

## The impact of tax and corruption on livelihoods in Kenya: Views of young women

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## Kenya: History

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- Ally in counter-terrorism effort
- Corruption news worldwide
- Presidents:
  - Kenyatta (1963-78) - Independence
  - Moi (1978-2002) - Goldenberg
  - Kibaki (2002+) – Zero tolerance?



## Kenya's role on international scene

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- Implications for socio-eco-political
- Peace keeping (Burundi, Somalia, Sudan)
- Key player:
  - African e.g. OAU
  - NEPAD, COMESA, IGAD
  - EA community
  - Commonwealth
  - UNEP
- Regional hub for trade & finance



## Kenya: the country & people

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- Leading tourist destination
- Literacy – 85.1%
- Population – 32 million
- Population growth – 3.8%
- Ethnicity
- Languages
- 60% below poverty line



## Kenya: challenges

- Water-borne & vectorborne diseases
- Malaria & IMR of 61.47deaths/1000 lives
- HIV/AIDS – 6.7% prevalence
- Health
- Education & millennium goals
- Unemployment
- Threat of starvation (2005)
- Public debt (67.4% of GDP) & external \$453m



## Which corruption?

One of the finance ministers in 2000 (Hon. Simeon Nyachae) while addressing a joint session of government officials and development partners aptly described the Kenyan situation in graphic terms:

*“Our economy is in the intensive care unit”.*



## A new beginning?

The words of the President on his inaugural address in December 2002 were refreshing and optimistic:

*“...Corruption will no longer be the way of life in Kenya...”; “...Government decisions will be consultative and the days of roadside declarations are over.”; “...public offices will be held on account of competence and not as gifts to cronies...”.*



## Corruption Cases

- TI bribery Index
- Experiences of ordinary citizens
- Incidence, prevalence, severity, frequency, cost, size
- Culprit: Kenya Police
- Anglo- Leasing & Goldenberg

## Losing the battle?

- Anti-corruption czar (PS)
- Judges' security of tenure
- Anti-corruption Authority (Full authority)
- Office of Controller & Auditor General (financial & admn. authority)
- Yet corruption is yet to be controlled
- Individual, governmental & private organisations

## The survey

- Convenient sample
- 484 women & 16 men
- Questionnaire & interviews
- November 2005
- Nairobi (public) & Daystar (private) universities

## Gender, Age & Marital status

Gender	Age	Marital Status
Male: 16 (3.2%)	Below 16yrs: 1 (0.2%)	Single: 434 (86.8%)
Female: 484 (96.8%)	16-22yrs: 321 (64.2%)	Partnered: 41 (8.2%)
<b>N=500</b>	23-29yrs: 153 (30.6%)	Married: 25 (5.0%)
	30-36yrs: 17 (3.4%)	<b>N= 500</b>
	37-43yrs: 4 (0.8%)	
	44+yrs: 4 (0.8%)	
	<b>N=500</b>	

## Education, Income & Occupation

Education	Income	Occupation
None: 4 (0.8%)	Below Ksh 5000: 171 (34.2%)	Student: 426 (85.2%)
Vocational: 3 (0.6%)	Ksh 5001-10,000: 46 (9.2%)	Manager: 18 (3.6%)
Graduate: 382 (76.4%)	Ksh 10,001-15,000: 25 (5.0%)	Administrator: 19 (3.8%)
Postgraduate: 26 (5.2%)	Ksh 15,001-20,000: 1 (0.2%)	Clerical: 8 (1.6%)
KCSE: 45 (9.0%)	Ksh 20,001-25,000: 8 (1.6%)	Unemployed: 5 (1.0%)
A Level: 5 (1.0%)	Ksh 25,000+: 22 (4.4%)	Other: 24 (4.8%)
No answer: 35 (7.0%)	No answer: 227 (45.4%)	<b>N= 500</b>
<b>N= 500</b>	<b>N= 500</b>	

## Satisfaction with PAYE administration

Extremely satisfied: 3 (1.2%)  
 Satisfied: 13 (5.1%)  
 Neutral: 92 (35.8%)  
 Dissatisfied: 126 (49%)  
 Extremely dissatisfied: 18 (7%)  
 No answer/Do not know: 5 (1.9%)  
**N=257 (51.4%)**

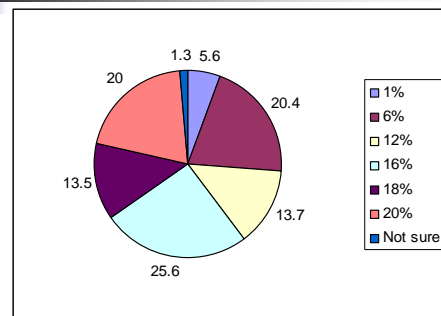
## Would be unwilling to Pay PAYE in future because:

- I usually don't see the returns
- Being swindled by the government
- PAYE is too high for me
- The kind of lives ministers are living, driving posh vehicles, while some of the people are under harsh conditions yet they are paying tax
- No benefits for the citizens
- There is no evidence that the money is being used wisely
- I want to save for my future usage
- The money might end up in people's pockets instead of helping our nation.

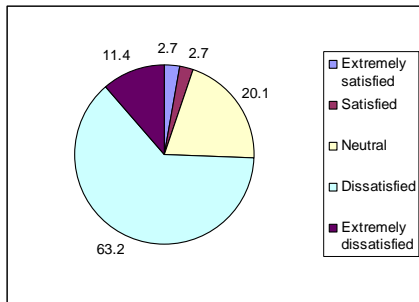
## Would be willing to pay PAYE in future:

- I am aware it goes to support government projects
- It is a must that everyone must pay for the taxes but I recommend that they should try and be fair.
- It's a way that the government collect resources for its people.
- Its contribution to my old age savings should make it optional.
- If I saw that the money was put into good use and not in increasing ministers' salaries.
- If the money received is utilised in the best way.

## How much VAT do you think you Pay?



## How satisfied are you with the administration of VAT?



## Would not be willing to pay VAT in future:

- I am not satisfied with the way the money is spent by the government.
- VAT is being deducted from almost every commodity purchased; Taxation is too high; I want to save for my future; Where does the money go?
- I get taxed when I withdraw cash, get taxed when I purchase goods
- Not if it was still at 18% because currently the consumer is being double taxed.
- The money is extravagantly used by those in power
- Manufacturers have already paid the tax, why should I pay double?

## Would be willing to pay VAT in future:

- I am aware that the government has to charge it on all consumer purchases
- But it should be reduced to 10%
- I would pay because the companies need to make profit
- Yes, because it helps the development in our country.
- Yes but I'd like to be made more aware of the percentage I am paying
- The revenue is used by the government to provide services for people, but too high VAT will discourage me from purchasing commodities.

## How would you define taxation Kenya?

- Unfair! Too high.
- A tricky way of making wider the gap between rich and poor
- It is a way of making the rich people richer through sucking the few from those who have none.
- It is too much. You are taxed for everything and there is no transparency on how that money is spent
- A mean plot by the government to take people's money
- I think it is fair as compared to other countries
- It is a percentage of monetary value the government charges its citizens
- A means of generating income for the government.
- A compulsory tax for employees and consumers

## Rating of VAT and PAYE

Rating	VAT	PAYE
Very unfair	156 (32.5%)	196 (40.8%)
Unfair	167 (34.8%)	198 (41.3%)
Neither fair or unfair	114 (23.8%)	44 (9.2%)
Fair	39 (8.1%)	39 (8.1%)
Absolutely fair	4 (0.8%)	3 (0.6%)
	<b>Total 480</b>	<b>Total 480</b>

## How VAT and PAYE should be administered

Rating	VAT	PAYE
Absolutely equitably	56 (12%)	85 (17.5%)
Equitably	210 (45.2%)	181 (38.2%)
Not equitably	32 (6.9%)	59 (12.4%)
Fairly	167 (35.9%)	149 (31.4%)
	<b>Total 465</b>	<b>Total 474</b>

## The effect of VAT and PAYE on people's lives

Effect on lives	VAT	PAYE
Does not affect them at all	8 (1.7%)	8 (1.8%)
Positively affects them	61 (13.3%)	40 (9.2%)
Do not know	145 (31.5%)	154 (35.6%)
Negatively affects them	213 (46.3%)	202 (46.7%)
Ruins their lives	33 (7.2%)	29 (6.7%)
	<b>N= 460</b>	<b>N= 433</b>

## Rating of most corrupt institutions in Kenya

Institution & Percentage	
Ministry of Health (3.4%)	Kenya Revenue Authority (5.8%)
Hospitals (17.4%)	Employment agency (17.8%)
Courts (32%)	Registration (1%)
Government (51.2%)	Education (23.6%)
Government offices (4%)	City councils (9.2%)
Ministry of Finance (1.4)	Businesses (4.4%)
Constituency Fund (0.2)	NGOs (1.8%)
Civil servants (2.4%)	Religious organisations (6.2%)
MPs (12.2%)	Immigration (6.4%)
Police (63.2%)	Prisons (2.2%)
Traffic police (3.6%)	Public institutions (3%)
Ministry of Agriculture (0.6%)	Public (1%)
Licensing (9.0%)	

## Selected most corrupt institutions/engagement

Institution	From a list given (in %)
Police	89.0
Courts	89.6
Parliament	89.6
Licensing	88.6
Procurement	89.2
Employment	86.6

## Institution with most rampant corruption in Kenya

Service	Most rampant in corruption (in %)
Public services	74.6
Getting away with petty crime	75.4
Taxation	74.8
Pay for favour	75.2
Employment	74.8
Other (tribalism)	87.0

## Adverse effects of corruption

- 'I have heard my parents complain how a lot of money is taken from their salaries yet no improvement is seen in the country, there is a lot of corruption...'
- 'I could not afford to shop a lot or in large quantities because prices were high from petrol to the goods in the supermarket'.
- 'Increase in the sugar price affected tea consumption for my breakfast'
- 'The drought victims were affected by VAT because increases in the price of the commodities and thus if one doesn't have a high income then he will reduce his consumption'

## Adverse effects of PAYE

- 'I truly don't see where the money goes to...'
- 'A civil servant who as 7 children and earns little, being widowed, has had to end up borrowing money to meet all her basic needs'
- 'A lady with little salary couldn't manage to take care of her family'
- 'Someone who earns little money, yet he is heavily taxed to a point of remaining with about 60% of what he has worked for'
- 'A friend of mine closed down business because it was not well paying because of tax'.
- 'Those who earn little would like to carry their whole amount home for their families but due to high percentage of income tax, have little to take home'

## Respondents' definition of corruption

- 'Corruption to me is seen for example in this tax thing. The government is spending our money poorly for unreasonable ideas'
- 'Corruption should start from the president being able to take an open and publicly fair step against corruption government icons'
- 'Inappropriate handling on citizens' income'
- 'Generally, respondents defined corruption as using public office for private gain; a practice that they considered endemic in Kenya because it seemed fruitful. They suggested that any person would engage in corruption if they believed that the enjoyment of the proceeds of corruption is secure. Respondents were asked to list 5 most corrupt institutions in Kenya.'

## Incidences of corruption

- Traffic policemen
- Job given to a less equal person
- Arrested person bribing policeman
- Immigration/passports
- Corruption with lawyers
- Goldenberg
- Anglo-leasing

## Why corruption cannot be eradicated

- The government has not settled down to tackle issues from the top e.g. Issues of Anglo-leasing
- It can only be eradicated if the president takes firm public action on the corrupt government officials.
- No, because it is a habit in our society and people who do it see no harm with it but a day to day activity.
- No because our top leaders practise it so we lack role models.
- It is difficult as even our small kids are aware of it because it's being practiced in our homesteads.

## Can corruption be eradicated?

- Courts and government deal with cases publicly and fairly
- Corrupt people are dealt with through firm action
- Educating the public on the consequences of corruption
- It should be done because it will affect out economy
- If our leaders become serious and punish those who are corrupt
- It has to begin from the top to the bottom
- People need to learn to be trustworthy, straight, caring and satisfied
- Transparency in all ways is implemented
- If it starts with the top people; source of corruption
- Yes, but only if the youth are socialised
- It can be eradicated as it starts individuals





## The role of media

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- The ones who would otherwise be corrupt fear being exposed
- The people become enlightened on corruption
- It will keep us on guard about how clean or corrupt we are.
- Most people have access to the print of electronic media thus enabling them to know the information
- It educates many to know the disadvantages of corruption
- It brings it out to the public and society tries to deal with it.
- People become will start demanding for transparency
- Makes us aware of what has happened and action taken
- People become more cautious.
- Exposure can lead to a reduction
- It exposes the corrupt individuals



## Alleviating corruption

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- New elections & clean government
- Courts to become uncompromising with corruption
- Legal action against perpetrators
- A model government to fight corruption
- I need a chance to expose the corrupt cases I know
- Public education childhood regarding impacts of corruption
- Shun corruption practices
- Depends on the citizens & government to tackle it
- Transparency and sharing of power
- Citizens demand transparency
- Punish the corrupt and do not condone it
- By setting up machinery to check on tax evasion
- A campaign can be launched to target the youth



## Conclusion

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- ***“The public perception of the government’s anti-corruption efforts is sceptical. It should make the initiatives more practical ... In corruption citizens and companies pay twice: through taxation and coaxing the system to perform”***

Mrs. Evelyn Mungai, Chairperson of Transparency International Kenya. On the launch of the 2005 Kenya Bribery Index.



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# Thank You