

Constituency Development Funds Workshop

**Center for International Development
Rockefeller College of Public Affairs and Policy
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Introduction

The State University of New York Center for International Development (SUNY/CID) kicked off a major project on “constituency development funds” with a workshop for 25 academics and practitioners at the University at Albany’s Rockefeller College on 8-9 December 2009. Constituency development fund (CDF) is the generic name for a policy tool that dedicates public money to benefit specific political subdivisions through allocations and/or spending decisions influenced by their representatives in the national parliament.¹

As economies in the “developing world” grow and their political systems become increasingly stable, CDFs have become increasingly popular. They are found in a growing and diverse set of developing countries, such as Kenya, Bhutan, Jamaica and Papua New Guinea, as well as in the distributive politics (generally called “pork barrel”) in US national and state level policy making. Operations of CDFs remain controversial in donor communities because they raise fundamental questions about democratic theory, the efficacy of government service delivery, the extent to which such service delivery can be made accountable, the role of legislators in selecting development priorities, and how public participation in policy making can be made more meaningful. It is a propitious time to launch a comprehensive program of exploratory and practical research on CDFs.

The workshop in Albany capped off initial preparations for a longer-range project in which academics and policy makers will generate comparative information and insights into the operations of CDFs. SUNY/CID committed to provide leadership in the development of tool boxes of good practices in norms and procedures that can assist policy makers in strengthening the effectiveness of CDFs as tools of participatory policy making. Workshop participants concluded by outlining a broader and comparative policy and research agenda designed to enhance the capacity of CDFs to foster development and good governance.²

The workshop explored three dimensions of activity surrounding the increasing employment of this policy tool in a diverse set of governments across the globe:

¹ This report employs CDFs as a generic term although such funds are called “electoral development funds” in Papua, New Guinea, for example.

² The program and list of participants is appended to this report.

- Policy making on CDFs, including goals of the funds, their size, style and conditions for decision making; oversight of CDF; and the relative influence of different individuals and groups in making policy;
- Effectiveness of CDFs as tools of decentralized development, including some common pitfalls in implementation, the relationship between CDFs and other local development projects and administration; and reporting, transparency and accountability of CDF-initiated projects; and
- Sustainability of CDFs as instruments of development, including the manner in which CDFs inform representative-constituent relations; the electoral effect of CDFs; the viability of CDFs in different types of electoral systems; and the effect of CDFs on relations among civil society, legislatures and executives.

As background, SUNY/CID provided participants with an extensive bibliography of published research on CDFs, summarized some of the common challenges facing CDFs, and provided a matrix comparing characteristics of eight CDFs.³

Several presentations helped to frame the workshop's deliberations:

- Professor Joel Barkan presented data on Kenya, Malawi, Zambia, South African, Namibia and Mozambique from the African Legislatures Project (ALP) that demonstrated the importance of constituency politics in Africa even amidst some strong party systems and the great desire of African publics for strong constituency service.
- Citing Theodore Lowi's central insight on how the types of policies shape politics, Professor Bob Nakamura outlined diverse of perspectives on CDFs as a tool of policy making and service delivery.
- Professor Dianna Evans discussed the burgeoning pork projects over the past decade in US policy making and how US politicians frame earmarks as a matter of national interest.
- Participants viewed a short documentary from International Budget Partnership called "It's Our money, Where's it Gone?" on efforts of a Kenyan CSO, Muslims for Human Rights (MUHURI) to monitor CDFs in Mombassa, Kenya:
<http://www.internationalbudget.org/> or
<http://www.youtube.com/watch?v=z2zKXqkrf2E>

³ Documents are appended to this report which analyze data on Bhutan, Ghana, India, Jamaica, Kenya, Papua New Guinea, Solomon Islands, and Uganda. CID found insufficient information on the operations of CDFs in an additional 10 governments to include them into the descriptive matrix for the time being. They are: Liberia, Malawi, Malaysia, Mexico, Namibia, Nigeria, Pakistan, Rwanda, Tanzania and Zambia.

- Rashid Draman (PCC) discussed Ghana’s District Assemblies Common Fund as a hybrid form of CDF. He described their structure, allocation, the role of MPs in allocating funds, transparency and accountability of the funds, and some lessons with the formulation and implementation of the funds.
- Shem Baldeosingh (CPA) described the operations of CDFs in a number of systems and concluded that: “The focus should remain in addressing the systemic and systematic issues arising within the existing development financing arrangements for local government (which are many), strengthening the Office of Parliament, and reorienting the relationship between MPs and their constituents to its democratic rather than (apparent) financial basis”
- Scott Hubli (NDI) offered summary observations from the workshop aimed at contributing to a research agenda on CDFs that reflects the interests of the donor community and addresses themes raised at the conference in long-term studies that go beyond the “gotcha moment” to explore ways of making CDFs more effective tools of policy and process.

The Workshop was structured around the observation that CDFs are increasingly popular vehicle for politically-centered development that seeks to build relationships between local and central stakeholders, and between stakeholders in government institutions and those in civil society. It focused on practical issues of how CDFs function and on the development of a research agenda that would permit planners to frame CDFs as a constructive element of a development strategy, eschewing a consideration of larger, conceptual issues concerning democratic theory and representation.

This summary of the workshop’s proceedings is organized around issues of definition, policy making, policy implementation, politics and sustainability, and the steps foreseen to a fuller understanding and tool box on CDFs. It frames the questions raised at the workshop for further research and development.

What are CDFs?

Following from the general agreement that CDFs represent a form of distributive politics and policy making, the workshop raised four central issues concerning the identification of CDFs as a broader set of policy tools aimed at decentralized development.

First, are CDFs primarily a political project or do they represent efforts to spur good, locally-based development? It appears that they are politically driven development initiatives. Barkan presented information on the importance of constituency-based politics in Africa in both the supply and demand for constituency service. So while it is important to take CDFs against the background of national strategies of development, it also seems clear that a key goal of CDFs is to nurture the integration of diverse communities into a common set of political and social values in support of the existing system. Constituency-based initiatives can protect communities from the impersonal

administration of inflexible and centralized state organizations that often overlook individual communities in the name of administrative rationality.

Second, how much variation is there in mechanisms of distribution and implementation of CDFs? For example, will a good practice toolbox for Papua New Guinea's EDFs⁴ also apply to the CDF in Kenya, the CDF in Jamaica, the CDG⁵ in Bhutan and the MPLADS⁶ in India? To what extent do politicians, administrators and constituencies in each of these places accord similar meaning to each of these funding mechanisms? How essential to a CDF is the precise locus of decision making authority, the entity that controls the administration of the fund, the means of disbursement of funds to MPs, the type of allowable projects, the entities responsible for oversight, to list only a few such questions. In other words, which elements are central and which elements are peripheral to the definition of a CDF?

In this vein, it was not clear whether the "system" of earmarks and pork barrel distribution that is practiced in US national and state government is of a single type with CDFs. It is true that the long history of distributive politics in the US permits a unique opportunity to explore the evolution of systems of politically determined resource allocation for local development. On the other hand, there may be a fundamental difference between US earmarks, which are often informal mechanisms that are employed on a case-by-case basis and the institutionalization of distributive mechanisms that become part of the annual budget process as appears to be the case with CDFs. Furthermore, a form of US "soft core pork" masked as tax legislation and tax exemptions are very hard to trace. A bill might be drafted that exempts companies and other entities from paying certain taxes, which is usually not recognized as pork. An equally interesting issue is the identification of CDFs in economically advanced systems with constituency-based politics, such as in the UK.

Finally, the almost exclusive emergence of CDF-like institutions in Westminster systems with clear constituencies in first-past-the-post plurality/majority electoral systems raised the question of whether CDFs can serve as a compensation for the parliament's inability to amend the budget in these systems. It may also be the case that, unlike the earmarks or pork in presidential systems, CDFs are not subject to internal political wrangling but are institutionalized in the annual budget process and cut across party lines and over the objections of the executive. So if CDFs represent a type of responsive politics and administration, it remains to codify a compelling typology that would allow policy makers and researchers to identify its significant attributes that can be leveraged for equitable and effective policy making.

Policymaking on CDFs

Because the emergence of CDFs makes available substantial political resources to be employed in development, the universe of policy makers on CDFs is potentially quite

⁴ Electoral Development Funds

⁵ Constituency Development Grant

⁶ Member of Parliament Local Area Development Scheme

large. This universe includes executive agencies, offices of prime ministers, parliaments, locally based service providers, local and regional government, constituencies, contractors, financial institutions, civil society organizations (CSOs), non-governmental organizations (NGOs), and national and international donors. A great deal remains to be learned about the diverse paths these actors take to become stakeholders in the development of policy towards CDF, in decisions about the kinds of projects in which to invest, the manner in which tenders are awarded, the type of oversight practiced, the degree of transparency in the policy process. Beyond anecdotes and a handful of case studies, the manner in which policy is made on CDFs remains virgin soil.

Among the questions that were raised about policymaking on CDFs in Albany were: how do legislative institutions organize themselves to address the issue of distributive allocations? How much staff is dedicated to addressing these issues? How much time do individual MPs spend on CDFs as opposed to other types of constituency-based politics and other types of issues? Why do some issues seem ripe for treatment by CDFs as opposed to a more traditional administrative or policy process? Do CDFs substitute for other forms of ongoing service delivery and administration? The workshop concluded that there is a great deal to learn about how policies towards CDF are formulated and implemented.

Administration: Implementation, Oversight and Development

The workshop's discussion raised a host of questions on the implementation of CDFs that demonstrated the absence of generally accepted principles, tools and templates of administration and implementation of this quickly evolving phenomenon. For example, it is not known whether or when the direct disbursement of funds for CDFs is a more effective model than the indirect disbursement of funds. When funds are broadly distributed in block grants that win general support, CDFs can become part of the budget cycle. But there remain many unanswered, if simple, questions of who exactly receives the funds, what type of projects get built, are their clearly stated and well-publicized principles for allocative equity and efficiency, or for procurement and accounting.

Discussion also turned to the way in which the administration of CDFs affects legislative-executive relations and the balance of power between branches of government. The workshop asked how large a role CDFs should play in development administration. At what point and under which conditions could CDFs damage executive-legislative relations or center-provincial-local relations? How can Ministries contribute to the formulation and administration of CDFs? Will CDFs compete with Ministries in service delivery? Will CDFs add to the burdens upon Ministries through fiscal illusions? Or will CDFs ease the administrative burdens on ministries with well-placed implementation of projects that reflect the priorities of local communities? Do CDFs play a fundamental, distributive role that is perceived as more equitable than budgetary disbursements under the control of the executive/administration – or how can a balance be struck between central-administrative and political-local means of identifying and implementing development projects?

Participants did not ignore the issue of corruption. There are simple questions of fact that remain to be fully answered across the national cases of CDFs: who is corrupt? What actions are taken against individuals and organizations accused of corruption? What type of rules and practices can reduce the potential for corruption and misuse?

Participants also addressed several local-level issues. CDFs can represent a quick fix and fiscal illusion, or free money, whose investment can actually increase the burden of long-term expenditure on the central government. On the other hand, it can also reflect the priorities of local communities. So it is important to distinguish among the *articulation of local demand*, by which MPs identify CDF projects, from *local government administration*, which is a separate issue of local government managing the Fund disbursements. The challenge is not for CDFs to replace existing service delivery from local or central government, but to define a relationship with local governments that addresses potential overlap, contradiction and redundancy with current service delivery.

This conclusion leads naturally to the identification of principles and rules of CDF accountability that contributes to a constructive framework for procurement of goods and services in CDFs and for oversight of their implementation. It not only concerns which entity will exercise oversight, but asks how that system of oversight will fit into the overall policy making process that is increasingly transparent. The current absence of institutionalized accountability may make CDFs popular with politicians and administrators who view them as opportunities to advance personal interests and agendas. But this absence of accountability also leads CDFs to become unpopular with groups that are cut out of the policy process and/or cut out of the investments that are being made. The International Budget Partnership's documentary of MUHURI's social audit in Mombassa, Kenya demonstrated the absence of otherwise institutionalized mechanisms of accountability or transparency in Kenya's CDFs.

Enhanced transparency appears to require a separation and balance of powers. A CDF that is centrally controlled by the executive (as in Ghana) and is strictly accountable to the President or Prime Minister may leave little room for transparency in its operations. However, it would seem relatively simple to enhance transparency in CDF operations that would lead to more effective accountability of CDFs – either through legislation expanding freedom of information and/or enhancing the increasing transparency and openness of government administration more fully.

Politics and Sustainability

The sustainability of CDFs as tools of decentralized and effective development will rest both on the efficiency and effectiveness of its implementation and on its political acceptability to stakeholders throughout the political system. The current popularity of CDFs appears to rest mainly on the generally held political calculus in which centrally placed politicians bring home development resources to local communities and groups in exchange for political support. The institutionalization of CDFs as a mechanism of resource allocation across party lines can help to nurture a loyal opposition even over the objections of executives. At the same time, many MPs believe that CDFs have

contributed to a system of political competition in where candidates are measured, in part, on their effective employment of CDF allocations.

This perception raises the empirical question of whether the employment of CDFs carries with it an electoral payoff and helps to return incumbents to office. Do CDFs have an impact on turnover within the parliament? How will high legislator turnover or incumbency affect the way a CDF is employed? Do CDFs act as a measure of MP effectiveness by setting voters' expectations? How do MPs change their behavior on non-CDF issues in response to their perception that their seat is safe? Do CDFs privilege some business or contractors over others? Against this background, it is important to ensure that CSOs be included as part of a political calculus of policy making, especially when they represent vehicles to include constituencies, stakeholders and groups that are often cut out of the policy process. The participants of the Albany workshop looked forward to including representatives from NGOs and CSOs into the larger project as it moves forward.

Conclusions: Next Steps in SUNY/CID's Project on CDFs

The workshop succeeded in confirming several points. First, CDFs are becoming increasingly significant tools of politicized and decentralized resource allocation in developing countries. They are popular (even in the US!) in the face of a donor community that continues to prefer traditional development that is driven by central governments in a manner that resembles "rationality" in economically advanced and powerful nations. The CDFs are quickly evolving and emerging as increasingly important development tools. Their popularity may stem from their performance of a function not otherwise supplied by the existing administrative-political system. As in the case of earmarks in the US, CDFs could fill the holes for things that fall between the cracks. The enormous potential for abuse in the operations of CDFs creates a significant challenge for policy makers and scholars to devise norms, rules and procedures for the effective operation of these increasingly important policy tools.

Second, SUNY/CID's two-year project on CDFs is taking up the challenge of expanding the base of information on the emergence and evolution of CDFs in order to develop a 'tool kit' for policymakers containing suggested norms, rules, procedures and templates that can be studied and adapted to different settings. Such a tool kit will contribute to the increasing effectiveness of this politicized and participatory development administration in a manner that can genuinely help strengthen the responsiveness of government to the real needs of individuals and groups in their own communities.

Third, SUNY/CID's project will commission a set of case studies and other research that will systematically explore the development and operations of CDFs internationally. It will identify a set of lessons learned and good practices as early steps in developing the tool box. It will cooperate with its partners from the CPA, the WBI, NDI, UNDP, etc. in study groups, workshops and a major international conference that will order to build a compelling list of organizations. CID will explore the feasibility of employing Field

Network Studies to carry out such research.⁷ The field network approach relies on selected researchers in each target country who are expected to employ their deep knowledge of local conditions to collect data, and to answer a set of descriptive and analytic questions that are posed in a common survey instrument. These field researchers are expected to employ common concepts that the survey is designed to capture by identifying appropriate indicators and collecting data on them.⁸

Fourth, the workshop's participants identified a number of concrete tasks and events to generate relevant information on CDFs:

- 1) Completing the *matrix* (attached) of information on CDFs and adding to it additional governments with CDFs. It could ask several additional questions about how, in what sectors and with what effects funds are spent.
- 2) Gather *additional baseline information*: average size of CDF projects or earmarks; case studies on projects from formulation to implementation; identification of criteria for project selection; effectiveness of local level implementation; and mechanisms of reporting and oversight.
- 3) Conduct a *workshop* in Albany, New York on "Comparative Approaches to Earmarking in the US" in May 2010.
- 4) Commission of a few country *case studies on CDFs* by SUNY/CIDs existing network of scholars in Africa or Asia.
- 5) Develop a more complete understanding of comparative parliamentary knowledge and practice on CDFs via an *MP study group* in collaboration with the Commonwealth Parliamentary Organization (most likely in July 2010).
- 6) Hold a possible *workshop on CDFs* at the CPA Annual Meeting in Nairobi in September, 2010.
- 7) Issue a *call for papers* in October, 2010 for presentation in a fall 2011 International Conference on CDFs.

⁷ Irene Lurie, "Field Network Studies," Rockefeller College of Public Affairs and Policy, State University of New York at Albany, February 2000; Richard Nathan, "The Methodology for Field Network Evaluation Studies," pp. 73-99 in Walter Williams, ed., *Studying Implementation* (Chatham, NJ: Chatham House, 1982); and Richard P. Nathan, *Social Science in Government, the Role of Policy Researchers* (Albany: Rockefeller Institute Press, 2000).

⁸ SUNY CID will use these data to assess comparative legislative performance through an evaluation of the comparative utility of indicators that are favored by the different field researchers. At the upcoming workshops, study groups and conference, SUNY/CID will be in the position to address the effectiveness of CDFs as well as central questions of what makes such decentralized development effective.

- 8) Hold an *international conference on CDFs in Autumn 2011*. This major conference will bring together the many strands of SUNY/CID's academic and practical research, including the presentation of academic studies for publication and policy guidance for a highly practical toolkit for policymakers.
- 9) *Dissemination of information about CDFs* on an ongoing basis to the broader community of donors, parliaments, policy professionals and legislative support institutions through publication of academic research and practical tool kits with suggested norms, policy guidance for CDF operations cross-nationally.

The Albany workshop on CDFs kicked off a comprehensive project that will identify increasingly effective approaches to an important aspect of governance and development. It will help illuminate this increasingly popular policy tool in (a) a rigorous explication of variation among the national versions of CDFs by academics and development professionals; (b) a careful, ground-level analysis, by academics and policy makers, of how the operations of CDFs intersect with the lives of ordinary citizens, constituents and interest groups and CSOs; and (c) a comprehensive set of publications and guidance for diverse audiences that will disseminate basic information on, lessons learned about and good practices in CDFs.

Appendix One: Characteristics of Selected CDFs

<i>Y-axis: Country and name of Fund</i> <i>X-axis: Descriptive Characteristics</i>	method of creation	year fund created and/or launched	if applicable, name of legislation or directive creating fund	type of electoral parliamentary system (according to IDEA)	% or amount of annual budget allocated to Fund	direct or indirect disbursement of funds to MPs	who controls administration of the Fund?	types of funded projects permitted / prohibited	which entities are tasked with oversight?
Bhutan: Constituency Development Grant (CDG)	Executive order by the Finance Minister; confirmed at 35th session of Council of Ministers	created April 2009	n/a	n/a	Nu. 10 million per constituency for 5 yrs to be dispensed Nu. 2m each yr (US\$43,000)	<i>indirect:</i> CDG dispenses money to constituency (Gewog) when project is approved by National Assembly	provincial gov't (Dzongkhag) requests funds released to individual constituency (Gewog) by Finance Ministry when National Assembly approves grant	<u>permitted:</u> infrastructure (roads), education <u>prohibited:</u> supplementing gov't activities/programs, resources for local gov't, contributions or donations	Ministry of Finance, National Assembly Budget Committee, provincial gov't, constituency gov't, Royal Audit Authority (audit Ministry of Finance)
Ghana: District Assemblies Common Fund (DACF)	established in 1992 constitution and institutionalized by the District Assemblies Common Fund (DACF) Act 1993	created 1992	Article 252 (2) of 1992 Constitution of Ghana <u>and</u> the DACF Act 1993	Plurality/Majority: First Past the Post	5% annual budget	<i>indirect:</i> District Assemblies (constituency local governments) receive funds from Ministry of Local Government and Rural Development (MLGRD)	DACF Administrator, who is appointed by the President with prior approval from Parliament, and the Ministry of Finance	<u>permitted:</u> education and healthcare	DACF Administrator tasked with monitoring and issuing reports to MLGRD
India: Member of Parliament Local Area Development Scheme (MPLADS)	n/a	launched December 1993	1994 MPLADS Guidelines (amends. 1997, 1999, 2002, 2005)	Plurality/Majority: First Past the Post	2 million rupees per MP/constituency per year	<i>indirect:</i> MPs recommend projects, which are approved and managed by the District Authority of MPLADS	MPLADS housed within the Ministry of Statistics and Programme Implementation; District Authority prioritizes, selects, and oversees projects	<u>permitted:</u> water treatment, healthcare, infrastructure, sanitation, emergency assistance	District Authority of MPLADS; implementing agencies
Jamaica: Constituency Development Fund (CDF)	established out of Office of the Prime Minister (OPM)	created 2007, began 2008	n/a	Plurality/Majority: First Past the Post	originally 2.5% annual budget (\$150m/constituency) but only 0.5% (\$40m/constituency) in 2008 and 2009	<i>indirect:</i> MPs submit proposals to CDF Unit, which approves and submits project to Finance Officer at OPM for dispensation	OPM; CDF Programme Management Unit; various Parliamentary committees	<u>permitted:</u> infrastructure, water treatment, electricity, education, social safety nets	CDF Unit; Cosntituency Project Oversight Committee per region; OPM consulted on arising issues
Kenya: Constituency Development Fund (CDF)	legislation passed in parliament	created 2003 (amended 2007)	CDF Act of 2003 (Amend. 2007)	Plurality/Majority: First Past the Post	2.5% of annual budget; 75% of annual allocation equally distributed per constituency, 25% dispensed on basis of poverty need and population size	<i>indirect:</i> CDF Board approves project selection; National Management Committee dispenses funds	CDF Board	<u>permitted:</u> healthcare, education, security, electricity, sanitation, water treatment	CDF Board; Constituencies Fund Committee; National Management Committee; all stakeholders in implementation
<i>Y-axis: Country and name of Fund</i> <i>X-axis: Descriptive Characteristics</i>	method of creation	year fund created and/or launched	if applicable, name of legislation or directive creating fund	type of electoral parliamentary system (according to IDEA)	% or amount of annual budget allocated to Fund	direct or indirect disbursement of funds to MPs	who controls administration of the Fund?	types of funded projects permitted / prohibited	which entities are tasked with oversight?

<p>Papua New Guinea: Electoral Development Funds (a.k.a. Rural Development Program)</p>	<p>executive order</p>	<p>created 1970s and has undergone several iterations, recently amended in 1995 and 2007</p>	<p>n/a</p>	<p>Plurality/Majority: First Past the Post</p>	<p>Kina 500,000 per MP district; additional Kina 2 million for open and provincial electorates</p>	<p><i>direct:</i> 50% of fund allocation is used at MPs discretion on any project; Joint Budget and Planning Committees of each electorate allocate other 50%</p>	<p>The Office of Rural Development requires MPs or committees (depending on type of fund) to seek approval from Joint Budget and Planning Committees or Joint Planning and Budget Priority Committees in projects accordance with Public Finance (Management) Act</p>	<p><u>permitted:</u> infrastructure (roads), healthcare, education, water treatment, rule of law</p>	<p>Joint Budget and Planning Committees; Joint Planning and Budget Priority Committees; Ombudsman Commission</p>
<p>Solomon Islands: Rural Constituency Development Fund (RCDF)</p>	<p>n/a</p>	<p>created 1989</p>	<p>Constituency Development Plan created to guide RCDF 1998-2001 and was updated in 2002, 2005, 2006</p>	<p>Plurality/Majority: Alternative Vote</p>	<p>~US\$140,000 per constituency (majority funded by Taiwan)</p>	<p><i>direct:</i> MPs are allocated and have control over the use of RCDF disbursements</p>	<p>RCDF housed under Ministry of Rural Development in Office of Prime Minister <u>but</u> MPs have primary responsibility for fund administration</p>	<p><u>permitted:</u> infrastructure, healthcare, water treatment, electricity, sanitation, telecommunications</p>	<p>Ministry of Rural Development; MPs</p>
<p>Uganda: Constituency Development Fund (CDF)</p>	<p>established from talks btwn Presidency and MPs from 7th Parliament</p>	<p>created 2005-2006 fiscal year</p>	<p>n/a</p>	<p>Plurality/Majority: First Past the Post</p>	<p>2.95 Billion Shillings was initial total CDF portion of budget</p>	<p><i>direct:</i> CDF disbursements allocated to MPs' bank accounts, who in turn identify projects funded by this allocation</p>	<p>MPs must devise 5-person committees (Chairperson, a Secretary, Treasurer, 2 accountants) to administer individual CDF allocations</p>	<p><u>permitted:</u> infrastructure, water treatment, electricity, local economic enablement <u>prohibited:</u> infrastructure projects already under local or national gov't programs, religions/political activities</p>	<p>each MP is accountable to the Accounting Officer (Clerk of Parliament) in using CDF allocation</p>

Appendix Two: Central Challenges Faced by CDFs

- A. Accountability and transparency deficiencies generally result from the lack of a clear, effective mechanism for oversight or separation of powers delineated in CDF policy, which can lead to:
- a. *Unaccounted for or wasted money* because balance sheets are improperly, dishonestly or rarely reported.
 - b. *Corruption* when MPs use funds to buy political favors or votes; when decentralized levels of government, administration and CSOs fail to maintain and submit to central CDF administration detailed records of money used; and/or project designers or implementers are selected on the basis of clientelism or nepotism.
 - c. *Disillusioned constituencies* because they were not consulted at any or all stages of project identification, proposal, selection, approval and implementation.
- B. Efficiency issues arise when there is a misallocation, misuse or underutilization of CDF disbursements as a consequence of:
- a. *Fiscal illusion*, or the inability for local populations to grasp the aggregate cost of all CDF projects for the central government and its impact on the national budget. In this case, because CDF money does not come directly from a constituency's revenue or tax base, it is treated as "free money", diminishing the degree of efficient utilization of and effort to monitor such disbursements. Also, the central government incurs long-term cost of these projects, which is a hidden cost.
 - b. *Project duplication* with development efforts of national and local government or development efforts funded by the donor community.
 - c. *Poorly designed projects* due to the lack of a coherent policy framework within which to propose, devise and implement projects, which ultimately promotes waste.
 - d. *Incompetent administration* in local government that may be technically ill-equipped to administer project funds due to the technical complexity of management practice.
- C. Equity dilemmas surface partly because of different approaches to defining three core elements of what is meant by "fair CDF distribution". To address these three elements, one must define who the deserving *recipients* are, what the limits are of the *project or item* for which money is allocated and how you gauge the fairness of the *process* of distribution? Given an agreed upon definition of equity, issues of fairness include:
- a. The differences in population and need (economic, social, healthcare, etc.) across constituencies if CDF money is allocated evenly per constituency.
 - b. Motivating factors leading MPs to prioritize certain geographic areas of their constituency for development as opposed to others. Sometimes, when one area of a constituency is a political party stronghold, MPs will spend more heavily on other areas because there is minimal incentive to spend in an area already backing that legislator.

- c. Rewarding projects that are geared towards issues more relevant to males. In addition, women are less likely to be informed about such projects, preventing women from addressing this disparity.
- D. The following questions about how CDFs play into representation – a focal role of legislators – highlight what effect CDFs can have on other dimensions of parliament.
- a. In advancing the development goals of a particular constituency, there is a contradiction between a legislator's party and personal constituency.
 - b. Do CDFs hinder programmatic political parties and their ability to push public policy/goods given that both CDFs and parties may be pursuing the same or similar development objectives?
 - c. The legislator's performance in the use of their CDF allocation becomes a measure of effectiveness of that legislator. Do CDFs undermine the legislator's national policymaking role or focus when high performance requires significant attention paid to one constituency?
 - d. Is the perception that CDFs are a measure or indicator of legislators' representational efforts accurate? Do other indicators provide equal or better measures?
 - e. Are CDFs a legislative incursion on the executive role?