



## iiG Briefing Paper \$& \*

### **Decentralization, Accountability and the MPs Elections: The Case of the Constituency Development Fund in Kenya**

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Over the last ten years the Kenyan Government has intensified the use of decentralized programs in its strategy to tackle poverty and reverse regional disparities. A prime example of this policy is the Constituency Development Fund (CDF) launched in 2003. The CDF allocates resources to all of the 210 constituencies, taking into account constituency poverty levels. The CDF is designed to consider local needs and preferences, by stipulating that the MP of each constituency should decide along with members of the local community how to use the funds to tackle poverty. In practice however, there have been concerns that the participation of residents in the decision making has been limited, and that the role of MPs as legislators, implementors and auditors of the fund reduces incentives for transparency and good management of the fund.

Despite the weak institutional framework supporting the CDF, MPs are still accountable to residents in general elections, when residents have the opportunity to assess the performance of their MPs and reward or punish MPs with their vote. In Kenya's last general election of December 2007, only 40% of the incumbent MPs were re-elected despite the fact that the great majority (80%) of them were contending for re-election. Unlike the presidential election, international electoral observers and Kenyan political parties did not dispute the MPs election outcome, so the election results for MPs are unlikely to be an artefact of election irregularities. The outcome of the MP elections raises serious questions about the factors that influenced voting behavior, and whether the way MPs managed the Constituency Development Fund affected their re-election chances in a country where voting has traditionally been motivated by ethnic ties rather than the performance of politicians.

Some insights into these questions can be gained from the two nationally representative voter surveys that the Centre for the Study of African Economies (CSAE) conducted just before and after the 2007 elections, especially when combined with publicly available information of how MPs used the CDF over the period 2003-2007. Below we present how the CDF was used and a summary of the key preliminary findings from the CSAE surveys.

#### **CDF: How does it work?**

President Mwai Kibaki first became President in 2002 aided by the National Rainbow Coalition (NARC) bringing to an end KANU's one-party dominance since Independence in 1963. The NARC government promised to devolve power away from the centre and to share political power among Kenya's diverse groups. With this hopes the CDF was established in

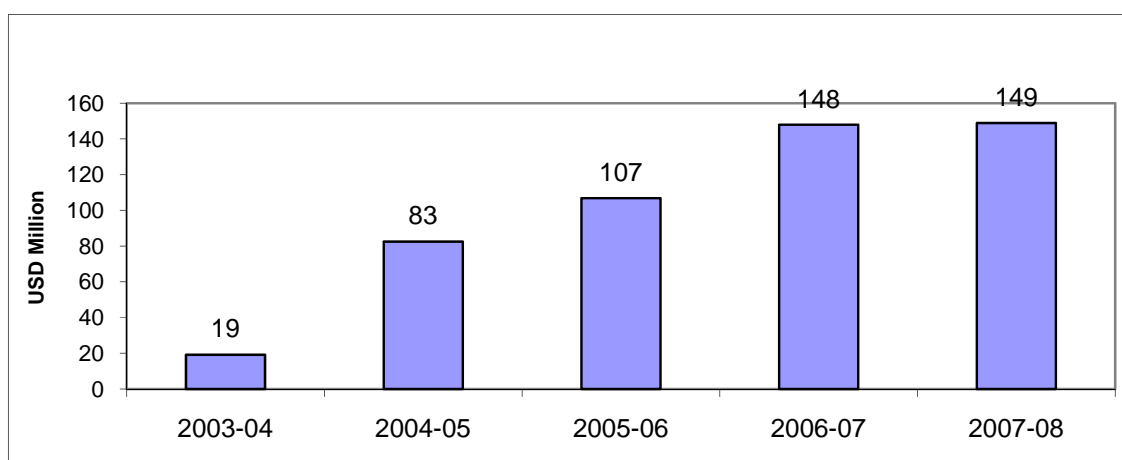
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2003 through an Act of the Parliament with the goal of fighting poverty at the grassroots level. To achieve this goal the CDF ensures that constituencies receive 2.5% of the Government annual ordinary revenue, besides monies to be received from other sources by the National Management Committee of the fund.

In total, the government allocated 19 USD million to the CDF fund for the financial year 2003/4 followed by 83 USD million in 2004/5, 107 USD million in 2005/6, 148 USD million on the year previous to election that is 2006/7 and 149 USD million to the newly elected parliament in the 2007/8 financial year. The increase in the value of the CDF allocation reflects the economic recovery of Kenya. In 2002, when Kibaki took over as president the Kenyan economy was stagnant and in the year ahead of the election Kenya was growing at 6.1%.

Figure 1: CDF Allocations 2003-08



The CDF fund was first distributed equally among the 210 constituencies but since 2004 the central government has committed to use an allocation formula to distribute the development funds such that the government may not renege its obligation as happened in previous decentralization programs. This formula also aims to provide a fairly uniform fund to each constituency, but some allowance is made for poverty levels, such that the poorest constituencies receive slightly more resources. According to the CDF Act this formula estimates that 75% of the net available fund is distributed equally among all 210 constituencies, whilst 25% of the net available fund is distributed according to a weighted value of the constituency's contribution to national poverty. The weighting factor applied to the constituency contribution to poverty is the ratio of urban-rural poor population derived from the 1999 population and housing census. This weight favors rural areas by a factor of 0.23 to urban areas. The net available CDF fund is the total CDF allocation after netting out 3% for an administrative budget and 5% for a so called constituency emergency budget.

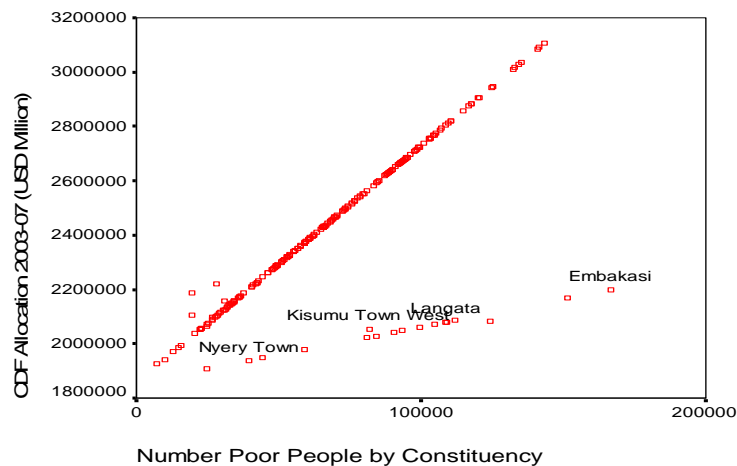
$$\text{CDF Allocated} = \left[ \frac{0.75 * \text{CDF}}{210} + (0.25 * \text{CDF} * \text{weighted contribution poverty}) \right]$$

The reason why the CDF Board decided to bias allocations against urban areas was the fact that the majority of the poor population live and derive their livelihoods from rural areas. According to the 1999 census the share of urban poor to rural poor population was 19 and 81 percent. So improving the rural socio-economic outlook is among the highest needs for the majority of the population. Another aspect considered to bias the CDF allocation against urban areas was to deter migration from rural to urban areas. The CDF Board considered that the concentration of people in slum settlements in urban areas could

be an indication that the living conditions and economic opportunities in settlers' respective rural areas of origin were probably worse. So the logic of the CDF Board was that if rural areas are better developed and more capable of absorbing a growing population, then fewer people might be attracted to migrate into urban slums.

Whether or not allocations biased against urban areas will actually deter migration toward urban areas is out of the scope of this study. Nonetheless it is clear that the given weighted allocations have resulted in allocations biased towards major towns. For instance the next figure plots the number of poor people constituencies had in 2006 and the CDF allocations given over the period 2003-07. As the figure shows some constituencies such as Nakuru Town, Nyeri Town, Kisumu Town (West and East), Langata (the constituency of Raila Odinga), and Embakasi have received considerably smaller CDF allocations than constituencies where the poor are more concentrated in rural areas. It is worth mentioning that all these constituencies with smaller CDF allocations experienced high levels of post-electoral violence. Of course we are not making here a cause-effect analysis of the electoral violence but the fact that these constituencies received smaller allocations than other constituencies could have added to the already existing grievances in these areas.

Figure 2: CDF Allocation and Poverty Allocations at Constituency level



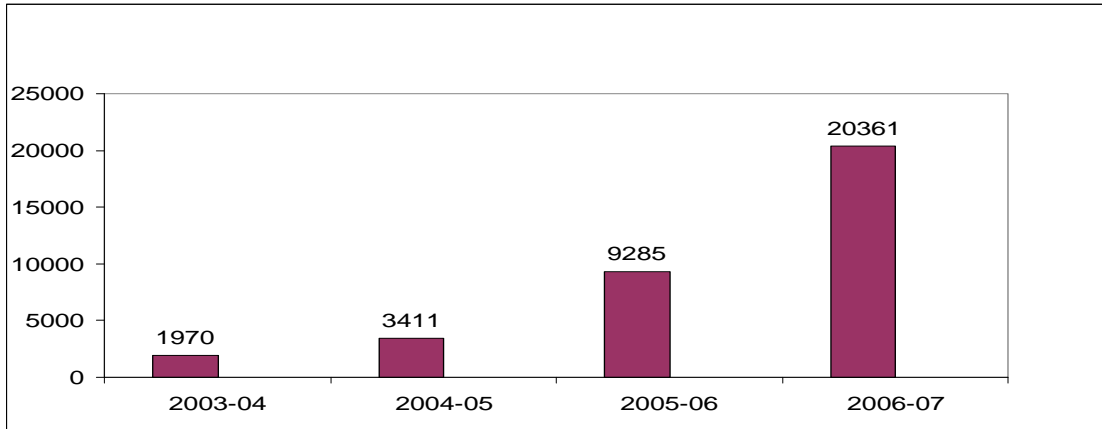
In order for the sitting MPs to make use of the CDF funds they first need to form a local committee which will invite proposals from members of the constituency to make expenditure choices in line with local needs and preferences. The committee headed by the MP needed to be formed within the first trimester of 2003 and be composed by at most 15 non-paid local people with four reserved seats (for a woman, a religious leader, a representative of an NGO and a young person) to ensure a broad representation.

The local committees prioritise projects suggested by residents and recommend projects that could tackle poverty in the constituency. A list of projects with top priority is then sent to a District CDF committee which reviews whether the projects are in line with the CDF regulations. If that is the case the projects are then sent to the national CDF board which has to approve the disbursement of funds to the local committee.

Local committees have the freedom to run any sort of development projects provided they are not used to support political parties or religious bodies. Development projects may include the acquisition of land, vehicles, machinery or equipment. The number of projects that each constituency can get approved per financial year are a minimum of five and a maximum of twenty five. Figure 3 shows the total number of projects run by all the 210 constituencies over the period 2003-07. In 2003 a total of 1,970 CDF projects was run and by 2006-07 this number increased to 20,361 CDF. The number of CDF projects increased as the CDF total allocations did. However, in the elections year of 2006-07 there was a particularly notable increase in CDF activity. For instance, the number of CDF projects

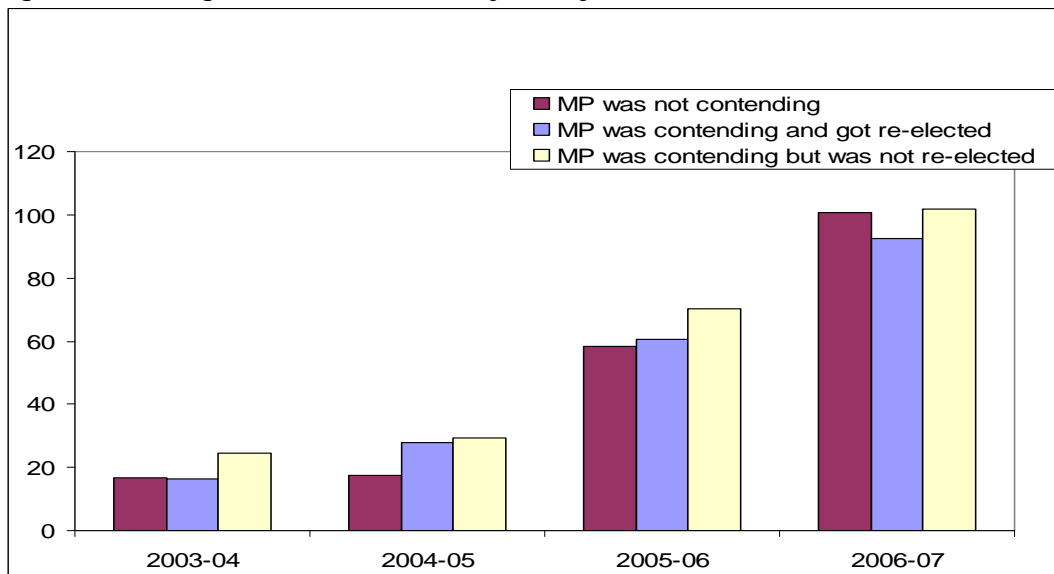
increased by 119% compared to the previous year whilst the CDF allocations increased by just 38%.

Figure 3: Number of CDF Projects 2003-07



In the elections 183 out of 210 outgoing MPs were contending to be re-elected. Of those only 77 managed to be re-elected. Among MPs we observe an increasing average number of CDF projects over time, independently of whether the MP won or lost in the 2007 election. That is the average number of projects increase as the allocations did for all type of MPs (whether they won or not), but a sharper increase was experienced in the year ahead of the election 2006-07. As the next figure shows, the MPs who lost in the 2007 election were on average running more CDF projects in every single year over the period 2003-07 than those MPs who actually won in the 2007 elections or who were not contending. Even in 2003 when every constituency got the same amount of CDF allocation the MPs who then lost the election in 2007 run more projects than the rest of MPs.

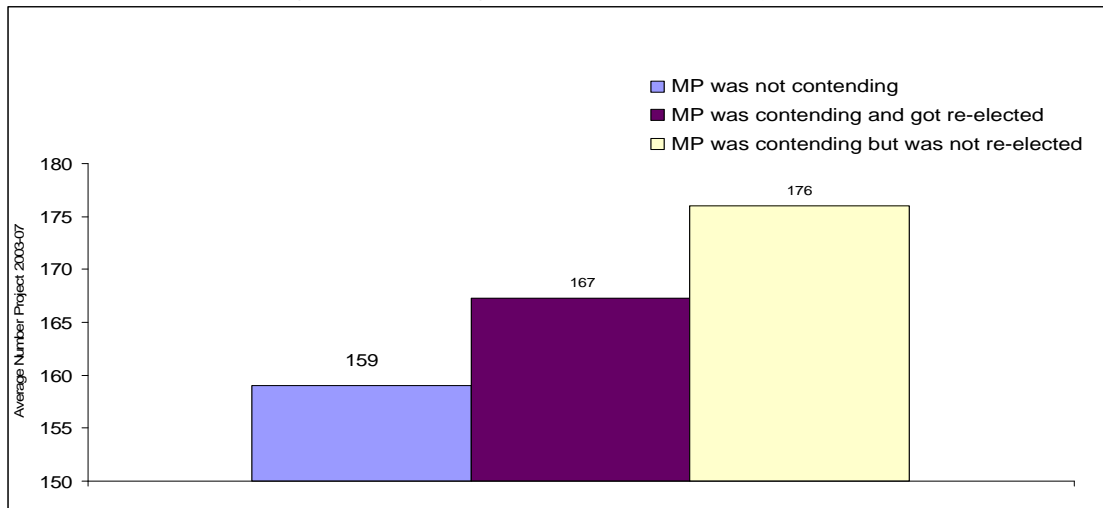
Figure 4: Average Number of CDF Projects by status of MP in 2007 elections



As figure 5 shows, over the period 2003-07 the MPs that lost in the 2007 elections run on average the most number of CDF projects (176 projects), followed by those MPs that actually got re-elected (167 projects) and by those MPs who were not contending in the election (159 projects). A potential reason for the difference in the average number of CDF projects run is the allocations that constituencies received. The MPs that lost in the 2007 elections got on average the highest CDF allocations 758,294 USD, as these constituencies

had on average a larger number of poor people than the constituencies of the MPs that won or that did not contest in the 2007 elections. In contrast the constituencies of the MPs who got re-elected received on average less CDF allocations (739,336 USD) than those MPs that lost in the elections and than those who did not contest in elections. The MPs who did not contest in the elections run on average less projects than those MPs who were contending in the elections despite the fact that they received larger allocations than those who won the elections and a similar amount to those who lost the elections.

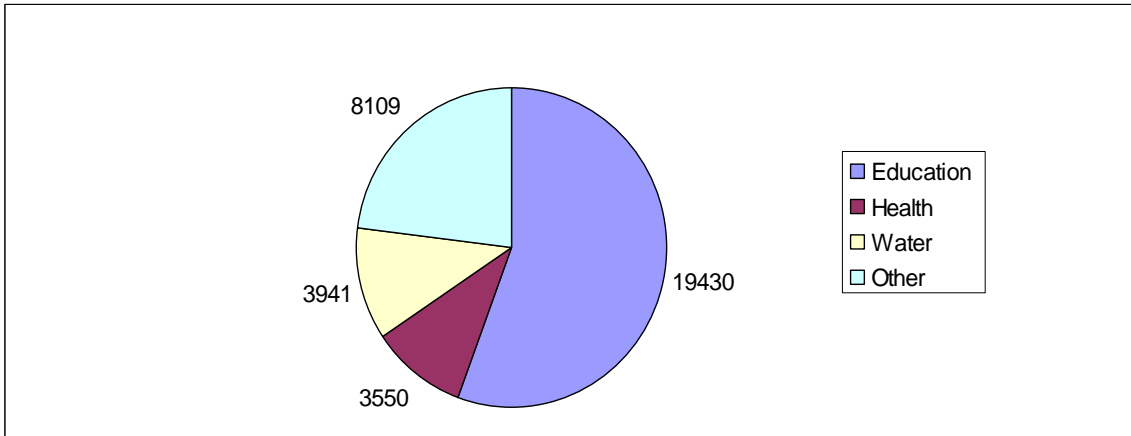
Figure 5: Average number of CDF Projects 2003-07



The number of projects run gives an indication of the effort put by MPs into using the CDF and potentially how MPs used the funds to win elections. Another indicator is the actual CDF expenditure of MPs. The CDF act establishes that MPs do not have to spend all their given CDF allocations as they have the discretion of saving unspent allocations and roll over this amount to subsequent fiscal years. Unfortunately the public available CDF dataset has scant information on the actual CDF expenditure per CDF project. Bearing in mind this limitation, the MPs that have the highest reported expenditure are those who lost the election with an average of 296,209 USD spent per constituency, followed by those who did not contest in the election with an average reported expenditure of 257,346 USD and by those who actually won the election with an average reported expenditure of 242,654 USD. The differences in these reported expenditure could well be due to differences in actual expenditures or allocations given, but also due to differences in the quality of accounting across constituencies.

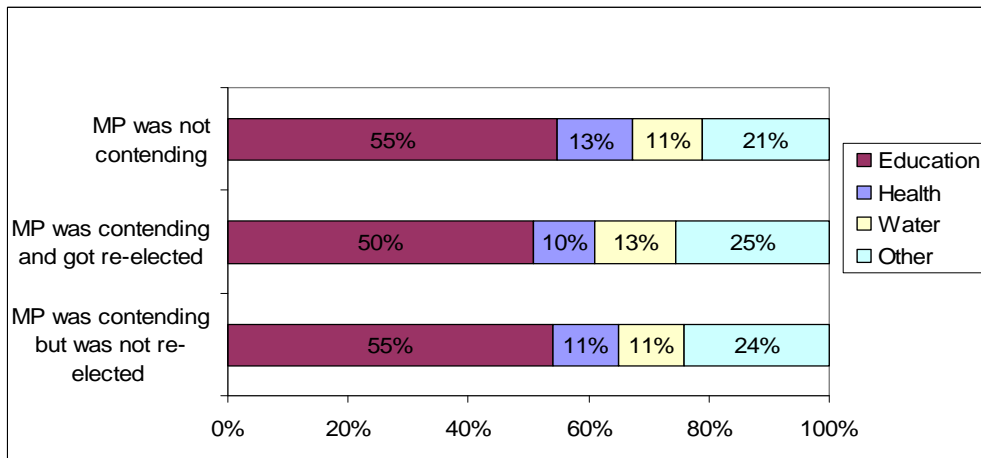
Since reported expenditure is not a reliable basis for analyzing difference in behavior across constituencies, we focus next on what sort of projects were run by MPs. Over the period 2003-07 the majority of projects (55%) were dedicated to education, followed by water (11%), health (10%) and various other projects such as roads, infrastructure and sports. Constituencies have provided scant information about the exact nature of the projects as most information merely refers for instance to dispensary, school building improvement, road in town, etc.

Figure 6: Type of CDF Projects 2003-07



In general MPs run the majority of their CDF funded projects in the education sector since the creation of the CDF up until the election year of 2007. A similar picture emerges when we analyze this information by whether the MPs were contending in the elections and whether they won or not the election. Nonetheless the share of CDF education projects out of the total CDF projects was 5 percentage points lower for MPs who were re-elected compared to other MPs. The share of CDF funded water projects was 2% percentage points higher among re-elected MPs than the rest of MPs. These differences in type of projects run and the election outcome could suggest that voters' preferences and needs played a role when casting their votes for their MPs.

Figure 7: Type of CDF Projects 2003-07 by status of MP in 2007 elections



The concerns raised with regard to the management and accountability of the fund require greater scrutiny from citizens, and what a better opportunity to observe how MPs were scrutinized than the last general elections of 2007. In these election citizens had the opportunity to evaluate the performance of their MPs who ruled over 2002-2007 and vote out those MPs who abused their position. In order to find out whether the management of the CDF had an impact on voting intentions we conducted household surveys before and after the general elections of December 2007. The findings of the surveys are described next.

### **CSAE Pre- and Post- Electoral Surveys**

Two weeks ahead of the elections the CSAE conducted a detailed survey of voter intentions, perceptions on how the CDF has been spent, political parties vote-buying or intimidation activities, and socio-economic characteristics among other themes. The data are based on a nationally and regionally representative of 1,207 Kenyans aged 18 and over who were interviewed in 76 out of the 210 constituencies. The second survey, conducted in August 2008, revisited previous respondents to find out about their experiences in the aftermath of the election, and also to find out in more detail their opinions about how their past MPs managed the CDF, and whether their views had changed regarding democracy, decentralization of funds, and trust in institutions among other issues. As the surveys were conducted right before the elections and some time after the elections they provide a good picture of voting intentions and how economic/political perceptions changed in the aftermath of the elections. An advantage of asking respondents about the use of the CDF is that until the election day only one cohort of MPs have managed the CDF, that is the MPs that served over the period 2002-07. Hence the opinions and evaluations regarding the CDF will be entirely attributable to the outgoing MPs and not to earlier ones.

### **Voting intention**

At the time of our pre-election survey, most respondents –96 percent planned to participate in the elections. Our survey showed that the leading candidates—Kibaki and Odinga- were in a virtual statistical tie (with 40.2% of intended vote for Kibaki and 46.7 for Odinga) so any one of them could have won depending on voter turnout. Our surveyed voting intentions for the presidential candidates coincide with similar opinion surveys conducted in Kenya as well as with a major exit poll conducted by the University of California, San Diego. The Election Commission of Kenya however found that Kibaki had won the presidential election with 51.3 percent of the votes to 48.7 percent for Odinga. The opposition claimed fraud and international electoral observers reported a number of irregularities in the tallying and counting of ballots in the presidential election. The outcome of the elections, and primarily because of the belief that the presidential election was rigged, culminated in unprecedented levels of violence. While our research does not dwell on the issue of irregularities, we are able to infer from the survey that the electorate was highly polarized between two parties, the ODM led by Raila Odinga and PNU led by the incumbent president Mwai Kibaki. This polarization was also evident in the elections for MPs. As the next table shows, the pre-election survey gives a very good approximation of the actual election results for the MPs election according to the results released by the Electoral Commission of Kenya (ECK). The vote was primarily divided between the ODM and PNU parties.

Table 1: Voting intention in MPs 2007 elections

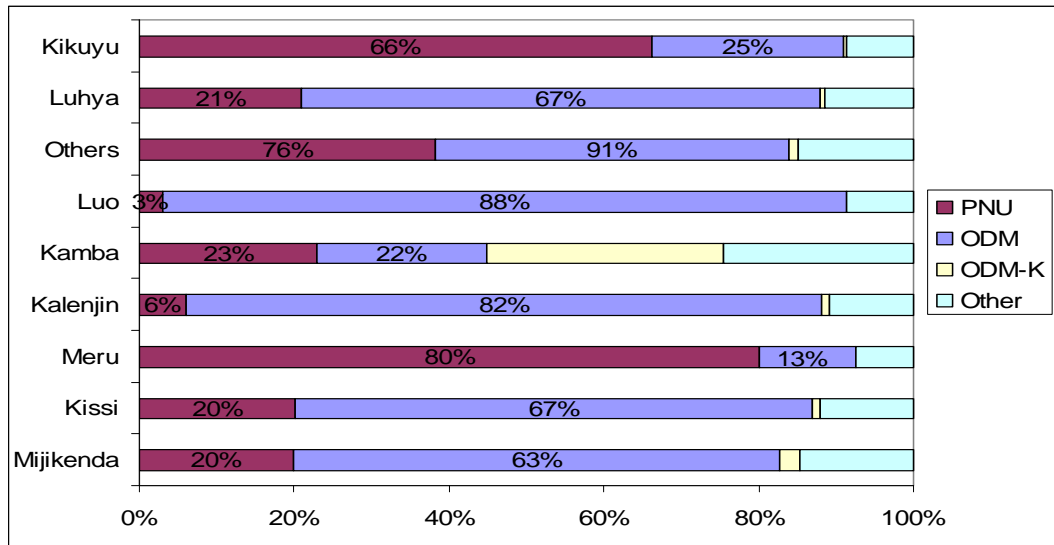
Political Party	Percent of intended vote according to pre-election survey	Percent of total elected MPs according to ECK	Number of MPs elected by party according to ECK
ODM	41.89	47.83	99
PNU	33.09	21.26	44
ODM-K	6.19	7.73	16
KANU	1.06	6.76	14
NARC	1.06	1.45	3
NARC-K	0.73	1.93	4
SISI KWA SISI	0.65	0.97	2
KENDA	0.57	0.48	1
SAFINA	0.41	2.4	5
Mazingira Greens	0.41	0.48	1
FORD-K	0.41	0.48	1
DP	0.41	0.97	2
FORD-P	0.24	1.45	3
N LP	0.24	0.48	1
NEW FORD-KENYA	0.16	0.97	2
KADDU	0.16	0.48	1
KADU-A	0.08	0.48	1
PDP	0.08	0.48	1
Other parties	2.12	2.9	6
Don't know	8.64		
Would not vote	1.39		

### Voting Intentions and Ethnicity

Classifying voter preferences for a presidential candidate and voters' ethnic group shows that there is unison in voting patterns among most ethnic groups. The three main presidential candidates, Kibaki (of Kikuyu ethnicity), Odinga (of Luo ethnicity) and Kalonzo (of Kamba ethnicity) were overwhelmingly supported by the people from their own ethnic groups. Other ethnic groups that did not have a major presidential candidates contending in the election seem to have voted for one of the candidates in a block: The Luhyas and Kalenjins primarily supported Odinga, while the Merus and Embus supported Kibaki. The same picture emerges in voting intentions for the MPs. As Figure 9 shows the majority of Kikuyus and Merus intended to vote for MPs from the PNU party, the majority of Luos, Luhyas, Kissi, Mijikenda and Kalenjin intended to vote for MPs from the ODM party. This unison between of ethnic groups and voting intentions suggests that about 40% of the surveyed population had an apparent intention to vote based on ethnic grounds. But of course these are mere correlations and other factors could well be considered when voting for MPs.



Figure 9: Voting intentions for MP and Respondents' Ethnicity



### MP's Evaluation

Our pre-election survey shows that the majority of respondents (60%) disapprove of the performance of their MP over their administration (2002-07) and also the majority of respondents (62%) thought that their MP was not honest. With these poor perceptions it is perhaps not surprising to find that only 32% of respondents claimed that they would vote to re-elect their outgoing MP and 8.64% were still thinking for which MP to vote just two weeks before the elections.

Experience in managing funds, honesty and interest in the community are aspects that our respondents claimed to value a great deal. At least that is what 90 percent of our respondents answered to our question what is the most important factor that motivated them to support their preferred presidential candidates. With MPs being the closest authority to which citizens could have contact with it is perhaps surprising to find that roughly half of respondents think that their MP does not care about their community, is not qualified to manage public funds, to serve the community or to have more responsibilities within the MP's party.

### Perceptions on how the CDF was managed

The management of the CDF might test many of the managerial qualities of the MPs but also their ability to communicate and show how they care for the constituency. According to our survey 88% of respondents believe that their community was not involved in the CDF, that is in the design of projects or meetings, and 56% of respondents believe that the CDF was not being used for the purpose intended in their communities. Despite these perceptions, 60% think that the CDF helped to reduce poverty and 77% think that the CDF improved services such as education and health in their communities.

### Did the CDF helped to reduce poverty?

Although the majority of respondents think that the CDF helped to reduce poverty, also roughly half of the respondents think that the CDF has benefited mainly people of a specific political party in the community and that their MP used the CDF to fund his/her political campaign or to buy votes. These perceptions suggest that there are mixed evaluations on how the CDF has been used.

In the post-election survey we asked our respondents whether the reason they voted to re-elect their MP was because of how well he/she used the CDF, that is provided that the respondent claimed they had voted for their MP. Forty two percent of the total respondents agree that how well the CDF had been managed was the reason for which they chose to vote for their outgoing MP.

### **What factors influenced voting intentions for MPs?**

In the earlier sections we showed separately how MPs used the CDF and how voters perceived the fund was used and the performance of their MPs. With the aim of bringing these issues together we have used econometric analysis to assess what factors shaped Kenyan's voting intentions for MPs. Ethnic identity is likely to have played an important role in influencing voting intentions but we also wish to know whether social identity, the MP's use of the CDF, or MP's ability – or some combination of the three – is the driving force behind the voting intentions in Kenya's December 2007 MPs election. As such we will be testing three main hypotheses. The central hypothesis to test is to what extent ethnicity influenced voting intentions for MPs in the last 2007 elections, but only as one among several relevant determinants of partisanship. The second hypothesis is whether respondents' perception of how MPs have managed the CDF and actual use of the CDF influenced voting intentions. The third hypothesis is whether our respondents voting intentions were influenced by the perception of MP's ability, overall evaluation of the MP's performance, and whether the MP contended in a stronghold.

To test these hypotheses further databases were collected relating to the curriculum vitae of the MPs who had served over the period 2002-07, how the CDF had been spent over 2003-07, what the political outcomes had been in all MP elections since 1992 at constituency level, as well as what the poverty and inequality levels had been ahead of the elections and earlier. We expect that triangulating all these databases with our surveys will provide a good picture of the extent to which the way that MPs managed the CDF actually influenced the outcome of the MPs elections and whether any other factors were also important in the elections.

Our preliminary analysis suggests that citizens based their decision to re-elect their MP on a number of factors, including how the contending MPs managed the CDF. Below we summarize the six main preliminary results worth noting. First, when controlling for other factors (characteristics of respondents, MPs and how the CDF had actually been spent) we found that respondents' opinions of how well the MP had used the CDF increased the probability of the MP being re-elected. This is of course just a perception of how the MP used the CDF. More specifically on the actual sum spent we found that the amount of funds spent on the constituency did not actually increase the probability of the MP being re-elected. However, the probability of the respondent being re-elected MP was affected by how the CDF was spent. Specifically those MPs running more health or water projects had a greater change of being re-elected. This evidence might give an indication of the needs and preferences of constituencies as well as of the evaluation of the MP.

Second, although the majority of respondents believe that the CDF improved the services (75%) or poverty (60%) in their constituency, these perceptions do not appear to have a statistically significant effect on the probability of respondents re-electing their MP. Similarly, no statistically significant evidence was found that the intention to vote for local MP had been affected by perceptions on whether the CDF has been misused, that the CDF had been used to buy votes or that the CDF had benefited mainly people of a specific political party in the constituency. All these allegations were mentioned frequently in the media ahead of the 2007 elections but it seems that they did not have major repercussions for the elections.

Third, we did not find statistically significant evidence that the number of terms that the MP had served before 2002 affected the MP's probability of re-election. A potential explanation of why this is not the case in Kenya is the fact that the 2007 election proved to be the most competitive at all levels. For the first time all constituencies had more than two candidates contending for MPs and the total number of MPs contending increased from 965 in 2002 to 2,547 in the 2007 election. The number of candidates contending in the election however affected the probability of the MP being re-elected by less than one percent. We also found that the popularity of the MP as measured by the number of votes obtained when elected or the margin of victory did not affect to a large extent the probability of respondents to re-elect their MP.

Fourth, respondents' voting intentions for their MP were also influenced by the evaluation of the MP (over the term 2002-07) and perceptions on whether the MP cares about the community and experience in managing funds. This suggests that what citizens know about their MP and the MPs influence over their well-being were considered when voting for a contending MP.

Fifth, aside from the ethnicity of respondents, wealth levels also affected the intention to re-elect contending MP. Specifically we found that the poor were more prone to wanting to keep their MP possibly in order to keep enjoying the benefits from the CDF. Finally, the evidence indicates that although the evaluations of the CDF influenced the chances of MPs being re-elected, the respondent's ethnic attachment to political parties played a greater role.

### **Way forward for the CDF**

In order for decentralization efforts to have a positive impact on poverty and for MPs to be accountable voters need to use information about the quality of locally provided public goods in making their voting decisions in local elections. The evidence presented here suggests that citizens based their decision to re-elect their MP on a number of factors such as how the outgoing MPs managed the CDF, however, the respondent's ethnic attachment to political parties seems to have played a greater role. This evidence is perhaps not surprising given that since 1992 political parties have used ethnicity as a way to mobilize voters, including and especially the 2007 election. If citizens vote for a party because of their ethnic attachment regardless of any other factors this undermines the accountability of the CDF and ultimately the value of democracy.

To detach ethnicity from politics major efforts need to be made in reforming the state to take into account the ethnic plurality of the country. Gutiérrez Romero et. al. (forthcoming) have mentioned that Kenya could opt for two options to run politics more smoothly. One is to reform the public sector to achieve ethnic equity, such as establishing quotas and a rotation of jobs which are based strictly on each group's proportion in the population. A second option would be to build a sense of national unity through equitable regional distribution of public investment in education, health, and infrastructure. Regardless of what route Kenya takes to reconcile the existing ethnic discrepancies, decentralization programs such as the CDF could prove crucial to reverse these regional and ethnic inequalities. To strengthen the effectiveness of the CDF other institutional reforms would also need to take place given that the current institutional arrangement of the CDF and political context are particularly prone to abuses. Not only because people use ethnicity perhaps as a way to express grievances or economic interests, but also because the fact that the MPs are legislators, implementers and watchdogs of the CDF activities imposes a major constraint on effectiveness and transparency of the fund. Perhaps one strategy through which the institutions around the fund could become more efficient would be to have an independent watchdog with the authority to punish and reward funds based on performance. In this way, the MPs regardless of the support they may have from the constituency could be evaluated in an independent manner, that could lead them to use the CDF more efficiently to tackle poverty.

### **Contact**

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**Further Analysis on CSAE Surveys**

- Bratton, M. and Kimenyi, M. (2008) 'Voting in Kenya: Putting Ethnicity in Perspective', iiG working paper.
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