NEWS

Flower companies threaten to move to Ethiopia as workers and council protest

Story by KEN OPALA
Publication Date: 4/2/2007

A local authority is targeting flower firms to raise Sh320 million in cess to pay debts.

But the growers warn that further taxation could force them out of Kenya and into the welcoming arms of neighbouring Ethiopia.



Workers at a local flower company prepare roses for export. Though they have been provided with protective clothing, many of their colleagues in Naivasha's numerous farms are not as lucky because they work under difficult conditions and for little pay. Photo/FILE

Naivasha County Council hosts 47 flower farms that earn Sh32 billion in exports yearly — almost 80 per cent of Kenya's total cut flower exports.

With 75,000 tonnes of exports each year, Kenya is the leading cut flower supplier in Europe, accounting for 31 per cent of the market.

However, the council collects a paltry Sh2.2 million in the form of business permits and land rates from the farms.

"This flower industry has left us poorer," says Naivasha mayor Thomas Gitau. "They have led to increased population, which is seriously straining our ability to deliver services. Yet they don't pay cess."

Raising money

He has set up a team — what he calls Cess Committee comprising farmers, council and government officials — to explore ways of raising money from the farms.

"This is the kind of money that can help us develop better housing for the farms' workers and rehabilitate infrastructure."

The authority requires Sh320 million to provide water, repair roads, housing and health care for an estimated 40,000 workers in the farms, according to the mayor.

Only one in every four workers is housed by employers on the farm estates; the rest live either in Naivasha Town or Karagita, a makeshift settlement.

According to sources, the council collects Sh36 million yearly against its Sh48 million salaries bill. "Our total collections cannot even pay salaries for the municipal staff," says the mayor.

He draws parallels between the flower farms and tourist lodges in the game reserves. Lodges in Maasai Mara remit cess to the local council, he argues.

Naivasha lacks residential estates and factories — the traditional revenue bases for local authorities.

However, the growers say the country's law protects foreign direct investments from the kind of taxation the council plans.

They say they are already burdened by other remittances such as corporate tax and statutory contributions to the Kenya Plant Health Inspectorate Service and Horticultural Crop Development Authority.

The industry pays Sh22.5 million to the two and Sh10 billion to Kenya Revenue Authority, say sources.

The farmers claim more taxation would increase production costs, and have threatened to relocate to Ethiopia.

Agricultural Employers Association chairman Martin ole Kamwaro says the industry deserves "encouragement", not punitive measures.

"Ethiopia is taking upon itself to encourage foreign investments."

Insecurity and government red-tape had forced a number of flower farmers to relocate to Ethiopia.

Things different

They settled at Alem Gena, 30 kilometres from the country's capital Addis Ababa. Dutch grower Felix Steeghs (owner of Ethioplants) is among those firms that have moved.

"It's easy for the council to think we are making big money here, yet after statutory deductions, we find ourselves with little. Things could be different in Ethiopia," says a flower farmer.

The growers argue that they have created jobs for several people and earn the country foreign exchange.

"There is also fear that local authorities mismanage funds," says Mr Kamwaro.

The council claims the Sh320 million is one per cent of the farm's earnings per year.

Kenya controls 31.1 per cent of the European flower market. "Export volumes rose by 14.9 per cent from 70,700 tonnes in 2004, to 81,200 tons in 2005," says Mr Kamwaro.

The 47 farms have employed over 40,000 flower workers, 70 per cent of them women. But they live in squalid settlements.

"On average they earn Sh4,000 per month inclusive of housing allowance. This is peanuts for people who have come from far to work here," says Mr Peter Otieno, the secretary of the local branch of the Kenya Agricultural Plantation Workers Union.

Karagita where most of the workers live is a rickety jungle of mainly tin mud-walled-houses faced with insecurity and chronic water shortage.

Essential services

The high number of people moving from other parts of the country to work in the farms have increased the area's population, straining the council's capacity to provide essential services.

For instance, a sewage system commissioned in 1984 to cater for 50,000 residents has almost collapsed. Now the population is over 300,000, and continues to increase at the rate of six per cent, says a source in the council. Half of the population comprises workers on the flower farms and their families.

The council is also unhappy that while it suffers chronic water shortage, flower farms have unfettered access to the Lake Naivasha waters. The level of water at the lake is reportedly declining and experts fear it could disappear by 2015 due to over-fishing, uncontrolled abstraction and pollution.

Though farms near the lake use its waters for irrigation, they don't pay any levies to the council.

The town suffers chronic water shortage, but it cannot use water from Lake Naivasha due to Government measures to protect it.

Further, farms and other entrepreneurs around the lake — owners of floating restaurants, tourist hotels and cottages — have blocked community access to the lake.

Initially, the community, with their livestock, could access the lake through 17 designated corridors. Most of them have since been closed.

"Access to water for domestic use is difficult even in the catchment areas," says a report of a workshop organised by the Netherlands Development Organisation (SNV) last year.

Community agreed

Maasai pastoralists are opposed to appropriation of the lake. They said in a memorandum presented at a workshop Kenya Wildlife Service organised in Naivasha last month: "The pastoralist community agreed that the era of feigning ignorance and allow a few individuals to run roughshod on a vital resource that actually embodies their collective desire for economic and social emancipation, will be a thing of the past."

Mr Kamwaro, the group's spokesperson said: "Animals lick dirty and muddy water on the trenches because access to the lake has become virtually impossible."