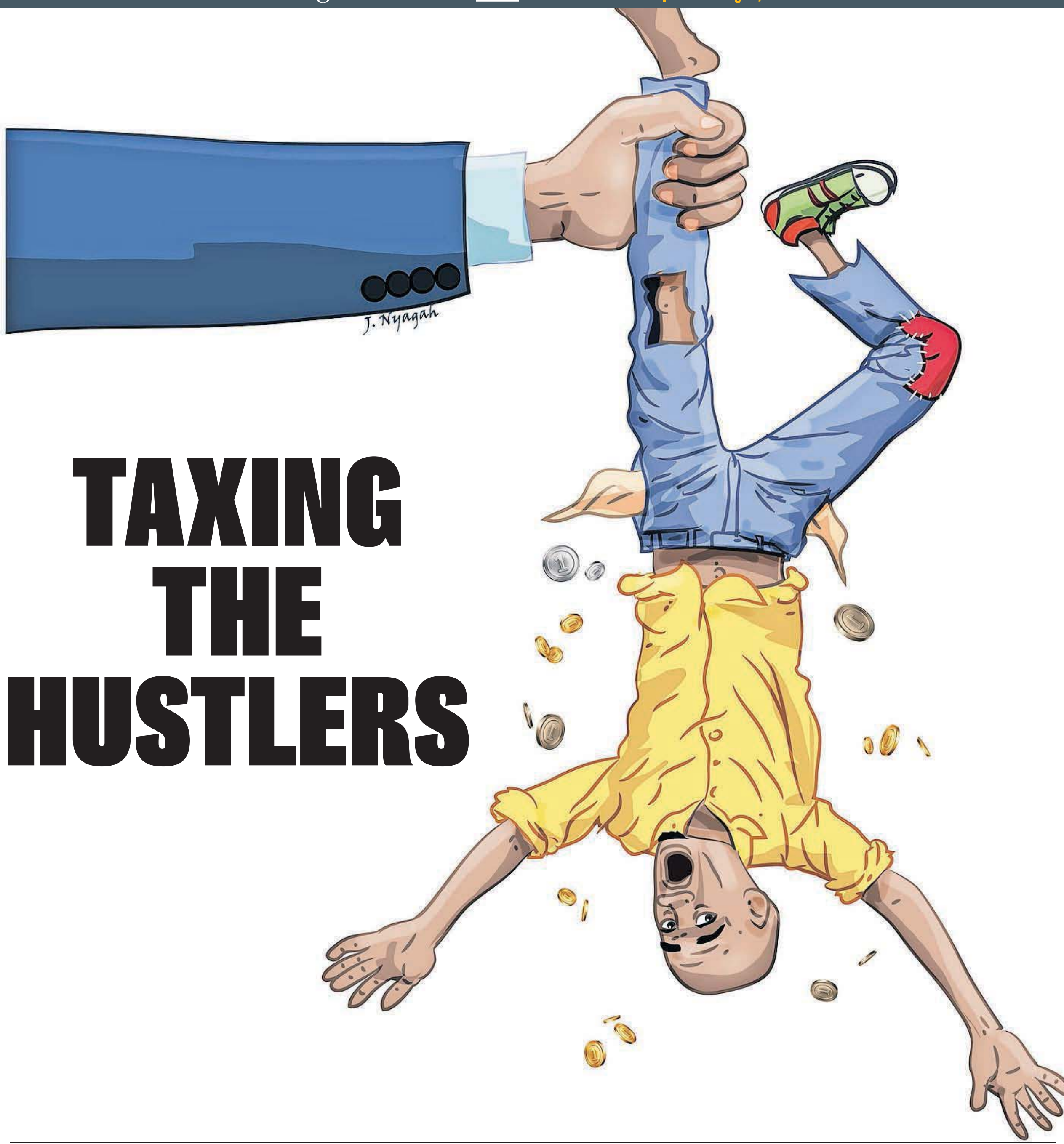
THE Weekly Review

For The Thinking Person

ISSUE NO. 18 | January 1, 2023 FREE WITH SUNDAY NATION



TAXING THE HUSTLERS

Kenya's festering debt burden has left the government scrambling to shore up tax revenue, with the capital gains tax rate rising to 15 per cent effective today. However, experts warn that even the much-touted plans to widen the tax base may be counterproductive if not preceded by an increase in jobs, production and investments

letter from the editor

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Boost production and incomes first, then widen tax base for more revenue

One of the most outstanding features of the Kibaki administration was that government had a confident grip on both the fiscal and monetary side of things. Treasury went slow on domestic debt to avoid crowding out businesses from the loan market while the Central Bank of Kenya (CBK) ensured that banks, which now had to led to lend to individuals and businesses to stay afloat, did not create inflationary pressures.

This led to a situation where financial institutions that were initially hesitant to open accounts for low-income earners started "hawking" unsecured loans to salaried employees, small businesses and companies.

This, coupled with CBK's tight regulatory regime, fuelled growth, creating jobs as companies expanded and incomes rose.

It is this economic mix, experts argue, that laid the foundation for the exponential growth that has to date been hailed as the inimitable legacy of the Kibaki era. With resources for expansion and the right macroeconomic environment, the experts further tell us, new companies sprang up while the existing ones expanded, shoring up production and creating more jobs.

This, needless to say, translated into more revenue for the taxman.

Fast forward to the dawn of 2023. First, the economic outlook is markedly different, meaning that even a copy-and-paste emulation of Kibakinomics may be a nonstarter.

Experts now warn that with inflation hitting the roof thanks to rising prices of basic commodities, and with a weakened shilling piling even more pressure on debt repayment, there is a need for the policy wonks in the Ruto administration to think outside the box.

Henry Munene

There are no easy options to economic recovery for Kenya. While debt-swapping and enhancing tax collection are key imperatives in the short term, the kind of growth needed to transform Kenya into an upper middle-income country – as captured in Vision 2030 and other national blueprints – would call for much higher levels of production to expand the GDP, create new jobs and boost key sectors.

The much-touted need to switch from short-term expensive loans to longer-term cheaper ones is all very well, but is there room for the cheaper ones in the first place?

Secondly, the urgency to expand the tax base and bring more taxpayers into the net sounds great. However, as experts, even in this edition argue, widening the tax base would only work if new jobs are created, production is increased and more investments funnelled into the economy.

To be fair to the current administration, it came to office at a time of great economic crisis.

Not only has the Russian invasion of Ukraine worsened our food imports problem amid an extended drought that has left nearly four million Kenyans staring at starvation, our debt burden leaves little in the coffers to stimulate economic production, increase incomes and subsequently fuel overall economic growth.

That said, there are no easy options to economic recovery for Kenya. While debt-swapping and enhancing tax collection are imperative measures in the short term, the kind of growth envisaged to transform Kenya into an upper middle-income country – as captured in Vision 2030 and other national blueprints – would call for much higher levels of production to expand the GDP, create many new jobs, boost key sectors such as manufacturing and agriculture and ultimately create a pool of savings for investment.

Once that happens, widening the tax base and even quadrupling of tax revenue will come almost naturally.

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THE Weekly Review
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the telescope

Fans show gratitude with football body art

Argentina's forward #10 Lionel Messi kisses the World Cup trophy after receiving the Golden Ball award during the Qatar 2022 World Cup trophy ceremony after the football

Tattoos galore as Messi tipped to retire

Fans of the Argentine team that claimed football's ultimate prize in Qatar this month are lining up in Buenos Aires for tattoos of victorious captain Lionel Messi and the World Cup trophy.

"For the next two weeks, I have (appointments) exclusively related to the World Cup," tattoo artist Esteban Vucinovich told *AFP* in the capital.

"Some had already made an appointment for tattoos of snakes or skulls, but they are changing it to Messi or the Cup. I have two or three appointments a day," he said.

The most requested skin art is of the trophy, said Vucinovich, followed by Messi and then goalkeeper Emiliano Martinez, who was crucial in the victory of the Albiceleste in the final against France.

Many fans are inspired by the body art of Argentine players such as Angel Di Maria, who has since recently sported a World Cup tattoo on his right leg.

"I got a tattoo of Messi as a gesture of thanks," civil servant Nicolas Rechanik told *AFP*.

"This represents not only what Messi is but also the team that brought us a third World Cup and all the years of effort to reach this goal."

Before getting the image of Messi in the team's blue-and-white striped jersey and kissing the trophy indelibly attached to his left leg, Rechanik already sported the likeness of yet another great Argentine football icon — Diego Maradona.

"It's a perfect representation of what Argentine football is and what it means to be Argentine," he said.

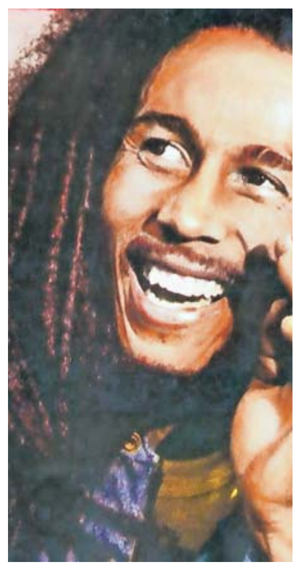
He was a successful artist in his own right

World mourns Marley's grandson

Musician Joseph "Jo Mersa" Marley, grandson of Bob Marley and a well-regarded reggae artist in his own right, has died at the age of 31, US media reported.

A representative of Jamaican-born Marley confirmed his death to *Rolling Stone*, but did not give a cause. *WZPP Radio* in Miami, where the artist spent much of his life, reported that he was found in a vehicle after suffering an asthma attack on Tuesday.

Jamaican Prime Minister Andrew Holness said in a tweet that he was "deeply saddened" by news of the death, and offered his condolences to Marley's parents, Stephen and Kerry.



Bob Marley PHOTO POOL

"My heartfelt sympathies to Joseph's friends and associates and to the Reggae music fraternity and fans everywhere," he added, calling Marley's passing "a huge loss to the music as we look to the next generation".

Marley released his debut album, *Comfortable*, in 2016, following it up with *Eternal* in 2021.

In a 2014 interview with *Rolling Stone*, Marley talked of growing up surrounded by musicians, including his father and his uncle, Ziggy.

"It was a very magical thing, seeing those people come around to the house and how the whole work process would happen," he said at the time. "I would come home and try to do homework, but I'd end up getting distracted and go peek in the studio."

He also said that despite his musical pedigree, he had always wanted to chart his own path.

"I am one of the new generation of Marleys, but I am still experimenting at the same time," he told the outlet. "My plan is to do something new with my roots."

WZPP reported that Marley is survived by a wife and daughter.

Senate, parliamentary and ward polls

Voters to go back to the ballot box

Voters from across four elective areas will on Thursday, January 5, 2023 go to the ballot in by-elections to elect their representatives.

The Elgeyo Marakwet senatorial seat fell vacant after Kipchumba Murkomen was appointed CS for Roads, Transport and Public Works in President William Ruto's cabinet. Similarly, two parliamentary seats fell vacant after Alice Wahome (Kandara), Aden Duale (Garissa Township) were appointed cabinet secretaries for Water, Sanitation and Irrigation, and Defence respectively. The fourth by-election is in Shella Ward in Lamu County.

Grievances include lack of working tools

Doctors to strike over unmet demands

Doctors are set to withdraw their services from all hospitals this week protesting the failure by the Ministry of Health to honour a 2017-2021 collective bargaining agreement.

The move could lead to countrywide disruption of health services.

The medics had issued a 30-day strike notice on November 28, 2022 over their intention to proceed with industrial action should the government not listen to their grievances.

They listed creation of call rooms, posting of medical interns, employment of more doctors, provision of working tools and increase of basic salaries among their unmet demands.

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REVENUE COLLECTION

TAXED TO THE BONE

Times Tower in Nairobi, the headquarters of Kenya Revenue Authority. PHOTO I FILE

The government has yet to empower Kenyans with decent incomes necessary to raise tax revenues significantly

• Dr Mbui Wagacha

This article explores the increased rate of taxation on capital gains and share sales, up from five per cent in 2022, to 15 per cent effective January 1, 2023. The capital gains tax was re-introduced in 2015 after suspension in 1985. The new increases are discussed against a brief on interim overall taxation and taxpayer potentials and structure in Kenya.

Taxation defies precision despite a large corpus of study and knowledge. Capital gains tax, in particular, is a distortion exploiting a class of investors. The main culprit is our inflationary outlook. A simple example with two families demonstrates that a young family that acquires an apartment on January 1, 2022, for Sh50 million, looking to move into the home in 10 years' time, and a pre-retirement family with a home looking to sell to them in 10 years for post-retirement income, both lose income. With Kenya's outlook on inflation running at four per cent and a weakening shilling for the period, and the real value of the apartment still unchanged, the family pays an effective tax of 9.7 per cent for a property whose real capital gain is zero. The retiree selling goes into old age poorer after similarly paying tax for non-existent real capital gains.

Policy in Kenya and elsewhere to mine revenues is always the art of the possible. Few countries can take pride in their artwork or achieve optimality. Yet imperfect conditions for application of tax principles pale in comparison to imperfections in the methods of the tax collector. Intelligent policies require calculations of social costs and benefits, and also hidden considerations of incidence (who bears the payment of tax between consumers and producers?). Some concepts defy quick calculation in imposing or altering rates. Consider the excess burden of a subsidy where analyses prove the costs exceed benefits to society. Or income taxation, taxes on labour which similarly trigger excess burden. Multiple cases can be demonstrated.

In the current circumstances in Kenya, certain policy thinkers look at the debt hole deepened in recent years of projects, with some of the money wasted and trousered in secret, and then at the mounting obligations of impoverished taxpayers to fund repayments from dry coffers. They then see the vast sea of the poor or underemployed with low incomes and decide to 'expand the tax base', a term for lowering tax collection costs, having more taxpayers in the tax net, and helping lower overall tax rates.

It's an easy trap to fall into, like the colonial administrators of old in Kenya, who inflicted a hut tax on taxpayers for whom they made no effort to provide economic activity, output, or employment. Our ancestors thus paid with forced labour withdrawn from their traditional livelihoods, or with livestock. The colonials then financed their projects by opening up our country (their settlements then) and provided labour to colonial settlers on confiscated land.

Good luck to the thinkers. Trouble is, like their colonial precursors, government has yet to do the heavy lifting needed to empower the citizenry with the decent personal incomes, corporate incomes, and consumption spending necessary to raise tax revenues significantly for either national or county governments. Excess burden might even suggest efforts at work could decline with increased taxation.

Thus, in engineering our economic recovery, the answers beyond 2022 lie not in obsessive trappings of borrowing and swapping balance sheet items in domestic and external debt, but in rebuilding the real economy. In the assignment, there is no escape from implementing a headline macro-policy mix that increases investment, output, jobs and incomes, then reforming towards growing tax revenues. The tax framework must target efficiency and become progressive (proportional for low and high incomes).

Kenya National Bureau of Standards data is informative on parts of our system that remain a work in progress. Incomes have become highly unevenly distributed, though not just in Kenya. Some 8,300 individuals possess wealth approximating that of the rest of our 45 million people. The richest 10 per cent earn 23 times more than the poorest 10 per cent. Only 15 per cent of 2.9 million people employed in the formal sector earn over Sh100,000.

While "off the books" earnings prevail in the informal sector, with little in records or statistics, recorded market spending of the low amounts earned are rare. We have an economy whose extant data shows 3,362-dollar mil-

Continued on Page 6

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A modern hut tax?

Continued from Page 5

2026, with the problem of lowly incomes creeping into the formal sector. Only 358,833 (15 per cent) in the sector earn more than Sh100,000 per month, with 1.18 million (40 per cent) earning less than Sh50,000, while at least 57,770 earn below the national average income of Sh20,123.

Our markets and health facilities, shopping malls and education establishments are replete with machine-based fees on these low incomes for use of car parks to enter the facilities for services, thus exacerbating poverty by nibbling at disposable incomes (incomes after tax).

These days, policymakers sometimes circumvent the output-growth gap by ringing alarm bells on shortages of vital commodities such as maize or rice, urging duty-free imports for millers to process and sell to the market. Sounded close to the stomach, some citizens might view the concerns as benevolence, but only at their own peril, just like in colonial times. For the alarm bells ring only to create rip-offs to enrich self-interested businesses. Complicated results in fiscality then expand poverty and hurt the Kenya economy.

Citizen-centred tax policy solutions require local experts to advise while comparing notes with outside experts. A correct understanding of basic concepts in tax economics and in context of the economy is vital for each set of questions.

Why tax, and what categories? Because taxation is the only practical means to raise revenues, run government and facilitate integration of Kenya's economy to the global economy.

An electronic tax register.

What criteria? Efficiency, fairness (progressivity), horizontal equity (people in equal positions should be taxed equally), and costs of running the tax system, called tax administrative costs. As an example, how has Kenya performed on efficiency? An indicator is tax evasion reported by researchers. The KRA could have inside information, but it sometimes frowns selectively on uncollected domestic revenues — as with taxes on local brews, even of top-notch quality, while being kind to foreign investors in brewing. Global Financial Integrity in 2018 reported Kenya's massive losses on uncollected trade taxes, approximating misinvoicing revenue losses at US$907, equivalent to eight per cent of government revenues. These loopholes shift the tax burden to the domestic taxpayers, including compliant corporate taxpayers.

What to tax outside huts? Taxation should induce increased investment, jobs and production, and support increasing comparability of our tax regime with the rest of the world.

Will the newest changes induce recovery? The math is up on top. First, the reliability of the changes to yield revenues. Capital gains tax (realised at sales) depends on decisions by owners of capital to sell. Exemptions complicate compliance and taxpayers can prolong the process even further, for example in disputing deductions to be made on prior expenditure on the properties.

A claim that often crops up is double-taxation — paying taxes twice on the same income stream. Furthermore, owners of capital can accumulate wealth from inflation and valuations while not going to market. The outcome is called a lock-in effect, where vast potential capital gains taxes are held in the hands of taxpayers but unavailable to KRA. Lock-in also muzzles the dynamism and growth of the economy by choking diversification of capital investments in alternative sectors of the economy.

Dr Mbui Wagacha is a former Central Bank of Kenya chairman and advisor of the presidency.

■ AFRICA'S 'FRAGILE FIVE'

Spotlight on Kenya, Ghana, Ethiopia, Zambia, Angola over indebtedness

KENYA RUNS HIGH RISK OF DEBT DISTRESS

A trader at Muthurwa market in Nairobi counts money after the day's sale on April 19, 2021.
PHOTO I DENNIS ONSONGO.

● CONSTANT MUNDA

In February 2022, Standard Bank Group, Africa's biggest lender by assets, listed Kenya among five countries on the continent facing elevated debt risks following the end of pandemic-induced reliefs from rich countries.

The other countries listed in the report, which covered 18 African economies, were Ghana, Angola, Ethiopia and Zambia. These have come to be remotely referred to as "Africa's Fragile Five" in the context of indebtedness.

The term "fragile five" was first coined by a financial analyst at American investment management firm Morgan Stanley in August 2013 to refer to the economies of Brazil, India, Indonesia, South Africa and Turkey. These economies were at the time struggling to recover from the wracking 2008/9 global financial crisis and were heavily dependent on foreign investment for growth.

The "fragile five" concept has subsequently been used in the global markets by various financial analysts to refer to countries battling widening current account deficits, weakening ratio of foreign exchange reserves to external debt, heavy foreign holdings of govern-

kenya lens

ment bonds and runaway inflation, among other entrenched risks.

In 2017, for instance, credit-rating agency S&P Global chose Argentina, Turkey, Qatar, Pakistan and Egypt as the world's "fragile five" after their economies were hard-knocked by rising global interest rates at the time.

For "Africa's fragile five", the common factor has been weak revenue positions relative to the size of their economies amid mounting pressure from foreign debts falling due. Jibran Qureishi, head of African research at Standard Bank Group, at the time prescribed urgent fiscal reconstruction to avoid losing the confidence global lenders and investors.

Fast-forward and Ghana's debt crisis came to a head early December after the West African economy suspended debt payments to foreign bondholders, commercial banks and most of its bilateral lenders.

Gold-rich Ghana's move to stop repayments on most of its foreign debt — the second in Africa since the pandemic hit after Zambia in November 2020 — has elicited debate among economists on whether or not Kenya is next in line. Those drawing parallels between Ghana's and Kenya's debt problems have largely pointed to similarities in sustained fiscal indiscipline in both economies in recent years. This is marked by a gaping fiscal deficit which has remained above five per cent of the gross domestic product (GDP) — a measure of economic output — prompting a borrowing spree to fill the hole in the budget.

Most economists, however, are unanimous that Kenya is not headed the Ghana way, but its climbing debt remains at high risk of distress. Ghana has slipped into an economic mess largely on concerns around its debt sustainability, which have been rising over the years due to a persistently widening fiscal deficit that peaked at 15.29 per cent of GDP during the pandemic year, up from 3.9 per cent in 2017.

To fill the gaping hole in the budget, the country has been on a borrowing binge, pushing up its debt load to 76.7 per cent of GDP last year and further raising concerns about sustainability.

The pandemic-induced fiscal fallout, which was this year exacerbated by Russia's brutal war in Ukraine, reduced dollar inflows into West African economy, which until recently was a darling of international investors. Prevailing high interest rates in developed markets due to record inflation in 2022, on the other hand, also locked Ghana —just as it did other emerging economies— out of international capital markets where it previously raised funds.

As a result, Ghana's currency, cedi, collapsed against the globally-bullish US dollar this year, shedding more than 50 per cent of its value and pushing up foreign debt costs with inflation hitting a 21-year high of 40.4 per cent in October.

This led investors in Ghana to demand as much as 36.4 per cent return on a three-month debt facility early December 2022, four times more than the 9.37 per cent interest Kenya paid for the same bond.

Economists say Kenya also secured, unlike Ghana, Sh297.38 billion ($2.416 billion) conditional budget support from the International Monetary Fund to be disbursed in phases over 38 months from April 2021, giving investors confidence.

FISCAL DEFICIT

5%

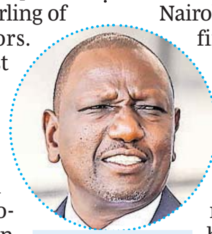
The percentage of fiscal deficit relative to GDP above which countries are at risk of debt distress.

15.9%

The peak of Ghana's fiscal deficit at the height of the Covid-19 pandemic.

3.9%

Ghana's fiscal deficit in relation to GDP in the year 2017, before the onset of the Covid-19 pandemic.



President William Ruto

Ghana President, Nana Akufo-Addo

Prof Njuguna Ndung'u

Until late 2022, Ghana's President Nana Akufo-Addo was opposed to IMF support, which usually comes with tough conditions on economic reforms, including austerity measures.

"Ghana's predicament has raised the question of which (if any) African sovereign might be forced to follow in its footsteps in 2023. Out of a sample of 14 sub-Saharan African countries, only three are currently in debt distress, based on the commonly-used threshold of dollar bond spreads exceeding 1,000bp [basis points]. That's down from a peak of eight in July," William Jackson, chief emerging markets economist at a UK-based Capital Economics, wrote in a note on the continent's debt prevalence on December 23.

"And those three sovereigns are Zambia and Ghana (already defaulted), as well as Ethiopia (which is seeking to restructure debts under the Common Framework)."

Lower bond yields in Kenya, amid funding deals with the IMF and the World Bank Group, means Nairobi can "sustainably" refinance its debts in the near term, although it "remains at high risk of debt distress".

Kenya's high risk of debt distress has been amplified by the rising repayment costs that have from this financial year ending June 2023 surpassed recurrent expenditure such as salaries and operation and maintenance costs on maturing debut Eurobond and Chinese loans.

The Treasury estimates debt servicing costs at Sh1.39 trillion this fiscal year, which is higher than Sh1.18 trillion estimated recurrent expenditure for state ministries, departments and agencies.

The repayments are projected to climb to an estimated Sh1.67 trillion in President William Ruto's first full-year budget for the period ending June 2024 largely on repayment of the US$2 billion (Sh246.60 billion) debut Eurobond Kenya contracted in 2014.

Kenya suspended liability management operations for the financial year ended June 2022, a move that was aimed at "lengthening the maturity structure and reducing the refinancing risks in the debt portfolio" after failing to raise $1.1 billion from Eurobond. This was after investors demanded an interest of about 12 per cent, double the 6.3 per cent Kenya paid a year earlier for a similar amount.

Failure to raise the targeted funds prompted the country to suspend the debt re-profiling programme, which was geared at repaying the debut 10-year Eurobond that matures in the year ending June 2024.

The high rates in global financial markets are "a result of the global monetary policy to increase rates to avert inflation rates as well as the Ukraine and Russia crisis".

The elevated debt servicing costs from the next financial year amid high interest rates prompted global rating agency Fitch mid-December to downgrade Kenya's creditworthiness to 'B' from 'B+', which means that investors will demand higher returns than they did before based on perceived higher risk of default.

Fitch expects Kenya to meet US$3 billion external debt obligations in the fiscal year ending June 2023 through borrowing, including $900 million (Sh110.97 billion) in IMF disbursements, a $750 million (Sh92.47 billion) World Bank budget support loan and $300 million (Sh36.99 billion) from the Eastern and Southern African Trade and Development Bank.

London-based Capital Economics has singled out Kenya as having one of the weakest fiscal metrics amongst emerging markets in sub-Saharan Africa based on debt-to-GDP ratios and budget deficits.

"The government's work will be cut out for it in keeping investors on board with its fiscal consolidation plans," Mr Jackson wrote.

Treasury Cabinet secretary Njuguna Ndung'u and Central Bank of Kenya Governor Patrick Njoroge told IMF officials, who were in the country between October 25 and November 8, that Kenya was "actively seeking debt management operations to lower the costs of debt and refinancing risks, especially by seeking to refinance maturing commercial debt with long-dated debt instruments".

opinion

CONSTITUTIONAL AMENDMENTS

We must check the whims of selfish politicos

KWENDO **OPANGA**

For four years, beginning 2018, Mr Raila Odinga was the dominant force in Kenya's politics. He eclipsed even his political nemesis-turned-brother, then President Uhuru Kenyatta. He rode roughshod over then Deputy President and now President, William Ruto. He dwarfed former vice-presidents Kalonzo Musyoka and Musalia Mudavadi. The man was rather like a co-president.

Indeed, in 2021, I argued that Odinga as presidential ally was more powerful than he was as Prime Minister. The tables were turned on August 15. Against the run of play, much-maligned Ruto beat much-fancied Odinga to the presidency. His alliance took control of Parliament while Musyoka and Odinga were confined to opposition territory, which they have unhappily shared since 2013.

And now Odinga is set to return to familiar territory, demanding change to the Constitution via a constituent assembly. The term constituent assembly gained currency and prominence in the heady days of the search for a new constitutional dispensation in the 1990s, demanded and canvassed for by the political left and civil society.

A constituent assembly is simply a body that is created for the singular purpose of making, reviewing or revising a constitution. Odinga argued in a television interview a week ago today that the Constitution is 12 years old and needs revising because Kenyans now know its strengths and limitations. It was Hilary Clinton who said every Kenyan has a point of view.

But not every Kenyan is a politician. While every Kenyan is governed by the Constitution, every politician wants to govern the Constitution. While every thinking Kenyan would like to see a people-anchored change to the Constitution, every politician wants the Constitution to change according to his or her transient political disposition.

Pushed to the periphery by President Kenyatta and Odinga, Deputy President Ruto attacked a constitutional change that sought to create political offices to be shared out among the sons and daughters of prominent political families, the so-called dynasties, in an expanded Executive. President Ruto has indeed expanded the Executive, just as Kenyatta did, without the legal basis.

We have already heard Ruto-allied politicians calling for change of the constitution to remove term limits on presidential tenure and allow holders of the office to stay in power in perpetuity. Others want more counties created for minorities without a thought for fiscal cost, but with an eye on the ballot box. Politicians in power, and those out of it, want to change the basic law.

Ruto & Co want Parliament, which they control, to take charge of the process. Odinga wants a constituent assembly, which he says he will constitute, to lead the process. It is obvious that the President and the government that he leads will give the constituent assembly line a wide berth. It is also clear Odinga does not think Bunge or government deserve a role in the assembly.

Per former Chief Justice Willy Mutunga, the Constitution of Kenya 2010 has yet to be implemented and what is happening is that two forces represented by politicians are locked in a fierce struggle because one side espouses and backs the progressive document and another is opposed because it regards a progressive document as inimical to its ambition for power.

As Mutunga tells it, eventually the protagonists will settle for a compromise document which, in fact, is what the Constitution of Kenya 2010 already is. But while this is what constitutions end up being because they are political documents fought over by political forces, this is frightening because in 2010 the President opposed this Constitution while Odinga backed it.

Kenyans must check the ambitions of self-seeking political forces.

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opinion

■ Same old script, different political cast

It's a new dawn, complete with new dynasties

MACHARIA
GAITHO

This is the government speaking. As the Kenya Kwanza leadership, we join all our loyal subjects in welcoming a new year free from the shackles of dynasties, denizens of the Deep State and beneficiaries of State Capture. The detritus of the past, at the stroke of midnight December 31, 2022, gave way to a bright new dawn.

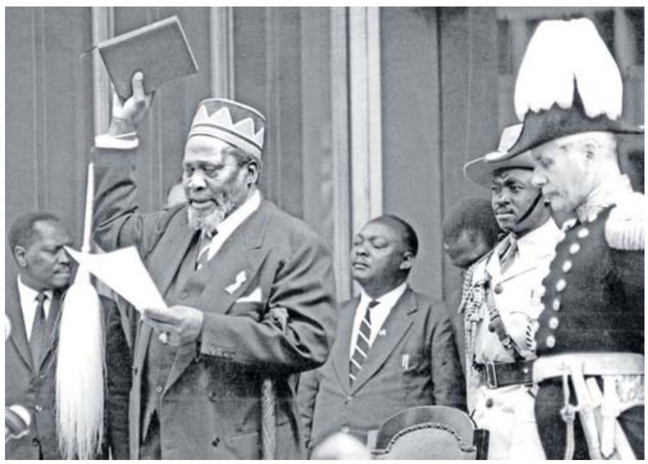
It's that time of the year when we must be strong, firm and single-minded in crafting New Year resolutions that reflect the state we want to create, one in which new dynasties will be constructed and a new Deep State will be redesigned to secure their own State Capture and ensure control of all the strategic economic levers for the benefit of the new boys in town.

The Bottom-Up economic policies will position the Hustler and the Mama Mboga in prime position to scramble for the dregs falling off the high table as the new administration moves firmly on the path of wealth redistribution.

The threats presented by the wealth of those who ran the old regime must be neutralised by destruction of their economic base so that the brave new order can find its space.

Transition into the new year must be accompanied by open and honest reflections on how the new administration has performed in its first few months, so that mistakes can be corrected that allow us to start on a clean slate.

We start by looking back at a little history. At Independence in 1963, a key requirement in the curriculum vitae of anyone aspiring for leadership in politics or government was time spent in colonial jails. Unfortunately, the Kenyatta I regime betrayed this noble principle by populating leadership with home-guards and other traitors to the struggle for freedom.



Mzee Jomo Kenyatta takes oath of office as Kenya's first Prime Minister on June 1, 1963 in Nairobi.

The Second Liberation, the end of one-party dictatorship in 1992 and ouster of Kanu in 2002 provided avenues for those who had suffered imprisonment, torture and exile fighting for democracy and human rights the space to offer their talents to the service of the new dispensation. However, they, too, often found themselves outflanked by the enduring bureaucracy inherited from previous regimes.

Emergence of the Jubilee regime in 2013 placed at the centre of government victims of racist and neo-colonial structures of repression such as the International Criminal Court.

Those indicted for crimes against humanity stood tall at the helm of government and successfully overcame their criminal cases. They also made short work of unnecessary impediments in our laws such as integrity requirements, which would have disqualified freedom fighters from leadership roles.

Again, unfortunately, these noble objectives were betrayed when the Kenyatta II regime went into an unholy alliance with dark forces that criminalised crime. Kenya Kwanza is set to correct all those wrongs.

Nominees for Cabinet Secretary, Principal Secretary, elective positions, state corporations, statutory bodies, constitutional commissions, presidential task forces and so on will have better prospects if armed with demonstrated proclivities towards destruction and looting of public assets.

There are some without active criminal cases or past criminal records who somehow sneaked through the vetting process and got their appointments confirmed.

As we turn the page to a new year, those suspect elements are put on notice that they must live up to expectation or surrender public office. We cannot have in the Kenya Kwanza government disloyal characters looking down on those who carry the scars of the fearless struggle for wealth redistribution and economic emancipation.

Control of the economy must be seized from the Kenyatta and Moi dynasties and placed in the hands of true nationalists and patriots. The children of Mau Mau, Koitalel arap Samoei and Kinjeketile have been betrayed, disinherited and disenfranchised since Independence, but now they finally have their place in the sun.

The first 100 days of this government provided a period of consolidation, but in the New Year it will be full-steam ahead towards meeting the hopes and expectations of the millions who put their faith and trust in us.

We will move with speed and will not be hampered by petty bureaucracy and antiquated government systems and processes.

Already we are crafting the biggest budget in the history of Kenya, dwarfing anything achieved by previous regimes.

As for where the money will come from, that is a foolish question because we are in advanced talks with friendly governments in China, United States, France, Britain, Japan and other countries that will lend us more than they lent the Uhuru government.

We will soon seize control of the Central Bank of Kenya and replace that ascetic and old-fashioned bean-counter with a dynamic governor who understands Hustler slash and burn economics.

We all remember the miracles performed by then Central Bank Governor Eric Kotut in making unlimited amounts of cash available to President Daniel arap Moi in the early 1990s. We also remember that the CBK-controlled printing presses and the Kenya Revenue Authority could squeeze water out of rocks.

That is why we can confidently state that 2023 will be the year of prosperity and wealth for all. The old dynasties will be consigned to the dustbin of history and surrender their wealth and privileges as new ones representing the Hustler Nation rise in their place.

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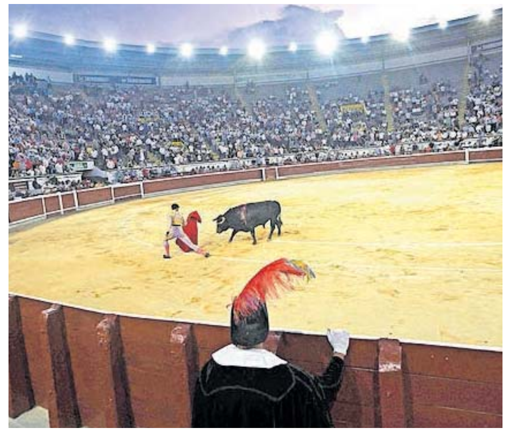
the limelight

People shop for food ahead of the New Year holiday in Tokyo on December 29, 2022. PHOTO I AFP

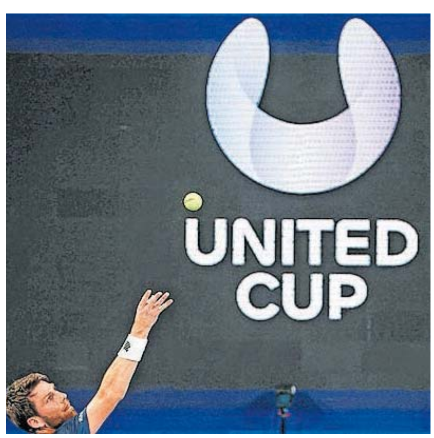


Spanish bullfighter Alejandro Talavante performs in a bullfight at the Canaveralejo bullring in the framework of the Cali Festival in Cali, Colombia, on December 28, 2022. PHOTO I AFP

Commuters make their way along a street during snowfall in Kabul on December 29, 2022. PHOTO I AFP

Palestinians pose for pictures near a lit 2023 sign ahead of New Year celebrations in Gaza City on December 28, 2022. PHOTO I AFP

A young Sikh devotee bathes in the holy sarovar (pool) on the birth anniversary of the 10th Guru of the Sikhs Guru Gobind Singh at the golden temple in Amristar on December 29, 2022. PHOTO I AFP



Britain's Cameron Norrie serves against Australia's Alex De Minaur at the United Cup tennis tournament in Sydney on December 29, 2022. PHOTO I AFP

A believer views a picture of Pope Emeritus Benedict XVI at the St Oswald Church in Marktl, Germany, on December 29, 2022. PH OTO I AFP

africa lens

LONG ARM OF THE LAW

HOW THE MIGHTY FALL

Isabel Jose dos Santos, daughter of former Angolan president Jose Eduardo dos Santos

Angolan court orders seizure of US$1 billion worth of assets from Isabel dos Santos, once recognised as the richest woman in Africa

By ARNALDO VIEIRA

The Angola Supreme Court (ASC) this week ordered the preventive seizure of several assets of former president's daughter Isabel dos Santos, valued at US$1 billion, as requested by the Public Ministry.

According to the state-owned *Jornal de Angola*, the order came after indications of embezzlement and other crimes.

"There are indications of embezzlement, influence peddling, economic participation in business and money laundering, foreseen and punishable," it said, adding that Isabel should only be notified after the seizure of assets.

The publication quoted the order signed by Justice Daniel Geraldes, dated December 19, which stated that "all the balances of the current accounts with title or co-title, headquartered in all the banks, including term deposit accounts, other financial applications that are associated to those, including dossiers of securities in the name of the defendant, Isabel dos Santos, are seized".

Some of these accounts are in countries such as Mozambique, Cape Verde and Sao Tome and Principe, it added.

ASC also ordered the freezing of 70 per cent of the shares of Mozambique telecommunications company Mstar, in which Isabel dos Santos "is the effective beneficiary", and authorised the seizure of 70 per cent of the defendant's shares in Upstar Comunicação.

The court also ordered the seizure of 100 per cent of the shares of the companies UnitelL T+ in Cape Verde and Unitel STP in Sao Tome and Principe, of which the Angolan businesswom-

Continued on Page 12

Isabel dos Santos: From acclaimed heroine to villain

Continued from Page 11

an is also the beneficial owner.

Embalvidro, Unitel International Holdings and Unitel International are other companies named in the court order.

Isabel dos Santos, 49, who was once celebrated as the richest woman in Angola and in Africa, is currently seeing the Luanda government turning its back on her.

Isabel, who is also a Russian national, was for a long while celebrated in her country, especially during her late father's 38-year regime.

She was born in Baku, Azerbaijan, during the Cold War era, to a Russian mother, Tatiana Kukanova, who met with her father, José Eduardo dos Santos, while attending university.

President dos Santos ruled Angola from 1979 to 2017.

During his time in office, senior dos Santos ruled the country like his personal firm. His close allies, including family members, were largely accused of stealing from state institutions.

President Eduardo dos Santos' marriage to Kukanova did not last.

In 1979, Kukanova moved to London with her daughter, Isabel, where she spent her teenage years attending an elite prep school and then she went to King's College London, where she got an engineering degree and met her husband-to-be Sindika Dokolo.

Mr Dokolo was a wealthy Congolese businessman.

Thanks to her long 18-year stay in the UK, Isabel , who speaks fluent English, French, Italian, Portuguese, Russian and Spanish, also holds British nationality.

In 1997, she launched a popular restaurant known as Miami Beach when she came back to Angola and started making money. In 2001, she invested in Angolan and Portuguese companies and started her own telecommunications firms (Unitel and Zap).

In December 2002, at the age of 29, Isabel married Dokolo, who was 30. The two became business partners.

By her early 30s, Isabel owned luxury apartments in such European cities as London and Lisbon.

In fact, *Forbes* declared Isabel the richest woman in Africa and its first billionaire, worth an estimated $3.5 billion in 2013.

In 2016, Isabel was appointed by her father as the head of Sonangol, the Angolan state-owned petroleum firm. The following year, her father's successor sacked her from the post after becoming president.

But last year, *Forbes* magazine described how the once continent's richest woman went broke.

By its calculations, *Forbes* said she was no longer a billionaire, dropping her from the magazine's newly released 2021 list of Africa's richest people.

She was no longer considered a billionaire due to the fact that her empire was marred by corruption charges, her assets were frozen by courts in three different nations and a lawsuit claimed hundreds of millions of dollars in unpaid debt in a fourth country.

Meanwhile, it seems that the Angolan heiress is paying for the sins of her father, whom she considered a great source of inspiration.

In 2020, the New York-based International Consortium of Investigative Journalists published a trove of files allegedly showing how Dos Santos siphoned hundreds of millions of dollars of public money into offshore accounts in a series called "Luanda Leaks".

In fact, the year 2020 is full of many unhappy memories for Isabel. In January, Angolan authorities charged her and her husband with money laundering and embezzlement. They denied all allegations.

Then October 29 that year, Dokolo died, aged 48. According to his family, he died in a diving accident off the coast of Dubai. In August 2022, Isabel was not able to attend her father's burial in Luanda because she risked being arrested by the Angola government to answer to the charges against her.

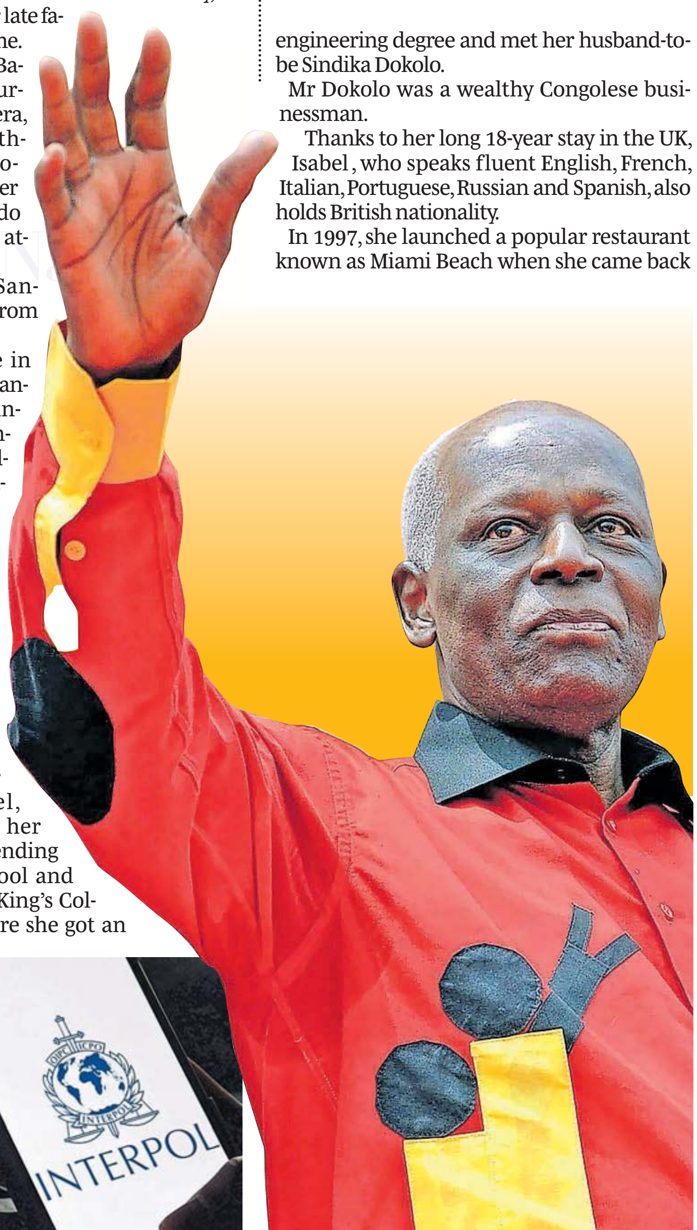
Last month, Angola's Attorney-General confirmed that the International Criminal Police Organisation (Interpol) had issued an international arrest warrant against Isabel dos Santos.

Isabel described the announcement as political persecution.

"I think that today there is a greater understanding of what is really happening and there is no doubt that we are facing a scenario of political persecution," she said in an interview with *CNN Portugal* in November.

"Looking at Angola and our legal system, it is easy to understand that the Attorney-General receives orders directly from the President. That is unlike in some countries, where a prosecutor is independent, or depends on another body," she added.

A smartphone owner displays the Interpol logo in this photo taken in Kharkiv, Ukraine, on June 16, 2022. Isabel dos Santos has been on the Interpol watchlist for some time. PHOTO I POOL



Former Angolan President Jose Eduardo dos Santos greets a crowd during an election campaign rally in Kilamba Kaixi, on the outskirts of Luanda, in 2012. Ever since he left the helm of his country, his daughter Isabel's political and economic reputation has been on a downward spiral. PHOTO I AFP

global lens

LIFTING OF COVID-19 RESTRICTIONS

CHINA PUTS WORLD ON EDGE

An elderly man receives a Covid-19 vaccine in Qingzhou in China's eastern Shandong Province on December 16, 2022. PHOTO I AFP

Concern as Beijing ends strict pandemic measures despite the world's biggest surge in Covid-19 infections

• Beijing

Beijing's sudden pivot away from containing Covid-19 has caused jitters around the world, with the United States saying it may restrict travel from China following its decision to end mandatory quarantine for overseas arrivals.

China late Monday scrapped quarantine for inbound travellers from January 8 onwards, dismantling the last remaining piece of its stringent zero-Covid policy and ending some of the world's harshest border restrictions.

The move was greeted with jubilation by Chinese citizens, who rushed to book international flights, triggering a surge in ticket prices. At the same time, hospitals and crematoriums across China continue to be overwhelmed by an influx of mostly elderly people.

On Wednesday, *AFP* reporters saw dozens of mostly elderly Covid patients lying on gurneys in overflowing hospital emergency wards in Tianjin, 140 kilometres (87 miles) south-west of the capital Beijing. Medical staff are "pretty much all" expected to continue working despite testing positive for the virus, one doctor said.

Other countries have expressed concern about the potential for new variants to emerge as China battles the world's biggest surge in infections.

US officials said late Tuesday

Continued on Page 14

global lens

World casts a wary eye on Beijing

Continued from Page 13

they were considering Covid entry restrictions on travellers from China, after countries, including Japan and India, introduced PCR testing on arrival for Chinese passengers.

"There are mounting concerns in the international community on the ongoing Covid-19 surges in China and the lack of transparent data, including viral genomic sequence data, being reported from the PRC," the US officials said, referring to the People's Republic of China.

The United States is "considering taking similar steps" to countries such as Japan and Malaysia, they added.

Taiwan, a self-ruled island that China claims as its own, said Wednesday that it would also screen travellers from the mainland for the virus.

China's loosening of measures effectively brought the curtain down on a zero-Covid regime of mass testing, lockdowns and long quarantines that has stalled its economy and triggered large-scale nationwide protests.

"Currently, the development of China's epidemic situation is overall predictable and under control," foreign ministry spokesman Wang Wenbin said Wednesday.

"Hyping, smearing and political manipulation with ulterior motives can't stand the test of facts," Wang added, calling Western media reporting on China's Covid surge "completely biassed".

All passengers arriving in China have had to undergo mandatory centralised quarantine since March 2020. The period of isolation fell from three weeks to one week in June, and to five days last month.

The end of that rule in January will also see Covid-19 downgraded to a Class B infectious disease, allowing authorities to adopt looser controls.

Chinese immigration authorities said Tuesday they will resume issuing passports for tourism purposes from January 8, after years of strict exit controls.

The winter surge comes ahead of major public holidays next month in which hundreds of millions of people are expected to travel to their hometowns to reunite with relatives.

Chinese authorities have said the scale of the outbreak is now "impossible" to track and narrowed the criteria for defining Covid deaths.

China's Center for Disease Prevention and Control reported 5,231 new Covid cases and three deaths nationwide Wednesday -- which was likely a drastic undercount since people are no longer required to declare infections to authorities.

Authorities are using data from online surveys, hospital visits, demand for fever medicines and emergency calls to "make up for shortcomings in (officially) reported figures", disease control official Yin Wenwu said at a press briefing Tuesday.

With the country facing shortages of basic medicines, Beijing city authorities plan to distribute the oral Covid drug Paxlovid at local hospitals and community clinics. It remains extremely difficult to obtain for ordinary people.

The US-developed treatment was briefly available on e-commerce platform JD.com and delivery platform Meituan in the past few days before both ran out of stock. — *AFP*

This file photo taken on September 18, 2022 shows ground crew in personal protective gear at Yantai airport in China, working on an aircraft from abroad. China has scrapped mandatory quarantine on arrival, unwinding years of strict virus controls. PHOTO I AFP)

China reopening triggers global inflation jitters

• Hong Kong

Asian markets were mostly lower on Wednesday following declines on Wall Street as China's move to reopen after abandoning its zero-Covid policy revived inflation fears.

China has abruptly reversed tight pandemic restrictions that kept the world's second-largest economy isolated for the past three years.

On Monday, Beijing announced it was ending quarantine measures for overseas arrivals from January 8, the latest move to loosen its zero-Covid regime, after it dropped mandatory testing and lockdowns earlier this month.

China's scrapping of pandemic restrictions has spurred hopes for its economic revival but also raised fears it will add to inflationary pressure.

Moving to reopen even as the Asian giant battles a massive spike in Covid cases has caused jitters, with the US and several other countries saying they may restrict travel from China and introduce mandatory PCR tests for arrivals.

"While a full China reopening could provide a much-needed and timely boost to the global economy, it may come with unwelcome ambiguous strings attached," said Stephen Innes of SPI Asset Management. "The good news is that inflation subsides as China reprises its role as a supplier of low-cost goods globally and supply chain bottlenecks ease.

"Still, the bad news is that, as growth accelerates through Q1, China's insatiable demand for raw materials and all things energy will push up prices of those commodities. Indeed, reopening is rekindling some inflationary spirits."

Fresh data last week indicated a slowing of US inflation, but the news was not definitive and eyes will be on how the Federal Reserve moves to balance inflationary concerns alongside the possibility of a recession caused by increased borrowing costs.

"We may get a pivot later on next year from the Federal Reserve when they actually start cutting rates, but that's going to happen when the situation is going to become much more dire than it is now," Matt Maley, chief market strategist for Miller Tabak, said on *Bloomberg TV*. — *AFP*

SCIENCE & TECH

Patriot missiles are 'far from silver bullet'

• Washington

The US provision of Patriot missiles to Ukraine is a muscular message of support and will boost defenses against Russia's relentless aerial assaults, but experts say its battlefield impact will be limited.

Patriots are "far from a silver bullet" against the low-flying cruise missiles and drone bombs that Russian forces have pummeled Ukraine with, according to Ian Williams of the Missile Defense Project at the Center for Strategic and International Studies in Washington.

But they will add a layer of protection on top of Ukraine's current systems, and also defend against short-range ballistic missiles that Western officials think Russia is seeking from Iran, Williams said.

"Having layered defenses is helpful when you're dealing with this kind of complex air attack," he told *AFP*.

In addition, the move will send a strong message to both Moscow and European allies that Washington is prepared to support Kyiv with some of its most advanced weaponry to battle Russian invaders.

Made by Raytheon, the MIM-104 Patriot is a surface-to-air missile (SAM) system initially developed to intercept high-flying aircraft. It was modified in the 1980s to focus on the new threat of tactical ballistic missiles. Patriots proved themselves against Iraq's Russian-made Scuds in the first Gulf War.

Patriot systems come in fully mobile batteries that include a command center, a radar station to detect incoming threats, and launchers.— *AFP*

NEW HEN SPECIES TO BREED FEMALE CHICKS, NO MALES

Brahma Chicken was second best in the Ornamental Chicken Category at this year's Mombasa International Show in this photo taken on November 4, 2022. PHOTO I KEVIN ODIT

• Jerusalem

Israeli scientists have created a species of egg-laying hens that only produce females, a breakthrough that could help end the annual culling of around seven billion male chicks globally.

The chicks, born from egg-laying, are destroyed en masse by suffocation or crushing because they are not suitable for meat production and do not lay eggs.

Animal rights activists have denounced the practice as barbaric, and it has been banned in several European states.

A German prohibition on male chick culling came into effect this year. French farmers have until year's end to comply with new restrictions.

A team at the Israeli Agricultural Research Organization Volcani Centrer has used gene editing to develop a new species of hens that only gives birth to females. They say this is the only option to substantially curb mass male chick culling around the world.

"This is a world first and the only solution that is easy for industry players to implement," team leader Yuval Cinnamon, a Volcani Center, embryologist, told *AFP*.

He said technologies that seek to identify whether an egg is carrying a male or female embryo are not reliable.

The Volcani Center, based in the Tel Aviv suburbs, developed the species following seven years of research in partnership with the American-Israeli firm Huminn, which in part specialises in commercially viable sustainable food production.

The technology involves genetically modifying egg-laying hens so that, when carrying male embryos, those do not progress and hatch.

"After fertilisation the male embryos do not develop, and the female embryos develop normally without being genetically modified and hatch normally," Cinnamon explained.

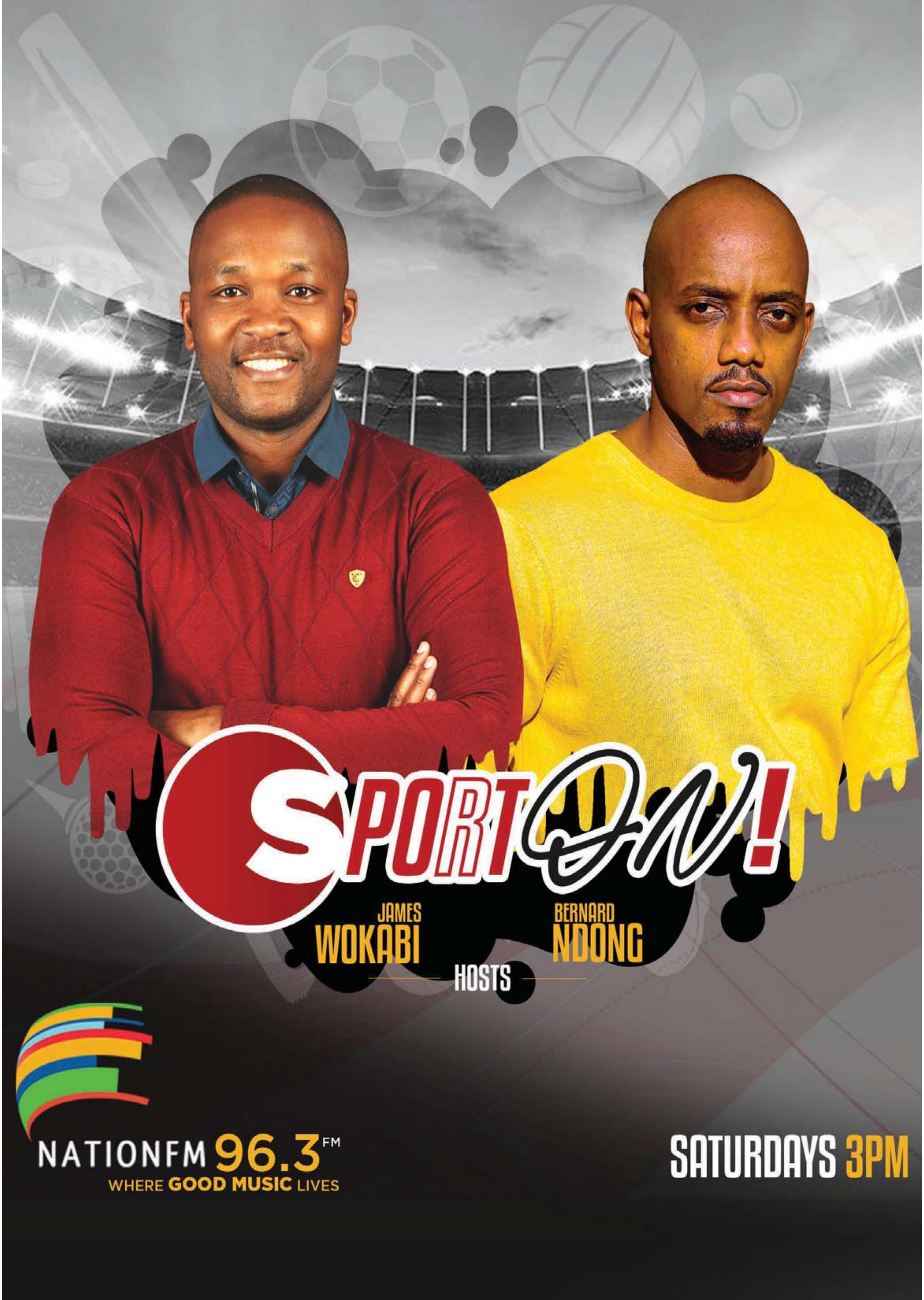
"This will provide a real answer to what is probably the most serious animal welfare problem in the world today," he added.

Beyond the animal rights benefits, the technology could offer poultry producers huge savings in terms of the space and energy required to operate incubators while reducing the significant culling costs.

"It costs a dollar to cull each male chick, so that's seven billion in savings a year," Cinnamon said.

Huminn has forecast that commercial benefits from the technology could emerge within two years.

At a meeting in October, European Union agriculture ministers said they would consider a bloc-wide ban on culling male chicks from egg-laying hens, pending the results of an impact assessment.— *AFP*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