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The Politics of Debt Relief in Kenya.

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# **Transforming Institutions: The Politics of Debt Relief in Kenya.**

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## **Abstract**

Through a multi-sited and multi-level exploration of the processes around debt relief in Kenya, and of the complex network of actors involved and their interests, the political nature of debt relief is investigated and assessed. An actor-network approach is used to investigate the political processes taking place between civil society and the state, and how global policies have been translated into the local arena and played out in the local politics. This paper will illustrate how both the state and civil society are fragmented arenas of contrasting interests and separation among the two is only analytical while in reality the borders are blurred. This paper argues that debt relief is the result of a complex political process that, once in place, can create new political processes, thus having implications beyond the economic sphere. Debt relief mobilises a high number of actors pursuing different agendas, creating new possibilities and new relationships with a transformative potential that challenges power relations and changes institutions.

## **Key Words**

State and Civil Society, Debt Relief, Debt-for-Development, Illegitimate Debt, Actor-Network Theory.

*Just as war is too important to be left to generals, so the debt crisis is too serious to be left to financiers and economists.*  
Susan George (1989:4)

## **INTRODUCTION**

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Debt relief has usually been construed as an economic measure, albeit with political and social ramifications. Increasingly, however, it is being understood that the process of implementation of debt relief is itself a political and social one. This paper addresses the political nature of debt relief through a multi-sited and multi-level exploration of the processes around debt relief in Kenya. Through exploring the complex network of actors involved and analysing their interests, I will investigate and assess the political nature of debt relief. More specifically, the paper examines the issue of why the demands for repudiation of illegitimate debts were politically unfeasible in Kenya, and focuses on one of the outcomes of the debt relief process, the Kenya-Italy Debt-for-Development Programme (KIDDP). In doing so, it explores the political processes taking place between civil society and the state, and investigates how global policies and debates have been translated into the local arena, leading to the KIDDP.

## **1. RESEARCHING DEBT RELIEF**

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The network analysis presented in this paper is influenced by the work of Bruno Latour, in particular *Aramis* (1996). In his book, Latour analyses a project to create a new public transportation system and discovers that the project itself was indeed an actor and had an agency since it was able to gather a large network of actors and push them to undertake different actions (Latour 1996). Therefore, to understand that project, Latour has to introduce us to a high number of actors, their interests and connections.

While researching on this topic, I have come to realise that Latour's approach was useful to understand debt as an actor which creates a complex network of relationships involving many other actors. As for the case of Aramis, in order to understand the projects that compose the debt relief process in Kenya, we have to get to know the Finance Minister, the Debt Management Department, Catholic Bishops, Missionaries, Kenyan national pride, the Kenyan development strategy, the professional lives and ambitions of Non-Governmental Organisations (NGOs) workers, the needs of a Communist Party in a creditor country and the politics of the creditors, just to mention a few. In other words, we have to explore the 'social life' of debt in order to understand its political nature.

In this paper, I analyse only a limited number of these actors and their explicit and documented projects,<sup>1</sup> and then explore their interconnections and the outcomes produced. The strategies of the different actors and their interconnections have been reconstructed through the analysis of secondary data such as official documents, formal agreements, memoranda of understanding, minutes of the meetings among the key actors, parliamentary debates, events documented in newspaper articles, and papers collected in two years of work on this issue and through the help of former colleagues and friends. The Ministry of Finance and the Central Bank of Kenya publicly provide an incredible amount of accurate data and information on government strategy. The materials collected were enough to provide sufficient evidence for the arguments of this paper. However, to a certain extent, the paper also uses notes on formal meetings collected by the author.

This paper focuses on debt relief for external public debt and looks at a particular conversion of bilateral debt. The term debt relief is used in its wider meaning including any initiative

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<sup>1</sup> There are a number of 'hidden' projects and strategies that could be unmasked in a longer paper.

aiming to reduce debt or secure a release from a debt obligation, whether the initiative is carried out by donors, debtors, or both. Debt Relief may take many forms such as cancellation, rescheduling, refinancing, debt-for-development swap, and repudiation.

## **2. BRIEF HISTORY OF DEBT RELIEF**

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From 1970 to 2000, the external debt of developing nations increased by more than 3000% (Todaro and Smith 2003). The oil crises of 1970s generated a huge amount of petrodollars deposited in western banks which started lending at very low rates. But in the 1980s, as a result of the neoliberal turn in the US and the decision of the Federal Reserve to increase US interest rates (Stiglitz 2002), developing countries faced a triplicated interest (Millet and Toussaint 2004). It is estimated that 85% of the increase in their external debt is due to external factors beyond their control (Cline 1983).

During the Cold War, loans were often destined to corrupt and dictatorial governments. The lender's interest was not in how the money was used to improve people's welfare but to stabilise the geopolitical situation (Stiglitz 2002). Twenty per cent of all non-oil-exporting developing countries' debt had been accumulated to buy arms used to repress the populations repaying it (SIPRI 1985). Therefore, in many cases including Kenya, the lending instead of helping the population worked against them. Kofi Annan remarked that in 2000 debt-servicing was on average 38% of the budget of sub-Saharan African countries (quoted in Millet and Toussaint 2004:14), which means that Africa was spending four times more on debt interest payments than on health care (Potter 2000).

In 1982, Mexico defaulted pushing creditors to intervene together. Over the last 25 years, the creditors' policy on debt relief has been to do the minimum to avoid default and preserve repayments, but never enough to solve the problem (Cheru 2006). Creditors cancelled only \$ 88 billion of the 100 billion promised out of 2,742 billion less developed countries' debt. Jubilee Debt Campaign estimates that a cancellation of at least \$ 400 billion is needed to allow less developed countries to meet their basic needs while 500 billion are dictator debts (2008). Nevertheless, this cancellation is 'accompanied by an increase in civil society engagement as community groups around the country get engaged in the question of how to use the funds' (Jubilee Debt Campaign 2008:26). This is an important process that will be analysed in the case study.

However, one of the most critical problems with these relief initiatives is that the criteria for debt relief include the quantity of debt and the level of income but not the situation in which the debt was contracted (Jayachandran and Kremer 2006), in other words, it does not consider whether those loans were legitimate or not.

In April 2003, US Treasury Secretary, John Snow declared that 'the people of Iraq shouldn't be saddled with those debts incurred through the regime of the dictator who is now gone' (quoted in Hanlon 2006b:109). This declaration has led to a reversal of the focus from the borrower to the lender. However, it is not a new concept, its first use in international relations was in 1898 when, after the US capture of Cuba from Spain, a US tribunal refused the Spanish request to repay Cuban debt by arguing that it had been 'imposed on the people of Cuba without their consent and by force of arms' (Mandel 2006). The doctrine was then formalised by A. Sack in 1927: 'If a despotic power contracts a debt, not according to the needs and the interests of the State, but to strengthen its despotic regime and to suppress the

population fighting it, this debt is odious' and 'falls with the fall of this power' (quoted in AAJ 2006:74).

The claim of illegitimacy also applies to failed projects. Many of the WB dam and agricultural projects funded by foreign loans have either failed or never opened (Hanlon 2006a:219). In 2006, Norway took a historical step by publicly admitting co-responsibility for a failed development initiative and thus unilaterally cancelling \$ 80 million of illegitimate debt to five countries (Mekay 2006).

Aware of how debt prevents the achievements of the Millennium Development Goals, Jeffrey Sachs invites debtor countries to repudiate their debts (2002). Today the global political context has changed, especially because of the civil society support and thus, according to Christian Aid, creditors 'are more likely to make political gestures when faced with default and/or repudiation. [...] campaigners would put pressure on their governments to be sympathetic with repudiating countries and to avoid launching retaliatory measures' (Christian Aid 2007:26).

The case study will analyse how these debates and proposals are translated in the local context and used for diverse purposes by different actors; in Kenya where there has not been a clear-cut political break from the previous regime, to apply the paradigm of illegitimate debt was problematic, and mediation was needed.

Kenyan debt was born in colonial sin. The first debts contracted by the independent Kenyan government were money lent by the UK to buy back the land occupied by white settlers. However, the external debt of Kenya is a fairly recent problem. Kenya's debt stock was about



900 billion Ksh (more or less 14 Billion dollars) in March 2008 which corresponded to 43.5% of GDP. In 2005/2006, campaigners claimed that the government was using 26% of its budget to service its debt, more than what the government spent on six Ministries (Njoki 2005) and almost four times what it was spending on health care. Kenya does not qualify for debt cancellation under the World Bank's criteria, despite the fact that in 2005/2006, according to the same World Bank, 46.1% of Kenyans could not satisfy their basic food and non-food needs (Jubilee Debt Campaign 2008:23). I have set the stage and I am now ready to introduce you the actors, but before I need to make few theoretical remarks on 'state' and 'civil society'.

### **3. THEORETICAL REMARKS: CIVIL SOCIETY AND THE STATE**

From what I have seen already in Kenya (where I lived and worked from 2005 to 2007), debt relief pushes civil society and the state to interact in new ways, transforming their relationship. However, the use of the categories of civil society and state is problematic; the fuzzy concept of civil society 'can be all things to all people' (Anheier et al. 2001:15), and therefore an explicit explanation on the perspective adopted in this paper is vital.

From the 1990s onwards, mainstream policy-makers have supported a Tocquevillian view of civil society in opposition to the state in a sort of 'political equivalent of neoliberalism' (Anheier et al. 2001:11), and Kamat denounces how NGOs are substituting the state as representatives of democracy (2004:156). Today, the mainstream neoliberal agenda presents the state as an arena of conflicting private interests and civil society as the honest rational actor who represents the people's interests (Kamat 2004). From an activists' perspective, civil society works to increase the responsiveness of political institutions to their citizens, and their role has to do with a fundamental change in democracy and in the redistribution of power (Anheier et al. 2001:11).

According to the approach developed through this research, both the state and civil society are fragmented arenas of contrasting interests and their borders are blurred.<sup>2</sup> Lund argues that in Africa it is often ‘unrewarding to attempt an analytical distinction between the state and civil society’ (2006:686). For this reason, this analysis refers as much as possible to specific groups that Bierschenk and Olivier de Sardan (1997) call ‘strategic groups’ pursuing shared interests, rather than the general categories of state and civil society.

In this case study, civil society is composed of a diversified spectrum of actors interlinked in different ways with the state. Civil society is not working to substitute the state and challenging its legitimate function as argued by Kamat (2004), but rather to solve the problem of debt in order to allow the state to accomplish its full functions (especially healthcare and education) which are prevented by the high expenditure in debt servicing.

Wallace et al. (2007) state that many issues of the NGOs’ agenda have been incorporated into the mainstream approach of the International Financial Institutions and major donors; for instance the link between debt and poverty has been recognised and partially addressed. This way, NGOs have lost their transformative and radical agenda and their concepts have been depoliticised and rendered technical (Wallace et al 2007). In the case of debt in Kenya, the involvement of major creditors and the Kenyan government does not necessarily involve a depoliticisation of NGOs’ agenda. The interaction with donors and the government has implied a negotiation and a transformation of NGOs’ strategies, but without donors and the government would have been impossible to achieve concrete outcomes. This complex negotiation is a very political process. The NGOs which decided to stick to their radical

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<sup>2</sup> In Kenya, members of opposition parties are often involved in NGOs’ activities and NGOs activists often become politicians.

agenda without accepting intermediate steps and compromises have been left out of the process.

## **4. PRESENTATION OF THE ACTORS**

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### **‘State’**

- a. Government of Kenya / Ministry of Finance
- b. Kenyan Parliament
- c. Government of Italy

### **‘Civil Society’**

- d. NGOs
  - Catholic Economic Justice Network
  - Kenya Debt Relief Network
  - Italian Campaign
- e. Catholic Church
  - Kenyan Episcopal Conference
  - Progressive Catholic Organisations and congregations

### **a. The Government of Kenya and the Ministry of Finance**

The Government of Kenya recognises the main claim of debt campaigners. The Minister of Finance declared that ‘Public Debt continues to be a major challenge in the achievement of the Millennium Development Goals. A significant proportion of the Government budget allocation is to service public debt, leaving inadequate financial resources for pro-poor development programmes’ (Minister for Finance in MoF 2007:i). However, the government refuses the strategy suggested by the debt campaigners (a civil society coalition introduced below) that ask for a debt audit, the repudiation of illegitimate debt, and the cancellation of the legitimate.

The Government is proud to be one of the few governments in Africa with a relatively good track record of repayments and is aware that it could have received greater debt relief from its creditors, but according to the Minister this would undermine the ability of the government

and the private sector to access credit internationally (MoF 2007). However, bilateral relief initiatives which involve a voluntary choice of the creditor and thus do not undermine Kenyan credibility are welcomed by the government which explicitly invites civil society to collaborate with regards to approaching creditors' governments.

The Ministry of Finance is also engaged in an internal reform process supported by the World Bank which owns half of Kenyan external debt. A lot of important information that campaigners have been requesting for a long time, especially the debt register, have been obtained not as a result of the campaign's pressure but as a result of the criticised World Bank-driven reforms which pushed the Ministry to increase transparency by publishing information on public debt. This shows how different projects, the World Bank neoliberal project and the one of the campaigners, often considered to be opposed to each other, can create unexpected synergies.

### **b. The Kenyan Parliament**

The Parliament uses the issue of debt to try to increase its power at the expense of the government. Debt is used by the opposition to criticise the government, but also as a pretext to include other issues in the agenda, for instance connecting debt to the constitutional reform process.

In 2004, the opposition MP Magara presented a motion for the 'Establishment of Select Committee on Public Debt' which was rejected 81 votes to 45. The motion asked some of the same questions posed by the postcard debt campaign promoted by the Catholic Economic Justice Network (CEJN): 'where did the money go to? Who is to be held responsible in terms of impropriety of the debts borrowed? What was the money used for? Who is going to pay for

it?’ (Parliamentary Debates 2004a:2441). Magara supported the postcard debt campaign and upon invitation came to the meetings in 2006 when the campaign was gaining momentum and needed contact with politicians. However, he tried to discredit the government through the popular campaign and to use it as an opposition initiative. This led to a breakage with the campaign that wanted to maintain its neutrality from party politics.

To discredit a part of the current political class, Magara was trying to look at past corruption; ‘some of them have had a hand in illegal approvals in the Treasury. Some of them are past Ministers who were involved in illegal transactions’ (Parliamentary Debates 2004b:2626). This is also what the postcard debt campaign in Kenya was trying to do and we will explore how the government was opposing this strategy and why it turned out to be politically unfeasible.

This motion was also used as a pretext to discuss constitutional reform by another MP, Oloo-Aringo, ‘the debt problem is part and parcel of the management of public finance in our country. It has come about because of the restrictions in the present Constitution’ (Parliamentary Debates 2004b:2619).

### **c. The Italian Government**

In 2000, under strong pressure from the campaign for debt cancellation backed by the Pope, the Italian Parliament passed a law to reduce foreign debt of low income indebted countries. In 2006, a centre-left coalition won the elections. The role of Vice-Minister for Foreign Affairs who had the responsibility for development cooperation and Africa was given to Patrizia Sentinelli from *Rifondazione Comunista*. Her party sought to represent the social movements and the Minister had to show that she was addressing their demands while

remaining in a moderate and wide government coalition. The Minister was therefore very eager to continue a process already initiated of debt-for-development swap with Kenya. To emphasise her closeness to the social movements, she chose the World Social Forum 2007 in Nairobi, a global meeting of anti-neoliberal social, to sign the regulations of the KIDDP. The Minister was also more amenable to the requests of the Italian civil society organisations that were collaborating with their Kenyan counterparts to obtain the inclusion of civil society in the management of the conversion scheme.

#### **d. Non-Governmental Organisations**

The Catholic Economic Justice Network (CEJN) is a Kenyan network of Christian organisations working on debt that carried out an inter-religious postcard debt campaign with Muslim, Hindus and Protestants in 2006. CEJN also engaged in a partnership with the Kenya Debt Relief Network (KENDREN) for the campaign. All CEJN members were already financially supported by their respective institutions. On the contrary, KENDREN was 'living on debt', its staff were paid by donors for specific projects and therefore could not afford to work 'for free'. This created several conflicts that led to a failure in cooperation and to a lack of coordination of civil society initiatives on debt in Kenya. KENDREN was afraid of losing its privileged access to international NGOs and also, crucially, the funding they were providing it with, which was essential to its survival.

When, in 2006, the CEJN obtained the 'debt register' from the Ministry of Finance which is the key document to start a debt audit, it invited other organisations working on debt to meet and work together on this. The initial idea involved the creation of a committee that would investigate debts in order to decipher some examples of illegitimate loans to be used in the advocacy work. However, the organisations found it very difficult to pull resources together

for something that had no direct returns for the individual NGOs. The recognition of the limits of NGOs' capacities and the difficulties of starting an audit process, made the intermediate solution of the conversion more appealing to some organisations.

#### **e. The Catholic Church**

In Kenya, the Catholic Church has always been an important political actor. It had an important role in the transition to the more democratic president Kibaki in 2002 and it has supported the new government since then. However, the Kenyan Catholic Church is a heterogeneous and multinational organisation with internal conflicts.

In 2004, a group of different Catholic actors in Kenya founded the CEJN to coordinate and expand some advocacy initiatives. The group obtained the signatures of the Kenyan bishops on a pastoral letter on debt burden. Soon after, it started a postcard campaign aimed at collecting as many postcards as possible signed by the people of Kenya and addressed to the government and the parliament. More than 85,000 signed postcards were collected from every corner of Kenya.

The Minister for Finance agreed to meet the campaigners in private to discuss the issue before a public handing over, but decided to test how much the Bishops were backing the campaign and asked to meet them personally. During the meeting the Minister explained his concern that the campaign, by asking for a debt audit intended to lead to a repudiation of illegitimate debts, would undermine foreign investors' trust in Kenya. Moreover, he underlined how the campaign could be exploited by the opposition.

The CEJN members were asked to leave the meeting as the Cardinal Chairman of the Kenyan Episcopal Conference and the Minister moved to the second point in their agenda unknown to the CEJN: the tax exemption for the Catholic Church. The bishops used the issue of debt to bargain over this tax exemption, which had been undermined by a government proposal. They promised that nothing would be carried out by the Church that could disturb the government on debt, and accordingly ordered CEJN to stop the campaign.

The CEJN decided that it could not betray the will of the people who had signed the postcards and argued that the campaign was inspired by the pastoral letter on debt burden signed by the same bishops. Therefore, CEJN carried on the campaign with a public handing over of the postcards to the government. However, the Minister for Finance refused to receive the postcards. The campaigners then asked the Chairman of the Kenyan National Committee of Human Rights, a body nominated by the parliament and appointed by the President,<sup>3</sup> to accept the postcards on behalf of the government.

Neoliberal models of the relationship between civil society and state would predict a conflict between the two; but in this example both the state and the Catholic Church are heterogeneous and fragmented institutions and the issue of debt is used to play out internal conflicts and redefine internal power relationships as well as external power relationships, transforming the institutions themselves. In the example, a part of the state and a part of the Catholic Church allied against another part of their own institutions in order to accomplish their project and reaffirm their power.

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<sup>3</sup> 'The commission is composed by a chairperson appointed from amongst the commissioners, and nine commissioners nominated by the National Assembly and appointed by the President', The Kenya National Commission *on* Human Rights Act, 2002:4).



This introduction of the actors has shown how the issue of debt has been at the centre of a power struggle and it has been used by different people in different institutions for different aims, creating conflicts among some of the actors and a constant reshaping of their strategies. I did not enter into the exploration of other social dimension of this conflict which are also relevant and interesting. For instance, the Cardinal and the Minister for Finance come from the same area and ethnic group.

## **5. NEGOTIATING DEBT RELIEF IN KENYA**

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Before 2000, global civil society was demanding the cancellation of Third World debt to allow a fresh new start in the relationships between the North and the South. When it became clear that creditors were not willing to undertake significant action, global civil society shifted the focus to the illegitimacy of debt and, in Kenya, the first step was to open the debt register to public scrutiny and to enquire about the corrupt loans taken during Moi's regime. In the literature on illegitimate debt, both activists and academics define Kenya's external as illegitimate. Hanlon (1998) estimates that Moi stole \$ 5 billion loaned to Kenya. Even the World Bank and the EU acknowledge corruption in Kenya's public debt and provide clear examples.<sup>4</sup>

Even a scholar sceptical about debt relief like Easterly (2001b) admits that it would be just if a legitimate and reformist new government refuses to repay creditors who have lent to an

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<sup>4</sup> One example is a consultancy contract for the Ewaso Ngiro hydropower scheme. Knight Piesold, a UK firm was given £38.4 million; an amount considered to be 'five times what such services would normally cost' by the World Bank (Jubilee Debt Campaign 2008:34). The firm was already being accused of corruption and overcharging on another project in Kenya considered 'extremely disadvantageous' by the European Commission (Hawley 2003). Kenya was unable to pay the excessive charges, the credit was guaranteed by the UK government that paid £ 8 million to the company and that subsequently collected £ 5.74 million from the Kenyan government.

odious dictatorship. However, to make a case for illegitimate debt, as Easterly points out, there is a need for a clear-cut political break with a corrupt past which rarely happens (2001b).

Kenya had a concerted and peaceful transition to democracy which was based on the tacit impunity of Moi (Brown 2004)<sup>5</sup> and a substantial continuity in the political class. Since there has not been a change in the political class, it is extremely difficult to work on the concept of illegitimate debt and accuse the previous regime because it would include Moi and involve current ministers and MPs who served in the previous Moi government. The new president Kibaki has been Moi's vice-president for 11 years. Furthermore, he has held a seat in parliament and has had various government positions since Independence in 1963. His main opponent in the last elections, who is now his Prime Minister in the government of national unity, was also in Moi's government. Moreover, it would be impossible to mobilise citizens in a process that could compromise Moi, who is still one of the most esteemed people in Kenya. During the official meeting of the CEJN, the Minister for Finance stated very explicitly that there were no possibilities to investigate about the corruption of past loans and encouraged the campaigners to concentrate their efforts on the present, for instance, by monitoring government expenditure (CEJN 2006b).

Another reason that would make it extremely difficult for Kenya to take any unilateral action against illegitimate debt is that the Government of Kenya is very careful in maintaining its good credit risk rating. Even South Africa had to repay Apartheid debt under the threat of losing foreign investment, despite the fact that Apartheid has been declared a crime against humanity (Jayachandran and Kremer 2006:216, Hanlon 2006a:121).

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<sup>5</sup> John Githongo, the Chairman of the Anti-Corruption Commission stated that the government intends to give Moi immunity 'because he agreed to step aside peacefully at the last elections' and Kibaki declared that 'a deliberate choice, which we are willing to defend, has been made not to target President Moi' (BBC News Online, 21/12/2003 quoted in Brown 2004:335).

Aware of the impossibility of obtaining concrete results in the short-term by pursuing the claim of debt illegitimacy, civil society has explored alternative ways of achieving debt relief. In January 2004, the Paris Club rescheduled 350 million dollars to Kenya and left to individual creditors the voluntary option to undertake debt swaps. Some months later, a campaign, WNairobiW, promoted by Kenyan and Italian civil society, mobilised the Italian people and sent about 150,000 postcards to the Italian government and the Italian Episcopal Conference, putting pressure on the Italian government to convert its debt with Kenya. With a new, and very supportive Minister (seeking to represent social movements), the initiative achieved quick approval.

As a result of this process, in October 2006, the Governments of Italy and Kenya signed an agreement, the Kenya-Italy Debt-for-Development Programme (KIDDP), to convert bilateral debt owed by the Kenyan government (GoK) to the Italian government (GoI) into financial resources to implement development projects aimed at poverty reduction (GoK and GoI 2006). The agreement converted a total amount of 44 million Euro which the GoK was supposed to repay by 2025.

Project proposals are submitted to the District Development Committees which include members of civil society (GoK and GoI 2007:1). The proposals are ranked according to technical and poverty alleviation criteria and sent to the National Technical Committee which includes two representatives of Civil society ‘elected on an annual basis by the organisations of civil society’ (GoK and GoI 2007:3). Civil society is participating with the government on the decision of the allocation of development funds and has gained access to government officials, increasing the transparency of the funds’ allocation.

For different reasons, this debt conversion agreement represented a good compromise for many of the actors involved:

- For the GoI, a debt-for-development swap is in keeping with Italian law and fits the international framework of the Paris Club. The KIDDP is politically convenient because it revives Italian development cooperation as requested by Italian civil society without the disbursement of further funds. Italian NGOs can apply for funds and benefit from the programme.
- For the GoK, the swap represents an ideal way to achieve the Millennium Development Goals and liberate resources for development without affecting the Kenyan credit risk rating.
- Through the swap with the cancellation of the debts, the GoK and the GoI cleanse their records, so preventing digging into the past in search of culprits regarding the inappropriate use of the loans.
- Civil society gets an immediate release of resources for development projects under their scrutiny, allowing precedents in the direct monitoring of government resources. By contrast, to have continued to pursue the claim of illegitimate debt would have been an uncertain and complicate process.<sup>6</sup>
- The Catholic Church is satisfied by a solution to the debt problem that increases pro-poor spending without compromising the Government that the Church is supporting.
- Citizens get immediate development projects in priority sectors.

Repudiation would have put financial resources into the hands of the Minister for Finance who recently resigned after a corruption scandal led Parliament to pass a no confidence

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<sup>6</sup> To prove the illegitimacy of debt, it is necessary to carry out an audit which is a complex and time-consuming process requiring coordination among organisations and collaboration between politicians and civil servants in both donor and creditor countries.

motion against him (CNN 8/07/2008). Instead, this conversion directs resources toward a commission co-managed by the GoK, the GoI and Kenyan civil society. In this way, money is spent in a transparent process that can serve as a pilot project for the involvement of civil society in government budget monitoring.

The conversion has created new ‘invited spaces’ (Cornwall 2002) which allow civil society to access and to interact in new ways with the state and change the government’s agenda. Therefore, debt-for-development conversion should be evaluated and understood not only in economic terms, but within the wider political process of continuous negotiation and interaction between the different key players involved.

## **CONCLUSION**

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A partial exploration of the debt relief process in Kenya has revealed how many actors and different interests and agendas intersect, collaborate and conflict producing complex political processes. By complex political process it is meant that debt relief in Kenya involves different actors carrying out different overlapping ‘projects’. Each actor has its own political agenda. The different projects interact and conflict with each other producing different effects that lead to particular outcomes. Different projects interact at the same level or at different levels—global policies are shaped and translated locally to fit the specific situation. Moreover, the actors are not homogeneous blocks but there are conflicts inside the actors themselves.

This process was unique to Kenya; historical, social and economic circumstances make every country different and require different strategies since debt is intertwined with the political

life of the country. The actors need to build new strategies to continuously adapt to the changing context. This swap allowed citizens and institutions to interact in new ways and therefore it has had significant consequences beyond the economic benefits of the conversion, such as access of citizens to government officials; creation of a basis for future budget monitoring; change in the government's agenda, and creation of cooperation among southern and northern civil societies. Debt relief is therefore the result of a complex political process that, once in place, can create new political processes, thus having implications beyond the economic sphere. Debt mobilises a high number of actors, creating new possibilities and new relationships with a transformative potential that challenges power relations and transforms institutions. In a time where there are increasing criticisms about its economic impact, it is particularly important to assert the political effects of debt relief.

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