

Public Statement

By **Okoa Uchumi Coalition**

To: **H.E. Uhuru Kenyatta**
The President of the Republic of Kenya

Hon. Amb. Ukur Yatani
Cabinet Secretary Finance

Dr. Patrick Njoroge
Central Bank of Kenya Governor

H.E. Hon. Wycliffe Oparanya
Chairperson Council of Governors

Hon. Justin Muturi,
Speaker of the National Assembly

Hon. Kenneth Lusaka,
Speaker of the Senate

Call to the Government of Kenya to take urgent and immediate measures to ensure the full protection of economic and social rights of the informal sector in the context of COVID-19 pandemic

7th April 2020

About Okoa Uchumi Coalition

The **Okoa Uchumi Coalition** is informed by the need for civil society actors to address Kenya's imminent debt crisis. We note that the national budget deficit of 7% of GDP has contributed towards a downturn of business and reduced government spending on services due to high debt repayment demands. This in disproportionately, negatively impacts daily lives of the poor.

The **Okoa Uchumi Coalition** identifies Kenya's debt levels as unsustainable and an imminent threat to Kenya's economic and political stability. We have identified the exacerbating factors of the crisis as the systematic violation of public finance requirements in debt management and the prioritization of dubious mega infrastructure projects informed by vested interests. The **Okoa Uchumi Coalition** is a platform committed towards working with all stakeholders to redress Kenya's debt crisis by pushing for political responsibility and accountability.

Corona Virus Disease (COVID- 19) Context

We the undersigned civil society organizations, and members of the **Okoa Uchumi Coalition**, note with concern the outbreak of COVID-19 has come at a time when Kenya's economy is extremely vulnerable due to high debt repayment demands, a depressed economic environment, historic underinvestment in the health sector, a large unsupported informal sector, high food prices and depleted strategic grain reserves, all exacerbated by the failure to curb corruption and financial mismanaging.

Despite this dire context, we acknowledge government efforts so far in responding to the pandemic and the steps taken to mitigate the economic effects on households and businesses. We are however concerned that the government has yet to speak out on its measures to protect the informal sector, and it is to this effect that we address our statement. We also wish to reiterate the call made by other stakeholders in calling for public participation, proactive disclosure and accountability in the COVID-19 response.

Informal trade context and resultant vulnerabilities

According to the United Nations Economic Commission for Africa (UNECA) Kenya has the highest rate of informal sector employment at 77.9% in comparison to other countries in the East African region (UNECA, 2015). Kenya's Economic Survey 2015 indicated that the informal sector employed 11.8 million people in 2014 against 2.4 million in the modern or formal sector.

The informal sector contends with vulnerabilities exacerbated by inadequacies in spatial planning policy, insufficiencies in delivery of public goods and services and unresponsive social policies. Vulnerability in the informal sector is a manifestation of decades of neglect and failed social and economic policy.

Research demonstrates that, whereas the government has formulated policy targeting the informal sector and allocated resources for implementation, such efforts tend to benefit those tended towards the formal sector and bypass those outside of the public sector radar, who comprise the larger majority. Research also shows that during shocks, small scale traders turn to social networks for coping strategies like borrowing or savings to cushion their businesses or support their expenditures. Coping strategies initiated by government like social protection (NHIF, cash transfers for persons living with disabilities, or affirmative action programmes) largely exclude this category of players in the informal sector. This is because they involve contributions that far outstrip their level of income and/or require introduction into the formal realm like registration that many prefer to stay away from.

Further, a lack of clarity in the usage of the term/s Micro Small and Medium Enterprise (MSME) and Medium Sized Enterprise (MSE) by different government entities and the failure to differentiate the different categories of informal traders undermines the ability of government to respond effectively to the needs of the sector.

COVID context for the informal sector

Social distancing in informal trade settings is very difficult and impractical due to the prevailing congested work arrangements. Alongside that, majority of informal traders live hand to mouth and cannot afford to stay home. Whereas informal traders usually rely on social safety nets, those have been disrupted by the pandemic. Urban households depend on fresh produce from informal markets and so shutting them down will also negatively impact food security in urban households. At present county governments are unclear as to how to deal with the dilemma and with the ensuing uncertainty creating room for harassment and exploitation by city council askaris.

We therefore call upon the government to:

1. Take immediate measures to support informal traders in its response to the pandemic:

- Support provision of sanitizers, masks and gloves to informal traders for purposes of public safety.
- Make access to water and garbage collection services free to informal settlements and public markets/trading places.
- Remove county levies on rental payments for the COVID-19 pandemic period.
- Public safety – zero rating of inputs and price regulation of essential commodities.
- Remove all taxation on vulnerable informal trade sectors (such as mitumba) for the financial year.
- Encourage rotational work schedules of informal traders to allow social distancing.
- Intensify sensitization of informal traders and public transporters such as boda boda services.

- Enact temporary regulations to support informal trader response to the COVID-19 outbreak.

2. Financial support to the sector

- Set up a special fund/ringfence funds under the National COVID fund:** We urge government to urgently identify those sectors in the informal trade affected by COVID-19 and provide financial support for their recovery. We urge government to provide a back to work package for informal traders on very soft terms. The Micro and Small Enterprise Authority holds the database for informal traders and this framework should be used to channel interventions to the traders. We propose a special fund for this purpose under the MSEA Fund framework.
- Mitumba ban:** Whereas government has banned mitumba due to COVID-19 outbreak, we urge government to take immediate measures to cushion those traders affected by the ban. We call upon government to communicate clearly their plans to reinstate mitumba imports. Whereas government has been keen to phase out mitumba imports, we propose that is be done on the basis of a phased out 2-3-year strategy based on robust stakeholder engagement.
- CRB penalties:** We laud the government for suspending the Credit Reference Bureau penalties during this period and urge this be extended to the end of year, and only reinstated once an assessment of the CRB framework is undertaken.

3. Food security for vulnerable households

- We call on government to institute cash transfers to vulnerable households as this method of delivery has been proven to work under the existing financial sector deepening program. We urge government to utilize a multi-sectoral approach to identify vulnerable households including through the use Kenya National Bureau of Statistics (KNBS) data, triangulated will local level data systems held by community health and social service structures.
- We call upon government to institute open contracting and proactive disclosure principles at all stages in the administration of the proposed food safety initiative to mitigate against rent seeking, profiteering and other forms of corruption in the process.
- Non-state actors should also be encouraged to disclose gifts received as well as their contributions for purposes of mutual accountability.

4. Support of community health systems

- We call on government and well-wishers to support the community health system as the first lines of defense in the COVID-19 outbreak due to their role in sensitization, supporting vulnerable communities at village level and in the informal settlements. Community health workers and level one facilities require focused support at this time through the provision of adequate protective gear and testing kits.

5. Transparency and accountability in the management of COVID-19 Emergency Response Fund needed

- We call upon the government to manage the COVID Emergency response with ruthless accountability and robust public engagement to ensure proper targeting of interventions, value for money and prevention of corrupt practices in the COVID-19 Emergency Response Fund and its interventions.
- Additionally, we call for intensified efforts to recover resources stolen through corruption and other crimes, to bolster the economy at this time.

6. Kenya is in need of debt relief

- a. We support the government’s call for debt relief from all its external lenders at this time. However, we note that this does not preclude the need to bring to account those responsible for irresponsible borrowing and large-scale looting for borrowed funds. We also call on government to institute measures to curb non-priority expenditure including suspending development projects and redirecting those funds to the COVID-19 Emergency Response Fund and suspending public officer allowances and reimbursements. Lastly, we call on government to ensure full disclosure, public participation and compliance on new and existing debt.
- b. In this regard, the government should actively participate in continental wide efforts at the African Union and UN levels to design debt relief initiatives similar to the previously implemented HIPC debt relief initiative. Debt relief will result in increased fiscal space availing resources towards public health response and implementing mitigation measures to limit adverse economic impacts of the COVID-19 pandemic.

The statement is supported by

1. **Institute for Public Finance Kenya**
2. **International Budget Partnership Kenya**
3. **Diakonia Kenya**
4. **Transparency International Kenya**
5. **PAWA 254**
6. **The Institute for Social Accountability**
7. **Interreligious Council Kenya**

