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REPORTER:	*Fran Abrams*
PRODUCER:	*Samantha Fenwick*
EDITOR:	*David Ross*

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ACTUALITY AT TEA AUCTION

AUCTIONEER: …..sixty eight start, sixty eight, sixty nine now, seventy, one, seventy one cents loola, all finished selling. Seventy one thank you and thank you sir……

ABRAMS: Mombassa is the home of the East African tea trade. Here at its auction Kenyan traders sit side by side with rivals from Uganda, Tanzania and Malawi. But these countries are also engaged in another bidding war for something much more crucial, foreign investment. Gordon Brown thinks trade, not aid, is the route out of poverty. But some African Economists have their doubts.

KIBUA: Business is nothing to do with the development and I think countries that are developing must learn to balance between business opportunities and development initiatives. I still have to see any business man who has 100% interest of any country in mind except their bottom line in terms of profit.

ABRAMS: The key question is how much companies really contribute to the countries where they invest. In short, it’s about tax.

ABRAMS cont: And it’s set to be the next big development issue.

ABUGRE: From developing countries we are losing something in the neighbourhood of £500 billion to £800 billion dollars annually. And from Africa between £100 billion and £200 billion. The tax injustices from Africa is the complete looting of the continent.

SIGNATURE TUNE

ACTUALITY ON STREET

ABRAMS: This is Nairobi. It’s a bustling, modern city where there’s a real sense things are on the move. These streets are jam-packed full of people walking to work. And the thousands of ramshackle minibuses that carry commuters into the city have brought the traffic to a standstill. In short, it’s booming.

ACTUALITY OF MUSIC IN STREET

KITUYI I The main magic of Kenya's growth is happening in the Nairobi Stock Exchange, in the massively improved tourist performance in the miracles happening with the construction industry, real estate and infrastructure. In the jobs being creating value addition in our agricultural products through increased processing, in increased access to international markets particularly in the commerce region for our producers. These are the drivers of this economy.

ABRAMS: Kenya’s trade and industry Minister, Mukhisa Kituyi, is delighted by the recent growth in his country’s domestic economy. But when it comes to attracting foreign business, his Government has to make sometimes expensive concessions to win investment.

ACTUALITY OF SWEEPING

BARRATT: Kenya’s ideal conditions for passion seed. We buy the seed and we process an oil from it and that goes to the Body Shop for the passion seed range.

ABRAMS: Wayne Barratt’s the Operations Director of a UK company called Earthoil. It’s been processing oils for cosmetics on this site near Nairobi for five years.
So what sort of products would that go into in the Body Shop’s range?

BARRATT: It goes into the body butters, some moisturisers, some shampoos, some conditioners. They have a couple of ranges like the papaya range, a pink grapefruit range, they’ve got a passion seed range. The ranges are pretty similar and they range from moisturisers to shampoos.

ABRAMS: Mr Barratt’s proud of his company’s record. Its products are fair trade and organic. It treats its staff well and it’s helping small growers to diversify into new types of crops. But there’s one major reason why the company’s based its African operation in Kenya. It’s in what’s known as an Export Processing Zone, or an EPZ.

BARRATT: The EPZ gives very attractive investment opportunities. You get a ten year corporate tax haven, if you want to call it so you don’t pay any corporate tax for ten years. You don’t pay any duties or VAT on your raw material coming in. That also goes for your machinery and any capital expenditure you make and that’s hugely influential in our business because we bring in a lot of seed.

ABRAMS: Would you be here if there wasn’t an EPZ?

BARRATT: No. No we wouldn’t because we just couldn’t bring our raw material in cheap enough because there will be the duties, the VAT’s by the time you landed here it would be too expensive, so no we wouldn’t. You wouldn’t have this industry in Kenya if it wasn’t for the tax incentives. We would move our Factory to China.

ABRAMS: These zones were set up in the early 1990s to boost exports and create jobs. And on the second count, they’ve succeeded. There are 40,000 people working in 43 different zones now, many of them occupied by just one large company. But despite that there’s increasing concern in Kenya that the policy isn’t working. Dr Thomas Kibua, the Executive Director of Kenya’s Institute of Policy Analysis and Research, has been assessing their contribution.

KIBUA: If you look at the structure of the Export Processing Zones in terms of ownership then you can tell exactly where the money goes. Because if the owner is a Pakistani or Indian or an Englishman suddenly when he earns money it will go to his account. And they will bring back the only amount that is required to pay salaries for the people he has employed, or to buy any amount of domestic material that he has to pay. So he doesn't bring anything because he has no incentive to do so and the market is liberalised.

ABRAMS: Surely they would say, well that's business, that's what we do. Perfectly legitimate.

KIBUA: Business is nothing to do with development and I think countries that are developing must learn to balance between business opportunities and development initiatives and I think that's where the crux of the matter is.

ABRAMS: Dr Kibua’s research shows that despite the zones and other incentives, Kenya’s net income from foreign direct investment actually dropped from 80 million US dollars in 2003 to $20 million in 2005. Jack Ranguma, who used to be Kenya’s head of Domestic Tax, thinks the investors weren’t here for the long term.

RANGUMA I was aware that there was a threat they would relocate after they concluded their tax holiday, and frankly speaking there would be nothing to stop them. But I also know that a number of them have changed their names as well, when the tax holiday expires you change and begin operation in a new name.

ABRAMS: Did you actually speak to companies who said that if we don’t continue to get these incentives we will relocate.

RANGUMA: Oh yeah, a number of them I spoke to and they were kind of suggesting that when incentives stopped they would relocate. I understand a few of them went to Uganda because Uganda had also established a similar scheme. When you establish a similar scheme you create harmful tax competition and people would move to other areas where they think they will earn more. One of the reasons why EPZ was set up was to create employment and yes to a large extent it created employment but the wage payment was so low to an extent that as a Commissioner of Tax I was unable to collect any taxes from them.

ABRAMS: The Trade & Industry Minister, Mukhisa Kituyi, admits the export zones have not been a panacea for Kenya’s ills. But he says they have delivered some important benefits.

KITUYI: The Export Processing Zones as a model have had their limitations but having said that they have underpinned critical large scale jobs that were necessary as a country in vast economic decline.

ABRAMS: The fact remains doesn’t it that the majority of jobs, they’re still low-paid jobs. We actually spoke to a former Commission of Taxes who said he could really not collect income tax from those people because they tended to be paid below the tax threshold.

KITUYI: Well he should be happy that those people have an income, they will not otherwise be having if there are no EPZ. I mean we don't just create jobs so that the tax man has something to collect. We create opportunities for livelihoods which can then have a multiplier effect, the children those people are being able to send to School. The hospital bills those people are being able to cover, the improved housing they are able to score for themselves is more important to this country than what the tax man collects from them. The critical thing is you should say EPZ jobs have been bad because if they are not there they’ll be better jobs. But if

KITUYI cont: their coming to a situation where the alternative is a life of crime and prostitution and drug peddling, then any person who is cynical about that can take a walk.

ABRAMS: He's happy that Kenya's domestic economy is growing, and he's happy to welcome overseas firms. But some local producers feel they're at a disadvantage when they try to compete against the big foreign corporations.

ACTUALITY OF SWAHILI SHOUTING

ABRAMS: This is Elizabeth Thandi's 12 hectare farm in Limuru which is about 30 miles North West of Nairobi. It's a fairly small plot but it rolls down to a river and it's got this wonderful rich volcanic soil. It's here she grows flowers including golden rod which are destined for bouquets of flowers to be sold in Tescos, Sainsburys and Marks & Spencers.

ACTUALITY OF CONDITIONING FLOWERS

THANDE: We dip the flowers in hot water because this is a bleeding stem and when it bleeds if you harvest it, it keeps on bleeding. We put it here for it to stop bleeding. It's like we are healing the wound of the flower.

ABRAMS: It's nearly 20 years since Mrs Thande started growing flowers. She works hard to keep her business in profit, and she's constantly thinking where this fickle market might go next.

THANDE: It's a good business but it requires a lot of effort to be able to fit in, in the market because this is an international trade. So your competitors are not only your local people around, you have to compete with other people in the world.

ABRAMS: Can you tell me how much profit you made in the 2005 to six financial year?

THANDE: It was about £40,000.

ABRAMS: And out of that how much tax would you have had to pay?

THANDE: £9,000.

ABRAMS: So you pay about 25% of your total profit?

THANDE: Yeah, yeah to tax.

ABRAMS: And how much does that leave you with?

THANDE: £30,000.

ABRAMS: So at the end of the year you come out with about £30,000 after your tax and your other costs?

THANDE: Yes that is true. Yes.

ABRAMS: Mrs Thandi’s part of Kenya's fastest-growing export market. Last year more than eighty thousand tonnes of flowers were flown out, almost a third of them to Britain. But while she pays her taxes in Kenya, that isn’t the case for everyone. Flamingo Holdings is British, it’s one of the biggest flower companies operating in Kenya, though not in one of the tax free zones. It delivers 500 tonnes of flowers and vegetables a week to UK supermarkets such as Marks & Spencer and Tesco.

MURPHY: Flamingo is a large company. It turns over 271 million pounds a year, now that's big. Its profits are 4.9 million pounds a year which is actually quite small compared to their sales value but it’s still a reasonable size of profit.

ABRAMS: Richard Murphy’s an Accountant and Advisor to the Tax Justice Network, a campaigning organisation. He’s discovered something quite striking about Flamingo’s contribution to the Kenyan economy. In the last few years it’s paid almost no tax there. What it pays, it pays in Britain.

MURPHY: They actually only pay a total of 880 odd thousand pounds of tax on that profit of 4.9 million so in total under 20 per cent tax is what they’re paying. The interesting thing is that out of their total tax paid I have checked how much was overseas tax, and over a two year period this company paid 416 pounds in tax.

ABRAMS: £416. Why would a company want to pay its tax in Britain rather than overseas?

MURPHY: For one simple reason. My research has shown that even though we have an official tax rate of around 30 per cent, most companies do not pay the headline rate of tax. Any company who is trying to maximise its profits will try to pay its tax here and not in Kenya.

ABRAMS: What percentage tax did Flamingo actually pay in the UK?

MURPHY: Well the overall tax rate of the group is 17.8 per cent on cash paid in this year, current tax, so that's low. Whatever happened they paid the bill here. They didn't pay it anywhere else.

ABRAMS: We wanted to visit Flamingo, it’s the biggest UK company growing flowers in Kenya. Its greenhouses around Lake Naivasha, North West of Nairobi, would cover more than 100 football pitches. But the company said its staff were too busy because it was in the process of being taken over by another British firm. Nor would it give us an interview. But in a statement its Managing Director Martin Hudson said it paid substantial sums in indirect taxes and had an award for fiscal probity.

READER IN STUDIO: We do have corporate tax charges against profits in Kenya but there are allowances for investments and brought forward tax losses. In the last four years the company has invested in excess of £20 million in Kenya. Tax charges are ameliorated by the normal capital allowances.

ABRAMS: The Kenyan Government's introduced incentives for investors in its flower industry, designed to prevent business from choosing neighbouring countries such as Ethiopia instead. What Flamingo is doing is taking advantage of tax breaks in both Kenya and Britain. But back on her farm Elizabeth Thande doesn't have access to the tax breaks and incentives that some bigger International companies have. So she has to pay the full rate to the Kenyan Government. And she's surprised to learn how little tax Flamingo pays.

THANDE: I don't know how they would have come up with that kind of taxation, because I know the taxes are there, they are very heavy, very, very, very heavy taxations.

ABRAMS: How does that place you in relation to them though in a competitive market?

THANDE: No, we can't compete. We definitely cannot compete.

ABRAMS: If you wanted to pay less tax is there any way you could do that?

THANDE: I don't know how I can avoid taxes because when they are put, they are put you have to meet the requirements. They have other better ways of working in their businesses. It is not fair but can we change it. Can we change the system can we? I wish we could.

ABRAMS: But the authorities in Kenya feel those investors could make a bigger contribution. Shortly before he retired a year ago Jack Ranguma, the former Commissioner for Domestic Taxes, was investigating the flower

ABRAMS cont: companies. He says some firms, though Flamingo wasn't among them, were bending the rules.

RANGUMA: There were concerns that the flower companies were not paying what we felt as their fair share of the tax burden. I formed a task force to audit the flower companies and the task force did come with some preliminary interesting results that pointed towards suppression of income.

ABRAMS: Suppression of income, what does that mean in tax terms? What does it mean for you as a Tax Commissioner?

RANGUMA: It means you do not declare the full value of the income that you have earned as a business, and that means you are underpaying taxes because of that suppression.

ABRAMS: What he uncovered was the misuse of transfer pricing. Richard Murphy of the Tax Justice Network says this is a means by which companies can shift their tax liability to countries where the charges are lower.

MURPHY: Transfer pricing is completely legal. It simply means that a price is set at which goods are sold, in this case flowers, from one company in Kenya to another company in the UK and they're both owned by the same people. Now, suppose you buy a bunch of flowers in a supermarket for £10. Let's presume that £4 of that will go to the Supermarkets so £6 is left to pay to the supplier of the flowers. Those flowers were grown in Kenya, sold to the Supermarket by a British company. Let's suppose that out of that £6, £5 was costs, so they made a profit of £1. Now if that group of companies wanted to pay all its tax in Kenya then the £1 profit would have been added onto the Kenyan costs and all the profit would have turned up in the Kenyan accounts. And the UK company would have made no profit. Now some of this profit clearly arises in Kenya because lots of people are growing lots of flowers there. And some of it arrives in the UK because somebody's got to sell these flowers, so it seems fairly obvious that there should be a split between the two. But what would be completely unfair was for one country to get all the tax and the other country to get none of the tax.

ABRAMS: While Flamingo was legally taking advantage of tax breaks in both locations, some companies were artificially suppressing their Kenyan income to evade paying tax. The Kenya Revenue Authority's introduced rules to prevent companies doing this. But it's fiendishly complicated. Jack Ranguma never got to the bottom of what those flower companies were up to.

RANGUMA: One of the major impediments to that investigation was that information was not readily available from the European side. They are under obligation to help us to recover taxes that are payable in Kenya, but be that as it may we, are dealing with a first world and a developing economy and we are pursuing different interests as well.

ABRAMS: So what happened to your investigation in the end?

RANGUMA: Well I left office before I concluded the investigation so I don't know how far it has gone, but I do understand that a number of people have been moved from that investigation, so I don't know to what extent it has achieved the objective.

ABRAMS: Mr. Ranguma doesn't believe the International companies are the only ones to blame. After all, Kenya's Government's been beset by corruption allegations for years. Mukhisa Kituyi, the Country's Trade and Industry Minister, told us he would be very concerned if an investigation into the flower companies had been stopped without good reason. We spoke to a former Commissioner of Taxes who told us that he had been investigating the International flower companies because he'd discovered that they simply weren't paying tax. Would you have concerns if you heard that an investigation like that was stopped?

KITUYI: Yes of course, I have a responsibility as a Minister of Government to try to find out what is happening but is it on a more specific matters about an investigation being stopped in another Minister's jurisdiction I cannot hazard a public opinion. But I'm going to meet the Minister of Finance in the next one hour, I will raise it formally with him.

ABRAMS: So you will raise that concern?

KITUYI: Yes, yes I will do that this morning. I want to see what is happening is there any truth in this, is it just a cheap propaganda. I mean I want to find out, it's in our interest that every person that should pay taxes pays their taxes. That's important for us to sustain some of the work the Government is trying to do, to sustain this Country's momentum of growth.

ABRAMS: We asked the Kenya Revenue Authority what had happened to Jack Ranguma's investigation. They wouldn't talk to us. In a statement, they said they had prosecuted some flower companies for transfer pricing offences. But they refused to give details, and we couldn't find any public record of any such cases ever having taken place. Ray Kyles, the acting British High Commissioner to Kenya, said he was happy with the contribution British companies were making to the country's economy.

KYLES: How much tax a company pays is a matter for you to ask the Kenyans about. There is however the other side of the coin, extremely high levels of sales into the UK, and the provision of a lot of jobs in that market. And its not just the jobs for those employed, it is the wider benefit to sometimes large families. Unemployment is extremely high in Kenya. Healthcare costs are high. If they want to educate their children to secondary level there are relatively high costs involved. So jobs are an extremely important commodity here. As I say its for the Kenyans to explain how they set their tax structure but they recognise the benefits to Kenya of companies operating here and the reality is, it's a global market. Companies, if they feel that they cannot produce the best price here to meet the demands of Supermarkets in the UK at the prices they set, will move to elsewhere.

ABRAMS: There's an issue for the British Government there isn't there, when a company employs in Kenya and yet it chooses to base itself in Britain for tax purposes.

KYLES: I think from a development perspective what would concern us is if that company pulled out of Kenya, and there was a loss not just of 10,000 jobs, 20,000 jobs maybe 100,000 people relying on those incomes. And we would be thinking you know what does that mean for the Kenyan economy. It puts another 100,000 people into poverty and that's not what Kenya needs. Kenya needs some development assistance from us but it also needs trade, it needs jobs. It needs that income from both domestic and international investment.

ABRAMS: It's an issue that's increasingly exercising the major charities. Yes, the developing world needs trade and jobs, they say. But many countries won't be able to shake off their dependence on aid until they can hang on to a bigger share of the wealth they create. Charles Abugre, Head of Policy and Advocacy for Christian Aid, says this capital flight is a worldwide problem.

ABUGRE: Kenya is not out of the ordinary. Kenya is just one of several countries across the world who are facing serious issues of capital flight. Generally from around the world we are losing something in the neighbourhood of 800 billion to one trillion dollars that's escaping countries. And from developing countries it's in the neighbourhood of 500 billion to 800 billion annually. And from Africa the estimate is somewhere in between 100 billion to 200 billion.

ABRAMS: What should Gordon Brown be saying then to British companies who are thinking about investing in Africa?

ABUGRE: They should invest in Africa but they should operate transparently. They should pay their legitimate taxes. In fact taxation is the single most important corporate social responsibility. They should not be talking about, you know, a bit of green here and a bit of schools there and a bit of HIV aids drugs there. They should do the basic thing which is essential for corporate responsibility. Pay your legitimate tax.

ABRAMS: We've just been in Kenya and you look at Nairobi, it's a booming city. Surely you can't deny there are serious benefits brought by foreign investors.

ABUGRE: One cannot deny that foreign investment can make a contribution to development but Kenya is the one country that relies more heavily on domestic revenues for their infrastructure. In fact the taxation system is probably functions much better than others but it's not corporate taxation which is the source of the resources for investing in the infrastructure that foreign investors rely on even in Nairobi. It's mainly small producers, small tea producers, workers and small businesses in Nairobi and other parts of Kenya.

ABRAMS: But Kenya, like most African Countries, does still have to rely on foreign investment as well as local business to help its economy grow. In an increasingly globalised world, it can be very hard to work out who should be paying what.

ACTUALITY OF TEA PLUCKING

ABRAMS: These women are shrugging off the rain as they pluck tea in the Central region of Kenya. Flowers are a relatively new export market, but tea's been produced here for more than a century. In fact the first bushes were planted not far from here by a British grower in 1903. This Tea Farm's one of the smaller ones, part of a co-operative that feeds into the Kambaa Tea Factory.

ACTUALITY OF TEA SLURPING

KIOGORA: …this cup now is better. This has more colour now. This one no a problem of fermentation. I think because of the weather. When it's very cold the oxidation process was not very effective. It is thin comparing to the next cup of the same grade.

ABRAMS: Patrick Kiogora's the Production Manager here. He's just been checking the latest delivery, 2000 kilos of tea. It's been laid out on belts to dry overnight, and now the factory's churning out hundreds of kilos of black tea.
Would you say that a lot of this tea would end up in the United Kingdom?

KIOGORA: A substantial amount of it will end up there I know like Twinings, Taylor's of Harrogate, Spencer.

ABRAMS: And is it a good business?

KIOGORA: It is we have recorded profits year in and year out. I believe it will continue though there are challenges of rising costs and drop in prices.

ABRAMS: Did you make a profit last year?

KIOGORA: Last year we were able to make a profit of 326 million Kenyan shillings.

ABRAMS: 326 million shillings, 2.4 million pounds profit.

KIOGORA: That's it, that's it.

ABRAMS: That's a very healthy profit isn't it?

KIOGORA: Yeah, that's the profit we made and the operational costs were almost as much.

ABRAMS: And do you have borrowings. Do you have to borrow a lot of money from the Bank?

KIOGORA: We don't borrow money from the bank unless we want to finance a project.

ACTUALITY AT FACTORY

ABRAMS: This factory is owned by 6,000 smallholders with farms around here. But 40 per cent of the 140,000 hectares of tea in Kenya is owned by the big plantation companies. They've made profits over the years, and some local investors have bought shares. One of those is Dr John Kimani, who bought into a British-owned firm called Kakuzi. It had interests in both tea and coffee. And he had a very personal reason for wanting to buy.

KIMANI: I was born in Kakuzi Makuyu. My earliest memories is me riding on my mother's back picking coffee as she was picking coffee also. Now we have a tradition in my Kikuyu culture that the placenta which connects the child with the mother is buried in a very ceremonial way, and where it's buried that's where you should also consider to be your place.

ABRAMS: Kakuzi, which has operated in Kenya for decades, is owned by a British company called Camellia Plc. And for a long time Dr Kimani's investment brought him a good return.

KIMANI: Before I think the year 2000 we used to almost consistently receive some dividend. But over the last 7 years the dividend payout has been very rare.

ABRAMS: Why is that?

KIMANI: From what we are informed in Annual Reports and also the AGM, the company's heavily indebted to the tune of about 650 million shillings, 5 million pounds.

ABRAMS: And why is the Company in so much debt? Does it need to be in debt?

KIMANI: Personally I don't think it does because given the earlier performances in the 1980s it was always generating a surplus. In fact it used to have a very substantial cash reserve, and that's why I for one thought it was a very attractive investment.

ABRAMS: Looking at the accounts of the Camellia group companies, a complicated picture starts to emerge. Kakuzi had sales of £10 million last year, and pre-tax profits of £1.4 million. But because of its debts, it paid only £356 in tax. To get to the bottom of this, Dr Kimani's been studying the Group's structure. He's found it hard to see who's meant to be paying what to whom. There's a great deal of trading between companies in the group. It even has its own private bank. And its ultimate owner is a trust based in Bermuda.

KIMANI: Kakuzi's only one of the companies with whom Camellia is associated with and one may wish to understand also that Kakuzi doesn't have a management of its own. It actually sources management from another company. It also tends to source other services and facilities from other companies. Also I do believe that they do source some of their funds which they borrow from an associated company which is owned by Camellia Plc.

ABRAMS: So it's a very complicated company structure.

KIMANI: It's a very complicated configuration, and it takes quite a bit of time to understand how Kakuzi links to all these. And somehow you know all these other companies have something to do with Kakuzi and it is very complicated to understand how they relate and how the money flows from one company to the other.

ABRAMS: The Company didn't want to give us an interview. But Camellia's Chairman, Malcolm Perkins, said in a statement that Kakuzi's losses were the result of poor returns from its coffee plantations, rather than as a result of tax planning.

READER IN STUDIO: To suggest that Kakuzi is attempting to avoid its moral responsibility to pay taxation is incorrect, offensive and unjustified. I'd be delighted if Kakuzi was in a position to pay tax to the Kenyan Government.

ABRAMS: When asked why the company was ultimately owned by a trust based in Bermuda, he replied:

READER IN STUDIO: Camellia Plc is listed on the London Stock Exchange and it is not for the Company to comment on the residence of any of its shareholders.

ABRAMS: No-one's suggesting Kakuzi or its parent company Camellia has done anything illegal. But elsewhere in the tea industry, we've discovered evidence that seems to point to serious fraud.

ACTUALITY OF TEA AUCTION

AUCTIONEER: … six, seven, nine, three nine, at the moment one forty, all finished one four zero selling, take another one, Sir.

ABRAMS: At the Auction in the port town of Mombassa, dozens of brokers and buyers are haggling over consignments of tea. Most of the tea grown in Kenya's sold here. That's more than 300 million kilos every year, and the UK's the third biggest buyer after Pakistan and Egypt.

ACTUALITY AT DOCKS IN MOMBASSA

ABRAMS: Once the tea's been bought and paid for it comes here to the docks, where its paperwork's checked before it's shipped out. Official Kenyan Government figures say in 2005, almost 50 million kilos of tea left this port bound for the UK. But we've discovered something odd about those figures. Because the official UK figures say 75 million kilos, one and a half times as much, arrived in the UK from Kenya. Jack Ranguma, Kenya's former Head of Domestic Tax, thinks he knows why.

RANGUMA: If the export statistics in Kenya are lower than the statistics elsewhere it shows two things. One that there is a great deal of corruption in Kenya, which is the reason why they are able to prepare export documentation which are not consistent with actual export figures. But secondly and more importantly, it would mean that the companies involved are transferring income from Kenya as a tax jurisdiction.

ABRAMS: In effect what these companies are doing is defrauding Kenya of its tax revenue.

RANGUMA: Definitely. That's tax evasion.

ABRAMS: The Authorities have recognised they have a problem. The Kenya Tea Board, a Government Agency, now has an officer working with customs to try to find the cause. And a Senior Customs Officer told us his staff were regularly moved around to try to prevent bribes from changing hands. The Trade and Industry Minister, Mukhisa Kituyi, says if there has been wrong-doing it will be rooted out.

KITUYI: I do not jump at suspicion every time the statistics are not adding up. I don't have that privilege. I used to have it when I was an academic. But not as a Minister.

ABRAMS: We've heard from a tax expert that this could be under-reporting simply to avoid corporate tax.

KITUYI: I think we'll catch up with them if that is what is happening, yeah. The Institution capacity and commitment to deal with this form of potential loopholes is growing and with it will be growing results, so if we find any dishonourable mischief we'll be heading towards it. Over the past four years the collection of ordinary public revenues has increased by more than 80 per cent. It means that we're now improving our capacity or even dealing with loopholes in the

KITUYI cont: pilfering of what is collected. But also as we enhance the capacity then we can start paying attention to white collar crime that deny us our legitimate incomes.

ABRAMS: But if there's a pattern emerging here where International foreign owned companies are coming here, investing, but then moving their tax liabilities elsewhere through a variety of different methods. That's a matter of concern for the Government isn't it?

KITUYI: It is officially a matter of concern for Government when all manner of sophistications in thieving can be discerned. The new thinking with our partners has to be founded on that mutual respect**,** and we want our sisters to stop their corporate citizens who may not be paying their due taxes here that that's one of the ways of enhancing our bilateral friendship.

ABRAMS: In short, the Minister wants Britain, among others, to help Kenya develop by ensuring its businesses pay their way. And Gordon Brown’s made it clear he wants business and development to be much more closely linked. But the acting British High Commissioner, Ray Kyles, doesn’t quite see his role that way.

KYLES: Our role here is that having created a Minister who is now jointly responsible for Trade and Development, trade and aid, we recognise that we have a role to play in terms of the regulatory side of business here and looking at other ways in which we can help attract investment to Kenya. Make businesses more competitive and given opportunities take advantage of free access to the European and UK markets.

ABRAMS: But there is a fundamental conflict there between those two things. I mean you’re here as you said to support the interest of British companies. The Kenyan Government has an interest in collecting taxes from those companies and grow its economy. Those two things aren’t always compatible are they?

KYLES: No I would say that our role here is to recognise the advantages to Britain of increasing its exports and in helping British companies look for opportunities overseas to sell its products. So we act as a sort of link person in finding these markets, these niche markets that can sell its products, that’s our primary role.

ABRAMS: So the development agenda will be a secondary role?

KYLES: No the… the development side of it is important but that's looking in an opposite direction. That's looking at the opportunity for Kenyan companies to export overseas, to help grow the Kenyan economy. What I was talking about was our primary role in helping British business export to Kenya. It's a two way street.

ABRAMS: But if there's a conflict, as there clearly is on some occasions, your interest is in supporting British business.

KYLES: Well you say there's a conflict. We think there's a win win here.

ABRAMS: But not for the major charities which were behind campaigns on poverty and debt. They’re gearing up for a big push on the issue this Autumn. Charles Abugre of Christian Aid says while foreign investment does bring benefits, Africa loses far more through tax avoidance than it receives in aid.

ABUGRE: It is a problem. If we can’t deal with it there is absolutely no way in which you can conceive of poor countries detaching themselves from aid dependency. There is a limit to which you can keep taxing lower middle class people in National budgets all across the world to transfer aid so there will be aid fatigue. So the issue of seriously retaining resources has to be and this is increasingly coming to the centre of the table. It is the missing link in the whole international development campaigning.

SIGNATURE TUNE