"KENYA'S 2019/2020 BUDGET IS ENGENDERING THE CULTURE OF THEFT OF PUBLIC MONEY – A RESPONSE FROM THIRDWAY ALLIANCE KENYA"

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INTRODUCTION

Kenya's national budget for the financial year 2019/2020 was read before Parliament on June 13, 2019 by the Cabinet Secretary for Treasury, Henry Rotich. It is a budget that comes in the context of, *inter alia*, a ballooning national debt that currently stands at approximately **KES 5.6 trillion** (which is projected to be over **KES 7 trillion** by end of Jubilee's administration in 2022), a poorly performing economy, a rising cost of living, collapsing businesses, regular retrenchment of workers by employers, outstanding collective bargaining agreements (CBAs) from doctors, nurses, teachers and an outcry from public servants for meagre pay. It is normal to expect that a national budget would suggest measures on how to address those public concerns. To that extent, Thirdway Alliance Kenya wishes to highlight the following eight (8) concerns raised by the proposed budget estimates by the National government.

1. THE GLARING ASPECTS OF JUBILEE GOVERNMENT BUDGETS

The most glaring observation of the 2019/2020 budget is that it fails to (or to demonstrate how it will) address the concerns of ordinary Kenyans. More specifically, these are the glaring aspects of Jubilee government budgeting since 2013 to date:

(a) ***Failure to devolve the rightful share of revenue to counties***.

Jubilee administration has always announced a budget using the wrong financial year audits. For example, in the year 2018/19 the government used 2013/14 financial year, which had audited revenues of **KES 938 billion**; rather than use the most recent audited revenues of 2016/17 amounting to **KES 1.4 trillion**. Consequently, this budget decelerates and undermines development at the county level. The national government seems to be hell-bent on denying counties their rightful share of revenue.

(b) ***A culture of over-ambitious and non-achievable budgets***.

The Jubilee administration has mastered the art of generating over-ambitious and unachievable budgets. The current budget is no exception to that trend. This has led to over-borrowing, which has raised the public debt to unsustainable levels.

(c) ***Kibaki v. Kenyatta administration***.

Upon reading of this year's budget, one cannot help but compare the Kibaki and Kenyatta administrations in terms of budgeting and expenditure. The Jubilee administration has spent over **KES 13.2 trillion** in six years compared to Mwai Kibaki's ten-year spending of **KES 7.9 trillion**. However, after spending as much as over **KES 0.29 million** per citizen in its last six years, there is hardly nothing to show as far as transforming lives of Kenyans. In fact, some, if not all, of the big infrastructure projects were initiated by the Kibaki administration. The pie chart below shows that the Kibaki Administration was able to give Kenyans more value for every shilling spent in its 10-year tenure than Jubilee has done so far in its 6-year tenure. Poor and middle-class Kenyans have been pushed to the wall by an administration that has squandered the opportunity to improve the lives of the people despite having gobbled up double the Kibaki budgets in six years only and with nothing to show for it, except talk.

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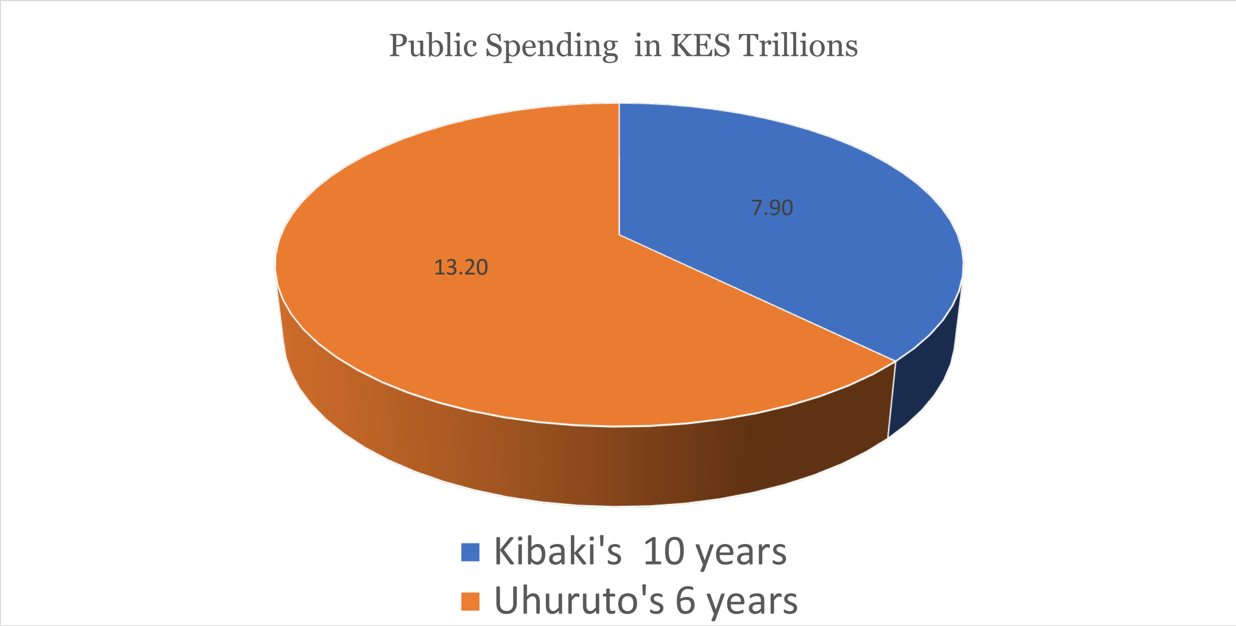

(d) ***Jubilee Administration budgets are an avenue for theft of public money.***

If there is one big project that can be attributed to the Jubilee administration, is wanton theft of public money. How to steal is deliberately being budgeted. We do not need to stretch our imaginations that far. One needs to recall the Jubilee promises in its 2013 campaigns that included, *inter alia*, building of nine (9) stadia meant to benefit the youth of our country. None was achieved; another failed political promise was the laptop per child. It has never come to see the light of day. Most recently, the "construction" of Kimwarer and Aror dams remains a mirage. In a nutshell, Jubilee administration budgeting has been about how to allocate money in order to steal. This is why some of the national institutions like the National Youth Service despite losing billions of Kenya shillings to corrupt cartels, are still standing. We no longer dispute the fact that we are thieves. The dispute revolves around how much we steal, if the Kimwarer and Aror dams is anything to go by. The dispute was whether tax payers had lost KES 22 or 12 billion. It took the deputy President to clarify that it was not neither 22 or 12, but KES 7 billion only!

There is therefore nothing to look up for in this 2019/2020 budget. The cycle will repeat itself. Millions of Kenyans are still leaving in abject poverty as the government boasts of what they refer to as positive economic growth. Any economic growth that has not reached the pockets of the poor and the middle class is nothing but mere statistics. If the last six budgets of the Jubilee administration were to be shared equally among Kenyans, even a beggar would have been a millionaire by now. KES 0.29 million would have translated into meaningful transformation for millions of poor and middle-class citizens. A majority of Kenyans can hardly afford one meal a day. It is fallacious to claim that in such a context that the economy has grown. A majority of Kenyans can hardly afford food, Medicare, fees, rents amongst other needs that restore and preserve the dignity of a human being.

2. DIVISION OF REVENUE

In collaboration with Parliament, Treasury has notoriously ignored the provision of Article 203 of the CoK 2010 that requires that division of revenue be based on the most recent audited revenues. The national government, therefore, continues to deliberately deny counties much needed funds for development. In this financial year alone, counties have been denied over **KES 150 billion**. As such, Parliament has become a hindrance to the development of our country. Elected parliamentarians ought to have rejected in the first instance a national budget that has not complied with the Constitution. The current push and pull over division of revenue by Senators and MPs, portray current MPs as a group of people who have lost touch with reality; a group of leaders who do not know what their constitutional mandate is; it portrays them further as a group of ignorant legislators who should be well versed with the relevant provisions of the CoK 2010 relating to matters finance and budgeting. It is shameful that a group of people that were recently fighting for **KES 250,000**/- house allowance cannot see the need of allocating money to develop where their voters live. These MPs are simply vomiting on the feet of their voters. It is our hope that voters would retire them all in the 2022 elections until such time that we elect responsible leadership in our Parliament.

3. PAYMENT OF GOVERNMENT SUPPLIERS

On Madaraka day, President Uhuru Kenyatta promised to settle all pending bills from government suppliers. However, there are no funds allocated to settle those debts in this budget. Did the present lie to government suppliers? Holding on to government suppliers' money is detrimental to the economy, and a sure way of killing business. This has resulted into retrenchment and working Kenyans losing livelihoods. The Treasury cabinet minister ought to have provided funds to settle all over due debts. Additionally, he should have given guidance and or regulations to ensure that all suppliers are paid within 30 days. It is laughable that the Treasury allocated **KES 10 billion** to clear overdue debts of over **KES 300 Billion**. The unanswered question is this: how did the government end up with such huge bills given that the government is able to commit local purchase orders (LPOs) and local service orders (LSOs) when funds are available?

4. WAGE BILL AND RECURRENT EXPENDITURE

The cabinet secretary has, through this budget, failed to address the ever-increasing recurrent expenditure and public wage bill. The President has on various public fora lamented on the huge recurrent and public wage bill. However, the government seems to lack ideas on how to reduce the recurrent expenditure. It is, therefore, apparent that the government is not determined in reducing public wage bill and other recurrent expenditure. The proposal put forward by the Treasury will not in any way reduce the bloated wage bill. This administration has been creating and budgeting for unnecessary positions like chief Administrative Secretaries (CASs), and unconstitutional task forces like the Building Bridges to national unity Initiative (BBI), which have been gobbling public funds without any corresponding value for money. One would have also expected that Treasury would outline some austerity measures that would save money to be channeled into development project that would boost the economy. Some of those measures could be cutting down some of our foreign diplomatic missions that do not bring value to Kenya. What is also glaringly missing in this budget is how we would manage our national debt that keeps increasing by the day and due to unrestricted borrowing by government.

5. PUBLIC DEBT: THE BUDGET HAS A DEFICIT OF OVER KES 1 TRILLION

A keen reading of the budget confirms that Jubilee administration is known for in the last 6 years of its tenure, and that is, perfecting the art of over-budgeting. This has grown the national debt to unsustainable levels. This year's budget has a deficit of over **KES 1 trillion,** which will lead to more internal and external borrowing. The government will therefore continue over borrowing in the local financial markets denying the private sector the much-needed financing to grow local businesses.

6. PRUDENT USE OF RESOURCES

The cabinet secretary confirmed our worst fears that the jubilee administration is not committed to transforming lives of Kenyans. By allocating a whooping **KES 42 billion** to parliament, Treasury demonstrated that austerity is a foreign term to this administration. Allocating a Parliament of 416 elected officials an amount equal to what has been allocated to 6 counties inhabited by millions of populations that receive the largest share of revenue is an insult to Kenyans. This is not what Article 201 of the Constitution of Kenya 2010 envisioned. However, we do not need to be surprised by this irrational allocation of public money to be squandered by just 416 Kenyans as opposed to benefiting 46 million Kenyans. The conspiracy between a conniving and non-performing Parliament with a corrupt-riddled Executive incapable of fulfilling any of its election promises to Kenyans is apparently crystal clear. The conspiracy is clear between Parliament and the Executive. Here we have an Executive that presents before parliament the wrong and unconstitutional audited accounts as the basis of sharing revenue, and the conniving parliament blindly approves those very wrong allocations. What the Executive has simply done is to bribe the Parliament to approve a wrong budget. On the other hand, what parliament has done is to simply accept and take the bribe from the Executive arm of government.

7. **REDUCE COST OF DOING BUSINESS & INDUSTRIALIZATION**

The government has been toying with the thought of reducing power tariffs for six years to date. However, except talk, there is little to show and neither has government walked that talk. Power tariffs remain high due to a mismanaged power generation and distribution value chain. The government must seal financial leakages in the power generation and distribution to bring the power tariffs to affordable levels. Industrialization, one of Jubilee's supposed flagship projects, will always remain a mirage and will never be realized, as long as power tariffs are high. No investor in his/her right mind will invest in a country where power generation and distribution is mismanaged and remains part of the corrupt cartels.

8. **WEEDING OUT GHOST WORKERS**

We welcome the insinuation by the Treasury that government will launch an exercise to weed out ghost workers from its payroll. This is not a new promise anyhow. Although we find it laughable that an administration that has been in power for over six years would suddenly wake up to realize that they have been paying ghost workers. While we encourage the cabinet secretary to pursue that route, we hope this time round, it won't be one of Jubilee's empty promises of the last six years. We, however, wish to remind him that ghost workers include top government officials who have failed to use public money prudently and or to deliver services to the people. These are people who have earned tens of millions, if not billions of Kenya shillings, without corresponding value for money. These are the real ghost workers in the public service who include, amongst others, the Chief Administrative Secretaries, the former provincial administration who are now disguised as regional commanders. In fact, the latter continue to undermine devolution and in particular, the constitutional role of Governors. National government could still maintain its presence in the counties through the security officers like the OCPD, OCS and NIS. In fact, abolishing former provincial administration would save billions of Kenya shillings needed for service delivery to millions of Kenyans.

CONCLUSION – WAY FORWARD

In the first instance, and given another chance to elect a government that ought to be responsive to their needs, Kenyans must rethink the kind of government and leadership that would serve them better. Kenyans must rethink how to elect leaders who will be responsive to their needs, either at the Executive and Legislative levels of government. The connivance between the Executive and Parliament is apparent because of the manner in which this budget has been finalized. Secondly, and going forward, the government must tame its appetite for borrowing because its current and past borrowing has not shown any value for Kenya. Thirdly, corruption is the number one thief of public money. The government must end theft of public money to find money to undertake other developments including Jubilee's big 4.

Fourthly, and in the immediate term taking into account the implications of the 2019/2020 budget, we propose that the following projects and budget lines be re-adjusted to reduce the budget deficit. None of this budget lines will affect the welfare of Kenyans now and in the future:

(i) ***The urgent need to abandon the SGR phase 2A***. There is no economic case for the Naivasha terminus. We propose that we abandon the project and rehabilitate and connect the old line with SGR at the Nairobi Terminus.

(ii) ***The need to reduce Parliament's budget***. We propose that we restrict parliament budget to KES 5 billion and re-direct these funds to develop the wards.

(iii) ***Regulate power generation***. KENGEN, which is a listed company should look for its own financial resources. Let the shareholders of KENGEN finance their company and stop relying on public funding. After all, the government does not finance other listed companies.

(iv) ***Regulate power transmission and distribution***. We propose the use of private public partnerships to build transmission lines for KETRACO and force KPLC to look for own funds for distribution. KPLC is a listed company and its shareholders must stop overburdening the tax payers.

(v) ***Withdraw from Somalia and reduce military budget.*** It is our conviction that the war in Somalia is unnecessary. We must withdraw our troops and guard our borders. Somali citizen must rebuild their own country. Occupation of another country has never borne any fruits as was and is the case with Iran and Afghanistan and others.

(vi) ***Health policy, standards and regulations***. Health is a devolved function and national government must stop looking for ways of gobbling public funds in the pretext that it is providing healthcare to Kenyans at the national level.

(vii) ***Reduce overall recurrent expenditure***. A country that spends most of its money on recurrent expenditure of a limited work force will never develop other initiatives that include growth of an economy. We need to cut down on recurrent expenditure.

(viii) **Re-think the *Big Four Agenda***. We need to be realistic about this big 4 agenda. We must stop the initiative as none of the aspirations of the initiative will be accomplished in the next two years of Jubilee Government. If Jubilee were to focus on ending theft of public money, we would automatically achieve the Big 4 agenda.

The above, if implemented, will save Kenyans KES 918.1 billion, which is money we could use in addressing more pressing needs like food security.