

**Fiscal Decentralization in Kenya: An Analysis of the Implementation of the Constituency  
Development Fund in the Naivasha and Gatanga Constituencies**

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Submitted: February 2016

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## **Abstract**

In the wake of government reform in Kenya, fiscal decentralization has been adopted as a new framework to share fiscal powers and functions between national and county governments. Primarily, the objective for this new approach is to create an effective means to provide efficient basic services such as healthcare, clean water, food, education, security, transport and other pressing community needs. The Constituency Development Fund (CDF) was established as a fiscally decentralized initiative administered at the constituency level under the flagship of Members of Parliament. A decade after the rolling out of this initiative, evidence was rife that despite a few successes, most constituencies were reported to have expropriated or mismanaged the Fund, while others were accused of underspending. The Fund was also marred by endemic corruption, ghost projects, abandoned and unfinished projects. This study interrogates how and why fiscal decentralization has been implemented as a governance reform strategy in Kenya in general, and also looks at the CDF as one of Kenya's local economic development funds. The outcomes of the CDF were explored in the Gatanga and Naivasha constituencies through conducting interviews with 90 officials involved in the day-to-day management of CDF projects; through first-hand observation; and through perusing the scant documents available.

Kenya's newly inaugurated Constitution in 2010 is the first time that Kenya has officially adopted a decentralized system of government. This study concludes that legislatively speaking, Kenya is indeed a decentralized country. The CDF is indeed aimed at addressing fiscal inequality among the different local constituencies and can, in theory, contribute to local economic development as per the theory of fiscal decentralization. This in turn, could strengthen local constituency's autonomy. The fieldwork of this study showed that these theoretical postulations were only true to some extent. A legal framework for decentralization, including fiscal decentralization and a fiscal equalization fund, like the CDF in itself will not automatically bring about local economic development. The responses from my interviews, government reports and my own first-hand observations showed some implementation failures. However, the study revealed some interesting insight into potential factors for future success. One key factor is that of good leadership as being one of the core and inevitable values needed to enhance the intrinsic norms of LED such as: fiscal participation and budgeting; economic efficiency; transparency; accountability and effectiveness. The study concludes by presenting a table which synthesizes the findings of the study. It is a

toolkit designed for the Kenyan context and recognizes that there are different local challenges. Nevertheless, it offers a systematic approach and strategies on how the key drivers of LED can be supported.

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## **Dedication**

This work is dedicated to my family, my mam, Rosemary Wanjiru, and dad, Francis Muna; to my siblings (my late brother Peter RIP, Mike, Wangui, Sarah, Njoki, Dav, and Chiku); and to the special one, Monica Njeru, for their continuous support through prayers and love.

## List of Abbreviations

<b>ABDG:</b>	African Bank Development Group
<b>CDF:</b>	Constituency Development Fund
<b>CIDP:</b>	County Integrated Development Plan
<b>DDGP:</b>	The District Development Grant Program
<b>DDP:</b>	The District Development Planning
<b>DFRD:</b>	The District Focus for Rural Development
<b>KANU:</b>	Kenya African National Union's
<b>KDPRS:</b>	Kenya Department of Parliamentary Research Services
<b>KHRC:</b>	Kenya Human Rights Commission
<b>LATF:</b>	Local Authority Transfer Fund
<b>LED:</b>	local economic development
<b>MNA:</b>	Member of the National Assembly
<b>NARC:</b>	National Alliance Rainbow Coalition
<b>NTA:</b>	National Taxpayers Association
<b>PFA:</b>	Public Financing on Agriculture
<b>PS:</b>	Publicity Sub Committee
<b>REF:</b>	Rural Electrification Fund
<b>RMLF:</b>	Road Maintenance Levy Fund
<b>SAPs:</b>	Structural Adjustment Policies
<b>SPAN:</b>	Social and Public Accountability

<b>SPSS:</b>	Statistical Package for Social Sciences
<b>SRDP:</b>	The Special Rural Development Programme
<b>UF:</b>	Uwezo Fund
<b>UNCDF:</b>	United Nations Capital Development Fund
<b>UNDP:</b>	United Nations Development Programme
<b>WEF:</b>	women's Enterprise Fund
<b>YEF:</b>	Youth Enterprise Fund



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# **CHAPTER ONE**

## **Background to the Study**

### **1.1 Introduction**

This chapter provides a brief theoretical background of fiscal administration by governments in developing countries and particularly those in Africa. It provides a rationale of why most of these governments preferred central administration of economic resources to devolving such functions. The chapter briefly introduces some of the key factors (to be expounded in Chapter 2) that pressured these governments to cede their powers to subnational governments with discretionary powers to administer development in tandem with local preferences. This chapter also presents: the rationale behind the choice of this topic for investigation; the research problem and objectives; principal theories upon which this study is structured. The chapter also elaborates the methodology applied while conducting this research, and concludes by delineating the structure of this dissertation pursuant to each of the six chapters of this study.

### **1.2 Background**

In order for governments to fulfill their mandate and provide efficient service delivery, ensure macroeconomic stability, promote equalization of growth across regions, as well as achieve local economic development, the art of managing national revenue becomes one of the central concerns of any given government. Notably, governments across the globe have attempted to devise and implement policies in search for the best possible means to deliver these objectives. Musgrave (cited in Bahl and Linn, 1994: 3), emphasises that the objectives of a government's budgets are aligned to 'stabilize growth, redistribute income, and allocate fiscal resources and has long being the starting point for discussing the division of fiscal powers and responsibilities among units of government'. Manor (1999) argues that the pertinent budget objective of central government is to stimulate a stable economic growth and reduce poverty.

A broad spectrum of governments from developing countries, particularly those in Africa, have a history of being more centralized in their approach to administration of their development plans than their highly industrialized counterparts. Apparently, this system of governance in developing countries has been linked with daunting development and general weakness in local government associated with:

[e]arly emphasis of development economics on central planning, concentrated urbanization, scarce managerial and technical expertise, and perhaps most important, strong central government dominated by ethnic, religious, or economic groups reluctant to share power (Smoke, 1993: 901).

In the last decades, many national governments in developing countries had remained the sole development and planning agents. National governments were regarded as better placed and embedded to design and implement far-reaching policies and programs to address erratic needs of the citizenry. The rationale behind central planning in developing countries thus was seen as a means of providing comprehensive policies and using scarce resources to promote economic growth (Cheema and Rondinelli, 1983).

Henderson and Mills (cited in Smoke, 2001: 2) argue that early development economists discouraged the development of local government by advising officials of developing countries that they could maximize growth by centralizing control over the economy. Therefore, development strategies were based on central planning and spatial centralization to capture economies of scale and promote growth. Thus, the development responsibilities were concentrated at the center, and local authorities were largely neglected. However:

While the reality of the historical forces pushing in the direction of centralization must be recognized, the real explanations for reluctance to decentralize lay in the absolute power enjoyed by the political power holders and the threat that democratic decentralization could pose to this entrenched governance mode. In addition, there were problems concerning institutional design, alternative institutional options and the lack of information on local government systems (Olowu, 2003: 509).

Werlin (1970: 186) argues that the control of the central government became considerably more repressive or 'inelastic', because the officials of the state opted to rely on tools of coercion instead of techniques of persuasion. A centralized approach to political order in Africa was strongly advocated by social scientists when the new states emerged from the breakdown of colonial



empires. However, the argument for centralization changed as such pattern of governance became increasingly associated with severe errors in development policy, the emergence of autocratic and corrupt governments, and the exploitation of rural masses by the miniscule urban elites, and the wastage of vast amount of resources on poorly planned development projects. There were other dysfunctions that were associated with centralization that included the difficulty of effective administering from the center resulting to local problems being poorly addressed (Wunsch & Olowu, 1990: 6-7).

Nevertheless, the inability of central governments in Africa to reach their citizens effectively suggested that something else was necessary. The continuing strength of the democratic norm in the city and countryside demonstrated the persistent desire of people to participate in the management of their own affairs (Kasfir, 1993: 25).

In recent years however, political and economic changes, including international pressures on developing countries have significantly raised the prospects for decentralization among these countries. Smoke (1993: 901) argued that the introduction of Structural Adjustment Policies (SAPs) adopted in the 1980s was central to relegating the functions, scope, and activities of central governments and with an attempt to improve the quality of the services they deliver. This move paved way for the raising potential of local governments to raise revenue, budget, provide services, stimulate private investments, and facilitate the implementation of national policies (Smoke, 1993: 901).

Policy activists, reformers and authors of decentralization debate such as Smoke (2007); Olowu and Wunsch (2004); Crook and Manor (1998); Grindle (2007), and Rondinelli and Rondinelli (1983) argued that for the last decades in the sub-Saharan region, a perceived urgency was initiated to adopt decentralization strategy for managing public policy. This is being driven by the urge to break from the control of central government over the citizens' lives, and to engender participation in democratic governance. As argued by Bratton (2011: 516), this nostalgia was motivated by the urge to reform the operation of local government authorities, coupled with efforts to enhance the potential of these institutions to extort local revenues, and be agents of local economic development by responding to local preferences.

Initiatives towards decentralization are not entirely new in Africa. Ribot and Oyono (2005: 205) argue that governments across the African continent have repeatedly undergone decentralization reforms since the early colonial period. Since 1917, there have been noticeable waves of decentralization in Francophone West Africa- after each of the World Wars, shortly after independence, and in the current decade, while the Anglophone and Lusophone African countries have also witnessed multiple pre- and post-colonial decentralizations (Ribot, 2002: 4).

Local government was introduced in many developing countries, especially in Africa through colonialization and development assistance, often taking a form that neither met the intended purpose nor gained acceptance from the local people (Mawhood, 1987: 14). Seemingly, in recent years, decentralization of fiscal management has been geared towards the promotion of local socio-economic wellbeing. However, past decentralizations in Africa were constructed to manage local populations either through administrative customary rulers or colonial administrative authorities followed by post-colonial governments. By extension, local institutions were designed to operate as instruments of central authority (Ribot and Oyono, 2005: 250). Mamdani (cited in Ribot and Oyono, 2005: 250) alleges that these institutions were oppressive and were only used by the central organs as instruments of management and control.

Oyugi (2000: 16) maintains that there is not a single country in Africa that did not have some form of local government in operation, while emphasizing that virtually all decentralization reforms were meant to strengthen democratic governance and service provision. Oyugi (2002: 6) observes that despite these attempts, through the 1960s, 1970s, and 1980s, decentralization efforts across the continent failed to produce autonomous local development agents. They failed to devolve significant powers to local representative bodies and thus such functions retained under the control of the national government. The United Nations Capital Development Fund (UNCDF) notes that towards the end of 1970s, it was apparent that the framework for decentralization by African governments had neither promoted participation, nor promoted any significant socio-economic agenda (UNCDF, 2000: 2). Furthermore, as Oyugi (2000: 17) reports from his survey conducted on West African countries, no local government was found having autonomous control over its budget or any with autonomous powers and discretion in policy making.

Soon after Kenya's independence in 1963, the central government was quick to gain control over its financial resources. It pursued economic development through central planning. However, according to Gutierrez-Romero (2013: 72), the centralization of authority and the exclusive management of resources led to unequal distribution of resources across the regions, resulting in growing inequality of service provision, infrastructure and development. Policy formulation and implementation of community development projects remained the realm of the central government.

Accordingly, the ruling elite maintained control over the disbursement of national resources. Only those who showed loyalty to the presidency and the ruling party benefited from the regime. In the late 1980s to early 1990s, civil society organizations, religious groups, and the international community exerted pressure on Moi's government. In effect, this paved the way for the reformation of the governance system in Kenya. Eventually, executive powers in the control of public affairs were reduced (Maltz, 2007: 132). Gituto (2007: 1) maintains that at this point (early 1990s), Moi designed a caricature of reform that bore some characteristics of decentralization. Progressively, Kenya began to embrace a variety of sub-sovereign financing schemes as key policy, administrative and technical financial instruments to provide solutions to the various manifestations of social exclusion, poverty and inequality.

Since independence in 1963, the Kenyan government implemented a number of programs aimed at local economic development. Among them: The District Development Grant Program (DDGP) (1966); The Special Rural Development Programme (SRDP) (1969-1970); The District Development Planning (DDP) (1971); The District Focus for Rural Development (DFRD) (1983-1984). However, these initiatives suffered the same fate - that of a lack of funding and excessive bureaucratic capture by the central government (Bagaka, 2008: 2).

Before the creation of county governments in Kenya, Constituencies in Kenya, under the leadership of the Member of Parliament were seen as critical in lobbying for local development. Since the economy was centrally administered, Kenya lacked a system that streamlined funding for development at the constituency level. In fact, this initiative was hijacked by the members of the executive, who disseminated such funds at their own discretion. Members of the executive elite were politically motivated to expand their patronage, and it meant that constituencies aligned to

government received extraordinary allocations as a reward for their loyalty. In this case, such political leaders used public resources to “buy” themselves power. And since most constituencies are largely drafted along tribal jurisdictions, this meant that certain tribes were deprived of development while others thrived. This resulted in unequal distribution of wealth, development, and economic opportunities across the country (Kimani, 2012).

In December 2002, the National Alliance Rainbow Coalition (NARC) government took over power from the highly centralized Kenya African National Union’s (KANU) regime. It was NARC that facilitated the introduction of the Constituency Development Fund (CDF) in 2003 through an Act of Parliament. This concerted initiative symbolized shift of power and saw 2.5 percent of the annual government ordinary revenue being distributed across the 210 constituencies. The Fund was meant to stimulate growth of local development from the level of the constituency by fast-tracking delivery of basic services such as healthcare, clean water, food, education, security, transport, and other pressing needs identified and prioritized by local communities. The administration of this Fund was entrusted under the flagship of Members of Parliament (MP) (Also known as Members of the National Assembly (MNA)).<sup>1</sup> This initiative was seen as an attempt to transform government by adopting fiscal decentralization as a policy objective that was expected to improve service delivery and uplift the poor by devolving public funds to be administered at the local government level. It was also expected to augment more interaction between the government and its citizens. This was seen as a critical step towards levelling the existing social, economic and growth imbalances in the constituencies.

Although the CDF is not the only fiscally decentralized initiative in Kenya, it stands out as the foremost practice and continues to persist. Even though these funds are monitored through directives and regulations designed by the national government, the formulation, identification, and implementation of projects are designed to emerge from the grassroots. Ongoya and Lumallas (2005: 22) argue that through the implementation of the CDF, the Legislative arm of parliament has clearly usurped Executive powers and functions which include the use of government funds, while parliament is to monitor such use. Moreover, unlike other development funds that filter from the central government through a large number of layers of administrative organs and

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<sup>1</sup> Member of Parliament (MP) and Member of National Assembly (MNA) will be used interchangeably in this research.

bureaucracies, funds under CDF go directly to local levels, providing people at the grassroots with the opportunity to make expenditure decisions. This opportunity maximizes their welfare, and thus is consistent with the theoretical predictions of fiscal decentralization theory (Kimenyi, 2005: 1), that is, to enhance efficiency of government in providing public services and to accelerate local social and economic wellbeing with local communities as the principal agents (Tiebout, cited in Vigneault, 2007: 133).

### **1.3 Rationale for the study:**

This research has been motivated by the current trends of decentralizing government functions in Kenya with an aim of enhancing local economic delivery to local populations. The outcome of the introduction of a decentralized system of governance in Kenya has not yet been fully explored. This study is instructively situated at a time when Kenya is at the height of rolling out a concerted process of devolving government functions geared to enhance local economic development (LED) as one of its main objectives. This initiative is supported by a new constitutional framework that was inaugurated in 2010, having been voted for through a national referendum.

In the context of the aforementioned, the establishment of a new constitution has created a new platform for policy makers and researchers to seek viable development solutions that would lead to eventual social and economic growth for local populations. This study is based on the assumption that there is a general consensus among the 47 newly established county governments and their respective sub counties towards creating a favourable environment for devolution as envisaged by the CoK 2010. The constitution allows these subnational governments to undertake development functions with legislated discretion and autonomy to design and implement their own development priorities and preferences. Thus, a new political dispensation and policy environment provides a strong justification for conducting this study as a means of gaining an in-depth understanding of prospects for and challenges of the implementation of the CDF. This study identified that CDF is the most appropriate “trial decentralization initiative” that enjoyed consistent government funding and political support from its establishment in 2003 to the establishment of decentralized governments in 2013. The authority for project identification, allocation, and implementation is left to the discretion of the local stakeholders at the constituency level.

Efforts to assess empirical evidence that support the premise that fiscal decentralization contributes to improved means of poverty eradication through an improved local economic delivery system have yielded mixed results. Some have shown positive relationship, others have noted no impact, while others have recorded a negative impact. The rationale behind the formulation of this study therefore seeks to gain an in-depth understanding of how and why fiscal decentralization was initiated in Kenya, and determine how the implementation of CDF, has contributed to the enhancement of local economic development.

Based on the fact that CDF has been implemented in Kenyan constituencies for the last decade, it became critical for the researcher to gain a deeper understanding of the perceptions of respondents drawn from Gatanga<sup>2</sup> and Naivasha<sup>3</sup> constituencies that were purposively selected<sup>4</sup>. This experience has the potential to present compelling evidences that could be used not only to offer credible lessons with potential to reform CDF implementation processes, but also to inform the development of a comprehensive decentralized system in both constituencies.

In a nutshell, the rationale behind this study is to determine the form that fiscal decentralization in Kenya has adopted and how its evolution has influenced development in local jurisdictions; and to consider whether or not the implementation of CDF is conducive for local economic development in Gatanga and Naivasha.

#### **1.4 Research objectives and questions**

The key objective of this study is to seek understanding of fiscal decentralization in the Kenyan context, keeping in mind that, prior to 2013, Kenya has always been a centralized system of government. The study pays special attention to the implementation of CDF in Gatanga and Naivasha constituencies. Specific objectives aligned to this study are:

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<sup>2</sup> Gatanga in this study refers to Gatanga Constituency

<sup>3</sup> Naivasha in this study refers to Naivasha Constituency

<sup>4</sup> How the two constituencies were included in the sample will be explained in section 1.6.5.1.

- To determine the rationale behind: fiscal decentralization theory; the implementation of fiscal decentralization in Kenya; and the design and establishment of the Constituency Development Fund.
- To determine the extent to which fiscal decentralization meets its intended objectives in Kenya
- To explore the extent to which CDF has contributed to the enhancement, or otherwise, of local economic development in the selected constituencies of Gatanga and Naivasha.
- To identify CDF implementation challenges as evidenced in the selected constituencies of Gatanga and Naivasha.
- To propose recommendations to meet the intended objectives of fiscally decentralized funds in Kenya.

In order to address the main objectives above, this study attends to the following sub-questions:

- What is the rationale behind the fiscal decentralization theory?
- What was the rationale behind centralization policies in Kenya, and what factors led to the shift towards fiscally decentralized initiatives managed at subnational government levels in Kenya prior to 2010?
- What are the policies that guide the implementation of CDF in Kenya?
- What is the level of awareness of local communities in Gatanga and Naivasha constituencies regarding the implementation of CDF development projects?
- To what, if any extent has fiscal decentralization framework in Kenya, through the implementation of the CDF, entrenched governance values such as: fiscal accountability; participatory budgeting; project identification and implementation; and monitoring and evaluation of development projects in Gatanga and Naivasha constituencies?

- What are CDF implementation challenges in Gatanga and Naivasha constituencies in Kenya?

## **1.5 Conceptual Framework**

The literature on decentralization, more particularly fiscal decentralization, informs the conceptual framework of the study.

Kee (2004: 168) argues that the theoretical case for fiscal decentralization dates from 17<sup>th</sup> and 18<sup>th</sup> century philosophers, including Rousseau, Mill, de Tocqueville, Montesquieu, and Madison. It started at a time in which central governments were distrusted and decentralized governments were seen as the principal hope to preserve the liberties of the citizenry. In recent decades, fiscal decentralization has become part of the reform agenda, supported by the World Bank, USAID, the Asian Development Bank, Organization for Economic Cooperation and Development, and the Inter-American Development Bank (among many others), and has become an integral part of economic development and governance strategies in developing and transitioning economies (Bahl, 1999). These organizations do not confine themselves to urging countries to adopt fiscal decentralization as the new development path: rather, they actively assist countries to establish such strategies as part of enhancing greater efficiency of the public sector. It is also apparent that these organizations assume that fiscal decentralization strengthens participatory decision making at the local level which eventually would yield to accelerated economic growth and development (Grewal, 2010:1-12).

Davoodi and Zou (1998: 244) note that the conceptual framework of fiscal decentralization, or devolution of fiscal powers from the national to local governments, is seen as part of a reform package to improve efficiency of service delivery in the public sector.

The World Bank (cited in Kee, 2004: 3) links fiscal decentralization initiatives with globalization, where the desire for local discretion and devolution of power are seen as one of the most important forces shaping governance and development today. According to Rezk (1998: 206), theoretical and policy-oriented interest in fiscal decentralization arose during the 1980s as a result of various unprecedented situations faced by countries all over the world. Fiscal decentralization can be assessed depending on the degree of decision-making empowerment of the lowest levels of



government; whether it is characterized as deconcentration (dispersion of responsibilities within a central government to regional branch offices, or local administrative units), delegation (where local government acts as agents for the central government, executing certain functions on its behalf), or devolution (where implementation and authority to decide what is done is in the hands of the local government) (Bird and Vaillancourt, 1998: 3). This leads to fiscal decentralization theorem that:

[t]he governments closest to the citizens can adjust budgets (costs) to local preferences in a manner that best leads to the delivery of a bundle of public services that is responsive to community preferences (Ebel and Yilmaz, 2003: 103-104).

Kee (2004: 168) attests that the modern case for fiscal decentralization was articulated by Wolman (in Bennet, 1990), who spearheaded the two arguments underpinned under two principal characteristics: efficiency, and governance values. Firstly, Kee (2004: 168-169) understands efficiency as an economic value where provision of social welfare is maximized. Liu (2007: 10) states that fiscal decentralization is widely advocated on the premise that it improves economic performance by increasing efficiency in the provision of public services. Rao (1998: 78) states that in general, fiscal decentralization has been prompted by the emphasis placed on providing efficient and responsive public services.

Kee (2004: 168-169) argues that decentralizing fiscal functions has a potential to enhance governance values such as: effectiveness, responsiveness, accountability, diversity and equity, and participation. Likewise, Bird and Vaillancourt (1998: 3) argue that fiscal decentralization leads to improved governance due to the fact that local leaders are more responsive to development needs of their respective communities and the latter are given a chance to participate in the project identification and implementation process. Decentralization places allocational decision making closer to the people, fostering greater responsiveness of local officials and greater accountability to citizens (Dillinger, et al 2003: 233).

Arguably, fiscal decentralization not only produces more efficient and equitable service delivery through making better use of local knowledge, but it also leads to greater participation and democracy (Bird and Vaillancourt, 1998: 3). Local decision-makers are endowed with more knowledge about the problems and needs of their local area as opposed to centralized decision-

makers. As such, the theory and literature on fiscal decentralization posit that it is an integral part of local economic development (Kee, 2004: 269).

The literature on decentralization and fiscal decentralization points to a variety of arguments that have motivated various countries (both developed and developing) to pursue decentralization in different forms. This study analyses the implementation of the Constituency Development Fund. The CDF is a decentralization initiative that was established in Kenya in 2003, a decade earlier than the constitutionally enshrined system of devolution established in 2013. The CDF, being the only major decentralized initiative that has constantly enjoyed government funding, with local stakeholders at the constituency level being charged with its implementation. The CDF became a core component in Kenya's experience and policy that has the potential to inform the current proposed devolution of government fiscal functions in the CoK, 2010.

## **1.6 Research Methodology**

Research methodology refers to the methods, techniques, and procedures that are put in place in the process of executing the design or plan of the research. This includes underlying principles and assumptions used in informing and shaping the proposed research. Research methodology also encompasses identifying how the study will affect elements being studied, and how the research is aligned with ethical rules governing research. (Babbie and Mouton, 2001: 103-104 & 646).

### **1.6.1 Research Design**

This study takes the form of an empirical qualitative case study design. According to Bergmann (2004: 146), empirical refers to the material/phenomena being studied that may include situations, cases, or persons. Baxter and Jack (2008: 544) posit that in a case study, the phenomena/cases under study should be done within their (natural) contexts. According to Baxter and Jack (2008: 545), case study design facilitates exploration of a phenomenon from different perspectives using different data sources. This means that the issue under investigation is not only considered from one perspective, or using one lens, but rather using a variety of data sources that makes it possible for the phenomenon that is under investigation to be comprehensively revealed and understood. Stake (1995) and Yin (2003) maintain that information derived from different sources in a case study design would ensure that the topic under investigation is broadly explored and that the

essence of the phenomenon is revealed. Two constituencies in Kenya namely: the Naivasha Constituency (located in Nakuru County) and the Gatanga Constituency (located in Muranga County) were selected as case study in this research.

### **1.6.2 Research Approach**

This research assumes a qualitative triangulation approach. In this approach, the researcher tries to seek understanding into a particular phenomenon based on the perspective of those who experience it (Vaismoradi, Turunen, & Bondas, 2013: 398). According to Flick (2008: 178), ‘triangulation’ refers to the observation of a research phenomenon from (at least) two different points. Triangulation is mainly done as a process of validating procedures and results of empirical social research. Using various methods to collect data to understand a single phenomenon is commonly known as “*triangulation of data*” where data is sourced from different people differently (Flick 2008: 178). This research approach sought a deeper understanding of the implementation of the CDF in Gatanga and Naivasha by conducting a literature review, a structured questionnaire, a semi-structured questionnaire or interview guide, and an observation checklist. These methods facilitated the exploration and understanding of meanings that individuals or groups ascribe to social or human phenomena under investigation (Creswell, 2009: 4).

### **1.6.3 Research Paradigm**

Kuhn (cited in Brink, Van de Walt and Rensburg, 2012: 24) defines the term paradigm as a discipline’s specific method of structuring reality. The term paradigm can also be used to describe a set of assumptions regarding basic kinds of entities in the world, and how these entities relate and interact, including the methods to use for constructing and testing theories of these entities (Laudan, cited in Brink, Van de Walt and Rensburg, 2012: 24). There exist different assumptions which can influence the nature of the researcher’s investigation. Therefore, the researcher must decide what assumptions are acceptable and appropriate for the topic of interest, and must use the method consistent with that paradigm (Brink, Van de Walt and Rensburg, 2012: 24).

This study utilized the transformative paradigm with its associated philosophical assumptions to provide a framework for addressing the research objectives of this study. According to Mertens (cited in Mertens et al., 2010: 195), the philosophical assumptions of the transformative paradigm

lead to consideration of approaches to research that reflect explicit recognition of community values and self-realization that form the core for methodological decisions. Transformative paradigm's axiological assumption rests on the recognition of power differences and ethical implications that derive from those differences in terms of discrimination, oppression, misrepresentation, and being made to feel and be invisible (marginalized) (Mertens, Holmes and Harris, 2009: 85). This resonates with the case study element of this research as it is largely based on seeking how to close gaps that have been created through social and economic marginalization in Kenya, thus employing its potential to address injustices and inequalities in the society using triangulation of qualitative methods of data collection.

#### **1.6.4 Population**

In academic research, 'population' describes the total quantity of cases of the type which are the subject of the study. Therefore, a population may consist of objects, people or events (Waliman, 2005: 276). In this research, the population comprises individuals living within jurisdictions of two constituencies in Kenya namely: the Gatanga and Naivasha constituencies. The rationale behind the selection of these two constituencies is provided in section 1.6.5.1.

#### **1.6.5 Sampling**

According to Walliman (2005: 276), a sample is regarded as a selected number of cases in a population. A sample is preferred in circumstances where populations are huge and may be extremely difficult if attempts were made to reach all units of the whole population. Therefore, a sample is selected, informed by certain methods and researcher's judgment, which portrays a fair representation of all members of the population. And since there are basically two major sampling procedures, random and non-random, the latter cannot generally be used to make generalizations as compared to the former. Random sampling has significantly higher chances of ensuring more reliable representation of the whole population. No matter the criteria employed in selecting the sample, the selected sample must be free from bias because eventually the sample selected has a significant effect in affecting the reliability of subsequent generalizations.

According to Bergman (2010: 383), sampling refers to the method of selecting units of analysis from a study population, which in turn is to be subjected to the analysis. This is determined by available resources, both human and material, disposed for the purpose of the proposed research.

There exist a range of methods that are available for drawing up a sample. There are those methods that aim to represent the population from which the sample is drawn, while other methods may compromise on this ideal. This choice is guided by the nature of the research, the availability of information, and the cost in determining the choice of any particular method (Blaikie, 2010: 172-173). Sampling methods are divided into two dimensions; probability versus non-probability as demonstrated in Table 1 below:

**Table 1: Sampling methods**

Sampling methods	
<b>Probability</b>	-----
Simple random	
Systematic	
Stratified	
Cluster	Snowball

(Blaikie, 2010: 172-173).

This study employs non-probability sampling where the researcher is required to select the participants from among those who know most about the phenomenon being studied. The non-probability sampling is therefore to be constructed from an objective judgment (Burns & Grove, 2011: 312; Field and Morse, cited in Brink, Van de Walt and Van Rensburg, 2012: 140).

### 1.6.5.1 Purposive/Judgmental Sampling

Purposive/judgmental sampling is a type of non-probability sampling<sup>5</sup>. Purposive sampling uses the judgment of the researcher in selecting cases, or cases are selected with a specific purpose in mind. However, the cases selected are not necessarily a representative of the population. It is particularly appropriate in particular circumstances: first, where the researcher selects unique cases that are especially informative; second, a researcher may use purposive sampling to select members of difficult-to-reach specialized populations. Alternatively, a researcher may employ this method with an aim of identifying particular types of cases for in-depth investigation, whereby the purpose is less to generalize to a larger population than it to gain a deeper understanding (Neuman,

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<sup>5</sup> In non-probability sampling, the sampling elements are chosen from the population by non-random method (Brink, Van de Walt and Van Rensburg, 2012: 140).

1994: 198). On the one hand, the advantage of using purposive sampling is attributed to the space that enables the researcher to select the sample on the basis of the case being studied. On the other hand, the disadvantage is the potential for sampling bias whereby the elements included in the sample do not give a proximate representation of the sample, therefore, limiting generalizability of the results (Brink, Van de Walt and Van Rensburg, 2012: 141).

In this study, the researcher aligned the sampling rationale with the fact that the two constituencies selected out of 210 constituencies in Kenya, are unique in the manner in which they were recorded to have used the CDF funds. The two cases are instructive as they are selected from extremes in relation to their CDF performances. The two constituencies selected are Naivasha (in Nakuru County) and Gatanga (in Muranga County). Both constituencies were purposively selected based on their performances in the management of the CDF. Naivasha was selected because it emerged as one among those constituencies that poorly accounted for CDF funds, and Gatanga was selected as among the most efficient and accountable with CDF funds.

The data used to determine the selection of these constituencies was derived from the National Taxpayers Association (NTA) Report published in March 2012. According to the Report (2012), the key findings for the projects funded and monitored in the financial year (fy) 2009/10 for Naivasha indicated that Kenya shillings (Kshs) 8,993,095 of CDF money was wasted on badly implemented projects, amounting to 13% of the total CDF funds allocated to the monitored projects in the 2009/10 fy; Kshs. 2,500,000 of taxpayers' money was wasted on abandoned projects, amounting to 4% of the total CDF funds allocated; furthermore, Kshs. 15,377,212 of CDF money went unaccounted for, amounting to 23% of the total CDF funds allocated to the monitored projects in the 2009/10 fy. On the contrary, the key findings for the Gatanga projects funded and monitored in the same 2009/10 fy indicated that there was no CDF money wasted. In addition, there was no CDF money unaccounted for.

Naivasha Constituency comprises 7 county assembly wards (Hellsgate, Lakeview, Mai Mahiu, Maiella, Naivasha East, Olkaria, and Viwanda). Gatanga comprises 6 county assembly wards (Gatanga, Ithanga, Kakuzi/Mitubiri, Kiriara, Kihumbu-ini, and Mugumo-ini). All the 13 county assembly wards from the two constituencies were included in the sample.

All the above respondents in both Gatanga and Naivasha constituencies were purposively recruited due to the roles they played in the CDF funded local economic development. Largely, these community development workers or representatives were involved in one or combination of the following: drafting local economic development project proposals, implementing local economic development projects or monitoring and evaluating of CDF funded local economic development. Respondents recruited were all relatively literate in both constituencies. It was assumed that they would be most knowledgeable in the subject matter. They were also deemed to be in a better position to provide the researcher with relevant information regarding the local dynamics in CDF funded local economic development initiatives. The professions of those who formed part of the CDF funded local economic development ranged from business people, teachers, chiefs, to farmers, among others.

The purpose was not to generalize to a larger population but to gain a deeper understanding.

#### **1.6.6 Data Collection Methods**

Four data collection methods (literature review, interviews, questionnaires, and observations) were used to collect data in this study. The combination of this form of data collection methods (observing data from at least two different positions) is known as triangulation (Flick, 2004: 178; Armstrong, Gosling, Weinman, & Marteau, 1997: 597). Triangulation is commonly known as combination of methodologies to study the same phenomenon. It is commonly used as a method for cross validation when two or more methods are congruent and result in comparable data (Denzin, 1978: 302). Jick (1979) presents an analogy whereby the effectiveness of a leader could be seen from different angles. This could include interviewing the leader, observing his/her behavior, or assessing his/her performance records. The focus remains that of understanding the leader, but modes of gathering data vary. The combination of these modes portrays a deeper understanding of the leadership phenomenon under study. Pratt (2006) argues that by employing multiple methods in studying a single phenomenon, the researcher increases the potential to acquire a more in-depth and accurate perception of the phenomenon being studied. He notes that the commonest used forms of triangulation by combining interviews with observations. In this case, observation is used to validate or negate accounts provided during the interviews. In addition to interviews and observations employed in this study, structured questionnaires and review of

existing literature on the implementation of the CDF were also used. Data collection methods used in this study included:

#### **1.6.6.1 Literature Review**

According to Creswell (2009: 28), literature review means locating and summarizing previous studies about a topic, including other conceptual articles or thought pieces that provide frameworks related to the topic. A literature review is meant to accomplish several purposes. Firstly, it is aimed at examining studies that are closely related to the one that is being undertaken. It relates the study to the larger, on-going dialogue in the literature, filling in gaps and extending prior studies (Cooper, 1984; Marshall & Rossman, cited in Creswell, 2009: 25). Secondly, reviewing literature provides a framework for establishing the importance of the study as well as the benchmark for comparing the results with other findings (Creswell, 2009: 25). Cooper (cited in Creswell, 2009: 28) suggests that a literature review is at times integrative, whereby the researcher summarizes broad themes in the literature. On the other hand, the researcher may focus on expounding on the theory that relates to the problem under study. Literature review provides important data that forms the introduction to the research and underpins the argument about why the study is worth doing, emanating from the gaps identified in the field of research under study (Walliman, 2005: 75). This study conducted a desktop review of literature which comprised an analysis of existing knowledge, previous investigations, and contemporary practice of fiscal decentralization, including the politics, management and implementation of fiscal resources in Kenya. This review included previous literature on various aspects of the implementation of Constituency Development Fund in varying constituencies in Kenya.

#### **1.6.6.2 Interviews**

Lincoln and Guba (1985: 273) maintain that a major advantage of choosing to use interviews is because they allow the respondents to move back and forth in time – to reconstruct the past, interpret the present, and predict the future. Pickard (2007: 172) declares that interviews are usually used when the interviewer is seeking qualitative, descriptive, in-depth type of data from specific individuals who are deemed knowledgeable. In addition, interviews can be used for reconstruction of events, describing and expressing feelings about particular current phenomena, including predictions of future developments. Even though interviews provide the interviewer and the respondent with an opportunity to clarify meanings and assertions, while allowing respondents to



respond in their own terms and within their own linguistic parameters (Bertrand and Hughes, cited in Pickard, 2007: 172), they can be limited because they often occur within circumstances in which respondents are not in a position to recall great quantities of precise factual data without consulting records of some sort (Pickard, 2007: 172).

This study conducted interviews with key informants selected in Gatanga and Naivasha constituencies. A semi-structured questionnaire was used (see appendix 2). The researcher interviewed 10 respondents and 11 respondents in Gatanga and Naivasha respectively. (These were supplemented with a questionnaire, see 1.6.6.3). Initially, the research had targeted to interview 12 respondents (2 respondents in every county ward) to be interviewed in Gatanga, which translated to 83% response rate. In Naivasha Constituency, the researcher had aimed to interview 14 (2 respondents in every county ward) respondents which translated to 79% response rate. Respondents for interviews were not recruited so much on the basis of their academic qualifications but most particularly for their positions and experiences in dealing with CDF funded local economic development projects. Respondents included those involved in local economic development projects such as opinion leaders, civic leaders, and local administrators. The researcher conducted semi structured interviews with the guide of an interview schedule. These interviews were particularly aimed at getting in-depth knowledge from respondents, through their experience, their understanding of the CDF; implementation challenges experienced in their respective constituencies; and their views on whether the CDF is conducive to LED.

The questions used for the interview were all in an open ended format. According to Brink, Van de Walt, and Rensburg (2012; 155), open-ended questions are not designed according to any preconceived answers, and are therefore relevant to providing data that may seek more explanation on certain issues. In asking open-ended questions, the researcher asks from the respondent items that demand the latter to respond using their own words to the question. Often, open-ended questions are aimed to seek out and understand the feelings of the respondent regarding a particular phenomenon under study (Babbie and Mouton, 2001: 233). These types of questions provide richer and more diverse data as compared to the one that can be obtained using closed-ended questions. Although they are easier to construct, they may take longer to answer which makes them more difficult for the researcher to code and analyze (Brink, Van de Walt, and Rensburg, 2012: 155). The interviews conducted as described above used open-ended questions in the form of semi-

structured questionnaires with an aim to seek in-depth knowledge about local government funding processes and policies.

### **1.6.6.3 Structured Questionnaires**

Questionnaires are not usually the most commonly used methods used in qualitative research. However they can often be useful while collecting information from a wider sample which might be difficult to reach with limited time and resources. In this case, clearly defined facts and opinions are identified beforehand by more qualitative methods (Pratt, 2006). There are a number of reasons associated with conducting a questionnaire: it provides the researcher with an opportunity to reach a larger sample than would be possible by using other techniques; anonymity and confidentiality can be assured and data analysis can be determined from the outset (Pickard, 2007: 183). An apparent limitation of using this technique is that the researcher lacks the opportunity to engage deeply with the respondents (Foddy, 1993: 8).

The questionnaire (see appendix 1) used in this study was largely composed of closed-ended questions. Respondents were required to select the most suitable answer from among a set of options provided by the researcher. Closed-ended types of questions are favored by researchers because of their potential to produce uniformity of responses and are easily processed. They were coded before being processed for computer analysis. Despite the advantages of using these types of questions, closed-ended questions contain a major shortcoming: the fact that it is the researcher who structures the responses. However, this study, as suggested by Babbie and Mouton (2001: 233-234), ensured that the questionnaire was exhaustive by including all possible responses, and a label/category of “other [please specify\_\_\_\_\_]” was included to accommodate other responses not captured in the set of options.

A total of 99 questionnaires were conducted in this research. 50 were administered in the Gatanga Constituency and 49 in the Naivasha Constituency. (The main reason was to supplement the interviews). Initially, the research had targeted to administer 48 questionnaires (8 respondents in every county ward) for Gatanga, which translated that the researcher over-recruited with 2 respondents to 104% response rate. In Naivasha, the researcher administered 56 questionnaires (8 respondents in every county ward) which translated to 88% response rate. The respondents for the questionnaires were drawn from leaders of community development groups involved in CDF funded projects. Member of these community development groups were either involved in project

formulation, or monitoring and evaluation of the implementation of approved projects. Respondents were selected through non-probability sampling. Largely, these community development workers or representatives were involved in one or combination of the following: drafting local economic development project proposals, implementing local economic development projects or monitoring and evaluating of CDF funded local economic development. Respondents recruited were all relatively literate in both constituencies. It was assumed that they would be most knowledgeable in the subject matter. They were also deemed to be in a better position to provide the researcher with relevant information regarding the local dynamics in CDF funded local economic development initiatives. The professions of those who formed part of the CDF funded local economic development ranged from business people, teachers, chiefs, to farmers, among others.

The purpose was not to generalize to a larger population but to gain a deeper understanding.

#### 1.6.6.4 Observations

Observation is a method used in recording conditions, events, and activities without through the non-inquisitorial involvement of the researcher. The non-participant researcher takes a detached approach to the phenomenon and aims not to be visible. One of the ways to carry out observation is when a researcher records the nature of the conditions of objects such as the nature of objects, for example, buildings or other infrastructure (Walliman, 2005: 287). According to Lincoln and Guba (1985: 273) a major significance of direct observation is that it has a potential of providing 'here-and-now' experience in depth. In addition, observation of objects can be a quick and efficient method of gaining preliminary knowledge or making a preliminary assessment of a certain phenomenon being studied (Walliman, 2005: 288). In this research, observations provided valuable information through visiting the geographical sites where various CDF projects have been established. This study presents the outcome of observations (in Chapters 5 and 6) in the form of photographs and commentary on the status of newly started, on-going, finished and unfinished CDF funded projects in both constituencies

### **1.6.7 Reliability**

Reliability in qualitative methodologies is embedded in the principles of: fidelity to real life, context-and-situation-specificity, authenticity, comprehensiveness, detail, honesty, depth of response and meaningfulness to the respondents (Cohen, Manion and Morrison, 2007: 149). In order to enhance reliability, research instruments were pre-tested to ensure that respondents would be in a position to comprehend all the items therein and to minimize the risk of misinterpretation of terminologies and concepts. This was done in line with Babbie and Mouton's (2001: 244) proposal that no matter how carefully researchers design their data collection instruments, there is always a possibility of error. They suggest that a way to mitigate this is by pre-testing data collection instruments. Data collected was comprehensively transcribed and themes were systematically identified. More reliability was ensured by the use of various data collection methods including a questionnaire, interview schedule, and an observation checklist.

### **1.6.8 Validity**

Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are. The methodology selected for this research, triangulation, is identified as a strategy for increasing validity of research or evaluation findings (Mathison, 1988: 13). Campbell and Fiske (1959), Denzin (1978); Web, Campbell, Schwartz, and Sechrest (cited in Mathison, 1988: 13), concur that triangulation is essentially a strategy that has a potential of eliminating bias and consequently allow the dismissal of plausible rival explanations such that a truthful proposition about some social phenomenon can be made. In order to ensure validity, this research not only gathered views and opinions from the political elite and CDF managers, it also reached out to the members and leaders/representatives of the local community who are the direct beneficiaries of CDFs. The researcher also asked a series of questions with a similar dimension in attempting to establish the consistency of the responses. In addition, the *in situ* observations assisted this research in counterchecking the data received through other instruments.

### **1.6.9 Data Analysis**

Data collected from key informant interviews were analyzed using thematic analysis. Thematic analysis is a form of descriptive approach where themes of data collected are identified and analyzed (Braun and Clarke, 2006: 79). DeSantis and Ugarriza (2000: 352) and Boyatzis (1998: vi-vii) maintain that thematic analysis is a process where encoding involves enlisting themes, qualities and indicators that have common relationships. This process of analysis involves searching and identifying common threads/themes and establishes recurring patterns.

Data generated from conducting a questionnaire (see appendix 1) in Gatanga and Naivasha constituencies were coded and computed using the Statistical Package for Social Sciences (SPSS) software. The reason that SPSS was used is mainly because of its capacity to compute and analyze large data sets generated from conducting a questionnaire with large number of respondents. Results generated through SPSS are determined from the outset and such computation and analysis would be tedious if administered manually. According to Alan (2008: 340), SPSS is the most widely used package of computer software for analyzing this type of data extracted from a questionnaire. Descriptive and inferential statistics were computed to establish the relationships among various variables. Such variables included the level of public awareness of CDF and its intended operations; the levels of public participation, involvement in project identification and prioritization; management and evaluation of CDF among other variables.

However, the objective was not to generalize the data generated, but to gain a deeper understanding of the challenges facing community development workers. The thesis therefore present common trends and outcomes in the form of narratives, at times comparing responses between the respondents from the Gatanga and Naivasha constituencies as well as with studies existing conducted on the CDF.

### **1.6.10 Ethical Considerations**

This research identified ethical considerations as an important factor in doing social research. This research ensured that all ethical issues were approached with honesty, respect, and with a sense of

moral obligations. It therefore aligned itself to the policies and guidelines set by the University of KwaZulu-Natal Research Policy<sup>6</sup>, 2007: V). During the research, respondents were informed about the purpose of this study and the reason for which they were selected was also explained. All respondents selected for the purpose of this study were invited to sign a consent form, as proof that they had responded freely to the questions asked. The researcher applied and received the following authorizations: Ethical Clearance Letter from the University of KwaZulu-Natal (see Appendix 5); authorization from County Commissioner, Muranga County – County Headquarters for Gatanga Constituency (see Appendix 6); authorization from County Director of Education, Muranga County (see Appendix 7); County Director of Education, Nakuru County – County Headquarters for Naivasha Constituency (see Appendix 8); authorization from County Commissioner, Nakuru County (see Appendix 9). Informed Consent Letter signed by respondents who participated in the study is also attached (see Appendix 10).

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<sup>6</sup> University of KwaZulu-Natal 2007, Research Policy: <http://research.ukzn.ac.za/EthicsPolicy12111.aspx>

## **1.7 Structure of Dissertation**

### **Chapter One: Background to the Study**

Chapter one presented the background information pertaining the research problem. It elaborated the research methodology and presented the research problem, objectives, research questions, and explained how research instruments were utilized to collect data. The rationale and the sampling technique behind the selection of Gatanga and Naivasha constituencies for the purposes of this study was presented. It also presented how validity and reliability was ensured in order to produce credible results. Methods of data collection and analysis were highlighted. Ethical considerations and procedural measures taken during the course of the research were also presented.

### **Chapter Two: Conceptualizing Decentralization and Fiscal Decentralization**

Chapter two expounds on the paradigm and the models guiding this research. The chapter begins by a conceptual analysis of broader themes of centralization and decentralization. It provides a particular focus on fiscal decentralization theory that contains the philosophical assumptions on which this research is grounded.

### **Chapter Three: Fiscal Decentralization in Kenya**

Chapter three provides a background and a comprehensive survey of prior research related to the management of fiscal resources in Kenya. It also reviews various programmes regulating decentralization policies in Kenya.

### **Chapter Four: Research Analysis and Interpretation**

Chapter four analyses the research findings in relation to the research problem being studied. Results from data presented in the previous chapter in analyzed. Literature from previous studies is been used to compare or contrast the resultant data. This chapter identifies the main themes of the study. It refers to the data collected during the fieldwork and presents the common trends and outcomes in the form of narratives, at times comparing responses between the respondents from the Gatanga and Naivasha constituencies. However, it only does so in order to gain a deeper understanding of key issues affecting the implementation of the CDF in Kenya.

### **Chapter Five: Conclusions and recommendations**

Chapter five summarizes the dissertation with emphasis on results obtained, contribution made by results. It presents the relevance of the study on policy, provides recommendations that would improve the impact of CDF on LED, and makes suggestions for further research.

## **1.8 Conclusion**

This chapter presents the contextual background regarding the theory and practice of fiscal decentralization. It highlights that development planning in Kenya, as in many countries in the developing world, for decades remained the preserve of the central government. It explains that the new trend of meaningful decentralization inaugurated by the CDF in 2003 provided a motive for this study. This chapter elaborates the research problem, objectives, and research questions. The chapter presents the research methodology utilized in guiding this study to achieve its objectives. Methods and instruments of data collection are explained. The rationale and the sampling technique behind the selection of Gatanga and Naivasha constituencies for the purposes of this study are presented. It also explains how validity and reliability was ensured in order to produce credible results. Methods of data collection and analysis are highlighted. Ethical considerations and procedural measures taken during the course of the research are also presented.



## CHAPTER TWO

### Conceptualizing Decentralization and Fiscal Decentralization

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#### 2.1 Introduction

This chapter explores both the concept of centralization and decentralization in the management of resource allocation and development planning. It outlines common theoretical arguments and motivations that explain why governments prefer centralization or decentralization of their powers and functions in carrying out their development mandate. The literature in this chapter reviews decentralization in general and focuses on the dimension of fiscal decentralization. In particular, the analysis is geared towards unfolding the relationship between fiscal decentralization and the enhancement, or otherwise, of local economic development. It presents the broader concept of decentralization with its dimensions (political, administrative, and fiscal) and forms (deconcentration, delegation, and devolution). It concludes by exploring key purposes of fiscal decentralization, that is: fiscal equalization; economic efficiency; fiscal accountability; fiscal participation; and fiscal transparency and information sharing.

#### 2.2 Centralization

This section explores why governments prefer centralization of development planning and resist sharing those powers and functions with subnational lower levels of government.

Killick (1976: 169) maintains that centralization is concerned with the maintenance of a well-coordinated system of fiscal economic policies regulated by central government agents. Central governments fear the emergence of complexities associated with delegating such powers and functions to self-seeking and conflicting subnational agents. Fiscal centralization entails a process where central government remains in control regarding the provision of public goods in the regions; determines the mode of collecting taxes; and delegates and oversees the implementation of public goods on local jurisdictions (Albornoz and Cabrales, 2010: 4).

Governments that implement fiscal centralization policies argue that central government is better placed to implement far-reaching policies and programs to address the diverse needs of its

citizenry. The rationale behind the need for central planning is often associated with developing countries and is seen as a means of providing comprehensive policies and the efficient use of scarce resources to promote economic growth through economies of scale (Cheema and Rondinelli, 1983). Bahl and Linn (1994: 3) argue that the main reason that fiscal centralization is associated more with developing countries is because their economies are not diversified and remain relatively low. Central governments therefore try to protect their economies from international fluctuations in commodity prices, worldwide recessions, natural disasters, and wars. In other words, they prefer central government to harmonize their economies.

Similarly, given the fact that the delivery of public goods is carried out by regional authorities through decisions made at the center, it is argued that there is an advantage linked to this scheme. Due to the fact that central agents lack direct vested interests in local political fabric, they stand a better chance to command the delivery of public goods that are not linked to potential bias of self-interest of local politicians (Albornoz and Cabrales, 2010: 3).

Bahl and Linn (1994: 18-19) argue that developing countries adopt more centralized fiscal systems of government by comparison with highly industrialized countries that have a solid decentralized format. Those that prefer to maintain a more centralized system contend that centralization enables governments to, among other things, maintain a more stable macroeconomic policy since they are not able to capture economic efficiency advantages of fiscal decentralization. Some developing countries do this through retaining fiscal taxing powers at the center and later dispersing them to the subnational governments through fiscal intergovernmental transfers.

Governments that pursue fiscal centralization policies prefer to determine the level of expenses and revenues. They fear that when subnational levels of governments are granted such powers and functions, they may end up designing their own agenda that might conflict with national development policies. In the end, coordination problems arise (Jalil, Harun, and Mat, 2012: 151-152). As such, decentralizing fiscal responsibilities to the subnational governments poses the risk of increasing the incentives for opportunistic behaviour among local governments which may shift their tax burdens to the national government. This is resultant on the complexity in coordinating national fiscal policies, and eventually ends up posing a challenge to national stability (Prud'homme, 1995: 201). Liu (2007: 10-11) argues that fiscal decentralization can impact

negatively on macroeconomic performance when sub-national governments incur uncontrolled expenditures, and adversely affect national fiscal policy.

In addition, Litvack et. al. (1998: 8) contend that not only can decentralization fail to ensure an effective delivery of services at the local level, it may also risk national economic stability. Prud'homme (1995: 206-207) refers to Brazil's case to demonstrate a negative impact of fiscal decentralization on macroeconomic stability. After Brazil went through constitutional reform in 1988, the role of the central government in conducting macroeconomic policies was significantly reduced. This was related to three significant factors: it lowered the share of taxes collected by the central government; subnational governments (states) were given more autonomy and freedom in setting tax rates; and increased the quantity of fiscal transfers from the central to the subnational governments. These changes, as Prud'homme argues, are responsible for Brazil's poor macroeconomic performance in subsequent years (1995: 207).

Bogoev (cited in Prud'homme, 1995: 206-207) cites another example, that of former Yugoslavia, which was known as one of the most decentralized economies in the world. The central government had been rendered so weak by the decentralized system such that in 1986, the central government was only controlling a mere 22 per cent of the total public revenues. These revenues were obtained from taxes related to sales and custom duties, which were not efficient to foster stabilization policies. Consequently, the central government ended up controlling a meager portion of the economy that incapacitated it to execute its functions. In fact, it relied on the contributions from lower levels of government negotiated every year. As a consequence, the federal government was unable to implement stabilization policies, leading to excessive inflation resulting in poor macroeconomic management. In sum, Ebel and Yilmaz (2002: 14-15) contend that governments prefer to remain centralized because they are unable to create decentralized systems, rather than adopt inadequate decentralized systems that are likely to destabilize their economies.

### **2.3 Decentralization**

Rondinelli (1981: 134) defines decentralization as a process that involves the transfer of planning, decision-making, or management roles and functions from central government to field organizations, subordinate units of government, private corporations, or local development units

or organizations. Mawhood and Smith (respectively cited in Ribot, 2002: ii) define decentralization as any act in which a central government formally cedes powers and functions to actors and institutions at lower levels in a political-administrative and territorial hierarchy. For Kasfir (1993: 24), decentralization means distributing authority and power horizontally rather than hierarchically. The purpose is to gain more effective achievement of locally selected goals. The assumption of this argument is that instruments at the local level will be more attentive in delivering development as compared to centrally controlled mechanisms. In fact, Hutchcroft, (2001: 23) argues that in the policy debates by the wake of the 21<sup>st</sup> century, the wave of decentralizing government is commonly seen as “a very fashionable idea”, “the latest fashion”, or “a fashion of our time”.

Decentralization has been at the center of policy experiments in a number of developing countries and this trend has become a governance theme in an effort to deliver social and economic benefits to their populations (Bardhan, 2002: 187). This study has identified several objectives of why governments decentralize their functions to subnational governments and accord them with discretionary authority to implement local economic development policies:

The inclination towards decentralization approach has been triggered by much dissatisfaction and disappointing results of centralized service delivery. In many countries, central governments failed to provide any meaningful delivery of services due to excessive bureaucracy. Following the foregoing argument, decentralization is seen as an alternative government policy framework that has the potential to fast track service delivery to huge populations simultaneously (Litvack, 1996). According to Nel and Binns, (2003: 108) the widespread failure of ‘top- down’ development interventions has led to a move in both developed and developing countries towards the decentralization of developmental responsibilities to local government and community-based agencies. The rationale behind decentralization is essentially promoted under the platform of the failure of the central system of governance to ensure the equitable distribution of the country’s resources and the marginalization of grassroots communities in decision-making regarding the affairs that affect their daily lives. Grindle (2007: 4) traces the shift in fiscal, political, and administrative responsibilities in the process of reconstructing democratic governance. This trend has gained support among scholarly and policy circles, and various countries are experimenting

with decentralization as a mean to improve their democratic space and augment their development blueprint (Hutchcroft, 2001: 23).

Litvack, Ahmad, and Bird (1998: 5) argue that the drive for efficiency in governance is the most common rationale for decentralization. Decentralized government, they argue, creates a more favorable environment where local actors are actively involved in policy formulation and implementation. Due to this fact, Brinkerhoff and Brinkerhoff (2001: 170) argue that decentralizing government is likely to bring about ownership for policy solutions among beneficiaries and implementers, which can lead to higher use rates of policy goods and services, reduced maintenance and operating costs, and better conformity between policy intent and outcomes.

Brinkerhoff and Brinkerhoff (2001: 171) note that empowering local actors is significant from a democratic perspective because of its empowerment potential, bringing about accountability, transparency, and responsiveness - features of good governance that are components of building an efficient governance system in the delivery of public goods and services. Similarly, Robertson (2002: 59) argues that among the reasons behind decentralization is to enhance the efficiency of government and enable it to meet demands from special sections of community for a degree of control over their own affairs. In this regard, efficiency is judged by the level at which a government is committed to answer needs of the local actors and communities.

Schmidt (1997:45) highlights that decentralization has leverage in engaging citizens to participate in influencing decisions pertaining their own development. Ginter (1992:66) argues that decentralisation strengthens participation by bringing governments closer to the people that have elected them to coordinate service delivery. Brinkerhoff and Crosby (2002:53) argue that decentralization can foster participation of local stakeholders where they are in a position to influence and share control over development initiatives and make the decisions over resources within their local jurisdictions. Thus, decentralization is known to aid in the narrowing of the gap between citizens and the state and to facilitate the emergence of the (expected) interactive and responsive state. Empirical studies have indicated that the shift towards decentralisation has recorded significant development in participatory democracy. For example, Shah (1998:20) who collected data from a variety of countries found that decentralisation is positively correlated with

citizen participation. Similarly, Rondinelli (1983: 51) argues that decentralization has increased local participation in public affairs.

Bekker (1988:28) observes a close connection between decentralization and local participation in decision making on development. He acknowledges decentralization as valuable because it creates an environment that promotes participation of locals in the formulation and implementation of government development policies. Consequently, local stakeholders, local communities and interest groups are involved in making decisions over development initiatives that affect them, for example health, security, infrastructure, and environment, Brinkerhoff and Crosby (2002: 56) believe that better policy outcomes are likely to be achieved. In decentralizing governance, therefore, participation becomes one of the main objectives central to development policy implementation.

Brinkerhoff and Crosby (2002:51) argue that throughout the developing world over the past decade or so, citizens have increasingly organized to expand their influence over policy debate, and are using decentralization frameworks and settings to pressure their governments to be more responsive and accountable, and to demand greater role in governance. Regardless of the kind of government system in place, Brinkerhoff and Brinkerhoff (2001: 170) argue that participation remains an important factor, and since centralized governments have not realized their aspirations, they are turning to decentralization to offer policy solutions that can satisfy their development needs and preferences.

In Brinkerhoff and Crosby's (2002:75) argument, decentralization increases the opportunities for citizens to lobby local officials and to hold them accountable through the ballot box in elections and through voice in public hearings. Furthermore, participation is expanded to greater numbers of local populations. Decentralization, warn Brinkerhoff and Crosby (2002:75), is no guarantee that participatory opportunities, especially for the poor and disadvantaged, will automatically increase, although there is sufficient evidence that it is an important factor in contributing to the supply side of participation.

Wampler (cited in Shah, 2007:21) argues that one of the core reasons why central governments adopt decentralization strategies is as an effort to enhance citizen participation. He maintains that citizen participation in governance matters is indispensable because it improves local performance

and development, thereby enhancing the quality of democracy. Narsiah (2011:88) argues that decentralization is perceived as a key tool to evoke visions of democratic participation and as an argument against centralized bureaucratic control. Similarly, Heller (2001:132) argues that strengthening and empowering local government has been justified not only on the grounds of making local government more efficient but also on the grounds of increasing accountability and participation. For Fung and Wright (cited in Narsiah, 2011:91), decentralizing state power “downwards” to the local scale is a necessary feature, both in conceptualization and implementation of locally based policy and development solutions.

Fjeldstad (2004: 1) and Ribot and Oyono (2005: 205) argue that decentralization initiatives are ostensibly devised to enfranchise local people through rights and representation in local public decision-making. In the light of political dispensation, they view local institutions being cast as instruments of democratic decision-making, so that local people can make decisions based on their own needs and aspirations. Effective political decentralization is based on the assumption of creating a realm of local autonomy, defined by inclusive local processes and local authorities empowered with decisions that are meaningful to local people (Ribot, 2002: 2). In order for this local based decentralization to serve its ends, it demands transfer of discretionary powers from central authorities to the hands of local representatives or at least downwardly accountable local authorities (Agrawal and Ribot, cited in Wisner et al, 2005: 205).

Oates (cited in Altunbas and Thorton, 2012: 67) argues that decentralized governments are well positioned to understand local conditions and are better able to satisfy citizen preferences. Seabright and Tabellini (respectively cited in Altunbas and Thorton, 2012: 67) also maintain that citizens are better informed through more localized governments as compared to through central government ministries. When local populations are well informed, they are able to make informed decisions that are favorable to their own social and economic development. Fjeldstad (2004: 1) argues that by bringing these functions closer to subnational governments and their populations, it increases the likelihood of matching development policies to local needs.

Bardhan (2002: 185) argues that decentralization is being favored within the context of rampant ethnic conflicts and separatists movements as a way of defusing social and political tensions and ensuring local cultural and political economy. In this case, regional ethnic blocks, particularly

those from minority groups are able to contribute and share benefits both from block fund allocation by national government or from revenues earmarked to be collected by local governments. Conyers (1984: 188) further argues that the focus is on decentralization as a tool to entrench national development. In this regard, decentralization has been regarded as a means of achieving a variety of different development objectives-ranging from popular participation to better management of rural development and the maintenance of national unity. Similarly, Litvack (1996) alludes to the fact that in certain cases, government succumb to adopting decentralization from regional ethnic blocks who continue to pressure central government for more control in political, administrative, and fiscal powers. Thus, in an attempt to maintain unity and stability, local and regional governments are given some or most functions as a way of appealing to various dissenting local communities.

Bird and Vailancourt (Cited in Ebel and Yilmaz, 2002: 2), argue that the reason developing countries are turning to decentralization is as an attempt to address inadequate social and economic growth, and macroeconomic stability. The initiative to decentralize is founded on the premise that it expands the opportunity for local governments, and their citizens to directly contribute to their respective social and economic development. Smith (1985:85) argues that decentralization and its manifestations are necessary to enhance social and economic development.

Miller (2002:10) attempts to establish a link between decentralization and growth of local development. She notes that decentralization presents an edge in the facilitation and mobilization of local resources in support of local development process, and enables value-added contributions to the provision of services and development efforts, which increases the total value of services provided, or development achieved from the limited resources available. She further commends the maximization of local potential where local people are able to identify and mobilize local/indigenous resources which otherwise would not be available to centrally run programmes. Under a decentralization framework, citizens are often willing to volunteer free or cheap labour and expertise, and other forms of in-kind contributions, in order to support social and development initiatives (Miller 2002:10).

Even though there has not been a clear connection between decentralization and social-economic growth, Scott (2009:13) argues that localizing functions of government has a higher potential to improve service delivery and consequently social and economic development. He maintains that



providing an effective, reliable provision of basic services may be the best way in which local governments can foster local economic growth. This means that policy work on implementing decentralization in a way that improves service delivery carries a double benefit of also enhancing social and economic development.

Decentralization can take on various forms namely: deconcentration, delegation, and devolution:

- i) Deconcentration: Rondinelli (1983: 189) and Hutchcroft (2001: 30) describe deconcentration as the process in which government transfers or relocates some of its functions to be conducted by field managers in regional offices and local administrative units that are part of the central government. However, other than such shifting of responsibilities to local administrative units, deconcentration has very little that reflects decentralization (Martinez-Vazquez & McNab, 2001: 2). For example, deconcentration of fiscal functions would mean the distribution of fiscal planning and implementation on behalf of the central government to the regional offices or units in local administration (Bird and Villancourt, 1998: 3).

Bahl (2008: 5) argues that such forms of decentralization do not lead to the empowerment of local populations. In this form of arrangement, the central government allocates some functions such as program planning and implementation to be dispensed by sub-national offices within the same government sectors that are linked to the center. Such functions may be carried out at provincial, county, sub-county, or village levels. Such execution is to follow one line of command with lower level offices and levels accountable to state ministers (Swanson & Samy, 2002: 4-5).

- ii) Delegation: Delegation is a form of decentralization that denotes a scenario where a central government assigns a parastatal or a similar government agency the responsibility of implementing some programs at regional or lower jurisdiction levels (Swanson & Samy, 2002: 5). For Bird and Villancourt, (1998: 3) and Cheema, (2005: 122), delegation refers to a situation in which regional or local governments act as agents for the central government. This could include executing certain fiscal functions. However, they continue to be solely accountable to the center. Functions such as personnel recruitment, contracting, budgeting, procurement and other functions with ultimate responsibility remain under the

central government (Rondinelli, 1983: 189). Therefore, local government officials are first and foremost accountable to the central government

iii) Devolution: Devolution is seen as the most extensive form of decentralization. In this case, development planning, management, and co-financing are relocated to lower level governments such as provinces, regional, county or local governments. These sub-national level authorities are legally vested with discretionary powers and functions to exercise their responsibility in tandem with national development policy plans (Swanson & Samy, 2002: 5). Rondinelli (1983: 189) and Hutchcroft, 2001: 30) argue that devolution refers to the transfer of decision-making powers and functions over local development to lower levels of government that are legally incorporated. It refers to a situation in which not only the implementation of development projects but also the authority to decide what is done with regard to the utilization of fiscal resources is in the hands of local governments (Bird and Villancourt, 1998: 3; Cheema, 2005: 122).

In addition to the foregoing, decentralization also manifests itself in three key dimensions namely: political, administrative, and fiscal:

i) Political decentralization: Political decentralization is concerned with empowering communities to democratically elect their representatives at local and regional level. Through discretionary powers and functions, this facet of decentralization is aimed at giving local populations and their leaders more power and authority to influence the design and implementation of laws and policies within their jurisdictions (Daughters and Harper, 2007: 213). Largely, arguments in support of political decentralization suggest that most countries desire to decentralize political power in order to empower local populations, and locally elected leaders by legally creating a platform where they can actively engage in their development. The assumption is that local stakeholders are in a better position to discern preferential local projects and initiatives that are in tandem with local needs. Locally elected officials are also believed to be directly linked with their constituents and are in a better position to understand local needs and interests as compared to their counterparts in regional and national offices (Litvack, 1997).

- ii) Administrative decentralization: Cohen and Peterson (1999: 23) understand administrative decentralization as a dimension that “is focused on the hierarchical and functional distribution of powers between central and non-central government units”. Ebel and Yilmaz (2002) posit that functional distribution is the transfer of authority to specialized organizations that operate across jurisdictions. An example of functional distribution is creation of field offices within national ministries dealing with health care, education, and transportation issues. The World Bank (cited in KNRC and SPAN, 2010: 14) has adopted the following definition to conceptualize administrative decentralization: that it “seeks to redistribute authority, responsibility and financial resources for providing public services among different levels of government. It is the transfer of responsibility for the planning, financing and management of certain public functions from the central government and its agencies to field units of government agencies”.
- iii) Fiscal decentralization: In its simplest understanding, Bahl (2008: 4) explains that fiscal decentralization refers to “the empowerment of people by empowering their local governments”. By this he means that the central government would cede some or most of budgetary, spending and revenue collection powers to its sub-national governments to be exercised within their respective jurisdiction. According to Davey (2003), fiscal decentralization is generally understood from two major perspectives. The first is the division of spending responsibilities and sources of revenue between central and lower level governments. Secondly, it is the amount of discretion that is there for local governments to determine how revenues are collected and expended. Davey (2003) argues that fiscal decentralization allows lower level governments to set up frameworks for the jurisdictional expenditures, revenue collection, and legal discretion within which local government operates in providing services to their constituents. It is argued that providing lower levels of government with powers to manage the allocation of fiscal resources is the most critical element of decentralization. In order for these local stakeholders to be in a position to exercise their mandate, they must be able to legally access revenues, either through own collection, through transfer from the central collecting authority, or a combination of the two (Litvack, 1996).

When forms of decentralization (deconcentration, delegation, and devolution), together with its dimensions (political, administrative, and fiscal), are intertwined, they become significant indicators that may determine the extent of decentralization. In fact, efforts to decentralize have not always yielded positive results. Depending on capacity and readiness of the local bosses and administrators to support decentralization initiatives, policies of decentralization may do more harm than good.

## **2.4 Fiscal Decentralization**

Amagoh (2012: 72) argues that fiscal decentralization occurs when subnational units of government are given autonomy over the provision and financing of public goods. He purports that fiscal decentralization is said to offer a number of benefits for public sector governance, including growth, accountability and responsiveness of government officials to local demands and needs (Amagoh, 2012: 72). Financial institutions like the World Bank have not only been urging nations to embrace fiscal decentralization, but have been encouraging and supporting them to adopt decentralization as part of the broader strategy for enhancing public sector efficiency. These institutions do so on the assumption that fiscal decentralization strengthens participatory decision-making at local government levels, which would in effect lead to acceleration of economic growth and development (Grewal, cited in Amagoh, 2012: 72). However, Amagoh (:72-73) remains cognizant that these assumption remains controversial regarding their impact on economic growth.

Fiscal decentralization is a system of government in which a substantial share of power is granted to a local, provincial or regional level of government to manage and make decisions over management of fiscal resources directed for LED and as a system through which they can deliver their local development mandate (Koethenbueger, 2007; Prud'Homme, 2003: 17). Bahl (2008: 4) provides a simple but comprehensive definition of fiscal decentralization, namely: “the empowerment of people by empowering their local governments”. This would mean that the central government would cede some or most of budgetary, spending and revenue collection powers to its sub-national governments to be exercised within their respective jurisdiction. According to Davey (2003), fiscal decentralization is generally understood from two major perspectives. The first is the division of spending responsibilities and sources of revenue between

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Kee (2004: 168) argues that the theoretical case for fiscal decentralization dates from 17<sup>th</sup> and 18<sup>th</sup> century philosophers, including Rousseau, Mill, de Tocqueville, Montesquieu, and Madison. It started at a time in which the central governments were distrusted and small, democratic governments were seen as the principal hope to preserve the liberties of citizenry. In the mid-1950s, this movement towards fiscal decentralization through the classical appeal advanced by Tiebout (cited in Vigneault, 2007: 133) who claimed that decentralized provisions of public goods allows better fulfillment of diverse individual demands (Brueckner, 2000: 1).

On account of many failures associated with central management in developing countries due to corruption, nepotism, and patronage politics, the centralized state has lost a great deal of legitimacy. In the new political dispensation across many governments in developing countries, decentralization is believed to promise a range of benefits. This new system is being proposed as a way of reducing the role of the state by fragmenting authority at the center, and introducing more intergovernmental competition, checks and balances; and in addition, as a way to make government more responsive and efficient (Bardhan, 2002: 185).

Wildasin (cited in Ebel and Yilmaz, 2002: 2) identifies institutional factors such as political, social, legal, and economic conditions as critical elements in the analysis of fiscal decentralization. This institutional environment of fiscal decentralization entails overall economic development, the nature of the legal system, ongoing processes of political and economic reform, the operation of monetary and fiscal institutions, and tensions emanating from ethnic, religious, or economic

disparities. Consequently, it is this institutional background that determines the nature of intergovernmental financial systems and ultimately affects the outcome of the reform of fiscal decentralization process.

In the last three decades, fiscal decentralization – the assignment of taxation powers, revenue collection and expenditure functions from central to lower levels of government – in many developing countries has become a critical theme in the area of financial management and as a means to enhance LED and diversification of social economic benefits to the majority of populations and meet their preferential needs and interests. Fiscal decentralization is generally interpreted as devolution of the authority associated with decision making to a lower-level government, deemed to be closer to the local communities. In addition, authority associated with decision-making is allocated on the basis of legal relationships between higher- and lower-levels government (Akai and Sakata, 2002: 95).

Governments fiscally devolve their powers and functions through pressure from external actors, or through their own volition motivated by various reasons. Some of the common rationales behind the adoption of fiscal decentralization include:

This move has been prompted by much dissatisfaction with centralized economic planning in inducing meaningful development and building a sustainable stability in the economy (Olowu, 2000; Manor 1999). Due to the failure of the centralized governance model experienced in many developing countries, many are now resorting to decentralizing powers and have embarked on managing public affairs from regional policy-making bodies (Smoke, 2007: 131).

Fiscal decentralization is seen as a package that has huge potential for governance reform and promises to be a prominent means for managing expenditure delivery and revenue mobilization. Thus, it is seen by many developing countries as a scheme for social and economic development strategy. In addition, it is also seen as a policy change commonly advocated by international monetary and donor agencies that advise these countries (Bahl and Linn, 1994: 1). According to Rezk (1998: 206), theoretical and policy-oriented interest in fiscal decentralization arose in the 1980s, following the various unprecedented situations faced by countries all over the world. Bird (1993: 207) attributes the revival and the new strength in decentralization initiatives to developing

countries' *ad hoc* policies purposively aimed at escaping from inefficiency, macroeconomic instability, and inadequate economic growth of the central governments.

Fiscal decentralization has been argued both in the industrialized and in the developing world as a means to improve the performance of their public sectors (Oates, 1999: 1120). As Smart (2007: 204) explicitly states, decentralization of spending powers to lower-level governments is a widespread phenomenon, one that appears to have become more common in recent years. He argues that decentralization is linked to the increase of policy responsiveness to the preference of citizens and to increase accountability in government. In contrast, a unitary central government tends to provide uniform public programs nationwide that may not be in line with local development interests, while local governments are believed to respond better to preferences and needs of their residents.

Fiscal decentralization is commonly preferred for the healthy competition it is likely to generate between various levels of government. Brennan and Buchanan (cited in Vigneault, 2007: 133) argue that decentralization of revenue-raising authority provides an element of competition that constrains governments seeking to exploit their taxation powers. Also, decentralizing expenditure provision and revenue raising authority improves accountability, by ensuring that the level of government responsible for providing goods and services is also responsible for financing them.

Bird (cited in Bird and Villancourt, 1998: 3) argues that another approach from which fiscal decentralization can be justified is a bottom-up approach. Fiscal decentralization generally stresses political values- improved governance in the sense of local responsiveness and political participation, for example – as well as allocative efficiency in terms of improving welfare. On the other hand, the top-down approach to fiscal decentralization may, for example, make the life of the central government easier by shifting deficits (or at least some of the political pressures resulting from deficits) downward. It may also be the desire of the central government to achieve its allocative goals more efficiently by delegating or decentralizing authority to local governments. Thus, with the management and the control of the local government regulated from the center, the goal of the central government may even be to increase the level of the national welfare. Whatever the rationale for this reform, Bird and Villancourt (1998: 4) argue that the main criterion for fiscal

decentralization can only be evaluated based how well it serves the presumed national development policy objectives.

Scholars and policy circles prefer decentralizing government fiscal functions with the expectation that it can bring about economic efficiency, thus matching policies with local development tastes and preferences. This is largely because different jurisdictions have varying potentials both in their capacity to raise revenues as well as richness in terms of their natural resources. Stigler (cited in Ebel and Yilmaz, 2002: 2) notes that in systems that are fiscally decentralized, the policies of subnational branches of governments are permitted to vary in order to accommodate the preferences of their residents. In addition, designing fiscal decentralization is intended to bring government closer to the people.

Several authors such as Prud'Homme (2003: 19); Musgrave and Musgrave (cited in Dillinger, Perry, Webb (2003: 232) agree that key governance values such as economic efficiency, participation, accountability, interregional or interpersonal equity and political efficiency are likely to thrive favorably under fiscal decentralization framework. For example, Rao (1998: 78) views fiscal decentralization as a good milieu that can prompt the provision of economic efficiency through sustainable governance values and enhance development of LED.

Zhang et al (1998) argue that fiscal decentralization is probably the most significant indicator of the extent of decentralization. Thus, the quality of fiscal decentralization can only be gauged depending on the level of subnational autonomy and discretion on expenditure and revenue affairs (Ebel and Yilmaz, 2002: 5). Therefore, as argued by Oulasvirta and Turala (2009: 314), fiscal decentralization can only be well conceived in the event where local governments control their own sources of revenue with an aim of achieving significant financial autonomy and accountability to their local tax payers.

Oates (1972), Rao (1998), Bird and Villancourt (1998), Bahl (1999), Prud'homme (2003), and Kee (2004) have largely agreed that the main rationale behind any government decision to experiment with fiscal decentralization is to provide for the needs of its constituents in their varying demands for goods and services by enhancing viable local economic development.



## 2.5 Local Economic Development

As decentralization unfolds, argues Helmsing (2003: 67), the question of local economic development (LED) acquires more significance by addressing how local governments can contribute to local economic development.

Helmsing (2003: 67) defines local economic development as a process in which partnerships between local governments and communities are established to administer existing resources and to stimulate the economy of a well-defined area. It lays emphasis on local control, coupled with the use of local human, institutional, physical, and natural resources within the defined area. LED provides autonomy and discretion to local stakeholders to mobilize resources through dialogue and strategic actions. Swinburn (2006: 1) argues that the main objective of establishing a well-coordinated LED system is to consolidate local economic capacity of a local area, improve economic future and the quality of life for constituents. Helmsing (2003: 69) characterizes LED as a process in which local government and communities are established and empowered to manage resources that exist within their respective borders to create jobs and stimulate the economy.

According to Kotze (1997: 25), development-oriented decentralization was launched in the 1960s. He argues that this initiative began when newly independent states began to adapt their local government and field administration in the interests of more efficient development administration. Conyers (1986: 599), a leading author in development-oriented decentralization, links decentralization process to development. She understands this approach as a *process*, and one which is instrumental in effecting various forms of social, economic and political growth.

Similarly, Nel (2001: 1005) views LED as a process that allows local actors to shape and share the development future of their jurisdiction. This process is largely defined as participatory since it encourages partnership among local actors by enabling them to design joint strategies for development. They achieve this mainly by competitive use of local resources with the ultimate objective of improving local economic status of their regions.

Helmsing (2003: 67) points out that the context for development at the local level has changed drastically over the years especially in developing countries in general and Africa in particular. These changes have been reinforced due to fundamental changes in global economic policy,

namely liberalization of markets and structural adjustment that was proposed by the IMF, the World Bank, and other international stakeholders. When liberalization and structural adjustment programmes were proposed, centralized governments lost the privilege of being the main development agency to more localized agencies.

Oates (1993: 238) argues that the modern theory of public local finance envisages that local government sectors have the potential of responding to a variety of different tastes for local development. The main strand of this argument indicates that local government sector is seen as responsive to demands raised at the local level. This means that the analysis of local finance views local government sector as able to provide outputs of local services, tailored closely to match the demands of the local constituents.

Local economic development is regarded and implemented as a perceived new development and growth catalyst (Nel, 2001: 1006). This is aligned with current beliefs and assumptions that there is a need to incorporate local beneficiaries (constituent populations) in the planning process, while highlighting the vital role to be played by local authorities in the development process (Edgington and Fernandez, 2001: 11).

Ward (cited in Nel, 2001: 1005) argues that the concept of LED is not a new phenomenon. It has been linked with the definition of local government administration, especially in the countries of the North, for over a century. What is new is its increasing acceptability, and its experimentation with various community based development initiatives. This has been accelerated by the growing emphasis on locality in the global economy, coupled with the value placed on localized decision-making and democratization as opposed to traditionally centralized systems. This new approach is commonly known as self-reliance, endogenous or bottom up development, and LED (Taylor and Mackenzie, cited in Nel, 2001: 1005). Therefore, LED has become a key defining factor in designing local government systems.

Ribot (2002: 2) claims that decentralization in general and decentralizing the functions of fiscal planning and implementation to subnational governments has a necessary connection with the enhancement of LED. Arguably, if there is a meaningful fiscal decentralization policy framework, local institutions are believed to better discern and be more responsive to demands and aspirations at the local level (Ribot, 2002: 2). In developing countries, claims and evidence that associate fiscal

decentralization with infrastructure development exist. In Smoke's (2001: 12) argument, there is a potential positive and significant local development outcome when local government is charged with responsibility for infrastructure development.

According to Smoke (2001: 11-12), some analysts have long maintained that decentralization of fiscal responsibilities may stimulate LED and that leaders of subnational governments have an important role to play in the development process. Cheema (2005: 119) attests that policymakers, politicians and practitioners have over the years been supporting decentralization policies and programs, of course driven by a variety of internal and external factors. However, Smoke (2001: 15) warns that development does not automatically emerge by simply decentralizing, and failure to decentralize does not necessarily undermine it. He points out that recent empirical evidence suggests fiscal decentralization can have a negative effect on growth.

Contrary to common assumption that fiscal decentralization yield to local development, Nel (2001: 1008) argues that this debate is still inconclusive. He maintains that whilst there is a general agreement that fiscal decentralization has effected some positive local economic growth, there remain mixed opinions regarding these assumptions. Practically, Nel continues, LED initiatives may begin with a great deal of enthusiasm and success, only to be followed by mediocre results and despondency. Hall (cited in Nel, 2001: 1008) denotes this scenario as the "rise and fall of local economic development". Following Stock, (1995: 359), he argues that there is a limit to the achievements of local actors and communities. For example, a study done in the U.S. by Green, Fleischmann, and Kwong (1996: 609) demonstrates that LED policies exerted only a limited positive influence on job creation throughout the economic recovery of the 1980s. Some factors that pose a great challenge towards developing a stable local economic growth are not only limited to availability and accessibility of fiscal resources, but also sound leadership coupled with an enabling policy environment (Nel, 2001: 1008).

In a nutshell, Guale (2011: 28) argues that governments all over the globe have the responsibility to promote growth of local economies. Local governments are placed in a fundamental position and have the potential to play a fundamental role in LED because:

- they play an important role in delivering the social, economic and material needs of their jurisdictions;

- they are expected to configure, design and manage their administration, budgetary process by giving priority to development planning processes and create an environment for the provision of basic needs that would eventually promote social and economic development of the local community;
- they have the opportunity to employ people from the local constituency. It has been noted that in some constituencies, local governments are the biggest employers. In many instances, they are endowed with the right to purchase goods and services, develop local infrastructure and oversee land development, all of which impact on local development as a whole;
- they have ability to establish local permanent structures that can assure stability over time to support economic development, which is a long-term, on-going development strategy;
- they can play a strategic role in creating partnerships with other local stakeholders to promote economic development between local governments, communities and businesses which are a vital feature of success in LED projects;
- they are most proximate level of government to the local community and the point of delivery of essential services which impact quality of life.

## **2.6 Purposes of Fiscal Decentralization**

Fiscal decentralization serves a number of purposes. Scholars identify the following objectives:

- i. Fiscal equalization;
- ii. Economic efficiency
- iii. Fiscal accountability
- iv. Fiscal participation
- v. Fiscal transparency and information sharing

### **2.6.1 Fiscal equalization**

In the words of Oakland (1994: 199), ‘fiscal equalization is a process through which a central government makes funds available to lower governments with the objective of reducing the degree

of inequality in the revenues that such governments can raise using their own revenue instruments'. Blöchliger, et al. (2007) claim that the reason a central government embarks on implementing a fiscal equalization policy is to balance the differences in capacity of raising revenue or service provision. He further argues that achieving a fair redistribution of revenue is only the proximate objective, but ultimately, the main objective is to reduce inequalities in public expenditure. It is not possible to make calls for equalization without evidence of regional fiscal disparities. Fiscal disparities can be understood by 'measuring fiscal outcomes in terms of levels of public services' (Oakland, 1994: 199).

This research acknowledges that fiscal equalization can be achieved through various government systems such as centralized, decentralized, or a combination of the two. Litvack et al. (1998: 5) for example, allude that central control is significant in establishing regional equity and effecting redistribution strategy across the country. However, for the sake of this research, fiscal equalization attributed to fiscal decentralized system will be explored as one of the contemporary ways governments pursue to achieve this objective.

In fact, Blöchliger, et al. (2007) claim that fiscal equalization has been directly linked to fiscal decentralization as it aims at rectifying potential regional imbalances. Such equalization of fiscal disparities is meaningful only when equalization transfers are effectively designed and implemented (Dabla-Norris, 2006).

Despite efforts to foster the establishment of democratic governments across the world, imbalances over resource distributions between the rich and the poor have persisted. As Cochran and Malone (2010:183) argue, throughout history, elites have boldly justified their special claim to wealth, power and privilege through the development of national myths that legitimize their position at the expense of the masses. Democratic dispensations notwithstanding, elites have attempted to manipulate and control public fiscal resources to their own advantage.

Despite assertions that local governments have achieved effectiveness through fiscal equalization systems in recording equity and distribution of fiscal resources, the attempt to pursue fiscal equalization has encountered several challenges that have hindered it from achieving its objectives of reducing fiscal disparities across regions (Litvack et. al. 1998: 5). Such equalization systems suffer from: relying on an unpredictable pool of transfer funds that does not address the financial

needs of localities with inadequate revenue raising capacities to provide basic services; lack of accountability at the local level and failure to distribute funds according to published criteria; the amount of equalization transfer fund is too small to make any significant level of equalization (Dabla-Norris, 2006: 122).

Ribot (2002: 9) argues that in order to establish equitable regional governments, especially in Africa, and particularly in rural areas, there is a need for significant reform to move away from highly inequitable and poorly administered management of the local world. As argued by Mamdani (cited in Ribot, 2002: 9), rural populations across the African continent have been managed as subjects under highly inequitable and even despotic circumstances. Even in the current era where decentralization is being advocated as the new form of structuring governance, there is little evidence that decentralization is instituting procedures and institutions that are meaningfully representative, accountable and empowered forms of local governance (Ribot, 2002: 9-10).

According to Gituto (2007: 1), inequality and social-economic exclusion in development present real impediments to the realization of basic human rights for the majority of citizens and residents. In addition, excluded communities are denied capabilities, assets, and thus the opportunity they need to realize basic rights such as food, shelter, security, and health. Arguably, decentralization of government functions, especially those that endow local institutions with powers and autonomy to manage fiscal resources, may provide distributional equity. This will enhance interjurisdictional distribution of government services and the equity of local government decisions.

Thus, decentralization has been argued to yield more equitable distribution in local districts blended with greater opportunity for the benefit of poorer local populations (Ribot, 2002: 10). According to Sewell (1996: 144), there is plenty of evidence that subnational jurisdictions incorporate distributional preferences into spending decisions. However, it is also noteworthy that decentralization can entrench inequalities. As Conyers (2000: 8) observes, decentralization may lead to a situation in which localities with more capacity in terms of financial and technical resources continue to thrive while those with meager resources and inadequate technical capacity continue to lag behind. This phenomenon has been attributed to the daunting role played by the central government in ensuring that such disparities are kept to the minimum (World Bank, 2000:

10). In addition, Smoke (2001: 16) argues that widening disparities may arise if the central government does not show commitment to redistribute resources to poorer regions.

In order to effect equalization, fiscal transfers have been designed in various forms to achieve this objective, that is, to ensure that the revenues and expenditures of each level of government are approximately equal. This concept is further elaborated below.

### **2.6.1.1 Fiscal Transfers**

Fiscal transfer entails a process in which governments attempt to effect regional equalization by way of transferring fiscal powers and resources to the control of local governments. Ribot (2002: 40) maintains that local authorities can source revenues through numerous means:

They can be allocated a portion of national tax revenues; be given unrestricted or earmarked block grants; or be empowered to collect land, income or commodity taxes locally<sup>7</sup>. Each of these mechanisms has implications for inter-jurisdictional equity, accountability and legitimacy. Differing means of fiscal transfer-involving earmarking or required cost sharing-may also have implications for whether local populations take part in the activities the resources support (Ribot, 2002: 40).

Ribot (2002: 40) argues that failure to facilitate the provision of accessible grants from central government has stymied decentralization everywhere. Consequently, the failure to empower local government with fiscal resources or revenue-generating powers undermines its effectiveness in the short run and its legitimacy in the long run. Fiscal decentralization requires granting revenue resources to subnational authorities and designing a system of intergovernmental fiscal transfers to complement local resources. It therefore demands rules to govern subnational borrowing and includes steps to build the capability of subnational governments to carry out new responsibilities (World Bank, 1999: 9).

Smart (2007: 204) argues that in the new fiscal management set-up, when the local governments are expected to play a major role in delivering social services, they inevitably depend to a larger extent on central fiscal transfers to do so. He suggests that there is a need for simple lump-sum transfers, with no conditionality other than the usual requirements for financial auditing, to aid in

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<sup>7</sup> In Ghana all these mechanisms-a portion of national tax, grants and local taxation-are in place. Nevertheless, a number of issues have emerged. The transfers and taxation powers are for the district assemblies. This however, is not the most localized level of government, although there are 110 such assemblies nationally (Ahwoi 2001: 1-3).

the achievement of the primary objective that ensures that all regions have adequate resources to provide such services at acceptable minimum standards. In addition, there is an underlying assumption that in a decentralized system, funds flow to responsible local political bodies with sufficient accountability, and that it is neither necessary nor desirable for the central government to attempt to interfere with local expenditure choices.

Shah and Boadway (2007: xvii) maintained that most countries have more than one level of government. In addition to the national government, these other levels can include intermediate governments, municipal governments, or county governments. In some cases, the structure of government is explicitly federal, in the sense that different levels of government have autonomous responsibilities typically enshrined in the constitution. In other levels, the subnational levels may submit to the directives of the national government and may be completely dependent on them for their authority. Akai and Sakata (2002: 95-96) submit that since expenditure by lower-levels government may be financed by intergovernmental grants from higher-levels government, the share of expenditure in the total budget does not necessarily reflect the level of authority allocated to a lower-level government because, to some extent, its grant relates to the expenditure authorized by a higher-level government. And therefore, it becomes inappropriate to regard expenditure shares as necessarily an accurate measure of shares of authority.

Given the allocation of lump-sum grants, neither do revenue shares necessarily reflect shares of authority. This is because the authority associated with the spending of the lump-sum funding is attributed to the sub-national government. Besides, Akai and Sakata (2002: 96) allege that even if expenditure shares or revenue shares remain small, authority is considered to be fiscally decentralized provided that sufficient resources for public spending are originally allocated to the lower level government; that is, if autonomy is achieved.

Furthermore, regardless of the nature of political or constitutional definition of government, Shah and Boadway (2007: xvii) assert that subnational governments are almost never self-sufficient financially. Thus, their revenue-raising responsibilities fall short of their expenditure responsibilities, forcing them to rely on financial transfers from the national government. It is therefore worthwhile to investigate the role of these intergovernmental transfers, structures through which they are relayed to their beneficiaries, as well as checks and balances that are there



to ensure that they benefit the citizenry in advancing their social and economic development. However, there does not exist any one formula that suits all governments in conducting their transfers, nor a uniform checklist to ensure that their objectives are met. Therefore, each government, or subnational government employs unique ways of addressing how these transfers are managed to benefit and empower the beneficiaries at the local level.

As noted by Islam (2007: xvii), intergovernmental fiscal transfers are a dominant feature of subnational finance in most countries. They are used to ensure that revenues match the expenditure needs of various levels of subnational governments. They are also used to advance national, regional, and local objectives, such as fairness and equity, and to create a common economic union. When these fiscal resources are disbursed to subnational governments, they ensure that revenue collected at the national level is equally distributed for local management and in an attempt to promote equalization of development across the subnational governments. Government structures are therefore to be aligned in a way that will facilitate this objective.

Islam (2007: xvii) further posits that the structure of these transfers creates incentives for national, regional, and local governments that affect fiscal management, macroeconomic stability, distributional equity, allocation efficiency, and public service delivery. Therefore, there should be scrutiny of governance structures with regard to how they facilitate the process of intergovernmental fiscal transfers in achieving their objectives of being client focused in delivering their services to the public. National Governments or subnational governments that seek to improve in delivering services to their clients must be open to learning from those governments, or subnational governments that have displayed best practices in managing fiscal transfers.

Furthermore, they are also to take note of those governments or subnational governments that seem to have underperformed and be able to avoid some of the pitfalls and challenges that these governments face regarding the same. This issue advances the agenda on knowledge sharing and learning from cross-country or cross- subnational governments' experiences with a view of supporting good public governance. As Islam rightly puts it, 'it is intended to help policy makers make more informed choices about strengthening public sector governance and improving social outcomes for their citizens' (Islam, 2007: xvii).

This research draws on aspects, principles, and practices of intergovernmental fiscal transfers in an attempt to establish the nature of governance structures and systems in delivering local development. Sound government structures and systems that govern the management of decentralized funds help determine the course of economic development and social equity, especially for the poor and other disadvantaged groups, such as women and the elderly (Léautier, 2009: xv). In addition, Léautier advances the argument that the reason why developing countries continue to suffer and lag behind as a consequence of unsatisfactory and often dysfunctional governance systems includes: inappropriate allocation of resources, inefficient revenue systems, and weak delivery of vital public services. He alludes to the fact that such poor governance leads to unwelcome outcomes for access to public services by the poor and other disadvantaged members of the society, such as women, children and minorities.

Despite the differences of approaches adopted by different governments across the globe, there exist certain common principles that inform the design and structures of transfers. Assignment of expenditure functions is an inevitable errand and applies in virtually all nations. It is influenced by efficiency concerns in delivering public goods and services as well as benefits of allowing discretion to sub-national governments in choosing programs that best suit their constituent communities. Typically, national governments are assigned responsibilities that deal with national public goods such as: defence, foreign affairs, money and banking, and national infrastructure, including some social insurance such as pensions and employment insurance. It could also include the provision of public services such as health, education and welfare. In addition, national governments often are assigned responsibility for providing state public goods such as national roads and police protection. Local governments on the other hand are regularly assigned the function of providing local public goods and services including water and sanitation, local roads and recreation facilities (Boadway and Shah, 2007: xxviii-xxxvii).

Variations in fiscal transfers from central to subnational governments depend on factors such as population size, geographical size, area served, and kinds of services offered. In addition to minimum standard grants for each class and type of local government, Shah (2007: 44) argues that three more major classifications are critical in determining fiscal transfers: population size; the type of the local government, whether urban or rural; and service area and inversely, with the level of fiscal capacity.

In reference to the above literature, it is apparent that certain bodies must be responsible for designing the system that governs state-local fiscal relations. Central governments have increasingly taken it upon themselves to design these systems. These systems are adopted by central governments through centralized agencies who design and allocate fiscal resources, under the assumption that they have the task of delivering national objectives through favorable fiscal arrangements. This approach however contains a potential problem due to central governments' being overly involved in making decisions that limit full benefits of decentralization to occur. Even though grants transferred from central to local governments are intended to facilitate decentralized decision-making, the influence of national government in designing decentralized systems may lead to bias of the system towards a centralized outcome, or highly censored decentralized local government with no meaningful autonomy sufficient to sustain their jurisdictions. Nevertheless, in order to ensure that local governments benefit from these initiatives, it is important for constitutionally founded restrictions against the tendency of the central government to override local decisions (Shah, 2007: 44).

In other cases, the central government may surrender this responsibility to separate bodies to design fiscal reforms, including formulas regulating transfers. These bodies could either be independent and impartial bodies, or bodies made up of federal and state representatives. These bodies could be empowered to act as true decision-making authorities or play a purely advisory role. No matter the kind of body responsible, it has to be in a position to coordinate fiscal relations between the two levels of government (Shah, 2007: 46-47). Three common practices are identifiable:

i) In countries like India, commissions are periodically formed to make recommendations within a specified period of time. In addition, India has instituted independent grant commission at the subnational state level aimed at advising on local fiscal transfers. Unfortunately, these commissions have proven ineffective in many countries due to governments' tendencies to ignore their recommendations. Other commissions such as those of the Commonwealth Grants Commission in Australia have produced very rigorous and academic approaches, producing very complex recommendations that are particularly difficult for governments to comprehend and implement (Shah, 2007: 46-47).

ii) Other countries like Canada and Germany use intergovernmental forums or provincial committees to negotiate the terms of the fiscal systems. Such a system usually opts for simplicity to make the system transparent and politically viable (Shah, 2007: 47).

iii) Another alternative system operates in countries such as Pakistan. It incorporates an intergovernmental, legislative, and civil society committee equally representative of all constituent units, and chaired by the federal government. The aim of this committee is to negotiate fiscal operations and assignments between national and subnational governments. These commissions are periodically constituted to determine fiscal allocations effective for a particular number of years. The advantage associated with this approach is its potential to bringing all stakeholders such as donors, experts, beneficiaries, and civil society on board during fiscal deliberations. It is also notable that such a system is simple and transparent. On the other hand, due to the unanimity of the process, there is a risk where such bodies become deadlocked as has already happened in Pakistan (Shah, 2007: 47-48).

Finally, Aghón and Krause-Junk (2013) uphold that there are various alternatives in place that define the transfer of responsibilities and/or functions concerning income and expenditure affairs from the central to lower level governments. They identify four significant features:

First is the idea that is linked to the main idea in the promotion of an ultimate decentralization process in both fiscal aggregates of income and public expenditure. In this case, the local, or lower level government is granted complete autonomy to freely decide upon the amount and quality of public spending and the amount of income to be collected. Each of the lower government levels may do so in an open competition with other jurisdictions on the same level as well as with the national government. This exercise has a high potential to achieve a high level of fiscal decentralization, although the eventual results may be determined to a large extent by the doings of the central government. This is because if the latter is hesitant in waiving a certain sphere, for example, if it assumes all responsibilities of providing all manners of public services, then the decentralized governments run a risk of being marginalized and are not in a position to craft their own fiscal plans for their local development agendas.

A second alternative implies the maintenance of a particular restrictive and/or limited principle over the dynamism which may come about from such processes and of certain provision for

dealing with the undesired effects which may be derived from a central or national perspective. Therefore, it entails the establishment of strict limits among the levels of government and allowing the jurisdictions of the constituent local government to act as they wish, as long as they remain within those set limits. Regarding expenses, this limitation means that each subnational government is permitted to use money exclusively for purposes within its own established powers; thus, the lower level governments are permitted to collect public funds only in a particular manner, for instance, through some taxes within the range of their prescribed competency.

The third alternative has the following tendencies: maintaining a centralist management scheme, proposing for higher centralization in public planning, expenditure, and tax arrangements through broader restrictions exacted upon subnational governments in matters related to fiscal planning, expenditure, income management, and other fiscal related matters.

Fourthly, there are other approaches where lower level governments' fiscal competence may be reduced by regulating. Also, there are other modalities where the lower or subnational level fiscal competence may be regulated by being assigned certain functions of service delivery as compulsory, or even providing the central government with powers to determine the quantity and quality of the services to be entrusted to the lower level governments concerned simply with administrative and technical aspects of their delivery. Furthermore, there are instances where the fiscal competence of the subnational or lower level government may be further curtailed, almost down to zero in some cases. And that would mean that there is no tangible fiscal participation accrued to these lower level governments. In this case, the decentralized governments would therefore exclusively depend on fiscal transfers provided by the central government without simultaneously being reassigned extra expenditure obligations. This is an extreme case of fiscal decentralization, evidenced in very restricted fiscal policy. If the central government went on and decided how to use these transfers, then it would defeat the idea of fiscal decentralization. Emphatically, for a decentralized lower level government to achieve higher financial competence, it must be able to exercise a degree of influence on the transfers made to it. Nevertheless, that depends on the existing financial transfer system in a given country.

On the whole, Shah (1998:149) conclusively contends that successful decentralization cannot be achieved in the absence of a well-designed fiscal transfer program. He insists that simplicity,

transparency, and consistency with the objectives are important approaches when designing a fiscal transfer system.

### **2.6.2 Economic Efficiency**

Ebel and Yilmaz (2003: 103); Stigler (1957); Musgrave (1959); Oates (1972); and Brennan and Buchanan (1980) are concerned about the most effective ways of supplying public goods and services, in a cost-effective manner, to the beneficiaries at the local level. And since central governments across many countries have failed to provide satisfactory services at the regional level, decentralizing fiscal responsibilities seems to promise better results in addressing particular local needs. Arguably, sub-national governments have the potential to become necessary conduits to enhance efficiency in the delivery of services. This leads to fiscal decentralization theorem:

[w]here the governments closest to the citizens can adjust budgets (costs) to local preferences in a manner that best leads to the delivery of a bundle of public services that is responsive to community preferences. Sub-national governments thus become agencies that provide services to identifiable recipients up to the point at which the value placed on the last (marginal) amount of services for which recipients are willing to pay is just equal to the benefit they receive (Ebel and Yilmaz, 2003: 103-104).

Geys and Moesen (2008: 1) posit that a significant way of evaluating the effectiveness of any fiscal decentralization policy is to find out whether or not governments use public fiscal resources in an economically efficient manner. After various theoretical examinations had been conducted, including those of Davoodi and Zou (1998), Martinez-Vazquez and McNab (2003) Zhang and Zou (1998), and Hammond and Tosun, (2011), (some using cross-country empirical datasets while others comprised datasets focusing on case studies within a single country) results showed varying conclusions on the impact of fiscal decentralization on economic efficiency.

According to Koopsman (cited in Geys and Moesen, 2008: 1), economic efficiency is understood as the capacity of jurisdictions to provide a maximum amount of output for a given level of inputs whilst minimizing wasteful expenditure. Being closer to the constituents, it is argued, local governments have a higher potential to identify people's needs, and thus end up providing the appropriate form and level of public services (Manor, 1999; Oates, 1972).

Ribot (2002: 9) argues that in order to ensure economic efficiency at the local level, it is critical for the fiscal decentralization system to ensure that:

- [d]ecisions are more relevant to local needs and conditions are more likely to be effective;
- local coordination is facilitated and transaction costs are reduced by making decisions locally;
- decentralized decision making can be quicker and more flexible, therefore more efficient;
- local knowledge and preferences can be drawn on to make decisions more relevant and effective;
- local knowledge and labor can facilitate implementation, management and evaluation; and
- local actors will benefit from reducing the costs of their efforts, they are likely to spend their resources more efficiently.

Prud'homme (2003: 22) argues that fiscal decentralization has a potential to improve delivery of public goods and services. For Oates (1972), fiscal decentralization enables different bundles of public services to be distributed to various constituent jurisdictions that match the needs of respective jurisdictions, and therefore escalate allocative efficiency.

The demand for public services would generally vary among local jurisdictions. Consequently, for there to be efficient service delivery in these respective localities, there is a need to take into account these variations. Otherwise, if uniform delivery of services were to be effected through centralized fiscal mechanisms, where each jurisdiction receives similar if not the same level of public services, eventually most localities would receive inefficient services that do not match their local demands (Wasylenko, 2001: 57).

According to Oates (1972) one of the most widely debated arguments is whether fiscal decentralization enhances economic efficiency. According to Liu (2007: 11), this argument relies heavily on the premise that the sub-national government is more in tune with local needs and is thus much more capable than the national government of delivering necessary services.

Both arguments for and against the impact of fiscal decentralization on economic efficiency exist. There are as many arguments that support the view that fiscal decentralization has a positive effect

on economic efficiency as the opposing views. For example, Oates (cited in Kee, 2004: 167) analyzed data from 58 countries, and found a positive relationship between economic growth and fiscal decentralization, highlighting the role for local governments, especially infrastructure development. Samimi et al (2010: 5490) also found a positive relationship between fiscal decentralization and economic growth after analyzing data from 28 provinces in Iran.

Arguments in support of a more decentralized form of governance point to the achievement of greater efficiency when the provision of public services is carried out by the level of government that is closest to the people (Vigneault, 2007: 133). Musgrave's (1983) main argument intimates that the government closest to the people promises better benefits and gains from of a fiscally decentralized system. This, according to Bahl (1999:2), is the efficiency argument that drives the thinking of most economists, with potential benefits including: better public services, better accountability on the part of government officials, more willingness to pay for services, and hopefully, an emergent development from below. .

Griffin (cited in De Valk 1990: 5) notes that with the recent wave of decentralization, an apparent assumption is that localized planning and participation can achieve efficiency by resolving the implementation problems of rural development planning created by centralized planning and control. In the same way, Bosch, Espasa, and Mora (2012: 248), uphold that fiscal decentralization has a potential to increase efficiency of government. The argument stems from varying demands for public goods and services from various jurisdictions; a demand that central governments have failed to satisfy due to their limited knowledge of local conditions.

Local actors have a higher potential to provide their constituents with what they need because they are motivated by fear of not being re-elected. Decentralizing fiscal responsibilities therefore increases the potential for different bundles of public services that better match various tastes of each jurisdiction, thus increasing allocative efficiency (Prud'homme, 2003: 22). In addition, local governments are more likely to understand different views and interests of local populations; they are also in a good position to allocate resources more efficiently than the central authority (Ebel and Yilmaz, 2002: 2).

The basic economic argument for fiscal decentralization remains the enhancement of economic efficiency, that is, the provision of local outputs that are differentiated according to local tastes and



circumstances results in higher levels of social welfare than centrally determined and more uniform levels of outputs across all jurisdictions. Furthermore, fiscal decentralization provides incentives for local governments to be innovative in the production and supply of public goods and services (Oates, cited in Samimi, 2010: 5490). As Kee (2004: 168) maintains, efficiency has an economic value where the provision of social welfare is maximized.

It has been argued that allocative efficiency is increased by decentralizing infrastructure decisions at the local level. This is due to their proximity to local populations; local governments are best placed to discern and respond to local demands for infrastructure services and thus augment welfare (Lewis, 1998: 143). Prud'homme (2003: 19) maintains that the structure of output/consumption has direct significance for welfare or utility. He demonstrates this by providing the following scenario:

[i]f people get a service X for which they do not care much at the expense of a service Y for which they would care more but which is not provided, their welfare or utility will be small. A shift in the allocation of resources from the production of X towards the production of Y will increase welfare. Therefore, matching of services with communities' immediate needs becomes relevant towards achieving local economic efficiency (Prud'homme, 2003: 19).

Prud'homme (2003) identifies a major loophole in the above stated standard argument, and considers its merits with skepticism. He contends that this argument assumes that there are significant differences in the demand for public services in various jurisdictions. And in fact, this is not necessarily so in countries where most public services are lacking. This assumption would suggest that local governments are responsive to local demand. Yet, this responsiveness cannot be assumed to be always systematically present.

There is always a danger that locally elected officials will spend the money in their own interests rather than in the interests of their constituents. Furthermore, Prud'homme challenges Oates' view that locally elected leaders are to commit themselves to providing efficient goods and services for fear of not being re-elected. He maintains that rules that subject them rather frequently to honest re-elections are desirable from that point of view but not likely to be sufficient to ensure substantial accountability (Prud'Homme, 2003: 22).

Geys and Mosen (2008: 1) maintain that it is critical to ensure that local government systems are well fitted and that local administrators are capacitated with solid managerial skills. This is because when local governments are not in a position to deliver on economic efficiency, it follows that even the economic benefits due to further decentralization are likely to be lacking. Hypothetically therefore, there will be only limited impact by shifting tasks to inefficient levels of government.

Liu (2007: 15) argues that contrary to the arguments proposed by Oates (1972), Prud'homme (1995) suggests that fiscal decentralization can actually undermine economic efficiency. Prud'homme believes that arguments presented by Oates are rooted in fragile ground. He argues that not only do elected officials not always satisfy the preferences of local needs, but, even if the locally elected officials seek to satisfy the preferences of local needs, the local bureaucracy does not always go along with the expectations of elected officials. As a consequence, Prud'homme regards as problematic the assumption that fiscal decentralization necessarily promotes economic efficiency.

A critical factor to counter the dangers of implementing fiscal decentralization with an aim of achieving economic efficiency at the local level is that of empowering institutional capacity in administering local development. Therefore, efforts are made to strengthen institutional capacity by maintaining modern organizational practices such as budgeting, auditing, and accounting systems. However, even though these modern methods are lacking, it may not be considered as a barrier to decentralization, provided citizen participation and transparency in decision-making pertaining to the management of fiscal resources are ensured (Shah, 1998: 148).

In other words, the above assumptions are based on the argument that the central government is more likely to be comparatively unresponsive to the delivery of public goods and services as compared to the local government. The center may therefore be unable to respond to particular regional demands, and only manage to implement uniform policies. More explicitly, specific local governments apparently are much closer to local populations, whereby they are assumed to possess knowledge of both local preferences and cost conditions that may not be guaranteed by the central government (Oates, 1999: 1123).

Equally, Kee (2004: 269) claims that local decision-makers are endowed with more knowledge about the problems and needs of their local area than centralized decision-makers. Koethenbuenger

(2007) refers to the fact that more specifically, individual local governments are presumably much closer to the people, since they possess knowledge of both local preferences and cost conditions that a central agency is unlikely to have. Bird and Villancourt (1998: 3), for example, claim that not only does fiscal decentralization have the potential to produce more efficient and equitable service delivery through making better use of local knowledge, but also to lead to greater participation and democracy and hence result in more popular support for government which, potentially, will improve political stability.

Decentralizing the functions of fiscal responsibilities to be managed by autonomous local institutions is not a panacea for local economic development. Claims that decentralization has a greater potential to increase efficiency through better matching of demand and supply for local public goods may not be the case in countries with daunting democratic spaces (Sewell 1996: 147). Ribot (2002: 9) views this as a critical point because many of these claims are predicated on the assumption that there are mechanisms in place with an enabling environment to hold local authorities accountable to local populations, thus improving efficiency.

Wasylenko (2001: 57) intimates that fiscal decentralization allows more effectiveness in implementation of local development projects. Hypothetically, it is through economic activities that constituents can validly play a more direct role in determining their own local development. For example, services provided through public works such as: roads, water, sewers, are indicators for economic development. On the other hand, if central government, rather than local government design and finance local economic projects, arguably, it may hamper the commitment to building and maintaining these development projects. The rationale behind the assumption that local governments stand a better chance to implement fiscal operations in a more efficient manner is tied to the fact that in procurement, local officials will generally be able to determine the property value more accurately than their counterparts in the central government. Those in central offices are most likely not in a position to know about the specific details about property in different localities (Hicks, cited in Wasylenko, 2001: 57).

Randinelli et al. (1989: 57) maintain that demand for public services and physical infrastructure in developing countries has continued to grow steadily. This has been attributed to increasing populations, and to local populations' demands for better standards of living, linked with upcoming

national development plans coupled with international influence. And in several developing countries, local services and infrastructure have been provided ineffectively and inefficiently by central governments. Rondinelli and Ruddle (cited in Rondinelli, Mccullough, & Johnson. 1989: 57) attribute limited services and infrastructure in areas outside national capitals to lack of: local incentives, adequate funds, technical expertise; and management capacity to provide services.

Bardhan & Mookherjee (1994: 3) attribute inefficiencies of service delivery to monopoly of central government in service provision. Ribot (2002: 10) opines that introducing local governments as service providers enhances competition, thus resulting in increased efficiency. The competition that arises from various local governments creates more responsive governments to local population's needs and preferences. Thus, decentralization mode creates an environment that forces local government to match service delivery to needs by remaining closer to their clients due to having better access to local information.

The World Bank (2000: 109) contends that there is a vague effect of the impact of fiscal decentralization in accelerating delivery of services. This is attributed to the fact that the assumed causal relations are difficult to demonstrate. The evidence that relates the quality of service delivery to both central and local government is mixed. Lewis (cited in Smoke, 2001: 17) presents results of two studies on decentralization: One study was conducted in 10 developing countries that evidenced increased infrastructure at both national and sub-national and sub-national levels. Where service provision was low under the administration of previous governments, decentralization appears to have increased locally produced services. The other study, comprising a survey of 75 countries, indicated that facilities are better provided by the central government, while operational procedures are more effective when decentralized.

### **2.6.3 Fiscal Accountability**

Smoke (2001: 17) argues that there is mixed evidence regarding whether decentralization of fiscal responsibilities to local governments improves accountability of government. However, there is certainly evidence, as provided by Crook and Manor (1994), Manor (1999); and Blair (cited in Smoke, 2001: 17) that participation, in terms of elections and interaction between constituents and local government officials, can be substantially enhanced by decentralization. Others, like Shah (1997) and Blair (cited in Smoke, 2001: 17-18), provide evidence that democratic decentralization

can enhance the speed, quantity and quality of responsive actions from local governments. Smoke attempts to link meaningful decentralization and accountability of local governments to their constituents. He contends that underlying most of the benefits of decentralization is the existence of democratic mechanisms that enable local governments to discern the needs and preferences of their constituents, thus providing a way for these constituents to hold local governments accountable to them (Smoke, 1999: 10).

Assessing accountability institutions is crucial when addressing reform of fiscal systems. Creating an effective local governance system that has well framed mechanisms that enhance delivery of local services and collect local charges is critical in creating citizen participation and accountability. More modern systems of local governance, such as those run by elite management, have failed owing to an absence of citizen voices and accountability checks. In addition, reforms lack appropriate provisions for holding to account elected officials for negligence or misconduct (Shah, 1998: 148).

Similarly, Smoke (2001: 32) notes that fiscal decentralization mechanism cannot be expected to work if there is not an adequate degree of local political development and accountability. Ingram and Schneider (2006: 182) identify accountability as the most critical to democratic governance. They suggest that in the new era of decentralization and devolution, it is important for the public to become more directly involved in holding governance structures accountable. It is therefore important to note that transparency is a critical value when designating projects to communities in all dimensions including identifying, monitoring, and sustaining them.

Altunbas and Thorton (2012) conducted research comprising data set of sixty-four developed and developing economies with the aim of ascertaining the effect of fiscal decentralization on the quality of governance, with a special focus on corruption. The authors found that countries in which a larger share of fiscal revenues and expenditures are located at the level of subnational governments, appear to be less corrupt. They also found that the beneficial impact of fiscal decentralization on corruption is mitigated in the presence of mechanisms enforcing vertical administrative decentralization. Thus, their results provided strong support to the view that fiscal decentralization has a beneficial impact: it improves governance in a country by reducing corruption. Moreover, subnational government autonomy appears to reduce the beneficial impact

of fiscal decentralization on corruption, which suggests that fiscal decentralization is most effective in reducing corruption, when these resources are nonetheless largely directed by the central government.

And finally, their results lend support to economists who take a more positivist view of fiscal decentralization as a means to promote better governance (Altunbas and Thornton, 2012: 66, 81-82). Ingram and Schneider (2006: 182) imply that transparency in all transactions is to be considered as crucial with full disclosure of interests. It is therefore important that actors be held accountable not just for pragmatic goals, but also for fair and equitable actions. As Blair (2000: 27) puts it, democratic governance at the local or national level can succeed only if public servants are held accountable. They are therefore to remain answerable to the people in the way they make decisions and the impact of those decisions on the communities.

Smoke (2001: 14) maintains that those aligned to pro-decentralization camp view corruption as a much greater problem at the central level than at the local level, particularly in those countries where adequate accountability has been established through the development of local democracy. Thus, this tends to legitimize the establishment of a localized management of driving local development. In the view of Yilmaz, Aslam & Gurkan (2010), the concept of fiscal accountability can be divided into both public accountability and social accountability. In their understanding, *Public accountability* entails:

An effective, efficient, transparent, and rule-based public financial management system that includes setting standards for control on intergovernmental transfer revenues, monitoring transfer figures, observing clear rules for responsible local borrowing, providing public access to borrowing information; and setting clearly defined rules for hard budget constraints on local governments.

In addition:

A crucial requirement for any social accountability mechanism to operate is to make information accessible to the public (including budgets and end-of-year financial statements); allowing strong public involvement in the budgetary process through participatory budgeting practices and initiating independent budget analysis and participatory public expenditure tracking programs that monitor budget execution and leakage of funds.

By and large, Smoke (2001: 18) argues that the quality and distribution of fiscal resources does not guarantee enhanced accountability of the local government to local residents. In other words, accountability does not automatically emerge as a result of establishing decentralization. Firstly, it can be realized only if local governments are able to develop - even gradually - a genuine accountability to their constituents; and secondly, it becomes crucial to design decentralization more strategically, embedded in a gradual implementation process, while building trust between local government officials and their constituents (Smoke, 2001: 19).

After noting that many developing countries have weak and inadequate mechanisms available for citizens to monitor how subnational governments manage their fiscal policies, Azfar, Kahkonen, Lanyi, Meagher, and Rutherford (1999: 13) conclusively argue that in order to achieve a meaningful fiscal accountability, government budgets and expenditure frameworks need to be disclosed to the public - recognizing that it is their right to know how tax revenues collected from them are spent.

#### **2.6.4 Fiscal Participation**

Fiscal participation entails a scenario where citizens are actively and freely involved in budgeting processes including the allocation and use of public funds (Justice, Melitski, & Smith, 2006: 301).

Fox and Meyer (1995: 20) define fiscal participation as the:

[i]nvolvement of citizens in budget priorities, and the acceptability of physical construction projects in order to orient government programmes toward community needs, build public support, and encourage a sense of cohesiveness within society.

Kim and Schachter (2013: 456) argue that involving citizens in budgetary process is a significant indicator for measuring fiscal participation. They view this engagement as an important mechanism for assisting administrators to acquire input on citizen preferences and thus create more effective organizational decision-making. In many democratic societies, asserts Roberts (2002), the role played by citizens in the budgetary process has recorded substantial growth over the recent decades. He attributes the main rationale that justifies this increment to the assumption that dialogue between government officials and citizens is instrumental in advancing accountability in contested areas.

Such inclusion of citizens in local development affairs plays an important role in enhancing trust of citizens in their government, thus fostering more collaboration (Halachmi and Holzer, 2010). Consequently, Berman (1997) claims that incorporating citizen participation in local development agendas has the potential to reduce citizens' pessimism about their governments and further increases their support for local government development initiatives. The dialogue that involves citizens' engagement in budgetary process is essential in harmonizing citizen priorities and principles (Khan, 1997).

Fiscal decentralization has been adopted by many governments as a mechanism for expanding participation of local communities as active agents in development, and thus, in democratic process. Therefore, by decentralizing the delivery of public services, there is a tendency among local residents to believe that through their participation in voting, they have the potential and the power to determine the nature and quality of services offered to them. Taxpayers at the local level increase their awareness of the existing relationship between the taxes that they pay and delivery of services. Therefore, this increased participation in affairs that affect them at the local level stimulates their voting patterns in favour of those leaders that have the capacity, in their best judgment, to deliver on this mandate (Wasylenko, 2001: 57).

Participation in the fiscal process means that local stakeholders influence and share control over development initiatives, decisions and resources over the issues which affect them (World Bank, 1996 cited in Brinkerhoff and Crosby, 2002: 53). It provides a forum for local debate about local priorities. Thus, community needs are addressed during these deliberations as opposed to projects that are uniformly proposed from the center (Kee, 2004: 269). In this understanding, decentralization is promoted on the assumption that greater participation in public decision-making is a positive good in itself or that it can improve efficiency, equity, development and resource management. Government decisions are brought closer to citizens, thus increasing public sector accountability and therefore, effectiveness – where services are better matched to the needs and local resources, labour and knowledge are better mobilized (Ribot and Oyono, 2005: 206).

There are various arguments presented that have indicated a significant link between decentralizing functions of fiscal management to local governments and citizen participation. According to the UNDP report on Governance and Sustainable Development (1997: 6),



decentralizing governments enables people to participate more directly in governance processes and does help to empower local communities and those previously excluded from the realms of decision-making by centralized mechanisms. According to the report, citizens are increasingly calling their governments for augmented accountability and responsiveness through greater decentralization and expanded autonomy of policy making at the local level. In this way, a government can create equitable development opportunities for its entire people. Closer contact between local government officials and their respective communities enhances the exchange of information that can be used to formulate development programmes tailored to local needs and priorities (UNDP, 1997: 13).

A review of the World Bank data conducted in 42 countries found that where maintenance of roads was decentralized, backlogs were lower and roads were in better conditions. Furthermore, the report revealed that data for a group of developing countries revealed that per capita costs of World Bank-funded water projects were four times higher in centralized than in fully decentralized systems. In addition, a study of 121 completed rural water supply projects, financed by various agencies, showed that projects that had recorded high participation in selection and design of projects were much more likely to have better managed water supplies which were maintained in good condition as compared with those controlled by more centralized decision-making (Bardhan, 2002: 199).

The existing rapport between decentralization and development links various stakeholders and actors like policy makers, politicians and practitioners in addressing issues related to public participation, by incorporating local communities in policy decisions, and in poverty alleviation at the local level. This encourages creativity and subnational autonomy in addressing local needs, thus entrenching development. Moreover, it is claimed that convening stakeholders to define development priorities for projects increases interest and a sense of ownership, which in turn stimulates sustainable development. In this approach, community participation, enhanced through development strategies such as decentralization, plays a central role to boost development initiatives (UNDP, 2007).

According to Brinkerhoff and Crosby (2002: 55), there are some who put value judgment on the types of participation, seeing information sharing and consultation as lower quality forms of

participation and citing empowerment as the feature that distinguishes whether participation is genuine or not. However, they argue that one reason not to make value judgment about the types of participation is that activities, from information sharing to empowerment, tend to be connected in a hierarchy. Thus, each subsequent type builds on previous ones. Therefore, it is more useful to think of them as interlinked rather than isolated or discrete alternatives. In a nutshell, information provision and transparency are the foundation for all stakeholder involvement in development tasks. Consulting with stakeholders is a means to improve the quality of information by creating a two-way flow of ideas with decision-makers. Consultation can blend into situations in which external stakeholders and beneficiaries either share decision-making power or actually make final decisions and assume responsibility for implementing them.

Brinkerhoff and Crosby (2002: 50) point out that public participation in development process is central to policy implementation. Firstly, they highlight the claim that implementation often requires actions by large number of people in order to achieve locally acceptable results. Secondly, they emphasize the importance of the process by which the content of policies is formulated and the link between participation and democratic governance. Over the last few decades, citizens have increasingly organized to expand their influence in policy debates to pressure their governments to be more responsive and accountable, and to demand a greater role in governance. These new trends and demands from the public have necessitated that governments establish ways and means in which local communities can participate in advancing their local interests.

Decentralized governments expose local communities to opportunities to liaise with government representatives and policy makers, and to participate in policy and resource allocation decisions regarding the projects to be established in their locality. This participation can guarantee ownership of development process among the community members, an approach towards alleviating poverty. Thus, Brinkerhoff and Crosby (2002: 52) argue that participation has a dimension of resource mobilization and allocation, as well as monitoring. Thus, stakeholder participation is at the core of policy management and democratic governance.

### **2.6.5 Fiscal Transparency and Information-Sharing**

Joumard and Kongsrud (2003: 160) contend that in a scenario where governments decentralize their fiscal powers and function, lower levels of government are more suitable to share their fiscal

opportunities and responsibility with their local constituents. Therefore, fiscal transparency and information sharing comprise the behavior of subnational governments' ability to display their subnational budgetary and accounting figures and frameworks to the public.

Azfar et al. (1999: 13) maintain that increasing information flows forms an informed citizenry. It consolidates their position to participate in fiscal policy debates; citizenry are able to react and evaluate information that determines government operations. In a system where fiscal authority is decentralized, access to this kind of information enables the public to hold government to account and monitor its stipulated actions. Subnational levels of governments do not have an obligation to share budgetary information with the public only, but also with the central government. The central government needs to be able to monitor the fiscal behavior of subnational governments based on their budgets and expenditures, as well as monitoring outputs and outcomes of these policies (Azfar et. al. 1999: 13).

Brinkerhoff and Crosby, (2002) argue that information-sharing is aimed at keeping actors informed. Therefore, through availability of information, stakeholders at the local level are able to make informed decisions; provide transparency; and build legitimacy. The government provides information to the public through dissemination of written material through official documents, newspapers, or magazines; distribution of documents from government offices; press conferences; radio or television broadcasts; or established websites. From the public to government, examples include responding to questionnaires and surveys, accessing toll-free telephone "hot lines," and providing various kinds of data, opinion surveys, or analyses.

However, Narayan (2002: xix) identifies information sharing as characterized by two-way information flows both from government to the citizens and vice versa. He argues that these respective characters are manifested as a symbol of responsible citizenship and responsive and accountable governance. Informed citizen have higher potential of making more informed decisions and can utilize that advantage to demand appropriate level of service delivery while exercising their obligation to hold their officials accountable.

Yilmaz et al (2010: 6) argue that information sharing and dissemination in a manner that is understandable to the general public is a crucial element in strengthening any social accountability mechanism. It can be achieved through holding public meetings where local government

elucidates its budgeting and expenditure practices. Other modes of information sharing such as radio and other locally accessible means can also prove effective.

Elsewhere, Brinkerhoff and Crosby (2002: 65) identify information sharing as the most basic level of participation, and the one that offers the least active involvement for stakeholders. Additionally, a study conducted by Kim and Schachter (2013) provides critical evidence. They conducted their research by analyzing the case studies of Los Angeles, and Bukgu, South Korea to demonstrate how participative budgeting combines exploration and refinement strategies to create a more effective process that would foster information exchange between citizens and their local government officials. The study found that citizen-administrator information exchange is crucial in fostering local development agenda.

As argued by Brinkerhoff and Crosby (2002: 54) information-sharing remains crucial to policy implementation for a number of reasons:

- First of all, for implementation to be conducted according to democratic principles, information regarding the unfolding of development projects cannot be handled in seclusion, and thus, accessible and widely disseminated information is key.
- Secondly, in order for stakeholders to participate actively in the development process, they are to be endowed with relevant information to enable them to make informed successive decisions. Therefore, without information, stakeholders may not engage in effective consultation or collaboration. However, many developing governments have a tendency to withhold valuable information from the public. They do not share basic documents on policies, procedures, regulations, or planned interventions. As Brinkerhoff and Crosby rightly state, ‘historical legacies of secrecy and information hoarding remains strong’. However, new technologies are making inroads into these legacies. For example, Benjamin (cited in Brinkerhoff and Crosby, 2002: 65) attests to the fact that in South Africa, in an effort to break the apartheid pattern of limited information flows, the Johannesburg Metropolitan council decided to create a website for council members, and later, local community members through which much of its business is now conducted. As a result, council processes and outcomes have been more transparent and participatory, with a wider range of citizen involvement in municipal governance.
- Thirdly, information-sharing is vital as it stands out as a means through which public agencies elaborate and communicate the rationale behind policy decisions. As pointed out by

Fristack and Atiyas (cited in Brinkerhoff and Crosby, 2002: 65), policy communication is critical to building reform constituencies and support for change. Therefore, providing stakeholders with information on the potential benefits of policy change and laying out a vision will help to prepare for collaboration and consultation.

Fourthly, in order for the process of policy implementation to be carried out in a transparent, responsive, and accountable way, citizens need information. And in order to exercise demand effectively, citizens need to know what public authorities are supposed to do, what they plan to do, what they are currently doing, and what the results are. Thus, information sharing mechanisms are instrumental for basic democratic governance as well as higher levels of citizen participation. Mugabe and Robb (cited in Brinkerhoff and Crosby, 2002: 66) demonstrate this point by pointing to Uganda as an example, where the government, together with donor support, has been implementing a broad decentralization policy. To increase transparency and accountability in decentralized management of resources, advertisements are placed in the press indicating amounts disbursed to each districts by sector. For instance, in education sector, budget allocations for schools are posted on school notice boards so that citizens can inform themselves regarding what is supposed to be spent on education and can compare that with what they observe.

Kim and Schachter (2013: 456) understand empowerment through information sharing as ‘a decision-making process through which citizens deliberate and negotiate over the distribution of public resources’. This also involves the transfer of control over decision-making, resources, and activities from the initiator to other stakeholders. Empowerment takes place when external actors, acting autonomously, and in their own interests, can carry out policy mandates without significant government involvement or oversight. Examples are local natural resource management committees and community empowerment zones (Brinkerhoff and Crosby, 2002: 55). This is reflected in Narayan’s definition of empowerment as the:

[e]xpansion of assets and capabilities of ... people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives (Narayan, 2002: xviii).

## **2.7 Conclusion**

This chapter analysed the concept of decentralization with a particular focus on fiscal decentralization. It interrogated various claims and motivations about why governments centralize or decentralize their powers and functions in order to deliver their mandate on development planning. The chapter outlined the various dimensions (political, administrative, and fiscal) and forms (deconcentration, delegation, and devolution) of decentralization. The chapter explored the unfolding the relationship between fiscal decentralization and the enhancement, or otherwise, of local economic development. Finally, it explored key purposes of fiscal decentralization, that is, to ensure: fiscal equalization; economic efficiency; fiscal accountability; fiscal participation; and fiscal transparency and information sharing.

## CHAPTER THREE

### Fiscal Decentralization in Kenya

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#### 3.1 Introduction

This chapter demonstrates how, immediately after independence, Kenya shifted from a decentralized constitutional system of governance to a protracted period of centralization which lasted for about four decades, and then back to a decentralized system through a new constitutional framework in 2010. Decentralization has been formalised in Kenya since 2013, when the new government was voted into power under the Constitution of Kenya 2010 (CoK 2010). This chapter pays particular attention to the shifting trends in Kenya's fiscal policies that regulate revenue collection, allocation and expenditure. It explores the rationales that informed Kenya's adoption of centralized and decentralized systems of governance over the course of colonial and post-independence history. The chapter examines the objectives of current decentralized system in place and of the objectives of Constituency Development Fund (CDF) and how it has been rationalized with the current fiscal decentralization framework informed by the CoK 2010.

#### 3.2 Kenya: A Demographic background

Kenya is one of the most strategically located among the countries of East Africa. The country borders with Ethiopia and South Sudan to the North, Somalia to the East, Tanzania to the South, and Uganda to the West. It enjoys more than 536 kilometers of the Indian Ocean coastline and its port serves its immediate neighbors and others such as: Burundi, Democratic Republic of Congo, and Rwanda. According to the 2009 Census, Kenya's population was estimated to be 38,610,097 (Kenya National Bureau of Standards (KNBS), 2009). Chapter 11 of the Constitution of Kenya 2010 (CoK, 2010) establishes the decentralized government and county governments as the second level government after the national government. Currently, there are 47 counties in Kenya. Section

89 of the CoK 2010 also establishes 290 constituencies for the purposes of electing members of the National Assembly.

### **3.3 Decentralization trends in Kenya before independence**

During the colonial occupation in Kenya, fiscal policies in favour of development in local jurisdictions were designed and implemented by the British colonial administration (Smoke, 1994: 62-68). Smoke (1994: 62) explains that the East African Order in Council was passed in 1897 to create “native courts” among the tribes. However, the functions of these courts were not clearly defined, and had very little, if any authority. Basically, they were to liaise with the settler provincial administrators.

In 1902 the Village Headman Ordinance was enacted. As a result, headmen were to be appointed by the provincial commissioners, who, by law, were empowered to appoint Africans of their choice to these positions. They were expected to have jurisdiction over villages or a group of villages. ‘The stated duties of these headmen were to maintain law and order, to help the provincial commissioner to collect taxes, to maintain local roads, and to assist as arbiters in minor disputes and legal cases’. Therefore, these Africans acted as agents of the central government representatives. They did not claim any autonomy and all their decisions and conduct were accountable to the central agents of the colonial government.

This system of decentralization was not in the interest and benefit of the local community, but rather, it helped to protect and advance the interests of the colonial government. In fact, as argued by Smoke (1994: 62), the idea of appointing individuals as overseers over community affairs was foreign to many traditional Kenyan tribes. Many of them were governed by councils of elders. As the native local government continued to interact with the colonial provincial administration, there was a need to create a united system between the two tiers of government, leading to the enactment of the Local Authority Ordinance of 1912.

Following the passage of this ordinance, there were attempts to establish provincial level councils that incorporated both settlers and Africans. This generated strong opposition from the settlers who preferred to have separate institutions for the natives. There was also a great deal of controversy about how these provincial councils were to be selected, what their composition would be, and what



responsibilities would be assigned to them. In the end, it proved impossible to come to an agreement on these issues, and the idea of integrated provincial councils was dropped (Smoke, 1994: 62).

After World War 1, the colonial regime transformed Kenya from the East African protectorate to the Kenyan Colony. Those who had fought in the war had returned to Kenya and a spirit of nationalism among natives was instigated. Smoke (1994: 63) contends that the growing political awareness of Kenyans and the expanding interests of the British colonialists necessitated that changes be made in the way the colony was governed. In 1924, the Kenya Legislative Council passed the Native Council Ordinance, and this legislation established Local Native Councils (LNC) in the districts, which were administrative subdivisions of the British provinces.

Even at this level, all of the African members of the LNC were directly appointed by the colonial administration. The African nationalists were dissatisfied with this system and wanted to replace it with a system where natives had a commanding position over the affairs of African people. They claimed that provincial appointments were unacceptable and demanded to have individuals mandated by the people through elections to represent them at the government level. 'Under the pressure of the nationalists groups, some changes slowly occurred in the LNCs over a period of several decades. For example, in 1937, a new Native Authority Ordinance allowed some councillors to be elected by the people to the district LNCs, although the district commissioner could still remove any elected councillor he perceived to be inappropriate' (Smoke, 1994: 63). Oginga Odinga, a Luo leader and once a member of LNC sharply criticised the nature and the operations of LNCs:

Matters already decided and finalised by the government were brought to the councils for confirmation and acceptance. Council members were powerless to change anything or make suggestions contrary to the decisions already made...measures which were unpopular were imposed through the councils, punishment for infringements of unpopular measures meted through us, and the government told the people: you elected your representatives to the districts councils; this is their decision (Odinga, 1967: 92).

Even though the LNCs did not have autonomous powers, and despite the fact that they had limited resources, it became an arena where African matters were discussed and advanced the value of self-governance. Due to the pressure that came from African nationalists, and in response to a strong directive from the British colonial secretary, proposals were made to restructure the LNCs

in the 1940s. After further contentious debates, the Local Government Ordinance was finally enacted in 1950. This legislation established African District Councils (ADCs) to replace the LNCs (Smoke, 1994: 64). After analysing the structure and authority of the ADCs, Smoke (1994: 64) does not identify any significant difference between the operations of LNC besides the six issues stated below (Smoke, 1994: 64-65):

- Firstly, the majority of ADC councillors were elected, although the method of choosing the chairman of the council was left to the discretion of the district commissioner.
- Secondly, the ADCs were given formal legal status, they could sue and be sued, and they could enter into legal contracts.
- Thirdly, they were given authority to appoint administrative staff and to set up committees to deal with specific functions, much like present-day local authorities.
- Fourthly, the ADCs were given authority to form joint committees with neighbouring councils to undertake joint projects of mutual interest and benefit.
- Fifthly, divisional and locational (subdivisions of districts) councils were formally established as grassroots advisory bodies to the ADCs.
- Finally, a system of central government transfer was inaugurated with the establishment of partial grant for approved expenditures on health services. However, the real establishment of ADCs did not see the light of day due to the fact that resistance movement advanced by the nationalist movement in Kenya turned violent and the so called “Mau-Mau rebellion” ensued. This crisis ultimately led to Kenyan independence.

Cohen and Peterson (1999: 121-122) note that towards the end of the colonial period, the British had strengthened local authorities by increasing their tasks and transferring, through more decentralized forms of distributed institutional monopoly, access to revenue sources and financial tasks and roles.

### 3.4 Fiscal Centralization in Kenya

At independence in 1963, Kenya was founded under a federal constitution which was designed to protect the ethno-regional interests of the Kenya African Democratic Union (KADU), one of the two main political parties in Kenya. However, when the Kenya African National Union (KANU), the second major political party in Kenya, won the elections and Jomo Kenyatta's (Kenya's first democratically elected president) plans to implement the federal system were abandoned. Instead, the government preferred to establish a unitary state to administer development planning (Barkan and Chege, 1989: 437). Cohen and Peterson (1999: 121-122) observe that immediately after independence, President Jomo Kenyatta undermined the heritage of local authority strategy that he had received at independence and forged a powerful centralized state.

Since then, Kenya under subsequent governments headed by Jomo Kenyatta, Daniel arap Moi, and Mwai Kibaki endured about four decades of central government control over social and economic development. Cohen and Peterson (1999: 122) contend that the heads of state moved the country toward institutional monopoly by taking roles and resources away from local governments and transferring these powers to central ministries. By recentralizing control over the allocative objective, these presidents gained power to advance the political and economic interests of their home regions and ethnic groups. They allocated substantial government resources to areas they dominated, rewarding their acquaintances with employment at all levels of civil service, and advancing their private sector opportunities.

As evident in the Sessional Paper No. 10 of 1965, (cited in Cohen, 1993: 453), the Kenyan government had made a deliberate decision to take major responsibility to administer economic and social developments, a decision the government justified as follows:

- i. Rapid and equitable social-economic and regional development activities would not occur if local governments were allowed to take their own course;
- ii. Effective and efficient use of the country's scarce resources required central government planning and control; and
- iii. Development objectives would not be reached unless backed by adequate administration and technical capacity.

These strategic assumptions led to increased state direction of the development process and provision of basic services particularly in education, health, water, and transport. The country's public sector became characterized by an excessively large bureaucracy that regulated most aspects of development through national strategy and planning systems, extensive legal regulations, and wide-spread state ownership of industries and manufacturing firms, resulting to a highly monopolistic and bureaucratic control (Cohen, 1993: 450-453).

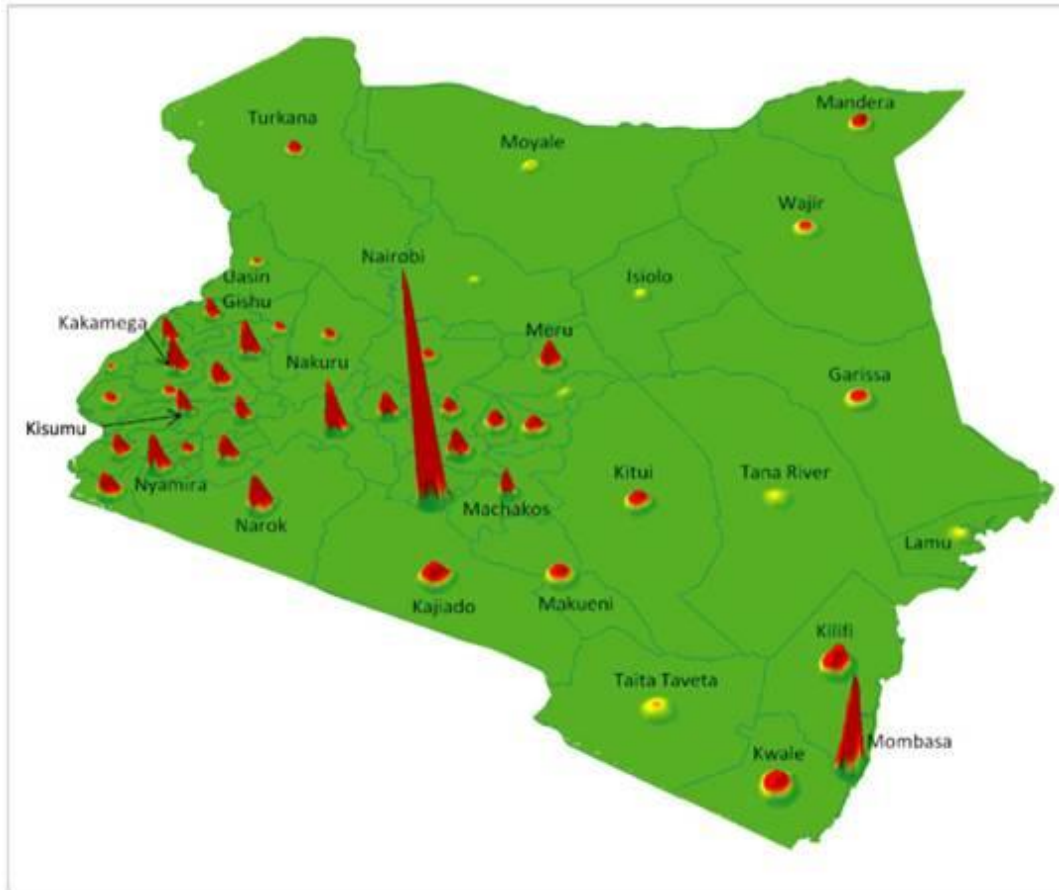
The power of local governments was weakened after independence in 1963, but many of them continued to provide services such as water, roads, and sanitation. Nevertheless, performance generally declined, with central government blaming the incompetence and corruption of local governments, while these governments blamed central control and interference (Smoke, 2007: 139). One of the main reasons for the deterioration of the local government system can be attributed to tribal tensions that surfaced in the ethnically fragmented country after independence. This prompted a major political consolidation by President Jomo Kenyatta's government that called for a recentralization of political power, administration, and control of fiscal resources to the central government (Khaunya, Wawire, and Chepng'eno, 2015: 30).

Orvis (cited in Bagaka, 2008: 3) argues that the central government in Kenya reserved the monopoly of designing central government policies. The responsibility for development programmes for local jurisdictions was extended to the provincial administration, acting on behalf of the central government. Centralization was reinforced even further because of the 1982 coup attempt against President Moi that was intended to oust him from power. This resulted in restrictions on political competition, the creation and entrenchment of a *de jure* one-party state, and efforts to fund efforts by local governments were derailed. Thereafter, central neglect of local government intensified and poor performance in social and economic spheres intensified. The central government came to view local governments as problematic entities to be controlled rather than developmental entities to be supported (Smoke, 2007: 139). The centralization of powers and functions of government become concentrated in the presidency. Khaunya, Wawire, and Chepng'eno, (2015: 30) highlight that between 1963 and 1990, there were over 30 constitutional amendments enacted to give the presidency more power and control over development planning.

The central government under Moi made sure that even the minimal support to local municipalities to continue administering some level of services such as local road maintenance, water provision, and sanitation were abandoned, and conditions enabling local government to survive were thwarted. Delivery of services by the local governments declined to a point that the central government considered them unacceptable and even damaging to development. Rapidly changing central fiscal conditions also focused attention on the central budget burdens created by local governments, which long failed to repay donors loans received through the center's now defunct Local Government Loans Authority (LGLA). The Ministry of Finance had little interest in local government since there was no legally framed transfer system from the post-colonial period until 2000. So the Ministry of Local Government was in charge officially, but it was financially weak and not respected. As a government structure, it was left there as a caricature designed to appease the international financial institutions like the IMF and the World Bank who were constantly calling for reforms in favor of decentralization (Smoke, cited in Wunsch, 2001: 285).

Largely, centralized fiscal planning became associated with unequal growth and development across the country, with more populations becoming poor and poorer. The unequal development outlook in Kenya is evidenced by investments that are only established in certain areas. To date, most economic activities that drive the Kenyan economies are located along Mombasa – Nairobi – Nakuru – Kisumu - Kakamega corridor. Figure 1 below demonstrates this fact.

**Figure 1 Kenya’s economy concentrated along the “Central and Western corridors”**



Source: World Bank (2011)

Other than political reasons and desires by the political elite to maintain a firm grip on power, the government saw central policies as critical and relevant in maintaining macroeconomic stability. The central government has been instrumental in regulating the Kenyan economy as evidenced in agriculture and manufacturing industry. The central government was not keen to leave such regulations and influence under the authority of local governments and considered these sectors as crucial elements that engineered economic development (Wanjala and Were, 2009: 229).

Barkan (2004: 88) attributes Jomo Kenyatta’s central administration approach to Kenya’s successfully expanded coffee and tea production and its booming tourism industry. During the period between 1963 and 1978, when Jomo Kenyatta held the reins of power, the economy recorded an average growth rate of between 5 to 8 percent in every year but two (Barkan 2004:

88). These major developments and achievements were attributed to prudent macroeconomic policies characterized by extensive investments in infrastructure, and expansion of education. This economic growth was linked with prudent policies regulated through central government structures. The government asserted that development could not be achieved without an active and overt government involvement, thus calling for a strong central control of public affairs (Kenya Government, 1965, cited in Nyamori, 2009: 199). The irony of the economic growth in the first decade of independence was that most benefits were enjoyed by a few including Kenyatta's family and his cohorts, and rising inequality became a glaring reality (Library of Congress – Federal Research Division, 2007: 3).

The central control of the development agenda became confined to the dictates of the central government. As the years went by, Kenyatta became increasingly intolerant of dissent. He had the Kenyan constitution amended to extend his powers. This was meant to crackdown on previous political allies that had become increasingly opposed to his government policies and leadership styles. When his former ally Oginga Odinga set up an opposition party, rivalry soured the relationship between the two leaders, and during political tensions that followed, the opposition party was banned and its leader was detained. Many more leaders were detained without trial, a symbol of the despot Kenyatta had become (Rubia, 2013). This new political climate affected the economy negatively and the central administration lost its grip over economic stabilization.

Efforts by the central government to remain relevant by redeeming itself and regaining former levels of economic growth and stability proved futile. Some initiatives established through Moi's administration included trade liberalization, the downsizing of the public sector, and reduction of the role of the state in the economy by sharing some of its roles with the private sector. The 1990s posed enormous challenges to the Kenyan economy characterized by curtailment of external aid inflows as a basis for more reforms. In 1992, Kenya became a multi-party state, but Moi's monopoly over politics and economy remained. The economy continued to dwindle after 2000, recording a negative GDP growth rate that year. It was not until the beginning of 2004 that the economy started to recover. This was linked with the structural reforms brought in by the National Alliance Rainbow Coalition (NARC) government for which the Kenyan electorate overwhelmingly voted in 2002. Generally, however, after nearly two decades of reforms since

1990, sustainable growth has remained elusive, devoid of any meaningful economic growth (Wanjala and Were, 2009: 230).

Muna, Mutula, and Koma (2013: 264) clearly note that the central government was very weak in designing sustainable nationwide development plans. Regions that were not loyal to the government were left marginalized and received very limited funding. It was the norm of President Moi, for example, to make roadside policy pronouncement during political campaigns. In this case, there was little, if any accountability in the way public funds were utilized. Other arms of government that were expected to protect the rule of law, like the judiciary and the legislature, became a rubberstamp of the executive's decisions, including those that had huge negative implications (Muna, Mutula, and Koma, 2013: 265).

As a result, Bagaka (2008: 2) argues that due to over-centralization of government, Kenya continued to face the challenge of unequal distribution of resources, failing development efforts, rising corruption, growing political instability, and inefficient administration and economic growth (Wunsch and Olowu, 1993: 6). Largely, the central government was seen as a project maintained by old politicians who feared they would lose power once the center was dissolved – the 'grey haired' politicians wanted to maintain the status quo while entrenching monopoly over the economy (Muna et al., 2014: 1387). Due to the economic instability associated with a skewed constitution that had been amended to give monopoly to the presidency, deliberations for a new constitution that was expected to devolve central powers and functions to lower-level governments were underway. The central government made some, although limited, attempts at decentralizing some of its powers and functions in the interest of local development (as will be discussed in the following section). However, these attempts only produced caricatures of decentralization with no significant levels of political, administrative, or fiscal autonomous powers. In fact, the only initiative that dispensed a lot of powers, but still under central control, was the Constituency Development Fund, a community based fund where at least 5 per cent of the national revenue would be distributed to constituencies according to a formula was passed through an act of Parliament, the CDF Act of 2003. The CDF was seen as a means to expand public participation in development planning and implementation, and as a means to fast-track local economic development.



### **3.5 Fiscal Decentralization Trends in Kenya**

In the 1990s, it became apparent that Kenya's central government (under President Moi's leadership) was unable to sustain running the economy, evidenced by weakened fiscal operating systems (Barkan, 2004: 88). According to Muna, et. al. (2014), it was the younger politicians (commonly known as the 'Young Turks' in Kenya) that were particularly robust in calling Moi's government to open spaces for democracy, thus giving opportunity for the formation of other political parties that represented regional dynamics and greater public participation. Pressures from international agents began to force the government to open spaces to subnational levels of government and enable private players to enter the market economy. Thus, faced with budgetary constraints, the government was forced to liberalize the economy through structural adjustment programs that were proposed by multilateral financial institutions such as the IMF and the World Bank. And in the 1990s, the Kenyan government started to create an environment where the private sector could thrive and foster economic growth. These international financial bodies began to evaluate the country's performance based on the extent to which local governments were able to incorporate local constituents in advancing their own development (Wanjala and Were, 2009: 227). In other words, decentralization received renewed interest in Kenya.

Another reason why government came under pressure to decentralize was its failure to provide for the sustenance of its population. More and more people sunk below the poverty line and the gap between the rich and the poor widened. According to the Country Profile by the Library of Congress – Federal Research Division (2007: 9), Kenyan economic performance had declined between 1990 from 48.4% to more than half (55.4%) in 2001 living below Kenya's poverty line. Overall, the levels of poverty heightened – between the 1970s and 2000, the level of poverty among Kenyans grew from 29 percent to 57 percent. Gituto (2007: 1) describes Kenya as one of the most unequal and exclusivist states globally and notes that in Kenya, poverty, inequality and social exclusion are deeply rooted structural and historical phenomena. This situation created a deterioration of social and economic status in Kenyan communities. The numbers of people living in poverty continued to grow owing to the increase in population size and the contracting economy (CCGD and IDRC, 2009: 1). Smoke (1993) argues that the central government supported this reform path as an attempt to tap the underutilized potential of local authorities to help meet rising service demands.

The 1960s and 1970s saw Kenya experience moderately high growth rates. However, the growth was skewed to the benefit of the ruling central elite (Library of Congress – Federal Research Division, 2007: 3). The 1980s witnessed slower growth, with the drought of 1984 providing a severe setback and shock to the Kenyan economy (Kelley and Nobbe, 1990). In the following three decades, Kenya's economy performed dismally, with negative impact on social and economic parameters. 'As a result, per capita income continued to decline, from US\$ 271 in 1990 to US\$239 in 2002. By 2006, the unemployed constituted 14.6% of the labour force, with youth accounting for over 45% of the total' (Francis, Nekesa, & Ndungu 2009: 1).

Another factor that accelerated calls for decentralization was attributed to the rise of opposition politics. When Kenya became a multiparty system in 1992, opposition parties took to the stage both in parliament and political rallies. They demanded control over the economy, and participation in processes that determined how fiscal policies were formulated and implemented. Thus, the rise of opposition parties and their presence in Parliament created pressures (reinforced by donors) on the ruling party to diversify the economy and consider decentralization (Smoke, 2007: 139). In response to pressure from international donors, Moi and his government designed a caricature of reforms by creating legal pathways that supposedly created a space for a process of decentralization where more responsibility over decision making would be transferred to local authorities. The following section is an attempt to outline some of those initiatives which date back to early 1980s. It is important to note that these initiatives were in the form of deconcentration and delegation. They could not qualify for devolution as the central government retained monopoly regarding funding and decision making on proposed projects.

Following the failed attempted coup in 1982 that was designed to oust President Moi from power, Olowu (1990) argues that signs of decentralizing development planning began to emerge and new field administrative units were developed. In this regard, he adds that the Provincial Development Committees (PDCs) were created to review proposals from District Development Committees (DDC) and coordinate provincial plans and implementation with respect to rural development. These committees were centrally managed with senior department officers appointed by the central government who would liaise with local development projects. The attempt to consolidate local economic development ensued within the Kenyan government in the early 1980s, with special focus on district-based development.

This effort was characterized by the launching of the District Focus (DF) for Rural Development (DFRD) strategy in 1983. The major objective of this strategy was to transform the district to be the centre for rural development activities. In other words, it was designed as an attempt to promote democratic principles such as those of accountability, management efficiency, effective resource mobilisation, and, ultimately, equity (Cohen and Peterson 1999: 121). The strategy involved shifting most of the decisions and resources for rural development from the headquarters and the provinces to the district. Although the sectoral ministries retained control over general policies as well as multi-district and national programmes, advisory boards known as the District Development Committee (DDC) was charged to assume greater responsibility in planning the implementation of district-specific programmes (Oyugi, 1993: 109). As argued by Ndii (2010:4), development planning was therefore delegated to the DDC, a consultative forum that was meant to bring together the civil servants at the district level, elected representatives and community leaders. According to Ndii (2010:4), the purpose of the DFRD was to change from top-down sector based to integrated, participatory, bottom-up development planning. It was a way of bringing government closer to the people and of encouraging district communities to participate in decision-making.

As noted by Oyugi (1993: 127), according to the DFRD policy document, local authorities were required to pass their development projects through the DDCs for vetting before forwarding them for funding to the Ministry of Local government. Some local officials supported the concept of DF with the belief that it had the potential to strengthen local authorities, while others were dissatisfied with the way the strategy was being implemented. They highlighted the deteriorating relationship between local authorities and the DDC; they regarded them as nothing other than another level of bureaucracy through which they had to channel their project plans, and evidence emerged from some districts to back up these allegations. Some evidence suggested that the introduction of the DFRDs had the effect of subordinating the rural local authorities to the DDCs on many development matters.

In other cases, there was much friction between local authorities and the DDC – there were examples of DDCs holding up their local investment projects for several years, even where the local authority had demonstrated its financial capacity to undertake the project as well as the need for it (Smoke, 1994: 134). Apart from this deliberate control posture of the DDC, there was no

evidence as such to indicate that the local authorities had benefited as a result of the new relationships. In their (local authorities) planning efforts, they still received little or no assistance from the district planning units. Moreover, there was no evidence that any local authority had directly received any financial assistance from the DDC (Oyugi, 1993: 127). Moreover, as observed by Smoke (1994: 135), even where the DDC could bring about closer cooperation among local authorities in a given district to their mutual benefit, this did not occur. Thus, he observes that the DDCs were seen by local authorities more as instruments of control and constraint rather than of assistance and coordination.

This decentralization lacked fully decentralized political, administrative, and fiscal authority to make it a success. By and large, this initiative ended up a failure. As Chitere and Ileri (2004) argue, the failure of this decentralization initiative has been attributed to the following:

- (i) its lack of basis in an Act of Parliament;
- (ii) its reliance on an institutional framework that did not facilitate meaningful local decision making and mobilisation of resources;
- (iii) lack of adequate capacity in participatory planning among civil servants;
- (iv) financial allocations by ministries headquarters which, though inefficient, justified continued control of their field units;
- (v) dominance of the strategy by civil servants, especially staff of the provincial administration; and lack of people's awareness of and participation in planning and implementation

Similarly, as argued by Coleman and Fleischman (2011: 837), the main setback that hindered the implementation of the above stated decentralization strategies in Kenya was that making of public policy, planning, and budgetary decisions were centralized and remained under the direction of the mainstream government departments. And as such, this bureaucratic structure did not favour local development given that local districts with their associated municipalities had limited access to resources and hence provided limited accountability to the local constituency. Wunsch (2001: 278) argues that the establishment of these decentralized initiatives was seen as a new form of

centralization. This was because local government structures were not accorded real functional authority as the center retained the powers to control the implementation of resources allocated to the periphery.

Although the DFRD was discussed by politicians and the press as if it were genuine decentralized grassroots decentralization, it is critical to note that a careful reading of the DF operation guidelines shows that the strategy was one of deconcentration rather than devolution. Barkan and Chege (cited in Smoke, 1994: 145) argue that political goals were at least as important as administrative reform objectives in designing the DF. They suggest that the main political strategies were:

1) to restructure the clientelistic relationship Moi inherited from Kenyatta by undermining the long standing substantial powers of the Provincial Commissioners and neutralizing incumbent members of Parliament with regional followings beyond their own constituencies; and,

2) to direct development resources to regions that had not been favoured by the Kenyatta government. In this view, most important function of the DF was to consolidate the power of the central government (Smoke, 1994: 145). As a result, rural development planning and administration in Kenya remained centralized, and PPCs and DDCs continued to play relatively weak roles. The central ministries continued to retain control over sectoral plans and budgets, and recommendations from the districts rarely influenced national policy (Rondinelli, 1983: 83).

The World Bank (2002) (cited in Ojwang & Bwisa, 2014: 109) also contends that the DFRD was not really a decentralization initiative in its true sense but an attempt by the central government to expand its control outside its national capital as it had no clearly defined strategy for grassroots participation in decision making. Otieno (cited in Ojwang & Bwisa, 2014: 109) argues that failure to include local populations in its formulation and implementation was the major setback and cause of the failure of the DFRD initiative to realize its envisaged impacts.

Following the DFRD initiative, the government devised another policy framework in 1999 known as the Local Authority Transfer Fund (LATF). This fund was established to transfer 5% of revenue collected nationally to local authorities under some predetermined formula. This initiative provided an opportunity for the local government and their communities to get involved in decision making that was pertinent to their particular needs. However, the questions lingered on as there

was no meaningful participation of the local government, nor their constituents due to expenditure imposition from mainline ministries (Devas and Grant, 2003: 312).

Many others saw the establishment of LATF as a new path toward calling local communities to participate in making expenditure decisions over issues and projects around their vicinity. Indeed, the study by Devas and Grant (2003) shows that this initiative increased the extent of public consultation at the local level.

Between September 2001 and February 2002, 1300 public meetings were held which were attended by some 30,000 people across the country. The projects prioritised by this process (wells, clinics, road repairs) appear to reflect the interests of ordinary citizens better than those formerly prioritised by the LAs themselves (vehicles, offices, equipment) (Devas and Grant, 2003: 314).

Despite some noticeable progress in enabling ordinary citizens to participate in setting their local development agenda, Devas and Grant (2003) note that there was a general lack of transparency characterized by many decisions that were made behind closed doors and information on budgets and accounts that were concealed. Other setbacks included improper accounting, abuse of tender procedures and political appointments to administrative positions to manage these funds. The ministry of local government also overlooked the implementation of the fund and had no sufficient mechanisms to monitor these activities and did not take effective enforcement against wrongdoers (Devas and Grant, 2003: 314).

Civil society in Kenya and international donor communities continued to pressure government to grant local government autonomy, but more and more local populations remained alienated from engaging in meaningful participation in development. Local authorities suffered from financial hitches that limited their engagement with local development stakeholders. Another setback was that they remained understaffed and burdened with huge debts, and this meant that they had minimum resources with which to deliver services to improve local infrastructure (Devas and Grant, 2003: 313).

Devas and Grant (2003) argue that even though Kenya was founded on a decentralized constitutional framework at independence, the central government reclaimed all these powers under the pretext of building national unity. From the 1970s to the 1980s, the government entrenched a deconcentrated system of administration whereby officials appointed to serve at the

local government level were accountable to the central government. Most economies of local governments across Kenya remained weak and depended entirely on the fiscal support of the central government. Systems of intergovernmental transfers to local government were tied to the monopoly of the central government and they had no discretion to manage their local revenues.

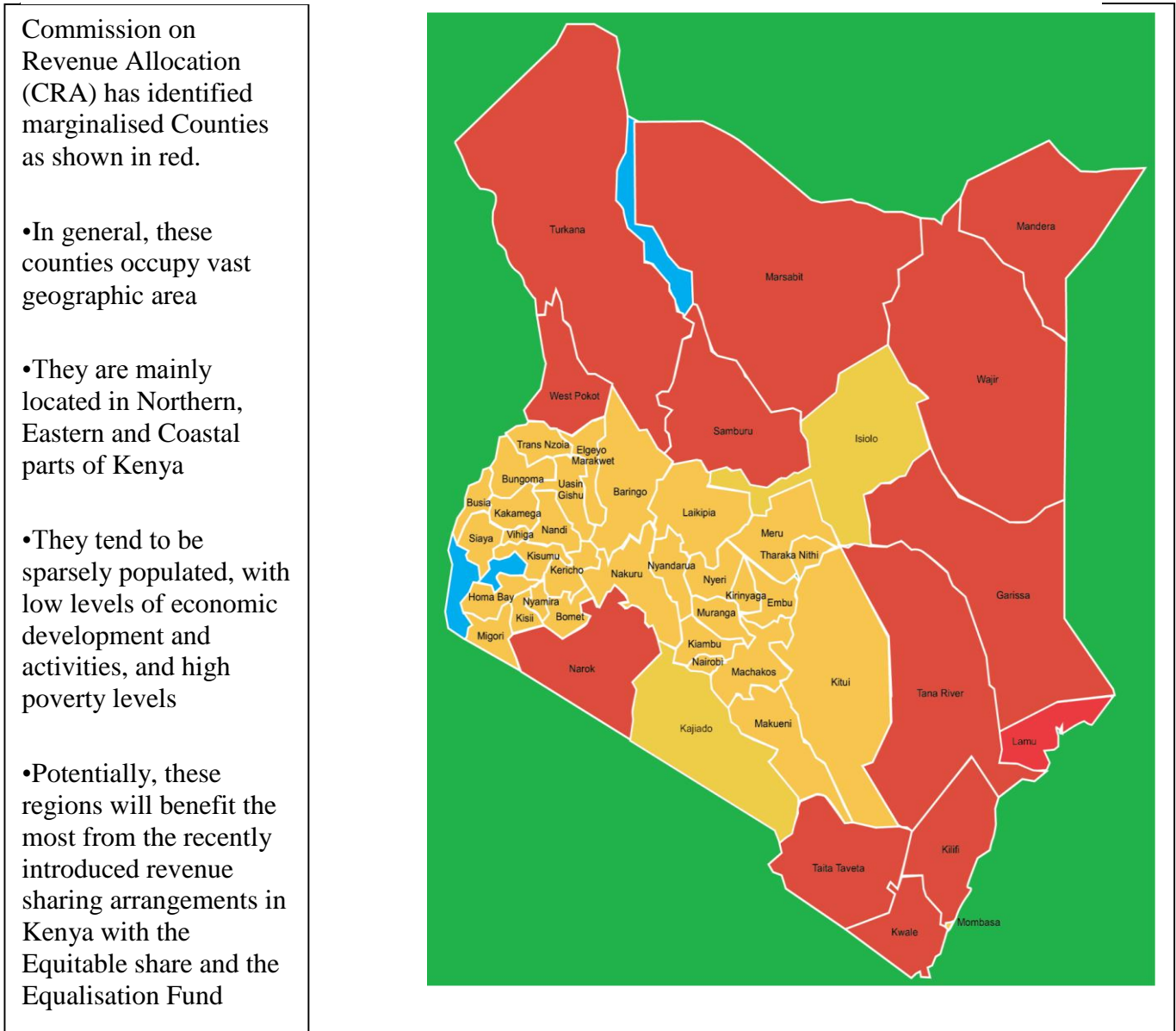
Local governments received very little if any intergovernmental transfers, and elected councils had little or no autonomy to conduct their fiscal affairs. In 2001, Smoke (2001: 12) noted that decentralized governments in Kenya were responsible for only 4-5 per cent of the total government expenditure, which they used to provide miniature level of basic local services.

### **3.6 Fiscal decentralization in Kenya since 2010**

The year 2010 is significant in Kenya's history of decentralization as it marks the inauguration of the Constitution of Kenya 2010 (CoK 2010) after more than a decade of deliberations. The constitutional framework established and formalized the system of decentralization. The CoK 2010 prescribed that significant fiscal powers should be decentralized from the center to the lower levels of government, namely the Counties and constituencies. In particular, the CoK 2010 establishes a decentralised form of government system comprising 47 County governments headed by County governors. The County government became operational soon after the 2013 general elections.

A major rationale behind the formulation of a new constitution in Kenya was to codify new rules that would bring about more fairness and equalisation of regional and local economic development. This is because many communities had been neglected through central planning and benefited very little from central government's allocation. Figure 2 below illustrates regions that have been traditionally marginalized:

**Figure 2 Map of Kenya demonstrating marginalised Counties (Shown in red)**



Source: CRA (2013)

The Counties receive revenue transfers from the national government and have considerable autonomy in managing local development affairs. In addition to the transfers by the national government, Counties are allocated the authority to collect some revenues like property rates, traffic fines, and business licensing to supplement revenue collected and redistributed by the national government (CoK 2010 Section 209).



Section 215 of the CoK 2010 calls for the establishment of the Commission on Revenue Allocation while Section 216 outlines its function which include designing a formula and offering recommendations to the National Assembly on how to ensure that the allocated amount of at least 15 percent is distributed in the most equitable and fair manner to each of the 47 Counties. In order for the CRA to determine how much will be allocated to each County, several parameters guide its determination: County population (45%), equal-share component (25%), poverty level (20%), land area (8%) and fiscal discipline (2%) (Kimenyi 2013) as demonstrated in table 2 below.

**Table 2: Revenue Sharing Among Counties in Kenya**

<b>Parameter</b>	<b>Percentage Weights</b>
Population	45
Poverty Index	20
Land Area	8
Basic Equal Share	25
Fiscal Responsibility	2

(Kimenyi, 2013)

A 15% share of the total revenue collected by the national government is allocated to the Counties; thus, the size of each County share remains relatively small. If the central government continues to devolve 15% as the minimum requirement, each of the 47 Counties can only receive 0.3% of the national revenue (World Bank 2011). In as much as the national government has shared up to 35 percent of its revenue collected nationally, Githinji (2015) argues that the Council of County Governors has been persistently calling for a referendum to raise the equitable share from a minimum of 15 percent as stipulated by the constitution to 45% through the *pesa mashinani* (swahili for: money in the Counties) campaign.

In order to determine the equitable shares, Section 203 of the CoK 2010 stipulates that the following criteria shall be taken into account when determining the allocations:

- a) the national interest;
- (b) any provision that must be made in respect of the public debt and other national obligations;
- (c) the needs of the national government, determined by objective criteria;

- (d) the need to ensure that County governments perform the functions allocated to them;
- (e) the fiscal capacity and efficiency of County governments;
- (f) developmental and other needs of Counties;
- (g) economic disparities within and among Counties and the need to remedy them;
- (h) the need for affirmative action in respect of disadvantaged areas and groups;
- (i) the need for economic optimisation of each County and to provide incentives for each County to optimise its capacity to raise revenue;
- (j) the desirability of stable and predictable allocations of revenue; and
- (k) the need for flexibility in responding to emergencies and other temporary needs, based on similar objective criteria.

Section 204 of the CoK 2010 made provision for an establishment of an Equalization Fund which shall be equivalent to 0.5% of the national revenue collected in each year. The main objective of the Equalization Fund is to enable the national government to provide basic services such as water, roads, health facilities and electricity, particularly in the marginalised areas, to the extent necessary to bring the quality of those services in those areas to the level generally enjoyed by the rest of the nation, so far as possible.

Each County government is charged with the responsibility of administering some key functions, such as health care provision, pre-primary education, and maintenance of local roads, which were previously overseen by the national government. County governments are also expected to marshal revenue from sources within their jurisdictions such as property tax and entertainment (Section 204, CoK, 2010).

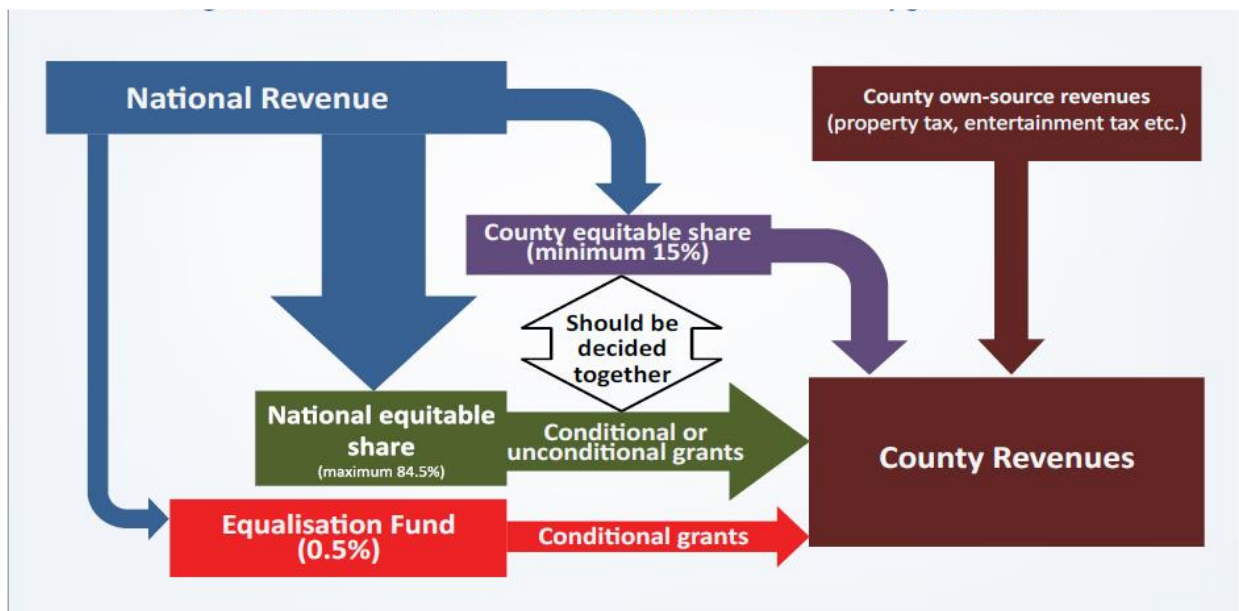
Kenya's Commission on Revenue Allocation (CRA) makes recommendations to the National Assembly with regard to the most appropriate basis for equitable sharing of nationally raised revenues (Section 216, CoK 2010). Precisely, it is to design a structure that will determine the amount of revenue to be allocated to both national and County governments, and determine how much each County government will get. As maintained by Kimenyi (2013), it has already been approved that the national government will be allocated a maximum of 84.5% revenue collected nationally, while County governments will be allocated a minimum of 15.0% of the fund<sup>8</sup>. It is

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<sup>8</sup> There is a current push by county governments to increase the Fund they are currently receiving from the national government.

agreed that the remaining 0.5 percent is to be used as an equalization fund. Flow of revenues to County governments is demonstrated by Figure 3 as follows:

**Figure 3 Flow of revenues from different sources for County governments**



Source: World Bank (2011).

Conditional grants, like the CDF, are also referred to as block transfers and are usually allocated based on a predetermined objective criteria or formula with no specified criteria on how to spend. Therefore, recipient Counties are free to make decisions on how to use these grants. This means that expenditure decision and budget allocations are determined at the local level. In that case, the outcomes are assumed to be more appropriate local development needs (TISA, 2012).

These values and principles of accountable and transparent stewardship are captured in Section 201 of the CoK 2010, which requires that public finance be guided by the following principles:

- (a) openness and accountability, including public participation in financial matters;
- (b) the public finance system shall promote an equitable society, and in particular—
  - (i) the burden of taxation shall be shared fairly;
  - (ii) revenue raised nationally shall be shared equitably among national and County governments; and

- (iii) expenditure shall promote the equitable development of the country, including by making special provision for marginalised groups and areas;
- (c) the burdens and benefits of the use of resources and public borrowing shall be shared equitably between present and future generations;
- (d) public money shall be used in a prudent and responsible way; and
- (e) financial management shall be responsible, and fiscal reporting shall be clear.

In order to limit negative interference by the Executive in the utilization of revenue collected, Section 206 of CoK 2010 has reinforced the role of Parliament and the Controller of Budget in authorising any the withdrawal of monies from the Consolidated Fund (where all money raised or received on behalf of the national government is paid). Similarly, there is to be established a Revenue Fund for each County government, of which withdrawals and regulations are to be authorised by Controller of Budget or through an Act of Parliament. All these are fiscal accountability measures that have been codified in order to reduce wasteful and irresponsible expenditure.

As stipulated in Section 229 of the CoK 2010, the Office of the Auditor General is charged with the responsibility of doing financial audits at both levels of national and County governments. Notably, it is critical to underscore that the responsibility of this office has increased significantly. Under the previous system, this office could only audit the operations of the national government. The creation of a second level government, the County government, necessitates that all 47 Counties be audited separately as distinct entities. If the Auditor General is to produce timely and clear reports, the existing human resources and local operating infrastructures are insufficient.

The CoK 2010 provides for more citizen participation. For example, a County assembly, whose responsibility is to deliberate development issues within the County, provides an opportunity for the public to participate in the proceedings. In this case, Section 196 calls for the County Assembly to:

- (a) conduct its business in an open manner, and hold its sittings and those of its committees, in public; and
- (b) facilitate public participation and involvement in the legislative and other business of the assembly and its committees.

(2) not to exclude the public, or any media, from any sitting unless in exceptional circumstances the speaker has determined that there are justifiable reasons for doing so.

However, the above circumstances provided for in the constitution do not spell out clear roles on the extent to which the public can participate in the County Assembly. A mere listening to the proceedings of the Council is one (lower) dimension, but having the power to influence decisions on budgetary allocations would be considered as higher level of participation, and often the most favorable in appropriating development to local needs. Another form of public participation may include avenues where members of the public could be allowed to ask questions or contribute to certain motions that regard the development of their respective sub-Counties.

This section has presented how decentralization was framed in the Constitution of Kenya 2010, with a particular focus on the sharing of power and functions between the national and County governments. At this point, it is important to show how the Constituency Development Fund, funded through nationally collected revenue, fits into the new constitutional framework. The decentralization formula, as captured in figure 3, provides for conditional grants as a form of Equalization Fund to be allocated 0.5 percent of the nationally collected revenue, under which the CDF has been justified. Even though there were many calls that the CDF be transferred to the County administration, it continues to be a fund of the national government under the auspices of the Members of the National Assembly. One of the main reasons is that achieving regional fiscal equalization remains a major objective, which government feels is better managed at national level. This does not necessarily undermine the principles of decentralization. In fact, national government feels that it can provide more oversight than if it were to allow Counties to distribute the funds to respective Counties, which in turn would distribute it to constituencies. As such, it would ensure fiscal equalization across the Country.

### 3.7 The Constituency Development Fund

The following section is concerned with presenting an in-depth understanding of the objectives of the Constituency Development Fund<sup>9</sup> (CDF). The Fund was established by an Act of Parliament in 2003. In 2013, the Act (as amended in 2007) was repealed and substituted with the CDF Act of 2013. It is important to note that the main objective of the Fund is to achieve fiscal equalization across the constituencies in Kenya. This in turn, it is argued, will promote the local economic development capacity of the constituencies. Article 4 of the CDF Act of 2013 outlines that the CDF is disbursed by the national government through the CDF Board directly to the constituencies in form of a grant. Article 5 goes on to outline the Board's membership as comprising of:

- (a) the principal secretary in the State Department relating to economic planning or a designated alternate, not being below the level of Director of Planning;
- (b) the principal secretary in the State Department for the time being responsible for matters relating to finance or a designated alternate not being below the level of Deputy Director of Budget;
- (c) the Attorney-General or his designated alternate not below the level of Senior State Counsel;
- (d) four persons, qualified in matters relating to finance, accounting, engineering, economics, community development, or law, appointed by the Cabinet Secretary in accordance with subsection (5) taking into account regional, ethnic and gender balance as per the Constitution of Kenya;
- (e) two persons qualified in accordance with paragraph (d) appointed by the Cabinet Secretary to remedy any regional imbalance that may have occurred during nomination under
- (f) the Chief Executive Officer who shall be an ex-officio member;
- (g) the corporation secretary who shall be appointed by the Board and shall be the secretary to the Board.

The central Board conceived above is expected to undertake supervisory and accountability roles rather than control. The discretion is left to the local community and the CDF committee at the constituency level. The Constituency Development Fund Committee (CDFC) shall comprise:

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<sup>9</sup> CDF schemes are decentralization initiatives which send funds from the central government to each constituency for expenditure on development projects intended to address particular local needs (PDG 2010).

- (a) the national government official at the constituency as may be designated by the Cabinet Secretary or an alternate;
- (b) three men nominated by the ward development committees and one of whom shall be a youth at the date of appointment;
- (c) three women nominated by the ward development committees and one of whom is a youth shall be a youth at the date of appointment;
- (d) one person with disability nominated by the ward development committees;
- (e) one person nominated from among the active Non-Governmental Organisations in the constituency;
- (f) an officer of the Board seconded to the Constituency Development Fund Committee by the Board who shall be ex-officio and shall serve as the secretary to the Constituency Development Fund Committee.

It is critical to note that of the ten members of the CDFC, only one member is appointed by the national government to the Board. The rest are recruited at the local constituency ward level. In this case, much of the discretion or powers of CDF projects are left to members recruited from the grassroots.

Mwenzwa (2008) identified centralized planning as the main bottleneck that necessitated the government to devise the strategies for gradual devolution of decision-making power to the local government. In 2003, the government made attempts to close this gap through the establishment of the CDF. In so doing, it was expected that the initiative would foresee the decentralization of development planning and enable local communities to maximize their welfare aligned to their needs. However, he noted that its design did not reflect fully devolved decentralization. This is because in as much as the communities were given an opportunity to identify and run the projects in their locality, it was still prone to central oversight and approval.

Ongoya and Lumallas (2005) identified the CDF as a fund which decentralized fiscal authority to local constituencies because it transferred the prioritization, spending, and management of local economic development projects. This was a marked shift from national government development to local economic development. Kimenyi (2006) too believes that the Act provides the governance framework where beneficiary communities are given a voice in planning and implementing their own local economic development initiatives.

Mwenzwa (2008) argued, however, that the CDF cannot be regarded as a fully devolved fiscal fund because of its accountability structure. He noted that the CDF lacks its own structure for accountability, as accountability remains to be aimed at national government. Nevertheless, there

is a valid counter argument that in a country where there are such vast inequalities between constituencies, the need for accountability mechanism to go back to national government cannot necessarily be regarded as a necessarily undesirable. The main objective of the establishment of the CDF has always been to support local community based projects in order to ensure that the prospective benefits are available to a widespread cross-section of the inhabitants of a particular area (Ongoya & Lumallas, 2005). This initiative was an attempt by the Kenyan government to decentralize development by actively involving local communities in enhancing their social and economic wellbeing. At the same time, the CDF was established to iron out regional imbalances brought about by patronage politics by providing funds to the constituencies to fight poverty. In addition, the CDF was established to off-load fundraising burdens from members of parliament, ensure citizen participation through decision-making in project identification, implementation, monitoring and evaluation, transform the social and economic wellbeing of communities, change development focus from the district to the constituency, reduce poverty among local communities and add value to the delivery of services by the government (Aukot, Okendo, & Korir, 2012.: 8; Kimenyi, 2005: 7).

The CDF was designed to fight poverty through the implementation of development projects at the local level and particularly those that provide basic needs such as education, health care, water, agricultural services, security and electricity. Thus, the CDF was seen as a way to enhance poverty reduction among local communities by promoting their social and economic wellbeing. Through the CDF initiatives, the government aimed to empower citizens by involving them in the decision making process of local economic development (Gutiérrez-Romero, 2013: 72).

The introduction of the CDF has been hailed as one of the most significant local economic development funding initiatives in post-independence Kenya (Kimenyi, 2005; Oyugi, 2007). However, it must be recognized that there is an ongoing lack of capacity at local constituency level which means that fully devolved fiscal decentralization is still far from complete. Constituencies are still dependent on national government and Counties for financial resources. Table 3 below indicates the CDF allocations from financial Year 2003/2004 to Financial Year 2014/2015 as published by the Constituencies Development Fund Board (CDFB).



Table 3: The CDF Allocations from Financial Year 2003/2004 to Financial Year 2014/2015

<b>Financial Year</b>	<b>Allocations (Kshs Billions)</b>	<b>Financial Year</b>	<b>Allocations (Kshs Billions)</b>
<b>2003/2004</b>	1.26	<b>2009/2010</b>	12.329
<b>2004/2005</b>	5.6	<b>2010/2011</b>	14.283
<b>2005/2006</b>	7.245	<b>2011/2012</b>	22.978
<b>2006/2007</b>	10.038	<b>2012/2013</b>	21.763
<b>2007/2008</b>	10.1	<b>2013/2014</b>	21.974
<b>2008/2009</b>	10.1	<b>2014/2015</b>	35.565

(CDFB, 2015).

Nyamori (2009: 198) argues that since the CDF money is channeled directly to each constituency, The CDF provides a break from the previous system of central bureaucratic control where priorities and the disbursement of funds were decided solely by mainstream ministries. It marked a shift in development thinking towards the need for citizens to be empowered so as to be active agents in their own development. The Fund was seen as an attempt to address the failures of post-independence centralized big project development models (Mansuri and Rao, 2003; Triantafillou and Nielsen, 2001; Drydyk (cited in Nyamori, 2009: 198). The CDF therefore is aimed at advancing participatory and community based development models, and it is hoped that this in turn will produce more effective and viable local economic development. (Nyamori, 2009: 198).

The following section provides an analysis of the provisions of the CDF Act of 2013. It pays particular attention to the constitution of national and local governing bodies with their roles and functions. It also analyses how the Act provides for the values of public participation, accountability, monitoring and evaluation of projects funded by the CDF in delivering local development projects:

Section 4 of the CDF Act of 2013 establishes that into the fund will be paid an amount of money equal to not less than 2.5% of all the national government's ordinary revenue collected in every financial year, including any moneys accruing to or received by the National Committee from any other source. The expenditure from the Fund is limited to the annual budget which shall be submitted to the minister for approval in accordance with this Act before the beginning of the financial year to which the budget relates. Even with the current constitutional dispensation, the CDF continues to be an ear- marked fund of the national government reflected under Article 203 of the CoK 2010. Section 4(2) of the CDF Act of 2013 establishes that funds in this Act are to be considered as additional revenue to the county governments under Article 202(2) of the CoK 2010. This provision was made as an attempt to align the Fund with the CoK 2010.

The CDF is not entirely an unconditional decentralized fund. It remains regulated through a national committee known as the Constituency Development Fund Board. Article 5 of the CDF Act of 2013 stipulates that the Board comprises principal secretaries in the state department, the Attorney-General, qualified persons in relevant areas of development studies taking into consideration regional balance. The board is drawn from various organs of the state in order to ensure accountability. The qualified personnel are drawn from various regions of the country to ensure effectiveness in Fund management and broader representation. Article 6 of the CDF Act of 2013 specifies that the Board's responsibility is to compile proper records, returns and reports from the constituencies. More importantly, they are charged with the responsibility of receiving and addressing complaints and disputes related to the Fund and taking appropriate action. They are to approve project proposals submitted by the constituencies and send funds of approved projects to the constituencies. In as much as the Board is charged with the responsibility for ensuring accountable appropriation of the CDF, the challenge remains that no funds have been earmarked for this purpose, thus limiting the capability of the Board to ensure compliance.

At the constituency level, the administration of the Fund shall be conducted by the Constituency Development Fund Committee (CDFC). Article 24(2) of the CDF Act of 2013 stipulates the CDFC to constitute by the following:

(a) the national government official at the constituency as may be designated by the Cabinet Secretary or an alternate;

- (b) three men nominated by the ward development committees and one of whom shall be a youth at the date of appointment;
- (c) three women nominated by the ward development committees and one of whom shall be a youth at the date of appointment;
- (d) one person with disability nominated by the ward development committees;
- (e) one person nominated from among the active Non-Governmental Organisations in the constituency;
- (f) an officer of the Board seconded to the Constituency Development Fund Committee by the Board who shall be ex-officio and shall serve as the secretary to the Constituency Development Fund Committee.

It is important to note that the CDF Act of 2013 is explicit in representing interests of crucial groups such as the youth, women, and persons with disabilities as highlighted in sub-sections b, c, and d above. Another critical factor to note is the role of the relevant Member of Parliament (MP) in the selection of the CDFC. Article 24(3) requires that the area MP convenes public fora of registered voters in each elective ward in the constituency within 45 days of being sworn in. After each elective ward has selected 5 people for consideration to the CDFC, the area MP, in consultation with the officer of the Board and the sub-County administrator, appoints from the members submitted 8 persons to form part of the Board. There is a high risk that the area MP will have a great influence in the selection of the Board, a phenomenon that may open the CDF to patronage, political manipulation, and corruption.

Article 24 (14) spells out conditions of accountability under which a member of the CDFC may be removed from office:

- (a) Lack of integrity;
- (b) Gross misconduct;
- (c) Embezzlement of public funds;
- (d) Bringing the image of the committee into disrepute through unbecoming personal public conduct;
- (e) Promoting unethical practices;
- (f) Causing disharmony within the committee;

(g) Physical or mental infirmity.

Article 48 of the CDF Act of 2013 spells out that:

Any person who misappropriates any funds or assets from the Fund, or assists or causes any person to misappropriate or apply the funds otherwise than in the manner provided in this Act, shall be guilty of an offence and shall, upon conviction, be liable to imprisonment for a term not less than five years or to a fine not less than five hundred thousand shillings or to both.

The above provision is an important part of the Act as it outlines consequences for individuals who are found guilty of misappropriating the Fund. However, it is not clear which entity is officially charged with the role of identifying and prosecuting wrong doing in relation to the Fund. The Act does not provide circumstances under which the public can be involved and the channel they can follow to lay their grievances.

Article 12(4) of the CDF Act of 2013 requires that of the whole amount approved for the project, only 5 percent of the total allocation is to be allocated for the costs incurred through the administration process. The expenses incurred while administering the project must be properly accounted for and the returns made to the Constituency Development Fund Committee outlining how the money was used.

In the interests of this study, it is critical to understand the provisions that the Act contains to ensure that the constituency conducts monitoring and evaluation of projects. Article 24 (17, 18) of the CDF Act of 2014 stipulates that staff, not exceeding 5 in number, with knowledge in information and communication technology, construction and basic accounting can be employed through the Fund for the purposes of project monitoring and evaluation and record keeping. The staff are to be remunerated with funds allocated for administration and recurrent expenses. The Act here is not explicit about the level of skills and qualifications of the staff employed for this purpose. Monitoring and evaluation is a technical area which should not be handled by someone with no more than basic knowledge. Article 31 of the CDF Act of 2013 also spells out that the CDFC is charged with the responsibility for monitoring and evaluating projects, and may designate a sub-committee, a ward committee, or a project committee for this purpose. The CDF is required by the Act to provide the status of on-going projects to the ward administrator, sub-County administrator, and the County Projects Committee.

This section of the chapter is also interested in understanding how the CDF Act of 2013 provides for public participation in the selection and prioritization of projects to be funded by CDF in their area. Section 24(7) requires each elective ward to come up with a list of priority projects and submit them to the CDFC. The Act is not clear as to how these processes of selection and prioritization are to be conducted, and does not give any guidelines of who in the ward is responsible for convening the public for projects deliberations. It does not mean that projects submitted by the wards are to be funded in order of that priority, they undergo another ranking by the CDFC after receiving projects from all elective wards. Article 25(2) requires that ongoing projects shall take precedence over all other new projects. This provision is relevant as it ensures that previous projects are not stalled or abandoned.

Article 26(2) provides that education bursary schemes shall be considered as development projects for the purposes of the Fund. It allows up to 25 percent allocation of the total of the CDF in any financial year. This is an indication that education is seen as an integral part of advancing local and economic development.

After the introduction of the County government system in 2013, the CDF is now regarded through the CDF Act of 2013 as additional funding in support of County development. Part VII of the CDF Act of 2013 establishes a County Projects Committee to make appropriate monitoring of CDF projects and assess whether the CDF in respective Counties serves the objectives in line with the provisions of the Act.

### **3.8 Aligning the CDF with the Constitution of Kenya 2010**

After the CDF was established in 2003, no other major fiscal decentralization policy preceded the Constitution of Kenya that was later inaugurated in 2010. The CDF Act of 2003 (as amended in 2007) was revised to CDF Act of 2013, as an attempt to align it to the principles of the CoK 2010 framework, including major governance values on transparency and accountability, separation of powers, and most importantly, enhancement of peoples' participation (Ojwang & Bwisa, 2014: 109). Article 4(2) explicitly places the CDF Act of 2013 in alignment with Article 202(2) of the CoK 2010 which states that the County governments may be given additional allocations from the national government's share of the revenue, either conditionally or unconditionally.

After the enactment of CDF 2013, some stakeholders have argued that powers and functions governing the implementation of the CDF Fund should be transferred from the administration of the Members of the Parliament to the respective Counties. There is a perceived general consensus that in its current format, CDF has the potential to support infrastructural development, create wealth, induce poverty alleviation as well as empower community participation in development planning and implementation. The Institute Social Accountability (TISA, 2013) suggests that the CDF should be placed under County development plans, a phenomenon that will significantly reduce project duplication and consequent misuse and misapplication of public resources. However the legislators insist that the constitution permits them to mobilize funds such as CDF (Ngirachu, 2015).

In the 2015/2016 financial year, the Treasury allocated Ksh 35.2 billion to the CDF to fund National Government functions at the constituency level such as education, security, among others.

### **3.9 Conclusion**

This chapter discussed key developments towards Kenya's system of decentralisation. The chapter found that at independence, the colonial government administered Kenya through a decentralized system of government. However, soon after independence, constitutional amendments were effected to centralize powers and functions of government in development planning. Numerous constitutional amendments were enacted to consolidate the powers of the presidency and local government operated under the surveillance of the center. Communities were locked out from participating in design or implementation of local development agenda. Succumbing to pressure from international agencies such as the IMF and World Bank, and from local CSOs, the government created caricatures of underfunded decentralized initiatives that enjoyed limited government funding and support. This chapter also presented the new decentralization framework in Kenya as reflected in the Constitution of Kenya 2010. It shows how power is shared between the National and the County government. This chapter explained the background to the establishment of the CDF in 2003 and how it was later revised in order to align it better to the principles of decentralisation enshrined in Kenya new Constitution passed in 2010. It was argued that the CDF was changed into a fund aimed at supporting local economic development initiatives across Kenya constituencies by encouraging local communities to identify and be involved in the identification, management, and implementation of local development projects. It is primarily a fiscal equalisation fund in that those constituencies with the greatest need receive a larger portion of funding. The chapter concludes that while there is still strong national government oversight in how funds are distributed and spent, the rationale for this oversight is to ensure regional fiscal equalisation and local economic development which is in line with the objectives of fiscal decentralisation as discussed in the previous chapter.

## CHAPTER FOUR

### Research Analysis and Interpretation

#### 4.1 Introduction

This chapter presents, analyses, and interprets research findings collected during the course of this research. Some of the arguments made in this chapter are based on the general literature reviewed; responses gathered from a number of informants interviewed; as well as my personal observations of LED projects in the Gatanga and Naivasha constituencies. As explained in the research methodology section in the first chapter of this dissertation, I only gathered data from officials that were physically involved and familiar with the CDF. The objective was to gain their opinions on what some of the implementation challenges were, and whether they felt the CDF was appropriate for the LED needs of their community. I did not interview or survey the general population as I felt that they would not know what the CDF is, its specific implementation mandate, or the specific intergovernmental management processes. There are no official government reports detailing the outcomes to date of the CDF in either the Gatanga or Naivasha Constituency. (Besides reports detailing the amount of money transferred and spent, but this was not the focus of this study). I was therefore dependent on the opinions of the key participants, and first-hand observations of LED activities funded by the CDF in the respective constituencies. The conclusions I can draw from this are therefore limited. While one cannot generalize, the opinions of these officials responsible for in the implementation of local economic development projects funded by the CDF, offers some valuable insight into some of the implementation challenges of the CDF at constituency level.

As De Vos (1998: 203) observes, data analysis and interpretation entails the reduction of raw data into intelligible and interpretable form in order to study and test its relationship with the research problem, and eventually draw conclusions. Kothari (2004: 344) maintains that the exercise of analyzing and interpreting data involves the art of drawing inferences from data collected in search for broader meaning from the research findings. Pickard (2007: 150) asserts that interpretation and analysis of data also includes the combination of preparatory work in the literature review related to specific topics and themes, and primary analysis.



Grolemund and Wickham (2014: 185) view data analysis as a process used to extract knowledge, information, and insights about a reality by examining data. Thus, it is a process whereby the researcher builds understanding and makes sense of the data collected. Kothari (2004: 344) outlines two major approaches to interpretations and analysis of collected data: (i) the effort to establish continuity in research through linking research results with those of another, and (ii) the effort to establish relationships within the collected data. Largely, interpretation is an instrument through which the factors that seem to explain the observed elements are better understood and also provide a theoretical conception which guides further research. (Kothari, 2004: 344). The data presented in this chapter is analyzed and interpreted according to the following themes:

#### **4.2 Government systems for Development: Centralised vs. Decentralised**

This study purports that if a government is to fulfill its mandate of providing efficient service delivery, ensuring macroeconomic stability, promoting equalization of growth across regions, and achieving eventual local economic development, then structuring its system of governance to deliver these objectives becomes one of its central concerns. The literature on decentralization shows that governments across the globe have attempted to devise and implement policies in search of the best possible means to deliver these objectives. While pursuing these objectives, some governments have opted to adopt a centralized system, while others have chosen to experiment with decentralization in order to pursue the objectives of their fiscal policies. In the context of the foregoing, the researcher aimed to establish the preferred option of the participants about the two commonly constructed systems of governance, that is, centralized and decentralized.

According to N4:

Decentralization has granted local people the power to decide and govern their development issues. In my opinion therefore, the system that we are having at the moment, that of decentralized government structures, is the most appealing. People are starting to believe that they can participate in the process of government and their decisions are being considered. The new constitution we have contains support structures that have a potential to empower people at the grassroots to participate in governance.

Van Zyl (2010) argues that due to the fact that local government is closer to the people, it has a better prospect of understanding the real needs of the people at the grassroots. In Kenya, the CDF offers an opportunity for MPs to respond directly to concrete demands from their constituents,

something that has proven difficult through interaction with central – executive led - government.

In line with this viewpoint, N8 noted that:

The decentralized system has a potential to assist in the actual cases at the grassroots level. This is because those at that level understand local problems and are able to prioritize appropriately. For example, there has been a challenge in awarding bursaries to students. When they apply for bursaries, those sitting at the board do not understand their individual needs. They end up distributing an equal amount to all applicants. Since the amount given to each is so meagre, those with real financial needs are neglected. However, if a local board would be allowed to be part of the process, they would be able to advise the board regarding various local dynamics.

The introduction of the CDF as a development fund managed at the local level has come with a promise of a more efficient form of service delivery to local populations. Evidence has shown that the CDF has the potential to bypass central bureaucracies and channel development funds directly to local communities. Consequently, this scenario creates a platform for active participation of local populations in the identification and implementation of the most pressing local infrastructure (Van Zyl, 2010). In addition to the aforementioned, respondent N9 offered a criticism of the efficiency of the previous government:

The centralized system took a lot of time to deliver development to communities and there was no proper communication between the government and local communities. The centralized government took a lot of time to provide the kind of development that was needed to the people. In some instances it took years for a project to be considered by these central government offices. Those concerns that needed urgent attention were ignored and left unattended.

Respondent G3 expressed sentiments similar to respondent N9's:

When powers are decentralized and funds are distributed to local governments, it reduces bureaucracies and escalates procurement processes. Before funds reach the grassroots in a centralized system, they take such a long time to get approved and other times processes stall. In the decentralized system, governments are encouraged to get into direct contact with local communities. Locals are then provided an opportunity to relay their needs according to their priorities. As long as it is done in the right way and policies are allowed to govern the way money is distributed, I would prefer the decentralized system of government.

The CDF is regarded as a critical fund for development at the local level. This is because all constituencies have a potential to receive an average share from at least 2.5% of all government ordinary revenue collected every financial year (CDF, 2013 Section 4(a)) to fund development needs in respective constituencies as additional revenue to the County governments under Article

202 (2) of the Constitution 2010. Respondent N11 preferred a decentralized system of decentralized governance due to its potential to diversify economic benefits to local communities:

I think that decentralized form of government has better delivery systems as compared to the previous centralized government. This is because with the decentralized system, every constituency has an opportunity to receive some funds to complement their local development over and above what is provided by the national government. Most of the projects that could never have been established under the central management have now been put in place through the CDF.

Pursuant to the above, efficiency in resource management through decentralized plans such as the CDF and consequently the effective implementation and sustainability of these plans allows the government's budget to be tailored to meet diverse priorities in the different areas more effectively using locally available systems and resources (Wabwire, 2010: 3). As respondent N9 maintained:

The decentralized system is good because it ensures that communities receive their development concerns using locally available means. It brings development closer to the people and strengthens participation of local communities by as they get involved in the process of project development.

In a similar vein to respondent N9 above, respondent G5 hailed a decentralized delivery system as follows:

Decentralized system gives local people a chance to participate in the development process and in growing the local economy. Local communities have are able to identify real local concerns as compared to administration through centralized structures. Funds like the CDF that are controlled and managed by local governing structures have installed development structures that would not have been possible through the intervention of the central government.

N6 purports that *'decisions that pertains local development should therefore be left to the locals themselves'*. In addition, respondent N5 noted that:

If it is well managed, local management of development is more effective than centralized system. This is because the former centralized government was based on uniform development across the Country without regard for specific needs of the community.

On the other hand, evidence of malpractices have emerged where the implementation of the CDF has been marred with serious cases of corruption and massive misappropriation leading to huge losses of public money with no impact to target communities (Simiyu, Mweru, and Omete, 2014: 31). Respondent N10, for example, maintained that *'localized management of development in*

*Naivasha has failed dismally*'. She did not rule out the prospect of reinstating centralized form of development administration, and further noted that:

If localized structures will continue to fail in their mandate to deliver local development needs, it will therefore be better to have uniform development where public structures such as schools, hospitals or roads are initiated nationwide where everyone benefits. The main problem is that when development is planned at the local level, local elites and administrators hijack the process and only a meagre percentage, about 10 percent for Naivasha that gets to the people.

The rationale behind low outcomes of development at the local level was attributed to central neglect, in tandem with intensification of poor performance. The central government came to view local governments as problematic entities to be controlled rather than developmental entities to be supported. (Smoke, 2007: 139). Respondent N2 was concerned that local development systems do not always tackle the real problems but are hijacked by local elites to serve their selfish interests:

I would have preferred the previous centralized government. This is because everyone had a chance to have a taste of any intervention desired by the state. Localized funds always target the poorest of the poor and the most vulnerable of the communities. However, other persons who are not within that category never get to benefit from state interventions. I understand that needs of different regions differ. But since corruption and self-interested people has made localized system difficult to sustain, I therefore think that it is better for the national government to nationalize interventions where everyone has a chance to benefit across the country.

Fiscal decentralization can empower local governments through the transfer of authority to expand their operations in collecting taxes and levies from local populations as a means of providing efficient services. This would translate to a scenario where elected officials are vested with some authority to raise certain taxes and spend monies collected for development locally (Maina, 2004: 1-3; ADBG, 2010). However, local governments are perceived to put more pressure on local populations in their quest to raise more revenues to supplement their expenditure. Respondent G1 maintained that decentralizing taxing powers to local government is not desirable particularly for the poor:

The current system of decentralized government structures is not friendly to the poor. Since the inception of the decentralized government, many taxes have been introduced as compared to the previous system. It has become increasingly difficult for small business owners to grow since most of their profits are directed to paying taxes. Prices of farm produce have dropped and people are no longer making enough money to continue paying for

products with rising prices. Therefore, unless taxes are going to be redirected to community development, this government will end up being a burden for the poor.

G8 also complained about the heightened level of taxation with the current level of taxation:

Counties are competing to collect revenue in order to fund development projects. Previously, when we transported timber, we never found County Council officers collecting money along the road. But now, we cannot be able to pass without paying taxes. Yet, the price of timber remains the same. There is no way the government has come to help us, but has put more burdens on the cost of operating businesses.

Respondent N5 also queried the effectiveness of decentralized development delivery system due to perceived incompetence of the CDF duty bearers in the following ways:

The ones that manage funds under the administration of the local government have proved to be self-interested people and policies are not strict enough to enhance accountability. There is very little that can be associated with the CDF intervention in Naivasha. For example, during the 10 years that I have been in the PTA committee for both primary and secondary schools, I cannot point any completed project that we could possibly associate with the CDF project.

Of interest here was that despite the fact that the majority of respondents that were interviewed in Naivasha were not impressed with the way the CDF was implemented, they still maintained that a decentralized system would be better in delivering development at the local level. Respondent N4, for example, maintained that *'as a system and design, decentralized government has a lot of promises, but it is now becoming clear that it is endowed with huge implementation challenges'*. Some of these challenges embedded in decentralized government include the confusion of the various roles played by different implementing government agents, stakeholders, and others. The point which emerges in the literature and in the interviews is that there is still uncertainty whether the current configuration of the CDF is appropriate given the ongoing implementation challenges. Authors like Wainaina (2014) and TISA (2013) have argued that the CDF should be transferred to the administration of the County Government under the flagship of the Governor as opposed to MP. They insist that MPs should be concerned only with law-making and should not be allocated any funds to administer. Wainaina (2014) and TISA (2013) call for harmonization of all decentralized funds under the County Treasury in an attempt to ensure more prudent, responsible and accountable utilization and to maximize impact through such funds. Respondent N4 was concerned with the existing confusion as expressed below:

There is existing confusion that is arising regarding control of local development. The conflict is now rising among the Members of Parliament, Senators, and Governors. They are now in conflict over who is to control the CDF kitty. Governors are fighting for the CDF money to be diverted to the counties where all County development plans are deliberated. They are of the suggestion that Members of Parliament should refrain from the control of this fund. Women Representatives and Senators are also fighting to have control over these funds. Each of these politicians wants to be associated with development structures at the local level, making the implementation of these localised funds more complex. Therefore, this commotion renders the voices of the people irrelevant as the political fights escalate. The funds become much politicised to a point that it fails to attain their objectives. Instead of such initiatives being driven for the benefit of local communities, they become platforms for politicians to advance their own interests in such for power and wealth.

It is argued that the CDF is to be seen as a constituency-based special project grant to be placed under the County Integrated Development Plan (CIDP). It is expected that every County has developed a CIDP where all the elected state officials, namely, Members of National Assembly, Senators, Women's Representative and Members of County Assembly play a key role in identification and prioritization of projects in the County (Wainaina, 2014).

Some respondents in Naivasha felt that their constituencies were endowed with a wealth of natural resources, and wanted to have full local decision-making autonomy. They do not support a centralized system of governance. They feel that under a centralized system of government, these resources would not be properly shared to benefit local populations. N5 argued that:

... Naivasha has a lot of natural resources. For example, electricity (Geothermal Power) is generated from this area, but it has remained extremely difficult for local residents to access it because the conditions attached to it are very expensive for local residents to meet. Therefore, this remains a real challenge for local economic development for Naivasha.

According to Khamadi (2013), Counties and local populations are at a crossroads in their quest to reclaim ownership and control over local natural resources. This study has found that despite challenges, particularly the fact that counties have not yet developed systems and skilled personnel to manage these resources, local constituencies and communities continue to reassert their rights for a reasonable share in revenues collected. For example Respondent N5 critically analyzed three key natural resources that are vital to growth of local economy in Naivasha. Firstly, regarding horticulture *'flowers grown along Lake Naivasha, they are worth billions of shillings, and contribute a lot of revenue'*; secondly *'if we look at electricity, it also generates a lot of money through geothermal power extraction'*; thirdly, *'there is a national park that attracts a lot of*

*tourists around Mt. Longonot*'. In summing up this argument, respondent N5 averred that there is no justifiable reason why Naivasha should not be '*among the richest constituencies due to its rich natural resources and business enterprises*'. He emphatically stated that:

Naivasha has a high potential to being independent if managed through a well-coordinated administration, to an extent of providing assistance to other poorer areas. However, this has not been possible due to poor leadership and mismanagement.

N11 concurred with the above arguments and posited that '*Naivasha has enough resources to remain autonomous in managing its own development even without the help from the national government*'. In fact, there is hope for local communities with huge resource base following the enactment of the Natural Resources (Benefit sharing) Act of 2014 which establishes a system of benefit sharing in resource exploitation between exploiters, national government, county governments and local communities. This is likely to be a potential benefit for communities from which resources are exploited, as well as their respective governments: there is a high potential of returning proceeds to local communities. This would, in turn, enhance the autonomy of local governments.

Despite the ongoing challenges, the respondents interviewed seemed to prefer a decentralized form of government. Some respondents in Gatanga expressed the view that they are now more informed and feel that they are more involved in local economic development project prioritization. Some respondents in Naivasha believe that the system is well structured but that local leaders have failed them in realizing local development objectives and priorities. One of the main points raised again and again by respondent in both Gatanga and Naivasha was that there was too much political interference, particularly from Members of Parliament and the CDFC. It was felt that this was a major factor that hindered the CDF from realizing its full potential. Therefore, the study has shown that despite good performances by leaders in Gatanga Constituency, the administration of the CDF runs a high risk of being politically manipulated to serve the interests of the local elites. This study has also shown that if well managed, decentralized funds can be more efficient in supplying economic benefits to local populations.

However, a few respondents expressed their frustrations with the outcome of the CDF. They noted that some of the projects ended up benefiting only politically connected individuals and communities while other monies were lost in corruption. Due to these inherent problems with the

implementation of the CDF, they would prefer a central system of government that would distribute economic benefits without being excessively affected by local dynamics. At the same time, however, respondents from both Gatanga and Naivasha felt frustrated in cases where the national government exploited their regional natural resources without their local communities benefiting. Local government and communities welcome the new decentralized system if it allows them to share the benefits derived from local resources. The literature on decentralization infers that decentralization has the potential to engage and empower local communities thereby enabling them to select their development priorities that best suit their jurisdictions. It seems that if corruption and nepotism can be put under check, where those that mismanage or misappropriate funds are called to account, a decentralized system of government would indeed be the preferred option of governance.

#### **4.3 Skills, capacity and competences of the CDF managers and local politicians**

The CDF duty bearers are given the autonomy to foresee the allocation and implementation of these development funds at a constituency level. They are believed to be the closest to the people and therefore in a position to understand their pressing needs and concerns since they are elected from the membership of the same communities (Kimani, Nekesa, and Ndungu, 2009: 35). However, the literature on decentralization and my interview findings point to the significance of local political leadership and that administrators are at the core of understanding the realization of local autonomy in mobilization of available local resources. My interviews revealed that my respondents in Gatanga had trust in their leaders, and felt that their leaders were committed to the LED in their constituency. For example, respondent G6 postulates that Gatanga, through its leaders, has the potential of promoting local and economic development:

I think that our constituency has a lot of resources that include financial, human and natural. We are well positioned to use these resources to advance development in this constituency. I believe that leaders in this Constituency will use this opportunity to support local development.

On the contrary, many of my respondents in Naivasha were mostly very skeptical of their leaders and their commitment to LED. For example, N1 expressed his fears by noting that he *'still remain skeptical about the commitments and promises that they (local leaders) have made to the*



*community*'. In fact, some respondents in Naivasha blamed the CDF's poor performance on the inefficiency of CDF bearers at the constituency level. N1:

There are problems of inefficiency with CDF managers at the constituency level. A lot of money is disbursed to the constituencies, yet what we see are establishment of very weak structures, unfinished projects, while other approved projects do not even start and the money remains unaccounted.

G8 voiced his opinion that one of the major reasons why CDF managers and local politicians fail in executing their duties is their limited understanding of the principles and values enshrined in the constitution that inform the implementation of the CDF fund. The fact that Kenya has been under central rule since independence in 1963 may explain why leaders are not fully equipped with the requisite expertise in governing local government under a decentralized system of government. Mwenda (2010: 21) argues that Counties are likely to face the risk of adopting the same old style or governance templates for development without embracing new realities and characteristics of the new environment. In line with the aforementioned argument, G8 believed that local government in Gatanga has leaders with good political will but proposes that they should orient themselves comprehensively with the CoK 2010. G8 maintains that "*regarding the new County (decentralized) system*", he does not believe that local development stakeholders "*have been able to comprehend it entirely*". Elsewhere in Kimilili Constituency, following a study that was published by Simiyu, Mweru and Omete (2014: 45), results revealed that, with regard to the impact of the CDF on social economic welfare of residents, some of the CDF duty bearers are not fully acquainted with the new regulations and policies governing the CDF's administration. This reality in itself hinders the autonomy of the local government in administering its own development.

It appears as if local skills, capacity and competence could be critical factors for the implementation of the CDF. Regular training of the Constituency Development Committee, which included members of the CDFC in Dagoretti Constituency was associated with a successful implementation of the Fund. Trained committee members were able to share informed knowledge with project implementers which enhanced CDF implementation in Dagoretti (Kimani, Nekesa, & Ndungu, 2009: 46). Respondent N3 contends that the inefficiency of local government delivery in Naivasha was linked with "*poor management skills among the CDF managers, a lot of money has been lost, and ends up compromising the completion of proposed projects*".

In Dagoretti Constituency, when financial control was identified as one of the major hindrances to timely completion of CDF projects, a decision was made to train CDFC members with project management skills, procurement and accounting. Since that intervention, the constituency recorded significant success: projects were completed without major delays and financial management was significantly enhanced (Kimani, Nekesa, & Ndungu, 2009: 46). This study also highlights that technical skills and knowledge amongst CDF duty bearers are vital in propelling economic development. Such competences have huge potential to boost project design, implementation, monitoring, and evaluation of development projects. N4 points out that this important factor is missing among CDF duty bearers in Naivasha:

There is a trend that there exist a general lack of technical skills, capacity, and knowledge of managing development projects such as those financed by the CDF. If you have a group of inexperienced individuals managing development projects that deal with huge amounts of money, it would be unrealistic to expect them to drive this process efficiently. Very little research is done before projects are proposed. If the pre-analysis of the project is not done, then the eventual evaluation in the post-project analysis is likely to record poor outcomes. Many of the projects that are abandoned all over the constituency suffered the same fate, that they were not adequately deliberated. Common practice has shown us that projects that are constantly evaluated do better and produce positive outcomes. However, in Naivasha, managers and those in project committees are so occupied in stealing the money than in the success of the project. Thus, there is no transparent monitoring of projects that is done.

Similarly, N9 was concerned with the lack of skills preparedness amongst CDF managers in Naivasha. He proclaimed that:

... [t]he appointment of unskilled people hinders the implementation of the CDF agenda. A lot of finances are lost due to such incompetence. These appointees remain in such positions because of their connections with politicians. Politicians use them to source money public funds. That is why they are forced to engage in corrupt practices.

According to the respondents, the lack of skills, capacity and competency of CDF duty bearers were key factors in determining the outcome of the implementation of CDF. Those interviewed in Gatanga felt that CDF officials had the necessary professional skills and competency in managing the CDF, and raised no major concerns. However, the majority of those interviewed in Naivasha were concerned that those tasked with the management of the CDF were incompetent and lacked the necessary skills to manage the implementation of the CDF. It would appear, therefore that appropriate skills such as project management, accounting, and budgeting are necessary prerequisites for people to manage the CDF. If incompetent individuals are assigned to

such positions, the CDF may be prone to mismanagement, misappropriation, and even political interference as political elites divert the CDF to serve their own interests.

#### **4.4 Responsiveness of CDF projects**

This study emphasizes the significance of the amount of time taken between the selection and the completion of the CDF projects as being critical factors in assessing the efficiency in the implementation of the CDF. The respondents in the Gatanga Constituency seemed satisfied with the time taken to complete the CDF funded projects. Respondent G5 was particularly satisfied with the efficiency of the CDF funded projects in the health sector in Gatanga:

In most cases when we apply for funding related to a particular project in the health sector, it does not take very long. Once and again we get called to get the cheque to finance the project applied for. Every time there is a sitting to discuss the disbursement of funds, it does not take a long time to have the application approved.

Respondent G7 concurred:

For the last 10 years, local government has been very effective in delivering public goods. We have seen structures emerge during this period more than any other period in the history of the Kenyan government. I can say that schools, health centres, roads, security posts and education through bursaries have been established and maintained.

On the contrary, many respondents in Naivasha were dissatisfied with the time taken to complete CDF funded projects. Despite the general outlook that in the past, central government was slow in delivering services to local communities, it seemed as if nothing had changed in Naivasha. A study that was conducted to assess the impact of the CDF on social economic welfare of the local population in Kimilili Constituency revealed that one of the major challenges that had hindered autonomy of local government was inadequate and delayed funding (Simiyu, Mweru & Omete, 2014: 45). Similarly, respondent N7 believed that it took considerably longer for leaders in Naivasha to utilize resources allocated and implement approved projects: *'Local government in Naivasha has failed to manage local development. Projects that were supposed to be implemented in the first months of this elective period have not yet started'*.

Respondent N5 also lamented over the slow pace of approval and completion of the CDF related projects in Naivasha:

Projects take a very long time to complete. For example, most proposals take more than two years before they are approved. Even if you look in the last five years in this location, there is not even one that has been approved, not any project that has started. For instance, the construction for the kitchen and the administration block started at Muiciringiri Secondary School even before I was elected in the school committee, but until today it has never been completed. And now that I am leaving the office after five years, it still has not yet been completed. As parents, we have eventually resorted to contributing the funds ourselves. We have resolved that every parent must contribute Ksh 1000 so that we can be able to support the completion of these projects. We have made countless efforts to appeal for help from the Naivasha local government, and to the CDF, even from LATF, and yet we do not get any attention.

This study also found that the delay experienced in disbursing funds for bursaries can affect learners from needy families. Reluctance amongst the CDF duty bearers in Naivasha limits the CDF's ability to achieve its objectives. For example, respondent N7 contends:

Local development initiatives in Naivasha take significantly longer to be implemented. For example, in other constituencies, CDF bursaries for this year were awarded in the months of July and August, but in Naivasha, even until today, learners have never been awarded. This is an indication that the organization of development in this constituency is inefficient.

The results of this study show that many projects were delayed due to the fact that money was released in instalments that were not timely or consistent. A study conducted by Simiyu, Mweru, and Omete (2014: 47) on the effect of CDF on socio-economic welfare in Kimilili Constituency indicates that the national government was partly to blame for the delays in disbursement of the CDF funds to the constituencies. Some elements of delay in the implementation of the CDF projects were noted in Gatanga. For example G1 attributes this ineffectiveness to the fact that:

CDF funds are not released on time by the national government ... there is an element of dragging certain projects before they are completed. Delays at the constituency level are done intentionally so that they can gain more money on interest.

Similarly, respondent N8 complained about delays in the implementation of the CDF projects:

... it takes a lot of time to process even the little money that is approved for the project. For example, in my school, there is a project that has taken over 10 years. The former Member of Parliament launched it and could not complete within his tenure. Then it was undertaken by his predecessor, and the project is still ongoing. The challenge is that they do not approve projects holistically, but release amounts in small instalments and eventually lead to the delay in the completion of the project.

This study has found that delay in the implementation of the CDF projects was also attributed to inadequate funding where projects are allocated less funds than they are actually worth. Simiyu,

Mweru and Omete (2014: 46) called on the government to increase this kitty in order to enhance complete funding for projects without obstacles such as inadequate funding and delays in the release of the Fund. Respondent G10 also noted that *'in as much as Gatanga has been hailed to be doing well countrywide in terms of the CDF administration, elements of inefficiency exist'*. For example, G10 added:

There was a time where a proposal to build a hospital at Karua was approved. Rooms were built but neither furniture nor hospital staff was put in place. Therefore, this became a wasteful expenditure and evidence of inefficient planning from local leaders. Kirwara District Hospital also suffers the same fate with no sufficient medical staff and enough beds to accommodate patients. I would therefore expect that if the CDF money is to be approved to start a particular project, there should be a clear plan of how they will be funded to reach a point of full operation. A hospital should therefore be equipped with medical staff, medicines, surgical theatres, mortuaries and other necessary facilities.

Despite the fact that some respondents in Gatanga observed that there was delay in completing some projects, they remained fairly satisfied with the pace at which CDF funded projects were completed. For example, although respondent G8 was concerned with delay in completing certain projects in Gatanga, the appraisal concluded on a positive note:

Even though the CDF projects in Gatanga seems to be done more swiftly, there are other times that we feel that projects take more than necessary to complete. What I wonder is why implementation takes longer to complete projects that would benefit the community, yet the money to do such has already been approved. However, I have not witnessed serious problems that hinder implementation of the CDF funded projects in this constituency. I think a commendable job has been done.

This study found that despite a few concerns about delayed funding either from the national or the constituency levels, majority of respondents in Gatanga were content with the time taken between the allocation and completion of CDF projects. On the contrary, there was considerable concern that projects in Naivasha either took too long to be approved and allocated funds, or experienced long delays before their completion. The data compiled by this study revealed that there were many stalled projects that were started and never completed. This study has also noted that in both Gatanga and Naivasha, there was evidence of completed physical infrastructure such as health and security centres that were slow to commence their operation due to delay in appointment of personnel by the national government. This phenomenon has delayed the delivery of development through the CDF.

#### **4.5 Economic efficiency**

This study highlights that the point of involving communities, particularly in the selection and prioritization of the CDF funded projects, is to ensure that available resources at the local level are tailored to meet diverse development preferences in respective local jurisdictions. This is adequately justified because in as much as government budget is informed through a wide range of regional consultations, it is not adequate in dealing with specific needs of communities from each of the specific local communities (Kimenyi, 2005: 3). In the fiscal decentralization model, matching limited resources with addressing the most appropriate needs of constituents is critical. Being closer to the constituents, it is argued, local governments have a higher potential to identify people's needs, and thus to end up providing the appropriate form and level of public services (Manor, 1999; Oates, 1972).

In order to ensure that the most pressing needs of grassroots communities are given priority, consultations between the CDF duty bearers, local politicians and communities are crucial. A study commissioned by the Centre for Devolution Studies (CDS) recommended that such consultative meetings should be systematic and not haphazard. During consultative meetings, selection and prioritization of community projects should be heralded by community members and selected projects decided through a majority vote. This would significantly reduce political interference by MPs and their cronies. Only after these exercises can leaders of those communities be engaged (Finch & Omolo, 2015: 2). In Gatanga, G4 asserted:

There is no evidence of proper consultation between local governing structures and the community. Those in positions of power continue to dominate in the selection and prioritization of community projects. Most often, projects approved are not in line with the will of the people but only as an agreement of few individual elites.

According to Kimenyi (2005: 2), the essence of establishing the CDF was to provide constituents with the opportunity to maximize their expenditure of limited funds allocated to constituencies in line with their particular needs and preferences. Ideally, different local jurisdictions choose varying projects and priorities informed by their particular circumstances and needs. Respondents were asked for their perception on the congruence between the actual CDF projects and their constituents' needs. Many of the respondents in Gatanga felt satisfied, while, by contrast, most in Naivasha seemed dissatisfied.

For example, G5 noted that the CDF in Gatanga has managed to *'provide for the community according to their needs, and not pushing too much of one thing from the top while many other areas are abandoned'*. She further exemplified:

In a hospital setting such as this, we avoid so much wastage of expired medicine because we are able to order according to our specific needs within a particular time. In the past, medicine would be distributed to hospitals in bulk, some of it would expire while others were not enough.

This study argues that from the data collected in Gatanga and Naivasha, the CDF can presents an opportunity for MPs to exert their influence, whether positively or negatively, in the disbursement of these funds. This study identifies the role played by MPs in the CDF as a critical political tool used to determine how the Fund responds to the needs and preferences of their constituents. As pointed out by G8, *'localized governance improves effectiveness in the delivery of local economic development'*. Pursuant with the relevance of local leadership in facilitating delivery of services that match the needs of people locally, G6 expounded:

I think that if leadership is closer to the people, it facilitates more effectiveness in the delivery of local development. Previously, if we had wanted something done in our area, it will take a lot of time to have it approved by the central government. If funds are available at the County level, then the new system would be much better, and would end up speeding development locally.

According to Kwon (2003), local authorities are given autonomy to mobilize communities and deliberate on the kinds of projects communities need established in their areas, without making reference to the central government officials for endorsement. Many have agreed that there was gross inefficiency with delivery of services by central government. This study argues that the introduction of funds like the CDF was an opportunity to address specific local economic development needs and preferences of local communities. G7 points out that:

[i]n the past, it was very difficult for communities to receive services, some communities received more while others were ignored. Centralized government had failed to provide even the very basic services to local communities. This has been made possible with the shift to localized form of government.

A historical critical analysis has evidenced that attempts by centralized governments to provide services for grassroots communities have failed to establish projects and initiatives that are compatible with real needs of these communities. Owing to such failures, governments in developing countries have decided to experiment with decentralized structures with an aim of

achieving the same objectives. Indeed, many perceive decentralization as a system that has real potential to offer a range of benefits. This new system is being proposed as a way of reducing the role of the state, by fragmenting authority at the center, and introducing more intergovernmental competition, checks and balances; and in addition, as a way to make government more responsive and efficient (Bardhan, 2002: 185). In accordance with the preceding argument, respondent G10 maintained that:

This system is able to address specific problems that affect specific areas in different ways. Again, when local governments manage their own development independently, it is likely that they are more cautious in the way they spend their resources. The competition that emerges from these arrangements assists local government in fast-tracking their local economies.

Ribot (2002: 10) argues that introducing local governments as service providers enhances competition, thus resulting in increased efficiency. The competition that arises from various local governments creates governments more responsive to local population's needs and preferences. Thus, this study argues that the CDF can provide an environment for local government to match service delivery to needs by remaining closer to their clients due to having better access to local information. Respondents in this study seemed to feel that local government officials are better versed in local development needs than central administrators were. G10 noted that:

The advantage with a localized system is that people that administer our governments are from within local counties. As such, they have better knowledge of the development needs of the local people and are capable of responding accordingly.

One of the main rationales behind the establishment of the CDF was to increase the prevalence of both infrastructure and service community projects with an aim of fast-tracking poverty reduction and improve livelihoods by providing for the most pressing community needs. Since 2003, most projects in education, health, water, agriculture, roads, bridges, and others have been attributed to the intervention of the CDF. Despite many successes in a number of constituencies that have recorded significant number of completed and functional projects, other constituencies have failed miserably to deliver and have recorded myriads of stalled and abandoned projects (Finch & Omolo, 2012: 4). Pursuant with the foregoing, perceptions from questionnaire respondents produced varying results. The researcher was interested to find out the extent to which respondents of both Gatanga and Naivasha constituencies were satisfied with the number of projects implemented in both constituencies.



This study has found that the outcome of data from Gatanga and Naivasha was mixed. There was general satisfaction among majority of respondents in Gatanga that the CDF had played a vital role in matching its development objectives to their pressing development needs. However, some respondents felt that they were not engaged in the prioritization of community projects and believed that only a few politically connected individuals together with local politicians carry out the exercise. Majority of respondents from Naivasha expressed frustrations because they are neither involved in prioritization of local projects nor in their implementation. There is a perception that even those projects that were funded did not meet the needs of the community due to lack of sufficient funding, resulting in stalled and abandoned projects. Even though limited, these stark discrepancies in opinions between these two constituencies could be indicative of the ongoing implementation challenges facing the CDF.

#### **4.6 CDF Project monitoring and Evaluation**

There has been evidence of efforts to “professionalize” the CDF monitoring structures in Kenya with an aim of improving their effectiveness. As part of the recent reforms, account managers have been recruited in every constituency as an initiative to improve management in compliance with the CDF policies (Van Zyl, 2010). Kibui and Obebo (2015) argue that at the moment, monitoring and auditing of the CDF has been faced by a major hurdle as the government is seen to focus more on the performance of newly established Counties. The auditor general has indicated that the allocated budget is overstretched and is unable to monitor how the CDF funds have been spent. The proposal to use part of the CDF money to fund the auditing exercise was rejected by the MPs, leaving the fund exposed to irregular expenditure and misappropriation (Igadwah, 2015). Respondents in both constituencies agreed that CDF monitoring and evaluation is as a vital instrument that could allow them to directly involve themselves and contribute to the local development process. However, respondents in Gatange felt that the CDF projects were being effectively monitored and evaluated, however, the respondents in Naivasha did not feel that the CDF projects in their constituency were well monitored or evaluated.

Rubin (1995: 31) posits that in essence, monitoring and evaluation of projects are meant: i) to improve performance; ii) to make choices and decisions regarding the effectiveness of the projects; iii) learn lessons; and iv) to increase accountability. Estrella and Gaventa (1998: 11) argue that

communities are securing more chances to monitor and evaluate projects with an aim of holding their governments accountable to set goals and development performance targets. This study has

A study that focused on Ainamoi Constituency on the effectiveness of monitoring and evaluation of the CDF projects, (Ochieng, Chepkuto, Tubey, & Kuto, 2012: 194) determined the impact of projects managed through the funding of CDF; the extent of involvement of stakeholders in the process of monitoring and evaluation of CDF projects; and investigated the utilization of monitoring and evaluation results on CDF projects. The findings of the study revealed that there is a need for the community and the CDF management committee to monitor the implementation of the CDF projects in order to ensure that objectives are met, as well as to ensure adherence to quality and standards. (Ochieng, Chepkuto, Tubey, & Kuto, 2012: 194).

This study has found that the process of monitoring and evaluation of CDF projects can be vital to safeguard against project duplication. This is because other than the CDF, there are other development funds managed by County and national governments. If not well coordinated, certain projects could overlap. Van Zyl (2010) argues that administering the CDFs at the constituency level can be problematic, with elements of duplication of structures due to various local intervention structures. And in some instances, many administrative structures experience setting up of monitoring and regulation structures as expensive, unnecessary, and burdensome for the local authority.

It has been recorded that account managers sent to constituencies to undertake the process of monitoring the implementation of the CDF funded projects are more often than not compromised by the presence of family, friends, or political appointees in project committees. No matter the recommendation from these managers, most cases of corruption and maladministration are ignored and no serious charges are made against the offenders. Results of a collaborative joint research report by Kenya Human Rights Commission (KHRC) and Social and Public Accountability (SPAN) (2010: 62) show that respondents were concerned that corrupt officials in the CDF had not been punished for their bad practices. The same concerns were raised by respondents in Gatanga. For example, G 9 pointed out that:

Funds in Gatanga are not properly monitored. This is because most of those people tasked with monitoring have close connection with those that are supposed to be monitored. It is one system and no one can really expose wrong doing of the other. When it comes to signing of documents, they will all come together and endorse no matter the quality of the work done. If that happens, who else will be there to oppose. They just come to monitor but only pay a blind eye.

Some interview respondents in Naivasha felt that there was no evidence of any meaningful monitoring and evaluation conducted on CDF related projects. For example, N5 claimed that *'the CDF committee does not take initiatives to do site visit in order to familiarize themselves with the constituency's development needs; or even the monitor the already funded projects to see the nature and quality of the work done'*. Therefore, this study found that monitoring and evaluation of the CDF funded projects remain a big challenge in Naivasha. Respondent N7 added that *'people in Naivasha are reluctant to monitor how these funds are utilized'*. In the same vein, N10 added that:

One of the challenges that hindering the implementation of the CDF is weak monitoring structures. Many projects appear on paper to have been completed. However, on the ground, they stand as ghost projects that have never been started, abandoned projects, and as substandard structures. Therefore, one wonders why the officials are not in a position to go out and certify the existence and the quality of the so called completed projects. That is the reason that I boldly say that the government has failed its people in this location; and the government has disowned its own people. I do not understand why the government cannot send their own investigators to monitor how public money is being spent and to probe whether money approved for projects have been properly managed. People that have mismanaged public funds must be made accountable for their wrong doing.

So while some respondents in Gatanga were satisfied with how CDF projects were monitored and evaluated, others were dissatisfied - especially with how the process was conducted. They wanted the process of monitoring and evaluation of CDF projects to be conducted by an independent body and not the same implementing agents. They cited examples of cases where people were found guilty of mismanagement or misappropriation of the Fund, yet no measures were taken to bring them to account. This study argues that the lack of a credible monitoring and evaluation process on CDF projects can be a factor affecting the implementation of the CDF. Proper monitoring and evaluation can identify where money is being lost, or where performance is weak and as such promote accountability.

#### **4.7 Awareness and knowledge of local development plans**

This study has identified public awareness as a critical component towards meaningful participation in the implementation of CDF projects. When people at the grassroots are aware of the existence of locally available funds, terms and conditions under which they function, as well as their roles in such processes, there is a higher potential of an accelerated growth in local development arising from active participation and ownership of community projects and initiatives.

Many of the respondents in this study had a good sense of the CDF policies and regulations. On the other hand, they did not believe that the community at large were well informed regarding the CDF and its operations in the implementation process. The majority of general population in Gatanga and Naivasha were perceived by the respondents to have either low or very low awareness of CDF policies and regulations. The rationale behind this disparity of awareness between the respondents and the general population would be that those who were selected as respondents in this study were already actively involved, directly or indirectly, with development projects in the constituencies; additionally, they possessed higher literacy levels than the general population. Regarding the general population in Naivasha, N3 explained that:

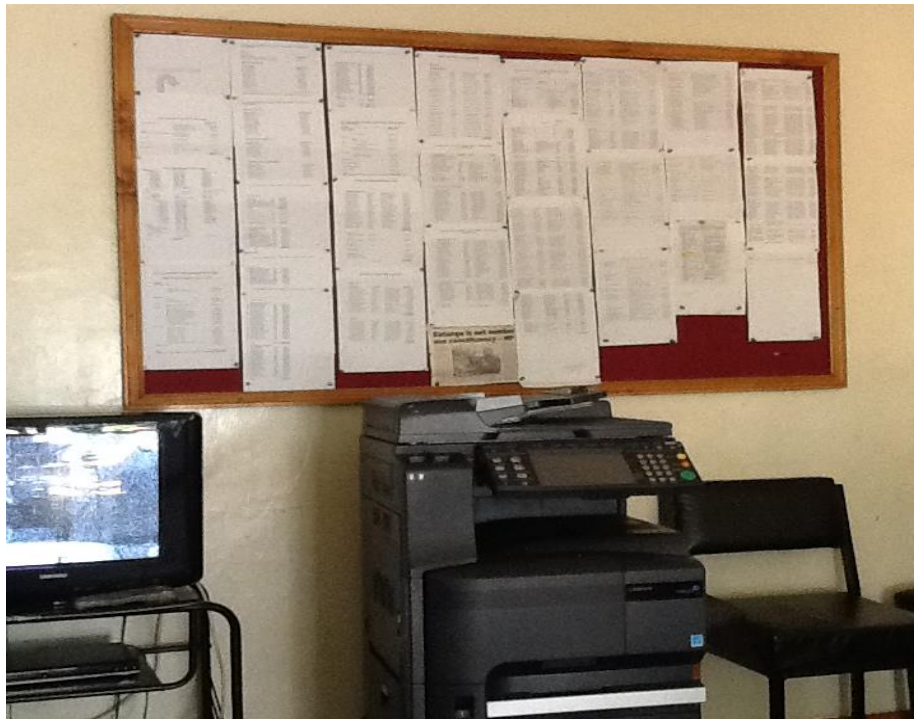
... [m]ost of the people in this community are not civically educated. I would therefore like to emphasize the importance of education. Once you do not have the knowledge, then we cannot see development, and we shall continually remain behind in terms of development. Ignorance therefore is the evil for many things, including corruption. In order to deal with this problem, it is therefore important to create more opportunities for people to be given more civic education in order to impact more responsibility.

Simiyu, Mweru and Omete (2014: 43) maintain that awareness of CDF policies and regulations is directly linked with the level of participation in the project implementation. Areas where respondents were perceived to possess low level of awareness regarding the CDF matters subsequently resulted in low levels of participation. The CDF Act of 2013 (Article 24: 6) invites the chairperson of the CDFC in consultation with relevant duty bearers to convene meetings which would deliberate development matters in the ward and the constituency. Respondents in this study noted, however, that their local leaders and administrators have not done enough to create awareness amongst communities. For example, G1 noted that in Gatanga:

... [t]here is not enough publication of information for public consumption. For instance, communities only see structures being established in their vicinities without knowing the origin of those funds or the amount of funds approved to complete such projects. In that case, local residents are unable to make follow ups of how such funds are used.

Figure 4 below is an indication that the CDF office had made some attempts to create awareness and relay the CDF project information by displaying it outside the CDF office. However, if information is not disseminated to the villages, only a few individuals who visit the CDF office and read the content on the notice board would get the information. In addition, it assumes that people are all literate. As such, one can conclude that in Gatanga, this aspect of the CDF is largely neglected.

**Figure 4: Noticeboard with the CDF Funded Projects Displayed in Gatanga**



**Source:** Field Data (2014)

As identified by Wabwire (2010: 32), the role of the Publicity Sub Committee (PSC), which is part of the National Management Committee (NMC) that is chaired by the Cabinet Secretary in the Finance Ministry, is legally bound to create awareness among the public regarding matters pertaining to the CDF. The PSC is also charged with the function of responding to issues raised by local communities. However Respondent N4 opined that:

Lack of information and awareness amongst the community in Naivasha is a big challenge. If ordinary people at the local level are not trained and given adequate information about development opportunities, they are likely to assist in the whole process from project identification to the final evaluation after completion.

A joint collaborative research by KHRC and SPAN (2010: 48) showed that the establishment of one-stop-information centre (commonly known as the CDF Constituency Office) was vital because ordinary people could seek the CDF related information there. It was also noted that the creation of this “one-stop” shop where all constituency information is stored and disseminated was critical to developing an informed citizenry. In this study, results revealed that an overwhelming majority of respondents in both constituencies were aware of amount of money set aside for the CDF

projects implementation. This could be attributed to the fact that most all respondents selected were literate, and not only gathered information from the CDF offices, but also from other media such as newspapers and TV. Thus, 42(85.7%) and 39(79.6%) of the respondents in Gatanga and Naivasha constituencies respectively indicated that they were aware of amount set aside for the CDF project implementation. This study also shows that not merely the awareness of how much money was allocated to the CDF is significant, but also how communities' interests and preferences were given attention while selecting and prioritizing projects.

This study found out that the level of awareness amongst respondents was directly linked with the local development outcomes, whether positive or negative. Majority of respondents in Gatanga indicated that they were aware of and satisfied with how CDF projects were prioritized. They felt that members of the CDFC respected their priorities while allocating funds to local development projects. The CDF Act of 2013 (Article 25: 3) tasks the CDFC with the responsibility of funding projects in order of community preferences and making sure that the total budget does not exceed the total allocation. The order in which they are listed are therefore to be considered as the order in which funds shall be allocated/prioritized; moreover, provided that projects that are still ongoing, they shall be considered first. However, an overwhelming majority of respondents in Naivasha indicated that they were not aware of or satisfied with how community projects were selected or prioritized. They felt that the CDFC excluded them from knowing or participating in the selection or prioritization of the CDF funded projects. They indicated that the only projects that seemed to receive priority were those coming from individuals or groups that were politically connected to the MP or the CDFC members.

Kimenyi (2005: 2) argues that making local communities aware of how they can participate in decision making regarding project identification and resource allocation is critical in determining the level and extent of efficiency in delivering development priorities.

This study has found that the knowledge of how respondents in Gatanga and Naivasha could be involved in selecting or determining location of projects is important, but what is even more important is to understand whether they were actually involved or participated in those processes pertaining to the actual project selection and prioritization, or in decisions with financial implications. The following section explores how communities, in the perception of the respondents in this study, were actually involved or participated in financial decision making.

#### **4.8 Public participation: Financial Decision Making**

This section analyses data pertaining to the extent of participation among constituents in both Gatanga and Naivasha constituencies. It compares data to the literature from previous studies pertaining to this phenomenon. It also compares and contrasts results and findings from both Gatanga and Naivasha constituencies. In the foregoing section, the researcher analyzed data that was related to knowledge and awareness that existed among respondents on the CDF policies and their implementation. However, it is argued here that having knowledge of development matters is one thing, but being involved in the process of actualization is critical. In this section therefore, the data is analyzed on the basis of the assumption that if more people actively participate in the process from selection, to prioritization, to the implementation process, the more projects will receive community ownership and enhance a more diversified economic gain for community members.

The CDF Act of 2013 (Article 24: 6) provides for the community to identify projects that are most pressing in their community, and to identify the order of priority to be submitted to the CDFC for consideration. In tandem with this provision, perceptions from questionnaire respondents showed a sharp contrast between responses from Gatanga from those in Naivasha. While respondents in Gatanga unanimously indicated that they were satisfied with how the CDF funded projects were identified, a similar number of respondents on the contrary expressed their dissatisfaction with the way projects were identified in Naivasha. In addition, when respondents were asked to indicate the extent to which communities were given an opportunity/right to participate in selecting and prioritizing projects, a majority of respondents in Gatanga were affirmative, while on the contrary, majority of respondents in Naivasha strongly disagreed that communities were given the chance to participate in the selection and prioritization of CDF funded projects.

This study argues that participation of local residents in the process of selecting and implementing CDF projects was critical to a successful outcome of the Fund. Results of a nationwide survey by the National Anti-Corruption Campaign Steering Committee (NACCSC, 2008) showed that majority of Kenyans are not given the opportunity to participate in CDF implementation processes. Results of perceptions from questionnaire respondents indicated that Gatanga had made significant attempts to allow respondents the opportunity to participate in determining the location of projects. By contrast, a vast majority of respondents in Naivasha did not agree that members of their



constituency had been given the chance to participate in determining locations of the CDF funded projects. This study argues that when community members are denied a chance to determine the location of projects, there is a likelihood that established projects may not meet the needs of the local population.

This study argues that other than making attempts to understand how local communities in Gatanga and Naivasha participate in the selection, prioritization and implementation of the CDF projects, it is also critical to understand how these communities participate in monitoring and evaluating the performance of CDF projects. This is meant to ensure that the Fund is utilized in accordance with the objective of enhancing economic development within the Constituency. Oduor and Achar (2012: 4) conducted research which aimed to understand development planning and public participation in Kenya, drawing lessons from the CDF, and revealed that there was generally low public participation in monitoring and evaluation of the CDF performance. They found that even those that are tasked to officially monitor how this fund were doing a shoddy job of touring the constituency without conducting any comprehensive scrutiny. They observed that CDF lacked a detailed monitoring framework which would include the community in the same process.

This study revealed that about half of the respondents in Gatanga agreed that people were involved in following up/monitoring CDF related projects, whereas an overwhelming majority of respondents in Naivasha did not agree at all that constituents participated in monitoring the performance of CDF funded projects. This study found that there is a link between the level of participation of grassroots communities in monitoring and evaluation of the CDF and the level of awareness regarding the CDF and their role in its management. Communities view monitoring and evaluation of the CDF projects as futile and time consuming, due to the fact that there are no clearly established structures under which their concerns and recommendations could be addressed (Oduor and Achar 2012: 4).

Based on the outcome of data collected from Gatanga and Naivasha, this study argues that citizen participation in the management of CDF is one of the critical non-negotiable elements in creating sustainable local economic growth and improving livelihoods of local populations. According to Oduor and Achar (2012: 1) one of the main rationales behind decentralising funds such as the CDF to the constituencies was to engender citizen participation in fiscal management towards alleviating poverty and reducing imbalances among special groups in distribution of economic

benefits. When the Institute of Economic Affairs (IEA, 2006) commissioned a study in 25 constituencies of the CDF with an aim of establishing whether the constituents were effectively involved in the CDF management processes, the study revealed that only 38.7% of constituents had participated in the selection and prioritization of projects, 37.8% had participated in determining the location of projects, while 35.4% further indicated that they were involved in following up and monitoring of projects, while only 22.9% have actively participated in management of the CDF funds. This revealed that participation of communities in project management was generally low. Similarly, results of perceptions from questionnaire respondents revealed that only about half of the respondents in Gatanga agreed that the community members were given a chance to participate, or were involved in the CDF fund management, whereas an overwhelming majority in Naivasha did not agree.

One of the main reasons that hinders the public from participating in decisions on CDF utilization is linked to political interference of MPs. KHRC and SPAN (2010: 47) show that some MPs have resorted to manipulating the reality of constituents' lack of knowledge and awareness regarding the CDF, its policies and guidelines, including their right to participate in the decision making over the allocation and implementation of CDF. In this case, MPs found ways to be chairpersons of the fund and secure monopoly over all decisions pertaining to the administration of the CDF funds. To an extent, they have wanted constituents to believe that the CDF money is their own and that they have the right to use it as they see fit. Respondents in Gatanga were fairly satisfied with the level of community participation in decision making pertaining to the utilization of the CDF funds, whereas an overwhelming majority of respondents in Naivasha indicated that they were dissatisfied.

This study found that in Gatanga, the majority of respondents felt that even though there was a low level of awareness regarding CDF policies, the CDF officials made significant attempts to involve the local people in the selection, prioritization and utilization of the CDFs. On the contrary, respondents in Naivasha felt that there was no adequate participation of the community regarding CDF projects, and that there was limited dissemination of information regarding the CDF processes. Largely, they felt that fiscal decisions in Naivasha were made by the political elite in the area. This study argues in favour of public awareness campaigns, and initiatives that increase

levels of public participation in CDF processes. It is felt that these could contribute to the better utilisation of the CDF, which in turn could lead to LED to the satisfaction of the local community.

#### **4.9 Corruption and wasteful expenditure on CDF**

This study has found that despite the fact that local governments are tasked with the mandate of administering their own development, having been allocated specific funds to do so does not always translate into positive development impact. Maladministration and corruption by the local elite are identified in this study as one of the key factors that hinder the realization of this objective. The results of this study indicate that even though the CDF was perceived by majority of respondents in Gatanga to be well managed, a few were concerned with the growing elements of corruption. For example, G9 presented the emerging dilemma as follows:

I think that there is good efficiency in the way local government in Gatanga facilitate the delivery of economic development through the CDF. However, I am not comfortable when I see elements of corruption that goes on in the administration. If such practices are entertained and are not challenged, we shall continue to waste a lot of development funds that could have been used to uplift this community.

The study found that an overwhelming majority of respondents in Naivasha were concerned with the rife corruption which they blamed for the low levels of the CDF performance. For example, N3 put it that:

Corruption is one of the main challenges that we face in this constituency. Top managers and project managers have a tendency of stealing public money that is meant for development.

This is not unique to Naivasha. In fact, Olowu and Wunsh (2004: ix) argue that centralized states in Africa have been associated with ‘ineffective, corrupt, and sometimes abusive governance’. By adopting decentralization that swept across the African continent from the 1980s, many of these states expected to go beyond these inept practices. On the contrary, decentralization has provided a safe haven for local officials and political elite to hijack local development funds to advance their own interests as well as advance their political agenda. Respondent N3 reported that:

CDF managers and local politicians divert money geared for development for their own selfish interest. Even if you prosecute them through the legal system, these people have their way and we have not seen anyone who has been convicted due to embezzlement of public

funds. In some instances, people have been taken to court, but all have been acquitted. Therefore, there are no strict mechanisms to protect these funds.

In line with the foregoing argument, respondent N10 upheld that in Naivasha, elite capture has hindered local autonomy and has tarnished development projects entangled with corruption:

I think that Naivasha cannot be said to be in control in managing local development. In fact, I think out of the development mandate, they have only accomplished about 10 percent, and they have failed in many other ways. A lot of money goes to the friends and relatives of top officials at the constituency level, and the fund does not serve the real development need in the constituency.

Critics across the globe have often complained that Kenya's prevalent and accepted culture of corruption and notorious mismanagement of public coffers is ubiquitous, regardless of whether such resources are managed by national government, County, or private sectors (Khamadi, 2013).

N11 concurs with the aforementioned argument:

Corruption guided by selfish interests does not allow Naivasha to attain its full potential ... Politicians and their cronies have therefore played a big role in mismanaging public funds that could have been used to maintain public infrastructures in this area.

This study therefore outlines that the culture of corruption in Kenya can affect the implementation of the CDF. In fact, in a comparison between the levels of CDF related corruption between the two constituencies, Naivasha has produced the most appalling results. Results of a report by the National Taxpayers Association (NTA, 2012) uncovered critical findings whereby projects funded and monitored in the financial year (fy) 2009/10 for Naivasha indicated that Kshs. 8,993,095 of the CDF money was wasted on badly implemented projects, amounting to 13% of the total CDF funds allocated to the monitored projects in the 2009/10 fy; Kshs. 2,500,000 of taxpayers' money was wasted on abandoned projects, amounting to 4% of the total the CDF funds allocated; furthermore, Kshs. 15,377,212 of CDF money went unaccounted for, amounting to 23% of the total the CDF funds allocated to the monitored projects in the 2009/10 fy. These damning results are evidence that there was huge delay in the delivery of services for communities in Naivasha. By contrast, the key findings for the Gatanga projects funded and monitored in the same 2009/10 fy indicated that there was no CDF money wasted. In addition, there was no CDF money unaccounted for.

Pursuant with the foregoing argument, the respondents in this study revealed a similar scenario for the two constituencies. In Gatanga, where CDF duty bearers were bound to face serious

consequences if they were found to embezzle the CDF, there was more success recorded in terms of its implementation. On the contrary, in the Naivasha Constituency, where seemingly no prosecution for those who embezzled CDF funds was conducted, the outcome of CDF implementation was poor. For example, when the respondents were asked whether serious implications went against those who mismanaged the CDF in Gatanga, results a majority either agreed or strongly disagreed, whereas in Naivasha, results indicate that majority either disagreed or strongly disagreed.

From the interviews, Respondent N1 narrated a scenario that clearly demonstrated how corruption had delayed implementation of the CDF in Naivasha:

When a certain project is approved, it ends up taking a lot of time to see it through due to many requirements and bureaucracies before the whole project is executed. It takes longer also because those that are responsible in approving these processes also want some compensation. Therefore, even if there is something you want signed, the one to authorize the signature also expects some reward. Therefore, if you need to buy cement for a tank construction, no one will be ready to sign unless there is an agreement of the percentage of the money to be rendered to them once the money is approved. Many more officials within the hierarchy demand their share, and it ends up that only a shoddy and substandard job is done, that takes a long time to complete.

Similar forms of organized crime have led to huge losses of money that was meant for local development to a few individuals. Even though constituencies are calling for an increase in the amount of funds disbursed to the constituencies, there is no evidence that funds already disseminated have made meaningful impact in Naivasha. Respondent N1 further explored the rationale behind many abandoned projects in Naivasha:

... [i]n a 300,000 project, around 200,000 mostly ends up as rewards to individuals. Therefore, after you try to use the remaining 100,000 for the project, it becomes a useless job and a waste of public money. That is why we have so many of these abandoned and unfinished projects in this constituency. Therefore, in my own opinion, efficiency of local development for Naivasha is very poor.

Respondent N3 also noted that corruption was a major hindrance to effectiveness of the implementation of the CDF on local economic development:

We have witnessed a lot of money that is lost due to corruption driven by greed and self-centeredness. A lot of projects have taken too long to complete, others have been abandoned, and most of the completed projects are in a very poor condition.

In tune with the aforesaid, respondent N4 narrated the following example that clearly stands out as an example of corrupt practices by the CDF duty bearers.

... there is a bridge that was proposed to be built in Longonot. The project was allocated an amount of about 2 million Kenya shillings. Yet, if you go there and try to evaluate the structure that was eventually constructed, it is not in any way comparable to what was proposed. Less money than budgeted was used and the quality of the structure was compromised. It was expected that the bridge would be big enough to be used by donkey carts, motor bykes, as well as humans. Instead of constructing a concrete structure as it was in the plan, materials of lesser quality, timber, was used.

**Figure 5: A poorly constructed CDF funded bridge in Longonot, Naivasha**



Source: Field data (2014)

In summing up his thoughts while reflecting on the effectiveness of the CDF in Naivasha, N4 argued that: '*... effectiveness in the delivery of development in Naivasha faces huge challenges created by excessive corruption*'.

N10 pointed out some challenges in his location that affect effectiveness in the delivery of local economic goods and pointed out that:

[t]here is a road construction that was approved and funded for my area. It was supposed to cover a distance of about 10 kilometres. On the contrary, contractors only did 1 kilometre and the rest was abandoned. In another bridge called Limpopo valley, money of about Ksh

500 000 was allocated. After many years now, the project never completed and what remains is an incomplete substandard structure.

Respondent N8 noted that board members at the constituency level are responsible for frustrating community members, particularly when they underrate the value of projects proposed by the community:

If a community proposes a 1 million Kenya shillings project, the board members always find ways of approving a much lower budget. This compromises the quality and the outcome of the project proposed. Either, the community will end up with a substandard structure, or it will end up as an abandoned project. Top managers also take this chance to steal some of this money. They expect project owners to refund some cash once the money has been approved.

Respondent N11 saw political interference as a major cause of interruption in the project implementation process:

Effectiveness is particularly challenged by political interference in the project implementation process. They appoint their own people to manage these funds, a practice that compromises on the quality of projects supported. Many of these political appointees are involved in corrupt practices by stealing a lot of these funds under the patronage of their clients. It is therefore clear that there is a big gap in the management of these funds, and if only this fund can be well managed, it can be of great boost for local development.

The Scoping Paper on CDFs (Tshangana, 2010: 11) in Kenya raises concerns that corruption is a common thread associated with the implementation of the CDF since its inception in 2003. Public surveys as well as individual case studies (including the outcomes of this study particularly for Naivasha Constituency) have highlighted grave concerns by constituents based on their perception on the CDF corrupt practices across the country. Some forms of corruption identified by Tshangana (2010: 11) included:

- Funding of non-priority projects which benefit a particular few, or are ‘quick-wins’ as opposed to more long-term development projects which are difficult to implement.
- Favouring of particular geographic areas of MP support in selecting projects
- Collusion in the awarding of tenders and committee officials/MPs acting as suppliers
- Bribery in order to secure contracts
- Double-funding of projects
- Starting new projects instead of following through on the implementation of existing ones, in order for an MP to tie their name to particular project and point to their impact

- Tendering and procurement procedures are unclear and tenders are unadvertised. Single sourcing and irregular expenditure may result.
- Poor or little contract management, leading to contractors being paid for incomplete work or sub-standard work.

In addition to the above stated forms of corruption and unclear deals, this research found that there were respondents in both constituencies that were not aware of the channels to follow if they were to lay complaints about corrupt officials in the CDF. These respondents felt frustrated that that no one was ready to listen to them even if they were to lay claims against corrupt officials pertaining to CDF funds. If this is the case – in other words, if that there are no official channels in place, than this is a serious shortcoming for the integrity of the CDF.

#### **4.10 CDF accountability and transparency**

Accountability and transparency can play a key role in the implementation of the CDF. In a previous study, Auya and Oino (2013: 311) argue that if the CDF is to achieve its desired ends in local economic development, fundamental principles of accountability and transparency cannot be ignored. It was one of the objective of this study to establish whether the CDF funds in Naivasha and Gatanga were administered in transparent and accountable manner. The data gathered during the course of this study points to the significance of accountability and transparency in Naivasha and Gatanga. Based on the interview and questionnaire responses as well as observations, one can argue that there was a relationship between accountability and transparency of the CDF, and the development outcomes recorded in Gatanga and Naivasha. The officials involved in LED projects in Gatanga felt that the CDF was administered in a transparent and accountable manner and they felt that this explained why their projects were successful. In Naivasha however, officials explained that LED projects were not implemented in a transparent and accountable manner, nor was it always clear how the CDF funds were being utilized. It was hard to tell which projects could be attributed to CDF funding.

CDF duty bearers are legally committed to ensure that the Fund is administered in an accountable and transparent manner, and this seems to be the case in Gatanga. In turn, this will build more trust and confidence between them and their constituents. On the contrary, when duty bearer conceal the operations of the Fund from their local populations, as many of the local economic



development officers felt was the case in Naivasha, trust and support in the activities of the CDF duty bearers wanes. This could be at the expense of the overall development of the constituency. Other studies on the CDF have highlighted daunting evidence the regarding lack of transparency and accountability among constituencies in Kenya. For example, results of a nationwide survey conducted by the Kenya Institute of Public Research and Analysis (KIPPRA), found that only a paltry 15% of the respondents believed there was accountability and transparency in the management of the CDF money while a vast 46% believed the cash to be widely mismanaged.

Of the two constituencies studied, Naivasha was found to be lacking the most in accountability and transparency. At the time of the research, the sight of the following water project was an example of a CDF funded project that was never held to account:

**Figure 6: Abandoned Water Project in Longonot, Naivasha Constituency**



Source: Field Data (2014)

Figure 21 above shows a water project that was started on the 22 July 2009. As per the inscription, the water project was completed on the 5 November 2009. However, by mere observation, and to the knowledge of the community members, this water project was never completed and since then it has not come into operation. This is a good example of how public money through the CDF's shoddy projects in Naivasha was misused. The inscription on the water tank shows that Ksh100,000 was spent on the project. This means that all money allocated to the project went unaccounted for and did not help the community to improve water supply. Yet, no subsequent funds were allocated to complete this and similar abandoned project. Community development workers interviewed felt there was no transparency in how the money was spent (or not spent).

The CDF Act 2013, section 24(14) demands that members of the CDFC committee, who are charged with the allocation and implementation of the CDF funds may be removed from office due to the lack of the following values and principles that are associated with accountability and transparency: (a) lack of integrity; (b) gross misconduct; (c) embezzlement of public funds; (d) bringing the image of the committee into disrepute through unbecoming personal public conduct; (e) promoting unethical practices in the management of the CDF. However, of interest was that many of the respondents in Gatanga and Naivasha felt that, to their knowledge, those held responsible for the mismanagement of the CDF funds had yet to be held to account. This study argues that the ability to hold CDF duty bearers accountable is critical to the successful implementation of the CDF Fund. If there are no proper channels in place, or if no actions are taken to hold miscreants to account, public fiscal resources will continue to be lost and poor management structures that do not respond to the needs of the local population will spread.

Another reason why it is important to have a strong independent system of accountability and transparency is that it will minimize the impact of political interference. Some respondents made reference to community development workers and officials feeling too uncomfortable to enquire how the Fund is being administered. They feel it is not their place to demand from their leaders to account for how they have administered the Fund. In addition, community workers explained that protests are often motivated by a lack accountability and transparency. In the modern social, political and economic arena, one of the common ways in which societies display their unhappiness with how public matters are handled/implemented is through protests. In some societies, members of the public do not protest, either for lack of information that they actually

have the right to do so, or are afraid of a repressive power regime. A number of the CDF related protests have been witnessed across the country. For example, one of the ways in which members of the public in Kacheliba Constituency demanded accountability through protests about their area MP was over the composition of the CDFC. In their protests, the constituents claimed that the CDFC recruits were political cronies and relatives of the area MP, hence could not be effective in their work (Ochieng & Ruth, 2009: 5). In fact the irony of the CDFC recruitment is that it is the MP who convenes the public meeting from which the CDFC members are selected, and forms part of the committee as an *ex officio* member (CDF Act 2013 Section 24(3)). This process is therefore exposed to manipulation and abuse of office.

Similarly, Masawa (cited in Ochieng and Ruth, 2013: 5) found that a lack of accountability by the MPs over the CDFs has tarnished the objectives of the Fund. MPs have constantly been accused of manipulating the Act in order to achieve their own selfish ends. Complaints have been levelled that MPs are appointing relatives, close friends and political allies to head offices such CDFC, a phenomenon that has significantly contributed to lack of transparency in the CDF Fund.

Of the two constituencies in this study, a number of CDF related protests were recorded in Naivasha. However, respondents pointed out that issues raised during protests are rarely considered or investigated, hence people became apathetic. Respondent N10 made an attempt to diagnose why constituents in Naivasha do not protest by demanding accountability over the administration of CDF funds:

Local people are not proactive people in standing for their own rights. Here, people absorb oppression without complaining. Their ways of expressing themselves are very mild. I have only seen them come to complain about the CDF to my office but I have not seen them lodge open protests on the streets.

Despite a general poor performance of the CDF implementation particularly in Naivasha, members of the community have decided not to take action and demand accountability from their leaders. There almost seems to be a sense of hopelessness. This type of apathy emphasizes the need for an independent system of accountability and transparency over the CDF.

In constituencies that have embraced best practices in the administration and implementation of CDF, accountability and transparency were seen to be instrumental in the procurement of various CDF projects' tenders. Open and accountable CDF transactions mitigated conflicts among the

CDFC members and between the people and the CDFC. For example, evidence from Dagoretti showed that advertising openly for the tenders to the members of the public and opening the tenders on the same day by the CDFC in front of all bidders has reduced corruption in tendering processes giving credibility to the CDFC. The fact that the successful bidder is selected on the basis of quality and price eliminated favouritism. This also enhanced interaction between the successful bidder and members of the community, with members of the public giving support to the successful bidder in implementing the particular project (Kimani, Nekesa and Ndungu, 2009: 41-42). When community development officials were asked to indicate whether they thought there was fairness and transparency in the procurement of the CDF related tenders, the majority of those in Gatanga either remained neutral or agreed. On the contrary, an overwhelming majority of those in Naivasha either disagreed or strongly disagreed that there was fairness and transparency in the procurement of tenders in their constituency. The fact that tendering processes for CDF projects are concealed from the public renders the values of accountability and transparency questionable among CDF duty bearers.

Research conducted by Kimani, Nekesa, and Ndungu (2009: 42) found that in the South Imenti and Kabete constituencies, giving priority to local bidders/tenderers was noted to have reduced conflicts and had improved relations among successful bidders and constituents. This was also vital to the enhancement of the sense of ownership of the CDF funded projects. When these processes are conducted in a transparent manner, they have a potential to increase accountability of the CDF duty bearers to the community. The perception from the questionnaire respondents indicated that majority of respondents in Gatanga indicated that they were satisfied with the accountability of the CDF duty bearers to the community. On the contrary, an overwhelming majority of respondents to the questionnaire in Naivasha felt dissatisfied with the accountability of the CDF duty bearers to the community.

However, Oduor and Achar (2012: 2) remain critical of the CDF Act: in as much as it provides general principles that may facilitate accountability and transparency, there are no legal provisions entrenched in the Act that allows the community to engage legally while demanding accountability of monies assigned to the CDF from duty bearers. This study notes that MPs and members of the CDFC manipulate the ignorance of their constituents and make it difficult for them to demand for

accountability. In general, as found by Oduor and Achar (2012: 4) there is a tendency for the CDF duty bearers to conceal information on the CDF funded projects from their communities. In some instances, members of the public have to seek permission from MPs or the CDF board secretariat before they can be allowed to conduct a social audit of the CDF funded projects.

#### **4.11 Outcome of CDF in Gatanga and Naivasha**

This study found that while understanding the values and principles regulating the implementation of the CDF in Gatanga and Naivasha, respondents were also keen to underscore the outcome, either successes or failures, of this intervention on key LED related sectors namely: employment; special projects for special groups such as women and youth; agriculture, education, healthcare, security, and other physical infrastructure such as roads.

There are several pointers in the CDF Act, 2013 that have been put in place to guide the allocation and implementation of the CDF funds: Special consideration for projects that are likely to benefit special groups such as youth, women and persons with disabilities (Section 24); funding in order of priority (Section 25); priority given to ongoing projects to avoid scenarios of abandoned projects (Section 25); Some of these include: critical areas for development such as education (Section 26). In this study, when the respondents were asked whether CDF projects were fairly distributed in the constituency, an overwhelming majority of respondents in Gatanga indicated that they either agreed or strongly agreed that the CDF projects were fairly distributed in the constituency. On the other side, respondents in Naivasha either unanimously disagreed or strongly disagreed that the CDF projects were fairly distributed in the constituency. Based on numerous abandoned projects in Naivasha, it is clear that CDF managers in this constituency do not follow the basic principle of finishing ongoing projects first before they undertake new ones. The study also found that since the CDF managers are not keen to fund key priority community projects, but tend to fund projects that will serve their political self-interest.

This study wanted to understand whether the CDF was vital in creating job opportunities for local residents. In their earlier research findings, Simiyu, Mweru, and Omete (2014) pointed out that the CDF has been responsible for creating job opportunities for local residents. However, they argued that the CDF only offers these job opportunities on a small scale. They have identified areas in which the CDF has largely contributed in creating job opportunities namely: the CDF office staffs,

supply of materials and services to CDF projects - mainly manual temporary jobs - and allowances for various CDFC members. They particularly highlighted one of the major challenge in employment creation by the CDF related projects is that major projects are taken by non-locals due to lack of capacity by constituency members. In most instances, contractors come with their work force limiting the number of jobs created for the locals and limiting income levels accessed locally.

In essence, the CDF Act of 2013 sees this fund as an opportunity to tap local skills and develop others through the CDF funded projects. In Respondent G7's view, the CDF in Gatanga made significant steps towards the *'enhancement of local economic development by building and maintaining local public infrastructure'*. However, it is also notable that the CDF does not have a huge impact while adding up to jobs created. The projects are rather limited in scope and suffer from insufficient funding. That notwithstanding, majority of respondents in Gatanga indicated that they were satisfied with jobs created through the intervention of the CDF. For example, as G3's posited:

The CDF should be in a position to create especially for our young people. As an administrator in this hospital, it is my job to make sure that I have created job opportunities especially those that might help local communities. Whenever there are jobs that relate to the hospital, I always make sure that young people that are recruited in such projects are tapped from the local community. At every level of job advertised, the hospital management makes it as an obligation first and foremost to tap local talent and skills before such positions are opened to people outside this area.

However, some communities expressed their concerns regarding how these jobs are advertised and how the recruitment is conducted. For example, G9 was concerned that:

The community is not aware of how these employments are done since available positions are not advertised to the public. In other instances, even if these positions are advertised, you will find that those to occupy them are already selected.

The confidence over jobs created was not the case in Naivasha where majority of the respondents showed their utmost dissatisfaction. This is largely attributed to termination of their jobs when funding for the projects is interrupted leading to projects being stalled or abandoned entirely.

This study was also concerned to find out how the CDF had participated in funding projects that promoted the interests of women in Gatanga and Naivasha. Women, in most societies, are categorised as a group that has been traditionally marginalised from accessing economic

opportunities resulting from highly patriarchal societies. Many governments have established various funding initiatives as an attempt to address these imbalances. The Government of Kenya has put in place a number of interventions that are aimed at empowering women in their participation in economic development. The initiatives are also geared to improve economic status of women. These funds are: Women's Enterprise Fund (WEF), Youth Enterprise Fund (YEF), and Uwezo Fund (UF), among others. It was therefore of interest to this study to discover if particular attention had been given to projects promoting the interests of women.

In his study, Gituto (2007: 27) remained critical that the CDF allocation criteria excluded interests for crucial groups such as the women constituency. Results from questionnaire respondents indicate that an overwhelming majority of respondents in Gatanga confidently agreed that the CDF had established projects that targeted the promotion of women economic development. For example, a number of maternity sections have been added to local clinics. In addition, more CDF bursaries in Gatanga were targeted for female applicants. On the contrary, majority of the respondents in Naivasha did not agree that the CDF projects established in the constituency were targeted to promote women economic development. This was largely attributed to the fact that the implementation of the CDF in Naivasha was not guided by policy but had been distorted by corrupt means seeking to satisfy individual and political interests.

The youth is another crucial group that is commonly targeted by government projects. It was therefore of interest to this study to understand how the CDF had been utilized to support youth projects in Gatanga and Naivasha. The youth, commonly understood to be between the age of 18-35 in Kenya, constitute a huge potential working force. However, more often than not, they struggle to find employment, mainly due to their lack of significant experience, or are devoid of sufficient skills and qualifications (Muna et al. 2014: 1388). The current study has noted that other studies provide evidence that the CDF's intention to address issues that promote youth economic development are insufficiently implemented.. This is highly likely attributable to the existence of other projects earmarked for funding youth initiatives such as: The Kenya Youth Empowerment Project which was initiated in 2009 by the Government of Kenya supported by World Bank to improve skills and training for the youth and expand their employability; Youth Enterprise Development Fund; and Uwezo Fund. Nevertheless, Gituto (2007: 27) remains critical that the

CDF allocation criteria has excluded popular participation from crucial groups such as the youth constituency.

The results of this study found that youth projects, like other development projects in the country, initiated by the CDF have faced immense challenges. Many projects that were proposed and funds allocated with the objective of empowering young people with skills and job opportunities have stalled and been abandoned. An example can be found in Kisii, as demonstrated by Kabui and Obebo (2015), where a multi-million shilling CDF funded youth centre was erected at Gesusu. It is more than seven years now since the commencement of the project and the structure has started to rot, while incomplete.

The results of the current research found that majority of respondents in Gatanga (see the figure below) were satisfied with how the CDF enhanced youth economic development. G6 was of the view that *'CDF has brought an opportunity for money to be managed at the local level and has facilitated job creation especially among young people'*. The figure is an example of a Youth Polytechnic that has been directly funded by the CDF in order to promote skills development among the young people of Gatanga.

**Figure 7: Youth Polytechnic Funded by the CDF in Kirwara, Gatanga Constituency**





**Source:** Field Data (2014)

Figure 25 above provides visual evidence that the CDF in Gatanga successfully funds youth skills training in the constituency. In accordance with the overwhelmingly positive response in Gatanga regarding the CDF's support of the youth constituency.

On the contrary, majority of questionnaire respondents in Naivasha did not agree that the CDF targeted projects that addressed issues that promoted youth economic development. This research establishes the need for the CDF to create opportunities for youth to participate in procurement of tenders, recruit them for skills training, and also in the construction of CDF funded structures.

This study found that role of the CDF in supporting agriculture is critical towards enhancing local economic development and sustaining livelihoods among local communities. Agriculture is core not only in providing work opportunities to grassroots communities, it is also a source of

consolidating food security essential for sustaining communities. Respondent N5 expressed frustrations faced while trying to access professional help through for some of the CDF funded projects:

Many of the agricultural officers that we consult locally are full of empty promises. They always promise to visit our farms but they never show up. For example, since last year, they came to us and advised us to dig trenches that would assist in banana production. We took the initiatives to dig out those trenches. Eventually, they disappeared and have never returned to show the kind of farming they wanted to initiate. This tells us that local government officials are not efficient at all, and do very little from their offices. Yet, they continue to enjoy their salaries despite their meagre output.

This study found that in Gatanga, smallholder farmers' groups have acknowledged that accessing subsidies through the CDF on agricultural products such as fertilizers has boosted their production. However, respondents in this study were concerned that CDF has not sufficiently been able to support agriculture in Gatanga and Naivasha either through credit or subsidies. G1 maintained that Gatanga has the potential to sustain its economic development growth path through agriculture: *'We grow coffee which has the potential of generating a lot of revenue'*. However, he laid blame on local politicians and argued that:

Unfortunately, our leaders promise us to protect coffee prices but on the contrary, prices have continued to drop. As individual farmers, we feel that we are being exploited and are not supported enough by the government to get adequate value for our efforts. The unfortunate thing is that when we elect these people, they make big promises, but when they get into power they easily forget and no longer show interest in people's affairs.

Bearing in mind that agriculture is the main contributor to the Kenyan economy, with a record of contributing about 26% to the GDP, and amounting to about 60 percent of total employment opportunities in Kenya, local funds such as the CDF should therefore not ignore supporting such a critical sector. Respondent G5 presented a similar argument as G1 above and noted that:

Gatanga is endowed with many natural and human resources. Gatanga has good weather that favors agriculture. Food production and daily farming are a real source of revenue for the local people. What the CDF needs is good management from our leaders.

In addition, Ochieng, Chepkuto, Tubey & Kuto, (2012), argue that one of the major rationales behind the establishment of the CDF was to improve livelihoods by raising incomes through agricultural, commercial, and industrial enterprises in all constituencies. Other than a direct intervention in agriculture, when CDF funds infrastructural projects like maintaining local roads, agricultural products will easily access the markets. Respondent G5 ascertained the potential of

Gatanga from the perspective of its proximity to big cities and maintained that *'Gatanga is close to big cities like Thika and Nairobi, and business thrive due to good transport and communication facilities'*.

According to the Kenya Public Financing on Agriculture (PFA Report, 2014), agriculture remains the mainstay of the Kenyan economy with a direct contribution of about 26% of the annual GDP with an additional 26% indirect contribution. Agriculture is also seen as a key sector in job creation, currently providing about 18% of the formal employment and over 60% in the informal employment. In the current study, Respondent G8 argued that the CDF should be directed towards empowering agriculture because it has a potential of accelerating more growth of the local economy:

Local government has a role to play in helping local communities in accessing markets for their produce. For example, if I have a banana plantation, or I am rearing chicken, it is important to have somewhere I can sell whatever I produce, that is, having a ready market. Let me give you an example, there were some people that had started a certain project of rearing genetically modified chicken, which had been introduced to farmers. People struggled to gather some money and erected structures for these chicken. But after they matured, people started complaining that there is no ready market. At the end, it becomes a futile effort and creates for frustration for farmers. Therefore, even if the government is encouraging many of us to avoid overcrowding the cities looking for jobs and instead return to the Counties and take advantage of local opportunities; then when one comes to try such a business and it fails, he/she ends up becoming more frustrated. If there is a strategic planning facilitated by our local government, where farmers are able to access ready market for their produce, we would never find any reason of leaving this place to seek for jobs in urban areas. This would actually make life at the local level much affordable because we would not even need to buy food or struggle with house rentals as people in urban areas do.

A study that was conducted by Kimani, Nekesa, and Ndungu (2009: 29) reveals that in South Imenti, the CDF was instrumental in enhancing agricultural productivity by providing seeds to farmers at subsidized rates. Farmers were able to pay up to 50% of the total cost of seeds for tissue-cultured banana seedlings. In the current study, Respondents from Gatanga also expected that the CDF should be used to subsidize them on farming products. As G10 opined:

The CDF should be used to improve food production structures. This is because even though we direct much of the money to improving road infrastructure, yet people are hungry, such initiatives remain futile.

The results of this study highlight frustrations by many respondents, particularly those in Gatanga that bases its economy solely on food production. They were concerned that very little attention

has been paid on supporting agricultural initiatives through the CDF. Other constituencies like Imenti cited boosted agriculture through subsidies on agricultural products. If the CDF is to record a significant and meaningful support for local communities in Gatanga and Naivasha, support for agricultural linked initiatives must be strategized and prioritized. Hitherto, funding on agricultural related projects and initiatives in Gatanga and Naivasha through the CDF remains insignificant.

This study was also concerned to understand the effects of the CDF on education. There is a common consensus that education is one of the key drivers of economic development. According to G6:

Whenever a constituency like this invests in education, there is no doubt that development will surely emerge. If we have a lot of illiteracy, such that learners do not continue with education after completing primary school, then there will be no relevant development in this area. Education has the potential to bring change; it has also the potential to bring about development. In fact, was it not for education, our leaders would not be in a position to take up position of leadership. Even for me, was I not to pass through education, I would not manage to conduct my duties as chief.

The manner in which the CDF funded structures in education and learners evoked varying feelings amongst the respondents in Gatanga and Naivasha. Ng'alu and Bomett (2014: 429) argue that the lack of bursary fund to support poor students, particularly in secondary school, has increasingly been associated with some of the commonly known factors that restrain countries to pursue effective economic growth and development policies. The CDF policy guideline considers education bursary scheme as a development project for the purposes of this Act, provided that such an Act, provided that such a project shall not be allocated more than 10% of the total funds allocated for the constituency in any financial year (Section 25 of CDF Act of 2003).

In North Mugirango Constituency, the introduction of the CDF has been identified with significance as one of the main fund that has continually supported education and educational structures since its inception in 2003. The results indicated that most local people were able to access education more easily now than before CDF was introduced (Auya & Oino, 2013: 311). The current study notes that the CDF is intended to fund education through bursaries particularly to the poor as a critical driver to stimulating local development. However, respondents in Naivasha noted that the help offered to poor students is insignificant. For example, respondent N10 maintained that:

In the education sector, we find that many of our students from poor background owe a lot of money to their institutions. When they apply for bursary through the CDF, they receive very insignificant amounts that barely make any difference. For example, if a student owes the institution an equivalent of Ksh 60,000, getting a bursary of Ksh 2,000 is so little that hardly makes an impact.

This study argues that the CDF is not equitably distributed to poor and deserving students and that many students from poor families still cannot afford to finance their education despite CDF intervention. When the researcher asked respondents of both Gatanga and Naivasha constituencies the extent to which they agreed that the CDF assisted poor students with bursaries, majority of the respondents in Gatanga either agreed or strongly agreed while those in Naivasha disagreed or strongly disagreed. As N2 contended:

Corruption is one of the major challenges that face the implementation of the CDF in this constituency. For example, it has come out clear that money set out for bursaries only go to children of those that are known to the officials. Children of principals of schools are being funded by the CDF bursary fund, yet, children of parents that are most in need go without financial support.

Despite satisfaction with how CDF had supported education by the majority of respondents in Gatanga, G4 was concerned with deteriorating quality of education in Gatanga:

CDF should also be used to support and educational structures such as schools. The level of education in this constituency has continuously regressed. In the last couple of months, the area MP has continuously emphasized on the need to support education in the constituency. He has called all that are concerned to prioritize education as one of the drivers of development.

This study found that majority of respondents in Gatanga were satisfied with the intervention of the CDF on education. However, some felt that the Fund was insufficient while others contended the transparency in selecting the neediest learners as beneficiaries of the Fund. However, majority of respondents in Naivasha were dissatisfied with the extent of intervention of CDF on education. Corruption was highlighted as the main hindrance either in relation to the determination of the amount of funds allocated or even in process of beneficiary selection.

This study has found that the CDF is a key local funding initiative that was expected to support and improve local infrastructure development. In the view of Simiyu, Mweru, and Omete (2014) the CDF has been a vital strategic driver whose main objective is largely aimed at supporting local development infrastructure. The current study found that many rural roads in Gatanga had been

repaired and maintained through the CDF. This improvement has not only eased the movement within the region, but also produced other positive effects in other sectors such as agriculture by facilitating easier delivery of their produce to the markets. However, despite a lot of money being allocated to refurbish local roads in Naivasha, majority of those roads are easily washed away by heavy rains or stall due to insufficient funding, mostly lost through corrupt deals. For example, as N3 lamented:

The nature of our roads, especially those that connect the rural areas are impassable. A lot of these roads that have been eroded by heavy rains have not been maintained and no proper drainage system has been installed. I think that the CDF has not been utilized well enough to support infrastructure development in this area.

G10 argued for an improved health infrastructure, stating that *'if local communities are healthy, they are able to bring significant impact to the economy ... the CDF should pay more attention to health'*. Most respondents in Gatanga pointed out that majority of the health facilities (see an example in Figure 26) have been funded by the CDF. The researcher's observation in the constituency also confirmed this fact. CDF funded health centres were found in almost every village in Gatanga. The fund has either been used to build community health dispensaries or to supplement supply of drugs to hospitals and other health centres. Figure 26 below shows Mukarara Community Dispensary built over a period of 2 and a half years from July 2006 to 2008. The inscription also shows that a cumulative 2.35 million was spent.

**Figure 8: Mukarara Community Dispensary, Funded by the CDF in Gatanga**



**Source:** Field Data (2014)

In the Kimilili constituency, results of a study conducted by Simiyu, Mweru, and Omete (2014: 42) revealed that together with road infrastructure, health centres and health facilities were the highest funded by the CDF in that constituency at 14.2%.

According to N2, the health sector in Naivasha has not been allocated sufficient funding, or rather, funds allocated do not end up fulfilling their objectives due to corruption or mismanagement. As N2 contended:

... the whole of this area is served by two small clinics, yet nurses do not even reside here. They commute daily to Naivasha Town because there are no structures put up for their accommodation. When one gets sick in the night, it is always a big challenge to access medical attention. The CDF should therefore be used to enhance health structures in order to ensure that community health needs are efficiently supplied.

A study that was conducted by Auya and Oino (2013: 311) found that there has been a positive impact in the health sector since the introduction of the CDF in 2003 in the North Mugarango constituency.



Another issue which emerged during the course of this study was the perceptions of selected respondents regarding the extent to which CDF had contributed towards the improvement of community safety and security. G6 put the issue of security in the perspective of local economic development and argued that ‘... *there is no development that can be established anywhere without security*’. He explained that a positive outcome of CDF funding was the establishment of police administration blocks across the constituency. Figure 28 below shows an example of completed administration blocks for the Administration Police in Gatanga.

**Figure 9: Administration Police’ Blocks funded by the CDF in Mabanda, Gatanga Constituency**



**Source:** Field Data (2014)

In the Kimilili constituency, the CDF was also used to fund the construction of various security administrative units that included 10 chief’s offices, 6 administrative police camps, 3 police posts and residential rooms in various police stations across the constituency. This, the authors argued, led to a significant reduction in the local crime rate, making the area more conducive for LED. (Simiyu, Mweru, & Omete, 2014: 44). A respondent in Gatanga, G1, emphasized the need for



completing the security infrastructure in Gatanga. He was concerned that in some areas, finished blocks have not been supplied with security personnel:

There are many police posts established all over the constituency. Despite efforts supported by the previous administration, many of these established structures are without security personnel. Therefore, more intervention needs to be done in order to bring these centres into full operation.

In Naivasha, community workers had not succeeded in implementing any safety or security development programmes through the CDF. A number of proposals had been submitted either to build police posts or Chiefs' administration blocks for more personnel but most of these if not all have failed to complete. N1 narrated a scenario of a funded project that was never started, yet the cash had been disbursed:

For example, there was a time when we were allocated an equivalent of Kshs 300,000 to build residential structures for the police administration. This was planned with an aim of enhancing security within the area. At the end, even though we knew that money had been approved and was disbursed to commence the project, none of that happened. Years have passed now, the money disappeared, and the project never started. When we attempted to follow up, no one really explained to us about how that money was accounted for. Eventually, we got tired of tracing that money because we realized that we continued losing more of our own money, yet no one was willing to do any investigation into the matter.

In addition to the failure of the CDF to reform the security sector in Naivasha, N7 contended:

Security in this constituency is very poor. The entire region in this area has been given only five police officers. Land to build houses for their accommodation is readily available, and very little CDF funds have been allocated, resulting to only shoddy houses being erected.

From the above, it appears as if the CDF has been utilized more effectively in the Gatanga Constituency than in Naivasha. First-hand observation demonstrated clear examples of successfully completed local economic development initiatives funded by the CDF. These projects improved the overall infrastructure profile of the constituency, making it conducive for further economic development. It could be reasoned that if the CDF continues to be utilized in Gatanga in this manner, it could eventually become fiscally independent from national government – and fiscal decentralization can finally be regarded as devolved. There was sufficient evidence to conclude that CDF had made significant strides in providing jobs for the local community on the CDF related projects. There was also a significant boost in agriculture sector, education, health, as well as security. Members of Gatanga community were able to access better learning facilities,

nearer schools, hospitals, and police posts. In fact, at the time when this data was collected on site, it was almost impossible not to site a CDF funded project in almost every 2-3 kilometer radius. This was not the case for Naivasha; in as much as it was rare to locate a CDF funded project across the constituency, the visible ones were dilapidated, abandoned and poorly constructed. Most respondents had negative sentiments regarding how the CDF had been managed to realize their aspirations regarding local economic development. In this context, the CDF is unable to nurture and promote fiscal decentralization. In fact, it justifies the critics' calls for more national government involvement. The nature of this involvement is crucial. This thesis argues that political leadership plays a key role in whether or not the CDF can promote fiscal decentralization or not.

#### **4.12 Analysis of leadership role in the implementation of the CDF**

This study has identified that the quality of leadership/leaders that oversee the implementation of the CDF, and their political will is critical in defining resultant local growth and development. Van Zyl (2010) argues that decisions about how the CDF funds are assigned and utilized depend on the elected Members of Parliament (MPs). The degree to which these funds are controlled by the parliamentarians, and their impact on respective constituents, vary from one constituency to another. In their responses, respondents in the current study all highlighted the significant role played by MPs in the allocation and overall implementation. Their behaviour, attitudes, political will or lack thereof, determined the outcome of development and confidence among constituents in respective Naivasha and Gatanga constituencies.

The literature on decentralisation and local economic development points to the significance of local leadership in LED (Diamond, 1987, OECD, 2015). This study found interesting echoes of the connection between local leadership, the implementation of the CDF and LED in both the Gatanga and Naivasha constituencies. Respondents in Gatanga largely attributed the successful implementation of CDF funded LED projects to a committed local leadership. The respondents perceived their MPs, since the inception of the CDF in 2003, as competent and enthusiastic in utilizing locally available funds to support of local development. However, in Naivasha, the majority of respondents did not believe that their local leaders were well prepared, or rather, had sufficient political will to implement local economic development policies, and represent their

development needs at higher forums where such policies are debated. They felt that their leaders were not motivated to serve the public interest but their own.

In the questionnaire conducted in this study, respondents were asked whether they believed that their leaders had shown enough commitment to ensure that policies regulating the operations of CDF were efficiently implemented. The perceptions of questionnaire respondents indicated that the majority of those from Gatanga believed that their leaders showed sufficient commitment in ensuring that CDF policies were efficiently implemented to support development at the local level. On the contrary, results indicated that the majority of respondents in Naivasha did not believe that their leaders had done enough to ensure that CDF policies were efficiently implemented to enhance local development.

Respondents felt that their national leaders had specific roles and responsibilities. As noted by the Kenya Department of Parliamentary Research Services (KDPRS, 2008), MPs universally are expected to execute five major roles namely: making legislation; making budgetary allocations; oversight; representing constituencies; appointing government officials (the Executive). In most cases, constituents genuinely expect their MPs to do regular visits and attend to most of their public functions like public meetings and making visits to community projects in progress. In the current study, Respondent N1 indicated that they were not convinced that their elected MPs sufficiently represented their local development preferences:

During elections, we always give our agenda that include our wishes to our leaders. But when they go to the national level, they push their own agenda and not what we have sent them to represent us. They do not discuss the development wishes of the people. After 5 years of their electoral terms, you will find that they have not done what we voted them to do. So they return to us during elections, and we present them the same concerns. So we have been on the same things in and out.

Presenting the same argument in different words, N1 further noted with concern that those they vote to parliament to plead for them only:

[t]ake their own interests and therefore, there is nothing of what we send them that gets represented at that higher level. Our leaders have a tendency of not talking in parliament regarding the things that ask them to. They end up concerning themselves with other issues that have nothing to do with the developmental wishes of the constituents. Therefore, we always find ourselves rotating at the same point without making any development.

On the other side, there is positive perception among majority of respondents in Gatanga, who believe that their local leaders have shown considerable commitment to enhancing local economic development. For example, respondent G7 was quoted saying:

Our MPs have done well in terms of representing our local needs at higher levels of government. I do follow their speeches in parliament and other forums and I am content with the effort they put in to make sure that our constituency is well represented’.

Kenyan parliamentarians have notoriously been known to avoid sittings in Parliament. However, as argued in *Jamaica Observer* (2013), sessions that have discussion of MPs salaries on the agenda always record overwhelming attendance. This phenomenon resonates in respondent N2’s observation:

Our local government leaders are only interested in pushing their own interests, especially those that have to do with their own salaries. When they go to Parliament, very little of constituency development is debated.

When the newly established Commission for Salaries and Remuneration Committee slashed MPs salaries from \$126 000 to \$78 000 in early 2013, the MPs flocked and filled the House to overrule that decision. Interestingly that afternoon, it was noted that only a handful of MPs were left in the House despite other important motions and reports to be debated (Sapa-AP, 2013).

Respondents questioned the responsiveness of their local leaders. They maintained that their leaders do not revert and engage with communities after attending meeting with officials from higher government offices. N1 argued that:

[e]ven though we prepare our memorandum with demands that concern our development needs, our leaders do not return to engage us pertaining our demands. We therefore believe that these people are only in these positions because of their salaries, and only appear during electoral campaigns to ask for votes in order to retain their prestigious positions.

MPs are expected to assist and mobilize resources to confront emergent local challenges. They are expected to mobilize stakeholders such as relevant ministers, dedicate their time in the House to present and represent the grievances of their constituents, and eventually push for action to address issues raised (KDPRS, 2008). Despite the fact that MPs do not return to communities to listen to their grievances and development needs, respondent N5 further raised a concern thereof:

If they were really engaging our needs and concerns, (then) they should be calling us for meetings to update us with such information ... Therefore, no one bothers to know our needs, let alone to represent them at the higher levels of government.

G10 remained critical of the level of local government's commitment. He does not reckon that local leadership in Gatanga has tapped all locally available resources to significantly boost the growth of local economic development. He contended that he did *'not think that local leaders doing enough to make sure that our issues are given priority at high levels of government. For example, in case the milk gets too much, we end up losing it and eventually we cannot get money out of it'*. He further alleged that:

These are some of the areas that our leaders should have made sure that we have enough markets that can consume our milk, or rather initiate industries that could manufacture milk products locally. These are fundamental activities to our daily living and our leaders must be in a position to support such structures in order to improve local and economic wellbeing of the local community.

Respondent G10 asserted that their local leaders have not prioritized funding and protecting agriculture related initiatives, which, in essence, forms the backbone of Gatanga's economic development. He pointed out that:

Banks sometimes loan money to farmers and only pay back after they receive their bonuses. In this this year, the bonuses were very low such that many farmers were not able to repay their loans. This has also affected the signatories that had signed for farmers to access the loans. Their bank accounts too are frozen and cannot be able to access their money. If you look at coffee farmers, they are so much affected by low payments and some have actually decided to uproot it due to frustrations. I have not seen our politicians aggressive enough to defend the farmers or even propose initiatives that can assist in mitigating such circumstances.

One of the central objectives of the CDF is to emphasize the active role that community members play through consultations with development agencies and local leaders. They are therefore to be regarded as principle agents for their development locally. Research that was undertaken by Mwendwa (2008: 3) noted that consultations between local leaders and their respective communities regarding their development is inadequate. Respondent N6 too criticizes the fact that local leaders do not engage communities in deliberating local economic initiatives, saying: *'I have never seen them come to us in order to engage us on our development needs. Therefore, we have no forum to relay our opinion regarding development of our area'*. Similarly, N6 maintained that leaders in Naivasha have not shown interest to represent address concerns and noted that: *'many*

*times they just dictate the kind of development initiatives of their own liking, and disregard the interest of the majority’.*

The CDF Act 2013 (Section 24: 6-7) calls for the CDFC chairperson, in consultation with area MPs, constituency’s sub-county administrator and ward administrator, to convene open forum public meetings in every ward in the constituency to deliberate on development matters in the ward and the constituency. This should be done within the first year of their election, and every two years thereafter. Each ward is therefore expected to submit a list of deliberated priority projects to the CDFC. In the current research, respondent N4 did not believe that local leaders in Naivasha were committed to gather views and demands regarding local development from the people:

Our views are not considered and are usually ignored. For example, if you look at many of the projects here in Naivasha managed by the CDF, the views of the people are not given any priority. Many of the approved projects do not reflect the opinions of the people but stand as an imposition from self-interested politicians. There is usually a lot of political interference regarding development plan within this constituency. Local leaders therefore ignore the decisions of the local people and are not being implemented.

The responses from the community workers in Gatanga felt that there was a general sense of commitment of leaders to good governance. Respondents felt that there was transparency in how procurement processes for tenders were undertaken, and how local economic development projects were prioritized, as well as how funds were allocated. This, they believed, contributed to the constituency overall local economic development initiatives. The results of a study conducted by the IEA (2012) show that some constituencies in Kenya have recorded significant improvement in infrastructure such as bridges, roads, schools, health centres, police posts, education, and water facilities through funding from the CDF. In the current research, Respondent N7 noted that poor infrastructural development in Naivasha can only point to lack of competency among local leaders:

Poor infrastructure in Naivasha calls in question the quality of leaders charged with overseeing local development: firstly, the road infrastructure that could assist the people of Naivasha to transport their farm produce to the market is very poor; secondly, the level of education in Naivasha is very low as compared to other constituencies due to inadequate facilities in learning institutions. Therefore, I conclude that Naivasha has suffered from poor, incapable, and corrupt leaders.

Research conducted by the National Taxpayers Association (NTA) (2013, 13-14) found that in constituencies where MPs were development conscious, had political goodwill, and were able to mobilize constituents to participate actively in the implementation process, there was evidence of

social economic transformation of those communities. In the current research, Respondent N11 was skeptical of the commitment for economic development displayed by local leaders in Naivasha:

It is clear that nothing much is bargained for because there are many development issues that have not been attended to for many years. For example, our roads in this constituency remain dilapidated. Water supply has also remained to be a big crisis. Local leaders have conspired to divert development funds through corrupt deals and have not been used to alleviate such problems.

Gikonyo (2008:33) found that certain MPs exercise their roles and functions with undue arrogance. They argue that MPs can be observed to connive with few key members of the CDFC, while the rest are manipulated and used to rubberstamp decisions that have been made by MPs and their associates. They often breach the CDF policies and regulations and defraud the fund by hijacking identification and projects procurement processes. Cheeseman (2014) argues that in as much as many leaders had been linked to corruption and mismanagement of the CDF, this would not translate that all MPs having participated in the misappropriation of these funds. Many seized the opportunity to build a reputation and displayed competency in the management of the CDF where positive examples of ‘CDF stars’, such as Peter Kenneth (a former Gatanga MP), emerged and have been widely cited. The current study found that, in general, respondents in Gatanga were more positive on the impact of local leadership on development. They attributed the advancement in their local and economic development to the quality of their leadership structures. For example, G1 believed that it is due to the commitment and dedication of their former Member of Parliament, Peter Kenneth, that Gatanga has recorded an accelerated growth in local economic development. As G1 outlined:

We have been led under the leadership of a very dedicated Member of Parliament, Mr. Peter Kenneth. In regards to the CDF, he has facilitated an accelerated development in all parts of this constituency. He was active in propagating our local development concerns at the national level. Every Tuesday and Wednesday, his office was open to the public where he remained to listen and address people’s problems. People would line up to speak with him and he was always interested on individual stories. It is with a better understanding of their needs that he was able to represent them at the higher national debating forums.

The case of Gatanga in the administration of the CDF has been exemplary. A study conducted by Mwangi and Iravo (2015: 26-27) revealed that while many other constituencies across the country registered failures in implementing the CDF, Gatanga Constituency achieved a 53.3% rate of

projects that had been completed within the timeline that they had been scheduled for, and 66.7% of projects completed within the initial budgetary allocations, with a correlation analysis between monitoring and project success resulting to a value of 0.673\*\*. This was an indication of a strong relationship between the two variables. To the current researcher, it is observable that there are better and accessible health, peace and security, and education systems, as well as extensive physical infrastructure. Respondent G9 opined that their local leaders have demonstrated willingness to associate themselves with grassroots communities and bring about meaningful local economic development, saying:

Mr. Kenneth, the former MP was able to support a broad based development in Gatanga. He supported funding in various priority areas across this constituency. He was able to visit this constituency constantly and had a fair idea of the development needs thereof.

Alluding to the vast infrastructure development that has been established in Gatanga over the last decade, G5 associates it with good governance by their local leaders:

We are certain that our leaders are competent in putting our development agenda forward because if they do not do so, we could not be in a position to access development opportunities that have been introduced in the constituency thus far. If you walk around, there are health centres that have been established in the last few years in all villages where all are able to access health facilities at their reach.

Respondent G8 noted the selfless commitment from their leaders in making sure that the CDF achieve its objective of improving local economic development, saying:

If you look at roads such as these, we have seen them being maintained; other developments such as electricity has been connected to most of our rural areas that have remained without power for years. So, there is a clear evidence that leaders are committed to promote development in this constituency.

This study found that there was general contentment among respondents in Gatanga with regard to how local leaders administered the implementation of the CDF in Naivasha. There was considerable political will among leaders in Gatanga to implement the objectives of the CDF. This leadership commitment in Gatanga was largely attributed to the successful implementation of the CDF to the satisfaction of the local population. However, the leadership in Naivasha was found to be self-seeking and prompted by greed for public funds. A lot of funds meant for community projects in Naivasha were paid back to the officials in form of bribes. This study also found that the respondents felt that there was not enough coordination between various regimes of elected



MPs. The newly elected wanted to support their own projects and abandoned those that were administered by their predecessors. In the end, they felt that this contributed to a lot of projects being left incomplete scattered across the Naivasha Constituency.

#### **4.13 Summary**

Based on a review of government report, secondary studies, first-hand observations, and responses from key informants, this study contends that the implementation of CDF funded LED projects in Gatanga can be regarded as relatively successful because of numerous well established and completed projects across the constituency. In stark contrast, the CDF funded LED projects in the Naivasha Constituency were much harder to trace, and those that were visible were either of poor quality, poor designed, unfinished or altogether abandoned projects. Respondents there also cited cases on ghost projects that were funded and never started. There was also little data available from the constituency on the outcome of CDF funding. This study argues that the respective outcomes of the CDF funded LED projects in Gatanga and Naivasha can be attributed largely to the quality of local leadership, how leaders are able to manage the overall LED process. Sound, visionary, well-motivated and coordinated leadership under the flagship of the respective MPs in Gatanga were noted to have championed values such as mobilizing communities to participate in project selection and prioritization as a means to match development with people's needs, dissemination of information, emphasized on accountability and transparency. On the other hand however, leaders and the CDF administrators in Naivasha were accused on rife corruption, maladministration and lacked the necessary skills to coordinate the utilization of the CDF. Efforts to build systems of accountability, transparency, participation, dissemination of information, as well as economic efficiency to match people's needs were ignored. The next chapter concludes the study and considers the main arguments of the thesis.

## CHAPTER FIVE

### Conclusions and Recommendations

#### 5.1 Introduction

This chapter concludes the study. It considers the significance of the key findings of this study which was in essence a study on fiscal decentralisation in Kenya with specific reference to the implementation of the CDF in the Gatanga and Naivasha Constituencies in Kenya. It presents the key thematic governance values that this study regards as critical to the outcome of the implementation of the CDF in Gatanga and Naivasha Constituencies in Kenya. It also presents a set of recommendations and argues that these could have a positive outcome and assist constituencies such as Gatanga and Naivasha in Kenya to achieve local economic development as espoused by the CDF.

#### 5.2 Fiscal Decentralization

One of the main objectives of this study was to understand the rationales that prompt governments (including Kenya's) to decentralize some of their powers and functions to the control and administration of lower-levels of government. This study found that devising systems of decentralization has become one of the contemporary means that governments across the world have undertaken in an attempt to induce economic development in local jurisdictions (Rondinelli, 1983: 181). The attempt reflects dissatisfaction with centralized economic planning in inducing meaningful development and building a sustainable stability in the economy. Aligned to the preceding uneasiness with the ability of central governments to deliver, decentralization was seen as a new means to experiment with an aim of achieving governments' objectives of attaining development across both across their jurisdictions (Olowu, 2000; Manor 1999).

This study identified the following key reasons as to why governments opt for fiscal decentralization:

- Fiscal decentralization is seen as an opportunity for governments to develop and reinvent *ad hoc* policies purposively aimed at escaping from inefficiency of service delivery,

macroeconomic instability, and inadequate economic growth previously coordinated by central governments (Bird, 1993: 207).

- Fiscal decentralization is also seen as a means to improve the performance of public sectors serving local communities. In this case, governments' task force would be geared towards serving a particular jurisdiction to which they are assumed to be well versed with the pressing development needs of their respective jurisdictions (Oates 1999: 1120).
- Arguments for fiscal decentralization are also underpinned by the assumption that it has a high potential to increase policy responsiveness to the preference of citizens and to increase accountability in government. This is largely because local governments were considered as closest to the people and would be the most appropriate level of government (Smart, 2007: 204). Hence, local governments are believed to respond better to preferences and needs of their residents (Smart 2007: 204; Smoke, 2007: 131).
- Also, decentralizing expenditure provision and revenue raising authority is believed to have the potential to improve accountability. This is informed by the fact that the level of government responsible for providing goods and services is also responsible for financing them, which in effect makes it more diligent (Buchanan cited in Vigneault, 2007: 133).
- The other advantage associated with fiscal decentralization is that policies of subnational branches of governments are permitted to vary in order to accommodate the preferences of their residents. If policies therefore are adapted to suit local preferences, this in effect enhances economic efficiency in those local authorities (Wildasin, 1997; Ebel and Yilmaz, 2002: 2).
- Designing fiscal decentralization is intended to bring government closer to the people. When governments are perceived to be closer to the constituents, they are able to demand accountability for funds allocated to development. They can also access government bodies easily to respond to their concerns and demands (Stigler, cited in Ebel and Yilmaz, 2002: 2).
- Fiscal decentralization broadly defined presents the government with the opportunity to initiate allocative efficiency through redistribution and equalization of fiscal resources, enhance economic efficiency, as well as promote interregional or interpersonal equity and political

efficiency (Prud'Homme, 2003: 19); Musgrave and Musgrave, cited in Dillinger, Perry, Webb, 2003: 232).

- Proponents of fiscal decentralization purports that local governments are prompted by the urge to compete and provide efficiency in governance with the aim of achieving local economic development (Rao, 1998: 78).

This study has also found, although to a lesser extent, the existence of dissenting voices that warn of the impacts of decentralizing government and cannot be ignored. In a similar vein, it has been pointed out in this study that it is not in all cases that decentralized governments have recorded efficiency in delivering on LED. The literature made a critical observation that decentralizing the functions of fiscal responsibilities to be managed by autonomous local institutions is not a panacea for local economic development. Several case studies like those of Sewell (1996: 147) and Ribot (2002: 9) have shown that claims that decentralization had a greater potential to increase efficiency through better matching of demand and supply for local public goods may not be the case in countries with daunting democratic spaces. This study also found that part of the reason that decentralized governments are failing and are inefficient is largely due to the lack of favorable and sufficient mechanisms in place and an enabling environment to hold local authorities accountable to local populations.

### **5.3 Fiscal decentralization in Kenya**

Another key objective of this study was to determine the rationales behind a decision taken by the once highly centralized government in Kenya to implement a system of fiscal decentralization. This study noted that since independence in 1963 to the inauguration of the new decentralized system in 2013, development planning in Kenya has always been centrally administered. Kenya under subsequent governments headed by Jomo Kenyatta, Daniel arap Moi, and Mwai Kibaki had endured about four decades of central government control over social and economic development. Cohen and Peterson (1999: 122) contend that the country moved toward the institutional monopoly by taking away roles and resources away from local governments and transferring these powers to central ministries. By recentralizing control over the allocative objective, these presidents gained power to advance the political and economic interests of their home regions and ethnic groups. They allocated substantial government resources to areas they dominated, and those that were seen

to oppose the regime were marginalized. This centralization was challenged and the system of central monopoly on development planning was revoked and ushered in a new era with the inauguration of the Constitution of Kenya, 2010 (CoK, 2010).

This study showed that the CoK, 2010 establishes a decentralized government system of governance for Kenya. The CoK 2010 provides for a devolution of a range of political, administrative, and fiscal powers and functions to the constituencies.

Administratively, decentralization in Kenya is targeted to provide local administrators with the powers and functions of endorsing community projects without necessarily having to receive more authorization from officials of the central government. This would mean that the problem of a central bureaucracy that is commonly associated with delays in addressing immediate needs of local communities is mitigated.

Politically, this study showed that the Kenyan government supports the notion that a decentralized system will make a government politically more representative and accountable. Politicians elected at the local levels are deemed to be closer to their local communities that elect them. This scenario is assumed to contain huge potential in the enhancement of accountability and transparency. The locally elected leader mobilize local communities in selecting and supporting development projects that are their real preferences. This study has shown that decades of central administration have ignored certain dimensions of local development that are easily detected through local development agents. Therefore, their needs are theoretically better addressed accordingly in the order of priority.

Fiscally, each constituency is assured of receiving a certain amount to fund basic local infrastructure like schools, hospitals, bridges, and security. Local managers and political leaders are accorded the discretion to determine the budget and the nature of projects to be funded, of course guided by the budget and priority projects. The local managers and politicians are invited to mobilize communities and involve them in the project selection, fiscal allocation and encourage them in participatory budgeting. The outcome of this Fund administration is enhancement of service delivery through the establishment of local basic structures. Thus, the rationale is that fiscal decentralization will make service delivery more efficient and effective.

The study has demonstrated that the process of devolving government in Kenya is still in its initial stages of implementation and not all systems have effectively been established in each of the counties. There is a need to fast-track the creation of requisite institutional structures as embedded in the CoK 2010. If well implemented, decentralized governments will be in a better position to formulate policies that are compatible to local conditions, set targets, as well mobilize and manage both local human and natural resources to enhance local economic development. In addition, there is also a need to be more comprehensive in system that will support the transfer of powers from national to newly established decentralized structures with an aim of enhancing efficiency of government in advancing local economic development.

This study has found that confusion remains amongst various political powers in the administration of certain funds meant for local development. It will be critical to delineate functions more clearly to avoid overlap either between national and County governments, or between various levels of governments at the County level. The roles of various elected officials namely, the President, governors, members of the National Assembly, County women representatives, members of the County assembly, as well as other state and non-state actors should be more clearly defined and aligned to allow a smooth complementarity of powers and functions. Thus, powers and roles for each unit or political institution should be guided by clear legislation and administrative guidelines and frameworks with the sole purpose to achieve an effective fiscal decentralization system. This will lessen ambiguity and friction between different role players and enhance accountability and transparency in administering public coffers.

#### **5.4 The Constituency Development Fund**

One of the main objectives of this study was to determine the rationale behind the Constituency Development Fund (CDF) and ascertain how it has been implemented in Kenya with specific reference to the Gatanga and Naivasha Constituencies. The CDF Act of 2003 was enacted by the Kenyan Parliament 2003 and later revised (as amended in 2007) to CDF Act of 2013. In the CoK 2010, the CDF is understood to fall under the equalization fund in the form of a conditional grant (see Figure 3). The CDF is regarded as a fundamental decentralized Fund disbursed by the central government and serves a multitude of purposes:

Firstly, the CDF is targeted to give greater autonomy to lower-level governments at the constituency level to mobilize and involve communities in addressing their local development needs and concerns. The involvement of the local community in local economic development is premised on the notion that they will participate in the selection, prioritization, and implementation of projects that have the potential to address their local development needs and preferences.

Secondly, it was designed as a fiscal equalization mechanism. In other words, it enables the central government to dispense some of its nationally collected revenue to constituencies based on a formula (see Table 2). In essence, this formula favours the constituencies that are most in need of central government's funding. Constituencies that receive greater funding are considered as having been historically neglected under the previous central administration. Its redistributive nature is premised on the notion that local governments are in need of central government support if they are to achieve a sustainable level of local economic development. As such, sources of funding like the CDF are seen as integral components of Kenya's system of fiscal decentralization.

Thirdly, the assumption is that once local authorities facilitate the establishment of local economic development projects funded by the CDF, constituencies will become politically, administratively, and financially independent from central government. As such, Kenya will achieve a system of decentralized government as espoused in the Constitution of Kenya 2010.

However, this study has shown that there are still some general implementation challenges. For example, the literature shows that many constituencies have argued that central government funding remains inadequate. As a result, they are challenged to meet their administrative functions and responsibilities. In effect, this challenges the sustainability of decentralized system of government. Constituencies cannot act autonomously if they are to continue relying on this extent of central government support.

This study has found that more than a decade of implementation of the CDF has witnessed a myriad of development outcomes in varying constituencies across the country. Some, like Gatanga have recorded tremendous success in managing the Fund. This study has showed that there is a broad based establishment of services and infrastructure such as schools, hospitals, roads and bridges, police posts, agricultural projects, among many other examples in Gatanga Constituency. Therefore, in many constituencies where the fund was implemented to serve its purpose, the CDF

has played a vital role and most communities can now have easier access to essential services such as healthcare and educational facilities - much more so than when it was initiated. However, other constituencies like Naivasha performed very poorly with a trail of incomplete projects, ghost projects, projects of poor quality, amalgamated with corruption, nepotism, incompetence, and maladministration by duty bearers and local politicians. MPs used it as a tool for political manipulation for rewarding their cronies and punishing their adversaries.

The study interrogated how policies and guidelines regulating the CDF were implemented towards the creation of a viable local and economic development. The study collected extensive empirical data from respondents selected in Gatanga and Naivasha. Their responses were qualitative in nature, seeking to understand the level of their awareness on the status, relevance and effectiveness of the CDF funded projects in Gatanga and Naivasha.

The extensive empirical data collected in Gatanga and Naivasha has resulted in this study drawing a number of conclusions on notable key drivers of local economic development in relation to the CDF. Although these conclusions are limited to Gatanga and Naivasha, a perusal of other studies in different constituencies on CDF seems to point to some shared experiences. Nevertheless, opinions raised in this study are limited to Gatanga and Naivasha constituencies. The study also presents a number of recommendations that if implemented have a potential to enhance the performance of the CDF and funds of similar nature in Gatanga and Naivasha. These findings and recommendations could also be extrapolated to other constituencies with similar characteristics and experiences as Gatanga and Naivasha. The recommendations herewith are not just a set of general assertions enclosed in broad statements for government to consider. They are a set of key requisites and practical propositions against each key driver to local economic development. If these are implemented and strengthened holistically, there is a profound prospect that the CDF and other decentralized funds of its nature can provide for greater effectiveness in delivering economic benefits to local communities in Gatanga and Naivasha constituencies. These are summarized as follows:

#### **5.4.1 Skills, capacity and competencies of CDF managers and local politicians**

This study argues that skills, capacity and competency of CDF duty bearers were key factors in determining the outcome of the implementation of the CDF. If local government administrators,



politicians, and members of the community are to improve in ensuring that decentralized funds match their development needs and enhance local economic development, they must be equipped with skills, technical and professional expertise that will enable them to manage functions handed over to them from the centre. No training for CDF duty bearers was cited by respondents either in Gatanga or in Naivasha. The findings in this study showed that training of local role players in executing their mandate lacked significantly, a phenomenon that negatively impacted development outcomes both constituencies. Training of the CDF duty bearers, local politicians, as well as representatives of communities on project management, monitoring and evaluation systems, as accounting systems remain critical in developing an effective fiscal decentralization system. Training the task force has the potential to improve the impact of decentralized funds in promoting LED, and in effect improve peoples' lives by leveraging them from poverty.

In order to enhance skills and professional preparedness of the CDF duty bearers, this study recommends that:

- The government should earmark funds for training of local development role players in order to enhance their performance while managing local development projects. Trainings should be organized differently for different role players, of course depending on the functions and roles they are expected to play in the implementation process.
- CDF duty bearers should attend regular training conferences and workshops to improve their competencies in leadership and management skills.
- The government should demand, through legislation, that members of the CDFC and other strategic key positions be publicly advertised and recruited on merit based on academic qualification, experience of work and community engagement.

#### **5.4.2 Responsiveness**

This study argues that responsiveness of local government is critical to an effective local economic delivery system. Delivery of timely and quality local projects is critical to evaluating the effectiveness of local government. No local community would be satisfied with delay in the implementation of CDF approved projects, entertain shoddy projects, or applaud failure to deliver approved projects at all. This study has found that delay in release of funds not only by the

constituency office but also by the national treasury has been identified as one of the major setbacks limiting the effectiveness of the CDF in delivering local economic benefits to local beneficiaries in Gatanga and Naivasha. In Gatanga, majority of the respondents were satisfied with the responsiveness of the CDF duty bearers in facilitating the delivery of basic infrastructure to the community. The respondents in Naivasha agreed that the CDF projects either took too long to be approved and funds allocated, or experienced long delays before their completion. The observation made in Naivasha revealed that there were many stalled projects that were started and never completed. If one of the objectives of the CDF is to deliver quality projects in a timely manner to local communities, then the delivery system must be reformed and challenges addressed. This study makes the following recommendations:

- The national government should ensure that there is proper planning that facilitate a timely disbursement of the CDF funds to communities as per the set timelines. Planning in advance can assist in making sure that funds do not delay the implementation process.
- The study also recommends that this kitty be increased to be able to fully finance projects in constituencies. Many projects are delayed because funding is too limited to enable completion.
- Stern disciplinary measures should be put in place to ensure that funds meant for local development are not lost through corrupt deals by CDF officials.

### **5.4.3 Economic efficiency**

The literature has argued that matching projects to the most pressing needs of the community is critical towards advancing local economic development. It has also noted that local governments are the closest level of government in a position to identify projects that have the potential to maximize benefits to the constituents (Manor, 1999; Oates, 1972). Thus, it is argued, it is important to decentralize decision-making to the grassroots level so that real needs that face communities can be identified and addressed accordingly. This approach also has the potential to tap into local knowledge and preferences through community experience and expertise in local environment (Ribot, 2002).

Local labour has the potential not only to facilitate a more effective implementation, but also provides jobs and skills training opportunities. This study has also noted that decentralized delivery of services by governments can be more effective in addressing the needs of the community because they are able to respond to varying needs in various jurisdictions. This is opposed to wasteful expenditure that is associated from uniform delivery of public services by central government that are mostly inefficient and may not match the need of the community (Wasylenko, 2001). This study argues, therefore, that localized governments are better placed to deliver efficient services that are best aligned to the real needs of the local community. Also, having a government that is closer and accessible to the community provides constituents with an opportunity to hold their leaders to account. Constituents are also likely to pay for services because they have an opportunity to monitor its use and be part of decision-making of how such funds can be utilized. Prud'homme, (2003: 19) conceptualized this phenomenon as follows:

[i]f people get a service X for which they do not care much at the expense of a service Y for which they would care more but which is not provided, their welfare or utility will be small. A shift in the allocation of resources from the production of X towards the production of Y will increase welfare. Therefore, marching of services with communities' immediate needs becomes relevant towards achieving local economic efficiency.

However, this study revealed that majority of respondents in Gatanga indicated that they were satisfied with how the CDF projects matched the needs of the constituents, while on the contrary, those in majority of respondents in Naivasha indicated that they were dissatisfied. These results compel the researcher to conclude that the CDF in Naivasha has failed to address the real needs of the local community, meaning that the Fund has failed to live up to its mandate. In as much as many respondents from Gatanga indicated that the CDF projects had matched the pressing needs of the local community, this was no guarantee that it was based on active community participation in identifying their development priorities. The success can only be attributed to a highly motivated leadership who were keen to link up with community leadership to identify projects that were appreciated by the community. However, the literature decentralization, including arguments on fiscal decentralization contend that when capacity is lacking at the local level, it is perhaps better to retain a degree of central control until such capacity has been achieved. The question then is what capacity is needed at local constituency level.

If the CDF is to attain its objective of addressing the key priority projects and maximize the benefits to the local community, there is a dire need to transform the current CDF delivery system to one that is able to facilitate the key priority areas of the community are prioritized. This study proposes the following recommendations:

- To establish a policy guideline where people are actively involved in the selection and prioritization of projects. By so doing, communities will be involved in selecting priority projects that would address their most immediate needs. The CDF administrators should desist from taking an active role in this proceedings, rather they can only facilitate the process.
- That the government should assign teams of researchers from various sectors to assist local communities carry out research that can enlighten them regarding potentials of their local jurisdictions. They are to act as consultants to government and the people by assisting communities do feasibility studies. For example, if particular projects are established in particular jurisdictions, they could potentially yield more economic benefits than were proposed in others. At times, communities are not able to discover such capabilities but contemporary scientific methods could be applied by researchers and experts from different ministries to assist local communities with new insights. This invaluable information can therefore boost communities in their deliberations.

#### **5.4.4 Monitoring and evaluation**

Monitoring and evaluation of projects is a vital component and should be done regularly in order to ensure compliance between the project outcomes and Fund's objectives. The lead agents in this process should be well trained professionals, competent in monitoring and evaluation systems. Despite the central role to be played by such administrators, communities as well must be trained and made aware of the instrumental role they can play in monitoring and following up of established projects as well as how such funds are allocated and implemented. When the community remains vigilant of how public funds are utilized by duty bearers, it would translate to better service delivery that has an opportunity to boost their economic wellbeing.

This study revealed that the level of awareness amongst community members of how they could get involved in monitoring and evaluation was relatively low in Gatanga, with an overwhelming

majority in Naivasha indicating that such involvement of communities was inexistent. About half of questionnaire respondents indicate that in Gatanga, community members were involved in monitoring and evaluation of the CDF projects while vast majority of respondents in Naivasha demonstrated that community members are not involved in matters related to monitoring and evaluation of CDF projects. The study argues that if this scenario is improved, comprehensive monitoring by officials and community members will contribute to the enhancement of CDF delivery system.

If the CDF is to record meaningful outcomes where quality projects are established, the instrumental role of monitoring and evaluation in advancing the impacts of key drivers of local economic development cannot be overlooked. Thus, the study makes the following recommendations:

- That an independent committee in charge of monitoring and evaluation of the CDF projects must be established to evaluate quality, readiness, and ascertain whether projects are aligned to the plan to which the funds were approved. The committee must enjoy security of tenure in every constituency and not as a once-in-a-while delegation.
- That there should be an official opening for all the CDF funded projects. The monitoring and evaluation committee must make a recommendation to the board that the projects are ready to be handed over to the community. MPs must officially preside over the handing over functions of all the CDF funded projects. An official invitation to such functions should be extended to the members of the public as a symbol that they have received the project.
- That every project proposed for funding must be profiled. Project profiling should include a follow-up checklist and must be regularly updated. Projects should therefore be evaluated against key milestones, and any nonconformity should be motivated. Therefore, anyone who is interested to know the status of the project must be in a position to access such files and get to know the most recent update of that particular project. All project files must be made available to members of the public on request. Projects that are stalled, abandoned, or poorly constructed should be interrogated and such reasons should be made public during official public forums.

#### **5.4.5 Awareness and knowledge of local development plans**

The results of this study have demonstrated that awareness and knowledge of local development plans is vital to a successful implementation of the CDF. When local communities and CDF duty bearers are equipped with relevant and appropriate information regarding local plans and projects, they are likely to participate accordingly and contribute to creating sustainable local projects. The CDF managers are also to play a vital role in disseminating information to their constituents in ways that are accessible. This study has found that majority of respondents believed that communities in Gatanga and Naivasha have either low or very low awareness of how they are to participate in the CDF implementation processes.

If local governments are to enhance the delivery of CDF development objectives, impacting knowledge through civic education, and spreading awareness of local development initiatives amongst local communities should be emphasized. This study therefore calls for an immediate remedy from government in order to make sure that citizens were well equipped with knowledge of its policies and spread the awareness of how such communities could participate. This study makes the following recommendations:

- That government should devise a strategic plan and organize civic education workshops to educate local populations regarding government policies and initiatives for local development. In such workshops, local communities should be able to ask questions and raise concerns regarding existing policies and their applications.
- That government should train and disburse local volunteers, particularly young people, to conduct door-to-door campaign that involves educating communities on key issues pertinent to local development. This would include (although not be limited to) the constitution, roles of communities in participating in the development process, rights and responsibilities as enshrined in the constitution; nature and amount of local funds available for local development; ways in which they could be involved in holding their governments accountable; as well as functions of national and County governments.

#### **5.4.6 Public participation**

This study argues that public participation is a key component while developing a sustainable CDF implementation system. When members of the public participate in giving inputs pertaining to their own development, appropriate projects aligned to the pressing needs of the community are established and are likely to receive local ownership and support. This study concluded that in Naivasha, the CDF is far from obtaining its objective of mobilizing the community to participate in development planning and decision making. However, even though the respondents were satisfied with the level of community engagement in the CDF implementation process in Gatanga, there were also dissenting voices that were concerned with the exclusion of the public in the CDF implementation process. The findings of this research notes that there is a need for a paradigm shift by establishing strategies that will ensure that constituents participate in the CDF decision-making process. It will be critical to devise means that will maximize the opportunity of how local communities (not only in Naivasha which was perceived to have experienced most challenges but also in Gatanga) can engage more in activities such as identification, prioritization, procurement, and other components of the CDF projects' implementation. So far, only influential people linked to the CDFC and local politicians have taken control over these processes and through manipulation excluded local communities from participating.

Evidence accumulated elsewhere has shown that community participation in decision making pertaining to local problems has been recorded as one of the major boost to local economic development. For example, organized participatory budgeting in Brazil has been hailed as one of the most successful story of democratization in that country (Otieno, 2013). However, this study has found that in both Gatanga and Naivasha, there is lack of a strategic plan of how to involve respective communities in key decision-making opportunities. Therefore, it is vital to increase the level of participation by community members when affairs pertaining to their local economic development are concerned. In order to ensure that communities at the grassroots are more involved in decision-making regarding their development concerns, this study recommends:

- That the government should institutionalize, through legislation, a policy guideline that clearly spells out how and when communities could participate within the implementation process for decentralised funds. In effect, if such systems are put in place, there is a huge

potential in maximizing the impacts of local economic development and improving livelihoods among local communities.

- That public forums, at the level of the ward in every constituency, should be put in place on a regular basis where members of the public are invited to deliberate development issues pertaining to their jurisdictions. MPs, the CDF officials, and other elected officials like the County Representatives should be represented. All these stakeholders are to prepare progress reports for all projects approved, including their future plans. A session of “question and answer” (Q&A) should be reserved during those forums where members of the public ask questions and raise their concerns to their local public servants.
- That the government should design a strategic plan that includes communities in their local budgeting processes. They should have an active role in decision-making pertaining allocation and prioritization of the CDF funds to community projects. Communities from villages/wards may be represented in the budgeting forums by representatives elected by them. This would expand the relevance of communities in CDF implementation, and not just limited to project identification.

#### **5.4.7 Transparency and information sharing**

Results in this study revealed that a lot of vital information pertaining to local development was concealed from, or not readily available to constituents. It was notable that the CDF office in Gatanga had a notice board with a list of funded projects that was open to the public. In as much as this was a clear sign of commitment to values of transparency, on its own, that method is not a sufficient demonstration of transparency as only very few people visit these offices. That notwithstanding, majority of respondents in Gatanga had trust that their government was fairly transparent in dealing with the CDF allocation and implementation. On the other hand, a unanimous voice from respondents in Naivasha believed that their constituency leadership had concealed valuable information regarding the CDF operations. They noted that constituency leadership had not provided them with an opportunity to know about planned activities, projects being funded, as well as resources made available through the CDF funding.



If local governments are to record significant local economic development, sharing information with community members regarding available opportunities, local projects being undertaken, procurement processes, and the amount of funds available cannot be disregarded. This study makes the following recommendations:

- That all projects profiles, including amounts allocated to each project, and well as the statuses of those projects should be published and made available for public viewing.
- Those constituencies should be obligated to have a CDF website where progress on related projects and other related information should be published.
- That the CDF board at the constituency level be obligated to publicly advertise their jobs and tenders on constituency newspapers, CDF website (see bullet point above) and notice boards at the constituency offices.
- That there be an independent recruiting board with members drawn from various sectors. This will reduce monopoly and discretion of CDFCs and MPs in the appointments for both tenders and CDF related employment opportunities.

#### **5.4.8 Fiscal accountability**

This study argues that accountability is at the core of any development project. Findings in this study indicated that accountability for the CDF in Naivasha was nearly non-existent. Local CDFCs and politicians used the CDF fund as an opportunity to accumulate private wealth as well as reward their political cronies. Overall, this study established that corruption was among the frontline challenges that had plagued the implementation of the CDF in Naivasha. Misappropriation of these coffers by MPs and CDFCs negatively impacted on the outcome of economic development in local jurisdictions. The impact of such accountability and corruption led to shoddy structures being erected across the constituency due to the fact that monies had been squandered privately. Rife corruption in Naivasha was also evident by rampant abandoned and incomplete projects. In Gatanga, some respondents pointed out trends that hindered accountability on the CDF related projects such as: irregular awarding of bursaries and CDF related jobs, or undisclosed procurement of tenders. Despite these unethical practices, there was sufficient evidence that political leaders and the CDF duty bearers in Gatanga had remained largely accountable to their communities

pertaining to the utilization of the Fund. One could easily notice a lot of well-established CDF funded infrastructure ranging from roads, hospitals, schools, police administration units, and agricultural projects.

It is of utmost relevance to highlight that the CDF Act 2013, section 24(14) provides that members of the committee that foresees the allocation and implementation of CDF funds may be removed from office due to some of the following reasons linked with mismanagement; (a) lack of integrity; (b) gross misconduct; (c) embezzlement of public funds; (d) bringing the image of the committee into disrepute through unbecoming personal public conduct; (e) promoting unethical practices. However, to the knowledge of the respondents in both Gatanga and Naivasha, there are no officials that have lost their jobs after being held responsible for any of the above misconduct.

If decentralized funds are to be utilized in an accountable manner as proposed, drafting of legislation itself is not sufficient, further, it should be followed by clear consequences to the perpetrators. This study recommends that:

- There should be put in place an independent oversight commission, either by the national government or the County government, not based on party politics, to ensure that funds allocated for local development are spent in accordance with the spirit of their own establishment. Such a commission should be able to investigate the conduct of MPs or other CDF duty bearers and charge them if found guilty of misappropriation or any form of corruption whatsoever.
- Regular public workshops should be scheduled where communities are educated on how to hold their leaders to account. In such forums, the public should be given a space where they can ask questions to their leaders and those who administer their funds. MPs should be liable for impeachment if they deny their constituents such privileges.

#### **5.4.9 Leadership**

As identified in this study, the quality of local leadership is critical in defining the outcome and quality of local economic development. It was the visionary leadership of Peter Kenneth, the area MP that transformed Gatanga from an insignificant and inept local economy to one of the most competitive jurisdiction in the country. He championed this agenda through community

mobilization in building a citizen-centred local economic development. He was determined to overhaul the system of service through the renewal of local governance structures. The active role played by Peter Kenneth therefore was a critical component towards facilitating a viable local economic development delivery system. His record stands out as exemplary for subsequent legislators in Gatanga and an inspiration to many across the country.

Thus, Gatanga remains a symbol of good leadership and administration through which it witnessed increased growth and development. Even though there are still many areas that still need further development in Gatanga, success in the implementation of the CDF fund can largely be attributed to a visionary local leadership and a dedicated team of local administrators. Key drivers of local economic development that led to the emancipation of local community included: accessible education and healthcare for many by building and equipping schools and health centres; creating sustainable peace, security, and establishment of the rule of law by building police and chiefs' administration blocks and allocating staff even in remote areas of the constituency, improved physical infrastructure such as roads; affirmative action for the marginalized citizens such as youth and women; as well as integrity in the management of public assets and protection of natural resources.

This study concludes that where such leadership is lacking, (like in Naivasha) local economic development suffers. Local leadership in Naivasha did not serve the purpose and objectives of the CDF or the local citizenry. MPs in Naivasha and the CDFCs were linked with the failure of the implementation of the Fund. There was no confidence that was perceived from respondents in Naivasha pertaining to the fact that local leadership had provided any commendable leadership in serving the purpose for which the CDF was started. Despite the fact that this fund was a chance for MPs to showcase their abilities in local governance, those in Naivasha failed dismally and caused much resentment amongst their constituents.

Thus, the respondents in both Gatanga and Naivasha directly or indirectly emphasised how good local leadership can circumvent the shortcomings linked with the implementation of the CDF. In other words: this study argues that good local leadership can surpass problems associated with skills shortages. Good local leadership can ensure the efficient and effective utilization of the limited resources available. Good local leadership can mobilize communities positively to participate in decision-making and in local development processes and can be enthusiastic and

willing to share information regarding development plans and resources available. Therefore, good local leadership is regarded as being at the core of a sustainable decentralized system of governance.

The Kenyan government constitutionally obliges local leaders to deliver their mandates of improving the livelihoods of their constituents. Based on the empirical findings of this study, the following recommendations are made:

- In order to ensure compliance with the purpose of local leadership, there is a need to comprehensively institutionalize operations of the CDF in a bid to force role players to serve the common purpose of advancing local economic development. This must be supported by a legal framework that allows prosecution of those involved in malpractices of corruption and misappropriation of funds. At the commencement of their mandate, MPs should be made to sign a code of conduct that legally binds them to serve the purpose and objectives of decentralized funds.
- This study also proposes that MPs and other senior administrators of the fund should be formally monitored and scored rated on a regular basis, for example every 6 months. Score cards issued will reflect the overall performance of the leader and be gazetted or exposed publicly and made accessible to their constituents.
- This study recommends that the government should consider offering incentives to constituencies based on their performance over the utilization of the CDF. This would ensure that those that are involved in malpractices such as corruption and misappropriation of funds, including underspending should not be rewarded. Incentives should be rewarded accordingly based on their performance. In this case, poorly performing constituencies would therefore wish to compete with their counterparts with an aim for higher funding for local development.

## **5.5 Originality of the Study**

The originality of this study lies in the extensive empirical data collected in both the Gatanga and Naivasha constituencies. The data collected provided detailed and insightful information that allowed the researcher to understand prospects and challenges associated with the implementation

of the CDF. Preliminary literature studies indicated that no case study of this nature has ever been undertaken in either of these two constituencies. This study diagnosed problems and challenges affecting the implementation of the CDF and presented a number of practical recommendations that can be put in place. It is argued here that these recommendations have the potential to contribute towards the achievement of the CDFs' objective in these two constituencies.

The recommendations offer a number of systematic approaches and strategies on each of the key drivers of LED (See Table 4). Therefore, the researcher believes that this study provides the Gatanga and Naivasha constituencies and perhaps even other constituencies (with similar characteristics and facing similar challenges to these two constituencies in Kenya), with an analytical toolkit containing well-organized instruments that can be adopted to ensure that the CDF supports local economic development. The recommendations are drawn from the literature on fiscal decentralisation but also from the experiences during the course of the study (the first-hand observations, and responses from development workers and officials).

The strength of this study is that it reviewed two constituencies, Gatanga and Naivasha, thus enabling to some extent, an instructive comparison. On the one hand, Gatanga appeared to have made good use of the CDF, and had a number of ongoing and completed LED projects as a result. The community development workers identified key factors in their success as being good leadership, mechanisms of accountability and transparency, management skills and monitoring and evaluation. This, they argued, resulted in Gatanga's significant improvement in development in education, healthcare, security, roads, as well as in agriculture. On the other hand, Naivasha was found to be a constituency marred by entrenched maladministration, misappropriation, corruption and disconcerted leadership. Of interest is that community development workers raised the same factors which they thought were fundamental if the CDF were to succeed. They felt that based on their experience in Naivasha, a lack of : good leadership, a lack of accountability and transparency, a lack of skills and competence, and a lack of monitoring and evaluation, results in the failure of the CDF to promote LED.

This study also is singular in another way. Most studies available in this area have not been able to capture a holistic approach to the CDF. Most available data of peer reviewed papers and government reports deal with single phenomena. For example: Otieno (2013); Oduor and Achar (2012) only investigated citizen participation; Kimenyi (2005) focused on efficiency and efficacy

of the CDF; NTA (2013) dealt with transparency and citizen participation; and Ng'alu and Bomett (2014) looked at the role of the CDF on education. This study therefore provides a systematic review and analysis on a wider range of key notable aspects and shows how they can be integrated to advance local economic development. It acts therefore as a 'one-stop-shop' and blends these key elements in a single framework as demonstrated in Table 4 below:

It was the objective of this study to find out how key governance values associated with defining an effective implementation of fiscal decentralization system such as: accountability; economic efficiency, effectiveness; participatory budgeting; public participation in project identification formulation, implementation, monitoring and evaluation; informed the realization, or otherwise, of the CDF main objective, that of enhancing the development of local economy. It is worth emphasizing that the data collected in this study revealed that leadership in the CDF intervention was the most central underlying value that prompted hugely on its impact on local economic development, whether positively (for Gatanga) or negatively (for Naivasha). Without a meaningful intervention by diligent leadership over decentralized funds, no significant economic delivery can be guaranteed.

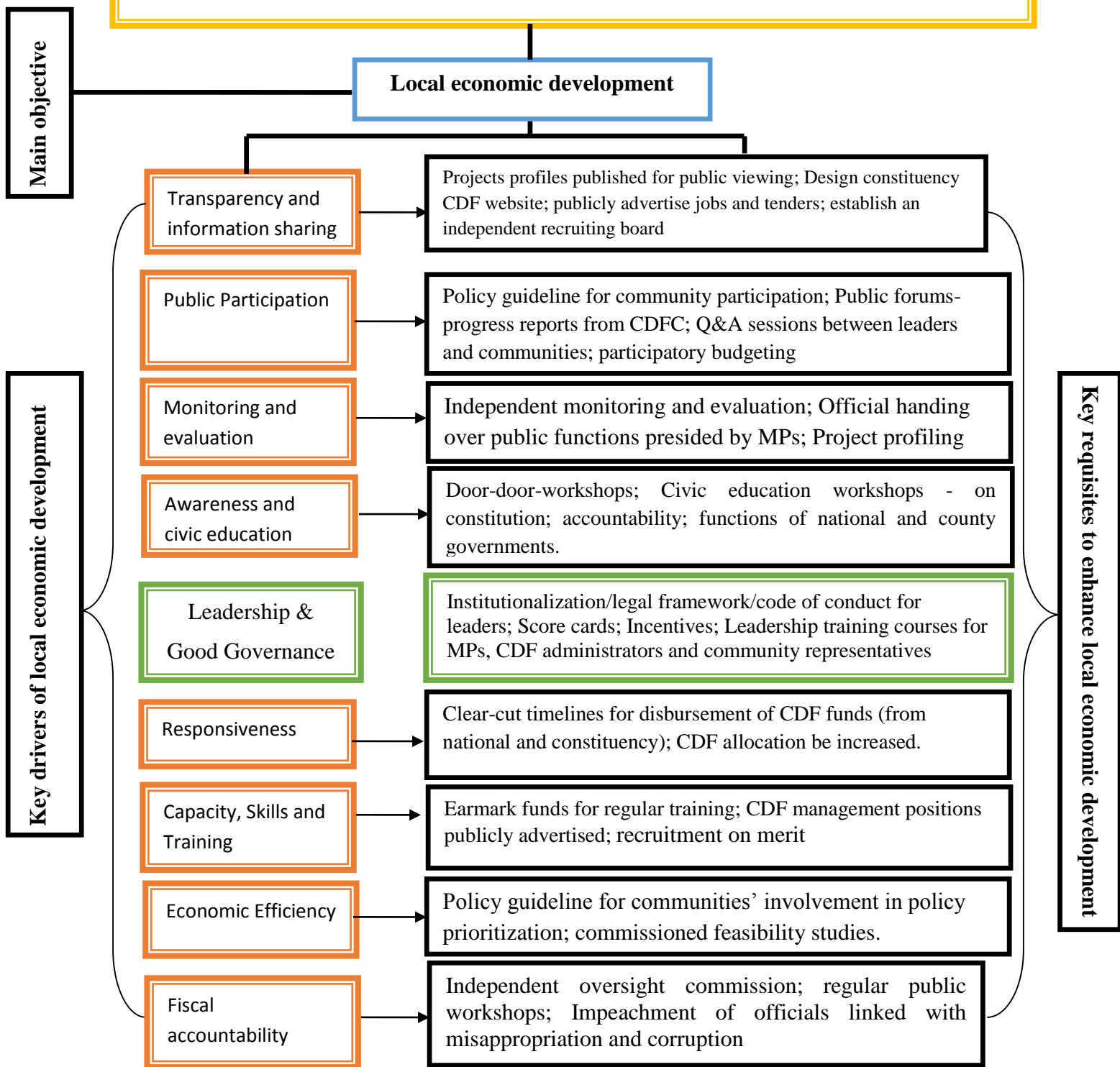
This study therefore identifies leadership as the most fundamental element in building a successful and effective local economic delivery system. One of Gatanga's former MPs, Peter Kenneth, followed by his predecessors were seen and cited by most respondents in this study as the most instrumental in inducing a positive local economic development outcome. Similarly, most ills associated with poor delivery of the CDF in Naivasha were attributed to poor leadership that was linked to lack of political will, corruption, and maladministration, and misappropriation of the CDF funds.

This is perhaps the main point of focus for government: to groom, motivate and empower local democratically elected leaders through skills and training; to commit local leaders to a leadership that is dedicated to serving the public with diligence and respect. It is only with a credible leadership that any constituency can be assured that all other elements that contribute to the growth of local economic development would fall in place. This argument is buttressed by Sorensen and Epps' (1996: 115) warning, that: 'without an active leadership in the public sector, even the best conceived ideas and set of policies can eventually undermine the efficacy of a strategic long term view'.

Table 5 below is a presentation of the concluding recommendations made by this study. It identifies and summarises the key governance values and demonstrates how these are associated with the enhancement of LED. The argument embedded in the Table is that these specific recommendations have the potential to promote local economic development in Gatanga and Naivasha, and perhaps even other constituencies in Kenya that share similar traits.

**Table 4: Fiscal decentralization framework: a CDF perspective**

**Recommendations for the Implementation of the CDF in the Gatanga and Naivasha Constituencies, Kenya (Source: Author's)**



N/B Leadership is underlined as the most core value (fundamental link) with potential to induce positive change to LED



## **5.6 Contribution to policy**

It is critical to note that this study is timely situated because it is conducted at a time when Kenya is at the height of implementing the Constitution of Kenya 2010. The CoK 2010 proposed a process to devolve most government functions from central to County and sub County level governments. This robust initiative begun in 2013 after a new government was voted in to power. Policy makers and practitioners are now looking for solutions and practical suggestions as a way of making sure that devolution deliver to its promise, that of augmenting economic development even to the most remote jurisdictions of Kenya.

The new constitutional framework presents Kenya with a window of opportunity for newly established County governments to offer policy solutions for development needs for their local populations. It is more than a decade since the establishment of the CDF in 2003, making it germane decentralization initiative to offer lessons and highlight challenges in creating a viable local economic development in Gatanga and Naivasha constituencies. This study has presented practical recommendations that have the potential to inform better policy formulation and implementation strategies under the dispensation CoK 2010 in Gatanga and Naivasha constituencies.

The researcher therefore believes that positive and negative outcomes experienced from the design and implementation of the CDF in Gatanga and Naivasha constituencies presents valuable information to their respective Muranga and Nakuru County governments. The areas of focus identified in this study through the recommendations suggested have huge potential to aide County governments as they design and implement their County development plans. Recommendations herein have the potential to inform the development and sustenance of a sound decentralized system that is in a position to respond to the needs of their respective local populations by improving their wellbeing, and leverage them from poverty. If policy makers and practitioners are to create a viable system that can provide a fair resource allocation system, ensure social equity, and enhance local economic development, then they cannot afford to ignore such lessons drawn from a major decentralized initiative such as the Constituency Development Fund.

## **5.7 Suggested area for further research**

In addition to enhancing local economic development, another rationale behind central government embarking on a fiscal decentralization system of governance is also geared towards balancing the differences in capacity of service provision (Blöchliger, et. al., 2007). According to Oakland (1994: 199), it is also aimed at reducing inequalities in public allocation and expenditure. There is enough observable evidence of disparity in resource distribution among various constituencies in Kenya. This phenomenon was shaped by skewed development pioneered by the previous centralized governments where fiscal resources were only directed to certain regions while others were disregarded. In the wake of devolution, both national and County governments will need credible studies with critical analysis of the inequalities that still persist between various regions and constituencies. Since there is limited evidence pertaining to the CDF and resource equalization, this study suggests further research to investigate the extent to which the Fund has ensured that revenues and expenditures are fairly distributed and suggest recommendation for further alignment.

Secondly, it is recommended that similar research be conducted in other constituencies so that the outcomes can be compared. If conducted, these initiatives will enhance the potential to better understand how the CDF can be used to enhance local economic development.

## Appendices

### Appendix 1: Questionnaire

#### *Questionnaire*

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*Hello, my name is Muna Wilson Kamau, a PhD candidate with the University of KwaZulu-Natal in South Africa. I am conducting a study regarding the implementation of Constituency Development Fund (CDF) in Naivasha and Gatanga Constituencies.*

*I would like to ask you a few questions. You do not have to answer any question you do not wish to answer. The questions should take about 1 hour. After the questions you can ask whatever questions you may have. Your name will be held in strict confidence, and will NOT appear on any documents or publications unless with your express permission. Please answer the questions as honestly and openly as possible. There is no "right" or "wrong" answer.*

#### **Part I: Identification Details**

1. Constituency	
2. Location	
3. Date of Interview	
4. Time of Interview	
5. Name of Respondent	

#### **Part II: Demographic Details**

6. Age \_\_\_\_ (years)

7. Gender:

[1] Male	
[2] Female	

8. Marital Status:

1) Single	
2) Married	
3) Divorced	
4) Widowed	

9. Disability:

[1] Yes	
[2] No	

10. Did you go to school?

[1] YES	
[2] NO	

11. If above is yes, what is the highest grade obtained?

1. primary school	
2. Secondary School	
3. Diploma/certificate in higher education	
4. University Degree	
5. Masters	
6. Doctorate	

12. What is your occupation?

1. No work	
2. Farmer	
3. Herder	
4. Seller	
5. NGO worker	
6. Teacher	
7. Other	

13. What are your primary sources of information about events in your constituency, other parts of Kenya, or the world? (Tick all that apply.)

1) Newspaper	
2) Radio	
3) Friends/relatives	
4) District Officer	
5) sub-Location Chief	
6) Councilor	
7) Location Chief	
8) Member of Parliament	
9) other _____	

**Part III: AWARENESS AND KNOWLEDGE OF CDF**

14. Have you noticed any new projects being implemented in the community during the past two years?

[1] yes	
[2] no	

15. How are these projects financed?

1. CDF	
2. Church	
3. Harambee	
4. Other	
5. Don't know	

16. How did you learn about CDF? (Mark all those that apply)

1. Know of the existence of the CDF Act	
2. Member of location development committee	
CDF	
3. Through other community members	
4. Chief's <i>baraza</i> .	
5. Seen notices/posters/newspapers	
7. Member of project committee, e.g. school,	
8. Other (specify).....	

17. Are you aware of any CDF projects or activities in this location?

[1] YES	
[2] NO	

18. If YES, which ones?

1	School	
2	Hospital/Health Clinic	
3	Road renovation	
4	Agricultural project	
5	Water Projects	
5	Security	
6	Bursaries	
7	Other...	

19. Do you know the status of the above projects?

	Project in the Initial Stages	Somehow in the middle	Project Completed	Abandoned Project
1				
2				
3				
4				
5				

20. In your opinion, what is the level of awareness of CDF among the general population in this location?

1. Very high	
2. High	
3. Low	
4. Very low	
5. Don't know	

21. Do you feel that CDF projects are yours (community owned)?

[1] yes	
[2] no	

Opportunity/right to participate in CDF decision making: Please give details in the table below:

22. To what extent do you agree with the following statements?

	1. Strongly Agree	2. Agree	3. Neutral	4. Disagree	5. Strongly Disagree
	1	2	3	4	5
people are given the opportunity or right to participate in selecting and prioritizing projects					
People are given the opportunity or right to participate in determining the location of projects.					
People are given the opportunity or right to participate in follow up/monitoring of projects					
People are given the opportunity or right to participate in the Management of project funds					

23. To what extent do you agree with the following statements?

	1. Strongly Agree	2. Agree	3. Neutral	4. Disagree	5. Strongly Disagree
	1	2	3	4	5
I know how I can be involved in selecting and prioritizing projects					
I know how I can be involved In determining the location of projects.					
I know how I can be involved in in follow up/monitoring of projects					
I know how I can be involved in the management of project funds					

24. To what extent do you agree with the following statements?

	1. Strongly Agree	2. Agree	3. Neutral	4. Disagree	5. Strongly Disagree
	1	2	3	4	5
I have tried to get involved in selecting and prioritizing projects					
I have tried to get involved in determining the location of projects.					
I have tried to get involved in follow up/monitoring of projects					
I have tried to get involved in the management of project funds					

**Part IV: POLICIES AND REGULATIONS FOR CDF**

25. Are you aware of any government regulations governing CDF?

[1] yes	
[2] no	

26. How did you come to know about them?

1. Through reading CDF Act	
2. From political rallies	
3. Through other community members	
4. Chief's <i>baraza</i> .	
5. Seen notices/posters/newspapers	
8. Other (specify).....	

27. To what extent do you agree with the following statements regarding CDF policies and regulations?

		1. Strongly Agree	2. Agree	3. Neutral	4. Disagree	5. Strongly Disagree
		1	2	3	4	5
1	They are well designed to promote local economic development					
2	They are well defined to coordinate the implementation of CDF					
3	Local government officials are committed to ensure that policies regulating the operations of CDF are implemented					
4	They ensure transparency and accountability of the utilization of CDF					
5	They provide proper monitoring and evaluation of CDF projects					
6	They provide proper regulation mechanisms against project duplication					
7	They protect local communities from being manipulated by the local bureaucracy					
8	They have serious implications/consequences against those who engage in corrupt practices pertaining CDF funds					
9	They are designed to ensure that local proposals are given priority					
10	They guarantee local autonomy to the local government in guiding local development					

**PART V: CDF PROJECT IMPLEMENTATION**

28. Are there ways of identifying and prioritizing development projects in your Community?

[1] yes	
[2] no	

29. How were the projects funded by CDF identified? (Mark all that apply)

1. Community identified/agreed	
2. Extracted project from district plans	
3. CDF committee identified/proposed	
4. MP suggested project	
5. MPs close associates determined the project	
6. Don't Know	

30. Have you ever taken part in identifying any CDF project or projects in your location?

[1] yes	
[2] no	

31. If Yes, which one(s)?

1	
2	
3	

32. Do you know anyone who has taken part in identifying at least one project for the CDF?

[1] yes	
[2] no	

33. Do you know how money meant for CDF project(s) implementation is provided to your community?

[1] yes	
[2] no	

34. How is CDF money provided to your community (please tick one)?

1. District Officer	
2. CDF committee	
3. MP	
4. Location Committee	
5. Don't know	

35. To what extent do you agree with the following statements?

		1. Strongly Agree	2. Agree	3. Neutral	4. Disagree	5. Strongly Disagree
1	CDF projects provide job opportunities for local residents in this location					
2	Residents from this locations contract/procure CDF founded projects					
3	CDF target projects that address issues that promote women economic development					
4	CDF target projects that address issues that promote youth economic development					
5	CDF has improved the living standards in our locations					
6	In this location, CDF assist poor students with bursaries					

36. Are community members involved in monitoring CDF projects?

[1] yes	
[2] no	

37. If yes, how does the community monitor/keep track of CDF project implementation?

1. Project committee in place	
2. Project accounts kept	
3. Monitoring committee	
4. Feed-back during meetings	
5. Other means used (specify)	

**PART VI: ACCOUNTABILITY ISSUES IN CDF**

38. Do you know of any cases of corruption in CDF projects?

1. YES	
2. NO	

39. If YES, what forms of corruption do you know of?

1. Payment of bribes	
2. Awarding of tenders irregularly	
3. Shoddy implementation of projects	
4. Nepotism	
5. Other (specify)	

40. If YES, why does corruption take place in the use of CDF money?

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41. What is your assessment of the CDF complaints system?

1. Very effective	
2. Some what effective	
3. Not effective	

42. Are you aware of mechanisms or places where complaints on the CDF projects can be addressed?

[1] YES
[2] NO

43. If YES, name them.

1	
2	
3	

44. To what extent do you agree with the following statements?

1. Strongly Agree      2. Agree    3. Neutral    4. Disagree      5. Strongly Disagree

		1	2	3	4	5
1	Those responsible for the mismanagement of CDF have been held accountable					
2	I am aware of the channels to follow in order to lay complaints against corrupt officials over the CDF					
3	There have been protests in my constituency regarding the implementation of the CDF projects					
4	I have participated in some of these protests					
5	CDF projects are fairly distributed in the constituency					
6	Money set aside for CDF projects are accounted for					
7	CDF project proposals by the community are given priority					
8	Procurement of tenders is fair and transparent					
9	Politicians facilitate equal development agenda in all locations in the constituency					
10	Constituents are aware that they have a responsibility to report any mismanagement of CDF Funds					

45. What do you see as the major weaknesses of CDF?

(1) .....

(2) .....

(3) .....

(4) .....



**Part VII: ASSESSMENT OF CDF PERFORMANCE**

46. What is your level of satisfaction with CDF projects in your community?

1. Satisfied      2. Fairly Satisfied      3. Dissatisfied.

	<b>Indicators or Performance Criteria</b> <b>Level of Satisfaction</b>	Level of satisfaction		
		1	2	3
1	How projects are identified	1	2	3
2	Types of projects within the constituency	1	2	3
3	Location of projects within the constituency	1	2	3
4	Transparency in management of CDF funds			
5	Community participation in decision making (voice)	1	2	3
6	Information sharing among the community members	1	2	3
7	Cost of projects	1	2	3
8	Dispute/conflict resolution mechanisms in place	1	2	3
9	Composition of CDF committees	1	2	3
10	Relevance of projects to people's needs	1	2	3
11	Quantity (number) of projects implemented	1	2	3
12	Time taken to implement projects	1	2	3
13	Targeting of beneficiaries i.e. meeting the needs of special groups (women, children, youths)etc	1	2	3
14	CDF project reach (spreading benefits to all community members)	1	2	3
15	Equity (Addressing the needs of the most needy e.g. remote areas, disabled etc)	1	2	3
16	Accountability of CDF duty bearers to the community	1	2	3
17	Impact of CDF projects on poverty i.e. improving livelihoods	1	2	3

47. What are your suggestions on improving or streamlining allocation of CDF fund and management of CDF-funded projects?

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48. Do you have any final comments or suggestions concerning the subjects discussed in this questionnaire?

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## **Appendix 2: Interview Schedule**

*Hello, my name is Muna Wilson Kamau, a PhD candidate with the University of KwaZulu-Natal in South Africa. I am conducting a study regarding the implementation of Constituency Development Fund (CDF) in Naivasha and Gatanga Constituencies.*

*I would like to ask you a few questions. You do not have to answer any question you do not wish to answer. The questions should take about 30 minutes. After the questions you can ask whatever questions you may have. Your name will be held in strict confidence, and will NOT appear on any documents or publications unless with your express permission. Please answer the questions as honestly and openly as possible. There is no "right" or "wrong" answer.*

1. In your opinion, what do you think is the level of local representation at the national level where decisions over fiscally decentralized funds and policies are deliberated?
2. What do you think is the extent of autonomy/independence in the management of development agenda in this constituency?
3. What is your opinion about the role of fiscal decentralization in local economic development of this constituency?
4. What do you think about the effectiveness of fiscal decentralization policies and frameworks in Kenya?
5. What are the challenges that exist toward the implementation and administration of CDF?
6. What is your opinion about the management of local development by local government as compared to the previous centralized government?
7. What do you think that can be done regarding the implementation of CDF toward promoting local economic development?
8. Do you have any other concern that you would like to raise regarding the implementation of fiscally Decentralized funds and CDF in particular?

### **Appendix 3: Observation Check List**

Status of newly started

Status of on-going

Status of finished

Status of unfinished projects

Location of projects

Types of projects established

Any other observation relevant to the research objective

## Appendix 4: Affiliation with Kisii University, Kenya



### KISII UNIVERSITY

Telephone: 058 30826  
Fascimile: 058 31140  
Email: [kisunico@gmail.com](mailto:kisunico@gmail.com)

P.O. Box 408-40200  
KISII, Kenya

#### OFFICE OF THE DEPUTY VICE CHANCELLOR (ACADEMIC AFFAIRS)

Ref: KSU/DVCAA/2/01

October 3, 2013

Muna Wilson Kamau  
PhD Candidate, Policy and Development Studies  
University of KwaZulu-Natal  
Pietermaritzburg, South Africa  
Cell: +27797740177  
Email: [wmunah2007@gmail.com](mailto:wmunah2007@gmail.com)

**Re: Affiliation with the Kisii University.**

Greetings from the Kisii University.

This letter is to acknowledge your mail dated October 2, 2013 applying for affiliation as a PhD research student with the Department of Research at the Kisii University. We have noted that you plan to research on a very interesting topic (Fiscal Decentralization in Kenya: An Analysis of the Implementation of the Constituency Development Fund in the Naivasha and Gatanga Constituencies) which is of mutual interest to the university and the country. After careful evaluation of your application by the Department of Research, I am glad to let you know that your request has been granted for affiliation with the Department. We understand your project involves a sensitive issue, and we will therefore endeavor to accord you the utmost help you may need in order to succeed.

By a copy of this letter, we hereby inform various units and divisions of the university such as library and other offices to accord you the necessary cooperation to make your stay in Kenya enjoyable. We understand that you will meet all your travel and accommodation costs in the period of your stay. Feel free to consult our library and speak with experts at the Kisii University who may offer you their views in your area of interest and who can help you shape your project in light of what they know through their experience and realities here in Kenya.

We would like to take this earliest opportunity to wish you well during your affiliation with the Department of Research at the Kisii University and look forward to future collaboration with you.

**Prof. Amutabi N. Maurice (Ph.D)**

**Deputy Vice Chancellor (AA)**

## Appendix 5: Ethical Clearance Letter



05 November 2013

**Mr Wilson K Muna (211539083)**  
School of Social Sciences  
Pietermaritzburg Campus

**Protocol reference number: HSS/1230/013D**

**Project title: Fiscal decentralization in Kenya: An analysis of the implementation of the Constituency Development Fund in the Naivasha and Gatanga Constituencies**

Dear Mr Muna,

**Expedited Approval**

I wish to inform you that your application has been granted Full Approval.

**Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. Please note: Research data should be securely stored in the discipline/department for a period of 5 years.**

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

**Appendix 6: Authorization from County Commissioner, Murang'a County**

REPUBLIC OF KENYA



**OFFICE OF THE PRESIDENT**

**MINISTRY OF INTERIOR AND CO-ORDINATION OF NATIONAL GOVERNMENT**

Telephone: 060-2030467  
Email: ccmuranga@gmail.com

**COUNTY COMMISSIONER  
MURANG'A COUNTY  
P. O. BOX 7-10200  
MURANG'A**

*When replying please quote*

Ref. No. PUB.24/II/VOL.I/11

3<sup>rd</sup> January, 2014

Wilson Kamau Muna,  
University of Kwazulu,  
**NATAL**

**RE: RESEARCH AUTHORIZATION**

In reference to a letter NACOSTI/P/13/6850/154 dated 29<sup>th</sup> October, 2013 from the National Commission for Science, Technology and Innovation regarding the above subject, you are hereby given permission to carry out research on "*Fiscal Decentralisation in Kenya: An analysis of the implementation of the Constituency Development fund in Gatanga Constituency*" for a period ending 30<sup>th</sup> November, 2015.

**COUNTY COMMISSIONER  
MURANG'A COUNTY**

J.K. KURIA  
For: **COUNTY COMMISSIONER  
MURANG'A COUNTY**

c.c.  
The Deputy County Commissioner,  
**Gatanga Sub-County.**

**Appendix 7: Authorization from County Director of Education, Murang'a County**

**MINISTRY OF EDUCATION SCIENCE AND TECHNOLOGY**

Telegrams: "SCHOOLING", Murang'a  
Telephone: Murang'a 060-2030227  
When replying please quote



REPUBLIC OF KENYA

COUNTY DIRECTOR OF EDUCATION  
MURANG'A COUNTY  
P.O.BOX 118 - 10200  
MURANG'A

**REF: MGA/CTY/GEN/64/VOL. I/31**

**3<sup>rd</sup> January, 2014**

Wilson Kamau Muna,  
University of Kwazulu,  
**NATAL.**

**RE: RESEARCH AUTHORIZATION**

The County Education office is in receipt of your request for authority to carry out research on "*Fiscal Decentralisation in Kenya: An analysis of the implementation of the constituency development fund in the Naivasha and Gatanga Constituencies.*"

Authority is hereby granted to conduct the research in *Murang'a County* for the period ending **30<sup>th</sup> November, 2015.**

A handwritten signature in blue ink, appearing to read 'Kariuki Mwangi'.

KARIUKI MWANGI  
FOR: COUNTY DIRECTOR OF EDUCATION  
**MURANG'A COUNTY**





## Appendix 8: Authorization from County Director of Education, Nakuru County

### MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

Telegrams: "EDUCATION",  
Telephone: 051-2216917  
Fax: 051-2217308  
Email: cdenakurucounty@yahoo.com  
When replying please quote  
Ref. NO.CDE/NKU/GEN/4/1/2/194)



COUNTY DIRECTOR OF EDUCATION  
NAKURU COUNTY  
P. O. BOX 259,  
NAKURU.

02<sup>nd</sup> February, 2014

Wilson Kamau Muna  
University of Kwanza  
NATAL

#### RE: RESEARCH AUTHORIZATION APPROVAL

The above research issue refers. You are hereby granted approval to conduct the research on the topic "***Fiscal Decentralization in Kenya: An analysis of the implementation of the Constituency Development Fund in the Naivasha (Nakuru County) AND Gatanga Constituencies***".

You are also advised to pay courtesy call to the DEO of the designated area of study to acknowledge your presence amongst education stakeholders you might involve in that educational jurisdiction. We wish you a successful research undertaking in the county.

A handwritten signature in black ink, appearing to read 'M.K. Kiarie'.

M.K. KIARIE  
FOR: COUNTY DIRECTOR OF EDUCATION  
NAKURU COUNTY



Appendix 9: Authorization by County Commissioner, Nakuru County



**OF THE PRESIDENT**  
MINISTRY OF INTERIOR AND  
CO-ORDINATION OF NATIONAL GOVERNMENT

Telegrams: "DISTRICTER", Nakuru  
Telephone: Nakuru 051-2212515  
When replying please quote

COUNTY COMMISSIONER  
NAKURU COUNTY  
P.O. BOX 81  
**NAKURU.**

Ref. No. **CC. EDU 12/1/2 VOL.I/18**

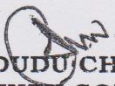
2<sup>nd</sup> January 2014

Deputy County Commissioner,  
NAIVASHA SUB COUNTY

**RE: RESEARCH AUTHORIZATION - WILSON KAMAU MUNA**

The above named student has been given permission to carryout research on "***Fiscal Decentralisation in Kenya: An analysis of the implementation of the constituency development fund in Naivasha constituency***" Naivasha Sub County.

Kindly give him the necessary assistance.

  
**MWACHIDUDU CHIMERA**  
**FOR: COUNTY COMMISSIONER**  
**NAKURU COUNTY**

## Appendix 10: Informed Consent Letter



University of KwaZulu Natal  
Private Bag X01, Scottsville 3209  
Pietermaritzburg  
South Africa

Humanities Research Ethics Office  
University of KwaZulu-Natal  
033 260 3387  
ximbap@ukzn.ac.za

Dear Respondent

### Informed Consent Letter

I, **Wilson Kamau Muna**, is undertaking a research project entitled: 'Fiscal Decentralisation in Kenya: A Case Study of the Implementation of the Constituency Development Fund in the Naivasha and Gatanga Constituencies'. I kindly invite you to participate in this research project, which is part of my requirement as a PhD candidate from the University of KwaZulu-Natal (UKZN), Policy and Development Studies Department, School of Social Sciences. You have been purposely selected to participate in this project because the researcher believes that you can provide relevant information regarding local development in your constituency.

The aim of this study is to investigate *the role of fiscal decentralized funds in Kenya (in the case of CDF) on local economic development*.

Participation in this research project is voluntary. You may refuse to participate or withdraw from the research project at any stage and for any reason without any form of disadvantage. There will be no monetary gain from participating in this research project. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Department of Policy and Development Studies, at the University of KwaZulu-Natal. The information collected will be safely stored in a password protected computer file for at least 5 years, and thereafter archived as per the UKZN policy.

It should take you about 30 minutes to participate.

Thank you for participating in this research project.

### **Declaration**

I..... (full names of participant) hereby confirm that I understand the contents of this document and the of the project, and I consent to participating in the research project.

I understand that I am at liberty to with draw from the project at any time, should I so desire.

I consent/ do not consent to participate as a respondent in this project.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Should you require any further information, please do not hesitate to contact myself, my project supervisor, or the Humanities Research Ethics Office with the addresses provided below.

**Supervisor's details**  
Dr. Anne Stanton  
Institution: University of KwaZulu-Natal  
Telephone number: 033-260 5309  
Email address: [stanton@ukzn.ac.za](mailto:stanton@ukzn.ac.za)

**Student's details**  
Wilson Kamau Muna  
Institution: University of KwaZulu-Natal  
Telephone number: 031 260 5841  
Email address: [211539083@stu.ukzn.ac.za](mailto:211539083@stu.ukzn.ac.za)

Humanities Research Ethics Office  
University of KwaZulu-Natal  
033 260 3387  
[ximbap@ukzn.ac.za](mailto:ximbap@ukzn.ac.za)

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