Kenya Budget 2018/19: It's Time for a Taxpayers Boycott

By L. Muthoni Wanyeki

It's time for a taxpayer's boycott in order to evaluate what is increasingly sapped out of us through tax and against what's disgorged out of us through the theft and waste of our money. Let's compare the facts, according to the government's own Economic Survey 2018 and this week's budget speech.

This year's budget aims are meant to align with, and support the Jubilants' so-called 'Big Four Agenda' – boosting manufacturing activities, enhancing food and nutrition security, achieving universal health coverage and supporting the construction of at least 500,000 affordable houses by 2022. Bear in mind, however, that the first Jubilant administration, through its Economic Transformation Plan, also had a focus on agriculture and manufacturing.

Last year, the real added value of agriculture shrunk by 3.5 percent to 1.6 percent. This was blamed (as usual) on the lack of rainfall. True, there were shocking decreases in production of key crops – coffee's production dipping by 11.5 percent and tea's by 7 percent with only horticultural production going up. But there was an overall increase in the value of marketed production of Ksh.28.6 billion for the agricultural sector. So why did the real added value shrink? What happened?

> There's no doubt that Kenya's efforts to expand social protection are worthwhile. Reforming social insurance, for instance. Or expanding social assistance to vulnerable

> groups. But social protection is about risk mitigation – preventing the already precarious from tipping over into even more precarious. Social protection is not about growing jobs, enabling livelihoods and improving returns from employment. It's also not about ensuring that the intent to improve access to quality social services translates into actual access to social services.

The real added value of manufacturing shrunk by 1.9 percent to 0.2 percent. This was blamed (also as usual on the extended electoral process, high production costs and competition). Note that credit extended to manufacturing actually increased – by Ksh 36 billion, no less. Yet there were shocking decreases in the levels of key manufactured products – except for maize and soda (!). What happened?

Regardless of what happened last year, to fix these sectors now, our Treasury proposes the following:

For the agricultural sector (amongst the usual pleas to move away from rain-fed agriculture and so on), to put about 700,000 acres under large-scale production by public-private partnerships (PPPs). No mention is made of where these additional acres are to come from – when land theft, fragmentation and scarcity is the source of so much national tension already. Maybe the President's family intends to return the immense tracts of public land the founding President appropriated for himself?

For the manufacturing sector, contradictions abound. On the one hand, Kenya's speedy accession to the African Continental Free Trade Area is praised. On the other hand, regional (and other) competition is being dealt with by 're-negotiations' and 'reviews' of the sub-regional trade arrangements we are already committed to. Plus the rather cavalier raising of customs duties on anything we're deemed capable of producing – to no less than 35 percent (!) on everything from iron and steel to paper, plywood, textiles and vegetable oils. This, we are informed, should raise us an additional Ksh.27.5 billion (not to mention the ire of our neighbours in the sub-region). Free trade is only good when it's good for us, apparently.

Moving on to the financial sector: the Treasury had much to tell us about the supposedly negative effects of the interest rate cap. It has, we were told, made banks 'shy away' from would-be borrowers, who have also pushed depositors towards an expanded range of non-interest earning deposit accounts. It has also, we were told, slowed growth in credit afforded to the private sector.

Yet the Economic Survey for 2017 told us otherwise. As mentioned above, credit to the manufacturing sector grew last year – by Ksh.36 billion. Credit to the construction sector also grew last year – by Ksh.5.1 billion. Overall, domestic credit increased by 7.9 percent in 2017 – including an increase of credit to the private sector by 2.4 percent. And, despite interest rates remaining fairly steady, deposit rates went up as well!

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But no…the Treasury has decided this experiment in making banks less usurious must end. It will be seeking to repeal the now infamous Section 33B of the Banking (Amendment) Act. For those worried about small borrowers, especially for small and medium-size enterprises, have no fear. The new, combined Biashara Fund is here (which'll combine the three special funds for SMES owned by women and the youth).

And, just so we're clear that Treasury isn't, in fact, on the side of usury, it will be seeking to institute a 'Robin Hood' tax – charging a 0.05 percent tax on all bank transfers of Ksh.500,000 or more to go towards public health. Which we might be happy about if they came from banks and not us (as individuals and businesses). And if Treasury wasn't also increasing the (already outrageous) tax on all mobile money transfers by two percent to 12 percent. What the good Lord gives with one hand he'll certainly take away with the other.

Oh, and in case we missed it, instead of the progressive income tax increase on high-earners we had expected, now everybody gets a tax increase. The Employment Act is to be amended to impose a housing tax on all of us – an additional 0.5 percent will be taken from every formal sector worker, matched by an additional 0.5 percent from the employer virtuously to go towards housing.

> Our spending target is to come in at just under Ksh.2.56 trillion. The aim apparently being to reduce our deficit from 7.2 percent to 5.7 percent while keeping our debt to gross domestic product ratio just below 50 percent. This spend target is slightly under our spend for 2017 – which sat, at the end of the day, at just under Ksh.2.78 trillion. Not controlled for theft and waste obviously

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With regard to theft and waste, the Treasury announced a bunch of moves to make public procurement more to scale and transparent, with significant allocations to all criminal justice institutions now involved in the 'multi-agency' effort against theft and waste. But it's hard not to be cynical given the absolute lack of attention apparently paid to improving efficiencies and prudence.

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That translation has been utterly undermined by the breadth, depth, prevalence of the theft and waste of public money that prevails. Treasury needs to convince us that it's taking that theft and waste seriously. Sorry, the measures announced just don't cut it.

It's time for a taxpayers boycott. Really. There's no taxpayer who is not absolutely and completely embittered by what we have to contribute. Because what we contribute is going to theft and waste.

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