



National Revenue Allocation In The Kenyan Devolved System, Interrogating The Influence Of Politics In The Distribution Formula

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ABSTRACT

Politics is at the centre of revenue distribution in any devolved governance system. In Kenya, the politics of revenue allocation revolves around the uniqueness of each community in terms of culture, economic resource endowment and land tenure. This paper investigated the influence of politics on the revenue allocation formula in Kenya. The study adopted a cross sectional survey research design. This was the most appropriate in establishing the influence of politics on revenue allocation formula in Kenya. The population of this study consisted of the 47 counties established by the Kenya constitution 2010. A sample size of nine (9) counties representing 19.15% of the total population was used. The study used cluster random sampling technique to provide a fair representation of the county governments. The data was analysed using Descriptive statistics, Principle Component Analysis, Analysis of variance and Communality Analysis. This study established that politics has a significant influence in revenue allocation formula for the devolved governments in Kenya.

Keywords: Devolution, Politics, revenue allocation, constitution, Regimes

INTRODUCTION

The advent of the Kenya Constitution 2010 was expected to lead to the practice of fiscal federalism, transparency, accountability and devolution of power to the county governments and hence more fiscal decentralization. While a greater degree of decentralization would, no doubt, contribute to greater grassroots participation, generate more local development, increase efficiency and equity, create employment opportunity and promote poverty alleviation, it must not be done in such a way as to conflict with the national objective or unduly complicate it. The change in the internal geographic structure of the nation as a result of strong and continuous political agitation for the sharing of the “national cake” has led to regional and political interest in manipulating the revenue allocation formula. The Commission of Revenue Allocation(CRA), was created by the 2010 Constitution to make recommendations on how government revenues in Kenya should be divided between the two levels of government — national and county — and among the 47 counties. The Constitution provides general criteria to inform these recommendations, but leaves the details to the Commission (ROK, 2010).

The constitution does not specify how the CRA should carry out its tasks, but there are reasons to doubt that its style of communicating with the public has lived up to its mandate. When the CRA first unveiled its recommendations to the public, it basically released a formula alone. They did not explain to the public why it had opted for a formula. This elicited fresh political agitation by various interest

groups on the need to understand the formula. The CRA held a number of forums since the formula's release, to receive public comment on it. But the Commission has never remedied the fatal flaw in its initial approach.

CRA claims to have done a costing of the functions to be performed by counties and national government. The CRA also claims, too, to have benchmarked with the international experience and that the proposed weight of each parameter was based on "Monte Carlo simulations," as well as considerations of the Commission's own internal analyses and judgments. However the details of this information is not available to the public. The public could not therefore objectively debate and vet the formula because of lack of background information.

Presenting the formula without logic behind it made the quality of its debate and interrogation to be low. Those whom the formula seemed to defend it while those who are disadvantaged by the formula rejected and denigrated it. People may engage with the formula's key variables, but without the information they need to actually decide whether the CRA's recommendations are sensible. The objective of this paper is therefore to determine the political influence on the resulting revenue allocation formula in Kenya.

RESEARCH METHODOLOGY

The study used cross sectional survey study. The design enabled the researcher to collect data using questionnaires. Interview was also conducted face to face with county government officers to collect data. The study adopted the causal survey research because the data gathered was quantitative and qualitative in nature as well as pre-planned and structured. This helped in attempting to explain the cause and effect relationship between the politics in Kenya and the revenue allocation formula arrived at by the Commission on Revenue Allocation in Kenya. In the end this design helped to understand which variables were the cause and which variables were the effects. It also helped to determine the nature of relationship between the causal variables and the effect predicted.

LITERATURE REVIEW

At independence in 1963, Kenya ushered in a sense of great expectations among its citizenry. There was high anticipation that Kenyans would no longer experience poverty, disease and ignorance, thereby reducing the inequalities and inequities propagated by the colonialists (Boone, 2012). However, repressive policies designed by colonial and post-colonial governments resulted in dissent and gave rise of irredentism and the need for secession. The actions of the state towards the politically incorrect groups exemplify the kneejerk responses in political re alignments. A scorched-earth policy was adapted against such peoples and the injustices set in (Birch, 2003).

Infrastructural and other investments by post-colonial Kenya governments favoured the so-called high yielding areas and the presidents region (Kenyatta and Moi eras). To punish the peoples of other regions for dissension, the Kenyatta and Moi governments deprived these communities' key infrastructural investments. The government's focus of social and physical infrastructure was noticeable in key sectors such as education, health and water supply (KHRC, 2010). Even with the introduction of the District Focus for Rural Development in the 1980s, which was meant to redirect resources to formerly economically neglected areas, the unequal distribution and investment continued. Such measures were instrumental in fuelling and sustaining a sense of neglect and of not belonging to Kenya.

Weak governance and leadership presented a major challenge on issues of equity and equality within the country. In the past, public appointments paid little attention to Kenya's diversity. In this context non-appointment of citizens from some communities served to exclude them from participating in national development agenda and highlighting the regions' plight to the government. Equally, the steady mismanagement of public financial resources and increasingly autocratic and repressive presidencies did little to alleviate the situation of the peoples of the marginalized areas (Boone, 2012). Continued repression of other regions was the order of the day and as such, these and other governance challenges did not augur well to enhance access to resources by these regions between 1963 and 1978 (Birch, 2003). There were no specific and effective economic redistributive mechanisms put in place by the postcolonial governments. National policies, such as Sessional Paper No. 10 of 1965 whose thrust was to focus public investment on areas with the highest absorptive

capacity resulted in the concentration of resources away from areas largely ignored during the colonial period (KHRC, 2011).

There was little change after 1978. Despite the Nyayo philosophy of Love, Peace and Unity, there was little attention paid to past grievances among Kenyans and in particular those from marginalised areas during the 1980s and 1990s. Specifically, through the 1980s and 1990s, there was: (i) Lack of decisive land reforms and persistence of land based conflicts; (ii) Little regard for Kenya's diversity vis-à-vis public appointments and recruitment within civil service; (iii) Inequitable distribution of budgetary resources; (iv) Mismanagement of public resources; and (v) Autocratic governance, among other challenges (KHRC, 2011). In addition, constitutional changes promoted the concentration of power in the presidency. Concurrently, budgetary resources remained overly centralized and development remained disproportionate despite the launch of the District Focus for Rural Development and the fifth National Development Plan's (1984-88) under the central theme of 'mobilising resources for equitable development' (Birch, 2003). The espousal of structural adjustment programmes through Sessional Paper No. 1 of 1986 further deepened vertical and regional inequalities. The net effect of this for marginalized areas was continued exclusion from access to resources and consequently perpetuation of acute poverty (Goldsmith, 2011).

Increasing perceptions of exclusion among various groups in society resulted in an escalation of internal demands for democratic governance and the return to multi-partyism, as well as calls for a new constitutional dispensation from the 1990s well into the new millennium (Boone, 2012). The 2002 elections brought the National Alliance Rainbow Coalition (NARC), which enjoyed massive goodwill from the citizenry, to power. The goodwill yielded some positive momentum towards a shared future. However, the NARC government performed badly in terms of economic distribution and inclusiveness. They perpetuated existing nationally divisive conditions including inadequate attention to regional and other inequalities, which kept alive feelings of selective exclusion and continued marginalization for the minorities and other perennially marginalised groups (KHRC, 2011).

The balkanization of the country and increased ethnic bigotry arising from the struggle over the control of the constitution review process only added to a sense of hopelessness in Kenyans but worse still among the marginalised. In essence, marginalised groups were not given recognition in the Proposed Constitution of 2005 and this partly explains its rejection at the referendum. Increasingly the period 2002 to 2007 was a 'failed revolutionary period'; the marginalised groups were perhaps the most frustrated since they continued to live in the lowest rank of Kenya's economic pecking.

These frustrations came to the surface bare after the debacle of the disputed elections of December 2007. The 2007/2008 post-election violence was partly a culmination of an escalation of inter-ethnic rivalry and feelings of exclusion and marginalization. Like the previous governments, the post-2003 regime perpetuated the monopolization of key public appointments by the ruling elite, but increasingly found no purpose in attending to the question of the marginalised and historical injustices meted on Kenyans by past regimes (Keriga, 2009). Issues relating to the equitable distribution of resources seem to have excluded from the agendas of successive governments or were deliberately ignored. Spatial segregation of services, intergenerational reproduction of poverty increasingly has fostered inequality in the marginalised areas (Goldsmith, 2011). The huge investment on Thika Road superhighway is just fresh in many marginalised groups minds whose areas have not had a murram road let alone a tarmacked road since independence.

The foregoing discussion provides a broad picture of the historical context of neglect, exclusion and lack of distributive mechanisms in Kenya. It is evident that little was done by post- independence regimes to promote equitable distribution of resources and specifically recognize minorities and the marginalised by positively redressing these injustices (Keriga, 2009). It was not until the promulgation of the new Constitution (2010) that the marginalised and minorities were recognized. To this end, Kenya cannot afford to make any other missteps in its bid to have an all-inclusive development.

RESULTS AND INTERPRETATIONS

Political Influence on Revenue Allocation

The study sought to establish the influence of politics on revenue allocation in Kenya. The frequency and percentage distribution of the findings on the independent variable; Political Influence on revenue allocation are displayed and discussed below.

Opinion leaders' perception

The study revealed that 7.9% strongly agree that the opinion leaders' perception on revenue allocation to county influences the revenue allocation Formula, 21.1% agreed with the statement. This makes a total of 29% of the respondents agreeing to the statement as shown in table 4.18. 12.7% of the respondents were undecided while 29% and 28.5% disagreed and strongly disagreed respectively. A mean response of 2.5 and a standard deviation of 1.312 is an indication of the need to critically evaluate the opinions of the political leaders because of the political patronage in Kenya.

Table 1.00: The Opinion Leaders' Perception

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	65	28.5	28.5	28.5
	Disagree	68	29.8	29.8	58.3
	Neutral	29	12.7	12.7	71.1
	Agree	48	21.1	21.1	92.1
	Strongly Agree	18	7.9	7.9	100.0
	Total	228	100.0	100.0	

Table 1.01: Weighted Mean Statistic

	N	Mean	Std. Deviation
	Statistic	Statistic	Statistic
The opinion leaders' perception on revenue allocation to county influences the revenue allocation Formula	228	2.50	1.312
Valid N (listwise)	228		

The Past political Injustices are Critical in Allocating Revenue to Counties

The study revealed that only 32.9% (8.8% and 24.1%) were in agreement that the past political injustices are critical in allocating revenue to county governments in Kenya. 28.1% were indifferent while 39% (29.8% and 9.2%) disagreed with this statement. A mean response of 2.93 and a standard deviation of 1.122 is an indication of the need to consider past political injustices in revenue allocation in Kenya.

Table 1.02: The past political injustice

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	21	9.2	9.2	9.2
	Disagree	68	29.8	29.8	39.0
	Neutral	64	28.1	28.1	67.1
	Agree	55	24.1	24.1	91.2
	Strongly Agree	20	8.8	8.8	100.0
	Total	228	100.0	100.0	

Table 1.03: Weighted Mean for the Past Political Injustices

	N	Mean	Std. Deviation
	Statistic	Statistic	Statistic
The past political injustices are critical in allocating revenue to county governments in Kenya	228	2.93	1.122
Valid N (listwise)	228		

Marginalization Policies of Past Political Regimes

The study revealed that a paltry 9.6% strongly agreed that the marginalization policies of past political regimes has an impact on revenue allocation to county governments in Kenya, further 22.8% agreeing with the statement. 28.9% of the respondents were undecided while 38.6% of the respondents were of a contrary opinion as shown in table 1.03. A mean response of 2.43 and a standard deviation of 1.220 as represented in table 1.04 is an indication of the need to consider marginalization policies of past political regimes when formulating the revenue allocation formula for sharing revenue amongst the devolved county governments of Kenya.

Table 1.04: Marginalization policies of past political Regimes

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	44	19.3	19.3	19.3
	Disagree	44	19.3	19.3	38.6
	Neutral	66	28.9	28.9	67.5
	Agree	52	22.8	22.8	90.4
	Strongly Agree	22	9.6	9.6	100.0
	Total	228	100.0	100.0	

Table 1.05: Weighted Mean for Past Political Regimes

	N	Mean	Std. Deviation
	Statistic	Statistic	Statistic
Marginalization policies of past political regimes has an impact on revenue allocation to county governments in Kenya	228	2.43	1.220
Valid N (listwise)	228		

Political Affiliation has an influence on the Revenue Allocation to County Governments in Kenya

The study revealed that only 7% of the respondents strongly agreed that Political Affiliation has an influence on the Revenue Allocation to County Governments in Kenya. A further 19.3% agreed with the statement while 30.7% were neutral. On the other hand 25.9% of the respondents disagreed with the statement while 17.1% strongly disagreed as shown in table 1.05. A mean response of 2.73 and a standard deviation of 1.162 as shown in table 1.05 is an indication of the need to consider Political Affiliation when formulating the revenue allocation formula.

Table 1.06: Political Affiliation Statistics

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	39	17.1	17.1	17.1
	Disagree	59	25.9	25.9	43.0
	Neutral	70	30.7	30.7	73.7
	Agree	44	19.3	19.3	93.0
	Strongly Agree	16	7.0	7.0	100.0
	Total	228	100.0	100.0	

Table 1.07: Weighted Mean for Political Affiliation

	N Statistic	Mean Statistic	Std. Error	Std. Deviation Statistic
Political Affiliation has an influence on the Revenue Allocation to County Governments in Kenya	228	2.73	.077	1.162
Valid N (listwise)	228			

Coefficients

Table 1.07 shows a positive beta coefficient of 18.4%, which further confirms that Political Influence on revenue allocation, has a positive influence on the revenue allocated to each county in the revenue allocation formula in Kenya.

Pearson Correlation Coefficient for Political Influence on Revenue Allocation

Pearson’s Correlation indicates the extent of interdependence between two variables. There is an 18.4% positive correlation between Political Influence on revenue allocation and the revenue allocated per county to the devolved governments in Kenya. This confirms that politics play a critical role in determining the revenue allocation formula.

Table 1.08: Pearson Coefficients for Political Influence

		Revenue Allocation per County	Political Influence
Revenue Allocation Formula	Pearson Correlation	1	.184
	Sig. (2-tailed)		.000
	N	228	228
Political Influence	Pearson Correlation	.184	1
	Sig. (2-tailed)	.000	
	N	228	228

Table 1.07 indicates that Political Influence on revenue allocation is statistically significant since its p-value is less than .05 (p -value = .000).

Table 1.09: Coefficients of Political Influence

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	1.549	0.279		5.563	.000
Political Influence on Revenue Allocation	.180	.067	.184	2.680	.008

Using the summary presented in Table 1.08, a linear regression model of the form, $Y = \alpha + \beta X_i$ can be fitted as follows:

$$Y = 1.549 + 0.180X_1 + \mu \dots\dots\dots \text{Equation 3}$$

Regression Analysis for Political Influence on the Constitution

This was carried out in order to determine whether the independent variable, political influence can be relied on in explaining the change in the dependent variable, revenue allocation Formula for the devolved government of Kenya. The coefficients obtained indicate that the correlation coefficient (R) between the independent variable and the strategic management of counties in Kenya was .184 which is a positive correlation relationship. Table 1.09 shows a coefficient of determination (R^2) of .034, which means that this variable alone can explain up to 3.4% of the variations in the dependent variable, revenue allocation Formula.

Table 1.10: Model Fitness for Political Influence

Model Summary				
Model	R	R ²	Adjusted R ²	Std. Error of the Estimate
	.184	.034	.032	3.46189

ANOVA for Political Influence on Revenue Allocation

An ANOVA test was performed on the variable, Political Influence on revenue allocation and the results are summarised in Table 1.10. The table shows that the variable has a P- value equal to .018, demonstrating that the model is statistically significant in explaining the change in the dependent variable, considering that the P-value is less than .05 at the 95% level of confidence.

Table 4.30: ANOVA for Political Influence

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	18.406	4	4.602	3.055	.018
Residual	335.909	223	1.506		
Total	354.316	227			

Based on the empirical results presented in Table 4.33, the Null Hypothesis (H₀₄) is rejected and a conclusion reached that, at 5% level of significance, the Kenyan Politics has an influence on revenue allocation in Kenya. As discussed in section 2.55 of this paper, Ojo (2009) concludes that contemporary issues in Nigeria’s political economy show that perhaps the most important issue of fiscal federalism is the revenue allocation formula, the sharing of national revenue among the various tiers of government (vertical revenue sharing) as well as the distribution of revenue among the state governments (that is, horizontal revenue allocation). In a similar study, Ikeji (2011) concludes that Federalism provides a framework for solving the political problem of administration and the economic problem of resource distribution. The explained further that in practice, sometimes, the optimization of administrative costs is an economic issue, where also the distribution of resources involves some political issues in determining the constitutional criteria for such allocation in such a way that will ensure equality and/or equity. Akpan and Umodong (2003) observe that redistribution that can ensure equality will not guarantee efficiency, thus the question of balancing the inefficiency and equality in an acceptable way encompasses the use of economic and political means to induce compromise and agreement. This may involve the use of consultation approach to power balancing and the protection of rights.

CONCLUSION

The study sought to establish whether Politics in Kenya influences revenue allocation in Kenya. The findings reveal that indeed there is a positive correlation between Political Influence on revenue allocation and the revenue allocation Formula for the devolved governments in Kenya. This confirms that politics play a critical role in determining the revenue allocation formula. Based on the empirical results from this study, the Null Hypothesis is rejected and a conclusion reached that, at 5% level of significance, the Kenyan Politics has an influence on revenue allocation formula in Kenya.

Policy Implication

In most political jurisdictions, politics and political players play a key role in defining and establishing policy that guide fundamental social economic constructs. From the findings of this paper, politics has an influence in determining revenue distribution in Kenya. It is important that distribution policies, be designed to promote equitable distribution of national resources for instance recognize minorities and the marginalised who may not necessarily have a major voice or influence in the national political discourse.

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