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Openness in Effective Governance for Constituency Development Fund in Nairobi County, Kenya

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Abstract: **The study was set to establish whether there is openness in effective governance for constituency development fund in Nairobi County. The study employed explanatory research design. The target population was all the fund managers and their chairmen in the 17 constituencies in Nairobi County. A census of 34 people was used. Secondary data was gathered from various authoritative sources including books, published articles, and on-line journals. Data was collected through questionnaires. Statistical Package for Social Sciences and Microsoft excel used to generate the statistical outputs. Descriptive statistics and inferential statistics used to draw conclusions. The findings were then presented in tables and charts. As a result, the study found out that openness ($0.001 \leq$ p-value ≤ 0.05 had significant influence on effective governance for CDF in Nairobi County. The study also found out that effective governance for CDF in Nairobi County was strongly and positively associated with openness ($r=0.866$, $p=0.01$). Consequently, the following recommendation was proposed: A consideration for citizen engagement in decision making relating development, attitude change through sharping of perception, putting in place mechanisms for recognizing and rewarding ethical conduct among fund managers, adoption of ICT solutions be considered to safeguard information and data resources as well as a consideration for continuous review of the structure of command in CDF management among other recommendations.**

Keywords: **Openness, Constituency Development Fund, Effective Governance.**

1. INTRODUCTION

Governance refers to the processes by which organizations are directed, controlled, and held to account (World Bank, 1997), and is underpinned by the principles of openness, integrity and accountability. Governance is concerned with structures and processes for decision-making, accountability, control and behavior at the top of organizations. Effective governance in the public sector can encourage the efficient use of resources, strengthen accountability for the stewardship of those resources, improve management and service delivery, and thereby contribute to improving peoples' lives. Effective governance is also essential for building confidence in public sector entities which is in itself necessary if public sector entities are to be effective in meeting their objectives (IFAC, 2001).

The public sector is complex, and public sector entities do not operate within a common legislative framework or have a standard organizational shape or size. It is important, therefore, to recognize the diversity of the public sector and the different models of governance that apply in different countries and in different sectors, each of which has unique features that require special attention and impose different sets of accountabilities (World Bank, 2000). In some countries, public entities are governed by a unitary board with similar characteristics to the board of a company in the private sector. In other parts of the public sector, the governing and management functions may be separated, with a nonexecutive supervisory board overseeing an executive management board, in what may be described as a "two-tier" board structure (PricewaterhouseCoopers, 2000).

According to the institute of internal auditors (2014), governance in public sector organizations should be customized to align with the organization's complexity and geographic, political, cultural, economic, and regulatory environments. The institute further avers that, because governments throughout the world are structured differently, with different and possibly overlapping mandates and jurisdictions, no single governance model applies to public sector organizations. Nevertheless, certain governance principles are common across the public sector. Common principles of corporate governance encompass the policies, processes, and structures used by an organization to direct and control its activities, to achieve its objectives, and to protect the interests of its diverse stakeholder groups in an ethical manner.

According to World Bank (2006) public sector management is a dimension of governance that deals with the changing of organizational structure, making budgets work better through better integration of capital and recurrent components, sharpening incentives and placing public enterprise managers under performance contracts. An attempt to assess the level of public governance in Kenya was done through the 1997 Public Expenditure Review (PER) which sought to assess whether expenditure trends were consistent with sustainable fiscal management, and growth and equity strategies as articulated in different government policy documents. The review revealed that the composition and trends in public expenditure were not consistent with policy goals, especially growth and equity. In particular, there was a big divergence between the budget and its implementation.

Good governance involves far more than the power of the state or the strength of political will. The rule of law, transparency, and accountability are not merely technical questions of administrative procedure or institutional design. They are outcomes of democratizing processes driven not only by committed leadership, but also by the participation of, and contention among, groups and interests in society - processes that are most effective when sustained and restrained by legitimate, effective institutions. Never have these concerns been linked to more momentous opportunities. In the Fall of 2002 the 191 Member States of the United Nations committed themselves to eight Millennium Development Goals: eradicating extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowering women, reducing child mortality, improving maternal health, combating HIV/AIDS, malaria, and other diseases, ensuring environmental sustainability, and developing a global partnership for development (UN, 2002). As daunting as these goals are in technical and resource terms, they are no less challenging to Member States' abilities to mobilize people and resources, to make and implement difficult policy choices, and to involve their citizens in initiatives that will shape their futures. Good governance, the rule of law, transparency, and accountability embody partnerships between state and society, and among citizens partnerships sustained not by good intentions alone but by lasting, converging incentives and strong institutions (Johnston, 2016).

CIPFA (2006) report posited that good governance leads to good management, good performance, good investment of public money, good public behavior and good outcomes. The governors of public service organizations face a difficult task. They are the people responsible for governance, leadership, direction, evaluation and monitoring of organizations they serve. Their responsibility is to ensure that they address the goals and objectives of these organizations and that they work in the public interest. They have to bring about positive outcomes for the users, as well as providing value for the taxpayers who fund these services. They have to balance the public interest with their accountability and compliance. There is clear evidence that many have difficulties in fulfilling these responsibilities.

2. STATEMENT OF THE PROBLEM

Governance refers to the system relating to the management and control of organizations. Its structure specifies the distribution of rights and responsibilities among different actors and dictates the rules and procedures governing decision making (Schneider, 1999). The general purpose of governance is to ensure that organizations meet goals and expectations defined by various stakeholders (Ahola et.al, 2014). This purpose should be achieved by consistent and coherent implementation of governance roles and responsibilities by different management levels within the organization (Muller,2009).

Although, its implementation implies the use of mostly temporary components, which are dispersed throughout the organization in multiple layers of networks, this situation poses a difficult problem of alignment or fit between the components themselves. Moreover, the boundaries, between these networks are not clear (Aubry et.al, 2012). Thus, the implementation of governance in organizations presents challenges. This is even worse in public sector organizations. Public sector organizations deal with large amounts of public funds and operate in a largely political environment, thereby necessitating a need for a high degree of accountability in the way in which their financial affairs are being conducted

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(Prowle, 2010). Furthermore, all other aspects of finance management in the public sector should be done prudently. According to Rosen and Gayer (2010) these feelings towards government are inextricably bound up with its taxing and spending activities.

In spite of this, the Kenya auditor general's report (2014) unearthed frauds and misuse of resources from constituency development fund (CDF) in several constituencies across the country. This brought to the fore whether or not governance principles for CDF in Kenya are being taken seriously. Thus, this study was set to establish whether there is openness in effective governance for constituency development fund in Nairobi County.

3. LITERATURE REVIEW

AlthoughtheCDFwasdesignedtoconsiderlocalneedsandpreferencesanumber of concerns have been raised about the weak institutional framework supporting the CDF, its lack of transparency, and ultimately that it does not address sufficiently the political imperfections that distorted political incentives to serve equally all the poor. These studies have also pointed out that the fact that MPs are the legislators, implementers and auditors of the CDF activities imposes a major constraint on the transparency and accountability of the fund. A number of corruption/suspected corruption cases have been noted in all constituencies. There are numerous discrepancies between the official data, the progress on the physical site and the evidence of the project committees as detailed in the individual project reports. Of the 41CDF projects sampled in the four Nairobi Constituencies, approximatelyKshs.36,577,791 was lost to suspected corruption an equivalent of41.47%projects (TISA, 2011).

Much controversy has emerged in the recent time about the management of the Constituency Development Fund (CDF) with regard to accountability; allocation, targeting and priority setting; and overall effectiveness. There have also been concerns on governance and representation, and that the funds had been established in a rush without preparing the grassroots communities on participation in the management of the Fund. Issues on conflict of interest have been raised around the proposed structure for the management of the CDF, arising from the role of MPs as the conveners of CDCs (IEA, 2006). A research study by Cambridge University's School of Business and Economics concluded that 80% of projects failed because of poor leadership (Zhang &Faerman, 2007). The findings further suggested that poor leadership skills reflected limited or no teamwork, inadequate communication, and an inability to resolve conflicts as well as other human related inefficiencies.

There has been growing demand for development effectiveness to improve people's lives. This calls for effective utilization of monitoring and evaluation results for continuous improvement and quality of performance in organization. The effectiveness of monitoring and evaluation process has seen significant impact in education, social and political reforms in developed countries as compared to countries in Sub Saharan Africa(UNDP, 2002). This view is supported by Gikonyo (2008) who indicated in her social audit of CDF that monitoring and reporting should be strengthened and deepened in all CDF projects.

The Constituencies Development Fund management is administered by a Board of Directors (CDFB) at the National level. This Board considers project proposals submitted from various constituencies in accordance with the Act and approve them for funding. The Board sends funds to the respective constituency Fund Accounts with respect to the approved projects and ensures timely and efficient disbursement of funds to every constituency, efficient management of the Fund and receives and discusses annual reports and returns from the Constituencies. The Board also ensures compilation of proper records, returns and reports from the constituencies. At the County level, Constituencies Development Fund management is administered by the County Projects Committee(CPC).This committee receives and discusses project lists from various constituencies in the County for the purpose of aligning the projects with County's Development Plans and Policies. The committee also ensures that no duplication of projects occurs, particularly where it is prudent to combine efforts for projects traversing more than one constituency.

At the Constituency level, Constituencies Development Fund management is administered by the Constituency Development Fund Committee (CDFC). The work of this committee is to deliberate on all project proposals from all wards in constituency and any other projects considered beneficial to the constituency, consult with the relevant government departments to ensure that the cost estimates for the projects are as realistic as possible, rank project proposals in order of priority provided that ongoing projects shall take precedence, ensure that projects proposed for funding comply with the Act, monitor the implementation of projects and recommend to the Board the removal of a member of the CDFC in line the Act (CDF Act, 2013).

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Over the past two decades, several broad trends have brought fiscal openness into sharper focus: Processes of globalization involving the greater openness of national economies and the integration of markets across borders, the proliferation of good governance norms and standards that emphasize greater transparency, participation, and accountability in all government matters, the introduction of modern public finance management systems and good practices in countries around the world, numerous transitions from closed, authoritarian political regimes to ones characterized by policy contestation, separation of powers, political party competition, organized civil society, citizen engagement, and an active media, greater decentralization and devolution of authority to sub-national levels of government, including the power to raise, allocate, or spend public resources, the growth in the numbers and operational capacity of independent civil society organizations (CSOs) promoting the public interest that seek to be informed about and actively participate in government decision-making and the dramatic growth, spread, and use of information and communication technologies all around the world (Global Initiative for Fiscal Transparency, 2014).

There are now several closely aligned global norms and standards on government fiscal openness including the: Global initiative on fiscal transparency (GIFT) high level principles on fiscal openness endorsed by the united nations general assembly (2012); IMF "code of good practices on fiscal transparency" (Revised 2014) and accompanying manuals and guides, as well as the IMF‘s Government Finance Statistics Manual; international federation of accountants' (IFAC's) international public sector accounting standards (IPSAS) in the area of accounting; OECD principles of budgetary governance (Revised 2014); public expenditure & financial accountability performance measurement framework (Under Revision 2014) as well as the international budget partnership's open budget survey and index (Revised 2012)(Global Initiative for Fiscal Transparency, 2012).

There are several related concepts worth noting including government accounting, fiscal reporting, fiscal transparency, and fiscal risk: Government Accounting which refers to the concepts, standards, rules, and systems used to generate the financial information used in fiscal reporting; Fiscal Reporting which refers to the production of summary information about the past, present, and future state of the public finances for both internal (management) and external (accountability) uses; Public Fiscal Reporting which refers to the publication and dissemination of this summary information about the state of the public finances to citizens in the form of fiscal forecasts (in fiscal strategy or budget documents), government finance statistics (fiscal reports produced in accordance with statistical standards), or government financial statements or accounts (fiscal reports produced in accordance with accounting standards); Fiscal transparency refers to the clarity, reliability, frequency, timeliness, and relevance of public fiscal reporting and the openness to the public of the government‘s fiscal policy-making process.

Within this, clarity refers to the ease with which these reports can be understood by users, reliability refers to the extent to which these reports reflect the government‘s true financial position, frequency (or periodicity) refers to the regularity with which reports are published, timeliness refers to the time lag involved in the dissemination of these reports, relevance refers to the extent to which these reports provide users with the information they need to make effective decisions, and openness refers to the ease with which the public can understand, influence, and hold governments to account for their fiscal policy decisions; and Fiscal Risks which is related to factors that lead to differences between a government‘s forecast and actual fiscal position (IMF, 2012).

4. RESEARCH METHODOLOGY

Explanatory research design was used in undertaking this research. The target population of this study was all people manning CDF in the 17constituencies in Nairobi County. But the respondents were only fund managers and their chairmen**.** The study targeted the fund managers and their chairmen in each of the 17 constituencies in Nairobi County. This brought the total target respondents in the 17 constituencies to 34. The researcher used a questionnaire, a formalized set of questions for obtaining information from respondents with the overriding objective of translating the researcher's information needs into a set.

5. FINDINGS

On openness, the study indicated that the following dimensions had large influence on effective governance for CDF and in the given order: decentralization and devolution of authority (mean: 4.19), priority to public interest (mean: 4.19), separation of powers (mean: 4.13), citizen participation and engagement (mean: 4.06), fiscal transparency (mean: 4.06), use of ICT to detect and deter corrupt practices (mean: 3.81) and proliferation of governance norms and standards (mean:

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3.75). However, weak policy contestation (mean: 3.44) was found to have a moderate influence on effective governance for CDF in Nairobi County. This is as indicated in table 1.

Table 1: Openness

	N	Minimum	Maximum	Mean	Std. Deviation
The existing CDF management mechanisms ensures proliferation of good governance norms and standards	32	3	5	3.75	.568
The existing CDF management mechanisms ensures citizen participation and engagement	32	3	5	4.06	.435
The existing CDF management mechanisms ensures weak policy contestation	32	2	5	3.44	.801
The existing CDF management mechanisms ensures separation of powers	32	3	5	4.13	.707
The existing CDF management mechanisms ensures decentralization and devolution of authority	32	3	5	4.19	.644
The existing CDF management mechanisms gives priority to public interest	32	2	5	4.19	.738
The existing CDF management mechanisms incorporates the use of ICT to detect and deter corrupt practices	32	2	5	3.81	.821
The existing CDF management mechanisms ensures fiscal transparency	32	3	5	4.06	.435

The study indicated that all the dimensions used in the survey had large influence on effective governance principles for CDF and in the following order: monitoring and evaluation practices (mean: 4.38), regulatory framework (mean: 4.38), standardized criterion for financial and performance reporting (mean: 4.31), system of record keeping (mean: 4.25), penal code against corrupt practices (mean: 4.25), structures and processes in decision making (mean: 4.13), institutional framework (mean: 4.00), information and communication technology(mean: 3.94) and rigor in governance audit (mean: 3.87). See table 1 for details.

Table 2: Effective Governance Principles for CDF

	N	Minimum	Maximum	Mean	Std. Deviation
The existing rigor in governance audit ensures efficient use of CDF resources	32	2	5	3.87	.609
The existing structures and processes in decision making ensures efficient use of CDF resources	32	3	5	4.13	.492
The existing regulatory framework ensures efficient use of CDF resources	32	4	5	4.38	.492
The exiting standardized criterion for financial and performance reporting ensures efficient use of CDF resources	32	4	5	4.31	.471
The existing institutional framework ensures efficient use of CDF resources	32	3	5	4.00	.359
The existing use of information and communication technology ensures efficient use of CDF resources	32	2	5	3.94	.669
The existing system of record keeping ensures efficient use of CDF resources	32	3	5	4.25	.568
The existing penal code against corrupt practices ensures efficient use of CDF resources	32	4	5	4.25	.440
The existing monitoring and evaluation practices ensures efficient use of CDF resources	32	3	5	4.38	.609

The study was conducted in Nairobi County to establish determinants of effective governance principles for CDF. The specific objectives included: Establishing whether there is any openness in effective governance for constituency development fund, assessing if there is any integrity issues on effective governance for constituency development fund and finding out whether there is any accountability on effective governance for constituency development fund in Nairobi County. As a result, the study found out that openness ($0.001 \leq$ p-value ≤ 0.05) and integrity ($0.005 \leq$ p-value ≤ 0.05) had significant influence on effective governance for CDF in Nairobi County while accountability ($1.000 \geq$ p-value ≤ 0.05) had insignificant influence on the same. The study also found out that effective governance for CDF in Nairobi County was strongly and positively associated with openness (r=0.866, p=0.01) and inversely but marginally associated with integrity (r= -0.261, p=0.05). The study also found out that effective governance for CDF in Nairobi County was perfectly associated with accountability (r=1.00, p=0.05).

Relating to openness dimensions, the study found out that decentralization and devolution of authority (mean: 4.19), priority to public interest (mean: 4.19), separation of powers (mean: 4.13), citizen participation and engagement (mean: 4.06), fiscal transparency (mean: 4.06), use of ICT to detect and deter corrupt practices (mean: 3.81) and proliferation of governance norms and standards (mean: 3.75) influenced effective governance for CDF in Nairobi County to a large extent and in that order respectively. However, weak policy contestation (mean: 3.44) was found to have a moderate influence on effective governance for CDF.

6. CONCLUSIONS

The study concluded that openness was the a pillar in effective governance for the management of CDF among the 17 devolved units in Nairobi County. The study also concluded that accountability however important did not significantly influence effective governance in CDF management.

7. RECOMMENDATION

The study proposed the following recommendations for consideration in improving effective governance in the management of CDF in Nairobi County: Firstly, a consideration for citizen engagement in decision making relating development. This can be achieved through public forums or by visiting the grassroots to seek for citizen opinion. Secondly, attitude change through sharping of perception. This can be achieved through occasional training of fund managers on critical governance issues. Lastly, putting in place mechanisms of recognizing and rewarding ethical conduct among fund managers. This can be achieved through rigorous governance audit.

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