

Kenya's 2019/2020 Budget: A Predatory Scheme Designed for the Hustlers in Government

"Rotich catches up with the real 'hustlers' in new tax measures," screamed the front-page headline in the *Standard* the day after Treasury Cabinet Secretary, Henry Rotich, read what many view as an illegal Sh3 trillion (\$30 billion) budget given that it had not been debated by the National Assembly and considering that a bill that would decide how national revenue would be divided had not yet been passed.

The "real hustlers" that the newspaper was referring to were not people like the Deputy President, William Ruto, who has in the past self-identified himself as a hustler, but people at the bottom of the economic pyramid, including security guards, cleaners, drivers, caterers and boda-boda operators, whose employers will now be forced to deduct 5 per cent withholding tax from their salaries. (Dictionary definition of a hustler: Someone who makes money using dishonest means.)

This means that a security guard in Nairobi who earns Sh15,000 a month will now have to forego Sh750 of his salary – probably the equivalent of half his monthly rent in one of the many sprawling slums in the city. The people Rotich wants to net in the tax bracket are those who make a living carrying out low-paying menial or laborious tasks and who can barely make ends meet. For them every shilling earned counts, and every shilling lost means less food on the table, and more sacrifices.

The newspaper made no mention of the actual hustlers and thieves in government who regularly siphon millions of taxpayers' shillings by raiding the national treasury or the growing number of politically-connected "tenderpreneurs" who

sell fictitious goods to government departments – and get away with it. (To date not a single high or low profile suspect involved in Kenya's many mega corruption scandals has been convicted.) To describe cleaners and security guards as hustlers is the height of irresponsibility on the part of the *Standard's* editors.

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Nor did this or any other newspaper provide sufficient analysis of what the new tax measures would mean for the economy, apart from that they would generate an additional tax revenue of Sh37 billion (an amount that is less than one-tenth of the total amount of money lost in the Goldenberg, Anglo Leasing and other corruption scandals, including those that have taken place under the watch of the current government). How many mamas selling githeri by the roadside will be affected? How many people doing casual or temporary work or who work in the informal economy will sink further into poverty?

It is not as if Kenyans are not paying enough taxes. The Kenya Revenue Authority (KRA) is expected to raise about Sh2 trillion (\$20 billion) this year through direct and indirect taxes, such as income tax and VAT, customs duty, and other levies that Kenyans pay when buying *unga*, cooking oil, batteries, books (which were tax-exempt until Jubilee came into power), cars, petrol and other commodities.

In fact, most Kenyans are already suffering under a tax regime that can only be described as punitive. Extraordinarily high

levies and taxes on electricity (which many believe are illegal) have financially crippled many households already struggling under the weight of the high cost of living. Every Kenyan, whether he or she likes it or not, is a taxpayer because the taxes on every product are inevitably passed on to consumers. And those who are employed in the formal sector cannot avoid being taxed because they end up paying taxes through their employers, who have to submit PAYE taxes to KRA on behalf of their employees.

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The problem of misinterpreting or distorting the 2019/2020 budget and its implications was not just confined to the *Standard*. While admitting that Rotich (who has allegedly been associated with a conflict of interest issue revolving the Arror and Kimwarer dams project saga) had prepared a budget that “raids the poor”, the *Daily Nation* erroneously described the budget as “capitalist” – as if to imply that Kenya is not a capitalist country, and that somehow the budget had betrayed the country’s communist inclinations. (Dictionary definition of capitalism: An economic and political system in which a country’s trade and industry are controlled by private owners for profit, rather than by the state. Dictionary definition of communism [the antithesis of capitalism]: a theory or system of social organisation in which all property is vested in the community and each person contributes and receives according to their ability and needs. *Note*: This form of communism morphed into “state capitalism” in the Soviet Union and China, where all property was not vested in the community, but in the state, which then determined what “the community” was entitled to.) Moreover, the newspaper’s editors failed to appreciate

that even the most advanced capitalist societies have safety nets for the poor and state-funded social programmes that are focused on the most vulnerable in society.

The budget is also heavily skewed towards the security sector. For instance, while Sh473 billion is allocated to education (which traditionally has always been allocated the bulk of the national budget in Kenya) a whopping Sh325 billion is allocated to security. When a government starts spending a disproportionate amount of money on security, be sure that there will be a lot of kickbacks involved as most security contracts are highly secretive.

As for the Big Four Agenda plans of President Uhuru Kenyatta to improve food security, to increase access to affordable housing, to make health care universal and to boost local manufacturing (which were allocated Sh450 billion), we are still to see their benefits. One thing I am sure of, however, is that the affordable housing part of the agenda will most likely not impact those most in need of affordable housing, which will remain unaffordable for the majority of urban residents. (For more on this, read my article [Faulty Towers](#) published in the eReview.)

Home guards and hut tax

The 2019/2020 and other budgets prepared by the Jubilee government and its mandarins are neither capitalist nor a means to rein in those who break the law or who engage in criminal activities; rather these budgets are essentially predatory and borrow heavily from the British colonialists' playbook, which sought to enslave the indigenous population by taxing it. The tax regime is in essence in the service of foreign (previously Western, but now increasingly Chinese) capital and local elites.

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For those who have studied Kenyan history (and I believe there are fewer of us left as history has now become an optional subject in Kenyan schools), the process of British colonisation in Kenya was consolidated through what is known as the “hut tax”, which was imposed on indigenous people living in the territory now known as Kenya, and particularly those in the so-called White Highlands of Central Kenya. As a form of “indirect rule” the colonialists co-opted local chiefs whose primary responsibility was to recruit labour and to collect taxes. The “home guards” – as the loyalist chiefs and specially-appointed agents who were in the service of the British were known – were rewarded with plots of land (from which the indigenous people were evicted, thereby becoming squatters on their own land), trade licences and tax exemptions.

In her book *Britain's Gulag: The Brutal End of Empire in Kenya*, Caroline Elkins, an American historian, describes how the process of colonisation and land alienation was achieved by white settlers and the colonial administration through a system of taxes:

“Labor was the one factor in the economic equation that the settlers and the colonial government could jointly manipulate, and they did so ruthlessly. Rather than offering wage incentives, the European employers relied upon coercion by the colonial government to recruit African labor, which was, more often than not, drawn from the Kikuyu population then living on the edge of the White Highlands. The government's guarantee of cheap and bountiful Kikuyu labor was based on a complex set of laws aimed at controlling nearly every aspect of Kikuyu life. Over time, four regulations, together, pushed the Kikuyu off their remaining

land and into the exploitative wage economy."

One of these regulations was the displacement of indigenous populations through the establishment of so-called "African reserves" where each ethnic group was expected to live and eke out a living separately. By confining the "natives" to reserves (which were much like the tribal "homelands" in South Africa and the Native American reservations in the United States) the colonisers forced the local population into a wage economy, as the reserves (usually situated on the least fertile parts of the land) could not sustain them. Furthermore, Africans were forbidden from growing cash crops. Those who grew maize and other staple foods were forced to sell them to marketing boards at a set price. (These boards remain in existence to this day, and have continued to exploit and rob farmers, as has been witnessed in various maize scandals.)

After alienating the locals from their land, the colonialists then imposed a hut and poll tax, which, according to Elkins, amounted to nearly twenty-five shillings, or the equivalent of almost two months of African wages at the going local rate. This forced thousands of Kikuyus to migrate in search of paid work. Many women in Central Kenya, who could not afford to pay the hut tax, were forced to migrate to Nairobi, where they made a living through commercial sex work or informal trade. To add insult to injury, these migrants were then forced to carry a *kipande* (pass) which was used to monitor their movements and keep track of their employment histories.

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favour, and many dispossessed Kenyans found that independence did not result in freedom from want. The new elite class of post-colonial rulers who had benefitted from the colonial system decided to continue with the plunder and exploitation of their own people. The Mau Mau movement, which had struggled to regain land from the colonialists, was outlawed and its members found themselves either landless or forced to eke out a dehumanising existence in slums. In essence, the departing British colonisers never left – they left their agents behind who could be relied on not to disrupt Britain's hold on its former colony.

Debt and plunder

The plunder of not just Kenya but the whole of Africa has continued unabated since then. According to “Honest Accounts 2017: How the World Profits from Africa's Wealth”, a report by a consortium of civil society organisations, including Global Justice Now and the Jubilee Debt Campaign, African countries are collectively net creditors to the rest of the world, to the tune of \$41.3 billion in 2015. African countries received \$161.1 billion in the form of loans, personal remittances and grants in 2015, but \$203 billion was taken from the continent; of this, \$48 billion was money taken out through “trade mis-invoicing” (a form of tax evasion) by multinational companies. While African countries receive \$31 billion in personal remittances from overseas annually, multinational companies operating on the continent repatriate \$32 billion in profits to their home countries every year. African governments received \$32.8 billion in loans in 2015 but paid \$18 billion in debt interest and principal payments.

With rising debt owed to the emerging neocolonial masters in Kenya (such as the Chinese Communist Party), it is likely that this exploitation in the service of foreigner interests will continue. Public debt in Kenya stands at Sh5.4 trillion (\$54 billion). Beginning in July this year, Kenya will spend Sh800 billion (\$8 billion, or nearly a quarter of the current

budget) annually to service maturing loans owed mostly to foreign (read Chinese and European) lenders.

It is possible that given Kenya's ballooning debt, the Jubilee government felt that the only way to prevent the Chinese government from taking over our ports, airports and other infrastructure in case of non-repayment (as it has done in other countries, such as Sri Lanka) was to tax everyone, including those least able to afford it. But the question remains: In whose name did the Jubilee government accept to sign a highly irresponsible and secretive loan agreement (whose contents remain unknown to the public to date) with the Chinese? Were wananchi or the country's legislators consulted on whether to go ahead with the standard gauge railway (SGR) and other expensive Chinese-funded projects (which appear to heavily favour the Chinese, as recent reports have indicated)? And now that it finds itself unable to service these loans (partly because the SGR has not yielded expected revenue for the Kenyan government), what moral or legal authority does the government have to tax its citizens to service them?

Moreover, given the corruption scandals in the country – which have reached unprecedented levels under Jubilee – what incentive does an ordinary Kenyan have to further fund a government whose leaders (including at the county level) have become adept at stealing taxpayers' money? Not to mention that every year the Auditor General reports that more than a third of the national budget is unaccounted for or lost to fraud. (That could mean Sh1 trillion or \$10 billion lost to corruption or fraud this financial year.) And while an increasing numbers of Kenyans are being forced to go without essential items and services, no austerity measures have been imposed on our legislators – Kenya's pampered and shameless lawmakers continue to earn salaries and allowances that rival those of lawmakers in rich industrialised countries.

Kenya is neither a capitalist country nor a developmental state. Nor is it a command-and-control economy along the lines

of China. It is a predatory state that benefits only a few chosen elite, and has remained so since the days of colonialism. What's worse, most trade unions, consumer watchdog associations, and state environmental agencies exist in name only, which means that the majority of Kenyans are left to their own devices to defend their interests.

A boycott or protest of some sort might be required to stop the bleeding. But even the Kenyan government knows that a people whose lives are dominated by survival issues and worries about paying bills and taxes will not have the energy to revolt. Like the dispossessed Kikuyus in Central Kenya, we will work even harder as we watch our resources being forcefully taken away from us by the very people who demand taxes from us so that they can continue with the plunder. (We Kenyans are submissive law-abiding citizens, after all, even if the law has the potential to strangle and kill us. We are deeply religious too.)

But then, that is what Omar al-Bashir believed until the Sudanese people decided that enough is enough.