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 MARKETS DATA
 NAIROBI

NSE 20 INDEX	▼ -0.27%	NSE ALL SHARE	▼ -1.91%
4.28	1577.75	-2.05	105.29
EGX30	▼ -0.33%	JOHANNESBURG	▲ 0.93%
-57.41	17339.06	721.18	78267.25
NIGERIA	▼ -0.31%	DAR ES SALAAM	▲ 0.17%
-203.63	65482.91	3.1	1824.18
UGANDA	▼ -0.24%	LUSAKA	▲ 1.74%
-2.5	1037.98	143.1	8367.33

Intelligence
 'The Nigerians [have brought] Singaporean expertise into their country to help them build a world-class trading zone...'
 CAROL MUSYOKA
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How Sh72bn cash inflow put Kenya on dirty money watch

● Watchdog faults Kenya's fight against illicit cash ● Agency flags large cross-border hard cash movements

MONEY LAUNDERING DOMINIC OMONDI

Massive movement of hard cash into Kenya, mostly in US dollars, prompted a regional anti-money laundering watchdog to issue a damning verdict on the country's preparedness in the fight against dirty cash.

The Eastern and Southern Africa Anti-Money Laundering Group (ES-AAMLG), which monitors how the region is implementing the global measures against dirty cash, notes that Kenya received suspect Sh72.2 billion in cash in the four years to 2021 that was not sufficiently explained.

The agency has in its report now asked the Kenyan government to strengthen its strategy in the fight against money laundering and terrorism financing or risk being grey-listed, a decision that



Part of the cash recovered from four suspects arrested at JKIA during a past police operation. FILE

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Aviation | More trouble for KQ as Ethiopia, Fly Dubai allowed more flights

Winnie Ateno

Kenya has granted Ethiopian Airlines more flights into Mombasa alongside Fly Dubai in what is set to upset national carrier Kenya Airways, which has been lobbying the government to protect local airlines.

The Transport ministry, which is now implementing the open skies policy, says it has allowed Ethiopian Airlines to fly twice directly into Mombasa every week, setting the



A Kenya Airways Boeing 787-8 Dreamliner aircraft. FILE

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TICKER.
Unmasking firms winning State tenders hits Kenya, IMF plans
 Naming the beneficial owners of companies doing business with the government is off to a slow start, making it one of the remaining pain points for Kenya's commitment to the IMF.
 ECONOMY PG04

ESG reporting fraud among latest crimes to hit East Africa
 More than half of East Africans reported having experienced economic crimes, including sustainability reporting fraud, in the last two years, a new report shows.
 The 2022 PwC's Global Economic Crime and Fraud Survey for East Africa shows that six in 10 respondents have experienced economic crimes.
 COMPANIES PG05

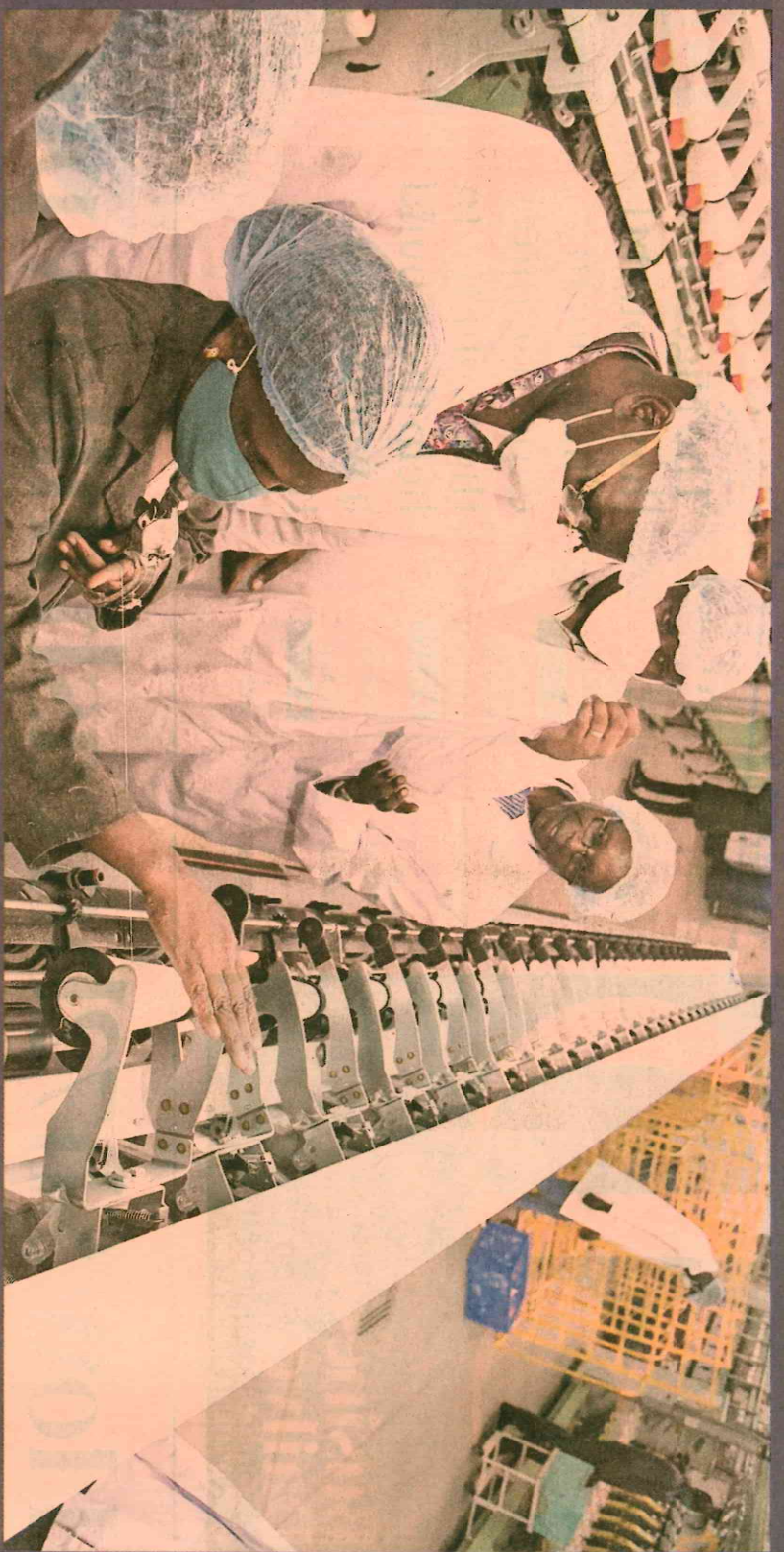
Big firms' dominance at stock market declines to 4-year low
 The wealth concentration among the top five NSE-listed companies by market capitalisation has fallen to a four-year low as investors diversify stocks portfolio. CMA data shows the concentration of the five most valued stocks fell to 67.8 percent of the NSE total market capitalisation in the quarter to June from 71.97 percent in March.
 COMPANIES PG14



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MPs tour Rivatex Eldoret factory

A Rivatex East Africa employee conducts National Assembly Committee on Trade, Industry and Corporative Development members James Gakuya from (chairman, left) and Sakimba Parashria on a tour of the factory's operations yesterday. The parliamentary committee members were accompanied by Thomas Kipkurugat (right), the Rivatex East Africa managing director, during their visit of the Eldoret-based textiles company. JAKBO NYAMWAYA



How Sh72bn hard cash inflow put Kenya on money laundering watch Cont. from p1

↩ would hurt the standing of Nairobi as the financial centre of the region.

The report says its analysis of the cross-border currency movement revealed that between 2017 and 2021, a total of \$1.85 billion (Sh262 billion), €6.97 million (Sh1 billion), £7.80 million (Sh1.4 billion) and Sh482.84 million had left Kenya in cash.

In the same period, Kenya received \$455.35 million (Sh64.4 billion), €34.34 million (Sh5.3 billion), £11.69 million (Sh2.1 billion) and Sh482.84 million. This adds up to about Sh72.2 billion using the current exchange rates.

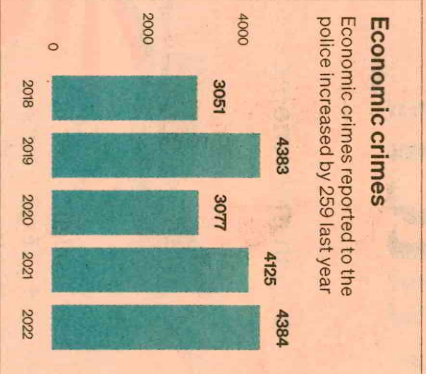
The main port of entry for this cash was Jomo Kenyatta International Airport (JKIA). Kenya attributed the huge cross-border physical movement of cash to the robustness of its financial system as many financial institutions across the region channel their financial needs through it.

Kenya is a gateway into the region and also a financial hub with its commercial banks having operations in a number of the neighboring countries.

For example, Kenyan banks engage cash in-transit courier companies to move physical cash to their foreign branches.

"Also, several international humanitarian agencies, NGOs, agencies and embassies based in Kenya move physical currency within the region. Cash is preferred to electronic transfer to address liquidity challenges in those jurisdictions," said ESAMMIG in the mutual evaluation report for Kenya.

The assessment team noted that



while the reasons given may be legitimate for the outflow, they could not explain the dollar inflows.

"While this may be a legitimate purpose of the USD outflow, the same reason cannot apply in relation to USD inflow and movement of Kenyan shillings in both directions," the report said.

The assessment team, which came to Kenya between January 31 to February 11, 2022 for an onsite visit, was concerned that the Financial Report-

\$10,000

The cash reporting threshold under the current anti-money laundering law

ing Centre (FRC) was not sufficiently analysing the cash transaction reports to develop patterns or linkages to any possible offences leading to money laundering or terrorism financing.

"In view of this, the AT (assessment team) is of the view that the FRC should still analyse the data for strategic purposes to confirm the validity of the source and destination as well as purpose of the funds," the report noted.

Kenya is far ahead of its regional peers in the East African Community—Tanzania, Uganda, South Sudan



Bernard Kiragu, the managing partner at consultancy firm Scribe Services.

and Tanzania—which are all in the grey list, meaning they are under increased monitoring when it comes to risks of money laundering and terrorism financing. But experts note that the gaps exposed by the report could hurt its efforts.

"I think we have a robust system of monitoring, because banks have to report. But nothing is foolproof, there is need for enhancement," said Bernard Kiragu, the managing partner at corporate governance consultancy firm Scribe Services.

According to Mr Kiragu, although most of the money comes into the country in cash, they ultimately end up in banks, where cash transactions of amounts of \$10,000 and above are vetted for anti-money laundering and combating the financing of terrorism (AML/CFC).

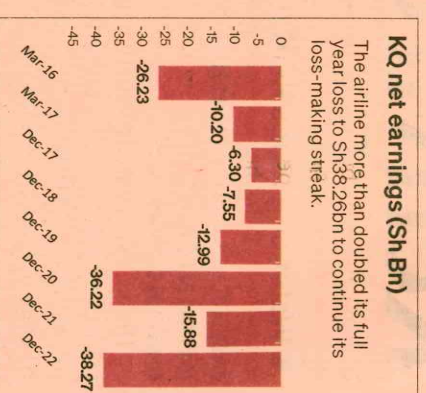
"Cash transactions are very rare. I don't expect someone would do really much in cash. By and large the money still ends up in banks. So we are not that bad," added Mr Kiragu, noting that there is a need for enhanced training of bank staff.

This comes at a time Kenya is making changes to the law to increase the reporting threshold by 50 percent to \$15,000. Kenya avoided being grey-listed like Uganda and South Africa. However, it was asked to expedite the listing of lawyers and notaries as reporting agencies. → dakure@kenationmedia.com

More trouble for KQ as Ethiopia, Fly Dubai allowed more flights Cont. from p1

↩ one-sided deals with foreign carriers in the policy since there is no reciprocity guaranteed. This means that Ethiopia Airlines will be allowed to fight with KQ in the domestic market but it will deny KQ the same fighting chance in its airports, in what could hurt its prospects of flying out of its loss-making territory.

Mr Murkomen said Kenya had received requests from international airlines that want to fly directly into the country. Coast county governors Abdulsamad Nassir (Mombasa), Gideon Mung'aro (Kilifi) and Andrew Mwaridime (Taita Taveta) and hoteliers have been pushing for the implementation of the policy for the full recovery of the



Hoteliers led by the chairman of the Diani Hospitality Owners Association, Mohammed Hersi, Kenya Coast Tourist Association (KCTA) chief executive officer Julius Owino and the Kenya Association of Hotelkeepers and Caterers (KAHC) executive officer Sam Ikwaye said allowing international flights to Mombasa will boost tourism numbers.

"The State can support the coastal tourism industry, by allowing direct flights. The sector players are struggling with low bed occupancy," said Dr Ikwaye.

Mr Hersi noted that Mombasa was for decades served by charter airlines before the post-election violence of 2007 and 2008, with the highest being 36 charters in 2007.

"We managed to claw back and recover and by 2012 we had 16 charters. Then terrorism came calling and non-essential travel advisories were declared by key tourist source markets including the UK, US, Canada good part of the EU and only Germany stood with us. Again charter flight numbers dropped to less than two," said Mr Hersi.

He said the Mwai Kibaki administration also considered direct scheduled flights. → watenoo@kenationmedia.com

40,000

Number of hotel beds in the Coast region

tourism sector to fill the over 40,000 beds in the region and create jobs.

Tourism is the region's economic lifeline employing thousands of youth. However, the sector has been struggling to attract tourists due to connectivity challenges.

Mr Nassir said the open sky policy will boost tourism numbers.

"We will not stop our reiteration of the fact that we need an open sky policy in Mombasa, otherwise this discussion that Zanzibar every time is competing with us will continue," said Mr Nassir.

Lamu Governor Issa Timamy urged investors to build hotels in his county to boost the economy.