

Ex-PS okayed irregular payment of

By RICHARD MUNGUTI

THE Office of former Vice-President and Minister for Finance paid over Sh17.7 billion irregularly from the Government's Account D-7 to two commercial banks — Pan African Bank Limited (PAB) and Exchange Bank Limited (EBL) — all in liquidation, the Bosire Commission heard yesterday.

The billions were paid out by former Permanent Secretary Ministry of Finance Dr Wilfred Karuga Koinange and the Ministry's Financial Secretary Donald Kimutai when Education Minister Professor George Saitoti was the Vice-President and Finance Minister.

Documents regarding these payments cannot be traced and may have been destroyed, it was revealed.

The billions which ended up in the two collapsed banks were pocketed by Panther Investment Limited (PIL) owned by businessman Kamlesh Patni and Philip Moi among other companies, it was revealed. Mr Moi later resigned as Director of PIL.

The documents withdrawing these billions from Treasury were signed by former Permanent Secretary Ministry of Finance Dr Wilfred Karuga Koinange and Mr Donald Kimutai, then the Ministry's Accounting Secretary.

Dr Koinange and Kimutai were making Sh700 million a month. Every fortnight, they used to credit EBL and PAB with Sh350 million.

A retired Central Bank of Kenya Francis Waliula Wanyera Lokorito told Commission Chairman Justice Samuel Bosire that documents related to these payments were destroyed.

Lokorito, who was the officer implementing the Pre-Export Finance Scheme and the Open Markets Operations (OMO) jointly with an official seconded to Central Bank of Kenya (CBK) David Meader, said the payment of these billions of shillings by the Government for unexplained reasons raised serious questions.

Lokorito said as a result, serious enmity developed between him and former Deputy Governor and long-serving Chief Banking Manager Eliphaz Riungu.

He revealed that Riungu had branded him a "saboteur" who was out to frustrate the development of the export scheme introduced by the Government and which was being funded by CBK through local Commercial Banks (CBs).



Lawyers Jinaro Kibet (left) for Trans-National Bank and Cecil Miller appearing for five banks which allegedly received billions of shillings from CBK through the pre-export finance scheme.

Riungu, the Commission, heard threatened to "organize through the underworld the deportation of Meader" and "nothing would be done to him".

Meader had been seconded to CBK by the International Monetary Fund (IMF) to develop the OMO policy which was aimed at making the mother the last result lender and not a first lender as it was.

Lokorito said due to his persistence in controlling the amount of cash in the market and the printing of excess money by CBK, he was regarded as a "trouble shooter" by Riungu.

Lokorito, the 42 commission witness, said Riungu used to get agitated over these disturbing questions raised by him and Meader over billions of shillings advanced to Goldenberg International Limited (GIL) through shaky commercial banks.

Lokorito said as a result of his stance in ensuring the laws were followed and payments from CBK be made in accordance with the procedures, he was arrested through a plot hatched by Riungu, the bank's Secretary J K Waiguru and the Chief Security Officer Mr Karanja who was a police officer seconded to CBK.

He revealed that no reason was given for his arrest except that he was told he was spreading rumours. He also said he was not told which rumours.

Justice Bosire sitting with Senior Counsel Nzamba Kitonga and Peter Le Pelley directed that the police officers who arrested Lokorito be served with adverse notice and appear before the commission today.

Justice Bosire said it is wrong for police to arrest somebody just like that. Lead assisting counsel John Khaminwa undertook to ensure the officers who picked up and detained Lokorito in a cell are before the commission today.

Khaminwa: Now Lokorito, turn to page 16 of your recorded statement. Read the portion starting with following the reply.

Lokorito: (reads) Following the reply from my head of department, I adhered to his instructions accordingly since I could

not go any further up as then contents of both my memo and his memo had been known by the then Deputy Governor and Governor (Erick Kotut). As a result of which I had noticed the Alice-in-Wonderland financial world that was Kenya then, where such transactions became the norm.

...To cover the technical, cosmetic and desperate management of some of the above banks and outright fraud, CBK's printing press went into overdrive.

Khaminwa: Could you stop there, Lokorito, please. Do you mean CBK started printing money or what.

Lokorito: The money that was being given out through the pre-export finance was excessive. And on a daily basis when we were conducting OMO, we were saying mop up, we have excessive liquidity. Mop up.

Khaminwa: Mm. Lokorito: Mop up, mop up we have excess liquidity in the market. But the whole thing just had run into circles and CBK was

just there to be moping up on daily basis.

Khaminwa: Can you speak up. By the way, the Governor at this time was Kotut, is that correct?

Lokorito: Yes my lords, it was Erick Kotut.

Khaminwa: Continue then. Lokorito: (Continues to read his statement page 16) ...When that was not enough, Government officials at the Office of the Vice-President and Ministry of Finance devised another method of accounting through Account D-7.

Khaminwa: Which was this Account D-7?

Lokorito: It was an account for the M/F in CBK.

Khaminwa: Continue... reading.

Lokorito: With each daily dumping of funds into banking system, the value of the shilling vis-a-vis the hard currencies plummeted and also as a store of value, making ever higher denominations necessary i.e. Sh200, Sh500 and Sh1,000 currency notes.

Khaminwa: You mean we shouldn't have these notes if things were moving smoothly?

Lokorito: We shouldn't have at all.

Khaminwa: You mean we shouldn't have at all?

Lokorito: Yes my lords.

Khaminwa: Continue reading. Lokorito: By way of connected lending to interested shareholders, managers and bank staff, these banks pulled in political influence to ward off some uncompromising CBK officials like myself and Mr Nehemiah N Kiambati and another who have been framed in a fraud case.

Khaminwa: What do you mean? Can you commend on that? Speak we want to hear you.

Lokorito: When these banks were having these problems, the bank supervision people used to go round these commercial to check what is really happening in these commercial banks.

Khaminwa: Mm

Lokorito: And they used to come up with reports that some

of these monies had been given to influential people and the loans which had been given to them were not performing.

Khaminwa: Mm. Lokorito: So they were not being repaid.

Khaminwa: Mm.

Lokorito: And banks were not meeting the cash ratio, liquidity ratio and some of them were getting overdrawn in the accounts at the CBK.

Khaminwa: Now let us go to another subject on Discoveries and Irregularities. If you could look at page 41, there is a memo there. Whose handwriting is that?

Lokorito: It is for David Meader.

Khaminwa: This is the Australian, David Meader?

Lokorito: Yes.

Khaminwa: Can you read it please.

Lokorito: Mr Lokorito, a copy of the note about the March Reserves is attached for you. How are progressing with April. Can you please check something for me. The inward checks summary for July 6 shows four cheques has a total of Sh350,645,196 being cleared against the Account of the Development Department of the Vice-President and Minister for Finance (D-7). Can we find out what these cheques were for and to whom they were paid. Thanks for your help... David Meader.

Khaminwa: Mm. Why did he write this?

Lokorito: He had captured these cheques in the clearing house department. So he wanted me to confirm what the payments were for. Because to him they appeared irregular.

Khaminwa: Mm.

Lokorito: Yes my lords.

Khaminwa: Did you do that?

Lokorito: Yes I did that.

Khaminwa: And what did you find?

Lokorito: I went to clearing, banking office and checked with this note. I went to the banking division with this note to see Mr Mbaluka who also called in Mr Mureia.

Khaminwa: And did you report back to Mr Meader?

Lokorito: Yes my lords.

Khaminwa: And what did you tell him?

Lokorito: I told Mr Meader that one of the four cheques had a round figure of Sh350 million which was being paid either to EBL or PAB. And the other small cheques by the Department of Vice-President and Minister for Finance Account D-7. These cheques we have been able to trace them?

Lokorito: No my lords they cannot be traced. We are told that they are not there in the CBK.

Khaminwa: Mm. The matter has been shelved?

Lokorito: It must have been.

Khaminwa: Let us go back to page 17 of exhibit 120, your statement.

Lokorito: Discoveries of Irregularities... (he reads) ... large payments were causing swings in Government's payments to the banking system. There were four cheques drawn in favour of EBL & PAB for Sh350,645,196. On further checking the ledger card on Account D-7, it revealed a regular pattern of payments of Sh350 million every two weeks total.

Highlights

Saitoti

‘With each daily dumping of funds into banking system, the value of the shilling vis-a-vis the hard currencies plummeted and also as a store of value, making ever higher denominations necessary i.e. Sh200, Sh500 and Sh1,000 currency notes.’

- ☐ Justice Bosire orders police officers who arrested former CBK employee Francis Lokorito in organised evil schemes to harrass him to appear before the Goldenberg Commission today.
- ☐ Lokorito names Deputy Governor Eliphaz Riungu, former Chief Security Officer Karanja and Secretary Waiguru as his enemies who hatched his arrest and detention.
- ☐ Over Sh 17 billion paid irregularly to Exchange and Pan African Banks from Treasury during the tenure of Minister Prof Saitoti. Payments were sanctioned by former PS Dr Wilfred Koinange.

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P. O. Box 2579, Bungoma, Tel: 055-30537, Fax: 055-30879, Mob: 0733-880203, BRANCHES: Kimilili- P. O. Box 159, 054-21045, 0733-871331, Webuye- 055-41415, Mumias - 0733-871335