ESID Working Paper No. 150

The Kenyan National Treasury: A ‘pocket of effectiveness’ curtailed

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July 2020

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ISBN: 978-1-912593-61-3

Abstract

This paper examines the factors that have shaped the ability of Kenya’s National Treasury (Ministry of Finance) to deliver on its mandate since the early 1990s. It identifies a key role for Kenya’s competitive and fragmented political settlement, which generates strong incentives for ruling elites to constrain the Treasury’s bureaucratic autonomy and decision-making, especially during election periods. The Treasury has, therefore, generally been curtailed in its ability to function as a pocket of effectiveness (POE) throughout the period of analysis. That said, the organisation did more closely resemble a POE (albeit a fragile and progressively weakening one) from around 2003, when a shared set of ideas motivated then-President Mwai Kibaki and a small circle of trusted ‘technopols’ to try and shield the Treasury – or at least some of its core functions and departments – from the more corrosive and short-termist pressures generated by Kenya’s political settlement. This gave the Treasury sufficient autonomy – not just from domestic politics, but also from external donor advice – to design and implement heterodox economic policies that responded to the specificities of the Kenyan context and contributed to a period of relatively impressive macroeconomic performance, especially between 2003 and 2007 (though benign global conditions certainly also played a role). These findings, the paper argues, show that there is significant space for policy coalitions composed of small numbers of like-minded politicians and technocrats (who are able draw selectively from, but are not beholden to, the advice and support of donors and other transnational actors) to exercise their agency and secure developmental outcomes within the structures of power that characterise a country’s political settlement.

Keywords: political settlement, pocket of effectiveness, Ministry of Finance, National Treasury, Africa, Kenya

Tyce, M. (2020) The Kenyan National Treasure: A ‘pocket of effectiveness’ curtailed. ESID Working Paper No. 150. Manchester, UK: The University of Manchester. Available at www.effective-states.org

The background research for this paper was funded by the Effective States and Inclusive Development Research Centre (ESID), based at The University of Manchester, UK. This document is an output from a project funded by UK Aid from the UK government for the benefit of developing countries. However, the views expressed and information contained in it are not necessarily those of, or endorsed by the UK government, which can accept no responsibility for such views or information or for any reliance placed on them.

1. Introduction

> 'The Treasury used to be so reliable. A cut above the rest. But in the last five or six years, it has really gone downhill.'
> (Interview, ex-Kenya Revenue Authority director, Nairobi, 10 April 2019.)
>
> 'The greatest barrier and risk to development in Kenya right now is the Treasury.'
> (Correspondence, ex-Treasury official, 20 April 2019.)

The Kenyan Ministry of Finance, or the National Treasury as it is now called, might seem like a strange choice of case study for a project investigating the 'pocket of effectiveness' (POE) phenomenon in Africa.[1] The quotes above – the second of which came from an informant who was, until recently, a senior official *within* the Treasury – broadly reflected the sentiments of informants who took part in interviews. 'The Treasury', another concurred, 'has presided over a collapse in PFM [Public Financial Management].' [2] Another described the National Treasury as a 'national embarrassment.' [3] These assessments were echoed by a survey that was conducted by the researcher to help guide the initial selection of case-study organisations. Respondents were asked to assess the performance of different public sector organisations and the Treasury featured prominently, not when respondents were asked to identify organisations that are 'effective in carrying out their mandate', but as an organisation whose 'performance has declined significantly during the last five years.'[4] Seemingly validating these sentiments, the Treasury became embroiled in a

[1] The project, which is led by the University of Manchester's Effective States and Inclusive Development (ESID) research centre, is researching the politics of state capacity and 'pockets of effectiveness' across five African countries – namely, Ghana, Kenya, Rwanda, Uganda and Zambia (http://www.effective-states.org/research/pockets-of-effectiveness/). The project follows Roll (2014) in defining POEs as 'public sector organisations that are relatively effective in providing the public goods and services that they are officially mandated to provide, despite operating in an environment in which effective public service is not the norm'. To be classified as a POE, Roll argues that public sector organisations must also: have the capacity to deliver nationally; deliver in line with human rights and laws; and function as high performers for a period of at least five years. These criteria have been adopted by the project generally, as well as this paper specifically.

[2] Interview, economic analyst, Nairobi, 6 March 2019.

[3] Interview, former CBK official, Nairobi, 29 March 2019.

[4] In total, 21 people completed the survey. Respondents were purposively selected because they were deemed to possess an intimate knowledge of Kenya's public sector. They included current and former state officials, journalists, academics, consultants and civil-society actors. The methodology for conducting the survey has been explained by Hickey (2019) and was followed by all five country teams. The sample size may have been small, but the survey did offer useful insights into public sector performance in Kenya. Two organisations – the Central Bank of Kenya (CBK) and Kenya Revenue Authority (KRA) – received relatively high numbers of nominations when respondents were asked to identify examples of organisations that are effective in carrying out their mandates. They were therefore selected as obvious case studies to investigate through primary research as potential examples of POEs. The Treasury, meanwhile, emerged from the survey as a seeming underperformer, as well as an organisation whose performance was perceived to have declined significantly during the last five years. This made it an interesting counterexample to investigate along with CBK and KRA.

major corruption scandal just as the fieldwork for this paper was beginning, whereby it was accused of paying out billions of shillings for two 'fake dams' (Wafula 2019a; Ndii 2019). For informants, the dams saga was not an aberration for the Treasury, but a perfect demonstration of just 'how far it has sunk.' [5]

Ultimately, the Treasury was selected as a case study for precisely this reason – because of the sense that its performance had declined significantly, which suggested that it might once have functioned as a POE. It was also intriguing that, while informants would criticise the Treasury's poor performance, they would simultaneously observe that the organisation is staffed with 'high calibre officials' [6] and 'some of Kenya's best and smartest people.' [7] This paradox – of apparently high technical capacity and human capital, but variable performance, resembling a distinction that Centeno et al. (2017) have made between capacity and performance – only added to the sense that the Treasury would be an interesting case-study for examining the factors that enhance and undermine public sector performance in Kenya. [8]

Following a conceptual approach elaborated by Hickey (2019), this paper uses an expanded form of political settlements analysis (PSA). It builds on Khan's (2010) framework, which has been shown to offer promising insights into how different power structures incentivise ruling elites to build state capacity and govern, often through POEs (Whitfield et al. 2015). However, other work on critical political theory and discursive institutionalism suggests that an emphasis on rational choice alone may underplay the role of ideational factors in shaping institutional change and performance (Schmidt 2008). Ideas are therefore added as core factors within the paper's expanded PSA approach. So, too, are transnational factors, which are also somewhat neglected within some of the more methodologically nationalist PSA frameworks. Critical state theorists have long argued that the state is a highly transnationalised phenomenon in Africa, particularly within the region's economic technocracies, which serve as global signalling devices that secure additional flows of resources and legitimacy for ruling elites (Jessop 2008; Hagmann and Peclard 2010). Finally, recognising that a focus on power structures can often obscure the role of agency, the paper will remain alert to micro- and organisational-level factors that have been flagged by other scholars when

[5] Interview, journalist, Nairobi, 26 April 2019.
[6] Interview, economic analyst, Nairobi, 2 April 2019.
[7] Interview, financial services consultant, Nairobi, 11 March 2019.
[8] Additionally, the Treasury was chosen as a case study because all of the other country teams within the project had also selected ministries of finance as case study organisations (though largely because ministries of finance emerged from their expert surveys as relatively clear examples of POEs, unlike the Kenyan National Treasury, which emerged as a potential example of a POE undermined). However, unlike the other country teams, this paper adopts a somewhat broader level of analysis in its examination of the Treasury, as the researcher struggled to gain widespread access to currently serving officials because of major corruption scandals that the organisation had become embroiled in just as fieldwork for this paper was beginning. The researcher could not get enough data to focus on the ministry's budgetary functions alone, as the other country teams did, and therefore a decision was made to adopt a more general analysis of the Treasury's performance across all of its key functions and thus whether the organisation as a whole, rather than just its budgetary department, can be considered a POE. That said, the paper does attempt to flag the performance of particular departments within the Treasury, where data availability makes this possible.

researching POEs. These include the role that leadership and management practices play in enhancing organisational culture, autonomy and mission (Grindle 2012; McDonnell 2017; Roll 2014).

The paper proceeds as follows. Section 2 draws upon a range of performance indicators to offer a periodisation of the Treasury’s performance against its mandate over time. Three periods emerge from this analysis and these are used to structure the paper’s empirical sections, whereby Sections 3 to 5 examine their underlying drivers. The sections draw on secondary and grey literature, as well as interview data generated through key informant interviews. Over 40 interviews were conducted with a range of informants, who were selected using a combination of purposive and snowball sampling. They included current and former Treasury officials, officials of public sector organisations that interact with the Treasury, and a range of other observers, such as journalists, economic analysts and PFM specialists.

2. Periodising the Treasury’s performance

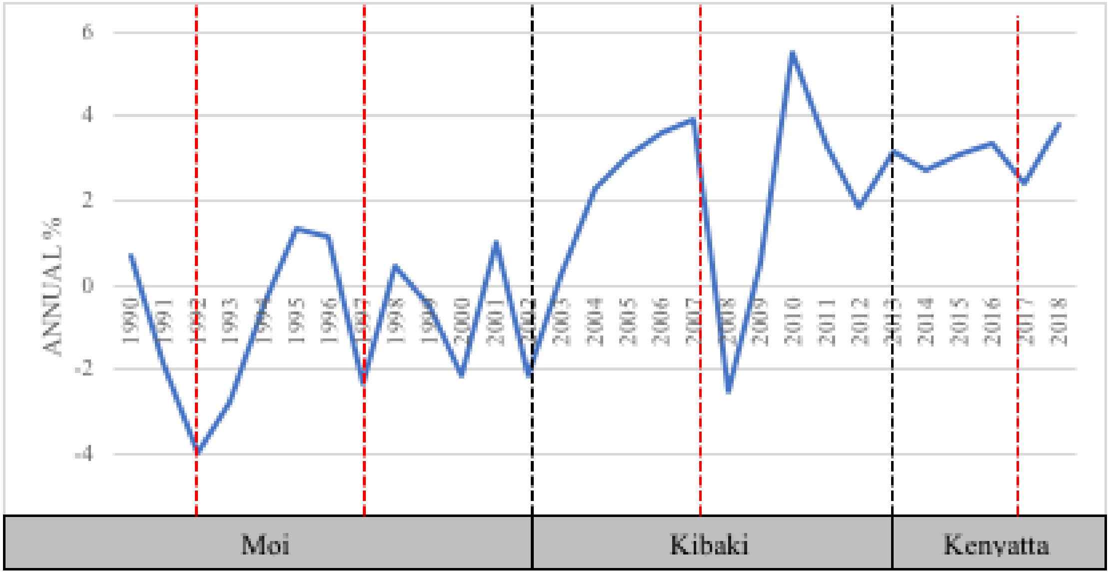
The Treasury’s mandate is codified in Article 225 of Kenya’s 2010 constitution and the 2012 PFM Act. Its principal functions include: maintaining a stable macroeconomic environment; formulating revenue and expenditure policies that finance the budgetary requirements of national and county governments; sustaining an appropriate level and composition of public debt; and overseeing an efficient financial management system.[9] This section, then, will assess a range of data sources that offer a sense of the Treasury’s performance in carrying out these tasks. The aim is to identify broad performance periods for the organisation, the drivers of which can then be explored qualitatively within subsequent sections of the paper.

Taking the first aspect of the Treasury’s mandate, of maintaining macroeconomic stability, an obvious indicator is annual GDP per capita growth. This is presented in Figure 1. Growth rates are inevitably shaped by various factors – national and global – that are outside of a Finance Ministry’s direct control. Jerven (2011) also warns against reading too much into Kenya’s historical growth rates, given the frequency with which the underlying data sources and methodologies for calculating them have changed, as well as the perhaps even greater capacity and autonomy issues that statistical agencies like the Kenya National Bureau of Statistics (KNBS) face. Nonetheless, growth rates do still offer useful insights when considered alongside the other indicators presented in this section.

Kenya’s growth rates have clearly been erratic throughout the entire period of analysis, regularly shifting between positive and negative growth (Ouma 2019). However, one can still identify periods of relatively good and bad performance. The 1990s, for example, were a ‘lost decade’ for Kenya, as growth averaged -0.9 percent (Garrido et

[9] https://www.treasury.go.ke/aboutus/executive-summary.html

Figure 1**. Growth rates, 1990-2017**



Source: https://data.worldbank.org/
Key: red lines = election years; black lines = handover of power.

al. 2010: 54). During the 2000s, by contrast, growth rates improved significantly, averaging 2.3 percent between 2003 and 2012, while the 2003-2007 years were particularly notable because they represented ‘the only episode of five-year consecutive growth acceleration in Kenya’s history’ (Kimenyi et al. 2016: 2). Since 2010, there have been some signs of a slowdown, as growth rates have not quite kept up with the consistently strong upward trajectory that they achieved between 2003 and 2010 – a trend that was only broken (temporarily) in 2008 by Kenya’s twin crises of domestic election-related violence and the global financial crisis (Were and Tiriongo 2013). That said, growth rates certainly remain impressive when considered within Kenya’s historical perspective.

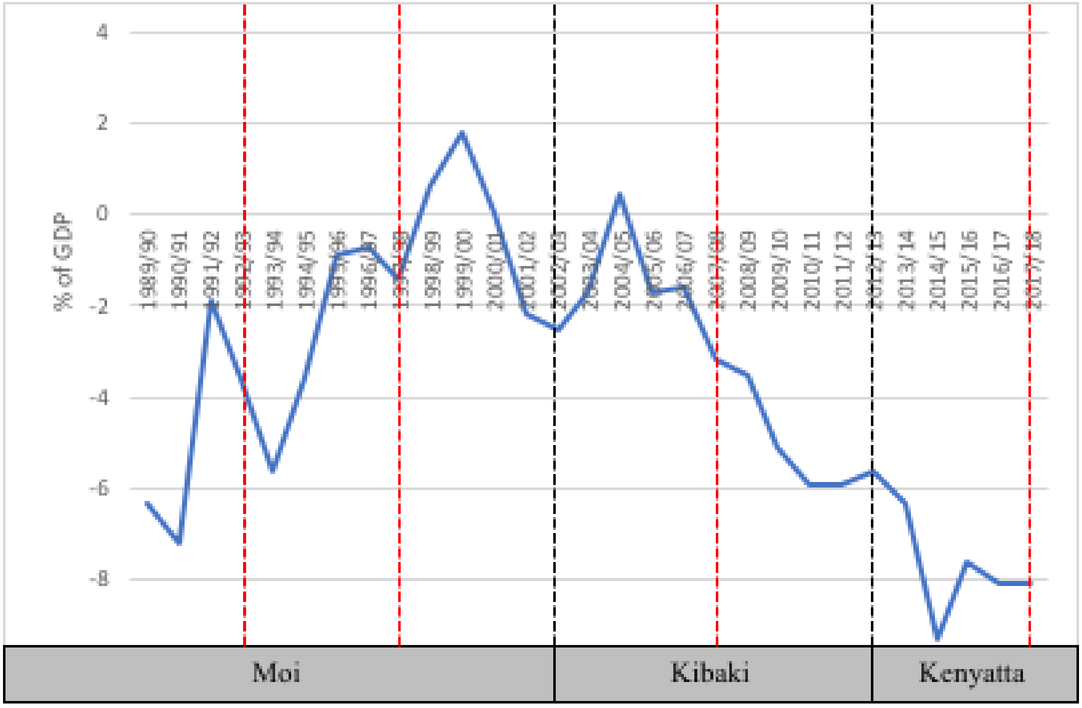
The studies cited above all emphasise the role of external factors in shaping Kenya’s growth patterns. For example, much of sub-Saharan Africa, and not just Kenya, experienced stagnant growth throughout the 1990s, followed by better outcomes in the 2000s, due to relatively benign global economic conditions (Adam et al. 2010). Nonetheless, these studies do, to differing degrees, also acknowledge a role for domestic political dynamics in shaping Kenya’s growth outcomes, albeit in the sometimes vague language of ‘political regimes’ and ‘policy frameworks’ (e.g. Mwega and Ndung’u 2008). For example, it is noted that the poor growth outcomes during the 1990s overlap with the final decade of Daniel arap Moi’s presidency, while the surge in growth from 2003 mirrors Mwai Kibaki’s ascension to power. The growth slowdown through the 2010s may also coincide with Uhuru Kenyatta’s presidency. All of these regime shifts are indicated by the black dotted lines in Figure 1, while the red lines – which often coincide with marked declines in growth rates – indicate election years. These patterns in the data have led political economists like Booth et al. (2014) to argue that political dynamics clearly play a key role in shaping macroeconomic performance. The exact causal mechanisms – and especially those that might involve the Treasury – are left somewhat underspecified, but these studies nonetheless offer a set of periodisations that have potential for framing this study.

Turning to the second aspect of the Treasury’s mandate, around budgeting, an obvious indicator is the size of Kenya’s budgetary deficit (or surplus) relative to GDP (Mutuku 2015). [10] What is apparent from Figure 2 is that, while the periods identified above are also clearly relevant for fiscal balance, the headline outcomes are somewhat different. For example, where Moi’s latter presidency (1990-2002) saw disappointing growth outcomes, perhaps surprisingly it produced marked improvements in fiscal balance, albeit with slip-ups during the 1997 and 2002 election periods as part of Kenya’s ‘political business cycle’ phenomenon (Oguso et al. 2018). That said, Mosley and Chiripanhura (2016) have argued that this phenomenon, which refers to a trend of heightened deficits during election years, has actually been less pronounced in Kenya than in comparable countries like Ghana and Zambia, which is an intriguing finding that this paper will explore further. Similarly, where Kibaki’s presidency (2003-2013) coincided with strong growth outcomes, the trend with regards to fiscal balance was actually one of expanding deficits. That said, this trend only really emerged during Kibaki’s second term, as his first had witnessed relatively balanced budgets. This is another intriguing distinction for the paper to explore. So, too, a similar observation for Kenyatta’s presidency (2013-present), which began with rapidly escalating deficits, but since 2016 has shown at least some signs of recovery.

To get a sense of the Treasury’s approach towards debt management, one can track Kenya’s debt-to-GDP ratio (Figure 3).[11] Again, it was the 1993-2002 period, under Moi, that saw the biggest shifts in headline terms, especially when one considers that Kenya, unlike most other African countries, did not receive external debt relief (Chege 2020; Ndii forthcoming). Debt dropped from 153 percent of GDP in 1993 to 59 percent by 2000, whereupon it increased again through 2001 and 2002. This re-emerging trend was, however, broken in 2003, when debt again started to decrease, reaching 39 percent in 2008, before levelling out for the rest of Kibaki’s presidency. The third period under Kenyatta, meanwhile, has seen debt-to-GDP ratios surge rapidly, from 44 percent in 2013 to 59 percent by 2018. To put these developments into perspective,

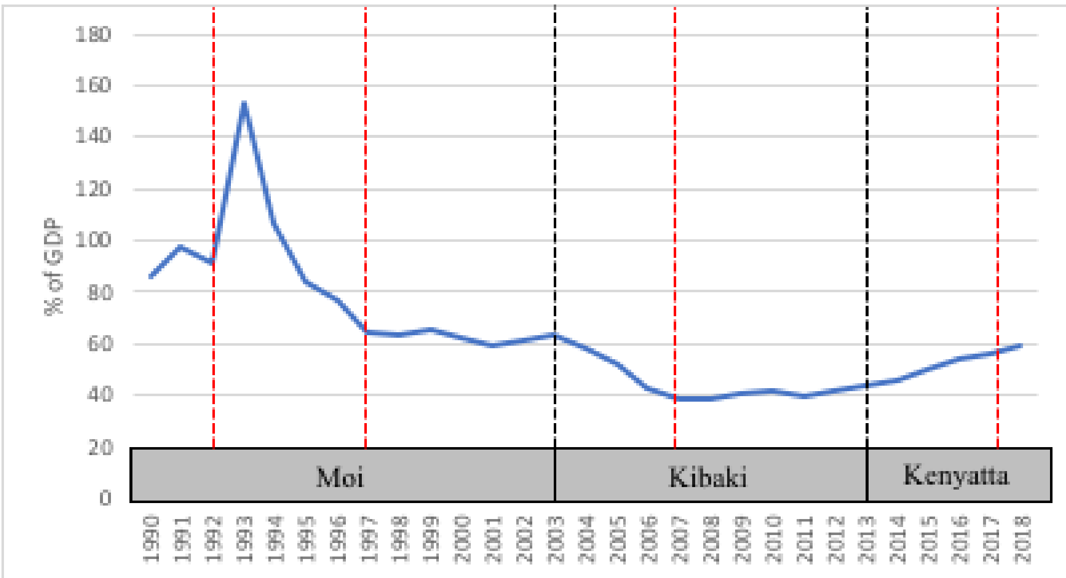
[10] Again, many of the caveats around data reliability that were discussed above apply here as well. The fiscal balance data presented in this paper has been taken from annual economic surveys published by the Kenya National Bureau of Statistics, an organisation which ‘faces considerable resource constraints in terms of finances and human resources’, as well as a lack of independence and autonomy from the Treasury (ODI 2016:42). As with growth rates, the methodology for calculating this particular indicator seems to have changed somewhat over time. There are also discrepancies in the data across reports. The data presented in Figure 2, then, is imperfect, and only really suitable for gleaning an indicative sense of trends over time.
[11] It should be stressed that increasing debt levels are not necessarily an indicator of worsening performance, at least until debt levels breach so-called sustainability thresholds (though even these are highly disputed). What is important, within a context of increasing debt uptake, is whether the borrowed funds are being channelled into productive investments, and to what extent the government is able to keep up with its scheduled repayments. This paragraph, therefore, simply maps out overall trends in debt levels, rather than making assessments of good or bad performance per se, which will be done in subsequent sections.

Figure 2. Budgetary deficit/surplus as share of GDP, 1990-2017



Source: KNBS economic surveys, 1990-2020.

Figure 3. Debt/GDP, 1990-2018

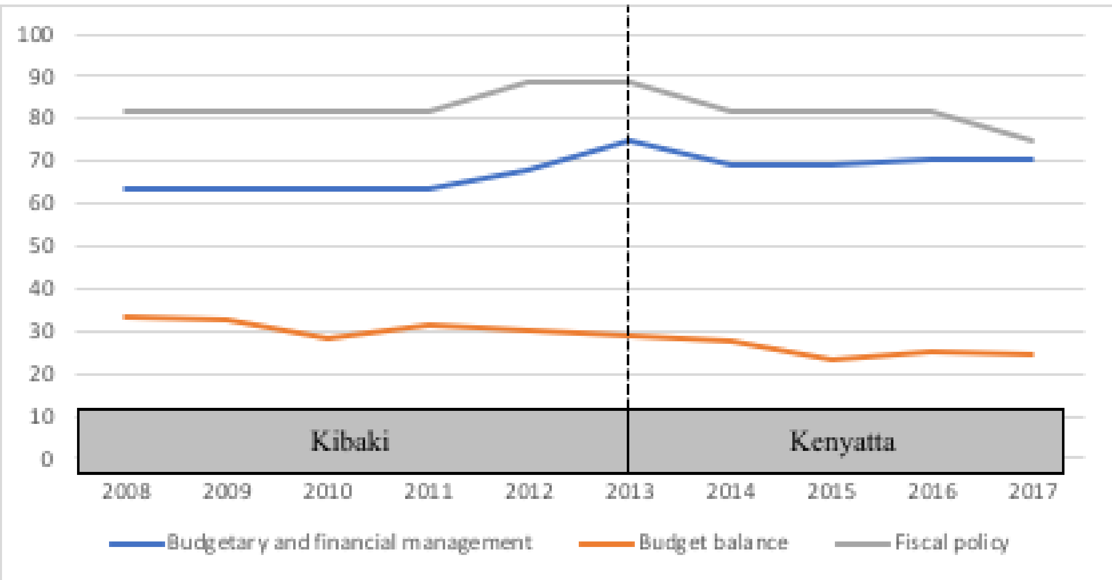


Source: OECD (2003) for pre-2000 figures; IEAK (2019) for post-2000.

East African Community (EAC) members have committed to a maximum debt-to-GDP ratio of 50 percent by 2022, a ceiling that they are all currently complying with, save for Kenya and Burundi (IEAK 2019). The IMF's Debt Sustainability Framework suggests that Kenya's debt can hit 74 percent of GDP before it becomes unsustainable. However, the IMF did revise Kenya's chances of debt distress as being 'moderate', from 'low', in 2019 (Wafula 2019b).

To complement these standalone indicators, one can turn to more composite datasets. The Ibrahim Index of African Governance (IIAG), for example, offers scores for processes like financial management, budgeting and fiscal policy, all of which are directly handled by a Ministry of Finance and are therefore relevant performance indicators for consideration here. Kenya's scores are presented in Figure 4, which again seems to echo the broader picture observed so far of worsening performance since 2013, as Kenya's budget balance and fiscal policy scores have both declined (though budgetary and financial management scores have at least remained more-or-less in place). A similar picture is offered by the World Bank's Country Policy and Institutional Assessment (CPIA) dataset in Figure 5.

Figure 4. IIAG scores, 2008-2017

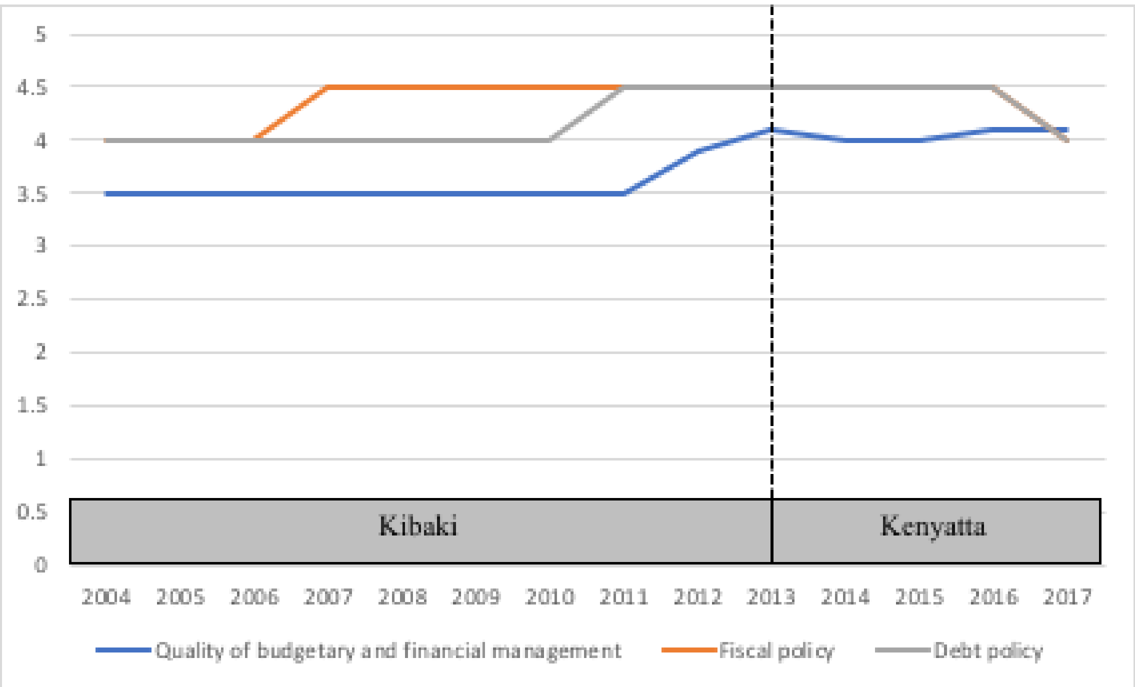


Source: https://mo.ibrahim.foundation/iiag.

Unfortunately, neither of these datasets stretch further back than the mid-2000s, meaning that comparisons with the 1990s are not possible. Meanwhile, an even greater problem of data availability is experienced when one consults the Public Expenditure and Financial Accountability (PEFA) dataset. Not only does this begin in the early 2000s (and 2006 in Kenya's case), but PEFA assessments are also not done annually, so there are large periods of time between a handful of data points. Furthermore, the methodology for calculating and defining particular indicators within the dataset has changed over time. This leads PEFA (2017:161) to itself stress that many of its indicators are 'not directly comparable' across assessments, which clearly reduces the scope for discerning performance patterns here.

Nonetheless, Kenya's PEFA scores do offer interesting insights. Overall, Kenya is clearly far from a star performer, as it has managed just a handful of 'A' grades across its assessments, unlike Rwanda and Uganda (Chemouni 2019; Bukenya and Hickey 2019). As DANIDA (2014:3) has observed, 'Kenya's PFM system over time has made progress' in terms of the formal adoption of best-practice PFM institutions and practices, but 'this has not translated into noticeably improved performance' in reality.

Figure 5. CPIA scores, 2004-2017



Source: http://datatopics.worldbank.org/cpia/.

In Kenya's most recent assessment, there are some signs of improvement, with new 'A' grades for public access to information and participation within the annual process, as well as 'B' grades for accounts reconciliation and adopting a multi-year policy perspective. However, there are also 'D' grades for expenditure composition and oversight of public sector fiscal risk. Additionally, there is a sense that some of these recently improved grades might not be attributable to enhanced Treasury performance per se. This is because Kenya's new constitution, which fully came into force in 2013, contains strong provisions on participation and information sharing that all state organisations must follow (Ghai 2020). Thus, improvements in some areas seem to have been somewhat cancelled out by regressions in others, leaving Kenya's PEFA scores little better off overall (though, at least according to this dataset, not especially worse off since 2013 either).

Overall, the indicators in this section point to three broad periods. These are: 1992-2002, 2003-2013 and 2013-present. As noted, these periods overlap with the administrations of Kenya's three most recent presidents, and they have already been used by other scholars when discussing Kenya's macroeconomic performance. However, this section has uncovered intriguing variations within and across these periods that will need to be explored. During the 1992-2002 period under Moi, there were significant fluctuations in growth rates and, to some extent, fiscal balance, both of which were linked to election cycles. However, debt levels decreased more-or-less consistently throughout. The 2003-2013 Kibaki period, meanwhile, saw strong outcomes during the first five years – when growth, fiscal balance and debt indicators all improved strongly – but weaker performance after 2007, especially in terms of fiscal balance. Finally, the third performance period, which was deemed to have started in

Table 1. Selected PEFA scores, 2006-2017

	Indicators	2006	2009	2012	2017
Budget credibility	Aggregate expenditure outturn	C	B	B	B
	Expenditure composition outturn	B	B	C+	D+
	Revenue outturn	C	A	B	B
Comprehensiveness and transparency	Classification of the budget	C	C	C	C
	Comprehensiveness of information	B	C	C	B
	Extent of unreported government operations	D	D	D	D
	Transparency of inter-governmental fiscal relations	B	B	B	C
	Oversight of fiscal risk from other public-sector entities	C	C	C	D+
	Public access to key information	B	B	B	A
Policy-based budgeting	Orderliness and participation in annual process	B	C+	B	A
	Multi-year perspective in fiscal planning, expenditure policy and budgeting	C	C	C+	B
Accounting, reporting and recording	Timeliness and regularity of accounts reconciliation	C	C	C	B
	Quality and timeliness of in-year budget reports	C+	C+	C+	C+
	Quality and timeliness of annual budget statements	D+	D+	D+	D+

Source: https://www.pefa.org/assessments.

2013, has shown signs of decline across most indicators. These three periods, then, will be used to structure the paper's empirical sections, whereby qualitative data that was generated through interviews will be analysed to identify the drivers of these divergent outcomes. First, though, the paper will offer a brief historical summary of Kenya's political settlement before the 1990s reform era, as well as the Treasury's shifting role within it.

3. Kenya's political settlement

Di John and Putzel (2009: 4) define a political settlement as 'the underlying balance of power between contending social groups and classes, on which any society is based'. According to Khan's (2010) typology, which is the one that has been used by this project (Hickey 2019), different political settlement types are distinguished by the distribution of power along two dimensions. The first is horizontal, which refers to the strength of excluded elite factions vis-à-vis ruling elites; for Khan, this is the key causal mechanism in explaining when ruling elites have longer time-horizons in their decision-making, as the presence of strong excluded factions incentivises incumbents to focus on shorter-term initiatives that keep themselves in power. The second dimension, meanwhile, is vertical power distribution. This refers to the strength of lower-level actors within the ruling coalition and shapes the degree to which political leaders possess strong enforcement capacities (or not), as strong lower-level actors can resist the policy directives of their leaders. The dispersion of power along these dimensions is labelled either ‘high’ or ‘low’, yielding four (ideal) political settlement-types.

Kenya has shifted between three of these four types throughout its post-independence history. Between 1963 and 1982, Kenya possessed a *weak dominant* political settlement, as founding President Jomo Kenyatta – and, initially, his successor, Daniel arap Moi – sustained a relatively inclusive, albeit highly fragmented, ruling coalition (Nyong’o 1989). However, a series of exogenous economic crises from the late 1970s eroded the patronage resources that were available to Moi to co-opt his political rivals, prompting an attempted coup in 1982 that shifted Kenya’s settlement towards *vulnerable authoritarianism* and an ‘increasingly exclusionary form of governance’ (Branch et al. 2010: 251). Then, in the early 1990s, Kenya’s political settlement shifted once more, this time towards *competitive clientelism*, as Moi responded to growing domestic and external pressures for democratisation by scheduling multi-party elections (Chege 2008). This shift in Kenya’s political settlement could be dated to 1992, when inaugural multiparty elections were held. However, in reality, it began at least two years earlier, when Moi’s inner circle started to prepare for the impending elections by concocting a series of political financing schemes (Mwangi 2008) and drafting ethnic militia that could be used to intimidate the opposition’s supporters (Kajwanja 2009).

Each of these transitions in Kenya’s political settlement had implications for the Treasury’s functioning. During Kenya’s *weak dominant* era, the organisation’s leadership enjoyed stable tenure and a good mix of technical skills and political clout (exemplified by Finance Minister Mwai Kibaki, a trained economist, who served between 1969 and 1982). The Treasury enjoyed sufficient autonomy to be able to implement ‘praiseworthy’ fiscal policies that combined significant public spending with minimal deficits (World Bank 1975: 5). That said, these achievements were certainly made easier by a period of relatively benign global economic conditions (Makau et al. 2018). Kenya’s shift to *vulnerable authoritarianism* in 1982 led to a decline in the Treasury’s performance. Moi replaced the Treasury’s leadership, who hailed predominantly from a single ethnic group – the Kikuyu – that had been implicated in the coup, with his own acolytes, who lacked either the capacity or experience to run the organisation, or even a general understanding of the challenges facing Kenya’s economy in a context of worsening external conditions (Muchai and Muchai 2016; O’Brien and Ryan 2001). With Kenya’s transition to *competitive clientelism*, the political pressures that the Treasury faced then became even more acute, as officials were ordered to find ways of financing Moi’s election-related expenditures ‘regardless of the cost’ (Branch and Cheeseman 2008; Throup and Hornsby 1998: 583). Notably, this led Treasury officials, conspiring with the Central Bank of Kenya (CBK), to orchestrate Kenya’s infamous Goldenberg scandal, which drained Kenya’s economy of more than

10 percent of its GDP between 1990 and 1992, as politically linked shell companies received compensatory financing for fake gold exports (Mwangi 2008).

While these political financing efforts succeeded in their aim of getting Moi re-elected, they came with huge economic costs. The printing of money to fund Moi’s election expenditure, coupled with the effects of Goldenberg, increased monetary supply so rapidly that inflation hit 46 percent in 1993. The shilling’s value plummeted, exacerbating a foreign exchange crisis (Makau et al. 2018). Furthermore, escalating corruption in the run-up to the 1992 elections prompted donors to suspend their aid, and any inclinations that they had to resume it afterwards were dispelled when details of Goldenberg leaked. Donors doubled down in demanding serious and far-reaching economic reform, and were joined by powerful domestic capitalists, whose businesses were reeling from Kenya’s macroeconomic instability (Southall 1999; Dafe 2019a). It was, then, a combination of domestic and external pressure following the 1992 elections that propelled Kenya into its reform era, as the following section reveals.

4. 1993-2002: A ‘game of cat and mouse’

Section 2 identified Kenya’s early reform period as one of mixed and variable outcomes. Between 1993 and 1996, growth rates returned to positive figures, having plunged to -4 percent in the 1992 election year, while there was also a significant reduction in Kenya’s deficit and debt levels. However, these trends reversed in 1997, when growth rates dropped back down into minus figures and the deficit and debt increased again (albeit only moderately in relative terms). This pattern then repeated itself in the second half of the period, as growth rates improved between 1998 and 2000, underpinned by small budgetary surpluses and a reduced debt overhang, before all indicators reversed course through 2001 and 2002.

Explaining the initially improved outcomes between 1993 and 1996, informants recalled that, after the 1992 elections, Moi needed to restore Kenya’s credibility amongst foreign and domestic investors and appease donors with sufficient reforms to resume their aid. Realising that these reforms would not be credible under the Treasury’s existing leadership, Moi decided to overhaul the organisation, paralleling efforts at CBK (Tyce 2020a). Finance Minister Saitoti was replaced by Musalia Mudavadi, an up-and-coming politician and ‘committed reformer’ (Africa Confidential1997a). Benjamin Kipkulei was appointed as Permanent Secretary. This appointment was not useful to Mudavadi so much in a technical sense, since Kipkulei was not an economist, but more in a political one, as he was a Kalenjin with ‘access to the president’ (O’Brien and Ryan 2001: 509).

Importantly, the influence of these appointees was complimented with new technical skills beneath them. Personnel were drafted in across the organisation, but particularly in areas that were targeted for reform, such as debt management, a division that was created in 1987 through Swedish funding but had retained a purely ‘cosmetic’ presence thereafter (AFRODAD 2011). Interestingly, many recruits came via CBK, where newly appointed Governor Micah Cheserem, who became one of Mudavadi’s reformist allies, made use of CBK’s special pay structures and streamlined recruitment processes – neither of which were enjoyed by the Treasury – to second staff there. As an ex-CBK official recalled, ‘the Treasury needed technical help, and that was to be found in the Central Bank. We ended up seconding a lot of staff…. We sent people to run debt management and basically created that office for them.’ [12]

With a better balance of political and technical skills at the Treasury, and with Moi giving the organisation more space to do its work, quick progress was made in restoring macroeconomic stability. To mop up the excess liquidity that had been generated during the 1992 elections, and through Goldenberg in particular, the Treasury and CBK issued vast numbers of Treasury Bills (O’Brien and Ryan 2001). This contributed to the 1993 spike in Kenya’s debt-to-GDP ratio, but succeeded in bringing inflation back down. Thereafter, the newfound technical capacity within the Treasury’s debt management division meant that it then swiftly reduced Kenya’s debt overhang, taking it from 153 percent of GDP in 1993 to 77 percent by 1996.

Once macroeconomic stability was restored, Mudavadi and Cheserem set their sights on the deeper reforms that donors were demanding. Along with Kipkulei, they utilised their relational connections and political nous to articulate a liberalisation agenda that was palatable to Moi’s inner circle. This entailed going slow in delicate areas like privatisation – especially of state-owned banks, which were vital conduits for distributing patronage (Arriola 2013; Upadhyaya and Totolo 2020) – while pressing ahead in less contentious areas, or in areas which offered enrichment opportunities if configured correctly, such as foreign exchange markets.[13]

Within the Treasury, there were also reforms to budgeting, as the organisation moved towards a medium-term public investment plan favoured by donors. These efforts helped to rationalise and streamline the budget, but the Treasury still lacked the capacity – or, perhaps more accurately, the resources, as it was overstretched – to make sure that ministries adhered to the new guidelines, or that so-called ‘priority’ projects were implemented (Folscher 2007). Furthermore, while the Treasury controlled the budget, responsibilities for designing the development plan were with the separate Ministry of Planning, which Moi was reluctant to subsume within the Treasury, because it offered another powerful portfolio to distribute as patronage during ‘a period of intense political fluidity’ (Southall 1999: 93). This institutional separation undermined the coherency and coordination of budgeting processes. [14]

Nonetheless, these reforms were enough to secure a resumption of aid. By early 1996, more than half of Kenya’s total aid freeze had been disbursed, and later that year donors agreed to disburse another US$730 million (O’Brien and Ryan 2001). Kenya’s economy seemed to be recovering, registering positive per capita growth for the first time since 1990. The deficit had been reduced to 1 percent by 1996.

[12] Interview, former CBK official, Nairobi, 3 April 2019.
[13] Interview, journalist, Nairobi, 28 April 2019.
[14] Interview, former Treasury official, Nairobi, 18 March 2019.

However, from early-1997 there was a ‘slackening of reform efforts’, as Kenya entered another election year and *competitive-clientelist* pressures ramped up once more (ibid: 509). Nicholas Biwott, a suspect in both the Goldenberg scam and the violence that marred Kenya’s 1992 elections, returned from a period of donor-enforced political exile to become minister of state within the President’s Office, with a ‘special assignment’ of winning that year’s elections (Africa Confidential 1997a). This resulted in the reformists within Moi’s government being ‘cut down to size’ (Africa Confidential 1997b). Mudavadi’s brief soon became confined to balancing the government’s books amid a ‘pre-election spending spree’ that was orchestrated from the Office of the President, whose budget was ‘untouchable’ (ibid). Mudavadi managed to avoid another crippling surge in the deficit in 1997, even though Section 2 did observe an increase, but he could only do so by slashing health and education spending. This frustrated donors, who again suspended their support.

As soon as the 1997 elections were over, the same ‘dance with donors’ started all over again.[15] Moi initiated another reorganisation of the Treasury’s leadership, demoting Mudavadi to agriculture minister, even though he had clearly not been the problem, and replacing him with another reformer called Simeon Nyachae. The Treasury then set about (re)restoring Kenya’s macroeconomic fundamentals through new donor-appeasing taxes and shifting towards a Medium-Term Expenditure Framework (MTEF) in 1999 that (temporarily) unified planning and budgeting within the Treasury. Nyachae slashed public spending by reducing the number of ministries, retrenching thousands of civil servants and reversing Moi’s pre-election pledge of salary increases for teachers, prompting weeks of nationwide strikes from unions. That Nyachae continued to be backed during this period reveals how badly Moi wanted to ‘elicit a resumption of lending from the IMF’ (Southall 1999: 97).

However, once these renewed commitments had been secured, Nyachae was also pushed out, as Moi’s attention turned to changing the constitution to stand for a third term or installing a favoured successor (ibid). Either way, this meant getting rid of Nyachae, who had become a ‘donor darling’ for his disciplinary instincts and was being touted as a potential presidential successor.[16] What followed was a period of particularly pronounced instability in the Treasury’s leadership, as three ministers came and went between 2000 and 2002, with each struggling to navigate the cut and thrust of Kenya’s succession politics. This lack of organisational leadership helps to explain why performance indicators dropped during the final years of Moi’s presidency – especially fiscal balance, which went from a 0.76 percent surplus in 2000, after Nyachae was fired, to -2.17 percent in 2002, as Moi devoted increasing resources to ensuring a favourable transition. That there was not a more significant decline in performance indicators owed to two factors. First, according to Africa Confidential (2000a), ‘no African government… faced stricter conditions than those approved for Kenya’ when donors resumed their support. Almost all spending required IMF and World Bank approval, to the extent that ‘Moi and his supporters argue[d] that Kenya’s

[15] Interview, economic analyst, Nairobi, 2 April 2019.
[16] Interview, journalist, Nairobi, 1 May 2017.

sovereignty is threatened’ (Africa Confidential 2000b). Second, and bringing in a stronger element of domestic agency, was the counterveiling role played by CBK, and especially its reformist governor Micah Cheserem, whose own position offered greater security of tenure than a minister’s. In 1997, Cheserem had imposed, and thereafter stuck resolutely to, a requirement which capped the government’s overdraft at 5 percent of its annual revenues (Tyce 2020a). This meant that CBK provided a kind of ‘restraining influence on expenditure … and budgetary expansion’, and thus the intensity of Kenya’s political business cycle phenomenon (Mosley and Chiripanhura 2016: 923).

4.1. Overall performance, 1993-2002

The Treasury’s performance was clearly influenced (and curtailed) by Kenya’s political settlement during this period, although some of the settlement’s more corrosive and short-termist pressures were checked by transnational actors and the actions of more autonomous state organisations like CBK. The overriding emphasis of this period was on winning elections, and the Treasury struggled to maintain its own autonomy during these years. It was only after elections, when the economy was reeling and Kenya’s reputation with donors would be in tatters, that the Treasury was given more leeway to carry out its mandated tasks. However, this increased room for manoeuvre would narrow again once the economy had stabilised and donors had renewed their commitments. Thus, according to Roll’s (2014) criteria, one of which is a requirement that an organisation must perform effectively for at least five consecutive years, the Treasury cannot be labelled as a POE during this period. Critically, the Treasury was never able to sustain its reform efforts (or, indeed, its reform-minded leadership) for that long, notably because Kenya’s electoral cycle is also five years. One could only really say that the Treasury was effective in achieving its mandated tasks between 1993-1996 and 1998-2000. That said, the speed with which Kenya’s performance indicators turned around during these years suggests that the Treasury at least possessed a somewhat stable technocratic base, below the more political (and unstable) positions of minister and PS, that could be quickly activated whenever ruling elites needed to clean up the mess that they had created. Indeed, one informant claimed that Moi himself was mindful of the need to ensure that ‘a cadre of public servants remain[ed] in place just below’ the Treasury’s top leadership to counteract the ‘turnover of senior people.’[17]

5. 2003-2013: The rise of the ‘technopols’

Section 2 identified the 2003-2013 period as one of generally improved and more stable performance. That said, it found that headline outcomes were seemingly more impressive between 2003 and 2007 than from 2008. Kenya experienced the only five-year period of consecutive growth acceleration in its history between 2003 and 2007, while the Treasury also produced more-or-less balanced budgets, achieving a small surplus in 2005 (Kimenyi et al. 2016). Deficits averaged less than 2 percent of GDP between 2003 and 2007, which exceeded the government’s own target of averaging 3

[17] Interview, parastatal chairperson, Nairobi, 5 March 2019.

percent (Thugge et al. 2010). Debt levels also dropped significantly, from 63 percent of GDP in 2003 to 39 percent by 2007. Taken together, these trends suggest that the Treasury might have been functioning as a POE.

The mainstream economic literature on Kenya attributes these outcomes to a supposed ‘orthodox economic reform agenda’ that was implemented by the government of the day, as well as delayed benefits from liberalisation reforms of the 1990s (e.g. Adam et al. 2010: 17). However, more critical scholars (e.g. Booth et al. 2014; Chege 2008, 2018, 2020; Poulton and Kanyinga 2013), along with the majority of informants who took part in this project, offer a more nuanced reading. Generally, they emphasise the commitment that President Mwai Kibaki and a selection of politicians and technocrats had to a shared developmental strategy. In some respects, this vision did indeed align with the prescriptions of neoclassical economics, but in others it diverged from the orthodoxy. As Muchai and Muchai (2016:11) argue, ‘Kibaki’s regime was marked by fundamental changes in economic planning and management’ – more fundamental, perhaps, than much of the literature acknowledges.

Kibaki’s combination of experiences as a trained economist and as the longest-serving finance minister in Kenya’s history meant that he not only possessed a strong vision for managing the economy, but an appreciation of the need to give technocrats the space that they needed to actually implement it (Chege 2008; Pritchard 2015). One analyst described Kibaki as ‘an institutional person who respected government structures. He did not allow people to interfere, particularly with key economic institutions.’[18] Another concurred, adding that Kibaki ‘always chose his people carefully for the economic functions because of his background as an economist and a former minister’.[19]

Kibaki filled senior positions in the economic technocracy with like-minded politicians and technocrats, or those who transcended these categories as ‘technopols’ (Domínguez 1996; Joignant 2011). A common set of ideas helped to bind them together. Notably, Kibaki’s technopols, many of whom were fellow economists, shared an inclination for ‘fiscal prudence’ (Muchai and Muchai 2016: 12). They recognised the need to ‘make choices, tough ones, about priorities’, rather than ‘chasing everything at once’,[20] and had an ‘interest in public financial management’, even though they would often baulk at the demands that donors pushed as part of this agenda.[21] For Kibaki’s inner circle, the absence of fiscal discipline under Moi had eroded Kenya’s sovereignty and very respectability as a nation, and it was only through self-sufficiency that the country could be ‘freed from donor control.’[22]

Importantly, Kibaki and his technopols were also wary of being unquestioningly reliant on externally devised development blueprints for achieving their aims, and they were

[18] Interview, economic analyst, Nairobi, 6 March 2019.
[19] Interview, former CBK official, Nairobi, 27 March 2019.
[20] Interview, economic analyst, Nairobi, 2 April 2019.
[21] Interview, financial services consultant, Nairobi, 11 March 2019.
[22] Interview, former advisor to Kibaki, Nairobi, 12 April 2019.

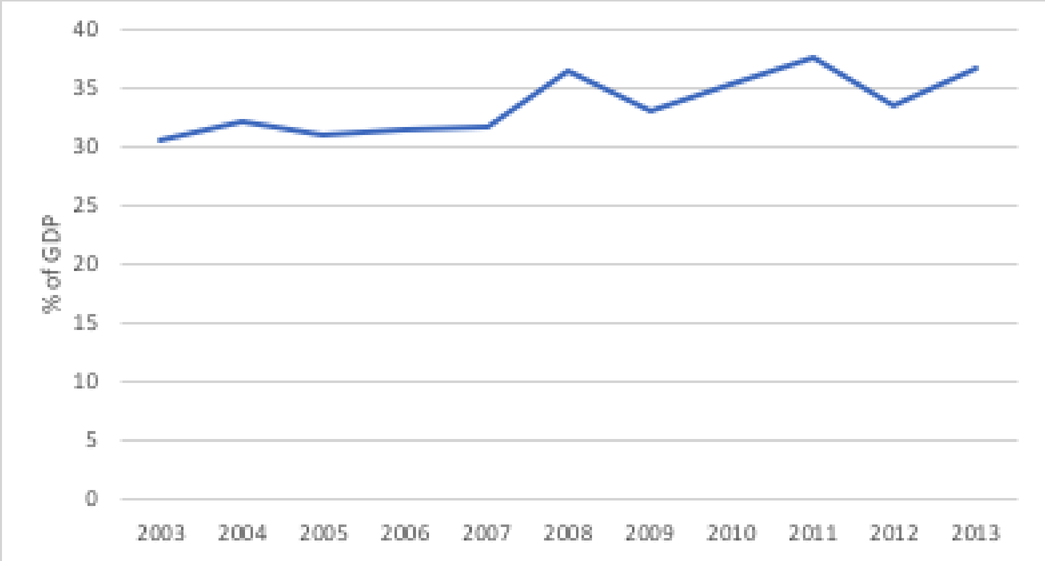
especially sceptical of the ‘shallow Western economics’ that could be pushed by the IMF and World Bank through their rigid emphasis on austerity and deficit targeting in particular.[23] Kibaki’s inner circle believed that policy solutions should be rooted in domestic realities. There was an emphasis on ‘risk-taking’ and ‘experimentation’ that – according to Bitange Ndemo, who was one of Kibaki’s trusted technocrats – resembled Kattel and Mazzucato’s (2018) concept of ‘mission-oriented policy’ (Ndemo and Aiko 2020). ‘The President’, Ndemo (2015: 9) continues, ‘was a pragmatist, never prescriptive when delegating authority, a quality that gave the team leeway to properly change things.’

Kibaki’s first choice of finance minister established his preference for likeminded technopols. He appointed David Mwiraria, a fellow economist and one of his ‘trusted friends’ (Ngirachu 2017). Mwiraria had served at the Treasury between 1977 and 1986, overlapping with Kibaki’s stint there as minister, before joining frontline politics as an MP in 1992 under Kibaki’s newly formed Democratic Party banner, following the legalisation of multi-party politics. Amongst his constituents, Mwiraria gained the nickname of ‘kangumu’ [the mean one] because of his ‘aversion to handouts’ within a political culture where handouts are generally considered – by politicians and voters alike – to be a key part of (re)election strategies (Ndung’u 2017). This offers an indication of the kind of austere mindset that Mwiraria would bring to the Treasury. [24]

Under Mwiraria’s leadership, the Treasury quickly demonstrated its willingness to challenge donor orthodoxy and develop more locally rooted policy solutions. Former officials recalled that, when Kibaki’s National Rainbow Coalition (NARC) came to power in 2003, the IMF was ‘really pushing us to reduce our spending’, especially by slashing the public-sector wage bill.[25] One of Kibaki’s confidantes claimed that this was ‘the same advice that the IMF gave to everyone’, criticising the organisation for thinking that ‘the solution is always austerity’.[26] For Mwiraria’s Treasury, Kenya’s optimal fiscal course was not to reduce spending, as there was a feeling that this would hinder their ability to resuscitate the economy by investing in growth-enhancing, poverty-reducing sectors. According to IMF (2005: 49) documentation, the Treasury was also reluctant to impose public sector spending and wage cuts because ‘capacity building’ was ‘being emphasised at all levels of government’, particularly in ‘key ministries’ like Agriculture, Education, Health and even the Treasury itself, whose ‘capacity constraints’ were found to be even ‘more severe than assumed’. Rather than cutting government spending, which was actually increased throughout Kibaki’s presidency (Figure 6), Mwiraria’s Treasury instead sought to channel its spending into more productive investments, and to keep the deficit within acceptable bounds by changing how the budget was financed and executed.

[23] Interview, former CBK official, Nairobi, 22 April 2019.
[24] Interview, financial services consultant, Nairobi, 11 March 2019.
[25] Interview, former Treasury official, Nairobi, 29 March 2019.
[26] Interview, former CBK official, Nairobi, 27 March 2019.

Figure 6. Expenditure/GDP, 2002-2013



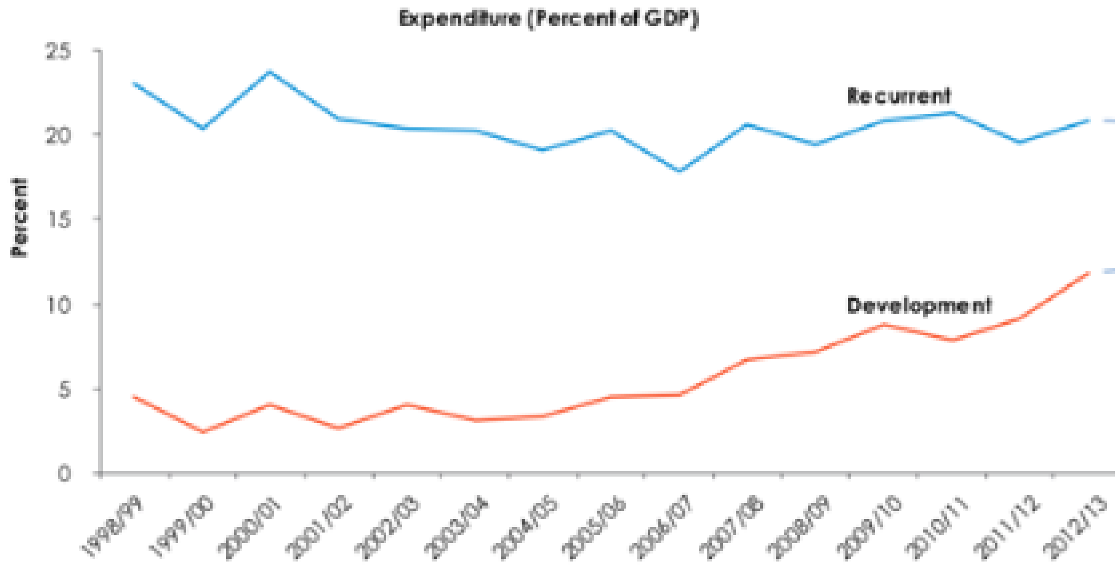
Source: KNBS.

In terms of the focus of government expenditures, the intentions of Kibaki’s NARC coalition can be gleaned from its Economic Recovery Strategy (ERS). This five-year development blueprint was launched jointly by the Treasury and Planning Ministry in 2003, months after Kibaki assumed the presidency. The document affirmed that spending would not be cut, but instead that government would ‘restructure its expenditures to be more growth and pro-poor oriented’, by channelling them towards a vast infrastructural development programme and improving health and education outcomes (Government of Kenya (GOK) 2003: ix).

Significant progress was made on these objectives during the ERS timeline. Development spending as a share of total spending increased to 16 percent in 2003, the first year of Kibaki’s presidency, from 11 percent in the last year of Moi’s. The ‘main contributor’ here was education spending, as Kibaki followed through with a signature pre-election policy of free universal primary education (GOK 2005: 7). The differences between recurrent and development spending then continued to narrow for the remainder of Kibaki’s presidency (Figure 7). Critically, this increased spending was ‘productive’ (M’Amanja and Morrissey 2005: 1) and had a ‘significant and positive effect on economic growth’ (Putunoi and Mutuku 2013:1; Wekesa et al. 2016). The World Bank (2019: 4) also agrees that Kenya’s spending under Kibaki had ‘a good impact – even better than its peers – as evidenced by the improved quality of infrastructure, and improved outcomes on education and health.’

Turning to how Kibaki’s government sought to finance this expenditure, one can again consult its ERS document. It stated that the ‘bulk of government expenditures’ would be ‘financed from tax revenues’, which had been declining throughout the last decade of Moi’s presidency (GOK 2003: ix). The ERS also mandated that, of the spending which could not be financed through revenue mobilisation, the shortfall would be accommodated mostly through external borrowing, so as to incentivise banks to lend

Figure 7. Recurrent and development expenditure, 1998-2013



Source: GOK (2013).

to firms, rather than government, and thereby ‘enable private-sector credit to grow’ (ibid). This was a key policy objective of Kibaki’s inner circle (Dafe 2019b; Tyce 2020b).[27] That said, the ERS was also explicit that some financing would still be sourced domestically, to ensure a balanced portfolio. Kibaki’s administration simply wanted to ease the ‘high level of domestic debt and associated high interest rates’ that had characterised the Moi years (GOK 2003: 5).

Progress was made in achieving these aims. Tax collections increased from 14.1 percent of GDP in 2002 to 16.6 percent by 2006, partly because of relatively benign global economic conditions that boosted Kenya’s economy and exports – and thus its revenues (Pritchard 2015). However, the increased tax collections also owed to tax administration reforms at the Kenya Revenue Authority (KRA) under its new Commissioner General, Michael Waweru, another Kibaki technopol (Tyce 2020c). The Treasury contributed to these efforts by funding KRA’s reforms and providing a more conducive policy environment through new tax legislation. [28]

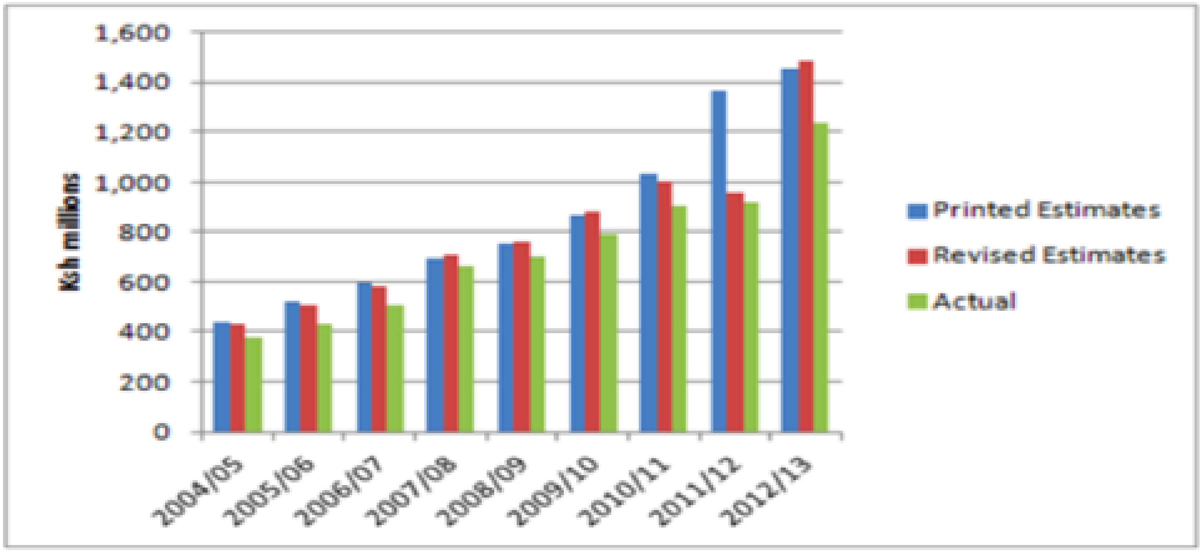
The Treasury also succeeded in its aim of reducing domestic debt, which fell from 27 percent of GDP in 2003 to 20 percent by 2007 (IEAK 2019). Additionally, its newly strengthened debt management unit worked with CBK – another POE during these years (Tyce 2020a) – to restructure Kenya’s remaining domestic debt, by shifting government offerings from ‘short-dated Treasury bills to long-dated bonds in order to minimise roll-over risks and high interest rates associated with short-term borrowing’ (Maana et al. 2008: 11). Treasury bills went from 68 percent of government securities in 2001 to 6 percent by 2007, helping to ease budgetary pressures by reducing debt repayments (Ndii forthcoming). The Treasury and CBK also worked together to ‘widen

[27] Interview, former CBK official, Nairobi, 29 March 2019.
[28] Interview, former KRA official, Nairobi, 9 May 2019.

the investor base' for securities beyond banks, so as to further reduce 'the risk of crowding-out private-sector investment' (ibid; Maana et al. 2008: 25).

Finally, there was recognition that the Treasury had to improve its handling of the 'entire budget cycle' if NARC's spending plans were going to be transformative (GOK 2003). Initially, resources were channelled into improving upstream processes around planning and preparation, where 'considerable progress' was made in enhancing the 'forecasting capacity' of the Treasury's macroeconomics department, especially its growth and revenue projections (Folscher 2007: 467).[29] Proof of these gains can perhaps be seen in Kenya's improved 'budget credibility' scores across its 2006 and 2009 PEFA assessments, as Section 2 revealed. Further proof comes in the Treasury's 'good practice' rating for its use of supplementary budgets throughout Kibaki's presidency, which were 'limited in number' and contained only 'small changes in aggregate terms' (IMF 2016: 43; Figure 8).

Figure 8. Supplementary budgets, 2004-2013



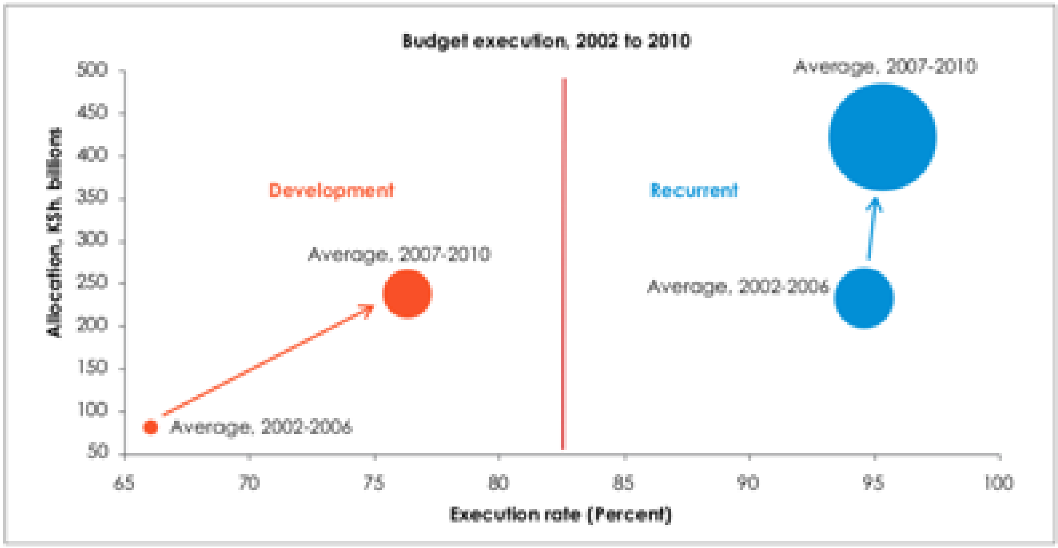
Source: ibid.

Rather than original versus revised estimates, Figure 8 shows that the more concerning discrepancy was between budgeted and actual expenditure. Indeed, Mwiraria's Treasury itself came to recognise this as a 'notable weakness' and directed increasing attention at it from 2005 (GOK 2005: xvi).[30] Key initiatives included the introduction, in that year, of a comprehensive monitoring and evaluation framework that was aligned to the priorities of the ERS. Backed by Kibaki, the Treasury also issued a circular, stating that it had to authorise all policy proposals submitted by ministries to the cabinet. This contrasted with the situation before, whereby cabinet could approve requests without referral (Folscher 2007). These reforms meant that execution improved from 2005 onwards, even in a context of rapidly growing

[29] Interview, Treasury official, Nairobi, 9 April 2019.
[30] Interview, former Treasury official, telephone, 27 March 2019.

allocations. There was a particular improvement in development spending, albeit from a lower starting point (Figure 9).

Figure 9. Budget execution



Source: GOK (2013).

Treasury technocrats were, however, unable to implement the reform that many felt was the most important of all. This was to (re)merge planning and budgeting within the Treasury, the separation of which was even acknowledged by the government's own spending review as being 'not conducive to effective integration of spending priorities and resource allocation' (GOK 2005: xvii). During the last years of Moi's presidency, the planning ministry had been subsumed within the Treasury as part of a broader package of MTEF budgeting reforms that Kenya and other African countries had been pushed to implement by donors (Tsofa et al. 2015). However, in the build-up to the 2002 elections, as Kibaki was assembling his NARC coalition, there was reputedly an agreement to return to a standalone planning ministry if Kibaki was elected, as this would create another powerful ministerial docket that could be used to ensure a more equitable distribution of portfolios amongst NARC's factions (given that Kibaki's was demanding control of the Treasury). Once in power, Kibaki came to share the concerns of Minister Mwiraria and Treasury technocrats about the institutional dysfunctions that resulted from having planning and budgeting in separate ministries. Yet, his 'hands were tied' by NARC's internal politics, as re-merging the ministries would have involved taking planning from a faction led by Raila Odinga and potentially further destabilising an already fragile coalition.[31] While Odinga's faction ultimately quit NARC in 2005 anyway, frustrated at Kibaki's recalcitrance over the constitutional reform that had been specified in NARCs MOU, Kibaki still could not proceed with a merger because he had to offset the loss of Odinga's faction by bringing others into his coalition (Murunga and Nasong'o 2006). Inevitably, they had to be enticed with lucrative dockets like planning.

[31] Interview, former Treasury official, Nairobi, 8 April 2019.

5.1. 2007-2013: ‘They were fighting over everything’

These intra-coalitional dynamics also hint at why Kenya’s performance indicators tailed off from the midway point of Kibaki’s presidency. As Section 2 revealed, there was an increase in the deficit from 2007, which went from averaging 2 percent between 2003 and 2007, to hitting 5.9 percent by 2011. The reductions in borrowing that had been achieved before 2007 also slowed. Debt evened out at 40 percent of GDP between 2008 and 2011, then started increasing again towards the end of Kibaki’s presidency, reaching 44 percent in 2013.

Asked whether these shifts in performance indicators point towards a decline in the Treasury’s performance, informants somewhat concurred, observing that the organisation experienced less stability and coherency in its political leadership. Mwiraria was minister for much of Kibaki’s first term, giving the Treasury sufficient stability to activate its technocratic base and undertake consistent fiscal policies. However, in early 2006, Mwiraria was forced to resign, after being exposed by John Githongo, Kenya’s anti-corruption czar, for undermining investigations into Kenya’s Anglo-Leasing scandal, which became Kibaki’s own version of Goldenberg (Mueller 2008; Wrong 2009). The scandal demonstrated that, even during his first term, Kibaki had not succeeded, or even attempted, to eradicate corruption from the economic technocracy (Maina 2019). This was acknowledged by an ex-Treasury official, who remarked that Kibaki ‘allowed corruption to fester’ because he was enough of a ‘pragmatist’ to know that a vibrant economy was not in itself enough to secure re-election if political networks were not being greased.[32] Instead, Kibaki sought to ensure that corruption was better ‘controlled’ and balanced out with macro-economic discipline, so that it would not undermine his broader developmental agenda.[33]

However, during his second term, Kibaki struggled to contain these rent-seeking pressures on the Treasury, or to appoint his preferred ministerial candidates, owing to the realities of leading a highly fragmented and bloated unity government that was formed in the aftermath of Kenya’s 2007-08 election violence (Booth et al. 2014). In early 2008, while negotiations over the division of positions within the unity coalition were ongoing, Kibaki unilaterally appointed Amos Kimunya, a former accountant and chairperson of the Institute of Certified Public Accountants of Kenya, as minister. This demonstrated the value that Kibaki’s inner circle placed on controlling the Treasury, as well as their desire to get the economy moving again after months of crippling violence. Yet the lack of consultation angered soon-to-be Prime Minister Odinga’s allies, who conspired with some of Kibaki’s own MPs – many of whom were resentful that one of Kimunya’s first acts was to table a ‘reconstruction budget’ that removed some of their tax exemptions – to pass a vote of no confidence in Kimunya for his failure to follow legal procedures in selling a state-owned hotel (Oxfam 2017).

Thereafter, Kibaki and Odinga struggled to agree on Kimunya’s replacement, requiring a compromise candidate to serve as acting minister. Eventually, in 2009, Kibaki

[32] Interview, former Treasury official, Nairobi, 19 March 2019.
[33] Ibid.

appointed Uhuru Kenyatta, the son of founding president Jomo, as minister. Coming from the same ethnic group as Kibaki, many have assumed that Kenyatta was Kibaki’s favoured appointment. However, sources claimed that Kibaki had been reluctant to appoint Kenyatta because, as someone who was clearly ‘not given to serious policy analysis or intellectual debate’ (Africa Confidential 2019a), and who did not have ‘the first clue about promoting accountability or performance management’, [34] Kenyatta bore little resemblance, ideationally or administratively, to Kibaki’s preferred model of a technopol. Instead, informants claimed that Kibaki felt ‘compelled’ to appoint Kenyatta because, by 2009, many within his own inner circle were becoming increasingly consumed with the impending succession in 2012, and the imperative of ensuring another Kikuyu-led administration after Kibaki’s.[35]

To placate Odinga’s faction, Kibaki had also agreed to appoint Oburu Odinga, Raila’s brother, as Assistant Minister. This heightened the sense of incoherency within the Treasury’s political leadership during Kibaki’s second term, as officials found themselves ‘pushed and pulled’ between Kenyatta and Odinga. [36] However, one informant recalled that Kibaki stepped into this leadership void and asserted ‘control over what was going on’, to the extent that he ‘essentially became the Finance Minister’, relegating Kenyatta to a ‘figurehead’.[37] Other sources concurred, remarking that ‘Kibaki and [Joseph] Kinyua [the PS] were running the show. Whenever Kibaki wanted to talk economics, he would call Kinyua and [Njuguna] Ndung’u [the CBK governor] to State House, not Kenyatta.’[38] Indeed, it was during Kibaki’s second term that Kinyua emerged as one of Kibaki’s most influential technopols. Kinyua also enjoyed significant stability in his tenure after his appointment in 2004, only leaving in 2013 to take up the dual role of civil service head and president’s chief of staff (Shiundu 2013). This ensured that the Treasury at least retained some coherency in its leadership, as ministers came and went during Kibaki’s second term.

Kibaki and Kinyua’s close cooperation – and the capable support provided by other officials, like Henry Rotich, the head of macroeconomics – ensured that the Treasury continued to function reasonably effectively, despite essentially ‘running on one engine’ because it lacked coherent political leadership.[39] Indeed, several informants claimed that the Treasury actually did well to prevent the decline in Kenya’s performance indicators being worse than they were. Kenya, they recalled, faced much tougher external conditions during Kibaki’s second term, which started with the combined effects of the global financial crisis and Kenya’s electoral violence. GDP per capita growth rates plummeted to -2.5 percent in 2008, from 3.9 percent the year before. These twin crises necessitated a ‘massive reconstruction exercise’, and informants gave positive assessments of the Treasury’s role in overseeing this. [40]

[34] Interview, financial services consultant, Nairobi, 11 March 2019.
[35] Interview, journalist, Nairobi, 19 March 2019.
[36] Interview, Treasury official, Nairobi, 22 November 2016.
[37] Interview, parastatal chairperson, Nairobi, 5 March 2019.
[38] Interview, economic analyst, Nairobi, 6 March 2019.
[39] Interview, journalist, Nairobi, 30 April 2019.
[40] Interview, economic analyst, Nairobi, 2 April 2019.

Cooperating closely with CBK and Kibaki, the Treasury designed a counter-cyclical fiscal stimulus in 2009 that was equivalent to 2 percent of GDP, focused on social spending and rural infrastructure (Mwega 2010). This was financed through domestic borrowing, which explains some of the rise in Kenya's deficit and debt-to-GDP ratio. Critically, scholars have argued that this stimulus did help Kenya's economy to rebound, pushing GDP per capita growth back to 0.5 percent in 2009 and then an all-time high for Kibaki's presidency of 5.5 percent in 2010 (Kimenyi et al. 2016; Makau et al. 2018; Were and Tiriongo 2013). Further, while the Treasury may have been borrowing more, it continued to win plaudits for trying to secure its financing from mostly 'foreign and domestic non-bank investors', due to a continued desire to avoid crowding out private-sector lending (World Bank 2014: 9). For informants, these insights reveal that the Treasury was still generally performing well – if not *as* well – during Kibaki's second term, despite a more challenging external environment.

5.2. Overall performance, 2003-2013

Findings from this section suggest that the Treasury can be labelled as a POE during Kibaki's presidency, at least during his first term. Improvements were made across almost every indicator between 2002 and 2007, and the Treasury's capable and embedded leadership and re-energised technocratic base played a key role in driving these outcomes (albeit while benefiting from a relatively benign phase in the global economy). From 2007, Kenya's performance indicators did tail off. However, this section has shown that these declines were not solely attributable to declining performance within the Treasury (even if this was certainly a part of the story, through a lack of coherency in its political leadership). Following the particularly contested election in 2007, Kibaki was leading an even more fragmented ruling coalition than during his first term, which gave rise to an expanded network of regime insiders who could exert pressure on the Treasury's decision-making. Added to this was the fact that Kibaki was entering his second and final term. This meant that, almost from the moment he re-entered office in 2008, Kibaki had less ability to impose his economic ideas or to insulate the Treasury from political pressures and rent-seeking, because even his own inner circle was becoming increasingly consumed by broader factional interests of ensuring a favourable succession. Within this context, the Treasury actually did a good job of ensuring that the declines in Kenya's performance indicators were not even more pronounced. Cooperating with the rest of the economic technocracy, the Treasury designed countercyclical policies that helped Kenya's economy to rebound from its twin crises of 2007-08, an achievement that should not be underestimated. Indeed, for Mkandawire (2017: 201), 'there is a sense that a state's capacity can be measured by the extent of countercyclicality of its policies', given the complexities of undertaking them.

6. 2013-present: 'The last five or six years have really gone downhill'

Section 2 identified a decline across most indicators during this period. Kenya's fiscal balance has deteriorated rapidly, reaching a level that even the GOK (2017: 7) admits is 'high compared to historical trends and to peers.' Ouma (2019: 353) goes further, calculating that 'apart from South Sudan … Kenya is the worst performing nation in the region' in terms of its budgetary deficit, which has averaged 7.2 percent of GDP since 2013 (compared to EAC and African averages of 4.1 percent and 5.5 percent, respectively). Debt has also spiralled, pushing Kenya 'to a point where fiscal sustainability would be in question' (World Bank 2019: 6). The IMF has voiced similar concerns, assessing that Kenya now faces a 'medium' chance of debt distress, having been considered low risk throughout the previous period (Wafula 2019b).

Informants generally linked these declines in Kenya's performance indicators to worsening performance at the Treasury. Echoing others, one analyst claimed that the organisation has overseen an 'alarming backsliding in PFM'.[41] The most stringent critique came from an ex-Treasury official, who declared that 'the greatest barrier and risk to development in Kenya right now is the Treasury'.[42] This paper broadly agrees with these sentiments, but adds some nuance by arguing that this decline has not been caused so much by internal changes *within* the Treasury, but more by external changes that have reduced its standing within the overall political hierarchy of government as well as, relatedly, its ability to interact effectively and authoritatively with key institutions like parliament and the executive. Specifically, the Treasury's loss of influence has been caused by two major developments since 2013, one of which has involved profound changes to Kenya's formal institutional framework, while the other has resulted in a much-changed informal environment.

Formally, the Treasury has had to navigate the new institutional framework introduced by Kenya's constitution. To be clear, the constitution has brought many positives, introducing a devolved political system that has helped to unravel Kenya's 'imperial presidency', while also enhancing revenue flows to long-marginalised regions (Bosire 2016: 119; Cheeseman et al. 2019; Kanyinga 2016; ODI 2016). However, the constitution has raised serious challenges for the Treasury. Most obviously, Kenya's four-tier governance structure has generated huge fiscal pressures for it to accommodate (World Bank 2014) as well as new coordination issues within the budgeting process (Tsofa et al. 2017). Additionally, the constitution has created 'arguably Africa's strongest legislature', within which legislators can leverage their bargaining power to secure 'significant concessions' from the executive, especially within the Treasury's realm of taxation and budgeting (Opalo 2014: 238). In various respects, this has been a positive development, bringing greater oversight into a once-secretive process that used to be the preserve of 'a few officials within the Treasury' (GOK 2013: 51) while also making it somewhat more accountable, by giving parliament the 'overall power of the purse' (Opalo 2019: 199). However, the high turnover in legislators associated with Kenya's competitive political settlement, combined with the costs of election campaigning – which for an average MP can be up to US$500,000 – means that many legislators face 'strong incentives' to engage in corrupt activities that can pay off their debts (Cheeseman et al. 2020: 11; ibid; Mwangi 2008). In particular, these financial pressures make legislators susceptible to the 'lobbying' activities of businesses, which is contributing to a growing trend of budget statements and finance

[41] Interview, economic analyst, Nairobi, 6 March 2019.
[42] Personal correspondence with former Treasury official, 20 March 2019.

bills being held 'hostage' to secure personalistic demands and spending being diverted from 'where it would make most impact' (Wawire 2020: 19). [43] Exacerbating this situation, Kenya's new constitution also contains a provision stating that ministers cannot be elected politicians, which has eroded the Treasury's 'political clout' within parliament. [44] Officials lamented that 'when our minister was a politician, we could make deals with MPs to get policies or budgets through. Those deals can still be made, but it is much more difficult now.'[45]

The second development since 2013 has been the coming to power of a ruling coalition whose leaders have cultivated very different relationships with the Treasury. The leader of this coalition, called the Jubilee Alliance, is Uhuru Kenyatta, the former finance minister who Kibaki reputedly appointed largely because of Kenya's succession politics. While Kenyatta may have ensured political continuity in terms of retaining a Kikuyu president, there has been little in respect of economic policy (Chege 2018, 2020). Far from sharing Kibaki's desire for fiscal discipline, Kenyatta has publicly criticised 'erudite economists' at the Treasury, who, he claims, have conspired with donors to restrain his development agenda through their calls for 'fiscal caution' (Africa Confidential 2019a). Kenyatta, informants noted, possesses a 'genuine desire to leave a legacy' [46] and has 'a vision for how to improve the lives of Kenyans', much of which can be discerned from his 'Big Four'.[47] However, he lacks countervailing ideas around fiscal responsibility, which means that he has been pursuing this vision 'regardless of how it will affect the country's fiscal condition' (ibid). This growing ideational disconnect between the Presidency and Treasury has left the latter increasingly isolated and powerless, especially because the new constitutional provision that ministers can no longer be elected politicians resulted in the appointment of a 'pure technocrat' as minister in 2013. Henry Rotich, the Treasury's head of macroeconomics, was a 'respected economist' (ibid). However, he also lacked a political base of his own. This meant that he struggled to 'stand up to either of his bosses, President Kenyatta or his deputy William Ruto', earning him the disparaging moniker of a 'Yes-Man extraordinaire' (Omondi and Guguyu 2018).

With these developments in mind, one can begin to understand the pressures that the Treasury has come under during this current period. As one informant remarked, 'if the ethos of the political leadership is that deficits and debt are not a problem, what can the Treasury do?'[48] An ex-CBK official concurred, remarking that the Treasury is 'hugely constrained'.[49] 'There are people there', the informant continued,

[43] Interview, economic analyst, Nairobi, 8 March 2019.
[44] Interview, Treasury official, Nairobi, 9 April 2019.
[45] Interview, Treasury official, Nairobi, 22 November 2016.
[46] Interview, economic analyst, Nairobi, 11 March 2019.
[47] Interview, former KRA director, Nairobi, 6 March 2019. Kenyatta's agenda has four elements: manufacturing; affordable housing; food security; and universal health coverage.
[48] Interview, economic analyst, Nairobi, 2 April 2019.
[49] Interview, former CBK official, Nairobi, 27 March 2019.

> 'that I know well, who were serving at the same time as me under Kibaki, and I know they fully understand the dangers in Kenya's current situation. They just do not have an audience any more. The current number one and two do not value their advice … Kenya today is no place for technocrats.' [50]

One informant likened the Treasury to facing a 'perfect storm'.[51] Compounding the budgetary pressures associated with devolution, it has had to find ways of accommodating the competing spending demands and policy whims of Jubilee's constituent factions, whose mutual animosity and constant battle for supremacy within and across the state has led to there essentially being 'two governments in one'. [52] To make its budgets look even vaguely credible, the Treasury has been forced to use revenue and growth projections that are, in the words of Kenya's Parliamentary Budget Office (2019: 8), 'not realistic' – or what CBK's current governor has described as 'abracadabra numbers' (Omondi 2019). Not only has this led to an increasing reliance on supplementary budgets – both in terms of their frequency, with two per year now being common, as well as their amounts, which are now breaching legal limits for the first time (Figure 10; IBP 2016; IMF 2020; PBO 2019) – but it has also forced the Treasury into financing the deficit through ever more borrowing (World Bank 2019). The sources of this borrowing have also shifted significantly, as the Treasury has been pivoting towards relatively expensive (but easily accessible and rapidly disbursed) Chinese financing, through its 'Look East' policy (Zeitz 2019). Additionally – and 'contrary to its own technocrats' convictions', who fear 'crowding out private borrowers' – the Treasury has also been forced into tapping the domestic debt market through bank lending, reversing another practice of the Kibaki years (Africa Confidential 2019b; Ndii forthcoming).

Under Jubilee, there has also been a stalling – and, in some cases, reversal – of key reforms that were stipulated within Kenya's 2012 PFM Act. This had been introduced towards the end of Kibaki's presidency, when Kenyatta was himself finance minister. Notable examples include the failure to introduce a Treasury Single Account and the partial implementation of Kenya's Integrated Financial Management Information System (IFMIS). For an ex-official, these measures would significantly enhance the Treasury's budgeting capacities, while also easing its liquidity issues, as they have in Uganda (Bukenya and Hickey 2019) and Ghana (Abdulai and Mohan 2019). However, the Treasury has not been able to enforce these measures because of resistance from 'special interest groups that profit from the current arrangements' and who are reputedly well connected to Jubilee's leadership.[53] When Kenya's auditor general released a report in 2015 that detailed some of the 'loopholes' present within IFMIS, and how they seemed to be giving rise to a new form of 'budgeted corruption', there was a 'backlash' from Jubilee's leaders (Maina 2019; Wawire 2020). President

[50] Ibid.
[51] Interview, economic analyst, Nairobi, 6 March 2019.
[52] Interview, PFM specialist, Nairobi, 12 April 2019.
[53] Interview, economic analyst, Nairobi, 12 March 2019.

Figure 10. Supplementary budgets, 2012-2018

Source: IMF (2020).

Kenyatta tabled a revised Public Audit Bill that stripped the AG of its right to hire staff and negotiate its budget, in a clear attempt to ‘silence’ the organisation and ‘undermine its independence’ (Africa Confidential 2018). [54]

Perhaps the clearest example of budgeted mega corruption under Jubilee – though certainly not the only example, as there have been a succession of others, including the SGR, Eurobond and NYS controversies (Chege 2018; Maina 2019; Ndii 2019) – has been Jubilee’s ‘ghost dams’ scandal, which burst into the open in early 2019. Essentially, the Treasury – and, specifically, its ‘Yes-Man’ minister Rotich – were found

[54] Interview, PFM specialist, Nairobi, 12 April 2019.

to have authorised, and disbursed, more than US$450 million to a near-bankrupt Italian firm for the construction of two dams, before any feasibility studies had been conducted, and for which there were no visible signs of progress more than two years later (Africa Confidential 2019c). Details continue to emerge, and trials of the accused are still ongoing, but the Treasury has already lost a significant proportion of its leadership, including Minister Rotich, PS Kamau Thugge and a number of division and department heads (Menya 2020). Informants had little doubt that Rotich would have ‘lined his own pockets’,[55] and remarked that it was ‘difficult to see how the whole thing would have happened without other senior officials being complicit’,[56] but there was also consensus that officials would simply have been ‘doing the bidding of those above.’[57] For Maina (2019: vi), this has been a familiar hallmark of corruption scandals in Kenya, whereby it is always the ‘small fish [that] are nabbed, [the] big fish never’.

The dams fiasco left the Treasury in a prolonged period of ‘stasis’, as it triggered a factional ‘tug of war’ over who could appoint the new minister.[58] The loss of other senior officials also left the organisation ‘rudderless’, as this was playing out.[59] Eventually, in January 2020, nearly a year after the scandal had first leaked, President Kenyatta won out within a ‘post-handshake’ political landscape that has significantly undermined Ruto’s influence within the ruling coalition (Cheeseman et al. 2019). Kenyatta appointed Ukur Yatani, his candidate, as minister. It is too early to offer a firm assessment of Yatani’s tenure, but initial insights suggest that he, too, is being pushed and pulled between an array of conflicting interests and demands. On the one hand, Jubilee’s leaders are ‘desperate to rebuild relations’ with donors – and, particularly, to restore the IMF’s standby facility, which was withdrawn in 2018 as part of more assertive efforts by donors to force through fiscal consolidation and renewed PFM reforms, having initially been reluctant to criticise Jubilee for fear of losing ‘access to the government’ during its pivot to China (Africa Confidential 2019b; Zeitz 2019: 127). Jubilee’s response to the removal of the facility was one of belligerence, but it reversed course after a drop in the value of the shilling and downgrades to Kenya’s sovereign credit ratings spooked the international capital markets that it had been tapping so heavily.

Yet, on the other hand, these external pressures to rein in spending are running up against growing domestic political pressures related to the impending 2022 elections and the need to fund Kenyatta’s legacy agenda. Indeed, one of Yatani’s first acts was not to reduce spending, but to increase it by 28.5 percent within a supplementary budget, with the aim of speeding up progress towards Kenyatta’s ‘Big Four.’ At the same time, Yatani revised revenue estimates downwards and announced that the newly expanded deficit would be financed through more external borrowing (Guguyu and Alushula 2019). Now, the emerging Covid-19 pandemic, and its numerous and wide-reaching economic repercussions, are likely to reduce the Treasury’s room for

[55] Interview, journalist, Nairobi, 28 April 2019.
[56] Interview, economic analyst, Nairobi, 6 March 2019.
[57] Interview, financial sector consultant, Nairobi, 11 March 2019.
[58] Interview, journalist, Nairobi, 28 April 2019.
[59] Interview, economic analyst, Nairobi, 6 March 2019.

manoeuvre even further.[60] Compounding its difficulties, the Treasury will have to navigate this increasingly complex and contentious political economy environment without much of its long-standing technocratic base, which has been ‘hollowed out’ by the fake dams scandal and the use of its officials as ‘collateral’.[61]

6.2. Overall performance, 2013–present

The Treasury’s ability to function as a POE has once again been curtailed during this third period, explaining why almost every indicator has shown signs of decline. A key factor in this shift has been the growing ideational and relational disconnect between the Presidency and Treasury. Neither President Kenyatta, nor his Deputy President, William Ruto, have been motivated by the same economic ideas that helped to ensure close working relations between Kibaki and Treasury technocrats. Additionally, the organisation has been forced to contend with the realities of a much-changed formal institutional environment that was brought about by Kenya’s new constitution. This has not only reduced the Treasury’s standing within the political hierarchy of government, but has also weakened its ability to interact authoritatively and autonomously with key institutions like parliament and the presidency. Taken together, these developments have exposed the Treasury to the most virulent aspects of Kenya’s competitive and fragmented political settlement, from which there had been an attempt to protect it during the previous period.

7. Analysis

This section will assess the explanatory power of the core factors that comprise Hickey’s (2019) conceptual framework for the project. To recall, these are: the political settlement; ideas; transnational factors; and organisational-level factors. Each will be discussed in turn, to build a clearer picture of their relative significance.

7.1. The political settlement

Of the political settlement typologies that are available, Hickey (ibid) concluded that the most promising for this project was one by Khan (2010), partly because it had already been used to good effect by other scholars when researching POEs (e.g. Whitfield et al. 2015). According to Khan’s typology, Kenya has an almost archetypal form of ‘competitive clientelism’, and findings from this paper suggest that this political settlement has indeed played a clear role in shaping – and generally curtailing – the Treasury’s performance over time. The dispersion of power in Kenya, both horizontally and vertically, generates strong incentives for ruling elites to constrain the Treasury’s bureaucratic autonomy and functioning, so that it can be used as a tool to further their own survival strategies, especially during election periods (and thereafter be sent into clean-up mode). As Maina (2019: vii) has argued in a recent paper on ‘state capture’ in Kenya, the overriding imperative of generating political financing for competitive elections, coupled with the Treasury’s status as the controller of the purse strings, means that ‘controlling and capturing’ the Treasury is a vital component of broader

[60] http://www.effective-states.org/kenyas-response-to-covid-19/.
[61] Interview, journalist, Nairobi, 19 March 2019.

political processes that involve ‘repurposing … state resources for electioneering and thus maintain[ing] power’.

However, while Khan’s (2010) framework offers these interesting insights, findings from the paper also question whether a focus on power dispersion alone captures all of the core features of Kenya’s political settlement (and thus its role in shaping the Treasury’s performance). According to Khan’s framework, Kenya has had the same political settlement throughout the whole period of analysis – and yet, during that time, the Treasury has experienced three distinct performance periods. To some extent, that is because these periods have been influenced by other factors, from the organisational to the transnational levels, as discussed below. However, it is also because these periods have been shaped by aspects of Kenya’s political settlement that Khan’s typology – and, indeed, political settlements analysis as a whole – has struggled to capture, notably the degree of factionalism *within* ruling coalitions.

An emerging typology that might hold more promise in capturing this aspect of Kenya’s political settlement is being devised by Kelsall and Schultz.[62] They try to incorporate Khan’s (2010) focus on power dispersion through the concept of mutli/unipolar power configurations, but they complement this with a second typological dimension that draws on the political sociology of state-building literature to analyse a settlement’s ‘social foundation’ (Kelsall 2018, Slater 2010). In his conceptual paper for this project, Hickey (2019: 33) concluded that ‘more work is required to elaborate how the social foundations of power might be operationalised’ before the typology could be deployed, but it does seem to have potential for explaining aspects of Kenya’s story. In particular, the typology suggests that Kenya may have transitioned to a new type of political settlement from around 2007-08, following the country’s election violence and the shift towards a new constitution that has formally and informally increased both the multipolarity and social composition of the settlement (ODI 2016). In turn, this might help to offer insights into why the Treasury’s performance indicators have been worsening since then, given this paper’s findings that the Treasury has been facing even greater pressures to satisfy a range of conflicting demands and interests and less de-facto autonomy to resist or coordinate them (despite constitutional measures that sought to increase the de-jure autonomy of public sector organisations).

7.2. Transnational factors

When discussing the role of transnational factors, it is useful to make a distinction between pure exogeneous factors and endogenous ones that Kenyan actors actually

[62] Kelsall and Schultz have been developing this political settlements typology as part of ESID’s project on ‘defining and measuring political settlements’. To date, they have not produced a formal publication or working paper which outlines their typology in full, so the information contained in this paragraph is based on a draft paper that they have previously circulated, as well as a short article by Kelsall (2018) in *African Affairs* that explains some of the thinking behind their concept of ‘social foundation’. Kelsall and Schultz have also written a recent blog piece which preliminarily introduces the different political settlement types that they have identified and relates them to different country responses to the COVID-19 pandemic. Their blog piece can be found here: http://www.effective-states.org/the-politics-of-responding-to-covid-19-in-developing-countries-part-two/.

have some control over. In terms of the former, it is clear that shifts within the global economy have shaped the performance periods identified in this paper. Most African countries experienced poor economic outcomes in the 1990s, as Kenya did, then improved outcomes during the 2000s because of more benign global conditions, followed by another more difficult period following the 2008 global financial crisis (Adam et al. 2010). As such, there is a danger of ascribing too much explanatory power to national-level dynamics when performance periods align closely with global trends. Equally, though, there is a danger of doing the opposite, of reading everything against global economic patterns and leaving little room for domestic agency, which has clearly been a part of this story. This was especially the case for Kenya’s period of improved performance between 2002 and 2013 (and especially 2002-2007) as Kenya was neither a major extractives exporter nor did it benefit from HIPC debt relief during those years, which together are often identified as the key external factors that explain Africa’s improved economic performance during the 2000s (Chege 2020; Collier and Ndung’u 2010; Ndii forthcoming).

Turning to more endogenous transnational factors, donors have played a pronounced, if varying, role in shaping the Treasury’s performance. During the 1990s, they had significant influence over Moi’s highly indebted government. This resulted in a game of cat and mouse – and a period of stop-start reform at the Treasury – as Moi tried to appease donors, whose support and funds he needed, while not jeopardising key sources of political financing. However, since the 2000s, donors have been progressively losing their influence (Chege 2020). Initially, this was precisely because of the efforts that Kibaki’s NARC coalition went to finance budgets domestically, which was itself motivated by a desire to free Kenya from humiliating donor conditionalities. But, more latterly, the waning influence of donors (or, at least, traditional donors) has been catalysed by the increasing availability of alternative finance, especially from China and international capital markets (Zeitz 2019; Jones 2020). That said, donors do retain some influence, especially in the area of PFM reform. This was shown by the desire of the current Jubilee coalition to restore its IMF standby credit facility, the suspension of which contributed to jitters within the international capital markets that the government had been tapping so heavily. The situation today, then, is of a combined disciplining power that comes from donors and a growing array of other global actors, though it is still a disciplinary power that primarily encourages investments in state functions that support a neoliberal agenda (around deficit targeting, investment climate reforms, PPPs, PFM, etc.), rather than a more active developmentalist agenda (Johnson 2015).

7.3. Ideas

Ideas have also been an important part of the story. For example, a shared set of ideas around fiscal responsibility and national sovereignty, in particular, helped to bind President Kibaki with his ‘technopols’ and led them to try and shield the Treasury from the more corrosive political pressures generated by Kenya’s political settlement. They did not succeed, or even try, to fully insulate the Treasury from patronage and rent-seeking, but they did attempt to carve out more space for the organisation – or at least certain departments – to perform key tasks like budgeting and debt management. During the current performance period, by contrast, these ideas have been less salient. This has contributed to a growing disconnect between the Presidency and Treasury and a resulting loss of autonomy for the organisation. This is not to say that Jubilee’s leaders are devoid of ideas, as President Kenyatta clearly has a developmental vision of his own. It just does not include a strong commitment to fiscal discipline – and, indeed, in some ways it even appears inimical to such a stance – so there has been little support for the Treasury. Instead, the developmental priorities that are signalled within Kenyatta’s ‘Big 4’ agenda suggest that he might instead have cultivated more ideational affinity with technocrats in other areas of the bureaucracy, perhaps with the kinds of ‘new productivists’ who tend to cluster within planning, manufacturing and infrastructure ministries/departments, rather than the economic technocracy (Chimhowu et al. 2019; Hickey 2019).

7.4. Organisational factors

Finally, organisational factors have also played a role in shaping the Treasury’s performance, albeit a predominantly second-order role, whereby their significance, echoing Roll (2014: 34), has been conditioned by ‘the underlying political economy [or political settlement] in which the organisation is placed’. In particular, the paper has highlighted the importance of organisational leadership and having ‘technpols’ who not only possess technical skills but political connections and nous (Joignant 2011). When organisational leaders are relationally and ideationally embedded within broader networks of power, and especially with the executive, they are better placed to fend off political encroachments and devote more time and resources to achieving their mandates (Evans 1995; Johnson 2015; Leonard 1991). Additionally, organisational leaders who are deeply embedded – and who, therefore, tend to be somewhat more trusted – can overcome the principal-agent problems found within many bureaucracies, by convincing their political leaders to delegate extra responsibilities, both individually and for the organisations that they lead (Hassan 2020). In turn, this increased bureaucratic autonomy can motivate officials to ‘perform at high levels’ and ‘go beyond the formal mandate of their office’, because they have greater confidence to innovate, take risks and experiment (ibid: 255 Fukuyama 2013; Kattel and Mazzucato 2018). That said, and returning to the opening point of this paragraph, the extent to which organisational leaders are able to carve out autonomy in this way is ultimately conditioned by the nature of the political settlement and especially the incumbent ruling coalition. This means that these more negotiated and informal sources of autonomy can quickly be lost, as and when the ideas and interests of political rulers shift, as they very often do (Hickey 2019; McDonnell 2017).

The importance of organisational leadership, and especially of ‘technpols’, in securing greater autonomy (but also the fragility and reversibility of this autonomy) was clearly observed during the second period under President Kibaki. Especially during his first term, when Mwiraria was minister, Kibaki was able to give the Treasury sufficient – but certainly not unlimited – leeway to devise locally rooted policies that responded to the particularities of the Kenyan context and contributed to impressive macroeconomic outcomes (Chege 2008; Kimenyi et al. 2016; Ndii Forthcoming). Internally, the Treasury’s leadership also enjoyed sufficient discretion – as well as another aspect of ideational embeddedness with Kibaki, given their shared interest in ideas around New Public Management (Hassan 2020) – to experiment with performance management tools and incentive mechanisms. These experiments were not as extensive as parallel efforts at CBK and KRA – which had more room for manoeuvre because of special salary structures and employment processes (Tyce 2020a/b) – but informants recalled that they did encourage better performance, especially in the way that access to external training and education was used as one of the principal rewards for good performance (given the Treasury’s limited recourse to more pecuniary incentives). Yet, just as importantly, informants also recalled that their motivation was boosted simply by enhanced feelings of organisational mission and purpose during this period, when they felt like the organisation that they worked for was at the vanguard of Kenya’s development agenda.

8. Conclusion

This paper has examined the factors that have shaped the Treasury’s performance over time. It has found a significant conditioning role for Kenya’s competitive and fragmented political settlement, which generates powerful and often overriding incentives around political survival, electoral financing and factional balancing. Taken together, these incentives have often encouraged ruling elites to impose significant constraints on the autonomy of the Treasury, as well as incentivising competing factions within the ruling coalition to vie for control of the organisation. This has generally undermined the stability of the Treasury’s leadership and curtailed its ability to function as a POE. That said, the paper has argued that a focus on interests and incentives alone only offers a partial account of political behaviour, as Kenyan political and bureaucratic elites have clearly been motivated, albeit to different degrees, by a range of ‘paradigmatic ideas’ around nation-building, self-reliance, sovereignty and development (Hickey 2019), as well as by more specific economic policy ideas. The role of ideational factors was most clearly observed during the presidency of Mwai Kibaki, when a shared set of ideas motivated Kibaki and a selection of ‘technopols’ from across the economic technocracy to try and protect the Treasury from the most corrosive aspects of Kenya’s political settlement. This allowed the Treasury to emerge as a POE (albeit a fragile and progressively weakened one) and to make a significant contribution to one of Kenya’s most impressive periods of impressive macroeconomic performance. These findings, then, show that there is space for ‘policy coalitions’ composed of small numbers of like-minded politicians and technocrats (who draw selectively from, but are not beholden to, the advice and support of donors and other transnational actors) to exercise their agency and secure developmental outcomes within the broader structures of power that characterise a country’s political settlement (Lavers and Hickey 2020).

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