

CENTRALISED REVENUE REDISTRIBUTION AS A POTENTIAL CAUSE OF INTERNAL CONFLICT IN KENYA

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Abstract: This article argues that when a large part of a population has either limited or no access to social and economic resources as a result of government policy in redistributing revenue towards the capital, such concentrated redistribution at the centralised level may become a key factor in sparking internal conflicts among the population living outside the capital. A state that does not share the national wealth and resource revenues equitably among its citizens therefore provides a platform to those who want to challenge the legitimacy of the state to engage in violence. Thus, the centralisation of revenue redistribution by a state may be seen as a potential factor that may lead to internal conflict especially in circumstances where high levels of poverty and unemployment in the country are widespread. Although such internal conflict may not necessarily be violent, centralised revenue redistribution may cause an uprising among the population and lead to a substantial change in the form of government, moving it from a centralised to a decentralised form of government in order to appease the population and for the state to retain its legitimacy. Such was the case in Kenya.

Keywords: *Internal conflict, centralisation, revenue, post-election violence, secession, Kenya*

Introduction

Since independence, the Kenyan government has focused on a centralised redistribution of revenue. This means that a huge portion of revenue collected from the country in the form of taxes and non-taxes¹ is redistributed towards the capital city instead of the government redistributing the revenue equitably among its rural

1 Such as loans, licences and user fees.

areas and other cities. This has resulted in an economically and socially advanced capital city as compared to the rest of the country. Despite the fact that every Kenyan is taxed on their income, profits and on their purchases of goods and services, redistribution of this tax revenue that is collected is not widespread throughout the country (Bowles and Gintis 2002). Further, companies in the form of multinational corporations, small and medium sized enterprises and sole proprietorships exist throughout the country and pay 30% corporation tax, yet a large percentage of this tax revenue that is collected is redistributed at the central level where the national government operates from.

The coastal city of Mombasa² is the main region where international trade takes place since the seaport is located there and is an access point for landlocked east African states.³ Mombasa's pleas to the national government to redistribute the revenues earned from international trade and from the taxes collected in Mombasa towards the development of the region have been falling on deaf ears and since independence Mombasa remains poverty stricken. Its residents lack access to basic health care, there are not enough schools and teachers, access to electricity is minimal,⁴ there is a huge percentage of landless people and squatters, and government offices are poorly equipped (Mutua 2009). The rich versus poor divide is glaring. Consequently, a number of Mombasa politicians from the opposition party as well as the civil society, and a majority of the residents of Mombasa began to call for secession and prepared a petition for the High Court of Kenya to determine their right to call for self-determination,⁵ and

2 Mombasa was previously a province within the Republic of Kenya, when in the early 2000s the former President Daniel Toroitich Arap Moi conferred it the status of city in order to quell the dissent among its residents, who felt that the government had marginalised them despite the region contributing to a major chunk of revenue to the government. The former President was of the view that granting city status to the region would calm the residents and for the moment halt their demands for increased redistribution towards the provision of public goods.

3 Such as Uganda, Rwanda, Burundi, South Sudan and the Democratic Republic of Congo.

4 See Table 1 in this article.

5 Self-determination denotes the legal right of people to decide their own destiny in the international order. In other words, it is a right that exists under Article 1(2) and 55 of the United Nations Charter and under the Common Article 1 of the International Convention on Economic, Social and Cultural Rights as well as the International Convention on Civil and Political Rights granting a population living in a territory to amicably pursue secession in order to maintain its socio economic,

consequently secede from Kenya (Kenya Law Reports 2012). During this period (2009–12), Mombasa was brewing in violent clashes with the police.

This happened after Kenya had concluded its 2007 presidential elections, which were protested against on grounds of vote rigging and which had led to unprecedented violence when two of the largest ethnic communities turned against each other and the country saw bloodshed, murder and displacement of ethnic groups from their localities (Halakha 2013). The post-election violence coupled with the call for secession prompted the government to immediately investigate the causes underlying these two situations. Numerous causes were highlighted during the investigation, such as ethnic dominance in the economy, a misuse of state revenue, poverty and unemployment, poor development, and the lack of finances for infrastructure. All these causes identified were linked to the problem of centralised revenue redistribution (Wrong 2009).

Consequently, this article intends to focus on centralised revenue redistribution as a particular cause of internal conflict, that the author finds quite compelling and on which she has not been able to find adequate empirical literature. Hence, this cause makes this article novel in its contribution to the existing theoretical literature on the causes of internal conflict. The article, therefore, is concerned with answering the research question whether the centralisation of revenue redistribution can be considered as a cause of internal conflict.

Research Methodology

This article employs the case study approach and uses Kenya as its focus point. Further, it relies on desktop and library-based research to identify the literature with which to either prove or disprove its research question. A number of case studies (see generally Collier 2003) exist in identifying the root causes of internal conflicts, and no one study can be said to be of general applicability since each country has its own specific circumstances that drive its population to engage

political and national identity. The most recent case depicting a people's right for self-determination is the case of the secession of South Sudan from Sudan.

in violent conflict. Many studies⁶ focusing on Kenya have concluded that internal conflict therein was driven by landlessness and ethnicity. However, these studies also did acknowledge the role of centralised revenue redistribution as a potential factor. Accordingly, such studies shall form the building blocks upon which this article discusses its research question.

This article, therefore, seeks to utilise the explanatory approach to shed light on the centralisation of revenue redistribution as a factor instigating conflict in a country. To do this, it shall also rely on the cases of Uganda and Sudan, mentioning them briefly as comparative case studies in this article. These two countries are used because of, firstly, their proximity to Kenya; secondly, the similarities in their laws with respect to the centralisation of revenue redistribution; and thirdly, all three countries have experienced internal conflict as a result of centralised revenue redistribution. Accordingly, this article is structured into four sections.

The first section is the introduction. The second section begins by addressing what a centralisation of revenue redistribution means and how it has been practiced in Kenya, highlighting its resultant challenges. In the third section, the article investigates whether a centralisation of revenue redistribution has caused internal conflict in Kenya in order to prove or disprove the research question. To find support for its assumption, the article also mentions the cases of Uganda and Sudan to strongly set out a justification to link centralised revenue redistribution to internal conflict. The secession of South Sudan from Sudan has been linked by Young (2012) to the

6 See generally on this subject, Ghai, Yash P. (2008). "Devolution: Restructuring the Kenyan State," Vol. 2, 2008, *Journal of Eastern African Studies*; Koki Mulwa et al. (2011). "Devolution and Nation Building in Kenya," Strathmore University, Nairobi; Report by the National Anti-Corruption Campaign Steering Committee on the Constituency Development Fund: An Examination of Legal, Structural, Management and Corruption Issues in Kenya, June 2008; Juma, Dan. (2008). "Devolution of Power as Constitutionalism: The Constitutional Debate in Kenya and Beyond" (August 15, 2008). *Ethnicity, Human Rights and Constitutionalism in Africa*, International Commission of Jurists, eds., pp. 36–58, Nairobi, Kenya; Sihanya, Ben. (2009). "Constitutional Political Economy of Ethnic Inequality and Poverty in Kenya, 1963–2007 and Beyond: Human Rights, Class Formation and Development," Study Commissioned by the Society for International Development (SID), Nairobi; and Grewal, Bajan S., (2010). "Symposium on Fiscal Decentralization: Public Finance and Management," Vol. 10. ILR Press.

centralisation of revenue redistribution and the case of the Lord's Resistance Army in Uganda where the rebel army has been fighting the government has been linked to Uganda's centralisation of its national wealth and resource revenues Norbert (2006). The article relies on two Kenyan cases; one, which was the post-election violence in Kenya; and two, the call for secession in Kenya in order to test the research question. It is hoped that such comparisons may prove to be an engaging read and may open up the discussion on the causes of internal conflict to a wider debate. The fourth section concludes the article.

Defining Centralised Revenue Redistribution and Summarising its Key Challenges in Kenya

This section addresses the meaning, practice and resulting challenges of the centralisation of revenue redistribution in Kenya. In order to define centralised revenue redistribution, the following terms need to first be defined. Centralisation has been defined as "that method of governing under which the function of government emanate from the supreme body alone, in contradistinction to that under which they are independently exercised by certain subordinate agencies" (Sotheby 1852). Simply put, centralisation refers to a form of government in which the executive exercises absolute discretion in making decisions. "Revenue" refers to the income of a government from taxation, excise duties, customs, or other monetary sources. "Redistribution" means the transfer of revenue back to the population in the form of the provision of public goods (OECD 1998). Accordingly, centralisation of revenue redistribution means the decision by the executive (normally the president) to divide a major percentage of the revenue collected and redistribute it towards the capital city instead of dividing the revenue to redistribute it equally and equitably countrywide (Tiebout 1956).

The centralisation of revenue redistribution as a practice came about with the government implementing a policy based on the theory of fiscal centralisation. This theory suggests that because domestic revenue mobilisation in sub Saharan Africa is generally weak in comparison to other parts of the world it would be more beneficial, in centralising revenue redistribution towards a specific area, to fully

develop it and then move to the next area to develop it and vice versa until the whole country has been developed (Scherer 1980). This was the strategy adopted by the Kenyan government towards state building. This meant that the revenue collected by the government would be allocated to first develop the capital city before the rural areas could be developed.

The rationale behind this theory is that a centralisation of revenue redistribution would make the economy more competitive and grow faster by encouraging the rural population to migrate into the capital city, who would be coming to seek employment and thereafter use their income to invest in the rural areas from which they hailed (Republic of Kenya 1965). Consequently, the rural population coming to work in the capital city would become the catalysts for developing the rural areas. Hence, the government's task was to focus only on employment creation and the provision of public goods within the capital city in order to attract the rural population (Republic of Kenya 1965). For this revenue was required, hence its redistribution towards the capital city. Of course the beneficial consequences of this theory have been questioned by several scholars, who argued that the theory does not ensure sustainable development and instead offers a government poor economic planning with future development consequences such as poverty and inequality (Peterson and Rome 1990; Peterson 1965; Prud'homme 1995).

The post-independence era in Kenya witnessed the formation of a centralised state that captured increasing shares of its economic resources in the form of revenues and redistributed the revenues towards the capital city (Mutua 2009). As a result, the centralised state was able to not only establish and implement a more efficient and centralised system of the redistribution of revenues but it also enjoyed greater success in the political, economic and social development of its capital city (Mutua 2009; Ghai 2008; Mulwa et al. 2011). Consequently, there emerged glaring differences between the rural areas (or the rest of the country) and the capital city. Also, since the redistribution of revenue was towards the capital, job creation, economic growth and wealth were concentrated in the capital city leaving the rural areas in a state of underdevelopment, income inequality, and lack of access to basic services like hospitals, schools, electricity and piped water. It was not long before the rural population and coastal city of Mombasa

embroiled the country in conflict as a result of these inequalities. Table 1 below shows an example of inequality in the provision of electricity as a public good between the capital city and other regions in Kenya. The provision of electricity in terms of percentage to different areas within Kenya is chosen for the following reasons: (a) available and verified data, and (b) electricity being among the top priorities of the country to be fulfilled in terms of policy goals.

Table 1: Access to electricity following revenue redistribution from income tax collected

Region	Total revenue from income in %	Access to electricity in %age
Nairobi	45	71
Nyanza	43	5
Rift Valley	43	11
Eastern	42	7
Western	41	2
Central	39	19
Coast	34	19
North Eastern	27	3

Source: Society for International Development (2004)

The columns above shows the regions (column 1) within Kenya and the percentage of the total amount of tax from income collected within each region (column 2). The third column shows the percentage in terms of access to electricity. This data demonstrates that the capital city, despite being on a par with other regions such as Nyanza, Rift Valley, Eastern and Western in terms of taxes on income collected, has the highest percentage in access to electricity as compared to the other regions. One may argue that such divergence between the capital city and the other regions, in terms of the provision of electricity goes on to show at a prima facie level that the total tax revenue collected from income countrywide is redistributed towards the provision of public goods within the capital city since a large proportion of the budget is allocated towards the development of the capital city region. The budget is among other finances based on the total taxes collected. Now there may be no connection between the collection of tax and the provision of electricity. Electricity is a public good in

Kenya and not subject to privatisation, hence one can conclude – based on the argument that taxes are collected by the government in order to provide public goods, hence, is based on the available data on the collection of taxes from regions and the percentage of access to electricity – that a sound argument can be advanced showing the link to the centralisation of revenue redistribution in the analysis of this data.

From the table above we find that the first five regions in the first column accounted for over 40% of total revenue collected from income tax, yet we notice inequality in their access to electricity. Such limited or minimal access to public goods as a result of government policy in redistributing revenue towards the capital, the article in the next section argues, may then become a key factor in sparking internal conflicts from the population living outside the capital. A state that does not share the national wealth and resource revenues equitably among its citizens therefore provides a platform to those who want to challenge the legitimacy of the state to engage in violence.

Centralised Revenue Redistribution as a Cause of Internal Conflict in Kenya

This article relies on Collier’s argument that “the key root cause of conflict is the failure of economic development” (Collier 2003) and links his argument to the findings of Peterson and Rome (1990), Peterson (1965) and Prud’homme (1995) who concluded that when a major percentage of revenue is redistributed to the capital city instead of an equitable distribution countrywide, the country is bound to experience economic underdevelopment. These two arguments taken together link economic underdevelopment to internal conflict. As a result, this article utilises these arguments to explain that internal conflict in Kenya emerged as a result of the government’s policy on centralising revenue redistribution towards the capital city. Having reviewed the findings made by Juma (2008) the present article found that such centralisation over the span of 42 years (1965 – when the sessional paper⁷ was adopted – to 2008 – the election violence

7 Republic of Kenya. 1965. African Socialism and its Application to Planning in Kenya, Sessional Paper Number 10, 1965. Nairobi: Government Printers Limited.

period⁸) caused economic underdevelopment, income inequalities and a marginalisation of the rural areas in the provision of public goods.

These disparities, as argued by Bannon (2007), subsequently culminating over the years and the grievances of the rural population not being addressed by the Kikuyu-led⁹ government, which in order to appease the rural population promised a new constitution that would be based on revenue decentralisation (*majimbo*), hijacked the constitutional process and blocked reforms (Bannon 2007) and later having combined the foregoing with the electoral vote rigging by the incumbent during the 2007 election period led to an explosion of internal violence (Ghai 2008; Mutua 2009; Mulwa et. al 2011). Ghai (2008), Mutua (2009) and Mulwa et. al (2011), among other causes that led to internal conflict, also identified the marginalisation of the rural areas in revenue redistribution as key features of internal conflict. Furthermore, Waris (2013) has argued that the fiscal policy of the government to favour a redistribution of revenue towards the capital city is detrimental towards state building. This can be observed from the difference in not only infrastructure in the rural areas and the capital city but in life expectancy, school dropout rates, income levels, spending, savings and investment, etc. (Waris 2013) and not just in access to electricity as discussed in section 3 above.

Furthermore, the coastal region of Mombasa, following the post-election violence, began a call for secession. The underlying argument, this article finds, was that the central government had for eons failed to equitably redistribute revenues towards the region's economic development and that the region was capable to self-finance its own development since it was a major hub for international trade having the seaport located within its jurisdiction (Mutua 2009). It also contended that since this region generated huge sums in tax revenue for the government it was unfair that it was shortchanged during redistribution by receiving a share way less than the amount in total generated by the region. It thus called for secession and the government responded by assassinating the leader of the Mombasa Republican Council (MRC), the party formed to chart the way

8 During this period the government passed the National Reconciliation and Accord Act through which it further enacted laws to ensure equitable revenue redistribution.

9 Kenya has 44 ethnic communities. The Kikuyu make up the majority of the population, followed by the Luo (the tribe from which U.S. President Barack Obama's late father hailed).

towards secession (Botha 2014). This sparked violent clashes between the police and the residents forcing the government to prioritise decentralisation to curb the call for secession and ensure equitable revenue redistribution.

The call for secession and the violence that ensued has now withered away ever since the new constitution was promulgated in 2010, which introduced a new system of governance for Kenya. This new system is a decentralised form of government and with it also came revenue decentralisation, which means that every county can now collect revenue from within its territory and then redistribute the revenue at its discretion within its territory instead of remitting the revenue to the central government, which would then apportion the revenue and decide which county gets how much during redistribution.

From the foregoing, it can therefore be argued that, since revenue redistribution has an effect on the economic development of a state, its centralisation can potentially give rise to internal conflict. This deduction is further corroborated by considering the cases of Sudan and Uganda. In the former case, Sudan opted for federalism as a strategy to end the violent conflict between the central government and the south (Hartmann 2013), which was rooted in the south feeling marginalised in the redistribution of revenue (Young 2012). The south felt that the central government was discriminating against it by redistributing the revenue towards the capital city and leaving out the south, despite the fact that a huge part of the revenue was sourced from the south. The conflict exacerbated and eventually led to the south seceding from Sudan and becoming a sovereign state.

The case of Uganda is somewhat different. Museveni's party, the National Resistance Movement (NRM) after coming into power, basically abolished multi-party politics causing dissent in the northern part of Uganda (Kasfir 1998). This led to the recruitment of rebels under the banner of the Lord's Resistance Army (LRA) to fight Museveni's NRM. Museveni retaliated by sidelining the north by halting the redistribution of revenue therein while government troops fought with the LRA. This led to the lack of economic development of the north and steeped the region into poverty and inequality. This then forced the residents to join the LRA in order to fight Museveni's government for its unequal redistribution policy (Norbert 2006). The

key message to be derived from this is that revenue redistribution plays an important role in the economic development of a state and in maintaining a balance in equitable distribution of public goods; when this revenue redistribution fails to achieve its purpose and/or instead is directed towards one specific area to the detriment of the other areas, this will cause the residents to spur internal conflict.

To further support the hypothesis that centralisation of revenue redistribution may cause internal conflict, Hirshleifer (1988), Garfinkel (1990) and Skaperdas (1992), in advancing their economic theory as a possible explanation for internal conflict, stated that internal conflict between two groups arises because of how resources are allocated. Domestically, resources are allocated through revenue redistribution. Azam (1995) and Roemer (1985), in support of this view, have observed that a conflict that arises as a result of how resources are allocated can only be resolved through efficient redistribution. Domestic economic growth of a state is measured through its revenue collection and redistribution and when there is inequality in redistributing revenue countrywide it leads to the underdevelopment of areas outside the capital city, income inequality, lack of access to basic services like hospitals, schools, electricity and piped water. This in turn agitates the rural population, who may turn towards conflict as a way of forcing the government to change its policy.

Prior to the promulgation of the 2010 Constitution, “Kenya had been one of the most centralised states in the world with a very powerful executive” (Muli 2005). Such centralisation further contributed to the marginalisation of various groups and communities in Kenya with regard to financial resource allocation. The centralisation of financial resources in terms of revenue redistribution greatly benefited not only the capital city but also the region (Rift Valley), which was affiliated to the occupier of the office of the presidency. In this way, this centralised revenue redistribution system retarded nation building and economic development and became associated with corruption and financial embezzlement (Ghai 2008). In order to remedy this inequitable financial distribution in the country, the rural population following the electoral vote rigging during the 2007 presidential elections decided to engage in violence at a level never before witnessed in the country. As a result, the government promulgated a new constitution following a majority of the population voting for the new constitution during

the referendum providing the country with a decentralised revenue redistribution system and a decentralised form of government.

The prolonged centralisation of revenue redistribution that culminated into internal violence in Kenya led to a regime change as a strategy to resolve the crisis. After 47 years following independence Kenya moved from a centralised to a decentralised state. What sparked this change was its fiscal policy, which the people violently protested against and even killed and displaced one another.

Conclusion

This article examined whether there is a link between the centralisation of revenue redistribution and the occurrence of internal conflict in a country. It argued that when a large part of a population has either limited or no access to social and economic resources as a result of a government policy in redistributing revenue towards the capital, such concentrated redistribution at the centralised level may become a key factor in sparking internal conflicts from the population living outside the capital. The article further argued that a state that does not share its national wealth and resource revenues equitably among its citizens therewith provides a platform to those who want to challenge the legitimacy of the state to engage in violence. This was seen in the case of Kenya and corroborated by the cases of Sudan and Uganda where inequitable revenue redistribution played a key role in instigating violence.

In Kenya, the centralised revenue redistribution over a span of more than 40 years built up frustration among the rural population about the government, which resulted in internal conflict. This article suggests that the post-election violence and the call for secession of the coastal city of Mombasa were a result not only of centralised revenue redistribution but also of centralisation coupled with other factors, which led to the explosion of internal conflict. Hence, these causes ought to be taken together in understanding what occasions internal conflict in a country instead of selecting only one such cause and generalising on that basis alone. Thus, the centralisation of revenue redistribution by a state can be seen as a potential factor leading to internal conflict, especially in circumstances where the levels of poverty and unemployment in the country are high. Although such

internal conflict may not necessarily be violent, centralised revenue redistribution may cause an uprising among the population and lead to a substantial change in the form of government, moving it from a centralised to a decentralised form of government in order to appease the population and for the state to retain its legitimacy. Such was the case in Kenya.

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