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Dear Reader!

Kenya's small and medium-sized enterprises (SMEs) depend heavily on retained earnings to finance growth, particularly when access to affordable credit is limited.

Our cover story considers whether Kenya should tax corporate profits when they are distributed to owners rather than when they are earned.

Such a model could allow businesses to retain more capital for reinvestment, expansion and job creation. However, its potential benefits must be weighed against concerns about government revenue, tax avoidance and fairness.

The Finance and Investment feature explores how African finance professionals can use digital tools, artificial intelligence and real-time forecasting to turn business strategy into results. With currency fluctuations, rising costs, and market uncertainty pressuring businesses, accountants must move beyond traditional reporting to support timely decisions, improve resource allocation, and protect profit margins. Flexible budgeting, automation and stronger analytical skills can help finance leaders provide insights that shape business outcomes.

In Leadership, the author considers why technical expertise alone is not enough to make an effective leader. Emotional intelligence, communication, trust and the ability to bring people together are equally important. Drawing on leadership thinkers and examples from professional services, the piece shows how strong relationships improve collaboration and performance. It highlights the value of continuous learning and how leaders shape workplace culture through their daily actions.

Innovation is central to how organisations improve performance, respond to market changes and sustain growth. The Management story examines how gradual improvements, breakthroughs and disruptive technologies can help businesses cut costs, meet customer needs and remain competitive. It explores how a culture that encourages new ideas, supports collaboration, invests in technology and develops employees' skills can make innovation part of everyday decision-making rather than a one-off initiative.

Under Business and Practice Development, we find out why unspent donor funds can challenge NGOs, even when savings result from efficient spending. Restricted grants, donor expectations and budget underspending can affect compliance, future funding and relationships with donors. Closer collaboration between finance and programme teams, early communication with donors and timely reallocation of funds within grant conditions can help organisations use resources effectively and deliver greater community impact.

Meanwhile, Kenya's Islamic finance sector has grown from a small cooperative initiative into a wider network of banks, SACCOs and emerging investment opportunities. The Economy section examines how Shariah-compliant finance can widen financial inclusion, mobilise savings and provide alternatives to conventional interest-based products, particularly through SACCOs. However, limited public awareness, shortages of specialised skills, regulatory challenges and a lack of suitable investment options continue to constrain growth. Stronger oversight, professional training, consumer education and deeper Islamic capital markets could help the sector reach more Kenyans.

The Audit segment illustrates why audit readiness should be part of an SME's growth strategy, not a year-end exercise. Cash flow forecasting, accurate inventory valuation, effective credit control and clear segregation of duties help protect working capital, reduce financial risks and strengthen operational resilience. Sound financial records, tax compliance and good corporate governance can further position growing businesses to attract loans and investment, expand into new markets and participate in wider supply chains.

Our regular features offer perspectives on personal decision-making, environmental challenges and the institutions that shape national prosperity. Inspiration considers how habits, emotions and external cues shape decisions, often before we consciously weigh our options. It encourages readers to pause before acting on impulses and make more deliberate choices. Under Environment, we look at El Niño and its varied effects across Africa, from floods and landslides in East Africa to droughts in Southern Africa. The article examines the risks to agriculture, health and economies, stressing the value of seasonal forecasts, early warnings and timely preparation.

Finally, Pen-Off draws on *Why Nations Fail* by Daron Acemoglu and James A. Robinson, as well as the work of Simon Johnson. The three economists shared the 2024 Nobel Prize in Economic Sciences for their work on how institutions form and affect prosperity. Through examples from different countries, the article explores how inclusive institutions can support prosperity, while extractive systems concentrate power and wealth and perpetuate poverty.

It offers readers a perspective on how political power, economic rules and historical events shape the fortunes of nations.

Enjoy the read!

Editor

Mercelline Maroma

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A New Way Of Supervision?

By Jim McFie, a Fellow of ICPAK

I am sure that you are aware that the Institute of Certified Public Accountants of Kenya (ICPAK) is the statutory body established by the Accountants Act to develop and regulate the accountancy profession in Kenya.

Under the Act, ICPAK is mandated to promote standards of professional competence and practice among its members. Section 22 of the Act requires accountants in practice to apply for an annual practising licence through the Registration and Quality Assurance Committee (RQAC). Further, Section 18(1) of the Act provides that *"No person shall practice as an accountant unless he is the holder of a practising certificate and a licence to practise that is in force."*

Section 22(3) of the Act further provides that an annual licence shall be valid from the date of issue until 31 December of the same year and must be renewed at the end of that year. Practising members have been notified that the 2027 licensing portal will open on 15 October 2026. All practising members and licensed firms are encouraged to submit their applications to renew their 2027 annual practising licences in good time and ensure they obtain the requisite approvals before 31 December 2026. To be listed as a licensed firm on ICPAK's website or in any Gazette Notice by the Institute, a firm must obtain a valid licence before the end of the year.

Citizens can sometimes make decisions that, over time, they come to regret. The UK officially left the European Union at 11:00 PM London Time on 31 January 2020. A referendum was held on 13 June 2016: 33.58 million ballots were cast, representing 72.2% of the eligible electorate. 17,410,742 votes (51.89%) were for leave; 16,141,241 votes (48.11%) were for remain. For such an important action, was a simple majority fitting? The formal withdrawal process started on 29 March 2017. The UK left the EU on January 31, 2020, entering a transition period. The transition period ended at 11:00 PM GMT on 31 December 2020, when the UK fully left the EU single market and customs union.

Today only 30% of Britons believe that the UK was right to vote to leave the EU; a clear majority of 57% of Britons believe it was wrong, according to polling data from YouGov, an international Internet-based market research and data analytics firm headquartered in the UK with operations in Europe, North America, the Middle East, and Asia–Pacific. 55% of Britons say they support the UK rejoining the EU. Six in ten Britons think Brexit has been a failure, with the Conservatives, and in particular Boris Johnson, seen as most responsible for it not being a success. Why? Surveys show that about two-thirds of voters feel Brexit has negatively impacted the economy and driven up the cost of living. Studies attribute a noticeable hit to British GDP, productivity, and trade. Many expected leaving the EU to reduce overall immigration, but post-Brexit migration actually spiked significantly due to labour shortages and policy changes. Most disillusioned citizens cite increased trade red tape, fewer opportunities for young people (such as work and travel freedom), and an overall feeling that the expected benefits have gone unfulfilled. Government authorities know the UK must remain competitive in an increasingly competitive world or see the country's financial position slide down the slippery slope to poverty.

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On 3 September 2026, the UK Financial Reporting Council (FRC) published an update to *Our Approach to Regulation*, setting out how the FRC's regulatory approach will continue to support growth, build trust and drive confidence in UK markets. The document reinforces the FRC's commitment to serve the public interest through targeted, effective and agile regulatory activity. This approach seeks to recognise the FRC's role within the broader regulatory ecosystem and outline how the FRC carries out its regulatory duties and engages with stakeholders to build trust, enhance public confidence, and create the conditions for sustainable economic growth. The FRC's regulatory approach centres on firstly, enabling growth – that is, supporting business-led growth by shaping the conditions for success. Through its Innovation and Improvement Hub, ScaleBox programme and regulatory sandboxes, the FRC is helping firms innovate, build capability and navigate an evolving regulatory environment with greater confidence. Secondly, Proportionate and Practical Regulation: the FRC will use tailored, principles-based regulation focused on reducing burden while upholding trust. This includes first-of-its-kind guidance, already released to support audit firms in using generative and agentic AI tools in audit engagements.

Thirdly, an Integrated Model: aligning standards, supervision, and enforcement to drive improvement and support market confidence. Through its reviews of supervision and enforcement models, the FRC has already prioritised a more joined-up approach to support continuous improvement and accountability.

And lastly, an Engaged Regulator: shaping smarter outcomes through data, dialogue, and real-world insights. By delivering market studies, stakeholder engagement, consultations and data-driven analysis, the FRC is identifying emerging issues, understanding market challenges and ensuring regulation is informed by real-world experience.

The FRC's approach has significant implications for UK accountants, whether they work in practice, business, the public sector or the regulatory environment. Although much of the FRC's statutory work focuses on audit, corporate reporting and corporate governance, its influence extends more broadly across the accountancy profession because accountants are often responsible for preparing, interpreting and communicating financial information on which investors, boards, regulators and other stakeholders rely. The emphasis on proportionate, risk-based regulation means that accountants should increasingly think beyond technical compliance. The question is not simply whether a particular accounting requirement has been followed, but whether the financial reporting process produces information that is reliable, transparent and useful to its intended users. This places greater emphasis on professional judgement. Accountants need to understand not only what a

standard requires but also why it exists, the risks of applying it, and the consequences of the judgements they make.

A principles-based regulatory environment places considerable responsibility on professional accountants. They may have to make judgements where the facts are complex, the available evidence is incomplete or different accounting treatments could appear reasonable. The FRC's regulatory philosophy therefore reinforces the importance of accountants being able to explain and document the reasoning behind significant decisions. Good documentation is not merely an administrative requirement; it provides evidence that professional judgement was exercised carefully and based on appropriate information.

> **The FRC's approach has significant implications for UK accountants, whether they work in practice, business, the public sector or the regulatory environment. Although much of the FRC's statutory work focuses on audit, corporate reporting and corporate governance, its influence extends more broadly across the accountancy profession because accountants are often responsible for preparing, interpreting and communicating financial information on which investors, boards, regulators and other stakeholders rely.**

Accountants should consequently be prepared to answer three questions: What decision was made? What evidence supported it? Why was that decision appropriate in the circumstances?

Accountants need to adopt a risk-based mindset. The FRC's emphasis on risk-based regulation has an important practical lesson for accountants: not all matters deserve the same level of attention. Accountants should identify areas where the possibility of material error, misstatement, fraud, weak controls or misleading disclosure is greatest and devote appropriate resources to those areas. This approach is particularly relevant in an environment of increasingly complex transactions, artificial intelligence, cyber risks, climate-related reporting and rapidly changing business models. A risk-based mindset also means recognising emerging risks before they become regulatory problems. Accountants who can identify such risks and communicate them effectively to management and boards can make an important contribution to organisational resilience.

The quality of communication matters. The FRC's approach also reinforces the importance of clear financial reporting. Technical accuracy is essential, but information must also be understandable and relevant to its users. Accountants therefore have an increasingly important role in translating complex financial and regulatory matters into information that boards, investors and other stakeholders can understand. This includes explaining significant judgements, estimates, uncertainties and risks rather than simply presenting numerical results. The modern accountant is consequently becoming not merely a preparer of accounts but an interpreter and communicator of financial information.

Accountants must keep pace with technology. The FRC's growing focus on innovation is particularly significant for accountants. Artificial intelligence, automation, data analytics and other technologies are changing how financial information is generated, processed and analysed. Technology can improve efficiency and potentially enhance the quality of financial reporting. However, accountants remain responsible for understanding the limitations of the systems they use. Accountants cannot accept automated output without appropriate professional scrutiny. The regulatory implication is clear: accountants will need both traditional accounting knowledge and sufficient technological understanding to evaluate whether technology is producing reliable results. Digital competence is therefore becoming part of professional competence.

Ethical conduct remains fundamental. Risk-based and technologically sophisticated regulation does not diminish the importance of professional ethics. If anything, it increases it. Accountants often possess information unavailable to other stakeholders. They may therefore face pressure when financial performance is disappointing, when a transaction has an uncertain accounting treatment or when management wishes to present information in a particularly favourable manner. The FRC's emphasis on public-interest regulation reinforces the principle that an accountant's responsibilities extend beyond an employer's or client's immediate interests. Integrity, objectivity, professional competence, confidentiality and professional behaviour remain fundamental.

Professional accountants have practical knowledge of how accounting and reporting requirements operate in real organisations. They can therefore contribute constructively to consultations on proposed standards, guidance and regulatory changes. Professional bodies and individual practitioners can help regulators identify unintended consequences, implementation difficulties and areas where additional guidance may be needed. Regulation is more likely to be

effective when those who apply it participate actively in its development.

Continuing professional development becomes even more important. The FRC's approach highlights the importance of continuous learning. Accountants cannot assume that qualification marks the end of their professional education. Changes in accounting standards, audit regulation, sustainability reporting, technology, artificial intelligence, corporate governance, and data requirements mean professional knowledge must be continually refreshed. The accountant of the future will therefore need a combination of technical competence, ethical judgement, analytical ability, communication skills, technological awareness and an understanding of regulatory developments.

The underlying message of the FRC's new approach – but in substance, the same as the old - is that effective regulation and professional responsibility are closely connected. Regulators establish expectations and monitor compliance, but high-quality outcomes ultimately depend upon the behaviour and judgement of the professionals operating within the system. For accountants, this means moving from a narrow concept of compliance towards a broader conception of professional responsibility. The objective should not simply be to avoid breaching a rule. It should ensure that financial information is accurate, transparent, understandable, and capable of supporting sound economic decisions.

This is particularly important as the role of the accountant changes rapidly. Automation may reduce some routine processing activities, while artificial intelligence and data analytics are taking on increasingly sophisticated tasks. At the same time, the demand for professional judgement, ethical leadership, assurance and interpretation of complex information is likely to increase.

The FRC's regulatory approach therefore reminds us that the future of the accountancy profession will depend not only on technical knowledge but also on accountants' ability to exercise sound judgement in the public interest.

The document sets out how the FRC's operations, activities and functions work together to maintain confidence in the UK's corporate governance, corporate reporting, audit, and actuarial sectors. It demonstrates how the FRC is embedding the principles of good regulation set out in the Regulators' Code and utilising its regulatory tools to safeguard trust while enabling growth.

The UK's regulatory framework is a strategic national asset. The approach sets out a clear vision for modern regulation: targeted where risks are greatest, proportionate where action is needed, and responsive to a rapidly changing environment. In doing so, the FRC can support growth while maintaining the confidence markets depend on. The FRC aims to embed the principles of the Regulators' Code by building trust, balancing protection with progress, and using its regulatory tools in a coordinated and proportionate way. The FRC's approach to regulation creates a framework that supports growth, accountability, and confidence across the corporate reporting ecosystem, helping the UK remain competitive.





Beyond The Template: Guarding Substance In Kenya's IPSAS Accrual Transition

By CPA Zadok Koech

Kenya's public sector financial reporting is undergoing one of its most consequential structural reforms. On 7 March 2024, the Cabinet approved the transition from cash-basis accounting to International Public Sector Accounting Standards (IPSAS) accrual accounting for all national government entities, county governments, and their respective agencies.

According to the National Treasury and the Public Sector Accounting Standards Board transition roadmap, the move is being implemented progressively over three years, with increasing recognition of assets and liabilities. In FY 2024/25, entities were required to recognise financial assets and liabilities, including pending bills, receivables and payables. In FY 2025/26, the scope expands to inventories, while by FY 2026/27 full IPSAS accrual compliance is expected across the remaining assets and liabilities, with the roadmap culminating on 30 June 2027.

This is not a routine accounting adjustment. Cash reporting served appropriation accountability reasonably well, but it offered an incomplete picture of fiscal health. Pending obligations, employee liabilities, unremitted deductions and long-term contractual commitments could accumulate without appearing in the financial statements, creating conditions where fiscal risk remained invisible until it became a crisis. Accrual reporting responds by requiring recognition of economic substance, not merely cash movement. The critical question now is whether the reform will produce reliable information, or whether entities will treat it as a formatting exercise by preparing statements in the prescribed accrual template. At the same time, the underlying records, reconciliations, estimates and disclosures remain weak. Guarding against that outcome is the defining professional challenge of this transition.

The Governance Shift: From Recording Cash to Managing Resources

The most consequential change introduced by accrual accounting is a redef-

inition of public stewardship. Under cash-basis reporting, accountability largely meant reconciling receipts and payments against approved budgets. Under accrual reporting, that is no longer sufficient. Accountability now extends to the full stock of resources under an entity's control: assets held, obligations incurred and the long-term sustainability of public services.

> **Cash reporting served appropriation accountability reasonably well, but it offered an incomplete picture of fiscal health. Pending obligations, employee liabilities, unremitted deductions and long-term contractual commitments could accumulate without appearing in the financial statements, creating conditions where fiscal risk remained invisible until it became a crisis. Accrual reporting responds by requiring recognition of economic substance, not merely cash movement.**

Consider a county water services department that acquires a treatment plant valued at KShs 50 million, operates it for five years without a depreciation policy and continues to report it at full historical cost. No funds may have been misappropriated, but the entity's financial position would be materially misstated. Under IPSAS 45 on property, plant and equipment, applicable from 1 July 2025, the asset must be depreciated systematically over its useful life. The accounting officer's responsibility therefore extends to maintaining the asset register, preparing depreciation schedules and disclosing the remaining service potential.

For auditors, this reshapes the audit trail. Tracing a payment to a Local Purchase Order and payment voucher may have been sufficient under cash-based audit procedures. Accrual reporting demands more: whether the asset exists, whether it is in the reported condition and location, whether ownership is supported, and whether impairment has been assessed in accordance with the relevant IPSAS requirements.

New Complexity, Familiar Dangers

Increased accounting complexity heightens the risk of misclassification, inflated valuations and misstatement concealed within accounting estimates. Experiences from other jurisdictions show that first-time accrual implementation can expose weaknesses in asset valuation, consolidation, classification and disclosure where systems and controls are not sufficiently mature.

Ghana's experience offers a useful caution. In its 2024 report on the Whole-of-Government Accounts, the Auditor-General reported an overstatement of public debt by GH¢138.91 billion, inconsistencies in inter-entity balances amounting to GH¢8.55 billion, and classification issues relating to investment provisions and impairment. Uganda's experience is equally instructive. Its Auditor-General reported that consolidated non-current assets increased by UGX 80.807 trillion, or 307 per cent, from the previous year, and noted that valuation committees were not competent to make reliable estimates. These examples demonstrate that the first accrual balance sheet can become a source of material misstatement where asset registers, valuation processes, consolidation procedures and professional capacity are weak.

For Kenya, pending bills remain one of the most significant transition risks. As at 30 June 2025, national government pending bills stood at KShs 524.84 billion, of which State Corporations accounted for KShs 404.33 billion, while county pending bills stood at approximately KShs 176.8 billion, according to the Office of the Controller of Budget's Budget Implementation Review Reports. Under accrual reporting, valid obligations that meet recognition criteria migrate from memorandum disclosures or schedules into the Statement of Financial Position as payables. Unsupported, disputed, ineligible or uncertain claims should not be recognised mechanically as payables; they should be assessed against the relevant IPSAS recognition and disclosure requirements, including IPSAS 19 where applicable. This precision requires accountants and auditors to exercise professional judgement, insist on adequate support and guard against both understatement and overstatement of obligations.

The Accountant's Imperative

Accountants are at the centre of Kenya's IPSAS accrual transition. Their responsibility begins long before year-end financial statement preparation. The quality of implementation will depend on whether accounting teams can build reliable records, apply professional judgement consistently and ensure that reported figures are supported by verifiable evidence.

First, opening balances must be reliable. Transitional exemptions under IPSAS 33 provide necessary relief for first-time

adopters, but they should not be treated as a licence to postpone essential work. Errors in opening balances can carry forward and distort financial reporting for several years. Comprehensive reviews of assets, liabilities, receivables, payables, bank balances and supporting schedules are therefore central to credible accrual reporting.

Second, asset management must be strengthened. Under IPSAS 45, accountants must maintain complete, regularly updated asset records that capture descriptions, locations, acquisition costs or valuation amounts, useful lives, accumulated depreciation, impairment considerations, and disposal status.

> **The most consequential change introduced by accrual accounting is a redefinition of public stewardship. Under cash-basis reporting, accountability largely meant reconciling receipts and payments against approved budgets. Under accrual reporting, that is no longer sufficient. Accountability now extends to the full stock of resources under an entity's control: assets held, obligations incurred and the long-term sustainability of public services.**

Third, liability recognition must be comprehensive. Unremitted statutory deductions, employee obligations, supplier balances, pending bills and contractual commitments must be assessed against the relevant recognition criteria, including IPSAS 19 where provisions or contingent liabilities are involved.

Finally, disclosure quality must be elevated. IPSAS reporting requires clear accounting policies, transparent disclosure of significant judgements and estimates, proper treatment of commitments and contingencies, related-party disclosures where applicable, and budget-to-actual comparisons under IPSAS 24. Boilerplate notes weaken accountability. Disclosures should explain the entity's actual circumstances and help users understand the numbers, risks and obligations behind the financial statements.

The Auditor's Imperative

The audit approach must evolve with the complexity, estimates, and professional judgements introduced by accrual reporting. Auditors must look beyond compliance with reporting templates and assess whether the underlying balances are complete, supported, properly classified and fairly presented.

Risk assessment should follow ISSAI 1315, which aligns with ISA 315. Audit teams must identify transition-related risks at the planning stage, particularly around asset recognition and valuation, depreciation, impairment, provisions, receivables, payables, inventories, leases and disclosures. These risks should be addressed within the financial audit principles set out in ISSAI 200.

Auditors must also apply a fraud lens. Reported amounts may reflect intentional misstatement through manipulation of asset valuations, recognition of fictitious liabilities, omission of actual obligations or inappropriate classification of disputed claims. Given recurring public sector issues, fraud risk should receive explicit attention during transition-period audit planning.

Management representations alone are insufficient for material accrual balances. For property, plant and equipment, audit evidence should include ownership documents, asset registers, valuation reports, depreciation schedules, impairment assessments, physical verification records and reconciliation to the general ledger. For liabilities, auditors should obtain supplier confirmations, subsequent payment reviews, contract analyses, statutory deduction reconciliations, and ageing schedules. Professional scepticism must be active, especially where opening balances lack documentation, asset valuations appear optimistic, liabilities are disputed or unsupported, or management estimates lack a consistent basis.

The Whole-of-Entity Imperative

Successful IPSAS implementation cannot be confined to the finance department. Many accrual balances originate in other functional units: legal departments manage pending legal claims, asset verification often depends on technical and administration teams, employee obligations sit with human resource units, and stores and inventory information comes from procurement and user departments. A credible transition therefore requires a cross-functional, whole-of-entity approach, with clear responsibility assigned for the completeness, accuracy and timely submission of information supporting financial reporting.

Audit committees should require regular updates on transition readiness, asset verification, inventory counts, opening balance validation, system configuration and unresolved audit issues. They should also follow up on gaps that may affect the credibility of the financial statements. Accrual transition is therefore not an isolated accounting project; it is an institutional governance responsibility that depends on reliable records, coordinated departments, functional systems and active oversight.

First, opening balances must be reliable. Transitional exemptions under IPSAS 33 provide necessary relief for first-time adopters, but they should not be treated as a licence to postpone essential work. Errors in opening balances can carry forward and distort financial reporting for several years. Comprehensive reviews of assets, liabilities, receivables, payables, bank balances and supporting schedules are therefore central to credible accrual reporting.

Substance Over Template

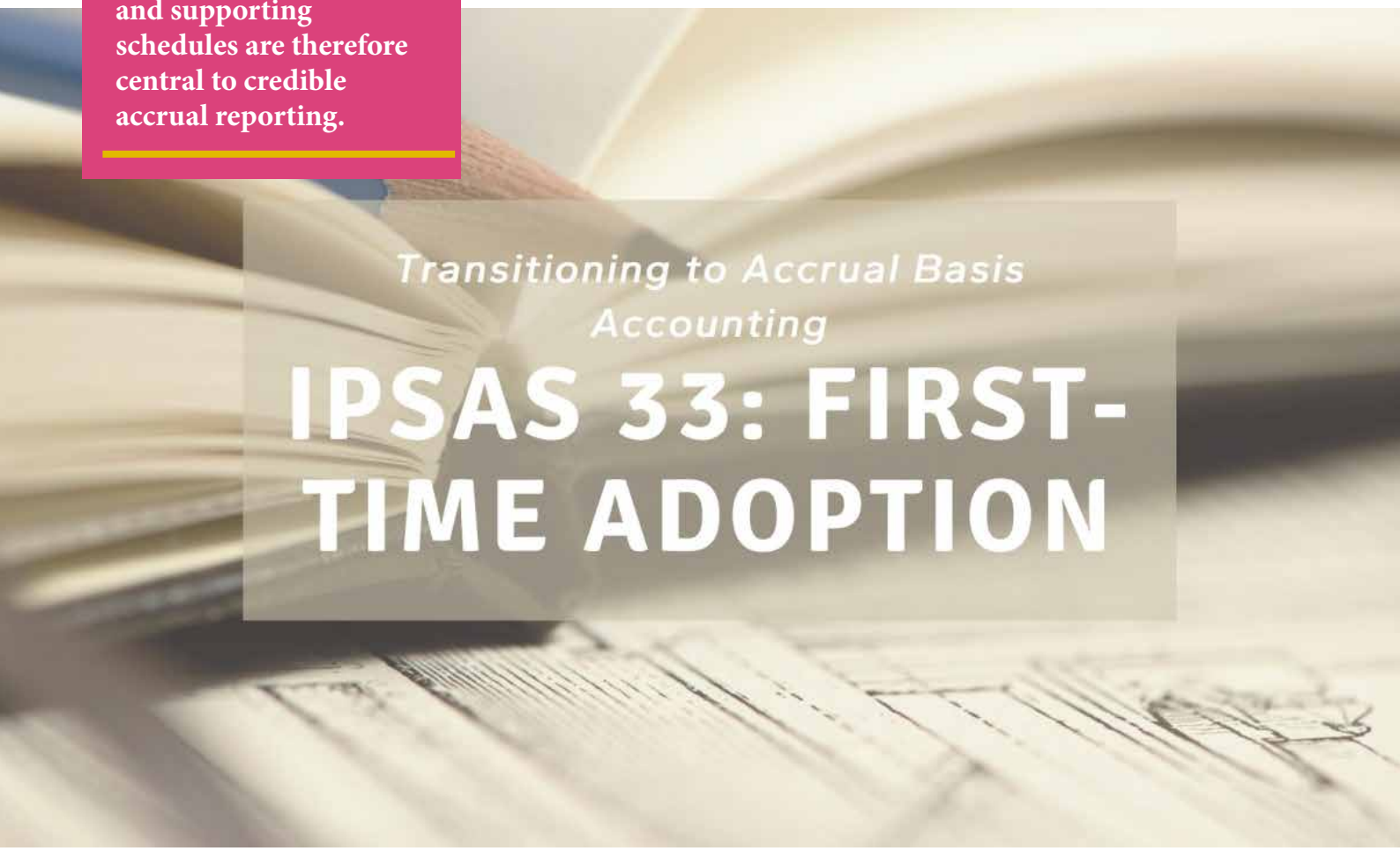
The greatest risk facing Kenya's IPSAS accrual transition is superficial adoption: preparing financial statements in the prescribed format while the underlying asset registers, inventory records, liability schedules, reconciliations and disclosures remain inadequate. Such an approach would produce compliance in form but failure in substance. In public financial management, the appearance of compliance is not enough; the information must be reliable, verifiable and useful for accountability.

Implemented with professional discipline and institutional resolve, IPSAS accrual can give Kenya the fiscal clarity, transparency and intergenerational accountability that public financial management has long needed. It can help citizens, oversight institutions and policymakers understand not only what public entities spend, but also what they own, what they owe and whether they can sustain services into the future.

The standard has been set, and the deadline is clear. What matters now is that substance leads, and the template follows.

CPA Zadok Koech is a Certified Public Accountant with extensive experience in public sector audit, financial management and governance in Kenya. He currently serves at the Office of the Auditor-General, Kenya, with professional interests in public financial management reforms. The views expressed are his own.

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The Paradox of Frugality: Why "Savings" Can Be a Liability In The NGO Sector

By CPA Boniface Mungoya Mundu

In the professional life of a corporate accountant, the word "savings" is a word everyone loves to hear. It signifies efficiency, cost control, and an improved bottom line.

To a shareholder, a company that "saves" money by negotiating better vendor contracts or optimizing operational processes is a well-managed entity. It reflects a financial strength and helps generate future value.

However, when an accountant transitions into the non-governmental organization (NGO) sector, this paradigm shifts violently. In the world of non-profits, particularly those reliant on restricted donor funding, the word "savings" often triggers a cold sweat. It is no longer a badge of honor; it is frequently a red flag, a source of audit friction, and a headache that can compromise future funding.

For accountants in the NGO space, the struggle to explain the "danger of savings" to non-financial program staff, boards, and donors is a defining professional challenge. To succeed in this sector, one must shift from the corporate mindset of "saving money" to the mission-driven mindset of "spending with impact."

The Fundamental Mismatch: Corporate vs. NGO Economics

To understand why savings cause such anxiety in the NGO world, we must first distinguish between the *profit-maximizing* motive of the private sector and the *impact-maximizing* motive of the non-profit sector.

In a business, if you budget $10,000 for a marketing campaign and achieve the same results for $8,000, you have generated $2,000 of profit. The business owner celebrates this efficiency. In an NGO, if you budget $10,000 for a community health initiative and achieve the target with $8,000, you have not created profit; you have, in the eyes of many donors, failed to execute the project to its full potential.

This creates an immediate psychological barrier. Program managers who are

often driven by passion for the mission naturally try to stretch every dollar. They take pride in finding the cheaper local supplier or negotiating a lower rental rate for a workshop. When they come to the finance department expecting a "thank you," the accountant's response is often: "We have a problem."

The "Restricted Funding" Trap

The core of the issue lies in the nature of restricted funding. Unlike unrestricted core funding, which an NGO can allocate according to its strategic priorities, restricted funding is purpose-bound. The donor grants funds specifically for the delivery of "Activity X."

When an NGO reports a significant surplus or "savings" at the end of a project, the accountant immediately sees three major risks:

1. The Perceived "Padding" of Budgets

If a project concludes with a 20% underspend, the donor rarely assumes that the NGO was exceptionally efficient. Instead, they suspect the NGO "padded" the budget, inflating costs to ensure they would never run out of money. This damages the credibility of the finance team and the organization's budgeting process. In future grant applications, the donor may arbitrarily cut the NGO's budget, assuming the numbers are inflated.

> **"For accountants in the NGO space, the struggle to explain the "danger of savings" to non-financial program staff, boards, and donors is a defining professional challenge. To succeed in this sector, one must shift from the corporate mindset of "saving money" to the mission-driven mindset of "spending with impact."**

2. The Refund Requirement

Many grant agreements have strict clauses regarding unspent balances. In most cases, if the funds were not utilized for the agreed-upon activities, the NGO is contractually obligated to return them. For an organization that lives on tight margins, this means losing cash flow that could have been used to deepen the project's impact.

3. The "Capacity" Question

Donors often equate budget utilization with operational capacity. If you were granted $500,000 to improve literacy in a region, and you only spent $400,000, the donor does not ask, "How did you achieve that for less?" They ask, "Did you reach all the children you claimed you would? Did you fail to implement parts of the program?" Consistent underspending suggests that the NGO lacks the scale or the administrative capacity to handle the funding they are asking for.

The Accountant's Dilemma: Navigating the Friction

Accountants in NGOs are often caught in the middle. They must play the role of the "bad guy" to program teams while simultaneously acting as the "defender of compliance" to donors.

Explaining the nuance of this to non-financial staff is notoriously difficult. A program manager might ask, "Why are you complaining that I saved the organization money?" The accountant's response must move beyond the numbers and into the realm of strategic stewardship.

The Art of "Full Utilization"

The accountant must educate the team that the goal is not to "save" money but to fully and effectively utilize the budget to reach the maximum number of beneficiaries. If a budget line for "Community Workshops" is looking like it will have a surplus, the accountant should encourage the program team to find ways to expand the reach, perhaps by holding an extra session, providing higher-quality materials, or extending the program duration to reach a more remote village.

Communication: The Key to Donor Relationships

Over the years, I have learned that the key to managing the "savings" issue is proactive communication with the donor.

When it becomes clear that a project is going to underspend, the worst thing an accountant can do is remain silent and wait for the audit. The best practice is to engage the donor early.

- **Transparency:** Explain exactly *why* the costs were lower. Was it a shift in market prices? Was it an operational efficiency that can be replicated?
- **Proactive Re-allocation:** Before the end of the project, propose a budget reallocation to the donor. Ask: «We have achieved our stated outcomes with X% remaining. May we apply these funds to Y, which will enhance the long-term sustainability of the intervention?»

Donors are generally much more responsive to a request for re-allocation that adds value than they are to a year-end report that simply reports a surplus. The latter feels like a bureaucratic failure; the former feels like a collaborative partnership.

Rethinking the "Bottom Line"

For the accounting profession within the non-profit sector, we must lead the charge in changing the narrative. We need to move away from the corporate metrics that reward cost-cutting and toward metrics that reward impact-efficiency.

If we continue to view NGO finance through the lens of a traditional prof-

> **The core of the issue lies in the nature of restricted funding. Unlike unrestricted core funding, which an NGO can allocate according to its strategic priorities, restricted funding is purpose-bound. The donor grants funds specifically for the delivery of "Activity X."**

it-seeking business, we will continue to struggle with the concept of "savings." We must teach our boards and program teams that:

- **Budgeting is not a guessing game** - It is a promise to the donor about what we will accomplish with specific resources.
- **Compliance is a service to the mission** - By ensuring full compliant spending, we build the trust required to win larger, more impactful grants in the future.

To the accountant preparing a budget for a new donor funded grant, remember this, your value is not found in how little you spend, but in how well you deploy resources to change lives in the community.

The next time a program manager beams with pride because they "saved" $5,000 on a project, do not start with a lecture on compliance. Start by asking: "That's a great result. How can we use that $5,000 to help ten more people?"

In the NGO world, the most successful organization is not the one that ends the year with the largest cash surplus. It is the one that ends the year having perfectly aligned its financial resources with its moral mandate, leaving nothing on the table except, perhaps, for the next great opportunity to make a difference.

As I have noted in my own practice and experience, effective grant management is a partnership between finance and program teams, where finance acts as a strategic enabler of the mission. Instead of waiting until the end of the project to report a "saving," the finance team should proactively review budget variances mid-project not at the end to identify where funds can be repurposed within the donor's guidelines to deepen the project's impact.

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Beyond the Numbers: From the Ledger to the Skies

An Accountant's Journey into Aviation, Leadership and Building a Differentiated African Airline

By CPA Moses Kamae Mwangi

At 3:30 a.m., Nairobi is largely asleep.

I am usually awake and, shortly thereafter, running. My normal target is about 10 kilometres a day. People occasionally question the wisdom of voluntarily running 10 kilometres before sunrise.

I tell them it is excellent preparation for running an airline: both require endurance, discipline and the ability to keep moving when every sensible part of you is asking why you started in the first place.

By around 6:30 a.m., I am normally in the office. At 7:30 a.m., I chair the 748 Air Services Daily Operations Meeting. Around the table are Maintenance and Engineering, Flight Operations, Procurement and Stores, Ground and Air Support, Finance, Commercial and other operational functions. We begin with a little brainstorming before confronting the day's realities.

What aircraft are flying? Are they serviceable? Are the crews ready? Where are the spares? What does maintenance require? What is happening with fuel, weather and security? What went wrong yesterday—and how do we ensure it does not happen again today? This meeting is the epicentre of our airline.

In aviation, problems have an inconvenient habit of ignoring organisational charts. A technical issue can quickly become an operational problem, then a commercial one, and sooner or later it reaches Finance! That daily meeting reinforces one of my strongest convictions:

An airline is not the beautiful aircraft you see on the apron. The real airline is everything you do not see behind it.

My journey into that invisible world began not in a cockpit, but in accounting.

From Accountant to Aviation Leader

I began my professional career as a Certified Public Accountant in the 1980s. More than four decades later, that journey has taken me through manufacturing, finance, and aviation, including roles as CFO, CEO, and Managing Director.

Accounting taught me discipline, accountability, risk management, internal controls and resource allocation. More importantly, it taught me to interrogate numbers and understand the story behind them. But aviation taught me something equally important:

The cheapest decision is not necessarily the best decision.

Aircraft are expensive. Engines are expensive. Fuel, insurance, maintenance, spares and training are expensive. An accountant can therefore be forgiven for occasionally looking at an aviation invoice twice—sometimes three times!

But leadership requires a different question:

What is the cost of not investing?

What is the cost of inadequate training? Of deferred technology? Of poor maintenance planning? Of failing to detect a safety trend early? When an investment improves safety, reliability or the long-term integrity of the operation, leadership must have the courage to

make it. That philosophy has helped shape **748 Air Services**.

Humanitarian Aviation: Where Leadership Is Tested

Humanitarian aviation is not simply part of our business.

It is in our DNA.

748's story began more than three decades ago in **Lokichogio**, supporting Operation Lifeline Sudan. Our name comes from the Hawker Siddeley 748 aircraft the company began with. From that foundation, we developed extensive humanitarian operations across Africa.

We have operated in Somalia, South Sudan, the Democratic Republic of Congo, Central African Republic, Niger, Mozambique, Madagascar and other challenging environments, supporting international humanitarian organisations and carrying people and essential supplies to places conventional transport often struggles to reach.

> **These environments teach humility. Security situations can change within hours. Infrastructure may be limited. Weather changes. Logistics can be difficult. The nearest spare part may be thousands of kilometres away. Leadership must anticipate, adapt and sometimes make difficult decisions quickly.**

These environments teach humility. Security situations can change within hours. Infrastructure may be limited. Weather changes. Logistics can be difficult. The nearest spare part may be thousands of kilometres away. Leadership must anticipate, adapt and sometimes make difficult decisions quickly.

But one decision is never negotiable:

If it cannot be done safely, we do not fly.

Safety: Using Today's Data to Prevent Tomorrow's Accident

At 748, safety and quality are not departments.

They are a culture.

One investment that demonstrates this philosophy is our **Flight Data Monitoring programme (FDM)**. FDM lets us analyse actual flight data, identify trends and operational exceedances, improve training, and detect potential hazards before they become incidents. Our programme covers **100% of our fleet, including the Cessna**

Grand Caravan C208—making 748 one of the pioneering operators globally to extend sophisticated FDM capability to the Caravan.

Why invest at that level in a smaller aircraft?

Because **a smaller aircraft does not deserve a smaller safety standard**.

Whether an aircraft carries 12 passengers or 78, every life has the same value. For us, FDM represents something bigger than technology:

Use today's data to prevent tomorrow's accident.

That is where modern aviation must go: from reacting to events to anticipating them.

Ten Years of Engine Foresight

Our relationship with **Pratt & Whitney Canada** is another example of long-term thinking. 748 has committed to an exceptional **10-year Fleet Management Program (FMP)** supporting the engines on our Dash 8-100 fleet. Mention a ten-year commitment to an accountant, and you will immediately hear questions about cash flow, lifecycle costs, reserves and return on investment. Quite rightly. But an aviation leader must ask one more:

What is the long-term value of reliability, predictability and manufacturer-supported engine management?

The FMP provides visibility over maintenance planning and costs while deepening our relationship with the original equipment manufacturer.

This is where accounting and engineering meet.

The engineer sees an engine. The accountant sees a cost. The leader must see the aircraft that still needs to be reliably flying years from now.

From Aircraft Operator to a Voice at the Manufacturer's Table

Our relationship with **De Havilland Aircraft of Canada** is equally important.

For the 748, manufacturer relationships should go beyond purchasing aircraft and spare parts. Operators offer manufacturers something extraordinarily valuable: **real-world operational experience**.

Our Dash 8 aircraft operate in environments ranging from major international airports to remote humanitarian destinations across Africa. That experience gives us a perspective shaped not in a boardroom, but through thousands of hours of actual operations.

It was therefore a **great personal and professional honour** for me to be appointed to the **De Havilland Dash 8 Product Strategy Council**.

I regard that appointment as more than personal recognition.

It recognises **748 Air Services and the experience African operators can bring to the global aviation industry**.

To progress from operating Dash 8 aircraft in some of Africa's most

demanding environments to having a seat where operators can contribute perspectives relevant to the product's future is something our entire team can take pride in.

It also reinforces an important ambition for 748:

We do not simply want to participate in African aviation. We want to help lead it.

Leadership is not about being the loudest operator in the market. It is about developing expertise, earning credibility and building an organisation whose experience is respected beyond its own borders.

Technology Differentiates—but People Make the Difference

We continue investing in aircraft and engine monitoring, FDM, digitalisation, data analytics and increasingly paperless cockpit and operational processes.

Technology must, however, earn its place. Does it improve safety? Reliability? Efficiency? Does it give our people better information?

If yes, we invest.

But technology alone cannot build a great airline.

> **Leadership is not about being the loudest operator in the market. It is about developing expertise, earning credibility and building an organisation whose experience is respected beyond its own borders.**

Competitors can buy similar aircraft, engines and software.

What they cannot simply order from a manufacturer is **culture**.

Behind every flight are pilots, engineers, technicians, dispatchers, cabin crew, ground handlers, safety professionals, procurement officers, accountants and commercial teams.

That invisible organisation is the real airline.

That is why I believe so strongly in training. Aviation is too complex for training budgets to become easy targets whenever somebody wants to improve the next quarterly numbers.

Ultimately:

Aircraft can be acquired. Technology can be purchased. A high-performance safety culture must be built.

And people, not equipment, make an airline exceptional!

Some Returns Do Not Fit into Excel

Leadership also extends beyond aircraft and profitability.

At **Kakamega Forest**, 748 has **adopted 10 acres and planted indigenous trees**, helping restore one of Kenya's great natural treasures.

At **Ngong Hills Forest**, we have undertaken to **adopt and reforest another 10 acres**.

There is something deeply satisfying about planting a tree whose full shade you may never personally enjoy.

For an accountant, of course, this presents an unusual challenge:

Where exactly do you put that return in Excel?

You cannot.

And perhaps that is precisely the point.

Some investments are made because future generations deserve to inherit something better than we found.

Our forest programmes complement our broader environmental philosophy, including our **ISO 14001 environmental management framework**, fuel-efficiency initiatives and commitment to more responsible aviation.

Profit matters. Cash flow matters.

But not everything of value belongs on a balance sheet.

Running for Those Who Once Ran for Us

My morning running has also connected me personally with another cause close to my heart—**Mama Ibado Charity and the Run for Seniors**.

The initiative supports elderly and vulnerable members of society.

There is enormous satisfaction in seeing the 748 team, friends, and the wider community come together, not because there is a contract to win or revenue to earn, but because somebody needs our support.

I often think that those of us who still have the privilege of running should occasionally **run for those whose legs no longer allow them to**.

That gives the Run for Seniors a meaning no stopwatch can measure.

Business leadership can easily become consumed by aircraft utilisation, contracts, revenues and targets.

But an organisation should also have a heart.

Success becomes much more meaningful when somebody else benefits from it.

Fly748.com: Bringing Three Decades of Experience Home

And now comes one of the chapters that excites me most: **Fly748.com**.

For decades, we built our capabilities in some of Africa's most demanding humanitarian environments.

We are now bringing that experience home through our scheduled passenger operation, **Fly748.com**, connecting Nairobi with destinations including Mombasa and Ukunda/Diani.

We are not interested in merely becoming another airline in Kenya's skies.

We are building a **differentiated product based on safety, quality, reliability, technology, professionalism and service**.

The passenger may never attend our 7:30 a.m. operations meeting.

They may never read an FDM report, understand our ten-year Pratt & Whitney FMP, know about our engagement with De Havilland, see an engineer working late into the night or appreciate how much we invest in training.

And they should not have to.

They should experience the result.

A safe aircraft.
A reliable operation.
Professional people.
Excellent service.
A quality journey.

That is the invisible product behind **Fly748.com**.

We want passengers who experience us once to understand that the difference isn't simply the aircraft.



The difference is everything behind the aircraft.

Accountants: Look Beyond the Ledger

Why tell this story in an ICPAK publication?

Because I want accountants and accounting students to understand that becoming a CPA should **expand your possibilities, not define your boundaries**.

Should an aircraft be bought or leased? How should engines be financed? What is the cost of aircraft downtime? How do you manage foreign-exchange exposure? What happens when fuel prices rise? What is the return on technology that prevents tomorrow's failure?

These are accounting questions.

But they are also **leadership questions**.

Aviation needs accountants in finance, treasury, leasing, insurance, taxation, procurement, internal audit, risk, sustainability and commercial strategy.

And yes, it needs accountants in the **Managing Director's chair**.

Look Up

Tomorrow morning, the alarm will go off again.

Another 10 kilometres.

Another 6:30 a.m. arrival.

Another 7:30 a.m. operations meeting.

Another day when every aircraft that departs must return safely.

There is no finishing line in safety, quality, innovation or leadership.

From an accountant's desk to leading an airline; from humanitarian aviation across Africa to a seat on the Dash 8 Product Strategy Council; from fleet-wide FDM and our ten-year Pratt & Whitney engine programme to indigenous forests, senior citizens and the growth of Fly748.com, my journey has convinced me that enduring leadership must balance people, planet, technology, safety, quality and financial discipline.

So, to every accountant and accounting student reading this, the next time an aircraft flies overhead, **look up**.

Do not see only an aircraft.

See the people, financing, engines, technology, insurance, maintenance, data, training, environmental responsibility and thousands of decisions that put it there.

Then ask yourself:

Why shouldn't an accountant lead all of that?

I did.

And after more than four decades in professional and corporate life, I remain convinced of one thing:

Accounting taught me to balance the books. Aviation taught me to look beyond them and sometimes to spread my wings.

CPA Moses Kamae Mwangi is the Managing Director, 748 Air Services (K) Ltd



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Beyond Riba: The Quiet Revolution And The Growing Adoption Of Islamic Finance In Kenya

By CPA Hilary Kirui

Imagine walking into a financial institution not merely as a borrower, but as a prospective partner. Imagine a system where financing is linked to real assets, where profit and risk are shared, and where your money is not channelled into activities prohibited by your values.

For millions of Kenyans, this is no longer an abstract idea. It is the emerging reality of Islamic finance.

Kenya's Islamic finance journey is a story of faith, entrepreneurship, financial inclusion and innovation. What began as a small cooperative initiative in Nairobi has evolved into an expanding ecosystem of Shariah-compliant banks, SACCOs, Islamic windows, Takaful and emerging investment opportunities. Yet despite this progress, Islamic finance remains a small proportion of Kenya's overall financial system. Its greatest opportunity may therefore still lie ahead.

From a Small SACCO to a National Movement

The roots of Kenya's Islamic finance movement trace back to 1998, when a group of Kenyan Muslims established **Taqwa Savings and Credit Cooperative Society** after finding conventional interest-based finance incompatible with their religious convictions. Taqwa showed that financial services could be structured around Islamic principles while meeting practical needs such as school fees, emergencies, business financing, and asset acquisition.

The model was significant because it emerged from the cooperative movement. SACCOs already emphasised member ownership, pooling of resources and community benefit—principles that naturally resonate with Islamic concepts such as *Musharaka*, or partnership.

Formal Islamic banking followed almost a decade later. First Community Bank received its banking licence in 2007, followed by Gulf African Bank, which commenced operations in 2008. A major regulatory milestone came in 2010 when an amendment to the Central Bank of Kenya Act enabled government securities to provide a "return" rather than an interest payment, creating greater room for Shariah-compliant financial institutions.

The movement subsequently expanded through Islamic windows within conventional financial institutions and, increasingly, through the SACCO sector.

Why Islamic Finance Is Gaining Ground

Several forces are driving Islamic finance's penetration in Kenya.

First is **unmet demand**. A significant segment of the population has historically been reluctant to use interest-based financial products. For these consumers, Islamic finance is not simply another product choice; it represents access to formal finance without compromising deeply held principles.

Second is **financial inclusion**. Islamic finance brings previously underserved savings and investment into the formal economy. Individuals who may once have kept savings outside formal institutions can now participate through Shariah-compliant savings, financing and investment structures.

> **The potential is particularly significant in regions and communities where conventional financial penetration has historically been weaker, including parts of northern Kenya, the Coast, refugee-hosting areas and diaspora communities. Agency banking and digital finance could accelerate this process.**

Third is the **ethical appeal beyond religion**. Islamic finance prohibits riba and speculative activities and emphasises asset-backed transactions, transparency and risk-sharing. These features increasingly attract non-Muslims who are concerned about excessive interest, opaque charges and predatory lending. Islamic finance is therefore evolving from a faith-specific alternative into a broader ethical-finance proposition.

Fourth is the **SACCO advantage**. SACCOs have deep roots among Kenyan households, professionals, farmers and small businesses. They provide a relatively accessible platform for Shariah-compliant products to reach ordinary consumers without requiring an entirely new financial infrastructure.

Finally, **technology is widening the market**. Mobile money, digital platforms and agency banking allow institutions to reach customers beyond traditional branches, including communities in remote and underserved areas.

The SACCO Sector: Where the Next Wave May Come From

The SACCO sector may be the most important channel for the next phase of Islamic finance adoption.

Kenya has institutions operating as fully Shariah-compliant SACCOs, while conventional SACCOs are increasingly introducing Islamic "windows". The latter model enables an institution to offer Shariah-compliant products alongside its conventional business, ideally supported by appropriate segregation, accounting, governance and Shariah oversight.

Stima DT SACCO's *Yasar* model is an important example of this transition. Its Shariah-compliant offering demonstrates that Islamic finance can move from a specialised niche into mainstream cooperative financial services.

The window model's significance extends beyond individual products. It signals that conventional institutions increasingly recognise Islamic finance as a commercially relevant market rather than a marginal religious service.

The potential is particularly significant in regions and communities where conventional financial penetration has historically been weaker, including parts of northern Kenya, the Coast, refugee-hosting areas and diaspora communities. Agency banking and digital finance could accelerate this process.

From "Muslim Finance" to Inclusive Finance

One of the most important developments in Kenya is the changing perception of Islamic finance.

It is increasingly inaccurate to describe Islamic finance simply as "finance for Muslims." A *Murabaha* transaction, for example, can finance the acquisition of an asset through a disclosed cost-plus arrangement, while *Musharaka* is based on partnership and risk-sharing. These structures can appeal to anyone seeking transparency and an alternative to conventional interest-based borrowing.

The real measure of adoption should therefore not be how many Muslims use Islamic finance, but how effectively the system expands participation among **all Kenyans who value ethical, transparent and asset-linked financial services**.

This creates an important opportunity for Islamic finance to contribute to Kenya's wider financial-inclusion agenda.

The Barriers to Wider Penetration

Despite the progress, Islamic finance remains relatively small compared with conventional finance. The sector still faces several structural challenges.

Awareness remains limited. Terms such as *Murabaha, Musharaka* and *Mudarabah* can appear complicated to customers unfamiliar with Islamic finance. Institutions must therefore invest in financial literacy and communicate products in simple, consumer-friendly language.

Regulatory and governance complexity is another challenge. Islamic institutions must satisfy conventional prudential requirements while also maintaining

Shariah compliance. Where Islamic windows operate inside conventional institutions, segregation of funds, accounting, reporting and governance become particularly important.

A shortage of specialised expertise also constrains growth. Kenya needs more professionals who understand both Islamic jurisprudence and modern accounting, risk management, auditing, regulation and financial technology.

Perhaps the most significant structural constraint is **liquidity management**. Islamic institutions cannot simply rely on conventional interest-bearing instruments to manage surplus liquidity. The limited depth of Shariah-compliant investment and secondary markets constrains their ability to deploy funds efficiently.

Perhaps the most significant structural constraint is liquidity management. Islamic institutions cannot simply rely on conventional interest-bearing instruments to manage surplus liquidity. The limited depth of Shariah-compliant investment and secondary markets constrains their ability to deploy funds efficiently.

Greater standardisation is also needed. Differences in interpretation of Shariah requirements can create uncertainty for institutions and consumers alike.

The Policy Opportunity

Kenya has already taken important steps toward recognising Islamic finance. The 2010 regulatory change and the 2014 Shariah-Compliant Cooperative Development Policy demonstrated government recognition of the need to accommodate faith-aligned financial services. The 2014 policy specifically acknowledged that millions of Muslims were excluded from conventional cooperative finance and called for appropriate registration, audit, and capacity-building mechanisms.

The next step is implementation.

Kenya could strengthen the ecosystem through clearer regulatory guidance, specialised audit and inspection capacity, standardised Shariah governance frameworks, development of Shariah-compliant liquidity instruments, professional training and greater consumer education.

The development of *Sukuk* and deeper Shariah-compliant capital markets would also create opportunities for institutional investors and help position Nairobi as a regional Islamic finance centre.

The Road Ahead

The future of Islamic finance in Kenya is unlikely to be defined simply by the number of Islamic banks established. Its deeper impact will be measured by how effectively it penetrates the cooperative sector, reaches underserved communities, mobilises previously excluded savings, finances productive assets and gives consumers greater choice.

The SACCO sector could bridge Islamic finance and mass-market financial inclusion. Conventional SACCOs introducing Islamic windows can open the market rapidly, while fully Shariah-compliant institutions can continue demonstrating what a complete Islamic financial ecosystem can look like.

The opportunity extends beyond banking and SACCOs. A mature ecosystem should eventually connect **Islamic banking, SACCOs, Takaful, *Sukuk*, pensions, investment management and digital finance**.

Kenya's Islamic finance story therefore remains unfinished.

It began with a group of savers seeking a financial system consistent with their beliefs. It expanded through pioneering institutions such as Taqwa, entered mainstream banking through First Community Bank and Gulf African Bank, and is now increasingly finding space within the country's powerful cooperative movement.

The quiet revolution is no longer about whether Islamic finance can work in Kenya. That question has largely been answered.

The bigger question is **how far it can go**.

If regulation, expertise, technology, consumer education and Shariah-compliant investment infrastructure develop together, Islamic finance could move from a relatively small niche into a significant pillar of Kenya's financial-inclusion agenda.

Beyond riba lies something bigger than interest-free finance: **the possibility of a financial system in which more Kenyans can participate, invest and prosper without having to choose between their economic aspirations and their values.**

CPA Kirui is an Accountant at Taqwa DT Sacco Society Ltd, the first Shariah-compliant Sacco, headquartered at Jamia Plaza, Nairobi. He holds a Bachelor of Science in Agricultural Economics. He is a Certified Public Accountant of Kenya (CPA-K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has over 10 years of experience in accounting, financial management and financial reporting. His areas of expertise include bookkeeping, budgeting, cost control, payroll processing, financial reporting, tax compliance, internal controls and financial literacy. He also has experience in policy development, governance research and mentoring junior accounting staff.

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Building Resilient Financial Supply Chains for Emerging Market SMEs

Internal Controls and Audit Readiness in Sub-Saharan Africa's Growing Enterprises

By CPA Wendrosa Karambu

Audit readiness is not a year-end exercise; it is a discipline of growth. Across Sub-Saharan Africa, small and growing enterprises that scale successfully are those whose internal controls, segregation of duties, and inventory valuation practices can withstand institutional scrutiny.

This feature examines how embedding audit principles early safeguards cash flow, strengthens financial supply chains, and positions SMEs as bankable, institutional-grade enterprises.

These enterprises are the true backbone of local economic development. They drive job creation, support domestic agricultural value chains, and pioneer innovative wellness and consumer product offerings. From localised food processing to specialised retail ventures, they create sustainable livelihoods, spur community development, and foster local industrialisation. Yet, despite their central role in macroeconomic expansion, many high-potential local businesses hit an invisible ceiling when attempting to scale beyond their initial founding stages.

While market demand for local products is often strong, small and medium-sized enterprises (SMEs) frequently falter not because of a lack of sales, but because of structural vulnerabilities in their financial supply chains. A surging sales ledger can easily mask deep operational inefficiencies, mispriced inventory, and mounting uncollected debts. Transitioning from an informal, revenue-driven operation to a financially disciplined, bankable enterprise requires intentional controls, rigorous inventory valuation, and proactive working capital management. Building this financial resilience is not merely a defensive measure against market shocks; it is the fundamental prerequisite for achieving long-term sustainability, preserving operational independence, and attracting growth capital.

The Growth Paradox: Revenue vs Working Capital

A common trap for emerging enterprises is treating top-line revenue growth as the ultimate measure of organisational health. Founder-led ventures often celebrate large supply orders or rapid geographic expansion, assuming that higher sales volumes will automatically translate into financial stability. In reality, rapid expansion without adequate liquidity management can quickly lead to a severe cash crunch—a structural phe-

nomenon known in corporate finance as overtrading.

When an SME expands its customer base or introduces new product lines, its operating capital becomes progressively tied up in advance purchases of raw materials from local suppliers, work-in-progress inventory during production and packaging cycles, and extended payment windows granted to corporate buyers or retail distributors. If receivables collection lags behind these mounting operational costs, the enterprise can find itself profit-rich but cash-poor. The income statement may reflect robust accounting profits. Yet the bank account may lack the liquid cash needed to meet immediate obligations such as payroll, tax remittances, raw material reorders, and utility bills.

Financial resilience is an interconnected, two-way street that encompasses supplier relationships just as heavily as customer receivables. Building long-term, strategic partnerships with primary local suppliers requires absolute financial transparency and consistent settlement history. Negotiating predictable, extended credit terms—such as aligning payables with expected 30-day collection cycles—allows SMEs to synchronise their cash outflows with cash inflows, creating a balanced operational liquidity profile that buffers the business against short-term market turbulence.

Building a resilient financial supply chain requires shifting focus from simple, backwards-looking bookkeeping to dynamic cash flow forecasting and proactive treasury management. Business leaders must map their Cash Conversion Cycle by tracking how many days it takes for each unit of currency invested in raw materials to cycle through production, receivables, and back into the bank account as collected cash. By shortening this cycle through operational efficiency, streamlined billing, and tighter credit collection, SMEs reduce their dependence on expensive external financing and generate internal capital to support continuous growth.

Managing Inventory & Valuation in Volatile Markets

In emerging markets across East Africa, SMEs operate within volatile economic environments characterised by currency fluctuations, seasonal supply disruptions, inflationary pressures, and unpredictable input costs. Agricultural processing and manufacturing ventures, for instance, often face sharp spikes in raw material prices due to climate variability and regional transportation bottlenecks. Protecting profit margins under these rigorous conditions depends heavily on strict physical inventory control and precise accounting valuation standards.

When evaluating inventory valuation practices, effective cost flow management hinges on selecting the appropriate accounting model—typically First-In, First-Out (FIFO) or Weighted Average—to match current costs to revenue stream patterns. Companies must consistently perform rigorous lower-of-cost-and-net-realisable-value testing at period-end to prevent asset overstatement and capture impairment early. Furthermore, robust internal controls over physical inventory counts, variance analysis, and scrap write-offs ensure recorded ledger values faithfully reflect physical reality, reducing audit adjustments and strengthening balance sheet integrity.

Without accurate valuation, financial statements distort the true picture of gross margins, leading business owners to misprice products, undercalculate cost of goods sold, or overstate net earnings. Imprecise costing can cause an enterprise to sell products below their actual economic replacement cost inadvertently. Periodic physical stock counts, clear accounting policies for damaged or slow-moving stock write-downs, and tracking full landed unit costs—including freight, handling, customs duties, and import tariffs—ensure financial statements reflect economic reality and protect the business from unexpected balance sheet erosion.

Strengthening Credit Control and Internal Guardrails

As local enterprises grow in complexity, informal management practices and reliance on trust must yield to structured internal controls to prevent revenue leakage, asset misallocation, and credit defaults. Granting unstructured credit to buyers to win commercial deals is a major cause of SME distress. While flexible terms can drive initial customer acquisition, unmanaged receivables turn liquid assets into non-performing balance sheet items. Enterprises must establish formal credit policies that define specific credit limits based on documented customer vetting, clear onboarding assessments, and strict payment enforcement schedules. Systematic ageing analyses allow finance teams to track overdue invoices proactively and initiate collection procedures before debt becomes irrecoverable. Furthermore, offering small early-payment discounts can incentivise corporate clients to settle invoices early, accelerating cash inflows and reducing the enterprise's reliance on costly short-term overdraft facility fees.

Financial resilience is an interconnected, two-way street that encompasses supplier relationships just as heavily as customer receivables. Building long-term, strategic partnerships with primary local suppliers requires absolute financial transparency and consistent settlement history. Negotiating predictable, extended credit terms—such as aligning payables with expected 30-day collection cycles—allows SMEs to syn-

chronise their cash outflows with cash inflows, creating a balanced operational liquidity profile that buffers the business against short-term market turbulence.

As transaction volumes increase, robust internal segregation of duties becomes essential to preserve the organisation and mitigate risk. In smaller operations, founders often hold unchecked authority over purchasing, receiving, and cash disbursements—a structural vulnerability that exposes growing businesses to human error, record discrepancies, and misappropriation. Separating purchase-order authorisation, physical receipt of goods, and final fund disbursement creates an effective system of checks and balances. Implementing mandatory dual-signatory approvals for banking payments, conducting surprise petty cash audits, and enforcing standardised inventory requisition forms protects growing ventures from inventory loss, double-billing, and unauthorised expenditure.

Achieving Institutional Readiness for External Capital

To expand footprint regionally, invest in modern production machinery, or integrate into global corporate supply chains, emerging enterprises must eventually seek external debt or equity capital. However, local commercial banks, impact funds, and regional venture capital firms face stringent risk management frameworks and demand high levels of operational transparency before committing capital. Many promising SMEs fail to secure investment not because their core business model lacks merit, but because their underlying financial documentation cannot withstand rigorous institutional due diligence.

Investors and credit institutions evaluate potential portfolio companies far beyond surface profitability, focusing heavily on three core institutional pillars: verifiable audit trails for asset acquisitions and commercial contracts, full regulatory and tax compliance alignment with local regulations such as eTIMS and statutory payroll deductions, and formal corporate governance structures that demonstrate the business can operate efficiently and sustainably independent of its founder's daily presence. Clean historical audit records and full regulatory compliance eliminate valuation uncertainty during fundraising rounds while insulating the business from unexpected statutory penalties.

By embedding rigorous internal audit principles, precise inventory management, and robust financial controls into daily operations early in their growth journey, local entrepreneurs do far more than manage risk. They safeguard hard-earned operational cash flow, insulate businesses from broader economic uncertainty, and position enterprises as bankable, institutional-grade leaders capable of driving sustainable economic transformation across the region.

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Bridging The Strategy - Execution Chasm

How AI and Digital Finance Are Transforming African Business

By CPA Daniel Githinji

For the past decade, the corporate world has battled the "strategy gap"—the frustrating gulf between ambitious boardroom visions and the daily reality of budgets and workflows.

Conventional wisdom blamed poor communication or management inertia.

Today's climate - high interest rates, volatile fuel prices, relentless digital change—has turned that gap into a chasm. In Africa, the stakes are even higher: a missed forecast can mean losing capital or closing shop.

This gap is not unique to Africa, but here, it can mean survival or collapse. African leaders must adapt faster than ever. With generative AI, finance must choose: remain historians of value, or become architects of execution.

The Great Disconnect, Amplified in Africa

Consider a Nigerian agribusiness in the 2022 fertilizer crisis: prices doubled overnight, but the finance team - using quarterly numbers—was caught off-guard. By moving to weekly forecasts, they protected margins. Across the continent, agility beats rigidity. Why does strategy so often fail? Strategy is annual; execution is daily. Most organisations still use outdated cycles—annual budgets, quarterly forecasts, monthly variance reports.

In Africa's volatile environment, this is risky. A Kenyan manufacturer aims to grow market share by 15%, budgeting for a stable shilling at Kshs 140 to the USD. But in three months, the shilling drops to Kshs 160—raw material costs soar, pricing strategy collapses, and finance only realises the damage at month-end.

Bridging the Qualitative and Quantitative

The gap persists because strategy is qualitative ("dominate the dairy market"), while execution is quantitative ("deliver 50,000 litres daily"). Finance has the tools but has used them to look backwards—dangerous in Africa's fast-moving economies.

It's not enough for finance teams to simply report numbers; they must translate strategy into measurable, actionable steps, and communicate these across functions. This

requires both the right tools and a mindset shift: moving from passive reporting to proactive guidance. DigitalTransformation: The New Scaffolding

Closing this gap requires digital transformation. CFOs have invested in ERP upgrades, cloud migration, and robotic process automation. What was once a luxury is now essential to bridge the chasm.

Many African organisations still struggle with legacy systems and training, but the benefits of real-time data far outweigh these hurdles. Kenyan banks, for example, evolved from microfinance to regional giants by integrating digital dashboards for daily liquidity and loan trends.

A Kenyan B2B food distributor digitised its supply chain, enabling finance to instantly see the impact of decisions—like a maize price cap—on inventory and payments. Integrated systems eliminate latency and email delays.

Many African organisations still struggle with legacy systems and training, but the benefits of real-time data far outweigh these hurdles. Kenyan banks, for example, evolved from microfinance to regional giants by integrating digital dashboards for daily liquidity and loan trends.

The most successful finance teams pair technology with shared accountability—regular cross-department meetings help flag execution gaps and respond quickly to market shocks. But technology alone isn't enough. Many firms have data but lack discipline, suffering "digital vertigo": drowning in dashboards, starving for insight.

AI: The Co-Pilot for Dynamic Execution

This is where AI changes the game. AI won't replace accountants, but accountants using AI will replace those who don't. AI translates strategy into execution levers.

AI's power is in augmenting human decision-making, especially when combined with local knowledge. The best results come when tech meets on-the-ground insight. Here's how leading African finance teams are using AI:

1. **Continuous Forecasting for Currency:** AI models use real-time forex, central bank, and commodity data. A Kenyan flower exporter can continuously forecast cash flow and flag when it's time to hedge forex exposure.
2. **Driver-Based Planning:** AI identifies what truly drives results. A Rift Valley tea co-op might learn that reducing spoilage boosts returns more than increasing acreage—AI tells you where to act.
3. **AI-Powered Lending: Fintechs use AI to assess credit via mobile usage. Traditional banks aiming to grow SME lending can** automatically score thousands of small traders, closing the gap between ambition and reality.

These AI-driven tools are increasingly accessible, letting even mid-sized businesses leapfrog old limitations.

In growth, volume can hide bad strategy. In contraction—like today in Kenya and much of Africa—you can't.

During austerity, fear widens the gap: departments hoard cash, leaders cling to broken plans. Finance must enforce agility.

Example: A Mombasa logistics firm sets a goal to cut fleet fuel costs by 15%, budgeting for diesel at Kshs 200 per litre. When prices hit Kshs 230, budgets fail. Agile finance uses telematics and AI to spot over-consuming routes and quickly reallocate resources—closing the gap through action, not discipline.

This isn't just about cost-cutting; it's about building resilient business models. Adaptive planning empowers finance to act swiftly and weather volatility.

Finance leaders don't need a perfect AI suite. Start closing the gap with three actions:

1. **1. Kill the Static Budget**

Keep budgets for statutory reporting, not decisions. Use rolling 12-month forecasts updated monthly. In volatility, old forecasts lie.

1. **2. Automate the "Why"**

Stop spending 80% of your month-end close on variance analysis. Use RPA and simple AI tools (many are available natively on cloud ERPs like Odoo or Zoho) to automatically flag variances. For example, an AI tool can tell you, "45% of the sales variance is due to forex revaluation, not volume." Free your team to focus on the strategic response—such as renegotiating supplier terms or adjusting pricing for the informal sector.

1. **3. Build the Strategic Bridge**

Create a **"Strategy-Execution Bridge"—align high-level goals with daily drivers, not just financials.**

- **Strategic Objectives: Top 5** corporate pillars (e.g., «Deepen penetration in informal retail»).

- Operational Metrics: For each, pick 3 daily levers (e.g., "Days to collect from Dukaowners," "M-Pesa prompts sent"). Hold teams accountable for these, not just annual budgets.

Even a basic spreadsheet mapping operational levers to strategic goals is a powerful start. Over time, this can be integrated with ERP systems.

The profession stands at a crossroads. The traditional "bean counter"—reconciling ledgers and producing backwards-looking reports—is being automated. AI now matches invoices, flags duplicates, even drafts accounts. This is opportunity, not threat.

The shift to strategic accounting often starts with a single champion, whose success inspires a wider cultural change. The strategic accountant—using digital tools to interrogate data and reallocate capital in real-time—will be most valuable in the African C-suite. This is already happening.

Case 1: The FMCG Distributor in Industrial Area, Nairobi

A medium distributor of cooking oils and detergents saw its finance team spend 80% of time on data entry and reconciliations. The CEO aimed to raise gross margins by 8%, yet no one knew which products were truly profitable after delivery costs.

> **Digital transformation is a marathon, not a sprint. Leaders who start small and invest steadily will outpace those waiting for perfection. The strategic accountant should automate one process, prove value, and then scale.**

With cloud-based ERP and AI analytics, the team was freed for real analysis. The strategic accountant found a popular 2-litre oil was losing money after Kisumu delivery costs. She flagged it to the CEO and renegotiated contracts in a week. Strategy was executed because finance went real-time.

Case 2: A SACCO in Kiambu County

SACCOs are the backbone of Kenyan household finance. One aimed to cut NPLs from 12% to 7%. Traditionally, finance just reported the numbers at month-end.

But the strategic accountant built a predictive AI model using 36 months of repayment and mobile transaction data. The model predicted likely defaulters with 85% accuracy, letting the credit team act early. NPLs fell to 6.5% in four months. Here, finance moved from historian to predictor.

These core competencies are already practiced in leading African firms. Peer learning and mentorship can help spread best practices.

To close the gap, finance must develop five core capabilities:

1. **Data Literacy: Go beyond Excel—clean and interpret messy, incomplete data from mobile money, banks, or factory operations**.
2. **AI-Assisted Forecasting:** Use AI tools to model scenarios—currency, fuel prices, crop yields—and ask: «If the shilling weakens 5%, who's *unprofitable?*»
3. **Commercial Curiosity:** Go beyond debits and credits. Know how the business really operates—route optimisation for logistics, bloom cycles for farms.
4. **Real-Time Allocation:** Shift resources quickly from failing to working initiatives—before the quarter ends. This takes courage, not just reporting.
5. **Communication: Translate finance into actionable insights for non-finance teams—e.g., "Each day's delay in collecting costs** *KSh 50,000.*»

Africa's finance community can leapfrog outdated models and accelerate best-practice sharing through regional networks.

Ironically, Africa's lack of legacy systems is now an edge. While Europe and the US are saddled with old mainframes, Kenyan SMEs can deploy AI-capable cloud ERPs and mobile money in weeks. Transactional data is digital from day one—the accountant just connects the dots.

Barriers remain: rural internet can be unstable, AI talent is scarce, and data compliance is strict. Some still trust handwritten ledgers over dashboards.

Digital transformation is a marathon, not a sprint. Leaders who start small and invest steadily will outpace those waiting for perfection. The strategic accountant should automate one process, prove value, and then scale.

A Call to Action for African Finance Professionals

In volatile times, currency drops, high borrowing, global shocks—the fastest mover wins. African finance now has the tools to keep pace, but mindset matters most.

M-Pesa speed is a mindset of responsiveness and constant improvement. Strategic accountants aren't a future need; they're today's necessity. Every finance professional must ask: Am I just reporting, or *shaping the future?*

Now is the time for African finance professionals to become architects of execution. The strategy-execution gap won't close on its own. Finance leaders must step up, become the bridge, and execute at M-Pesa speed, not postal speed.

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How KENYA RE Is Shaping Africa's Reinsurance Market

Dr. Hillary Wachinga
Kenya Re Group Managing Director

Kenya Re's recent financial turnaround illustrates the value of disciplined underwriting, sound risk management and strategic investment in building a resilient reinsurance business.

As the company expands across Africa and into selected international markets, it must balance profitability and financial strength against the need to grow insurance capacity and close the protection gap. Yet sustainable growth in this environment demands more than financial discipline. It also requires leadership, technology, talent and a long-term commitment to sustainability.

For the Group Managing Director, Dr Hillary Wachinga, CPA, CISA, this means building a strong corporate culture, engaging shareholders effectively and setting a clear long-term strategy. Technology, data analytics, professional skills and stronger collaboration across African markets are increasingly important in how reinsurers assess risk, make decisions and support economic development. Kenya Re is applying these priorities across its operations while exploring opportunities to protect more people, businesses and assets from loss.

In this interview, the MD discusses the decisions behind Kenya Re's financial position, its approach to risk and capital management, the importance of technology and sustainability, and the opportunities shaping the future of reinsurance in Africa.

Kenya Re has recently undergone an impressive turnaround, showing remarkable resilience. What do you consider the main drivers of this change, and what leadership lessons have you learned along the way?

One of the first things we did was make some difficult but necessary choices, such as exiting loss-making segments in agriculture and some international markets. While these decisions initially slowed our growth, they significantly improved our portfolio quality and strengthened our underwriting.

We focused on operational transformation by improving efficiency, digitising processes, and enhancing claims management and customer service, while expanding regionally into Tanzania, Rwanda, and India's GIFT City: our team's shared vision and resilience-maintained stability. Compliance with IFRS 17 and strong macros contributed to profitability. We have learned that transparency builds trust; when people understand tough decisions, they are more likely to support them. Resilience must be built into the organisation, and meaningful transformation requires patience and a long-term perspective, as results rarely come overnight.

Kenya Re is building insurance capacity in Africa. How is your role evolving, and where are the biggest opportunities to close the protection gap?

Kenya Re helps insurers manage larger risks and support infrastructure development, which is crucial for building

insurance capacity in Africa. We see major opportunities in life, health, agriculture, infrastructure, and catastrophe risks, areas that remain underinsured in many African markets.

We have increased our appetite for political risk and automated much of our value chain. Expanding internationally increases capacity, but truly closing the protection gap requires innovation, smart pricing, strong partnerships, and greater insurance awareness. Our evolving role is to help African insurance markets grow by providing expertise and tailored solutions.

Kenya Re operates across diverse African markets with varying regulations, economies, and risks. How does Kenya Re approach risk pricing and portfolio management across this footprint, while balancing profitability, capital, liquidity, and support for market development?

Our approach relies on disciplined underwriting and prudent capital management, recognising the diversity of African markets in economic conditions, regulations, and risk profiles. We assess each portfolio for risks, claims history, pricing adequacy, and capital requirements.

The strategy follows four principles: right risks, right price, right terms, right markets. Kenya Re may reprice, restructure, or withdraw underperforming portfolios, while diversification strengthens resilience. Adequate capital and liquidity are essential for meeting obligations to cedants.

The aim is profitable growth, not market share at any cost. This enables Kenya Re to support insurance market development while maintaining financial sustainability.

What have been the main drivers of Kenya Re's recent financial performance, and how do you balance regulatory capital, shareholder returns, and retaining capacity to support development?

Kenya Re's recent performance has been driven by disciplined underwriting, prudent portfolio management, strong investment performance and a resilient capital position. In 2025, the insurance service result declined amid rising global retrocession costs and heightened competition. However, investment income grew by 41.4% to KSh 6.6 billion, cushioning profitability and demonstrating the value of diversified earnings.

In the first half of 2026, we began seeing the results of our strategic repositioning. Insurance revenue reached KSh 9.44 billion, while the insurance service result improved to KSh 1.25 billion. Profit after tax reached KSh 2.25 billion, up 42.8%, while operating cash flows strengthened to KSh 3.78 billion.

Balancing regulatory capital, shareholder returns and economic development is a core responsibility. These priorities are mutually reinforcing pillars of sustainable growth. As a regulated financial institution, we must maintain sufficient capital to absorb shocks, fund growth and honour commitments. Kenya Re remains well-capitalised, with shareholders' funds of KSh 57.57 billion and total assets of KSh 74.73 billion as at June 2026.

Shareholders expect sustainable returns. Consistent profitability, prudent capital management, and maintaining dividends, even in challenging periods, demonstrate confidence in the business's strength and resilience. As Africa's leading reinsurer and a state-controlled corporation, Kenya Re has an important developmental role. We help build insurance capacity, increase risk retention within Africa and contribute to economic development across the continent. Our expansion strategy in Tanzania, Rwanda and other growth markets will help expand insurance penetration while creating long-term shareholder value.

As Group Managing Director, how important is finance in strategic decision-making at Kenya Re? Has the finance function evolved beyond reporting and control to become a strategic business partner, and what new skills does this require of today's finance leaders?

Finance is now central to Kenya Re's strategy. We go beyond reporting to guide decisions, capital allocation, risk management, and transformation through forward-looking insights.

Every major move, from exiting underperforming lines to expanding or investing in technology, relies on rigorous financial analysis and scenario planning.

This shift requires key capabilities. Strategic modelling and scenario analysis help us assess how decisions affect profitability, capital, liquidity, and long-term value. Finance leaders must evaluate performance on a risk-adjusted basis, weighing how each business line uses capital and creates value.

Proficiency with technology is essential. Automation, AI, analytics, and digital platforms help us forecast more accurately and make informed decisions. Strong communication is equally important; finance must translate complex data into actionable insights for boards, regulators, management, and investors.

As both a CPA and CISA, how have your accounting, audit, and information systems backgrounds shaped your approach to leadership, risk, and strategy?

Underwriting and investing require understanding and justifying risk. My accounting background taught me discipline and strong controls, while my information systems experience helps me anticipate emerging risks and technological impacts. With both CPA and CISA qualifications, I assess risk from financial and technology perspectives, using data to support sound decisions and resilience. Sustainable growth requires strong governance and a balance between innovation and effective controls.

Data is now vital to underwriting and risk pricing. How is Kenya Re using data analytics, AI, and new technologies to improve underwriting, claims, pricing, and decisions? What are the most important elements of an effective cyber and information security strategy for a modern reinsurer?

Reinsurance requires sound judgment and quality data for decision-making under uncertainty. In underwriting, we combine exposure and experience data by cedant, line, territory, and peril to

price risks and identify concentrations early. For agricultural and natural-peril risks, where historical data is less reliable, we use catastrophe and climate models. In claims, analytics detect anomalies, monitor trends, and accelerate legitimate claims, while AI supports document processing and data validation.

Our board and management use integrated dashboards to monitor performance, reserving, investments, capital, and risk appetite. Every AI application must demonstrate business value and meet data-quality and oversight standards. AI supports professional judgment but does not replace it. Incomplete or late cedant data is a challenge across Africa, making collaboration to improve data standards important. Effective cyber and information security requires accountability, controls aligned with international standards, data protection, third-party risk management, incident response, recovery, and independent assurance. This includes clear reporting, proper data controls, and due diligence on providers and partners. Organisations must invest in detection, response, tested backups, and business continuity. Staff training, a reporting culture, and strong access controls help reduce human error.

Regular IT audits and penetration testing provide the Board with objective assurance. The accounting and audit profession increasingly evaluates cyber risk. Cyber is also an emerging insurance line, and our own security discipline helps us underwrite clients' cyber risks responsibly.

Climate change brings new, complex risks like floods, droughts, and extreme weather. How is Kenya Re adapting its products, underwriting, and risk management to address these risks, and what opportunities exist in agricultural and catastrophe reinsurance?

We are strengthening our data and analytics to monitor portfolio performance and emerging risks. We regularly review underwriting assumptions and pricing as risk conditions change.

Agricultural and catastrophe reinsurance offer significant opportunities in Africa, given agriculture's importance and vulnerability to natural disasters. However, not every opportunity is commercially sustainable. We have exited loss-making agricultural business, including parts of our India portfolio, where returns did not justify the risks.

Opportunities require appropriate pricing, reliable data, effective risk selection, and suitable risk-sharing. In catastrophe reinsurance, we help insurers and governments manage large-scale losses through structured solutions and partnerships.

Kenya Re plays a key role in developing regional reinsurance capacity. Which products, new or existing, have the greatest growth potential in Africa, especially in infrastructure, energy, cyber, or other specialised areas?

Life reinsurance offers major opportunities. Our international expansion in this area, begun in 2025, reflects our ambition to diversify and strengthen relationships beyond our domestic market. It also helps insurers develop products that broaden access to financial protection. Infrastructure and energy reinsurance are important as African economies invest in these sectors. Insurers need extra capacity and expertise to manage risks, while reinsurance allows them to underwrite larger, complex exposures.

Agricultural, catastrophe, cyber, and other specialised reinsurance support Africa's development, especially for climate-related risks. These products require sound pricing, risk selection, and technical expertise.

Kenya Re aims to build on regional knowledge and relationships while developing the technical capabilities for complex risks. We focus on opportunities where we can provide capacity and generate sustainable returns.

African insurers and reinsurers must compete for capital and meet higher regulatory and governance standards. How is Kenya Re integrating environmental, social, and governance (ESG) factors into its investments, underwriting, and strategy?

Kenya Re is deepening its sustainability commitment as climate risks, new regulations, and economic uncertainty reshape African insurance. As a signatory to the Nairobi Declaration on Sustainable Insurance (NDSI), the company is embedding sustainability in its strategy and operations by advancing sustainable insurance practices, improving climate and ESG risk management, and supporting resilient economies and communities. This approach helps future-proof the business, align with global reporting standards, and meet investor and regulator expectations.

Kenya Re integrates ESG factors into investment decisions to balance returns with positive environmental and social outcomes. Investments include green bonds and divestment from high-carbon assets. ESG considerations increasingly shape risk management and long-term value creation. In underwriting, the company focuses on climate risk, ethical practices, financial inclusion, and product innovation. It supports renewable energy and incorporates climate risk assessments to strengthen portfolio resilience and support sustainable development. The Board oversees sustainability strategy and ESG risks, with governance across all organisational levels and support from independent risk and compliance functions. In 2025, Kenya Re achieved a 98% compliance rate, reinforcing its commitment to transparency and responsible conduct.

The company integrates ESG across underwriting, investments, risk management, operations, and governance, aligning with global frameworks like the UN SDGs and IFRS Sustainability Standards. Environmental initiatives include solar adoption, paperless operations, resource efficiency, and **planting 30,000 trees**. Socially, Kenya Re promotes employee wellbeing, diversity, inclusion, and community impact. Through the Niko Fiti programme, it provided assistive devices worth over KSh 12 million to injured police officers.

For Kenya Re, ESG is central to building trust. By incorporating environmental considerations into underwriting, responsibility into investments, and integrity into governance, the company protects balance sheets while contributing to Africa's sustainable future. Strong financial performance and sustainable

practices go hand in hand to create lasting value.

The future of African reinsurance depends on capital, technology, and people. What skills will future African insurance professionals need, and how can accountants prepare for these changes?

As risks grow more complex and data becomes central, future professionals must understand both technical and commercial aspects of reinsurance. This requires expertise in underwriting, risk management, financial principles, data interpretation, digital tools, and regulatory requirements. Sound judgment, relationship-building, and adaptability matter just as much.

For accountants, this means moving beyond reporting to support strategic decisions. They must understand insurance and reinsurance operations, financial modelling, risk management, and how underwriting, claims, capital, and liquidity affect financial strength. Kenya Re's Training Academy, launched in 2023, supports technical learning and knowledge sharing. For the industry to thrive, professionals must combine competence with integrity, sound judgment, and continuous learning. These qualities will drive sector growth.

Looking five to ten years ahead, what is your vision for Kenya Re and African reinsurance? What needs to happen for Africa to build a stronger, more globally competitive reinsurance market?

Our vision is for Kenya Re to be a leading, financially robust African reinsurer, recognised for technical expertise and a commitment to sustainable economic growth. Achieving this future means expanding across Africa and select global markets while closing protection gaps that leave many assets and people uninsured.

A critical part of this journey is mapping exposed assets, including government property, families' homes and cars, livestock, and the assets of borrowers and guarantors. We need to expand insurance coverage so more people, businesses and public entities are protected from loss. Insurance has strengthened economies and communities elsewhere, as seen in Europe. When a building is insured, its owner is protected against certain losses. If a SACCO loan is insured, or borrowers and their co-guarantors are covered, they are better protected against financial setbacks and related risks.

In the coming years, we are focusing on deepening our African presence. We are expanding in Tanzania and Rwanda, building on our operations in Uganda, Zambia and Côte d'Ivoire, and selectively re-engaging in India, always guided by sustainable growth. Kenya Re aims to be recognised for its reach, underwriting excellence, financial strength and trusted risk management across diverse markets.





Innovate or Stagnate

The New Rules of Sustainable Performance

By CPA Dr. Zipporah Obonyo Nyachwaya

In today's dynamic and highly competitive business environment, organisations face increasing pressure from technological advancements, changing customer expectations, globalisation, and evolving market conditions.

To remain competitive and achieve long-term success, organisations must continuously adapt and improve their products, services, and operational processes. Innovation has therefore become a critical strategic tool that enables organisations to create value, improve efficiency, respond to environmental changes, and maintain a sustainable competitive advantage.

Innovation is widely recognised as a key driver of sustainable organisational performance because it enhances productivity, competitiveness, growth, and resilience. Through innovation, organisations can improve operational effectiveness, satisfy customer needs, develop new market opportunities, and strengthen their ability to respond to emerging challenges. Innovation can take different forms, with incremental, radical, and disruptive innovation being among the most common. Each type contributes differently to organisational performance and sustainability, providing organisations with various pathways for achieving long-term success.

1. Incremental Innovation

Incremental innovation refers to the continuous improvement of existing products, services, processes, or business practices. Rather than introducing entirely innovations, it focuses on making gradual enhancements that improve efficiency, quality, functionality, and customer satisfaction. These improvements enable organisations to increase productivity, reduce operational costs, optimise resource utilisation, and strengthen customer loyalty, thereby contributing to sustainable organisational performance. Incremental innovation also supports sustainability by helping organisations adapt continuously to changing market demands while minimising waste and inefficiencies.

A notable example is Gillette's continuous refinement of its shaving products, where successive improvements in blade technology, comfort, and precision enhanced customer experience and strengthened market competitiveness. Similarly, organisations in manufacturing, banking, healthcare, and service industries regularly improve operational processes and service delivery systems to enhance efficiency and performance. Because incremental innovation involves relatively low risk and investment, it provides organisations with a practical and sustainable pathway for achieving continuous growth, competitiveness, and long-term organisational success.

2. Radical Innovation

Radical innovation involves the introduction of breakthrough products, technologies, or business models that significantly transform existing markets

or create entirely new industries. Unlike incremental innovation, radical innovation produces substantial changes that redefine industry standards and consumer expectations. Although it often requires significant investment and involves higher levels of uncertainty, radical innovation can generate exceptional organisational performance through market expansion, increased revenues, and stronger competitive positioning. It also contributes to sustainability by creating new growth opportunities and enabling organisations to address future challenges through innovative solutions.

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A classic example of radical innovation is Apple's introduction of the iPhone in 2007. By integrating communication, internet access, entertainment, and computing capabilities into a single device, Apple revolutionised the mobile technology industry and established a sustainable competitive advantage. Similar examples can be observed in healthcare through artificial intelligence and robotic surgery, and in transportation through electric vehicles. Such innovations create new markets, enhance profitability, and improve organisational adaptability, thereby supporting both sustainable performance and long-term growth.

3. Disruptive Innovation

Disruptive innovation occurs when new products, services, technologies, or business models challenge and eventually replace established market solutions. These innovations often begin by serving overlooked or underserved market segments before expanding into mainstream markets and reshaping entire industries. Their ability to transform industries and create new value propositions makes disruptive innovation a significant driver of both organisational performance and sustainability.

The importance of disruptive innovation became particularly evident during the COVID-19 pandemic, when organisations rapidly adopted remote working technologies, e-learning platforms, telemedicine services, e-commerce systems, and digital payment solutions. Organisations that embraced these innovations were able to maintain operations, preserve customer relationships, and sustain revenue streams despite unprecedented disruptions. Today, disruptive innovations such as artificial intelligence, automation, cloud computing, digital banking, and online education continue to transform industries. By enhancing flexibility, resilience, and responsiveness, disruptive innovation enables organisations to remain relevant in changing environments while improving long-term organisational performance and sustainability.

Strategies for Promoting Innovation in Organisations

Creating a culture of innovation is one of the most important strategies for promoting innovation within organisations. Organisations should cultivate an environment that encourages creativity, experimentation, continuous improvement, and calculated risk-taking. Leadership plays a critical role by fostering open communication, recognising innovative contributions, and empowering employees to develop and share new ideas. Such a culture motivates employees to contribute innovative solutions that enhance organisational performance and sustainability.

Understanding customer needs is another critical strategy for fostering innovation. Organisations that actively engage customers through feedback mechanisms, market research, and regular interactions are better positioned to identify emerging needs and market opportunities. This enables them to develop products, services, and processes that create greater value, improve customer satisfaction, strengthen customer loyalty, and enhance competitiveness.

Encouraging cross-functional collaboration is an effective strategy for generating innovative ideas and solutions. Bringing together employees from different departments promotes the exchange of diverse perspectives, knowledge, and experiences, leading to more creative problem-solving and better decision-making. Effective communication channels and teamwork further enhance organisational adaptability and innovation.

Allocating adequate resources for innovation is essential for transforming innovative ideas into practical outcomes. Organisations should invest financial resources, technology, time, and human capital in innovation activities. Supporting research and development, providing dedicated budgets, and adopting modern technologies strengthen innovative capacity and sustainable competitive advantage.

Promoting continuous learning is another important strategy for sustaining innovation. Through training programs, workshops, professional development initiatives, and knowledge-sharing activities, employees acquire new knowledge and skills that improve their ability to identify opportunities, solve problems, and adapt to changing business environments. Together, these strategies strengthen innovation, improve organisational performance, and support long-term sustainability.

Importance of Innovation

Innovation is essential for organisational success, competitiveness, and long-term sustainability. In a rapidly changing business environment characterised by technological advancements, shifting customer preferences, and evolving market conditions, organisations must continuously develop new ideas, improve processes, and adopt innovative solutions to remain relevant.

For instance, during the COVID-19 pandemic, many businesses adopted remote working arrangements, digital technologies, and new service delivery methods to maintain operations. Organisations that embraced innovation were better able to respond to these changes, ensuring business continuity and strengthening their resilience.

One of the primary benefits of innovation is its ability to enhance organisational adaptability. Organisations often face unexpected challenges that can disrupt normal operations. For instance, during the COVID-19 pandemic, many businesses adopted remote working arrangements, digital technologies, and new service delivery methods to maintain operations. Organisations that embraced innovation were better able to respond to these changes, ensuring business continuity and strengthening their resilience.

Innovation also drives organisational growth by enabling the development of new products, services, technologies, and business processes. These improvements enhance efficiency, increase customer satisfaction, create new market opportunities, and contribute to higher productivity and profitability. As a result, innovation supports sustainable growth and improved organisational performance.

Furthermore, innovation helps organisations differentiate themselves from competitors. By offering unique products, enhancing customer experiences, and creating distinctive value propositions, firms can attract and retain customers, expand market share, and improve financial performance. Therefore, innovation is a key source of competitive advantage and a critical factor in ensuring long-term organisational sustainability and success.

Conclusion

Innovation is a vital driver of sustainable organisational performance, enabling organisations to remain competitive and responsive in an increasingly dynamic business environment. Through incremental innovation, organisations achieve continuous improvements in products, services, and processes. In contrast, radical and disruptive innovations create transformative changes that open new opportunities, enhance adaptability, and strengthen long-term competitiveness. As a result, innovation not only improves organisational efficiency and effectiveness but also supports sustainable growth and resilience.

To fully realise these benefits, organisations must establish conditions that encourage and support innovation. Creating a culture that values creativity, understanding customer needs, promoting collaboration across functional areas, investing in innovation resources, and fostering continuous learning are essential strategies for generating and implementing innovative ideas. These practices help organisations develop the capabilities required to respond effectively to emerging challenges and opportunities.

Consequently, innovation should be viewed as a strategic priority rather than a one-time activity. Organisations that continuously embrace and nurture innovation are better positioned to achieve superior performance, create lasting value for stakeholders, and sustain their success over the long term. In an era characterised by rapid technological advancement and evolving customer expectations, innovation remains a cornerstone of organisational sustainability and growth.

Recommendation

Organisations should prioritise innovation as a core strategic function by fostering a culture that encourages creativity, continuous improvement, collaboration, and learning. Management should invest adequate resources in research and development, modern technologies, and employee capacity building while actively engaging customers to identify emerging needs and market opportunities. Additionally, organisations should embrace incremental, radical, and disruptive innovations where appropriate to enhance operational efficiency, strengthen competitiveness, improve adaptability, and achieve sustainable organisational performance in an increasingly dynamic business environment.

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The Mind's Hidden Machinery

Not Every Urge Is a Reason to Act

Compiled by Angela Mutiso

How much of our behaviour takes place without our realising it? Much more than we think: the mind is constantly shaping what we notice, ignore, and choose.

Dowino only meant to buy bread and milk at the supermarket after work. He was tired and wanted to get home quickly. However, he noticed a sign: buy two packets of his favourite biscuits and get one free. Although he didn't need the biscuits and had planned to eat fewer snacks, he gave in and bought them anyway. As he walked out, he realised this was not the first time he'd made an impulse purchase. He thought back to earlier moments: a night-time online shopping spree, buying crisps when he was stressed, even reaching for his phone whenever he heard an alert.

It was a common acquisition, and he didn't think much about it afterwards. Yet it raises a larger question: how much of our daily activity is deliberate, and how much begins before we realise we are deciding? Our brains constantly process huge amounts of information, quickly deciding what to notice or ignore. Recognising a face in a crowd, reacting to the sound of a car horn, or feeling hungry from a passing scent- these all happen automatically, without conscious thought. Psychologists call these automatic, or fast, processes, and they help us get through daily life efficiently. Without them, we'd be overwhelmed by every sight, sound, and sensation. For most of human history, this ability had a clear purpose. People had to find food, identify danger, protect their children, sustain social relationships, and react quickly to changes in their environment. If you heard a rustle in the bushes, you didn't stop to debate whether it was a predator; you jumped to safety. These rapid-fire responses helped our ancestors survive, and the same brain circuits still shape our split-second judgments today, even if the threats are more likely to be push notifications than marauding animals.

Although our environment has changed, our brains still respond automatically to rewards, social approval, and possible threats, even in supermarkets, on TV, and on our phones. The mental habits that once helped us survive now operate in a world full of advertisements, notifications, and distractions.

This is why an action as simple as Dowino buying biscuits can seem more complicated than it first appears. Psy-

chologists distinguish between fast, automatic thinking and slow, deliberate thought. Daniel Kahneman popularised this idea, naming them System 1 (fast, effortless, intuitive) and System 2 (slow, effortful, logical). Most of the time, we rely on System 1 for daily routines like driving on familiar roads or understanding simple sentences. But System 2 kicks in for tougher tasks: solving a puzzle, resisting temptation, or weighing a tricky decision. Neither thinking style is always better. Fast thinking is essential for daily routines like taking the same route to work or sensing a friend's mood before they speak. It saves us mental energy and frees up attention for new challenges. However, it also means we sometimes make mistakes, especially when we act on habit or impulse rather than reflection.

> **Although our environment has changed, our brains still respond automatically to rewards, social approval, and possible threats, even in supermarkets, on TV, and on our phones. The mental habits that once helped us survive now operate in a world full of advertisements, notifications, and distractions.**

Trouble arises when we take a quick reaction for a careful, thought-out decision. Even if Dowino knows that he doesn't need three packets of biscuits, the attractive offer has already caught his attention and lured him into buying. Although his careful thinking hasn't disappeared, it now has to compete with the deal's immediate appeal.

When we're tired, hungry, or stressed, it's even harder to make careful choices. In a well-known experiment, volunteers were given either a short or a long string of numbers to remember. Afterwards, they had to choose between fruit and chocolate cake. Those with the harder memory task overwhelmingly picked the cake, suggesting our self-control weakens when our minds are overloaded. Most of us know this feeling: after a day of difficult meetings or frustrating errands, resisting a treat or an impulsive click feels almost impossible.

Our physical state, emotions, and environment always influence our choices, whether it's losing patience after a long day, worrying more about money when stressed, or craving certain foods when hungry. Automatic thinking affects how we respond to other people, too. We can form an impression of someone within seconds, often without realising it, and that first impression can shape how we relate to them. When Dowino met a new colleague, for instance, he quickly formed an opinion based on little more than a handshake and a few words. It was only later that he realised how little that first impression told him about the person.

The same thing can happen in everyday interactions. A joke from a friend may leave Dowino wondering whether there was something more behind it, or a delayed message may make him feel he is being ignored. We are often more sensitive to how others see us than we realise, and this can affect our mood and behaviour. Psychologists describe this as social monitoring, linked to the idea that our sense of self-worth is influenced by whether we feel accepted or excluded.

These habits show up everywhere, including shopping, where stores and digital platforms apply cues and notifications to capture our attention. Walk into any supermarket, and you're greeted by carefully arranged displays, bright colours, enticing smells, and time-limited offers; all designed to trigger your automatic responses. Online, it's much the same: streaming services recommend the next show before you've finished the last, and social media feeds are engineered to keep you scrolling with a steady drip of notifications and new content. Your phone doesn't need to overpower your willpower; it only has to be interesting enough to interrupt you again and again. Our quick reactions are not the enemy. They are part of being human, and they help us get through everyday life. The challenge is to create a little space between the urge and the action, whether it is an impulse purchase or a snap judgment.

For Dowino, that might mean pausing before taking up the next tempting deal and asking, "Do I really need this?" The pause may not change his decision, but it gives him a chance to make it more deliberately. And sometimes, that small pause is enough.

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The Cooperative Paradox

How Sacco Members as Owners, Customers, and Governors Drive Growth and Strategy

By CPA Gitonga Mutethia Boniface

Savings and Credit Cooperative Organizations (SACCOs) are among the most important financial institutions in Kenya's development landscape, playing a central role in mobilizing savings, expanding access to credit and promoting inclusive economic participation.

Unlike commercial banks, SACCOs are founded on cooperative principles in which members collectively own, use and govern the institution. This unique structure has enabled SACCOs to achieve deep financial penetration among salaried workers, informal sector groups and community-based associations.

However, despite their financial strength and continued expansion, many SACCOs face persistent challenges related to innovation, digital transformation and strategic agility. These challenges are particularly striking because they exist even in well-capitalized institutions with strong liquidity positions and stable loan performance. This observation suggests that SACCO limitations are not purely financial but are deeply rooted in structural and governance dynamics. This paper conceptualizes these dynamics as the cooperative paradox, arguing that SACCO performance is shaped by inherent tensions created when members simultaneously function as owners, customers, and governors.

SACCOs have become a cornerstone of Kenya's financial inclusion strategy, providing affordable credit and savings opportunities to millions of members across various economic sectors. According to the SACCO Societies Regulatory Authority (SASRA), the sector continues to grow in asset base and membership, reflecting strong public trust and institutional relevance (SASRA, 2023). The cooperative model is grounded in democratic ownership, where members contribute capital, access financial services and participate in governance decisions.

Despite these strengths, many SACCOs face structural limitations in adapting to modern financial demands. Challenges such as slow adoption of digital banking systems, limited product diversification, constrained membership expansion and conservative innovation strategies are increasingly common. These challenges persist even where financial indicators remain strong, suggesting that the issue lies not in financial capacity but in the governance structure itself. The cooperative paradox provides a framework for understanding how overlapping member roles shape institutional behavior and constrain strategic decision-making.

Understanding the Cooperative Paradox

The cooperative paradox arises from the unique SACCO structure in which members simultaneously occupy three interconnected roles: owners, customers, and governors. Each role generates distinct expectations that often conflict with one another.

As owners, members expect financial returns such as dividends and interest rebates. As customers, they demand affordable, fast and high-quality financial services. As governors, they

participate in democratic decision-making processes that determine institutional policies and strategic direction.

These roles are not inherently contradictory in isolation, but when embodied by the same individuals, they gen-

erate internal tensions that complicate decision-making. This situation can be better understood through agency theory, which explains how conflicts of interest and competing objectives can reduce organizational efficiency (Jensen & Meckling, 1976). In SACCOs, however, the traditional separation between principals and agents is blurred, because members are simultaneously both decision-makers and beneficiaries. This creates what can be described as a self-referential governance system, where individuals must continuously balance personal benefit against collective institutional sustainability.

Members as Owners

As owners, SACCO members expect strong financial performance and tangible returns on their investments. This expectation is primarily expressed through demands for high annual dividends, attractive interest rebates and steady growth in member equity contributions. These expectations are legitimate within the cooperative model, as members directly contribute capital and expect proportional benefits.

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However, a strong focus on ownership returns often creates pressure on SACCO leadership to prioritize short-term distribution over long-term reinvestment. High dividend payouts reduce retained earnings, which are essential for financing strategic initiatives such as digital infrastructure development, cybersecurity systems, branch expansion and product innovation. Regulatory frameworks, including those set by SASRA, emphasize the importance of maintaining adequate capital buffers to ensure institutional resilience and long-term sustainability (SASRA, 2023). This creates an ongoing tension between rewarding members in the present and securing the institution's future competitiveness.

Members as Customers

As customers, SACCO members expect efficient, affordable and accessible financial services. These expectations include low-interest loans, quick loan approval processes, minimal transaction costs and convenient access to financial services. The cooperative philosophy reinforces this expectation by prioritizing member welfare over profit maximization.

However, maintaining low-cost services while ensuring financial sustainability presents a major operational challenge. SACCOs must generate sufficient surplus income to cover operating expenses, build reserves and invest in technological systems. At the same time, they face increasing competition from fintech companies, mobile money platforms and digital banks that offer faster, more seamless and highly automated financial services.

According to the World Council of Credit Unions (WOCCU, 2021), credit unions globally are under pressure to adopt digital-first service models in response to changing customer expectations. In the Kenyan context, younger members in particular demand mobile-based services, real-time loan processing and integrated digital financial ecosystems. This places SACCOs in a difficult position where they must balance affordability with modernization, often under constrained financial margins.

Members as Governors

As governors, SACCO members participate in democratic decision-making through Annual General Meetings (AGMs), delegate systems and elected boards and supervisory committees. This governance model enhances accountability, transparency and member ownership, which are core principles of the cooperative movement.

However, democratic governance can also introduce inefficiencies in strategic decision-making. Members often have varying levels of financial literacy, risk tolerance and understanding of complex financial systems. As a result, decision-making processes may become lengthy, conservative and resistant to rapid change. While inclusivity is a strength of the cooperative model, excessive consensus requirements can slow down innovation and limit responsiveness to market dynamics.

The Organisation for Economic Co-operation and Development (OECD, 2015) emphasizes that effective governance in financial institutions requires balancing inclusivity with technical efficiency. In SACCOs, achieving this balance is particularly challenging because governance decisions are not only technical but also emotional, as members are directly affected by outcomes such as dividends, loan pricing, customer experience and service changes.

Emerging Pressures Intensifying the Paradox

External environmental changes further intensify the cooperative paradox. Digital transformation has become a critical requirement for competitiveness, requiring SACCOs to invest heavily in mobile platforms, data infrastructure and cybersecurity systems. These investments, while essential, are costly and often conflict with member expectations for high dividends and low service charges.

Additionally, the rise of younger, digitally oriented members is reshaping expectations within SACCOs. These members prefer instant, app-based financial services and are less engaged in traditional governance structures such as physical AGMs. This creates a participation gap that weakens democratic

engagement while simultaneously increasing demand for technological sophistication.

Cybersecurity risks, regulatory compliance demands and increasing competition from agile financial technology firms further compound these pressures, forcing SACCOs to operate in an environment of rising complexity and constrained flexibility.

Impact on SACCO Performance and Strategy

The interaction of the three member roles significantly influences SACCO performance. While many SACCOs remain financially stable and continue to grow in asset base, they often struggle with strategic transformation. Initiatives such as digital banking adoption, product diversification and membership expansion are frequently included in strategic plans but face delays or partial implementation.

This implementation gap is not necessarily due to weak planning or lack of technical expertise but is largely driven by conflicting member expectations. The simultaneous demand for high dividends, low-cost loans and advanced digital services creates internal pressure that leads to conservative decision-making. As a result, many SACCOs prioritize stability over innovation, which can limit their competitiveness in a rapidly evolving financial ecosystem.

The Kenyan SACCO Reality

In Kenya, several large SACCOs illustrate this paradox clearly. Many institutions maintain strong financial performance indicators, including high liquidity ratios and consistent dividend payouts, yet still struggle to fully implement digital transformation strategies or expand beyond traditional membership bases. Strategic initiatives often face delays due to member concerns about cost implications and risk exposure.

This demonstrates that SACCO performance cannot be fully understood through financial metrics alone. Even well-resourced institutions may experience strategic inertia when governance structures and member expectations create conflicting pressures.

Recommendations for Structural Balance

- SACCOs should strengthen member education programs to improve understanding of financial trade-offs between dividends, service affordability and long-term institutional sustainability.
- Governance structures should integrate technical and professional expertise to complement democratic decision-making with specialized financial and digital knowledge.
- Dividend policies should be structured to balance member returns with sufficient retained earnings for innovation, digital transformation and capital growth.
- SACCOs should accelerate digital transformation through mobile banking systems, automated credit scoring and enhanced cybersecurity infrastructure.
- Performance management systems should be strengthened through clear strategic targets, timelines and accountability frameworks.
- Regular market research and brand perception studies should be conducted to support membership diversification and attract younger, digitally oriented members.
- Risk management frameworks should be strengthened to ensure innovation is balanced with financial stability and regulatory compliance.
- Change management strategies should be institutionalized to support cultural adaptation and reduce resistance to digital transformation.
- Communication systems should be improved to ensure transparency and alignment between leadership decisions and member expectations.

Conclusion

The cooperative paradox offers a powerful framework for understanding the structural tensions that shape SACCO performance beyond financial indicators. The simultaneous roles of members as owners, customers and governors create competing expectations that influence governance, strategy and institutional outcomes. These tensions help explain why many SACCOs remain financially strong yet face persistent challenges in innovation, digital transformation and strategic agility.

Ultimately, the long-term sustainability of SACCOs depends on their ability to balance cooperative principles with modern financial management practices. When effectively managed, the three roles of members can become complementary rather than contradictory, enabling SACCOs to remain both financially resilient and strategically competitive in an increasingly digital and competitive financial environment.

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Fuelling Business Growth: Rethinking the Tax Treatment of Retained Earnings in Kenya

By CPA James Mugambi

Kenya's small and medium-sized enterprises (SMEs) occupy an important position in employment creation, domestic investment and economic activity.

Their capacity to survive and expand depends not only on access to markets, technology and managerial capability, but also on the availability of internal capital. For many smaller businesses, retained earnings constitute the most accessible source of finance for expansion because external financing is frequently constrained by the cost of borrowing, collateral requirements and the perceived risk associated with smaller enterprises. Tax policy therefore matters not only because it determines the amount of revenue collected by government, but also because it influences the amount of capital businesses can retain and deploy within the economy.

This raises an important question for Kenya's tax policy: should profits that remain within a business and are reinvested in productive activity be taxed in the same manner and at the same point as profits distributed to owners? One possible response would be to move towards a distributed-profit model under which corporate profits retained within the business would not immediately attract corporate income tax, with taxation deferred until profits are distributed or otherwise extracted by the owners. Such a reform would represent a significant departure from the conventional taxation of corporate profits and would require careful consideration of its implications for revenue, investment, equity, administration and avoidance.

The proposal should first be distinguished from a permanent tax exemption. Under the existing corporate income tax framework, taxable corporate profits are generally brought into the tax computation in the period in which they arise, irrespective of whether the resulting after-tax profits are subsequently distributed to shareholders or retained for investment. A distributed-profit approach would change the timing and potentially the basis of taxation by allowing qualifying profits to remain within the enterprise without an immediate corporate income tax liability. Tax would arise when the profits are distributed to shareholders or otherwise extracted from the company under rules designed to capture economic distributions.

The distinction is important because the proposal is fundamentally about the timing of taxation rather than simply eliminating the tax obligation. If a company earns a profit and retains it to purchase equipment, increase inventory, develop a new product, repay debt or finance expansion, the tax system would allow that capital to remain available to the enterprise. When the retained profit is eventually distributed to the owners, the deferred tax obligation would crystallise under the rules governing the distributed-profit system. The government would therefore exchange an immediate revenue stream for a later claim, while the business would gain additional liquidity during the period in which the funds remain invested.

The economic significance of such a change becomes clearer when the financing constraints facing smaller businesses are considered. A firm that cannot obtain affordable external finance must ordinarily rely on some combination of owner capital, retained earnings and supplier credit to finance expansion. Retained earnings are therefore not simply an accounting residual; they represent internally generated capital that can be converted into productive assets and working capital. Taxing profits before the business has an opportunity to deploy them reduces the amount of internally generated capital available for those purposes.

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Consider a business that generates a qualifying profit and intends to use the funds to purchase equipment or expand its distribution capacity. Under a system that taxes the profit before it is retained, the business has less capital available for the investment. Under a distributed-profit model, the full qualifying amount could initially remain within the enterprise. The difference would compound where investment generates additional returns, since the additional capital would itself become part of the productive base from which future income is generated. The policy question is therefore not simply whether tax is collected, but whether the timing of collection unnecessarily constrains investment by firms that are attempting to finance growth internally.

The proposal also has implications for the relationship between taxation and access to external finance. A business with stronger retained capital is more likely to have a stronger balance sheet, greater working-capital capacity and a larger contribution towards the financing of an investment project. These characteristics can improve its position when seeking bank finance or attracting investors. Retained earnings cannot substitute for a functioning financial system, and a tax reform would not by itself resolve the structural barriers that limit SME access to credit. It could nevertheless strengthen one component of the financing structure by allowing firms to accumulate capital more rapidly from their own operations.

The investment argument must also be considered alongside the principle of neutrality in taxation. Tax systems influence decisions whenever they treat alternative uses of income differently. If a business owner distributes profits immediately, the tax consequences may differ from those associated with retaining the same profits within the company. A distributed-profit system deliberately creates a preference for retention because the immediate tax liability is postponed while funds remain within the enterprise. The policy justification for that preference would therefore need to rest on the expected economic benefits of additional investment, rather than on the assumption that all retained earnings necessarily generate productive activity.

That distinction is important because retained earnings do not automatically translate into investment. A company may retain cash without expanding production, acquiring productive assets or creating additional employment. It may accumulate financial assets, hold excessive liquidity, repay shareholders indirectly or use related-party transactions to transfer economic value without formally declaring a dividend. A credible reform would therefore need a clear definition of what constitutes retention, what constitutes distribution and which transactions are treated as constructive distributions.

The administrative dimension is consequently central to the proposal. A distributed-profit system requires the tax authority to identify transactions through which profits leave the corporate entity, including conventional dividends and arrangements that have substantially the same economic effect. Payments to shareholders, shareholder loans, related-party transactions, excessive remuneration and private expenditure charged to the company could all become relevant where they are used to circumvent the point at which tax is intended to arise. Without effective anti-avoidance rules and reliable financial reporting, a system designed to defer taxation could instead create opportunities for permanent or prolonged tax deferral.

The proposed reform would also require consideration of the interaction between corporate taxation and taxation at the shareholder level. If corporate profits are taxed only when distributed, the treatment of dividends and other forms of shareholder income becomes central to the overall effective tax burden. The system would need to establish whether distributions are taxed as dividends, whether withholding mechanisms remain appropriate, and how the rules would apply where the recipients are companies, individuals or non-residents. The objective would be to ensure that the change in the timing of corporate taxation does not unintentionally create opportunities for income to escape taxation altogether.

A distributed-profit system deliberately creates a preference for retention because the immediate tax liability is postponed while funds remain within the enterprise. The policy justification for that preference would therefore need to rest on the expected economic benefits of additional investment, rather than on the assumption that all retained earnings necessarily generate productive activity.

Revenue implications would require equally careful treatment. Corporate income tax is an important component of public revenue, and moving from taxation on earned profits to taxation on distributed profits could produce a significant short-term reduction in receipts, particularly during the transition period. The eventual revenue outcome would depend on the rate of distribution, the extent to which firms retain earnings, the investment response, the growth generated by additional capital and the effectiveness of enforcement. A policy that increases investment and subsequently expands the corporate tax base may recover part of the initial revenue loss over time, though that outcome cannot be assumed.

The distributional consequences also deserve attention. Tax policy should consider not only the level of economic activity generated by a reform but also how its benefits and costs are distributed. Owners of incorporated businesses would receive the immediate benefit of greater liquidity within their enterprises, while businesses that are already well capitalised could have a greater capacity to take advantage of the deferral than firms operating at the margin. The reform could therefore favour businesses with sufficient profits to retain, unless its design specifically addresses the differences in firm size, profitability and access to investment opportunities.

For this reason, the case for reform should be strongest where retained earnings are demonstrably associated with productive investment rather than simply with accumulation of private wealth within corporate structures. A policy could, for example, distinguish between genuine reinvestment and passive accumulation, although introducing such distinctions would also increase administrative complexity. The more conditions attached to the tax treatment, the greater the compliance and enforcement burden. The policy would therefore have to balance the objective of encouraging investment against the need for a tax system that remains comprehensible and administratively workable.

There is also a broader behavioural argument. Where businesses perceive taxation as reducing the resources available for expansion, they may have an incentive to minimise reported taxable profits through aggressive tax planning or informal practices. A system that provides a legitimate route for retaining profits could reduce some of that pressure by aligning the tax treatment of retained capital with the business objective of reinvestment. The existence of a lower immediate tax cost does not itself guarantee improved compliance, since the deferred liability would still need to be monitored, but a well-designed system could make formal accumulation of business capital more attractive relative to concealment.

The proposal therefore needs to be understood as a restructuring of the tax point rather than as a general reduction in taxation. Its central premise is that the fiscal system should distinguish between profits that have been converted into private distributions and profits that remain committed to the enterprise. The former represent realised returns to owners, while the latter can constitute a source of financing for continued business activity. Giving businesses greater control over internally generated capital could strengthen investment capacity, particularly where external finance remains expensive or inaccessible.

Any move in this direction would nevertheless require a comprehensive fiscal impact assessment before implementation. Such an assessment should examine the immediate revenue effect, the expected change in corporate distributions, investment responses, employment effects, firm survival and growth, administrative costs, and the potential for tax avoidance. It should also consider whether the reform would need to be

limited to SMEs, applied across all companies, or introduced gradually through specified thresholds or transitional arrangements.

Kenya's tax policy debate has increasingly to account for the financing conditions under which domestic enterprises operate. A tax system designed principally around the timing of revenue collection can overlook the role that retained profits play in building productive capacity. Allowing businesses to retain and reinvest qualifying profits could provide an additional source of growth finance, strengthen corporate balance sheets and potentially support investment and employment. The fiscal cost of doing so would be real, and so would the administrative risks, meaning that the case for reform rests on whether the additional investment and economic activity generated by the retained capital justify the revenue forgone during the period of deferral.

The more useful question for policymakers is therefore not whether businesses should pay tax, but when the tax should become payable and whether that timing supports or constrains productive investment. A carefully designed distributed-profit model would shift this point towards the moment when profits are extracted from the enterprise, allowing capital committed to business expansion to remain available for that purpose. For Kenya, where access to affordable finance remains an important constraint for smaller enterprises, that is a question worth examining within the wider reform of the corporate tax system.

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The Internal Consultant: Thinking Outside the Box in the Age of Impact

"The best way to predict the future is to create it." - Peter Drucker

By Karumba Kinyua

The most valuable professionals in today's organizations are no longer defined solely by how effectively they manage resources, processes, or teams.

They are defined by how consistently they create value in environments characterized by uncertainty, complexity, and constant change.

This shift reflects a broader transformation in the nature of work itself. Organizations are moving away from linear, hierarchical models toward systems that require agility, innovation, and continuous problem-solving. In house accountants and auditors often play the role of an internal consult.

At the center of this transformation is the emergence of a new professional archetype: the **internal consultant**. Unlike traditional employees who operate within clearly defined functional boundaries, internal consultants transcend these boundaries. They think systemically, act strategically, and execute deliberately. They are not simply part of the organization—they are catalysts of its evolution.

In its simplest form, an internal consultant is an employee tasked with diagnosing organizational challenges and implementing solutions to improve performance. Yet this definition only scratches the surface. The internal consultant is not merely a role—it is a mindset. It is the deliberate choice to approach work with the curiosity of an entrepreneur, the rigor of a consultant, and the accountability of a founder.

As organizations confront increasingly complex demands—from digital disruption to resource constraints and shifting stakeholder expectations—the need for such professionals is becoming critical. Internal consultants do not wait for change to happen; they shape it. They do not operate within existing systems unquestioningly; they refine and redesign those systems. In doing so, they embody what can best be described as **thinking outside the box, from within the box**.

1. Identity Shift: From Role Holder to Value Creator

The foundation of the internal consultant mindset is an identity shift—from role holder to value creator.

Traditional organizations categorize individuals by function. A professional is defined as a finance officer, an operations manager, or a program lead. Performance is evaluated based on adherence to responsibilities and efficiency in execution. While this model ensures stability, it often limits innovation. It anchors individuals within predefined boundaries and discourages cross-functional thinking.

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Internal consultants operate differently. They do not define themselves primarily by their job descriptions. Instead, they define themselves by the problems they solve and the value they create.

This shift manifests in the questions they ask:

- What problem truly matters at this moment?
- Where is value currently being constrained or lost?
- What intervention would produce the greatest impact?

These questions shift the focus from activity to outcomes. They align effort with purpose and enable individuals to move beyond compliance toward contribution.

Importantly, this identity shift is not restricted to formal consulting departments. Across organizations, many professionals already perform internal consulting functions—advising teams, optimizing processes, and shaping decisions—without carrying the title of "consultant."

Recognizing this reality allows organizations to unlock a powerful insight: **internal consulting is a capability that can be cultivated broadly**. When individuals adopt this mindset, the organization becomes inherently more adaptive, responsive, and innovative.

2. Entrepreneurial Thinking and Contextual Intelligence

Internal consultants combine two powerful—and often underappreciated—capabilities: entrepreneurial thinking and contextual intelligence.

Entrepreneurial thinking drives exploration. It enables individuals to question assumptions, identify inefficiencies, and uncover opportunities that may not be immediately visible. It is rooted in curiosity, experimentation, and a willingness to challenge the status quo.

However, what differentiates internal consultants from entrepreneurs or external advisors is the depth of their contextual understanding.

Contextual intelligence includes:

- Insight into organizational culture and values
- Understanding of internal processes and decision-making dynamics
- Awareness of informal networks, influence structures, and historical precedents

This knowledge enables internal consultants to operate with precision. They understand not only what needs to be done, but how it must be done within a specific organizational environment.

Unlike external consultants, who may bring broad industry expertise but require time to understand the organization, internal consultants have immediate access to contextual knowledge. They know where the friction points are, who the key stakeholders are, and which ideas are likely to succeed or encounter resistance.

At the same time, this familiarity must be balanced with critical thinking. As emphasized in *Agents of Change*, effective consultants are not those who accept systems as given, but those who interrogate them. Internal consultants must continually challenge their own assumptions to avoid becoming constrained by the very systems they aim to improve.

When properly balanced, entrepreneurial thinking and contextual intelligence create a powerful capability: **the ability to design solutions that are both innovative and implementable**.

3. Execution Discipline and Sustained Value Creation

Ideas alone do not create value. Execution does.

One of the most persistent challenges in organizations is the gap between strategy and implementation. Well-designed strategies often fail to translate into real outcomes due to poor execution, lack of ownership, or misalignment across teams.

Internal consultants play a critical role in bridging this gap. Unlike external consultants, who are often engaged for specific projects and may disengage after delivering recommendations, internal consultants remain embedded in the organization throughout the implementation process.

This continuity provides several advantages:

- **Alignment between strategy and action**
- **Ongoing adaptation based on feedback and learning**
- **Sustained ownership of outcomes over time**

Additionally, internal consulting brings structural benefits to organizations.

First, it enables **cost efficiency**. Internal consultants are generally less expensive than external firms, making them a viable long-term resource for organizations seeking continuous improvement.

Second, it ensures **knowledge retention**. Insights and learning remain within the organization rather than leaving with external advisors.

Third, it supports **capability building**. By solving problems internally, organizations strengthen their own ability to address future challenges without external dependency.

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Execution discipline, therefore, becomes more than a skill—it becomes a strategic advantage. It ensures that ideas translate into impact and that improvements are sustained rather than temporary.

4. Influence Without Authority: Navigating Organizational Reality

Internal consultants operate in an environment defined by influence rather than authority.

Unlike external consultants, who may operate with a degree of independence and external credibility, internal consultants must navigate internal dynamics without formal control over decisions, budgets, or resources.

This creates a unique set of challenges:

- Ambiguity in roles and expectations
- Exposure to organizational politics
- Potential perceptions of bias or alignment with specific agendas
- Limitations in decision-making authority

To succeed in this environment, internal consultants must master the art of influence.

This requires:

- Building credibility through expertise and consistency
- Establishing trust across different stakeholder groups
- Communicating insights clearly and persuasively
- Facilitating alignment among diverse perspectives

Influence, in this context, is not coercive—it is collaborative. It is about enabling others to see opportunities, understand implications, and commit to action.

This shift reflects a broader evolution in leadership. Authority alone is no longer sufficient to drive change. Effective leadership increasingly depends on the ability to inspire, align, and mobilize others.

Internal consultants embody this form of leadership. They operate not through directives, but through engagement—creating momentum for change by bringing people along rather than pushing them forward.

5. Designing Value from Within: The Insider Advantage and Its Limits

The internal consultant's embedded position within the organization is both a strength and a limitation.

On one hand, proximity provides significant advantages. Internal consultants have:

- Immediate access to information and data
- Established relationships that facilitate collaboration
- Deep understanding of organizational history and context

These factors enable them to design solutions that are tailored, practical, and aligned with strategic priorities. However, proximity also introduces risk.

Being deeply embedded within a system can limit objectivity. Familiarity can lead to blind spots. Long-standing relationships can influence judgment in subtle ways.

The most effective internal consultants actively manage this tension. They cultivate an **outsider perspective within an insider role**.

This involves:

- Questioning assumptions that are taken for granted
- Seeking diverse perspectives beyond immediate networks
- Benchmarking internal practices against external standards
- Maintaining intellectual independence while remaining contextually grounded

This balance is critical. Without it, internal consulting risks becoming incremental—focused on refining existing systems rather than reimagining them.

6. Reframing Problems to Unlock Innovation

Thinking outside the box is not simply about creativity—it is about reframing problems.

Organizations often approach challenges by addressing their most visible

symptoms. However, these symptoms are frequently manifestations of deeper, systemic issues.

Internal consultants excel at identifying these underlying dynamics.

Consider the following examples:

- Declining performance may reflect process inefficiencies rather than individual capability
- Rising costs may indicate structural inefficiencies rather than budget constraints
- Communication breakdowns may stem from misaligned incentives rather than interpersonal conflict

By reframing problems, internal consultants shift the focus from reactive solutions to strategic interventions.

This ability is grounded in their integrated understanding of the organization. Because they can see patterns across functions and processes, they are able to connect seemingly unrelated issues and identify root causes.

Reframing is therefore not merely analytical—it is transformative. It changes how problems are understood, and consequently, how they are solved.

> **Continuous learning allows leaders to stay relevant, adaptable, and effective in a rapidly changing world. It enables them to respond thoughtfully rather than react impulsively. It strengthens both competence and character.**

It also aligns closely with the philosophy in *Agents of Change*: that the true role of a consultant is not to provide answers, but to redefine questions in ways that unlock better solutions.

7. The Internal Consultant as a Catalyst for Transformation and Leadership

The internal consultant represents a new model of leadership—one that integrates insight, execution, and influence.

They operate across multiple roles:

- Advisor and strategist
- Facilitator and integrator
- Coach and capability builder
- Change agent and transformation driver

Their impact extends beyond individual projects. By embedding knowledge within the organization, they contribute to long-term capability and resilience.

Organizations are increasingly recognizing this value. Rather than relying exclusively on external consultants, they are investing in internal consulting functions to build sustainable, in-house expertise.

This shift reflects a broader realization: **sustainable transformation must come from within**.

Internal consultants play a central role in enabling this transformation. They align strategy with execution, integrate insights across functions, and build the capabilities required for ongoing adaptation.

In doing so, they redefine leadership. Leadership is no longer defined solely by position or authority. It is defined by the ability to create value, influence outcomes, and drive change.

Conclusion: From Employee to Architect of Transformation

The rise of the internal consultant reflects a fundamental shift in how organizations create value, solve problems, and lead change.

Internal consultants are not confined to roles—they shape them. They are not limited by systems—they redesign them. They operate at the intersection of strategy and execution, insight and action, influence and accountability.

They do not wait for change—they initiate it. They do not depend solely on external expertise—they build internal capability. They do not focus on activity—they focus on outcomes that endure.

As organizations navigate increasing complexity, the ability to think and act as an internal consultant will become a defining capability. The question is no longer whether organizations need internal consultants. The real question is whether individuals are willing to adopt this mindset—to challenge assumptions, embrace accountability, and take ownership of value creation.

Because the future will not belong to those who operate within systems unchanged. It will belong to those who have the clarity, discipline, and courage to transform them from within.

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Beyond The Numbers: Why The Best Leaders Never Stop Learning

By Nancy Mwacharo CPA, CS

In a world obsessed with technical expertise, the leaders who make the greatest impact are often those who master a different skill altogether: understanding people.

Walk into any successful organisation, and you will find a common thread.

Whether it is a multinational corporation, a public institution, a professional services firm, or a small business, strong leadership is rarely defined by intelligence alone.

It is defined by the ability to bring people together, inspire confidence, navigate challenges, and build relationships that enable others to perform at their best. Yet many professionals spend years sharpening their technical skills while investing comparatively little in developing the human side of leadership. The assumption is often that leadership naturally follows experience. In reality, leadership is a skill that must be continuously learned, practised, and refined.

The most effective leaders understand that success is not simply about managing processes. It is about managing relationships.

The Leadership Advantage That Technology Cannot Replace

We live in an era where information is readily available and technical knowledge becomes outdated faster than ever before. Artificial intelligence can process data, automate routine tasks, and generate insights in seconds. What it cannot do is build trust, inspire commitment, resolve interpersonal tensions, or create a sense of belonging within a team.

These remain distinctly human responsibilities.

This is why leadership experts such as Daniel Goleman have consistently emphasised emotional intelligence as a critical determinant of leadership effectiveness. Goleman's research highlights that qualities such as self-awareness, empathy, self-regulation, and relationship management often distinguish exceptional leaders from merely competent managers.

A technically brilliant leader who cannot connect with people may achieve compliance. A leader who combines expertise with emotional intelligence earns commitment. And there is a significant difference between the two. People may comply because they have to. They commit because they want to.

Leadership Is Learned, Not Inherited

One of the greatest misconceptions about leadership is that some people are born with it.

While certain personality traits may make leadership easier, history repeatedly shows that great leaders are continuous learners. They seek feedback. They

adapt. They develop new ways of communicating and engaging others. Most importantly, they recognise that leadership challenges evolve as organisations and workforces change.

Stephen Covey captured this principle through one of his most influential habits: *"Seek first to understand, then to be understood."*

Simple as it sounds, this principle remains one of the most underutilised leadership practices in modern workplaces. Too often, leaders rush to provide solutions before fully understanding their teams' concerns. The result is frustration, disengagement, and missed opportunities.

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Leaders who listen well make better decisions because they gain access to information that others overlook. They create environments where people feel valued, heard, and respected. Over time, this strengthens trust—the foundation upon which all effective leadership is built.

Why Human Relations Matter More Than Ever

The workplace has changed dramatically over the past decade. Teams are increasingly diverse. Multiple generations work side by side. Expectations around workplace culture, communication, and employee well-being have evolved.

As a result, leadership has become less about directing people and more about influencing them. Patrick Lencioni's work on team effectiveness offers a valuable perspective. He argues that trust is the foundation of every high-performing team. Without trust, people hesitate to share ideas, avoid difficult conversations, and conceal mistakes. The consequences can be costly.

Conversely, teams that trust one another communicate openly, address challenges early, and collaborate more effectively.

The lesson for leaders is clear: performance is not created solely through systems and structures. It is created through relationships. This does not mean leaders should avoid accountability or difficult conversations. In fact, effective leaders often have more difficult conversations than others. The difference is that they approach those conversations with respect, empathy, and a genuine desire to help people improve.

A Lesson from Professional Services

The importance of human-centred leadership becomes particularly evident in professional environments where expertise is highly valued. Take the accounting profession. To outsiders, accounting is primarily about numbers, regulations, compliance, and financial reporting. Yet anyone who has worked in the profession understands that its success depends heavily on relationships. Audits require collaboration. Financial reporting requires coordination. Client advisory services require trust. Even the most accurate financial analysis has little impact if it cannot be communicated effectively. The most respected accounting leaders are therefore not only technical experts. They are relationship builders. They know how to mentor young professionals, manage pressure during demanding reporting periods, navigate client expectations, and maintain team morale when workloads intensify.

In many ways, leadership in accounting offers a powerful reminder that no profession is truly about numbers, systems, or processes alone. Every profession is ultimately about people.

When Culture Becomes a Competitive Advantage

Some organisations have demonstrated the long-term value of investing in leadership development and workplace culture.

Accounting firm Plante Moran is frequently recognised for its strong people-centred culture and has consistently appeared on lists of the best places to work. While many factors contribute to organisational success, one lesson stands out: leaders who prioritise trust, communication, and employee development create environments where people are more likely to thrive.

This is not merely a human resources achievement. It is a business achievement.

Organisations with strong cultures often experience higher employee engagement, stronger collaboration, better retention, and improved client experiences.

Culture, after all, is not created by mission statements hanging on office walls. The daily actions of leaders create it.

Every interaction matters; Every conversation matters; Every decision sends a message.

The Continuous Learning Imperative

The most important leadership lesson is that growth never ends.

The leadership approaches that worked

ten years ago may not be sufficient today. The communication style that motivated one team may not resonate with another. New challenges constantly require new capabilities.

This is why the most effective leaders remain students throughout their careers.

> **Continuous learning allows leaders to stay relevant, adaptable, and effective in a rapidly changing world. It enables them to respond thoughtfully rather than react impulsively. It strengthens both competence and character.**

They learn from books and research.

They learn from mentors and colleagues.

They learn from successes.

And perhaps most importantly, they learn from mistakes.

Continuous learning allows leaders to stay relevant, adaptable, and effective in a rapidly changing world. It enables them to respond thoughtfully rather than react impulsively. It strengthens both competence and character.

A Question Every Leader Should Ask

At its core, leadership is not measured by the authority a person possesses. It is measured by the impact they have on others.

Do people feel valued after interacting with you?

Do they trust your intentions?

Do they feel safe enough to share concerns and ideas?

Do they become better because of your leadership?

The answers to these questions reveal far more about leadership effectiveness than any title ever could. As professionals strive to advance their careers and organisations pursue greater performance, it is worth remembering a simple but profound truth: technical expertise may earn a seat at the table, but human relations determine whether leadership succeeds. The best leaders understand this. That is why they never stop learning—not only about their profession, but also about people.

Because beyond the numbers, beyond the systems, and beyond the strategy, leadership remains, at its heart, a profoundly human endeavour.

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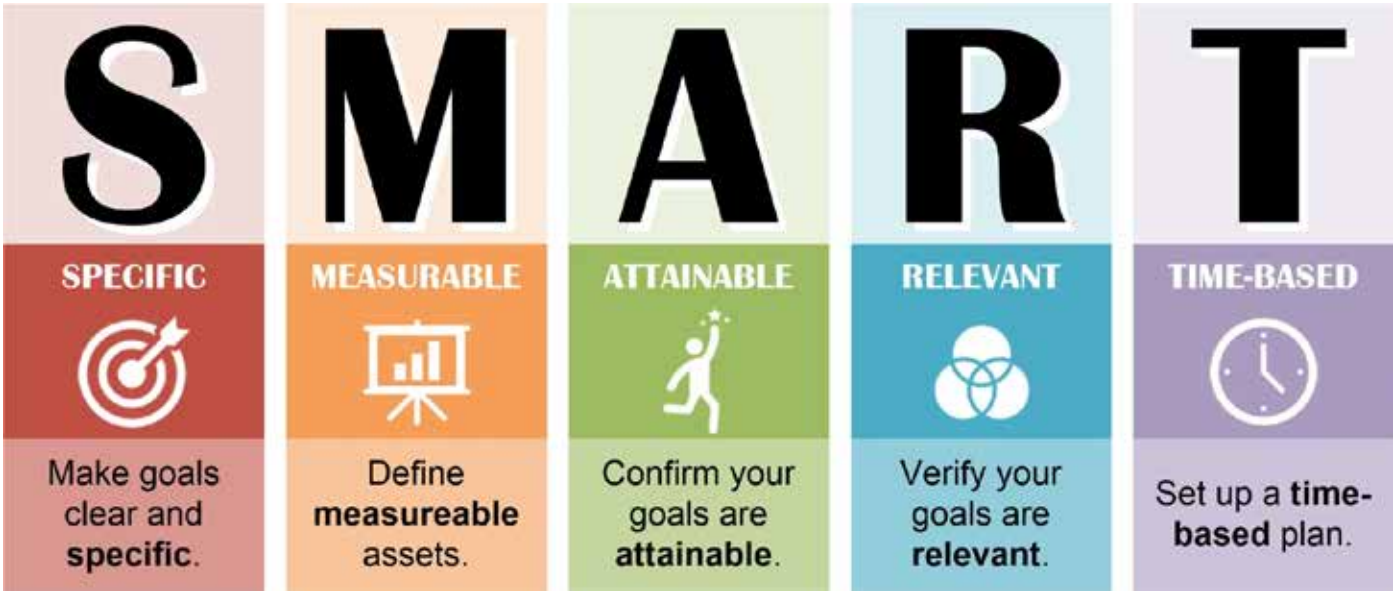
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Three-Part Response To The Challenges Of The Smart Goal

Milestones And Accountability Drive Your Results

By Carol Kariuki

Ever since I got into the work environment, I have been met over and over with the idea of the SMART goal: Specific, Measurable, Achievable, Relatable or Relevant, Time-bound.

In my years of consulting, coaching and training, I have coached and cajoled leaders to create SMART goals. However, it has always been an uphill task.

This got me thinking – can it really be that some of the sharpest and most forward-thinking executives are incapable of crafting a SMART goal? I would imagine not. In my estimation, that means the SMART goal may not be agile enough to translate into the complex requirements of the modern-day executive. The objective of the SMART goal, however, is hard to argue with. When George T. Doran formulated the SMART goal, he understood how vital clear, actionable objectives are to getting things done.

At a practical level, however, the struggle to articulate a SMART goal is real. In my years of leadership training and coaching, the element that gives most people a headache is the "measurable" element. If a leader states that their goal is ***'to improve work efficiency through the use of technology'***, they would be pressed to convert it into a SMART goal. While possible, it immediately pulls the leader away from the goal discussion and into the logistics and details. As the details surface difficulties and challenges, most leaders either downscale their goal or change it to something easier to articulate in "SMART" language.

My proposal for goal setting keeps most elements of SMART, but arranges them in a different way, allowing wider and larger-scale thinking; getting more leaders to think big (Grant Cardone encourages large-scale thinking in his book, The 10X Rule).

My recommendation is to break your goal-setting into 3 parts.

Part 1: Clear and Stretch

A clear goal is one you can articulate to your 12-year-old nephew in a way he understands. This stage has no detail. The goal should be short and unambiguous. The stretch element is important because it pushes us beyond tasks. This is highly subjective, as a person's competence, expertise, and exposure determine what a stretch is for them. A newly qualified CPA might have her goal being, 'to present the monthly management accounts on time'. As this may be a new responsibility for her, it would be a stretch goal. However, for a CPA of 10 years' experience, this would be a regular task. A stretch goal for the more experienced CPA may be to update all systems to comply with a new or amended IFRS.

Part 2: Purpose

Simon Sinek's Start with Why explains the importance of determining the purpose behind what we do. Similarly, understanding the purpose behind your goal will drive your motivation to accomplish it. It helps you push through challenges and difficulties. Purpose can be as wide or narrow as the goal demands. For some, the purpose may be deeply personal and involve nobody else. For others, purpose may be wider, touching family, a department, the organisation, the country, or a combination of people or groups.

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Why, you may ask, is this the 2nd part and not the 1st? Purpose is scary and tends to involve deep introspective questions. When we start with purpose, many of us again get bogged down by the magnitude of what we are trying to accomplish. By allowing yourself to dream first, you can then interrogate the subconscious reasoning for choosing your goal. After determining your purpose, you may adjust your goal. That too is fine.

Part 3: Milestones and Accountability

James Clear says in Atomic Habits that you rise to the level of your goals; you fall to the level of your systems. Milestones and accountability protocols are the systems that support your goal and determine where you eventually land.

Setting milestones is where you will start to interrogate the journey to your goal. A milestone is a marker that tells you whether you are on the right track to achieving your goal. In the context of a journey, a bus en route from Nairobi to Mombasa by road may have the towns of Salama, Mtito Andei, and Voi as milestones, along with a general timeline for arriving at each. Imagine you were a passenger on that bus, left Nairobi at noon, and fell asleep soon after. If you woke up at Salama, you would know you were on the right track. However, if you woke up at Salama at 6 p.m., you would know something was amiss, since you would have expected to be past Voi by then. When setting milestones for goals, it's important that they also include a time element.

Accountability is what keeps us from drinking our own Juice-Cola (the Kenyan equivalent of Kook Aid). It introduces a maker-checker process that lets someone else check where you are on the journey to your goal. This takes a high level of vulnerability. Haruki Murakami says it thus, "What happens when people open their hearts? They get better." Accountability lets us admit when things aren't going to plan and take corrective action so, in the long term, our goals aren't sidelined by the challenges we face in pursuing them.

You can use these 3 parts in one sitting. However, breaking goal setting into these 3 parts also creates a natural pause to interrogate and refine the goal. The breaks could be a few minutes to a few days long depending on the complexity of the goal. The breaks also make the process less intimidating and overwhelming.

For those in spaces where measurability is a challenge- most of the business support and management functions- this methodology means you no longer have to break down staff satisfaction, efficiency, effectiveness, utilisation and other abstract but important elements of your work into dry numbers right off the bat. It will be acceptable, and a lot easier, to set Big Hairy Audacious Goals (Jim Collins and Jerry Poras in Built to Last) that you can follow through to achievement.

As we approach the end of the year, consider retooling your goal-setting approach to this 3-part method. Thank me later.

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When Building New Teams, Listen For The Silence

Modern Organisations Often Mistake Activity for Progress

By CPA Samwel Baraka Ochieng

Every day, organisations race to keep pace with shifting business realities. They assemble, reorganise, and sometimes quietly dissolve teams in pursuit of performance, alignment, or survival.

I have learned many lessons about managing teams, but none have stayed with me longer than those I learned from the fishing industry. Perhaps, because the lessons arrived early and took root in my mind long before boardrooms, strategy meetings, and even organisational charts entered my life. My father made more money from fishing than he ever did from formal employment. Whenever we prepared the nets or watched the waters for signs of changing currents before casting into the deep, he would say, "The lake talks too much before a bad catch. The good days arrive quietly." I did not fully understand what he meant then. I do now.

Modern organisations often mistake activity for progress, constant communication for alignment, and loudness for competence. I call this being stuck in the theatre of motion, where appearances of coordination take the place of actual alignment. When building new teams, effective leaders learn to listen beyond words because silence exposes concerns, assumptions and tensions that otherwise remain unspoken. Merriam-Webster defines silence as "forbearance from speech or noise; or the absence of sound." But in practice, silence is never merely absence; it's the presence of something unspoken: shared understandings, internalised patterns, and of course, intent that operates without continuous explanation.

Long before I understood anything about leadership, I learned that silence can communicate more than words. In fishing, we had mornings when nothing needed to be said as we inspected our nets in the same order, tightened knots with the same care and pushed boats off the shore seamlessly. No one asked whether the timing was right, and there was no debate about what could be done next. Repetition and shared experience had already settled most decisions long before the day began. Even when something went wrong, it rarely created noise. A net pulled too early was simply corrected on the next cast, and a missed catch became part of the day rather than the beginning of blame or lengthy explanations. The team quickly adjusted to circumstances and kept moving, as

there was no reward in dwelling on mistakes. Those lessons continue to shape how I lead today. Strong teams aren't defined by how noisy they become, but by the shared understanding that guides their actions. They know their roles, trust each other's judgement and correct mistakes without friction, delay or unnecessary noise.

New teams are remarkably predictable in how they behave when they first come together. They are often filled with noise as people try to understand where they fit, what matters and how decisions are made. Meetings multiply, updates become frequent, and questions get repeated. This activity can feel productive, even meaningful, but much of it is uncertainty in search of structure. Organisations, and sometimes team leaders themselves, mistake this stage for alignment because calendars are full, conversations are constant, and everyone appears engaged. This is a theatre of motion, not evidence of understanding, coordination or trust. As teams mature and work relationships stabilise, communication becomes more precise, explanations shorter and fewer actions require reassurance or supervision. Silence then begins to emerge, not because communication disappears, but because understanding takes root as people anticipate one another, solve routine problems without escalation, and advance without turning every decision into a discussion. In essence, silence is not withdrawal but a sign of operational clarity. Silence, however, is not a single condition. It appears in different forms, which reveal something distinct about the team's health and stage of development.

Modern organisations often mistake activity for progress, constant communication for alignment, and loudness for competence. I call this being stuck in the theatre of motion, where appearances of coordination take the place of actual alignment. When building new teams, effective leaders learn to listen beyond words because silence exposes concerns, assumptions and tensions that otherwise remain unspoken. Merriam-Webster defines silence as "forbearance from speech or noise; or the absence of sound." But in practice, silence is never merely absence; it's the presence of something unspoken: shared understandings, internalised patterns, and of course, intent that operates without continuous explanation.

When a Team Moves into Resolution

Silence of Resolution refers to the calm that follows the initial chaos of a new team settling in. It is the quiet shift that follows friction, when the need to constantly explain, defend or even seek validation fades away. Roles, boundaries and goals are understood, and the team is able to work side by side with trust, confidence and minimal conflict. For leaders building new teams, this silence matters because it signals those resources are not being spent on redundant updates, defensive explanations, or endless meetings. Effort shifts from managing friction to performance delivery as people stop revisiting the same tensions, and leaders gain the freedom to focus on new opportunities. The responsibility at this stage is not to interrupt the silence with unnecessary control, but to protect the conditions that created it. Leaders should reinforce clarity, maintain fairness in decision-making and remain attentive to early signs of unresolved tension before they develop into deeper dysfunction. Silence of resolution is not inactivity. It is evidence that a team has developed enough trust and alignment to move forward without carrying unresolved conflict into every interaction.

When Work Ownership Becomes Internalised

Then there is the silence of ownership, which reveals itself in subtle ways. It's deeper than the silence of resolution because it emerges when a team no longer waits for instructions, reassurances, or validation, but instead acts with conviction, as though the outcomes belong to them personally. This silence is not passive; it's the sound of responsibility being absorbed into the fabric of the team as they move with initiative. They correct mistakes before they can escalate into issues, anticipate needs without being told, and carry both successes and failures without deflection. Notably, there are fewer requests for approval on routine matters, not because the team has disengaged, but because they can act independently.

It communicates team maturity and signals that the team has evolved from compliance into a place where motivation is intrinsic and responsibility is collective. For a leader, the challenge grows delicate as you have to protect autonomy without neglecting guidance. Too many instructions can fracture team momentum, while too little attention risks missing early signs of burnout or even team misalignment. Leadership during the silence of ownership phase is less about directing and more about enabling by creating opportunities and reinforcing trust to sustain performance over time.

When Decisions Settle

Another form of silence worth paying attention to is the silence that surrounds stable decisions. Not all decisions fully settle within a team. They continue to resurface through refinements, reinterpretations and strategic "clarifications." Meetings revisit what was supposedly concluded, as old discussions quietly re-enter the room under new language. This is often, not for lack of better decisions, but because a collective

acceptance was never fully formed. Stable decisions behave differently, though. Once made, they begin to integrate into the team's movement and become evident in every course of action. There is no need for continuous reassurance of directions that still hold, because the team has absorbed the choice into its routine. The silence here is not neglect but confidence that the path forward is clear and trusted. As Peter Drucker once observed, "Whenever you see a successful business, someone once made a courageous decision." Courageous decisions, when accepted and stabilised, create the kind of silence that allows teams to move forward without reopening settled matters. It is the quiet strength of clarity, where progress is driven by trust in judgment rather than the noise of endless debate.

> **New teams are remarkably predictable in how they behave when they first come together. They are often filled with noise as people try to understand where they fit, what matters and how decisions are made. Meetings multiply, updates become frequent, and questions get repeated. This activity can feel productive, even meaningful, but much of it is uncertainty in search of structure. Organisations, and sometimes team leaders themselves, mistake this stage for alignment because calendars are full, conversations are constant, and everyone appears engaged.**

When Continuity Sets In

This is the quiet strength of a team that endures and is often characterised by the absence of disruption. In the presence of continuity, the team's momentum ripples across shifting circumstances as projects move forward smoothly, transitions between members are absorbed without drama, and the collective identity remains intact even in the face of external pressures. It is the sound of resilience anchored upon the pillars of habits, values, and trust that carry it through many a turbulence without constant recalibrations. For leaders, this is a signal that the team has achieved durability and can sustain performance without collapsing under the weight of turnover, uncertainty, or shifts in priorities. However, the thin line between continuity and complacency must be carefully guarded. Leaders should ensure that stability doesn't harden into stagnation by encouraging renewal, learning and adaptation.

In the end, the best-performing teams are not the loudest but the ones whose understanding has become instinctive. When rooted in trust, ownership, and clarity, silence is not emptiness but a team maturity made visible. Leaders building new teams should therefore learn to listen carefully, because what a team finds unnecessary to say often reveals what it has truly become.

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When Technology Meets Treatment

Eat Well, Sleep Enough, Stay Active and Keep Up with Preventive Care

Compiled by Angela Mutiso

Personalised medicine recognises that patients with the same disease may respond differently to treatment, influenced by genetics, age, lifestyle, other conditions, and medications.

When Elsa visited a clinic in Nairobi for a blood pressure check, she expected the standard procedure. Instead, the doctor attached a small wearable device that would record her blood pressure over time

Elsa was surprised, as she had not realised such technology could monitor her blood pressure outside the brief consultation. Traditionally, a doctor's visit involves describing symptoms, undergoing an examination, and possibly having tests before receiving a diagnosis and treatment.

However, healthcare is evolving in ways that are not always apparent to patients. Technology now lets doctors collect information beyond what is possible in a short consultation, and new treatments offer more care options. Wearable devices can collect data over hours or days, while other technologies measure blood sugar, record heart activity, monitor sleep, or generate internal images. Genetic testing can provide insights that help doctors better understand diseases and determine the most effective treatments. Medical professionals still interpret the data, considering the patient's age, history, symptoms, medications, and other test results.

This distinction matters as wearable health technology evolves. Smartwatches, fitness trackers and rings can now monitor heart rate, activity and sleep, while some can flag changes worth discussing with a doctor. Their real value, however, may lie in the patterns they reveal over time rather than in one isolated reading. Dr. Denise Dennis-Coke, an obesity medicine physician in the United States, uses a continuous glucose monitor, an Oura ring and a Garmin watch herself. Her approach is simple: "Let's see what the data says, and then let's see if we can improve it."

That is an important way to think about wearable technology: as a tool that gives patients and doctors more information, rather than a replacement for medical care. Dr. Aliasgar Chittalia, an internist and informaticist, points to the value of looking at trends over time, while cautioning that some wearable readings are estimates and should not be used alone to diagnose a condition or make treatment decisions. For someone like Elsa, a wearable blood pressure monitor can provide information beyond the single reading taken during a clinic visit, giving her doctor a better sense of how her blood pressure changes over time.

Continuous glucose monitoring offers similar benefits, especially for people with diabetes. A small sensor under the skin continuously measures glucose levels and transmits the data to a mobile device. This allows patients and providers to track glucose changes in response to meals, activity, medication, and other factors, rather than relying on occa-

sional tests. A meal that seems harmless may produce a different response than expected, while exercise or medication may produce another pattern. The information does not, by itself, prescribe what the person should do, but it can give the healthcare professional more material to work with.

As technology gives doctors more information, medicine is becoming increasingly personalised. Personalised medicine recognises that patients with the same disease may respond differently to treatment, influenced by genetics, age, lifestyle, other conditions, and medications.

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Genetic research advances this concept further. Gene therapy aims to replace, alter, or supplement disease-linked genetic material, and scientists continue to develop treatments for previously difficult conditions. Some research is highly specialised, creating therapies for individual patients with rare disorders.

Medicine continues to become more tailored. By analysing tumour characteristics, doctors can determine the most appropriate treatment. While not every patient receives a unique medication, this approach has changed how some cancers are evaluated and managed.

A similar discussion is occurring regarding obesity and type 2 diabetes, especially with the emergence of GLP-1 medicines. GLP-1, or glucagon-like peptide-1, is a hormone that regulates blood sugar and appetite. These medications were first developed for type 2 diabetes and are now widely used to treat obesity. However, their popularity can create the false impression that they are simple solutions. These are prescription medications with possible side effects and are not suitable for everyone. Use them only after proper medical consultation, not based on trends or informal advice.

As medicine and technology advance, health research is also refocusing on a familiar area: food. The gut is now a major topic in health and wellness, as scientists learn more about the diverse microorganisms in the digestive system. The microbiome refers to the community of microorganisms and their environment. Scientists are studying how these organisms interact with food and each other, and how these interactions affect digestion, metabolism, and health. This research highlights the importance of diet quality and variety beyond calorie counting.

Growing attention is on foods such as beans, lentils, vegetables, fruits, whole grains, nuts, and seeds for their fibre and nutrients. Fermented foods are also of interest, though evidence for specific products and health claims remains inconsistent. Wellness culture often reduces scientific discoveries to simple formulas. For gut health, no single supplement, beverage, or ‘miracle’ food is likely to provide a solution. Scientists are still determining which microbiome changes truly improve health and which are incidental.

A recent study of over 10,000 individuals examined links between diet and the gut microbiome, exploring whether microbiome data could inform personalised dietary advice. This suggests that future nutrition guidance may account for individual responses to food. Currently, standard dietary advice remains valuable. Individuals with low fibre intake should gradually add vegetables, fruits, legumes, and whole grains to avoid discomfort. In most cases, a varied diet of regular foods is preferable to expensive products claiming to alter the gut.

Health technology generates a large volume of personal data, and AI is beginning to integrate these advances. Researchers are exploring how AI can analyse data from wearables, food diaries, glucose monitors, medical tests, and microbiome studies to create more personalised nutrition and health recommendations. Instead of general advice, future systems may offer tailored guidance based on individual data patterns. While this prospect is exciting, caution is necessary. More information does not always lead to better advice, and persuasive visuals may not reflect meaningful medical conclusions. Questions remain about accuracy, false alarms, privacy, and access to data from devices and applications.

While device monitoring is convenient, it is important to understand how data is stored, who can access it, and how it may be used. Another challenge is data overload. When patients present extensive wearable data, healthcare professionals must determine which measurements matter and which do not.

For Elsa, the small device at the Nairobi clinic may have seemed like a minor

novelty, but it represents a significant change in healthcare. Rather than relying on a single reading, her doctor aimed to gather more comprehensive data over time to inform her medical evaluation. Wearable devices provide useful data but cannot explain every symptom. Genetic tests indicate risk but do not determine outcomes. New medicines offer options but are not always the right choice for everyone.

Despite advances in gene therapy, wearables, personalised diets, AI, and new medicines, the fundamentals of good health remain unchanged. It is still essential to eat well, sleep enough, stay active, seek preventive care, and monitor unusual symptoms. What has changed is the range of tools now available to help patients and doctors better understand the body. The future of health is not about choosing between technology and traditional medicine, but about using both wisely. Better information can support better decisions, while recognising these tools' limitations.

Despite advances in gene therapy, wearables, personalised diets, AI, and new medicines, the fundamentals of good health remain unchanged. It is still essential to eat well, sleep enough, stay active, seek preventive care, and monitor unusual symptoms. What has changed is the range of tools now available to help patients and doctors better understand the body. The future of health is not about choosing between technology and traditional medicine, but about using both wisely. Better information can support better decisions, while recognising these tools' limitations.

For patients like Elsa, wearing a device may soon feel routine. The device will not replace standard examinations or the doctor's judgment; it simply provides additional insight that was previously unavailable.

Health tips

- Good sleep helps attention, memory, learning and clear thinking.
- Adequate sleep helps the immune system function properly.
- Getting enough sleep supports heart health and healthy blood pressure.
- Good sleep can reduce stress and support emotional well-being. It plays a role in appetite, blood sugar regulation and maintaining a healthy weight.
- Adults aged 18–60 should get at least seven hours a night. Those aged 61–64 generally need 7–9 hours, while adults 65 and older need 7–8 hours.
- Source: US Centres for Disease Control and Prevention (CDC).
- Too little sleep can make it harder to concentrate, learn, remember information and make decisions.
- Persistent sleep deprivation is associated with high blood pressure, heart disease, diabetes and other health problems.
- Lack of sleep can leave a person irritable, stressed and emotionally unsettled, and prolonged sleep problems are associated with depression and anxiety.

Source: US Centers for Disease Control and Prevention (CDC) and National Heart, Lung, and Blood Institute (NHLBI).

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Eighteen-storey building collapses in Nairobi

Early investigations into the October 23, 2026, collapse of a high-rise building under construction in Nairobi's Eastleigh neighbourhood, Kenya, pointed to structural failure, poor workmanship, and substandard construction materials.

Source: Reuters

Meanwhile, The Nation further reported that the prospects of finding the missing people alive continued to diminish as families, relatives and friends waited anxiously at the site for news of their loved ones. Nairobi North Regional Commissioner Simon Osumba (about five days) later said the number of people reported missing had dropped from 20 to 16 after verification.

In this edition, we highlight certain stories featured by Africa.com, including: South Africa's Navi Pillay wins the Nobel Peace Prize, Ethiopia opens its first gold refinery, and Ghana moves to join BRICS



South Africa's Navi Pillay wins Nobel Peace Prize

Navi Pillay, a former International Criminal Court judge, has won the 2026 Nobel Peace Prize. The 85-year-old South African Jurist, who also served on the International Criminal Tribunal for Rwanda, was honoured "for her efforts to promote peace and international law." The Nobel committee said her recognition underscores the importance of protecting international legal institutions amid mounting pressure on the global rules-based order. Pillay also chaired the UN commission of inquiry that concluded Israel had committed genocide in Gaza, a finding Israel rejected. Pillay is the fifth South African to win a Nobel Peace Prize. Her career includes defending Nelson Mandela and challenging apartheid-era injustices. She is currently serving on the International Court of Justice in a case involving allegations of genocide against Myanmar.

Source: CNBC Africa

Ethiopia opens first gold refinery

Ethiopia has launched its first gold refinery to establish the country as a regional precious-metals processing hub. Gold is one of Ethiopia's main sources of foreign exchange, bringing in $5.6 billion last year. The facility, a $50 million joint venture, will process gold from Ethiopia and neighbouring countries. It will offer multiple services, including gold melting, testing, refining, casting, bar minting, and die-making. Ethiopia's Prime Minister Abiy Ahmed said the refinery would enable regional mining companies to refine and certify their gold in Ethiopia rather than sending it outside Africa for processing. By capturing more of the processing chain at home, Addis Ababa hopes to increase local value addition and position itself as a regional hub for gold refining.



Source: Reuters

Mauritius tops Africa's capitalism ranking

Mauritius is Africa's most capitalist economy, followed by Seychelles and Botswana, according to the 2026 Global Capitalism Index. The ranking assesses 161 countries and territories using 213 datasets covering property rights, competition, labour markets, financial systems, business creation, and cross-border capital flows. Mauritius scored 73.9 out of 100, reflecting relatively strong market openness and supportive institutions. It ranked 48th worldwide. South Africa ranked 7th in Africa and 78th globally, while Benin placed 8th continentally and 80th worldwide. Namibia, Cape Verde, Rwanda, Morocco, and Egypt complete the continent's top 10. Nigeria ranked 147th globally, among the continent's weakest performers. Twenty African countries scored below 50 points, with Libya, Chad, and Mauritania near the bottom.

Source: Ecofin agency



Ghana moves to join BRICS

Ghana has announced plans to apply for membership in BRICS, the bloc of emerging economies led by China, India, and Brazil. Foreign Affairs Minister Samuel Okudzeto Ablakwa announced the decision in Accra during a visit by India's External Affairs Minister. According to Ablakwa, membership of the bloc would mean more opportunities for trade, investment, and development. He, however, emphasised that Ghana's decision is not an attempt to replace ties with Western partners. Ghana also wants partnerships that help process its natural resources domestically rather than relying on exports of raw materials. Accra has already sought New Delhi's support for its application. The Indian minister expressed support for Ghana's aspirations but noted that the wider bloc must consider membership. If admitted, Ghana would become Africa's fourth full BRICS member, joining South Africa, Egypt, and Ethiopia.

Source: Modern Ghana

Africa leads global improvements in disaster resilience

African regions have recorded the world's fastest improvements in disaster resilience since 2023, according to research from the Lloyd's Register Foundation. The findings draw on the 2025 World Risk Poll, which surveyed more than 143,000 people across 140 countries and territories. North Africa recorded a five-point improvement in resilience, followed by Southern Africa with four points, while Eastern, Central, and Western Africa each gained three points. Expanding internet access, stronger household preparedness, and improved financial resilience contributed to progress in countries including Algeria, Nigeria, Kenya, Egypt, and Uganda. Yet gaps persist: just 47% of disaster-affected adults in Central and Western Africa received a warning. Researchers caution that faster improvement does not mean Africa is already the most resilient continent.

Source: africanews

Fitch raises Nigeria's credit outlook

Fitch Ratings has revised Nigeria's credit outlook to positive from stable while maintaining the country's long-term issuer default rating at B. The agency pointed to stronger foreign exchange reserves, which climbed to $54.9 billion by late September from $32 billion in April 2024, along with ongoing reforms and easing inflation. Fitch expects economic growth to accelerate to 4.3% in 2026, compared with 4% in 2025, while average annual inflation is projected to fall to 15.4%. Improved oil production and Dangote Refinery operations have also reduced demand for imported fuel. However, high debt-servicing costs remain a major constraint. Fitch projects the fiscal deficit will widen to 3.6% of GDP in 2026 and expects the general government's interest-to-revenue ratio to average 27% between 2026 and 2028. Still, Nigeria could receive a rating upgrade if it sustains its reserves, lowers inflation, and generates stronger non-oil revenue.

Source: Nairametrics



MEMORABLE QUOTES

"The climate crisis went from distant warning to daily reality. And artificial intelligence moved at a speed that has blindsided even those who created it. These are not separate crises. They are chapters of the same story. The story of power."
"The danger is not technology. The danger is technology without accountability."

António Guterres (UN Secretary-General) on Geopolitical Crises: during the 81st session of the United Nations General Assembly (UNGA 81) it featured high-stakes discussions on global governance, geopolitical conflicts, the rise of artificial intelligence, and multilateral reforms.

"AI is the most consequential technology in the history of mankind... We have a choice: we can compete, cooperate or slow down. For me, cooperation is the best way forward."

Alexander Stubb (President of Finland) on Global AI Governance.

"We are saddened and grief-stricken to announce the untimely passing on of 17 pilgrims from St. Mathias Mulumba Mikindani in an accident that occurred at Salama. The pilgrims were on their way to the National Shrine Subukia for the National Prayer Day."

These words were issued in an official statement by the leadership of the Catholic Archdiocese of Mombasa following the tragedy, and specifically cited in national coverage from Archbishop Martin Kivuva Musonde.

"By October this year, we will be ground-breaking... The African project that could change a continent."

Aliko Dangote, speaking alongside President William Ruto during the ground-breaking ceremony for the $16 billion Lamu oil refinery project.

"I'm at peace and I'm ready to go."

Christa Pike 50, during her final statement to the warden before her execution procedure began. She is reportedly in hospital and being given "life-saving measures" after Tennessee authorities failed in their attempt to execute her by lethal injection.

"As they were approaching Israel, one of the pilots stabbed the other pilot, and apparently attempted to crash the plane with everyone on board."

Attempted Hijacking of the FlyDubai Jet (Flight FZ1073); Israeli Prime Minister Benjamin Netanyahu, delivering a video briefing after the Boeing 737 MAX was safely diverted to Saudi Arabia.

Preliminary inquiries "revealed an assault on the captain by the co-pilot, resulting in various injuries to both."

Saudi Arabia's Ministry of Interior, summarizing the preliminary investigation into the cockpit struggle. Details on the passenger takeover and flight diversion were reported by BBC News.

Little Hands, Strong Africa

Title: Little Hands, Strong Africa; (Tax and Custom stories) 10-14 years

Authors:
Emmah Kithinji and Dr.Mugambi Mwirigi

Category: Finance

Publishers: Moran Publishers

Reviewed by Angela Mutiso

Taxation rarely captures a child's imagination. To many adults, it is a technical matter involving rates, returns, compliance and deadlines.

Yet government revenue helps finance the schools children attend, the hospitals they depend on and the roads that connect their communities. *Little Hand, Strong Africa: Tax and Customs Stories*, written for readers aged 10 to 14, makes this connection its starting point, using a story of destruction and recovery to introduce young readers to public finance.

The book opens in Ukholo, a small coastal town where the market is central to everyday life. Ushuru and his friends, Katana, Wanjiru and OJ, enjoy visiting the market with their parents. Their familiar world changes when a powerful storm strikes, destroying homes, roads, hospitals, the school and the market. The children are left wondering whether their community will ever return to normal. The disaster provides the book's central teaching moment. As Ukholo begins to recover, Ushuru and his friends learn that tax revenue helps finance the rebuilding of hospitals, classrooms, roads and markets. The government must mobilise and assign resources to restore necessary services, making taxation more tangible to children who can see what has been lost and understand what is required to rebuild it.

This is an effective way of introducing public finance to a young audience. By asking where the money to rebuild a community comes from, the story links citizens' contributions to the services society depends on. It also introduces climate change, disaster preparedness, and joint responsibility, showing how natural disasters affect not only buildings but also education, healthcare, trade, and livelihoods. The material's scope is ambitious for the intended age group. Across 14 chapters, the book introduces, among other things, the principles and practical workings of taxation, including the role of the Kenya Revenue Authority, customs officers and import duties. It explains value-added tax (VAT), withholding tax, and Pay As You Earn (PAYE), distinguishing between zero-rated and tax-exempt goods. It also covers tax evasion and its consequences, along with government borrowing, treasury bills, international loans, debt repayment, and the budget process.

This breadth is one of the book's notable strengths. It moves beyond explaining why people pay taxes to introduce the wider system through which governments raise and manage public money. Some of these concepts can challenge adults without a finance background. Plain language and a relatable narrative setting give young readers an accessible introduction without reducing public finance to the simple act of paying taxes.

The book also connects taxation to the people and institutions that make a community work. Journalists, doctors, nurses, engineers, architects, tax collectors, religious leaders and community elders contribute to the wider picture. Their roles help children see that rebuilding requires more than money; it calls for professional expertise, functioning institutions, and alliances among citizens. Taxation is thus presented within the wider context of how societies organise themselves to address shared needs. Learning features at the end of the chapters reinforce these lessons. Questions and answers test comprehension, while learning corners, sections on personal responsibility and activities motivate readers to interact with the material. Assessments provide a further opportunity to check understanding. These features make the book suitable for individual reading, group discussion, and classroom use, allowing children to revisit unfamiliar concepts and consider their practical application.

Introducing public finance at an early age has wider educational value. Children already use public facilities, depend on infrastructure and experience the consequences when necessary services are disrupted. Understanding where public money comes from offers a starting point for studying the relationship between government and citizens. The book's attention to tax evasion, public revenue and accountability extends the discussion beyond compliance to the responsibilities that accompany citizenship.

Ukholo's story offers a unifying thread throughout the lessons. The destruction gives the children a reason to ask questions,



while the rebuilding process demonstrates how resources and joint effort can help restore a community. The message is not that tax revenue alone can resolve every problem, but that public services require funding and taxation is one of the principal ways governments raise it. This distinction encourages comprehension rather than simple compliance. This book makes a useful contribution to financial education by presenting a subject often regarded as the preserve of adults in a form young readers can follow. Through its account, practical explanations and learning activities, it introduces children to the foundations of public finance and the value of understanding how a country raises, manages and uses its resources.

For parents, educators and professionals interested in financial literacy, the book offers a starting point for conversations about taxation, public services and accountability. Its central proposition is worth taking seriously: understanding how a country finances its public needs should begin not with a tax return or a government budget, but with an appreciation of why those resources matter to people's lives.

About the authors:

Emmah Kithinji is a tax professional serving in the Compliance Division of the Micro Small Taxpayers Department at the Kenya Revenue Authority (KRA). Dr. Mugambi Mwirigi is a Commissioner at the Kenya Revenue Authority and Head of the Kenya School of Revenue Administration.

This book is available on line and at Nuria Book Stores



Ndanu Falls: Where The River, Environment and Tourism Meet

By Alfrique Mwana

The River Yala is a vital feature of western Kenya, flowing through agricultural areas, wetlands, and settlements while supporting local communities.

Its waters sustain farming, livestock, and other regional activities. At Ndanu Falls near Yala town in Siaya County, visitors can experience this environment firsthand.

Here, the River Yala flows through rocky terrain before dropping to form one of the region's lesser-known natural attractions. The falls remain largely undeveloped, which adds to their appeal. They provide a tranquil setting for visitors and present an opportunity for carefully managed nature-based tourism.

At Ndanu, the river's character changes. Water collects among rocks before cascading into pools below. During the wet season, the falls grow louder and more powerful, while in drier periods, reduced flow reveals more of the rocky landscape.

Vegetation enhances the setting, with greenery lining the riverbanks, trees rising above the rocks, and grass leaning toward the water. Some rocks are smoothed by years of water flow, while others remain rough, retaining moss and moisture.

Ndanu offers more than a scenic waterfall. Visitors can enjoy nature walks, photography, and environmental education, gaining insight into the river and its surroundings. Its proximity to Yala makes it easy to visit both the falls and the town.

Traveling from Nairobi to Ndanu Falls takes visitors through the diverse landscapes of western Kenya. The route leaves behind the capital's busy streets and heads west toward the Rift Valley, Kisumu, and finally Yala in Siaya County.

From Kisumu, the route follows the Kisumu–Busia Road through towns, trading centers, farms, and settlements until reaching Yala. From there, a quieter road leads toward St Mary's High School and the Hera area, bringing visitors closer to the falls.

Ndanu is accessible from Yala yet distant enough to provide a peaceful retreat. Visitors can enjoy the outdoors without extensive planning.

The area's environmental value is as significant as the visitor experience. The River Yala is integral to the broader landscape, and its condition directly impacts local communities and activities. Protecting the river and its environment is essential.

Ndanu's tourism potential lies in its natural appeal. While the falls could attract more visitors, infrastructure and facilities for sustainable tourism are still limited. Thoughtful development is needed to enhance the site responsibly.

Extensive construction is not required. Safe viewing areas, walking trails, informative signage about the River Yala, clean facilities, and suitable access can enhance the visitor experience without disrupting the landscape.

Development near the falls must consider the river and its ecology. Pollution, landscape degradation, and neglect are risks, often worsened by poorly managed tourism. At Ndanu, there is an opportunity to prioritise conservation from the outset.

The guiding principle is clear: development should preserve Ndanu's unique character.

Sangu Island, near the falls, enhances the area's appeal and could be part of a broader visitor experience. Alongside the waterfall and river, it supports a nature-based destination that does not require large-scale development or mass tourism.

Ndanu is also part of a vibrant and diverse local economy.

Farmers grow crops and sell produce in local markets. Livestock supports food and income. Small traders run shops and stalls, while motorcycle taxis link villages with Yala and other centers, transporting people and goods.

> **Vegetation enhances the setting, with greenery lining the riverbanks, trees rising above the rocks, and grass leaning toward the water. Some rocks are smoothed by years of water flow, while others remain rough, retaining moss and moisture.**

Food vendors, restaurants, small hotels, and other businesses benefit from local and visitor activity. Collectively, these enterprises form the everyday economy that connects rural and urban communities.

Tourism can further strengthen the local economy. Visitors require transport, food, and accommodation, creating opportunities for residents to offer guiding, sell produce, and provide services. Longer stays increase benefits for local businesses.

Therefore, sustainable development at Ndanu should integrate the waterfall with the surrounding community, creating a visitor experience that connects natural attractions with local people and businesses.

Yala itself becomes part of that experience, especially in the evening.

During the day, commerce and transport define the town. At sunset, Yala takes on a different rhythm. Shops stay open, food kiosks become gathering places, and restaurants fill with the aroma of fresh meals. Motorcycles transport passengers between neighbourhoods, while music and conversation fill the evening air.

Yala's nightlife centres on everyday social life rather than glamour. It thrives in food stalls, small restaurants, local entertainment venues, and late-night shops. The evening economy supports cooks, traders, motorcycle operators, shopkeepers, musicians, and other entrepreneurs.

For travellers, this provides another reason to spend time in Yala rather than viewing it only as a stopover. A visit to Ndanu can be paired with local cuisine, an evening in town, and, where possible, an overnight stay. At the falls, meanwhile, the experience changes with the fading light.

During the day, visitors can see the water moving across the rocks and the vegetation along the river. At night, the landscape becomes less visible, and the river's sound takes over. Water continues to rush over the rocks and plunge into the darkness below.

The contrast between Yala's evening life and Ndanu's nighttime quiet gives the area an unusual character. In town, the night belongs to people, with food, conversation, music and movement. At the falls, the river becomes the dominant presence.

There is no need to overstate what Ndanu offers. It is not yet a major tourist destination, and its facilities remain limited. Its attraction lies in its natural setting and the chance to experience a part of western Kenya that has not been heavily developed for tourism.

That makes careful planning important. A sustainable tourism approach would seek to make the falls more accessible while protecting the river and surrounding vegetation. It would give local communities a stake in the destination and encourage businesses in Yala and the surrounding area to benefit from visitors. It would allow tourism to contribute to conservation rather than placing additional pressure on the environment. Such an approach could make Ndanu part of a wider tourism circuit in



Siaya, combining nature with local food, community enterprise and the everyday life of western Kenya.

The opportunity is not simply to attract more people to the waterfall. It is to help visitors understand why the river and its surrounding environment matter, while allowing the communities that live alongside them to benefit from responsible tourism.

Ndanu Falls is therefore more than a scenic corner of Siaya. It is part of a living landscape where water, agriculture, vegetation, communities and local enterprise are closely connected.

For travellers exploring western Kenya, it offers a chance to step away from the better-known tourist routes, spend time beside the River Yala, experience the falls, and discover Yala town. For the surrounding community, it offers another source of economic activity.

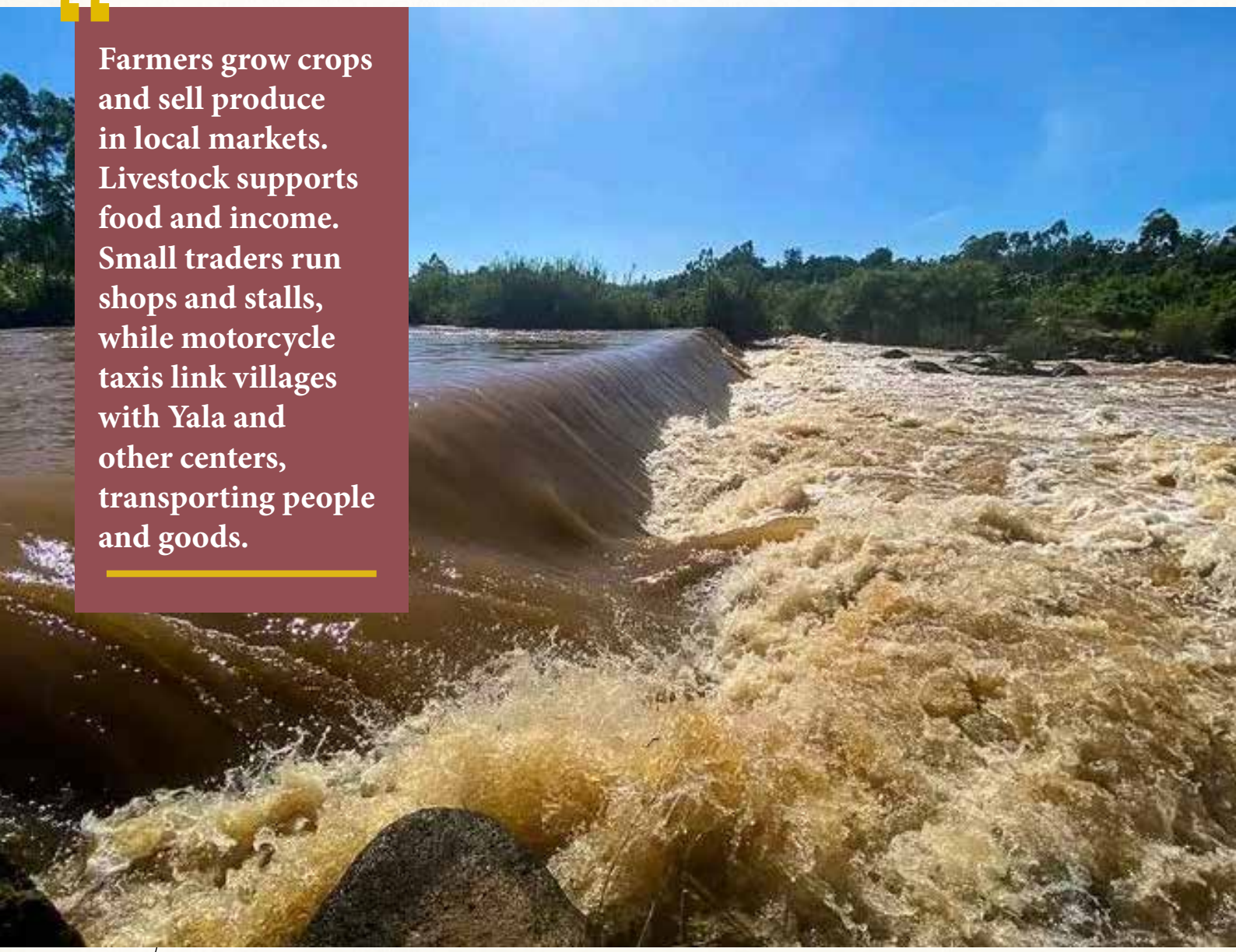
And for those planning its future, the task is to improve the visitor experience without compromising the natural environment that makes the place worth visiting.

The river has already provided the attraction. The opportunity now is to build around it carefully, so that visitors can enjoy Ndanu, local businesses can benefit from their presence and the River Yala and its surroundings remain an asset for the future.

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Farmers grow crops and sell produce in local markets. Livestock supports food and income. Small traders run shops and stalls, while motorcycle taxis link villages with Yala and other centers, transporting people and goods.





Deploying Ai Agents In Finance

Balancing Automation, Tax Strategy, and Human Oversight

By Derek Mutiso

A few weeks ago, a colleague at work found himself in a relatively familiar dilemma: two spreadsheets, plenty of transactions, and totals that stubbornly refused to balance.

After a few rounds of formulas and cross-checking, he turned to me and asked, "Do you remember the formula we use for reconciliation?"

I suggested we try something different. We uploaded both spreadsheets into an AI-enabled tool and asked it, in plain English, to compare the two files, identify the discrepancies, and show us which transactions appeared in one sheet but not the other. Within seconds, it produced the differences.

For decades, accounting software executed predefined instructions. Today's AI models can move a step further – they can draft preliminary reconciliations, summarise variance reports, and offer operational insights – all this before a human even touches the file. Rather than replacing the accountant, this shift fundamentally elevates the role. As AI models handle the heavy lifting of initial data synthesis, accounting professionals can focus on high-value analysis, strategy, and risk management. The new challenge for professionals is learning how to manage these advanced digital workflows while maintaining rigorous oversight over every output.

The 3rd wave of AI

It is important to distinguish between traditional automation and the latest AI technology. Traditional accounting automation generally follows predetermined rules or formulas: If a transaction meets certain conditions, the software performs a specified action. Artificial intelligence goes a step further; it also needs less structured information to perform tasks. AI detects patterns across large datasets, then generates narrative explanations and interacts with users through natural language.

The next stage is what experts are calling agentic AI, or the third wave of artificial intelligence.

The first wave was predictive AI, which uses historical data to predict trends and make decisions. The second wave was generative AI, which can create content from prompts and hold human-like conversations. Agentic AI is all about execution. These models can carry out complex tasks autonomously. They can take on entire jobs – like crawling through code continuously to check for bugs.

Traditionally, an accountant carrying out a reconciliation exercise would probably download two datasets, paste them into Microsoft Excel, then use formulas such as XLOOKUP or SUMIFS, single out the differences, identify the exceptions and then submit a reconciliation report.

Tools like Microsoft's financial reconciliation agent show how AI agents are changing the game. The system can analyse two financial datasets, suggest reconciliation parameters, classify transactions as matched, potentially matched or unmatched, and generate a summary of the results. Depending on how much oversight an accounting team sets up, the system can act either as a guided assistant that pre-screens the data or as an automated process running behind the scenes.

This redefines the accountant's relationship with spreadsheets. Previously, professionals had to master both the accounting logic and the technical mechanics required to build the analysis. Today, an accountant can articulate the desired objective while AI handles the structural heavy lifting. Consequently, professional value is no longer tied to technical execution, but to higher-level judgment: framing the right questions, auditing inputs, dissecting anomalies, and ensuring the final output makes economic and accounting sense.

This redefines the accountant's relationship with spreadsheets. Previously, professionals had to master both the accounting logic and the technical mechanics required to build the analysis. Today, an accountant can articulate the desired objective while AI handles the structural heavy lifting. Consequently, professional value is no longer tied to technical execution, but to higher-level judgment: framing the right questions, auditing inputs, dissecting anomalies, and ensuring the final output makes economic and accounting sense.

Excel Is Becoming an AI Finance Platform

This development is particularly significant because it is happening within tools accountants already use in their day-to-day work. For many finance departments, Excel remains one of the most important accounting and analytical applications. Integrating AI directly into spreadsheets can therefore affect accountants more immediately than sophisticated standalone AI platforms.

With fairly simple prompts, an accountant is now able to ask an AI agent questions such as:

1. "Which transactions remain unreconciled?"
2. "Why did administrative expenses increase this quarter?"
3. "Identify unusual payments to suppliers."
4. "Compare actual expenses with budget and explain the largest variances."

The technology can perform calculations and produce summaries, but professional judgment remains critical.

AI may identify a transaction as unusual because it differs statistically from previous transactions. That does not necessarily mean that the transaction is incorrect or fraudulent. Equally, a transaction that appears statistically normal may still contain an accounting error. The accountant remains responsible for understanding the underlying business event.

Autonomous Finance

The longer-term direction is toward what is sometimes called autonomous finance: financial processes requiring progressively less manual intervention. Consider accounts payable.

A future AI-enabled workflow could potentially:

Receive an invoice; identify the supplier, amount and tax information; compare the invoice against a purchase order; check for duplicate invoices; suggest the accounting classification; route the transaction for approval; prepare the payment; update the accounting system; and highlight exceptions requiring human review.

The objective is not necessarily to remove the accountant. Rather, it is to automate routine processing while directing human attention toward exceptions, controls, analysis and decision-making. This transformation could affect reconciliation, accounts payable, accounts receivable, financial reporting, forecasting, audit preparation, tax compliance and management reporting. Consequently, the accountant of the future may spend less time compiling information and more time validating and interpreting it.

Kenya's AI reforms

These developments are not confined to global technology companies.

Kenya formally launched its National Artificial Intelligence Strategy 2025–2030 in March 2025. The strategy aims to develop the country's AI capabilities across digital infrastructure, data, research and innovation, skills development, governance, investment, ethics, and inclusion. The implementation framework aims to position Kenya as a regional leader in AI research, innovation and commercialisation while developing locally relevant applications.

For accountants, one of the most significant areas to watch is tax administration. The Kenya Revenue Authority has said it intends to rely more on data analytics, artificial intelligence, machine learning, and application programming interfaces to support modern tax administration. KRA is also establishing a Data Analytics Centre of Excellence,

designed to use advanced analytics, machine learning and AI to support tax-policy modelling, revenue collection, compliance improvement and tax-fraud detection. This has important consequences for businesses and their accountants.

Historically, tax compliance largely involved businesses maintaining records and periodically submitting information to the tax authority. In a more connected digital environment, tax authorities can potentially analyse substantially larger volumes of information, compare information from different sources and identify inconsistencies much faster. The implication is simple: the quality and consistency of accounting data are becoming increasingly important.

Finance Act 2026 and the Data-Driven Tax Environment

Kenya's Finance Act 2026 further signals this shift toward more digital tax administration. Among its tax-administration changes, the Act allows KRA to issue pre-populated tax returns based on information already available to the Authority. Taxpayers can review and amend the information before submission. Most Finance Act 2026 changes took effect on 1 July 2026, although certain measures have different commencement dates.

> **AI may identify a transaction as unusual because it differs statistically from previous transactions. That does not necessarily mean that the transaction is incorrect or fraudulent. Equally, a transaction that appears statistically normal may still contain an accounting error.**

The significance goes beyond convenience. A pre-populated return illustrates a shift in the relationship between accountants and the tax authority. Traditionally, accountants prepared information and submitted it to KRA. Increasingly, KRA may already possess significant information about a taxpayer before the taxpayer prepares the return.

The Government's FY 2026/27 programme goes further. It states that KRA intends to expand electronic invoicing, virtual electronic tax registers, point-of-sale integration and digital tax-administration systems to improve real-time visibility of transactions. It also identifies Ushuru GPT, advanced data analytics and artificial intelligence among the technologies intended to improve taxpayer support, compliance and revenue assurance.

Imagine what this could eventually mean. On one side of a transaction, a company's accounting system may use AI to capture invoices, reconcile payments, calculate taxes and prepare financial information. On the other side, the tax authority may use analytics and AI to compare electronic invoicing data, tax returns and other information and identify inconsistencies. Accounting may therefore gradually become a machine-readable conversation between increasingly intelligent systems. The accountant's responsibility will be to ensure that the information entering that ecosystem is accurate, complete, properly classified and supported by evidence.

How accurate is this new technology?

However, powerful technology introduces new risks. Suppose an AI system incorrectly classifies an expense as capital expenditure. What happens if the accountant accepts the recommendation without reviewing it? What if an AI-generated reconciliation incorrectly matches two transactions? What happens when confidential financial information is entered into an AI system without understanding where that data is processed? Who is responsible when an AI agent performs an incorrect action? These are not simply technology questions. They involve internal control, professional responsibility, governance, confidentiality and auditability.

Organisations adopting AI in finance will therefore require controls around system access, approval authority, segregation of duties, data protection and audit trails.

An AI agent should not simply be granted unlimited access because it makes a financial process more efficient. The fundamental principles of internal control remain relevant even when the person performing the task is no longer a person.

The Accountant Must Remain in Control

Artificial intelligence is already proving to be one of the most consequential technological changes the accounting profession has experienced. We are moving from accounting software that records transactions to systems that can analyse them; from spreadsheets that require formulas to tools that understand natural-language instructions. Kenya is simultaneously developing a national AI strategy and a more digitally connected tax-administration environment. Globally, the United Nations has begun bringing countries together to consider how to govern increasingly powerful AI.

These developments point toward the same conclusion: the future of accounting will not simply be about learning how to use artificial intelligence. It will be about learning how to control, question and supervise it.

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Nature and Nurture: What Shapes the Adult?

The Challenge Is to Exercise Authority Without Discouraging Independent Thought

When parents let children make mistakes, discuss what went wrong and accept the consequences of their actions, they create opportunities to develop judgement and accountability.

Compiled by Angela Mutiso

The way a child is raised can leave its mark years later, sometimes in unexpected ways.

A person who was constantly rescued from discomfort may grow into an adult who finds it difficult to accept frustration, while another, raised with affection alongside clear boundaries, may learn to take responsibility when things go wrong. But can adult behaviour really be traced back to childhood?

Ms Theresia Meli, a scholar in counselling psychology, cautions against placing the responsibility entirely on either upbringing or biology. "One cannot credit or blame nature or nurture because what the individual becomes is a subtle relationship between inherited traits and habitat," she says.

Her observation captures one of the enduring questions in parenting: how much of an individual's character is inherited, and how much develops through upbringing and experience? Why do some people respond to disappointment by examining their own actions, while others quickly blame those around them? Although temperament and circumstances differ, the family environment can influence how children learn to manage frustration, relate to others and take responsibility for their decisions.

For many couples, the desire to raise respectful, hardworking and successful children comes naturally. What is less straightforward is agreeing on how to achieve this. The arrival of a child can expose differences in values and expectations that were less apparent before parenthood, particularly when partners have different ideas about discipline, affection and the responsibilities of raising a family.

The experiences of Raphael Kako and Gabriel Kana illustrate how contrasting parenting approaches may shape the attitudes children carry into adulthood. Their names are fictional, but the situations draw on familiar family experiences. Neither story offers a complete explanation of how an individual develops; rather, both provide a starting point for examining the relationship between childhood experiences and adult behaviour.

When affection leaves little room for independence

Kako was born in the Nakuru area when his mother was 18. His father, Shirk, was 32, university-educated and worked as a District Officer. His position gave him considerable authority in the community, while the arrival of a child brought excitement to relatives who had long awaited a new member of the family.

His aunts and grand-aunts took turns caring for him, responding promptly whenever he cried. They gave him affectionate names associated with powerful animals, including the lion and the cock, and fre-

quently checked whether he was hungry or uncomfortable. He was at times breastfed even when hunger was not the reason for his distress. Shirk played a limited role in his son's early care. In their family setting, women primarily cared for young children, while men were expected to provide for the household and exercise authority. Traditional beliefs also influenced how fathers interacted with very young children.

Her observation captures one of the enduring questions in parenting: how much of an individual's character is inherited, and how much develops through upbringing and experience? Why do some people respond to disappointment by examining their own actions, while others quickly blame those around them? Although temperament and circumstances differ, the family environment can influence how children learn to manage frustration, relate to others and take responsibility for their decisions.

Kako consequently grew up with plenty of attention, with adults often stepping in to ease his discomfort. Affection and attentive care matter in childhood, but how parents and other caregivers respond to a child's needs matters too. As Meli's observation suggests, development involves an interaction between inherited traits and the environment. The question is not whether children should receive affection, but how to balance care with opportunities to develop independence and cope with frustration.

At school, Kako was intelligent and performed well, but he wanted to be the best. When his results fell short of his expectations, he often blamed teachers or classmates rather than considering what he could have done differently. His confidence, eloquence and easy manner made him popular, and as he grew older, these qualities attracted the attention of women around him. One of them was Gladys, with whom he developed a close relationship. She later left for Canada to pursue postgraduate studies.

When Gladys returned six years later, she found that Kako had fathered some children with different women but had not married. Within six months, she and Kako were married in church, apparently beginning a new chapter in their relationship. Marriage, however, introduced responsibilities that affection alone could not resolve. After they had three children, Kako often came home late and expected dinner and attention from his exhausted wife. When Gladys raised concerns about sharing household responsibilities, he interpreted them as criticism rather than an attempt to address a problem. Their disagreements became increasingly bitter, and the relationship eventually turned emotionally abusive. Gladys decided to leave.

His childhood may have influenced his expectations of others, but it cannot fully explain his conduct. His temperament, later experiences and personal decisions mattered too. Growing up in an environment where others frequently anticipated his needs may have made it harder for him to accommodate competing demands. Still, it did not remove his responsibility for how he treated his wife. His behaviour as an adult was not an inevitable consequence of being indulged as a child.

Affection with accountability

Gabriel Kana grew up in Malindi, where both his parents worked as high school teachers. His upbringing was affectionate but structured. When he cried, his mother comforted him while trying to establish whether he was hungry, tired or in need of reassurance. As he grew older, his parents expected him to take responsibility for his actions. If he hurt himself, they encouraged him to understand what happened and be more careful next time rather than simply blaming circumstances. They set rules, explained their reasoning and treated mistakes as opportunities to learn instead of occasions for humiliation.

Kana was encouraged to express his opinions, provided he could explain his reasoning. His parents allowed disagreement without treating every difference of opinion as disrespect. In their home, correction did not necessarily mean rejection, and mistakes did not diminish a child's worth.

Like other students, Kana sometimes failed to meet expectations. After performing poorly in an examination because he had not prepared adequately, he initially blamed the difficulty of the test. His parents listened to his explanation but encouraged him to examine his study habits. He adjusted his preparation for the next examination, learning to consider his own contribution to an outcome before blaming others.

This approach illustrates an important aspect of parenting: children can be held accountable without being

shamed. Meli's perspective on the interaction between individual traits and the environment offers a useful lens for understanding these experiences. When parents acknowledge a child's frustration while encouraging reflection, they can help the child learn from mistakes rather than fear failure or avoid responsibility.

Kana went on to study law at university and later worked with legal aid organisations, where his interest in public service found expression. Through public interest cases, he developed a reputation for diligence, sound legal reasoning and integrity, eventually taking up a senior legal advisory role. His upbringing provided a foundation, but his achievements also reflected his abilities, education, opportunities and choices. His parents could guide him and encourage responsible conduct, but his professional development depended on much more than the lessons he learnt at home.

Kako consequently grew up with plenty of attention, with adults often stepping in to ease his discomfort. Affection and attentive care matter in childhood, but how parents and other caregivers respond to a child's needs matters too. As Meli's observation suggests, development involves an interaction between inherited traits and the environment. The question is not whether children should receive affection, but how to balance care with opportunities to develop independence and cope with frustration.

The limits and influence of parenting

The contrast between Kako and Kana is not simply a story of one family getting parenting right and another getting it wrong. Children have different temperaments, and even siblings raised in the same household may respond differently to similar experiences. Birth order, schooling, friendships, social expectations and experiences later in life can influence behaviour in ways parents cannot always anticipate.

Nevertheless, the family remains an important setting in which children begin to learn how relationships work. Affection gives them a sense of security, while reasonable boundaries help them understand that their needs are not the only ones that matter. When parents let children make mistakes, discuss what went wrong and accept the consequences of their actions, they create opportunities to develop judgement and accountability.

This does not mean parents should withhold comfort or become harsh in the name of discipline. Children need to know they can seek help when they are struggling. They also need guidance that helps them distinguish between receiving support and expecting others to solve every problem for them. The challenge is to provide care without removing every opportunity for growth, and to exercise authority without discouraging independent thought.

Nature and nurture work together to shape an individual, alongside experiences and decisions later in life. Parents cannot determine exactly who their children will become. Still, they can influence the environment in which they learn to handle disappointments, respect others and take responsibility for their choices. That influence may not dictate the outcome, but it can help lay the groundwork for how they approach adulthood.

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Life Begins At Forty! Rethinking Midlife For Today's Professionals

By CPA Peter Mutui

Few quotes have endured as long or resonated as widely as Walter B. Pitkin's famous assertion that *"Life Begins at Forty."* Pitkin (1932), an American philosopher, argued that middle age brings greater wisdom, confidence, and opportunity.

He believed that turning 40 marks the beginning of a more productive stage of life, where accumulated experience translates into lasting personal and professional fulfilment.

Nearly a century later, the sentiment remains relevant, but the world of work has changed significantly. For today's professionals, business leaders, and entrepreneurs, turning forty is no longer simply a milestone to celebrate. It signals the beginning of one of life's most significant transitions, shaped by rapid technological change, evolving career expectations, and increasing personal responsibilities.

The World Economic Forum (2025) estimates that nearly 39% of workers' core skills will change by 2030. Likewise, IFAC (2024) and ACCA (2024) emphasise that future-ready professionals must complement technical expertise with digital capability, strategic thinking, and lifelong learning.

Beyond the workplace, midlife brings new personal demands. Many professionals finance their children's education, support ageing parents, prepare for retirement, and manage increasingly demanding careers. At the same time, lifestyle-related conditions such as hypertension, diabetes, obesity, and chronic stress have become more prevalent. According to the World Health Organisation (2023), non-communicable diseases account for about 74% of global deaths, highlighting that healthy ageing is fundamental to sustained professional performance.

The question is therefore no longer whether life begins at 40. Rather, it is whether we are adequately prepared for what midlife demands. Technical competence and career success remain important, but they are no longer sufficient. Thriving in today's midlife requires adaptability, continuous learning, financial resilience, good health, and purposeful leadership. This article explores the realities of modern midlife and introduces the **PREPARE™ Framework for Midlife Success** as a practical roadmap for navigating this important stage of life.

The Changing Landscape of Midlife

Midlife today is very different from what it was a generation ago. Advancements in healthcare, technological innovation,

changing career patterns, and evolving family structures have transformed what it means to be middle aged. What was once seen as a period of career stability and preparation for retirement has become a dynamic phase that requires continuous learning, adaptability, and deliberate planning.

One of the most significant drivers of this change is increased longevity. WHO (2024) projects that the global population aged 60 years and above will rise from 1.0 billion in 2020 to 1.4 billion by 2030, reaching 2.1 billion by 2050. Long life expectancy creates opportunities for consulting, entrepreneurship, mentoring, and board service. However, it also demands solid retirement planning, lifelong learning, financial security, and healthy ageing.

Technology is another defining force. Artificial intelligence, automation, and digital transformation are reshaping industries and redefining professional competencies. According to the *Future of Jobs Report 2025*, technological change is expected to create 170 million new jobs while displacing approximately 92 million by 2030. Experience alone is therefore no longer enough. Professionals must continually strengthen their digital literacy, leadership capabilities, and adaptability to remain relevant.

> **Career success no longer guarantees job security: Experience and seniority no longer assure career stability. Rapid technological change, organisational restructuring, and evolving business models require professionals to update their skills continually.**

Health has also become a defining feature of modern midlife. Long working hours, sedentary lifestyles, prolonged screen time, unhealthy diets, and chronic workplace stress have contributed to a growing burden of non-communicable diseases. Beyond affecting individual wellbeing, these conditions reduce productivity, increase healthcare costs, and shorten healthy working lives (WHO, 2023). Increasingly, organisations recognise employee wellbeing as a strategic driver of performance and resilience, not merely a welfare concern.

Family responsibilities have become equally demanding. Many professionals now belong to the *sandwich generation*, simultaneously supporting children through higher education while caring for ageing parents. The United Nations (2023) estimates that by 2050, one in six people worldwide will be aged 65 years or older, increasing the demand for family caregiving and long-term financial support. In Kenya and across Africa, these responsibilities are often intensified by strong cultural expectations and extended family obligations.

These demographic, technological, economic, and social changes have redefined midlife. Today's professionals rarely face a single transition in isolation. Career uncertainty often coincides with growing family responsibilities, changing health needs, financial commitments, and a deeper search for purpose. Understanding this changing landscape is the first step toward preparing for the realities of modern midlife.

Midlife Realities Every Professional Will Likely Experience

Midlife is often viewed as the peak of professional achievement. By this stage, many individuals have built successful careers, gained valuable experience, and taken on leadership responsibilities. Yet these accomplishments often coincide with some of life's most demanding transitions. Professionals often navigate increasing family responsibilities, evolving career expectations, financial pressures, and changing health needs at the same time. Recognising these realities is not intended to create anxiety but to encourage deliberate preparation for the opportunities and responsibilities that define this stage of life (Bridges, 2019; OECD, 2024).

Relationships become increasingly vulnerable: Professional success often comes at a personal cost. Long working hours, demanding leadership roles, and frequent travel can gradually reduce the time and emotional energy invested in family and close relationships. Research from the Harvard Study of Adult Development shows that strong relationships are among the greatest predictors of happiness, good health, and longevity. At the same time, loneliness and unresolved conflict undermine both physical and mental well-being (Waldinger & Schulz, 2023).

Parenting becomes complicated: Contrary to popular belief, parenting rarely becomes easier as children grow older. Adolescence and early adulthood demand greater guidance on education, careers, digital and social media risks, and emotional wellbeing. Rising education costs, delayed employment, and increasing housing costs also mean many young adults depend on parental financial and emotional support much longer than previous generations (OECD, 2024; UNICEF, 2023).

Career success no longer guarantees job security: Experience and seniority no longer assure career stability. Rapid technological change, organisational restructuring, and evolving business models require professionals to update their skills continually. The *Future of Jobs Report 2025* estimates that about 39% of workers' core skills will change by 2030, making adaptability, digital literacy, and lifelong learning essential. IFAC (2024) and ACCA (2024) similarly emphasise that accountants and finance professionals must combine technical expertise with digital capability and strategic advisory skills.

Professional influence is temporary: Leadership positions and professional recognition are rarely permanent. Ca-

reer transitions, restructuring, and retirement inevitably change one's formal influence. Sustainable leadership therefore depends less on titles than on integrity, mentoring, knowledge sharing, and developing future leaders. The more enduring question is not *"How high did we rise?"* but *"Whose lives did we positively influence?"* (Kouzes & Posner, 2023; Northouse, 2022).

Health becomes increasingly vulnerable: Many professionals spend years building successful careers while assuming good health will remain constant. During midlife, however, prolonged stress, sedentary lifestyles, poor nutrition, and inadequate sleep often manifest as hypertension, diabetes, cardiovascular disease, and mental health challenges (WHO,2023).

Ageing parents require more support: Midlife often reverses family roles as ageing parents increasingly depend on their adult children for emotional, financial, and practical support. The United Nations (2023) projects that by 2050, one in six people globally will be aged 65 years or older. In Kenya and many African societies, where family care remains a strong cultural expectation, these responsibilities place significant demands on working professionals (HelpAge International, 2023).

Success is measured differently: Perhaps the greatest midlife transformation is internal. Success gradually becomes less about promotions, income, and status and more about purpose, relationships, health, and contribution to society. Findings from the Harvard Study of Adult Development indicate that lasting happiness depends more on meaningful relationships and a sense of purpose than on wealth or occupational status (Waldinger & Schulz, 2023). Brooks (2023) similarly argues that fulfilment in later life increasingly comes from service, wisdom, and personal growth rather than continual career advancement.

Thriving During Midlife and Beyond

Recognising the realities of midlife is only the first step; the big challenge is how professionals respond. Those who thrive during this stage do so through intentional preparation instead of passive expectations. They keep learning, invest in their health, strengthen relationships, and proactively prepare for future transitions (Bridges, 2019; OECD, 2024).

Drawing on these realities, this article proposes the **PREPARE™ Framework for Midlife Success**-a practical roadmap for remaining relevant, resilient, and fulfilled throughout the second half of one's career and life. **PREPARE™ recommends:**

- ***P-Plan Financially*:** Build financial resilience by reviewing retirement plans, reducing unnecessary debt, diversifying investments, and preparing for children's education, healthcare, ageing parents, and retirement (OECD, 2024; World Bank, 2024).
- ***R-Renew Your Health:*** Prioritise regular exercise, balanced nutrition, quality sleep, preventive healthcare, and effective stress management. Good health remains the foundation of sustained personal and professional performance (GBD 2021 Collaborators, 2024; WHO, 2023).
- ***E-Embrace Lifelong Learning:*** Rapid technological change demands continuous learning. Professionals should strengthen digital capability, leadership skills, and strategic thinking to remain relevant in an evolving workplace (IFAC, 2024; ACCA, 2024; WEF, 2025).
- ***P-Prioritize Relationships:*** Strong family relationships, trusted friendships, and supportive professional networks provide resilience during life's transitions. Meaningful human connections strengthen lasting success (Waldinger & Schulz, 2023).
- ***A-Adapt to Change:*** Change is no longer an occasional disruption but a constant feature of professional life. Staying flexible, innovative, and open to new opportunities helps professionals thrive in uncertain environments (OECD, 2024; WEF, 2025).
- ***R-Reinforce Purpose:*** As careers mature, fulfilment increasingly comes from serving others, contributing to society, and aligning work with personal values. Purpose provides direction, resilience, and deeper satisfaction (Brooks, 2023; Seligman, 2018).
- ***E-Establish a Legacy:*** Careers are ultimately remembered not by titles but by lasting contributions. Mentoring others, developing successors, strengthening institutions, and leading with integrity ensure that one's influence endures beyond formal leadership roles (Kouzes & Posner, 2023; Northouse, 2022).

The **PREPARE™ Framework** is not a one-time checklist but a lifelong guide for intentional living. Midlife is neither the beginning of decline nor a guarantee of success. It is a defining stage that rewards those who prepare deliberately.

Does Life Begin at Forty? Turning 40 is less about celebrating accumulated experience. It's more about preparing for a future that requires continuous learning, financial resilience, healthy living, adaptability, and purposeful leadership. The professionals who flourish are not necessarily those with the longest careers or the highest titles, but those who intentionally prepare for change.

Perhaps, then, the real question is not whether life begins at 40, but whether we are prepared to make the most of the years that follow. Midlife should not be viewed as the beginning of decline but as the beginning of great wisdom, renewed purpose, and broad impact. For those who prepare intentionally, the most meaningful chapters of their careers and their lives are still ahead.

The author is an economist and development finance professional with over 18 years of leadership experience in strategic planning, institutional development, public financial management, and industrial park development and management. He holds an MSc in Development Finance and an MA in Economics.

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Understanding El Niño's Global Ripple Effect

Compiled by Angela Mutiso

Selina, a mother of two living in rural Kenya, was busy with her usual chores in her modest home when floodwater suddenly began running across her compound and into the house.

Within minutes, she was scrambling to move her children and belongings to safety as the water continued to rise, fearing for their well-being and the little they owned.

What began as an ordinary day quickly turned into a desperate struggle to protect her family and their home. As muddy water filled her living room, Selina realized she might lose not just her possessions, but also her sense of security. Her story is one among thousands across East Africa, where El Niño's heavy rains have forced families to flee, damaged homes, and left lasting scars. The science behind El Niño explains the floods, but it is Selina's ordeal that shows the real, human cost when weather patterns shift.

El Niño begins in the tropical Pacific Ocean and occurs when trade winds that normally push warm surface water westward weaken, causing warm water to shift east and disrupt weather patterns worldwide. Normally, trade winds push warm water west and allow cooler water to rise in the east. During El Niño, this pattern reverses, altering atmospheric circulation and global climate.

In 2026, El Niño developed rapidly. The World Meteorological Organisation (WMO) expects a strong event, but cautions that local conditions and other climate patterns also affect its impact. This matters because El Niño influences rainfall, temperature, and weather patterns, and understanding these connections helps communities prepare for floods or drought.

Africa experiences El Niño differently across regions, seasons, and other climate influences. In the Greater Horn of Africa, El Niño is generally associated with wetter-than-normal conditions during the October–December short-rains season. The increase can be substantial in some years, raising the risk of flooding and landslides. At the same time, the northern parts of the region can experience suppressed rainfall during the June–September period. The relationship is therefore seasonal rather than a simple case of El Niño bringing rain to the entire region.

For the 2026 October–December season, the regional forecast is particularly relevant to Kenya and its neighbours. ICPAC expects wetter-than-normal conditions across much of the Greater Horn, with a 90% likelihood of enhanced rainfall over southern Ethiopia, central and southern Somalia and north-eastern Kenya. Some areas of

central Kenya, the Lake Victoria Basin, Burundi, western Rwanda and western Tanzania could receive more than 400 millimetres during the season.

For communities in flood-prone areas, such rainfall can bring serious risks-risks that became all too real for Selina. Rivers may rise rapidly, roads and bridges can be damaged, homes can be inundated, and landslides can affect settlements and transport routes. Heavy rainfall can disrupt farming, even when the season's long-term effects may benefit water resources. Flooding can destroy crops, wash away soil and livestock, and interrupt access to markets. For families like Selina's, these events mean not only physical loss but deep uncertainty about their future.

Rivers may rise rapidly, roads and bridges can be damaged, homes can be inundated, and landslides can affect settlements and transport routes. Heavy rainfall can disrupt farming, even when the season's long-term effects may benefit water resources. Flooding can destroy crops, wash away soil and livestock, and interrupt access to markets. For families like Selina's, these events mean not only physical loss but deep uncertainty about their future.

The health consequences can be equally significant. Floods can contaminate drinking-water sources and disrupt sanitation systems, increasing the risk of waterborne disease. Standing water can create favourable conditions for mosquitoes, although the relationship between rainfall, mosquito populations and diseases such as malaria is complex and varies by location. Past El Niño episodes have been associated with changes in malaria risk in parts of East Africa.

Further south, Southern Africa often faces reduced rainfall during El Niño, threatening rain-fed agriculture and livestock.

The 2023–24 El Niño caused severe drought in Southern Africa, impacting crops, livestock, and food security. Several countries declared drought emergencies, and maize production prospects declined sharply.

Drought affects more than farming: poor harvests lower incomes, increase food import needs, raise prices, and strain water, energy, and business sectors.

West Africa often sees less rain during El Niño, especially in the Sahel, while eastern Africa gets wetter. This shows why El Niño's effects are not uniform across the continent.

When Weather Becomes an Economic Issue

The effects of El Niño become most visible when weather disruptions move through food, water, energy and transport systems. Agriculture is particularly exposed. Much of sub-Saharan Africa's farming remains dependent on rainfall, making farmers vulnerable when rains arrive too late, become excessive or fail altogether. A drought in one major producing region can reduce supplies and increase import requirements, while floods elsewhere can destroy crops and disrupt roads linking farmers to markets.

The 2023–24 Southern African drought demonstrated how quickly these pressures can spread. FAO reported that the expected maize shortfall was likely to increase food insecurity, domestic prices and import needs, particularly because maize is a major staple in the subregion.

Energy systems are similarly exposed. Hydropower depends on adequate water flows and reservoir levels, so that prolonged drought can reduce electricity generation. At the other extreme, floods can damage roads, substations and other infrastructure, making it harder to maintain reliable services.

Transport and trade can also suffer. When roads and bridges are washed away, or agricultural production falls, the cost of moving food and other goods can rise. For rural communities, a damaged road may mean more than an inconvenience: it can delay access to markets, health services and essential supplies.

These effects show why El Niño should not be treated solely as a meteorological event. Its consequences can move through entire economies, from farms and households to businesses, governments and consumers.

Preparing Before the Rains or Drought Arrives

The most effective response to El Niño is not necessarily to wait for the event and react to the damage. Seasonal forecasts create a window for anticipatory action. For farmers in drought-prone areas, this can mean choosing crops and varieties better suited to expected rainfall conditions, adjusting planting decisions and protecting livestock through improved access to water and feed. During the 2023–24 Southern African drought, anticipatory programmes supported measures such as drought-resistant seeds and livestock protection. FAO, IFRC and WFP reported that such early action helped reduce losses in several countries.

A forecast cannot stop a flood or bring rain to a drought-stricken field. But if it reaches the right people early enough, it can influence where livestock are moved, what farmers plant, how reservoirs are managed, where emergency supplies are positioned and which communities receive early warnings.

In areas facing excessive rainfall, preparation takes a different form. Local authorities can clear drainage channels, identify flood-prone settlements and roads, strengthen early-warning systems and prepare evacuation arrangements before heavy rains arrive. Farmers can protect stored grain and equipment, move livestock away from flood-prone areas and use weather information to guide planting and harvesting decisions.

Water and sanitation systems require particular attention. Communities in flood-prone areas can protect drinking-water sources, prepare safe-water supplies and strengthen sanitation measures. Health authorities can use seasonal forecasts to anticipate increased pressure on health facilities and communicate practical advice on water safety and disease prevention. Cities need their own preparedness plans. Rapid urbanisation has increased the number of people and assets exposed to flooding in many African cities. Blocked drainage systems, construction in flood-prone areas and inadequate storm-water infrastructure can turn intense rainfall into a major urban emergency.

The wider lesson is that climate information becomes most valuable when it is translated into decisions. Farmers need information they can use in the field. County governments need forecasts that can guide infrastructure and emergency planning. Energy managers need to understand possible changes in water availability. Health authorities need to know where additional risks may emerge.

From Prediction to Resilience

El Niño cannot be prevented. Its occurrence is part of the natural climate system, and scientists cannot determine precisely how every region will respond to an individual event. What societies can change is how they prepare for the risks it creates. This is particularly important in a warming world. Climate change does not mean that El Niño itself is necessarily becoming more frequent or intense; WMO says there is currently no evidence that it is. But a warmer atmosphere and ocean can increase the amount of heat and moisture available to some extreme weather events, potentially amplifying the consequences when El Niño occurs.

The 2026 event therefore arrives with both a warning and an opportunity. WMO's forecasts indicate that El Niño is likely to persist into early 2027 and could become very strong, while regional climate centres are already translating the global signal into forecasts for specific seasons and locations. For Africa, the challenge is to make that information useful before the crisis arrives. A forecast cannot stop a flood or bring rain to a drought-stricken field. But if it reaches the right people early enough, it can influence where livestock are moved, what farmers plant, how reservoirs are managed, where emergency supplies are positioned and which communities receive early warnings.

That eventually is the value of understanding El Niño. The phenomenon begins in the Pacific, but resilience is built much closer to home - on the ground, in the lives of people like Selina. Today, Selina is rebuilding. Her story is a reminder that while forecasts and warnings are vital, the true test of resilience lies in supporting families and communities as they recover, adapt, and look to the future with hope.

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ICPAK, ODPP Move to Deepen Collaboration Against Economic Crime

On 10 September 2026, ICPAK paid a courtesy call on the Office of the Director of Public Prosecutions (ODPP) to deepen the working relationship that the two institutions established in 2019.

The discussions focused on strengthening financial accountability and tackling economic crime, including protecting whistle-blowers, combating accountancy masqueraders and enhancing prosecutors' capacity to interrogate financial evidence.

The two institutions also explored opportunities around forensic accounting, expert-witness support, structured information sharing and formalising the partnership through a Memorandum of Understanding (MoU).

The ICPAK delegation was led by Senior Manager, Public Policy and Research, Elias Wakhisi; Head of Legal Services, Advocate Christabel Kaiwa; and Head of PR & Communications, Mercelline Maroma, MPRSK.









ICPAK Eastern Branch Explores IFRS, IPSAS and Carbon Credits in Kitui

On 20 August 2026, Professional Accountants in the Eastern Branch gathered in Kitui for training on IFRS, IPSAS and Understanding Carbon Credits.

The two-day session, running from 20-21 August 2026, explores the evolving landscape of financial reporting, carbon markets and sustainability.

As the world moves towards a low-carbon economy, accountants have an increasingly important role in measuring, reporting and strengthening accountability around climate-related transactions and decisions.





7th ICPAK Research Conference

The 7th ICPAK Research Conference was held from 12–14 August 2026 at the CPA Centre Auditorium, bringing together researchers, practitioners and stakeholders for three days of research, dialogue and knowledge exchange.

The conference provided a platform to present and discuss research on emerging issues in the accountancy profession, strengthening evidence-based thinking and supporting informed decision-making.

Congratulations to all our presenters on receiving their certificates! Your research, expertise, and thought-provoking insights enriched the discussions and helped advance the profession. We also extend our appreciation to the reviewers, session chairs, Research and Development Committee, PPR Secretariat and delegates whose contributions helped make the conference a success.

Together, we continue to create space for research that informs practice, challenges thinking and shapes the future of accountancy.









The Annual Practitioners Convention

ICPAK held the Annual Practitioners Convention from 10–14 August 2026 at PrideInn Paradise, bringing together accountants, industry experts and other professionals for five days of learning, collaboration and professional growth.

The Convention explored key issues shaping the profession, including technology and AI, audit quality, AML/CFT, taxation, sustainability and emerging developments. The sessions offered practical insights, encouraged knowledge exchange and created opportunities for professionals to connect and learn from one another.

A heartfelt thank you to our speakers, delegates, facilitators and partners for sharing their expertise and contributing to meaningful discussions throughout the Convention.

Your participation continues to strengthen conversations around quality, efficiency, innovation and professional excellence.





ICPAK Young Leaders Conference 2026

ICPAK Young Leaders Conference 2026 was held from 26-28 August at the ICPAK Hasibu Auditorium, bringing together young professionals for three days of learning, connection and leadership development.

The conference provided a platform to exchange ideas, build meaningful networks and explore the skills, mindset and perspectives needed to navigate an evolving accountancy profession.

Through engaging sessions and thought-provoking conversations, young professionals gained insights to help them grow, lead and make a meaningful contribution to the profession. Here's to the next generation of leaders shaping the future of accountancy!



















ICPAK Q3 Charity Golf Tournament

On 28 August 2026, the ICPAK Q3 Charity Golf Tournament brought together golfers, members and partners for a day of competition, connection and giving back.

Congratulations to Titus Gichia (Represented), the Overall Winner, and Caroline Begi, the Ladies' Winner, on their outstanding performances.

Beyond the competition, the tournament supported the ICPAK Scholarship Fund, helping create opportunities through education and professional development.

We extend our sincere appreciation to our sponsors, partners and everyone who took part and contributed to making the tournament a success.



IPSAS Masterclass

From 24-28 August 2026, ICPAK held the IPSAS Masterclass, bringing together professionals for five days of learning, knowledge sharing and forward-looking discussions on public sector financial reporting.

The Masterclass explored key developments shaping public sector accountability, including IPSAS Accrual implementation, emerging IPSAS developments, sustainability and climate-related reporting, public financial management reforms, fiscal resilience and public value creation.

Through practical sessions and engaging discussions, participants examined how evolving reporting frameworks can support stronger financial management, accountability and informed decision-making in the public sector.

We thank our speakers, moderators and delegates for their expertise, insights and active participation in making the Masterclass a success.





ICPAK signs MOU with Makueni University

On 22nd September 2026, the Institute enhanced its collaborative approach of industry with academia by signing a Memorandum of Understanding (MoU) with Makueni University. The MoU is geared towards strengthening collaboration between the two institutions in areas of mutual interest.

The ICPAK delegation was led by the Chairman, CPA Prof. Elizabeth Kalunda, and included Council Members FCPA Georgina Malombe and CPA Wycliff Bichang'a; the Eastern Branch Executive Committee, led by CPA Felix Mulwa; and the ICPAK Secretariat, led by Hillary Onami, Director, Public Policy and Research.

The Makueni University delegation was led by the Principal, Prof. Jonathan Mwania, along with other University representatives.

The MoU provides a framework for collaboration in areas including research, professional development, capacity building, knowledge sharing, innovation and other areas of mutual interest.

Both parties emphasised the importance of implementing the MoU effectively to ensure the partnership delivers meaningful outcomes.

ICPAK remains committed to fostering strategic partnerships with institutions of higher learning that promote professional excellence, research, innovation and sustainable development







ICPAK and Makueni County Partner to Build the Capacity of MSMEs

On 22 September 2026, the Institute, in collaboration with the County Government of Makueni, conducted a capacity-building training for Micro, Small and Medium Enterprises (MSMEs) in Makueni County.

ICPAK Eastern Branch Vice Chairman, CPA Kelvin Kisavi, led the training alongside members of the Eastern Branch Executive Committee and the ICPAK Secretariat.

Makueni County CECM for Trade, Marketing, Industry, Culture & Tourism, Irene Nduku Makau, officially opened the training, which was attended by the Chief Officer for Trade, Marketing, Industry, Culture & Tourism, Dr Jossylyn Nzilani Mutua, the Director of Trade, and other county officials.

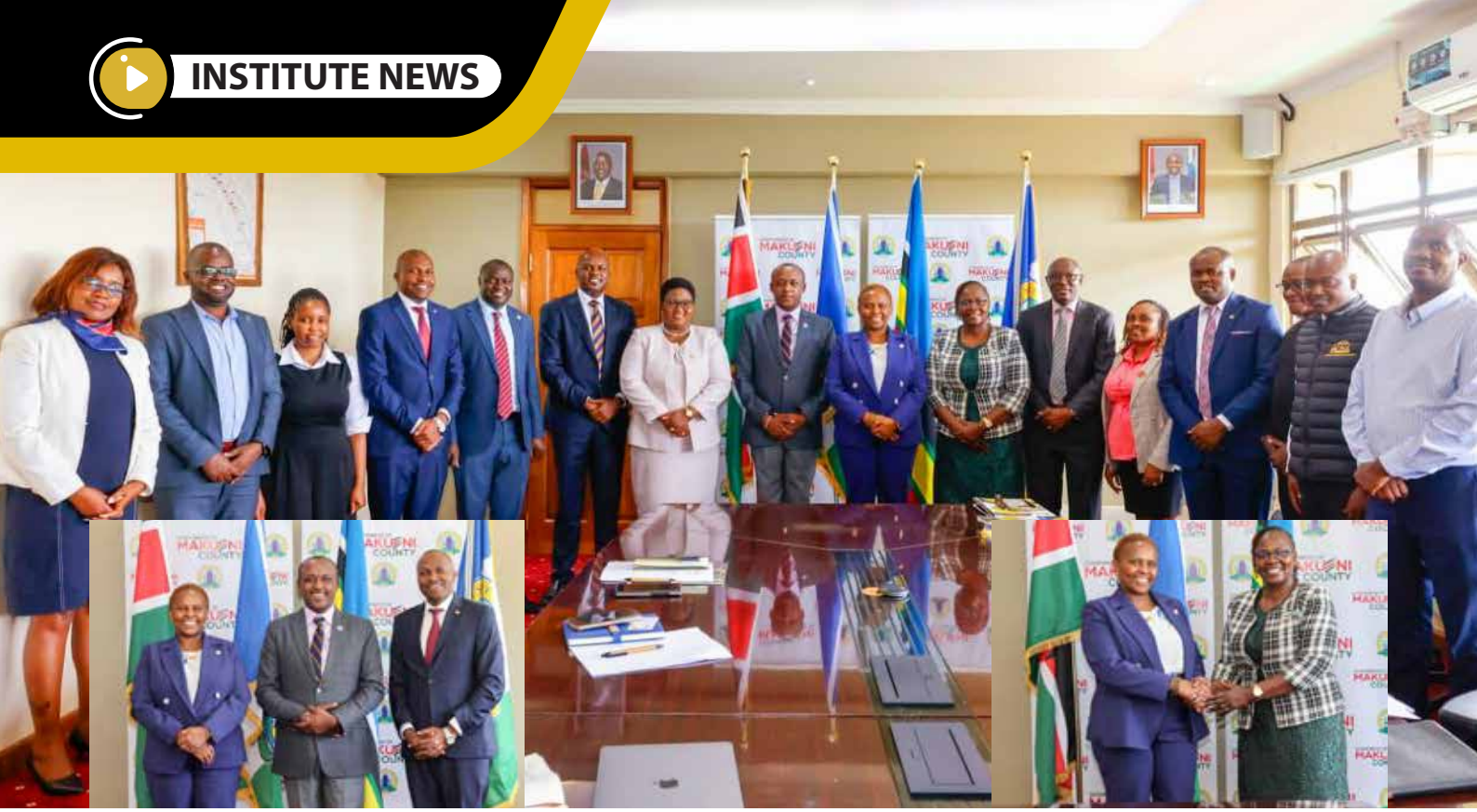
The engagement focused on equipping MSMEs with practical knowledge to strengthen their businesses, improve financial management and enhance tax compliance. It also provided a platform for ICPAK and the County Government to deepen collaboration in supporting MSMEs and promoting sustainable local economic development.

The initiative underscores ICPAK's commitment to sharing professional knowledge and expertise with MSMEs and county governments, while contributing to stronger businesses, improved accountability and enhanced economic growth.









ICPAK enhances its Engagement with Makueni County Government












14th Annual Tax Convention

From 14th to 18th September 2026, the Institute hosted its 14th Annual Tax Convention at Sarova Whitesands Beach Resort, Mombasa, bringing together tax professionals, policymakers, industry experts and other stakeholders to examine Kenya's evolving tax environment.

The Convention assessed emerging trends in tax enforcement at the national, regional and global levels and their implications for tax advisory and compliance practice.

Discussions highlighted structural gaps affecting revenue collection and economic visibility, as well as challenges such as system downtime.

Speaking at the Convention, KRA Chairman H.E. Ndiritu Muriithi underscored KRA's renewed focus on improving public services, simplifying processes and supporting taxpayers to remain compliant. He also committed to addressing penalties arising from system malfunctions.

The Convention has attracted a diverse range of delegates and speakers, fostering meaningful discussions on the future of tax administration and compliance.







Launch of IFRS Sustainability Reporting Readiness Report

On 17 September, ICPAK officially launched the IFRS Sustainability Reporting Readiness Report, marking an important step in understanding Kenya's preparedness for adopting IFRS S1 and IFRS S2.

The report assessed the readiness of Public Interest Entities across seven regulated **sectors**, providing insights into the current state of sustainability reporting, key gaps and areas requiring greater focus as organisations prepare for the phased adoption of the standards.

The findings highlight the need for stronger governance, strategy, risk management, and metrics and targets to support credible and decision-useful sustainability disclosures.

The launch brought together regulators, industry stakeholders, sustainability professionals and other key players to reflect on the findings and discuss the path towards stronger sustainability reporting practices in Kenya.







ICPAK North Rift Branch Pays a Courtesy Call to the County Assembly of Nandi

On 9th September 2026, the Institute of Certified Public Accountants of Kenya (ICPAK) North Rift Branch paid a courtesy call to the County Assembly of Nandi, reaffirming its commitment to strengthening public financial management and promoting accountability at the county level.

The delegation was received by CHRP Henry Tarus, Clerk of the County Assembly of Nandi; Deputy Clerk CS Isabella Maiyo; senior County Assembly leadership led by Hon. CPA Paul Birech; and other members of the accounting profession.

The ICPAK North Rift delegation was led by Branch Chairperson CPA Dr Ben Samoei and included Branch Secretary and CPD Convenor CPA Nelson Kore; Nandi Representative CPA Collins Too; and other members of the Executive Committee.

The discussions focused on potential areas of collaboration to strengthen public financial management, including capacity building and technical support to facilitate the transition to accrual accounting.

The teams also discussed the importance of improving the quality of financial reporting and strengthening internal controls to support unqualified audit opinions and zero-fault audits, among other matters of public interest.

To anchor and sustain the partnership, both parties agreed to formalise their collaboration through a Memorandum of Understanding (MoU). They further emphasised the importance of effective and timely implementation of the agreed areas of collaboration.

ICPAK remains committed to fostering strategic partnerships with county governments and other public institutions to drive sustainable public sector reforms, strengthen accountability, and promote excellence in public financial management across the counties.







ICPAK-KASNEB Forge a United Front to Shape Accountancy's Future

On 15 September, ICPAK and KASNEB convened at Serena Hotel, Nairobi, for their joint board meeting, reaffirming their shared commitment to strengthening the accountancy profession in Kenya.

Key discussions focused on reviewing KASNEB's accounting examination syllabuses, ICPAK's advisory on examination standards and policies under Section 8(d) of the Accountants Act, Cap. 531, and the ongoing review of the Act. The institutions also explored emerging trends in accountancy education and identified priority areas for deeper collaboration.

The ICPAK delegation was led by Chairman CPA Prof. Elizabeth Kalunda Muvui and CEO CPA Dr Grace Kamau, alongside council members CPA Jane Wachuka, CPA Olive Gitau and CPA Crispus Mbogo. KASNEB was represented by Board Chairman Dr Percy Opio, PhD, and Secretary/CEO FCPA Prof. Nicholas K. Letting, PhD, EBS, among other board members.

The engagement reaffirmed the two institutions' resolve to enhance the quality, relevance and credibility of accountancy education, ensuring the profession remains responsive to Kenya's evolving needs and global developments.





Mentorship at St. Barnabas Tegat Senior School -ICPAK North Rift Branch

On 15 September, the ICPAK North Rift team visited St. Barnabas Tegat Senior School in Emgwen Sub-County and conducted a mentorship session for 60 Form Four students.

The session focused on inspiring the students to pursue excellence, integrity, discipline and purpose as they prepare to transition into the next phase of their education and careers.

The team shared professional experiences, personal journeys and practical lessons, equipping the students with the confidence and resilience to navigate their future paths.

The school administration appreciated the ICPAK North Rift team for volunteering their time and expertise to provide career guidance, mentorship and positive role modelling to the students.

Through engagements such as these, ICPAK North Rift Branch continues to demonstrate the profession's commitment to nurturing the next generation of ethical, competent and purpose-driven leaders.





ICPAK CFO's Forum 2026

On 22 September 2026, ICPAK convened the CFO Forum at Radisson Blu Hotel, Nairobi, under the theme "Leveraging Technology and Sustainability for Long-Term Value Creation."

The forum brought together Chief Financial Officers and finance leaders to explore how technology and sustainability are reshaping the finance function and influencing long-term business value.

Discussions focused on the evolving role of CFOs in driving strategic decision-making, navigating technological change and integrating sustainability considerations into organisational growth and value creation.

The forum provided a platform for finance leaders to exchange insights, share experiences and reflect on the opportunities and challenges shaping the future of the CFO role.







Accountants Stepping up as Guardians of Electoral Integrity

On 15th September 2026, ICPAK paid a courtesy call on the Independent Electoral and Boundaries Commission (IEBC), reaffirming the critical role accountants play in safeguarding Kenya's electoral process.

The ICPAK delegation was led by Chairman CPA Prof. Elizabeth Kalunda and CEO CPA Dr Grace Kamau, alongside Council members FCPA Georgina Malombe, CPA Matthew Mukisu, CPA Wycliff Bichang'a and CPA Chrispus Mbogo, and the Secretariat. The IEBC delegation was led by its Chairman, Erastus Ethekon; Vice Chairman, Fahima Abdallah; Commissioner Prof. Francis Aduol; and Secretariat members led by CPA Obadiah Keitany, MBS.

Accountability being the backbone of credible elections, ICPAK propositioned that Accountants bring the financial discipline and integrity that elections demand, from auditing campaign finances in real time to serving as Presiding Officers, Returning Officers and Data Entry Assistants. This commitment is not new: in 2022 alone, ICPAK deployed more than 550 members as election observers, reflecting the profession's dedication to transparent, accountable polls.

During the engagement, both institutions explored deeper collaboration on implementing the Campaign Financing Regulations 2026, building political parties' capacity on financial compliance, and strengthening internal controls in results management and tallying. They also discussed opportunities to expand ICPAK members' participation in election observation, verification, and audit processes.





Advancing County Governance: ICPAK and Taita Taveta County Lay Groundwork for Partnership

On 14th October 2026, the Institute of Certified Public Accountants of Kenya (ICPAK), led by Chairman CPA Prof. Elizabeth Kalunda Muvui, held a consultative meeting with the Governor of Taita Taveta County, H.E. Dr. Andrew Mwadime, to discuss areas of mutual interest.

The discussions focused on possible collaboration on the Accountability Index and the MSME Scale-Up Programme. They also covered capacity building for county staff, opportunities for CPAs within the county, revenue generation from carbon credits, and joint research initiatives.

Council Members CPA Wycliff Bichang'a and CPA Olive Gitau accompanied the Chairman. The Coast Branch Executive Committee, led by Branch Chairperson CPA Emmaline Katana, was also present, along with other branch officials.

This engagement is expected to lead to a formal partnership agreement between ICPAK and the County Government of Taita Taveta. The partnership will strengthen the Institute's commitment to accountability, good governance, and economic growth at the county level.











ICPAK Awards Certificates to IFRS S1 and S2 Training Graduates

On 15 October 2026, ICPAK hosted a certificate award ceremony at the Hasibu Auditorium to recognise participants who completed the IFRS S1 and S2 training programme, organised in collaboration with the Pan African Federation of Accountants (PAFA) and The ESG Exchange.

Congratulations to all the graduates on this achievement. The knowledge gained will help strengthen the application of sustainability disclosure standards and advance sustainability reporting in Kenya.















ICPAK North Rift Branch Advances Student Mentorship at St. Michael's Top Station Senior School

On 9th October 2026, the Institute of Certified Public Accountants of Kenya (ICPAK) North Rift Branch continued to champion mentorship and career development through an impactful mentorship programme held at St. Michael's Top Station Senior School.

The initiative brought together 200 Business Studies students in an engaging session aimed at inspiring learners, nurturing their potential, and guiding them towards informed career choices.

The occasion was graced by ICPAK Council Member CPA Wycliff Bichanga, North Rift Branch Chairman Emeritus CPA Leonard Kibet, North Rift Branch Vice Chairman CPA Eric Rutto, Trans Nzoia Representative CPA Andrew Wepukhulu, Audit and Assurance Consultant CPA Eliakim Dianga, members of the Branch Executive Committee (EXCOM), and accountants from the Trans-Nzoia County Government.

During the session, students were introduced to ICPAK, its mandate, and its pivotal role in promoting professionalism, ethical conduct, and excellence in the accountancy profession.

To support environmental conservation and a conducive learning environment, the branch also participated in a tree-planting exercise.











Central Rift Branch visit to CBK Nakuru Centre.

On 8th October 2026, the Institute, through its Central Rift Branch, visited the Central Bank of Kenya Nakuru Centre as part of the ongoing CBK Engagement Week. CPA Jackie Siele, Centre Deputy Manager, welcomed the team.

The team held fruitful discussions on the opportunities available through CBK, including investing in Government Securities through the DhowCSD platform. They also explored how the branch can continue to create awareness and empower its members to take advantage of these opportunities.

The ICPAK team was led by the Branch Chair, CPA Mary Njoroge; the Secretary & CPD Convener, CPA Karanja Muturi; the Youth Representative, CPA Timothy Kimotho; and the Branch Coordinator, Henry Ngetich.



ICPAK ranks first globally in the National Category at the ISAR Honours 2026!

The Institute of Certified Public Accountants of Kenya has been recognised for leading Kenya's readiness to adopt IFRS S1 and S2. The award was presented during UNCTAD's 43rd ISAR session at the Palais des Nations, Geneva, with North Macedonia placing second and Nigeria third.

ISAR, the UN's Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, is the world's foremost forum on corporate reporting.

The honour recognises three ICPAK-led initiatives:

- Regulatory coherence: ICPAK convened Kenya's regulators behind a single, aligned approach
- Sector-specific illustrative disclosures: practical guidance developed by ICPAK for preparers
- A national Readiness Assessment: an evidence-based study ICPAK led to map where Kenya stands

With about KES 60 billion in green financing already raised in Kenya, credible sustainability disclosures are the foundation investors need to channel even more capital into our markets. ICPAK will keep leading the profession in building that foundation.

We thank the Multi-Stakeholder Committee on Sustainability and Climate Change, our regulators and partners who worked alongside us. Together, we have put Kenya on the global map.







10th National Lady Accountants Conference

From 28 September to 2 October 2026, we hosted the 10th National Lady Accountants Conference at Sarova Whitesands Beach Resort & Spa, Mombasa.

Held under the theme *"Empowering Ladies for Sustainable Leadership, Innovation, and Inclusive Growth in a Globalised World,"* the conference brought together women in the accountancy profession for meaningful conversations on leadership, innovation, professional growth, and the evolving role of women in shaping the profession's future.

A heartfelt thank you to our speakers, session chairs, moderators and delegates for sharing their expertise, perspectives and experiences, and for making the conference a success.

As we look back on the conference, we carry forward the ideas, connections and lessons shared, with a renewed commitment to advancing women's leadership and inclusive growth in the profession.















Unlocking Kakamega Wealth: Empowering MSMEs for Sustainable Growth

On 2nd October 2026, ICPAK - Western Branch, in collaboration with the Kenya National Chamber of Commerce and Industry (KNCCI) Kakamega Chapter, participated in the Kakamega Business Forum, themed "Unlocking Kakamega Wealth."

The forum brought together 153 business owners, giving MSMEs a platform to gain practical insights, connect with key institutions, and explore opportunities for business growth and sustainability.

As part of the engagement, ICPAK facilitated an MSME training session on taxation, bookkeeping and financial management, led by CPA Biket Okumu, equipping business owners with practical knowledge to strengthen financial management, compliance and decision-making.

CPA Lydia Kuloba, Western Branch Executive Committee member, represented the Branch. The forum brought together a diverse range of stakeholders, including KRA, MSEA, KEBS, KIE, Kakamega County Government, JICA, Absa Bank, KCB Bank, IG SACCO, and Lubao FM.

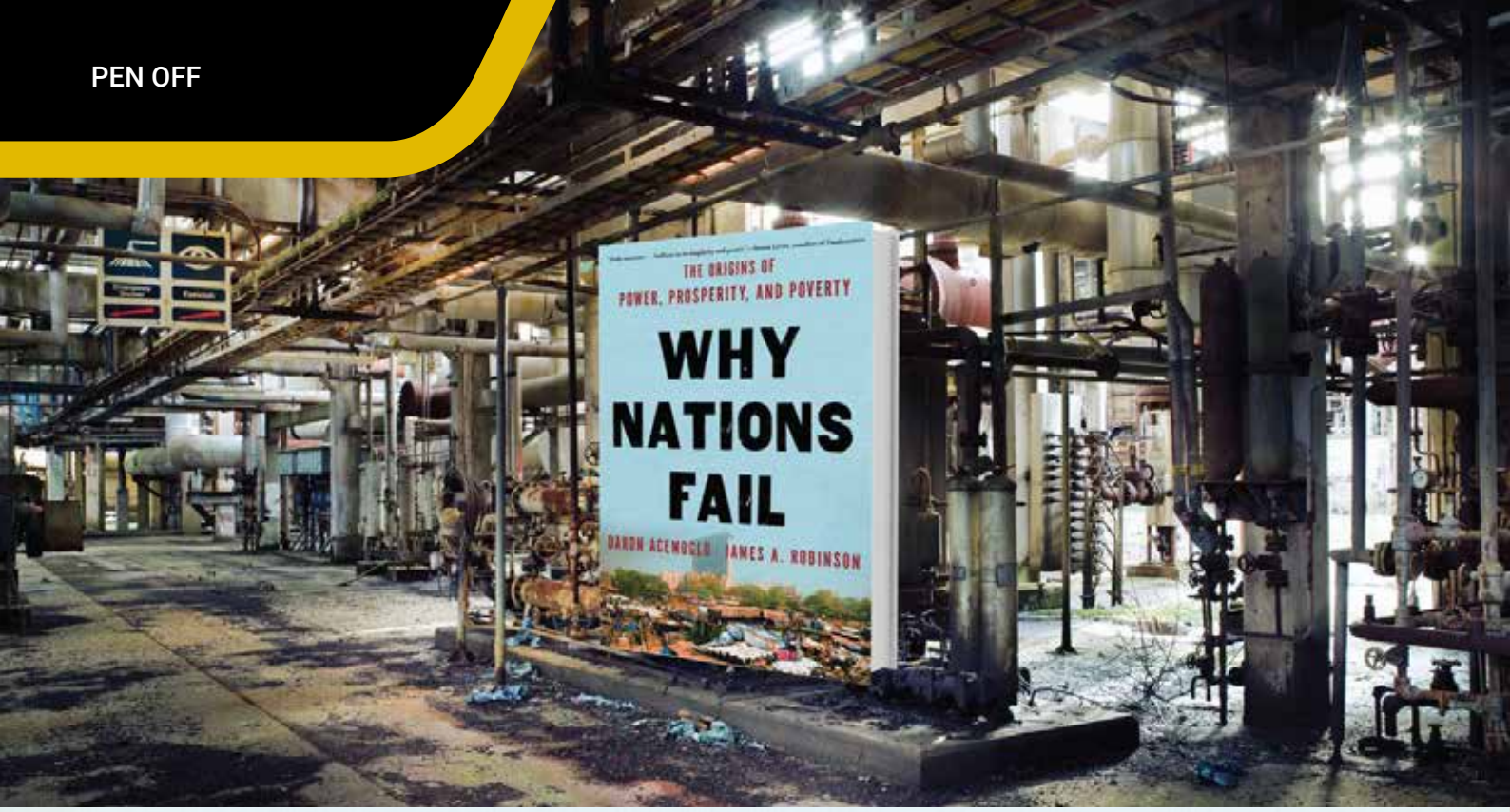
The Chief Guest, Dr. Barrack Otieno, Chief Executive Officer, Kakamega County Investment and Development Agency, underscored the importance of strengthening the MSME ecosystem and unlocking Kakamega County's economic potential.

ICPAK remains committed to supporting MSMEs through capacity building, financial literacy, sound financial management, and tax compliance.



Media Appearances





Why Nations Fail

Differences In Standard of Living Are Due to Institutional Design: *Daron Acemoglu and James Robinson*

By Jim McFie, a Fellow of ICPAK

The book "*Why Nations Fail*" was written by Daron Acemoglu and James Robinson, two renowned economists and political scientists who jointly won the 2024 Nobel Memorial Prize in Economic Sciences alongside Simon Johnson.

Daron Acemoglu was born in 1967 in Istanbul, Türkiye, of Armenian descent. His father, Kevork Acemoglu (1938–1988), was a commercial lawyer and lecturer at Istanbul University. His mother, Irma Acemoglu, was a poet and the principal of Aramyan Uncuyan, an Armenian elementary school in Kadıköy, which he attended before graduating from Galatasaray High School in 1986. He became interested in politics and economics as a teenager. He went to the University of York, where he earned a BA in economics in 1989, then to the London School of Economics (LSE), where he earned an MSc in econometrics and mathematical economics in 1990 and a PhD in economics in 1992. His doctoral thesis was titled *Essays in Microfoundations of Macroeconomics: Contracts and Economic Performance*. James Malcomson, one of his doctoral examiners at the LSE, said that even the weakest three of the seven chapters of his thesis were "more than sufficient for the award of a PhD." Acemoglu lectured in economics at the LSE from 1992 to 1993. In 1993, he moved to MIT, where he was appointed assistant professor; in 1997, he became the Pentti Kouri Associate Professor of Economics and was tenured in 1998. In July 2019, he was named an Institute Professor, MIT's highest faculty honour. He has mentored more than 60 PhD students. In 2014, he made $841,380, making him one of MIT's top earners.

James Robinson was born in 1960 in Chelmsford, England. He received a Bachelor of Science in economics from the LSE in 1982, a Master of Arts in economics from the University of Warwick in 1986, and a Doctor of Philosophy in economics from Yale University in 1993. He is a professor at the University of Chicago's Harris School of Public Policy. He taught at Harvard University from 2004 to 2015. He co-authored several books with Daron Acemoglu, including *The Narrow Corridor*, *Economic Origins of Dictatorship and Democracy*, and Why Nations Fail.

Simon Johnson was born in 1963 in Sheffield, England. He studied at Abbotsholme School in Rocester and then read Philosophy, Politics and Economics (PPE) at the University of Oxford, in Corpus Christi College. He graduated with a BA in 1984. He then received an MA in economics (with distinction) from the University of Manchester in 1986. He went on to doctoral study at the Massachusetts Institute of Technology, where Rudiger Dornbusch advised him, and he received a PhD in economics in 1989, writing a dissertation entitled *Inflation, intermediation, and economic activity*. He joined the MIT faculty in 1997 and

was tenured in 2002. At MIT, he is a research affiliate at Blueprint Labs, co-directs MIT's Shaping the Future of Work Initiative, and heads its Global Economics and Management Group. He has been a research associate at the National Bureau of Economic Research (NBER), a private, non-profit, and non-partisan American economic research organisation, since 2004. In June 2026, the UK government announced the formation of the AI Economics Institute (AIEI), the world's first government-backed research institution dedicated to studying and assessing the economic impacts of artificial intelligence. It operates as a joint research organisation reporting to HM Treasury and the Prime Minister's AI Taskforce. Professor Simon Johnson chairs the AIEI.

"The three economists were awarded the Nobel Prize in Economics for demonstrating the importance of societal institutions to a country's prosperity. Societies with a weak rule of law and institutions that exploit the population do not generate growth or positive change. The three economists' research helps explain why. When many countries were colonised, the institutions in those societies changed.

The three economists were awarded the Nobel Prize in Economics for demonstrating the importance of societal institutions to a country's prosperity. Societies with a weak rule of law and institutions that exploit the population do not generate growth or positive change. The three economists' research helps explain why. When many countries were colonised, the institutions in those societies changed. This was sometimes dramatic but did not occur in the same way everywhere. In some places the aim was to exploit the indigenous population and extract resources for the colonisers' benefit. In others, the colonisers formed inclusive political and economic systems for the long-term benefit of the new immigrants. The three economists show that one explanation for differences in countries' prosperity is the societal institutions introduced during colonisation. Inclusive institutions were often introduced in countries that were poor when they were colonised, over time resulting in a generally prosperous population. This is an important reason why former colonies that were once poor are now rich.

We all know about Singapore: a former British colony that separated from Malaysia in 1965 with few natural resources and widespread poverty. Today, it is a global financial and trade powerhouse with the sixth-highest GDP per capita in the world in dollar terms and second in the world when GDP per capita is adjusted for Purchasing Power Parity (PPP). South Korea was colonised by Japan and devastated by the Korean War in the 1950s; it was poorer than many sub-Saharan African nations at the time. Through rapid industrialisation and government-led economic plans, it transformed itself into a high-tech economy and home to major global brands. The United States began as a collection of impoverished British colonies dependent on basic agriculture. It leveraged institutional development, vast resources, and industrial growth to become the world's largest economy. For many years, the Republic of Ireland was one of the poorest regions under British rule. Ireland gained independence in the early 20th century: on December 6, 1922, the Irish Free State was officially established for 26 counties with dominion status, while six northeastern counties remained part of the United Kingdom as Northern Ireland. Ireland officially set its standard corporate tax rate at 12.5% on trading profits, effective January 1, 2003, following a phased reduction agreed with the European Union in 1998 and enacted into Irish law in 1999. This resulted in massive foreign investment. With a highly educated workforce and European Union integration, Ireland became one of the world's wealthiest nations per capita; in terms of Purchasing Power Parity, GDP per head is third in the world, behind number one Liechtenstein and number two Singapore.

Some countries were once rich and are now poor. Not everyone will agree with this categorisation, but I'll mention some countries that some say fit that description. Haiti is a former French colony; in the 1700s, the colony of Saint-Domingue was one of the richest colonies in the world, supplying most of Europe's sugar and coffee. After winning independence in 1804, a massive debt owed to France, combined with political instability and natural disasters, left Haiti as the poorest nation in the Western Hemisphere. Some claim Mali also falls into this class. Mali was formerly a French colony. Earlier, during the 14th century, the medieval Mali Empire under Mansa Musa was legendary for its vast gold wealth and control of trade routes. Shifts in global trade, colonial rule, and modern civil conflicts have left Mali among the poorest nations today. For a time, but probably no longer, a province of India became poorer as a result of India becoming a British colony: before British colonisation and the dismantling of its homegrown textile and manufacturing industries, the Mughal Empire produced a massive share of the world's economic output. Centuries of

wealth extraction left the region impoverished at independence in 1947, and average income levels remain low today despite rapid modern growth.

Around the world, some countries become trapped in extractive institutions and low economic growth. Inclusive institutions would create long-term benefits for everyone, but extractive institutions provide short-term gains for those in power. As long as the political system guarantees they will remain in control, no one will trust their promises of future economic reforms. According to the three economists, this is why nothing improves.

However, this inability to make credible promises of positive change can also explain why democratisation sometimes occurs. When revolution threatens, those in power face a dilemma. They would prefer to remain in power and try to placate the masses by promising economic reforms. Still, the population are unlikely to believe that they will not return to the old system as soon as the situation settles down. In the end, the only option may be to transfer power and establish democracy.

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"Reducing the vast differences in income between countries is one of our time's greatest challenges. The laureates have demonstrated the importance of societal institutions for achieving this," says Jakob Svensson, Chair of the Committee for the Prize in Economic Sciences.

In *Why Nations Fail*, Acemoglu and Robinson argue that differences in standard of living come down to institutional design. They reject theories claiming that tropical climates, lack of knowledge, or cultural traits keep nations poor. Instead, they demonstrate how human-created rules shape the incentives that drive or block human effort. Institutions fall into two primary categories: first, inclusive economic and political institutions, which protect private property rights, enforce the rule of law, create a level playing field, and encourage broad public participation. They reward innovation and welcome creative destruction - the process where new technologies replace old business models. Examples include democratic states where political power is widely distributed and checked. The second category is Extractive Economic and Political Institutions: these systems concentrate power and wealth in the hands of a small elite. They use state authority to siphon resources from the majority of the population. They block competition, restrict technology adoption, and suppress economic freedom to prevent threats to their political control.

Institutions are self-reinforcing, creating feedback loops over time: firstly, Virtuous Circles: inclusive political systems limit government abuse, which protects inclusive economic institutions. This broad prosperity further strengthens pluralistic politics. Second, Vicious Circles: extractive political power lets elites write economic rules that enrich themselves. They use this wealth to capture political power, cementing a cycle of poverty and weak governance.

Small, random historical differences – called critical junctures - can push identical societies down radically different paths. For instance, the Black Death or colonial settlement patterns led some regions to develop forced labour systems (extractive) and others to develop landowner protections (inclusive). Once set, these tracks persist for centuries through institutional drift. The authors use striking examples like Nogales, Arizona versus Nogales, Sonora - a single city split by a border, where institutional quality dictates massive differences in wealth and safety - and the contrasting trajectories of North and South Korea. They also warn that authoritarian growth models, such as modern China's state-led technocracy, have limits because they adopt existing tech without permitting true creative destruction and pluralism.

In the final chapter, the authors explain that foreign aid and top-down technical fixes fail to cure poverty because extractive elites intentionally maintain dysfunctional policies to protect their own power. Lasting prosperity relies instead on inclusive, pluralistic institutions and grassroots movements that successfully challenge these extractive structures.

Why Nations Fail is easy to read and full of interesting historical stories about different countries. You can get it for free online. Make a point of reading it.



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