



**ICPAK PRESS STATEMENT ON THE OPENING OF THE ANNUAL SEMINAR 23<sup>RD</sup> -  
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*May 2017*

Ladies and gentlemen of press, the Council members, the Chief Executive Officer and I are very pleased to welcome you to this press briefing. This is the 33<sup>rd</sup> edition of Annual Seminar of the Institute since the first seminar was held in 1984. Ever since its establishment in 1978, the Institute has continued to play a pivotal role in advancing ideals of prudent management of public resources, regulating profession and ensuring its growth.

This has been realized through our engagement with members, government and other stakeholders. Let appraise you on Institute position regarding our profession and some pertinent issues in Kenya today namely:

- a. Public Debt
- b. Food security
- c. Review of income tax
- d. Upcoming 2017 General Elections

**Public Debt**

The Institute commends the government for its zeal and commitment towards infrastructural development. In this regard, the Country has entered strategic partnerships with China aimed at supporting the development of the Standard Gauge Railway among other projects. As of today, the total expenditure on public debt is Kshs.126.7 billion, representing 31.9 per cent of the gross estimates. The debt portfolio now stands more than 4 trillion shillings.

The rising public debt comes in the wake of law that eventually capped interest rates chargeable on loans by the commercial banks. In our considered view, this law is not generating desired traction owing to high appetite for debt by government. For instance, statistically credit to private sector has shrank to 4.3% down from 18.6%. Consequently, there is need to relook at our debt

portfolio to ensure its sustainability. To ensure debt sustainability at the two levels of government, the following measures should be undertaken. To begin with, all government entities should adhere to Article 206 of the Constitution of Kenya and provisions of the Public Finance Management Act, 2012 in the management of public resources. Secondly, borrowings should only be used for financing development expenditure and not for recurrent expenditure. Thirdly the adoption and implementation of IMF-World Bank Public debt management Guidelines is critical. Fourthly, government should keep an eye on the Current Account Deficit as well as maintain public debt at less than nine (9) per cent. Additionally, the country should endeavor to increase exports of goods and services past the seven (7) per cent medium term projection beside working towards recovery of real GDP growth to its long-term average projection of six (6).

### **Food Insecurity**

The Institute notes that the country has been grappling with high commodity prices occasioned by acute food insecurity in the country. The country's food security is gradually declining, as food commodities' supply to the markets dwindle, while market demand continues to increase. The dwindling supplies are a result of the below-average 2016 and 2017 crop production, from both the long and short rain harvests, and reduced regional imports from neighboring countries.

The events of last few months is a wakeup call to the country to put in place appropriate measures for forestalling such eventuality in the future. We are confident that review of agricultural and land management policies will go a long way in addressing this challenge. Additionally, Kenya should abide by the Maputo Declaration which requires 10% of national budgets to allocated to agriculture. Sadly, Kenya's allocation of 5.8% pales that of her counterparts in the East African region with Tanzania's allocation to agricultre leading the pack at 7.2%, followed by Uganda's at 6.5% and Rwanda's at 6.2%.

### **Income Tax Reforms**

In Kenya, tax experts have called for the simplification of tax statues. Over the last few years, the reform of Kenya's Tax system has involved policy, legal and administrative reforms aimed at modernizing taxation and simplifying tax administration in Kenya. Recent efforts to modernize the tax regime have yielded a new Value Added Tax 2013, Tax Procedures Act 2015, Excise Duty Act 2015 and Tax Appeals Tribunal Act 2015.

In January 2017, the National Treasury called for proposals on policy priorities to consider in the review of the Income Tax Act (CAP 470). ICPAK recognizes that legislation, including subsidiary legislation, traces its foundation on an agreed policy framework, to establish the most appropriate approach to resolve a problem. As such, the review of the Income Tax Act should be predicated on an Income Tax policy as a precursor to the review of the law. It is therefore the Institute's professional opinion that an income tax policy should be developed to guide the review process of the Income Tax Act.

Consequently, to facilitate input into this process, the Institute proposes that the following policy actions be considered to facilitate the simplification of the Income Tax System;

- a. Review the complexities in the current income tax system to facilitate the design of a more responsive regime.
- b. Harmonize and consolidate the taxation of income in various sectors within one legal instrument and in line with the International Financial Reporting Standards (IFRS).
- c. Design a taxation system that facilitates the identification and tracking of economic activity through a single identifier.
- d. Facilitate effective stakeholder engagement in the design of the income tax system to enhance input and secure buy-in.
- e. Design a taxation regime that reflects investment characteristics of various sectors.
- f. Design a regime that facilitates accurate verifiable recognition and reporting of costs and income.

### **Upcoming general elections**

It is now less than three months to the 2017 General Election. The events of recent days show that this will be the most costly election in Kenya's history. Indeed, a recent media report alluded to the fact that a presidential candidate requires close to 20 billion shillings to mount a successful campaign. The question begs, how do we monitor spending this colossal amount putting into consideration Parliament's deferment of the Electoral Campaigning financing requirements as earlier contemplated?

The Institute is concerned with the state of preparedness of the Independent Electoral & Boundaries Commission (IEBC), to run a credible Election in August owing to delayed procurement of

electoral related logistics, protracted legal cases and political parties meddling buoyed by IEBC administrative decisions.

The Institute calls upon Kenyans of all walks, professionals, businessmen, politicians, students, clergy and voters to help IEBC conduct and deliver credible elections. We understand politicians are key stakeholders in this process and therefore they should exercise caution while at all time engage IEBC on issue based concerns. The media should participate by providing balanced coverage without prejudice. State agencies and civil servants should exercise impartiality during the campaign period. The populace and registered voters should avoid playing into traps of political class by exercising their civic duty to vote their preferred candidates.

**FCPA Fernandes Barasa**

National Chairman, ICPAK

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