Chapter 7
Shared prosperity

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104. Our Kenyan anthem sets out the dream of prosperity our forefathers had for us at independence. We sang then, and continue to sing, 'raha tupate na ustawi', 'Tuungane mikono, pamoja kazini'. We dreamt of prosperity that is built by coming together and working for it. Fifty-six years later, we have well compared to our region but remain one of the world's poorer countries.

105. There is extreme poverty and hunger in parts of the country. Unemployment and underemployment, particularly of the young people, is high. We suffer from extreme income inequality, with our form of economic growth not closing the gap. There are irrational incentives against innovation, growth and job creation, together with too many Kenyans lacking decent income and investment in Kenya being frustrated by persistent gatekeeping and rent-seeking by those in Government.

106. Starting and doing business in Kenya, particularly for youth-led small businesses, is an invitation to innumerable obstacles, unlike in other countries where entrepreneurs are encouraged and assisted to venture. It also matters who you are, who you know and where you live. Kenyans continue to experience inequalities in access to education, health, infrastructure, clean drinking water, wastewater management, and to factors and boosters of production. These challenges are made worse by poor policy coherence, and the absence of an economic vision that can enable us to break out of our present circumstances.

107. Kenyans speaking in every consulting session led by the Taskforce, in every County, spoke of their problems fed by poverty and joblessness or underemployment. They complained of Government not facilitating their ventures through the provision of an environment that is conducive to doing business, and of being left to suffer in the hands of brokers. No country has progressed based on such disparities — corruption, exclusion, increasing poverty, hunger, unemployment, persistent inequalities, and the lack of a common national character. Our present path puts Kenya on non-sustainable development grounds and exposes us to overwhelming political risks. We need an environment conducive for shared prosperity amongst members of the current generation and between the current and future generations, because, as a nation, we are as rich as the poorest in our society. The Taskforce completed its consultations with a profound sense of unease at the lack of employment among young people and the ills that follow this circumstance.

Our challenge is building an economy that can generate jobs

108. The single most important matter facing Kenyans when it comes to shared prosperity is generating enough jobs and employment, particularly for young people. It is not enough to merely improve our economic output and present rates of investment: we must entirely transform the way our economy operates if we are to deal with the present lack of jobs.

109. It is critical that the correct diagnosis be given for what ails us if we are to genuinely build shared prosperity in Kenya. The Taskforce, after listening to thousands of Kenyans, and many experts and groups, believes that only an honest self-assessment will allow us to reach conclusions that can be used to genuinely deliver. A lot of the public commentary on 'shared prosperity' is dominated by how to share the cake, and far less is about how to grow it so that there is enough opportunity and wealth to build the Kenya we want. We are a country of almost 50 million people of sound mind and body. We are more educated than any previous generations of Kenyans, and more exposed to the world and all its ideas, technologies and industries. Yet we continue to languish in the bottom league of global prosperity, while being a country that can simultaneously be celebrated for its technology sector and its vibrant and mixed economy, which now even exports oil.

110. In the decades since we gained independence, dozens of countries, mostly in Asia, have gone from the same economic starting point as Kenya to become extremely wealthy. They followed the famous maxim by Singapore's Lee Kuan Yew, who argued: 'No country has become a major economy without becoming an industrial power'.

111. Kenya has tried many of the same reforms, particularly regarding liberalisation. However, while our economy is growing healthily by most measures, it has failed to achieve the escape velocity we need to achieve widespread prosperity.

112. After half a century, we should admit that what we are doing is necessary but insufficient to meeting our goal of transformation. The fact is that the overwhelming number of low- and middle-income developing countries like Kenya have been unable to close the gap with the high per capita incomes of the so-called developed world. The ones that have, such as the Asian Tigers, are exceptions to the rule. So persistent and longstanding is this dynamic that economists have called it an 'income trap'.

113. Yet, due to the exponentially greater access to information and aspirations that are influenced by standards from the developed countries, many Kenyans expect far more than their parents and grandparents ever did. The gap between what the economy can bear in terms of employment and consumption and the expectations of citizens, particularly the young who are most globalised in their tastes, creates the risk of political and social instability. In a country that has strong political divisions based on ethnicity, solutions to reduce economic inequality can take a dangerous ethnic dimension. It is easy for ethnic politics to be used in the service of ethnicised or area-driven economic measures of redistribution.

114. It is therefore crucial for all Kenyans to be aware that shared prosperity goes beyond sharing what we have. It entails producing a lot more — enough that we can come close to meeting our globalised and escalating expectations. We must build an economy that is built on the principles and practices of value creation, and that rejects the extractive model as the primary mode of economic activity.

115. It is also critical to national unity and peace that economic development throughout the country should not be uneven to the extreme. While it is impossible to guarantee that all parts of the country are exactly the same in terms of economic growth, the Government should try and be seen to try all available means to ensure that Kenyans from every part of the country have equal opportunities to participate in a growing and prosperous economy. We should note that this is a mission that can only be achieved by the Government working closely with the private sector, not by it seeking to take control of ever larger parts of the economy.

A new economic paradigm for jobs and prosperity

116. Kenyans' expectation that the Government should intervene to offer economic relief and assistance demands that public revenues grow strongly over an extended period. Elevated levels of borrowing must not be what closes the gap between revenues and expectations. Rather the focus should be on increasing domestic national savings — to at least 25% of GDP — and taking all efforts to incentivise and coordinate the growth of labour-intensive manufacturing, particularly aimed at neighbouring countries. We should embrace economic coordination (not State ownership), and exponentially grow the number of entrepreneurs by ensuring that the ease of doing business for start-ups and small businesses is dramatically increased. It is their growth into profitability that will allow the Government the revenues to meet the service delivery and welfare needs of Kenyans.

117. Most Kenyans make their living on farms and with their livestock. Rent-seeking and gatekeeping have deeply harmed these sectors: there are cartels in the agricultural sector that frustrate both producers and consumers. They use State power and rigged processes, including their undue influence in politics, without adding any value, to seize illicit and corrupt profits. This leads to poverty and lack of competitiveness for the farmer and means that consumers must use a sizeable percentage of their income on food — leading to malnutrition and political instability. We urge the State and the principals to ensure that clear processes to attack this status quo are undertaken. A suitable beginning would be a NIS-led audit of the processes enabling cartels in the agricultural sector, leading to executive action under the anti-corruption and Government reform agenda. New appointees to these sectors should be vetted for any business or material linkages with known members or networks of cartels. Taking these actions will increase inclusiveness throughout Kenya by allowing Kenyans more opportunities. Their money will go further and what they purchase will be safer.

118. Kenya will become prosperous because of selling goods and services to neighbouring countries. To achieve this at scale, producing the jobs that Kenyans need, the Government needs to accelerate the process of confederation as a step toward political federation as agreed in the East African Community. Kenya then will become a country that is the key driver of trade, investment and manufacturing that serves

the East African region while linking it to the capital and markets of the Indian Ocean rim.

119. In short, we must seek an economic paradigm that sharply raises productivity; encourages the development of labour-intensive village-level factories; makes a serious attempt to help grow the livestock and maritime industries; and has a low tolerance for entrenched cartels that abuse economic and political power to distort markets. The economy must be grounded in a State that is a determined seeker and creator of new, competitive domestic and foreign markets; and that carefully balances between competitiveness and sustainability in regulation and taxation.

MAJOR RECOMMENDATIONS

120. **We need an economic revolution** — Internalise and act on the fact that the present trajectory of the Kenyan economy will be unable to produce the employment and income opportunities that can come close to the expectations of young Kenyans. We need a fundamental change of course in how we manage the economy to be able to achieve 'escape velocity' and create a high-employment, high-productivity, value-creation, and exporting economy. The following measures deserve thoughtful consideration:

A. **A 50-year plan** — We need to think big and long term if we are to build an economy that meets the needs of the current and future generations. Start with a 50-year plan that is more political than it is technocratic, for it to last past any one electoral cycle. It should have as its aim Kenya joining the world's most prosperous, shared and sustainable economies. This is eminently doable.

B. Promote, encourage and incentivise local investment and by the Kenyan Diaspora. A key part of this is ensuring that domestic national savings are high if Kenyans are going to be able to invest in Kenya.

C. **Embrace economic coordination** (not State ownership) to achieve labour-intensive manufacturing export to the East African region, raise national savings rates beyond 25% of GDP, and exponentially grow the number of entrepreneurs while ensuring that the ease of doing business for start-ups and small businesses is dramatically increased.

D. **Build markets as if they are public goods** — The State should be in the business of continuous market creation in aggressively opening markets for labour-intensive manufactured Kenyan goods in neighbouring countries through deeper integration.

E. **Lending to priority sectors** — the Government should provide legal and regulatory guidelines for banks to lend a part of their portfolio to priority sectors such as micro, small and medium businesses, export credit, manufacturing, housing, education, health, renewable energy, sanitation and waste management, and agriculture (including livestock and fishing). The banks, if lacking enough specialisation, will be

enabled to shift the float to a specially designated development bank with the relevant capabilities.

F. **Industrialisation needs to be a leading Government aim and narrative** — Only industrialisation is going to truly harness Kenyan talent and ambition to drive sustained national prosperity. It is crucial for Kenyans and their Government to resist the growing narrative that Kenya and African countries cannot industrialise because of the pace of technological change for instance in areas such as robotics. Regional integration offers us many opportunities to sharply raise manufacturing and industrialisation. Government should prioritise the coordination of measures that drive Kenya's industrialisation and develop this into a strong narrative promoted to all citizens. Active incentives and coordination should back this effort to achieve lower-technology labour intensive industrialisation; entrepreneurship-led industrialisation; and uplifting service and innovation sectors with manufacturing characteristics.

G. **Secure Kenyan inventions, genetic resources, traditional knowledge and cultural expressions as forms of property protected by the law and policy —** The future of the global economy is in innovation and invention using intellectual property, genetics, and the living bodies of knowledge developed by our communities over many generations. Kenyan laws must be fashioned to protect these resources fiercely, and the Government must work to guarantee compliance throughout the world. This should be accompanied by frameworks for use that maximise the ability of Kenyans to build upon these properties.

H. **Savings are investment** — Undertake a major effort to increase national domestic savings to at least 25% of GDP if Kenya is going to develop the ability to drive investment in multiple sectors, including labour-intensive manufacturing base to produce enough jobs for Kenyans. There should be tax and regulation incentives and schemes for educational and retirement savings, and other major guaranteed Harambee items Kenyans know they will need to pay for — from funerals to weddings, and even housing.

I. **Diaspora remittances** — Go beyond attracting remittances to offering incentives, protections and processes to allow the Kenyan Diaspora to hold more of its savings in Kenya.

J. **Employment conferences** — Hold a major employment conferences in every County, with senior representation from relevant National Government actors, to determine the steps in regulation and economic management needed to immediately and sharply raise the number of jobs available to young Kenyans.

K. **Spend on development and not just bureaucracy** — Increase spending on development as a proportion of Government revenue to make more public goods and services available to Kenyans. Target a ratio or ceiling, written into law, of at least 70:30 for development versus recurrent expenditure. Developmental

expenditure, for instance in paying for the salaries of agriculture and livestock extension officers or their public health counterparts, should be moved into the development basket.

L. **Fairness** — National spending should be fair and seen to be fair. Planning should respond to a published and updated index that assesses the needs and opportunities in every part of the country and criteria identified by the Constitution that contribute to shared prosperity.

M. **Taxes** — The tax base needs to be broadened, but it is crucial that overall taxation in Kenya be low relative to competitor economies regionally and globally. Consider innovative approaches to simplify taxation, including a consideration of a flat tax for every income category above a living wage. The flat tax would lower tax fraud, encourage compliance and cut down on corruption in the assessment of taxes.

N. Punish not just tax evasion but also those who facilitate such evasion in the private sector and in Government.

O. Properly regulate loan apps which are driving up indebtedness of poor Kenyans to destructive effect with their shylock-level interest rates and borrowing from multiple platforms.

P. **Build the economy from the grassroots** — Reforms to economic planning and policy should prioritise the simplest manufacturing opportunities in labour-intensive sectors such as agriculture, livestock, and fishing, and seek to grow their technological capabilities through time. The same should apply for government at the National and County levels promoting cottage industries, with their formation as a key metric in policymaking.

Q. Expand agricultural and livestock extension and advisory services and ensure that they include advice on clear standards and market linkages.

R. Improve market linkages for farmers that enable them to gain a greater share of the retail price through information. Provide the proper incentives to the private sector and cooperatives, and the necessary coordination, to build a cold chain system throughout the country.

S. Treat corruption in those implementing agriculture- and livestock-impacting projects as a priority in anti-corruption efforts.

T. Invest in and promote research that enhances Kenyan productivity and competitiveness, particularly in the agricultural and livestock sector.

121. **Entrenching Article 43 on economic and social rights** —

A. The National Government should develop policy and standards to guide the conscious implementation of the Constitution Article 43 on economic and social rights.

B. Each County Government should also develop policy and standards to guide the conscious implementation of Article 43 economic and social rights in respect to devolved functions.

C. **Party manifestos** — all elective leaders and the election manifestos of their political parties should consciously implement Article 43 on Economic and Social Rights. This would invite requiring all Political Parties to formulate a vision and policies for the implementation of the Bill of Rights (which includes Economic and Social Rights) as part of their election campaign manifestos.

D. **An index to measure progress** — The Kenya National Bureau of Statistics should employ a national Human Development Index that domesticates the UN version and expands it to include Article 43 on economic and social rights. It should also include assessment of the progress in County initiatives in devolved functions. The report should be published annually and made accessible online.

122. Beware corruption undermining efforts to promote shared prosperity — Beware the risks of corruption, cartel creation, and abuse of economic power in import substitution schemes that can lead to lower-quality and unsafe products. Kenya has been here before. Instead, seek to adopt the approach of the Asian Tigers in having a stronger focus and investment in export promotion, which will need firms and products to be more internationally competitive and therefore more productive.

123. **Secure future generations from unsustainable debt and environmental destruction**

A. Do not burden our children's economic futures by taking on unsustainable debt. Every generation of Kenyans must live within their means, and not eat our children's future by taking on debt that is used for unproductive consumption and does not lead to clear gains in national prosperity.

B. Utilise genuine and transparent public participation — through the proposed Office of the Public Participation Rapporteur — to balance the need for greater economic growth with the need to protect our environment and biodiversity for future generations.

C. The private betting industry is leading to hopelessness and greater poverty. The taskforce recommends that the private betting industry be replaced with a Government-run national lottery whose proceeds, as is the case in other countries, are used for activities that uplift the youth, sports, culture and other social activities beneficial to citizens.

124. **Use scarce public resources for development not bureaucracy** —

A. Increase spending on development as a proportion of Government revenue to increase public goods and services to Kenyans. Target a ratio, written into law, of at least 70:30 for development versus recurrent expenditure.

B. There should be a clarification of the legal and administrative powers of the Salaries and Remuneration Commission to ensure that it oversees all salary reviews and changes.

C. Enforce the powers of the Salaries and Remuneration Commission to rationalise all public sector salaries in the country and address the large discrepancies in income.

D. Pooling of facilities in the Public Service and use of technology to take note of dormant facilities (especially conferencing facilities before there is any hiring of a hotel).

E. Elimination of wasteful expenditure in National and County Government by bringing established laws and regulations to bear that ensure that items such as new cars or office refurbishments for incoming senior officials follow proper procedure in planning, budgeting and procurement.

F. Eliminate all sitting allowances for Public Officers on salary.

125. Nurture and open opportunities **for children and youth to show their initiative, innovation, and entrepreneurship**.

A. Increase employment and livelihoods by making it easier for small businesses to compete and grow at low cost and with minimal constraints.

B. Develop and launch a national ease of doing business index for small Kenyan businesses rather than relying on foreign indexes that are designed for global comparison. This should be a comparative annual assessment by KNBS that is disaggregated by geography — Counties, cities, and towns — and is publicised.

C. Minimise taxation of new and small businesses by giving them a tax holiday of at least 7 years as a support to youth entrepreneurship and job creation.

D. Aggressively promote entrepreneurship skills from an early age.

E. **Creativity and sports** — Make serious efforts to coordinate, incentivise and drive the growth of the creative industries and sports, among other sectors in which young Kenyans show enormous potential and interest.

F. Identify and invest in special talent and special needs at the Early Childhood Development stage.

G. **Encourage the private sector to form a national, non-profit foundation**, chaired by the President, that provides mentoring, training, and support tools to aspiring business owners aged 18-35. It should match the young entrepreneurs with a business development adviser and a nationwide network of volunteer mentors. All Corporate Social Responsibility programmes should be encouraged to include this component. Link the foundation's entrepreneurs with Government youth

funds. The foundation should also provide work readiness, entrepreneurship and financial literacy training — using classroom volunteers — in schools starting from the age of 12 until graduation.

H. To help young people form businesses, open an advice desk in every Huduma Centre manned by a business development expert.

I. **Self-employment and technical education** — Give all Kenyans equal access to a minimum level of quality education that leads to employment or entrepreneurial opportunity. It is critical that we get rid of the idea that technical work is for those who have failed in academics by creating two equal paths between academic and technical training.

126. **Government development actions should be undertaken in every County** —

A. **No one area should lose out because of Government development initiatives in another area** — Coordinate National and County planning on development and ensure that as national projects are implemented, the areas that are adversely affected should benefit from remedial development policies. Strengthen inter-governmental consultation in the planning of national projects.

B. **Development for every County** — In its actions to coordinate, incentivise, and invest in economic development, the National Government should make sure that it leverages unique strengths and opportunities in every County.

C. **No Kenyan Left Out — The 'Kubadili Plan'**: As part of ensuring that all Kenyans have access to quality services which are foundational to putting people onto the path of shared prosperity, the Taskforce proposes a Kubadili Plan to bring marginalised wards to the level generally enjoyed by the rest of the country. The plan will be to identify the Wards which are most marginalised, at present and historically. Implementation should start with the Wards ranked last. Develop a plan to build schools, health facilities, roads, water, electricity, and police stations, in a way that the people of the whole Ward have access to them; and ensure that the facilities are built in all the Wards within a period of three years.

D. **Not just business plans: focus on product development** — Every County should establish Product Development Parks that allow young entrepreneurial Kenyans to have the benefit of expert advice on how to make the journey from promising idea to the development of a marketable product.