AZIMIO'S ALTERNATIVE ECONOMIC PATHWAYS FOR KENYA;

SPEECH BY RT. HON. RAILA ODINGA AT "TRANSFORMING A NATION CONFERENCE."

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It is my real pleasure to speak to this distinguished audience at a time the country is undergoing profound challenges, with no end in sight.

My task is to share with you the alternative economic pathways proposed by Azimio la Umoja One Kenya Coalition Party for the people of Kenya. I will do that with pleasure.

Before I do that, let me thank Konrad Adenauer Stiftung for putting together this conference on the subject of Transforming a Nation.

It is proper that a foundation that bears the name of the man who presided over the reconstruction of Germany after the Second World War should get us together so we can discuss our own reconstruction.

I happened to have been in Germany during its days of reconstruction and transformation and I can say two things without fear of contradiction. First, transforming a nation takes hard, dedicated and honest labour of leaders and citizens. Secondly, no nation is beyond reconstruction and transformation. All it takes is leadership.

One of the things Kenyans are fast learning is that the economy is no respecter of slogans, propaganda and promises. You can call it bottom up, top down, hustler agenda, BETA agenda, the Plan or the Agenda. But if it is not working, it is not working. That is where we are in Kenya today.

A year after our last election, if you asked Kenyans "Are you better off today than you were at this time last year?" The answer will be obvious that we are in deep hole.

Failing policies and grim economic prospects

There is a devastating loss of trust and confidence in our economy, our financial markets and our government. We are caught in a cycle where reduced spending power leads to loss of jobs which leads to even less spending; where people can't borrow because rates charged are too high, yet lack of borrowing slows growth and leads to even less credit.

Credible data, collected and published by the government, confirms all this grim news.

At the Hustler Fund, which was supposed to support households and micro enterprises, default on payments at a higher rate than those at commercial banks, Saccos and microfinance banks.

Out of the Hustler Fund's outstanding Sh10.2 billion worth of loans in the last nine months, 29 percent is deemed to be portfolio-at-risk, implying it has not been serviced by the borrowers as per the agreed schedule. This means that borrowed amounts worth about Sh2.9 billion in Hustler Fund loans fall in the category of non-performing loans.

Job cuts are back to the rate last seen during Covid. According to the CBK survey, more than a quarter of chief executives expect to cut jobs before the end of the year because of increased operating costs and softened demand for goods and services, setting up families for a gloomy festivities period.

The Central Bank of Kenya (CBK) survey that targeted CEOs of more than 1,000 private sector firms through online questionnaires, shows 26.3 percent of those surveyed expect to cut their workforce between now and the end of the year while 63.5 percent will not be hiring.

At the Nairobi Securities Exchange, some 6, 256 foreign investors fled in the last nine months. This is 42 per cent of foreign investors.

This exodus is a result of the rabid but unstable tax policies that are scaring away foreign investors and leading to low revenue collections. In October the same NSE was ranked the worst-performing African bourse in the first nine months of the year in dollar returns.

Investors prefer a country with a stable taxation policy, a stable currency, and a growing economy. The current regime is changing tax policy frequently, mismanaging the shilling, and weakening economic growth.

Kenyans are ditching mobile payments. A number of local SMEs using payment methods such as Pay bills and Lipa Na M-pesa are now asking their customers to use cash when paying for goods and services to avoid taxation.

Fuel consumption fell rapidly between January and June, dropping to the lowest levels in more than five years.

Up to 85 percent of firms are not paying corporate taxes. At least eight in 10 companies in Kenya did not pay taxes on earnings last financial year. This signals a tough economic environment that hit sales, prompting some businesses to scale down operations.

The Kenya Revenue Authority (KRA) missed its revenue target for the first quarter of the current financial year by Sh79 billion.

Of course the story of the Kenya shilling on a free fall bears no repeating.

I could go on and on, but I beg to stop there so that we can get into what Azimio thinks.

The fact is, many, many Kenyans are both anxious and uncertain of what the future holds.

The country is going through a recipe of policy mistakes, failures and shortcomings served in an authoritarian, paternalistic leadership style. Nobody in government cares about building broad public support around its programs. Everything is forced down everyone’s throats.

In the run up to the 2022 election, we warned that the sectors of every economy are intertwined and you cannot benefit one sector by denying the other.

We warned that Kenya Kwanza was never going to help the hustlers by robbing the rich and the middle class. In the wake of the Finance Act 2023, we warned that no nation can ever tax its citizens into prosperity.

We are concerned that it's getting too late to change course. We fear that consequences of the foundation laid in the first year of this administration could linger for years, if nothing is done.

Our country could lose the competitive edge that it has always had in the region and sub-Sahara Africa. This bad situation could easily get out of hand.

What is to be done?

For us in Azimio, reduction in the cost of living is a priority economic imperative. This will be achieved by providing some basic relief to citizens, including reduction of taxes; and stimulating production.

To release resources to achieve these objectives government must cut the budget by an estimated 500 billion shillings.

The current policies have hit low income families particularly hard. These are the same low-income families that the administration promised to lift up. These families spend more than 40 per cent of their income on food. They deserve and require relief. In particular, we must cut fuel taxes and raise social welfare payments.

At this time of duress, we demand tax cuts, not increases. Kenyans needed to see their taxes go down, not up. We believe the current taxation regime is not sustainable. We warned at the beginning that beyond a certain point, increasing taxes leads to lower collection. It has become real as KRA misses one revenue target after another. Tax on fuel is up, but fuel levy collection is down.

Stimulate production:

Interest rates need to come down in order to stimulate economic activity. This is particularly urgent and critical given that in the finance act 2023, the regime is pursuing higher spending and taxes for the next two years. Businesses will obviously pass the costs to consumers worsening the cost of living further.

We needed to invest in direct relief to individuals through programs that put money directly into people's pockets.

Which is why we asked Kenya Kwanza to continue with and expand the Kazi Mtaani program. Investment in labour intensive programs like road construction, rural water systems, afforestation etc. has proven over the years to yield positive results. We believe that putting money into construction of school infrastructure would yield better returns than the construction of houses through taxation. Kenyans deserve a raise in the average minimum wage.

Stop mismanagement of public finances:

The country must embrace better fiscal discipline. We do not have to increase our budget in order to look important. State departments with overlapping functions need to be scrapped.

Why do we have coordination of international development partnerships at both the Deputy Presidents office and the ministry of foreign affairs, complete with budget lines while the National Treasury also runs an external resources department? At the same time, we need to stop duplication of devolved functions at national level.

A few weeks ago, the Controller of Budget told the country that the National Treasury over-budgeted salaries of State officers including hers by three times, leading to loss of over Ksh.1 billion. The Controller of Budget detailed how the Treasury has been over-budgeting salaries of senior government officials through the Consolidated Fund Services. So far, nobody has been made to bear responsibility for this budgeted corruption.

We know very well that regional authorities duplicate county functions. Why do we retain them, complete with budgets?

To those doubting Thomases within the regime, these measures above will release the estimated 500 billion shillings required to bring back the economy on an even keel.

Realistic debt management:

Currently, Kenya is caught in a debt-rut where it has resorted to borrowing more to repay debt. It makes no sense to us to borrow more to repay debt when debt is already too high.

Our position is that the National Treasury ought to ask creditors to push off payments falling due to a future date rather than keep paying it. This is what people do when they have a crunch in their finances but know they can pay later when their income is higher.

Rescheduling debt is not at all the same as default. People default when they are bankrupt. Kenya is not bankrupt. Kenya should not default. By rescheduling debt payments falling due, the government can forego punitive taxes and create room for critical social and economic spending.

In conclusion, one year on since the inception of new government, this is the time to reset the economic policy broadly.

The effectiveness of government’s key initiatives, including the Hustler Fund, should be reviewed by a forum comprised of the governments, both political parties, the business community and the civil society.

Thank You.