

Only a citizen's audit of SGR debt will unravel public heist of resources

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Early this week, Kenyans woke up to blockbuster like stories of how prices of items and commodities related to the Kenyan Standard Gauge Rail (SGR) project were extremely inflated perhaps explaining why the Kenyan SGR is far much more expensive than the Tanzania SGR.

According to the Daily Nation, Kenya ended up paying twice more for a diesel train than what Tanzania negotiated for an electric train. The Tanzanian line is not just cheaper but also faster as it will support a maximum speed of 160 kilometres per hour for passenger trains and 120 kilometres per hour for freight compared to Kenyan SGR that has 120 kilometre per hour for passenger trains and 80 kilometres per hour on freight haulers.

Planting of grass that dots SGR stations cost Kenyan taxpayer about KES 1 Billion (USD10 million) while airtime allowance for lead engineer was KES 5 million (USD50,000) in 3 years. The Kenyan taxpayer forked another KES 57 million (USD 570 million) to provide the office furniture for the lead engineer and another KES 239 million (USD2.3 million) was used to provide for entertainment of the lead engineer and his staff for a period of 3 years.

Perhaps what baffled Kenyans most were revelations that the prices of some items were extremely exaggerated. For instance an A3 laser printer that cost an average of KES 75,000 (USD 750) each in Nairobi was priced at KES 513,700 (USD 5,137) each. This contributed to a higher cost of the Kenyan SGR. According to the contracts signed between Kenyan Government and China Road and Bridge Corporation (CRBC), for SGR to break even, it had to generate an average of KES 1.5 billion (USD 15 million) per month but currently it only manages a sales of KES 841 million (USD 8.4 million) meaning it is far below the target.

It is worth noting that Kenya Railways raised the issue of inflated prices at a meeting with CRBC in June 2012 meaning that Kenya Railways which should actually been the lead negotiator on the Kenyan side actually had no say in the negotiations that bore no fruit as far as reduction of the COST of SGR are concerned.

A question that lingers in the mind of Kenyans is how CRBC went ahead with the SGR loan issue despite glaring evidence of inflated prices of items and red flag raised by Kenya Railways? To answer this question we need to examine how the borrowed money is often used in developing countries.

According to United Nations Development Program (UNDP) Global Human Development Report of 2002, in many countries, the debt strangles the public purse and is often for money spent unproductively long ago by authoritarian regimes.

History is rich with cases where huge sums of borrowed money is embezzled by corrupt authoritarian regimes in complicit with creditors where the former are ready to lead their countries

into huge unproductive debts, mostly infrastructure as long as they can skim off commissions for themselves in the process. It is a win-win situation for them and the creditors since the creditors get business, the corrupt authoritarian leaders laugh all the way to the banks.

Mobutu Sese Seko ruled Zaire, now Democratic Republic of Congo (DRC) for 30 years and left with a fortune of about USD 8 billion equivalent to over two-thirds of his country's debt. But how could IMF, World Bank and other creditors in the Western countries continue giving loans to an authoritarian corrupt leader like Mobutu fully aware that the money was not going to areas that are beneficial to the public?

The debt is always structured in a way that a big percentage of the debt hardly reaches the coffers of the poor countries that incur the debts but remains in the accounts of the same borrowing countries or banks in form of deposits that are always at a lower interest rate than that of the loan itself. The poor countries Central Banks then have to borrow from such banks at higher interest rates and through this, the private banks and creditors are able to make a kill.

While all this is happening, the corrupt authoritarian leaders are allowed to embezzle the loans through skimmed off commissions and inflated prices as long as they keep the stolen money in accounts of the same banks often located in the creditor countries. Through such schemes, the creditors are sure that the loan money does not actually leave the creditor countries and it is available to be loaned again to others in an endless cycle of debts. Interestingly, all this happens with the knowledge of IMF, World Banks and creditor countries.

In the case of the Kenyan SGR, the loan money was moved directly from the China Exim Bank to the CRBC accounts denying Kenya any benefits that would have trickled in on account of local purchases. The contract between Kenya and CRBC state that "the buyer (Kenya) shall pay those amounts due to seller (CRBC) which are financed by the financial institutions of China to the seller (CRBC) through the financial institutions of China".

This is why the Kenyan Social Movements for the Abolition of Illegitimate Debts (KSM-AID) and the Kenyan Peasants League (KPL) are planning a Citizen Audit of the SGR Debt to question and establish its legitimacy as well as to shed more light on the Kenyan SGR debt.

The Citizen Audit of the SGR will seek to establish the purpose of SGR loan, who decided to contract the SGR loans on behalf of Kenyans, whether Kenya received the entire amount of the SGR loan money, who hold the SGR debt, who has so far profited from the SGR loans, the interest rate of repayment, what interest has been paid so far, the portion of Kenyan budget that is used to service the SGR debt, the creditors conditions, how Kenya is financing repayment of the SGR debt and the social, economic, ecological, gender & regional effects of the SGR loans as well as the impact of SGR loans on the lives of the people of Kenya.

All the above will be done with a view of assessing the legality, sustainability and legitimacy of the Kenyan SGR debt with a view of breaking the taboo of debt repayment that Kenya cannot stop repaying SGR debts if the Citizen Audit reveal that the SGR debt did not benefit the majority of the Kenyan people; the SGR debt facility violated Kenyan domestic finance laws like the principles of public finance management; the SGR loan can not be serviced without seriously impairing the ability of the Kenyan government to fulfil basic human rights obligations to Kenyan citizens and that the SGR loan agreement included terms and conditions that are grossly unfair to Kenyans, violate the human rights standards, social justice.

"Debt cannot be repaid, first because if we don't repay, lenders will not die. That is for sure. But if we repay, we are going to die" - Thomas Sankara

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