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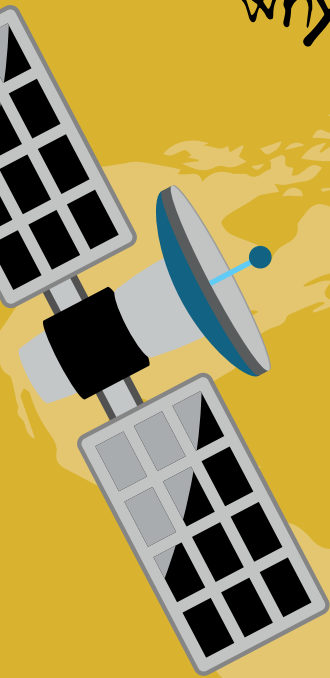
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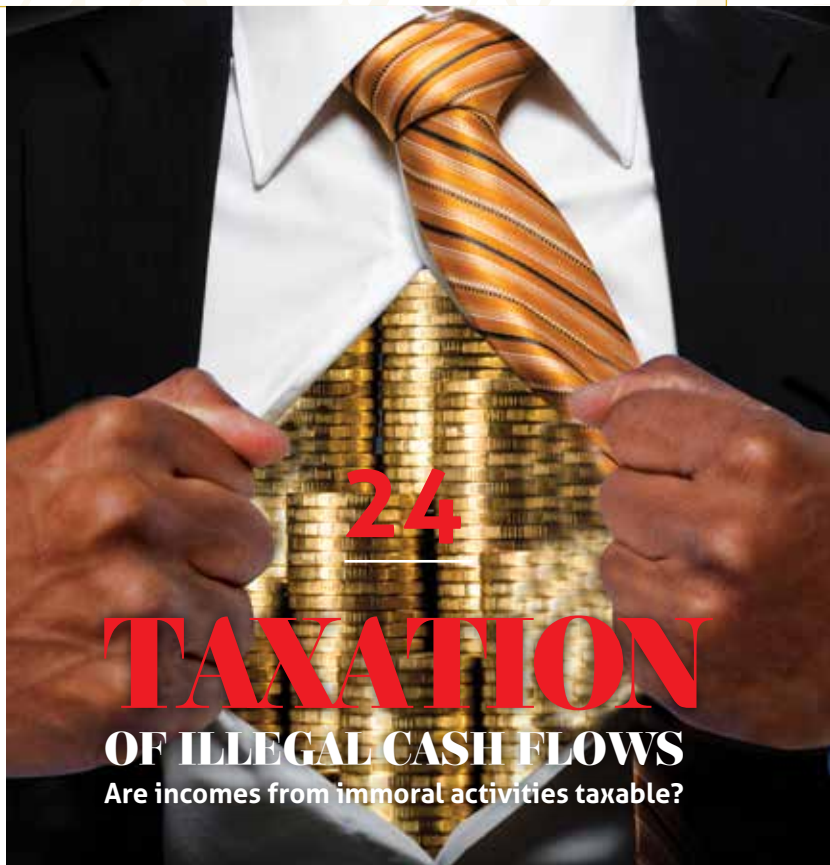
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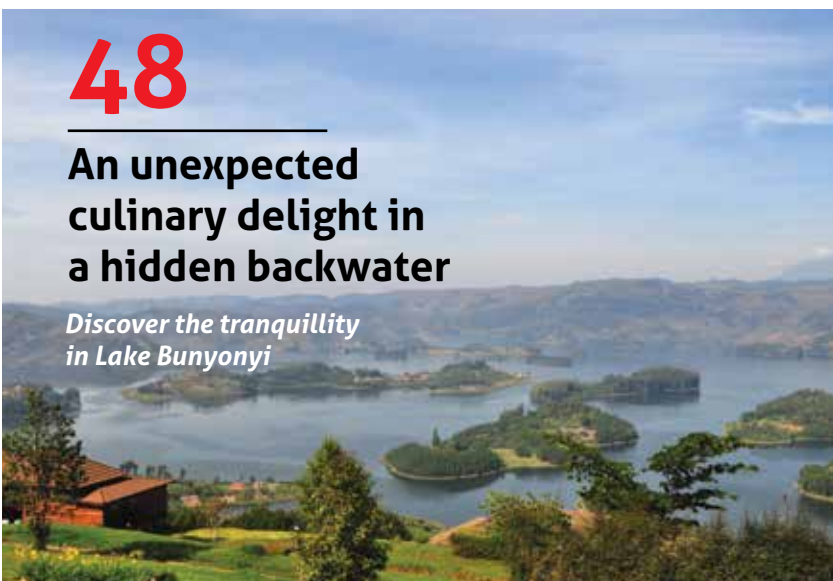
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ICPAK has rolled out an internship programme for its members aimed at integrating knowledge acquired in class with real workplace experience while promoting standards of professional competence. The interns have an interest in areas of Accounting/Finance, Tax, Forensics, Audit and Risk Management.

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# Dear Reader,

**W**ould it be considered an affront to public policy and public interest for a government to levy income tax on gains that persons have derived from illegal/immoral sources? On the other hand, can tax payers be allowed to claim deductions, against their incomes, for un-lawful expenses incurred 'wholly and exclusively' in the production of their taxable income? In this article, a careful consideration is made of the reasons behind some decided relevant tax cases in an attempt to answer these questions. The author notes that questions abound as to whether certain sources of income such as income from bribes, corruption, extortion, piracy, prostitution, embezzlement, theft, or similar illegal/immoral activities meet the definition of a 'business' and whether these should be declared and subjected to tax. Although Sec 3 of the Income Tax Act widely specifies that income tax would be charged upon all the incomes of a person, the sub-sections beneath it, which describe such 'gains and incomes' do not appear to encompass income from illegal/immoral sources. This is our cover story.

In the tax segment, we look at how globalization has led to worldwide integration of economies. This means the world has become a global unit when it comes to how administration is carried out because of increased cross-border trade, investments and other activities. With the globalization trend, came International Taxation, which has influenced many tax jurisdictions in the area of tax administration. Increased cross-border trade and other investments by individuals and Multinational Corporations and Enterprises, has created the need to identify and capture all sources of revenue from resident companies and individuals who operate from other tax jurisdictions or countries. The author says that with

the onset of globalization, it became increasingly difficult for tax administrators to become aware of overseas or cross-border investments and other activities. This made loss of tax revenue through fiscal evasion by concerned businesses and individuals fairly easy.

In the Information Technology section we discuss the evolution of the ransomware since 2013. While it once focused primarily on individuals, it has since moved over to enterprises because businesses can pay up much more. Hence the importance to create awareness about this vice. One problem with ransomware is that it is so sophisticated that no number of lawyers or security professionals can save you from an attack and give you access to your file without paying the attacker's fee. This makes ransomware so dangerous. It is something that businesses should better understand, because if you are not well prepared for this type of attack and important systems or files are encrypted, it is more than likely too late and you will need to pay the ransom to get them back. The fact that Public Private Partnerships are often viewed as an alternative funding strategy attracting private capital, has made economic critics warn that this financing model should be taken with a pinch of salt. This is informed by the fact that the private partner, just like anyone in any other business, is there to make money. And some projects may be taken up for reasons other than their economic relevance. This has caused many to query the relevance of some mega projects; like the economic viability of the SGR. Find this in the Economy section.

Meanwhile, Pen off explores the social comparison theory. In this exciting feature, the writer explains that behaviorism or behavioral psychology is a theory of learning based on the idea

that all behaviors are acquired through conditioning. Conditioning occurs through interaction with the environment. Behaviorists believe that our responses to environmental stimuli shape our actions. According to this school of thought, behavior can be studied in a systematic and observable manner regardless of internal mental states. He says basically, only observable behavior should be considered: cognitions, emotions, and moods are far too subjective. Strict behaviorists believe that any person can potentially be trained to perform any task within the limits of their physical capabilities, regardless of genetic background, personality traits, and internal thoughts. What is required is only the right conditioning.

Finally, let's unceasingly mark the global World Water Day (WWD) as expounded in the environment piece. It is commemorated on the 22nd day of March each year, and is a means of focusing attention on the importance of freshwater and advocating for the sustainable management of freshwater resources. In 2019, the WWD, theme is 'Leaving no one behind'. The health section examines why strokes happen and the preventive measures can you take. We conclude with travel, which provides some tranquil moments in Lake Bunyonyi - Enjoy!

*Mbugua Njoroge*

*Editor*





# IPSASB: IPSAS 42: “SOCIAL BENEFITS” AND EXPOSURE DRAFT 67: “COLLECTIVE AND INDIVIDUAL SERVICES AND EMERGENCY RELIEF”

*By FCPA Dr. Jim McFie*

**O**n 31st January 2019, the International Public Sector Accounting Standards Board (IPSASB) published a new standard, International Public Sector Accounting Standard (IPSAS) 42, Social Benefits: it provides guidance on accounting for social benefits expenditure, which comprises about one fifth of GDP across OECD countries, and which relates to the Big 4 agenda in Kenya. The definition of social benefits is wide but restrictive – as you will see: “Social benefits are cash transfers provided to: (a) Specific individuals and/or households who meet eligibility criteria; (b) Mitigate the effect of social risks; and (c) Address the needs of society as a whole”. Further guidance is provided in the appendix, which the standard points out is an integral part of IPSAS 42. Social benefits are cash transfers provided to individuals and/or households. Specific examples include state retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. Services provided by a public sector entity are not social benefits; the public sector entity is paying for the provision of the services; such transactions do not, therefore, meet the definition of a social benefit. Where a public sector entity provides vouchers for a service or reimbursements, the individual and/or household has no discretion over the use of the benefit. By contrast, social benefits provide cash transfers that may



be used indistinguishably from income coming from other sources. In addition, the standard does not apply to insurance contracts, even if the risk covered by the insurance contract is a social risk as defined above; insurance contracts are accounted for in accordance with the relevant international accounting standard dealing with insurance contracts. The standard does not apply to collective and individual services: the definition of social benefits includes only cash transfers, not the provision of services; the standard does not apply to cash transfers to individuals and households that do not address social risks, for example emergency relief. The assessment of whether a benefit is provided to mitigate the effect of social risks is made by reference to society as a whole; the benefit does not need to mitigate the effect of social risks for each recipient. An example is where a government pays a retirement pension to all those over a certain age, regardless of income or wealth, to ensure that the needs of those whose income after retirement would otherwise be insufficient are met. Such benefits satisfy the definition criteria that they are provided to mitigate the effect of social risks. The IPSASB Chair, Ian Carruthers, stated that “IPSAS 42 represents a big step forward for global financial reporting in the public sector and fills one of the major gaps in IPSASB’s suite of standards. Accounting for social benefits has been a challenging project because of the differing, strongly held views as to when a liability for social benefits arises. We are confident that the final standard will increase transparency and comparability in public sector financial reporting.”

However, I do not wish to deal with the new IPSAS 42 at length; those who think it would apply to their accounting needs can download the document free of charge from the website of the International Federation of Accountants (IFAC).

Exposure Draft (ED) 67, “Collective and Individual Services and Emergency Relief (Amendments to IPSAS 19)” is related to the new IPSAS 42. ED 67 addresses a wide range of significant

government expenditures that directly impact the lives of citizens globally. However, the proposals in this Exposure Draft may be modified in light of comments received before being issued in final form.

The objective of this Exposure Draft is to propose improvements to the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about collective services, individual services and emergency relief. IPSASB would welcome comments on all the matters discussed in the Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording. So that these comments from Kenya can be coordinated, you are asked to send your comments electronically to the Institute of Certified Public Accountants of Kenya on or before May 17, 2019, (in both a PDF and a Word file).

### The Specific Matters for Comments requested are laid out below.

(i) Do you agree with the definitions of collective services and individual services that are included in this Exposure Draft? If not, what changes would you make to the definitions? The ED defines these services as follows: “Collective services are services provided by a public sector entity simultaneously to all members of the community that are intended to address the needs of society as a whole. Individual services are goods and services provided to individuals and/or households by a public sector entity that are intended to address the needs of society as a whole. The provision of an individual service to one individual may reduce the amount available to other individuals, or may delay the receipt of those services by some individuals. Consumption of individual services requires the explicit agreement or active participation of those benefiting from the service. Public sector entities provide collective and individual services through the labor of their employees

or by purchasing goods and services from third party providers. Examples of collective services include street lighting and defense. Examples of individual services include public sector healthcare services and education services”. In addition: “These transactions are non-exchange transactions that do not meet the definition of social benefits in IPSAS 42, Social Benefits (and are therefore outside the scope of that Standard)”.

(ii) Do you agree that no provision should be recognized for collective services? If not, under what circumstances do you think a provision would arise? The ED states: “Collective services are ongoing activities of the public sector entity that delivers the services. Paragraph 26 of IPSAS 19 states that “no provision is recognized for costs that need to be incurred to continue an entity’s ongoing activities in the future”. Consequently, any obligations that may arise for collective services are not independent of the entity’s future actions, and in accordance with the principles of this ED, no provision is recognized for the intention to deliver such services. In delivering collective services, a public sector entity incurs expenses and acquires resources through exchange transactions. Examples include the electricity used in delivering street lighting, the salaries paid to acquire the services of defense staff, the acquisition of non-current assets used in delivering those services, and the purchase of collective

services from a third party provider. These exchange transactions are accounted for in accordance with other IPSAS”.

(iii) Do you agree that no provision should be recognized for individual services? If not, under what circumstances do you think a provision would arise? Again, the ED states: “Similarly, the delivery of individual services represents ongoing activities of the public sector entity that provides the services. The delivery of individual services results in the public sector entity incurring expenses and acquiring resources through exchange transactions. The public sector entity uses these resources to deliver services to specific individuals and/or households in non-exchange transactions. Where individuals and/or households access individual services, the entity may have a number of future obligations relating to the delivery of these individual services. Such obligations are an aspect of the ongoing activities of the public sector entity. Similar to collective services, any obligations that may arise for individual services are not independent of the entity’s future actions, and in accordance with the principles of this Standard, no provision is recognized for the intention to deliver such services prior to individuals and/or households accessing the services”.

(iv) Do you agree with the proposed accounting for emergency relief? If not, how do you think emergency relief should be accounted for? The ED states: “Governments and other public sector entities (which includes international organizations) may deliver emergency relief to individuals and/or households who have been adversely affected by circumstances that are not related to social risks (as defined in IPSAS 42), for example: (a) Natural disasters such as flooding, earthquakes, food shortages and volcanic eruptions; and (b) The displacement of individuals and/or households as a result of war, civil commotion or economic failure. Goods and services delivered through emergency relief do not address the needs of society as a whole. This distinguishes emergency relief from collective services and individual services. Emergency relief may be provided in response to specific emergencies. Alternatively, emergency relief may be delivered as an ongoing activity of government (or other public sector entity). An example would be where

**“The assessment of whether a benefit is provided to mitigate the effect of social risks is made by reference to society as a whole; the benefit does not need to mitigate the effect of social risks for each recipient.”**

a government has established an agency with a remit to deliver ongoing emergency relief activities, and where the agency staff is engaged either in delivering emergency relief or in undertaking planning and preparation activities. Governments and other public sector entities deliver emergency relief to individuals and/or households through the following types of transactions: (a) The provision of services; (b) The provision of goods; (c) The replacement of assets; and (d) Cash transfers. The delivery of emergency relief in response to specific emergencies requires an explicit policy decision to be made by a government or other public sector entity. This decision could give rise to a present obligation, requiring the recognition of a provision when the normal criteria of IPSAS 19 are satisfied. For example, in these circumstances a present obligation could arise as a result of government announcements, the passing of legislation and other government actions. Where an event does not give

rise to a present obligation that satisfies the criteria for the recognition of a provision, an entity shall consider whether paragraphs 35–38 of IPSAS 19 require the disclosure of a contingent liability. The nature of the obligation may change as a result of later announcements or actions, such as the enactment of legislation. An entity will need to reassess at each reporting date whether the cumulative effect of the decisions and announcements is sufficient to require the recognition of a provision. An entity considers the specific circumstances in which emergency relief is being delivered. Where such delivery of emergency relief is an ongoing activity of government (or other public sector entity) and is analogous to the delivery of collective services and/or individual services as set out above, no provision is recognized before the relief is delivered. In other circumstances, an entity considers the requirements of this Standard in determining whether to recognize a provision or disclose a contingent liability”.

Of a more routine matter, the ED requires: “An entity shall present and disclose information about collective services and individual services and about emergency relief in accordance with other IPSAS: IPSAS 1 requires an entity to “present, either on the face of the statement of financial performance or in the notes, an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is faithfully representative and more relevant.” Where information is presented based on the nature of expenses, emergency relief will be included in items such as employee benefit costs or inventory expenses (for example, donated goods). Where information is presented based on its function within the entity, emergency relief may be presented as an individual line item, or amalgamated with similar items depending upon materiality”.

Many CPAs in Kenya will not be concerned with IPSAS 42 and ED 67: but if you do deal with accounting in these areas, please send your comments to ICPAK: Kenya is one of the few countries in Africa which makes such contributions to the global development of accounting.

*The writer is a fellow of the Institute of Certified Public Accountants of Kenya*



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# BARCLAYS PLC's STRATEGIC WITHDRAWAL FROM AFRICA

## Strategy or cowardice?

By CPA Samuel Oyombra



### No Longer Stronger Together

The recently announced planned merger between CBA and NIC Banks, the acceptance of KCB's binding offer to Imperial Bank Ltd (In Receivership), and the bid by CBA Group to acquire Jamii Bora Bank are some of the happenings set to excite the banking industry in Kenya in the coming months. But year 2019 will also witness the effects of one of the boldest ever corporate restructurings in recent history, when Barclays Africa operations completes shedding off its 100-year strong long-standing brand and association with Barclays PLC across the entire African continent to become 'Absa', the South African-born group.

### The Plan

This re-branding will effectively mark the end of the separation and re-organization process initiated earlier in year 2015 by Barclays PLC and which would include, among other steps, a gradual sell-down of its shareholding in Barclays Africa

Group Ltd (BAGL) from 62.3% to a non-consolidation level of 14.9% thereby freeing BAGL from the control of Barclays PLC and giving it the freedom to adopt and use its own African name; - 'Absa' across its Africa operations. Barclays PLC planned to, and indeed, has retreated from up-to 25 countries, and exited several non-core business lines.

In his commentary accompanying the annual report for the year ended 31st Dec 2017, Barclays PLC's Group Chief Executive Officer announced the completion of this re-organization process, and which, according to the agreement with BAGL, would allow Absa up-to mid-2020 to shed off the 'Barclays' tag.

While Barclays PLC boasts of these successful strategic actions, key questions still linger in the minds of many, as to what strategic thinking exactly informed this withdrawal decision, and how such a strategy would help the multinational lender achieve its desired objectives. The

reasons behind this withdrawal could be much more intriguing than can be expressed in this short article.

Without delving deeper into the numbers behind this decision, this article attempts to evaluate and summarize the thinking that might have informed Barclays' withdrawal.

### Market Share & Competition

According to Johnson, G. et al. (2008), the BCG matrix provides that the attractiveness of a market is determined by the rate of growth of that market; while the relative market share of any market participant reflects that participant's competitive advantage.

Accordingly, a Strategic Business Unit (SBU) which has a relatively high market share in a growing market is a 'star' that needs to be invested-in to protect the existing and potential competitive advantage, while an SBU which has a relatively high market share in a slow growth market would have reached its

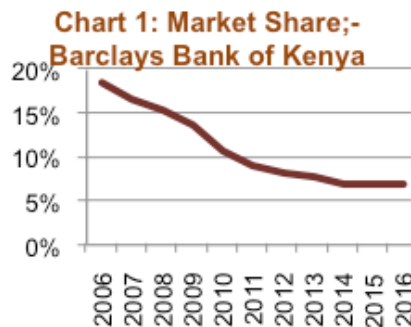


maturity; and would continue to generate cash flows to the corporate entity but with far much reduced additional investment. An SBU which has a low market share in a high growth market provides a challenge which must be investigated; there's a significant threat that such a unit could lose its low market share and become a candidate for divestiture, but with effective strategies, such a unit could as well gain greater market share and turn into a 'star'. An SBU with low market share in a slow growth market is one that a corporate parent must dispose-off immediately. Looking at Barclays Bank and African growth prospects, one would expect to see it expand into the African market, yet the opposite is what has taken place.

With over 325 years of rich history and expertise in banking services, growing operations in several countries across the world, the Kenyan subsidiary of the bank, hitherto the 4th in terms of profitability, and enjoying a local market size index of 6.57% as at 31st Dec 2017, continues to make good returns to investors, having taken home KShs 10 Billion (7.5%) of the banking sector's total profit before tax of KShs 133.2 Billion in the year to 31st Dec 2017.

However, as can be presented on the chart below, the market share of Barclays Bank in Kenya shrunk steadily

and significantly over the 10 year-period preceding the withdrawal, moving from 18.54% in 2006 to 6.94% in 2015 when the withdrawal strategy was announced. See below:



Source; - CBK

Evidently therefore, Barclays Bank in Kenya steadily lost a significant proportion of its market to competitors, in a market that has kept growing exponentially.

### Average Return on Equity

A critical look at the performance of the banking industry in a select sample of 3 countries where Barclays Bank operated reveals a general downward trend of performance, for varying reasons, with a declining Return on Equity (RoE) in all the said three markets.

See below:

Chart 2: Average Banking Industry RoE

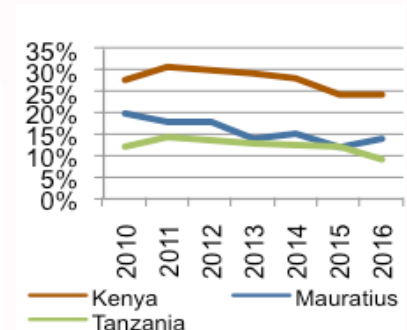
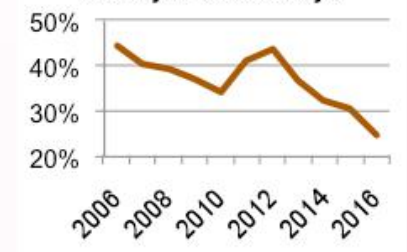


Chart 3: Return on Equity;- Barclays Bank of Kenya



Source; - CBK

These averages, though worsening over time, were still far much favorable than Barclays PLC Group's RoE which stood at 5.6% in 2017. This is against a



backdrop of the assertion in Barclays Bank of Kenya's Integrated Report citing, as a reason for the sell-off by the parent, additional regulatory requirements on capital, making it less attractive for international banking corporations who own large banks abroad to deliver a return above desired shareholder return on equity.

## Effects of Changes in Foreign Exchange Rates

Regulation and legislation in the UK require Barclays PLC to prepare group accounts which consolidate the results and the financial position of all its home and foreign subsidiaries. Unless it reduced its shareholding in BAGL significantly, Barclays PLC was going to continue suffering the consequences of consolidating subsidiaries which are denominated in foreign currencies.

It's a requirement of the International Financial Reporting Standard (IFRS) that Barclays needed to translate the South African Rand (ZAR) denominated results and assets/liabilities of ABGL into Sterling Pounds (£) using specified rates before consolidation.

Thus, a weakening of the ZAR (a fall by 40% since Jan 2015) and other African currencies over time negatively affected the values of the parent's investment in ABGL, and for this reason, it was imperative that Barclays PLC takes action in order to prevent further loss of value to the shareholders. The Group disclosed a £2.5bn loss from the sell-down of Barclays Africa in its 2017 financial report, part of which might have been attributable to this depreciation of the currencies.

## Strategic Action

Just as it is in a conventional war, however superior her equipment is, an army does not just proceed to the battlefield without a carefully crafted strategy on how to win over the enemy. Similarly, businesses plan and execute well thought-out actions aimed at gaining and/or retaining greater advantage over competitors in terms of market share and profitability.

An organization would ordinarily have a couple of unique resources and in-imitable core competencies that it employs to create goods and services that appeal highly to the consumers.

Mergers and acquisitions, product/market development and diversification or withdrawal decisions, are made

by entities after a careful scan of the operating environment and an evaluation of the entity's internal strengths to enable it deploy accordingly to exploit the opportunities that exist in the operating environment while remaining alert to its internal weaknesses and the threats posed in the political, economic, socio-ecological, technological, and legal environment.

The regulatory regime in the operating environment has been cited by Barclays as one of the main reasons that pushed it to withdraw from the African market. When explaining the decision, the directors mentioned that the Group had been shouldering 100% of the financial burden of the African operations but receives only 62% of the benefits from those operations.

## Conclusion; - Stronger Apart, than Together

In the current business environment where corporates are yearning to be big, Barclays PLC is now repositioning itself as a simplified Transatlantic Consumer, Corporate and Investment Bank, capable of generating high quality returns, on a sustainable basis, which shareholders deserve. The Group now boasts of being a smaller, safer, more focused, less leveraged, better capitalized and highly liquid bank. While it appears from the foregoing discussion, that Barclays PLC may have been facing a myriad of problems with its African investment and market prior to the sell-off, and hence the necessity to withdraw, but perhaps fearing a backlash which could result from revealing / admitting its own weaknesses and inability to fight for its share, and wanting to defend its reputation as a global leader in banking services, the Group chose not to disclose all the injuries that may have been caused by both the competition and regulation over time.

When all is said and done, it will be appreciated that Barclays leaves behind a mark and a legacy in Africa. But also of importance to learn, is that sometimes, a leaner, 'smaller' more focused enterprise could be more ideal and more efficient.

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## DISCIPLINARY UPDATES

ICPAK Disciplinary Committee was established pursuant to article 31(1) of the accountants Act of 2008. The Committee is mandated to: Consider evidence of the results of the Investigations undertaken by the Registration Committee; make inquiry into the matters involving members and submit to the council reports of the inquiry with appropriate recommendations. Currently, the Disciplinary Committee is reviewing the following cases. The Disciplinary Committee will give further updates once the review of these cases complete.

### Cases before the Disciplinary Committee

- |   |   |
|---|---|
| 1. D/120/2/14<br>KENTRADE – Vs – Gabriel Kimani | Agency (CPDA) – Vs – Elkana<br>Mweseli Mugodo   |
| 2. D/121/2/14<br>KTDA –Vs – Amota Nyasae        | 5. D/126/2/16<br>FEP Holdings – Vs – Stephen<br>Kanyonyo Chege and Isaiah Mutahi<br>Maranga |
| 3. D/122/2/15<br>CMA-VS- MAZARS                 | 6. D/123/2/16<br>Uchumi –Vs– Dr. Jonathan Ciano and<br>Chadwick Omondi                      |
| 4. D/125/2/16<br>Christian Partners Development |   |

7. D/127/11/16  
Mr. Nitin Pandya – Vs – Auditors of  
Biashra Bank Building (Grant Thornton,  
PKF and KPMG)

### Cases Under inquiry

- National Nurses Association of Kenya  
-VS- Samuel Nderitu Mairo  
Kamau Kirubi -Vs- CPA Kavili Muthegi  
Incofin Africa Ltd v. C.M Maingi &Co.  
Imperial Bank –Vs – PKF

### New Matters

- African Conservation Centre- vs-  
Anthony Kibugi Kihara  
Irene Wanjiku of Rexe Roofing  
Products LTD-Vs- Stephen Biko  
Omondil Juma  
Ondieki Mose Nyambega-vs- MHCS  
c/o Walker Kontos  
Thomas Skamo Loltianya -Vs-Linda  
Kenelwa c/o Automobile Association  
of Kenya



## TECHNOLOGY IS CHANGING THE FUTURE OF ACCOUNTING AND AUDITING

Automation and the cloud are creating huge opportunities for firms across the African continent

By Theuns Holtshousen

**W**e live in an age of fast-paced change, driven by technology. Futurists say they have to update their annual reports bi-annually now, as their predictions come to pass quicker than they could have imagined. Accountants and auditors are not immune. Technology is changing the profession profoundly.

Two future developments that have now become certainties are automation and the cloud.

It is predicted that robotics and artificial intelligence will replace up to 5 percent of all jobs globally by 2020. Even though we think that the African continent will be lagging a few years behind the developed world, we have to acknowledge that technology is already impacting nearly all areas of our lives in one or another way. When it comes to accountants and auditors, technology already offers a platform on which small and medium practices can compete on the same level as their network firm counterparts.

In fact, technology has provided more growth opportunities than ever before for financial professionals of any size firm to bid for a piece of the pie. Technology not only automates, but ultimately should reduce complexities, creating a simple, transparent process, one that allows you to spend less time compiling, and more time interpreting, the information.

### Finding the right solution

Often financial professionals develop their own solutions. These home-grown solutions are difficult to keep updated in line with legislative changes, while managing the change in formulas with multiple contributors makes it challenging to deliver the set of financial statements on time. It makes much more sense to tap into the benefits of existing global solutions that can be localised, for small, medium and large practices, medium to large corporate organisations and even public entities across the continent.

Ultimately, financial professionals want to save time and increase profitability. Automation can offer you just that. With automation, you'll discover new ways of working to help your: practice; business or public entity, prosper with efficient and

compliant reporting and auditing tools. Businesses often look at automating their manual processes by replicating them digitally. What is the true value in that? Don't digitise a broken process, rather re-engineer it whilst investing in automation. The outcomes should be managed in terms of productivity and quality.

Drafting solutions in the market today should allow you to import a trial balance from any accounting system out there, or even from Excel. Once the trial balance has been allocated to compliance reporting categories, via a pre-defined set of accounts, software can instantaneously produce a set of financial statements—something that used to take days, even weeks. Should there be a requirement for consolidation between multiple company data into a single set of financial statements, software solutions allow for hierarchy set-ups that can produce consolidation structures with true aggregation and elimination capabilities. All at the click of a button.

These sets of annual financial statements become the starting point of informed decisions in the business today, directly impacting the business of tomorrow, while an audit report proves the health of the organization for investors, institutes recognition for the organisation's efforts and promotes market trust. Once submitted to the auditors, the electronic file will live in their part of the eco system, allowing them to apply an automated audit methodology that allows for collaboration on the engagement from anywhere, at any time, through the power of the cloud.

### What's in the cloud

Cloud technology is a model that is driving behaviour globally. The increasing number of online shopping transactions is one of many examples one might mention. The concerns around cloud security have been addressed by a broad set of policies, technologies, and controls deployed to protect data, applications, and the associated infrastructure of cloud computing.

By using the cloud, you can collaborate and store data in a secure environment, thus significantly reducing risk. Technology suppliers normally take care of hosting as part of the cloud solution. This means no more

shared folders, local server costs and multiple versions of one file—just one central data repository with version control in a secure cloud environment which is access-controlled. The beauty about cloud computing is that ever-evolving organizations are supported by developing tools, as updates are pushed out as and when they happen, giving end users access to new features and functionality almost immediately.

### How would this affect accountants and auditors?

These changes are driving a significant shift in the roles of accountants and auditors. This shift may even accelerate as more businesses adopt the cloud.

Cloud impacts not only the way we work, but also the way we work with one another. We call this the ecosystem. These changes will fundamentally alter the DNA of the financial professional. Be more than an accountant, be more than just an auditor! Become an adviser by tapping into the enablement tools available to you. Reimagine the way you do business. Redesign the way you deliver value. Rethink the way you use your time.

It is important to realise that cloud solutions will never replace accountants and auditors, but will significantly change the way they work and the value they add to their clients. Cloud empowers accountants and auditors, by freeing up time in their day to work with clients in a more effective way. To add value beyond delivering a set of numbers or an audit report. By allowing them the space to interpret the data and provide real advice based on trends, data analytics and predictions.

### Wouldn't you rather predict the future than respond to it?

Take the first step. Automate your own practice or organization and get a deeper understanding of the benefits of technology and the cloud and come up with a new value proposition. Adopt technology today to become a financial professional of tomorrow, and become part of the future generation auditors and accountants.

*The writer is the Business Leader for CaseWare Africa*



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# PUBLIC PRIVATE PARTNERSHIPS (PPP)

## Is the State exposing its soft underbelly?

*By CPA William Irari*

### **Is the State exposing its soft underbelly on matters sovereignty?**

In recent times, the Kenyan government has come under heavy criticism both within and without, on its unfettered appetite for borrowing. Historically, the government has been trying to juggle between internal borrowing and the more cheap but conditional external debts. In financial terms, domestic borrowing is an arm's length transaction but economically, the lucrative interest rates offered by the government to lending institutions lead to inflationary tendencies, besides restricting credit available to private borrowers. Whether to borrow or otherwise is not really the issue here, as debt financing is an inevitable catalyst to spur any economic development, but the jinx is the level of debt in relation the country's GDP. Experts believe that when

debt surpasses 45% of the GDP, then the country could be overleveraged. Another school of thought believes that as long you borrow for infrastructure projects as opposed to recurrent expenditure, no level of loan is too high. This article tends to show why the government has been keen in partnering with private sector to undertake mega projects as opposed to outright borrowing and why overreliance on PPPs could threaten the very core of a country's sovereignty.

### **What exactly is a PPP?**

The World Bank PPP Knowledge Hub, defines a Public Private Partnership as "A long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility and

remuneration is linked to performance". This definition clearly portrays a picture of a private partner playing the role of a financier as well as an operator, an actor who has to deliver a good job so as to minimize his risk as bearer of the latter. Needless to say that within the agreement, the financing partner delivers the service such that the service delivery objectives of the government are aligned with the profit objectives of the private partner. Furthermore, the effectiveness of the alignment depends on an adequate transfer of risk to the private party.

The most notable advantage of PPP is that apparently some government projects stall in the middle due to budget cuts in favor of recurrent funding; and since the projects to be funded through PPP tend to be more specific, there is less quantum in the overall burden.



The table below shows the immense opportunities that are available on this platform of project-funding arrangements and the potential impact to country's GDP growth.

#### Opportunities for Infrastructure Investments 2012-2020

SECTOR	AMOUNT IN USD M
Energy (power and others)	19,808
Ports	4,800
Roads	9,000
Water and sanitation	4,567
Railways	7,248
Airports	906
Tourism	2,050
ICT	7,850
Local Government	2,000
Housing	2,901
Public Works	1,000
Lamu Port Corridor	3,723
<b>TOTAL NEEDS</b>	<b>62,176</b>
<b>AVAILABLE</b> (GOK – 2012 – 2020)	<b>25,000</b>
<b>FUNDING GAP</b>	<b>37,000</b>

*Source: <https://fortuneofafrica.com/kenya/private-public-partnerships-kenya/>*

“PPP refers to arrangements in which the private sector supplies infrastructure assets or services that traditionally have been provided by the government” (International Monetary Fund)

*Source: GOK website (Standard Gauge Railway) – A good example of a PPP*

#### What is the rationale for PPPs?

According to the PPP unit, and expert think-tank operating at GOK-Treasury, the partnerships are justifiable and below are some of the reasons;

- Vision 2030 requires massive investments
- New roads, bridges, seaports, airports, special economic zones, etc.
- New health facilities, educational infrastructure, water and environmental investments required, etc.
- Quite often the private sector is more innovative and efficient in

designing, building, operating and maintaining infrastructure.

The big question still begs; Do PPPs reduce government borrowing?

According to the PPP unit at The National Treasury;

- Government strategy is to reduce borrowing to below 45% in the medium term
- In the past, African governments have heavily relied on sovereign guarantees to fund infrastructure developments.
- Growing debt not only negatively impacts the country's macro-economy, it becomes unsustainable.
- Guarantees under PPPs tend to be more specific, hence less significant of the overall debt burden.

The fact that PPPs are often viewed as an alternative funding strategy attracting private capital, economic critics are warning that this financing model should be taken with a pinch of salt. This is informed by the fact that the private partner, just like in any other business,

The National Treasury headquarters  
Source: Government website





“

**The fact that PPPs are often viewed as an alternative funding strategy attracting private capital, economic critics are warning that this financing model should be taken with a pinch of salt. Some projects that governments undertake are informed by political expediency as opposed to economic relevance. This has caused many to query the relevance of some mega projects; like the economic viability of the SGR.**

Source: Kenya Railways  
(Standard Gauge Railway) –  
A good example of a PPP

is there to make money and as we are all aware, some projects that governments undertake are informed by political expediency as opposed to economic relevance. This has caused many to query the relevance of some mega projects; like the economic viability of the SGR.

However, we should not confine ourselves to short-term benefits as the greatest benefits from these infrastructure projects are only going to crystallize in the medium to long-term horizon. It is foolhardy for one to say I'll not plant an oak tree seedling today since I may not live long enough to enjoy the benefit of the tree, if it'll take so many years even to provide me with a shade. Nevertheless, the element of the matching concept still sticks out like a sore thumb in a situation where debt obligations start to be serviced in the short-term, yet the revenue streams arising from the financed project will

only crystallize in the long-term. This puts a lot of strain on the Exchequer, more so in the consistent tendency of Kenya Revenue Authority to miss out on collections targets. What follows next is more borrowing, especially internal, which is a faster way but more expensive. Despite the consistent claim by the government and some misinformed politicians, who inadvertently agree with anything pro-government for political survival, that the country's rate of borrowing is manageable, there is every reason to worry about the ballooning debt and the impact it's likely to have on the state's ability to sustain and service the same.

“This is informed by the fact that the private partner, just like in any other business, is there to make money and as we are all aware, some projects that the government undertakes are informed

by political expediency as opposed to economic relevance”

#### Payment mechanisms for the PPPs

In order to comprehend the long-term consequences that may arise in the event that you don't meet your obligations towards the private party, it's important to look into issues attracting the PPPs and payment platforms.

To attract private sector financing into PPPs, a number of credit enhancements mechanisms are available and acceptable.

These may include;

- Letters of Comfort issued by the Government
- Third Party guarantees
- Partial Credit guarantees
- Political Risks guarantees
- Hedging, et cetera





Some of the payment platforms for PPPs include;

- User Pay Systems, such as tolls and tariffs
- Availability Based Payments, such as periodic payments from the government
- Hybrid payments, et cetera

#### Does a risk exist on Kenya's sovereignty?

The Standard Gauge Railway (SGR) is certainly the largest PPP project yet undertaken by the government with loan granted by China through Exim bank. The loan borrowed in 2014, amounting to approximately Ks 324 billion, has a tenor of 15 years with a grace period of 5 years. That means that the first installment is payable in 2019 estimated to be about Ks 83 billion. It's also important to note that the loan is not a fixed rate debt but is on floating rate of interest based on 3.6 basis

points above the LIBOR, meaning the interest charges could increase if global fundamentals are adversely affected.

Recently, the media highlighted a report by the Auditor-General which allegedly indicated that the revenue streams from the SGR are yet to reach a reasonable level which can give comfort of servicing the loan as it becomes due. What is even more worrying is the report by Auditor-General Edward Ouko which states that the payment agreement substantively means that the revenue of the Kenya Ports Authority would be used to clear the debt. The auditor notes that the agreement is biased since any non-performance or dispute with the bank would be referred to arbitration in China, "whose fairness in resolving the disagreement may not be guaranteed". Ouko accuses the KPA management of not disclosing the guarantee documents in its financial statements (Daily Nation

December 20, 2018).

In summary, the threat that a Kenyan Port can be taken over by China is indeed to say the least an affront to our sovereignty. The fact that the government has come out guns blazing to refute these claims, doesn't help matters either as most of us know that in the financial world, perceptions have the same effects as realities. Besides, this is not unimaginable as similar pitfalls are being reported around the African region with a rumor that Morocco has already lost its port to the Chinese.

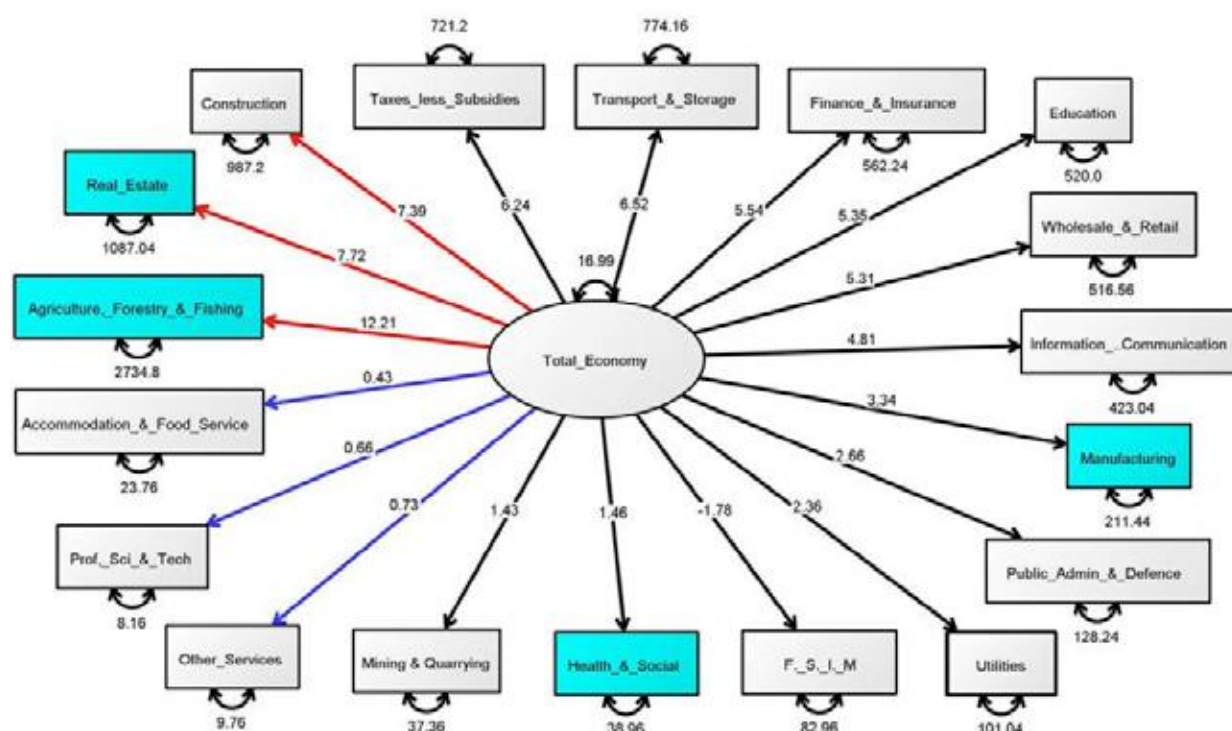
*The author is an immediate former member of Finance & Strategy Committee of ICPAK and currently a Council Member of the Institute of Certified Investment & Financial Analysts (ICIFA) where he is also the Chairman and Convener of its Membership Committee.*

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# KENYA'S ECONOMY 2018: SECTORAL IMPACT ANALYSIS

By Edwin Musonye & Wrens Asava



**A**t Document Point, prompted by a need to understand our economy in a more in-depth way; we created a dataset that we called *Kenya-Economy*. Data was obtained from Kenya National Bureau of Statistics (KNBS) latest Economic Survey (2018).

The variables were the five years (2013 -2017) GDP output of the country's various sectors. The values were based on the 2009 constant price as captured in the data book. We loaded the data (normalised) to obtain the path coefficients shown in diagram. The measurements were estimated using regression and maximum likelihood method.

## Findings in relation to Big 4

The findings are trustworthy and offer

interesting insights. One may want to pose the question: Were the government's policy makers guided by these results when they chose the Big 4 sectors; or they relied on guesswork? The variables representing these sectors are highlighted in the diagram for easy pinpointing. Some of industries qualify strongly statistically; whilst others fail miserably. The selection of Food Security (Agriculture), Housing, (Real Estate), Manufacturing, and Health as key focus areas respond fascinatingly as follows:

1. Agriculture, Forestry and Fishing records the highest impact score of (12.21). This adds on its lead as the biggest in economic size. Therefore, it qualifies as deserving area of attention. However again, maybe not given that it already has high impact, another sector should have been chosen. It is possible to

unearth the exact sector that influences other sectors most impactful way but requires another path modeling.

2. Real Estate activity has the second highest impact on the economy with a score of (7.72). Again, just like Agriculture, this sector scores highly on both standards of impact and economic size. Real Estate is the fourth largest economic sector. The real challenge is determining the actual cause of the high effect of the sector in a country suffering severe housing shortage.

This prompts the asking of the valid question, what impact is being measured? Probably, the effect is simply in massive land transactions, and maybe commercial buildings; and not in house building, owning and occupying activities. Future analysis will assist us evaluate the effects



of boosting the housing subsector on general economy and from the impactful perspective.

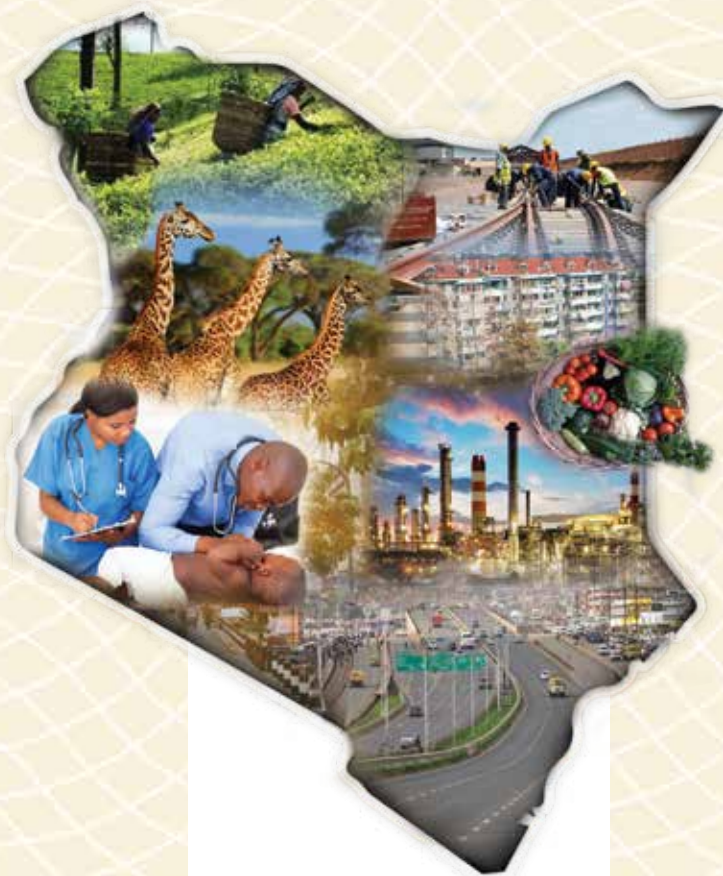
3. Manufacturing on its part, has a poor impact performance. It scores a paltry (3.34) and ranks far behind construction which posts the third highest impact on the economy with a score of (7.39). Notably, manufacturing is the second biggest player by economic size (Ksh. 440.5 Billion) in the country. The question becomes, is the sector being targeted to increase just its impactful position -which is statistically low; or its output -which is comparably already high?

4. Health also scores dismally on the impact scale. The (1.46) score places it towards the bottom. Again, its choice for inclusion among the Big 4 may be to boost its impact (social) rather than to increase its economic output. This is because health is more a welfare factor than an economic factor.

#### Other outstanding findings

The paths connecting the sectors are colored red for those representing the strongest impact and blue for those representing lowest impact. The results are ordered serially to help ease the visualisation.

The construction sector despite not ranking highly on economic output scale outperforms many bigger sectors on impact measure. It outshines economic sectors such as wholesale and retail trade as well as transport and warehousing. Again, it would be interesting to establish the actual reason that is furthering its impact ratings -the object being captured.



**“Agriculture, Forestry and Fishing records the highest impact score of (12.21). This adds on its lead as the biggest in economic size. Therefore, it qualifies as deserving area of attention.”**

Wholesale and retail trade also records unimpressive impact results in relation to its size. The dismal performance may be attributed to the high informal trading practices.

Accommodation and Food, which are tied to tourism not only ranks lowly in economic contribution- it comes third from the bottom, but also represents the lowest impact at (0.43). This means that the sector has the greatest task in enhancing its all-round contribution to Kenya's economy.

Taxation activities likewise, despite being the second biggest sector in terms of size, it drops to fourth on impact terms. This could be because of internal or external inefficiencies.

Professional, Scientific and Technical services score (0.66) thus ranking second from the bottom on the impact performance ranking. This could be an indictment that the knowledge industry is underperforming. Notwithstanding that economic output is generally low across many countries, impact can still be boosted.

#### Conclusion

There is little doubt that we have scarce inferential statistical information on our economy. Our needs apparently are well met by the descriptive data supplied by Kenya National Bureau of Statistics (KNBS), Central Bank of Kenya (CBK) and other primary sources.

Whereas, the descriptive quantities are important and help us in appreciating albeit cursorily what is happening in our economy, they only go half the distance. Thus their purpose shouldn't be to give us the final product, but rather to provide us with the raw material for processing more incisive analysis and comprehension.

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# TAX INFORMATION EXCHANGE AGREEMENTS

## Global common reporting standards

By Carol Kigo

**G**lobalisation has led to worldwide integration of economies. This means the world has become a global unit in relation to how administration is carried out because of increased cross-border trade, investments and other activities. We are referring to administration in terms of judicial systems, legal systems, financial systems, tax systems among others. This has necessitated the use of International law in order to ensure effective administration.

With the globalisation trend, came International Taxation, which has influenced many tax jurisdictions in terms of tax administration. The increased cross-border trade and other investments by individuals and Multinational Corporations and Enterprises (MNCs and MNEs) led to the need to identify and capture all sources of revenue from resident companies and individuals who operate from other tax jurisdictions or countries. On the onset of globalisation, it became increasingly difficult for tax administrators to become aware of overseas or cross-border investments

and other activities, which made it quite easy for loss of tax revenue through fiscal evasion by the concerned businesses and individuals. Adu (2017) stated that, there is evidence to suggest that where information on income is not readily available to the tax authorities, taxpayers are less likely to fully disclose the income and fully comply with the law. The Internal Revenue Service (IRS) in the United States (US) analysed the tax gap for the US for 2008 to 2010. The analysis showed that when income is subject to substantial third party information reporting (or high visibility or transparency), only between 1% and 7% of the amount is underreported. However, if the income is subject to little or no information reporting (or little or no transparency), up to 63% of the income is misreported. This necessitated the need for development of mechanisms to assist in retrieving information from other tax jurisdictions. One of the mechanisms developed is the establishment and use of Tax Information Exchange Instruments, which have become an important tool of Tax administration because

of their contribution to effective tax administration in the international arena.

### International Tax information Exchange Instruments

Tax Information Exchange can be described as the sharing of information on tax matters between two or more contracting parties or tax jurisdictions. EAC Handbook on Exchange of Tax Information defined Exchange of Information under a tax instrument as the act of sharing taxpayer information between two or more Revenue Authorities for purposes of administering domestic laws.

Tax Information Exchange Instruments includes both Agreements and Conventions. The Oxford Dictionary defines an Agreement as a negotiated and typically legally binding arrangement between parties as to a course of action and Convention as an agreement between states covering particular matters, especially one less formal than a treaty. The primary instruments used for tax information exchange include Tax Information Exchange Agreements



(TIEAs), Multilateral Convention for Mutual Administrative Assistance on Tax Matters (MCMAATM) and Double Taxation Agreements (DTAs). Examples of Agreements touching on Exchange of Information include Tax Information Exchange Agreements and Double Taxation Agreements. On the other hand, an example of a Convention on Exchange of Information is the Multilateral Convention on Mutual Administrative Assistance on Tax Matters.

The Australian Taxation Office for the Commonwealth of Australia (2014) in an article outlined the importance of TIEAs as follows at an international level; Maintenance of higher standards for the collection of taxpayer and accounting information, promoting transparency and good governance; increase financial sector stability as well as combating criminal activity; enhance the jurisdiction's reputation as a legitimate offshore financial centre; and assist integration of the offshore financial centre jurisdiction into the international financial system and global community. The Global Forum Annual Report, 2017, stated that; the effective use of these modern information sharing tools helps their member jurisdictions to narrow the tax gap created by evasion and avoidance, restore the balance in the allocation of tax burden and boost state revenues. This is achieved through the mutual assistance of the member countries in tax recovery.

The African Tax Administration Forum in its article reported that Exchange of Information in tax matters has received world-wide attention since the economic meltdown in 2008 - to the extent that more than 800 agreements that provide for the exchange of information in tax matters have been signed. The Global forum's 2016 report on the other hand states that almost \$55 billion has already been collected through voluntary disclosure programmes and similar measures aimed at encouraging taxpayers to report income and wealth previously hidden from tax authorities in advance of automatic exchange of information.

#### Methods of Exchange of Information

There are three methods through which the exchange of information can occur, namely; Exchange on request, Spontaneous Exchange of Information and Automatic Exchange of Information. The method of exchange is a vital element in achieving

effective exchange of information. In recent times, more emphasis has been laid on Automatic Exchange of Information (AEI). The OECD has played a major role in enhancing effective exchange of information. It has continually developed standards for the Automatic Exchange of Information and provided support in terms of building capacity for the implementation of these tools. For example, OECD developed the CRS (Common Reporting Standards) in 2014 to help in harmonising the AEI by member countries. It established global common reporting standards for the automatic exchange of information between the tax authorities. The CRS will require financial institutions and brokers to report information to the tax authorities in their own jurisdictions, which will in turn be shared with the tax authorities of other relevant tax jurisdictions or countries.

#### Tax Information Exchange in Africa

Africa is well endowed with resources for example mineral resources, cheap labour, and conducive weather among others. This has attracted many investors from other countries, especially the developing ones, to invest in masses in African countries. This has made Africa emerge as the next investment frontier. With the increased FDI, the resultant effect is expected to be increased tax revenue from the income due to increased tax base. But is this the case? This may not be the case because of revenue leakages due to things like transfer pricing, thin capitalisation or debt financing and tax havens. This is the reason why EOI (Exchange of Information) is becoming increasingly important as the Revenue Authorities can be able to access information on investment flows from other tax jurisdictions through mutual assistance in terms of tax recovery and other tax matters.

Not many African countries had shown interest in the tax information exchange idea but of late there are many that are slowly embracing these instruments in aiding tax recovery and curbing tax evasion. The uptake by the developing countries has been hindered by the cost implications and lack of capacity to effectively facilitate the exchange of information. The African Tax Administration Forum (ATAF) in an article stated that: Revenue Authorities in Africa may find exchange of information in tax matters difficult to manage due

to: Insufficient legal instruments to exchange information; Insufficient domestic legislation to allow exchange of information; Inadequate policies, processes and procedures to allow for effective exchange of information; and lack of skilled staff to manage and process exchange of information requests, within the legal instrument framework.

#### Tax information exchange in Kenya

Kenya has been of the forefront as one of the most attractive investment destinations in Africa, leave alone in East and Central Africa. For a while now, it has been the economic giant in this region and continent as a whole. Kenya has been ranked as 2017's second-most attractive foreign investment destination in Africa by Consultancy firm EY (which was formerly Ernst & Young). Morocco came in first. The firm's newly released Africa Attractiveness Index 2017 showed that Kenya scored highly in the long-term outlook on governance and human development, economic diversification, infrastructure and logistics and had an improved business environment rating. There are even plans and a Bill has already been presented before Parliament to make Nairobi an International Financial Hub. With all this, it is expected that investment inflows from foreign investors will be on the increase and KRA has to be actively involved in ensuring that they tap into these sources of tax revenue. In order to achieve this, Kenya should be proactive in engaging other tax jurisdictions in matters EOI (Exchange of Information).

Currently, Kenya is a signatory to many Agreements and Conventions namely; Tax Information Exchange Agreements (which is an initiative of the Global Forum on Transparency and Exchange of Information for Tax Purposes), Multilateral Convention on Mutual Administrative Assistance in Tax Matters, and various Double Taxation Agreements that have an article on Exchange of Taxpayer Information (mainly those based on OECD and UN Model Convention). Question is; how active has Kenya, through KRA, been in enforcing and enacting the Tax Information Exchange Agreements and have there been any amounts of tax revenue recovered due to the Agreements?

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# HOW TO HANDLE OFFICE POLITICS

## Every office has it

By CPA Vishal Soni

**M**ostly, when people start working in any organisation, they always unintentionally assume that there is no politics, whatsoever, in the office and we further convince ourselves that even if there is going to be any, we're not going to dip our fingers in it.

But eventually we all do get stuck in this web of "Office Politics", whether directly or indirectly, with purpose or without.

Then how do we deal with this? Is it really unavoidable? The answer is yes and no. It is avoidable, but not always. The main point here is that politics in any organisation is aimed at achieving a final result. There is no good or bad politics. It is mainly a means to achieve a pre-set goal, and collateral damage is always expected. So we need to learn how to survive, and remain clear of negative politics at least, just like how a Lotus flower holds itself distinctly above the mud, within which it actually grows.

Burying your head in the ground and totally ignoring the existence of office politics never helps, instead it may actually make you an easy target. You need to know that every office shall sustain a certain level of politics. Your entry only creates a new angle to the pre-existing structure of politics. As a professional, you are expected only to indulge in the work that is assigned to you, but people often forget that employees are first human, then professionals.

Professionals aren't really expected to have emotions, or any goals apart from that of the company's,

but humans do have emotions, goals, and aspirations, which are not necessarily in concurrence with the company's. This is the starting point of office politics. How do you keep clean of all this?

Do: 1. Focus on your Job's requirements. 2. Be Aware of people's inherent nature. 3. Know your office Protocols.

Don't: -1. Indulge in Office Gossip 2. Mix personal problems with professional 3. Form permanent opinions about anyone  
Let's look at each in detail:

### Do: 1. Focus on your Job's requirements:

Every job has its designated requirements, and furthermore every assignment too. You may be given assignments by the relevant seniors in your office whom you may or may not be on good terms with. Often people perform poorly on assignments from seniors whom they dislike, this only makes the matter worse, as the senior only finds more reasons to dislike you. Rather, you should be







more focused on what you're expected to do in the assignment. This will not only ensure the successful completion of the job, but also stem any possible conflicts and probable politics.

## **2. Be Aware of people's inherent nature.**

As said earlier people often forget that employees are first human, and then professionals. So everyone you work with, whether above, below or around you, is but human in nature and their individual natures have been moulded by their life's experiences and upbringings. Keeping this in mind, each person has their own way of working and relating with others, which you shall learn as you spend more time working together.

Irrespective of all other differences, being aware of people's nature helps to make life easier, as you learn how to get work done in the best manner possible, keeping in mind the different mannerism of each person. Expecting every one you work with to act professional at all times is unreasonable.

## **3. Know your office Protocols**

Protocols are a formal set of rules that describe how a particular process is to be performed or handled. Protocols may be formal, offering a step-by-step guidance for employees to use as a reference when they are unsure about how to go about doing something or informal and unstructured.

Protocols are also set when following hierarchy at work. Knowing who and when to report to in the hierarchy is an inherent necessity. Being aware of office protocols can help you avoid being a shoulder to other's ill intentions.

Power struggles is an existing fact in any institution and protocols are often overridden in an act of politics, just to achieve a desired outcome. Being aware of the protocols helps us realise a potential political affair and thus aid in steering clear.

Now that you know what to do, let's look at what not to do in detail:

### **Don't: 1. Indulge in Office Gossip:**

Being focused on your job also encompasses not indulging in office Gossip. Yes, your daily dose of office

Gossip may sound like harmless chatting, but rather is a source of office politics. It is generally never helpful as it only diverts your attention away from your job and towards other unnecessary issues which may or may not be true or relevant.

More so, what you may think is harmless venting of your frustrations about work or dealing with someone, may be used against you by your unscrupulous colleagues for their own advantage.

## **2. Mix personal problems with professionals at work**

We often make new friends, people whom we like to work with. These people may also have other friends with whom you may not have good or bad relations.

It is very easy to start mixing your personal problems with your professional ones, by discussing your personal problems at work. Remember, your friend at work may be harmless, but his friend may not be an angel either. When you share your personal problems with your "Friends at Work" and they in turn end up doing some "Harmless gossip" with their friends at work, you may be in for some unnecessary trouble as many a times people are seen to be using privileged information about you against you, in order to win at work, and this would be all your doing.

## **3. Form permanent opinions about anyone**

It is easy to judge people based on their initial interaction with you, and with time, we often form permanent opinions about people. Doing so is no different from seeing through a coloured or tinted glass. Your vision is always shaded in that colour regardless of what the actual colour of the thing you're seeing is. People at work do not necessarily have the same persona all along. Their persona changes with the circumstances and the people they deal with. They may have come across as very good at first instance but they may not really have good intentions, and the same is the case the other way round. It is the classic case of "Do not judge a book by its cover".

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# TAXATION

## OF ILLEGAL CASH FLOWS

Are incomes from immoral activities taxable?

By CPA Samuel Oyombra

**W**ould it be considered an affront to public policy and public interest for a government to levy income tax on gains that persons have derived from illegal/immoral sources? On the other hand, can tax payers be allowed to claim deductions, against their incomes, for un-lawful expenses incurred 'wholly and exclusively' in the production of their taxable income? In this article, a careful consideration is made of the reasons behind some decided relevant tax cases in an attempt to answer these questions.

### Laying Down the Principle

Over time, governments have used tax laws and policies to enact and implement measures that deliberately and systematically discourage actions or transactions which it considers undesirable while encouraging those that are perceived to be desirable.

A case in point is the recent amendment to the Kenya's Betting, Lotteries and Gaming Act Cap 131 via sections 29 to 33 of the Finance Act 2017, to increase betting, lottery, gaming and prize competition taxes from 7.5%, 5%, 12% and 15% respectively to a



uniform tax rate of 35% of the gaming revenue, hoping that this punitive move would discourage the increasingly popular, but ‘undesirable’ habit of betting. This amendment was effected on 1st Jan 2018 but again reviewed downwards to 15% by the Finance Act 2018. The rest of the burden (20%) was transferred to the winning bettors. Often, when a government wants to discourage smoking or alcohol consumption, it would levy higher taxes on cigarettes and alcohol respectively; but on the other hand, when promotion of investment is the objective to be achieved, for example, it offers capital deductions on profits as well as other incentives.

It could be argued that whether a regime imposes punitive taxes or grants incentives and allowances, the essence may not be, wholly, the promotion or restriction of a targeted action as an end in itself, but rather that the pure motive is to increase revenue collection, by giving out a little with one hand in order to take back much more with the other. This is so because with increased investments, more jobs would be created and higher returns generated; and the authorities can generate increased income tax from both. It thus appears that the focus of the designers of tax policies and legislation is to net in as much tax as possible without necessarily considering public interest. This argument can be gleaned from the ensuing discussion.

In delivering the Budget Statement for the fiscal year 2017/2018 to the National Assembly in March 2017, the Cabinet Secretary for the National Treasury gave notice of intention to overhaul the current Kenya's Income Tax Act Cap 470 with a view of broadening the tax base, sealing leakage loopholes, ensuring certainty, reducing income inequality and simplifying tax administration and compliance among other objectives. One area that should be considered would be the description given to a “business” which is perceived to be lacking in clarity. Questions abound as to whether certain sources of income such as income from bribes, corruption, extortion, piracy, prostitution, embezzlement, theft, or similar illegal/immoral activities meet the definition of a ‘business’ and whether these should be declared and subjected to tax. Although Sec 3 of the Income Tax Act widely specifies that income tax would be charged upon all the incomes

of a person, the sub-sections beneath it, which describe such ‘gains and incomes’ do not appear to encompass income from illegal/immoral sources.

### **The Law: Income from Illegal Sources**

As explained above, in Kenya, and in many other jurisdictions, all incomes

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**According to section 61 of the Internal Revenue Code of the United States, a person's income will generally be subject to the income tax rules, regardless of whether the income was obtained legally or illegally.**

arising in, or derived from the country would be subject to taxation in the country. But a dilemma arises, in the mind of the tax payer, where such income or gains so realized are from illegal/unlawful activities. There have been instances where wealth of corrupt individuals was exposed and the Kenya Revenue Authority rushed in to assess tax on such hitherto un-declared ‘incomes’. Debate has raged as to whether the government was acting responsibly by claiming only a portion (in the name of income tax) of illegally acquired wealth instead of initiating a process to recover the whole, and whether the government, by so acting, condones illegal actions and takes a share in the proceeds of crime.

The Proceeds of Crime and

Anti-Money Laundering Act, 2009 (POCAMLA) defines proceeds of crime as ‘any property or economic advantage derived or realized, directly or indirectly, as a result of or in connection with an offence irrespective of the identity of the offender and includes, on a proportional basis, property into which any property derived or realized directly from the offence was later successively converted, transformed or intermingled, as well as income, capital or other economic gains or benefits derived or realized from such property from the time the offence was committed’.

Property, as used in this definition, includes monetary instruments, while ‘an offence’ here, means an offence against a provision of any law in Kenya or in a foreign state for conduct which, if it occurred in Kenya, would constitute an offence against a provision of any law in Kenya (POCAMLA).

With the said law in mind, would a government be accused of sharing in the proceeds of crime if it were to demand tax on income from illegal sources? To answer this question, it may be necessary to consider the Income Tax Act itself vis-à-vis case law.

### **Case Law: Income from Illegal Contracts**

In the Civil Appeal No. 55 of 2009 between the Kenya Revenue Authority and Yaya Towers Limited, the Honorable Justices at the Court of Appeal on 15th April 2016 overturned the judgment and the decree of the High Court of Kenya delivered on 21st November, 2008 in Nairobi H.C. Misc. Civil Appln. No. 374 of 2006, hence establishing the overriding principle; that gains from illegal sources would be taxable nonetheless.

In the said Civil Appeal No. 55 of 2009, the appellant, Kenya Revenue Authority (originally a respondent in the original case at the High Court), had filed an appeal against the judgment of Hon. Nyamu, J delivered on 21st November, 2008.

The undisputed facts of the case were that the respondent, Yaya Towers Ltd, (originally an applicant in the original case at the High Court) entered into a consultancy contract with a firm known as Modave Technologies to offer the respondents services of one, David Saunders who was a partner in the firm. Modave Technologies later changed its

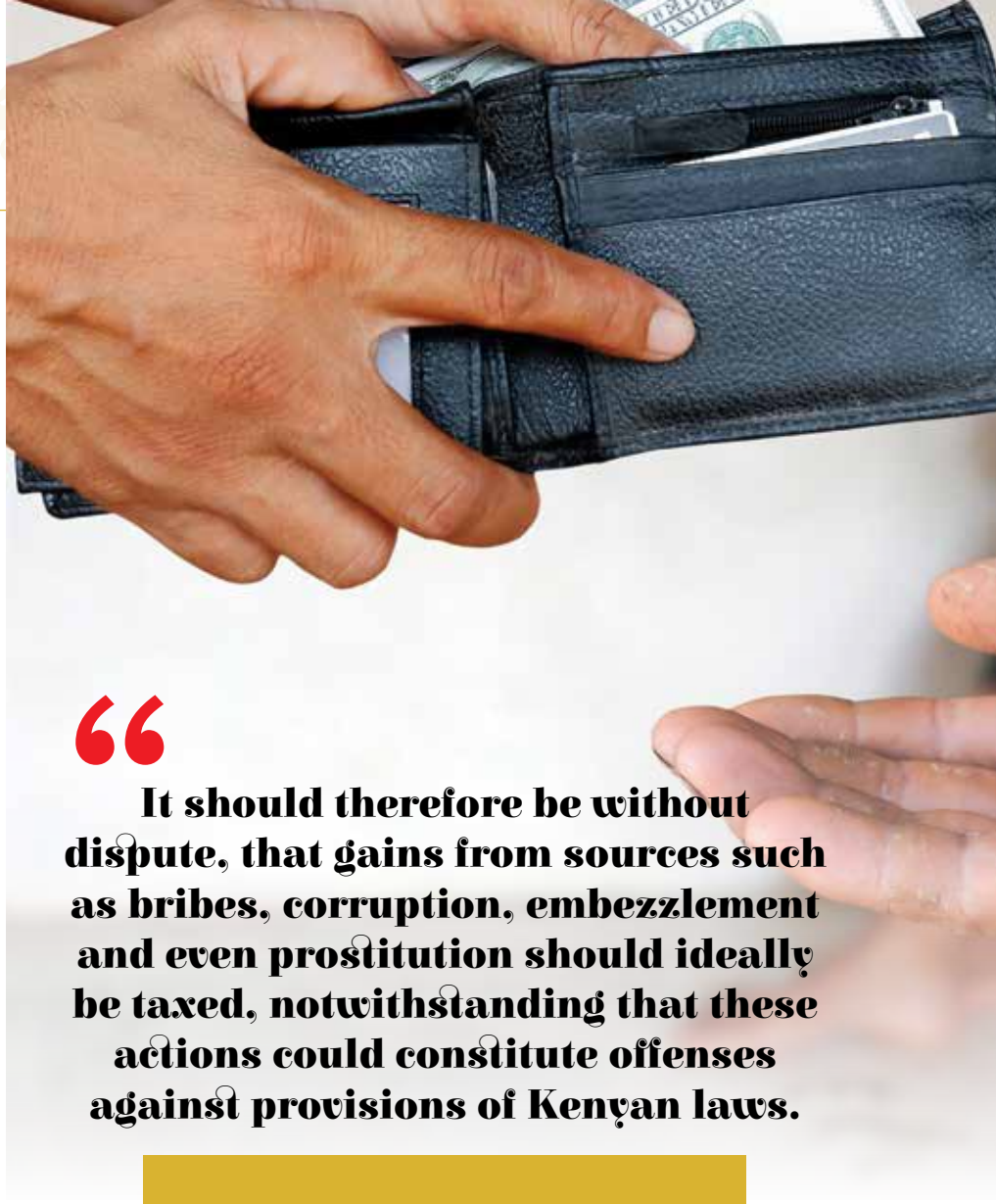
status to a Limited Liability Company and it continued to render services to the respondent, albeit under a new contract. It was the appellant's case that the respondent was statutorily obligated to make, and remit to the appellant, Pay-As-You-Earn deductions in respect of David Saunders; a sum which was assessed at KShs. 17,775,190, including penalties, under the applicant's letter of 31st March, 2006.

On the other hand, the respondent's case was that the employment of Mr. Saunders, having been found to be illegal by the trial judge, his remuneration thereof could not be subject to taxation. Thus, the crux of the appeal was a determination of "whether the appellant can lay a basis for assessing tax on gains from an unlawful engagement."

Whereas the learned Judge in the initial case ruled in favor of the respondent, that the appellant (Kenya Revenue Authority) cannot lay basis for assessing tax on unlawful engagement, finding that "for doing so would go against public policy and would be benefiting from an illegality", the Court of Appeal, in its reasoned judgment found the High Court judgment erroneous and thus set it aside.

In considering judicial decisions in decided cases and authorities from the commonwealth, the Honorable Justices at the Court of Appeal held that even though the gains in question were earned from services rendered by an illegal entity, thus constituting an illegal contract, the respondent was bound to deduct tax thereon. In fact, their reasoning is that allowing the judgment of the High Court to stand would entitle a wrong doer to benefit from the illegal profits earned from unlawful business and on top of that be exempted from taxation.

With this reasoned judgment and the relevant case law, it should therefore be without dispute, that gains from sources such as bribes, corruption, embezzlement and even prostitution should ideally be taxed, notwithstanding that these actions could constitute offenses against provisions of Kenyan laws. The words of Lord Morison (quoted in the appeal no. 55 of 2009 discussed above) are thus established, that if it were to be held otherwise, then it would lead to an absurdity that gains of an honest business are taxed whilst the dishonest escape taxation.



**“It should therefore be without dispute, that gains from sources such as bribes, corruption, embezzlement and even prostitution should ideally be taxed, notwithstanding that these actions could constitute offenses against provisions of Kenyan laws.”**

### Common Practice in Other Jurisdictions

According to section 61 of the Internal Revenue Code of the United States, a person's income will generally be subject to the income tax rules, regardless of whether the income was obtained legally or illegally. Gains from espionage or proceeds of theft must therefore be declared; although a ruling of the Supreme Court there in the matter of *Garner v. United States* affirms that a tax payer could opt to exercise the right and privilege of privacy and against self-incrimination by opting not to disclose or reveal the real source of such incomes. Similarly, in South Africa and in the UK, tax is levied on all incomes even if such incomes may be from illegal sources like dealings in illegal drugs, theft or prostitution.

In the case of *MP Finance Group CC (In Liquidation) v Commissioner for South African Revenue Service* [2007] SCA 71 (RSA), the Supreme Court of Appeal in the Republic of South Africa held that gross receipts of a pyramid

scheme (MP Finance Group CC), though obtained fraudulently from 'investors' were in fact taxable in the hands of the pyramid scheme; unfortunate as it is, that the state benefited at the expense of the investors by taxing money stolen from them.

### Deductibility of un-lawful payments

Having established the position with regards to incomes, the other question to consider is whether unlawful payments such as bribes made to 'facilitate' trading would be allowed as deductible expenses for purposes of computing taxable gains. Though Section 15 of the Income Tax Act permits a tax payer to deduct, from taxable incomes, all expenditures incurred wholly and exclusively in the production of that income, allowing illegal expenses, which contravene other laws, could be tantamount to giving incentive to crime and this would be untenable. Sec 162 of the United States Internal Revenue Code stipulates that only expenditures that are 'ordinary and necessary,' paid or incurred





during the taxable year in carrying on any trade or business would be allowable in determining taxable gains.

The rules-based Internal Revenue Code is more prescriptive as compared to Kenya's principles-based regime, since not all expenses that are incurred 'wholly and exclusively' in the production of income would be 'ordinary and necessary' while all those that are 'ordinary and necessary' would be 'wholly and exclusive' in the production of income.

To further develop this point, regarding the recognition of illegal expenses in the books of accounts of entities, there could be an interesting scenario with respect to the financial affairs of political parties and politicians. Of particular interest, is the popular issue of hand-outs dished out by politicians, especially given that these could constitute payment of bribes to voters which is an offence under Section 9 of the Election Offences Act, 2016. Such payments are usually significant, and preparers and users of financial statements of political parties would be interested in seeing how such hand-outs are expensed in the books of accounts since they could potentially expose politicians and political parties to self-incrimination.

This is a high risk area and it is highly likely that political parties which make huge pay-outs (bribes) to voters would

be keen to describe and classify these expenses carefully and attempt to include them in their performance statements, despite their illegality.

### Conclusion

It thus appears that, generally, the principal purpose of tax policies and legislation in many jurisdictions is to tax net income, as opposed to punishing illegal/immoral actions.

In fact, as evidenced on paragraph 163 of Kenya's Budget Statement for the fiscal year 2017/2018, the government would readily take corrective measures in the event that some of its tax policies result in reduced demand or loss of market and loss of jobs (read reduced tax) for certain products, though harmful.

In a similar case of *Mann v. Nash* (1932), Rowlatt J. asserted that it is foolhardy to argue that the state is sharing in illegal or immoral gains of individuals; on the contrary, the state is not a partner, it is not a principal in an illegality or a sharer in the illegality; it is merely assessing a tax payer in respect of resources gained, by whichever means.

Punishment of illegal or immoral actions can therefore be pursued under other laws, but not through tax legislation or policy.

As a matter of fact, it would then be

advisable for a tax payer to declare their illegal gains when filing their tax returns if they are to avoid being charged twice; i.e. for the crime committed and for failure to declare gains obtained. There is a risk of self-incrimination though, and a tax payer can claim the right to privacy by not disclosing the source of such income.

It remains a moral question, and not a legal question, as to whether the government is justified in claiming tax on prohibited activities. Further, tax legislation and policy does not seem to concern itself as to whether the government should go ahead and prosecute an offender for the crime after claiming tax on the gains and profits from the offense; that could be pursued separately.

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# CYBER ATTACK-RANSOMWARE

## It starts with a piece of spam email

By Albert Otieno

**R**ansomware is a type of cyberattack where hackers infiltrate company systems, encrypt certain files or bar access to entire computer systems and then demand a fee /ransom in order to return access to those systems. Most instances of ransomware revolve around malwares such as the Trojan horse that can be delivered via email or a link, which the hacker can then use to encrypt important files on a system and deny access to the owner. Simply put, it is a malicious software used by hackers to block access to data until ransom is paid hence the name ransomware.

The first examples of this type of attack involved Crypto Locker malware that specifically targeted Windows machines and was delivered via email attachment. The malware would actually encrypt local files and then display a prompt demanding payment before sending decryption keys. Crypto Locker has given way to much more aggressive and dangerous forms of ransomware over the past few years that make it increasingly difficult to defend against.

The second example of ransomware is called Crypto Wall. This uses anonymous networks to make it difficult to trace the malware's creator. Crypto Wall also uses in-depth forms of encryption with a multi-layered approach to make it almost impossible to decrypt hostage files manually without having access to the decryption key that the hacker only provides after ransom is paid.

Ransomware has evolved over time since 2013. While it once focused primarily on individuals, it has since moved over

to enterprises because business can pay up much more. Hence the importance to create awareness about this vice. One problem with ransomware is that it is so sophisticated that no number of lawyers or security professionals can save you from an attack and give you access to your file without paying the attacker's fee. This makes ransomware so dangerous. It is something that businesses should better understand, because if you are not well prepared for this type of attack and important systems or files are encrypted, then it is more than likely too late and you will need to pay the ransom to get them back.

The average ransomware attack starts with a piece of spam email that is no different from any other malware delivery mechanism used by hackers in the past. The email is often tailored to look like it comes from a coworker or from a legitimate institution, often with convincing logos, signatures, and other information. In other words, the hacker tries to make the email look as legitimate as possible in order to get you to click the link provided or open an attachment that will infect your system with a piece of malware. Once the malware resides on your system, it can target specific files to encrypt or, in some instances, it can simply take over your entire system.

Often, the malware searches for what looks like the most important items stored on your system and encrypts them. When you attempt to access those files, you'll instead find the files completely locked and a ransom note demanding payment. Once you pay the requested amount, you will receive decryption keys that will allow you to unlock your files and access them again.



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**To protect your organisation from ransomware, the key solution is; back up, back up, back up. The reason why this is vital, especially in ransomware situations, is that it is so difficult to get the information back that you can only truly protect yourself by having copies safe and sound in a completely separate location.**

The most important thing to remember about ransomware is that you should not let it get to the point where your files are encrypted otherwise you risk losing data. It may seem like common sense not to click attachments or links in emails, but if you have never seen how convincing those targeted spam messages can be, you will never know how mundane it may seem to click without thinking. For that reason, individuals and especially companies need to constantly think about how to protect their data and to back it up in case of attack.

To protect your organisation from ransomware, the key solution is; back up, back up, back up. The reason why this is vital, especially in ransomware situations, is that it is so difficult to get the information back that you can only truly protect yourself by having copies safe and sound in a completely separate location.

Other methods of protecting organisations from ransomware is getting services from ICT firms that have keys to the ransomware. Some security firms have the keys to some of the ransomware out there, and other keys have been made publicly available, but there are so many variants, that there is not much to be done.

ICT gurus recommend that organisations need to look into the frequency of backups to ensure they are on an acceptable schedule, especially for mission-critical data. Obviously, the more frequently you back up your data, the less data you might lose should you become a [ransomware] victim.

Aside from backup, it is also important to keep your anti-malware security measures up-to-date so you can detect those programs on your system before they cause damage. Security vendors are constantly updating their products to defend against newly discovered threats and warn you if your system is at risk to vulnerabilities due to unpatched software and applications. This will protect you from more than just ransomware as well, so it is important to make updates and patches part of your regular IT routine.

Even if you have all of your security up-to-date and your files backed up, hackers are not going to stop innovating and neither should you. In fact, there are already new forms of ransomware out there that not only encrypt the main version of a file, but also spider-web out to find copies, backups, and previous versions of that same file to encrypt them as well. In order to prevent your data and systems from being held hostage, you need to be vigilant and use common sense practices in addition to strong security measures to protect your data. Corporates should invest heavily on system security as they invest in the systems.

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# SOCIAL CAPITAL

## Is it really necessary?

By Angela Mutiso

**I fear the day that technology will surpass our human interaction. The world will have a generation of idiots** - Albert Einstein

**Society is a republic. When an individual tries to lift themselves above others, they are dragged down by the mass, either by ridicule or slander** - Victor Hugo

Someone once said that; "individual commitment to a group effort - that is what makes a team work, a company work, a society work, a civilization work. And man to man is still the greatest curse. He who is unable to live in society, or who has no need because

he is sufficient for himself, must be either a beast or a god."

We have now come to accept that when Albert Einstein said he feared the day technology would surpass our human interaction, he was not off the mark; because that is precisely what we are experiencing and trying to fend off today.

Humans as we know are interdependent by nature. So, no matter how deeply we embrace technology, we cannot completely do away with the physical aspect of social interactions.

A social group is a group of people who network with each other and share like ideas and a degree of unanimity.

Source: OTB Africa





According to Wiki, social capital broadly refers to those factors of effectively functioning social groups that include such things as interpersonal relationships, a shared sense of identity, a shared understanding, shared norms, shared values, trust, cooperation, and reciprocity.

Our interactions are varied. Research has revealed that lately, in most parts of our country, most friends and families only meet when events are taking place; like weddings, parties, funerals, funds drives and other such meetings. In many instances, people form groups in the social media (mainly WhatsApp) to deal with preparations and make contributions through mobile phones,

thereby limiting physical interactions. There are many reasons for this; most notably technology...and what many people refer to as busyness... (Being busy) whether they are busy or not. Some are managing this shortfall in their relationships by forming chamas... where they meet, invest and grow. A Chama is a casual supportive society that is usually used to collect and invest savings. They are also referred to as small savings groups. Some people usually meet in each other's houses, while some prefer online based chamas. In this case members simply send money using the mobile money platform and take loans when they want to, with low interest. They normally plan for an end of year meeting where people get to know each other.

### So what is the origin of social network?

This is a question that is often asked. Many people are involved in these networks without really knowing their origin. L. J. Hanifan's 1916 article regarding local support for rural schools is, as explained by Wikipedia, one of the first occurrences of the term social capital in reference to social cohesion and personal investment in the community. In defining the concept, Hanifan says...I do not refer to real estate, or to personal property or to cold cash, but rather to that in life which tends to make these tangible substances count for most in the daily lives of people, namely, goodwill, fellowship, mutual sympathy and social intercourse among a group of individuals and families who make up a social unit... If he may come into contact

with his neighbour, and they with other neighbours, there will be an accumulation of social capital, which may immediately satisfy his social needs and which may bear a social potentiality sufficient to the substantial improvement of living conditions in the whole community. The community as a whole will benefit by the cooperation of all its parts, while the individual will find in his associations the advantages of the help, the sympathy, and the fellowship of his neighbours.

As with most situations, there are also negative aspects in social capital. These include barring of outsiders; making too many demands on members, limitations on individual freedom; and downward levelling standards. It can actually be used to produce or reproduce inequality as explained by Pierre Bourdieu. He shows how people get powerful positions through the direct and indirect employment of social connections.

### Social capital needs to be nurtured

In comparison with traditional types of capital, social capital is not worn-out by use. If anything, it is weakened by lack of use. You must nurture it...and continually work towards its success. From this perspective, it is like the now deep-rooted economic concept of human capital. Social capitalism stresses the fact that a durable social support network for the poor boosts capital output. By reducing poverty, capital market participation is boosted. By making room for interactions, loneliness is suppressed. A sad story is told of an old and lonely man who took

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**In Kenya, mobile banking is popular. More people today are using Mpesa, Airtel money or T-kash. Our dependence on this mode of payment played out recently when one of these stopped working for a few hours, consequently, several people simply felt lost.**

his phone for repair, believing it had stopped working and needed an urgent remedy. To his dismay, he was informed by the phone repairman that there was nothing wrong with his phone. “So why have my children stopped calling me?” The man enquired pitifully.

Loneliness can be very scary and destructive. It hurts, depresses and saddens. Loneliness also can become a persistent and protracted condition and can bring about devastating mental and physical conditions. Besides, it can cause amnesia and appetite loss. The cure for loneliness should be geared toward growing the person’s social interactions as well as guiding them to be more proactive and providing opportunities for them to intermingle. Never underestimate the power of interactions. Meeting old friends who have known you for long, having family meetings and being in a group with common interests are good ways of escaping loneliness and making

you more cheerful. You can meet people in churches and at voluntary groups. You could also meet people while travelling, and by striking conversations. Also, talk to your neighbours and join a club. An issue that has become apparent during this digital era, is how much we have stopped caring for each other. We seem to be forgetting that our happiness and well-being for a long time depended on loyal and sympathetic associations.

### **Mobile banking and credit cards have redefined our relationship with money**

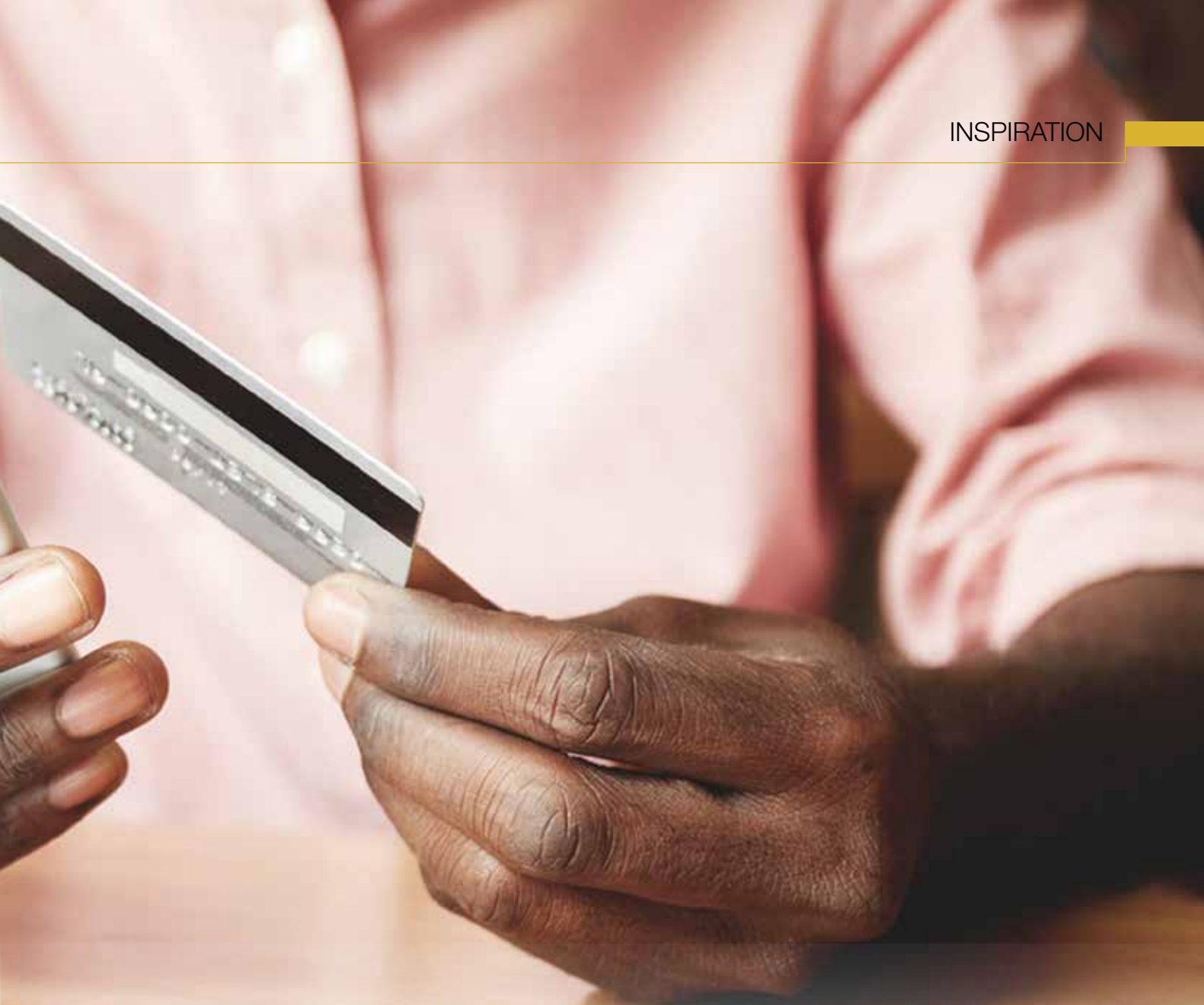
An elderly man was once asked by his son why he always went to the bank to withdraw his money despite knowing that mobile banking had made things easier. The old man’s response touched his son so deeply, that he decided to spend more time with him from then on. His old man explained that he felt lonely and therefore always looked forward to going

to the bank to get his pension. He liked the human touch. It gave him purpose, enabled him to interact with the tellers and also gave him a sense of importance.

In Kenya, mobile banking is popular. More people today are using Mpesa, Airtel money or T-kash. Our dependence on this mode of payment played out recently when one of these stopped working for a few hours, consequently, several people simply felt lost. Some shoppers in supermarkets abandoned their shopping baskets, unable to pay, some people in taxis who had intended to pay using their mobile phones were not able to do so. Actually, quite a number of people were badly inconvenienced.

It was recently reported that a firm in the UK has predicted that plastic cards will take over from cash to become the UK’s most frequently used payment method by 2021. It is said that the growth will be driven by “the next generation of account holders”, (UK Cards Association)





as “younger people are more likely to embrace new technologies such as contactless cards and mobile payments.”

What does this portend? It isn't a bad idea, and we do not really want to be left behind. On the other hand, it matters very little how digitally advanced we get, says one psychologist; social interactions will always be necessary for our survival. We need the emotional link to feel whole. The generation of love and compassion is very useful and must not be lost. Many people in Africa believe that life in more advanced countries is much better than here. But a number of people will tell you they'd much rather be here... where social interactions are cherished, where weddings, parties, informal home visits.... name it... are frequent and revered occasions.

Interactions also bring about companionships; which is an important connection with someone that brings a sense of closeness; it's a simple human need. The more good relationships people have, the cheerier and healthier

they seem to be. Companionship boosts people's morale and gives them a sense of purpose in life. Good friendships, explains poetsswalk also decrease the physical risk of disease by diminishing blood pressure, heart rate and cholesterol. In addition, the psychological benefits of companionship include: increased self-esteem, decreased stress, and a sense of belonging. Friendship provides you with a solid support system which promotes a sense of inspiration and fosters emotional and physical support.

### Do we really need each other?

This question might seem basic; however, bearing in mind how technology is changing our relationships, we must ask ourselves this question all the time. Remember what we said earlier; man is interdependent by nature. Writing for Quora (a question-and-answer website where questions are asked, answered, edited, and organized by its community of users in the form of opinions -

Wikipedia) someone points out that If, for example, you need to get a job so you can eat and keep a roof over your head, that need is dependent on you having the ability to provide a useful service to others. Without that ability, you cannot establish independence from hunger and homelessness. The author puts forward a pertinent proposal: Try making a list of all the things you need that does not directly or indirectly involve another person. That exercise will help you realize just how much we need each other.

Don't forget - the more you put yourself in social settings, the greater the possibility that you'll meet interesting and engaging new people, who will improve your life, even if they don't become close pals. Incidentally, there are in this world, perfect strangers, whose short association with you can lead to useful interactions and interrelationships.

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# WORLD WATER DAY

## Leaving no one behind

**“No man ever steps in the same river twice, for it’s not the same river and he’s not the same man.” – Heraclitus**

**If there is magic on this planet, it is contained in water.” – Loren Eiseley**

*By Angela Mutiso*

The 22nd day of March each year is global World Water Day. It is a means of focusing attention on the importance of freshwater and advocating for the sustainable management of freshwater resources. The theme in 2019 is ‘Leaving no one behind’. Its objective is to “Leave no one behind” and encourage people to consider marginalized groups as these are often overlooked and discriminated against when they try to access safe water.

Leaving others behind, often causes untold suffering among people who cannot fight for themselves. Waterborne diseases, malnutrition, crop failure, deforestation, and floods... are among the countless sticking points. We simply cannot live without water. We know that water is one of the most important substances on earth. All plants and animals must have water to live. Without water there would be no life on earth. Apart from drinking it to survive, the uses of water for us are immeasurable. In this feature, light is shed on how the UN has been tackling this indispensable resource in recent years through the World Water Day themes and plans it provides, and what we can do to support this cause. We also examine extensively, this year’s theme.

UN water says in its World Workplan World Water Day campaign 2019 - ‘Leaving no one behind’ that The World Water Day campaign is about inspiring action to tackle the global water crisis. In 2019, the campaign will focus on the theme of ‘Leaving no one behind’. This is the essence of the commitment of the 2030 Agenda for Sustainable

Development, which aims to allow all people in all countries to benefit from socio-economic development and to achieve the full realisation of human rights, without discrimination on the basis of gender, age, race, language, religion, political (or other) opinions, national or social origin, property, disability, residency status (including citizenship, residency, immigration, refugee, statelessness, etc.) or any other social, economic or political status. It says that UN-Water has formed an internal Task Force to carry out the campaign. Coordinated by UNOHCHR and UNHCR, the Task Force consists of Aquafed, CBD, CEO Water Mandate, FAO, ILO, UNCCD, UNDP, UNESCO, UN Habitat, UNICEF, UNU, UN Women, WaterLex and WSSCC.

It explains the rationale: People from different groups are left behind for different reasons. Unless exclusion and inequality are explicitly and responsively addressed in both policy and practice, water interventions fail to reach those most in need and who stand to benefit most. Those ‘left behind’ need greater representation in political and other decision-making processes, either directly or through civil society organisations with a clear mandate from those they represent. This is why public awareness and empowerment of communities is critical to enable the human rights to water and sanitation to be realized.

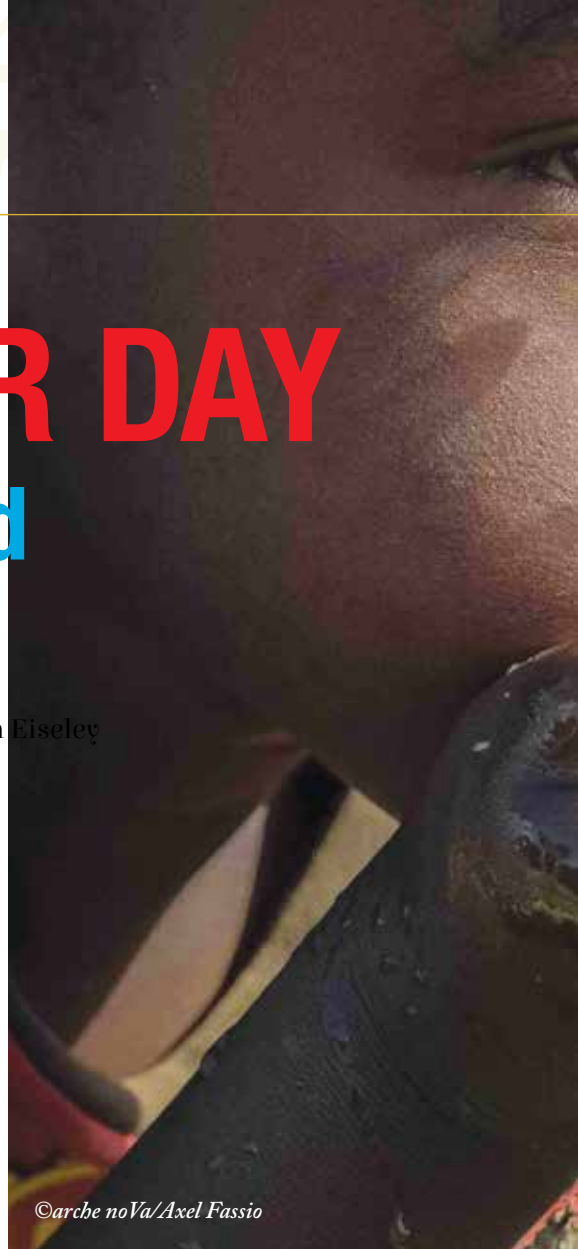
It further notes that change needs sharing and involvement processes, where new and diverse voices are listened to so that people, including those ‘left behind’ can, as rights-holders, be able to influence decision. This is not an easy

exercise; it requires shifting deep-seated and unconscious bias and discrimination by changing attitudes and norms within water institutions and at all levels. It also requires a recognition of States as primary duty-bearers for ensuring that the human rights to water and sanitation are realized for all, on a non-discriminatory basis.

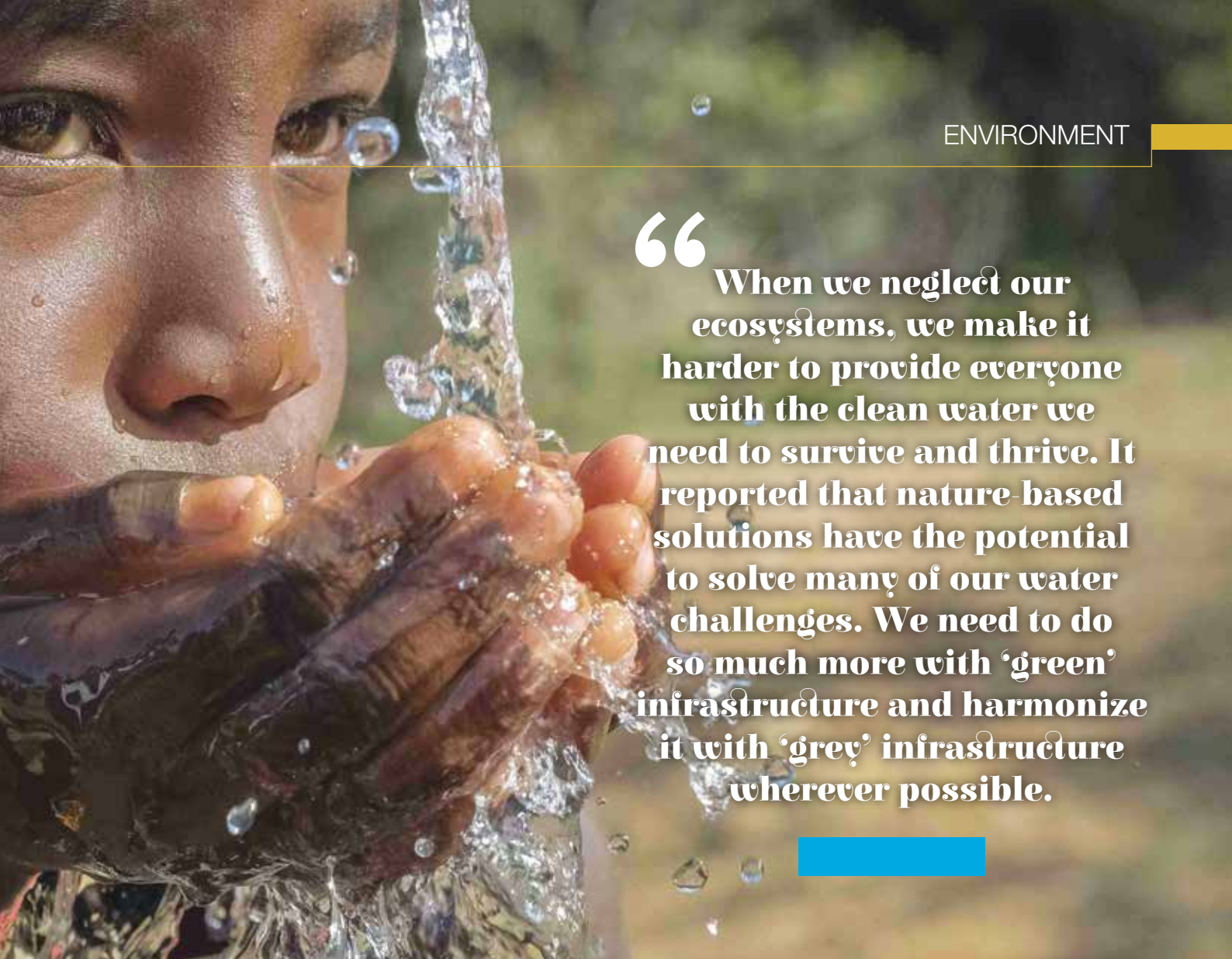
### Some of the objectives and activities

**1. Put a spotlight on people currently left behind and their rights to water and sanitation by changing attitudes, shaping culture and increasing awareness...**

They say steps to be taken should include, information material posters which should be graphically designed, stories should be produced to inspire the public. Social media outreach is necessary and a social media kit should be produced. In addition, as many people as possible from different sectors should be engaged to support the campaign. These should include regional country offices/ regional commissions in organizing







**“When we neglect our ecosystems, we make it harder to provide everyone with the clean water we need to survive and thrive. It reported that nature-based solutions have the potential to solve many of our water challenges. We need to do so much more with ‘green’ infrastructure and harmonize it with ‘grey’ infrastructure wherever possible.**

activities as well as celebrity networks and Ambassadors. It is also necessary to develop and adapt a World Water Day website to the 2019 theme.

**2. Help policy makers understand that the lack of water and sanitation contributes to leaving people behind and promote a change in policies and regulations to include a human rights based framework.**

The target group should include Governments/donors especially targeting countries with large groups of people left behind. In the World Water campaign, UN-Water actively supports Member States in the organization of national activities- especially by providing technical and policy input. Further, many stakeholders organize policy, technical or information- oriented events and use the World Water Development Report to feed the discussion. The 2019 edition will be used for these purposes and launched in Geneva on 22 March at an event at the Palais des Nations (tbc).

**3. Help local authorities and service**

**providers take a rights based approach to target people currently left behind...**

The target group here are local authorities with large groups of people left behind. Private sector service providers, local authorities and service providers represent a major stakeholder in implementing the rights based approach to water and sanitation. Through outreach and information material, local authorities and service providers will be invited to engage by for example organizing local discussions. The idea here is to aggressively reach out to local stakeholders to support the organization of events and to support organizations through information and campaign material.

**Many events around the world**

World Water Day was officially assigned to 22 March in 1993 by the United Nations General Assembly. The event includes official and milestone events as well as many other events organised by various stakeholders around the world. Among all activities, will be the publication of the United Nations World

Water Development Report on the topic of the campaign...

**Every year a theme is selected to mark world water day as indicated below...**

The UN chose Clean Water for a Healthy World as the theme for World Water Day 2010. The overall goal of that year's campaign was to raise the profile of water quality at the political level so that water quality considerations are made alongside those of water quantity. It was noted that worldwide population and industrial growth are adding new sources of pollution while simultaneously increasing the demand for clean water. Human and environmental health, drinking and agricultural water supplies for the present and future are at stake.

It was reported that every year, 1,500 cubic kilometres of wastewater are produced globally. While waste and wastewater can be reused productively for energy and irrigation, most often this is not being practiced. In developing countries 80 percent of all waste is being



discharged untreated. Waste migrates to and contaminates potentially clean water sources. Incredibly, even in British Columbia, municipalities still dump barely treated waste water and even raw sewage directly into the ocean and our rivers.

The theme of World Water Day 2011 was Water for Cities: Responding to the Urban Challenge and its objective was to focus international attention on the impact of rapid urban population growth, industrialization and uncertainties caused by climate change, conflicts and natural disasters on urban water systems. In 2012 the UN-Water selected the theme of Water and Food Security. They observed that there is no food security without water. On average, agriculture consumes 78% of total water withdrawals in Asia-Pacific. Food production will have to increase during the next decades to account for population growth. The International Year of Water Cooperation was the theme in 2013 while in 2014 the theme was water and energy.

Previous themes for the years 2015 to 2017 were “Water and Sustainable Development”, “Water and Jobs”, “Why waste water?” In 2017, the theme “Why Waste Water?” was about reducing and reusing wastewater. The theme is a play on words as it relates to both: the aspect of wasting water and issues around wastewater, namely treatment and reuse. Wastewater is a valuable resource to help achieve the Sustainable Development Goal Number 6. World Water Day in 2020 will be about Climate change. Last year’s (2018) theme, ‘Nature for Water’, explored nature-based solutions to the water challenges we face in the 21st century. The UN noted that environmental damage, together with climate change, is driving the water-related crises we see around the world. Floods, drought and water pollution are all made worse by degraded vegetation, soil, rivers and lakes. When we neglect our ecosystems, we make it harder to provide everyone with the clean water we need to survive and thrive. It reported that nature-based solutions have the potential to solve many of our water challenges. We need to do so much more with ‘green’ infrastructure and harmonize it with ‘grey’ infrastructure wherever possible. Planting new forests, reconnecting rivers to floodplains, and restoring wetlands will rebalance the

water cycle and improve human health and livelihoods.

Meanwhile, as we focus water, it helps to take a look at the issues Africa is grappling with. Water pollution, which (according to study.com) is the contamination of fresh water bodies, is one of the most pressing issues facing the African continent. For example, industrial waste from mining and unregulated industries has made Africa’s water problems even worse. Erosion from deforestation has also contributed to water pollution issues.

Coming back to this year’s theme, we are reminded that by adopting the 2030 Agenda, Member States have committed to leave no one behind in their implementation of the Sustainable Development Goals (SDGs). This means that the specific needs of vulnerable countries, including African countries, least developed countries, landlocked developing countries, small island developing states, countries in situations of conflict and post-conflict countries, need to be addressed, so that each of them can enjoy sustained, inclusive and sustainable economic growth and social progress.

UN explains that within countries, all people, regardless of their backgrounds, have rights and responsibilities to fulfill their potential in life, and lead decent, dignified and rewarding lives in a healthy environment. This means that goals and targets need to be met for all segments of society. Those often left behind are people living in poverty and other vulnerable situations, including children, youth, persons with disabilities, people living with HIV/AIDS, older persons, indigenous peoples, refugees and internally displaced persons and migrants. Their voices must be heard, and their active participation as agents of change needs to be promoted.

As we mark World Water Day 2019, we should remember that ideally, taking care of water sources, is an exercise that should go on throughout the year. The UN gives us a theme every year, and this makes it easier for us to focus on diverse issues every single day and year. While at it, take note that water is a very local topic and issues, solutions and experiences also vary from place to place.

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# WHY DO STROKES HAPPEN?

## Preventive measures you can take

*Compiled by Angela Mutiso*

**W**hen Jonathan, 38, suddenly started feeling some weakness on one side of his face, and losing his balance, his wife feared he was getting a stroke. Suddenly, his speech became blurred, in addition, Jonathan started experiencing vision problems in both eyes. His wife's fears were soon confirmed; these were primary signs of a stroke. It is important to remember that strokes can result in long-term health complications. Depending on how fast it is diagnosed and treated, someone can experience temporary or permanent disabilities after a stroke.

### What is a stroke?

A stroke is a condition in which poor blood flow to the brain results in cell death. There are two main kinds of stroke: ischemic, due to lack of blood flow, and hemorrhagic, due to bleeding.



The consequence is that part of the brain ends up not functioning properly. Certain people may just have a momentary interruption of blood flow to the brain (transient ischemic attack, or TIA) that doesn't cause permanent damage. Treatments vary, depending on what type of stroke you get.

### What are the main causes of a stroke?

Ischemic stroke is caused by obstructions or tapering of the arteries that deliver blood to the brain, resulting in ischemia. Ischemia is severely reduced blood flow that destroys brain cells.

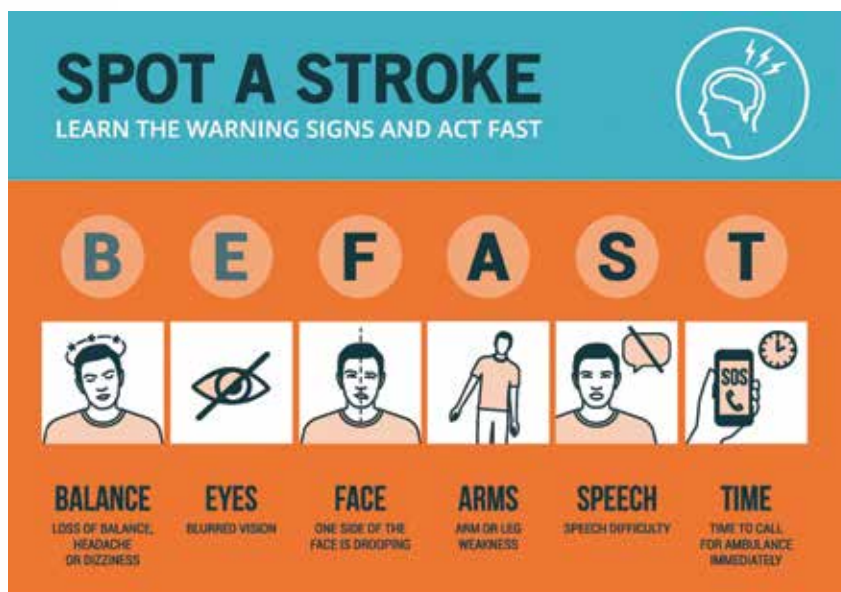
These obstructions are normally caused by blood clots, which can be formed in the brain arteries.

### What are the warning signs of a stroke?

If you experience a swift numbness or weakness in the face, arm or leg (in most cases this happens on one half of the body), should you realize you suddenly have trouble talking, your eye vision is suddenly bad, loss of balance and problem with coordination as well as weakness, and a bad headache, you should know you are in danger of a stroke.

### When should you get concerned?

Medical News today, says you should call the doctor when you notice: Face drooping: If the person tries to smile, does one side of the face droop? Arm weakness: If the person tries to raise both their arms, does one arm drift downward? Speech difficulty: If the person tries to repeat a simple phrase, is their speech slurred or strange? They advise that if any of these signs are observed, you should contact emergency services. It restates that the faster a person with suspected stroke receives medical



attention, the better their prognosis will be, and the less likely they will be to experience permanent damage or death.

### Risk factors for stroke

As with many other diseases, there are certain factors that pre-dispose you to a stroke. There are those you can change and those you cannot change. Factors you can't change include: Age, sex and race/origin. While factors you can change include, lowering your blood pressure, exercising, not smoking, avoiding obesity, taking alcohol moderately, and treating atrial fibrillation – (the most common type of heart arrhythmia (irregular heartbeat) that can interrupt the normal flow of blood. This interruption means the conditions put you at risk of blood clots and stroke). Others are diabetes (treat it), High cholesterol (control it), Sickle cell disease, use of oral contraceptives, presence of other cardiovascular diseases and a salty diet. Obstructive sleep apnea (you can take medications for it) migraine, drug abuse, gum disease and certain infections, are risk factors which are harder to change. It is always important to control the things you can change.

### The role of massage

Massage is also good for you. According to Mayo Clinic, massage is a general term for pressing, rubbing and manipulating your skin, muscles, tendons and ligaments. Massage may range from light stroking to deep pressure. It notes that massage is generally considered part of

complementary and integrative medicine. It's increasingly being offered along with standard treatment for a wide range of medical conditions and situations. Studies of the benefits of massage show that it is an effective treatment for reducing stress, pain and muscle tension. Other studies have shown that massages can boost blood flow to an affected area, particularly for stroke-related muscle problems. It has been known to decrease pain, increase health, and improve movement after stroke. External counter-pulsation (ECP) treatments have been known to encourage recovery in people who have suffered an ischemic stroke.

In an article titled get Pumped up with EEC (Enhanced External Counterpulsation) Julian Whitaker, MD explains how EEC works. He says: You lie on a table and compression cuffs are strapped around your legs, from ankles to thighs. You're also hooked up to a heart monitor. Once treatment begins, the cuffs sequentially inflate and deflate in sync with your heartbeat, and your legs are rapidly and rhythmically squeezed from bottom to top. Sounds simple, and it is. But let me tell you, this is powerful stuff. The MD notes that it's not surprising that EEC increases blood flow throughout the body during treatment—all that squeezing dramatically boosts circulation. What is truly remarkable are EEC's long-term benefits...when patients with angina- undergo a full course of 35 one-hour treatments, they often say goodbye to chest pain and are able to avoid

angioplasty—and even bypass surgery. (Angina is a chest pain or discomfort caused when your heart muscle doesn't get enough oxygen-rich blood. It may feel like pressure or squeezing in your chest. The discomfort also can occur in your shoulders, arms, neck, jaw, or back. Angina pain may even feel like indigestion; heart.org). EECp does more than improve symptoms of serious heart disease. It also saves lives, according to a study presented at a recent American College of Cardiology meeting. In a different study, some researchers in Hong Kong found that apart from the one-hour ECP treatments for 35 days, this

treatment increased blood pressure by 13 percent, heart function by 74 percent, and blood flow to the brain by 9 percent.

### The art of relaxation

As earlier said, relaxation plays a key role in dealing with stroke. There are many ways to relax; you can include; aromatherapy, hobbies that excite you, like reading or playing board games, watching movies that please you, positive self-talk, meditation and sleeping and resting enough. Incidentally, stroke.org - national stroke association (an organization that provides stroke education and programs to stroke survivors, caregivers, and

healthcare professionals), points out that sleep problems can be common after a stroke. It says lack of proper sleep can slow your recovery and lead to depression, memory issues and night-time falls. It adds that sleep plays an important part in not only helping the brain to heal, but in physical healing as well. It is however gratifying to note that there are steps you can take to improve your sleep.

### What are common sleep problems after stroke?

You may as explained by stroke.org experience changes in your sleep following a stroke. More than half of stroke survivors have one of the following sleep problems:

#### Insomnia

Insomnia - not being able to fall or stay asleep. Although some people may have problems with getting too much sleep, the usual sleep disorder is trouble sleeping at night followed by feeling drowsy during the day. Failing to get enough sleep can cause setbacks in post-stroke recovery.

Sleep-related breathing disorders

The most common sleep disorder is obstructive sleep apnea. Sleep apnea increases the risk of having a second stroke. It is caused by abnormal breathing patterns - get treated.

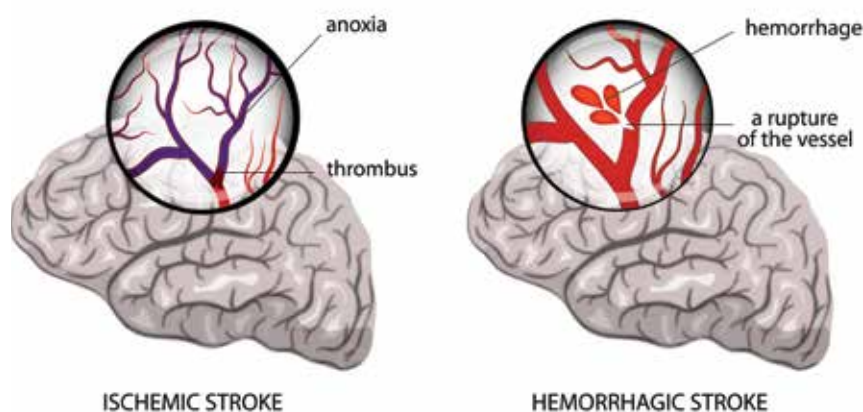
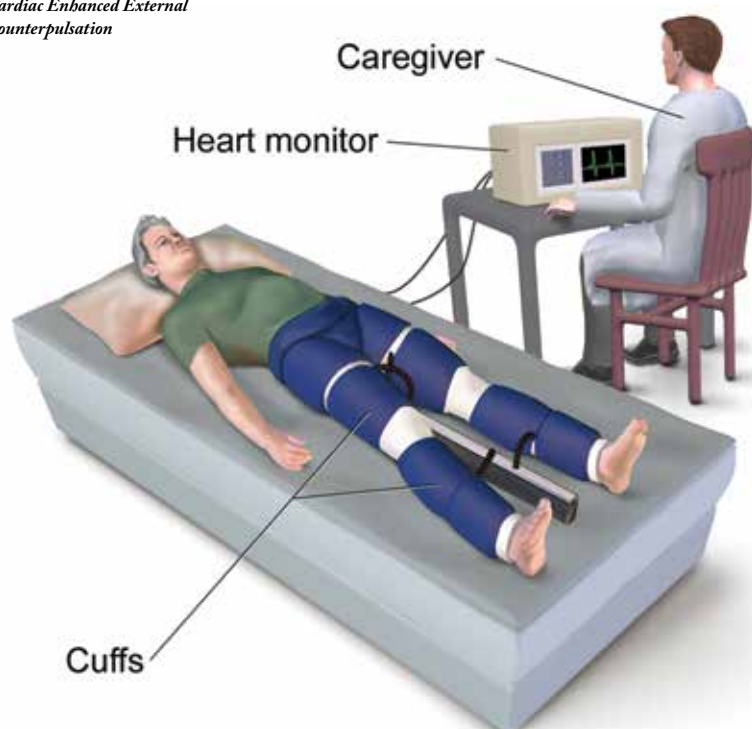
#### Sleep-wake cycle disorders

After a stroke, some survivors do not get sleepy at night. It may be difficult to wake the stroke survivor in the morning. This happens when the sleep-wake program is no longer affected by sunlight and the darkness of night.

### How to manage sleep problems at home

You are advised to ensure the bedroom is dark and at a comfortable temperature, prevent and avoid noises that can be heard at night, increase coordination, get enough sunlight during the day, and ensure you have regular sleeping times. Also, relax well before you sleep and try to eat at least three hours before bed time. After late afternoon, avoid caffeine, soft drinks and chocolate. Sidestep alcohol at night, and reduce your fluid intake before bedtime, so you do not wake up many times to visit the washroom. Ensure you are not hungry before you sleep, but do not overeat.

*Cardiac Enhanced External Counterpulsation*





### Treatment

Mayo Clinic says to determine the best treatment for your stroke, your emergency team needs to assess the type of stroke you're having and the areas of your brain affected by the stroke. They also need to rule out other possible causes of your symptoms, such as a brain tumor or a drug reaction. Emergency treatment for stroke depends on whether you're having an ischemic stroke blocking an artery — the most common kind — or a hemorrhagic stroke that involves bleeding into the brain.

### Treating an Ischemic stroke

To treat an ischemic stroke, doctors must quickly restore blood flow to your brain. Therapy with clot-busting drugs must start within 4.5 hours if they are given into the vein — and the sooner, the better. Quick treatment not only improves your chances of survival but also may reduce complications.

### Treating Hemorrhagic stroke

Emergency treatment of hemorrhagic stroke focuses on controlling your bleeding and reducing pressure in your brain. You

might also need surgery to help reduce future risk. If your stroke affected the right side of your brain, your movement and sensation on the left side of your body may be affected. If your stroke damaged the brain tissue on the left side of your brain, your movement and sensation on the right side of your body may be affected. Brain damage to the left side of your brain may cause speech and language problems.

### Is a full recovery Possible?

Stroke rehabilitation according to Mayo Clinic, is a key part of recovery after a stroke. The severity of stroke complications and each person's ability to recover vary widely. Researchers have found that people who participate in a focused stroke rehabilitation program do better than most people who don't have stroke rehabilitation. Currently, about 10 percent of stroke victims recover almost completely, 25 percent recover with minor impairments, 40 percent have moderate to severe impairments requiring special care, and 10 percent require care in a nursing home or other long-term care facility. About 15 percent die shortly after the stroke.

### How can you can fight a stroke?

You can fight it in many ways; a single thrust is good; a many-pronged attack, of course, is much better. Remember, starting early is the best way to go about it. Having healthy habits in childhood, the early teens, or young adulthood sets the stage for a healthy adulthood and old age. But if you are late in starting the prevention exercise, take heart. Even little actions now can improve your health. A study showed that increasing your intake of nuts by an ounce a day could reduce the risk of a stroke in half. Coffee, greens whole grains, tomatoes, green tea, citrus fruits, including oranges, lemon, grape fruit, chocolates and garlic can all help to stem a stroke. Try to avoid stressful situations as much as possible. According to the American Heart Association (AHA), high levels of stress are linked to a significantly increased risk of stroke. As much as possible, keep your mind and body stress and tension free, be happy and do things that relax you. You will be doing your body a lot of good by doing this.

Keep finding out more things you can do to reduce the possibility of an attack.

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## Health tips

- Ginger can relieve nausea and vomiting after surgery, morning sickness and in cancer patients undergoing chemotherapy.
- Ginger is effective against exercise-induced muscle pain.
- There are studies showing ginger to be effective at reducing symptoms of osteoarthritis.
- Ginger has been shown to lower blood sugar levels and improve various heart disease risk factors in patients with type 2 diabetes.
- Ginger appears to speed up emptying of the stomach, which

can be beneficial for people with indigestion and related stomach discomfort.

- Ginger appears to be effective against menstrual pain when taken at the beginning of the menstrual period.

- There is evidence, in both animals and humans, that ginger can lead to significant reductions in LDL cholesterol and blood triglyceride levels.
- Ginger contains a substance called 6-gingerol, which may have protective effects against cancer. However, this needs to be studied a lot more.
- Studies suggest that ginger can protect against age-related damage to the brain. It can also improve brain function in elderly women.

**Source: healthline**



*As you will see, so much has been going on in the business scene in Africa lately. The following are selected business features from Africa.com that you can follow up in the web.*



## AFRICA NEEDS A CONFIDENCE BOOST TO ATTRACT INVESTMENT

Admassu Tadesse, President and CEO of the Trade and Development Bank (TDB) – shares his thoughts, at the Africa Investment Forum, on the bank's growth strategy and the prospects for drawing more investment into Africa. Tadesse is believed by some to be one of the outstanding bankers of his generation. He has an enviable CV, having attended LSE, Wits and Harvard and having gained experience in banking in the US and South Africa. Since he joined the bank in 2012, its balance sheet has grown from \$1bn to nearly \$6bn.

*Sources: African Business Magazine*



## ZIMBABWE HAS THE MOST EXPENSIVE FUEL IN THE WORLD

Zimbabweans are forking \$3.31 for petrol compared to drivers in China, who at second place, pay \$2.06. The average price of fuel around the world is \$1.09 per litre. A drastic 150 percent overnight rise in Zimbabwe's fuel prices failed to ease a nationwide petrol and diesel shortage caused by a lack of hard currency.

*Sources: News 24, Forbes Africa*



## HOW CLIMATE CHANGE AFFECTS AFRICA'S COFFEE CROP

Researchers found that conservation measures were "inadequate" for wild coffees, including those considered "critical" for long-term global coffee production. Global coffee trade relies on two species – Arabica (*Coffea arabica*) and Robusta (*Coffea canephora*) and Ethiopia is the home of Arabica coffee, where it grows naturally in upland rainforests. The vast majority of wild coffee grows in the remote forests of Africa and on the island of Madagascar.

*Sources: BBC*



## RED TAPE AND OVERPRICED SERVICES DRIVE BUSINESS AWAY FROM ONE OF AFRICA'S LARGEST HARBOURS

Landlocked Chad and the Central African Republic have dispatched senior customs officials to Cameroon to look into allegations of corruption in the Atlantic Coast port of Douala. Douala is the nearest ocean gateway for Chad and CAR, but importers and exporters say they are fed up and want to relocate to Cotonou in Benin.

*Sources: VOA*







## ONLINE SHOPPING BUG HASN'T QUITE BITTEN THE NIGERIAN MARKET

Nigerian e-commerce companies have been faced with engineering a major cultural shift in customers' behavior rather than taking advantage of one. Emeka Okoye, a Lagos-based tech veteran says "We don't have the [market] numbers and we don't have the social behavior so e-commerce is not sustainable yet. The issues they [e-commerce companies] have encountered didn't just pop up, they have always been there."

Sources: *Quartz Africa*



## R&B SINGER JAMES INGRAM PASSES AT AGE 66

Legendary RnB singer, James Ingram, passed away on January 30th at the age of 66. The Grammy award winner is known for his soulful, smooth voice behind hits like 'Just once' and 'I don't have the heart'. Sources indicate he passed away as a result of brain cancer.

## ZAMBIA AND ZIMBABWE OFFER LAND TO AFRICAN UNION FOR FIRST SADC MULTI-BILLION DOLLAR WAKANDA ONE VILLAGE PROJECT

Zimbabwe and Zambia have offered 2,000 and 132 hectares of land respectively around the Victoria Falls area which borders the two countries for the construction of the Wakanda One Village. The project will serve as the first of the project in the Southern African region and will comprise a 100-bed teaching hospital, a university and technical college, primary and secondary schools, day-care centres, three five-star hotels, game lodge, pharmaceutical manufacturing plant, agricultural farms and parks.

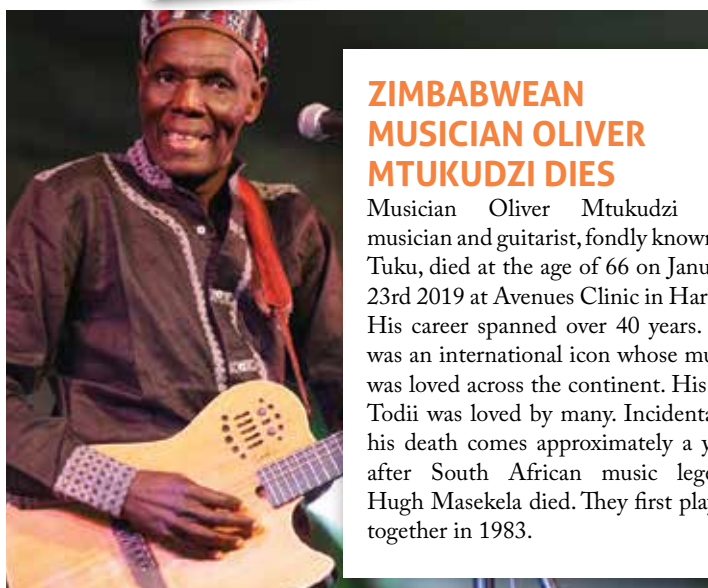
Sources: *Africa.com*



## FINTECH STARTUPS RECEIVED THE MOST INVESTMENT IN AFRICA IN 2018

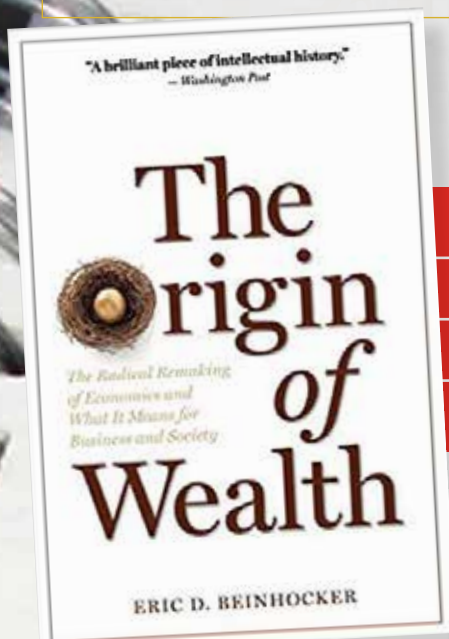
WeeTracker's report shows that across 93 deals, fintech accounted for 40% of total funding raised and also accounted for five of the top ten largest deals. WeeTracker's analysis includes companies that received investment for expansion or deployment in Africa, regardless of where they are headquartered.

Sources: *Quartz Africa*



## ZIMBABWEAN MUSICIAN OLIVER MTUKUDZI DIES

Musician Oliver Mtukudzi the musician and guitarist, fondly known as Tuku, died at the age of 66 on January 23rd 2019 at Avenues Clinic in Harare. His career spanned over 40 years. He was an international icon whose music was loved across the continent. His hit Todii was loved by many. Incidentally, his death comes approximately a year after South African music legend Hugh Masekela died. They first played together in 1983.



Reviewed by Angela Mutiso, [cananews@gmail.com](mailto:cananews@gmail.com)

**Title:** The Origin of wealth

**Author:** Eric D. Beinhocker

**Category:** Business/Economics

**Publisher:** Harvard Business Review Press



Eric D. Beinhocker

**W**hat is wealth? How is it created? How can we create more of it? These are the questions Beinhocker asks and answers in his groundbreaking book, the origin of wealth – (evolution, complexity, and the radical remaking of economics). The book was described by Steven Pearlstein of Washington Post as a brilliant piece of intellectual history. Josh McHugh of Wired on the other hand describes it as ‘ambitious...convention shattering... its premise is novel and sweeping: Don’t grow your organization, evolve it.’ The author shows how revolutionary ideas from economics and science are providing new answers to these age-old questions. Beinhocker says that as he writes the book, the field of economics is going through its most profound change in over a hundred years. He believes that this change represents a major shift in the intellectual currents of the world that will have a substantial impact on our lives and the lives of generations to come. Part 1 discusses a paradigm shift...Part 2 is about Complexity Economics... it opens with an interesting quote by Marcel Proust...which says: “The real voyage of discovery consists, not in seeking new landscapes, but in having new eyes.” part 3 reveals how evolution creates wealth while Part IV talks about what it means to Business and Society.

The author informs us that he has written this book with three audiences in mind. In summary, the first is the business leaders, investors, and policy makers who are interested in how new

ideas from economics and science might impact their work. “For this audience I should note that this is not intended to be a “What do I do Monday morning? ...I would think of this as a “Sunday-morning book” ... its goal is not to tell you what to do, but to change how you think. The second audience is anyone with a general interest in economics, social issues, public policy, and science. ...One of the important contributions of Complexity Economics is a new language for discussing and understanding economic business and social issues. The third audience is scholars. “For this group my hope is that this book will be a useful nontechnical review of where we are and where we might go.

He asks; why does a paradigm shift in economics matter and why should anyone care other than economists? He says as Thomas Carlyle famously put it, “Economic ideas matter because they are deeply infused in the intellectual fabric of society. They influence our individual choices ranging from what kind mortgage we take out, to the investments we make for retirement, to whom we vote for. Economic ideas also provide a critical framework for how business and government leaders make decisions that affect us all. Just as abstract scientific theories are made real to our lives through the airplanes we fly in, the medicines we take, and the computers we use, economic ideas are made real in our lives through the organizations that employ us, the goods and services we consume, and the policies of our governments.

To emphasize the role of economics in our lives, he points out that no matter where you are, from the biggest industrialized city, to the smallest rural village, you are surrounded by economic activity and its activity, adding that

twenty four hours a day, seven days a week, the planet is abuzz with humans designing, organizing, manufacturing, servicing, transporting, communicating, buying and selling.

According to Beinhocker, wealth creation is the product of a simple but profoundly powerful evolutionary formula: differentiate, select, and amplify. In this view, the economy is a “complex adaptive system” in which physical technologies, social technologies, and business designs continuously interact to create novel products, new ideas, and increasing wealth. He guides us through economic history, from the Stone Age to modern economy. He probes how “complexity economics” provides provocative insights on issues ranging from creating adaptive organizations to the evolutionary workings of stock markets to new perspectives on government policies. Something really fascinating about this book, is the fact that Beinhocker explains how economics is so intertwined with everything else people do.

Highlighting the diversity of economics, the author points out that economists have also noted the effects of sex on economics...it is one factor they knew would turn a lot of things upside down. You’ll find these details under the big picture (sugar and spices).

Is wealth an intrinsic, tangible thing? Where does wealth come from in the first place? How does the sweat of our brows and the knowledge of our brains lead to its creation? Why has the world grown richer overtime? How have we grown from trading cattle to trading microchips? We can ask this question out of narrow self-interest, but we can also ask the larger question of how wealth of society can be increased...wealth may not buy happiness, but poverty does buy misery for millions around the world.





"Some people are saying that the army is taking power." I have no problem with that because the army always guards the security of our homeland."

President Omar al Bashir of Sudan.

"Let's just call them WALLS from now on and stop playing political games! A WALL is a WALL!"  
Tweet by US President Donald Trump.

"My son was admitted yesterday. A head scan was conducted and we have not paid anything. This is a clear indication that indeed the programme is free."

James Nzioka, father of a two year-old boy from Machakos County, admitted at Kathiani Hospital.

Source: Daily Nation

"We need to expand the country's public funded education facilities as Nairobians are now compelled to pay more for education services as there are insufficient public schools and many are forced to take their children to private institutions."

Nairobi County Education Youth, Sports, Gender and Social Services Executive Janet Muthoni Ouko announcing her resignation from Nairobi County Government.

"We see that the result of the presidential election, as published by CENI (Independent National Election Commission) does not correspond with the data collected by our observer mission from polling stations and counting centres."

Father Donatien Nshole, Cenco

spokesman, an organization which represents the country's Catholic bishops in the Democratic Republic of Congo. Cenco sent more than 40,000 observers to monitor the elections.

'My daughter's death should not be in vain. It aches our hearts that things suddenly went silent, but we hope justice will finally be done and her killers will be made to pay for their sins.'

Ms. Melinda Auma, mother of the late Sharon Otieno who was murdered and her body dumped in a thicket in October 2018.

Source: Daily Nation

"It was a minor explosion and officers from the anti-terrorism police have sealed off the scene and we are asking members of the public to stay away from the scene completely and let the experts handle the matter."

Police spokesman Charles Owino, speaking after a blast took place in the city. He said the anti-terrorism police had secured the scene and asked members of the public to keep off.

"I have made a directive that when the suspects are tried and convicted of murder, they should be given a life sentence so that they never come back but rot there in prison."

Malawi President Peter Mutharika expressing his feelings about those convicted of killing people with albinism by a competent court.

"Other schools formulated unique strategies that contributed positively to teaching and learning....They have shown good utilization of available teaching/learning materials, supervision of curriculum implementation, school

environment, pupils' welfare, (and) parents' participation in schools as well as local community support and stakeholder involvement in development.

An audit report of the 2018 KCPE examination results, showing why there was a marked improvement in the performance of certain schools.

Source; Sunday Nation

"We are taking foreigners to come to the designated centres for screening."

John Akot Maluth, head of Nationality and immigration department in the Ministry of Interior, saying they will screen and register foreigners to stem illegal immigration in three months.

"We need to reduce extreme consumption to achieve a point of equilibrium between supply and a fair price. I trust in the hardworking majority of this country."

Food shortage? No problem, just eat less ...derived from 10 outrageous quotes from Venezuela's Nicolas Maduro from pri.org

"Playing safe is probably the most unsafe thing in the world. You cannot stand still. You must go forward..."  
-Robert Collier

"If you are not willing to learn, no one can help you! If you are determined to learn, no one can stop you!"

-Zig Ziglar

"I was once asked if a big business man ever reached his objective. I replied that if a man ever reached his objective he was not a big business man."

-Charles M Schwab





# ICPAK Stakeholder Engagements



ICPAK signed a Memorandum of Understanding (MoU) with the Institute of Chartered Accountants of India (ICAI) on 21<sup>st</sup> January 2019. The MoU seeks to establish co-operation and collaboration in the areas of Knowledge Sharing through Joint Research, Quality Support, Capability and Capacity Building, Trainee Accountant Exchange Programmes and conducting Continuous Professional Development Courses, Knowledge Sharing Workshops and Conferences. The event was graced by India Deputy High Commissioner to Kenya Mr. Rajesh Swami, ICPAK Chairman FCPA Julius Mwatu, ICAI President CA. Naveen N. D. Gupta, ICPAK Vice Chairman CPA Denish Osodo, ICPAK CEO CPA Edwin Makori among others.







The office of the Director of Public Prosecution has expressed its readiness to work closely with the Institute in enhancing accountability in Kenya through investigations and prosecution of economic crimes. Speaking during a courtesy call meeting with ICPAK at his office, Director of Public Prosecution Mr. Noordin M.Haji welcomed the call for partnership by the Institute.



ICPAK Chairman FCPA Julius Mwatu paid a courtesy call on Narok Governor, H. E Samuel K. Tunai. During the meeting the Governor expressed his willingness to engage and collaborate with the Institute on matters relating to public finance and governance. On his part, FCPA Mwatu noted that the Institute is keen to see successful realisation of devolution process through enhancement of capacity and expertise of professionals working in the county.



ICPAK Chairman FCPA Julius Mwatu made a courtesy call on H.E (Dr.) Joyce Laboso, Governor Bomet County. The Governor committed her willingness to work closely with the Institute so as to improve management of public resources in the county. On his part, FCPA Julius Mwatu committed to collaborate with the county so as to improve its financial systems.



ICPAK has unveiled its 8th physical branch in Kericho on 25<sup>th</sup> January 2019. The branch serves Kericho, Bomet and Narok counties. The ceremony was presided over by H.E Paul Chepkwony, Governor Kericho county.



# AN UNEXPECTED CULINARY DELIGHT IN A HIDDEN BACKWATER

## Discover the tranquillity in Lake Bunyonyi

*By Clive Mutiso*

**B**eyond the Rwenzori Mountains, tucked away in the corner of South West Uganda between Kisoro and Kabale that borders Rwanda, is Lake Bunyonyi, whose name means “the lake of small birds”. It could as well be called “the lake of small lobsters” because, nobody quite knows when and how, it has also become the expatriate home of the Louisiana Red Crawfish,

which is a miniature freshwater lobster in all but name.

Also known as crayfish, the Louisiana Red Crawfish, originating from the Southern United States, is regarded as an invasive species in East Africa, and has caused considerable environmental disruption in many of the places where it has been able to establish itself, including Lake Naivasha and the Athi River in Kenya, where it preys on

indigenous fish species and feeds on the roots of local plants. But while it is regarded by many as a pest elsewhere in East Africa, the crayfish has been accepted as a blessing to the community around Lake Bunyonyi because other fish species have struggled to survive in commercial quantities in the waters of the lake, which because of their extreme depth and tranquillity, have low oxygen levels.

Lake Bunyonyi



Bwindi Impenetrable Forest  
National Park



**“The lake is on the way to the Bwindi Impenetrable Forest National Park from Kampala, and just over the border from the Volcanoes National Park in Rwanda, the only two places in East Africa where it is possible, by booking in advance, to view the endangered mountain gorilla.**

Tranquillity is the biggest attraction of Lake Bunyonyi, which reaches 900 metres in places, making it the second deepest lake in Africa after Lake Tanganyika. Bunyonyi easily surpasses the depth of Lake Malawi, which is usually ranked after Lake Tanganyika, perhaps because of its larger surface area, which puts it among the Great Lakes. Lake Bunyonyi, which is 25 kilometres long and 7 kilometres wide, is one of the few lakes in the region to be complete free of bilharzia, making it safe to swim in. Its altitude off 1,962 metres above sea level means that the lake and its environs are cool throughout the day, and perfect for relaxation. And the vista of 29 green islands dotted across the lake create a panorama that few places anywhere in the world can come close to. There is little human settlement on the islands, the best known of which are Akampene, Bwama, and Njuyeera.

The lake is on the way to the Bwindi Impenetrable Forest National Park from Kampala, and just over the border from the Volcanoes National Park in Rwanda, the only two places in East Africa where it is possible, by booking in advance, to view the endangered mountain gorilla. My own interest in Lake Bunyonyi was aroused on a flight from Kigali to Entebbe, which took a direct track across the lake, which looked as enchanting from above as it does from its shores. Almost as soon as my flight landed in Entebbe, I was headed back, through Kampala, in the direction from which I had come. The flight from the lake to Entebbe had taken just over 20 minutes, and the journey back by road took all of nine hours, but it was well worth the trip. I stayed at the congenial White Horse Inn in Kabale town, which I learned was the hostelry of choice of Bill Gates when he visited Uganda to track gorillas in Bwindi.

However, there is plenty of accommodation right at Lake Bunyonyi itself, with some of the best places established by prominent local business people who are proud of their heritage and keen to share it with visitors from around the world. Prices per night for a couple, with breakfast, range from around \$70 to well over \$250 and most of the lodges, resorts and camps that dot the area serve wholesome meals to non-resident visitors. The pioneer of serious tourist development in the area was Charlotte Kamugisha, a keen environmentalist, and the founder more than 20 years ago of



one of Uganda's most reliable tour and travel agents, Bunyonyi Safaris, which has built up a loyal following over the years. The firm has unrivalled expertise and can tailor packages for all pockets.

The Kamugisha family's Bunyonyi Safaris Resort is sited on a hill overlooking the lake and several of its islands. There are 40 spacious self-contained rooms in a main hotel block with Wi-Fi and all the amenities of an up-country hostelry, but many visitors prefer one of the six individual cottages in the terraced gardens of the resort, while there are dormitories for school groups. The facility has a business centre, a conference centre, and a hilltop arena, which can accommodate functions of up to 1,000 people, overlooking the lake and the distant volcanoes beyond. Some European visitors have commented that the food is not typical European food – but if your preferences are limited to typical European food, whatever

that is, then the best place to look for it is in Europe. And if you are American, sorry, the Resort's not on Amtrak.

What the Resort does offer is a wide menu of dishes and snacks featuring fresh bread and pastries, roast rabbit, chicken,

goat and pork. But the delicacies that make the visit worthwhile is the crayfish fresh from the lake, the local vegetables and organic fruits, the forest herbs and spices, and herbal teas. Portions sizes tend to be commensurate with Uganda's favourite pastime, which is eating.

But if you have over-indulged while being pampered at the lodge, there are plenty of opportunities for gentle exercise and treatment to get back in shape

– there's a gym, sauna, steam, mountain bikes, and a football pitch. Or, visitors can swim in the lake and then relax in the sun loungers at the water's edge. On the water itself, there are boats and canoes, and, if you have booked in advance, you can go gorilla trekking. No need to book, though for a forest walk or a fitness programme.

However the great advantage of the local knowledge and language proficiency of the Resort

**“What the Resort does offer is a wide menu of dishes and snacks featuring fresh bread and pastries, roast rabbit, chicken, goat and pork. But the delicacies that make the visit worthwhile is the crayfish fresh from the lake, the local vegetables and organic fruits, the forest herbs and spices, and herbal teas.”**

Bunyonyi Safaris Resort



team is that they are a treasure trove of knowledge about the local people and their customs. Tours can be arranged to visit the homes of the Bakiga and the Batwa peoples of the area. Often visitors who do the cultural tours feel motivated to contribute to improving the lives of the people they have met through supporting the Bunyonyi Safaris Resort Foundation.

### Bunyonyi Safaris Resort Foundation

The BSR Foundation is an initiative by Bunyonyi Safaris which aims to support community projects, conserve the environment and aid in the alleviation of poverty, through the practice of responsible tourism and philanthropy. Visitors and guests at Bunyonyi Safaris Resort are given the opportunity to volunteer their time and skills in various ongoing community projects, or

encouraged to simply visit and experience the lives of the local children and families who live by Lake Bunyonyi.

The Foundation works hand in hand with the Bufuka Orphanage community, which is made up of elderly grandparents who are taking care of orphaned children. The Foundation provides them with opportunities to make a livelihood through agriculture and farming projects. Donors can support the pig and chicken initiative, which donates livestock to families who do not have much land to farm, so they can make a livelihood by selling the eggs or breeding and selling piglets to make a living. Another successful project is organic vegetable farming, for which the Foundation recently donated some communal land to be used for growing vegetables. Fresh produce is bought and supplied to the Hotel as well as other hotels around the area, sold in the local

markets and also feeds the families. Other projects currently being developed include bee keeping and honey production, tea and coffee plantation, crayfish farming and tree planting.

The Resort Foundation team says: "There is so much potential in the region that can be used to catalyse sustainable development. We welcome volunteers of various relevant fields to come visit us and contribute their skills, advice and constructive feedback on any of our projects or even start some of their own. We offer volunteers full board accommodation at a special discounted rate, and an opportunity to experience life around the pristine shores of Lake Bunyonyi, and a chance to positively impact the lives of the surrounding community."

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# SOCIAL COMPARISON THEORY

By FCPA Dr. Jim McFie

In the early 1950s, the Behavioral Sciences Division of the Ford Foundation gave Leon Festinger a grant, which was part of the program of the Laboratory for Research in Social Relations. From this grant, he was able to write his first document on "Social Comparison Theory" and published it in the *Journal of Human Relations* in 1954. Leon Festinger, who was born on 8 May 1919 and died on 11 February 1989, was an American social psychologist, best known for "cognitive dissonance" and the "Social Comparison Theory" just mentioned. His theories and research are credited with renouncing the previously dominant behaviorist view of social psychology. In the whole of this article I shall use the American spelling of "behavior" rather than the British "behaviour".

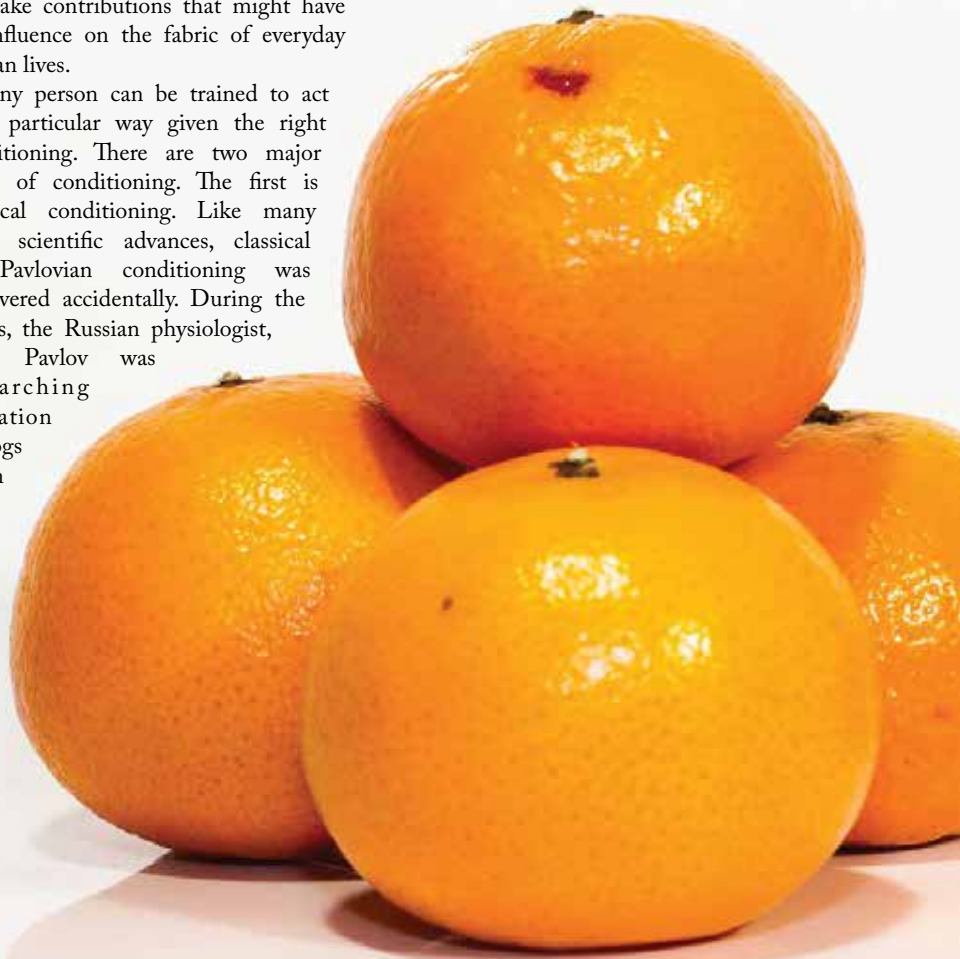
Behaviorism or behavioral psychology is a theory of learning based on the idea that all behaviors are acquired through conditioning. Conditioning occurs through interaction with the environment. Behaviorists believe that our responses to environmental stimuli shape our actions. According to this school of thought, behavior can be studied in a systematic and observable manner regardless of internal mental states.

Basically, only observable behavior should be considered: cognitions, emotions, and moods are far too subjective. Strict behaviorists believe that any person can potentially be trained to perform any task within the limits of their physical capabilities, regardless of genetic background, personality traits, and internal thoughts. What is required is only the right conditioning. Behaviorism was formally established in 1913 with the publication of John B. Watson's classic paper, "Psychology as the Behaviorist Views It." Watson, who is often considered the "father" of behaviorism, stated: "Give me a dozen healthy infants, well-formed, and my own specified world to bring them up in and I will guarantee to take any one at random and train him to become any type of specialist I might

select: a doctor, lawyer, artist, merchant-chief and, yes, even a beggar-man and a thief, regardless of his talents, penchants, tendencies, abilities, vocations, and the race of his ancestors." Strict behaviorists believe that all behaviors are the result of experience. Any person, regardless of his or her background, can be trained to act in a particular manner given the right conditioning. From about 1920 through the mid-1950s, behaviorism grew to become the dominant school of thought in psychology. Some suggest that the popularity of behavioral psychology grew out of the desire to establish psychology as an objective and measurable science. Researchers were interested in creating theories that could be clearly described and empirically measured, but also used to make contributions that might have an influence on the fabric of everyday human lives.

Any person can be trained to act in a particular way given the right conditioning. There are two major types of conditioning. The first is classical conditioning. Like many great scientific advances, classical or Pavlovian conditioning was discovered accidentally. During the 1890s, the Russian physiologist, Ivan Pavlov was researching salivation in dogs in n

response to being fed. He inserted a small test tube into the cheek of each dog to measure saliva when the dogs were fed with a powder made from meat. Pavlov predicted the dogs would salivate in response to the food placed in front of them, but he noticed that his dogs would begin to salivate whenever they heard the footsteps of his assistant who was bringing them the food. Classical conditioning is a technique frequently used in behavioral training in which a neutral stimulus (the sound of the footsteps) is paired with a naturally occurring stimulus (the food in front of the dogs). Eventually, the neutral stimulus comes to evoke the same response as the naturally occurring stimulus, even without the naturally occurring stimulus





presenting itself. The associated stimulus (the sound of the footsteps) is now known as the conditioned stimulus and the learned behavior (the dogs salivating) is known as the conditioned response. Different factors can influence the classical conditioning process. During the first part of the classical conditioning process, known as acquisition, a response is established and strengthened. Factors such as the prominence of the stimuli and the timing of presentation can play an important role in how quickly an association is formed. When an association disappears, this is known as extinction, causing the behavior to weaken gradually or vanish. Factors such as the strength of the original response can play a role in how quickly extinction

occurs. The longer a response has been conditioned, for example, the longer it may take for it to become extinct. That is why bad habits, which tend to be reinforced continually over a long period of time, are so difficult to get rid of.

The second type of conditioning is operant or instrumental conditioning: this is a method of learning that occurs through reinforcements and punishments. It was first described by the psychologist B.F. Skinner. Through operant conditioning, an association is made between a behavior and a consequence for that behavior. When a desirable result follows an action, the behavior becomes more likely to occur again in the future. Responses followed by adverse outcomes, on the other hand, become less likely to

happen again in the future. By forming an association between a certain behavior and the consequences of that behavior, you learn. For example, if a parent rewards their child with praise every time they pick up their toys, the desired behavior is consistently reinforced. As a result, the child will become more likely to clean up messes. Reinforcement schedules are important in operant conditioning. This process seems fairly straight forward - simply observe a behavior and then offer a reward or punishment. However, Skinner discovered that the timing of these rewards and punishments has an important influence on how quickly a new behavior is acquired and the strength of the corresponding response. Continuous reinforcement involves rewarding every single instance of a behavior. It is often utilized at the beginning of the operant conditioning process. But as the behavior is learned, the schedule might switch to one of a partial reinforcement. This involves offering a reward after a number of responses or after a period of time has elapsed. Sometimes, partial reinforcement occurs on a consistent or fixed schedule. In other instances, a variable and unpredictable number of responses or time must occur before the reinforcement is delivered.

### There are a number of therapeutic techniques rooted in behavioral psychology.

Though behavioral psychology assumed more of a background position after 1950, its principles still remain important. Even today, behavior analysis is often used as a therapeutic technique to help children with autism and developmental delays acquire new skills. It frequently involves processes such as shaping (rewarding closer approximations to the desired behavior) and chaining (breaking a task down into smaller parts and then teaching and chaining the subsequent steps together). Behavioral psychology has some strengths. Behaviorism is based on observable behaviors, so it is sometimes easier to quantify and collect data when conducting research. Effective therapeutic techniques such as intensive behavioral intervention, behavior analysis, token economies, and discrete trial training are all rooted in behaviorism. These approaches are frequently very useful in changing maladaptive or

“

**Studies have shown that if given a chance, people choose to make upward comparisons instead of downward ones. This is why it is so important for “leaders” to “lead” by example.**



harmful behaviors in both children and adults. It also has some weaknesses. Many critics argue that behaviorism is a one-dimensional method of understanding human behavior. They suggest that behavioral theories do not account for free will and internal influences such as moods, thoughts, and feelings. Also, it does not account for other types of learning that occurs without the use of reinforcement and punishment. Moreover, people and animals can adapt their behavior when new information is introduced even if that behavior was established through reinforcement. One of the greatest strengths of behavioral psychology is the ability to clearly observe and measure behaviors. But perhaps the greatest contributions of behavioral psychology lie in its practical applications. Its techniques can play a powerful role in modifying problematic behavior and encouraging more positive, helpful responses. Outside of psychology, parents, teachers, managers, and many others

make use of basic behavioral principles to help teach new behaviors and discourage unwanted ones.

Among the social psychologists, Festinger was the first to use the term "Social Comparison," although it must be made clear that the general idea did not come from him alone. A lot of earlier research had an impact on Festinger's formulation of "Social Comparison Theory", and these include studies on social groups, group dynamics, social communication, conformity and the auto-kinetic effect, compliant behavior, level of aspiration, and independence and dependence in response to a unanimous majority. In his theory, Festinger tackles the fundamentals of how one forms beliefs and opinions about one's own capabilities. According to him, human beings have the drive to assess their opinions, and to know more about their abilities, and when they are incapable of evaluating their opinions and abilities, they tend to compare themselves with others. Festinger laid

down his hypotheses in his book entitled "Social Comparison Processes" that gives a substantial exploration of his theory. His first hypothesis states that "there exist, in the human organism, a drive to evaluate his/her opinions and abilities." People are driven to acquire a precise assessment of themselves by discerning their abilities and opinions in comparison with individuals around them. People get a sense of validity and cognitive clarity by comparing themselves in significant domains against an objective benchmark provided by the individuals they are comparing themselves with. Every human being has the ability to form his/her own opinions and to confirm these, as in the case of a person who evaluates his/her writing ability by comparing him/herself with a more experienced writer. How close this person gets to the experienced writer is the basis of the evaluation of his/her writing ability.

Festinger's second hypothesis says that "to the extent that objective and non-





social means are not available, people evaluate their opinions and abilities by comparing respectively with the opinions and the abilities of others". If the actual or physical setting in which someone can compare his/her opinions and abilities is unavailable, this person then tends to infer a subjective opinion. Festinger further elaborates that in order for a person to know how smart s/he really is, s/he "must at least know basic grammar, numerical operations, comprehension" in addition to other cognitive skills. However, in such a case wherein there are no available materials to measure these skills, the person will then just simply base his/her evaluations by subjectively comparing himself with others.

According to Festinger's "Social Comparison Theory", people who compare themselves with those who are similar to themselves typically produce accurate appraisals of their capabilities and beliefs. Comparisons are more sensible when the comparison target has

the same aspects, such as gender or age, with the person making the comparison. Comparing the writing ability of two people of the same age is more revealing than comparing an older person with a younger one. In addition, the inclination to equate oneself with other people diminishes as the difference between their beliefs and capabilities become more significant.

Festinger further proposed that comparing one's self with others can result in weights of uniformity. There is an inclination to lessen the differences between the evaluator and the comparison group by persuading others, or by altering their personal beliefs to achieve uniformity. Depending on the level of someone's motivation, s/he may have the tendency to compare her/himself with others either in an upward or downward kind of comparison. Festinger's theory states that an upward comparison happens when the person compares her/himself with others who are better than her/him while

downward comparison happens when s/he compares her/himself with others who are worse than her/him. A highly motivated person tends to engage in upward comparisons, and usually assumes her/himself as better or equal to the "best person". Studies have shown that if given a chance, people choose to make upward comparisons instead of downward ones. This is why it is so important for "leaders" to "lead" by example: a boy notices that his father does not respect his mother: the boy in turn will probably have less respect for his mother and later in life, his own wife. On the other hand, when someone is unhappy or is unmotivated, s/he usually engages in downward comparisons in order to feel better about her/himself. There are two kinds of downward comparisons. The first is passive downward comparison: passive downward comparison happens when a person takes into consideration the previous condition in making comparison: for example, a low performing student comparing himself



**Simply working close to someone who is a high performer or has high status within the company can motivate an employee to do better on their own work tasks, even when the two employees are not part of the same team or work group.**

with a worse off student. The second is active downward comparison: active downward comparison happens when a person compares her/himself with others by demeaning or causing harm to them: by diminishing the target or causing harm to her/him, this person generates a situation in which the target is worse off than her/him, therefore giving her/him the chance to make a downward comparison.

Motivation plays a role in this model and is manifested by self-evaluation and self-enhancement. Self-evaluation occurs when someone looks for positive traits in her/himself based on the best person s/he compares her/himself with. Self-enhancement, on the other hand, occurs when the person questions which aspects of her/himself need to be improved to reach the level of goodness of the person s/he is comparing her/himself with.

### **What is the relevance of "Social Comparison Theory" to the workplace?**

Have you ever been in a situation where you were inspired to work harder because of a teammate or felt nervous because you were worried about looking bad when compared to those around you? If you are like most people, the answer to these questions is yes. Whether we think we are doing a good job is directly influenced by the performance of those around us. The performance of our peers also influences how well we perform ourselves. People work in groups. Yet many companies' talent management methods are designed as though people worked in isolation. These methods do not actively consider how co-workers impact each other's performance when evaluating employees and making staffing decisions. They are frequently designed as though an individual's performance is solely due to their own actions and ignore the fact that we are social beings whose work influences, and is influenced by, the work of those around us. The importance of managing employee performance in a way that accounts for both individual behavior and social influences comes from decades of research on "Social Comparison Theory." This research has led to several empirical findings that have direct relevance to talent management practices, particularly in the context of performance management. There can be value in mixing higher and lower

**“Companies should not manage employee performance based on an individual's behavior while ignoring how that behavior is partially caused and influenced by the behavior of his or her peers.”**

performing employees in a work-group; it can also create risks. Social comparison indicates that our peers influence us in both positive and negative ways. For example, simply working close to someone who is a high performer or has high status within the company can motivate an employee to do better on their own work tasks, even when the two employees are not part of the same team or work group. In other words, when working alongside a high performer, employees' performance tends to improve. However, when someone performs to compete with a high performer, that person's performance tends to decline. In addition, when companies evaluate employees, social performance management (SPM) should be used. SPM focuses on managing individual employees as part of a larger group. Other performers who are better or worse than us inherently guide performance. To maximize performance and development, employee assessments should be based on both individual performance and how they are influenced by the performance of those working around them. More specifically, methods

of employee evaluations should consider how performance is influenced by peers by categorizing employees into specific performance groups. This categorization is ideally done through calibration sessions in which managers rank employees based on observable behaviors in multiple contexts, including social ones in which peer influence occurs.

### **What should a leader do when one of their most productive employees is also the most disruptive?**

It is a challenging question: what are the costs versus the benefits of retaining that employee? Many of the costs might be difficult to fully measure: a disruptive employee can have a negative impact that is felt across the organization, reducing the productivity of the entire group. In these instances, it becomes clear that organizational success is less about a small winner's circle of highly-performing mavericks. Rather, it is about creating a culture and employee experience where everyone can work to their full potential. Failing to address disruptive behavior by high-performers can actually hurt overall productivity. Leaders should focus on creating a culture that encourages everyone to contribute instead.

Research related to "Social Comparison Theory" has demonstrated that it is crucial to understand performance as a social concept. Companies should not manage employee performance based on an individual's behavior while ignoring how that behavior is partially caused and influenced by the behavior of his or her peers. Assessing performance of people in isolation without considering the performance of their co-workers ignores well established truths about the social nature of human behavior. It is important to ensure comparisons among employees are done in a constructive, non-competitive fashion, focusing on qualitative discussion instead of numerical rankings. If companies want to create high performing employees and work groups, they need to manage individuals recognizing that how we act is due in part to the actions of others. This is especially true of young people: they tend to imitate what they see their managers doing.

*The writer is a fellow of the Institute of Certified Public Accountants of Kenya*





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