A NATION MEDIA GROUP PUBLICATION

Business Daily

Stephen Gitagama Group Chief Executive Officer
Joe Ageyo Editor-in-Chief
Pamella Makotsi Sittoni Group Managing Editor
Paul Wafula Lead Editor

Step up fight against flow of dirty money

Last week, Kenya was put in a list of shame of 20-odd countries known as the gray list by the Financial Action Task Force (FATF), a global anti-money laundering watchdog.

This means that Kenya will be under heightened surveillance by the FATF. This might hurt the country's global standing even as the economy takes a beating.

One of the reasons Kenya was put in this list was due to its laxity in stemming the flow of dirty cash into real estate as criminals seek to conceal their ill-gotten wealth.

Real estate agents—just like commercial banks, casinos, accountants and lawyers—are designated as reporting institutions. This means they are obligated to file suspicious transaction reports (STRs) to the Financial Reporting Centre.

However, by the end of 2021 there were only two STRs filed by the 411 registered real estate agents, a deficiency that might have been exploited by criminals to launder dirty money.

The Eastern and Southern Africa Anti-Money Laundering Group, an affiliate of FAFT that did the assessment, blamed the low reporting on a lack of supervision.

Kenya needs to act on some of the deficiencies identified in the report. It is not just real estate; increased usage of cryptocurrencies was also flagged.

Lawyers, another weak link in the fight against dirty cash, are also expected to start filing suspicious reports this month. The authorities must ensure these issues are addressed.

Light at end of tunnel in competing KPLC

The Energy ministry has finally published new regulations allowing private firms to distribute electricity through Kenya Power and Kenya Electricity Transmission Company (Ketraco) networks at a fee.

This is a major step towards addressing the ineptitude that has for decades dogged consumers in the electricity market.

It is a fact that Kenya Power particularly has over the years failed to provide satisfactory service to its customers and much of this is attributable to the monopoly it has enjoyed.

As expected, monopoly tends to contribute to market failure because firms that enjoy it tend to be laggards in terms of embracing efficiency and innovation.

This happens because of the condescending attitude that customers have nowhere to turn, hence one can get away with bad services.

The new arrangement, if well implemented, would tilt the scales in that both Kenya Power and Ketraco would have to win customers through quality and innovative services.

This is good for consumers, and we hope the government will stay committed to this cause because it promises to be a game-changer in the electricity sector.

The editor invites comments on our content and topical issues
BDeditor@ke.nationmedia.com

Taxation

End graft, communicate better to make Kenyans see paying taxes as civic duty

A former senior editor used to have a label she used quite often when classifying Kenyan approaches to money, transparency and honesty: calling it the 'Robin Hood' syndrome.

It always surprised me she used British folklore to make her point, as she had no British connections I knew of, but her reference was, nonetheless, to a long-ago English baron who robbed the rich to pay the poor. He was a hero, made legendary by helping the masses to avoid starvation caused by extreme taxation that was used solely for wasteful leadership extravagance

In this dynamic, at least, it was a perfect reference to the general attitude to taxes in our nation, and the reason why 83 percent of jobs in Kenya remain off the radar, in the so-called informal sector. Indeed, the informal economy is estimated to account for a full third of all our economic activities. Yet, it has created a vicious cycle that is politically destructive and damaging for everyone.

For the more that Kenyans avoid taxes, the more disconnected they are from seeking accountability. You may not hold a Public Accounts Committee report identifying a trillion shillings lost from public spending as a good thing. But you are less likely to care about it when none of that trillion was yours (presuming you also managed to avoid the VAT payable on your farm implements, too).

But once you are a direct taxpayer, it doesn't sit quite so loosely when money you earned and sweated for and knowingly handed over for honourable public spending appears to have funded further, massive public-sector thefts.

Yet, for so long as so few Kenyans are paying taxes, the government budgets for everything are made strained, and the entitlement from anyone in the informal sector to a good road, school for their children, clinic or tuberculosis treatment is a theft of its own: 'Give me the road, but let others pay for it.'

Kenya absolutely needs to get the informal sector into the tax net. It already has rules in place so that it is not taxing people into starvation, as thresholds on minimum taxable incomes. But its credibility in collecting remains a bullet-shot life raft. At base, our informal sector thinking thrives on a single notion, that government cannot be trusted with the money it raises and does not deliver.

End the graft, and do better at communicating the public sector delivery, and paying taxes could yet emerge as a civic duty and honourable citizenship. But keep stealing, and let's hear why people should send in their funds for that. The problem is the public-sector thieves, creating a rationale for private-sector thieving too.

The writer is a development communication specialist

Environment

Accelerate shift to circular economy

Rapid urbanisation and development have led to an increase in consumption of products and waste generation in the country and across the globe.

The United Nations Environment Programme (Unep) projects that by 2025, the world cities will produce 2.2 billion tonnes of waste every year, more than three times the amount produced in 2009. This calls for immediate actions to sustainably manage waste.

The Unep proposes three key steps to address waste challenge: establishing control over waste; implementing environmentally sound management of waste; and moving towards circularity by considering waste as a secondary resource.

Cognizant of this, the manufacturing sector is committed to transitioning to green manufacturing for sustainable development.

We are witnessing more manufacturers embed circular economy and sustainability in their operations, for instance, sustainable waste management practices.

Adopting a circular economy is about resources moving from cradle to cradle, where waste from one process is a resource in other processes, instead of cradle to grave, where the impact created by disposal of products has a negative effect on the environment. Circular economy is based on three principles: eliminating waste and pollution; circulating products and materials; regenerating nature.

It creates solutions to the challenges we are currently facing locally and internationally, such as climate change and biodiversity loss whilst addressing important social needs. Its continuous implementation has provided world economies with unprecedented opportunities, through the creation of reverse logistics networks, new processes, and new industries using the recovered resources.

Denmark, for instance, incinerates its waste to generate district heating and electricity. They continue to perfect this technology year on year, towards the production of clean electricity for their citizens.

Whilst doing so, Denmark continues to ensure that the operation of these plants has the lowest environmental impact possible.

Therefore, accelerating the transition to a circular economy is one of the surest ways of securing the future of our planet for generations to come.

It cuts across every stage of the value chain and touches on energy use, sourcing of raw materials, production, distribution, and waste management.

We need to strengthen our will towards a circular economy through various efforts, as a nation, including inculcating it in our education system from the primary level. As individuals, we need to cultivate strong ethos of respecting and protecting our environment and natural resources, for better living.

The writer is the chair of Kenya Association of Manufacturers (KAM) Environment and Sustainability