

Efforts to recover Goldenberg billions ended with Cheserem's exit - witness

By JOSHUA SHITIKHO

EFFORTS to recover more than Shs 19 billion owed to Central Bank of Kenya came to an abrupt end after the exit of former governor Micah Cheserem, it was said yesterday.

The removal of Cheserem at the helm of the bank's management resulted in laxity to recover the huge sums of money, which had been paid out to Goldenberg International and related companies.

"The recovery efforts stopped with the exit of governor Cheserem," National Bank of Kenya managing director Reuben Marambii told the commission of inquiry into the Goldenberg Affair.

Cheserem facilitated investigations into the Goldenberg Affair though he was faced with a bigger challenge to revive the bank," he told commission chairman Samuel Bosire, vice-chairman Nzamba Kitonga and commissioner Peter Le Pelley.

Marambii made the revelations when he was being cross-examined by Cheserem's lawyer, Jinaro Kibet at Kenyatta International Conference Centre (KICC).

Evidence adduced before the commission indicates that Cheserem led a team of



Cheserem: Ex-governor

technocrats who had been appointed by the government to recover the lost billions.

The commission was told Cheserem helped to recover at least Shs 9 billion from Goldenberg International and related companies closely associated with businessman Kamlesh Pattni and former intelligence chief James Kanyotu.

According to Marambii, a lot of disciplinary measures were to be employed upon Cheserem's takeover as the bank governor. "He was truly faced with a bigger challenge which he achieved alongside myself," Marambii said.

He defended Cheserem against accusations that he ordered the destruction of volumes of documents related to Goldenberg International.

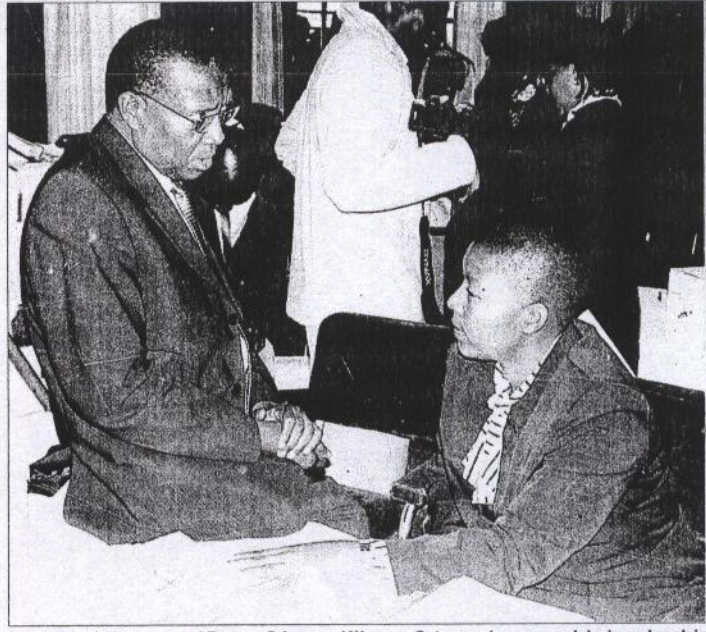
Marambii said claims by former CBK official Francis Wabuti that Cheserem personally ordered the destruction of the CD 3 forms were misleading.

"I am not aware that documents related to Goldenberg International were destroyed under instructions from Cheserem. In fact, Cheserem had directed that special care be taken in relation to the destruction of such documents," he said.

"The governor, or even myself, had no business supervising or sorting out documents for destruction," he added, noting that unlike other banks that benefited from Goldenberg-related money, Transnational Bank did not enjoy the facility of premium discounting.

Meanwhile, former deputy governor Elphas Riungu and former director of foreign department Job Kilach misused the authority which had been vested in them to initiate payments to Goldenberg International.

Marambii said the two were part of the Central Bank of Kenya team that acted incorrectly in facilitating payments to Goldenberg International and other related companies in the 1990s.



Inquiry assisting counsel Dorcas Oduor and Waweru Gatonye share a word during a break in yesterday proceedings - JOHNSON NJENGA

Demand could trigger crisis

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Prof Mbithi reportedly summoned ex-finance minister Musalia Mudavadi, former intelligence chief William Kivuvani and former Criminal Investigation Department (CID) boss Noaharap Too. They told Marambii to report on the outcome of the fiasco in Prof Mbithi's Harambee House office in Nairobi.

The banker recalled having accompanied Cheserem to State House, Mombasa, to brief former president Daniel Moi about the irregular Shs 13.5 billion payments to Goldenberg International through the collapsed Exchange Bank.

Marambii denied a suggestion by lawyer Githu Muigai, representing Dr Koinage, that he accompanied former treasury permanent secretary Kipkule and Cheserem to Mombasa on August 30, 1994 to brief Moi about the Shs 5.8 billion payments.

Nairobi businessman Kamlesh Pattni and former intelligence chief James Kanyotu were the initial co-directors and shareholders of Goldenberg International and the defunct Exchange Bank.

Goldenberg International was reportedly paid the Shs 5.8 billion in form of export compensation for fictitious gold and diamond jewellery exports between 1990 and 1993. The collapsed Exchange Bank made a fortune by

manipulating the pre-shipment finance facility, the foreign currency bearer-certificates popularly known as Forex-Cs and an elaborate scheme of cheque-kiting.

Marambii, the inquiry's 52nd witness, was testifying before Commission chairman Samuel Bosire, vice-chairman Nzamba Kitonga and member Peter Le Pelley during the 139th session at Nairobi's Kenyatta International Conference Centre.

Marambii explained that Cheserem and Mudavadi instituted wide ranging measures to investigate the Shs 5.8 billion and Shs 13.5 billion payments and the possibility of recovering the money.

Mudavadi, who replaced former vice-president and ex-finance minister George Saitoti at the treasury in 1993, had denied having authorised or approved the Shs 5.8 billion payments sanctioned by Dr Koinage during his tenure.

On November 1, 1990, Prof. Saitoti had granted Goldenberg International sole rights to export gold and diamond jewellery for a five-year experimental period. On top of this, the firm was entitled to preferential 35 per cent export compensation for its consignments.

Cheserem had appointed international audit firm Pricewaterhouse to investigate political banks involved in the

Goldenberg affair. Cheserem had signed the *Kenya Gazette* notices placing the collapsed banks under liquidation and CBK's statutory management.

Marambii said Mudavadi had written to Too on October 21, 1994 directing him to investigate the irregular Shs 5.8 billion payments, the inquiry heard. The former minister had similarly requested Controller and Auditor-General David Njoroge to scrutinize treasury accounts over the contentious payments, Marambii testified.

Cross-examined by lawyer Cecil Miller, representing the political banks placed under CBK's statutory management, Marambii confirmed that the splendid five-star Grand Regency Hotel was constructed using Shs 2.8 billion overdraft obtained by the collapsed Pan African Bank on behalf of Uhuru Highway Development.

The banker said Pan African Bank and Exchange Bank were involved in massive cheque-kiting, an elaborate scheme to make paper money using other political banks.

Marambii testified that Pan African Bank had obtained overdraft facilities from CBK and purported to repay the money using finances irregularly obtained from CBK.

He will continue testifying when cross-examination goes on this morning.



MINISTRY OF ROADS, PUBLIC WORKS AND HOUSING TENDER FOR RECONSTRUCTION AND EXTENSION OF VANGA SEAWALL-KWALE

INVITATION TO TENDER

The Government of the Republic of Kenya intends to reconstruct and extend Vanga Seawall in Kwale District. The brief overview of the scope of works is as described here below:-

- Concrete strip footing under seawater and waterlogged soils.
- Construction of seawall using concrete blocks.
- Fillings up with approved materials behind the seawalls to make up levels.
- Construction of concrete paved walkway.

Tenders are hereby invited for this project and interested Contractors with the necessary experience in Marine works and registered with the Ministry of Roads, Public Works & Housing in Category 'C' and above in Civil Works may apply giving the following information contained in PART 1 or Qualification document:-

- Proof of registration with Ministry of Roads, public works & Housing.
- Company dossier with proof of incorporation.
- List of similar marine works and their value undertaken within the last eight years.
- List of on-going works.
- List of plant and equipment owned by the firm including registration numbers and year of manufacture and their current condition.
- List of personnel proposed for execution of the works and their detailed qualification and experience, (attach copies of CV's and certificates).
- Reports on financial standing of the firm including profit and loss statements, balance sheets and auditors reports for the last three years.
- Evidence of access to lines of credit and availability of other financial resources.
- Litigation history of the company.
- Form of Authorisation
- Confidential Business Questionnaire.
- Certificate of Tenderer's visit to site.

The tender documents consisting of Part 1 and Part 2 will be issued at the Contracts Office, Ministry of Roads, Public Works and Housing Building, Ngong Road, 4th Floor, room 412, upon payment of a non-refundable fee of Kshs. 5,000.00 in form of banker's cheque, or cash receipt payable to the Permanent Secretary, Ministry of Roads, Public Works & Housing, at the cash office during normal working hours.

Application in plain sealed envelopes and clearly marked with the name of the project must be sent to the Chief Quantity Surveyor, Ministry of Roads, Public Works & Housing, P.O Box 30260, Nairobi or deposited into the Tender Box on the fifth floor of the Ministry of Roads, Public Works & Housing Headquarters building so as to reach him on or before 12th March, 2004 at noon (1200 Hrs).

Tender opening will take place immediately thereafter in the conference room on 10th floor, Ministry of Roads, Public Works & Housing Building, in the Presence of Tenderers or their representatives who choose to attend. Only the outer envelope and Part 1 of the Tender document will be opened on this day. Those who qualify after analysis of Part 1 will be invited to attend the opening of Part 2.

Tenderers are hereby notified of the mandatory site visit scheduled to take place on 27th February 2004 commencing at Noon (1200 Hrs). Tenderers or their representatives are advised to assemble at the compound of the Fisheries Department, Vanga, in order to be shown the site for the proposed works by the Engineer's representative.

The Government reserves the right to accept or reject any application and is not bound to give any reason for acceptance or rejection thereof.

Eng. M. Kimani
CHIEF ENGINEER (STRUCTURAL)
FOR: PERMANENT SECRETARY