A victim of skewed power relations

The global financial crisis has led to endemic unemployment, a growing budget deficit and a rise in the country's debt. The Government must implement a fiscal policy that stabilizes the economy while altering the amount and structure of taxes and expenditures, as well as the distribution of wealth. It must also ensure efficient allocation of public resources and social transformation in all spheres of life. At the same time, development financing should be tied to democratic reforms. The process should challenge the centralizing logic of power, emerging from a public discussion mediated by values of equity and dignity.

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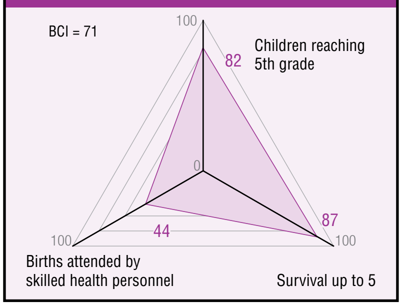
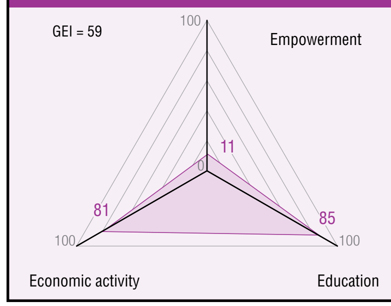


Gender Equity Index (GEI) 2009



The current crisis of neo-liberalism gives development policy actors an opportunity to reenter the debate on public policy and open a discussion about the kind of development we want and how such development should be financed in a sustainable way. It also impels us to re-think the financial requirements for development in the context of dwindling official and private financial inflows, a mounting debt burden and an increasing budget deficit. This re-examination must begin with a recognition that at both global and national levels, finance is a function of power relations rather than a neutral resource. It has to look at both money as value and at the institutions that control it, primarily corporations, financial institutions and government agencies that deal with the critical functions of regulation, budgeting, expenditure and auditing.

Since its adoption as a policy framework for international cooperation in financing development in 2002, the Monterrey Consensus has become the major reference point of resource mobilization for the development of Southern economies. All six areas elaborated in the consensus rely on traditional market-based methods for raising development finance, with a formal commitment to process and implementation. However, the 2008 Doha review conference on Financing for Development (FfD) failed to provide the necessary traction. It did not address the contradictions between financial capitalism, caught up in a speculative frenzy, and the ethical imperatives of equitable social development. A new FfD consensus is needed, based on new perspectives.

The quest for a link between financing and development

Mainstream perspectives on financing for development have been excessively focused on financing instruments, volume of resources mobilized – both domestic and international –, debt sustainability and systemic and coherence issues. These are diversions from the real imperative: creating a viable nexus between finance and development.

For the past 20 years, Kenya has been attempting to write a new Constitution that would re-define power relations between citizens and their government. This constitutional review process has been held hostage by tribal competition for power. At a time, when inter-ethnic conflict is a real danger, Kenyan authorities are reluctant to inform the public about the deleterious effects of the global financial crisis on the national economy.

The crisis has led to endemic unemployment, a growing budget deficit and a rise in the debt portfolio. In 2008, the growth rate declined to 2.1%. In the first quarter of 2009 it climbed to 4%, but dropped to 2.1% in the second quarter. This slowdown in economic growth has reduced employment and increased poverty.[1] To mitigate the effects, the Government has introduced measures such as the Stimulus Package, which targets various sectors of the economy. The funding allocations, however, have apparently been made without regard to sectoral priorities; they implement a development policy strategy created without broad based consultation. Shaping an effective strategy would require a redefinition of power relations centered on values of equity, dignity, participation and devolution. This would make it possible to establish a social contract that could be the framework for a people-driven financing for development process.

Cross-generational poverty

The current Kenyan constitutional order was inherited from the colonial government. It perpetuates a culture of political and economic supremacy of the privileged sections of society, subjugating the majority of the population in a life of poverty from one generation to the next, despite the illusion of change in every successive election. In an otherwise inherently peaceful society the recent post-election violence and earlier intermittent violent conflicts have been generated by tribal competition for patrimonial authority in the country's successive post-colonial republics.

Despite its difficulties, the country enjoys a high tax yield, with a tax-to-GDP ratio of over 20%. It is able to finance a large share of its budget; external donor support finances a much smaller proportion than in other countries in the region. On the revenue side, the Government has continued its efforts to mobilize domestic resources for poverty reduction efforts by broadening the tax base through tax policy reforms and modernization of domestic tax and customs administration. However, this efficiency in revenue generation and tax collection has not been sufficient to guarantee poverty reduction.

The Government needs a fiscal policy that stabilizes the economy and establishes controls over the amount and structure of taxes and expenditures while promoting redistribution of wealth. This policy must also ensure efficient allocation of public resources essential to economic development and

1 Francis M. Mwega, "Paper 17: Kenya," Overseas Development Institute, Global Financial Discussion Series. Available from: <www.odi.org.uk/resources/download/4723.pdf>.

social transformation in all spheres of life. Revenue generation should move beyond the administration, compliance and monitoring of the tax system. The citizenry must demand transparency and accountability over the use of public resources in improving public service delivery. The chart 1 demonstrates how skewed revenue composition is.

The Constituency Development Fund Act: cementing the power structure

Attempts have been made to shift the focus of power to the grassroots level. This shift embraces the notion of subsidiarity to signify a shift of power from the Central Government to local levels of public authority. However, the implementation of the concept has not been altogether successful. Such is the case with the introduction of devolved funds and, more specifically, with the Constituency Development Fund (CDF), established under the CDF Act of 2003[2]. This legislation is intended to affirm the rights, roles and responsibility of citizens, especially at the grassroots level, in determining priorities and finances for development. It was originally conceptualized and designed to address historical injustices in resource allocation by the Central Government, especially during the eras of presidents Jomo Kenyatta and Daniel Moi (1963 to 2002), when resource distribution was based on political allegiance. At its inception in 2003 after the defeat of the Moi regime, the CFA was lauded for its boldness in shifting development priority planning from the Central Government to the constituency level. It became a fundamental pillar in the reform process that was meant to discipline neo-liberal democracy in favour of the logic and principles of subsidiarity.

The CDF was established to help subregions that had been starved of development finance as a punitive measure and to control imbalances in regional development generated by partisan politics. Ultimately, it cemented the domination of the ruling elite over livelihoods and community life. In most cases, the devolved funds have elevated Members of Parliament who are in-charge of the colossal kitty into life lords. The Member of Parliament, as the Patron of the fund, is given power to appoint the Constituency Development Funds Committee and the Accounting Officer.[3] This absolute power over resource allocation at the grassroots level reflects the current paradigm of neo-liberal democracy, which is based on the putative efficacy of market forces.[4] In practice, it ensures that the Member of Parliament has the power and resources to sustain a culture of patronage and clientelism and, by extension, perpetuates the patronage culture of earlier regimes, which starved political adversaries and opposition zones of much needed development funds.

Citizens must be involved

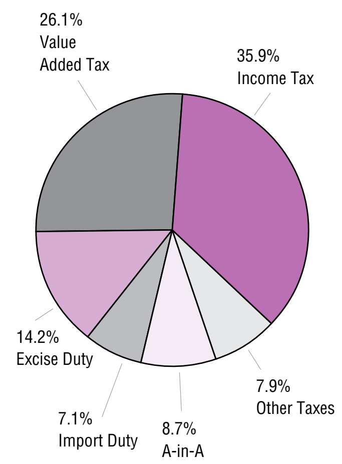
The danger of not involving citizens in resource mobilization and allocation to the local level is that it has an adverse effect on the livelihood systems of communities at the household level. Members of Parliament have been known to allocate resources such as infrastructural development funds to their homes areas and political strongholdsand to divert education bursary funds to their political supporters[5]. The Constituency Funds Committees charged with responsibility for managing the kitty are also filled with relatives and friends. For instance Transparency International survey in the Coast Province found that 73% of respondents were not familiar with the operation of these funds. The same survey reported that 60% of residents attributed their lack of involvement in CDF projects to their political filiation.[6] During the seven years that the funds have been allocated, despite economic growth of 6%[7] in the first five years of post-Moi era, poverty has not only escalated, it has intensified and has recently become even worse: over 56% of the Kenyan population lives below the poverty line, a sharp rise from 42% in 2007.[8]

Devolution of resources without devolution of power to determine how these resources are to be used is merely an extension of the current paradigm of development in countries like Kenya and those of the Global South. This raises the question of whether there is real interest in empowering communities to control their own destinies.

Policies of Western development partners that link financing for development to democratic reforms, do not generate new power arrangements that could lead to equitable and effective use of resources, which would improve community life. In fact, such development financing, especially when it is funneled through civil society organizations to promote local development, is tied to an aid paradigm that, in most cases, has actually been an attempt to shift power to foreign government and companies

The current FfD paradigm should be recast to challenge the centralizing logic of power and decentralize it to the communities and collectives. The centralizing logic within the notion of liberal democracy has an implicit bias toward marginalizing and oppressing the majority. A new paradigm is needed that aspires to create a world that inspires growth of both individuals and collectives rather than profit or gain.

CHART 1. Composition of ordinary Revenue 2008-2009



Source: Ministry of Finance, Budget Statistics 2008-2009.

This new FfD paradigm must be created through a popular conversation mediated by values of equity and dignity. Every individual man, women, youth and child should be asked to contribute to the process and help determine development goals.A new paradigm developed through this process would create devolved levels of power that would inform a new development logic based on the social development needs of all citizens. ■

2 CDF Act, *Kenya Gazette Supplement* No. 107.

3 *Ibid*.

4 Corinne Kumar. "South Wind, Towards A New Political Imaginary," in *Dialogue and Difference* ,(London; Palgrave Macmillan, 2005).

5 George Ochieng, "CDF Social Audit Report-Nyanza,*"* 2009.

6 Pwani Coalition on Good Governance, *Citizen's Monitoring Report 2010*.

7 Budget Speech of the Minister of Finance, 2007. Available from: <www.treasury.go.ke> (accessed 20 February, 2010).

8 Available from: <www.kbc.co.ke/story.asp?ID=62203>.