Interjurisdictional Competition For Economic Development In Kenya

Introduction

In 1956 Charles Tiebout in his article “A Pure Theory of Local Expenditure” introduced the notion that decentralization leads to superior variation in the provision of local public goods (goods that are tailored to better suit local population). He introduced the Tiebout model, a model that seeks to attest that decentralization is the solution to the “free rider” problem in local governments and that interjurisdiction competition leads to the provision of public goods at a peak level, as it places competitive pressure on local jurisdictions.

Boyne (1996) defines interjurisdiction competition as; competition that is promoted by a fragmented structure that has many authorities, competition that is enhanced by a high level of local autonomy that will encourage innovation and diversity and competition that is strengthened by local authorities who are heavily reliant on local sources of revenue.

Interjurisdiction competition motivates local governments to do more than just provide public goods, it helps them fight corruption, reduce waste of resources and curb spending on non-productive public goods, so as to provide more growth thus promoting infrastructure and attracting mobile capital.

In contradiction to the rewards of local government competition scholars also argued that the fear of capital outflows restricts governments from providing welfare services, environmental regulations, and non-productive public goods that citizen’s value. Tanzi (1996) argued that there exist many imperfections in the local provision of services that may prevent the realization of benefits from decentralization. Dillinger and Webb (1999) found that decentralization in Columbia has created enormous fiscal problems by creating unsustainable fiscal deficits for both the national and subnational governments. Decentralization has also been unable to mitigate corruption in the country caused by drug cartels. (Dillinger & Webb, 1999)

However, Capital mobility is said to promote a “race to the bottom” mentality in social and environmental policy, both among subnational governments within decentralized states and among countries competing. For good or ill, competition for capital is thought to shift government priorities away from non-productive public spending toward business-friendly investments.

China, for example, has a centralized political authority but keep their economy decentralization. Leaders in Beijing use political incentives to achieve local compliance with their ruling strategy and specific policies. The core of political centralization lies in the Chinese Communist Party’s (CCP) monopoly of authority over the management of political and economic elites at all government levels. The personnel system determines the distribution of power in this one-party state, and scholars argue that it serves as an effective mechanism to align local leaders’ incentives with the preferences of top Party leaders (Zuo, 2015).

Effects of Interjurisdiction competition.

By granting local governments the power to autonomously raise and distribute revenue, or by allowing subnational leaders to adapt national policies to local contexts, authoritarian states can build more efficient economic institutions that cater to local strengths. County governments will form and divide executive and legislative duties differently to suite their unique needs.

Different government forms may lead to different development policies, reflected in industry recruitment efforts. Counties that chose to hire independent professional managers for executive functions may enjoy greater technical knowledge or professionalism than those relying upon elected officials to fill these roles.

Financial burden can provide counties with the drive for aggressive industry recruitment. Counties with financial burdens value economic development more highly as their alarming financial distress will motivate them to adopt reductions and introduce incentives in an attempt to relieve their financial distress by more aggressively pursuing for economic development.

However pursuing industry recruitment does not mean that the counties are aggressively pursuing economic development. Budgetary pressures only make counties value economic development more highly, greater fiscal distress increases the probability of adopting related incentives but financially constrained governments are unable to sustain the short term cost of the offered incentives, such as recruitment effort, that are needed to obtain the longer term development benefits.

Local Governments with a higher rate of unemployment or a rising rate of unemployment are expected to benefit more from industry recruitment than the better placed Counties as the counties faced with the challenge of unemployment value economic development more highly and this will force them to invest in efforts that will increase recruitment.

Interjurisdiction and the Economic Development of Kenya

Decentralization has different characteristics, policy implications, and conditions for success. Differences among the frameworks for decentralization of public functions are, however, not clear – cut. Instead, they comprise of a continuum – ranging from a centralized framework to the federal system. Devolution is one form of decentralization framework that lies within the continuum. Devolution is generally defined as a process of transfer of political, administrative and fiscal management powers between central government and lower levels of government, primarily operating at city and region levels (Potter, 2001). It is not just a linear process of power transfer from national to sub – national level but also involves some degree of cooperation between the different levels of government. Other frameworks that lie between are the de - concentration and delegation frameworks. The level of decentralization is determined by several factors. These include; (i) the degree to which the sub – national unit can exercise administrative powers, in terms of recruiting and controlling employees, responding to citizens' feedback and altering services and budgets to match local preferences; (ii) Ability of the local government unit to exercise political authority in terms of initiating policy and overseeing its implementation; and (iii) the local government influence on revenue and expenditure decisions.

In Kenya the government had a unitary system and structure of government and this meant that planning and administration was mainly done at national level. However when the Kenyan government implemented its new constitution in August 2010, it began to actively implement efforts to decentralize its administration and planning thus creating local authorities and districts whose main purpose would include the provision of easy access of government services for its citizens (Sunkuli, 2011).

The new constitution of Kenya at article 1(3) and (4) establishes two levels of government; the national and county levels of government . Decentralized government give powers of self-governance to the people and enhance the participation of the people in the exercise of the powers of the state and in making decisions affecting them. The constitution thus promotes social and economic development and the provision of proximate, easily accessible services throughout Kenya and it ensures equitable sharing of national and local resources throughout Kenya for poverty alleviation and employment creation. The national government will be responsible for policy functions such as revenue collection and security.

Unlike Kenya who voted for the new constitution that lead to decentralization. In 1998 Mozambique through the United Nations Development Programme (UNDP) created a pilot project of decentralized district planning and financing in Nampula province. The project sought to strengthen the capacity of provincial and district administration and communities to plan, finance, implement, and monitor development as well as promote popular participation in the process.

The projects long run objectives were to achieve sustainable planning and financing of local development programs, improve local governance, promote social economic development and poverty reduction in selected rural districts and to generate insights to inform the national debate on decentralization and democratization.

The Mozambican government later took ownership of the project and local communities' participation in the project through their consultative councils strengthened citizens' sense of project ownership. By decentralizing through the project there was a link that was formed between local communities and district administration thus helping local communities understand the work of district administrators and their own civic rights and obligations. The problems and needs of the district were better articulated and the overall result being improved governance.

Project implementation generally promoted the Mozambican government's ownership of the project. In turn, local communities' participation in the project through their consultative councils strengthened citizens' sense of project ownership. Project implementation created a link between local communities and district administration thus helping local communities understand the work of district administrators and their own civic rights and obligations. The problems and needs of the district were better articulated and the overall result being improved governance. After evaluation was done the project resulted in sustainable livelihoods and more capital assets (Juma, 2011).

Fiscal decentralization improves the efficiency of the public sector and it leads to economic growth. In Kenya the success of fiscal decentralization can be measured by investigating the rate of flow of resources from the central government to the sub-national governments (Menon, Mutero, & Macharia, 2008).

Conclusion

Economic development has been shown to be the only way in history to save people from widespread poverty and discontent, as it empowers citizens economically as well as politically. Poor governance undermines civic and business groups, which can in turn lead to even worse governance as these members of civil society are ill-equipped to provide a proper check on governments. Because of this chain of events, it is no surprise that poverty and bad governance are highly correlated. This potential vicious cycle makes promoting better governance a vital goal for citizens as well as the international community.

In Kenya, it is important to scale up the decentralized initiatives that are working for greater and faster successes. A government report on fast tracking the achievement of MDGs rooted for strengthening of Coordination, reporting and monitoring systems between government departments and development partners and communities.