of Cronbach alpha was .87. Therefore it is very much fitting to the study as well.

A. Relationship among Risks Areas

As depicted in the table 3, the relationship among the dependent variables or risks areas identified by the project appraisal report in 2009, is shown with the coefficients correlation of variables related to Gemidiriya project. Institutional risk is positively correlated with finance risk and procurement risk. This means that malfunctions in project management effect to weaken financial strength and to have irregularities in procurement & assets management of the project. Financial risk and procurement risk are highly positively correlated with 0.970 at 0.01 significant level. This means that weakness in financial management strongly effect to have irregularities in procurement and assets management. Grievance risk and institutional risk are the most weakly correlated risks as ineffective complaint handling and grievance redress mechanism does not lead to have malfunctions in project management level and vice versa.

Table 3: Pearson Bivariate Coefficients Correlation of Variables in Conceptual Model

		Institutional Risk	Finance Risk	Procurement Risk	Communication Risk	Grievances Risk
Institutional Risk	Pearson Correlation	1	.256*	.257**	.160	.111
	Sig. (2-tailed)		.002	.001	.050	.174
	N	150	150	150	150	150
Finance Risk	Pearson Correlation	.256**	1	.970**	.268**	.118
	Sig. (2-tailed)	.002		.000	.001	.150
	N	150	150	150	150	150
Procurement Risk	Pearson Correlation	.257**	.970*	1	.249**	.120
	Sig. (2-tailed)	.001	.000		.002	.143
	N	150	150	150	150	150
Communication Risk	Pearson Correlation	.160	.268*	.249**	1	.246**
	Sig. (2-tailed)	.050	.001	.002		.002
	N	150	150	150	150	150

Grievances Risk	Pearson Correlation	.111	.118	.120	.246**	1
	Sig. (2-tailed)	.174	.150	.143	.002	
	N	150	150	150	150	150

** . Correlation is significant at the 0.01 level (2-tailed).

B. Problem Areas in the Governance of the Gemidiriya Project

As indicated in graphs 1&2, communicational, Grievance risks and Institutional risks did not reach to the level that had been expected by the World Bank as the main donor of the project. Financial risks and procurement risks are not significant at 5% level. However finance risk increases by one unit keeping the other factors constant the total risk will decrease by 4.049 while one unit in procurement is increased keeping other factors constant the total risk will increase by 10.215. Even though financial risks and procurement risks are positively correlated, they have an opposite relationship with the total risks. Goodness of fit of the model is high as adjusted R2 is 0.68. It means that 68% of the variation in the total risk is explained by the variation of five risks.

Table 4: Relationship between Total risk and individual risk areas

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	-5.404	2.660		-2.032	.044
Institutional Risk	6.075	.970	.062	1.287	.000
Finance Risk	-4.049	8.580	-.091	-.472	.638
Procurement Risk	10.215	8.248	.237	1.238	.218
Communication Risk	4.733	.616	.379	7.687	.000
Grievances Risk	6.003	.488	.588	12.30	.000

a. Dependent Variable: TR

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.833 ^a	.694	.683	8.198

a. Predictors: (Constant), G Risk, I Risk, F Risk, C Risk, P Risk

V. CONCLUSION AND RECOMMENDATION

As the project functioned under a decentralized management system, most of the project funds had flown directly from the Foundation to the Village Organizations comprising the villagers who were empowered to decide on use of these funds for their benefit. Therefore, the citizens themselves were responsible for using the project resources for improving their livelihood, and the state accountable for delivery of services to citizens was marginal. Resource use efficiency was monitored by Social Audit and Procurement Committees. The participatory processes and social accountability did not eliminate the risks of political intervention and collusion in the use of project funds and community resources. Even though it was stated on governing values to have good practices in the areas of project management, community organizing and corruption control this was not practiced. The study found that members on the staff of the project were not caliber enough to do their duties and responsibilities, full of stress, poor quality of staff training, supervision staff not visiting the field and/or submitting inaccurate reports; poor target setting, communications between HQ and field office are not effective, frequent changes in rules and procedures and bureaucratic interference in project functioning. Therefore institutional risks were below the expected level. Thus, the appraisal and compliance handling teams of the projects should be separated from the facilitation teams ensuring independent checking on compliance with the village level governance systems. The other two risks below the expected level were communication risks and grievances risks. The study was able to find that there was no proper mechanism to resolve conflicts and to handle grievances. Thus, there should be a system for independent inquiry, reporting and lessons drawing and dissemination process. This complaints and grievance process is supported by formal and informal sanctions against individual wrongdoing and neglect of duties and against communities for nonperformance.

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