Int Journal of Social Sciences Management and Entrepreneurship 9(1): 595-609 2025

ISSN 2411-7323

www.sagepublishers.com

PROJECT COST MANAGEMENT PRACTICES AND PERFORMANCE OF UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT FUNDED PROJECTS IN KAJIADO COUNTY, KENYA

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ABSTRACT

In both developing and developed countries, project cost management is recognized as a critical factor influencing project performance and successful implementation. Inadequate accountability in resource allocation often leads NGOs to operate with constrained donor funds, resulting in incomplete or delayed projects due to budgetary limitations. This study aimed to examine the effect of project cost management practices on the performance of USAID-funded projects in Kajiado County. Specifically, it focused on assessing the impact of project cost budgeting, and cost control. The study was guided resource-based theory, and control theory. An ex-post facto research design was adopted. The unit of analysis comprised 155 USAID-funded projects, while the unit of observation was the project managers overseeing each project. Given the manageable number of projects, a census approach was employed, allowing for comprehensive data collection without the need for sampling. A pilot test was conducted with 16 project supervisors (10% of the target), who were not included in the final study. Instrument validity was established using content and construct validity, with Average Variance Extracted (AVE) values meeting the recommended threshold of 0.5. Reliability was confirmed using Cronbach's Alpha, with all constructs exceeding the acceptable benchmark of 0.7. Data were analyzed using SPSS Version 28. Correlation results indicated that project cost control ($r = 0.703$, $p = 0.000$) had the strongest relationship with project performance, followed by budgeting ($r = 0.621$, $p = 0.001$). Regression analysis further confirmed cost control ($B = 0.426$, $p = 0.000$) as the most influential factor, followed by budgeting ($B = 0.372$, $p = 0.000$). The study concludes that effective cost management, particularly cost control, is essential for enhancing the performance of USAID-funded projects. It recommends strengthening financial oversight, enhancing budgeting practices, and optimizing cost planning to ensure efficient and sustainable project outcomes.

Key Words: Project Cost Management Practices, Project Cost Budgeting, Cost Control, USAID-Funded Projects

Background of the Study

Global entities such as the United Nations (UN), the World Bank (WB) and the World Trade Organization (WTO) have progressively recognized the need for more effective project cost management and control. This offers a promising global setting for the project cost management to advance cognizance amongst these major project donors on the significance and value of engaging expert cost managers rather than have the role carried out by other experts as a subset of their general roles. Most donor funded projects are implemented by non-governmental organizations (NGOs) which aim at particular social interests through critical focus and advocacy on social, political as well as economic goals which include health, education, environmental protection and even human rights (Omollo, 2017). Since the end of the 20th century, the call for NGOs to demonstrate their effectiveness on how they implement their strategies to achieve their desired goals. The very low rate on successful implementation of the projects within NGOs which has resulted to noticeable problems of economic waste, loss of the public funds (Ouma & Kamaara, 2018). In developing countries, development aid and donor funding consist of substantial amount of the total government budget as most of the countries do not sufficiently generate funds to cater for large capital investment needs for the government projects. The development aid is of four kinds: Public or private, technical assistance, or financing as a balance of payment support, multilateral or bilateral, or as untied or tied funding (Kivanguli, 2019).

Africa is the world's most aided continent yet economic growth is disappointingly low. Project failure rate is high with the 2018 Standish group chaos study showing their success rate at only 36%. The 2018 project management institute purse of the profession global survey shows that an average project waste 9.9% of every dollar due to poor project performance resulting from ineffective implementation. The survey also revealed that around 31% of the projects do not meet their goals, 43% are not completed within budget and a further 48% are not completed on time. Donor resources are given out with the main objective of boosting the sustainable social and economic progress and welfare of recipient. Though donors have devoted a lot of funds to support development projects globally, many of these projects have not met their expectations (Kiara & Luketero, 2018). In Kenya, donor funds contribute up to 11% of the Gross Domestic Product (GDP) where a significantly huge amount is earmarked for the support of development projects across the country aiming to alleviate poverty. In 2020 over USD 2.5 billion was received by Kenya for official development assistance (ODA). According to the WB study in 2019, donor funded project helped reduce the poverty levels by 1.5% per year and were more effective in reducing poverty among women and children. Some of the challenges facing donor funded projects include: lack sustainability, poor monitoring and evaluation (M&E), Lack stakeholder involvement, and corruption (Mlawasi, 2023).

In both developing and the developed countries, project cost management is considered as one of the important factors affecting the project performance and successful implementation of projects. Cost management is also viewed as the strategic process for efficiency optimization and customer focus and relates to profitability. It includes a set of techniques, attitudes, and philosophy for creating added value at a reduced cost to a project. In many organizations, cost management involves a series of steps: understanding the revenue and cost structure of a business; reduction of inter-functional complexity; provision of tools for cost management; involvement of stakeholders in decision making; continuous improvement of cost and effectiveness; and finally, measuring the decisions made against the plan. In construction projects, two major costs are common; direct cost and the indirect costs (Albtoush, Doh, Rahman, & Albtoush, 2020).

Project cost management can be defined as application of tools, techniques and knowledge in planning, estimating and controlling project costs as well as analyzing the possible of risks that may potentially lead to cost overruns (Ronald & Agung, 2018). Project costs management is a

process essential for project performance within budget. Therefore, project managers must describe the project scope well, estimate project time and costs in a most realistic way. For effective project cost management, project managers must undertake cost management planning, cost estimation, budgeting and cost control. (Dusan & Jugoslav, 2019). Cost estimating is the process of assembling and predicting costs of a project over its life cycle. It encompasses the three phases included in the initial function chart; namely, economic evaluation, project investment cost and cost forecasting assist in predicting the future financial outcome for a successful project. The cost budgeting process is one of establishing budgets, standards and a monitoring system by which the investment cost of the project can be measured and managed. This process is the planning phase once project approval is obtained. It includes all the accounting functions required to establish procedures and systems to monitor the project. The process of cost control is the gathering, accumulating, analyzing, monitoring, reporting and managing the costs on an ongoing basis. (PMI, 2017).

Project performance can be measured by successful execution of the project objectives such as social goal, economic goal and environmental goal. These objectives can be determined by triple constraint. Triple constraint is a triangle of time, cost and scope that bounds the project environment (Rugenyi, 2016). Project costs can be experienced during the project implementation that the project team simply did not consider or ignored as part of direct project activity costs. Most of the project costs directly related to specific project work activity and forms are part of the project cost estimates; yet, added costs occurs throughout the project implementation (Wilson, 2016).

Statement of the Problem

Donor-funded projects play a pivotal role in advancing social and economic development, particularly in low- and middle-income countries. Among the largest bilateral donors globally, the United States Agency for International Development (USAID) disbursed $8.7 billion in 2022 across 158 countries. In Kenya alone, USAID funded over 250 projects in 19 sectors with an allocation of $568 million (USAID, 2023). Despite this substantial investment, project underperformance, cost overruns, and funding inefficiencies remain widespread.

Audit findings by the USAID Office of the Inspector General (2024) flagged $21 million in questionable expenditures, citing issues such as fraud, poor internal controls, and corruption. Globally, the World Health Organization (2021) reports that 21% of donor-funded health projects are manipulated at the budgeting stage, while 15% face procurement irregularities. In Kenya, the NGO Council (2021) notes that over 50% of donor-funded projects collapse within one year of donor exit, largely due to poor financial planning and lack of sustainability frameworks.

These issues are notably evident in Kajiado County, where USAID implements projects across sectors such as health, water, and education. According to the National AIDS Control Council (2021), 45% of HIV prevention programs funded by USAID in Kajiado experienced prolonged funding delays, severely disrupting service delivery. A further 28% of USAID-funded projects in the county were either stalled, terminated, or underperforming (Wahinya, Sankale, & Patrick, 2024). Compared to counties like Machakos, Mombasa, and Kisumu—where donor-funded projects show higher completion and budget adherence rates—Kajiado exhibits persistent gaps in project cost performance, pointing to localized management challenges. Further complicating the funding landscape was the temporary suspension of USAID disbursements during the Trump administration, which led to halted or scaled-down programs in Kenya and other African countries. These abrupt changes exacerbated existing cost management issues, making it difficult for local implementing partners to sustain project momentum.

Although several studies have explored donor project performance in Kenya, few have focused specifically on USAID-funded projects and the role of structured project cost management practices in enhancing their outcomes. Prior studies either addressed other counties (e.g., Kivanguli, 2019 in Machakos) or different funders (Ouma & Kamaara, 2018 on Pathfinder International), limiting contextual relevance. This study, therefore, sought to fill that gap by investigating how cost management practices—specifically cost planning , cost estimation, budgeting, and cost control—affect the performance of USAID-funded projects in Kajiado County.

Research Objectives

The general objective of the study was to assess the influence of project cost management practices on the performance of USAID funded projects in Kajiado County, Kenya.

The study was guided by the following specific objectives:

i) To examine how cost budgeting influences the performance of USAID funded projects in Kajiado County.
ii) To evaluate the influence of cost control on the performance of USAID funded projects in Kajiado County.

LITERATURE REVIEW

Theoretical Literature Review

Resource Based Theory

Resource Based Theory (RBT) was first put forward by E. Penrose in 1980s as a model on effective management of a firm's resources (Penrose, 2009). It was later proposed by Jay Barney in the 90s as a dominant paradigm in strategic management. It provides a framework to highlight as well as predict the fundamentals of organizations performance and competitive advantage (Barney, 1991). RBT theoretically predicts intangible resources as important factors for success of a project. Intangible resources are financial, physical, human, intellectual, organizational reputational and technological resources. For the success of a project, all the resources should be incorporated together. Human beings as a resource must have intelligence and required technology to manage the material and financial resource properly. A superior performance is usually based on developing a competitively distinct set of resources, heterogeneous and strategic development and a capable workforce in a well-conceived strategy to sustain superior returns (Fahey, 2005; Collis & Montgomery, 2008). This theory was useful in explain the variable of Budget management and Project Cost planning and how they influence performance.

Control Theory

Control theory was developed by Emerson in1917 from thermostat model (Ogunnaike & Harmon , 1994).Control theory is divided into two parts; performance reporting and overall change control. Performance corrections agreed for the implementation processes, while change control changes are set for the planning processes. Cost control consider performance reporting, based on agreed performance baseline, and associated corrections to implementation (PMI, 2017) the theory ensures that there is a standard of project performance which is measured at the deliverable; the likely variance between the standard and the measured value is used for adjusting the project process so that the desired standard can be achieved (Koskela & Howell, 2002). This offers guidance on what areas need to be emphasized on during the project cost monitoring process (Donaldson, 2012). This theory supports the variable on project cost control as it shows the capacity of the project to attend to specific cost problems that need to be reviewed within projects implementation.

Conceptual Framework

This study's conceptual framework demonstrates the relationship between project cost management and the performance of USAID funded projects in Kenya. The conceptual framework is illustrated in figure 2.1 below:

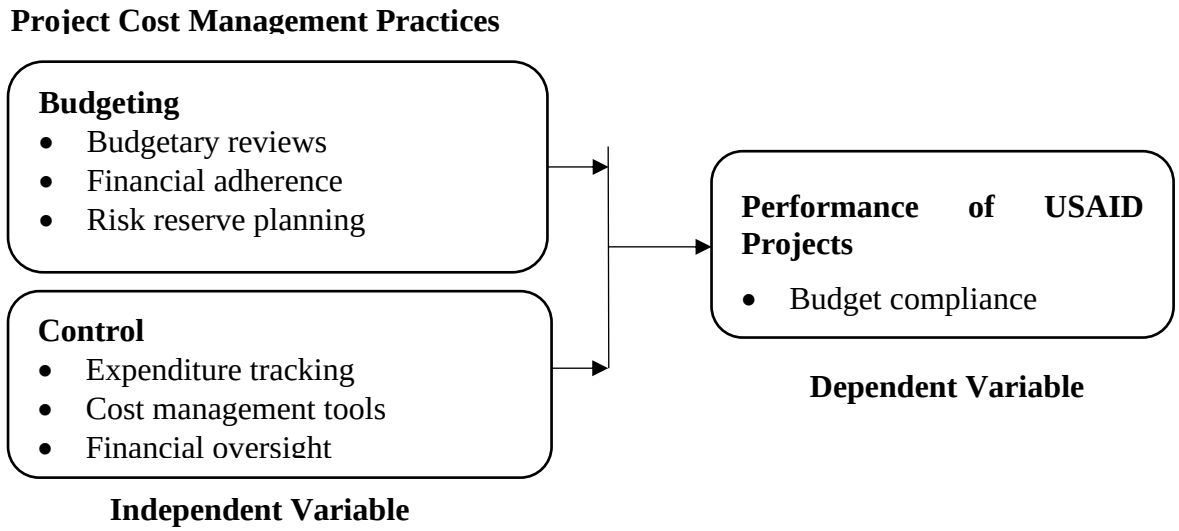

Figure 2. 1: Conceptual Framework

Project Cost Budgeting

Project cost budgeting is a process of formally identifying, approving and paying the costs or expenses incurred on the project. Budgeting involves using purchase order forms to state each set of project expenses, such as training, consulting services, equipment and material cost, etc. (Cao, 2023). The purpose of budgeting is to authorize and allocate the monetary resources necessary to complete all project activities and deliver the project on schedule. The main output of the process is a set of monetary resources requirements that serve as a foundation for estimating and controlling the budget and provide valuable data to the project resource management process (Ploder, Dilger, & Schöttle, 2020).

The project budgeting process is conducted at the initial steps of project planning, and typically it is performed in parallel with the project scheduling process. The steps of the process are highly dependent upon the cost estimations, task durations and allocated resources. The budgeting serves as a cost control mechanism that allows comparing actual project costs to the items of the authorized project budget. The process allows developing a budget considering key cost factors associated with time durations of project tasks (Kantsuret al.,2020). An important input when determining the budget is the contracts. The applicable contract information regarding costs of products, services, or results that have been purchased were included when doing the budget. A project can be considered successful it is completed within the budget (Schmidt, 2019).

Project Cost Control

Cost control is defined as the practice of identification and reduction of expenses in an effort to increase returns and profit margins. The practice equally considers comparison of the actual costs versus the estimates and the budgeted costs and installation of measures to reduce costs at every phase of the project implementation (Abdel-Hamid & Abdelhaleem, 2021). According to the Project Management Institute (PMI, 2017), cost control is the adopted processes to monitor the project status through updating the budgets and the cost baselines. The monitoring informs decisions on managing project costs and growing the profit margins and returns from the outcomes of the overall project. Project control procedures are primarily intended to

identify deviations from the project plan rather than to suggest possible areas for cost savings. This characteristic reflects the advanced stage at which project control becomes important. The time at which major cost savings can be achieved is during planning and design for the project. During the actual construction, changes are likely to delay the project and lead to inordinate cost increases. As a result, the focus of project control is on fulfilling the original design plans or indicating deviations from these plans, rather than on searching for significant improvements and cost savings. It is only when a rescue operation is required that major changes normally occur in the construction plan. (Ecosys, 2020).

Cost control in projects involves finding economical ways of operating and prevention of wastes of resources using re-use and recycling measures. Kim (2019) noted that to address the problem of cost overruns, many project management experts advocate for use of cost control measures. Project cost control is a critical aspect of project management that ensures that a project is completed within the allocated budget. It involves monitoring and managing project expenses throughout the project lifecycle to prevent cost overruns and ensure that the project's financial objectives are met (Onubi et al., 2022). Effective cost control requires the use of various techniques, including budget monitoring, cost-benefit analysis, risk management, and change management. In recent years, the dimensions of project cost control have become increasingly important as organizations seek to improve project performance and optimize resources. According to a recent study by PMI (Project Management Institute), 43% of organizations report that they experience cost overruns on more than half of their projects, and these overruns have a significant impact on project outcomes.

To achieve effective cost control, project managers must have a comprehensive understanding of the dimensions of project cost control and the tools and techniques available to manage costs. This includes understanding how to develop accurate project budgets, identify and manage risks that could impact costs, track and analyze project costs, and implement cost-saving measures when necessary. Additionally, project managers must be able to communicate project cost performance effectively to stakeholders, including clients, sponsors, and team members, to ensure that everyone is aligned with project financial objectives (Ifeanyi & Adindu, 2023).

Empirical Review

Project Cost Budgeting and Project Performance

Aggor (2017) examined the relationship between project budget and project performance in Greater Accra Region of Ghana. The study adopted a correlational study design. The sample size was 116 project managers. Primary data was collected using questionnaires. The results indicated a weak positive correlation exists between budgeting and project time, quality, safety, environmental impact, and site disputes. Kabogo and Rusibana (2021) studied the effects of fund management on project performance in a public institution (Rwanda) . The study employed a population of 119 as staff working in the Great Lakes Trade Facilitation Project. The study adopted a descriptive and correlation research method. Data was collected using interview guides and questionnaires. Results showed that change from project management to budgeting, fund allocation, and fund control necessitates a greater focus on budgeting, money allocation, and money control. The study concluded that funds allocation and control enhance project performance. When project finances are successfully managed, the project meets its objectives; nevertheless, when project funds are badly handled, the project's objectives and goals are not met

Mwaguni, Mbugua, and Rambo (2020) sought to assess how budgets influence performance of research projects of public universities in Coast region, Kenya. The study used a pragmatism paradigm. A descriptive survey and correlation research design were adopted. The target was 1110 academic and non-academic employees for the two universities. The sample was 285 consisting of 173 from Technical University of Mombasa and 112 from Pwani University.

Primary data collection was done by use of interview guide and open and close ended questionnaires. The findings established that budget influences performance of research projects. Budget had a positive strong correlation with project performance. The data also established a positive relationship amongst budget on performance of research projects in public universities.

Otieno (2022) explored the effects of constituency budget process on the performance of education projects within National Government Constituencies Development Fund (NGCDF) in Ndhiwa constituency. The study used descriptive survey research design and correlation to. The target was 322 and a sample size of 74 respondents. The data was collected using a questionnaire. From the study findings, majority of the respondents strongly agreed that different components of budget planning, budget coordination, budget control, and budget evaluation affect the performance of NGCDF education projects in Ndhiwa Constituency. Results also showed that there is a significant relationship between budget control, budget coordination, budget planning, and budget evaluation on project performance.

Omollo (2019) studied the influence of budgeting practices on performance of county governments' budgets- a case of Siaya County. The study adopted a descriptive survey design. Questionnaires and interview schedules were used to collect data. The sample size was 217 participants. Regression results showed that a unit increase in budget forecasting techniques is likely to result in an increase in budget performance. The study concluded that budgetary practices at the strategic and operational phase of budgeting process are important ingredients in enhancing budget performance.

Project Cost Control and Project Performance

Whitman, Brown, and Meyer (2023) examined the impact of cost-benefit analysis on project performance in USA. The study was a thematic review of literature on effect of Cost-Benefit Analysis on Project Performance. The researcher reviewed data-based research articles. Findings showed that cost-benefit analysis plays a crucial role in enhancing project performance by enabling project managers to make informed decisions based on a comprehensive understanding of costs and benefits associated with various project alternatives. This approach helps to prioritize resources and investments, reducing the likelihood of cost overruns and schedule delays. Additionally, cost-benefit analysis contributes to improved stakeholder communication and alignment, as it facilitates a transparent and quantifiable understanding of the project's value proposition. However, the study also identified challenges in implementing cost-benefit analysis, such as the need for accurate data, the difficulty in quantifying intangible benefits, and the potential for biases in decision-making.

Fazil, Lee and Tamyez (2021) investigated cost estimation and its performance within the construction projects in Malaysia. The researchers collected secondary data by reviewing 23 journals, 238 construction cost estimation papers in the past 31 years. It was noted that estimating of costs in construction projects is a critical element and valuable in avoiding cases of cost overrun. Alu, et al., (2024) examined the current state of project cost control in the Nigerian construction industry. Results showed that the Nigerian construction industry has been plagued with cost overruns, delays, and poor project performance, which have led to a significant waste of resources and financial loss. The study also revealed that ineffective cost control strategies, poor project planning, and inadequate monitoring and control systems are major issues affecting project cost control in Nigeria.

Omotayo and Olubunmi (2020) assessed on prediction of the most applicable post-contract cost controlling techniques within the construction industry and its projects. The study participants were 135 project managers and quantity surveyors. Results revealed that project managers and quantity surveyors influenced the decision on the choice and implementation of the post-contract cost and expenditure control approach. The choice of cost control technique was done by the quantity surveyors but the responsibility of its implementation was mostly

done by project managers. The study concludedthat cost control techniques, cost management practices and cost monitoring approaches led to reducing project costs and expenses and improved the overall performance of construction projects.

Abdikani and Ouma (2024) investigated the influence of budgetary allocation on performance of projects within Non-Governmental Organizations (NGOs) in Mogadishu, Somalia. Descriptive research design was used and the target population constituted 78 managers and 390 senior employees in 78 NGOs in Mogadishu. The study adopted a stratified random sampling technique by which a sample size of 216 respondents was chosen using Yamane's (1967) formula. Data was collected using questionnaire, and both descriptive and inferential statistics were applied in the data analysis process. With regard to the influence of budgetary allocation on project management, the findings showed that employees agreed to a great extent that, proper budgetary control aid the NGOs in decision making, and majority consider budget knowledge as important for success in the workplace, looking at it as a means through which the company has can have a better understanding of budget control techniques

Ambetsa and Yusuf (2022) sought to determine how project cost control influences performance of donor funded health projects in Kajiado County. The target population was 125 donor funded health projects where a sample of 95 was drawn. Key respondent in this study were senior managers, project managers, project teams and stakeholders. Questionnaires were used to collect data. Control costs processes included: monitoring of project cost performance to identify the variances; recording of changes; prevention of unauthorized and incorrect changes; communicating authorized changes to stakeholders; and analysis of variances and their effects to the control processes. The project management plan, organizational process assets, and work performance indicators were some of the inputs to control costs process.

Bichang'a and Kimutai (2023) studied the effect of project cost control techniques on performance of water projects in Kericho County, Kenya. The study applied descriptive research design. The target was 16 completed water projects. Questionnaires were used to collect data. The findings showed that improvements in performance of the water projects was due to cost estimation using different models, price variations and forecast that helped in reducing cost overruns. Findings also showed project expenditure controls enhanced performance of the water projects setting limits, authorization process to access resources, monitoring costs and implementing cash flow management systems. The study concluded that project cost control techniques of cost estimation, budgeting, monitoring and evaluation and expenditure controls had positive and significant effects on performance of the water projects in Kericho County.

RESEARCH METHODOLOGY

A research design is a detailed plan for how the research was carried out (Creswell, 2014). This study adopted an Ex-post facto design. Ex-post facto design is a quasi-experimental study examining how an independent variable, present prior to the study in the participants, affects a dependent variable. The target population for this study comprised 155 USAID-funded projects implemented in Kajiado County over the past five years, across sectors such as health, agriculture, water, and sanitation. The unit of analysis was each individual project, while the unit of observation was limited to project managers.

The study employed a census approach, targeting all 151 USAID-funded projects in Kajiado County. According to Kothari (2004), a census is appropriate when the population is relatively small and manageable, as it eliminates sampling bias and ensures that every unit of the population is analyzed. This research used questionnaires to collect primary data. Data was coded and then analyzed using Statistical Package for Social Sciences (SPSS) computer software version 28. The study used descriptive and inferential statistics. Descriptive statistics

was used to analyze the data in percentages, mean, standard deviation. The inferential statistics included correlations and regressions to test the relationships between the variables.

RESEARCH FINDINGS AND DISCUSSION

The study targeted a sample of 155 projects out of which 16 were piloted leaving 139. Therefore, a total of 139 questionnaires were distributed to all project managers overseeing USAID-funded projects in Kajiado County, in line with the census approach adopted for this study. Out of these, 128 were successfully completed and returned, resulting in a response rate of 92.1%, which is considered highly satisfactory for statistical analysis and interpretation. According to Mugenda and Mugenda (2003), a response rate above 70% is sufficient for drawing valid and reliable research conclusions.

Descriptive Analysis

This section presents the descriptive statistical analysis of the study variables: project cost budgeting, project cost control, and project performance. The findings are summarized using mean scores and standard deviations, which indicate the central tendency and variability of responses. A higher mean value suggests stronger agreement among respondents, while a higher standard deviation indicates a wider spread in opinions. The findings provide insight into how project cost management practices influence the performance of USAID-funded projects in Kajiado County.

Project Cost Budgeting

The first objective of the study was to examine the effect of project cost budgeting on the performance of USAID funded projects in Kajiado County. Table 1 presents the descriptive statistics for project cost budgeting.

Table 1: Descriptive Statistics for Project Cost Budgeting

Statement	Mean	Standard Deviation
The budget for the project was properly determined and allocated to activities	3.968	0.702
Budgeted funds were enough to complete the project on time	3.950	0.720
The costs of the project were maintained in all project phases	3.920	0.710
Budget preparation is in line with the accounting and finance standards	3.990	0.698
Cost benefit analysis is conducted regularly	3.940	0.725
Budget covers all operational costing for all functional areas of the projects	3.910	0.715
The project budget helps in maximizing usage of funds or other resources	3.870	0.735
Unforeseen expenses are managed within the budget framework.	3.960	0.705
Aggregate Score	**3.939**	**0.713**

The highest-rated aspect of project cost budgeting was budget preparation aligning with accounting and finance standards (Mean = 3.990, SD = 0.698), indicating that most USAID-funded projects adhere to financial regulations and best practices in budget formulation, ensuring transparency and accountability. Proper budget determination and allocation to activities (Mean = 3.968, SD = 0.702) follows closely, suggesting that financial planning processes are generally well-structured, allowing for effective resource distribution. The ability to manage unforeseen expenses within the budget framework (Mean = 3.960, SD = 0.705) suggests that USAID projects implement contingency measures to address unexpected financial needs, though some inconsistencies may exist. Availability of sufficient budgeted

funds to complete projects on time (Mean = 3.950, SD = 0.720) implies that funding is generally adequate, but slight variations in responses indicate that some projects may experience budget constraints or overruns.

Regular cost-benefit analysis (Mean = 3.940, SD = 0.725) suggests that projects evaluate financial feasibility periodically, though variations in responses imply that this practice may not always be consistently implemented. Similarly, maintaining project costs across all phases (Mean = 3.920, SD = 0.710) reflects that budget adherence is relatively strong, but minor inefficiencies in cost control may lead to variations in financial discipline. Operational costing for all project functions (Mean = 3.910, SD = 0.715) had a slightly lower rating, suggesting that while most operational expenses are covered, challenges may arise in fully accounting for all financial needs across different project components. The lowest-rated aspect was budget helping in maximizing the usage of funds and other resources (Mean = 3.870, SD = 0.735), indicating that some inefficiencies may exist in fund utilization, possibly due to underutilization or misallocation of financial resources.

The aggregate mean score of 3.939 (SD = 0.713) suggests that project cost budgeting in USAID-funded projects is fairly effective, with strong adherence to financial standards and structured allocation processes. However, challenges related to maximizing resource usage and ensuring comprehensive operational costing highlight areas where improvements can enhance overall budget efficiency. These findings align with Kabogo and Rusibana (2021), who concluded that effective budgeting and fund allocation enhance project performance in public institutions. Their study emphasized that budget control mechanisms help in preventing financial mismanagement and inefficiencies. Similarly, Otieno (2022) found that budget planning, coordination, and evaluation significantly influence the performance of National Government Constituency Development Fund (NGCDF) education projects, underscoring the importance of strategic financial allocation and monitoring.

Project Cost Control

The study also sought to understand the effect of project cost control on the performance of USAID funded projects in Kajiado County. Table 2 summarizes the findings on project cost control.

Table 2: Descriptive Statistics for Project Cost Control

Statement	Mean	Standard Deviation
Spending requests not in the budget are monitored	4.025	0.682
Project costs are monitored and adjusted throughout the year	4.045	0.695
The project managers have set limits to consumption of project funds	4.000	0.680
Authorization must be sought before using project resources from project managers	4.010	0.690
Regular reviews help in comparing estimates vs. actual costs to avoid unnecessary expenses	4.042	0.685
Project managers implement cash flow management to cut project expenses	4.050	0.678
The managers actively monitor overhead/operational costs	4.060	0.700
Assessments done identify indicators of cost overruns where corrective measures are undertaken	4.038	0.688
Aggregate Score	**4.034**	**0.687**

The highest-rated aspect of project cost control was active monitoring of overhead and operational costs (Mean = 4.060, SD = 0.700), indicating that USAID-funded projects prioritize tracking recurring expenses to ensure financial efficiency. Implementation of cash flow

management to reduce project expenses (Mean = 4.050, SD = 0.678) follows closely, suggesting that financial planning strategies are in place to regulate expenditure and enhance cost efficiency. Monitoring and adjusting project costs throughout the year (Mean = 4.045, SD = 0.695) suggests that projects frequently review their financial plans and make necessary adjustments to align with actual expenditures, ensuring that resources are optimally utilized. Similarly, regular cost reviews comparing estimates to actual expenses (Mean = 4.042, SD = 0.685) reflect that cost-control mechanisms are widely applied to prevent financial mismanagement and budget overruns.

Identifying cost overruns through assessments and implementing corrective measures (Mean = 4.038, SD = 0.688) suggests that projects actively evaluate financial discrepancies and take action to mitigate risks, though slight variations in responses indicate that some projects may have inconsistencies in their cost management practices. Monitoring spending requests not included in the budget (Mean = 4.025, SD = 0.682) shows that funding requests outside the approved budget are generally reviewed, reinforcing financial accountability. Seeking authorization before utilizing project resources (Mean = 4.010, SD = 0.690) and setting limits to the consumption of project funds (Mean = 4.000, SD = 0.680) received the lowest ratings, suggesting that while approval procedures exist, some gaps may still be present in strictly enforcing spending limits across all projects.

The aggregate mean score of 4.034 (SD = 0.687) suggests that project cost control mechanisms in USAID-funded projects are well established, with strong financial monitoring, regular cost reviews, and cash flow management. However, the need for stricter enforcement of spending limits and resource authorization highlights areas where cost control processes can be further strengthened to enhance financial accountability and sustainability. These findings are supported by Omotayo and Olubunmi (2020), who found that post-contract cost control techniques, such as expenditure monitoring and variance analysis, are crucial in minimizing financial losses in the construction industry. Additionally, Alu et al. (2024) discovered that ineffective cost control strategies lead to resource wastage and budget overruns in Nigerian construction projects, highlighting the need for stringent financial tracking mechanisms. The results emphasize that USAID projects should enhance spending limit enforcement to optimize cost efficiency.

Project Performance

The general objective of the study was to determine the effect of project cost management practices on the performance of USAID funded projects in Kajiado County, Kenya. Respondents were therefore asked their level of agreement or disagreement with various statements on performance of USAID funded projects in Kajiado County, Kenya. Table 3 presents the descriptive analysis of project performance.

Table 3: Descriptive Statistics for Project Performance

Statement	Mean	Standard Deviation
Projects are completed within the planned timeline.	4.180	0.645
The quality of project deliverables meets set standards.	4.160	0.658
Stakeholders are satisfied with project outcomes.	4.140	0.660
Project costs remain within the approved budget.	4.175	0.642
Project implementation is free from major financial disputes.	4.130	0.650
Resources are efficiently utilized throughout project execution.	4.190	0.640
Monitoring and evaluation improve project success.	4.145	0.655
Project sustainability is ensured after donor exit.	4.200	0.635
Aggregate Score	**4.165**	**0.648**

The highest-rated aspect of project performance was project sustainability after donor exit (Mean = 4.200, SD = 0.635), indicating that most USAID-funded projects are designed to continue operating effectively even after donor funding ends, suggesting strong long-term impact strategies. Efficient utilization of resources throughout project execution (Mean = 4.190, SD = 0.640) follows closely, reflecting that funds, materials, and personnel are well managed to optimize project outcomes. Timely project completion (Mean = 4.180, SD = 0.645) suggests that most projects adhere to planned schedules, ensuring minimal delays. Similarly, projects remaining within the approved budget (Mean = 4.175, SD = 0.642) highlights that financial discipline is maintained in project execution, preventing overspending and ensuring budget efficiency.

Monitoring and evaluation contributing to project success (Mean = 4.145, SD = 0.655) indicates that performance tracking mechanisms are effectively implemented, helping project managers assess progress and make data-driven decisions. Stakeholder satisfaction with project outcomes (Mean = 4.140, SD = 0.660) suggests that beneficiaries and involved parties generally perceive the projects positively, though minor inconsistencies may exist based on project execution differences. Project implementation being free from major financial disputes (Mean = 4.130, SD = 0.650) suggests that financial transparency and accountability measures are in place, reducing the likelihood of financial conflicts. The lowest-rated aspect was the quality of project deliverables meeting set standards (Mean = 4.160, SD = 0.658), indicating that while most projects achieve quality benchmarks, some inconsistencies in output standards may exist across different initiatives.

The aggregate mean score of 4.165 (SD = 0.648) suggests that project performance in USAID-funded projects is highly rated, with strong sustainability, financial discipline, and effective resource utilization. However, ensuring consistent quality standards and addressing any minor stakeholder concerns could further enhance project impact and success. These findings align with Whitman, Brown, and Meyer (2023), who found that cost-benefit analysis plays a crucial role in enhancing project performance by ensuring financial sustainability and stakeholder alignment. Similarly, Bichang'a and Kimutai (2023) found that effective cost control techniques, such as cash flow monitoring and expenditure tracking, significantly enhance project success in water infrastructure projects.

The overall analysis suggests that USAID-funded projects in Kajiado County exhibit strong performance, particularly in cost estimation, cost control, and sustainability planning. However, challenges exist in project cost planning, budgeting efficiency, and enforcing spending limits. The findings also confirm that project cost management practices—when effectively implemented—positively impact project outcomes. These results provide a foundation for further inferential analysis in the next section (4.6) to examine the statistical significance of these relationships.

Correlation Analysis

This section presents the correlation analysis between project cost management practices and project performance in USAID-funded projects. The Pearson correlation coefficient (r) measures the strength and direction of the relationship, while the p-value determines statistical significance. A correlation value close to +1 indicates a strong positive relationship, while a p-value less than 0.05 suggests that the relationship is statistically significant.

Table 4: Correlation Analysis Between Project Cost Management Practices and Project Performance

Variables		Project Performance	Project Cost Budgeting	Cost Control
Project Performance	Pearson Correlation	1		
	Sig. (1-tailed)			
	N	128		
Project Cost Budgeting	Pearson Correlation	. 678*	1	
	Sig. (1-tailed)	.001		
	N	128	128	
Project Cost Control	Pearson Correlation	.703*	.375	1
	Sig. (1-tailed)	.000	.211	
	N	128	128	128

The findings show a strong positive correlation (r = 0.678, p = 0.001) between cost budgeting and project performance. This implies that effective budget allocation, financial monitoring, and adherence to budgeting standards contribute to better project outcomes. The significant p-value (0.001) confirms that budgeting plays a key role in project success. These results align with Mwaguni, Mbugua, and Rambo (2020), who established that project budgets significantly influence the performance of research projects in public universities. Similarly, Omollo (2019) found that budgeting techniques impact county government project execution, emphasizing the need for financial forecasting and control mechanisms. The findings suggest that USAID-funded projects should focus on refining budgeting techniques to prevent fund mismanagement.

The strongest correlation was observed between cost control and project performance (r = 0.703, p = 0.000), indicating that strict financial monitoring, expenditure tracking, and spending limits significantly enhance project success. The low p-value (0.000) suggests that cost control is a critical determinant of performance. These findings are in line with Abdikani and Ouma (2024), who found that budgetary control significantly influences project performance in NGOs. Their study highlighted that effective cost regulation prevents financial mismanagement and resource wastage. Similarly, Whitman, Brown, and Meyer (2023) found that cost-benefit analysis plays a crucial role in improving project performance by optimizing financial decision-making. These findings suggest that USAID projects should enforce stricter cost control measures to ensure sustainability.

Regression Analysis

Regression analysis was conducted to determine the extent to which project cost budgeting, and project cost control influence the performance of USAID-funded projects in Kajiado County.

Table 5: Regression Coefficients of Study Variables

Variable	**Unstandardized B**	**Std. Error**	**Standardized Beta**	**t-Statistic**	**Sig. (p-value)**
Constant	0.482	0.192		2.510	0.014
Project Cost Budgeting	0.372	0.067	0.361	5.552	0.000
Project Cost Control	0.426	0.073	0.411	5.836	0.000

Project Cost Budgeting (B = 0.372, p = 0.000) also had a strong and significant effect. The coefficient 0.372 suggests that a one-unit improvement in cost budgeting results in a 0.372 increase in project performance, demonstrating the importance of structured financial allocation, contingency planning, and fund management. Since the p-value is 0.000 ($p < 0.05$), the relationship is statistically significant, reinforcing the need for effective budgeting

strategies. This supports the findings of Kabogo and Rusibana (2021), who concluded that efficient budgeting contributes to project sustainability by ensuring proper fund distribution and avoiding financial mismanagement. These findings indicate that USAID projects must enhance their budgeting frameworks to account for unforeseen expenses, allocate funds based on project needs, and align financial plans with performance targets. By doing so, projects can reduce financial stress, optimize expenditure, and ensure resources are used effectively throughout the project lifecycle.

Project Cost Control (B = 0.426, p = 0.000) had the strongest effect. The highest coefficient value (0.426) indicates that project cost control has the strongest effect on project performance, meaning that a one-unit improvement in cost control results in a 0.426 increase in project performance. This suggests that strict financial monitoring, regular expenditure tracking, and effective cash flow management significantly enhance project efficiency. The p-value of 0.000 confirms that this relationship is highly significant, demonstrating that effective cost control measures are essential for project success. These findings align with Abdikani and Ouma (2024), who found that proper budgetary controls prevent financial mismanagement and ensure project sustainability. Strong cost control mechanisms help projects stay within budget, prevent overspending, and enhance financial accountability. The results emphasize that USAID-funded projects should strengthen financial oversight, enforce spending limits, and implement real-time expenditure tracking to improve overall project efficiency.

The optimal regression model from the findings was:

Project Performance = 0.482 + 0.314 (Project cost Estimation) + 0.298 (Project Cost planning)

Conclusion

The study concludes that effective budgeting is crucial for project success, as it ensures financial resources are allocated efficiently, operational costs are covered, and unexpected expenses are managed. While budgeting frameworks align with financial standards and cost-benefit analysis is regularly conducted, some challenges remain in maximizing resource utilization and maintaining budget flexibility. Enhancing budgeting strategies by refining fund allocation, improving cost-benefit evaluation, and implementing adaptive financial frameworks will further strengthen financial sustainability and project efficiency.

Project cost control was found to have the strongest effect on project performance, emphasizing the importance of financial monitoring, expenditure tracking, and strict budget enforcement. The study concludes that real-time financial tracking, spending limits, and internal financial audits significantly reduce financial mismanagement. However, gaps in enforcing spending limits and approving financial requests suggest that more stringent cost control measures are needed. Strengthening financial oversight, implementing automated cost tracking systems, and enforcing strict approval protocols will enhance financial accountability and project sustainability.

Recommendations

Recommendations for Strengthening Project Cost Budgeting

Project cost budgeting was found to positively affect project performance, with structured budget allocation and cost-benefit analysis contributing to financial sustainability. However, challenges in maximizing fund utilization and addressing unforeseen expenses within the budget framework were identified. It is recommended that USAID projects refine budget allocation mechanisms by implementing flexible financial planning models that allow for dynamic adjustments based on project needs. Additionally, improved cost-benefit evaluation should be incorporated into budget planning to optimize fund distribution and prevent resource

wastage. Lastly, introducing contingency funds in project budgets is recommended to address unexpected financial constraints without disrupting project execution.

Recommendations for Improving Project Cost Control

The study found that project cost control had the strongest effect on project performance, highlighting the importance of strict financial monitoring and expenditure tracking. However, gaps in enforcing spending limits and financial authorization processes were noted. To strengthen cost control, USAID-funded projects should implement automated financial tracking systems that allow for real-time monitoring of project expenditures and early detection of budget deviations. Additionally, more stringent approval processes should be enforced for financial requests, ensuring that unauthorized spending is minimized. Regular internal audits and financial reviews should also be conducted to identify and correct financial inefficiencies, enhancing overall financial discipline and project success.

Recommendations for Enhancing Project Performance

The study established that USAID-funded projects generally exhibit strong performance, with most projects meeting budget and timeline expectations. However, concerns were raised about the consistency of project quality standards and long-term sustainability strategies. To enhance project performance, project teams should strengthen quality assurance mechanisms by introducing rigorous monitoring and evaluation frameworks to ensure project deliverables meet set standards. Additionally, project sustainability planning should be prioritized, ensuring that projects remain functional and impactful even after donor exit. Engaging stakeholders throughout project implementation and conducting periodic performance reviews will further help to identify improvement areas and optimize project success.

Suggestions for Further Research

This study recommends that a comparative analysis be conducted to evaluate differences in financial management approaches between USAID-funded projects and other donor-funded initiatives, providing insights into best practices and challenges across various funding sources. Sector-specific studies could focus on particular areas such as healthcare, education, or infrastructure within USAID projects to identify unique cost management challenges and tailor solutions accordingly. Additionally, longitudinal studies should be undertaken to assess the long-term impact of cost management practices on project sustainability beyond the donor funding period, helping policymakers and project managers enhance financial planning and execution over time.

Future research should also examine the effects of abrupt donor funding stoppages, such as the temporary suspension of USAID disbursements during the Trump administration, on project performance, cost control, and sustainability. Understanding how projects respond to sudden funding disruptions could inform the development of more resilient cost management and risk mitigation strategies in donor-dependent environments. Furthermore, the remaining 27.4% of project performance variations unexplained by the current model suggests that other factors beyond cost management—such as stakeholder engagement, regulatory compliance, and technological adoption—should be explored in future studies to build a more comprehensive understanding of project success drivers.

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