Resource Mobilization for Sustainable Development in Kenya

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Abstract

The Covid-19 pandemic has exposed how many developing countries especially in Africa have fragile economies which are over-reliant on foreign financial resources. This is especially so within the African continent which, ironically has so much natural resources which if well utilized, would otherwise make the continent self-sustaining. Kenya falls within these countries, and this paper thus explores some of the ways that the country can work towards achieving the true independence of financing its own economy, with little or no need for foreign aid by increasing its efforts towards domestic resource mobilization as a step towards achieving the sustainable development goals as laid out in the 2030 Agenda for Sustainable Development Goals as well as the country's Vision 2030 Development Blueprint.

1. Introduction

This paper is mainly inspired by 2030 Agenda for Sustainable Development Goals (SDGs)[1] goal 17 which seeks to strengthen the means of implementation and revitalize the global partnership for sustainable development. The SDG Goal 17 acknowledges that the SDGs cannot be realised without the global cooperation amongst countries as well as mobilizing the relevant resources necessary to achieve these goals.[2] Target 17.1 seeks to strengthen domestic

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[1] UN General Assembly, *Transforming our world: the 2030 Agenda for Sustainable Development*, 21 October 2015, A/RES/70/1.

[2] Martin, 'Global Partnerships' (*United Nations Sustainable Development*) <https://www.un.org/sustainabledevelopment/globalpartnerships/> accessed 8 March 2021.

resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection. Domestic Resource Mobilization remains essential to accelerate economic growth and lift people from extreme poverty, particularly in the low-income countries, an important component of the SDGs.[3]

2. Sustainable Development: Laying the Groundwork

SDG Goal 17 requires global actors to 'strengthen the means of implementation and revitalize the global partnership for sustainable development'.[4] The related targets and indicators include to: strengthen domestic resource mobilization, including through international support to developing countries to improve domestic capacity for tax and other revenue collection; Developed countries to implement fully their official development assistance commitments, including the commitment by many developed countries to achieve the target of 0.7 per cent of Official development assistance (ODA)[5]/ Gross national income (GNI)[6] to developing countries and 0.15 to 0.20 per cent of ODA/GNI to least developed countries ODA providers are encouraged to consider setting a target to provide at least 0.20 per cent of ODA/GNI to least developed countries; Mobilize additional financial resources for developing countries from multiple sources; Assist developing countries in attaining long-term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief and debt restructuring, as appropriate, and address the external debt of highly indebted poor countries to reduce debt distress; Adopt and implement investment promotion regimes for least developed countries; Enhance North-South, South-South and

[3] Yamada K, 'Financing Sustainable Development with Enhanced Domestic Resource Mobilization: Transitional Role of International Cooperation' (2017) 23 Asia-Pacific Development Journal 61, at 61.

[4] SDG Goal 17.

[5] Official development assistance (ODA) is defined as government aid designed to promote the economic development and welfare of developing countries. 'Official Development Assistance (ODA) - Net ODA - OECD Data' (*the OECD*) <http://data.oecd.org/oda/net-oda.htm> accessed 24 March 2021.

[6] Gross national income (GNI) is defined as gross domestic product, plus net receipts from abroad of compensation of employees, property income and net taxes less subsidies on production. ('National Income - Gross National Income - OECD Data' (*the OECD*) <http://data.oecd.org/natincome/gross-national-income.htm> accessed 24 March 2021.)

triangular regional and international cooperation on and access to science, technology and innovation and enhance knowledge sharing on mutually agreed terms, including through improved coordination among existing mechanisms, in particular at the United Nations level, and through a global technology facilitation mechanism; Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favourable terms, including on concessional and preferential terms, as mutually agreed; Fully operationalize the technology bank and science, technology and innovation capacity-building mechanism for least developed countries by 2017 and enhance the use of enabling technology, in particular information and communications technology; Enhance international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the sustainable development goals, including through North-South, South-South and triangular cooperation; Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda; Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020; Realize timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with World Trade Organization decisions, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple, and contribute to facilitating market access; Enhance global macroeconomic stability, including through policy coordination and policy coherence; Enhance policy coherence for sustainable development; Respect each country's policy space and leadership to establish and implement policies for poverty eradication and sustainable development; Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries; Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships; by 2020, enhance capacity-building support to developing countries, including for least developed countries and small island developing States, to increase significantly the availability of high-quality, timely and reliable data disaggregated by income, gender, age, race, ethnicity, migratory status, disability, geographic location and other characteristics relevant in national contexts; and by 2030, build on existing initiatives to develop measurements of progress on sustainable development that complement gross domestic product, and support statistical capacity-building in developing countries.[7]

These targets are spread over several target areas namely: finance; technology; Capacity-Building; Trade; and Systemic issues which entail, Policy and institutional coherence, Multi-stakeholder partnerships, and Data, monitoring and accountability.[8]

In order to achieve the sustainable development goals, the 2015 Addis Ababa Action Agenda on Financing for Development captured the importance of domestic resource mobilization, noting that the "mobilization and effective use of domestic resources ... are central to our common pursuit of sustainable development."[9] Notably, it has rightly been pointed out that the only reliable and sustained sources of government revenue are taxes and some non-tax revenue instruments, such as royalties and resource rents from extractive industries and, to a limited extent, user fees for public services, generally delivered by local governments.[10] However, most African countries have been over relying on foreign aid and loans to fund their ever expanding national budgets. Kenya is no exception. With the pressure and the 2030 deadline to achieve the sustainable development goals, the need for alternative funding will only grow. As such, there is a need for these countries to not only look for alternative sources of the required financial resources but also the ones that come with less complications and strings attached. It is for this reason that these countries need to focus more on capitalizing on domestic resource

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[7] 'SDG 17: Strengthen the Means of Implementation and Revitalize the Global Partnership for Sustainable Development – SDG Compass' <https://sdgcompass.org/sdgs/sdg-17/> accessed 8 March 2021.

[8] Ibid.

[9] Junquera-Varela, R. F., Verhoeven, M., Shukla, G. P., Haven, B., Awasthi, R., & Moreno-Dodson, B., *Strengthening Domestic Resource Mobilization: Moving from Theory to Practice in Low-and Middle-Income Countries* (The World Bank 2017), chapter Two.

[10] Ibid, 5.

mobilization as a source of funding development projects. This is important as Official development assistance (ODA) is finite and fluctuates over time, creating uncertainty for recipient countries about planning, budgeting, and expenditures in the public sector.[11]

It is documented that when the investment requirements for the Sustainable Development Goals (SDGs) were first assessed in the United Nations Conference on Trade and Development's (UNCTAD's) World Investment Report 2014, at least 10 relevant sectors (encompassing all 17 SDGs) were identified and the report projected an annual investment gap of $2.5 trillion in developing countries.[12] While this projection remains valid today according to a recent review (UNCTAD, 2020), the SDGs have significant resource implications across developed and developing countries and require a step-change in levels of both public and private investment in the SDGs.[13]

The need for enhanced domestic resource mobilization is also more urgent in light of the UNCTAD's observations that the COVID-19 shock has exacerbated existing constraints for the SDGs and could undo the progress made in the last six years in SDG investment and the international private sector investment flows to developing and transition economies in sectors relevant for the SDGs were also expected to fall by about one-third in 2020 because of the COVID-19 pandemic, posing a risk to delivering on the 2030 agenda for sustainable development.[14]

Thus, as part of laying the groundwork for the achievement of SDGs, there is a need for countries, including Kenya, to review their domestic resource mobilization efforts and work towards enhancing the same.

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[11] Ibid, 6.
[12] Zhan JX and Santos-Paulino AU, 'Investing in the Sustainable Development Goals: Mobilization, Channeling, and Impact' (2021) 4 Journal of International Business Policy 166.
[13] Ibid.
[14] Zhan JX and Santos-Paulino AU, 'Investing in the Sustainable Development Goals: Mobilization, Channeling, and Impact' (2021) 4 Journal of International Business Policy 166.

3. Domestic Resource Mobilization in Kenya: Challenges and Prospects

a. Corruption

Transparency International defines 'corruption' as simply the abuse of entrusted power for private gain.[15] Kenya's *Anti-Corruption and Economic Crimes Act, 2003*[16] defines "corruption" to include: bribery; fraud; embezzlement or misappropriation of public funds; abuse of office; breach of trust; or an offence involving dishonesty — (i) in connection with any tax, rate or impost levied under any Act; or (ii) under any written law relating to the elections of persons to public office.[17] These are just some of the activities that may be termed as corruption together with many forms of their derivatives. Corruption can be classified as grand, petty and political, depending on the amount of money lost and the sector where it occurs, where: grand corruption consists of acts committed at a high level of government that distort policies or the central functioning of the state, enabling leaders to benefit at the expense of the public good; petty corruption refers to everyday abuse of entrusted power by low and mid-level public officials in their interactions with ordinary citizens, who often are trying to access basic goods or services in places like hospitals, schools, police departments, and other agencies; and, political corruption is a manipulation of policies, institutions and rules of procedure in the allocation of resources and financing by political decision makers, who abuse their position to sustain their power, status and wealth.[18]

The *United Nations Convention against Corruption*[19], the only legally binding universal anti-corruption instrument, captures in its preamble the State Parties' concern about the seriousness of problems and threats posed by corruption to

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[15] 'What Is Corruption?' (*Transparency.org*) <https://www.transparency.org/en/what-is-corruption> accessed 21 March 2021.

[16] *Anti-Corruption and Economic Crimes Act*, No. 3 of 2003, Laws of Kenya.

[17] Ibid, sec. 2.

[18] 'The Fight against Corruption in Kenya…Yet another Chapter' <https://cytonn.com/topicals/the-fight-against-corruption-in-kenyayet-another-chapter> accessed 21 March 2021.

[19] UN General Assembly, *United Nations Convention Against Corruption*, 31 October 2003, A/58/422.

the stability and security of societies, undermining the institutions and values of democracy, ethical values and justice and jeopardizing sustainable development and the rule of law.[20]

Corruption is considered to be rampant in many developing and poor countries, making them struggle with putting in place anti-corruption measures as part of their development strategy.[21] Notably, corruption leads governments to intervene where they need not, and it undermines their ability to enact and implement policies in areas in which government intervention is clearly needed—whether environmental regulation, health and safety regulation, social safety nets, macroeconomic stabilization, or contract enforcement.[22]

The World Bank rightly points out that corruption is a complex phenomenon whose roots lie deep in bureaucratic and political institutions, and its effect on development varies with country conditions.[23] While the Constitution of Kenya 2010 captures the national values and principles of governance under Article 10 as well as the principles of leadership and integrity as captured under Chapter Six thereof, corruption is still widespread in Kenya. It has been pointed out in other studies that Kenya's competitiveness is held back by high corruption levels that penetrate every sector of the economy, which is evidenced by: a weak judicial system and frequent demands for bribes by public officials leading to increased business costs for foreign investors; widespread tax evasion hindering Kenya's long-term economic growth; and rampant fraud in public procurement.[24] This is despite the fact that corruption, active and passive bribery, abuse of office and bribing a foreign public official

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[20] Ibid, Preamble.

[21] Banerjee A, Mullainathan S and Hanna R, 'Corruption' (National Bureau of economic research 2012).

[22] 'Helping Countries Combat Corruption: The Role of the World Bank' <http://www1.worldbank.org/publicsector/anticorrupt/corruptn/cor02.htm> accessed 21 March 2021.

[23] 'Helping Countries Combat Corruption: The Role of the World Bank' <http://www1.worldbank.org/publicsector/anticorrupt/corruptn/cor02.htm> accessed 21 March 2021.

[24] 'Kenya Corruption Report' (GAN Integrity) <https://www.ganintegrity.com/portal/country-profiles/kenya/> accessed 21 March 2021.

are criminalized under the Anti-Corruption and Economic Crimes Act 2003, in addition to the Bribery Act of 2016 which seeks to strengthen the fight against the supply-side of corruption.[25] Arguably, the main problem lies with the inadequate enforcement of Kenya's anti-corruption framework which is an issue as a result of weak and corrupt public institutions.[26]

According to the Transparency International Corruption Perception Index 2020 Report, Kenya was ranked position 124 out of 180, with a score of 31 out of possible 100.[27] The lowest average regional score was Sub-Saharan Africa which had 32 out of 100, against Western Europe & European Union which scored 66 out of 100.[28] Notably, Kenya has only gained a score of +4 since the year 2012.[29] Indeed, in the past, President Uhuru Kenyatta has acknowledged corruption has reached levels that threaten national security.[30] There have been widespread reports on recurrence of grand corruption scandals at the national level, ranging from pilfering public funds to scandals surrounding grand schemes and artificial inflation of the prices of large public projects, like the standard-gauge railway, to procurement-related fraud that shook central government departments like the National Youth Service and State Department of Health.[31]

Transparency International rightly observes that corruption erodes trust, weakens democracy, hampers economic development and further exacerbates inequality, poverty, social division and the environmental crisis.[32] It is worth pointing that these are the key elements of sustainable development agenda

[25] Ibid.
[26] Ibid.
[27] 'Corruption Perceptions Index 2020 for Kenya' (*Transparency.org*) <https://www.transparency.org/en/cpi/2020> accessed 21 March 2021.
[28] Ibid.
[29] Ibid.
[30] Miriri D, 'Third of Kenyan Budget Lost to Corruption: Anti-Graft Chief' *Reuters* (10 March 2016) <https://www.reuters.com/article/us-kenya-corruption-idUSKCN0WC1H8> accessed 21 March 2021.
[31] 'BTI 2020 Kenya Country Report' (*BTI Blog*) </en/reports/country-report-KEN-2020.html> accessed 21 March 2021.
[32] 'What Is Corruption?' (*Transparency.org*) <https://www.transparency.org/en/what-is-corruption> accessed 21 March 2021.

without which it remains a mirage.[33] It is estimated that Kenya loses a third of its state budget - the equivalent of about $6 billion - to corruption every year.[34]

b. Huge Public Wage Bill in Kenya

While the devolved system of governance in Kenya came with its advantages, it also came with a lot of disadvantages as far as public wage bill is concerned, due to the expanded workforce for both the national and the county governments.[35] For instance, while the county-level development projects, including roads and clinics, are increasingly visible and have spurred economic growth across sectors within Kenya's counties, criticism continues to grow regarding the localization of ethnic politics, inefficiency, the size of the country's wage bill and the "devolution" of corruption.[36] Governors have been accused of spending huge amounts of allocated funds on salaries as opposed to development leading to slowed growth in the devolved units.[37]

The ballooning wage bill affects allocation to the key sectors of the economy which would go directly towards ensuring that Kenya makes positive steps towards achieving the sustainable development goals. Salaries and Remuneration Commission has in the past pointed out that a wage bill that does not match economic and revenue growth puts pressure on

[33] Omar M, 'The Implications of Corruption on Kenya's Sustainable Development and Economic Growth' (PhD Thesis, University of Nairobi 2020).

[34] Miriri D, 'Third of Kenyan Budget Lost to Corruption: Anti-Graft Chief' *Reuters* (10 March 2016) <https://www.reuters.com/article/us-kenya-corruption-idUSKCN0WC1H8> accessed 21 March 2021.

[35] August 01 2017 T, 'Public Wage Bill Rises by Sh90bn in Nine Months' (*Business Daily*) <https://www.businessdailyafrica.com/bd/economy/public-wage-bill-rises-by-sh90bn-in-nine-months--2163328> accessed 21 March 2021; April 20 2017 T, 'Counties Wage Bill to Hit Sh116bn by June This Year' (*Business Daily*) <https://www.businessdailyafrica.comhttps://www.businessdailyafrica.com/bd/economy/counties-wage-bill-to-hit-sh116bn-by-june-this-year-2148440> accessed 21 March 2021.

[36] 'BTI 2020 Kenya Country Report' (*BTI Blog*) </en/reports/country-report-KEN-2020.html> accessed 21 March 2021.

[37] April 20 2017 T, 'Counties Wage Bill to Hit Sh116bn by June This Year' (*Business Daily*) <https://www.businessdailyafrica.comhttps://www.businessdailyafrica.com/bd/economy/counties-wage-bill-to-hit-sh116bn-by-june-this-year-2148440> accessed 21 March 2021.

development and investment share of fiscal budget meaning that there is less money to devote to development projects and provision of social services such as medical care and education.[38] While the wage bill has reduced from 57.33% of revenue in 2013/2014 to 48.1% in 2018/2019 as a result of revenue growth and initiatives by the Salaries and Remuneration Commission in collaboration with stakeholders, the same remains a problem in the country especially in light of the ever increasing external public borrowing by the government to meet the budgetary deficits.[39] It has also been documented in an economic survey 2020 indicating that there was an overall growth in public sector employment of about 2.6% in 2019 compared to 1.2% in 2018, where counties are the third-largest employer in the public sector after the Teachers Service Commission, and Ministries and other extra-budgetary institutions. Counties' employment level rose from 131.9 thousand jobs in 2013 to 190 thousand jobs in 2019 translating to the highest employment rate of 7.63%.[40]

The effect of this is reduced socio-economic development despite the massive financial allocations to county governments. This ultimately affects the country's ability to achieve sustainable development goals by the projected year 2030.

c. Ethnic and Divisive Politics in Kenya

While before 2007-2008, Kenya was among the few African countries that for a long period of time had enjoyed significant stability and peace, this changed after the elections and there has been some efforts meant to secure this stability again.[41] Sustainable development goals seek to, among other

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38 Salaries and Remuneration Commission, "Press Statement: National Wage Bill Conference On Transforming Kenya's Economy Through A Fiscally Sustainable Public Wage Bill"< https://src.go.ke/wp-content/uploads/2019/11/National-Wage-Bill-Conference19_11_2019.pdf> accessed 21 March 2021.

39 Ibid; 'Kenya Finance Minister Arrest Shines Light on Infrastructure Debt' (*The Africa Report.com*, 23 July 2019) <https://www.theafricareport.com/15545/kenya-finance-minister-arrest-shines-light-on-infrastructure-debt/> accessed 21 March 2021.

40 'Taming the Rising County Wage Bill | Expertise Global Consulting' <http://expertise.co.ke/2020/08/11/taming-the-rising-county-wage-bill/> accessed 21 March 2021.

41 Kisaka MO and Nyadera IN, 'Ethnicity and Politics in Kenya's Turbulent Path to Democracy and Development' [2019] Sosyal Siyaset Konferansları Dergisi 159.

things, build peaceful societies for all, hence making peace an important ingredient of development.[42] It has rightly been observed that the perception that access to power by ethnic groups in Africa comes with perceived privileges that go hand in hand with political power provides an incentive for individuals and ethnic groups to seek control of the state, resulting in ethnic and divisive politics.[43] Ethnic politics also makes it difficult or impossible to bring to book those suspected of corrupt practices as they always hide behind the phrase that 'it is their tribe that is being targeted'.[44]

County governments have also been accused of ethnicity and nepotism in awarding job opportunities as well as tenders.[45] This is despite the fact that the Constitution of 2010 was supposed to mark the end of a dark past and open up a new chapter of Kenya's social, economic and political history.[46] Notably, the instrumentalization of ethnicity as the primary means of political mobilization has become an inescapable fact of political life in Kenya, negatively affecting peace and development.[47]

d. Illicit Financial Flows

The *United Nations General Assembly resolution 71/213 on Promotion of international cooperation to combat illicit financial flows in order to foster sustainable development*[48] reiterated State Parties' concern about the impact

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42 SDG Goal 16.

43 Kisaka MO and Nyadera IN, 'Ethnicity and Politics in Kenya's Turbulent Path to Democracy and Development' [2019] Sosyal Siyaset Konferansları Dergisi 159, 163.

44 Ibid, 173.

45 Says BM, 'Ethnic Favouritism in Kenya and Uganda's Public Sector' (*Africa at LSE*, 1 August 2019) <https://blogs.lse.ac.uk/africaatlse/2019/08/01/has-ethnic-favouritism-in-public-sector-hiring-in-kenya-and-uganda-been-exaggerated/> accessed 22 March 2021; Waweru M, 'Tribalism, Nepotism and Graft Rife in Public Jobs Recruitment » Capital News' (*Capital News*, 3 October 2016) <https://www.capitalfm.co.ke/news/2016/10/tribalism-nepotism-graft-rife-public-jobs-recruitment/> accessed 22 March 2021; Stiftung FE, 'Regional Disparities and Marginalisation in Kenya' [2012] Nairobi: Elite PrePress;

46 Stiftung FE, 'Regional Disparities and Marginalisation in Kenya' [2012] Nairobi: Elite PrePress.

47 Kenya Human Rights Commission, *Ethnicity And Politicization In Kenya*, May 2018, ISBN: 978-9966-100-39-9, 3 < https://www.khrc.or.ke/publications/183-ethnicity-and-politicization-in-kenya/file.html> accessed 22 March 2021.

48 United Nations General Assembly resolution 71/213, *Promotion of international cooperation to combat illicit financial flows in order to foster sustainable*

of Illicit Financial Flows (IFFs), in particular those caused by tax evasion and corruption, on the economic, social and political stability and development of societies.[49] The United Nations rightly observes that the socio-economic cost of corruption and illicit financial flows are massive and continues to stunt the development of all affected countries where besides draining foreign exchange reserves, reducing domestic resource mobilisation, preventing the flow of foreign direct investment, exacerbating insecurity and worsening poverty and economic inequality, IFFs also undermine the rule of law, stifle trade and worsen macro-economic conditions in the affected countries.[50] In addition, illicit financial flows also negatively impact lives as they reduce financial resources available for investment in health, education, housing, infrastructure and other critical sectors that would improve the well-being of peoples and societies; and encourage illegal activities around the world since offshore havens provide storage and access to ill-gotten wealth at short notice, thereby contributing to the erosion of trust in democratic institutions, and hampering free enterprise and fair competition.[51]

According to the UNCTAD's Report titled "*Economic Development in Africa Report 2020: Tackling Illicit Financial Flows for Sustainable Development in Africa*", curbing illicit financial flows is part of achieving SDG target 16.4 in support of peace, justice and strong institutions.[52] UNCTAD estimates that every year, an estimated $88.6 billion, equivalent to 3.7% of Africa's GDP, leaves the continent as illicit capital flight.[53] UNCTAD observes that these outflows are nearly as much as the combined total annual inflows of official

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development, Resolution adopted by the General Assembly on 21December 2016[on the report of the Second Committee (A/71/461)], Seventy-first session, Agenda item17.

[49] Ibid, Preamble.

[50] 'Promotion of International Cooperation to Combat Illicit Financial Flows' (*Africa Renewal*, 7 October 2019) <https://www.un.org/africarenewal/news/promotion-international-cooperation-combat-illicit-financial-flows> accessed 22 March 2021.

[51] Ibid.

[52] Slany A, 'Economic Development in Africa Report 2020 Tackling Illicit Financial Flows for Sustainable Development in Africa', 14 < https://unctad.org/system/files/official-document/aldcafrica2020_en.pdf> accessed 22 March 2021.

[53] 'Africa Could Gain $89 Billion Annually by Curbing Illicit Financial Flows | UNCTAD' <https://unctad.org/news/africa-could-gain-89-billion-annually-curbing-illicit-financial-flows> accessed 22 March 2021.

development assistance, valued at $48 billion, and yearly Foreign Direct Investment, pegged at $54 billion, received by African countries – the average for 2013 to 2015.[54] It is estimated that while between 1980 and 2018, sub-Saharan Africa received nearly $2 trillion in Foreign Direct Investment (FDI) and Official Development Assistance (ODA), it emitted over $1 trillion in illicit financial flows, continually posing a development challenge to the region, as they remove domestic resources that are crucial for the continent's development.[55] IFFs thus drain capital and revenues from Africa, undermining productive capacity and Africa's prospects for achieving the Sustainable Development Goals (SDGs).[56]

Notably, Kenya is also not immune to illicit financial flows just like the rest of the African Continent.[57] Illicit financial flows from Kenya have been attributed to, inter alia, an increase in arbitrary executive powers as well as debt fueled illicit capital outflows, and government spending fueled illicit capital outflows, where part of Kenya's debt was used to finance illicit financial outflows by the ruling elites.[58]

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[54] Ibid.

[55] Madden P, 'New Trends in Illicit Financial Flows from Africa' (*Brookings*, 2 March 2020) <https://www.brookings.edu/blog/africa-in-focus/2020/03/02/new-trends-in-illicit-financial-flows-from-africa/> accessed 22 March 2021.

[56] Africa Could Gain $89 Billion Annually by Curbing Illicit Financial Flows | UNCTAD' <https://unctad.org/news/africa-could-gain-89-billion-annually-curbing-illicit-financial-flows> accessed 22 March 2021.

[57] ENACTAfrica.org, 'Is Kenya Really Tackling Illicit Financial Flows?' (*ENACT Africa*, 25 April 2019) <https://enactafrica.org/research/trend-reports/is-kenya-really-tackling-illicit-financial-flows> accessed 22 March 2021; Institute of Economic Affairs, 'Why Reduction of Illicit Financial Flows that Fuels South Sudan's War Economy is in Kenya and Uganda's Interest', IEA Kenya, April, 2019<https://www.ieakenya.or.ke/publications/bulletins/why-reduction-of-illicit-financial-flows-that-fuels-south-sudana-s-war-economy-is-in-kenya-and-ugandaa-s-interest> accessed 22 March 2021; Barasa T, 'Illicit Financial Flows in Kenya: Mapping of the Literature and Synthesis of the Evidence'.

[58] Bank AD, 'Working Paper 275 - Illicit Financial Flows and Political Institutions in Kenya' (*Banque africaine de développement - Bâtir aujourd'hui, une meilleure Afrique demain*, 17 May 2019) <https://www.afdb.org/fr/documents/document/working-paper-275-illicit-financial-flows-and-political-institutions-in-kenya-97151> accessed 22 March 2021.

e. Over-Reliance on Foreign Debts

While it has been argued that a dramatic change in the global landscape of development finance has occurred since the turn of the century, with domestic public revenues rising rapidly to about $5.5 trillion to become the largest source of finance, while domestic private resources have quadrupled to reach about $4 trillion,[59] for most African countries, there seems to a growing over-reliance on foreign development loans from China and elsewhere,[60] also called Official Development Assistance(ODA) as aid given by governments and development agencies to support the social, economic, environmental and political development of developing countries.[61] Kenya has not been left behind and indeed it is rated among African countries with the highest recorded foreign debts to China and other countries.[62] As at November 2020, Kenya's domestic debt stood at Kshs. 3,482,653.56 Million while the external

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[59] Yamada K, 'Financing Sustainable Development with Enhanced Domestic Resource Mobilization: Transitional Role of International Cooperation' (2017) 23 Asia-Pacific Development Journal 61, at 63.

[60] Dahir AL, 'Chinese Lending to African Countries Jumped Tenfold in the Last Five Years' (*Quartz*) <https://qz.com/africa/1463948/chinese-lending-to-african-countries-jumped-tenfold-in-the-last-five-years/> accessed 9 March 2021; Sun Y, 'China's Aid to Africa: Monster or Messiah?' (*Brookings*, 30 November 1AD) <https://www.brookings.edu/opinions/chinas-aid-to-africa-monster-or-messiah/> accessed 9 March 2021; Sun Y, 'China and Africa's Debt: Yes to Relief, No to Blanket Forgiveness' (*Brookings*, 20 April 2020) <https://www.brookings.edu/blog/africa-in-focus/2020/04/20/china-and-africas-debt-yes-to-relief-no-to-blanket-forgiveness/> accessed 9 March 2021.

[61] Chongo G, Mwansa S and Mulenga C, 'Resource Mobilization for Sustainable Development: Best Practices', 7< https://core.ac.uk/download/pdf/335024745.pdf> accessed 9 March 2021.

[62] 'Africa Needs More than G20 Offers to Address Looming Debt Crisis | Business and Economy News | Al Jazeera' <https://www.aljazeera.com/economy/2020/11/19/africa-faces-debt-crisis-needs-more-help-than-what-g20-offers> accessed 9 March 2021; 'China and Kenya in Talks about Debt Challenges' (*The Africa Report.com*, 22 January 2021) <https://www.theafricareport.com/60569/china-and-kenya-in-talks-about-debt-challenges/> accessed 9 March 2021;

debt stood at Kshs. 3,771,808.47 Million, both totaling to Kshs. 7,254,462.03 Million.[63]

There is a need to review the government policies on foreign debts as these are likely to be counterproductive as far as the long-term development goals of the country are concerned.

4. Strengthening Domestic Resource Mobilization for Sustainable Development in Kenya: Way Forward

The unveiling of the Sustainable Development Goals (SDGs) in 2015 meant that most developing countries would have to step up their efforts to raise domestic resources to finance needed domestic investment as support from development partners and private sector investors would not be enough.[64]

While there are various external mechanisms of funding that are available to countries for exploitation, there is a need for countries such as Kenya to enhance their domestic resources mobilization mechanisms. Indeed, this is acknowledged by the UNCTAD which points out that 'strengthening domestic public resource mobilization is crucial for Governments in financing national sustainable development strategies and implementing Agenda 2030 for Sustainable Development and the Addis Ababa Action Agenda. In addition, the particular role of fiscal revenues in public resource mobilization lies in their greater stability and predictability compared to other sources of long-term finance. According to International Monetary Fund (IMF) estimates, for low-income countries, average domestic taxes would have to increase by about 5 percentage points if they were to meet the SDGs in five key areas (education, health, roads, electricity, and water), with the financing needed in sub-Saharan Africa being larger given their development level.[65] It is also worth pointing out that investment in human, social, and physical capital, are at the core of sustainable and inclusive growth

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[63] 'Public Debt | CBK' <https://www.centralbank.go.ke/public-debt/> accessed 9 March 2021.

[64] 'Heightening Domestic Resource Mobilization in Africa During COVID-19' (*Center For Global Development*) <https://www.cgdev.org/blog/heightening-domestic-resource-mobilization-africa-during-covid-19> accessed 22 March 2021.

[65] 'Heightening Domestic Resource Mobilization in Africa During COVID-19' (*Center For Global Development*) <https://www.cgdev.org/blog/heightening-domestic-resource-mobilization-africa-during-covid-19> accessed 22 March 2021.

and represent an important share of national budgets—specifically, education, health, roads, electricity, and water and sanitation.[66] IMF estimates that delivering on the SDG agenda will require additional spending in 2030 of US$0.5 trillion for low-income developing countries and US$2.1 trillion for emerging market economies.[67] To achieve this, IMF points out that countries themselves own the responsibility for achieving the SDGs, especially through reforms to foster sustainable and inclusive growth that will in turn generate the tax revenue needed, and their efforts should focus on strengthening macroeconomic management, combating corruption and improving governance, strengthening transparency and accountability, and fostering enabling business environments.[68]

i. Combating Corruption

Arguably, domestic revenues can lead to improved development only if they are translated into productive and beneficial public expenditure.[69] Thus, it is not only revenue collection that is important but also revenue expenditure. There is a need to strengthen institutions charged with combating corruption as well as strengthening the oversight measures across all sectors in order to prevent corruption.[70] This is because corruption elimination cannot be a one-institution affair. It must involve all stakeholders of good will as well as political good will from all governance institutions in both public and private sectors. This is the only way to not only ensure that revenues or development resources are raised but are also well utilized towards achieving development goals and empowering citizens to be productive and meaningful participants in the development agenda.

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[66] 'Fiscal Policy and Development : Human, Social, and Physical Investments for the SDGs' (*IMF*) <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2019/01/18/Fiscal-Policy-and-Development-Human-Social-and-Physical-Investments-for-the-SDGs-46444> accessed 22 March 2021.

[67] Ibid, 5.

[68] Ibid.

[69] Junquera-Varela RF and others, *Strengthening Domestic Resource Mobilization: Moving from Theory to Practice in Low-and Middle-Income Countries* (The World Bank 2017), 1.

[70] Bank W, *Helping Countries Combat Corruption: The Role of the World Bank* (World Bank Washington, DC 1997).

ii. Capacity-Building in Revenue Collection and Management

It has been argued that increasing tax revenues in low-income countries is essential to address future development finance requirements.[71] It has been argued that under different conditions, the policies and reforms associated with aid may increase revenue, through promoting growth, encouraging more efficient tax structures, or supporting reforms to tax administration.[72]

Some of the ways through which the World Bank Group is seeking to help developing countries in Sub-Saharan Africa mobilize domestic resources fairly and efficiently include: focusing on administering value-added taxes, removing cost-ineffective tax expenditures, increasing excise taxation, improving property taxation, and closing international tax loopholes for multinationals and wealthy individuals.[73] This is because Sub-Saharan Africa remains the region with the largest number of economies below the minimum desirable tax-to-GDP ratio of 15%.[74]

Mobilizing tax revenue is considered to be key if developing countries are to finance the investments in human capital, health and infrastructure necessary to achieve the World Bank Group's goals of ending extreme poverty and boosting shared prosperity by 2030.[75] The World Bank observes that relatively

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71 Oliver Morrissey, 'Aid and Domestic Resource Mobilization with a Focus on Sub-Saharan Africa' (2015) 31 Oxford Review of Economic Policy 447.

72 Ibid.

73 'Mobilizing Tax Resources to Boost Growth and Prosperity in Sub-Saharan Africa' (*World Bank*) <https://www.worldbank.org/en/results/2019/09/09/mobilizing-tax-resources-to-boost-growth-and-prosperity-in-sub-saharan-africa> accessed 22 March 2021.

74 Ibid; 'Why Tax Collection Remains a Challenge in Sub-Saharan Africa' <https://www.ey.com/en_gl/tax/why-tax-collection-remains-a-challenge-in-sub-saharan-africa> accessed 24 March 2021.

75 'Mobilizing Tax Resources to Boost Growth and Prosperity in Sub-Saharan Africa' (*World Bank*) <https://www.worldbank.org/en/results/2019/09/09/mobilizing-tax-resources-to-boost-growth-and-prosperity-in-sub-saharan-africa> accessed 22 March 2021; 'Do Sub-Saharan African Countries Need a Home-Grown Tax System?' <https://blogs.worldbank.org/africacan/do-sub-saharan-african-countries-need-home-grown-tax-system> accessed 24 March 2021.

low tax collections in the Sub-Saharan Africa region reflect weaknesses in revenue management, including widespread tax exemptions, corruption, and shortfalls in the capacity of tax and customs administrations.[76] It proposes that most African economies can mobilize more in taxes through: better tax administration (including value-added taxes); broadening the tax base by removing cost-ineffective tax expenditures; increasing excise taxes (including on alcohol, tobacco, and soft drinks); introducing efficient carbon-pricing policies and effective property taxation while and closing international tax loopholes that permit aggressive tax avoidance and evasion by multinationals and wealthy individuals; and reducing structural bottlenecks to improve revenue outcomes; improving taxpayers' trust; and by moving tax administrations to the digital frontier.[77]

Kenya has been taking some steps towards moving tax administration to the digital frontier through such steps as the i-tax platform as well as the introduction of the Digital Service Tax (DST) (that is, Digital Service Tax and Value Added Tax on Digital Marketplace Supply), tax payable on income (gross transaction value) derived or accrued in Kenya from services offered through a digital marketplace.[78] While some key issues have been raised in relation to such measures as the digital service tax,[79] it is a commendable step towards increasing domestic resource mobilization which will hopefully move the country towards reducing its over-reliance on external debts to finance the budget. Notably, the introduction of digital services tax in Kenya follows in the footsteps of such countries as France, India, Singapore, United Kingdom,

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[76] 'Mobilizing Tax Resources to Boost Growth and Prosperity in Sub-Saharan Africa' (*World Bank*) <https://www.worldbank.org/en/results/2019/09/09/mobilizing-tax-resources-to-boost-growth-and-prosperity-in-sub-saharan-africa> accessed 22 March 2021.

[77] 'Mobilizing Tax Resources to Boost Growth and Prosperity in Sub-Saharan Africa' (*World Bank*) <https://www.worldbank.org/en/results/2019/09/09/mobilizing-tax-resources-to-boost-growth-and-prosperity-in-sub-saharan-africa> accessed 22 March 2021.

[78] 'Digital Service Tax (DST) - KRA' <https://kra.go.ke/en/helping-tax-payers/faqs/digital-service-tax-dst> accessed 22 March 2021; see also Value-Added Tax (Digital Marketplace Supply) Regulations, 2020, Legal Notice No 207; Finance Act 2020, Laws of Kenya.

[79] November 23 2020 M, 'How the New Digital Tax Will Affect Business' (*Business Daily*) <https://www.businessdailyafrica.com/bd/lifestyle/personal-finance/how-the-new-digital-tax-will-affect-business--3206500> accessed 22 March 2021.

among others.[80] The Tax authorities in Kenya may also need to work more towards looping in the informal economy into the tax payment bracket in order to increase its annual collection.[81]

However, tax measures ought to take into account the rising cost of living and the government should thus make efforts towards ensuring that tax on basic commodities does not affect the poor so much but also continually work towards creating job opportunities for the sake of raising purchasing power as well as having a bigger number of citizens affording and paying taxes.[82]

iii. Trade and Investment for Domestic Resource Mobilization

The 2030 Agenda for Sustainable Development acknowledges that international trade is an engine for inclusive economic growth and poverty reduction, and an important means to achieve the SDGs.[83]

There is a need for increases in long-term and high-quality investments which the United Nations argues will lead to a sustainable rise in economic growth, with additional public and private investment and financing required to meet

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[80] 'Digital Services Tax – A Necessary Evil? - Tax - Worldwide' <https://www.mondaq.com/withholding-tax/1008654/digital-services-tax-a-necessary-evil-> accessed 24 March 2021; 'INSIGHT: Kenya—Taxation of the Digital Economy' <https://news.bloombergtax.com/daily-tax-report-international/insight-kenya-taxation-of-the-digital-economy> accessed 24 March 2021; 'Can Digital Taxes Help Fund the Covid-19 Recovery in Emerging Markets?' (*Oxford Business Group*, 24 June 2020) <https://oxfordbusinessgroup.com/news/can-digital-taxes-help-fund-covid-19-recovery-emerging-markets> accessed 24 March 2021.

[81] Ndaka AK, 'Informal Sector and Taxation in Kenya: Causes and Effects' (2017) 1 International Journal of Law, Humanities and Social Science 77; Bigsten A, Kimuyu P and Lundvall K, 'What to Do with the Informal Sector?' (2004) 22 Development Policy Review 701.

[82] See 'A Taxing Problem: How to Ensure the Poor and Vulnerable Don't Shoulder the Cost of the COVID-19 Crisis' (UN News, 12 July 2020) <https://news.un.org/en/story/2020/07/1068111> accessed 22 March 2021.

[83] 'Trade and the Sustainable Development Goals (SDGs) | UNCTAD' <https://unctad.org/topic/trade-analysis/trade-and-SDGs> accessed 22 March 2021; 'Addis Ababa Action Agenda: Sustainable Development Knowledge Platform' <https://sustainabledevelopment.un.org/index.php?page=view&type=400&nr=2051&menu=35> accessed 22 March 2021.

the large investment needs associated with the SDGs, particularly in infrastructure.[84]

iv. Cooperation between National and County Governments

It is worth pointing out that the role of subnational governments in mobilizing revenue as well as in spending on service provision should be part of the broad domestic resource mobilization agenda.[85]The Constitution of Kenya, 2010 provides for a system of devolved government wherein each of the 47 county governments is required to work closely with the National Government in resource mobilization and service provision.[86]

There is need to address the corruption issues, huge wage bill as well as working with the private sector in growing the investments portfolio to create job opportunities and put the allocated funds to proper use. The *Public Private Partnerships Act, 2013*[87] which was enacted to provide for the participation of the private sector in the financing, construction, development, operation, or maintenance of infrastructure or development projects of the Government through concession or other contractual arrangements; the establishment of the institutions to regulate, monitor and supervise the implementation of project agreements on infrastructure or development projects and for connected purposes together with other Government initiatives and measures such as the Government Support Measures Policy Document 2018[88] can go a long way in creating the necessary framework in boosting active participation of the private sector in domestic resource mobilization for the realization of the

[84] United Nations, 'Financing For development: Progress And Prospects', *Report of the Inter-agency Task Force on Financing for Development 2017*, United Nations publication Sales no. E.17.I.5ISBN 978 -92-1-101363 – 4< https://developmentfinance.un.org/sites/developmentfinance.un.org/files/Report_IATF-2017.pdf> accessed 8 March 2021.

[85] Junquera-Varela RF and others, *Strengthening Domestic Resource Mobilization: Moving from Theory to Practice in Low-and Middle-Income Countries* (The World Bank 2017), 2.

[86] Constitution of Kenya 2010, Fourth Schedule.

[87] Public Private Partnerships Act, No. 15 of 2013, Laws of Kenya.

[88] Republic of Kenya, *Policy on the Issuance of Government Support Measures In Support Of Investment Programmes*, October, 2018 < http://ntnt.treasury.go.ke/wp-content/uploads/2021/03/Government-Support-Measures-Policy-Final.pdf> accessed 8 March 2021.

sustainable development goals and Kenya's Vision 2030 blueprint.[89] While the public sector remains the dominant funding and financing source of social investment, there is potential for additional private capital flows into SDG sectors, provided there is greater clarity on invested assets and project incentives.[90]

5. Conclusion

The need for mobilization of domestic resources (both human and material) especially in developing countries has been made more important by the increasing difficulty in accessing foreign resources due to the global financial crisis.[91] However, it has also been observed that the global financial crisis will affect the capacity of the public sector to mobilize tax revenues if it affects the incomes of residents or has an impact on trade with outsiders which will affect trade taxes.[92] Notably, SDG 17.1 captures the common agreement that domestic resource mobilization is essential to steering the economy toward those goals and to generating the necessary resources to meet them.[93]

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[89] Jomo, K. S., Chowdhury, A., Sharma, K., & Platz, D., 'Public-Private Partnerships and the 2030 Agenda for Sustainable Development: Fit for Purpose?' DESA Working Paper No. 148ST/ESA/2016/DWP/148, February 2016; 'The Growing Trend of Public Private Partnerships in Kenya | Primerus' <https://www.primerus.com/business-law-articles/the-growing-trend-of-public-private-partnerships-in-kenya090814.htm> accessed 24 March 2021.

[90] Zhan JX and Santos-Paulino AU, 'Investing in the Sustainable Development Goals: Mobilization, Channeling, and Impact' (2021) 4 Journal of International Business Policy 166.

[91] Aryeetey E, 'The Global Financial Crisis and Domestic Resource Mobilization in Africa' [2009] Organization for Economic Co-operation and Development.

[92] Ibid, 2.

[93] UNCTAD, 'UNCTAD DGFF2016 SDG Goal 17.1 - Domestic Resource Mobilization' (*UNCTAD DGFF 2016*) <https://stats.unctad.org/Dgff2016/partnership/goal17/target_17_1.html> accessed 24 March 2021; '17.1 Strengthen Domestic Resource Mobilization, Including through International Support to Developing Countries to Improve Domestic Capacity for Tax and Other Revenue Collection – Indicators and a Monitoring Framework' <https://indicators.report/targets/17-1/> accessed 24 March 2021;

The IMF considers domestic resources as the largest untapped source of financing to fund national development plans.[94] Arguably, the Global Goals can only be met if countries work together, where international investments and support is needed to ensure innovative technological development, fair trade and market access, especially for developing countries.[95] It has been argued that domestic resource mobilization will be crucial not only to meet the sheer scale of investment needed to implement the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs), but also because it holds its own broader promise for transformative change.[96] It is imperative that Kenya moves towards raising its development resources internally and minimize its reliance on foreign financing of its economy, if it is to truly achieve its development goals towards realisation of the SDGs. While this may take time and may require international support as envisaged under SDG Goal 17, there is a need for the country to actively work towards achieving real financial freedom through domestic resource mobilization. Effective Resource Mobilization is indeed key to the attainment of Sustainable Development in Kenya.

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[94] 'Tax Policy for Domestic Resource Mobilization | ADB Knowledge Event Repository' <https://events.development.asia/learning-events/tax-policy-domestic-resource-mobilization> accessed 24 March 2021.

[95] 'Goal 17: Partnerships for the Goals' (The Global Goals) <https://www.globalgoals.org/17-partnerships-for-the-goals> accessed 8 March 2021.

[96] 'Mobilizing Domestic Resources for Sustainable Development: Toward a Progressive Fiscal Contract | United Nations ILibrary' <https://www.un-ilibrary.org/content/books/9789210601023c009> accessed 24 March 2021.

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