# Karuturi workers want bank penalised

More than 2,000 former workers of Karuturi Ltd want Central Bank of Kenya (CBK) to stop operations of a local bank and its receiver managers of for alleged misconduct of spending $16 million (Sh1.6 billion) to recover a loan of $4 million (Sh403.5 million).

Workers of the Naivasha-based flower farm have blamed the bank for lending the receivers money through an overdraft facility that has led to the lose of more than Sh1.6 billion.

They want CBK to determine who approved the misadventure, saying that in 2012, the bank offered Karuturi a loan of $6,590,000 (Sh666.5 million) but after disbursing $4.04 million (Sh408.6 million), the bank stopped disbursing the loan.

In a letter to the National Treasury, Ethics and Anti-corruption Commission (EACC), Kenya Revenue Authority (KRA) and CBK, Karuturi Limited explains that the local bank did not explain the sudden stop in cash flow when the flower farm enquired.

According to a statement seen by *People Daily* and reportedly presented to the National Treasury Principal Secretary and copied to CBK Governor Patrick Njoroge the farmers said that the bank took this as a cue to recall the loan and put the farm under receivership.

"Karuturi then paid 10 per cent of the total loan amount $400,000 (Sh40.44 million) as gesture of goodwill that they will repay the loan and to regain control of the farm, but to no avail. The bank took over Karuturi Limited's assets," reads part of the letter.

According to them, the peculiar sequence of events has been carried out by the bank's receiver managers who allegedly manipulated the trade deficits of the firm.–WANGUI GITHUGO.

# Mystery of Nakumatt Sh2.3 billion tax cash

*Revenue authority only able to collect Sh4.6 million owed by struggling retail chain*

**by Fred Aminga**
@faminga

Out of Sh2.3 billion owed to Kenya Revenue Authority (KRA) by Nakumatt Supermarket only Sh4.6 million has been collected through law enforcement.

The KRA says it raised the red flag in 2016 when it noticed a dip in collection from Sh1.5 billion to Sh761 million from the once formidable player in the East African market.

The retailer has been crumbling under the weight of heavy debt. Suppliers, manufacturers and landlords who are owed billions of shillings have all moved in to recover cash, bringing operations to a halt.

Speaking to the Senate Standing Committee on Tourism,Trade and Industrialisation at Parliament Buildings yesterday, KRA Commissioner General John Njiraini said they moved in to institute legal legislation but they have been able to collect only Sh4.6 million owed to the taxman.

The taxman is said to have had discussions with the retailer whereupon they agreed that Nakumatt pay tax arrears in instalments. They even asked the retailer to open a new account where they would be setting aside value added tax (VAT) before submitting it to KRA .

"Even after agreement with their receiver manager, which they agreed, they never honoured to pay even the initial instalments," said Njiraini.

Instead, the appointed administrator Peter Obondo Kahi who took over management of the struggling retailer proposed another plan to settle the cash in bits up to 2016.

The struggling retail chain which owes manufacturers and suppliers Sh3.4 billion was targeted by KRA at a time the government was in discussion with them for a possible bailout to resuscitate the supermarket given its important role to the economy.

KRA Commissioner General, John Njirani addresses Senate committee members at Parliament Bsuildings. With him is commissioner in charge of investigations and enforcement, Kiprop Sirikwa. PHOTO: Kenna CLAUDE

**MOUNTING DEBT**

The retail giant is currently saddled in debts amounting to billions of shillings with a number of its stores running on nearly empty shelves.

**Nakumatt Holdings, whose operations have come under strain due to huge debts, has so far closed several stores including Galleria Mall and City Hall branches in Nairobi and Bamburi branch in Mombasa.**

**2016**

**Year KRA noticed a dip in collections from Sh1.5 billion to Sh761 million and raised the red flag.**

The committee took issue with regulations in the sector, saying that the rate at which Nakumatt and Uchumi supermarkets collapsed could point to weak regulations.

With the rapid growth in the sector, which has also seen an influx of online retail shops, the committee wondered whether there is need for concern as bigger players dig in.

"The fear is that even those coming in can take manufacturers money and then close shop," said committee chairman Charles Kibiru, adding it would also mean going down with bank loans, and employee dues and also affected farmers depending on the supply chain.

Njiraini said, however, if the business goes down completely, they will decide what to go for according to the law including going to people who owed Nakumatt cash, land and property.

He said there is a case for the country to ensure that upon reaching a certain level of growth, a company should be made to liquidate so that they can follow regulations provided by the securities exchange.

## InBrief

### Lobby group calls for fairness in vetting exercise

A lobby group is calling for transparency in the presidential directive on Monday requiring all government procurement officers to undergo fresh vetting. Kenya Institute of Supplies Management (KISM) similarly wants to see the process that targets heads of procurement and accounting units in ministries, departments and agencies as well as State corporations to respect the constitutional rights of all individuals being vetted.

"We welcome and support the move by the President and we laud the commitment to carry out vetting exercise in a manner that is fair, objective and respectful of the constitutional rights of all persons being vetted as expressed in the presidential proclamation," Chairman Chris Oanda said yesterday.

The directive by President Uhuru Kenyatta (*pictured*) will require those targeted in the clean-up exercise to among others, hand over their executive duties to their deputies. They will also be required to offer vital information to aid in the investigations and will only be allowed to travel outside the country after clearance by Head of Public Service.

KISM has also called for fast-tracking of the proposed clean-up of Integrated Financial Management Information System (IFMIS) and public procurement laws to avoid wastage of public funds and abandoned tenders.

In most scandals reported recently, KISM said that IFMIS has widely been used to siphon billions of shillings, with senior tate officials leveraging the controversial Sh11 billion government's payment system, to steal public funds using fictitious companies and individuals with strong business ties with the State. "The clean-up of the system should be done fast to ensure it conforms to all tendering methods and processes and protects the e-processes from manipulation by individuals," said Oanda, adding that the system, in its current form, is not adequately synchronised to the procurement legal framework.

IFMIS, which the government has announced is set to undergo a clean-up procedure beginning July 1 has several security breaches that exposes government financial data to fraudsters. In its present set-up the IFMIS software, allows for remote transactions that can easily allow a single user to create more than one user ID without being traced. –STEVE UMIDHA

# Bridge linking SGR terminus to Mombasa Port ready, says official

**by Steve Umidha**
@steveumidha

Construction works on the cross-bridge connecting Mombasa Port and Standard Gauge Railway (SGR) Mombasa Terminus is complete. The 250m radius bridge is part of the 2.726km SGR Port Relief Line that will cover 10 berths at the Port of Mombasa.

The port relief line will link the bulk cargo terminal of the main island and the container terminal of Mombasa Port, integrating it into the SGR Phase 1 to achieve sea-rail transport and to release the goods discharge pressure.

For the bridge, the contractor, China Communication Construction Company (CCCC) used 16 concrete T-beams to cover the 15 pillars covering the Indian Ocean channel.

Steve Zhao, CCCC spokesperson said to ensure quality of the girder construction, the project was equipped with experienced technical management personnel and girder construction personnel. "Special plans had been formulated in advance and various safety measures taken to ensure safe and smooth construction of the pillars and placement of the T-beams," he said.

Farm asks KFC to set up auction PG18

# ATI posts profit for 6th consecutive year

**by Zachary Ochuodho**
@zachuodho

African Trade Insurance (ATI) plans to help member countries reduce cost of borrowing and raise foreign currency debt through bond markets or syndicated loans.

The Nairobi-based multilateral financial institution also announced 6th consecutive year of profit to $9.9 million (Sh998.76 million) in net profit for the year ending December 2017. Gross written premiums and equity reached $44.8 million (Sh4.52 billion) and $242.2 million (Sh24.43 billion), respectively, on a steady business expansion. George Otieno, the firm's chief executive officer said Africa is currently searching for local solutions to tackle development challenges such as affordable access to financing and the company is repositioning to provide more support to its member countries.

"As an African institution, ATI is keen to become a go-to option for African governments - we are pursuing a strategy to achieve this goal," he said while unveiling 2017 financial results.

*We are pursuing a strategy to achieve this goal.*